2013

ANNUAL REPORT & ACCOUNTS

Johnson Matthey

TECHNOLOGY LEADERSHIP

developing products to enhance quality of life

responsibility

strategy

teamwork

sustainable

innovation

people

superior value

opportunities

investment

integrity

JOHNSON MATTHEY IS A LEADING SPECIALITY CHEMICALS COMPANY UNDERPINNED BY SCIENCE, TECHNOLOGY AND OUR PEOPLE.

The group is a leader in sustainable technologies and many of our products enhance the quality of life for millions through their beneficial impact on the environment, health and wellbeing. **Technology leadership** forms the basis of Johnson Matthey's strategy to deliver superior long term growth and we continue to invest in R&D to develop the next generation of sustainable products for our customers. To us, good performance is not just about profit. It's about running our business in the most **sustainable** and responsible way and so we have identified five elements of sustainability which have a material impact on our business. In this report we will update you on our progress.

BUILDING A SUSTAINABLE BUSINESS

Go Online

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To view our online annual report

Johnson Matthey at a Glance

Environmental Technologies

Emission Control Technologies

Process Technologies

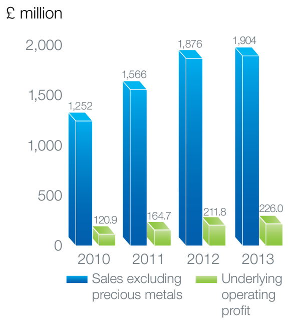
Fuel Cells

Battery Technologies

Environmental Technologies Division's products and services are used globally in applications which benefit the environment. It supplies catalysts and technologies which contribute to pollution control, cleaner fuels, greener power and the more efficient use of hydrocarbon resources. Its emission control catalysts are fitted to about one in three cars sold around the world.

Key Statistics

Return on sales excluding precious metals	**11.9%**
Return on invested capital (ROIC)	**14.5%**
Capital expenditure	**£117.4m**
Capex / depreciation	**1.5**
R&D expenditure	**£99.1m**
Average invested capital	**£1,562m**
Employees	**6,445**



Precious Metal Products

Services

Platinum Marketing and Distribution
Refining

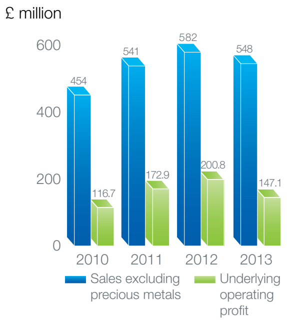
Manufacturing

Noble Metals
Colour Technologies
Catalysts and Chemicals

Precious Metal Products Division adds value to precious metals. Its wide ranging activities include the marketing, distribution and fabrication of precious metals and the manufacture of catalysts and precious metal chemicals. It is also a world leading refiner of precious metals, ensuring these valuable materials are efficiently recovered and reused.

Key Statistics

Return on sales excluding precious metals	**26.8%**
Return on invested capital (ROIC)	**39.2%**
Capital expenditure	**£40.7m**
Capex / depreciation	**1.7**
R&D expenditure	**£21.9m**
Average invested capital	**£375m**
Employees	**2,948**



Fine Chemicals

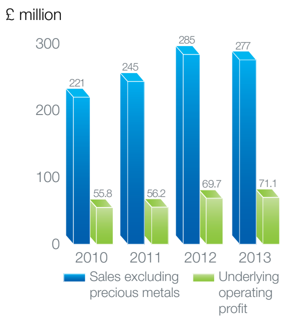
API Manufacturing

Research Chemicals

Fine Chemicals Division supplies active pharmaceutical ingredients, fine chemicals and other speciality chemicals to a wide range of pharmaceutical and chemical industry customers and research institutes globally. Its products help relieve pain, treat cancer and other medical conditions, improving the quality of life for many people around the world.

Key Statistics

Return on sales excluding precious metals	**25.6%**
Return on invested capital (ROIC)	**16.9%**
Capital expenditure	**£20.4m**
Capex / depreciation	**1.1**
R&D expenditure	**£8.6m**
Average invested capital	**£421m**
Employees	**1,107**



Performance Highlights

Johnson Matthey

had a challenging year in 2012/13 however the group has made continued progress in building a sustainable business and in delivering innovative high technology products.

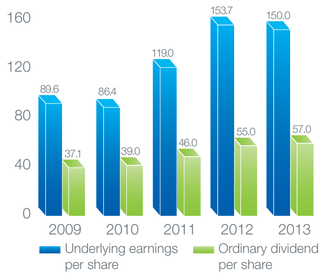
		Year to 31st March		
		2013	2012	% change
Financial				
Revenue	£ million	**10,729**	12,023	-11
Sales excluding precious metals (sales)	£ million	**2,676**	2,679	–
Profit before tax	£ million	**354.9**	409.3	-13
Total earnings per share	pence	**134.6**	148.7	-9
Underlying[1]:				
Profit before tax	£ million	**389.2**	426.0	-9
Earnings per share	pence	**150.0**	153.7	-2
Dividends per share:				
Ordinary	pence	**57.0**	55.0	+4
Special	pence	**–**	100.0	
Social				
Average number of employees		**10,498**	9,914	+6
Voluntary employee turnover	%	**6.5**	6.4	–
Training spend per employee	£	**433**	335	+29
Charitable donations	£ thousands	**615**	645	-5
Health and Safety				
Greater than three day accidents	per 1,000 employees	**2.68**	2.38[2]	+13
Total accident rate	per 1,000 employees	**4.97**	6.00[2]	-17
Occupational illness cases	per 1,000 employees	**2.7**	3.5	-23
Environment				
Energy consumption	thousands GJ	**4,648**	4,726	-2
Global warming potential	thousand tonnes CO_2 equivalent	**413**	417	-1
Total waste	tonnes	**110,448**	120,363	-8
Water consumption	thousands m^3	**2,444**	2,201	+11
Total acid gas emissions	tonnes SO_2 equivalent	**334**	444	-25

[1] Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and, where relevant, related tax effects.

[2] Restated.

Earnings and Dividend Per Share

pence



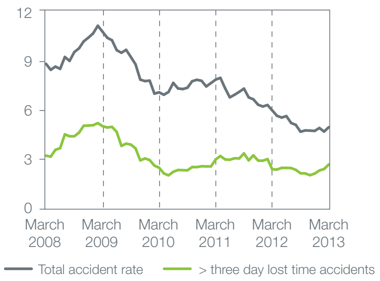
Reducing Carbon Intensity

Tonnes CO_2 equivalent ('000)

Tonnes / £ million sales

Safety is a Key Priority

per 1,000 employees



TECHNOLOGY
LEADERSHIP

developing products to enhance quality of life

> **“Welcome to our 2013 integrated annual report, which I hope will provide you with a deeper understanding of the many aspects of our business, its long term prospects, and how, through technology leadership, we deliver value to our stakeholders.”**
>
> **Tim Stevenson**
> Chairman

CAUTIONARY STATEMENT

The Business Review and certain other sections of this annual report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

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This annual report aims to demonstrate how we work to deliver superior long term growth through technology leadership. It combines our financial, social, health and safety, environmental and governance performance into one document and reflects the five elements of sustainability which we believe have a material impact on our business.

Our **2013** Annual Report and Accounts is divided into eight sections:

.01 **Overview:** introduces Johnson Matthey and summarises our performance in the year. It also outlines the group's strategy to deliver superior long term growth through technology leadership.

.02 **Financial:** details the financial performance of the group and its three divisions during the year.

.03 **Social:** highlights initiatives involving our people, our communities and other stakeholder groups. It also contains performance data relating to employees and community investment.

.04 **Health and Safety:** outlines our performance in the year, our approach to health, safety and product stewardship and the programmes we have in place to drive continuous improvement.

.05 **Environment:** provides more detail on the impact of our business on the environment. It details the environmental performance of our operations in the year and highlights the beneficial impact of our products.

.06 **Governance:** introduces our board of directors and details the corporate governance structures that are in place to ensure we manage our business in a responsible and transparent way. It also contains the statement on responsibility of directors.

.07 **Accounts:** includes the consolidated and parent company accounts and related notes, as well as the independent auditor's report on the financial accounts.

.08 **Other Information:** contains a checklist against the Global Reporting Initiative. It also provides further information for shareholders, a glossary and an index to help the reader locate information in the relevant sections.

Go Online

www.matthey.com/AR13

To view our online annual report

In addition to this integrated Annual Report and Accounts we publish case studies and further information on sustainability on the internet. Links to this supplementary information are highlighted in the relevant chapter of this report with the 🌐 symbol.

Report of the Directors

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- As demand for chemical intermediates in China continues to grow, engineers at Davy Process Technology design and develop processes to enable customers to operate their plants at optimum efficiency.

Global Drivers

Economic Development in China Drives Oxo Alcohols Technology Demand

"At Davy Process Technology we design and develop processes to help chemical manufacturers operate their plants safely and in the most economic and environmentally efficient way. Our process designs provide our customers with a flowsheet, or blueprint, on how to best build and operate their plants.

Through a continued focus on R&D over the years and working with our licence partner, The Dow Chemical Company, we have jointly developed a world leading process for the manufacture of oxo alcohols. Oxo alcohols are important chemical building blocks which are used to make high performance plasticisers for use in the construction and motor industries and for the manufacture of a wide range of everyday items.

Major global drivers, in particular population growth, urbanisation and increasing wealth in China, are fuelling the expansion of the Chinese chemical industry as it strives to meet the needs of the developing economy. As a result, we have seen strong demand for our oxo alcohols process technology from chemical manufacturers in China and in 2012/13 we secured a further five new oxo alcohols licences. We work closely with our customers during the design, build and commissioning of their plants and this, together with world leading state of the art technology, has enabled us to establish our position as the premier supplier of oxo alcohols technology in China."

→ SUPPORTING OUR STRATEGY

– GLOBAL DRIVERS

This section introduces Johnson Matthey and summarises our performance in the year. It also outlines the group's strategy to deliver superior long term growth through technology leadership.

OVERVIEW

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Chairman's Statement

> "After two years of strong growth, 2012/13 saw Johnson Matthey facing a number of headwinds. However, I am pleased to report that your company is making excellent progress in building a sustainable, innovative business that delivers high technology products and services to our customers around the world."
>
> **Tim Stevenson**
> Chairman

After two years of strong growth, 2012/13 saw Johnson Matthey facing a number of headwinds, particularly as a result of a weak European automotive market and lower platinum group metal prices and volumes. Operational issues at our Salt Lake City refinery and a changing competitive landscape for our UK active pharmaceutical ingredient manufacturing business also impacted our results. As a consequence, underlying earnings per share were 2% down on last year at 150.0 pence. However, I am pleased to report that we continued to invest in research and development, in new manufacturing facilities and in developing new businesses. As a result, your company is making excellent progress in building a sustainable, innovative business that delivers high technology products and services to our customers around the world.

Last year we produced our first integrated annual report covering all aspects of our financial and non-financial performance. This was very well received by our stakeholders and underpinned the vital role that sustainability plays in the management and growth of our business. This year we are building on this and are including a section on our business model, which explains how we create value from innovating world leading, high technology products that enhance quality of life. Throughout this year's report we demonstrate how the key enablers of our strategy – R&D; our people and culture; manufacturing excellence; sustainability and the global drivers of the chemical industry – are supporting the development and growth of our business. We are also seeking to provide you with an understanding of how we monitor and respond to the risks and opportunities that come from major global drivers, such as the need to improve air quality, as well as to changes in the business environment.

Good governance plays a critical role in ensuring that Johnson Matthey remains a successful and sustainable company. We are reporting against the 2010 UK Corporate Governance Code (the Code) but in addition have chosen to report in accordance with certain aspects of the new edition of the Code, published by the Financial Reporting Council in September 2012, before we are required to do so next year. During the year I have particularly focused on ensuring that the Code's principles on leadership and board effectiveness have been applied. A key element of this is ensuring that the board has the right mix of individual non-executive directors with the experience and expertise, and who are provided with the right information and support, to constructively challenge and support the executive team. I am therefore pleased to report that the board's balance of skills, expertise and attributes, including its diversity of perspective, is enhanced by the addition of two new non-executive directors. On 4th October 2012 Colin Matthews joined the board. Colin, who is currently Chief Executive Officer of Heathrow Airport Holdings Limited, brings a wealth of international industrial experience and knowledge to our company. On 20th May 2013 we announced that Odile Desforges will join the board with effect from 1st July 2013. Madame Desforges brings many years of experience and knowledge of the automotive industry to the board.

As recently announced, after a long and distinguished career with Johnson Matthey, Bill Sandford will retire as an executive director of the company on 9th October 2013. Bill has been Executive Director, Precious Metal Products since 2009 having joined the company in 1977. Bill has made a wide ranging and consistently strong contribution to Johnson Matthey and his wise counsel and depth of experience of our business will be greatly missed at the board. On behalf of all of us at Johnson Matthey, I would like to thank Bill for his great contribution to the company over many years and wish him all the very best for his retirement.

Concurrent with Bill's retirement, John Walker will be appointed as an executive director of the company, with effect from 9th October 2013. John joined Johnson Matthey in 1984 and has been Division Director of our Emission Control Technologies (ECT) business since 2009. He will have board level responsibility for ECT and brings a wealth of experience and knowledge of that business. I am delighted to welcome John to the board and I look forward to his contribution to its work.

During the year we concluded the performance evaluations of your board and its committees that I outlined in my statement to you last year. On pages 105 to 108 of this year's Corporate Governance Report we describe the methodology that was used and the outcomes of these evaluations. In this section we also report on a further internal review that was conducted this year.

Effective engagement with shareholders is an important part of my role as Chairman. In this respect, I was pleased to meet a number of shareholders at last year's annual general meeting (AGM), my first as Chairman of your company, and look forward to once again meeting many of you at this year's AGM. I am also, of course, available throughout the year to meet our larger shareholders on an individual basis. In addition, I attend our investor presentations during the year to listen to shareholders' questions and hear our management team's responses.

Investing in our people is, without a doubt, the most important investment that we make in the future of our business. The training, development and especially the safety, health and wellbeing of all our employees around the world is vital to the success of Johnson Matthey. I am pleased to report that we have continued to make good progress, particularly in reducing cases of occupational illness. Having beaten our group target in this area we have now set ourselves the challenge of eliminating occupational illness cases from our workplaces.

Over the last year I have continued to meet many of our employees around the world and am always impressed by the depth of their experience; their enthusiasm; professionalism and dedication. On behalf of our stakeholders, I would like to thank all of our people for their hard work and contribution to the success of the company.

To conclude: whilst Johnson Matthey faced significant challenges in 2012/13, we continued to make strong progress towards achieving our long term goals and in delivering high technology products and services to our customers. Whilst economic uncertainties remain and some of our markets will take time fully to recover, I believe that the key enablers of our strategy, together with our ongoing investment in R&D and manufacturing infrastructure, will support the continued growth of Johnson Matthey in the years ahead.

Tim Stevenson
Chairman

Chief Executive's Statement

> "Technology leadership forms the basis of our strategy to deliver superior value to our stakeholders and during the year we have continued to invest in our people, our R&D efforts and our operations around the world to support the future growth of our business."
>
> **Neil Carson**
> Chief Executive

Johnson Matthey had a challenging year in 2012/13 however the group has made continued progress in building a sustainable business and in delivering innovative high technology products that enhance quality of life. After two years of very strong financial performance, further progress this year was impacted by headwinds in some of our markets and our operations. Our environment, health and safety performance has continued to steadily improve.

In 2012/13 we saw some further growth in Environmental Technologies Division but this was more than offset by a poor performance from our Precious Metal Products Division and a weaker year for Fine Chemicals Division.

For the group as a whole, revenue decreased by 11% to £10.7 billion but our sales excluding precious metals (sales) were unchanged at £2.7 billion. Underlying operating profit reduced by 8% to £414.8 million and underlying profit before tax was 9% lower at £389.2 million. The group's underlying return on sales decreased from 16.8% last year to 15.5%, primarily due to the poor performance in Precious Metal Products Division's higher margin Services businesses.

Environmental Technologies Division grew slightly and improved its return on sales. The Emission Control Technologies business was impacted by the weak European automotive market which held back growth in its light duty vehicle catalyst business. However, its heavy duty diesel catalyst business continued to grow and overall its operating profit was slightly ahead. Process Technologies' sales were also a little ahead and operating profit increased significantly, supported by a good result from Davy Process Technology.

Precious Metal Products Division had a difficult year particularly in its Services businesses. Lower average precious metal prices, reduced volumes and previously reported operational issues at our Salt Lake City refinery all contributed to a substantial reduction in profitability. The loss of our current contracts with Anglo American Platinum Limited (Anglo Platinum), announced in February 2013, will impact the performance of this division from Q4 2013/14. The performance of its Manufacturing businesses, which represent nearly 70% of the division's sales, was similar to last year.

The underlying results from our Fine Chemicals Division were in line with last year but increased competition at our UK active pharmaceutical ingredient (API) manufacturing business constrained the division's growth. In response, we have restructured our global API manufacturing business to better position it to return to growth. The US API manufacturing business and the division's Research Chemicals business both performed broadly in line with last year.

Sustainability continues to be an important element of our long term strategy for growth and during the year we passed the halfway point of our Sustainability 2017 programme. As you will see on page 21, our progress so far has had a major positive impact and we believe we remain on track to meet our goals. For us, sustainability is about doing the right thing for our business, our people and our planet over the longer term. We are approaching this in two ways; through focusing hard on improving the environmental footprint of our operations and by using our expertise to develop innovative, more sustainable products that provide solutions for our customers. This is supported by major global trends which offer strong opportunities for us to grow our business through providing high technology products that deliver sustainability benefits.

Innovation lies at the heart of Johnson Matthey's long term success and I believe that as our business continues to grow, maintaining and developing our spirit of innovation is key. During the year we have launched 'myJM', a new web based system to enhance collaboration between our employees, wherever they are in the world. R&D is the conduit for our people to realise their innovative ideas and we have increased our investment in R&D again this year to support our business.

Around three quarters of the value we create comes from products that we manufacture at our facilities around the world and manufacturing represents a major cost for our business. 2012/13 saw the first full year of 'Manufacturing Excellence', a programme to better equip us in producing our high technology products in the most sustainable and efficient way. Operational and efficiency improvements as a result of the programme are already making an important contribution and will continue to benefit our business over the years ahead.

Our new business development efforts have also made good progress, as outlined on pages 17 to 19. We already have several programmes in place and made our first acquisition in the year to support this area.

In the face of a challenging operating environment this year, Johnson Matthey's people have continued to do the company proud. Our people play a vital role in the success of our business and their development and wellbeing remain our key priorities. I am pleased that we have continued to make further progress this year in improving our performance in these important areas. Work has also continued on understanding and articulating our company's culture and values.

The change in our arrangements with Anglo Platinum marks an important milestone for Johnson Matthey. For many years, platinum group metals (pgms) have formed a central part of our strategy and, as a result of our close relationship with Anglo Platinum and our R&D efforts, we have seen the market for pgms grow substantially, supported by new applications particularly in the industrial and jewellery sectors. Our new arrangements with Anglo Platinum signal a change in the depth of our relationship and will result in a loss of revenue for the group. However, we are confident that we will be able to access the pgms required for the manufacture of our products from a broad range of suppliers.

20 years ago our business and technologies were mostly pgm based but times have changed and non-pgm containing products are an ever increasing proportion of our product mix. Going forward, our R&D efforts will further reflect this. Today Johnson Matthey is a more agile and diverse business and our strategy review later this year provides a timely opportunity to look more pragmatically at how we use our chemistry and materials science expertise to deliver high technology products.

Outlook

2012/13 was a challenging year for Johnson Matthey, but nevertheless we remain very well positioned to grow our business over the medium and long term. However, 2013/14 will be a year of transition as on 1st January 2014 new Euro VI legislation comes into force for heavy duty diesel vehicles in Europe and on the same date our new arrangements with Anglo Platinum will commence.

Although the medium term outlook for our Environmental Technologies Division is positive, growth in our Emission Control Technologies business in the short term will be strongly influenced by the European economic environment. In the last few months light duty vehicle sales data has been mixed. Sales in our European heavy duty diesel business have, however, exceeded our expectations, which may suggest some pre-buy ahead of the new Euro VI legislation. Our North American business continues to make progress and the advent of heavy duty diesel Euro IV legislation in China, which commences on 1st July 2013, will drive further growth.

Process Technologies is well placed for another year of growth, benefiting from the acquisition of Formox. Underlying demand for our chemical catalysts and technologies remains strong, although we expect that normal cyclicality will impact demand for ammonia catalysts but benefit that for methanol catalysts. The oil and gas market remains robust which will enable continued strong demand for our products.

In its first full year, we anticipate that Battery Technologies will grow sales substantially.

Overall we expect that Precious Metal Products Division will make progress in 2013/14 albeit from a relatively low base. Our refining businesses have started the year well as higher intake volumes in the fourth quarter of 2012/13 are processed. Precious metal prices have fallen in recent months and if maintained these lower prices will likely lead to a reduction in our refining volumes. Our Manufacturing businesses are expected to continue to make steady progress during 2013/14.

The performance of Fine Chemicals Division in 2012/13 was impacted by competition issues at our UK API manufacturing business. The restructuring in the fourth quarter positions the business for the future but its UK business is unlikely to fully recover within the next two years. We expect continued growth in the US API manufacturing business in 2013/14 and overall the long term drivers for the division remain sound. We therefore expect that, after some modest retrenchment in the first half, the division should return to growth in the second half of 2013/14.

Overall, we expect that the group will make steady progress in 2013/14 notwithstanding the loss of revenue from Anglo Platinum. In the medium term, growth is expected to accelerate in 2014/15 and beyond, driven particularly by tighter vehicle emissions legislation and demand for Process Technologies' products, especially in China. In addition, we are confident that our long term market drivers will enable Johnson Matthey to deliver continued growth which will be further enhanced by our ongoing investment in R&D and new business development.

Reorganisation

With effect from 1st April 2013 we have reorganised our reporting divisions to reflect our new management structure and improve transparency for our stakeholders. Consequently, for the year ending 31st March 2014 the group will report the results of five divisions: Emission Control Technologies, Process Technologies, Precious Metal Products, Fine Chemicals and New Businesses.

Neil Carson
Chief Executive

Our Business

→ WELL POSITIONED FOR FUTURE GROWTH

Johnson Matthey is a leader in sustainable technologies. We focus on clean air, clean energy and low carbon technologies and are experts in the application and recycling of precious metals. We invest in R&D to develop high technology products that enhance the quality of life for millions of people around the world.

Johnson Matthey is a global speciality chemicals company. We have operations in over 30 countries and employ around 11,000 people worldwide.

The group is organised into three global divisions:

- **Environmental Technologies**
  Read more on page 30.
- **Precious Metal Products**
  Read more on page 38.
- **Fine Chemicals**
  Read more on page 44.

Building a Sustainable Business

Social
Employee development and wellbeing, recruitment
Supporting communities, safeguarding reputation

Environment
Responsible operations
Beneficial products

DELIVERING VALUE

Health and Safety
Protecting employees, customers and communities
Beneficial products

Governance
Well run business
Transparent reporting

Financial
Must be profitable to be sustainable
Sustainability initiatives can be cost efficient too

A Vision for Sustainability

Our goal at Johnson Matthey is to grow our business – but to grow it sustainably. Sustainability is a key element of our strategy for continued growth and we believe that the resource efficient, environmentally responsible manufacturing of products that offer sustainability benefits for our customers can leverage commercial advantage for the group and deliver superior value.

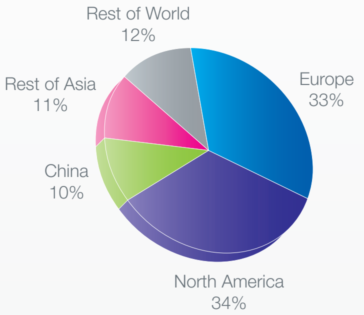
All across the group, employees are engaged in sustainability programmes focused on designing and manufacturing our products more efficiently using fewer resources and on developing improved, more efficient products for our customers.

Read more on page 15.

A Truly Global Company

Johnson Matthey sells its products globally which provides stability in times of regional market uncertainty. Year on year we are increasing our sales to developing markets and expanding our operations to support this global growth.

Sales by Region



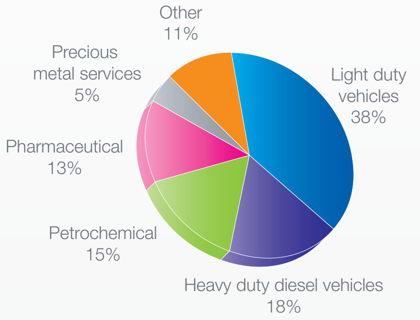
21%

Sales in Asia in 2012/13.
Read more on pages 30 to 46.

Focused on Key Markets

Johnson Matthey is focused on its key markets where we can add value through applying our expertise in catalysis and platinum group metal chemistry. This approach enables us to maintain differentiation through technology and achieve leading industry positions with high margin products.

Sales by Key Market



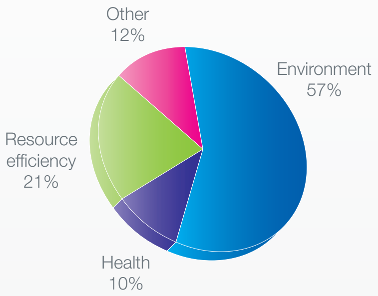
9%

Growth in heavy duty diesel catalyst sales in 2012/13.
Read more on page 34.

A Leader in Sustainable Technologies

Johnson Matthey is focused on developing products that deliver sustainability benefits to our customers and to society. Today, some 88% of the group's sales represent products and services which provide sustainability benefits through their positive impact on the environment, resource efficiency or our health.

Sales by Area of Beneficial Impact

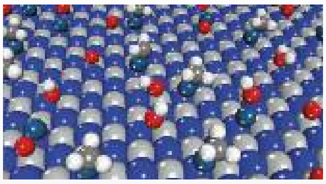


88%

Sales from products providing sustainability benefits in 2012/13. Read more on pages 30 to 46.

Investing in R&D

At Johnson Matthey, we invest heavily in research and development (R&D). We recognise that this investment is vital if we are to realise new market opportunities over the years ahead. Our ability to innovate and differentiate through technology underpins our future success.



£136.0m

Gross spend on R&D in 2012/13.
Read more on page 16.

Sustainability 2017

Sustainability 2017 is Johnson Matthey's vision for building a sustainable business and includes challenging targets to support future growth. We aim to double our underlying earnings per share while cutting carbon intensity by half, achieving zero waste to landfill and halving the key resources that we consume per unit of output by 2017, the 200th anniversary of the company's foundation. We also aim to eliminate accidents and occupational illness cases across the group.

~£38m

Savings from sustainability initiatives to date.
Read more on pages 15 to 17.

Manufacturing Excellence

Manufacturing is the way we bring our science to life and our Manufacturing Excellence programme is focused on ensuring we run our manufacturing operations with the highest efficiency. Through Manufacturing Excellence we aim to boost efficiency, reduce manufacturing costs, develop our people and support delivery of our Sustainability 2017 targets.

60%

Employees working in manufacturing operations.
Read more on pages 16 and 17.

Our Business Model

→ OUR MODEL…

is to create value from innovating world leading, high technology products that enhance quality of life.

Our business model is designed to deliver sustainable profitable growth. At Johnson Matthey we innovate, develop and manufacture or provide high technology products and services which we sell to industrial customers. We primarily serve the automotive, chemical, oil and gas and pharmaceutical sectors and our products are often designed alongside our customers to address their specific requirements. We strive for technology leadership, which we achieve through being innovative – the development of high technology solutions is our key differentiator and as a result we leverage high margins from products which help our customers add value to their own products and operations.

Sustainability underpins the way we do business and we are committed to building a sustainable business and 'doing the right thing'. The majority of our products provide sustainability benefits for our customers, be it through reducing their environmental footprint, benefiting health and wellbeing or conserving natural resources. Through the action of our products in our customers', or our customers' customers', applications, we ultimately enhance the quality of life for people all around the world.

How We Create Value

There are three inputs to our business model:

- → Our people
- → Our operations
- → Innovation

These align with the five fundamental enablers of our strategy (pages 14 to 17) and support the long term creation of high technology products and services.

The outputs of our model are also threefold:

- → Sustainable profitable growth
- → Reduced environmental footprint – of our customers' operations, as well as our own
- → Social and wellbeing benefits – from the action of our products

These all directly align with our Sustainability 2017 Vision and support our strategic intent.

Our People

Our people are vital to the long term success of the company. We rely on their ability to innovate and to collaborate with each other and our customers to develop and bring high technology products to market. We hire the best people with the right skills and support them with a culture that engenders innovation and encourages them to develop and grow. Our people are motivated by working for a company that is 'doing the right thing' – and this is an important differentiator in attracting and retaining top talent in an increasingly diverse business.

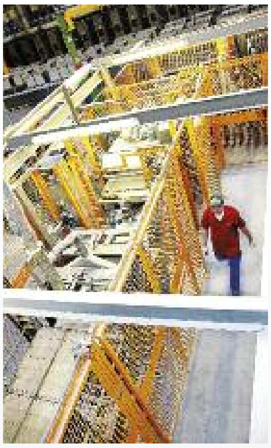
Our Operations

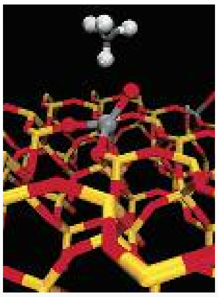
The way in which we produce our products or provide a service is an important element of our success.

In Johnson Matthey around three quarters of the value we create comes from physical products, such as our emission control catalysts or active pharmaceutical ingredients, that we manufacture at our facilities around the world.

Efficient and responsible manufacturing is critical to our economic and environmental performance and we have programmes in place to optimise our operations. Our Manufacturing Excellence programme is driving efficiency improvements and innovation in manufacturing. This is complemented by our Sustainability 2017 strategy which is focused on reducing emissions and minimising resource use. We invest in our manufacturing capacity to ensure we can meet customer demand and have the ability to flex our cost base if our markets slow. We demand high returns from our investments, with a target of at least 20%, which drives continued improvement in operational efficiency.

Approximately one quarter of the value we create comes from the provision of specialist services such as process technology used to design chemical plants or diagnostics that improve efficiency in the oil and gas industry. Collaboration and strong relationships with our customers are crucial in providing a high quality tailored service. Expertise and a reputation for excellence underpin success and we perpetually build on these through continued investment in R&D and our people.





Innovation

For Johnson Matthey, innovation lies at the heart of sustainable profitable growth. Innovation fuels the continuous development of new and higher performance products and this, together with our know how and, where appropriate, intellectual property protection, underpins our ability to maintain technology leadership positions. We partner with our customers, industry experts and academics to further spark ideas. Innovation isn't just confined to new product development; it is harnessed throughout our business processes. Our ways of working and culture encourage collaboration and innovation amongst our people, whilst continued investment in R&D provides them with the infrastructure and resources to realise the potential of their innovative ideas.

Achieving Sustained Value Creation

- Profitable growth is the basis of sustained value creation. It is driven by technology leadership and our commitment to 'doing the right thing'. These drivers differentiate us from our competitors and enable us to attract potential employees with the innovative flair that we require.
- Profitable growth allows us to invest in R&D and manufacturing assets. These provide the conduit to turn our innovations into high technology products and services which meet our customers' needs.
- By creating high technology solutions for our customers we attain, maintain and grow strong market positions and leverage high margins. From these we achieve profitable growth which perpetuates sustained value creation.

Our Strategy

→ STRATEGIC **INTENT**

Johnson Matthey's strategic intent is to deliver superior long term growth through technology leadership. For us, delivering 'superior long term growth' means growing our business ahead of the underlying growth rates of our key markets.

THE FIVE MAJOR THEMES DIRECTING JOHNSON MATTHEY'S STRATEGY ARE:

FOCUS ON LEADING EDGE CATALYSIS
We will continue to focus upon the science of catalysis which underpins the majority of Johnson Matthey's products and enables the group to develop high performance solutions for our customers.

DIFFERENTIATION THROUGH TECHNOLOGY
Enhanced investment in R&D in our core markets will enable the group to provide the very best products and maintain a competitive edge.

STRONG POSITION IN PLATINUM GROUP METALS
Around 70% of Johnson Matthey's businesses involve platinum group metals (pgms) and we will continue to apply our expertise in exploiting their chemical and physical properties to deliver high technology added value products.

ORGANIC GROWTH
Organic growth remains our primary focus however the group will make bolt-on acquisitions where they will accelerate the delivery of our strategy.

NEW BUSINESS DEVELOPMENT
We will increase our investment in new markets and sectors to target further growth from areas that are aligned with the group's technological expertise and commercial interests.

Reviewing our strategy: the group completed its last major strategy review in late 2010. This review involved a detailed examination of the group's past performance, its key strengths and the attributes that make it successful. Global megatrends impacting the world around us that will drive growth for the company were considered and the key strategic opportunities arising from these were identified. From this, the group's strategic direction for the next ten years was defined.

Read more on the strategy review process on pages 8 to 13 of our 2011 Annual Report and Accounts or online at www.matthey.com/AR11.

A formal review of group strategy is carried out every three years and the next review will take place during the second half of 2013. As our businesses work towards their strategic priorities, their progress is reported to and monitored by the board. In addition, each year our businesses formally discuss their strategic priorities with the Chief Executive's Committee and the outcomes are reported to the board.

Supporting Our Strategy

There are five fundamental key enablers to our strategy which impact our business and enable future growth.

1 Global Drivers

There are four major global drivers which we believe have a major impact on Johnson Matthey's business:

→ Environmental factors, climate change, regulation

→ Natural resource constraints

→ Population growth, urbanisation, increasing wealth

→ Health and nutrition, ageing population

The figure below illustrates how these macro level trends impact the industries into which Johnson Matthey supplies its products, services and technologies.

All four global drivers provide opportunities for growth in many of our businesses. For example:

- Projected population growth rates and increasing urbanisation and wealth, particularly in emerging markets, will drive an increase in the number of cars on our roads and therefore links through to growth in Johnson Matthey's automotive emission control catalyst business.
- Projections on how natural resources will become more depleted provide estimates on demand for recycling which, in turn, will benefit the group's Pgm Refining and Recycling business.

These global level trends also offer opportunities for the group to leverage its expertise in catalysis and platinum group metals to deliver growth across its businesses, ahead of underlying market rates.

2 Sustainability

Sustainability is a key element of our strategy for future growth where the resource efficient, environmentally responsible manufacturing of high technology products that deliver sustainability benefits can leverage commercial advantage for the group.

The group's Sustainability 2017 Vision, launched in December 2007, sets out our direction and aspirations for building a more sustainable business. Our long term sustainability strategy is underpinned by two business drivers, five key elements and six sustainability targets.

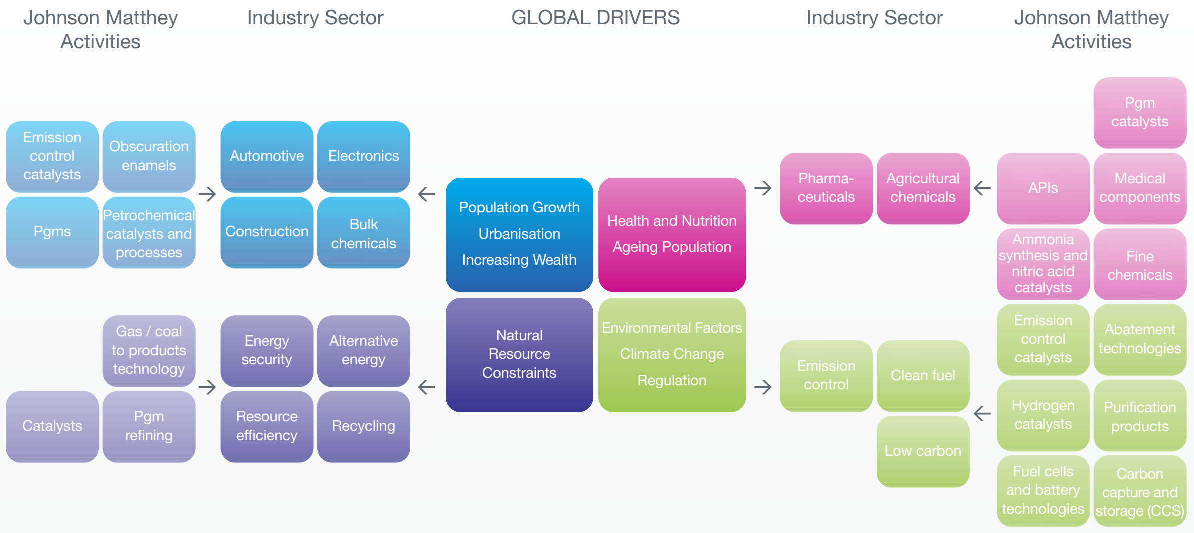
Two Business Drivers

There are two key business drivers for sustainability which encourage responsible business practices and support future growth. The first focuses on our internal operations and on designing and manufacturing our products more efficiently, using fewer resources. This approach helps us to reduce our costs and at the same time reduces our impact on the planet. The second driver concerns our products and services and focuses on developing improved, more efficient solutions for our customers. By doing this we can enhance our customers' performance and improve their sustainability footprint which, in turn, will improve our competitiveness. Together these drivers support the development of high technology products and services which enhance quality of life, be it through health, social or environmental benefits.

Five Key Elements

Growing our business through sustainability is not solely about our operations and products. We are also committed to best practice in governance, to creating a positive working environment for employees and to being a responsible partner for our customers, suppliers, communities and other stakeholders. As such, we manage sustainability across the group according to five elements: financial; governance; social; health and safety; and environment. Delivering good performance in all five areas is vital to our long term success.

Global Drivers Impacting the Chemical Industry



.01 Overview

Our Strategy continued

Six Sustainability Targets (from April 2013)

At least double earnings per share

Halve carbon intensity

Achieve zero waste to landfill

Halve key resources consumed per unit of output

Achieve zero occupational illness cases

Achieve a zero ‘greater than three day accidents’ safety target

Six Sustainability Targets
Our Sustainability 2017 Vision is supported by six challenging targets as illustrated in the figure above. Our progress towards them in 2012/13 is summarised on page 21 and further details are provided in the Financial, Social, Health and Safety and Environment sections of this report.

Read more on sustainability at Johnson Matthey at www.matthey.com/sustainability.

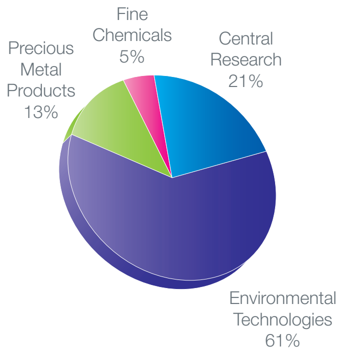
3 Research and Development

Continued investment in R&D brings to life the innovation that underpins the future growth of Johnson Matthey. It is this investment, together with our ability to recruit the most talented and creative scientists, that will ensure we maintain the expertise and leadership in the science of catalysis, materials chemistry and pgms that drive the development of high technology products and manufacturing processes.

Around 1,300 of our employees work in R&D representing around 12% of the total workforce and include many highly skilled scientists and engineers. Around 80% of our R&D staff work within the group’s businesses in dedicated R&D and technical centres around the world. In our businesses, work is mainly focused on delivery of shorter term business specific projects or to address particular market developments or customer needs.

Alongside these activities, Johnson Matthey also has central capability on strategic R&D, located at four Technology Centres, which works on behalf of all of the group’s businesses.

Research and Development Employees



We maintain a close link between our central R&D activities and the development work carried out directly by our businesses. This interaction is key in ensuring the rapid transfer of technology to support the continued development of innovative new products and services for our customers. Examples of our current projects are highlighted as ‘Innovation in Action’ case studies throughout this report.

As previously described, major global drivers provide significant opportunities for Johnson Matthey to grow and develop its existing business areas over the years ahead and R&D will play an important role in realising these opportunities.

In 2012/13 Johnson Matthey increased its gross investment in R&D by 6% to £136.0 million.

Read more on R&D at Johnson Matthey at www.matthey.com/innovation.

Innovation in Action
Read more on our R&D activities throughout this annual report:

→ Predicting Improved Performance	page 33
→ Insight at an Atomic Level	page 35
→ New Manufacturing Technology for Advanced Materials Development	page 36
→ Innovation Leads to Greater Efficiency in Refining	page 41
→ Scientific Synergies	page 45

4 Manufacturing Excellence

Efficient manufacturing is a key contributor to value creation in Johnson Matthey and will underpin our growth in the future. It is a major part of our business in terms of the group’s global spend and provides jobs for around 60% of our employees. Improving our manufacturing performance can therefore have a significant impact on our business.

Our Manufacturing Excellence programme is a long term investment in our people, manufacturing processes, engineering and technology. Learning and development modules are in place to support our manufacturing employees whilst lean principles are becoming integrated at all sites to increase manufacturing efficiency and improve overall performance. Technical centres of excellence provide opportunities for manufacturing teams around the world to trial and test new equipment and engineering teams are working to identify and develop best practice for our key processes.

The programme realises opportunities for us to increase efficiency, reduce our costs, capture our global expertise and improve our capacity with minimum capital expenditure.

5 **People and Culture**
Recruiting the right people, developing them and providing an environment which motivates them to contribute and stay with Johnson Matthey is fundamental to our long term performance. Our focus is on ensuring we can recruit, retain and develop the highly skilled people that will be needed to support our global growth.

The group recognises that our people and culture are a particular strength and, although the culture of an organisation is not easy to define, there is a distinctive culture in Johnson Matthey, irrespective of division, business, function or geographic location. Sustaining, evolving and integrating our culture as we grow the business is a challenge we are embracing on a global scale.

Progress in 2012/13 and Future Developments

Johnson Matthey has continued to focus on delivering its strategy and 2012/13 has seen the further development of high technology products across the group which has enabled us to differentiate ourselves in our markets. During the year, all our businesses reviewed and reported on their long term strategic plans and key developments were discussed.

The group completed two important bolt-on acquisitions this year, both of which strongly support our strategic aims. In October 2012, as part of our new business development efforts, we acquired Axeon, a company that specialises in the design, development and manufacture of integrated battery systems, to complement our existing R&D programmes to develop battery materials. We subsequently formed a Battery Technologies business, further details of which are provided in the update on new business development on page 19 and in the Financial Review of Operations on page 37.

At the end of the year we also added Formox to our portfolio. Formox is a leading global provider of catalysts, plant designs and licences for the manufacture of formaldehyde from methanol. We are integrating Formox into our Process Technologies business where there are strong synergies and opportunities to add value for the customers of both businesses, as described further on pages 36 and 37.

2012/13 saw the first full year of our Manufacturing Excellence programme and we have successfully established a robust framework that focuses on developing our people, technology and engineering expertise and improving the efficiency of our manufacturing operations. Our aim is to significantly reduce waste from our operations while growing the profitability of our company. During the year all manufacturing sites reported their performance monthly against four key metrics and this has been used internally to track progress and direct actions. Of these metrics, the ratio of our production costs to our sales excluding precious metals has the most direct impact on our profitability. It is an efficiency metric that we believe offers opportunities for us to improve our performance.

Sustainability remains a strong underlying enabler of our strategy and is well embedded across our businesses. We have continued to make good progress towards achieving our Sustainability 2017 targets, as detailed in the Group Performance Review on page 21, and we remain on track to meet our goals. Our target to reduce the incidence of occupational illness cases to 3.7 per 1,000 employees by 2013/14 was exceeded again in 2012/13. The health and wellbeing of our people is a key priority for us and we are keen to drive further improvement. As a result, from 1st April 2013 we have introduced a new, more challenging target in this area – to achieve zero occupational illness cases by 2017.

During the year we have continued to focus on how we engage, develop and motivate our people and further details are provided in the Social section on pages 54 to 61.

We have made good progress in trying to capture the essence of our culture in a way that can be used to support the growth and international diversity of our business over the years ahead. In 2013/14 we will start to increase awareness of our culture and company values through integrating and reinforcing them where appropriate in our communications, development programmes and recruitment activities.

As outlined in the Chief Executive's Statement on page 9 and in the Financial Review of Operations on page 40, in February 2013 we announced that from 1st January 2014 there will be a change to our arrangements with Anglo American Platinum Limited. This change marks an important milestone for Johnson Matthey and our strategy review later this year provides a timely opportunity to look more pragmatically at how we use our chemistry and materials science expertise to deliver high technology products, in the context of these new arrangements.

Our Strategy in Focus – New Business Development

New business development is a major strategic theme for Johnson Matthey and we are actively working on new areas which align with our core skills. Following our strategy review in late 2010, we began a key programme of work with the aim of establishing new divisions with sales of around £200 million per annum by 2020. We aimed to focus on areas peripheral to our current businesses and that built on our core competences.

Two years into our programme we are making good progress across a range of potential new business areas. We have adopted a 'market led' rather than a 'technology push' approach to identifying new areas and the key global drivers impacting the chemical industry (as outlined on page 15) are the starting point for our investigations. Potential areas must show a good fit with these drivers, offer strong market growth and present the opportunity for new market entry positions through a new technology solution. Moving into new markets does bring an element of risk and we are mitigating this through ensuring that any new areas fit well with our core technology competences.

Supporting Our Strategy

Read more about how the five key enablers are supporting our strategy throughout this annual report:

→ **Global Drivers** – Economic Development in China Drives Oxo Alcohols Technology Demand page 4
→ **Research and Development** – The Key to Cleaner Air page 29
→ **Our People and Culture** – Building a Solid Foundation for the Future page 52
→ **Manufacturing Excellence** – More Than Just Improving Efficiency page 67
→ **Research and Development** – Clever Chemistry to Clean Up Water page 76
→ **Sustainability** – Increasing the Transparency in Our Supply Chains page 85
→ **Global Drivers** – Driving Demand for Pain Management and Medical Device Components page 138
→ **Our People and Culture** – Making the Connection with myJM page 189

Our Strategy continued

These core competences are a fundamental set of interrelated technology skills in which we excel and that underpin the products supplied by our businesses today. These competences, which are described in the figure below, apply across the group. Crucially, it is our ability to apply all of these competences simultaneously that gives Johnson Matthey its strength and competitive edge.

Our New Business Development Process

We have a rigorous formal process to manage the development of new business areas. The first phase involves an investigation of market needs with particular emphasis on technical evaluation throughout to ensure appropriate fit with our technology competences. Financial assessment starts from the end of phase two when we have identified opportunities and have an idea of the scale and potential returns associated with them. As we move to phase three and beyond, we develop a more detailed business plan. Projects that do not demonstrate the ability to deliver acceptable returns at any stage are not taken forward.

Alongside organic development and the evolution of our business plans, we fully anticipate the need to fill gaps in our experience and accelerate our timescales through targeted acquisitions. The acquisition of Axeon represents a typical example of nature and scale.

The ongoing costs of our new business development process (excluding acquisitions) is approximately £6 million p.a. and involves around 40 to 50 people, the majority of whom work in R&D.

We expect to run between five and ten projects at any one time. The process is ongoing and we are simultaneously identifying and evaluating new areas whilst developing and filtering out those already in our pipeline. We have a number of projects underway at various stages of development and four of these are outlined in more detail below.

Opportunities in Air Purification

Improving air quality is strongly supported by major global drivers. Increasing industrialisation and car ownership continue to impact outdoor air quality and Johnson Matthey is already well positioned with technology to combat emissions from vehicles. However, air quality in enclosed spaces is often five or more times worse than outdoor air and we believe that new technologies will be required to effectively treat the full range of indoor air pollutants. This presents an opportunity for Johnson Matthey to provide advanced materials that are based on our technology competences and that draw on our existing expertise in vehicle emissions control. We estimate that demand for new air purification technologies will represent a market of around £1 billion a year by 2020.

We are already working closely with customers and have R&D teams developing novel technologies that are capable of removing contaminants at low temperatures. With a good market opportunity and a strong technology fit, this work builds on our portfolio of sustainable technologies and products. It has the potential to add value for our stakeholders and bring further improvements in air quality, both inside and out, for people all around the world.

Opportunities in Advanced Food Packaging

Consumers are increasingly demanding a wider range of healthy, more convenient foods all year round; suppliers are seeking to expand their markets; and supermarkets are looking to sell more high value food. All this leads to increased international food transportation and an overall need to improve the shelf life of fresh produce throughout its journey ‘from farm to fork’. When fresh produce is enclosed in packaging its biological processes continue and create a mini ecosystem of gases which can lead to premature degradation and decay. There are clear opportunities for technologies that can effectively manage and control the gas levels around packaged fresh produce, thus prolonging its shelf life.

Johnson Matthey’s Technology Competences

Designing Advanced Materials at the Atomic Scale to Deliver Real Life Solutions

Johnson Matthey provides solutions to difficult real life problems for our customers and, in most cases, we achieve this through the design and application of **advanced materials**. Not all of our products are materials, but most of our businesses supply products that contain or incorporate an advanced material in some way, whether it is a powdered or coated catalyst, a coated component or a fully functional device. So designing advanced materials is at the centre of much of what we do.

Whatever the material, the ability to develop and supply the best performing product comes from being able to design at the molecular or atomic scale exactly what we want and then manufacture it at scale. **Synthetic chemistry** is a core competence for Johnson Matthey and we excel in both organic and inorganic chemistry and in the application of predictive computational **modelling** to accelerate the evaluation of new structures. We also have an unrivalled knowledge of **pgm chemistry** and a deep understanding of **surface science**, particularly of the properties of coatings and coated surfaces.

We need to be able to verify that what we have made is what we wanted. Evaluating materials, once synthesised, is critical and Johnson Matthey has world leading characterisation and analytical capabilities and experts to support this.

Advanced food packaging applications will represent a market size of around £3 billion a year in sales by 2020 and the technology requirements fit well with our core skills. We are focusing our work on the development of advanced catalysts and absorbents that operate at ambient temperatures. At the same time we are looking at building our market applications knowledge. With strong drivers supporting an attractive market, we are applying our technology skills to address sustainability issues within fresh produce supply chains.

Water Purification

All four global drivers support strong growth in demand for industrial water purification products and there is a clear need for more effective technology solutions. We have identified good prospects within the niche specialised processes area of the water industry and our initial work has concentrated on the most attractive and urgent opportunities that we have found. For those initial areas we believe that there is demand of around £200 million p.a. if we were able to develop solutions today and we estimate demand closer to £500 million p.a. by 2020.

We have established a business team which has conducted further research to scope out specific opportunities and our preliminary research efforts are outlined in more detail on page 76. We currently forecast sales from water purification products of around £10 million p.a. by 2017, followed by rapid growth thereafter as we introduce new products to market. We are currently investing around £1 million p.a. of our £6 million p.a. new business development expenditure on water purification. Although the water industry represents a new area for Johnson Matthey, it offers opportunities for growth through the development of high technology products.

Battery Technologies

The automotive market is well known to Johnson Matthey and the electrification of vehicles is strongly supported by major global trends. As detailed further on pages 31 and 37, due to the limitations of today's battery chemistries, battery electric vehicle suppliers are unable to fully meet industry and consumer requirements for vehicle weight, cost and driving range. Johnson Matthey has a number of R&D programmes in the battery materials area and we are working on the next generation of chemistries that offer step changes in performance and that start to approach that of conventional vehicle systems.

We have also sought to make suitable acquisitions to build our applications engineering understanding and to accelerate our market presence. The first of these is Axeon, which we acquired for just over £40 million in October 2012. By 2020 we intend to have significant sales of battery materials together with continued growth from the Axeon business.

Going forward we will continue to manage the Axeon business to deliver on its growth targets and build our position in the battery technology sector through a combination of organic growth and acquisitions. We hope to make further acquisitions over the next few years, probably of the same sort of size as Axeon, but which focus on improved materials for current and future battery chemistries. This, together with continued growth in the Axeon business, should enable us to deliver profitable sales and solid growth over the next decade in the battery technologies sector.

New Business Development in 2013/14

As outlined on page 9, from 1st April 2013 our new business development activities will be reported, together with our Fuel Cells business, in a separate division named New Businesses.

The materials we make not only have a specific chemical structure, they also have defined functionalities – it's what they do that gives them value rather than what they are chemically. Designing functional materials requires **specialist technology expertise** and a good understanding of applied disciplines such as catalysis, electrochemistry and pharmacology.

The performance of a functional material is affected hugely by the environment that the material sees during its life. A key skill of ours is that of taking a material and customising and **integrating it into a specific application** based upon the environment that it will operate in. This involves a deep understanding of how the material will interact with its environment, including with other components in the system, and the conditions (such as the temperature and / or pressure) that it will see during its lifetime.

Longevity and life of the material are vital too and we typically need to provide our customers with data that proves the durability or performance of our products over their design life. Many of our products last for years and so our ability to design and carry out accelerated lifetime **testing** and, critically, to interpret the results is a key strength. The results from real life testing are used to inform and refine the overall design of new materials as part of our development processes.

Once we have optimised a material and proven it as a prototype we need to be able to **manufacture it at scale** for our customers. This could be anything from a few kilograms through to thousands of tonnes of a material, or hundreds through to millions of units of a discrete component or system. Taking prototypes rapidly into full scale production and maintaining functionality and system behaviour is another critical element of the mix. Understanding scale up requirements often informs the whole process, right back to the initial material design.

Many disciplines contribute to successful manufacturing scale up and our understanding of how to generate defined surface structures is a particular strength of Johnson Matthey. Our ability to design **coatings**, such as catalyst washcoats and inks, that self assemble into the required structure during manufacture, underpins many of our businesses.

Completing the cycle is our ability to **characterise** production of both our final product and the manufacturing process used to make it, and is a key requirement for a materials supplier.

Each competence contributes to the process of developing and supplying advanced and highly functional materials that give the best performance in specific applications. These competences are interconnected and knowledge from each informs the others. It is the combination of these skills and capabilities which we believe sets Johnson Matthey's technology apart from that of our competitors.

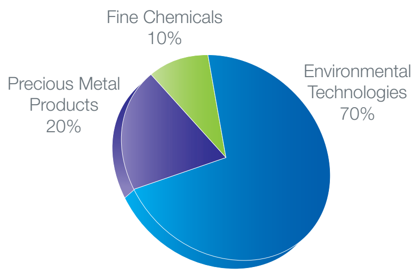
Group Performance Review

Financial Performance

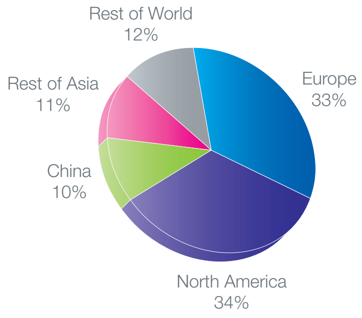
		Year to 31st March		
		2013	2012	% change
Revenue	£ million	**10,729**	12,023	-11
Sales excluding precious metals (sales)	£ million	**2,676**	2,679	–
Operating profit	£ million	**380.5**	433.4	-12
Profit before tax	£ million	**354.9**	409.3	-13
Total earnings per share	pence	**134.6**	148.7	-9
Underlying*:				
Operating profit	£ million	**414.8**	450.1	-8
Profit before tax	£ million	**389.2**	426.0	-9
Earnings per share	pence	**150.0**	153.7	-2

* Before amortisation of acquired intangibles, major impairment and restructuring charges, profit or loss on disposal of businesses and, where relevant, related tax effects.

Sales by Division



Sales by Destination



After two very strong years, continued growth in Environmental Technologies Division in 2012/13 was more than offset by a poor performance from our Precious Metal Products Division and a weaker year for Fine Chemicals Division.

Sales

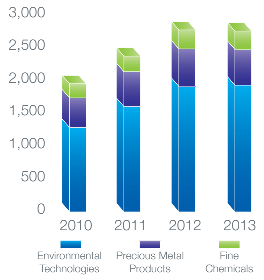
Revenue for the year ended 31st March 2013 was 11% below last year at £10.7 billion. The group's sales were unchanged from last year at £2.7 billion. Translated at constant exchange rates, revenue for the year was 11% down and sales grew slightly by 1%.

Operating Profit

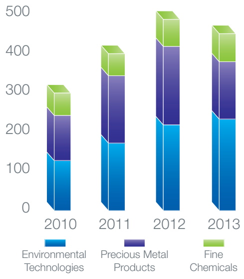
For the group as a whole, underlying operating profit (before amortisation of acquired intangibles, major impairment and restructuring charges) was 8% lower than last year at £414.8 million, while underlying profit before tax was 9% lower at £389.2 million. The group's underlying return on sales decreased from 16.8% last year to 15.5%, primarily due to the poor performance in Precious Metal Products Division's higher margin Services businesses.

The performance of the individual businesses is explained in more detail in the Financial Review of Operations section on pages 30 to 46.

Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



Progress Towards Sustainability 2017

Sustainability 2017 Target	Sustainability 2017 Key Performance Indicators	Baseline 2007	**2013[1]**	Target	Progress
At least double earnings per share	Underlying earnings per share (pence)	82.2[2]	**150.0**	164.4	◕
Halve carbon intensity	Global warming potential (tonnes CO_2 eq / £ million sales)	294[3]	**154**	147	◕
Achieve zero waste to landfill	Waste to landfill (tonnes)	16,555[3]	**3,218**	0	◕
Halve key resources per unit of output	Electricity consumption (GJ / £ million sales)	1,098[3]	**627**	549	◕
	Natural gas consumption (GJ / £ million sales)	1,604[3]	**988**	802	◕
	Water consumption (m^3 '000 / £ million sales)	1.426[3]	**0.913**	0.713	◕
Achieve zero greater than three day accidents	Annual greater than three day accident rate per 1,000 employees	4.09[4]	**2.68**	0	◑
Achieve zero occupational illness cases	Annual incidence of occupational illness cases per 1,000 employees	5.3[5]	**2.7**	0	◑

[1] Data presented is for the period 1st April 2012 to 31st March 2013.
[2] Data presented is for the period 1st April 2006 to 31st March 2007.
[3] Data presented is for the period 1st January 2006 to 31st December 2006.
[4] At 31st March 2007.
[5] Baseline is incidence of occupational illness cases per 1,000 employees in calendar year 2008.

Our Progress

Johnson Matthey has made further progress towards its Sustainability 2017 targets this year.

In 2012/13, after two very strong years, our financial performance was weaker with underlying earnings per share (EPS) at 150.0 pence. However, given that the drivers of our business remain in place, we believe the group is still on track to achieve its target to double underlying EPS from the 2007 baseline by 2017. Initiatives across the group's businesses to reduce carbon emissions and improve resource efficiency are paying off and we remain well on track to achieve our targets to halve carbon intensity and key resources per unit of output by 2017. Good progress is being made to reduce the amount of waste we send to landfill, supported by efforts from our Manufacturing Excellence programme. Whilst our number of greater than three day accidents increased this year, we have further developed our safety culture programmes which will support our businesses in working towards our target of zero greater than three day accidents. We have made further good progress this year in the area of health and our incidence of occupational illness cases has reduced to 2.7 cases per 1,000 employees, beating our original target. As a result, and to drive further continued improvement, we have amended our target on occupational illness cases to zero, as outlined in the strategy section on page 17 and the Health and Safety section on page 69.

Further details of the group's performance towards its Sustainability 2017 targets are explained in the strategy section on pages 15 to 17, the Health and Safety section on pages 68 to 75, the Environment section on pages 78 to 83 and on our website at www.matthey.com/sustainability.

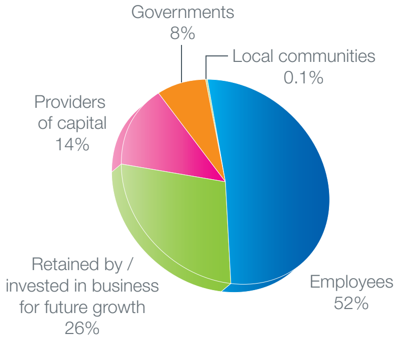
Economic Impact and Distribution of Value to Stakeholders

In 2012/13 the group generated an underlying operating profit of £414.8 million and revenue of £10.7 billion in the year. Of this revenue, £8.1 billion represents the value of precious metals in our products which in many cases is passed directly on to our customers. As a result, we may see quite large year on year swings in the revenue line depending on the movements in the market prices of precious metals during the year. Sales excluding the value of precious metals is thus a better measure of the sales growth in our business.

Of the £10.7 billion revenue, the costs of goods and services were £9.7 billion (including £8.1 billion for precious metals) while our own operations created an estimated £1 billion in underlying added value.

Employees received the largest share of this underlying added value, some 52% of the total, reflecting the fact that Johnson Matthey is a high technology company employing many highly skilled employees across the globe. Amounts payable to providers of capital, i.e. our shareholders and financiers, were 14% of the total, and corporate income taxes of 8% were payable to governments. In 2012/13 we retained / invested 26% in the business for future growth and £0.6 million was invested in our local communities. This community investment represents cash donations made by Johnson Matthey and does not include the value of employee time donated during working hours. We are continuing to develop our systems to capture further information on our contribution to local communities and for the first time this year, following the introduction of our Community Investment Policy in June 2012, we have reported details of time spent by our employees in volunteering activities. This is outlined further in the Social section on page 62.

Johnson Matthey – Distribution of Underlying Added Value 2012/13



Group Key Performance Indicators

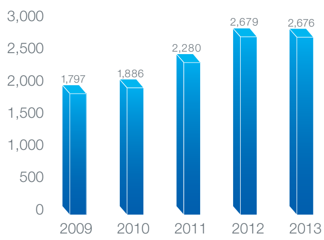
Johnson Matthey uses a range of key performance indicators (KPIs) to monitor the group's performance over time in line with its strategy.

These include key measures of the group's financial performance as well as indicators to monitor ongoing investment in facilities and in R&D. In addition, the group also uses KPIs to track the carbon footprint of its operations and to measure and drive continuous improvement in the safety, wellbeing and development of its employees.

→ These principal KPIs, together with the group's performance against them in 2012/13, are described below:

Sales Excluding Precious Metals

£ million



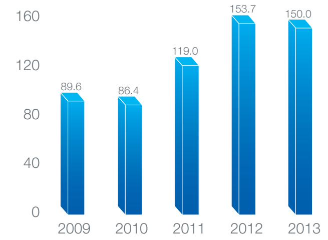
Monitoring sales provides a measure of the growth of the business. In measuring the growth of the group, we focus on sales excluding the value of precious metals because total revenue can be heavily distorted by year on year fluctuations in precious metal prices. Not only that, in many cases, variations in the value of the precious metals contained within our products are passed directly on to our customers.

Performance in 2012/13

In 2012/13 sales excluding precious metals were unchanged as described in the Financial section on pages 30 to 50.

Underlying Earnings per Share

pence



Underlying earnings per share is the principal measure used by the board to assess the overall profitability of the group. The following items are excluded from underlying earnings because they can distort the trend in measuring results:

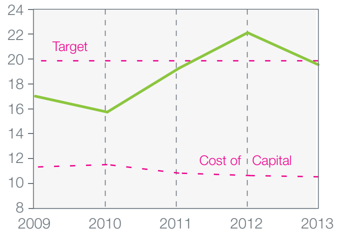
- Amortisation and impairment of intangible assets arising on acquisition of businesses (acquired intangibles).
- Major impairment or restructuring charges.
- Profit or loss on disposal of businesses.
- Tax on the above and major tax items arising from changes in legislation.

Performance in 2012/13

This year underlying earnings per share reduced by 2% to 150.0 pence, despite the reduction in underlying profit before tax of 9%. Further details are provided on pages 30 to 50.

Return on Invested Capital

%



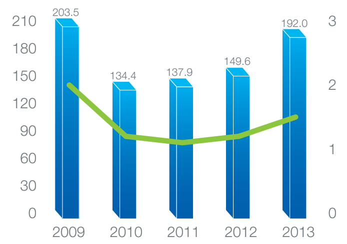
In a business as capital intensive as Johnson Matthey's, profitability alone is a poor measure of performance; it is possible to generate good operating margins but poor value for shareholders if assets are not used efficiently. Return on invested capital (ROIC) is therefore used alongside profit measures to ensure focus upon the efficient use of the group's assets. ROIC is defined for the group as underlying operating profit divided by average capital employed (equity plus net debt). ROIC for individual divisions is calculated using average segmental net assets as the denominator.

Performance in 2012/13

The group's ROIC decreased from 22.3% to 19.7%. We remain committed to our 20% ROIC target.

Capital Expenditure

£ million capex / depn (times)



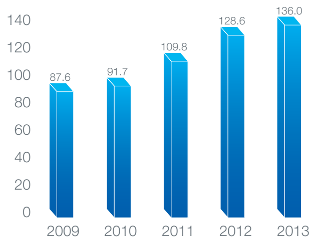
To enable the group to continue to grow, Johnson Matthey invests significant amounts in maintaining and improving our existing plants and in adding new facilities to provide additional capacity where necessary. All new capital expenditure is subject to detailed review to ensure that its investment case passes internal hurdles. Annual capital expenditure is measured as the cost of property, plant and equipment and intangible assets purchased during the year. The ratio of capital expenditure to depreciation gives an indication of the relative level of investment.

Performance in 2012/13

In 2012/13 the group's capital expenditure was £192.0 million which represented 1.5 times depreciation (2011/12 1.2).

Gross Research and Development Expenditure

£ million



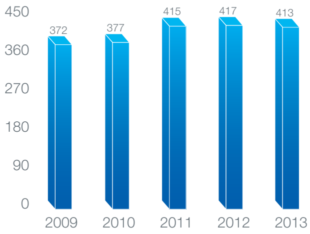
Johnson Matthey's strategy is focused on delivering superior growth through technology leadership. To maintain our competitive position, we need to keep investing in research and development. Whilst absolute levels of research and development expenditure do not necessarily indicate how successful we are, that success rapidly feeds through to higher sales as lead times in our business can be quite short.

Performance in 2012/13

In 2012/13 the group increased its research and development expenditure by 6% to £136.0 million. Further details of the group's research and development activities are described throughout the Business Review.

Sustainability – Global Warming Potential

thousand tonnes CO_2 equivalent



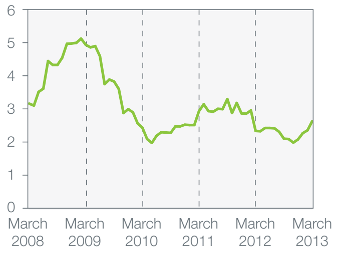
We measure our progress towards reducing the carbon footprint of our operations and improving our energy efficiency by looking at the group's total global warming potential (GWP). Total GWP is based on our direct and indirect energy usage and CO_2 equivalence which provide a strong platform for monitoring the impacts associated with energy use in our operations. We are working to broaden the scope of our GWP measurement to include all aspects of our business and to consider the beneficial impacts of our products and services.

Performance in 2012/13

This year the group's GWP decreased slightly from 417,000 tonnes to 413,000 tonnes CO_2 equivalent, supported by efforts within the group's Sustainability 2017 programme. Further information on the group's GWP is given in the Environment section on pages 78 to 83.

Safety – Annual Rate of Greater than Three Day Accidents

per 1,000 employees



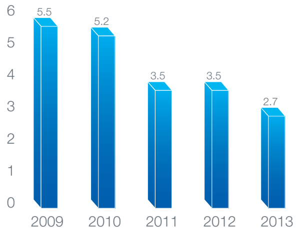
Johnson Matthey is a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous safety systems apply across all facilities and are essential if the group is to avoid accidents which could cause injury to people or damage to our property, both of which can impact the group's performance. We actively manage our safety performance through monitoring the incidence and causes of accidents that result in more than three days lost time.

Performance in 2012/13

The group's annual rate of greater than three day accidents increased this year to 2.68 per 1,000 employees. Further details of our safety improvement programmes are provided in the Health and Safety section on pages 68 to 75.

Health Management – Annual Incidence of Occupational Illness

cases per 1,000 employees



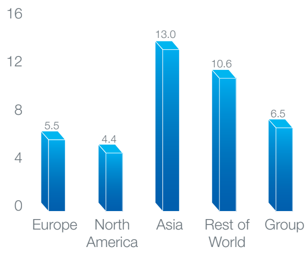
The health and wellbeing of our employees is a priority for Johnson Matthey and we are committed to minimising workplace related negative health effects. We manage our performance in this area by measuring the number of occupational illness cases arising as a result of exposure to workplace health hazards.

Performance in 2012/13

The annual incidence of occupational illness cases reduced this year to 2.7 per 1,000 employees as a result of our initiatives to promote employee wellbeing across the group and is below our target of 3.7 cases per 1,000 employees. As a result, from 1st April 2013 we have revised our target to zero occupational illness cases. Further details are provided in the Health and Safety section on pages 68 to 75.

Voluntary Employee Turnover

%



The success of Johnson Matthey is partly dependent upon the extent that we are able to attract and retain talented employees. This means that being an attractive employer is a prerequisite in a competitive environment. We monitor our success in retaining our staff using voluntary employee turnover statistics.

Performance in 2012/13

In 2012/13 the group's voluntary employee turnover increased to 6.5% from 6.4% in 2011/12. Further details of our programmes to retain and develop our people are provided in the Social section on pages 54 to 65.

Risks and Uncertainties

The effective identification and management of risks and opportunities across the group are integral to the delivery of the group's strategic objectives. The group's approach to risk management is aimed at monitoring material issues to enable the early identification of key risks and the taking of action to remove or reduce the likelihood of those risks occurring and their effect.

Risk	Impact
STRATEGIC	
Responding to, identifying or capitalising on appropriate new or growth opportunities.	The group's existing activities are well placed to deliver good growth over the coming years. New business areas will help to sustain the group's growth beyond that period. Failure to identify new business areas or extend the group's portfolio could impact the ability of the group to achieve its strategy and / or maintain growth and / or market share.
Technological change.	Johnson Matthey operates in highly competitive markets in which technology is a key to success. Constant product innovation is critical to maintain competitive advantage. Failure to keep up with changes in the market place and to maintain our technology pipeline could result in a lack of competitive products and erosion of margins and / or loss of market share.
MARKET	
Responding to changes in global political and economic conditions or future environmental legislation.	The global nature of the group's business exposes it to risk arising from economic, political and legislative change in the countries in which it operates. Failure to respond to sudden short and medium term changes in the market or economy or a sustained period of economic weakness in our markets could have a material adverse effect on the group's results. The group has no influence upon changes in inflation, interest rates or other economic factors affecting its business. In addition, the possibility of political unrest and legal or regulatory changes also exists in countries in which the group operates. Over 50% of the group's sales are driven by environmental legislation, particularly legislation over emissions from light and heavy duty vehicles. Further tightening of global emissions legislation generally requires improved technological solutions and the extension of emissions legislation to new applications can create opportunities for the group. A curtailment in environmental legislation around the world could limit the group's growth potential and undermine profit margins.
FINANCIAL	
Pension scheme funding.	The group operates a number of defined benefit pension schemes, some of which are in deficit. Actuarial deficits could be adversely affected by changes in interest rates, the market values of investments, as well as inflation and increasing longevity of the schemes' members. This may result in greater cash contributions being required.

The board has overall responsibility for ensuring that risk is effectively managed across the group. However, the board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the group's system of internal control and procedures for the identification, assessment, management, mitigation and reporting of risk.

The group has a process in place for the continuous review of its risks. As part of that process, each division reviews its risks and its mitigation strategies and actions and discusses relevant risks with each business as necessary. The most significant risks identified are collated into a Group Risk Register. The Group Risk Register is reviewed by the Chief Executive's Committee. Each risk is allocated an owner or owners who have the authority and responsibility for assessing, monitoring and managing it. Each individual risk is considered and the status and progression of mitigation actions and plans are monitored. The Group Risk Register is reviewed by the board twice a year.

The table below sets out what the board believes to be the principal risks and uncertainties facing the group, the mitigating actions for each and an update on any change in the profile of each risk during the course of 2012/13.

The board considers that the risks identified last year associated with the group's inability to deliver anticipated benefits from acquisitions, capital projects and other initiatives, and commercial relationships and reputation have reduced. They have therefore been removed from the principal risks and uncertainties.

Mitigation	Changes since 2012 annual report
• The group and each business prepares a strategic plan to review demand in existing markets and potential new opportunities. These plans are regularly monitored and challenged. • The group continues to invest in new business development and to identify and convert targets for acquisition.	The group is targeting potential new markets and developing new businesses, both organically and through acquisition. More detail on the acquisition of Axeon and the investment in research within Battery Technologies are described on pages 17, 19 and 37. The progress of our new business development activities, including our focus on air purification, advanced food packaging and water purification are outlined on pages 17 to 19. The acquisition of Formox is described on pages 17, 36 and 37.
• The group continues to invest in existing and new products and technologies through R&D (including through its Technology Centres around the world) and as part of our ten year technology plan. • There is constant innovation and development in cooperation with our key customers. • The group invests in its people to ensure that it maintains a high level of relevant scientific expertise.	No change. Our commitment to innovation, research and development is described throughout this annual report. The group invested £136.0 million in R&D in the year (2011/12 £128.6 million).
• The group maintains a balanced portfolio of products and businesses and serves a wide range of diverse customers which reduces the impact of a change to any one market. • Management continuously monitors the performance of our businesses across the world at both business and group level. • Our cost base contains a significant variable element and is flexible to changing political and economic conditions. • Forthcoming changes in emissions legislation are well understood and our products are designed to meet these increased requirements. • Profit margins can be maintained with continuous improvements in technology to reduce the cost and improve the effectiveness of our products. • Regular reviews are undertaken to monitor areas of new potential legislation. • Lobbying activities are undertaken where appropriate to improve the understanding of regulatory and legislative bodies.	No change. During the year the group effectively managed its variable cost base, particularly in Europe, to minimise the impact on the bottom line. In order to respond to the increasingly competitive environment for active pharmaceutical ingredient (API) manufacturing, we undertook a restructuring of our global business, as discussed on pages 8 and 46. The group is well positioned to respond to and benefit from legislation changes in both light and heavy duty catalyst markets over the years ahead as detailed on pages 32 to 34.
• Where actuarial deficits exist the group has agreed deficit recovery plans. • The group works with the fiduciary committees and trustee boards of each of its pension schemes around the world to ensure that an appropriate investment strategy is in place. This includes de-risking the schemes when market conditions make it appropriate. • Where possible, appropriate pension scheme assets are held to match movements in the schemes' liabilities. • We monitor and proactively manage the rate at which the pension liability grows and consider liability management exercises as appropriate. • The group is reviewing its options with regard to future pension provision for employees worldwide. • More detail of the group's pension schemes is included in note 14 on the accounts.	The group has reviewed its options with regard to future pension provision for UK employees and has closed the defined benefit scheme for new entrants. The group has also implemented further de-risking by matching a greater proportion of its pension assets to its liabilities. In light of these changes we have concluded that this risk has decreased since last year.

Risks and Uncertainties continued

Risk	Impact
OPERATIONAL	
Operating safely, including in line with changes in health, safety, environmental and other regulations and standards.	In common with similar manufacturing companies, the group operates in a challenging safety environment that is subject to numerous health, safety and environmental laws, regulations and standards. Failure to operate safely and respond to changes made to applicable laws, regulations or standards could adversely impact the group's employees or other stakeholders, our manufacturing capability or the marketability of our products.
Availability of strategic materials.	The group uses many raw materials within its manufacturing processes. Several raw materials are available from only a limited number of countries and / or suppliers. Disruption to the supply or a change in the group's ability to access sufficient stocks of these raw materials, most notably platinum group metals, rare earth materials or narcotic raw materials, could adversely affect the group's operations. This may be due to increased prices or because our ability to manufacture and supply products to customers may be impacted.
The effective recruitment, retention and development of high quality staff to support the growth of our business.	The group relies upon its ability to recruit, retain and develop employees around the world with the necessary range of skills and experience to meet its stated objectives, including in relation to business growth. The existing management team has many years of experience at Johnson Matthey, operating in the markets and developing the technologies in which the group maintains a presence. Ineffective succession on the departure of senior management or the lack of an appropriately skilled workforce could adversely impact the group's ability to perform in line with expectations.
Security.	On any given day the group has significant quantities of high value precious metals or highly regulated substances on site and in transit, the security of which is critical. A material loss due to a breach in the group's security measures, including theft or fraud, could be significant to the group's performance.
Intellectual property (IP) and know how.	The group operates in markets in which the generation and application of technology know how and IP allows an advantage to be maintained. Careful monitoring of competitors' IP is required to ensure that breaches of their rights are not made by the group. Failure to establish the group's IP rights or to identify third parties' IP rights could undermine the group's competitive advantage particularly given the group's expansion into new markets. Alternatively, not noting the expiration of patents held by third parties could mean the loss of potential business opportunities. Protecting our broader know how is equally important to ensure that we maintain this advantage.
Systems failure.	The group uses a significant number of complex IT systems in its operational and supporting activities some of which are starting to see the end of their useful life. Failure of one or more of our major IT systems over an extended period could impact our ability to manufacture or to report our operational performance.
Failure of significant sites.	While the group operates from a variety of locations, certain sites are critical to the group due to their scale or the specific nature of their production activities. Failure of one of our critical sites could significantly impact the performance of the group.

Mitigation	Changes since 2012 annual report
• Detailed health, safety and environmental processes are documented in our operating manuals, communicated and reviewed regularly and used as the basis for continuous training and development. • Robust maintenance programmes are undertaken in order to ensure that our facilities and assets meet the applicable group and legislative standards. • The group carries out regular internal reviews to ensure compliance with current group policies and applicable laws, regulations and standards such as ISO 14001 and OHSAS 18001. Our quality standards are also scrutinised externally by customers, suppliers and the relevant authorities. • Changes in legislation are carefully monitored and, if required, the composition of our products is amended to comply with latest legislation. • We are committed to proactive communication and to building open relationships with the authorities and relevant legislative bodies, both directly and through the relevant trade associations.	No change. Our health and safety and environmental performance has improved as described on pages 68 to 73 and 78 to 81.
• Although most of the world's platinum is mined in South Africa, the group has access to world markets for platinum and other precious metals and is not dependent on any one source for obtaining supplies. • Appropriate sourcing arrangements are in place for other key raw materials to ensure that the group is not dependent on any one supplier. • Where possible the group enters into fixed price contracts for key raw materials. • We work closely with key suppliers to ensure availability, including through audits, benchmarking and specific risk reviews. • We monitor forecast requirements on a regular basis and hold buffer stocks where necessary. • We look to identify alternative raw materials where appropriate.	In light of the recent announcements by Anglo American Platinum and continued labour unrest in South Africa we have concluded that this risk has increased since last year.
• Global employee development programmes are in place. These include training of manufacturing leaders to run our operations in a consistent and efficient way. • Regular reviews of management succession plans are carried out and are closely monitored by the Nomination Committee and Management Development and Remuneration Committee (MDRC). • Global remuneration policies are in place to ensure appropriate rewards to motivate and retain staff. • We undertake a continuous assessment of the skills required within the group and action plans are put in place to address identified gaps.	No change. Further details of our global employee development programmes, including our group orientation programme for graduates, are provided on page 52 and pages 56 to 60. The activities of the MDRC are described on page 100 of the Corporate Governance Report and page 118 of the Remuneration Report.
• The group has well developed security, assay and other process controls. • We complete security checks to safeguard both our tangible and intangible assets. • Annual security audits are carried out across the group. • Insurance cover is maintained for losses from theft or fraud.	No change.
• The group has established policies and procedures for registering patents and for monitoring its existing patent portfolio and those of third parties. • We defend infringement claims and challenge new patents where it is appropriate to do so. • We continuously evaluate operating restrictions and opportunities available to us through the use of our IP and know how. • Know how is protected through non-disclosure agreements and other legal measures. • We restrict internal and external access to IP and know how as necessary. • We complete security checks to safeguard our intangible assets. • Our investment in technical developments mitigates the risks to our IP and know how to some degree.	No change.
• We continuously review our IT infrastructure and environment and make short and long term investments where these are deemed necessary and appropriate. • We identify and implement other systems based or manual work arounds where these are identified as necessary. • IT disaster recovery and general business continuity plans are in place and are regularly tested and reviewed. • A number of systems are bespoke to specific businesses or locations which reduces the impact to the group of a failure in any one system.	New principal risk.
• Business continuity plans include consideration and testing of circumstances in which alternative back up locations may be required. • Capacity and demand planning includes consideration of the site's significance. • Given the nature of the group's operating activities, these can be replicated at other locations with reasonable ease and in a short time frame.	New principal risk.

→ SUPPORTING OUR STRATEGY

– RESEARCH AND DEVELOPMENT

This section details the financial performance of the group and its three divisions during the year.

FINANCIAL

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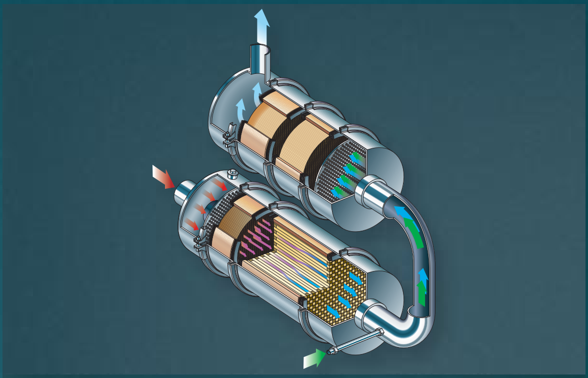


- Continued investment in R&D enables Johnson Matthey to develop the complex catalyst systems that are required to meet ever tightening emissions legislation.

R&D

Research and Development – The Key to Cleaner Air

“In the Emission Control Technologies business we create catalysts that prevent harmful pollutants from vehicles entering the atmosphere. Our catalysts are highly technical and complex systems which perform multiple complex chemical reactions simultaneously. Not only that, they do this under the harsh and variable operating conditions within a vehicle’s exhaust system.

Emissions control is an area that is driven strongly by legislation and as governments around the world remain focused on improving air quality, regulations to control pollutants from vehicles continue to tighten. Tighter legislation means that we must demand more and more from our catalysts – we need them to perform better, tackle new pollutants and do so in a tighter operating window. That’s why our R&D efforts are so key.

Over the years, through continued investment in R&D, we have established a reputation for technology leadership and, in turn, a leading position in the global market for emission control catalysts. With new legislation due to come into force over the next few years we continue to create new, higher technology products in which we optimise the amount of valuable precious metals in our catalysts to deliver the highest performance in terms of emissions control. Through this R&D, Johnson Matthey not only enables its customers to meet the legislation, it also plays its part in providing improved air quality for us all.”

Financial Review of Operations

→ ENVIRONMENTAL TECHNOLOGIES

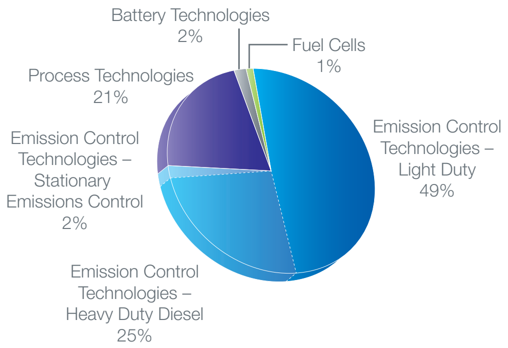
CREATING PRODUCTS THAT BENEFIT THE ENVIRONMENT

KEY STATISTICS

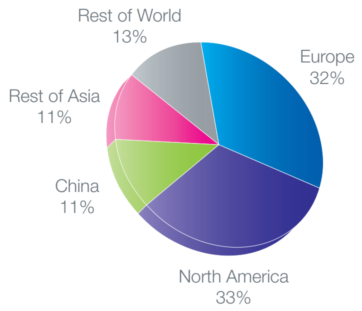
Capital expenditure	£117.4 million
Capex / depreciation	1.5
R&D expenditure	£99.1 million
Average invested capital	£1,562 million
Employees	6,445

	Year to 31st March **2013** **£ million**	2012 £ million	% change	% at constant rates
Revenue	**3,001**	3,255	-8	-6
Sales excluding precious metals (sales)	**1,904**	1,876	+2	+2
Underlying operating profit	**226.0**	211.8	+7	+7
Return on sales	**11.9%**	11.3%		
Return on invested capital (ROIC)	**14.5%**	14.2%		

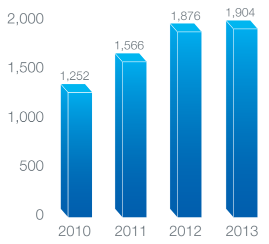
Sales



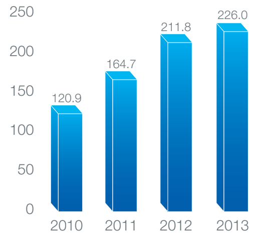
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



DIVISIONAL SUMMARY

ENVIRONMENTAL TECHNOLOGIES

Business	What We Do	How We Add Value	Societal Benefits	Global Drivers	Customer Profile	Major Competitors	Employees	Locations	2012/13 Sales
Emission Control Technologies	Manufacture catalysts which control harmful emissions from cars, trucks, buses and stationary sources	Develop high technology catalyst formulations and systems to meet legislated limits for emissions around the world	• Improved air quality and fuel efficiency • Respiratory health benefits	Environmental Factors Climate Change Regulation Population Growth Urbanisation Increasing Wealth	• Car companies • Heavy duty truck and engine manufacturers • Stationary sources and non-road machinery customers • Global customer base	• BASF • Umicore • Cataler	4,241	• 15 manufacturing facilities in 13 countries • Nine technical centres in seven countries	£1,461 million
Process Technologies	Manufacture catalysts, license process technology and deliver services to the global chemicals and oil and gas industries	Innovate and develop products, process technologies and services to enable customers to operate their processes at optimum efficiency	• More efficient use of natural resources • Lower energy use • Biorenewables / low carbon technology	Natural Resource Constraints Environmental Factors Climate Change Regulation Population Growth Urbanisation Increasing Wealth Health and Nutrition Ageing Population	• Chemical companies • Oil and gas companies • Engineering contractors	• Haldor Topsoe • Clariant • Lurgi • Albermarle • Grace	1,578	• Five manufacturing facilities in five countries • Three technical centres in two countries • Sales offices in key markets	£406 million
Fuel Cells	Develop and manufacture catalysts and components for emerging fuel cell markets	Leverage expertise in advanced materials to develop more economically viable fuel cell components	• Alternative energy • Low carbon, zero emission transport / power	Environmental Factors Climate Change Regulation Natural Resource Constraints	• Manufacturers of fuel cells for portable, automotive and stationary applications	• W L Gore • 3M • Solivcore	152	• Headquartered in Swindon, UK • R&D capability in Swindon and Sonning Common, UK	£6 million
Battery Technologies	Research and development of battery materials, design and supply of high performance battery systems	Research into improved next generation battery materials, development of advanced battery systems	• Alternative energy • Low carbon, zero emission transport / power	Environmental Factors Climate Change Regulation Natural Resource Constraints	• High performance cordless tool and niche transport manufacturers • Automotive and heavy duty customers	Systems: • Continental • BMZ Materials: • Clariant • BASF • Umicore	474	• Materials R&D in Sonning Common, UK • Systems design, development and manufacture in Dundee, UK and Gliwice, Poland	Business created in 2012 Sales of £31 million

Environmental Technologies supplies catalysts and technologies which contribute to pollution control, cleaner fuels, greener power and the more efficient use of hydrocarbon resources.

Strategy

Maintain differentiation through technology by investing in R&D

A deep understanding of markets and customers

Manufacturing Excellence

Deliver superior growth

The division is focused on **maintaining differentiation through technology by investing in R&D**. This investment is vital to ensure Environmental Technologies can continue to develop high performance leading edge catalysts and technologies for its customers.

A deep understanding of markets and customers enables the division to provide the right solutions for its customers in evolving markets, for example those driven by tightening legislation. In addition, the purchase of its catalysts or technologies is often part of significant investment decisions at its customers and so strong relationships and a good understanding of customers' needs are crucial to the division's success.

Manufacturing Excellence is an important element of the strategy. Many of the division's activities involve manufacturing products for its customers and it is focused on running its plants at optimum efficiency to produce the highest quality products at minimum operating cost.

The division aims to **deliver superior growth** in markets that are driven by global trends, such as environmental regulation, increasing wealth and natural resource constraints, and where applying its expertise in leading edge catalysis and technologies can generate growth at rates ahead of industry baselines.

Description of the Business

Environmental Technologies Division's products and services are used globally in applications which benefit the environment. It supplies catalysts and technologies which contribute to pollution control, cleaner fuels, greener power and the more efficient use of hydrocarbon resources. It comprises of four businesses:

Emission Control Technologies (ECT)

ECT consists of Johnson Matthey's global autocatalyst, heavy duty diesel and stationary emissions control businesses. We are a world leading manufacturer of catalysts for vehicle exhaust emission control and catalyst systems for the reduction of emissions from industrial processes.

ECT's products are used globally to reduce emissions from vehicles and other pollution sources to ensure they meet legislated environmental limits. Its products are fitted to about a third of all cars produced in the world and, since their introduction in 1974, these products have had a major impact on air quality across the globe, preventing many millions of tonnes of pollutants from reaching the atmosphere.

ECT's manufacturing plants are located in the UK, Germany, Macedonia, Russia, USA, Mexico, Argentina, South Africa, Japan, Malaysia, India, China and South Korea. R&D facilities are in the USA, UK, Germany, Sweden, Japan, China and South Korea.

Process Technologies

Process Technologies manufactures speciality catalysts, absorbents and additives for the methanol, ammonia, hydrogen, gas / coal to products, oil refineries and gas processing industries. These catalysts allow industrial processes to operate using less energy, to convert raw materials to desired products more efficiently and to ensure that unwanted impurities, such as sulphur and mercury, are removed from the processes. The business also provides a range of services that improve the effectiveness of its products in customers' plants.

Davy Process Technology (DPT) develops chemical process technologies and licenses them to customers in the oil, gas and petrochemical industries. Its extensive portfolio includes a number of technologies which incorporate sustainable feedstocks such as waste fats and oils. Tracerco is a specialist measurement business that provides process diagnostic services through a broad range of analytical techniques and instrumentation.

Process Technologies serves customers around the world and has manufacturing sites in the UK, USA, Sweden, India and China, supported by technology development facilities in the UK and the US and technical offices in all of the key markets worldwide.

Fuel Cells

Johnson Matthey has a world leading position in the development and manufacture of catalysts and catalysed components for fuel cells, a technology for generating low carbon power.

The business has the world's largest fuel cell component manufacturing facility, in Swindon, UK, for the production of membrane electrode assemblies (MEAs) for hydrogen and methanol fuelled systems and is backed by extensive research and development efforts.

Fuel cells are widely recognised as an emerging technology to power a range of equipment from cars and buses to laptops and mobile phones. Johnson Matthey Fuel Cells is at the leading edge of fuel cell component development.

Battery Technologies

Battery Technologies was formed during 2012/13 and comprises Johnson Matthey's R&D programmes in advanced battery materials and Axeon, which specialises in the design, development and manufacture of integrated battery systems.

The business is focused on developing advanced technologies and materials to meet the requirements of high performance battery applications such as for automotive, e-bikes and power tools. Whilst the market for these batteries continues to grow strongly in some markets, in others, for example automotive, the performance of today's battery chemistry continues to be a limiting factor. This provides opportunities for technology development to address the challenges for these markets.

R&D programmes on battery materials are based at the Johnson Matthey Technology Centre in Sonning Common, UK and Axeon operates from facilities in Dundee, UK and Gliwice in Poland.

Financial Review of Operations continued

ENVIRONMENTAL TECHNOLOGIES continued

Performance in 2012/13

Environmental Technologies Division made progress in 2012/13 in the face of challenging conditions in some of its major markets. Revenue fell 8% to £3.0 billion, however, sales were 2% ahead at £1,904 million and underlying operating profit was 7% up at £226.0 million. Environmental Technologies Division's return on sales for the year increased by 0.6% to 11.9% and its ROIC improved from 14.2% to 14.5%.

Emission Control Technologies

Emission Control Technologies' sales fell by 1% to £1,461 million but operating profit was slightly ahead partly as a result of process efficiency improvements across the business delivered through our group wide Manufacturing Excellence programme. In Europe, although sales were down 6%, strong cost control and efficiency improvements led to a fall in operating profit of just 4%. Sales and operating profit continued to grow in both Asia and North America.

During the year ECT continued with its major expansion projects at its facilities in Macedonia and Royston, UK. These projects are both on schedule and the necessary capacity will be in place in time to meet our customers' requirements for the high technology products required for tighter European light and heavy duty diesel legislation.

Light Duty Catalysts

Sales in our light duty catalyst business fell by 3% to £938 million, representing 64% of ECT's sales in the year. Operating profit was 4% down.

In Johnson Matthey's financial year to 31st March 2013, global light duty vehicle sales grew by 4.3% to 80.2 million vehicles. Global production increased by a more modest 2.6%, with continued good growth in North America and Asia throughout the year, partly offset by a decline in production in Europe. Within Asia, vehicle production in China grew by 10% and production in South East Asia was 36% ahead, however growth in India and Japan was lower at 2% and 1% respectively.

Johnson Matthey's Light Duty Vehicle Catalyst Sales by Region

	2013 £ million	2012 £ million	% change
Europe	**543**	588	-8
Asia	**214**	201	+7
North America	**181**	180	–
Total	**938**	969	-3

Our sales in Europe of £543 million, which represent 58% of our light duty catalyst sales, fell by 8%, slightly less than the fall in vehicle production in the region. Despite a 7% reduction in the number of petrol vehicles produced in Europe in the year, our sales of petrol catalysts grew by 7%. This outperformance was due to gains from new business and our strong market share with some of the more successful car companies in the region. However, our sales were impacted by a small decline in the proportion of diesel vehicles produced in Western Europe which represented 53% of total light vehicle production, down from 55% last year. The number of diesel cars produced was 14% lower than in 2011/12 and our diesel catalyst sales declined broadly in line with this.

Due to the complex catalyst systems required to meet today's Euro 5 diesel emission standards, a diesel vehicle currently represents approximately five times the catalyst value of an equivalent petrol vehicle. Catalyst value will increase by a further 20 – 25% with the introduction of Euro 6b light duty diesel emission standards in September 2014 for new models and September 2015 for all production. This will require additional catalyst fitment to meet tighter NOx standards. New, more efficient petrol engines, such as those using direct injection technologies, also offer opportunities for additional catalyst sales with the introduction of Euro 6c emission standards starting from September 2017.

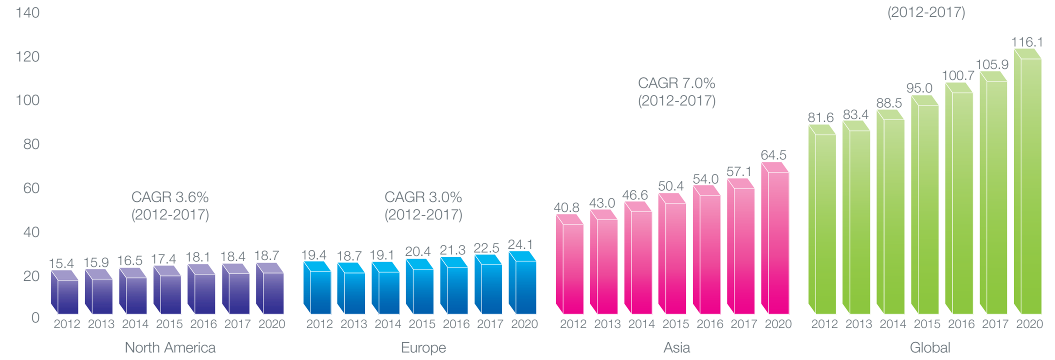
Estimated Light Vehicle Sales and Production

		Year to 31st March 2013 millions	2012 millions	% change
North America	Sales	**17.3**	15.7	+10.2
	Production	**15.0**	13.7	+9.5
Total Europe	Sales	**17.9**	19.0	-5.8
	Production	**18.0**	20.1	-10.4
Asia	Sales	**34.1**	31.0	+10.0
	Production	**41.1**	38.0	+8.2
Global	Sales	**80.2**	76.9	+4.3
	Production	**80.2**	78.2	+2.6

Source: LMC Automotive

Light Duty Vehicle Production Outlook – 2012-2020 (calendar years)

million



Source: LMC Automotive

CASE **STUDY**

→ Teamwork Gains Recognition from Daimler

Daimler Trucks is a division of Daimler that produces light, medium and heavy duty trucks under several brand names, notably Mercedes-Benz. In 2012, to safeguard its position and enhance profitability, the division launched its Daimler Trucks #1 (DT#1) initiative – a range of programmes to reap improvements worth €1.6 billion over two years.

The division invited its long time supplier, Johnson Matthey, to come on board in its measures to optimise procurement. Johnson Matthey supplies Daimler Trucks with a range of emission control catalysts for its heavy duty diesel vehicles.

Johnson Matthey has developed catalysts and systems to meet emissions standards – where the bar is regularly raised – in Europe, Brazil, the US and Japan. As part of the DT#1 initiative, it came up with a combination of measures that helped Daimler realise its business goals.

In March 2013, Johnson Matthey was among 16 suppliers recognised by Daimler for their contribution to the Daimler business over the previous year. In the procurement awards for Daimler Trucks and Buses, Johnson Matthey received an award for 'outstanding willingness to perform in the Daimler Trucks #1 project'. Daimler chairman Dieter Zetsche praised the teamwork and contribution of all the key suppliers, describing them as Daimler's key supporters.

Daimler is the second largest truck manufacturer in the world and its praise carries weight. The automotive industry relies on an efficient streamlined supply chain and Johnson Matthey has played its part in ensuring that Daimler's trucks are served by well performing environmental technology.

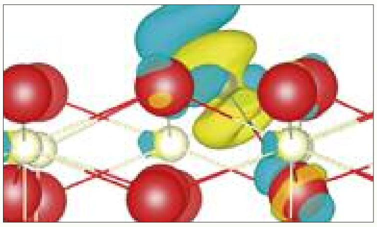
Read the full case study at www.matthey.com/sustainability.

Light duty vehicle production in Asia grew by 8% in 2012/13. Our light duty catalyst sales were 7% ahead at £214 million. Our sales were well ahead in China, up 18%, where we benefited from continued strong growth in the market and further new business wins. We also saw good growth in our South East Asia business which was slightly ahead of the growth in vehicle production. Our share of the Japanese domestic market was reduced by the trend towards 'mini cars', a segment in which we currently have a lower market share. In addition, sales were impacted by our Japanese customers localising production in the US and China as a result of the strength of the yen. Consequently, our sales in Japan were well down.

North American light duty vehicle production grew by over 9% in 2012/13 although our sales were flat at £181 million. Whilst we benefited from higher North American vehicle production, this was broadly offset by a trend towards smaller engines, a customer losing market share and the impact on sales of lower pass through rare earth material costs.

INNOVATION **IN ACTION**

→ Predicting Improved Performance



Ceria is a rare earth material that is widely used in modern technology applications. In Johnson Matthey ceria is an important component of both our vehicle emission control catalysts and our speciality additives, which are used to enhance the fluid catalytic cracking reactions that produce gasoline in oil refineries.

Ceria's usefulness and broad applications lie in its redox and oxygen storage capabilities. For example, in three way catalysts used to control emissions from petrol car exhaust systems, ceria functions as an oxygen buffer by keeping the exhaust stream at close to optimal stoichiometric conditions; it does this by releasing oxygen during fuel rich conditions and storing oxygen during fuel lean conditions.

Our scientists are collaborating with research teams at Cardiff University and University College London in the UK to develop computational descriptions of metal oxides, like ceria, both in their pure form and doped with platinum group metals. We are modelling the behaviour of these materials at an atomic level and through examining the interactions of their electrons, we are able to modify their catalytic properties and predict how this might improve the performance of our catalysts. This work is informing our laboratory based experimental catalyst development programmes to develop next generation products for our customers.

Financial Review of Operations continued

ENVIRONMENTAL TECHNOLOGIES continued

Estimated HDD Truck Sales and Production

		Year to 31st March 2013 thousands	2012 thousands	% change
North America	Sales	**434.2**	404.8	+7.3
	Production	**448.9**	456.8	-1.7
EU	Sales	**266.0**	299.0	-11.0
	Production	**370.9**	419.0	-11.5

Source: LMC Automotive

Heavy Duty Diesel Catalysts
Despite an overall decline in heavy duty diesel (HDD) truck production in North America and Europe, our sales of HDD catalysts for both on road and non-road applications grew by 9% in 2012/13 to £477 million and operating profit was well ahead.

Whilst production of HDD trucks in North America was strong in the first half of 2012/13, the second half saw some softening and overall production was 1.7% down on last year. Production in Europe was weak throughout the year and was 11.5% down.

Johnson Matthey's Heavy Duty Diesel Vehicle Catalyst Sales by Region

	2013 £ million	2012 £ million	% change
North America	**331**	295	+12
Europe	**118**	116	+2
Asia	**28**	27	+4
Total	**477**	438	+9

In North America our sales grew ahead of truck production, up 12% to £331 million, with good growth in catalyst sales to our truck engine customers supported by a greater contribution from sales to non-road applications. This year, non-road applications, such as agricultural, construction and mining equipment, accounted for approximately 9% of our total North American HDD catalyst sales. Altogether, sales to non-road applications in North America, Europe and Asia accounted for over £34 million of our 2012/13 HDD vehicle catalyst sales compared with £20 million last year.

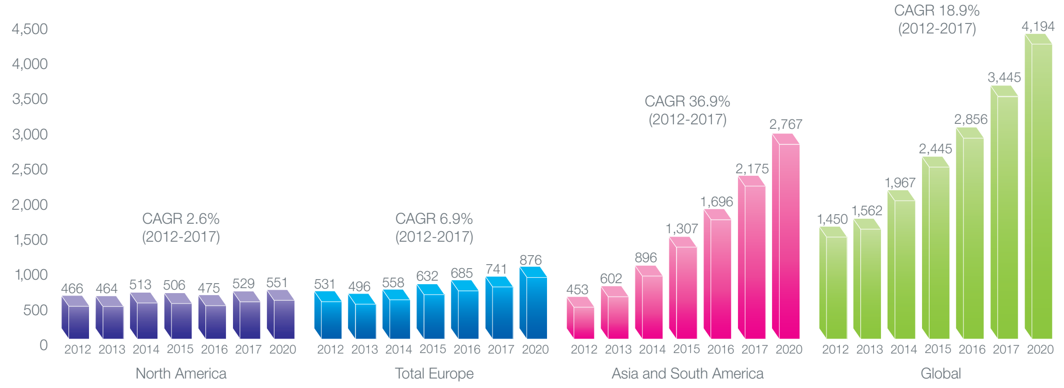
Our HDD sales in Europe were up 2% to £118 million, outperforming European truck production. This was primarily due to growth in Brazil (for which catalysts are supplied from our European operations) where Euro V legislation came into force last year. In Asia our HDD sales were up 4% at £28 million.

In Europe, Euro VI HDD legislation came into force on 1st January 2013 for new models and will apply to all production from 1st January 2014. This requires the addition of particulate control filter catalysts and represents a three to four times increase in catalyst sales value per vehicle. We have successfully agreed contracts for the supply of these systems to our customers at a market share that is broadly similar to our current share. We are therefore well positioned for growth in this market, although it is hard to predict how many trucks will be produced in 2013 given the uncertain European economic outlook.

With China adopting the equivalent of Euro IV HDD emissions standards from this summer and India following later, we expect to see good growth in these developing markets over the next few years. This year saw continued low levels of sales to these markets as local truck manufacturers prepared for the start of legislation. At the equivalent to Euro IV legislation and with relatively simple engines, these markets have lower technology requirements than Europe or North America and thus we face more competition from our global and local competitors. However, we expect that our global market share of HDD catalysts will be greater than 50% for the medium term.

Heavy Duty Diesel Vehicle Sales Outlook (Regulated Engines) – 2012-2020 (calendar years)

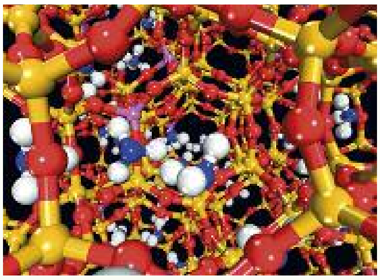
thousand



Source: LMC Automotive; Johnson Matthey estimates for proportion regulated

INNOVATION **IN ACTION**

Insight at an Atomic Level



Zeolites are crystalline, microporous materials in which the atoms are arranged in such a way as to form a network of molecular sized pores and channels. This unique porous structure, combined with a huge internal surface area, means they have a wide number of industrial applications, including in catalysis. Zeolites act rather like a filter, allowing only molecules of the right size and shape to enter the pores. As a result, zeolites are particularly useful as catalysts as we can design their structures to allow only entry of the desired reactants and formation of the desired product(s). Zeolites have applications across a number of Johnson Matthey's businesses: they are a key component of our selective catalytic reduction (SCR) catalysts which are used to treat vehicle exhaust emissions; as additives which our customers use to enhance fluid catalytic cracking reactions in oil refineries; and are used in our precious metal refining processes.

We have been using computational modelling techniques to understand and optimise zeolites for the selective catalytic reduction of oxides of nitrogen (NOx) for vehicle emissions control. NOx is a particularly harmful pollutant and legislation to further tighten permissible limits of NOx from diesel car exhausts in Europe comes into force from September 2014 onwards.

Through our work we are gaining an atomic level insight into how different species present in the car exhaust interact with the zeolite and with each other, and how these species move, or diffuse, within the zeolite. Diffusion of reactants and products within the zeolite pores is a key part of the catalytic cycle and can have a significant impact on a catalyst's performance. By using computational modelling, we are enhancing our understanding of how the key species present during NOx control reactions interact and diffuse. This, in turn, is enabling us to design and develop optimised catalyst systems to meet future legislation.

Process Technologies

Process Technologies' sales of its catalysts, technology licences and services were £406 million, slightly ahead of prior year. Return on sales, and hence operating profit, was well ahead of last year, benefiting from lower raw material prices, a good result from our higher margin DPT business and improved operational efficiencies.

In the Ammonia, Methanol, Oil and Gas (AMOG) business, sales of its catalysts, adsorbents and speciality additives were 4% down on last year at £246 million. In this business our customers typically require replacement catalysts every three to five years depending upon their market sector and on how hard their plants are working. As a result, catalyst sales are reasonably predictable but can often be lumpy. This year, sales of catalysts to ammonia customers grew strongly by 19% to £51 million, supported in part by some market share gains, but our sales of methanol catalysts were 21% lower at £37 million. We expect these trends to reverse in 2013/14. Sales of hydrogen catalysts were down 19% to £55 million, partly as a result of the timing of our customers' catalyst replacements, but also from a slowdown in the rate of new plant builds for refinery hydrogen production. The market drivers for hydrogen catalyst sales remain positive.

Our speciality additives help to improve the efficiency and environmental performance of the refinery fluid catalytic cracking (FCC) process and are continuously added to the FCC reactor, resulting in more consistent demand throughout the year. In 2012/13, our volumes increased but our sales were 6% down at £63 million due to a reduction in the price of ceria, a key pass through raw material in our products.

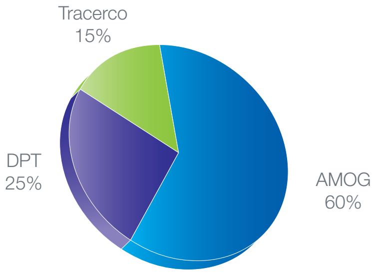
Demand for purification products, which are used to remove harmful impurities such as sulphur and mercury from gas streams, recovered well in 2012/13. Sales were up 48% to £31 million and the business supplied product to a number of new projects during the year.

The markets served by the AMOG business offer good growth opportunities over the coming years supported by key global drivers. Environmental concerns will continue to drive the need for hydrogen catalysts, additives and purification products whilst further economic development and population growth will support the methanol and ammonia sectors, although the current geopolitical issues in the Middle East may have a short term impact on our business.

During the year we have continued to invest in our manufacturing facilities in Clitheroe, UK and Panki, India to meet future capacity requirements, including for catalysts for substitute natural gas (SNG) plants in China where demand is expected to grow strongly in the coming years. We expect to complete these investments by the end of 2013/14. We have also commenced a major expansion of our additives plant in Savannah, USA which we expect to be completed in the second half of 2013/14.

DPT performed well again this year and reported a 7% increase in sales to £100 million. The business benefited from a further seven licences this year, six of which are in China. These included licences for one methanol plant and one butanediol plant.

Process Technologies' Sales



Financial Review of Operations continued

ENVIRONMENTAL TECHNOLOGIES continued

INNOVATION IN ACTION

→ New Manufacturing Technology for Advanced Materials Development

Research and development at Johnson Matthey is not only confined to the creation of new products using our core technologies. New products and improvements to existing products often demand the application of our scientific and engineering expertise to develop new manufacturing technologies and we have dedicated manufacturing science centres which support all of the group's businesses.

After several years of research to prove and develop the concept, Johnson Matthey is introducing pan coating technology and is making it available to our global businesses.

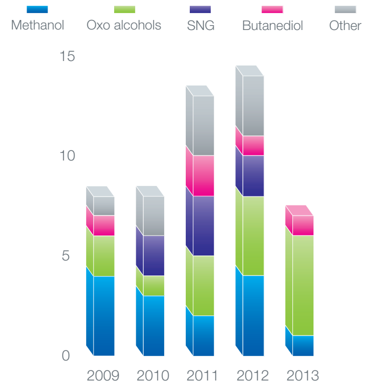
Whilst new to Johnson Matthey, pan coating is already widely used in the food and pharmaceutical industries where it is used to glaze confectionery and sugar coat tablets to make them easier to swallow. Pan coating offers the ability to place a protective layer on to another material or to place a small amount of a more active and / or expensive layer of material on the outside of a stronger or inert support. This offers exciting opportunities for formulating and manufacturing new, more effective catalysts and other materials across a number of our businesses.

Work to explore the potential applications of pan coating technology began a few years ago where we demonstrated that a model coating could be applied to a support material typically used in our products. The process was further refined and optimised to ensure that it could produce materials that had the durability, adhesion and cohesion characteristics required by our products. The focus then moved to scaling up the process and by early 2012 we reached the final stages of development.

Pilot scale equipment was then required to fully validate the technology and ensure its suitability for large scale applications. Installed on site towards the end of 2012/13, our pan coating equipment has flexible capabilities and can simulate a wide range of atmospheric conditions – which is crucially important for a company like Johnson Matthey which manufactures on every continent! The equipment is now available to all our businesses to conduct product trials and work is underway to fully define the technology within the context of our own operations.

The remaining five projects are all for new oxo alcohols plants, one of which marked the 50th oxo licence for DPT and its licence partner. The oxo alcohols produced using this technology are mainly used as plasticisers and continued economic growth and development of the chemical industry in China has driven demand. We have invested in R&D to constantly improve our oxo technology and this has enabled us to maintain our strong position in China.

Davy Process Technologies – Projects Awarded



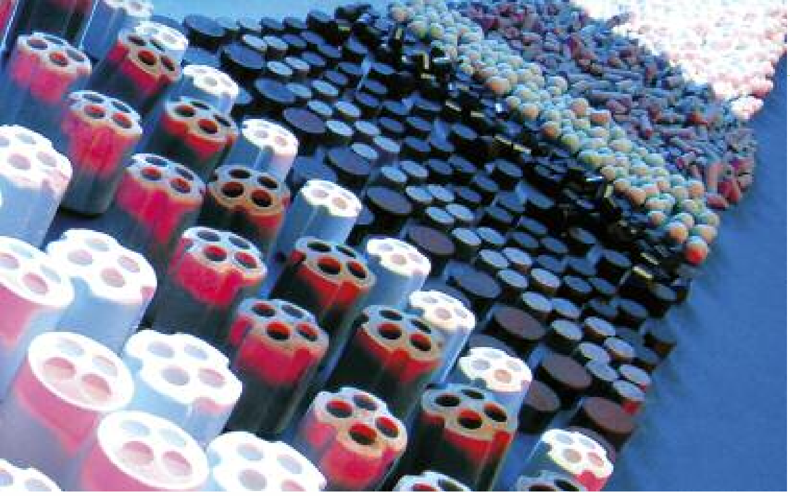
In one of our more recent oxo technology developments we have established a route for the production of 2-propylheptanol (2PH), a higher value oxo alcohol which is used to manufacture high performance plasticisers used in the construction industry. This 2PH technology features in one of the oxo licences signed during the year. Following the high level of oxo capacity introduced in China in recent years, we expect that the number of new plants and, hence, licences available to DPT will reduce from 2013/14 onwards.

Increasing access to unconventional gas (including that extracted from shale) and the resulting lower gas prices is encouraging activity in syngas projects, particularly in North America. During the year DPT has entered into engineering contracts for the design of two new methanol plants in the USA. R&D investment remains a key priority at DPT to enable it to enhance its existing technologies and bring new technologies to market. Work has continued in a number of new areas to support the expansion of DPT's portfolio, particularly in the area of biorenewables.

Tracerco had a very good year with sales 17% ahead of last year at £60 million. The business saw strong demand from the oil and gas industry for its specialist measurement and process diagnostic services which our customers use to help them improve the efficiency and environmental performance of their operations.

Energy security concerns, especially in China and North America, remain a strong driver for Process Technologies. Our business is also starting to benefit from the consequences of sustained lower gas pricing as a result of unconventional gas extraction in North America and we expect that over time, Europe and China will also seek to exploit their reserves.

In March 2013 Johnson Matthey acquired Formox, a leading global provider of catalysts, plant designs and licences for the manufacture of formaldehyde which is an important chemical intermediate. It has developed a range of metal oxide based catalysts for the production of formaldehyde from methanol and provides process technology for metal oxide based formaldehyde production plants with an installed base of around 130 plants worldwide.



- Process Technologies develops and manufactures catalysts for a range of chemical processes.

- Alto Parana's formaldehyde plant at Puerto San Martin in Argentina is based on Formox's plant design and technology and uses Formox's novel metal oxide catalysts.

Formox's technologies complement Johnson Matthey's existing strengths in process catalysts and in plant design and licensing. The acquisition enhances our position as a leading supplier of technology for a range of syngas and other chemical processes. Formox provides exciting opportunities to integrate and expand our technology and catalysts into a broader range of chemical processes. Its expertise in selective oxidation catalysis, a technology that has applications in a number of other catalyst areas, also provides additional opportunities for Johnson Matthey to grow its position in the global petrochemicals market.

Formox employs around 90 people and has manufacturing, R&D, engineering and sales facilities in Sweden.

In the year to 31st December 2012 Formox had sales of £50 million and adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) of £12.6 million.

Fuel Cells

Sales in our Fuel Cells business increased slightly this year to £6 million, benefiting from new opportunities in the backup power and consumer electronics markets, although growth was held back as a result of continuing delays at our customers in the deployment of combined heat and power systems in the USA.

Fuel cell technology for transport applications, especially cars, remains an important opportunity for Johnson Matthey and major car companies have reaffirmed their interest in fuel cell powertrains as part of a balanced portfolio of electric vehicles. We have continued to develop technology for automotive membrane electrode assemblies and our products have been well received by car companies, providing cost and performance characteristics in line with their needs.

The net expense of our Fuel Cells business increased by £1.3 million to £10.5 million.

Battery Technologies

Our Battery Technologies business was formed during 2012/13 and comprises Johnson Matthey's R&D programmes in advanced battery materials and Axeon, which was acquired in October 2012 and specialises in the design, development and manufacture of integrated battery systems.

Johnson Matthey's capabilities in materials science fit well with Axeon's understanding of the applications engineering of battery systems and the integration of Axeon into the group is progressing well.

Our Battery Technologies business, which made a small loss in 2012/13, delivered sales of £31 million primarily to the power tools and e-bikes markets and we expect these markets to continue to grow in the next few years. Axeon has also made some initial progress with automotive customers.

Our R&D programmes are focusing on the development of improved materials for lithium-ion chemistries and on next generation materials. During the year we have expanded our R&D efforts and work is underway to add further laboratory facilities for materials testing and cell prototyping. We are also pursuing other bolt-on acquisition opportunities to further enhance our position in this market.

CASE **STUDY**

→ Powering the Electric Car of the Future

Electric vehicles are quiet, energy efficient and non-polluting at the point of use. The electricity to power them can be produced from a variety of fuels, some of them low carbon – and one way of storing the energy is in the form of batteries. With its interest in environmental technologies and expertise in materials science, Johnson Matthey, together with its Axeon subsidiary which joined the group in October 2012, is working on the development of the advanced electric vehicle batteries that will power these cars.

If low emission, even zero emission, vehicles are to become a reality, reliable and affordable batteries are essential. Johnson Matthey's strengths in the design of advanced materials and Axeon's expertise in the applications engineering of battery systems can make a strong contribution to a cleaner, less polluted planet.

Read the full case study at www.matthey.com/sustainability.

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS

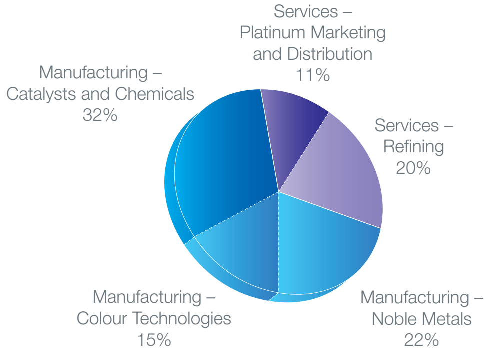
ADDING VALUE TO PRECIOUS METALS

KEY STATISTICS

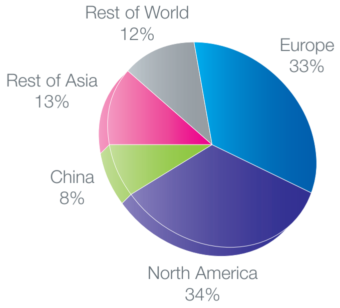
Capital expenditure	£40.7 million
Capex / depreciation	1.7
R&D expenditure	£21.9 million
Average invested capital	£375 million
Employees	2,948

	Year to 31st March **2013** **£ million**	2012 £ million	% change	% at constant rates
Revenue	**8,491**	9,841	-14	-14
Sales excluding precious metals (sales)	**548**	582	-6	-5
Underlying operating profit	**147.1**	200.8	-27	-26
Return on sales	**26.8%**	34.5%		
Return on invested capital (ROIC)	**39.2%**	58.9%		

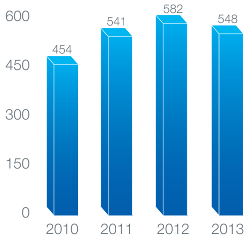
Sales



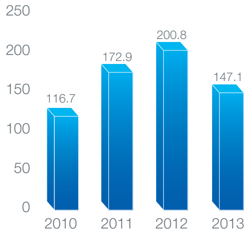
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



DIVISIONAL SUMMARY

PRECIOUS METAL PRODUCTS

	Business	What We Do	How We Add Value	Societal Benefits	Global Drivers	Customer Profile	Major Competitors	Employees	Locations	2012/13 Sales
Services	**Platinum Marketing and Distribution**	Global marketing and distribution of platinum group metals (pgms)	Ensure Johnson Matthey's operations have metal to meet their customers' orders	• Enable the production of pgm containing products that deliver environmental, health and social benefits	Population Growth Urbanisation Increasing Wealth Environmental Factors Climate Change Regulation Health and Nutrition Ageing Population	• Johnson Matthey's businesses and their customers • Other industrial pgm users	• BASF • Hereaus • Umicore • Bullion banks	70	• Royston, UK • Philadelphia, USA • Hong Kong	£58 million
	Refining	Refining and recycling of seven precious metals from a wide range of inputs	Ensure optimal recovery of precious metals for external customers and Johnson Matthey's businesses	• More efficient use of natural resources	Natural Resource Constraints	• Autocatalyst scrap collectors • Industrial pgm users • Johnson Matthey's businesses and their customers • Miners	• Hereaus • Umicore • BASF • Metalor	881	• Pgm refining in UK, China and USA • Gold and silver refining in USA and Canada	£110 million
Manufacturing	**Noble Metals**	Develop and fabricate a wide range of precious metal products	R&D to find new applications which use the unique properties of pgms	• Enhanced health and wellbeing • Greenhouse gas abatement	Population Growth Urbanisation Increasing Wealth Environmental Factors Climate Change Regulation Health and Nutrition Ageing Population	• Customers from a wide range of industries including medical, chemical and automotive	• Hereaus • Umicore	802	• Royston, UK • West Whiteland, San Diego and San Jose, USA • Melbourne, Australia	£122 million
	Colour Technologies	Develop functional and decorative coatings	R&D in surface technologies to provide high performance solutions	• Enhance lifestyle • Some environmental benefits	Population Growth Urbanisation Increasing Wealth	• Automotive glass manufacturers • Architectural and decorative glass manufacturers	• Ferro	366	• Four manufacturing sites • Four distribution centres	£82 million
	Catalysts and Chemicals	Manufacture catalysts for chemical processes and pgm salts	Develop products that enable lower energy consumption and higher yields for our customers	• Improved environmental performance • Conserve natural resources • Enhancing life science development	Population Growth Urbanisation Increasing Wealth Natural Resource Constraints Health and Nutrition Ageing Population	• Chemical / pharma manufacturers • Edible oil producers • Emission control catalyst manufacturers	• Clariant • BASF • Evonik	817	• Ten manufacturing sites and six technical centres in Europe, US and Asia	£176 million

Applying our expertise in the chemistry and applications of precious metals to create products that deliver a wide range of environmental, health and social benefits.

Strategy

Leverage our deep understanding of:
- Catalysis and pgm chemistry
- Materials science and manufacturing

Provide customer solutions through investment in R&D

Offer first class services to our external and internal customers

Deliver superior growth

Through **leveraging its deep understanding of catalysis, pgm chemistry, materials science and manufacturing**, Precious Metal Products can apply expertise in the fundamentals of chemistry, materials and process design to ensure it continues to develop leading edge products and manufacturing routes.

The division is focused on **providing customer solutions through investment in R&D**. R&D is at the heart of all Johnson Matthey's activities and whilst the division contains a mix of newer and more mature businesses, constant innovation means that a high proportion of its portfolio consists of products developed within the last decade.

Offering first class services to external and internal customers is an important element of the strategy. The division serves external customers and also provides vital services to other Johnson Matthey businesses either through the provision of precious metals or through refining and recycling spent process or customer material. Focusing on the quality and scope of the services it offers is key to maintaining a competitive position.

The division aims to **deliver superior growth** by targeting higher technology areas where its expertise in adding value to precious metals can generate growth at rates ahead of industry baselines.

Description of the Business

Precious Metal Products Division (PMPD) adds value to precious metals. Its wide ranging activities comprise two main areas: Services businesses and Manufacturing businesses.

Services Businesses

The activities of our Services businesses comprise the marketing, distribution, refining and recycling of platinum group metals (pgms) and the refining of gold and silver. As well as serving their external customers around the globe, the Services businesses also provide a critical service to businesses in the Johnson Matthey group and their customers. Around 70% of Johnson Matthey's products and businesses involve pgms and so the sourcing and recycling of them is critical to the continuity and profitability of the group. Our Services businesses comprise two areas:

Platinum Marketing and Distribution

This includes our worldwide platinum marketing and distribution activities. Marketing is headquartered in Royston, UK with support facilities in Philadelphia, USA and Hong Kong. Johnson Matthey is the world's leading distributor of pgms.

Refining

Johnson Matthey is a leader in the recycling and refining of precious metals. Our refining and recycling operations provide a vital service to ensure these valuable natural resources are recycled and reused as efficiently and sustainably as possible.

Our Pgm Refining and Recycling business recovers pgms from spent catalysts and other secondary materials and refines primary pgms from global mining operations. It has facilities in the UK, China and USA.

Our Gold and Silver refining business comprises our gold and silver refining and bullion manufacturing operations. The business serves the world's mining industries and recycles secondary scrap material. Its operations are located in the USA and Canada.

Manufacturing Businesses

The activities of the Manufacturing businesses include the fabrication of products using precious metals and related materials, pgm and base metal catalysts and pgm chemicals. There are three Manufacturing businesses:

Noble Metals

Noble Metals produces a wide range of precious metal and other fabricated products for industrial and medical applications and Johnson Matthey is the market leader in pgm fabricated products for industrial applications. Its manufacturing operations are based in the UK, USA and Australia.

Many of Noble Metals' products have a positive impact on our health or on the environment. It manufactures components used in medical devices which are used in life saving surgery for maintaining cardiovascular health. Its products also include catalyst systems which are used in nitric acid manufacturing plants to abate nitrous oxide (N_2O), a highly potent greenhouse gas. To date, reductions equivalent to over 47 million tonnes of carbon dioxide have been achieved using these systems.

Financial Review of Operations continued

PRECIOUS METAL PRODUCTS continued

Colour Technologies
Headquartered in the Netherlands, our Colour Technologies business manufactures high technology functional coatings which include black obscuration enamels and silver conductive materials for automotive glass. It also makes colours, enamels and decorative precious metal products for other glass applications such as bottles and architectural glass as well as for tableware and other ceramic applications. Manufacturing takes place in the Netherlands, USA, China and South Korea.

Catalysts and Chemicals
Catalysts and Chemicals manufactures precious and base metal catalysts which are used to enhance the operating efficiency of chemical and pharmaceutical manufacturing processes. It also manufactures precious metal chemicals for a wide range of applications. The business has manufacturing operations in the UK, USA, Germany, India and China.

Performance in 2012/13

Precious Metal Products Division had a difficult year with revenue down 14% at £8.5 billion, sales 6% lower at £548 million and underlying operating profit 27% below last year at £147.1 million. Whilst sales in the division’s Manufacturing businesses were only slightly down, its Services businesses were adversely impacted by the effect of lower average precious metal prices, lower volumes across its activities and by previously reported operational issues in the first half in the gold and silver refining business.

Services Businesses
Sales in the division’s Services businesses, which represent 31% of PMPD’s sales, fell by 15% to £168 million. These businesses have a high level of fixed costs and a significant proportion of their sales is influenced by precious metal prices. As a consequence of both of these factors, operating profit was substantially down on prior year.

Platinum Marketing and Distribution
Our Platinum Marketing and Distribution business had a poor year with sales of £58 million (2011/12 £80 million). Operating profit reduced sharply. Its performance was significantly impacted by lower average precious metal prices, with average platinum and palladium prices at $1,560/oz and $659/oz respectively, both 7% lower than in 2011/12. Lower production volumes at Anglo American Platinum Limited (Anglo Platinum) also reduced our sales and profit from our distribution activities was down due to a continued lack of price volatility throughout the year.

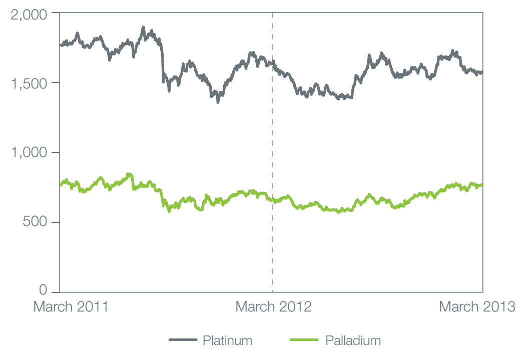
Johnson Matthey has, for many years, had contracts with Anglo Platinum relating to the supply, market research and market development of the pgms and the existing contracts will expire on 31st December 2013.

On 15th February 2013 we announced an extension to our metal supply agreement with Anglo Platinum and a separate contract to provide it with pgm market research services. However, unlike the previous arrangements, there will be no market development agreement between the two parties. These new arrangements will take effect from 1st January 2014. In contrast to our existing contracts, where income was related both to Anglo Platinum’s production volumes and pgm prices, the new metal supply agreement will attract no discounts and we will be paid a fixed fee for market research. The change in our contracts with Anglo Platinum will affect earnings in the fourth quarter of 2013/14 onwards and based upon sales in 2012/13, the full year impact on the group will be a loss of commission income of approximately £35 million. Any consequential restructuring to Precious Metal Products Division will not occur until the end of 2013 at the earliest and the likely cost savings associated with any restructuring are expected to be relatively modest.

Refining
The performance of our Refining businesses this year was poor, with sales down 7% at £110 million.

Sales in the Pgm Refining and Recycling business were 2% down on 2011/12 and volumes were lower across all types of refining feed. Operating profit was ahead as a result of operational improvements. The slowdown in demand experienced in the latter part of 2011/12 continued in the first half of 2012/13. However, volumes began to recover in the second half of the year and have continued to improve into 2013/14.

Platinum and Palladium Prices
US$/oz



Gold and Silver Prices
gold US$/oz
silver US$/oz

INNOVATION IN ACTION

→ Innovation Leads to Greater Efficiency in Refining

Platinum group metal (pgm) refining is a highly complex process which requires a deep understanding of materials science, pyrometallurgy, multi stage chemical separations and analytical science. Through application of these core technologies, Johnson Matthey provides its customers with a full, ‘seven metal’ separation of gold, silver, platinum, palladium and the insoluble, difficult to separate rhodium, iridium and ruthenium.

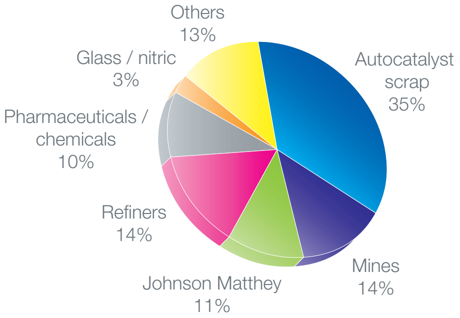
Innovative work at our West Deptford refinery in the USA has focused on harnessing clever chemistry to improve the efficiency of our refining process. Efficient refining cycle times have been achieved through particular choices of equipment and innovative chemistry processing techniques. At the same time, the level of manual handling required by operators has been reduced, thus providing direct health and safety benefits for employees.

The project has been extremely cost effective in its implementation with the majority of equipment designed by our own in house experts and manufactured under their supervision by local suppliers. With the opportunity to share the technology across other Johnson Matthey refining facilities, this innovative work has the potential to bring important cost savings to the business, as well as creating a more efficient process and a safer way of working for employees.

In particular, intakes of end of life autocatalyst scrap, a key part of the business which accounted for around 35% of its refining volumes, increased in the second half of the year as collector networks and part processors, encouraged by more favourable pgm prices, began to release material into the refining circuit. Sales from our mining customers for primary refining services were also down, due to both the lower metal prices and the well publicised supply issues in South Africa.

Our Gold and Silver Refining business had a very difficult year with sales down 13%. As we have previously reported, we had some operational issues at our Salt Lake City refinery in the first half of the year which, after mitigating actions, had an adverse impact on our results of some £10 million. Action has been taken to address the root causes of these issues and to improve the operational efficiency of the refinery. As a result of these additional costs, together with lower volumes and slightly lower average metal prices, the business generated a small operating loss in the year. A stagnant gold price and lower silver prices impacted demand for refining services and bullion products at both our US and Canadian refineries although intakes of primary material did increase towards the end of the year. The average price of gold was flat, down $7/oz at $1,654/oz in 2012/13, whilst silver was down 14% year on year at $31/oz. Intakes of primary materials were slightly down on prior year, however, volumes of secondary scrap, where our margins are higher, were significantly lower after several years of high activity and more attractive metal prices. Work is underway to increase silver refining capacity at our Brampton, Canada facility primarily to support demand from a new primary refining contract which is due to start in 2014/15.

Pgm Refining Throughput by Market Sector



Financial Review of Operations continued

PRECIOUS METAL PRODUCTS continued

Manufacturing Businesses

Sales in our Manufacturing businesses, which represent 69% of PMPD's sales, were down 1% to £380 million. Operating profit was also slightly lower.

Noble Metals

Sales in our Noble Metals business fell slightly this year, down 2% to £122 million. Operating profit was significantly down, partly due to costs associated with exiting a small, loss making business which supplied equipment to the semiconductor industry.

Sales of industrial products, which represent 67% of Noble Metals' sales, were 6% lower at £82 million. Demand for pgm alloy catalysts used in fertiliser manufacture were down after a strong year in 2011/12, although this was partly offset by good growth in demand for N_2O abatement technology as new projects came on line. The use of this technology is, however, very sensitive to the carbon price which has collapsed in recent months. Consequently, sales in 2013/14 for this high value technology are likely to be substantially lower. Sales of other industrial products were down slightly reflecting reduced customer demand, particularly in Europe.

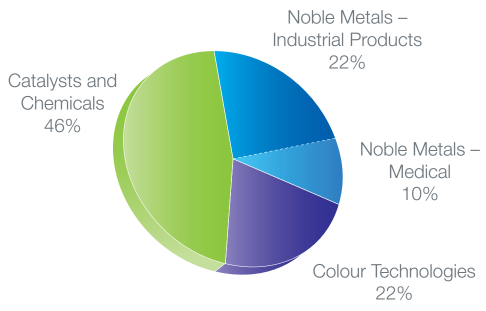
Sales of medical components (33% of Noble Metals' sales) were 6% up on last year at £40 million, ahead of its market growth rates. Sales grew steadily in both the US and European regions and the business saw good demand for its pgm products used primarily in cardiovascular applications.

Colour Technologies

With its largest market being the European automotive glass sector, sales in Colour Technologies were 6% down at £82 million and operating profit also fell. In recent years the business has focused on the manufacture of high performance functional materials and these now represent more than two thirds of the business' sales compared with 45% five years ago.

Sales of automotive products were broadly flat this year as growth in the US and in particular in Asia compensated for a decline in Europe. Our market share has grown slightly as we benefited from the supply of innovative new products to the sector. During the year we acquired a small business in China that manufactures silver paste and which should provide us with a route to the growing market for silver paste for photovoltaic cell applications. Sales of products to decorative markets continued their long term declining trend.

Manufacturing Businesses' Sales



CASE STUDY

→ Helping the Deaf to Hear

Imagine a child, deaf from birth, who hears their mother's voice for the first time. Or an elderly person who, with age, has become profoundly deaf, regaining their hearing and the ability to communicate. This is what cochlear implants can do.

A cochlear implant is an electronic device that creates sound through stimulating tiny nerve fibres in the inner ear. The electrical impulses that the nerve cells receive are sent to the brain and interpreted as sound – a completely different system from the traditional hearing aid that simply amplifies sound.

Johnson Matthey has capabilities in fabricating components for medical devices and one arm of its Australian business, located outside Melbourne, manufactures products for the Australian based global company, Cochlear, which pioneered these implants. Johnson Matthey produces high specification strip and wire products that go into the devices.

This is precision engineering at an unbelievably small scale – at a fraction of a millimetre. The components must be reliable and durable – the devices are wholly implanted within the body of the recipient. These technologies are life changing and through its medical device components, Johnson Matthey is making a strong contribution to improving the lives of children and adults with sensory impairments.

Read the full case study at www.matthey.com/sustainability.

- High technology black obscuration enamels for automotive glass applications are produced by Johnson Matthey's Colour Technologies business.

- Developing catalysts and chiral technologies for fine chemical and pharmaceutical applications.

Catalysts and Chemicals

Catalysts and Chemicals' sales grew by 3% to £176 million and operating profit was substantially ahead. Demand for catalysts used in the production of a wide range of petrochemicals was strong and the business continued to invest in R&D to support its pipeline of new products. Sales of catalysts for the production of edible oils and oleochemicals were down and whilst we saw a small reduction in volumes, the major impact on sales came from the effect of lower nickel raw material prices, the benefit of which is passed on to our customers. Sales of sponge nickel catalysts, which are used by the fine chemicals industry, were also adversely affected by the lower price of nickel. However, demand for catalysts and chiral technologies grew well in the year.

Sales of chemical products were slightly down on last year as a result of lower demand for pgm chemicals from customers in the pharmaceutical and fine chemical sectors. Demand for pgm salts used in the manufacture of emission control catalysts by external customers and our own ECT business were broadly flat.

CASE **STUDY**

→ Reducing the Use of Critical Raw Materials

The Johnson Matthey site in Sevierville, Tennessee produces – among other things – sponge nickel catalysts which have applications in the pharmaceutical industry as well as in a wide range of other chemical processes. A project to reduce the use of critical raw materials, begun in 2008, is now bearing fruit.

The price of caustic, a raw material, was increasing substantially in late 2008 and analysis of the process showed that there was a real opportunity to reduce the amount used and save costs. There was also a lack of capacity to concentrate a byproduct stream on site, which was creating a bottleneck in the process. So there was also a clear need to make the operation more sustainable.

There were several steps, involving teams from a wide range of functions and the project has delivered many benefits. Usage of the critical raw materials, caustic and water, has been markedly reduced. In addition, new water and caustic recycling processes have eliminated the bottleneck at the point where the byproduct is produced.

The figures say it all. The removal of the bottleneck, for a start, has increased capacity by around a third and the reductions in caustic, water and natural gas equate to a saving of several hundred thousand dollars per annum.

The project is helping to realise the Sustainability 2017 Vision through its reduction in key raw materials. It has also had a financial benefit too. This is what 'sustainable operations' is all about.

Read the full case study at www.matthey.com/sustainability.

Financial Review of Operations continued

FINE CHEMICALS

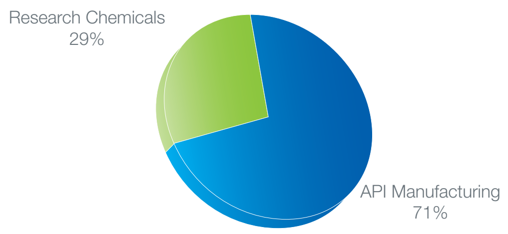
SPECIALITY PRODUCTS FOR PHARMACEUTICALS AND R&D

KEY STATISTICS

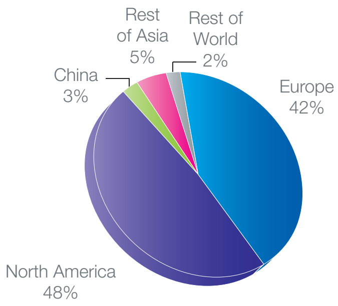
Capital expenditure	£20.4 million
Capex / depreciation	1.1
R&D expenditure	£8.6 million
Average invested capital	£421 million
Employees	1,107

	Year to 31st March **2013** **£ million**	 2012 £ million	 % change	% at constant rates
Revenue	**286**	292	-2	-2
Sales excluding precious metals (sales)	**277**	285	-3	-3
Underlying operating profit	**71.1**	69.7	+2	+2
Return on sales	**25.6%**	24.5%		
Return on invested capital (ROIC)	**16.9%**	16.7%		

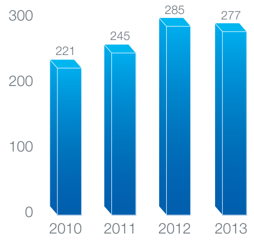
Sales



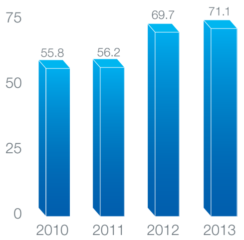
Sales by Destination



Divisional Sales
£ million



Divisional Underlying Operating Profit
£ million



DIVISIONAL SUMMARY

FINE CHEMICALS

Business	What We Do	How We Add Value	Societal Benefits	Global Drivers	Customer Profile	Major Competitors	Employees	Locations	2012/13 Sales
API Manufacturing	Manufacture active pharmaceutical ingredients (APIs) for pain management, hyperactivity, other controlled drugs and complex niche molecules	Develop syntheses and optimise manufacturing routes to enable cost efficient production	• Improved quality of life for an ageing global population • Treats critical conditions e.g. cancer, chronic pain etc.	Health and Nutrition Ageing Population Population Growth Urbanisation Increasing Wealth	• Mostly generic drug companies • Global customer base	• Covidien • Noramco • Francopia • Siegfried	588	• West Deptford, Conshohocken and Devens, USA • Edinburgh, UK	£198 million
Research Chemicals	Supply speciality inorganic and organic chemicals and biochemicals under the Alfa Aesar brand name	Support the research and development activities of our customers around the world	• Our customers' work underpins a broad range of health and other societal benefits	Health and Nutrition Ageing Population Population Growth Urbanisation Increasing Wealth	• Academic and industrial research organisations • Global customer base, expanding in Asia	• Sigma Aldrich	515	• UK, USA, Germany, China and India	£79 million

Fine Chemicals' products help relieve pain, treat cancer and alleviate other medical conditions, thus improving the quality of life for many people around the world.

Strategy

- **Deliver niche products to the generic pharmaceutical market**
- **Leverage synergies between research, development and manufacturing**
- **Increase market share of established products**
- **Deliver superior growth**

Fine Chemicals is focused on **delivering niche products to the generic pharmaceutical market** where it can apply its expertise to benefit from the trend towards the use of generic pharmaceuticals. Furthermore, with commercial advantages from being first to market with generic APIs, the division is supported by its strengths in research, development and manufacturing.

Through **leveraging synergies between research, development and manufacturing** across the division, Fine Chemicals can maintain a pipeline of new products for customers of both its API Manufacturing and Research Chemicals businesses.

Increasing market share of established products where the division has a strong position, such as opiate based APIs, is an important element of the strategy. The division is optimising its global manufacturing capacity to enable it to benefit from opportunities to strengthen its position in both existing and developing markets.

The division aims to **deliver superior growth** in markets that are driven by global trends towards the increased use of pharmaceutical products. Its strong position in niche areas and its research and manufacturing infrastructure position it well for growth at rates ahead of industry baselines.

Description of the Business

Fine Chemicals Division supplies active pharmaceutical ingredients (APIs), fine chemicals and other speciality chemicals to a wide range of chemical and pharmaceutical industry customers and research institutes globally. Its products help relieve pain, treat cancer and alleviate other medical conditions, thus improving the quality of life for many people around the world. It comprises two areas:

API Manufacturing

Our API Manufacturing businesses supply APIs and intermediate products for the pharmaceutical and fine chemical industries and provide contract research services to the pharmaceutical industry. Our UK business, based in Edinburgh, is the world's leading manufacturer of opiate alkaloids which are used for pain management and other pharmaceutical applications. Our US business, which operates from three locations in the north east of the USA, specialises in the manufacture of APIs for controlled drugs and for platinum based anticancer treatments. It also provides a full range of commercial scale manufacturing services for APIs to both generic and branded pharmaceutical companies.

INNOVATION **IN ACTION**

→ Scientific Synergies

Zeolites are a key component of the selective catalytic reduction (SCR) catalyst systems manufactured by Johnson Matthey's Emission Control Technologies business to control emissions of oxides of nitrogen from diesel vehicles. Recognising the broad expertise across the group, cross divisional teams are working to develop improved zeolite products.

As described on page 35, zeolites have a defined structure of channels and pores which can be designed to provide enhanced catalytic properties. During the synthesis of zeolites, organic molecules are used which act as templates to control the size and shape of the zeolite pores and hence the properties of the final zeolite product.

Scientists across Fine Chemicals Division are using their expertise in organic and materials chemistry to develop new templates that will provide optimised zeolite structures. At the laboratory scale, researchers at our Research Chemicals' site in Heysham, UK are creating new templates and are developing preliminary synthetic processes to prepare small quantities for initial evaluation. Our API manufacturing business in Devens, USA then develops and optimises the synthesis to ensure robustness and consistent product quality during manufacturing. Through this collaboration we are leveraging the synergies and key competences across several Johnson Matthey businesses to support the continued development of new products across the group.

Financial Review of Operations continued

FINE CHEMICALS continued

Research Chemicals

The Research Chemicals business is a globally integrated supplier of speciality inorganic and organic chemicals and biochemicals. The business supplies chemicals into both industry and research institutions in small scale research quantities, via its catalogue, and bulk scale shipments. Around 50% of its sales are to pharmaceutical companies. It operates under the Alfa Aesar brand name and is based in the UK, USA, Germany, China and India. The operations in the UK and China have manufacturing capability servicing the catalogue and the needs of external bulk scale customers and provide custom synthesis of key pharmaceutical intermediates for both external and internal customers.

Performance in 2012/13

After two years of strong growth, the performance of Fine Chemicals Division was impacted by increased competition in the UK regulated market in 2012/13. The API manufacturing business in the US and Research Chemicals both performed broadly in line with last year. Overall, revenue was 2% down at £286 million, sales were 3% below last year at £277 million but underlying operating profit was 2% ahead at £71.1 million. The division's underlying return on sales improved by 1.1% to 25.6%.

API Manufacturing

The division's API Manufacturing businesses, which represent 71% of Fine Chemicals' sales at £198 million, had a challenging year with sales 4% lower and underlying operating profit down by a similar amount.

During the year, higher levels of importation of controlled substance products into the UK led to increased competition in our market. Despite this we were able to maintain volumes at levels close to last year, but prices fell particularly for bulk opiates used in pain relief, such as codeine and dihydrocodeine. In response to this increased competition we undertook a review of our global API manufacturing and, as a consequence, have restructured the business to improve its efficiency. A charge of £14.2 million, which is excluded from the division's underlying results, was made in the year to write off assets that will no longer be required following the consolidation of global manufacturing and to reduce staff numbers by 30 in the UK. This should result in cost savings of £5 million per annum in the second half of 2013/14.

In addition, we continue discussions with the UK government to understand their future intentions on importation of controlled substances, although we believe that a whole scale opening up of this market is unlikely. Our business is, however, now better positioned to return to growth and respond to any market changes that result.

The business saw continued growth in volumes for attention deficit hyperactivity disorder (ADHD) treatments and for opiate based pain relief products. Since the year end our customers have received approval for the launch of a new generic drug that utilises APIs manufactured by us in the UK and that is used to treat drug addiction; this should help to boost sales further in 2013/14 and beyond. The business continued to benefit from oxymorphone patent revenue from Endo, the US based healthcare company.

Research Chemicals

Research Chemicals performed in line with last year with sales at £79 million. Sales grew in Europe and Asia, but fell slightly in North America. Operating profit grew ahead of sales as the mix of higher margin catalogue sales grew at the expense of bulk sales.

During the year, work began on the construction of new warehouses in Shanghai, China and Nevada, USA. The Shanghai warehouse will enable the business to relocate its existing facility from Tianjin in the north of China to the more lucrative markets surrounding Shanghai. The Nevada warehouse will provide the business with a physical presence on the west coast of North America, significantly improving service levels to customers in this region. Both facilities will be completed in the first half of 2013/14.

The business continued to expand its range and during the year over 8,000 new products were added, many of which are unique and exclusive to Alfa Aesar.

CASE STUDY

→ Measuring the Health Benefits of our Products

Around 10% of our products and technologies contribute to improving human health and enhancing the quality of life. But how can we measure the health benefits of our products to help us ensure that the next generation of our products is even more effective and sustainable?

In our latest life cycle assessment (LCA) we selected active pharmaceutical ingredients (APIs) that are used to treat illicit drug use. Our API Manufacturing businesses manufacture methadone, buprenorphine and naloxone, which are sold to customers in the pharmaceutical industry who formulate them into products to treat illicit drug use. Buprenorphine and naloxone are co-formulated into the product suboxone. Methadone is purely synthetic whereas buprenorphine and naloxone are manufactured from alkaloids extracted from the opium poppy. As a result they require more complex manufacturing processes, making the end drug, suboxone, more energy intensive and more expensive to produce. So can we justify it as a sustainable alternative?

The study was hugely informative and concluded that suboxone offers a greater health benefit per kilogram of API. At the same time, it has a number of clinical benefits over methadone, as there is no dependency and, unlike methadone, suboxone can be prescribed by family doctors. Furthermore, smaller doses are required per addict.

This type of research contributes to the LCA of the product. It allows the sustainability credentials of APIs and pharmaceutical products to be objectively established and enables the health and environmental impacts of a product to be evaluated side by side.

Read the full case study at www.matthey.com/sustainability.

Financial Review

> “Underlying earnings per share fell by only 2% to 150 pence, despite the reduction in underlying profit before tax of 9%.”
>
> **Robert MacLeod**
> Group Finance Director

Profit Before Tax

The group’s underlying profit before tax decreased by 9% to £389.2 million (2011/12 £426.0 million). Profit before tax was 13% lower at £354.9 million (2011/12 £409.3 million). Principal items excluded from underlying profit were:

- amortisation of acquired intangibles of £16.9 million; and
- an impairment and restructuring charge of £14.2 million in respect of rationalisation costs in our global API manufacturing business.

Underlying Profit Reconciliation

	Year ended 31st March 2013			Year ended 31st March 2012		
	Profit before tax £ million	Income tax expense £ million	Profit for the year £ million	Profit before tax £ million	Income tax expense £ million	Profit for the year £ million
Underlying basis	389.2	(81.7)	307.5	426.0	(100.0)	326.0
Amortisation of acquired intangibles	(16.9)	5.4	(11.5)	(16.7)	6.1	(10.6)
Major impairment / restructuring	(17.4)	(2.8)	(20.2)	–	–	–
Reported basis	354.9	(79.1)	275.8	409.3	(93.9)	315.4

Exchange Rates

The main impact of exchange rate movements on the group’s results comes from the translation of foreign subsidiaries’ profit into sterling as the group does not hedge the impact on the income statement or balance sheet of these translation effects. The group’s underlying operating profit at constant exchange rates is shown in the table below:

Underlying Operating Profit

	Year ended 31st March 2013 £ million	2012 £ million	% change	2012 at 2013 exchange rates £ million	% change
Environmental Technologies	226.0	211.8	+7	210.4	+7
Precious Metal Products	147.1	200.8	-27	199.5	-26
Fine Chemicals	71.1	69.7	+2	69.8	+2
Corporate	(29.4)	(32.2)		(32.1)	
Total group	414.8	450.1	-8	447.6	-7

During the year, sterling strengthened slightly against the euro but weakened slightly against the US dollar and Chinese renminbi. Together these decreased reported group underlying operating profit for the year by £1.8 million.

Financial Review continued

Of the group's underlying operating profit that is denominated in overseas currencies the average exchange rates during 2012/13 were:

	Share of 2012/13 non-sterling denominated underlying operating profit	Average exchange rate 2012/13	2011/12
US dollar	42%	1.580	1.597
Euro	28%	1.228	1.160
Chinese renminbi	11%	9.93	10.21

Going forward, each one cent change in the average US dollar exchange rate and each one cent change in the euro exchange rate have approximately a £0.8 million and £0.7 million effect respectively on underlying operating profit in a full year.

Return on Sales

The group's return on sales decreased from 16.8% to 15.5% as the group was impacted by lower returns in Precious Metal Products Division, as described on pages 30 to 46.

Return on Sales

	Sales excluding precious metals		Return on sales[1]	
	2013 £ million	2012 £ million	**2013 %**	2012 %
Environmental Technologies	**1,904**	1,876	**11.9**	11.3
Precious Metal Products	**548**	582	**26.8**	34.5
Fine Chemicals	**277**	285	**25.6**	24.5
Less inter-segment sales	**(54)**	(64)	**n/a**	n/a
Total group	**2,676**	2,679	**15.5**	16.8

[1] Underlying operating profit divided by sales excluding precious metals.

Return on Invested Capital

After two years of significant improvement in the group's return on invested capital (ROIC), this year ROIC fell from 22.3% to 19.7%. Although ROIC increased in Environmental Technologies Division, this was more than offset by a large reduction in our higher return on capital Precious Metal Products Division.

Underlying operating profit for the group was £35.3 million lower than last year at £414.8 million, and average invested capital was £92 million higher at £2,107 million due to the acquisition of both Axeon and Formox, but also an increase in working capital of £40.2 million.

Despite falling to 19.7%, the group's ROIC is still well ahead of our pre-tax cost of capital, which we estimate to be 10.5% (2011/12 11.2%). Looking forward to 2013/14 and beyond, the group's ROIC will be impacted by the new Anglo Platinum contracts from 1st January 2014. Notwithstanding this, we remain committed to our 20% ROIC target. While seeking to continually improve the group's returns, we will not do this at the expense of the long term future of the group. We will continue to invest in our businesses across the world, both in capital expenditure and in research and development, and we will also target appropriate acquisitions that accelerate the delivery of the group's strategy, but which, in the short term at least, may depress ROIC.

Return on Invested Capital

	Average invested capital[1]		Return on invested capital[2]	
	2013 £ million	2012 £ million	**2013 %**	2012 %
Environmental Technologies	**1,562**	1,492	**14.5**	14.2
Precious Metal Products	**375**	341	**39.2**	58.9
Fine Chemicals	**421**	418	**16.9**	16.7
Corporate / other	**(251)**	(236)	**n/a**	n/a
Total group	**2,107**	2,015	**19.7**	22.3

[1] Average of opening and closing segmental net assets as shown in note 1 on the accounts on pages 149 and 150. For the group, the average of opening and closing equity plus net debt.

[2] Underlying operating profit divided by average invested capital.

Interest

The group's net finance costs increased by £1.5 million to £25.6 million as a result of higher borrowing costs caused primarily by the return of capital to shareholders.

Approximately 74% of the group's net debt at 31st March 2013 has fixed interest rates averaging approximately 3.7%.

Taxation

The group's total tax charge for the year was £79.1 million, a tax rate of 22.3% on profit before tax (2011/12 22.9%).

On underlying profit before tax of £389.2 million, the tax charge was £81.7 million, which represents an effective tax rate of 21.0%, down from 23.5% last year. This decrease was primarily due to a lower proportion of profits in jurisdictions with higher tax rates and further reductions to the headline rate of corporation tax in the UK.

The group continues to benefit from the reduction in the headline UK corporation tax rate. That rate, which was 28% for the year ended 31st March 2011, was 24% for the year ended 31st March 2013 and will reduce to 23% for the year ending 31st March 2014, to 21% for the year ending 31st March 2015 and then to 20% for years ending after 31st March 2015.

In addition, recent changes to UK tax law to reduce the corporation tax charged on profit earned from qualifying patented technologies to 10% and favourable changes to the UK Controlled Foreign Companies tax rules, both effective for the year ending 31st March 2014, should help to reduce the group's effective tax rate further. Partly offsetting these changes, following the UK government's recently announced rules to allow the reporting of R&D tax credits 'above the line', the group will first report R&D tax credits as part of operating profit for the year ending 31st March 2014. This adjustment will not materially affect the group's profit after tax.

We can never be entirely certain of the geographic mix of profit in any given year, but going forward we anticipate that the rate of tax on the group's underlying profit should average at least 3% lower than the headline rate for UK corporation tax.

Tax Strategy

Johnson Matthey has operations in over 30 countries across the world. For each country in which we have operations, we organise our operations to pay the correct and appropriate amount of tax at the right time according to the laws of the relevant country and ensure compliance with the group's tax policies and guidelines.

The group's tax strategy is regularly reviewed and endorsed by the board. This strategy is executed by a global team of tax professionals, assisted by external advisers where appropriate.

Our tax strategy covers the application of all taxes, both direct and indirect, to our business including corporation tax, payroll taxes, value added tax and customs and excise duties. The tax strategy also covers our approach to any tax planning required by the business and key policy areas such as transfer pricing.

Earnings per Share

Underlying earnings per share fell by 2% to 150.0 pence, despite the reduction in underlying profit before tax of 9%. Earnings per share benefited from the lower tax rate as well as a reduced number of shares following the share consolidation that accompanied the special dividend paid in August 2012. Total earnings per share fell by 9% to 134.6 pence.

Dividend

If the proposed final dividend of 41.5 pence per share is approved, the group's ordinary dividend for the full year will be 57.0 pence (2011/12 55.0 pence). At this level, the dividend would be covered 2.6 times by underlying earnings per share.

In 2012, following a review of the group's balance sheet structure, a special dividend of 100 pence per share was approved by shareholders and paid in August 2012. The special dividend was accompanied by a share consolidation.

Pensions

Actuarial – Funding Basis

UK Scheme

The latest actuarial valuation of the UK scheme, effective as at 1st April 2012, estimated that the scheme deficit was £214 million (1st April 2009 £173 million). This increase of £41 million is after taking account of deficit funding contributions since 1st April 2009 of approximately £50 million. As a result of the increase in the actuarial deficit, the company has:

- established an asset backed, on balance sheet special purpose vehicle (SPV) which holds £50 million of third party corporate bonds financed by a one-off cash payment made in the second half of 2012/13. The annual income generated by this SPV will be paid to the UK pension scheme while it remains in deficit. Ongoing cash deficit contributions payable directly to the scheme will be maintained at £23.1 million per annum until 2020;
- with effect from 1st October 2012, the career average defined benefit section of the pension scheme was closed to new entrants. From that date new employees were enrolled in a new contributory cash balance defined benefit scheme; and
- from 1st April 2013, increased employee contributions for those who remain in the career average defined benefit section to help fund the increase in cost of providing these benefits.

US Scheme

The latest actuarial valuations of the two US pension schemes estimated that their deficits had increased from £12 million at 30th June 2011 to £39 million at 30th June 2012. Deficit funding contributions of £4.4 million were made in the year and contributions of £4 million were agreed for 2013/14.

The significant reduction in real US interest rates gave rise to the increase in the schemes' deficit. The company is currently reviewing its options for future pension provision in the US and, at the same time, reviewing other ways to reduce and manage these net deficits.

For each of its pension schemes worldwide, the group continues to work with their fiduciary committees and trustee boards to ensure an appropriate investment strategy is in place, which includes better matching of the schemes' assets to their liabilities as funding levels improve. Currently, 55% of the group's total pension assets are held in government and corporate bonds, up from 52% last year.

IFRS – Accounting Basis

The group's net liabilities associated with the pension and post-retirement medical benefit schemes are:

	31st March 2013 £ million	31st March 2012 £ million
UK scheme		
Scheme deficit	**(115.6)**	(84.8)
SPV assets	**49.7**	–
Net deficit[1]	**(65.9)**	(84.8)
US schemes	**(55.4)**	(26.0)
Other pension schemes[2]	**(23.2)**	(17.9)
	(144.5)	(128.7)
Post-retirement medical schemes	**(49.7)**	(38.4)
Total[1]	**(194.2)**	(167.1)

[1] After taking account of the assets held on behalf of the UK pension scheme by the SPV.

[2] Deficits of £25.1 million and surplus of £1.9 million.

The deficits in the group's principal UK and US defined benefit pension schemes increased by £60.2 million despite deficit funding contributions of approximately £28 million made in the year. This increase was principally caused by a decrease in the discount rate used to value the schemes' liabilities.

The cost of providing post-employment benefits increased from £25.4 million in 2011/12 to £40.2 million in 2012/13. This charge was included, in full, within operating profit.

IFRS – Revised Accounting Standard

With effect from 1st April 2013, the group will take account of the revised accounting standard, IAS 19 – 'Employee Benefits'. This change will impact the group by amending disclosure requirements and replacing the expected return on plan assets and interest cost on plan obligations with net interest on the net defined benefit liability based upon the discount rate. The effect on the group for the year ending 31st March 2014 is estimated to be an increase in operating profit of approximately £1.5 million, and an increase in the interest charge of £10.5 million.

The implementation of this new standard will also require a restatement of prior years' results. Had the new standard been applied in the current and previous years, the effect would have been as follows:

	31st March 2013		31st March 2012	
	Published £ million	**Revised £ million**	Published £ million	Revised £ million
Charge to operating profit	**40.2**	**38.9**	25.4	31.2
Net interest	**–**	**7.6**	–	6.7
Total charge to income	**40.2**	**46.5**	25.4	37.9

Financial Review continued

Cash Flow

During the year ended 31st March 2013 net cash flow from operating activities was £396.1 million (2011/12 £464.4 million). The group's total working capital increased by £40.2 million in the year but excluding the element that relates to precious metals, working capital decreased by £43.8 million, from 54 days last year to 49 days; a good performance. Working capital in respect of precious metals, however, grew by £84.0 million as a result of lower levels of customer funded metal.

The group's free cash flow was £135.6 million (2011/12 £299.4 million). Adjusting for the effect of movements in precious metal working capital balances, the group's free cash flow was £219.6 million compared with £238.5 million last year, as capital expenditure increased to support future growth opportunities.

The group's cash flow conversion (adjusting for the effect of movements in precious metal working capital) was 93% (2011/12 78%), reflecting the improvement in working capital management across the group.

Capital Expenditure

Capital expenditure was £192.0 million (of which £183.9 million was cash spent in the year) which equated to 1.5 times depreciation. In the year, £117.4 million, or 61%, was incurred by Environmental Technologies Division. The principal investments were projects to:

- add further autocatalyst manufacturing capacity in Europe, in Macedonia and Royston, ahead of the upcoming light duty and heavy duty legislation;
- expand our additives plant in Savannah, US to meet the growing demand for its products; and
- increase the throughput of our gold and silver refinery in Brampton, Canada in order to satisfy the demands of a new primary refining contract which is due to start in 2014/15.

There are a number of good opportunities for growth across the group. In order to access these, we anticipate that capital expenditure will be just over £200 million per annum for the next few years. This will be in the range of 1.5 to 1.7 times depreciation.

Depreciation, which was £126.6 million in 2012/13 (2011/12 £126.1 million), will rise as a consequence of this increased investment to around £135 million in 2013/14 and then further, to around £165 million, by 2015/16.

Capital Structure

In the year ended 31st March 2013 net debt increased by £381.0 million to £835.2 million, although when the post tax pension deficits and bonds purchased to fund pensions of £107.8 million are included, net debt rises to £943.0 million. The principal reasons for the substantial increase in net debt in the year were the return of £212.1 million to shareholders by way of a special dividend, the acquisitions of Axeon and Formox, together costing £147.1 million (net of cash acquired), and the increase in working capital of £40.2 million referred to above. To fund the special dividend, we agreed new long term loans amounting to approximately £161 million at an average interest rate of 3.4%.

During the year, the group's EBITDA (on an underlying basis) fell by 6% to £541.4 million (2011/12 £576.2 million). As a result, net debt (including post tax pension deficits) / EBITDA rose from 1.0 last year to 1.7 times.

We continue to believe that a net debt (including post tax pension deficits) to EBITDA ratio of around 1.5 to 2.0 times is appropriate for the group over the longer term.

Since the year end we have arranged additional 10 to 15 year fixed rate loans of approximately $500 million through the US Private Placement market, with an average interest rate of 3.2%. These new borrowings refinance existing loans which mature during 2013/14 and also give us ample capacity to invest in the business.

Borrowings

	31st March 2013		31st March 2012	
	£ million	**%**	£ million	%
Over five years	**352.8**	**39**	83.5	14
Two to five years	**99.3**	**11**	218.9	37
One to two years	**131.1**	**14**	198.7	33
Within one year	**322.0**	**36**	92.2	16
Gross borrowings (net of swaps)	**905.2**	**100**	593.3	100
Less: cash and deposits	**70.0**		139.1	
Net debt	**835.2**		454.2	

Treasury Policies and Going Concern

Financial Risk Management and Treasury Policies

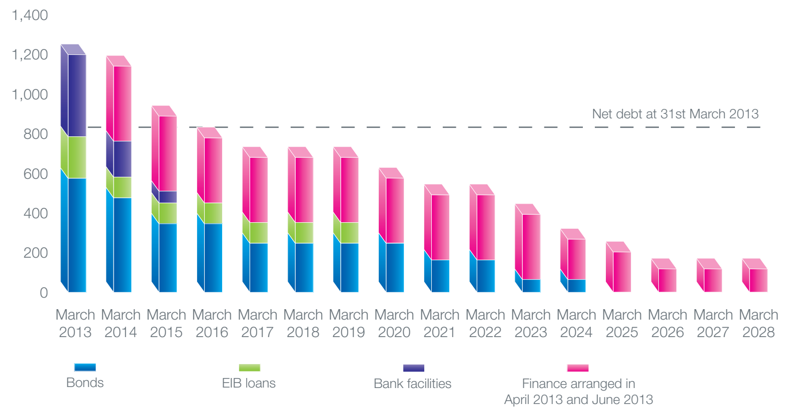
The group uses financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with its underlying business activities and the financing of those activities. The group does not undertake any speculative trading activity in financial instruments. Our treasury department is run as a service centre rather than a profit centre.

Funding and Liquidity Risk

The group's policy on funding capacity is to ensure that we always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. On 16th August 2012 the group issued $150.0 million and £65.0 million of private placement notes for ten and 12 year maturities respectively. On 19th November 2012 the group agreed a further €124 million of funding from the European Investment Bank (EIB) for a period of seven years. On 5th June 2013 the group closed a further $475.0 million and €20.0 million of funding in the private placement market with maturities out to 15 years.

At 31st March 2013 the group had cash and deposits of £70.0 million and £364.7 million of undrawn committed bank facilities available to meet future funding requirements. The group also has a number of uncommitted facilities, including overdrafts and metal lease lines, at its disposal. The maturity dates of the group's debt and borrowing facilities are illustrated in the table on page 50 and the chart below.

Maturity Profile of Debt Facilities
At 31st March 2013 exchange rates
£ million



Of the committed facilities, £426.4 million falls due to be repaid in the 15 months to 30th June 2014 (the going concern period). £329.6 million of this has already been pre-financed through the private placement issues in June 2013; £50.0 million was renewed in early April 2013 for two years and the remainder is expected to be renewed with long term relationship banks closer to maturity.

Going Concern

The directors have assessed the future funding requirements of the group and the company and compared it to the level of long term debt and committed bank facilities for the 15 months from the balance sheet date. The assessment included a sensitivity analysis on the key factors which could affect future cash flow and funding requirements. Having undertaken this work the directors are of the opinion that the group has adequate resources to fund its operations for the foreseeable future and so determine that it is appropriate to prepare the accounts on a going concern basis.

Interest Rate Risk

At 31st March 2013 the group had net borrowings of £835.2 million of which 74% was at fixed rates with an average interest rate of 3.7%. The remaining 26% of the group's net borrowings was funded on a floating rate basis. A 1% change in all interest rates would have a 0.5% impact on underlying profit before tax. This is within the range the board regards as acceptable.

Foreign Currency Risk

Johnson Matthey's operations are located in over 30 countries, providing global coverage. The significant amount of its profit is earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA and Europe by borrowing US dollars and euros respectively. The group uses forward exchange contracts to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. Currency options are occasionally used to hedge foreign exchange exposures, usually in a bid situation. Details of the contracts outstanding on 31st March 2013 are shown on page 173.

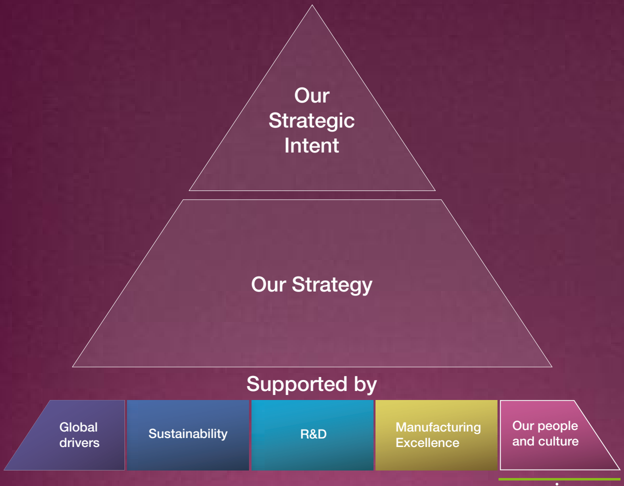
Precious Metal Prices

Fluctuations in precious metal prices can have a significant impact on Johnson Matthey's financial results. Our policy for all manufacturing businesses is to limit this exposure by hedging against future price changes where such hedging can be done at acceptable cost. The group does not take material exposures on metal trading.

All the group's stocks of gold and silver are fully hedged by leasing or forward sales. Currently the majority of the group's platinum stocks are unhedged because of the lack of liquidity in the platinum market.

Credit Risk

The group is exposed to credit risk on its commercial activities and treasury risk management activities. In both cases counterparties are assessed against the appropriate credit ratings, trading experience and market position. Credit limits are then defined and exposures monitored against these limits. In treasury and precious metal management, these exposures include the mark to market of outstanding transactions and potential settlement risks.



- Recent graduate recruits in China undertake team projects on the GO JM programme.

Our People and Culture

Building a Solid Foundation for the Future

"On joining Johnson Matthey in Shanghai 12 months ago I was keen to understand how the company has been successful for almost two hundred years, even in the face of some of the most severe economic conditions.

A few months later I was invited to attend the 'GO JM' programme and was excited at the opportunity to learn more about the company and meet my fellow employees.

The 'GO' in GO JM stands for group orientation and is a three day programme run by Johnson Matthey in China and Europe to enable recent graduates to build their business skills and knowledge of the group.

GO JM gave me a really good overview of Johnson Matthey and its businesses in a fun and engaging way. I gained an insight into the company's values and culture and learned more about its leading position in sustainable technologies. The focus on developing products that enhance quality of life through their positive impact on the environment and human health makes me feel very proud to work for Johnson Matthey.

During the programme, senior employees from different divisions shared their career experiences with us and this has provided me with ideas for my future development in Johnson Matthey. I also had the opportunity to present details of my own projects during the three days. GO JM has given me a good platform from which to establish my first network of relationships and contacts across Johnson Matthey's different businesses and I am looking forward to developing my career in the company.

There are good opportunities to grow our business, especially here in China, and I am excited to play my part in realising them as we approach our third century of operation."

→ SUPPORTING
OUR STRATEGY
– OUR PEOPLE AND CULTURE

This section highlights initiatives involving our people, our communities and other stakeholder groups. It also contains performance data relating to employees and community investment.

SOCIAL

.03

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Social

Performance Summary

		2013	2012
Average number of employees		10,498	9,914
Total employee turnover[1]	%	9.1	11.7
Voluntary employee turnover[1]	%	6.5	6.4
Employee gender (female)[2]	%	25	22
Gender of new recruits (female)	%	25	25
Trade union representation	%	31	35
Training days per employee		2.7	3.1
Training spend per employee[3]	£	433	335
Internal promotions	% of all recruitment in year	36	35
Attendance	days lost per employee	5.2	5.0
Charitable donations	£ thousands	615	645

[1] Employee turnover is calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of people employed during the year. The analysis does not include agency workers not directly employed by Johnson Matthey.

[2] At 31st March.

[3] Training spend does not include the cost of in house training or the cost of employees' wages during training.

In Johnson Matthey there is a strong tradition of looking after our employees, of good community relations and of engaging with our stakeholders. We recognise that in order to operate in a socially sustainable manner, our actions and our policies must be focused on the long term benefits to employees, suppliers, customers, communities and other stakeholders.

→ Read more on our social policies in the Governance section on pages 88 to 91.

Visit our website for full details of our social activities and policies at www.matthey.com.

Stakeholder Engagement

Johnson Matthey has a wide range of stakeholders with an interest in hearing from or working with the company at both a corporate and business level. Our stakeholders include any person or organisation that may interact with, or have an interest in, Johnson Matthey and include customers, employees and their representatives, suppliers, fund managers, shareholders, communities, governments, non-governmental organisations (NGOs) and national and international trade associations. We are also engaged with national and local government to inform the development of policy in areas where our technology and products can play a pivotal role. Johnson Matthey meets regularly with our major shareholders, as described in the Corporate Governance Report on pages 109 and 110, to discuss the performance and development of the group's businesses, including matters relating to sustainability and corporate social responsibility. During the year we met with a number of socially responsible investment (SRI) fund managers where discussion focused more specifically on our sustainability programmes, the beneficial impacts of our products and the social, environmental and ethical risks and opportunities for the business.

We aim to provide meaningful and transparent communications to meet the needs of all stakeholder groups and present information to them in the most appropriate format. These formats may include annual performance reports, participation in performance indices (for example Carbon Disclosure Project, FTSE4Good), responses to specific surveys and questionnaires or one to one discussions on specific topics. Following the launch of our new corporate website in March 2012 we have continued to develop the content available to stakeholders and have recently launched a mobile version of the website. In the early part of 2013/14 we are contacting a number of shareholders to seek feedback on our website with a view to incorporating further improvements. In June 2012 we launched an 'Investor Relations Briefcase' iPad app. The app features Johnson Matthey's most recent press releases, presentations and reports in an easy to access tablet friendly form and has been extremely well received by our stakeholders. This year we are also providing a tablet friendly pdf of this annual report, available via the app, with navigation and search facilities tailored specifically for viewing on the iPad.

We communicate with our stakeholders throughout the year and engagement is integrated into our business decision making processes. This 360 degree dialogue is essential in providing all parties with a rounded view of all material issues and helps all to shape their actions and strategies to move forward on these matters.

For further details on our stakeholder engagement activities, including a stakeholder map, visit our website at www.matthey.com/sustainability.

Johnson Matthey is not a household name and, as a result, we receive a very limited number of requests for information from the general public. However, we recognise the value to our business of building an understanding of the positive impact of our products and of how our industry can provide a stimulating and rewarding career. We therefore undertake some engagement activities with the general public, usually through third party organisations, examples of which are given throughout this section of the report and on our website.

Developments in 2012/13

We have continued to see evidence this year of the increasing importance of governance matters in our supply chains and have completed a number of questionnaires received from our customers and suppliers regarding our social, environmental and ethical practices. We believe that interest and requests for information from our supply chains will only continue to increase. Work is underway to develop an internal database to capture data and details of these requests so that we can maintain our level of responsiveness as their frequency increases.

We remain actively involved with the key trade associations and industry organisations that are connected with our business activities including the UK Chemical Industries Association, the Pgm Health Science Research Group, the Prince of Wales's Corporate Leaders Group on Climate Change, the International Platinum Group Metals Association and Eurometaux, the association servicing and representing the European non-ferrous metals industry. We also work closely and seek mentorship from NGOs such as Forum for the Future.

We believe this approach provides an effective way of understanding, shaping, participating and contributing to a range of discussion areas relevant to our stakeholders, and those of the broader industry and market sectors in which we operate. Our involvement and discussions may cover areas such as climate change, developing regulation, legislation, health and safety, standards and guidance. Emerging issues that may have a material impact on our industry sectors and businesses are carefully considered. Examples of our involvement are illustrated in the following case studies.

Stakeholder Engagement in Action

→ The Energy and Resources Institute (TERI)

TERI, based in Delhi, India, is a not for profit technical institution with research interests in areas such as climate change, energy and water. Formed in 1974, TERI focuses on the development of solutions to global sustainability issues in the fields of energy, environment and current patterns of development. Johnson Matthey has a considerable presence in India, including three major manufacturing sites, and our businesses there were keen to engage in sustainability issues beyond their own internal operations. In 2012/13 Johnson Matthey has started to work with TERI and is now a member of TERI's business council. Through this membership our businesses in India are able to share information with and learn from others, calibrate their activities and contribute more broadly to sustainability issues.

Stakeholder Engagement in Action

→ PE International Product Sustainability Round Table (PSRT)

PSRT is a community of product sustainability practitioners from a wide range of international companies in the commercial and industrial sectors across the value chain. During the year Johnson Matthey has joined PSRT to support our product sustainability efforts. It is providing opportunities for us to share and learn from other members and benchmark our performance and tools. It is also enabling us to better understand the current and future product sustainability trends and build our expertise in life cycle analysis and approaches. Through our participation we are also able to access a range of product sustainability tools. These include an emerging issues and materiality tool, which we are incorporating into our materiality assessments and horizon scanning processes from 2013/14 onwards.

CASE **STUDY**

→ What Applied Science is all About

Science is our business and at Johnson Matthey, we are keen to educate the public on what science brings us in everyday life. In this way, we encourage young people to think about a future career in science and become part of the next generation of an R&D and manufacturing workforce.

So the chance to take part in the Make it in Great Britain exhibition at the Science Museum, London, in summer 2012 fitted perfectly with our outreach activities. The Johnson Matthey stand, headed 'Reducing emissions using clever science', took visitors through the way that autocatalysts are produced, with an interactive display including a video game inviting the visitor to mix the perfect catalyst coating and help reduce emissions from a car. In addition, two special events allowed visitors to meet Johnson Matthey's employees and learn more about company activities.

The exhibition showed the many applications that science has in the real world and the Johnson Matthey stand highlighted the role that environmental technologies have to play in creating more sustainable ways of living and working.

Read the full case study at www.matthey.com/sustainability.

Social continued

Building a Sustainable Workforce

Recruiting the right people, developing them and providing an engaging environment which motivates them to contribute and stay with the company is fundamental to the group's long term performance. At Johnson Matthey, we believe that it is our employees who make the difference to the company's success. Their skills, qualities and wellbeing play a vital role in building a sustainable business.

We recognise that our people and culture are a particular strength and, although the culture of an organisation is not easy to define, there is a very distinctive culture in Johnson Matthey, irrespective of division, business, function or geographic location. Capturing and drawing on the strengths of our culture will support the group's future growth, particularly as it continues to expand globally. Work has continued this year to articulate our company values and understand how they can be best used to develop and grow our business and our people.

Attracting and Retaining the Best People

Johnson Matthey has effective recruitment processes to support the regular requirement for high calibre employees. Increasingly, we are recruiting graduates and qualified employees from beyond our traditional bases in Europe and North America as we continue to develop a more internationally diverse workforce to support our global business.

Recruiting well qualified staff is vital to support business development, particularly in new and emerging markets such as in Asia, and this is achieved by appropriate manpower planning, local recruitment and the encouragement of international and cross divisional mobility. It is the group's policy to promote from within wherever possible and in 2012/13 36% of vacancies were filled by internal candidates, supporting the retention of employees and developing their careers.

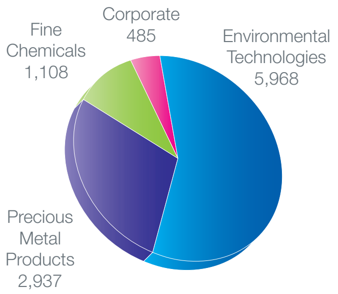
We have continued to improve our recruitment processes on a global basis to ensure that we are well placed to recruit high calibre employees in all our regions. Over the past 12 months we have developed our online presence, including through the use of digital / social media. We have launched a Facebook page focused on graduate recruitment which aims to give potential candidates a feel for what it is really like to work at Johnson Matthey. We are also developing opportunities for better candidate attraction and engagement and have launched a careers page with vacancy advertising on LinkedIn aimed at the skilled professionals market. Both of these social media tools are already encouraging interest in our business and have enabled us to engage with thousands of followers to date. Recognising the value of a range of media in communicating our message, we have also posted short video interviews with some of our UK graduates on our website. These have received positive feedback and we plan to continue to build our library to include graduates from across Johnson Matthey's global operations.

We have recently launched a global graduate rotation programme and during 2012/13, the first intake joined Johnson Matthey. Targeted at high calibre graduates, it gives participants experience of roles in a number of different businesses in different locations across Europe, the USA and Asia. We aim to continue this programme to create a talent pipeline of employees with a broad understanding of our global businesses. On a regional level, we plan to launch a graduate rotation programme in India during 2013/14 with the first intake scheduled to start in July 2013.

The average number of employees has increased by 6% this year with average employee numbers up 5% in Asia and North America and 7% in Europe. As illustrated in the pie chart below, Environmental Technologies remains the group's largest division with 57% of our employees. In 2012/13, average employee numbers increased across all divisions.

Total Employees by Division

Average headcount for 2012/13



Average Number of People Employed

Average headcount 2012/13

	Permanent employees	Temporary contract employees	Total
Europe	5,184	232	5,416
North America	2,958	47	3,005
Asia	1,416	59	1,475
Rest of World	601	1	602
Total group	**10,159**	**339**	**10,498**

Annual Change in People Employed

Net change between average headcount 2011/12 and 2012/13

	Permanent employees	Temporary contract employees	Total net change
Europe	+316	+58	+374
North America	+119	+34	+153
Asia	+72	-4	+68
Rest of World	-10	-1	-11
Total group	**+497**	**+87**	**+584**

Maintaining the quality of our employee relations is a priority for the company and the high level of commitment and loyalty from our people continues to bring strength to our business. We have a low voluntary staff turnover, 6.5% in 2012/13 (2011/12 6.4%), with many employees staying with the company for their whole careers. Total employee turnover reduced this year to 9.1% compared with a turnover of 11.7% in 2011/12 which was impacted by the closure of a manufacturing site in Brussels. The reduction in voluntary employee turnover in Asia (from 14.9% in 2011/12 to 13.0% in 2012/13) is encouraging, given that we have been increasing our employee development and engagement efforts in both India and China over the last two years. The table on page 57 sets out employee turnover in 2012/13 by geographical region. The employee turnover figure is calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of permanent employees. The analysis does not include agency workers not directly employed by Johnson Matthey.

Johnson Matthey runs a range of employee development programmes including GO JM, a group orientation programme for recently recruited graduates.

Employees discuss progress at a team meeting in our Emission Control Technologies business.

Employee Turnover by Region
2012/13

	Total leavers	Employee turnover	Voluntary employee turnover
Europe	398	7.7%	5.5%
North America	217	7.3%	4.4%
Asia	222	15.7%	13.0%
Rest of World	87	14.5%	10.6%
Total group	**924**	**9.1%**	**6.5%**

The group's employee turnover over the past five years is illustrated in the graph below and shows that voluntary employee turnover has remained steady.

Employee Turnover
%

Steady performance in attendance rates was maintained this year. The average number of days lost per employee in 2012/13 due to sickness absence was 5.2 days (2011/12 5.0 days). This represents 2.2% of lost time per employee in the working year, slightly higher than last year. We continue to invest in sustainable health and wellness programmes to support the longer term health, wellbeing and performance of our employees. Many of our businesses have made arrangements for employees to have access to flu vaccinations, discounted rates at local health clubs and stress awareness training. Further examples of health related initiatives at our operations around the world are presented on pages 69 and 71.

Developing Our People

The expertise, know how and contributions of our people are what drives the business forward and consequently, employee development is a key element of Johnson Matthey's strategy for future growth. We focus on having well aligned people policies and processes and on integrating our talent review, succession planning and performance and development processes to meet the long term needs of our businesses. We place continued emphasis on developing our talent globally and across our divisions and businesses.

Our people strategy is closely linked to the strategic goals of the business and focuses on providing employees with challenging and engaging jobs, opportunities to learn from colleagues in their teams, their businesses and from across Johnson Matthey, supported by high quality training and development programmes.

The 70:20:10 principle forms the basis of our strategic approach where:

- 70% of learning takes place through job experiences and tasks.
- 20% takes place through learning from others (coaching, mentoring, feedback, collaboration and teams).
- 10% takes place through formal and structured learning interventions.

We believe that it is the blend of different ways of learning that accelerates the development of our people. Line managers support the development of their staff by providing them with opportunities to apply new knowledge and skills in jobs that engage and challenge them. They coach and mentor them and provide an environment where continuous learning and collaboration is encouraged. At a group and regional level we provide a range of high quality training and formal development programmes which are closely aligned to the 70:20:10 concept. Our programmes span career foundation and management levels, seek to offer a broad understanding of the group's businesses and give a strong base in the company's strategy, culture and ethics. We also build in direct contact and networking opportunities with peers and senior managers. All our programmes are aimed at engaging and developing our talented people, encouraging commitment to the company and building a high level of skills, capability and confidence.

Our divisions continue to provide training and development aligned with their specific business needs. These include apprenticeship schemes, graduate development programmes, technical training, professional development, environment, health and safety training and foundation level management and leadership skills development.

Social continued

Johnson Matthey is a strong supporter of apprenticeship schemes as a valuable route for training and developing new talent. Programmes operate at a number of our facilities around the world and during 2012/13 several of our businesses have continued to expand their schemes. In the UK, the company and its apprentices continue to receive recognition from government and other organisations for their commitment and contribution to apprenticeship schemes.

CASE STUDY

→ Apprenticeship Programme at Redwitz Celebrates 60th Anniversary

Johnson Matthey's Redwitz site in Germany has been training apprentices for 60 years. Every year in September around 12 apprentices enter the programme which lasts from two to three and a half years, depending on the discipline. At any one time, some 35 apprentices are being trained.

So what can the young apprentice expect at Redwitz? First, there is good supervision. A team of five supervisors guide and mentor the young people through the programme. The apprentices learn the basics in a modern industrial workshop or 'lehrwerkstatt'. Practical work is combined with theory, and academic study takes place on site in a training room where e-learning modules are available. Personal and social skills are an essential part of the repertoire of a well rounded professional and apprentices attend residential courses to develop presentation and communication capabilities.

At the end of the programme successful apprentices will receive a formal qualification on graduating. There are career opportunities within the different departments at Johnson Matthey's Redwitz facility.

It is, however, the bigger picture that proves the success of the scheme. Now in its 60th year, the programme has trained more than 500 apprentices. Currently, 120 former apprentices are working in different functions at Johnson Matthey in Redwitz, about 20 of them in management positions. By investing in future employees in this way, the site is building a sustainable workforce and providing benefits to the local community.

Read the full case study at www.matthey.com/sustainability.

As our business continues to grow geographically we have expanded our employee development activities and resources on a global basis. During the year we introduced a new group level learning and development infrastructure with specialists in each region (Europe, North America, China and India) who coordinate appropriate regional training and development activities at career foundation, professional and junior managerial levels. Programmes aimed at our senior staff are coordinated globally.

In 2012/13 we launched an executive development programme with London Business School aimed at developing senior level talent and boosting their capabilities around strategy and leadership. We also launched a global training curriculum to support the group's Manufacturing Excellence programme. The first modules have been rolled out with excellent feedback from participants.

"What Our People Say"

One of our employees shares his experience of one of the Manufacturing Excellence training modules and the benefits it has brought to his workplace on page 67.

We have continued to build our portfolio of online learning resources as an effective way of meeting the needs of a growing global workforce. During the year, web based training for employees on antibribery and corruption matters was launched globally to complement the highly targeted face to face sessions delivered by our Group Legal team. We have also developed and trialled an online sustainability awareness training programme to further build understanding and maintain momentum and this will be rolled out to all employees from early 2013/14. Since the launch of our Sustainability 2017 Vision in December 2007, employee numbers have increased by around a third. Our new online programme will provide them, and future new recruits, with a comprehensive introduction to our sustainability goals.

We are keen to expand the opportunities for coaching and mentoring for our people and have been working to raise awareness and build competency in this area. We have further developed our mentoring scheme, introduced coaching skills training for managers and are now incorporating coaching into our leadership development programmes.

On a regional level, two major programmes were launched in China this year. Our 'GO JM' business awareness programme (where GO stands for group orientation) and our China Leadership Development Programme are both aimed at developing our key people in this important growth market, equipping them with core skills and developing their understanding of Johnson Matthey's culture and values.

“What Our People Say”

Further details of our programmes in China, including one our employee’s experience of GO JM are presented on page 52.

The coordination of people activities in India is also making very good progress and is helping to build further links between our Indian sites. Our India Leadership Development Programme is now well established and is addressing development needs of key employees. In North America we completed a learning needs analysis to identify business priorities and common requirements. This will form the basis for a regional learning and development strategy which will be implemented during 2013/14. In the UK we have continued to provide high quality career foundation and skills training aimed at our scientists, new graduates and those with leadership potential.

The geographical diversity of our employee base and skill shortages, in particular for technical leadership skills, are key challenges for us. In addition, we recognise that the expectations of our existing and prospective employees with regards learning and development opportunities are changing. We are meeting employees’ needs through more structured development programmes that build on our strong track record of promoting from within. We also continue to invest in our learning and development offering to attract and retain the best people. We are also utilising our new IT systems to enable learning and development to take place in new and different ways.

Training Days and Spend on Training
2012/13

	Total days / shifts training	Number of days / shifts training per permanent employee	Total training spend £ thousands	Spend per permanent employee £
Europe	14,034	2.7	2,993	577
North America	6,123	2.1	756	256
Asia	4,514	3.2	493	348
Rest of World	2,440	4.1	157	261
Total group	**27,111**	**2.7**	**4,399**	**433**

The table above sets out, on a total and on a per employee basis, the days of training and training spend during 2012/13. The graph below shows the total training spend per employee over the past five years. The training spend does not include the cost of in house training or the cost of employees’ wages during training.

Whilst the overall level of formal training activity has decreased since last year (from 3.1 days per employee in 2011/12 to 2.7 days in 2012/13), the training spend per employee has increased by almost 30% reflecting a targeted, needs based and professional approach to training and development of key employee groups. Our strong and continuing commitment to the training and personal development of all our employees is reflected in the fact that during 2012/13, over 570 internal promotions were actioned. This represents 36% of all appointments made in the year.

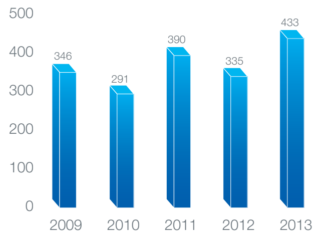
Diversity

At Johnson Matthey we recognise the importance of diversity, including gender diversity, and the benefits this can bring to our organisation. With regard to gender diversity specifically, Johnson Matthey faces challenges similar to those faced by other organisations in the chemical, technology and manufacturing sectors. To address these, we have policies and processes in place which are designed to support gender diversity in employee recruitment, development and promotion and we are committed to ensuring that women have an equal chance with men of developing their careers within our business. We encourage gender diversity at the early career stage by working outside Johnson Matthey to encourage women to enter scientific and industrial fields. During the year, our board of directors published a policy in respect of diversity, further details of which are presented on pages 103, 112 and 113.

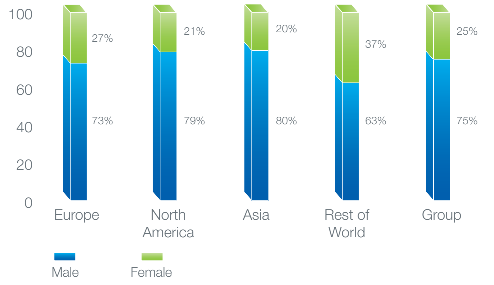
In accordance with applicable law, Johnson Matthey bases all employment related decisions on the principles of equal employment opportunity and our policies in this area are presented on page 91 and on our website.

The group’s gender balance improved this year and was 75% male and 25% female (2011/12 78% male and 22% female). The gender balance of new recruits mirrored that of the group and was unchanged on last year at 75% male and 25% female. We have also seen an improvement in number of female employees at senior management levels as detailed on page 103.

Total Training Spend per Employee
£



Employee Gender by Region
%



Social continued

Engaging Our People

Effective two way communication with employees and, in particular, face to face dialogue, is important in embedding company culture, building commitment, celebrating achievements and increasing understanding of the business, its performance and strategy. Communication with employees is exchanged through in house magazines, attitude surveys, regular news bulletins, presentations to staff and team briefings. Employees are also encouraged to access the group's corporate intranet, sustainability intranet and websites.

Encouraging communication between employees is becoming increasingly important as Johnson Matthey continues to expand its range of business activities and its geographic locations. Although our company operates as separate businesses within our three divisions, there are common activities and themes which run throughout the group. Further collaboration and networking will help to promote innovation, exchange of ideas and best practice, expedite research and development and support the embedding of corporate culture – all of which are important contributors in achieving our strategic goals.

We have invested in the design and development of new IT systems to enable our people to network and share their knowledge with their colleagues across the group. In November 2012 we launched 'myJM', a new global technology platform to create opportunities for innovation and collaboration amongst our people. The initial pilot phase, which included around 1,200 of our R&D employees, has been extremely successful. Since the launch, myJM users have between them created a virtual network of 75,000 colleague connections and published over 1,000 blogs, which have enabled them to share and discuss the latest developments across Johnson Matthey. myJM will be rolled out to the rest of our employees around the world during the summer of 2013.

"What Our People Say"

Further details of myJM, including one of our employee's experiences of how it is benefiting her work, are presented on page 189.

We recognise and consistently see the benefits of engaging our employees in all aspects of the business and we actively provide opportunities for our people to get involved. Employees at all levels are making a major contribution to the success of our Sustainability 2017 and Manufacturing Excellence initiatives around the world. These provide very good opportunities for staff engagement and development and at the same time deliver major business improvements.

Johnson Matthey also continues to support and encourage employee share ownership to attract and motivate our people and to help align their interests with those of our shareholders. Employees have the opportunity to participate in share ownership plans, where practicable, under which they can buy shares in Johnson Matthey which are matched by a company funded component. Employees in six countries are able to contribute to a company share ownership plan or a 401k approved savings investment plan. Through these ownership plans Johnson Matthey's current and former employees collectively held 1.85% of the company's shares at 31st March 2013.

Johnson Matthey also sponsors pension plans for its employees worldwide. These pension plans are a combination of defined benefit and defined contribution pension arrangements, savings schemes and provident funds designed to provide appropriate retirement benefits based on local laws, custom and market practice.

CASE **STUDY**

→ Sharing Knowledge through myJM

Johnson Matthey is a diverse company. It has businesses in five continents and the expertise within the company is spread around the world and dedicated to different projects and products.

Innovation is at the heart of Johnson Matthey and cross fertilisation of ideas provides a strong boost to the process. Yet as the company continues to grow, there is clearly a risk of separate pockets, or 'silos', of knowledge developing, with no links between similar work being done at different locations across the group. With the difficulty of finding out what was happening in different parts of the organisation, there could be the possibility of missed opportunities.

The answer was myJM, a collaboration intranet launched in November 2012. In the words of the Chief Executive, Neil Carson, myJM is the key to "stimulating innovation by connecting everyone in Johnson Matthey with the right people and the right information".

myJM is designed to promote networking with colleagues from around the world. Knowledge sharing is done in an informal way and the ability to socialise with others at a distance is part of the appeal.

From the outset, myJM had an impact and employees are finding a host of uses and benefits in it. The platform began as a pilot with about 1,200 people globally, mainly in R&D, but over the course of 2013 it is being enhanced and extended to all employees.

Read the full case study at www.matthey.com/sustainability.

Employee Relations

Johnson Matthey continues to maintain good and constructive relations with all recognised trade unions which collectively represent 31% of all group employees worldwide (2011/12 35%). The slight decrease in the proportion of represented employees is reflective of the increase in employee numbers in mainly non-unionised areas. The following table sets out the average number and percentage of Johnson Matthey's employees who were covered by collective bargaining arrangements and represented by trade unions by geographical region in 2012/13. During the year no working time was lost within the group due to employee action.

Trade Union Representation
Average headcount 2012/13

	Permanent employees	Represented	% represented
Europe	5,184	2,096	40%
North America	2,958	466	16%
Asia	1,416	304	21%
Rest of World	601	307	51%
Total group	**10,159**	**3,173**	**31%**

Community Investment

Johnson Matthey has a strong tradition of good community relations and the company and its employees are actively involved in programmes worldwide. We believe that investing in our communities is an integral part of our social commitment to ensure the sustained success of the company.

Although Johnson Matthey is a global company, we believe community investment is about making a real difference locally and making a positive impact in the communities where we have operations. We have an important contribution to make to the economic development of our local communities, not only as an employer but also through collaboration and investment, both financial and in kind, for example by volunteering and donating resources and expertise.

As we are a global company, the communities we operate in face a wide range of priorities, issues and challenges. As a result we aim to ensure that our sites have the resources and support to identify those projects, initiatives and partnerships that can make a real difference in their communities and that mean something to employees and their families. We also aim to support the future growth of our business through the promotion of science education among young people.

We have four key objectives for our community investment programmes:

- To demonstrate our commitment to being a responsible business that provides value beyond our products.
- To make a positive impact on the communities in which we operate.
- To create goodwill and enhance our reputation within our local communities.
- To build our profile as an employer of choice.

The group's Community Investment Policy, which was issued in June 2012, requires all sites to undertake a community investment programme, measure its impact and allocate a budget for activities in the year. It also provides additional guidance to assist sites in developing their programmes. The policy sets out the group's commitment to encouraging its employees and sites to support their local communities and charities. Since the beginning of the 2012/13 financial year, every employee is allowed up to two days paid leave a year to undertake voluntary work in the local community or with a charitable organisation (subject to business needs and the approval of their manager). Furthermore, the company matches employees' fundraising in aid of a registered charity up to the value of £1,000 per employee per year, with a cap of £50,000 per annum for the group as a whole.

CASE **STUDY**

→ Fostering an Entrepreneurial Attitude with Young Enterprise

Johnson Matthey joined forces with the youth charity, Young Enterprise, for a business day at a local school in February 2013. Twelve employees from the Royston, UK site, representing different functions and businesses, volunteered to help school students in Year 9 of the Meridian School to understand the world of work and what recruitment is all about.

The programme for the day was diverse and included mock interviews and personality tests. The main 'product creation' session took the students into an unfamiliar zone aimed at developing their creative skills. It was rather similar to television's popular Apprentice programme, where would-be entrepreneurs are set unusual tasks. At the Meridian School, teams of students were asked to create a prototype of the product using simple craft materials. The product creation session ended with each team giving a presentation showing the product, together with a company name, logo, slogan and advertisement.

Johnson Matthey received excellent feedback from the school and Young Enterprise and the volunteers from the company felt that they too had benefited on a personal level. While new product development is not in reality executed at quite such speed, what the students actually took away with them was the sense that enterprise is an adventure and work is rewarding. Johnson Matthey played an important role in the event by helping the students make themselves more employable and prepare themselves for a working life – a valuable contribution to the community.

Read the full case study at www.matthey.com/sustainability.

Social continued

CASE **STUDY**

→ A Culture of Giving

Back in the 1830s, Mrs Elizabeth Lydia Johnson – wife of Percival Norton Johnson, the founder of Johnson Matthey – was instrumental in establishing a charity to educate vision-impaired children, the Royal London Society for Blind People, and at the same time setting a tradition of charitable giving in the company.

Today the tradition is still strongly evident and in 2012 Johnson Matthey introduced a new Community Investment Policy. As part of this, the company introduced a scheme to support employees' fundraising in aid of registered charities through matching their donations.

Corporate policy and individual initiatives work together to help our local communities. In one example, employees at Johnson Matthey's facility in Gliwice, Poland supported the work of local charity Szlachetna Paczka, which arranges donations of food, clothing and essential household goods in the form of Christmas parcels to families in need. Employees at the Wayne site in the USA took part in an annual 5km walk or run to raise valuable funds for the Delaware County Regional Cancer Center. Other events have included a London to Paris cycle ride and a 20 mile overnight hike – all raising vital donations which are matched by Johnson Matthey.

Employees' efforts are complemented by further activities across the company – continuing a long and rich history of charitable giving. The company is committed to being a responsible business that provides value beyond its products and, thanks to the enthusiasm of employees, engages with the local community.

Read the full case study at www.matthey.com/sustainability.

Although only in its first year, the policy has generated a positive response from individual employees and sites around the world. Interest in volunteering from employees has grown over the year and individuals and groups of employees have participated in a wide range of activities to support charities and their local communities. We have started to gather some initial measurements on the contribution we are making to our communities through volunteering. Data collected to date suggests that our employees in the UK have undertaken over 42 volunteering days and in the US our people have recorded 71 days of volunteering. This represents an in kind contribution of around £13,000. We aim to develop our processes to improve our confidence in our figures but the data collected for 2012/13 provides a useful baseline from which to track progress. Going forward, plans are in place to more actively promote and encourage volunteering to our employees across the world.

CASE **STUDY**

→ Germiston – A Site with a Community Spirit

The Germiston site in South Africa has built up a powerful tradition of social responsibility. Its Well@Work programme, launched in June 2008, has gone from strength to strength, adding new elements each year. At the same time, employees are encouraged to take part in local activities to help good causes in the community.

Some campaigns are run regularly every year but new initiatives are also added. During the year the site held a workshop for employees' children who are in their last two years at school. The children were invited to visit the site and were shown round different departments to see what careers are available at Johnson Matthey. The event emphasised the company's interest in the next generation of prospective employees and boosted morale generally.

This strong sense of corporate social responsibility is an important element of sustainability, building a committed workforce and showing the community that the company is a responsible and concerned corporate citizen.

Read the full case study at www.matthey.com/sustainability.

Our matched funding programme has been very well received by employees and during the year, £28,000 in matched contributions have been made by the company to 28 employees and eight employee teams in three countries. Employees' fundraising efforts are publicised within Johnson Matthey and we hope this will act as a catalyst for others to take part in the scheme.

A review of community investment activities across the group is carried out each year and is being used to gauge alignment with the new policy. In 2012/13, the review indicates that 85% of Johnson Matthey's operations participated in activities within their local communities. These activities are wide ranging and include charitable giving, support for educational projects, the advancement of science and economic regeneration projects. The review also indicates that 95% of sites have a nominated person responsible for this area. Looking ahead to 2013/14, the review shows that 75% of operations have an allocated budget for community investment and that 75% have set objectives for their activities, with 65% having planned activities for the year.

Charitable Donations

Johnson Matthey's long history of support for charitable causes continues today through group and business programmes. The causes we support reflect the areas in which the group's technologies have a benefit and the issues which strike a chord with our employees. In the year ended 31st March 2013 Johnson Matthey donated £615,000 to charitable organisations, 5% less than last year. This figure only includes donations made by Johnson Matthey and does not include payroll giving, donations made by staff or employee time. The company made no political donations in the year.

Across the globe, Johnson Matthey's sites lend support to many charities locally and nationally through donations, employee time or loans of company facilities. Examples of these initiatives are summarised in the case study examples in this report with full details and further examples available on our website.

Read more online at www.matthey.com/sustainability.

CASE **STUDY**

→ Teacher Zone @ Lates

The flagship theme of the Johnson Matthey's Community Investment Policy is 'promoting science education', which takes a number of forms: working with local schools, pupil visits to company sites, charity partnerships with science education organisations and more.

But it is just as important to reach teachers themselves. Talk to keen scientists about what inspired them to pursue a scientific career and a large number will tell you how they were strongly influenced by having such a great teacher at school.

One inspirational teacher has a positive impact on many pupils and recognising this, in 2012/13 Johnson Matthey has supported the Science Museum's Teacher Zone @ Lates programme.

The Teacher Zone @ Lates is a series of gatherings where science teachers from around the UK can attend 'bite size learning' training sessions, hear talks, watch demonstrations and learn about the resources that the Science Museum offers to teachers. Teachers can experience the buzz of science in the company of their peers and return refreshed, with new ideas, to the classroom.

This enthusiasm is then carried back into schools and cascades down to the students themselves, helping to buck the trend of a declining interest in science.

Read the full case study at www.matthey.com/sustainability.

At a group level, Johnson Matthey operates a charitable donations programme which represented 49% (£301,000) of total donations in 2012/13. This programme supports organisations working in the areas of environment and sustainability, medical and health, science and education, social welfare and international development.

The charitable donations programme includes an annual donations scheme where a number of charities are selected triennially and receive a donation from the company each year for a three year period. In 2012/13, 30 charitable causes received an annual donation through this scheme.

The group's programme also considers individual requests for support throughout the year and a further 73 charitable organisations received donations on this basis in 2012/13. The group also has a specific programme of support focused on promoting the understanding and awareness of science among children and young people and we will add several new programmes in 2013/14.

The Johnson Matthey Educational Trust was set up in 1967 to commemorate the 150th anniversary of the founding of the company. It awards scholarships to support the university education of the offspring of Johnson Matthey's current and retired employees. During the year the Trust approved grants totalling £73,000.

Social continued

CASE **STUDY**

→ Movember Charity Event Generates Cash and Goodwill

If the essence of good fundraising is to generate a sense of goodwill and camaraderie, this was clearly in evidence in autumn 2012 during the month long fundraising for a men's health charity. Serious money was raised in a lighthearted way with the help of eager volunteers at a number of Johnson Matthey's UK sites.

Movember is a global charity concerned with men's health, specifically prostate cancer and testicular cancer. In its annual fundraising drive, the charity invites men to join its brotherhood of 'Mo Bros' for the month of November. Each of the Mo Bros starts the month clean shaven and in the course of the month grows a moustache, inviting friends and family to sponsor the activity and make a donation.

On 1st November 2012 over 100 Johnson Matthey employees signed up to take part. Commitment was strong – and one employee even shaved off a beard he had had for over 30 years at the start of the event, wondering if his wife would recognise him when he got home.

Over the month, the Johnson Matthey team of Mo Bros grew and groomed their moustaches, while a variety of fundraising activities took place. Over £13,000 was raised for the charity and the money donated went to fund its various programmes.

The team spirit and sense of fun made the Movember event an enjoyable event for employees, transforming the business of donating to charity into an overwhelmingly positive experience.

Read the full case study at www.matthey.com/sustainability.

The company continues to select a charity partner to focus support on one particular cause and employee views are considered when identifying the charity. The group is supporting CLIC Sargent, the UK's leading cancer charity for children and young people and their families, and other national childhood cancer charities around the world in a two year partnership that will run to the end of 2013/14. The partnership is going extremely well and the company and our employees have donated over £43,000 to date.

Johnson Matthey is a member of the London Benchmarking Group (LBG), a global network of companies that share and drive best practice in corporate community investment.

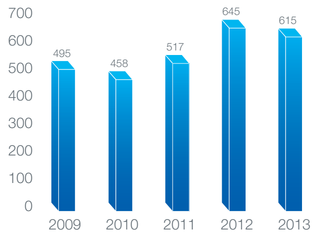
Social Aims and Targets

We will continue to improve our recruitment processes globally to ensure that we are well placed to recruit high calibre employees in all our regions. We will further develop our online presence and broaden the use of digital media to enhance users' experience and encourage interest in our business.

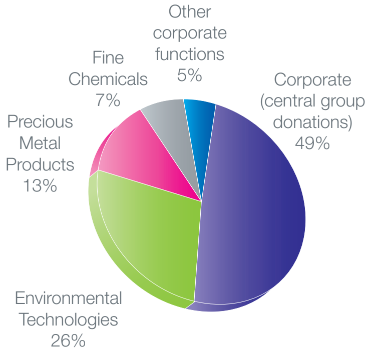
Alongside our efforts on recruitment, employee development at all levels will remain a key priority to ensure we retain high potential and high performing staff and equip them with the technical and leadership capabilities needed to achieve the company's strategic goals. Priorities will be to:

- Increase access to mentoring for our people to provide individual support and meet their needs.

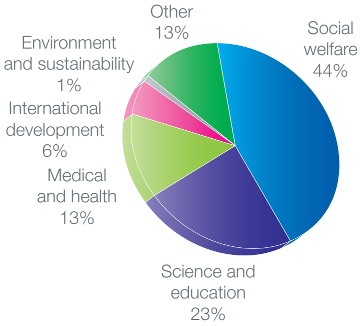
Charitable Donations
£ thousands



Charitable Donations 2012/13



Charitable Donations – Corporate (central group donations)
% of total (£301,000) donated by charitable type



- Apprentices at our Brimsdown, UK site celebrate National Apprenticeship Week in March 2013.

- Local school children visit Johnson Matthey's site in Billingham, UK.

- Expand our library of online resources including development of business awareness modules.
- Continue to develop our regional learning and development activities.

We will also begin to increase awareness of Johnson Matthey's culture and company values and integrate and reinforce them where appropriate in our communications, development programmes and recruitment activities.

The group wide launch of myJM provides exciting opportunities to more effectively support a wide range of employee development and engagement initiatives. Priorities will be to:

- Promote the adoption and use of myJM by employees globally and measure its impact on networking and collaboration within Johnson Matthey.
- Deliver improved communications to our people to further engage them with our business initiatives and goals.
- Develop a learning and development portal to provide greater visibility of our approach for people development and share learning content and best practices on a global basis.

Community investment remains an important aspect of building a sustainable business and following the introduction of our community investment strategy and policy our priorities are to:

- Support our global operations in developing their community programmes.
- Encourage employees around the world to participate in community activities such as fundraising or volunteering.
- Develop more robust data collection methods to more accurately measure additional community investment performance metrics, for example employee volunteering days.

CASE **STUDY**

→ 'Generating Genius' – A Programme to Help Talented Children

In August 2012 Johnson Matthey collaborated with UK charity, Generating Genius, to create an educational experience for a group of students and give them insight into what industrial chemistry is all about. Eighteen students travelled to Durham University in the UK where they visited the university science labs over a two day period.

As part of the experience, the school students visited Johnson Matthey's site in Billingham where there were experiments, presentations and a site tour – so they could understand the progression from a university degree to working in the industry as a chemical engineer or scientist.

Feedback from the group was positive, with the school students saying that the experience had given them valuable insight into what chemistry entails at both university and industry level – an indication that Generating Genius, with a little help from Johnson Matthey, was achieving its aims.

Read the full case study at www.matthey.com/sustainability.

→ SUPPORTING OUR STRATEGY

– MANUFACTURING EXCELLENCE

This section outlines our performance in the year, our approach to health, safety and product stewardship and the programmes we have in place to drive continuous improvement.

HEALTH AND SAFETY

.04

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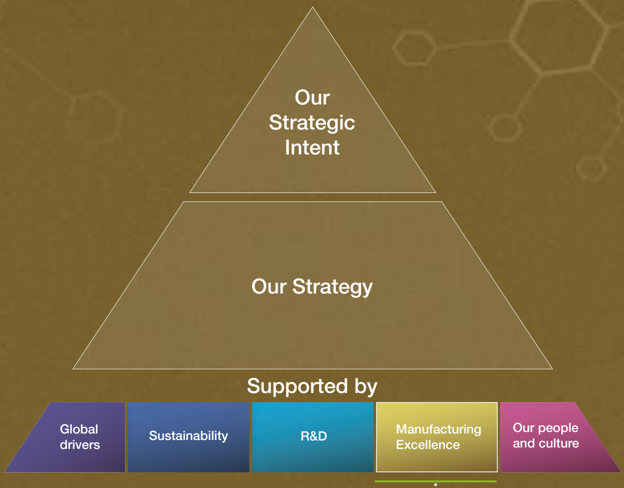


- Changing the safety culture at the West Whiteland manufacturing site has been a real team effort with everyone getting involved and making a contribution.

Manufacturing Excellence

Manufacturing Excellence – Much More Than Just Improving Efficiency

“Manufacturing Excellence is Johnson Matthey’s group wide programme to improve efficiency, reduce costs and develop the people within our manufacturing operations. I’ve been Operations Director at our Noble Metals’ manufacturing site in West Whiteland, USA for six years and whilst our team has delivered improvements over the years, the introduction of Manufacturing Excellence has already had a real impact – but not entirely in the way we first imagined.

Health and safety is hugely important for us and we’d been focusing on reducing lost time accidents for some time. We’d made good progress but it was clear that more must be done if we were to achieve our target of zero accidents – we needed to change the culture on site and reinforce safety as our number one priority.

Manufacturing Excellence is not just about improving production efficiency, it’s also about developing people and in June 2012 I attended the Manufacturing Excellence workshop on Leading Successful Change. This provided me with the basis of a plan to change the safety culture at West Whiteland.

Back on site we began by organising group sessions so that everyone understood the challenge. We established a team to obtain quick wins and build momentum, then carried out an assessment of our safety culture. All of this was supported by ongoing engagement with employees and the implementation of their recommendations for improvement along the way.

Over the last year, as a result of these actions and the lessons I learned from the workshop, the site has gone from a high of seven lost time accidents to only one and we have set a record low number of recordable injuries. We still have more work to do as we strive for zero accidents, but I can honestly say that things have changed for the better.”

Health and Safety

Performance Summary

	2013	2012	% change
Incidence of greater than three day accidents per 1,000 employees	**2.68**	2.38[1]	+13
Total number of accidents that resulted in lost time	**50**	58[1]	-14
Total accident rate per 1,000 employees	**4.97**	6.00[1]	-17
Total lost time accident incident rate per 100,000 hours worked	**0.25**	0.29[1]	-14
Total number of accident days lost per 1,000 employees	**137**	90	+52
Incidence of occupational illness cases per 1,000 employees	**2.7**	3.5	-23

[1] Restated due to reclassification in 2012/13 of accidents that were reported during 2011/12.

Johnson Matthey is committed to minimising the health and safety related impacts for employees, customers, communities and other stakeholders arising from our operations and from the use of our products.

Many of Johnson Matthey's products and services make a contribution to enhancing general health and wellbeing or provide safety benefits. We manufacture a range of products used in medical applications. These include opiate based active pharmaceutical ingredients (APIs) for pain relief, such as morphine and codeine, platinum based anticancer compounds for chemotherapy treatments, other controlled substance APIs, components used in medical devices which are used to assist with surgery or treat long term medical conditions and Bitrex®, the world's bitterest substance, which is added to household cleaning products to prevent accidental swallowing by children. Our emission control catalysts, which are used to reduce harmful emissions from vehicles and industrial processes, have a major impact on air quality for millions of people around the world.

Targets to improve health and safety performance are a key part of our Sustainability 2017 Vision. The group aims to achieve zero greater than three day lost time accidents and zero cases of occupational illness. In order to meet these aspirations, long term health and safety improvement plans and performance indicators have been established.

Read more on Sustainability 2017 on pages 15 to 17 and at www.matthey.com/sustainability.

→ Read more on our progress towards Sustainability 2017 on page 21.

Read more on the health and safety benefits of our products at www.matthey.com/sustainability/products.

→ Read more about how we use life cycle assessment tools to better understand the health benefits of our products on page 46.

CASE STUDY

→ Improving Health and Safety in Macedonia

The incidence of work related injuries and fatalities in Macedonia are extremely high. The rate of work related deaths in the country is around 10 to 15 times higher than in the UK and there is severe underreporting of occupational illness.

This was not always the case. When Macedonia was part of Yugoslavia the country enjoyed a well organised system having standards complying with the World Health Organization and International Labour Organization conventions. The breakup of Yugoslavia brought decreasing profit and a decline in health and safety standards. Now, however, Macedonia's economy is growing fast and occupational health and safety is being revived. Government and NGOs are more involved and industry is playing its part in getting the system back on its feet. Johnson Matthey is a leading player in this effort.

Johnson Matthey Macedonia has been working with the Institute of Occupational Medicine to improve the quality of mandatory medical examination of workers. It is also continuously investing in its occupational health programme and has a full time doctor and a fully equipped clinic for routine occupational medical examinations. By law, occupational health examinations have to be conducted every two years by a licensed third party but the company goes beyond this and provides in house examinations as an additional service.

As a young site, Johnson Matthey Macedonia believes the time is right to invest in the sustainability of its workforce for long term gains. At the same time, it is contributing to Johnson Matthey's target to reduce occupational illness and eliminate accidents at work.

Read the full case study at www.matthey.com/sustainability.

Managing Performance and Driving Continuous Improvement

Johnson Matthey is primarily a manufacturing business and a significant proportion of our employees work in production environments with chemicals and process machinery. Rigorous policies, systems and processes apply across all our facilities to monitor and manage health and safety performance and to drive continuous improvement.

→ Read more in the Governance section on pages 90 and 91.

Read full details of our policies and strategies to manage and drive performance at www.matthey.com/sustainability.

Proactively managing health and safety delivers value for our business in many ways. It can assist in the avoidance or reduction of liability claims, potential legal exposure, concerns over the cost of insurance premiums and external pressures from insurance companies. In addition, it helps to support maintenance of the group's corporate reputation, the expectations of its customers and in meeting government targets. Most importantly it supports our ethical obligations to our employees and other stakeholders and, when effectively managed, can have a positive impact on staff morale, attendance, recruitment and retention and on our productivity, efficiency and quality of service.

Health Performance in 2012/13

During the year we continued to develop our corporate and facility health programmes and have made good progress towards our long term health improvement goals.

The proportion of facilities globally that reported that they had complied with the requirement to conduct an annual sustainable health review and improvement planning process in 2012/13 was 89%, broadly the same as last year.

We use a 'health scorecard' system to rate the level of implementation of preventative programmes against our corporate standards and all sites completed their scorecard review during the year.

The scorecard features 14 key elements of health programmes that align with our most significant health risks. Further progress was reported with an increase in the proportion of sites achieving a best practice level of performance for eight of the 14 programme elements. However, we noted a reduction in the proportion of sites reporting best practice performance for chemical exposure management and exposure monitoring programmes, indicating the need to further reinforce effective implementation of these elements.

We achieved a further reduction in the annual incidence of employee occupational illness cases in 2012/13. The incidence of employee cases reduced from 3.5 cases per 1,000 employees in 2011/12 to 2.7 in 2012/13 (0.13 cases per 100,000 employee work hours in 2012/13). This exceeds the Sustainability 2017 target we set in 2008 to reduce the incidence by at least 30% by 2013/14, and represents a 49% reduction over that time. As a result of this good performance and to drive further improvement, from 1st April 2013 we have reset our Sustainability 2017 target to zero occupational illness cases.

There were three cases of occupational illness affecting contractors working at our sites reported during the year. This is an annual incidence of 1.8 cases per 1,000 contractors (0.1 per 100,000 work hours).

CASE STUDY

→ "Take a Flight of Stairs for our Health"

The art of a successful health and wellness programme is to make it informative and fun. The 'Health Month' campaign in May 2012 at Johnson Matthey's site in Devens, USA involved a series of supportive and sometimes surprising activities to engage employees.

Four themes – 'Know your Numbers', 'Fitness', 'Nutrition' and 'Stress Management' – were selected for the month long campaign, each lasting a week. Promotional tools backed up the health and wellness activities. Posters were hung in hallways and stairways, reminding employees to eat healthily and exercise regularly. One stairway poster read "These stairs are the cheapest gym membership you will find". A poster by the lift read "Take a flight of stairs for your health".

The health and wellness month provided employees with the tools and encouragement to make healthy decisions and a similar campaign is planned for the year ahead. Social sustainability and health and safety are key elements of Johnson Matthey's sustainability model, and activities like these contribute to the realisation of the company's vision.

Read the full case study at www.matthey.com/sustainability.

Health and Safety continued

Supporting Health Performance Improvement

New group policies and guidance on platinum group metal (pgm) health effects and workplace noise were published this year. We also significantly strengthened our workplace noise programme to include specific noise control targets that exceed regulatory compliance requirements in North America and Europe. An updated regional policy and programme to prevent and manage platinum salt sensitisation was introduced at North American facilities, supported by a training programme for our environment, health and safety (EHS), human resources and occupational health professionals. The programme now includes detailed medical surveillance and case management guidelines to assist the occupational physicians who support facilities where pgm compounds are processed.

Ergonomic training courses have been held in North America, India and Europe and further events are planned for Asia in 2013 to complete the roll out of our ergonomic risk management programme.

The group's Manufacturing Excellence programme, which focuses on improving the performance of our manufacturing operations, further supports the health management initiatives we already have in place. During the year, industrial hygiene advice was included in the Manufacturing Excellence review of Johnson Matthey's pgm salts manufacturing plants. In addition, health and safety aspects of powder handling processes will form part of a Manufacturing Excellence best practice training course that is under development.

A rolling programme of health management reviews supports our sites in the development and implementation of effective programmes and performance indicators are used to determine the frequency and type of reviews. In 2012/13 health management reviews at 12 facilities were conducted by the Director of Group Health and, during these reviews, the self assessment of the heath scorecards from those facilities were validated. In July 2012 a Group Industrial Hygiene Manager was appointed to provide additional support and technical advice to our sites on health hazard control programmes. We have also been working to support the specific regional health programme improvement needs of our facilities in developing countries and in February 2013, the Director of Group Health and Group Industrial Hygiene Manager visited our three Indian manufacturing sites. During these visits, they shared advice on the implementation of the most relevant workplace programmes and provided specific refresher training on chemical exposure management.

Johnson Matthey has comprehensive programmes in place to prevent, identify and manage all types of occupational illness conditions at every facility. These include chemical related, musculoskeletal, mental health and physical agent related illnesses (noise and hand-arm vibration). The elements of these programmes are summarised in the table below (based on guidance provided in the Global Reporting Initiative reporting guidelines).

Occupational Illness Assistance Programmes

Programme recipients	Education / training	Counselling	Prevention / risk control	Treatment
Workers	Yes	Yes	Yes	Yes
Workers' families	n/a	n/a	n/a	n/a
Community members	n/a	n/a	n/a	n/a

CASE STUDY

→ Going Group Wide With Better Ergonomic Practices

Musculoskeletal conditions account for around half of the cases of occupational illness in Johnson Matthey and about a quarter of lost time accidents. Reducing the number of these cases contributes to achieving two of the company's six sustainability targets.

Some excellent ergonomic initiatives were already in place but up until now, there had been no global guidance specifically on this topic.

Johnson Matthey partnered with Humantech, a leading US ergonomic consulting practice. Humantech understood the need to scrutinise work tasks and workstations and worked with a number of Johnson Matthey's sites to develop case study material of typical tasks to use in training sessions.

Humantech's design guidelines, with assessment tools in seven languages, were made available on the corporate intranet. This meant that the new approach to ergonomic workplace programmes could be cascaded across all sites around the world. Humantech helped the Johnson Matthey project team to write a new policy and guidance and run three day training sessions in North America, Europe and Asia for local ergonomic improvement champions. The champions gained skills in ergonomic assessment and problem solving. In this way, better ergonomic processes are being made sustainable, with local people empowered to roll out change.

The training targeted operations people, engineers, lean champions and other personnel who have continuous improvement roles, as well as health and safety professionals. Better ergonomics means better productivity and a healthier workforce, supporting the overall aim of achieving efficient, comfortable and low risk tasks to meet our sustainability goals.

Read the full case study at www.matthey.com/sustainability.

- Manufacturing process catalysts at our facility in Panki, India.

- Manufacturing platinum group metal salts in Shangahi, China.

CASE STUDY

→ 'Active Breaks' Preventing Bad Backs at Redwitz

Ensuring the health and wellbeing of our workforce is an integral part of Johnson Matthey's Sustainability 2017 Vision. Employees, often through their commitment to the job in hand, may put physical pressure on themselves at work. Nowhere is this more of a risk than on the factory floor where poor posture, the need to maintain a certain position, repetitive tasks and incorrect lifting can lead to musculoskeletal problems.

To counter these problems, Johnson Matthey's site at Redwitz, Germany has introduced regular 'active breaks' for employees. During the breaks, employees do exercises to move different parts of the body, strengthen areas that are under pressure and stretch the spine and joints.

At the start of the programme, external experts demonstrated the exercises and during this time, suitable employees were selected to become trainers themselves, in order to achieve a multiplier effect. An active break of seven minutes takes place once every shift in the vicinity of the shopfloor. Employees are divided into groups of 10 to 15 people. In good weather, the breaks take place outdoors.

If this sounds unbearably regimented, the reality is very different. This is because employees are finding the active breaks an enjoyable social occasion. It is a time to put aside any stress and chat to colleagues. It is also a democratic experience, where managers join in and the active breaks see line managers, supervisors and heads of department taking part alongside other employees.

Active breaks are being introduced across the entire site, both in shopfloor and office areas. The initiative has been well received and there is a wider understanding that physical activity is enjoyable, mood enhancing and conducive to productivity – elements important to a sustainable workforce. Colleagues in areas not yet reached by the programme are eager to get involved – an indication of the positive response to active breaks.

Read the full case study at www.matthey.com/sustainability.

Johnson Matthey is committed to transparent reporting across all aspects of our business. During the year we worked with the UK charity Business in the Community and participated in a benchmarking exercise of UK FTSE 100 companies to rate public reporting of employee engagement and wellbeing indicators. We were pleased to hear that Johnson Matthey ranked in the top five companies for its public reporting of such employee management programmes and we continue to aim for best practice reporting across all areas.

Read more about the benchmarking exercise at www.bitc.org.uk/our-resources/report/workwell-benchmarking-report.

Sustainable Health Improvement Priorities for 2013/14

After exceeding our Sustainability 2017 target this year to reduce occupational illness cases, our priorities will focus on coaching, engaging and motivating our people as we pursue our new target of zero cases. Our key activities in 2013/14 to further enhance health programmes as part of the group's ten year EHS strategy are to:

- Engage facility management teams on further focused improvement efforts to achieve the new zero occupational illness target.
- Reinforce effective health leadership behaviours and work practices as part of the implementation of our EHS culture programme (as detailed further on page 73).
- Encourage facilities to review their health scorecard ratings and identify the actions needed to achieve best practice level scores for each programme element.
- Complete the roll out of the regional training workshops on ergonomic risk management and publish a new corporate policy and guidance to assist facilities in implementing ergonomic improvement programmes.
- Provide consulting support and coaching on industrial hygiene practices globally and introduce new guidance on exposure monitoring and the management of personal protective equipment programmes.
- Engage and motivate employees to participate in facility wellness programme activities.

Health and Safety continued

Safety Performance in 2012/13

Johnson Matthey actively monitors all accidents, safety related incidents and EHS learning events. Detailed statistics are compiled monthly at group level and used by the Chief Executive's Committee and the board at their regular meetings to review safety performance. All accidents are thoroughly investigated to determine root causes and appropriate preventative and corrective actions are assigned. The group's rate of occupational accidents involving lost time is shown in the table on page 68 and its five year performance is presented in the graphs below. Details of our methodology for calculating accident statistics is described on page 192.

In 2012/13 we achieved our lowest ever reported number of lost time accidents, which was 50 for the year, but the total number of accident days lost per 1,000 employees increased from 90 days to 137 days. The rate of all accidents with lost time reduced from 6.00 (restated) per 1,000 employees in 2011/12 to 4.97 per 1,000 employees in 2012/13. However, our greater than three day lost time accident rate per 1,000 employees increased this year to 2.68 compared with 2.38 (restated) in 2011/12. Another internal measure of safety performance is the number of accidents that result in lost time per 100,000 hours worked. In 2012/13 this accident frequency reduced slightly from 0.29 (restated) to 0.25.

The health, safety and wellbeing of contractors who are working on our sites are of equal importance to those of our employees and the group has safety performance metrics specifically for contractors, similar to those for our employees. These temporary workers are engaged typically to cover periods of long term sickness absence or maternity leave, or to manage seasonal variations in workload.

This year we reported nine lost time accidents for contractors' accidents (2011/12 eight), of which six resulted in greater than three days lost time (2011/12 three). This is equivalent to an annual total lost time accident frequency rate of 0.31 accidents per 100,000 hours worked per year (2011/12 0.27 accidents per 100,000 hours worked per year).

Creating a Zero Accident Culture

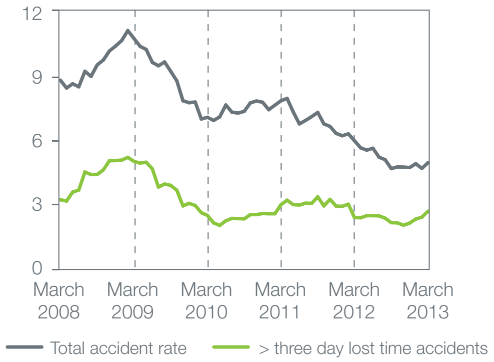
For Johnson Matthey any accident is unacceptable and our Sustainability 2017 target is to achieve zero accidents that result in more than three days' lost time. In 2012/13, 73% of our facilities achieved zero greater than three day accidents and in April 2012 the group achieved a continuous period of 79 zero accident days. This is a record for Johnson Matthey and gives us confidence that our zero accident aspirations are achievable, however, the challenge remains to find ways to maximise and sustain our zero accident periods.

As we work towards making our zero accidents target a reality, we are focused on improving the safety of our plants and processes and the effectiveness of our assurance systems. However, we believe that achieving our target will rely on the contribution of everyone in the business in demonstrating behaviours that make our systems work in practice and that promote a strong environment, health and safety culture.

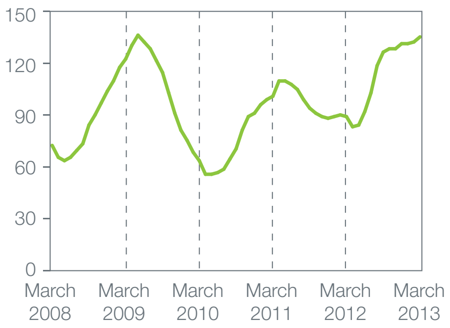
This year we have made good progress across the areas of process and plant safety, assurance and EHS culture. Our process risk management (PRM) programmes are centred on understanding and minimising the risk of low frequency, high severity safety incidents. We have continued to develop best practice and drive improvement in process safety systems across our operations and during the year we completed a full process safety audit at one of our UK facilities. Our European process safety experts group met twice which provided opportunities to discuss best practice, learning from incidents and new regulatory requirements. Plans are underway to form a similar group, and conduct an initial audit, in North America during 2013/14. We also plan to roll out our PRM programmes, including establishing a process safety experts group, in Asia over the year ahead.

Fire is one of the biggest risks across Johnson Matthey's operations as many of our manufacturing processes involve heat and / or the use of flammable liquids and gases. In order to better manage fire risk at our operations we held a dedicated training seminar in Royston, UK in February 2013. It was attended by over 30 representatives from our European facilities and also involved input from XL, our insurance company. Focused on pgm related fires and pressurised gas safety, the seminar examined the systems in place at each facility to prevent, control and mitigate these types of fires and explosions. A seminar will be held in North America during June 2013 and plans are underway to consider running similar seminars in Asia thereafter.

Annual Accident Rate
per 1,000 employees



Annual Accident Days Lost
per 1,000 employees



Sound assurance systems form the basis of continued improvement and during the year we completed a review of the group's EHS audit programme and supporting protocols. Ideas to streamline the process, whilst retaining adequate levels of EHS assurance, are being developed. At present, our process involves external observation at regular fixed intervals to ensure EHS standards are being properly maintained. A revised system may introduce additional metrics and self audit which can be used by sites to provide self assurance which will then be considered during EHS audits. Following a transition period, this type of process should provide an opportunity to schedule EHS audit visits more accurately on the basis of risk, rather than solely on the basis of hazards.

Following their introduction last year, annual audit action reviews are now an established component of the assurance programme for all our sites. In 2012/13 29 full assurance audits were undertaken across the group supported by 25 audit action reviews.

In 2011/12 we piloted a behavioural safety programme to improve safety culture at our Redwitz site in Germany. Based on the success of the pilot we have continued to develop and expand this culture change programme within Johnson Matthey.

Through reviewing appropriate research, lessons from incidents across the group and across our industry peers, and with input from our employees, we have developed a standard that defines the critical behaviours that characterise a robust culture of environment, health and safety. The standard was further refined using learning and input from pilot programmes and validation exercises in Europe and North America. Called 'Our EHS Culture', this standard will be used as the basis for Johnson Matthey's EHS culture improvement initiatives and work is underway to implement the standard across the group during 2013/14. The standard will provide the framework for building an even safer working environment and help everyone in Johnson Matthey to better understand the behaviours to display and avoid as we work to strengthen our safety culture.

With safety performance having somewhat plateaued in 2012/13, reinvigorating our safety programmes is the key priority for the year ahead. Our EHS Culture is an exciting programme which has delivered positive results from the pilot exercises and provides the opportunity to further engage our people in achieving a zero accident workplace.

Safety Priorities for 2013/14

Our focus is to promote the prevention of major accidents and continue to work towards achieving our target of zero greater than three day accidents. Wider implementation of our EHS culture improvement programme pilot will be critical in accelerating our progress, whilst fire risk management and process safety management (including relevant PRM audits) are key to minimising the risk of a major incident. We will continue to support our businesses in other key areas of safety improvement and provide an appropriate level of assurance to the Chief Executive's Committee and the board.

The key activities for 2013/14 to address safety improvement through the group's ten year EHS strategy are:

Our EHS Culture

- Train EHS culture programme facilitators and form an implementation team.
- Implement corporate standards on EHS behaviour across Europe and North America.
- Agree strategy on introducing our EHS culture programme to sites in Asia.
- Update our EHS policy to include details and supporting guidance on Our EHS Culture programme.

Risk Management

- Work with our fire insurance provider to create a seamless environment for risk identification and control.
- Carry out one PRM audit in Europe.
- Conduct an initial audit and training session in North America. Once complete, form a process safety expert group in the region and conduct one PRM audit.
- Establish a process safety expert group in Asia and begin meetings.
- Set up a professional support agreement with an external process safety consultancy to further support our activities.

CASE **STUDY**

→ Health and Safety Training at a Local School in Kanpur

The Jyoti Badhir School for the Hearing Impaired, on the outskirts of Kanpur, India, welcomed a visit from Johnson Matthey's employees in December 2012 to learn about improving health and safety practices.

Pupils and teachers gathered in the school hall for a two hour training session, given by four employees from Johnson Matthey's Panki site. The topics covered included health and hygiene, ergonomics at home, pedestrian safety, traffic rules, fire hazards and the risks associated with electrical home appliances. Experts in signing acted as interpreters so that the presentations were accessible and the discussions truly interactive.

This type of community activity is rewarding both to those who deliver the training and those who receive it. Johnson Matthey's participant's talk of their immense satisfaction and pride in the contributions made to the health and safety of the community.

Read the full case study at www.matthey.com/sustainability.

Health and Safety continued

EHS Assurance

- Deliver our EHS assurance programme across the group, completing audits and reviews to schedule.
- Continue to develop ideas on strengthening EHS assurance through audit, whilst not increasing overall workload on sites.
- Conduct externally assisted compliance audits at selected sites (as an integral part of the scheduled Group EHS audit) to gauge legal and permit consistency.
- Train and introduce guest auditors into our European and Asian audit programmes to further strengthen our auditing capability.

Product Stewardship

Product stewardship involves an integrated approach to products, materials and services management designed to assess objectively and then minimise or eliminate the environmental and health related impacts of products.

As part of our commitment to sustainability, we fully acknowledge that all the chemicals we use and produce must be managed responsibly. Our product stewardship systems are aligned to a key target in the Strategic Approach to International Chemicals Management (SAICM). This is to ensure sound management of chemicals throughout their complete life cycle, so that 'chemicals are produced and used in ways that minimise significant adverse impacts on human health and the environment'.

Johnson Matthey maintains a long standing commitment to product safety and conducts systematic and rigorous evaluations of both new and existing products. Our product stewardship management systems focus on the characterisation of any risks associated with product use, a thorough determination of related risk management measures and mechanisms to effectively communicate this information outside the company. We work in cooperation with industry partners and customers, regulators and non-governmental organisations to strengthen confidence in our products and this has continued during 2012/13.

Johnson Matthey's businesses have management systems in place which assess the health and safety impacts of products during their various life cycle stages. These include coverage of:

- The product concept and research and development stage. This activity is undertaken centrally or by businesses as appropriate.
- Manufacturing and production.
- Storage, distribution and supply into markets.
- The in use service life phase.
- The end of life or reuse phase.

Product Stewardship Performance in 2012/13

A systematic product responsibility reporting scheme (conforming to the Global Reporting Initiative Sustainability Reporting Guidelines) is used to monitor the performance of our operations and maintain surveillance of the company's products and services. In 2012/13, there were no notifications of significant end user health effects involving our products and no major incidents or environmental releases during our product distribution were recorded. No product recalls occurred for safety reasons. There was one incident involving the transportation of hazardous waste material for disposal which was successfully managed without appreciable release into the environment. A total of five incidents of non-compliance with standards of codified requirements were detected during the year (either by our businesses, our supply chains or regulatory authorities). None of these events resulted in significant regulatory penalties.

During the year we optimised our IT systems for chemical product hazard communication and work has continued to further enhance the way we manage restricted substances and products that are subject to trade controls. In response to interest from our stakeholders and as part of our voluntary product responsible care efforts, we have continued to work with our business partners and other relevant groups to encourage the responsible management of substances throughout our supply chains. For example, we have continued to fund and participate in the Pgm Health Science Research Group (HSRG), supporting its work on improving the quality of risk assessments for the pgms and their applications. Our rolling programme of voluntary reductions in the use of certain substances of concern has progressed and we have continued to employ substance selection mechanisms to identify preferred alternatives in terms of human health and environmental safety.

This year we joined the PE International Product Sustainability Round Table, an internationally acknowledged think tank on product sustainability (see page 55 for further details), and this, together with our work with HSRG, has enabled us to improve the publicly available information on the health and environmental effects of our products and the links with relevant risk measures.

We have continued to promote the use of objective hazard ranking techniques and related exposure control targets for our chemical products and process intermediates in our businesses. This has been supported by the chemical exposure management programme and related toolkit which we introduced in 2011/12. Best practice chemical exposure management will be an important factor in achieving our goal of zero occupational illness cases and we will work to further promote the programme and toolkit in the year ahead.

During 2012/13 we further developed our capability to track and manage new regulatory initiatives, for example those in Asia, and to better respond to our supply chains and other external stakeholders on product sustainability. We continued to support the work of our businesses to develop a minimum standard set of EHS data for all bulk products marketed at lower production volume (i.e. approaching 1 tonne per annum) and achieving this remains a long term goal.

Product Stewardship Priorities for 2013/14

Johnson Matthey remains committed to driving improvement in product sustainability and effective product stewardship in the external supply chain and within our operations.

The key activities for 2013/14 to address product stewardship improvement through the group's ten year EHS strategy are to:

- Encourage the responsible management of substances throughout the supply chain.
- Support our businesses in all aspects of product sustainability with a particular focus on emerging regulation, managing restricted substances, the use of optimisation strategies during new product introduction and the application of green chemistry approaches in product design.

CASE **STUDY**

→ RC 14001 Certification for West Deptford facility – A First in Johnson Matthey

One of our facilities at our site in West Deptford, USA has achieved certification to RC 14001, an industry standard that assures all the elements of a management system for health, safety, the environment and security.

In May 2012 the site decided to pursue RC 14001 certification and through hard work and determination, the whole process was achieved in only four months.

Work began with a comprehensive programme of updating, amending and creating procedures and representatives from all areas of the plant were involved. A website and product stewardship procedures were also developed in the run up to certification.

The certification and the work that preceded it were a useful means to ensuring that the site is a safe and sustainable operation and West Deptford is the first site in Johnson Matthey to achieve certification to RC 14001.

Read the full case study at www.matthey.com/sustainability.

- Continue to improve the publicly available information on the health and environmental effect profiles of any chemical substances placed on the market and link this to updated risk management measures.
- Expand our corporate product stewardship function to enable us to better identify and respond to proposed chemical regulation and product sustainability trends.

Animal Testing

In common with all companies developing and marketing chemical substances, Johnson Matthey must comply with international legislation to make toxicity information available to assure product safety for humans, wildlife and the environment. We are committed to ethical principles of animal protection and our corporate policy is based on the following principles:

1. Johnson Matthey has embraced the ‘3Rs’ approach in relying on properly validated alternative methods which reduce, refine or replace the use of animal testing. Therefore we now place emphasis firstly on applying the latest integrated testing strategies (e.g. in vitro assays, computer modelling of effects and in vivo test waiving approaches). New techniques are continually tracked and implemented as they become endorsed by regulatory bodies.
2. If, after confirming that suitable data does not already exist, in vivo studies are unavoidable, we always seek to limit new testing and avoid unnecessary studies by undertaking collaborative work with industrial partners.
3. It is ensured that any studies comply with all applicable laws, regulations, licensing and welfare codes.
4. Johnson Matthey only uses fully accredited contract research organisations and does not undertake any in house toxicity testing.
5. As a fundamental operating principle, our oversight procedures require that our businesses commission no vertebrate animal studies until a justification has been carefully considered and approved at group level.

The group does not manufacture any cosmetics or consumer goods and testing is therefore aligned to regulatory requirements for industrial substances. Any testing required as a result of registration requirements imposed under the EU REACH regulation is minimised by working within industry consortia.

Johnson Matthey shares current societal and political concern over animal testing and we only commission studies when mandated by law and if no alternatives exist. During the year, Johnson Matthey has continued to provide financial sponsorship for external educational programmes aimed at increasing awareness of 3Rs alternative approaches. We remain optimistic that advances in toxicology science will enable us to further reduce in vivo testing while continuing to safeguard human health and the environment.

Responsible Care

Johnson Matthey has aligned its operating practices with the principles of Responsible Care® (as defined in the Global Charter developed by the International Council of Chemical Associations (ICCA)) and with sustainable development goals and guiding principles (for example those outlined by the UK Chemical Industries Association in its ‘Chemistry of Sustainability’ report).

Responsible Care® is a voluntary programme in which companies commit to continuously improve their environmental, health and safety performance. It places particular emphasis on product stewardship and sustainability, and communication with stakeholders about their products and processes.

During the year, one of our facilities at our West Deptford, USA site successfully achieved certification to the internationally recognised RC 14001 standard. An expansion of ISO 14001, RC 14001 addresses environmental, health, safety and security issues and aligns well with Johnson Matthey’s Sustainability 2017 targets. West Deptford is the first Johnson Matthey site to pursue and achieve accreditation.

Regulatory Matters

Chemical Control Regulations (REACH, GHS, TSCA and Related Standards)

As we approach the next EU REACH regulation milestone in 2015, which covers medium tonnage substances, we have progressed our testing and evaluation programmes and our related registrations are all on track to meet the deadline. We have continued to participate in industry consortia to maximise data sharing opportunities, minimise testing and reduce costs. Preparations for compliance with new Asian REACH equivalents are also progressing well.

The US implementation of the Globally Harmonised System (GHS) for chemical classification and hazard communication phases in from the end of 2013. During the year we have made significant advances in implementing the associated workplace and hazard communication requirements, including appropriate systems and training, for this major regulatory system.

- We are applying our R&D expertise to create new products to tackle toxic contaminants in industrial water applications.

R&D

Clever Chemistry to Clean Up Water

“As part of our new business development activities we are working on high technology purification products for industrial applications in the water industry. Alarmingly, there isn’t a single country in the world whose regulations meet or exceed all of the World Health Organization’s recommended limits for pollutants in water. Whilst this can be a result of economic factors, in some cases it is simply because there isn’t effective technology to meet the recommendations.

At Johnson Matthey we are focusing our R&D efforts on technology to remove a range of low level toxic contaminants, including mercury, from water. Mercury is a particularly harmful environmental pollutant which can enter the water cycle from many sources and is present as a mixture of chemical species.

Creating a product to remove mercury effectively is a tough chemistry challenge. First of all, our product must selectively isolate the range of mercury species in a soluble form from the water – which also contains a wide range of other chemical species. It must then convert the mixture of soluble mercury species into an inert, solid form which can be removed. We are using chemical modelling to design the best materials to strongly bind mercury. We then take our designs and develop complex lab based chemistries to create materials that can be tested and scaled up for manufacture.

We are making good progress to date and our products are being trialled by customers on three continents. With strong demand for more effective water purification technologies, we are applying our R&D expertise to develop a new generation of products to improve water quality.”

→ SUPPORTING
OUR STRATEGY
– RESEARCH AND DEVELOPMENT

This section provides more detail on the impact of our business on the environment. It details the environmental performance of our operations in the year and highlights the beneficial impact of our products.

ENVIRONMENT

.05

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Environment

Performance Summary

		2013	2012	% change
Energy consumption	thousands GJ	**4,648**	4,726	-2
Total global warming potential	thousand tonnes CO_2 equivalent	**413**	417	-1
Total acid gas emissions	tonnes SO_2 equivalent	**334**	444	-25
Total VOC emissions	tonnes	**185.6**	189.8	-2
Total waste	tonnes	**110,448**	120,363	-8
Total waste to landfill	tonnes	**3,218**	10,708	-70
Water consumption	thousands m^3	**2,444**	2,201	+11

Johnson Matthey has an impact on the environment in many ways: through the resources we use, the way we operate our processes and the action of our products and services on enhancing the environment for others.

A major part of our business involves applying our scientific knowledge and expertise to turn natural resources into more valuable products for our customers. Natural resource costs are likely to increase in future as they are depleted or become harder to access. Our Sustainability 2017 and Manufacturing Excellence programmes both focus on increasing the efficiency with which we use these valuable resources and will generate cost savings for our business today and help to conserve resources for the future.

In addition, as a leading recycler and refiner of precious metals, we draw on our expertise in this area to enhance the resource efficiency of our own operations and provide improved solutions and services for our customers.

Many of the group's products have a positive impact on the environment including emission control catalysts for vehicles, process catalysts that improve resource efficiency and abatement systems which mitigate the production of greenhouse gases. A significant proportion of our R&D efforts are directed towards developing the next generation of environmentally beneficial products.

→ Read more about how we use life cycle assessment tools to better understand and improve the sustainability credentials of our products on page 46.

→ Read more on our product stewardship systems in the Health and Safety section on pages 74 and 75.

Targets to improve environmental performance are a key part of our Sustainability 2017 Vision. The group aims to cut its carbon intensity by half, achieve zero waste to landfill and halve the key resources per unit of output consumed (compared with baseline data from 2007) by 2017. In order to meet these aspirations, long term environmental improvement plans and performance indicators have been established.

Read more on Sustainability 2017 on pages 15 to 17 and at www.matthey.com/sustainability.

→ Read more on our progress towards Sustainability 2017 on page 21.

Read more on the environmental benefits of our products at www.matthey.com/sustainability/products.

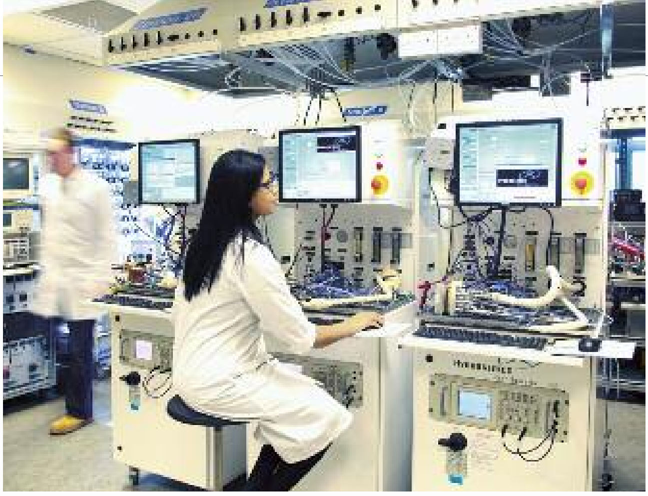
Conserving Natural Resources and Improving Our Processes and Products

As part of our Sustainability 2017 aspirations to reduce environmental impact whilst sustaining growth, Johnson Matthey has set targets to halve the key resources it uses per unit of output. We have identified natural gas, electricity and water as our most significant resources in the current and future context of availability (including accessibility, geopolitical factors and infrastructure), cost and quantities used.

Each of our businesses set internal reduction targets which are formally reviewed as part of the annual budget planning process to ensure alignment of their Sustainability 2017 and Manufacturing Excellence programme efforts and their contribution towards the group's goals. There are a wide range of operational initiatives underway to optimise resource use and improve processes across the group. In addition to process improvement efforts, efficiency and longevity of equipment are considered in purchasing decisions and for large capital expenditure projects.

Given that we operate in a world where increased demand for key resources and critical raw materials can expose the group to the risk of price volatility or resource availability, we also seek to apply our technical expertise and know how to develop more sustainable products. Our efforts are threefold: we develop products which deliver the same performance but with less critical raw material content (for example, our work to thrift rare earth materials from our emission control catalysts and refinery additives); products that can be manufactured via a less resource intense route (for example, our compact catalysed soot filter product for diesel cars); or products that enable our customers to lower their environmental footprint (for example, our process catalysts).

- Lean manufacturing initiatives at Johnson Matthey's emission control catalyst manufacturing operations in Royston, UK.



- Fuel cell research and development at Johnson Matthey's Technology Centre in Sonning Common, UK.

Managing Performance and Driving Continuous Improvement

The group has well established policies, systems and processes in place to manage its environmental performance and to drive continuous improvement. All our major manufacturing sites are required to maintain certification to the ISO 14001 environmental management system as a means of setting, maintaining and improving standards. The group also requires new or acquired sites to achieve ISO 14001 certification within two years of beneficial operation or acquisition. During the year, Johnson Matthey made two acquisitions, Axeon and Formox, and plans are being developed to support their major manufacturing sites in implementing the standard.

→ Read more in the Governance section on pages 90 and 91.

Read full details of our policies and strategies to manage and drive performance at www.matthey.com/sustainability.

Environmental Performance in 2012/13

Johnson Matthey undertakes a comprehensive annual review of group environmental performance which covers all manufacturing and research and development facilities. Data is presented for a five year period for nine key environmental indicators.

Johnson Matthey has made progress in improving its environmental performance with decreases in eight of the nine key environmental indicators we report. These improvements have been achieved in the context of similar / increased production. They demonstrate the positive impacts of our Sustainability 2017 and Manufacturing Excellence programmes on the efficiency and environmental performance of our business. Consequently, with sales excluding precious metals (sales) flat for the year, eight out of nine of our environmental metrics also reduced relative to the rate of growth of the group's sales as illustrated in the graphs and tables in this section of the report. There were no significant fines and no non-monetary sanctions for non-compliance with environmental laws and regulations in the year.

Energy Consumption

The group's total energy consumption reduced slightly to 4,648 thousand GJ and by 2% relative to sales, benefiting from programmes at our sites to improve energy efficiency. Of the energy consumed in 2012/13, 64% arose from direct sources (i.e. various fuels and natural gas combusted by the group) and 36% from consumed electricity generated by a supplier. The global energy bill for 2012/13 was £55.6 million, an increase of £0.9 million compared with 2011/12, reflecting higher global energy costs.

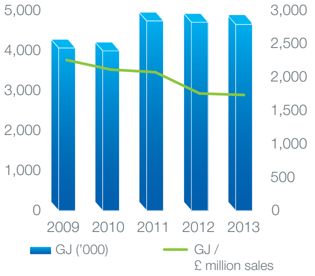
Business growth often means higher production volumes and the commissioning of new manufacturing lines, both of which increase the challenge of energy conservation. During the year, our Emission Control Technologies business has implemented energy management systems and energy process mapping, along with sharing best practice, an example of which is presented in the case study on page 80.

Global Warming Potential

We report greenhouse gas emissions from process and energy use and convert the total group energy use to tonnes of carbon dioxide (CO_2) equivalent using national and regional conversion factors for each emissions source as appropriate. The group's total global warming potential (GWP) is based on our Scope 1 and Scope 2 emissions (as defined by the greenhouse gas protocol www.ghgprotocol.org).

Energy Consumption

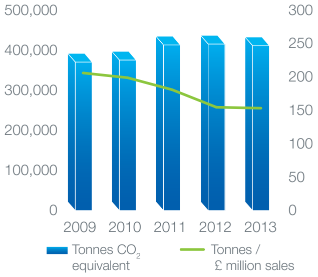
GJ ('000) GJ / £ million sales



	GJ ('000)	GJ / £ million sales
2009	4,070	2,265
2010	4,001	2,121
2011	4,749	2,083
2012	4,726	1,764
2013	**4,648**	**1,737**

Total Global Warming Potential (GWP)

Tonnes CO_2 equivalent Tonnes / £ million sales



	Tonnes CO_2 equivalent ('000)	Tonnes / £ million sales
2009	372	207.0
2010	377	199.9
2011	415	182.0
2012	417	155.7
2013	**413**	**154.3**

Environment continued

CASE **STUDY**

→ Energy Efficiency at Germiston, South Africa

In 2008 South Africa experienced an energy shortage due to insufficient capacity within the national grid. This shortage led to the initiation of the Industrial Energy Efficiency Project (IEE) which is supported by two government departments and the United Nations Industrial Development Organization (UNIDO). In 2012 Johnson Matthey's Germiston site signed up to this project to target energy reduction.

The IEE promotes energy efficiency, based on ISO 50001 principles. This standard provides companies with a framework to identify significant energy users, develop reduction strategies and put in place data management systems. Additionally, management commitment is a core part of the process.

Johnson Matthey Germiston appointed an energy team and ensured that two members of this team received advanced training in energy management systems. A consultant from UNIDO was employed to provide guidance and to assist with the introduction of ISO 50001.

Significantly, although the new system swiftly brought benefits, behavioural change lay at the heart of the improvements. Various campaigns were run and energy awareness increased. A range of energy efficiency improvements were identified and put in place. Capital costs were modest and over the 12 month implementation period impressive savings were made. The cost savings in this short period alone were several hundred thousand pounds and energy savings amounted to over 2 million kWh. The reduction in greenhouse gas emissions for the period was over 1,695 tonnes.

The project has succeeded on two levels – it reduces emissions and makes cost savings. These strengthen the business financially and are achievements that are in line with Johnson Matthey's sustainability targets. At the same, it is playing a part in South Africa's shift towards more sustainable industrial energy practices.

Having implemented the principles of ISO 50001, the Germiston site will be looking to achieve full certification within the next year.

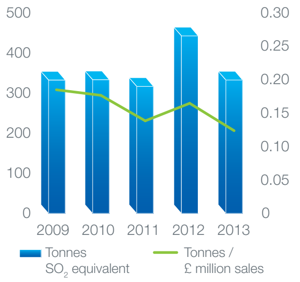
Read the full case study at www.matthey.com/sustainability.

In 2012/13 the group's GWP decreased slightly, down 1% to 413 tonnes CO_2 equivalent, with reductions in gas use at some big user sites and some green electricity usage at our West Deptford facility in the USA. Of this year's total, 38% resulted from Scope 1 emissions (generated by the direct burning of fuel, predominantly natural gas) and 62% from Scope 2 emissions (generated by the purchase of grid electricity). The group also made progress towards its Sustainability 2017 target to halve carbon intensity in 2012/13 with a year on year reduction of 1% in GWP relative to sales.

This year we have elected not to collect or report data from our Scope 3 emissions sources. Previously we have reported emissions data from travel by employees on company business however this figure represented less than 2% of our emissions in 2011/12 and at this stage we do not consider them to be material. The majority of our products are high value but low volume and so the carbon produced by transportation is low, relative to other carbon intensity figures. The majority of our Scope 3 emissions relate to the extraction and / or production of purchased materials and outsourced activities such as waste disposal. We continue to develop our understanding of these Scope 3 emissions through conducting life cycle analysis studies of our major product categories and by improving our knowledge of our role in the value chain.

Total Acid Gas Emissions

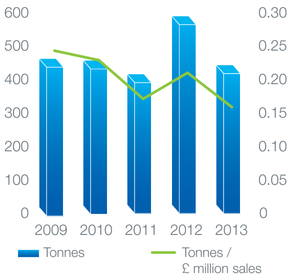
Tonnes SO_2 equivalent   Tonnes / £ million sales



	Tonnes SO_2 equivalent	Tonnes / £ million sales
2009	334	0.1859
2010	335	0.1776
2011	318	0.1395
2012	444	0.1658
2013	**334**	**0.1248**

Total NOx Emissions

Tonnes   Tonnes / £ million sales



	Tonnes	Tonnes / £ million sales
2009	439	0.2443
2010	434	0.2301
2011	393	0.1724
2012	566	0.2113
2013	**420**	**0.1570**

The UK's Carbon Reduction Commitment

Ongoing compliance with the UK government's Carbon Reduction Commitment (CRC) does not present a material issue for Johnson Matthey, given that the majority of our UK facilities are exempt from the process as they are already being regulated under existing climate change levy agreements that drive year on year energy efficiency and reduction programmes. The government's review of this legislation during the year did not impact our business. In the 2012/13 CRC Annual Report, to be submitted to the Environment Agency during July 2013, Johnson Matthey Plc will report energy usage data for four subsidiary businesses that are not covered by the group's exemption. This is estimated to be approximately 6,000 tonnes of carbon credits at a cost of £60,000 to £70,000.

Mandatory Greenhouse Gas (GHG) Reporting

Under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013, quoted companies are required to report their annual Scope 1 and Scope 2 GHG emissions in their directors' report, effective 30th September 2013. This applies to Johnson Matthey from the start of the year beginning 1st April 2013 and we will be required to report according to these regulations in our 2014 annual report. In preparation, we have undertaken a readiness assessment to ensure that the data we report will meet the new reporting regulations. The initial assessment raised no issues and concluded that Johnson Matthey is already reporting to the required level. However, a more detailed analysis of other emission sources of GHGs in our operations may be required.

Quoted companies will also be required to provide a breakdown of emissions by geographical area in the directors' report. Johnson Matthey already reports total emissions from its operations on a global basis. Data on a geographical basis is currently captured internally to drive performance improvement and so we foresee no major issues in meeting this requirement. With companies' environmental performance under ever increasing scrutiny, we continue to monitor and assess the impacts of legislative changes on our business, assisted by specialist consultants as required.

EU Emission Trading Scheme (EU ETS)

We are closely monitoring the potential impacts and opportunities for our businesses arising from Phase III of EU ETS implemented in 2013.

Other Emissions

Emissions from our operations are generated from a number of sources including combustion processes, materials handling and chemical reactions and are typically licensed by local regulations. All sites monitor emissions to ensure compliance with these regulations and set their own absolute targets aimed at reducing significant emissions as part of their local environment, health and safety improvement plans.

In 2012/13, our total emissions of acid gases have decreased by 25% to 334 tonnes sulphur dioxide (SO_2) equivalent. This was mainly due to reductions in the emissions of both oxides of nitrogen (NOx) and oxides of sulphur (SOx) at several of our larger sites. Compared with last year, total NOx emissions were 420 tonnes which represented a 26% reduction in both absolute terms and relative to sales.

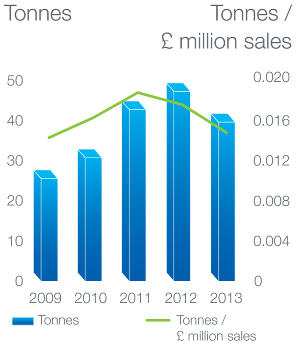
The group's total SO_2 emissions reduced by 16% to 39.9 tonnes, benefiting from a reduction in reported emissions from our Brimsdown site in the UK, which is Johnson Matthey's largest emitter of SO_2. Emissions of volatile organic compounds (VOCs) also fell this year by 2% to 185.6 tonnes.

Waste

The group generated 110,448 tonnes of waste during the year, a reduction of 8% in both absolute terms and relative to sales. Waste to landfill decreased significantly in the year, down 70% to 3,218 tonnes, benefiting from a reduction in waste from construction activities at our sites as a number of projects to expand our operations reached completion. Achieving zero waste to landfill by 2017 is one of the group's Sustainability 2017 targets and improved performance this year was also boosted by initiatives across our sites to reduce their landfill waste.

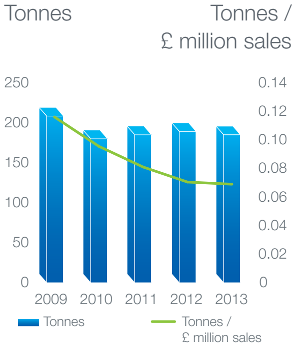
Johnson Matthey's facilities set rigorous internal targets to reduce waste to landfill. A number of sites have renegotiated waste disposal contracts with contractors who specialise in processing each different type of waste. For example, our Kitsuregawa site in Japan has accelerated progress towards its waste reduction target using this approach.

Total SO_2 Emissions



	Tonnes	Tonnes / £ million sales
2009	25.8	0.0144
2010	31.0	0.0164
2011	43.0	0.0189
2012	47.5	0.0177
2013	**39.9**	**0.0149**

Total VOC Emissions



	Tonnes	Tonnes / £ million sales
2009	209.1	0.1164
2010	180.8	0.0959
2011	185.7	0.0814
2012	189.8	0.0709
2013	**185.6**	**0.0694**

Environment continued

Not only has the site achieved a 1.3 tonne reduction of plastic waste, all plastic waste was recycled and together this resulted in zero plastic waste to landfill. Our Clitheroe, UK site has also partnered with waste contractors to divert waste from landfill and several other sites have investigated industrial symbiosis to find alternative routes for their key waste streams.

In terms of other waste streams, 3,685 tonnes of waste were sent for incineration (down 30%), 13,100 tonnes were sent for recovery (down 18%) and 82,592 tonnes of waste were sent for treatment and disposal by third party waste service providers (down 9%).

Whilst we have historically presented data on the different types of packaging waste recycled by our global operations, in efforts to reduce the reporting burden on site personnel we have chosen to no longer formally report on our performance in this area. Our sites around the world continue to collect and quantify this information for their internal inventories. To meet Johnson Matthey's compliance within the UK's packaging waste regulations, we collect and report on steel, paper, plastic and wood packaging waste recycled by our UK sites through Valpak, a compliance services consultant who is the leading provider of producer responsibility and recycling solutions.

The subject of waste continues to be a polarising topic among environmental experts because of varying opinions on the credibility of other disposal routes compared with disposal via landfill. While it is Johnson Matthey's target to send zero waste to landfill, our focus has been to reduce, reuse and, where possible, recycle. The introduction of our Manufacturing Excellence programme has reinvigorated our waste reduction efforts this year. Our sites now evaluate their waste beyond simply a material destined for disposal and consider factors such as time, expense, resource, procurement. As a result, there has been a greater focus on reducing the amount of material wasted, the reuse of raw materials in our processes and on the recycling of raw materials where possible.

CASE STUDY

→ Waste Reduction with Ingenuity

One of Johnson Matthey's six sustainability targets is to achieve zero waste to landfill by 2017. The task is devolved to the individual sites around the world who are coming up with ingenious and entrepreneurial ways of finding new uses for waste materials that once ended up in landfill.

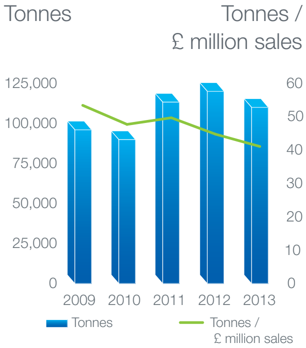
Johnson Matthey's active pharmaceutical ingredient manufacturing business in Edinburgh, UK identified an alternative use for an industrial mineral which is used as a filter aid in some of its manufacturing processes. After conducting trials with a compost manufacturer, the waste filter aid was found to be of benefit to their product and compost containing the filter aid is now sold to landscapers, local authorities and the construction industry. Importantly, implementing this recycling route allowed the site to reduce its waste to landfill to just an estimated 26 tonnes in 2012/13 – a reduction of over 75%.

On the other side of the world, at its Kitsuregawa site in Japan, Johnson Matthey's Japanese emission control technologies business targeted its two main sources of waste. Through inventive ways of reusing – by using it as a concrete filler in the construction industry – and recycling, the site has reduced its waste to landfill to less than 1 tonne in 2012/13.

These initiatives make a substantial contribution to Johnson Matthey's sustainability goals and show how, with creativity, we can take steps towards achieving zero waste to landfill – where waste from a speciality chemicals manufacturing factory can form the compost of a flower bed or the concrete in a new building.

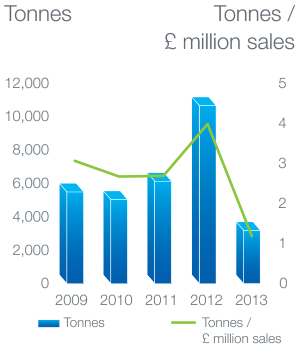
Read the full case study at www.matthey.com/sustainability.

Total Waste



	Tonnes	Tonnes / £ million sales
2009	96,287	53.58
2010	90,308	47.88
2011	113,671	49.86
2012	120,363	44.94
2013	**110,448**	**41.27**

Total Waste to Landfill



	Tonnes	Tonnes / £ million sales
2009	5,535	3.080
2010	5,071	2.689
2011	6,165	2.704
2012	10,708	3.998
2013	**3,218**	**1.203**

Water Consumption

During the year, water consumption increased by 11% compared with 2011/12 to 2.4 million m³. Water use increased at 11 of our sites, primarily as a result of increased production and from new plants coming on line at our facilities in Panki, India and Tennessee in the USA. Of the total water used by the group, 91% was supplied by local municipal water authorities, 6% was drawn from boreholes and 3% was taken from local water courses. Total effluent increased by 9% this year to 1.5 million m³, mainly as a result of increased activity at our operations. Of the total effluent produced, 86% was discharged to local authority sewers after treatment and in accordance with local discharge consent agreements and 14% was discharged to water courses after treatment and within quality limits set by local water authorities. The method of water treatment used at each site is appropriate to the effluent quality and volume and the requirements of the receptor.

The chemical oxygen demand (COD) test is commonly used to indirectly measure the amount of organic compounds in water. Most applications of COD determine the amount of organic pollutants found in surface water (e.g. lakes and rivers), making COD a useful measure of water quality. In 2012/13 the group discharged organic chemicals equivalent to a COD of 226 tonnes into water courses, as regulated by local emission limits at each manufacturing facility, a decrease of 13% on prior year.

Johnson Matthey has a robust and effective management system which requires all sites to report environmental incidents to the group's EHS department. During 2012/13 no significant spillages to the environment of raw materials, intermediates or products have been reported by the group.

In ongoing efforts to further improve our internal reporting systems for environmental data, during the year we have developed and tested an enhanced system. We plan to introduce the new system to our sites in 2014 and historical data will be transferred to it in advance of its launch. User training will also be provided. The new, more user friendly system will provide greater consistency and clarity of reporting across our global operations.

Environmental Aims and Targets

The group will continue to manage environmental impacts in the context of an expanding business by building on the best practice examples of performance improvement delivered so far, integration of lean manufacturing principles, process intensification and step change manufacturing technologies. This work will be supported by the group's global Sustainability 2017 and Manufacturing Excellence programmes.

Our environment related priorities for 2013/14 are to:

- Ensure that the future environmental performance of the group is aligned to the Sustainability 2017 Vision of cutting carbon intensity by half, achieving zero waste to landfill and halving key resources per unit of output.
- Oversee the implementation of the ISO 14001 environmental management system within the next two years for Axeon's and Formox's sites, which were acquired in October 2012 and March 2013 respectively.
- Undertake a review of our sites' impact on biodiversity and develop a set of tools to evaluate biodiversity and increase awareness of it at our sites.
- Ensure we have an understanding of all GHG emission sources (where material) within Johnson Matthey.

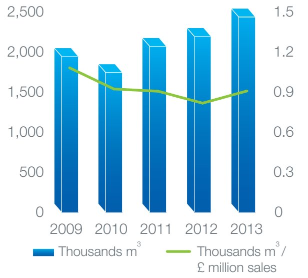
Biodiversity

By the nature of our business activities, Johnson Matthey has very little negative impact on the biodiversity of terrestrial, freshwater and marine environments. We do not have any manufacturing facilities located in areas of significant ecoimportance and we have not identified any major biodiversity issues in our supply chains as we do not source large volumes of naturally derived substances. Consequently, at this stage, we do not consider biodiversity to be amongst the most material issues for our business.

As part of all significant investments and acquisitions, we complete a detailed environmental impact assessment. Over the years, we have managed a number of projects looking at improving biodiversity at our operating sites and in 2012/13, one of our UK facilities commissioned a biodiversity assessment in preparation for construction of a new building. This is considered best practice, particularly if construction is intended to be close to ecologically sensitive areas.

Water Consumption

Thousands m³ Thousands m³ / £ million sales



	Thousands m³	Thousands m³ / £ million sales
2009	1,951	1.086
2010	1,750	0.928
2011	2,076	0.911
2012	2,201	0.822
2013	**2,444**	**0.913**

→ SUPPORTING
OUR STRATEGY
– SUSTAINABILITY

This section introduces our board of directors and details the corporate governance structures that are in place to ensure we manage our business in a responsible and transparent way. It also contains the statement on responsibility of directors.

GOVERNANCE

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- We are carrying out a ‘reasonable country of origin’ enquiry with all of our suppliers of the 3TGs and their chemical derivatives in order to determine their provenance.

Sustainability

Increasing the Transparency in Our Supply Chains

“At Johnson Matthey our commitment to building a more sustainable business extends beyond our own operations and includes our supply chains as well.

July 2010 saw the Dodd-Frank Act passed by the US Congress and subsequently, in August 2012, the United States Securities and Exchange Commission (SEC) enacted regulations requiring certain companies to disclose the use of tin, tungsten, tantalum and gold that originate from the Democratic Republic of the Congo and its adjoining countries. These materials are commonly referred to as the 3TGs and are known as conflict minerals.

Although Johnson Matthey is not currently directly required to comply with the SEC regulations, we are conscious of the need to be in a position to promptly and accurately respond to any queries from our customers – many of whom may need to comply – on the origin of any of these materials used in the products that we supply to them.

Working across our global businesses, we are carrying out a ‘reasonable country of origin’ enquiry with all our suppliers of these metals and their chemical derivatives in order to determine their provenance.

Once complete, this will enable us to address requests from customers for information relating to the supply of these materials. Plans are also underway to incorporate disclosure on the origin of 3TGs into our due diligence processes for new suppliers to enable us to maintain an accurate and up to date record of the sources of the 3TGs used in our products.”

Governance – Letter from the Chairman

> “Welcome to the Governance section of the annual report, which includes our Corporate Governance Report for the year ended 31st March 2013.”
>
> **Tim Stevenson**
> Chairman

Dear Shareholder

Good governance is a cornerstone of a successful and sustainable company. Johnson Matthey has a well established framework of policies, processes and management systems to support its governance and sustainability efforts, which apply to all its operations worldwide. These are described on pages 88 to 91.

My Role as Chairman

My role as Chairman is to ensure that Johnson Matthey has a board which works effectively under my leadership. I refer briefly in my Chairman’s Statement on pages 6 and 7 and more fully in the Corporate Governance Report to how I have sought to ensure that the UK Corporate Governance Code (the Code) principles on leadership and board effectiveness have been applied during the year.

One of the most important aspects of my role is to foster the right dynamic on the board so as to ensure constructive challenge of the executive directors. This involves having directors with the right range and balance of skills, expertise and attributes (including broad diversity of perspective) for the board and for Johnson Matthey. We have made good progress in this area this year with the appointments of Colin Matthews and Odile Desforges. I am pleased to say that your non-executive directors have a good relationship with the executive and that the vital relationship between me as Chairman and your Chief Executive, Neil Carson, remains a positive and constructive one.

Central to an effective board and to the effectiveness of the contributions of individual non-executive directors is to ensure that the board is provided with the right information at the right time. I continue to place great emphasis on ensuring that this is done and that board and committee agendas cover the right issues.

Through visits to sites and meetings with Johnson Matthey’s management, both at board meetings and otherwise, I try to be as engaged in Johnson Matthey’s various businesses as I can and to gain a good understanding of what is happening on the ground. I aim to suit my approach to being Chairman to what I think is best for Johnson Matthey and its board. Similarly, I aim to ensure that our governance arrangements are appropriate for Johnson Matthey’s circumstances and support its strategy and business model. I believe that our arrangements are appropriate and enable us to respond to any challenges which the company may face.

Board and Committee Evaluation, Boardroom Diversity and Succession Planning

I see regular and appropriate board and committee evaluation as an area which is fundamental to achieving and improving board effectiveness. Last year we informed you of the internally conducted evaluation process which was ongoing when we published the 2012 annual report. It has since been concluded, so this year we report on the methodology used and the outcomes (see pages 106 and 107). The board has conducted a further internal review this year and the process and its outcomes are also summarised on pages 106 and 107. In addition to evaluation, proper planning for board succession and refreshing and selecting the right individuals for the board from a diverse talent pool are also key issues for me and for the board. We share with you our approaches to these fundamental components of board effectiveness on pages 102 and 103.

Relations with Shareholders

I am available to meet the company's largest shareholders on a one to one basis as requested and am happy to discuss any relevant governance or strategic matters. Generally, I believe I have an appropriate level of engagement with our shareholders. While I don't formally participate in the presentations on the half year and full year results given by our executive directors, I do find it helpful to attend these meetings to hear questions and the responses from our management team.

The UK Corporate Governance Code

As we did last year, in our Corporate Governance Report we are reporting against the Code, which was introduced in June 2010. As usual, we are reporting on how we have applied the Code's main principles and whether we have complied with its relevant provisions. Under the Code, companies must explain their business model and strategies for delivering objectives and these explanations are contained in the Business Review on pages 4 to 83.

Johnson Matthey has chosen to adopt certain aspects of the 2012 edition of the Code and to follow relevant aspects of related guidance. In this report we have identified where we have done so. We are adopting these aspects before we are formally required to do so for our year ending 31st March 2014.

UK Corporate Governance Code Compliance Statement

We've set out our statement of compliance with the Code's provisions on page 95. I am pleased to report that except in two limited respects, one of which was for a short period of time, Johnson Matthey has complied with all relevant provisions throughout the year ended 31st March 2013 and from that date up to the date of approval of this annual report.

Tim Stevenson
Chairman

Governance and Sustainability

Introduction

Johnson Matthey's well established policies, processes and management systems support our governance and sustainability efforts and apply to all our operations around the world. They encompass the key areas of:

- Business integrity and ethics.
- Supply chain management.
- Environment, health and safety (EHS).
- Human resources.

Together these provide the framework for managing social, environmental and ethical matters. Brief summaries are set out in this section and further details, together with information about progress and developments over the year ended 31st March 2013, can be found on our website.

Read more at www.matthey.com/sustainability.

Compliance with applicable legal requirements is a minimum standard for Johnson Matthey's operations and employees. In many cases we set standards which are in advance of these.

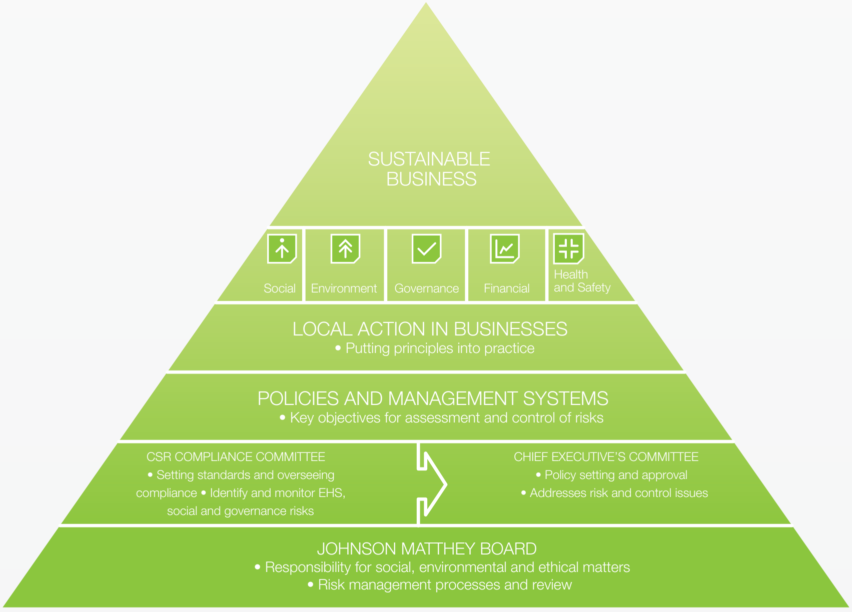
Our employment contracts, handbooks and policies specify acceptable business practices and our position on ethical issues. The Group Control Manual, which is distributed to all our operations, and security manuals provide further operational guidelines to reinforce these.

The Corporate Governance Report on pages 94 to 110 describes the role of the board, the Audit Committee and other committees in risk management and internal control.

Our board of directors is ultimately responsible for social, environmental and ethical matters. These matters are embedded in Johnson Matthey's risk management processes and are formally reviewed annually by our board. Policies are set and approved by the Chief Executive's Committee (CEC). The CEC also addresses risk and control issues and reviews key EHS, social and governance issues. The CSR Compliance Committee, a sub-committee of the CEC, has specific executive responsibility for the identification and monitoring of risks in these areas. It sets and oversees compliance with group standards through the adoption, dissemination and implementation of appropriate group policies and other operational measures.

Every business is required to include sustainability in its annual budget setting process and define the nature of programmes and projects to be undertaken together with capital expenditure requirements and value generated over a three year business cycle. Plans are discussed with the CEC and are formally approved by the board. As part of the process, progress against the Sustainability 2017 targets is assessed on a group basis to establish if additional management action is required.

We also have a formal system of site and functional reviews to drive improved performance in sustainability.



The group's sustainability strategy (which we detail in the section on Our Strategy on pages 15 and 16) was defined following an assessment of the risks, major impacts and future commercial opportunities open to the business. The long term targets within it address the issues which could potentially have a material effect on the group's future performance. The group's materiality map outlines the key material issues and the targets in place to address and monitor them.

View the materiality map online at www.matthey.com/sustainability.

The area of sustainability continues to develop rapidly and we continually monitor emerging issues, regulation, legislation, standards and good practice. Developments are proactively managed through reviewing the external landscape to understand the material issues that may impact the group or present real business opportunities. Responsibility for identifying and assessing these issues lies with the group sustainability team and the CSR Compliance Committee. During the year we have considered new ways to further enhance our ability to manage our material issues and will be introducing the use of an additional tool during the first quarter of 2013/14.

We continued to develop our understanding of life cycle assessment (LCA) and completed a further LCA, this time on the health benefits of our active pharmaceutical ingredient products (see page 46). We have also continued to build on our understanding of the potential implications of water stress to our operations.

We constantly monitor developments on reporting practices including those of the International Integrated Reporting Framework and those within the EU Commission. We are also assessing the new Global Reporting Initiative (GRI) guidance, which was published on 22nd May 2013, in the context of our future reporting.

Business Integrity and Ethics

Johnson Matthey strives to maintain the highest standards of ethical conduct and corporate responsibility worldwide to ensure we act with integrity, transparency and care for the rights of the individual wherever we do business. Our ethical principles and standards are set out in our Business Integrity and Ethics Policy which applies to all our employees.

View the policy online at www.matthey.com/sustainability.

The board and its committees, the Chairman, the Chief Executive and the other individual directors all play key roles, together with management, in promoting and monitoring ethical behaviour and safeguarding Johnson Matthey's reputation.

We provide compliance training to our employees to support their understanding of, and commitment to, group policies in order to protect and enhance the company's reputation. The training educates managers in their responsibilities for employees, commercial contracts and company assets and is delivered globally via online learning programmes, face to face seminars and individual training. Online compliance training for employees addresses the bribery and corruption, money laundering and competition risks faced by the group.

All our facilities have established policies and procedures for employees to raise employment related issues for consideration and resolution.

A confidential, secure, externally-run 'whistleblowing' website and telephone helpline are also in place to give all employees additional means to raise any issue of concern. The website offers multilingual access and allows for written or telephone reports. The site is publicised via site notice boards and our corporate intranet site. Reports received through the website and helpline (as well as any received through other media, such as email, telephone or letter) are appropriately investigated in accordance with the Group Human Resources Policy on whistleblowing. Responses and outcomes are posted on the website, or are communicated to employees via other internal media, such as site notices or briefings. For Johnson Matthey as a whole, there was a total of 17 new whistleblowing reports in the calendar year 2012 (2011 8) and all but two have been resolved as at the date of approval of this annual report. At its meeting in January 2013, the Audit Committee reviewed the group's whistleblowing procedures and the matters raised during 2012/13.

Supply Chain Management

Management of supply chain and contractor activities is a core component of the ISO 9000 and ISO 14000 series of standards. Supply chain and contractor management questionnaires are a requirement for achieving and maintaining registration and, as such, ISO registered Johnson Matthey operations require the completion of appropriate questionnaires. For those operations without ISO registration, the group EHS management system provides policy and guidance on supply chain management and contractor control.

Our Ethical and Sustainable Procurement Policy provides clear guidance on various topics including those relating to the selection of, and ethical conduct with, suppliers.

View the policy online at www.matthey.com/sustainability.

During the year a group of our procurement professionals participated in a supply chain and procurement session led by the Group Sustainability Director and the non-governmental organisation, Forum for the Future. The aim of the workshop was to discuss emerging supply chain issues, identify any gaps in our approach to suppliers and share good practice. The group examined a range of issues, including Scope 3 greenhouse gas emissions, conflict minerals and developing regulation. In 2013/14 we will establish a cross divisional supply chain steering group to further improve dialogue and share information about our suppliers across Johnson Matthey.

Johnson Matthey is confident of the human rights performance of its own operations but recognises that business practices in the supply chain are not always transparent and represent a risk that must be managed. Every effort is made to ensure the issues are managed effectively. We support the principles defined within the United Nations Universal Declaration of Human Rights and the International Labour Organisation Core Conventions including the conventions in relation to child labour, forced labour, non-discrimination, freedom of association and collective bargaining. Compliance with, and respect for, these core principles are integrated within the risk assessment procedures and impact assessments which are undertaken when entering into business in a new territory and within the due diligence processes when making an acquisition or entering a joint venture.

CASE **STUDY**

→ Transparent Corporate Reporting Wins Awards

Johnson Matthey is committed to providing its stakeholders with a full and transparent picture of our all round business performance and our Annual Report and Accounts are an important part of our communications.

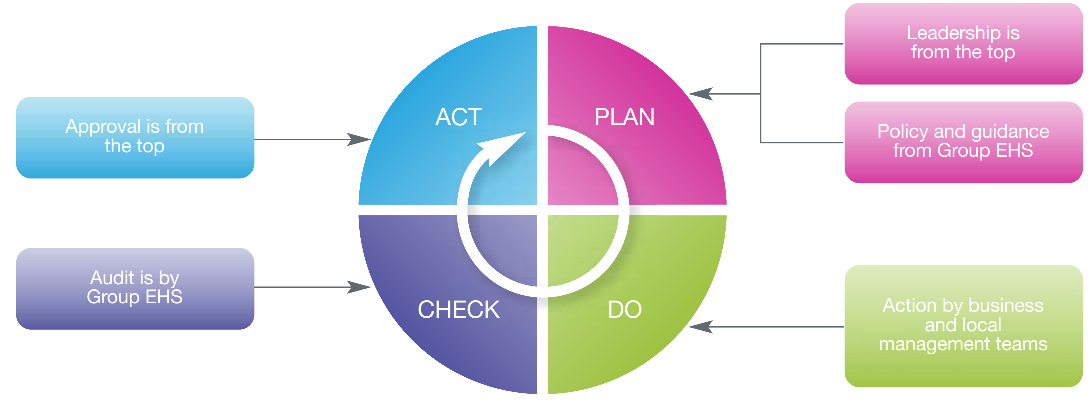
In the 2012 Institute of Chartered Secretaries and Administrators Hermes Transparency in Governance Awards, the judges named Johnson Matthey winner of the Award for Best Annual Report in the FTSE 100. In addition, we received the Award for Best Sustainability and Stakeholder Disclosure in the FTSE 100, a title we had also won the previous year.

Whilst reporting isn't about winning awards, this external recognition encourages us that our practices are felt to be meeting the needs of our stakeholders.

Read the full case study at www.matthey.com/sustainability.

Governance and Sustainability continued

Our EHS Governance Processes



In response to US national legislation, Johnson Matthey's North American businesses have a Conflict Free Minerals Policy and a Slavery and Human Trafficking Policy. Both are available on our website.

View the policies online at www.matthey.com/sustainability.

Johnson Matthey is responding to regulations enacted in August 2012 by the United States Securities and Exchange Commission (SEC) requiring certain companies to disclose the use of conflict minerals, specifically tin, tungsten, tantalum and gold that originate from the Democratic Republic of the Congo and its adjoining countries. Although we are not currently directly required to comply with the SEC regulations, we are conscious of the need to be in a position to promptly and accurately respond to any queries from our customers (many of whom may need to comply) on the origin of any of these metals used in the products that we supply to them.

We are carrying out a 'reasonable country of origin' enquiry with all our suppliers of these metals and their chemical derivatives in order to determine their provenance. Once complete, this will enable us to address requests from customers for information relating to the supply of these materials. We are also working to incorporate disclosure on the origin of these materials into our due diligence processes for new suppliers.

Environment, Health and Safety

Johnson Matthey is committed to providing the highest level of protection to the environment and to safeguarding the health, safety and wellbeing of its employees, customers, communities and other stakeholders. This is supported by policies, a comprehensive management system, governance, careful risk assessment, auditing and training which promote continuous improvement and ensure that high standards are achieved at our sites worldwide. In addition, all facilities have developed local policies to meet international, national, local and corporate requirements.

The Environment, Health and Safety Policy is a written statement, formulated and agreed by the CEC. Signed by the Chief Executive, it is available at all sites and forms the basis of the group EHS management system.

View the policy online at www.matthey.com/sustainability.

The group EHS management system comprises a set of mandatory EHS policies, written as performance standards. Where there are different acceptable methods of achieving these performance standards, appropriate written guidance is also provided to assist in creating and managing local processes. The group EHS management system is available to all employees via the group intranet. It is regularly reviewed and, together with the corporate policies and objectives, it defines accountability and sets the performance standards against which EHS conformance audits are assessed.

Our EHS Governance Processes

EHS compliance audits are conducted to verify that performance standards contained in corporate EHS policies are being achieved and to maintain continuous improvement. All Johnson Matthey operated manufacturing and research and development facilities are included in the audit programme. Audit frequency for each facility is determined by the scale, inherent risk and past performance of the operation. Audits are carried out by experienced ISO qualified EHS professionals and controlled and reviewed by the Group EHS Assurance Director. Health management reviews are undertaken every three to five years at all operational sites, depending on indicators of performance. They are conducted by the Director of Group Health who provides consulting advice to support the prioritisation and planning of programmes to optimise workplace health and promote workforce sustainability. In addition, all businesses undertake annual health management improvement planning to adjust health programmes to meet changing business needs.

At each board meeting, the board reviews group EHS performance reports for the prior months. These reports set out the group's EHS performance in terms of accident and incidence rates, lost work days and the rolling all lost time accident rate. The reports also contain information from the businesses across the group on lost time accidents, as well as details of any contractor incidents, occupational illness, sickness absence and any material regulatory action. The board reviews EHS strategy and the EHS risks and assurance process on an annual basis.

The focus on sustainability is very much in evidence at Johnson Matthey's Colour Technologies site in Maastricht, The Netherlands.

Scientists at Johnson Matthey's Technology Centre in Sonning Common, UK.

All EHS audit reports, including health management reviews and process risk management audit reports, are reviewed by the CSR Compliance Committee and appropriate follow up actions are taken on outstanding issues. During 2012/13 a total of 29 detailed compliance audits and 25 one day audit action reviews were completed. Health management reviews were conducted at 12 facilities.

A variety of training programmes are in place to support continuous improvement in EHS performance and regular meetings are held in Europe, North America and Asia to enable the group's EHS professionals to network, share best practice and discuss the impact of future EHS legislation.

Human Resources

Our human resources standards are progressive, consistent and aimed at bringing out the best in our people.

Group policies are supported by detailed regional and individual business procedures which are regularly updated to reflect both regional best practice and local legislation. Site specific human resources policies and procedures are communicated to staff at inductions and through staff handbooks. Human resources policies and risks are examined by the CEC and the CSR Compliance Committee.

Johnson Matthey's policies on equal opportunities and training are published on our website and are also detailed below.

View the policies online at www.matthey.com/sustainability.

In line with our Equal Opportunities Policy, we recruit, train and develop employees who meet the requirements of the job role regardless of gender, ethnic origin, age, religion or belief, marriage or civil partnership, pregnancy or maternity, sexual orientation, gender reassignment or disability. The policy recognises that people with disabilities can often be denied a fair chance at work because of misconceptions about their capabilities and seeks to enhance the opportunities available by attempting, wherever possible, to overcome obstacles, such as the need to modify equipment, restructure jobs or to improve access to premises, provided such action does not compromise health and safety standards.

Similarly, employees who become disabled during their employment will be offered employment opportunities consistent with their capabilities.

We value the diversity of our people as a core component of a sustainable business and employment applications are welcomed, and encouraged, from all sections of the community including minority groups.

A committee of the board, the Management Development and Remuneration Committee, takes a special interest in ensuring compliance with the Training and Development Policy objectives in order to:

- Ensure highest standards in the recruitment of employees.
- Assess training needs in the light of job requirements.
- Ensure relevance of training and link with business goals.
- Employ and evaluate effective and efficient training methods.
- Promote from within, from high potential pools of talent.
- Understand employees' aspirations.
- Provide development opportunities to meet employees' potential and aspirations.

View the policy online at www.matthey.com/sustainability.

Our human resources strategy aims to support long term business growth over the next decade and includes a focus on significant recruitment at our operations in Asia as our businesses in the region continue to expand. We have further enhanced our learning and development programmes in Asia during the year and these are further detailed on pages 52, 58 and 59.

.06 Governance

Board of Directors

Tim Stevenson, OBE
Chairman, age 65; joined Johnson Matthey as Chairman Designate in March 2011; appointed Chairman in July 2011. He was Chairman of The Morgan Crucible Company plc from December 2006 to July 2012 and was Chairman of Travis Perkins plc from November 2001 to May 2010. From 1975 to 2000 he held a variety of senior management positions at Burmah Castrol plc, including Chief Executive from 1998 to 2000. He is a qualified barrister and is Lord Lieutenant of Oxfordshire. M, N.

Neil Carson
Chief Executive, age 56; joined Johnson Matthey in 1980; appointed Division Director, Catalytic Systems in 1997 after having held senior management positions in the Precious Metals Division as well as Catalytic Systems in both the UK and the US. Appointed to the board as Managing Director, Catalysts & Chemicals in August 1999. Appointed Chief Executive in July 2004. Currently a non-executive director of AMEC plc.

Robert MacLeod
Group Finance Director, age 49; joined Johnson Matthey in 2009. Previously he was Group Finance Director of WS Atkins plc and worked in a variety of senior financial roles at Enterprise Oil plc. He is currently a non-executive director of Aggreko plc and is a Chartered Accountant.

Dorothy Thompson
Age 52; appointed a non-executive director in September 2007. Currently Chief Executive of Drax Group plc. Joined the board of Drax Group plc as Chief Executive in 2005. Prior to joining Drax she was head of the European business of the global power generation firm, InterGen. First starting her career in banking she has had senior management roles in the UK, Asia and Africa. A, M, N

Larry Pentz
Executive Director, age 58; joined Johnson Matthey in 1984; appointed Division Director, Process Catalysts and Technologies in 2001 after having held a series of senior management positions within Johnson Matthey in the US. Appointed Executive Director, Process Catalysts and Technologies in August 2003, Executive Director, Emission Control Technologies in July 2004 and Executive Director, Environmental Technologies in April 2009. Currently a non-executive director of Victrex plc.

Bill Sandford
Executive Director, Precious Metal Products, age 59; joined Johnson Matthey in 1977; appointed Division Director, Precious Metal Products in 2001 after holding a series of senior management positions within the division. Appointed Executive Director, Precious Metal Products in July 2009.

Michael Roney

Senior Independent Director and Chairman of the Management Development and Remuneration Committee, age 58; appointed a non-executive director in June 2007. Currently Chief Executive of Bunzl plc. Joined Bunzl plc as a non-executive director in 2003. Prior to becoming Chief Executive of Bunzl he was the Chief Executive Officer of Goodyear Dunlop Tires Europe BV and had an extensive career with the Goodyear Tire and Rubber Co holding a number of senior management positions with responsibilities in Latin America, Asia, Eastern Europe, the Middle East and Africa. A, M, N

Alan Ferguson

Chairman of the Audit Committee, age 55; appointed a non-executive director in January 2011. Currently a non-executive director of Croda International Plc, The Weir Group PLC and London Mining Plc (where he is chairman of their respective audit committees). He was previously Chief Financial Officer and a Director of Lonmin Plc. Prior to joining Lonmin, he was Group Finance Director of The BOC Group until late 2006 when the Linde Group acquired BOC. Before joining BOC in 2005, he worked for Inchcape plc for 22 years in a variety of roles including Group Finance Director from 1999 until his departure. He is a Chartered Accountant. A, M, N

Colin Matthews

Age 57; appointed a non-executive director in October 2012. Currently Chief Executive Officer of Heathrow Airport Holdings Limited, Colin was previously Group Chief Executive of Hays Group plc and then Group Chief Executive of Severn Trent plc. Earlier in his career he was Managing Director of BA Engineering for British Airways plc and then Executive Director of Lattice Group plc. He is a former non-executive director of Mondi plc. A, M, N

At the date of approval of this annual report, the Board of Directors of Johnson Matthey is as detailed above. As announced on 20th May 2013, with effect from 1st July 2013 Odile Desforges will join the board as a non-executive director.

As announced on 5th June 2013, with effect from 9th October 2013 Bill Sandford will retire as an executive director of the company and John Walker will join the board as an executive director.

Committees of the Board

A	Audit Committee
M	Management Development and Remuneration Committee
N	Nomination Committee

Simon Farrant

Company Secretary; joined Johnson Matthey from corporate legal practice in 1994. Appointed Company Secretary in 1999 and Group Legal Director in 2007. He is a Solicitor and Attorney & Counselor-at-Law (State of New York).

Corporate Governance Report

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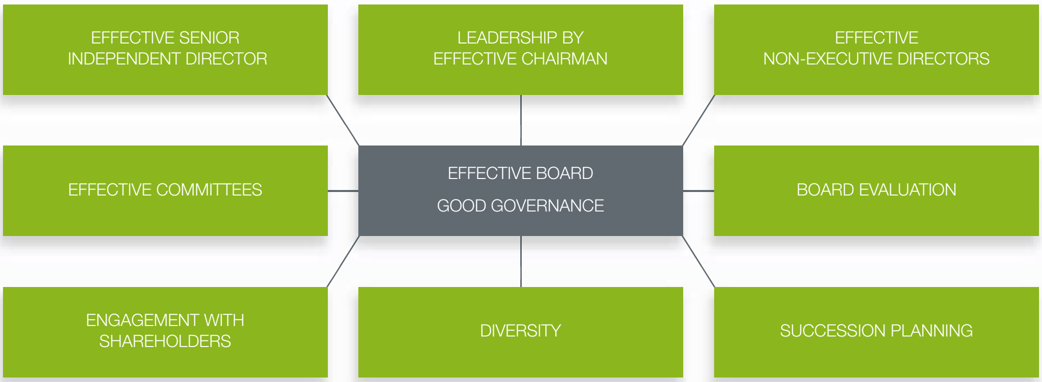
Introduction

This section of the annual report describes the company's corporate governance structures and processes and how they have been applied throughout the year ended 31st March 2013 (the year).

Our board of directors has a responsibility to our shareholders to ensure the sound running of the company. This can only be achieved if supported by appropriate and well managed governance processes. We believe that there are a number of key elements which are essential for an effective board and good governance. These are illustrated below and we discuss them in more detail throughout this section of the report.



The UK Corporate Governance Code

The UK Corporate Governance Code (the Code), issued by the Financial Reporting Council (FRC) in June 2010, contains broad principles and specific provisions which set out standards of good practice in relation to leadership and effectiveness, remuneration, accountability and relations with shareholders. This Corporate Governance Report is structured so as to report against each of these key areas. The Code applied to Johnson Matthey throughout the year.

In September 2012 the FRC published the 2012 edition of the Code (the 2012 Code), together with a revised version of its Guidance on Audit Committees. The changes formally apply to companies whose financial year begins on or after 1st October 2012, and so will apply to Johnson Matthey for our financial year ending 31st March 2014. However, we have chosen to adopt some aspects of the 2012 Code (and follow the relevant aspects of the related guidance) early and report on it in this year's annual report. We've identified in this report where we've adopted the 2012 Code.

As a listed company, Johnson Matthey is required to report on how we have applied the main principles of good governance set out in the Code and either confirm that we have complied with the Code's provisions or provide an explanation where we have not. Our compliance statement is set out in the following section. We have reviewed our explanations of non-compliance against the 2012 Code's guidance on the characteristics of a meaningful explanation of non-compliance.

This Corporate Governance Report, together with the Nomination Committee Report on pages 111 to 113, the Audit Committee Report on pages 114 to 116 and the Remuneration Report on pages 117 to 131, describe how we have complied with the provisions of the Code and applied its main principles during the year.

How have we Complied with the Provisions of the Code?

Except as referred to below, Johnson Matthey has complied with all relevant provisions of the Code throughout the year.

We have not complied throughout the year with part of Code provision E.1.1, which states that the senior independent director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. The board considers, and has done for a number of years, that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the board without it being necessary for the Senior Independent Director to attend meetings with major shareholders. The Senior Independent Director is, however, available to attend any such meetings if requested by shareholders. The board believes that this approach is consistent with the relevant main principle of the Code on dialogue with shareholders, to which Code provision E.1.1 relates, and is consistent with good governance and the promotion of delivery of the company's objectives. More information on how we engage with shareholders is set out on pages 109 and 110.

From 25th July 2012 to 4th October 2012 Johnson Matthey did not comply with Code provision B.1.2, which states that at least half the board, excluding the Chairman, should comprise non-executive directors who have been determined by the board to be independent. Sir Thomas Harris retired from the board as a non-executive director on 25th July 2012. Following his retirement and pending the appointment of a new independent non-executive director (the selection process for which had begun in March 2012 prior to Sir Thomas' retirement and was ongoing as at 25th July 2012), there was a majority of executive directors on the board. Colin Matthews was appointed a non-executive director on 4th October 2012. The board believes that its actual operation during this period of temporary non-compliance did not detract from good governance or the promotion of delivery of the company's objectives. During this period the board and its committees retained an appropriate balance of skills, experience, independence and knowledge of the company to enable them to carry out their duties and responsibilities effectively. In addition, the board was of sufficient size and retained an appropriate combination of executive and, in particular, independent non-executive directors such that no individual or small group of individuals could dominate the board's decision making. There was no adverse impact on the business or on the ability to manage any changes to the board's composition and that of its committees without any undue disruption.

Corporate Governance Report continued

Leadership

What is the Role of Our Board?

The board's role is to provide leadership of the company and direction for management. It is collectively responsible and accountable to our shareholders for the long term success of the group and for ensuring the group is appropriately managed and operates responsibly as it pursues its objectives. The board reviews the performance of management and the operating and financial performance of the group as a whole. It is responsible for ensuring that the necessary resources are provided for Johnson Matthey to meet its objectives.

The board is responsible for the following specific key areas:

Setting Strategy and Determining Risk Appetite

The board sets the group's strategic objectives and determines the nature and extent of the significant risks the company is willing to take in order to achieve those objectives. It is also collectively responsible to Johnson Matthey's shareholders for the achievement of those strategic objectives. The group's strategy is discussed in detail on pages 14 to 19 and details of the processes we have in place for identifying and managing risks are discussed on pages 24 and 25.

Ensuring Good Governance

The board approves the group's governance structures and reviews its internal control and risk management framework. This is vital in ensuring these are prudent and effective and that we are able to assess, monitor and manage any risks. The board is collectively responsible to our shareholders for the group's system of corporate governance and is ultimately accountable for the group's activities, strategy, risk management and financial performance, for stewardship of the group's resources and for social, environmental and ethical matters.

Decision Making

The board makes decisions on several key matters, including approval of the annual group operating and capital expenditure budgets and annual group three year plan, as well as the group strategy. In addition, it approves announcements of the group's results, the Annual Report and Accounts, the declaration of the interim dividend and recommendation of the final dividend. The board is also responsible for considering and approving capital projects and acquisitions and disposals of assets or operations if they exceed defined thresholds.

The board makes certain types of decision but delegates others to executive management. The board has adopted a formal schedule of matters specifically reserved for its decision and this is described in the Investor Relations / Corporate Governance section of our website.

Promoting Good Behaviour

When carrying out its responsibilities, the board seeks to set, promote and demonstrably follow clear values and ethical standards for the group. It is mindful of the duties owed by directors in law, including the overriding duty for each director to act in the way he or she considers, in good faith, will be most likely to promote the success of the company for the benefit of its members as a whole, whilst balancing the interests of stakeholders.

Succession

Together, our directors determine the structure, size and composition of the board, appointments to the board, selection of the Chairman and the Chief Executive, appointment of the Senior Independent Director and membership and chairmanship of the board's committees. The board has overall responsibility for succession planning for the Chief Executive and the other executive and non-executive directors and is involved in succession planning for senior management. Further information on the succession planning process is included on page 102.

How does Our Board Operate?

In order to carry out its work, the board has a planned programme of agendas (referred to further under 'What is the Role of Our Chairman' below) to ensure all necessary matters are covered and to allow sufficient time for debate and challenge, particularly on areas such as strategy and risk, including risk appetite. The board also takes time to review past decisions where necessary. At board meetings, the board receives and considers papers and presentations from management on relevant topics. Effective review and decision making is supported by providing the board with high quality, accurate, clear and timely information including input from experts and independent advisers where necessary (see 'Information and Support' on page 104).

The board is conscious of the need to avoid any conflicts of interest and has processes in place to safeguard against this. These are outlined under 'Directors' Conflicts of Interest' on page 105. The board also delegates certain specific responsibilities to board committees and these are described under 'Board Committees' on page 98.

The board seeks to work in the best interest of Johnson Matthey and its stakeholders. As head of the board, Tim Stevenson, our Chairman, leads the directors in carrying out their duties in the most effective way.

Who are Our Chairman and Chief Executive?

Tim Stevenson is our Chairman. He joined the board in March 2011 and took up the role of Chairman in July 2011. Neil Carson has been our Chief Executive since July 2004. Tim's and Neil's biographies, including details of their relevant experience and other significant commitments, are set out on page 92.

What is the Division of Responsibilities between Our Chairman and Our Chief Executive?

There is a clear division of responsibilities between the running of the board and the executive responsibility for the running of the business and no single individual has unfettered powers of decision. The Chairman's and Chief Executive's roles are separate and the division of responsibilities between these roles is clearly established in a written statement which was adopted by the board in April 2005. This is set out in full in the Investor Relations / Corporate Governance section of our website.

What is the Role of Our Chairman?

Tim Stevenson, the Chairman, leads the board. He is responsible for creating the conditions for, and for ensuring, an effective board and effective contributions from individual directors, particularly non-executive directors, based on a culture of mutual respect, openness, debate and constructive challenge. To achieve this, Tim facilitates and encourages open communication and constructive working relations between the executive and non-executive directors. He seeks to ensure that the executive directors are responsive to constructive challenge on their proposals by the non-executive directors. Tim is in frequent contact with Neil Carson, the Chief Executive. They meet in person or by telephone at least once a week. Tim also keeps the non-executive directors up to date with significant developments between board meetings. Tim is responsible for ensuring that Johnson Matthey maintains effective communications with our shareholders and this is discussed further under 'Relations with Shareholders' on pages 109 and 110.

- During the year, the board toured Johnson Matthey's Technology Centre at Sonning Common, UK.

- The board also visited Johnson Matthey's Fuel Cell business in Swindon, UK.

As Chairman, Tim sets the board's agenda and ensures that there is adequate time to discuss all agenda items. During the year, the board approved an annual agenda plan designed to ensure that it has the right amount of time throughout the year to discuss all necessary matters. In particular, the board has sought to ensure there is sufficient time to discuss strategy so that the non-executive directors have a good opportunity to challenge and help develop strategy proposals. Strategy is discussed in detail on pages 14 to 19. In addition, the Chairman monitors, with assistance from the Company Secretary, the information distributed to the board to ensure it is of high quality, accurate, clear and timely.

Tim met with the non-executive directors without the executives being present in November 2012 in order to review the executive directors' performance.

What is the Role of Our Chief Executive?

Neil Carson, the Chief Executive, has day to day management responsibility for running the group's operations, for applying group policies and for implementing the group's strategy and policies agreed by the board. The board has given Neil the broad authority to run the company and he is accountable for, and reports to the board on, how it is performing. Neil also has a key role in the process for the setting and review of strategy. More broadly, he promotes the company's culture and standards, including those on governance, throughout Johnson Matthey. In addition, he ensures that the executive directors' views on business issues and employees' views on relevant issues are shared with the board in a balanced way.

Neil Carson is supported by Robert MacLeod, the Group Finance Director, and by our other executive directors. Together they are responsible for, amongst other things, ensuring that the board receives high quality information, including on the company's performance.

What is the Role of Our Executive Directors?

Our executive directors have specific responsibilities relating to the areas of the business they oversee (as set out on page 92. However, as directors their duties extend beyond their own businesses to include the whole of the group's operations and activities.

What is the Role of Our Non-Executive Directors?

The role of our non-executive directors is to scrutinise management's performance in meeting agreed goals and objectives and to monitor how that performance is reported. They must also be satisfied with the integrity of the group's financial information and with the robustness and defensibility of financial and non-financial controls and risk management systems.

As members of the board, the non-executive directors have a key role in constructively challenging in all areas. This is vital to the independence and objectivity of the board's deliberations and decision making and is particularly important in helping develop proposals on strategy. The Chief Executive and the other executive directors welcome, and are responsive to, constructive challenge by the non-executive directors on their proposals. The non-executive directors' role is then to support the decisions that have been taken and to support the executive team in their delivery. Non-executive directors also play an important part in supporting the Chairman and the executive directors in embracing and representing the company's culture, values and standards within the board and throughout Johnson Matthey.

The non-executive directors are responsible for determining appropriate levels of remuneration for the executive directors and have a prime role in appointing and, where necessary, removing executive directors, and in succession planning. Further information on succession planning is set out on page 102.

As chairmen of our Audit Committee and our Management Development and Remuneration Committee respectively, Alan Ferguson and Michael Roney fulfil important leadership roles.

What is the Role of Our Senior Independent Director?

Michael Roney has been our Senior Independent Director since July 2011.

As Senior Independent Director, Michael's role is to provide a sounding board for Tim Stevenson, to act, when necessary, as a focal point and intermediary for the concerns of the other non-executive directors and to ensure that any key issues that are not being addressed by the Chairman or the executive management are taken up. Tim has a regular dialogue with Michael regarding current issues. Although no such issues have arisen in the year, should any significant issues arise which threaten the stability of Johnson Matthey or its board, it is recognised that Michael, as the Senior Independent Director, may be required to work with the Chairman or others or to intervene to resolve them.

Michael is available to shareholders should they have concerns which have not been resolved from contact through the normal channels of Chairman, Chief Executive or other executive directors or if the normal channels may be inappropriate. He is available to attend meetings with major shareholders to listen to their views in order to help develop a balanced understanding of their issues and concerns.

In his role as Senior Independent Director Michael is responsible for leading the annual appraisal of the Chairman's performance and this is discussed further under 'Review of the Chairman's Performance' on page 108. The Senior Independent Director plays an important role by ensuring there is an orderly succession process for succession to the chairmanship of Johnson Matthey.

Corporate Governance Report continued

What is the Role of Our Company Secretary?

Simon Farrant is our Company Secretary and was appointed in May 1999. He is secretary to the board and all of its committees and his biography is set out on page 93.

Simon reports to Tim Stevenson on board governance matters and, together with Tim, he keeps the efficacy of the company's and the board's governance processes under review and considers improvements. He is also responsible to the board for compliance with board procedures. He is responsible, through Tim, for advising and keeping the board up to date on all legislative, regulatory and governance matters and developments. Under Tim's direction, Simon's responsibilities include ensuring good information flows within the board and its committees and between senior management and non-executive directors. He also facilitates induction and assists with professional development as required. Simon's advice, services and support are available to each director.

Board Meetings

Our board meets regularly throughout the year in order to effectively discharge its duties. During the year it met six times. It has also met once between 31st March 2013 and the date of approval of this annual report.

In 2011 the board agreed to reduce the number of meetings it holds each year from seven to six. The efficacy of this change has been kept under review and, following the board evaluation process for 2012/13, the board confirmed that it will continue with six meetings per year.

During the year, the board visited two sites:

- Johnson Matthey Fuel Cells, Swindon, UK in October 2012 (in conjunction with board and committee meetings and a review of strategy held at a nearby conference facility in Wiltshire) – the board received presentations on the markets for stationary and automotive fuel cells, reviewed the Fuel Cells business, its technology and operations and also toured the site.
- Johnson Matthey's Technology Centre at Sonning Common, UK in March 2013 (in conjunction with board and committee meetings) – the board received presentations on the company's technology and toured the research facility.

The board did not meet outside the UK during the year, although it had done so during the previous year when it met in Philadelphia, USA and visited Fine Chemicals' API manufacturing facility at Riverside, Conshohocken, Pennsylvania. The board is planning to hold a board meeting in Shanghai, China later this calendar year.

Board Committees

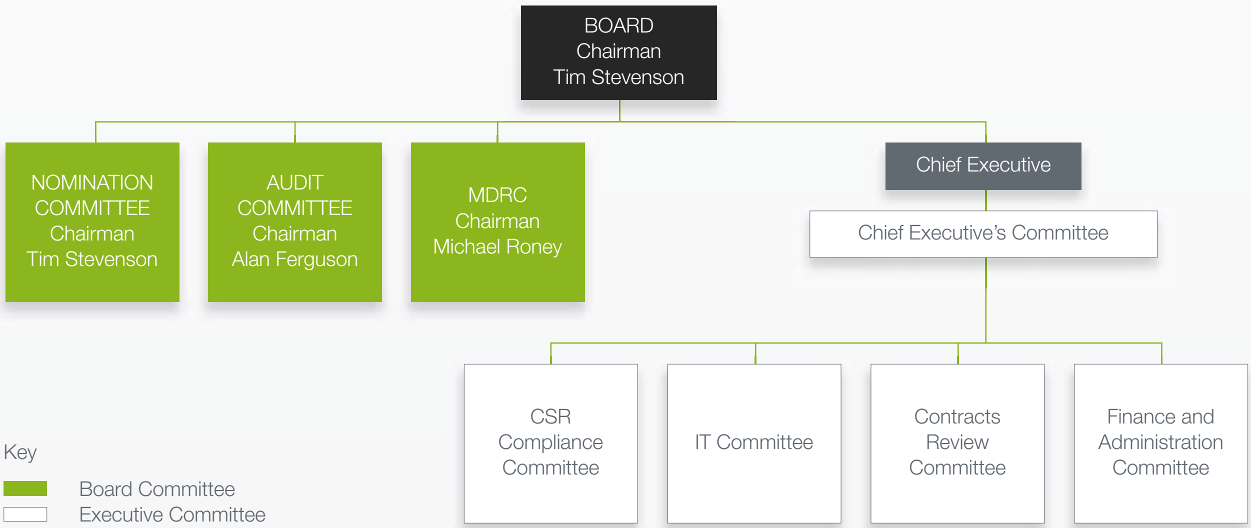
Our board has three committees:

- The Nomination Committee.
- The Audit Committee.
- The Management Development and Remuneration Committee (MDRC).

The Nomination Committee Report is on pages 111 to 113, the Audit Committee Report is on pages 114 to 116 and the Remuneration Report, which describes the work of the MDRC, is on pages 117 to 131.

The reporting framework of the board committees and of the Chief Executive's Committee and its sub-committees is shown below.

The board ensures that its committees are provided with sufficient resources to undertake their duties, including access to the services of the Company Secretary as required. Each board committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. Each committee is also authorised by the board to take independent advice (including legal or other professional advice), at the company's expense, as it considers necessary to enable it to fulfil its duties. Each committee may request information from, or commission investigations by, external advisers. The board committees formally report to the board on their proceedings after each meeting and generally on all matters and activities for which they are responsible through the committee chairmen and via committee minutes.



Board Committee Membership

Each independent non-executive director is a member of each board committee. No one other than the board committee chairmen and members is entitled to be present at a meeting of the Nomination Committee, the Audit Committee or the MDRC. Others may attend, but only by invitation. Executive directors are not members of the board committees. The Company Secretary is secretary to each of the board committees.

Alan Ferguson was appointed as Chairman of the Audit Committee in July 2011. Michael Roney took over the chairmanship of the Management Development and Remuneration Committee, also in July 2011.

The current membership of the board committees as at the date of approval of this annual report is shown below:

	Nomination Committee	Audit Committee	MDRC
Tim Stevenson	Chairman	Invited to attend	Member
Neil Carson	Invited to attend	Invited to attend	Invited to attend
Alan Ferguson	Member	Chairman	Member
Robert MacLeod	–	Invited to attend	–
Colin Matthews	Member	Member	Member
Larry Pentz	–	–	–
Michael Roney	Member	Member	Chairman
Bill Sandford	–	–	–
Dorothy Thompson	Member	Member	Member

When deciding the chairmanship and membership of board committees, the board takes into account the value of ensuring that committee membership is refreshed and seeks to ensure that undue reliance is not placed on particular individuals.

What are the Board Committees' Terms of Reference?

Each board committee has written terms of reference which have been approved by the board and are reviewed periodically to ensure that they comply with the latest legal and regulatory requirements and reflect developments in best practice.

The terms of reference of each of our three board committees can be found in the Investor Relations / Corporate Governance section of our website, or may be obtained from the Company Secretary. The terms of reference are summarised below:

NOMINATION COMMITTEE

Responsibilities	Advising the board and making recommendations to the board on the appointment and, if necessary, the removal of executive and non-executive directors.
Membership	All the independent non-executive directors and the group Chairman.
Chairman	The group Chairman, Tim Stevenson (the group Chairman may not chair the committee when it is dealing with the matter of succession to the chairmanship of the company).
Attending by invitation	The Chief Executive, the Group Director, Human Resources and external advisers when appropriate.
Quorum	Two members, each of whom must be independent non-executive directors.
Number of meetings per year	As required.
Committee report	Pages 111 to 113.

AUDIT COMMITTEE

Responsibilities	**Financial Reporting** • Monitoring the integrity of the group's reported financial information and reviewing significant financial reporting issues and judgments which they contain.
	Internal Control and Risk Management Systems • Keeping under review the adequacy and effectiveness of the group's internal financial controls and internal control and risk management systems. • Reviewing the company's procedures for handling allegations from whistleblowers.
	Internal Audit • Monitoring and reviewing the effectiveness of the group's internal audit function and approving the appointment and removal of the head of the internal audit function. • Considering and approving the remit of the internal audit function. • Reviewing and approving the annual internal audit plan. • Reviewing internal audit reports.

Corporate Governance Report continued

What are the Board Committees' Terms of Reference? (continued)

AUDIT COMMITTEE (continued)

Responsibilities (continued)	**External Audit** • Considering and making recommendations to the board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, reappointment and removal of the external auditor. • Overseeing the relationship with the external auditor including approving its fee for audit services and its terms of engagement, assessing annually the effectiveness of the audit process and the independence and objectivity of the external auditor, taking into account the provision of any non-audit services. • Developing and implementing a policy on the supply of non-audit services by the external auditor and keeping this policy and any fees paid to the external auditor in respect of the supply of non-audit services under review. • Meeting regularly with the external auditor, including at least once a year, without management being present, to discuss its remit and any issues arising from the audit. • Reviewing and approving the annual external audit plan and reviewing the findings of the audit with the external auditor.
Membership	All the independent non-executive directors, at least one of whom is required to have recent and relevant financial experience. The group Chairman is not a member.
Chairman	Alan Ferguson. The chairman of the committee is required to be an independent non-executive director.
Attending by invitation	The group Chairman, the Chief Executive, the Group Finance Director, the Head of Internal Audit and Risk and representatives from finance and other group functions as and when appropriate and necessary. The external auditor is invited to attend on a regular basis. The chairman of the committee may request the attendance of others at meetings including external advisers and, if so requested, executive directors will also make themselves available.
Quorum	Two members.
Number of meetings per year	At least four per year at appropriate times in the reporting and audit cycle and otherwise as required.
Committee report	Pages 114 to 116.

THE MANAGEMENT DEVELOPMENT AND REMUNERATION COMMITTEE (MDRC)

Responsibilities	• Determining on behalf of the board fair remuneration for the Chief Executive, the executive directors and the group Chairman. • Assisting the board in ensuring that the current and future senior management of the group are recruited, developed and remunerated in appropriate fashion. • Determining the remuneration and terms and conditions of employment (including in respect of pension entitlement) of the Chief Executive and the executive directors and the remuneration and terms of appointment of the group Chairman. • Reviewing the proposals of the executive for recommendation to the board on share option schemes, executive bonus / incentive schemes and employee share participation schemes. • Reviewing training, development and succession plans for senior management of the company. • Reviewing the disclosure to be made of directors' remuneration in the annual report.
Membership	All the independent non-executive directors and the group Chairman.
Chairman	Michael Roney. The chairman of the committee is required to be an independent non-executive director.
Attending by invitation	The Chief Executive, the Group Director, Human Resources (except when their own performance and remuneration are discussed) and external advisers when appropriate.
Quorum	Two members.
Number of meetings per year	At least two per year and at such other times as required.
Committee report	Remuneration Report on pages 117 to 131.

Board and Committee Attendance

The attendance of members at board and board committee meetings in the year ended 31st March 2013 was as follows:

	Board		Nomination Committee		Audit Committee		MDRC	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Tim Stevenson	6	6	6	6	–	5[1]	4	4
Neil Carson	6	6	–	6[1]	–	5[1]	–	4[1]
Alan Ferguson	6	6	6	6	5	5	4	4
Sir Thomas Harris	2	2	2	1[2]	2	2	2	2
Robert MacLeod	6	6	–	–	–	5[1]	–	–
Colin Matthews	4	4	3	3	3	3	2	2
Larry Pentz	6	6	–	–	–	–	–	–
Michael Roney	6	6	6	6	5	5	4	4
Bill Sandford	6	6	–	–	–	–	–	–
Dorothy Thompson	6	5[3]	6	5[3]	5	3[3]	4	3[3]

Notes

[1] Includes meetings attended by invitation for all or part of meeting.

[2] Sir Thomas Harris did not attend the meeting of the Nomination Committee on 31st May 2012, at which the appointment of an additional non-executive director following his prospective retirement from the board was discussed.

[3] Dorothy Thompson was unable to attend (i) the Audit Committee meeting on 24th July 2012 due to a coinciding commitment at Drax Group plc where she is Chief Executive and (ii) the meetings of the board, the Nomination Committee, the Audit Committee and the MDRC on 26th and 27th March 2013 due to illness.

Where directors are unable to attend a board or board committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the group Chairman, the Senior Independent Director or the relevant board committee chairman for raising as appropriate at the meeting.

Individuals' attendance at board and board committee meetings is considered, as necessary, during the one to one meetings conducted by the Chairman with directors as part of the formal annual review of their performance. Further information on performance evaluation is given under 'Evaluation of the Board, Board Committees and Directors' on pages 105 to 108.

The Chief Executive's Committee

Neil Carson, the Chief Executive, is assisted in his responsibilities by the Chief Executive's Committee (CEC). The CEC is a management committee, chaired by Neil, which is responsible for recommending strategic and operating plans to the board and makes recommendations on matters reserved to the board where appropriate. It is responsible for the executive management of Johnson Matthey's businesses.

During the year the CEC comprised 11 members: the Chief Executive; the Group Finance Director; the two other executive directors; the four division directors who did not sit on the board; the Group Director, Corporate and Strategic Development; the Group Director, Human Resources and Environment, Health and Safety; and the Company Secretary / Group Legal Director.

The CEC meets formally every other month and informally as needed on other occasions. The CEC met six times during the year.

The CEC has a number of sub-committees as referred to further on page 98.

Effectiveness

What is the Composition of Our Board?

The board currently comprises the Chairman (Tim Stevenson), the Chief Executive (Neil Carson), three other executive directors (Robert MacLeod, Larry Pentz and Bill Sandford), and four independent non-executive directors (Alan Ferguson, Colin Matthews, Michael Roney and Dorothy Thompson). As announced on 20th May 2013, Odile Desforges will be appointed as a non-executive director with effect from 1st July 2013. As announced on 5th June 2013, Bill Sandford (Executive Director, Precious Metal Products) will retire as an executive director and John Walker (Division Director, Emission Control Technologies) will be appointed as an executive director, each with effect from 9th October 2013.

Our board seeks to ensure that both it and its committees have the appropriate range and balance of skills, experience, knowledge and independence to enable them to carry out their duties and responsibilities effectively. Further information on board and committee appointments can be found below under 'How do we Appoint to Our Board and its Committees?' and in the Nomination Committee Report on pages 111 to 113.

The board is of the view that it is the right size to meet the business' requirements, that changes to its composition and that of its committees can be managed without undue disruption, and that it is not so large as to be unwieldy. It also believes that it includes an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors). The size and composition of the board is, however, kept under review by the Nomination Committee.

Throughout the year (other than for the period from 25th July 2012 to 4th October 2012 as referred to on page 95), and up to the date of approval of this annual report, at least half the board members, excluding the Chairman, were non-executive directors determined by the board to be independent (as referred to further on page 103).

How do we Appoint to Our Board and its Committees?

The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of executive and of non-executive directors.

The Nomination Committee leads the process for board appointments and makes recommendations to the board. Further information on the Nomination Committee and its work is set out in the Nomination Committee Report on page 111 to 113.

Corporate Governance Report continued

In considering board composition, the Nomination Committee assesses the range and balance of skills, experience, knowledge and independence on the board, identifies any gaps or issues and considers any need to refresh the board. If, after this evaluation, the Nomination Committee feels that it is necessary to appoint a new non-executive director it then prepares a description of the role and of the capabilities required for the appointment and sets objective selection criteria accordingly. The benefits of diversity on the board, including gender diversity, are carefully considered and this is discussed more fully under 'Boardroom Diversity' on page 103.

The Nomination Committee considers any proposed recruitment in the context of the company's strategic priorities, plans and objectives, as well as the prevailing business environment. It also takes into account succession plans in place and this is discussed further under 'Succession Planning' below. It seeks prospective non-executive directors who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters. This is balanced with the desire to maintain board cohesiveness. The Committee uses external search consultancies to help with the appointment process and appointments are ultimately made on merit against the agreed selection criteria.

The board recognises the importance of developing internal talent for board appointments, as well as recruiting externally, and Johnson Matthey has a variety of mentoring arrangements and a wide range of management development programmes for all employee levels. It also recognises the need to recruit non-executive directors with the right technical skills and knowledge for its committees and who have the potential to take over as committee chairmen.

Succession Planning

The board recognises that effective succession planning is not only a fundamental component of board effectiveness but is also integral to the delivery of Johnson Matthey's strategic plans. It is essential in ensuring a continuous level of quality in management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events, such as the departure of a key individual, and in promoting diversity.

The board, through the Nomination Committee and the MDRC, is actively engaged in ongoing succession planning to ensure plans are in place for the orderly and progressive refreshing of the board and to identify and develop senior management with potential for board and CEC positions.

Below board level, there is a structured approach to succession planning designed to secure a pipeline of talented and capable individuals from within Johnson Matthey who will ultimately progress to board and CEC positions. Each of Johnson Matthey's divisions and corporate functions prepare and maintain succession plans, assisted by divisional and group Human Resources. The CEC rigorously reviews these plans each year. A key aim is to ensure broad experience and encourage cross fertilisation across the group's divisions. The identification and development of high potential individuals is also considered by the CEC. The CEC's review of the succession plans generally leads to further refinement and changes, resulting in the final plans which are submitted to the MDRC. Each year the MDRC, with input from the Group Director, Human Resources, reviews succession policy, the management development and succession planning process and the senior management succession plans.

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

As referred to in the Nomination Committee Report on page 111, in 2011/12 the Nomination Committee considered board composition and began planning for non-executive director succession following the retirement in July 2012 of Sir Thomas Harris. In considering the balance of skills and experience, and diversity, including gender, on the board, the Nomination Committee identified that the addition of a non-executive director with experience in technology, including technology strategy development and delivery, would be beneficial. It further decided to actively search for a suitable additional female non-executive director. The succession process was effected during the year leading to the appointment of Colin Matthews and Odile Desforges as non-executive directors.

The Nomination Committee also planned for executive director succession given the proposed retirement of Bill Sandford, leading to the appointment of John Walker as an executive director, effective from 9th October 2013, and certain other changes to executive directors' responsibilities.

Succession planning at board and senior management level for Johnson Matthey encompasses potential succession to all senior roles including that of Chief Executive, and considers the identification, development and readiness of potential internal successors. During the year, the board (through the Nomination Committee) appointed the executive search consultants, Russell Reynolds Associates, to conduct a leadership assessment and development review in respect of the members of the CEC to assist in consideration of succession planning.

In respect of succession planning, the board (through the Nomination Committee and the MDRC) will focus during the coming year in particular on the key issues of mobility across the group and between Johnson Matthey's divisions and businesses, talent management and diversity.

Boardroom Diversity

Our board believes that diversity is important for board effectiveness. In November 2011 the board published a statement on board diversity. This is set out in the Investor Relations / Corporate Governance section of our website.

Gender Diversity Statistics

	Number	Proportion
The board	One woman on the board as at 31st March 2013 (2012 one)	11% of total board membership (2012 11%); 20% of non-executives on the board (2012 20%)
	Odile Desforges will join the board on 1st July 2013, taking the number of women on the board to two	From 1st July 2013 – 20% of total board membership; 33% of non-executives on the board
Senior management	35 women out of 208 total as at 31st March 2013 (2012 32 women out of 196 total)	17% of senior management (2012 16%)
Graduate intake		27% of graduate intake (2012 30%)
The group	2,750 women employees as at 31st March 2013 (2012 2,205)	25% of group employees (2012 22%)

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

Diversity Policy

During the year, our board reviewed the broad question of diversity, including gender diversity, within Johnson Matthey and considered a policy on diversity. It adopted a diversity policy at its meeting in March 2013 and this is set out in full in the Nomination Committee Report on pages 112 and 113.

As explained in the Nomination Committee Report, the board has not set express diversity quotas or measurable objectives for implementing the policy. However, in making its most recent non-executive director appointment, the board required an all women short list for the selection process and has appointed Odile Desforges as a non-executive director with effect from 1st July 2013, bringing total female representation on the board to 20%.

Board Evaluation Process

A new supporting principle has been included in the 2012 Code to the effect that evaluation of the board should consider the balance of skills, experience, independence and knowledge of the company on the board, its diversity, including gender, how the board works together as a unit and other factors relevant to its effectiveness. Our board followed this principle in its board and committee evaluation process in 2011/12 and again in the process undertaken in 2012/13. Further information is set out under ‘Evaluation of the Board, Board Committees and Directors’ on pages 105 to 108.

Appointments to the Board

As described under ‘How do we Appoint to Our Board and its Committees?’ on pages 101 and 102, the search for board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard for the benefits of diversity on the board, including gender. Further information on diversity in the context of board appointments is contained in the Nomination Committee Report on pages 111 to 113.

Board Balance – Independence of the Non-Executive Directors and the Chairman

The question of the independence of the non-executive directors is relevant to board balance.

The board reviewed director independence at its meeting in March 2013. In determining each director’s independence, the board considers all relevant relationships and circumstances, including those set out in the Code. It considers, for example, whether the director has, or has had within the last three years, a material business relationship with Johnson Matthey, holds cross directorships or has significant links with fellow directors through involvement in other companies or bodies, or represents or has a material connection to a controlling or significant shareholder or is nominated by a shareholder.

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

There are no cross directorships or reciprocal directorships among the directors; no two directors are also directors of another company.

Tim Stevenson was considered by the board to meet the independence criteria set out in the Code on his appointment as Chairman in July 2011.

Information on the company’s procedures for authorising potential conflicts of interest is set out under ‘Directors’ Conflicts of Interest’ on page 105.

Time Commitment of the Chairman and the Non-Executive Directors

The board recognises that it is vital that all directors should be able to dedicate sufficient time to Johnson Matthey to effectively discharge their responsibilities.

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

Corporate Governance Report continued

to devote such time to the affairs of the company as is required by his duties as Chairman.

The other significant commitments of the Chairman and of each non-executive director are disclosed to the board before, with an indication of the time involved. The board requires to be, and is, informed of subsequent changes as they arise.

Details of Tim Stevenson's other significant commitments are set out on page 92. Tim retired as Chairman of The Morgan Crucible Company plc on 31st July 2012. There were no other changes to his significant commitments during the year.

Details of the non-executive directors' other significant commitments are set out on pages 92 and 93. Since his appointment to the board, Alan Ferguson has been appointed as a non-executive director of a number of companies and he serves as chairman of the audit committee of each of these. These appointments were reported to the board as they arose. The board assessed the impact of these appointments and confirms that Alan continues to be able to manage his time commitments and allocate sufficient time to the company to discharge his responsibilities effectively, including his responsibilities as Chairman of our Audit Committee.

Terms of Appointment of the Non-Executive Directors

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

Any term beyond six years for a non-executive director is subject to particularly rigorous review and takes into account the need for progressive refreshing of the board.

As referred to in the Nomination Committee Report on page 112, the terms of appointment of Michael Roney and Dorothy Thomson were considered at a meeting of the Nomination Committee in March 2013 and, after careful review, it recommended to the board that their terms be extended by a further three years to 31st May and 31st August 2016 respectively. The board accepted these recommendations at its meeting in March 2013 and the terms of appointment were extended.

Except for Michael and Dorothy, none of our non-executive directors who will be proposed for re-election at the 2013 Annual General Meeting (AGM) will have served longer than six years.

The terms and conditions of appointment of the non-executive directors and the contracts of service of the executive directors with the company can be inspected at our registered office during normal business hours. They will also be available for inspection at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG from 10.00 am on 25th July 2013 until the conclusion of our 2013 AGM.

Annual Re-Election of Directors

Our Articles of Association require one third of the board to retire by rotation at each annual general meeting. However, the Code provides that all directors of FTSE 350 companies should be subject to re-election by their shareholders every year subject to continued satisfactory performance. In accordance with this provision, the board has decided that all directors will retire at each annual general meeting and offer themselves for re-election by shareholders.

Each director stood for re-election at the 2012 AGM. At the 2013 AGM all directors will be offering themselves for re-election or election (in the case of Colin Matthews and Odile Desforges as they were appointed to the board either during, or since the end of, the year).

Biographies of each of our directors, including details of their other directorships and responsibilities and previous positions held, together with any further relevant factors including details of their skills and experience and contributions that they can make to the board, are set out in the 2013 AGM circular to shareholders. This is to assist shareholders to take an informed decision on the resolutions for their election or re-election.

The circular also details why the board believes each director should be re-elected based on continued satisfactory performance in the role. In the circular, the Chairman confirms to shareholders that, following formal performance evaluation, the performance of each non-executive director proposed for re-election continues to be effective and that they demonstrate commitment to the role (including commitment of time for board and board committee meetings). Further information on performance evaluation is given under 'Evaluation of the Board, Board Committees and Directors' on page 105 to 108.

Information and Support

The board has processes in place to ensure that it receives the right information in the right form and at the right time to enable it to effectively discharge its duties. The Chairman, through the Company Secretary and with the support of the executive directors and management, ensures that this information is of high quality in terms of its accuracy, clarity, appropriateness, comprehensiveness and currency. Directors are able to seek clarification or amplification from management where necessary.

The role of the Company Secretary in providing support and information is described on page 98.

Independent Professional Advice

The non-executive and the executive directors have access to independent external professional advice (such as legal and financial advice) at the company's expense where they judge this necessary to discharge their responsibilities as directors.

Director Induction and Development

Induction

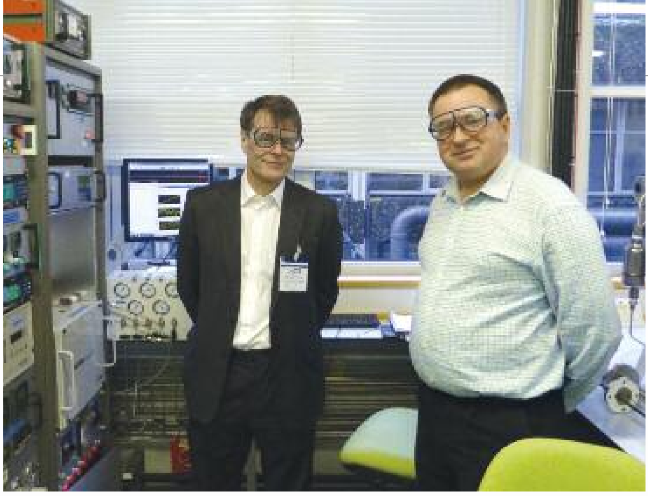
Johnson Matthey puts full, formal and tailored induction programmes in place for all its new board directors. While directors' different backgrounds and experience are taken into account, the induction is aimed to be a broad introduction to the group's businesses and its areas of significant risk. Key elements of the induction process are meeting the executive directors and senior and middle management individually and collectively and visiting the group's major sites in order to be briefed on group strategy and on individual businesses. As part of his induction programme during the year, Colin Matthews visited Johnson Matthey's Technology Centre at Sonning Common, UK to learn more about the group's R&D efforts.

Familiarisation, Training and Development

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

Each board meeting includes one or more business or strategy presentations from the division directors and senior managers. To ensure that the board is kept up to date on important matters, including environmental, legal, governance and regulatory developments, presentations are also made to the board by external and internal advisers. In the year, presentations made included ones on the Process Technologies business by its division director, Emission Control Technologies' market by its division director, the Manufacturing Excellence initiative by the Manufacturing Excellence Director and legal risk and intellectual property (IP) risk by the Group Legal Director and the Group IP Director respectively.

During the year, Colin Matthews visited Johnson Matthey's Technology Centre at Sonning Common, UK as part of his induction programme.



During the visit, Colin was introduced to Johnson Matthey's scientists who described their R&D work.

The board also holds at least one board meeting per year at one of the group's operational sites and takes the opportunity to tour the site and discuss business issues, risks and strategy with local management. Two site meetings were held during the year as detailed on page 98. Individual non-executive directors also undertake site visits.

These presentations, meetings and site visits help the non-executive directors to familiarise themselves with, and gain a greater insight into, Johnson Matthey's businesses and help to give a balanced overview of the group. They enable the non-executive directors to continue to develop and refresh their knowledge and understanding of our businesses, the markets in which we operate and our key relationships. They are also important for building links with our employees.

As part of the annual performance review process referred to below under 'Evaluation of the Board, Board Committees and Directors', our Chairman, Tim Stevenson, meets with each director annually on a one to one basis to discuss any individual training and development requirements. Tim is also available throughout the year to discuss these areas.

Indemnification of Directors and Insurance

Under Deed Polls dated 20th July 2005 Johnson Matthey granted indemnities in favour of:

- each director of the company in respect of any liability that he or she may incur to a third party in relation to the affairs of the company or any group member; and
- each director of the company's subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of any group member.

These indemnities were in force during the year for the benefit of all persons who were directors of the company or of its subsidiaries at any time during the year and remained in force for the benefit of all persons who were directors of the company or of its subsidiaries as at the date when this annual report was approved.

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.

Copies of the Deed Polls and our Articles of Association can be inspected at our registered office during normal business hours. They will also be available for inspection at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG from 10.00 am on 25th July 2013 until the conclusion of our 2013 AGM.

Neither the company nor any subsidiary has indemnified any director of the company or a subsidiary in respect of any liability that he or she may incur to a third party in relation to a relevant occupational pension scheme.

Directors' Conflicts of Interest

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

In March 2013 the board undertook an annual review of the register of previously approved conflict or potential conflict matters and, to the extent that these were still relevant, agreed that they should continue to be authorised on the terms previously set out. In each case, the review was undertaken by directors who were genuinely independent of the matter. Authorised conflict or potential conflict matters will continue to be reviewed by the board on an annual basis.

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

Evaluation of the Board, Board Committees and Directors

Our board carries out a formal annual evaluation of its own performance and that of its committees and individual directors with the aim of improving effectiveness. The evaluation, which is led by the Chairman, seeks to be as rigorous and objective as possible.

The process for evaluation of the board considers its strengths and weaknesses, its range and balance of skills, experience, independence and knowledge of the company, its diversity, including gender diversity, how the board works together as a unit and any other factors considered relevant to its effectiveness. Individual evaluation aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role (including time commitment). The Chairman acts on the results of the performance evaluation. Strengths are recognised and any weaknesses addressed.

The last externally facilitated review was undertaken in 2010/11 following the appointment of Tim Stevenson as Chairman Designate in March 2011. The board decided to conduct an internal review process in 2011/12 and again in 2012/13. The aim of the 2012/13 evaluation, as expressed by Tim, was to achieve a sense of how the board might further develop as a more engaged and valuable tool for the better running of the business.

Corporate Governance Report continued

Below is a summary of the process, topics, key findings and follow up actions of the evaluations undertaken in 2011/12 (which had not been formally completed at the date of publication of last year's annual report) and in 2012/13.

	2011/12 Review	2012/13 Review
Performance evaluation process	Similar internal review processes were followed in 2011/12 and in 2012/13: • Led by the Chairman in collaboration with the board committee chairmen. • Based on one to one interviews by the Chairman with each director, the Company Secretary and the Group Director, Human Resources. • Discussion was prompted by a brief questionnaire and open ended questions. • The board followed the supporting principle, now included in the 2012 Code, that evaluation of the board should consider, amongst other things, its diversity, including gender diversity. • Having in each case consulted with the Chief Executive, the Chairman reported the findings of the 2011/12 review in writing to the board meeting in July 2012 and of the 2012/13 review in March 2013. • The board debated the findings and any lessons learned and agreed certain follow up actions and responsibilities as appropriate to address any issues. • The board also discussed the evaluation process itself and agreed that internal evaluation had in each case been appropriate and effective following the external evaluation in 2010/11.	
Key discussion topics	The topics discussed, which the Chairman considered to be the principal areas of focus following the externally facilitated review in the previous year, included: • Strategy and strategy focus. • Monitoring financial and non-financial performance. • Stakeholder relationships. • Risk and uncertainties. • Executive remuneration. • Key themes for focus in 2012/13.	The key areas for discussion, which were determined by the Chairman to be the areas of most importance or value to the board following on from the prior evaluations, included: • Dynamics. • Organisation. • Committees. • Shareholder engagement. • Succession planning.
Key findings Overview	Overall the picture was of a board which was considered useful and functional; respected and valued by the executives as a contributor to the way in which they manage the business; and open and clear in its discussions. While there were no new issues arising, there were useful nuances and pointers.	As the last evaluation was carried out less than a year previously, there were no major changes or new issues. However, certain themes emerged on which it was noted that further discussion could be useful.
Board process: number of board meetings	Regarded the reduction in the number of scheduled meetings to six per year as working well – but to be kept under review. Follow up: Kept the number of meetings under review during the year.	Confirmed the pattern of meetings was working well but highlighted the continued importance of the non-executive directors being kept up to date on key developments. The board agreed in March 2013 that the number of meetings be kept at six per year unless otherwise required.
Board process: informal interaction	Suggested that board dinners (held on the day prior to board meetings) should be working sessions with specific topics and key issues for discussion. Follow up: Specific topics and key issues were discussed at board dinners and key matters on the board agenda were discussed.	Agreed the continued use of board dinners to informally debate board matters as appropriate.
Board process: location of board meetings	Agreed that board meetings at UK manufacturing / R&D sites continued to be of benefit and suggested that an Asia Pacific (China) board visit and meeting should be held. Follow up: Board meeting held at the Johnson Matthey Technology Centre at Sonning Common, UK in March 2013. Board meeting planned for Shanghai in October 2013	
Quality of information	Agreed to review whether the Group Operating Report (GOR) could be further tailored to the needs of the non-executive directors. Follow up: Further KPIs were added to the GOR in the year.	Agreed that the use and presentation of certain KPIs provided in the GOR would be further reviewed.

	2011/12 Review	2012/13 Review
Board composition: mix of skills	Identified a skill 'gap', with no current non-executive directors having a technical background. Follow up: Initiated non-executive recruitment with the specification including a technical background. Colin Matthews was appointed in October 2012.	Recognised a continued need to ensure that the non-executive directors collectively have the right expertise to challenge the executives, particularly on strategic issues, from a technology perspective, for example on our new business development activities.
Board composition: diversity	Identified board diversity (including international and gender diversity) as an important issue for focus. Follow up: Draft diversity policy considered and agreed in March 2013. Search initiated for a further non-executive director based on an all female short list.	Recognised that continued focus by the company and by the board on these issues was needed, while ensuring that any changes fitted the needs of the company. Odile Desforges was appointed as a non-executive director with effect from 1st July 2013.
Board dynamics and relationships: challenge from non-executive directors	Recognised openness by executive directors to challenge and that further appropriate non-executive director challenge and debate would be welcomed and helpful. Recognised continued need to consciously guard against the risk of complacency / 'group think'.	Noted that the culture of the board was felt to be open, that proper discussion and dialogue was possible and that challenge from the non-executive directors was both constructively given and received (for example discussion and challenge concerning operational issues at the Salt Lake City refinery). Recognised, however, that more and focused non-executive director challenge, for example on strategy, would be appropriate.
Environment, health and safety (EHS)	Noted that further discussion was needed concerning EHS assurance to the board, particularly in respect of incident reporting and follow up. Follow up: EHS reporting was discussed further in the year.	Noted improvements in this area but that follow up was required in relation to the nature of the reporting of EHS to the board.
Succession planning	Noted the need for continued board focus on top management succession and oversight of management development and succession throughout the group. Follow up: Appointment in the year of a new Group Director, Human Resources.	Recognised that these issues were now given higher priority within the business. Noted a desire to further improve the board's exposure over the year to the executive team to support succession planning, including through better targeted exposure to specific individuals.
Strategy	Stressed that rigour must be maintained in future strategy re-examination. Requested a strategic analysis for the board of the group's trading position with the major car companies and of the related risks and opportunities. Follow up: John Walker, Division Director, Emission Control Technologies presented to the board on this topic in January 2013.	Noted a desire to move the board, in terms of its debate and challenge on strategy, to a yet higher level at the forthcoming strategy discussions in Shanghai, China in October 2013.
Risk management	Recognised that while good progress had been made in the management of risk, there was still work required to embed new processes and to fully consider the board's 'appetite' for risk. Follow up: A new Head of Internal Audit and Risk was appointed in 2012.	Considered that improvements were being made as a result of continued focus in this area.
Audit Committee	No significant actions.	No significant actions.
MDRC	No significant actions.	No significant actions.
Nomination Committee	Identified the need to ensure all non-executive directors were fully involved in all major issues affecting the composition of the board and its committees. Follow up: Steps were taken to ensure the effectiveness of the Nomination Committee by ensuring that all non-executive directors are fully involved in discussions and decisions, and particularly are updated of developments between its meetings.	The review recognised that this was now happening.

Corporate Governance Report continued

Future Review

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

The board intends to conduct an externally facilitated review in 2013/14.

Review of the Chairman's Performance

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

In March 2013, the non-executive directors, led by Michael, met without Tim being present, to discuss Tim's performance. In doing so they took into account the views of executive directors. Michael subsequently reported to the board the view of the non-executive directors that Tim continued to demonstrate effective leadership and that his performance and contribution continued to be strong. Feedback was positive on the organisation of board meetings and on how the board was kept informed of matters between board meetings.

Accountability

The Audit Committee

The membership of the Audit Committee is set on page 100. The terms of reference of the Audit Committee are summarised on pages 99 and 100. The Audit Committee Report, which describes the work of the Audit Committee in discharging its responsibilities, is set out on pages 114 to 116.

Financial Experience

The board is satisfied that at least one member of the Audit Committee, Alan Ferguson, has recent and relevant financial experience. His biography can be found on page 93.

Financial and Business Reporting

In its reporting to shareholders the board recognises its responsibility to present a balanced and understandable assessment of the group's position and prospects. This responsibility covers the Annual Report and Accounts and extends to half year and other price sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements.

The Business Review on pages 4 to 83 sets out explanations of the basis on which Johnson Matthey generates or preserves value over the longer term (the business model) and the strategy for delivering its objectives. This annual report is intended to provide the information necessary to enable an assessment of the company's performance, its business model and its strategy.

For the year, the group is reporting the results of its three divisions: Environmental Technologies; Precious Metal Products and Fine Chemicals. As announced on 6th June 2013, for the year ending 31st March 2014, the group will report the results of five divisions: Emission Control Technologies; Process Technologies; Precious Metal Products; Fine Chemicals; and New Businesses.

The group's divisions are all separately managed but report to the board through a board director. The CEC reviews monthly summaries of financial results from each division through a standardised reporting process. Forecasts are prepared monthly throughout the year and the group has a comprehensive annual budgeting and planning process including plans for the following two years. Budgets are approved by the board. Variances from budget are closely monitored. In addition to the annual budgeting process, there is a ten year strategy review process as referred to on pages 14 and 15.

Directors' and Auditor's Responsibility

A statement of the directors' responsibility for preparing the Annual Report and Accounts is given on page 137 and a statement by the auditor, KPMG Audit Plc, about its reporting responsibilities is set out on page 187.

Risk Management and Internal Control

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

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

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

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

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board's view of Johnson Matthey's key strategic and operating risks and how the company seeks to manage those risks is set out on pages 24 to 27.

Risk Management and Internal Control Systems

The group's risk management and internal control systems comprise group policies, procedures and practices covering a range of areas including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgments.

The Group Control Manual, which is distributed to all group operations, clearly sets out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures manuals issued by Johnson Matthey, its divisions and individual businesses or departments.

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

A key responsibility of the board is to review, assess and confirm the adequacy and effectiveness of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board has delegated part of this responsibility to the Audit Committee. In addition to determining risk appetite, the board specifically reviews,

- During this year's Investor Day, attendees toured Johnson Matthey's Emission Control Technologies Technology Centre in Royston, UK.

Johnson Matthey Appoints New Non-Executive Director

- All results announcements, presentations and webcasts are posted on Johnson Matthey's website. The website features a wide range of other information and tools for our shareholders.

amongst other things, risks relating to EHS, technology, HR, IT, legal and compliance, pensions and intellectual property. The Audit Committee reviews risk assurance processes and risk mitigation.

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board and Audit Committee agenda plans are designed to ensure that all significant areas of risk are reported on and considered during the course of the year. The Audit Committee receives and considers regular reports and presentations from management, from the heads of group corporate functions and from internal audit. These identify and provide assessments of areas of risk either for the businesses or the group as a whole and of the effectiveness of the control systems in managing those risks. Any significant issues are highlighted and discussed. The Audit Committee is thus able to focus on the key risk areas and effectively assess how they have been identified, evaluated and managed.

In assessing the effectiveness of the control systems, the Audit Committee considers carefully the impact of any weaknesses, whether necessary actions are being taken promptly and whether more extensive monitoring is needed. Amongst other matters, the Audit Committee reviews the group's credit control procedures and risks, controls over precious metals and the group's whistleblowing procedures. The Audit Committee also reviews the performance of both the internal and external auditors and considers observations by the external auditor in relation to internal financial control.

The group's internal audit function plays an important part in the assessment of the risks facing the group and is responsible for independently monitoring and assessing the adequacy and effectiveness of the group's systems of internal financial control. Internal audit reports on control effectiveness to the Audit Committee in line with the agreed audit plan and Audit Committee agenda plan. The internal audit function is a unified, group wide function under the leadership of the Head of Internal Audit and Risk. The global nature of the function allows for more holistic assurance and consistency in approach.

The Head of Internal Audit and Risk has a dual reporting line to the Group Finance Director and to the Chairman of the Audit Committee. The Audit Committee approves the plans for internal audit reviews and receives the reports produced by the internal audit function on a regular basis. Plans for corrective action and control improvement are agreed with management to address any issues, non-compliance or control deficiencies identified by internal audits. Internal audit follows up the implementation of its recommendations, including any recommendations to improve internal controls, and reports the outcome to senior management and to the Audit Committee.

Each year businesses are required to formally review their financial and non-financial controls and their compliance with group policies and statutory and regulatory obligations and to provide assurance on these. The results of these reviews are collated and summarised by the internal audit function and a report is made annually to the Audit Committee.

The Audit Committee conducts an annual assessment of effectiveness of risk management and internal control systems on behalf of the board in order for the board to report on effectiveness in the annual report. The Audit Committee reports to the board on the operation and effectiveness of these systems and these reports are considered by the board in forming its view of their effectiveness. A report from the Audit Committee on its activities and on the work of internal audit is given on pages 114 to 116.

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

As disclosed last year, the group was undertaking actions to enhance and standardise the stock take procedures at its gold and silver refineries in order to address certain weaknesses in internal controls. During the year, the group initiated a more comprehensive review of operational and financial controls across all of its refineries. The implementation of the improvements recommended to date will take some time to effect, but actions have been prioritised and, in particular, the principal operational control weakness that gave rise to the majority of the loss at the Salt Lake City refinery has been addressed.

Remuneration

The board has established a remuneration committee, the Management Development and Remuneration Committee (MDRC).The membership of the MDRC is set out on page 100. The terms of reference of the MDRC are also summarised on page 100. The Remuneration Report, which describes the work of the MDRC, is set out on pages 117 to 131.

Relations with Shareholders

Dialogue with Our Shareholders

The board welcomes the opportunity to openly engage with shareholders as it recognises the importance of a continuing effective dialogue (whether with major institutional investors, private or employee shareholders) based on the mutual understanding of respective objectives. The board as a whole takes responsibility for ensuring that such dialogue takes place.

Reporting of Results, Interim Management Statements and the Investor Day

We report formally to our shareholders when we publish our full year results in June and our half year results in November. These results are posted on the Investor Relations / Results Centre section of our website.

At the same time as publication of the results, our executive directors give presentations on the half year and full year results in face to face meetings with institutional investors, analysts and the media in London. Live webcasts of these results presentations are available on our website.

Corporate Governance Report continued

Our first quarter and third quarter Interim Management Statements (issued respectively in July and in late January / early February each year) are also posted on the Investor Relations / Results Centre section of our website.

In addition, we hold an annual 'Investor Day' for our institutional investors and analysts. At the 2013 Investor Day, held in Royston, UK in January, we gave presentations on our Emission Control Technologies business and our new business development activities. The presentation on Emission Control Technologies provided a market update on our light and heavy duty catalyst businesses and included regional commentaries, details on key drivers (including legislation), technology developments and a summary of our market position as regards customers and competitors. The presentation on new business development gave an update on key developments in this important initiative for Johnson Matthey. In addition to the presentations, attendees were able to tour our Royston facility. A live webcast of the Investor Day presentation and a copy of the presentation are available on the Investor Relations / Presentations section of our website.

Contact with Our Shareholders

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

The Chairman is available to meet with institutional investors to hear their views and discuss any issues or concerns, including on governance and strategy. The Senior Independent Director and the other non-executive directors are also available to meet with major shareholders if requested, however no such meetings were held or requested during the year or from that date to the date of approval of this annual report.

The board believes that appropriate steps have been taken during the year to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of major shareholders about the company. Such steps have included, for example, analysts' and brokers' briefings, consideration by the board of monthly brokers' reports and of feedback from shareholder meetings on a six-monthly basis. Major shareholders' views are canvassed for the board in a detailed investor survey which is usually conducted every two years by external consultants, with the last survey being undertaken in October 2011 by Smith's Corporate Advisory. The purpose of these perception analysis reports is to obtain the views and opinions of a broad range of shareholders and non-shareholders. The board anticipates undertaking a similar review later this calendar year.

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

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

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

Annual General Meetings (AGMs)

The AGM is an important part of effective communication with shareholders.

Our AGM takes place in London and notice of the meeting and any related papers are sent to shareholders at least 20 working days before the meeting and are also published on the Investor Relations / Shareholder Centre / Annual General Meeting section of our website. The circular sent to shareholders with the notice of meeting aims to set out a balanced and clear explanation of each resolution to be proposed.

All directors, including the chairmen of the Nomination Committee, the Audit Committee and the MDRC, who are able to attend the AGMs do so. In 2012 the entire board attended the AGM.

Our Chief Executive welcomes the opportunity for face to face communication with our shareholders and makes a business presentation at the AGM. Shareholders are encouraged to participate at the meeting and all directors in attendance are available to answer questions in their capacity as directors or as committee chairmen, formally through the Chairman during the meeting and informally afterwards.

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

All resolutions at the AGM are decided on a poll as required by the company's Articles of Association (rather than on a show of hands) and poll voting is carried out by electronic means.

The results of the poll are announced to the market as soon as possible and posted on the Investor Relations / Shareholder Centre / Annual General Meeting section of our website. The announcement shows votes for and against as well as votes withheld.

Details of the AGM to be held on 25th July 2013 are set out in the circular to shareholders accompanying this annual report and the resolutions to be proposed are summarised under '2013 Annual General Meeting' on page 132.

Nomination Committee Report

> “The Nomination Committee has an important role to play in ensuring that Johnson Matthey has a board of directors with the right balance of individual skills and experience.”
>
> **Tim Stevenson**
> Chairman of the Nomination Committee

Role

The terms of reference of the Nomination Committee are summarised on page 99. They can be found in full in the Investor Relations / Corporate Governance section of our website or may be obtained from the Company Secretary.

Composition

The Nomination Committee comprises all the independent non-executive directors together with the group Chairman. The quorum necessary for the transaction of business is two, each of whom must be an independent non-executive director.

The group Chairman acts as the Chairman of the Nomination Committee, although he does not chair the Committee when it is dealing with the matter of succession to the chairmanship of the company. A non-executive director may not chair the Committee when it is dealing with a matter relating to that non-executive director.

Only members of the Committee have the right to attend meetings. However, the Chief Executive and the Group Director, Human Resources, as well as external advisers and others, may be invited to attend for all or part of any meeting as and when appropriate.

The Company Secretary is secretary to the Committee.

The Committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. In connection with its duties, the Committee is also authorised by the board to take such independent advice (including legal or other professional advice, at the company’s expense) as it considers necessary. This includes requesting information from, or commissioning investigations by, external advisers.

Meeting Frequency

Meetings are held on an ad hoc basis, usually immediately prior to or following a board meeting, but on other occasions as may be needed.

Main Activities in the Year

The Nomination Committee met six times during the year ended 31st March 2013, on the following dates, and it conducted the following business:

Meeting date	Main activities
31st May 2012	• Reviewed progress in respect of the search for a new non-executive director in view of the prospective retirement from the board of Sir Thomas Harris in July 2012, noting the previously agreed specification, including the desirability of a technology background. • Reviewed a long list of candidates put forward by the appointed external executive search consultants, Russell Reynolds Associates.
24th July 2012	• Received an update from the Chairman on progress on the appointment of a new non-executive director.
3rd October 2012	• Noted that a preferred candidate, Mr Colin Matthews, had been identified. Considered further the background, reports on and references of Mr Matthews and noted that he would bring engineering and technology experience to the board. • Agreed to recommend to the board the appointment of Mr Matthews as a new non-executive director. (The board accepted the recommendation and Mr Matthews was appointed on 4th October 2012). • Having considered the desirability of diversity (including gender diversity) on the board, agreed to continue the search process for a further non-executive director through Russell Reynolds Associates, with a remit to conduct a search with a strong preference for suitable female representation on the short list of candidates.

Nomination Committee Report continued

Main Activities in the Year (continued)

Meeting date	Main activities
19th November 2012	• Noted that Russell Reynolds Associates had prepared an initial long list of candidates and confirmed a strong preference for suitable female candidates to be put forward in an all female short list.
29th January 2013	• Considered an all female short list.
26th March 2013	• Noted that a preferred candidate, Odile Desforges, had been identified. Considered further the background reports and references of Ms Desforges and noted that she would bring significant experience and knowledge of the automotive industry to the board. • Agreed to recommend to the board the appointment of Ms Desforges as a new non-executive director, subject to further meetings taking place between Ms Desforges and some of the directors. • Considered and agreed extension to the terms of appointment as non-executive directors of Michael Roney (to 31st May 2016) and Dorothy Thompson (to 31st August 2016). • Considered executive director succession.

Since 31st March 2013, the Nomination Committee met further, on the following date, and it conducted the following business:

Meeting date	Main activities
3rd June 2013	• Further considered executive director succession and agreed to recommend to the board the appointment of John Walker as an executive director with effect from 9th October 2013 and certain changes to executive director responsibilities.

Board Appointments

As referred to above, the Nomination Committee has been engaged in selecting and appointing two new non-executive directors and one new executive director.

The selection process it has used in relation to these board appointments is referred to above. For both non-executive director appointments, an external search consultancy has been used, Russell Reynolds Associates, but not open advertising. Russell Reynolds Associates have provided certain advisory services to the Nomination Committee, as described on page 102 under ‘Succession Planning’, but have no other connection with the company.

Boardroom Diversity

The search for board candidates is conducted, and appointments made, on merit, against objective selection criteria having due regard, amongst other things, to the benefits of diversity on the board, including gender. Diversity is considered by the Nomination Committee when considering board composition and in its process for making board appointments, including in setting selection criteria.

Having considered the question of diversity within the group during the year, the board adopted a policy on diversity at its meeting in March 2013. The policy is set out in full below.

Diversity Policy

This document sets out the policy of Johnson Matthey Plc (the company) in respect of diversity.

Board Diversity

The board acknowledges the importance of diversity in its broadest sense in the boardroom as a driver of board effectiveness.

Diversity encompasses diversity of perspective, experience, background, psychological type and personal attributes.

The board recognises that gender diversity is a significant aspect of diversity and acknowledges the role that women with the right skills and experience can play in contributing to diversity of perspective in the boardroom.

The Composition of the Board

The board will keep under review and evaluate its balance and composition to ensure that both it and its committees have the appropriate mix of skills, experience, independence and knowledge to ensure their continued effectiveness. In doing so, the board will take into account diversity, including diversity of gender, amongst other relevant factors.

The board will satisfy itself that plans are in place for orderly succession for appointments to the board so as to maintain such balance and to ensure progressive refreshing of the board.

Appointments to the Board

All appointments to the board will be made on merit while taking into account suitability for the role, board balance and composition, the required mix of skills, background and experience (including consideration of diversity). Other relevant matters will also be taken into account, such as independence and the ability to fulfil required time commitments in the case of non-executive directors.

The board will consider suitably qualified candidates for non-executive director roles from as wide a pool as appropriate, including candidates with little or no previous listed company board experience but whose skills and experience will add value to the board.

The board will brief executive search consultants engaged in the selection process for non-executive directors to review candidates from a variety of backgrounds and perspectives. They will be required to work to a specification which includes the strong desirability of producing a long list of candidates considered to meet the essential criteria for the role which fully reflects the benefits of diversity. The board will only engage executive search consultants who have signed up to the voluntary code of conduct for executive search firms on gender diversity on corporate boards.

The Challenges of Achieving Board Diversity

The board recognises that some challenges in achieving diversity on the board and within the company arise from social contexts with impacts not limited to the company. As such, Johnson Matthey faces challenges similar to those faced by other organisations in the chemical, technology and manufacturing sectors.

Notwithstanding this, the board is committed to ensuring that women have an equal chance with men of developing their careers within our business.

Johnson Matthey will develop and implement appropriate policies, programmes and initiatives designed to promote diversity at all levels of the organisation and to ensure, amongst other things, that there is a supply of women within the organisation who are qualified and capable of taking up senior positions.

Disclosure

The board will ensure that there is appropriate and meaningful disclosure in the company's annual report of:

- this policy;
- the composition and structure of the board;
- the outcome of board evaluation and any material actions arising;
- the board appointment process; and
- the policies and initiatives the company has in place and the steps it is taking to promote diversity at board level and across the company.

Review

The board will periodically review this policy and its effectiveness.

The Board of Directors,
Johnson Matthey Plc
March 2013

On behalf of the Nomination Committee:

Tim Stevenson

Tim Stevenson
Chairman of the Nomination Committee

Audit Committee Report

> “The Audit Committee has a key role to play in ensuring the integrity of Johnson Matthey’s reported financial results and its internal financial controls.”
>
> **Alan Ferguson**
> Chairman of the Audit Committee

Role

The terms of reference of the Audit Committee are summarised on pages 99 and 100. They can be found in full in the Investor Relations / Corporate Governance section of our website or may be obtained from the Company Secretary.

Composition

The Audit Committee comprises all the independent non-executive directors. The Committee is chaired by Alan Ferguson. Details of Alan’s experience and qualifications are set out on page 93.

The group Chairman, the Chief Executive, the Group Finance Director, the Head of Internal Audit and Risk and the external auditor attend Audit Committee meetings by invitation. The Committee also meets separately with the Head of Internal Audit and Risk and with the external auditor without management being present.

The Company Secretary is secretary to the Audit Committee.

Meeting Frequency

Meetings are held at least four times per year at appropriate times in the reporting and audit cycle and otherwise as required.

Main Activities in the Year

The Audit Committee met five times during the year ended 31st March 2013, on the following dates, and it conducted the following business:

Meeting date	Main activities
31st May 2012	• Reviewed the group’s preliminary announcement, draft report and accounts for 2011/12. • Reviewed key accounting judgments including accounting for metal and in particular the treatment of gains and losses identified by stock takes, impairment considerations, tax and provisioning, accounting for pensions and liquidity and going concern. • Reviewed credit controls and credit risk and litigation affecting the group. • Considered reports from the external auditor on its audit and its review of the 2011/12 accounts including accounting policies and areas of judgment, and its comments on risk management and control matters and corporate governance matters. • Approved the Audit Committee Report for 2011/12. • Considered reports from internal audit on internal controls. • Reviewed the performance of the external auditor, considered the reappointment of KPMG Audit Plc (KPMG) as auditor for 2012/13 and recommended its appointment to the board. • Met with both internal audit and the external auditor without management being present.
24th July 2012	• Reviewed the group’s interim management statement for the first quarter of 2012/13. • Reviewed key accounting judgments. • Considered reports from internal audit on internal controls. • Reviewed the performance of internal audit. • Approved a draft specification for the appointment of a new external lead audit partner in view of the current partner’s prospective rotation in 2013/14. • Reviewed the effectiveness of risk management processes and internal controls. • Considered finance systems and process improvements and the group’s high performance finance initiative. • Received and considered a presentation from the Group Tax Director on the group’s management of global duty. • Received and considered a presentation from the Division Finance Director, Fine Chemicals on the division’s key financial risks and key performance indicators.

Main Activities in the Year (continued)

Meeting date	Main activities
19th November 2012	• Reviewed the group's half-yearly report. • Reviewed key accounting judgments including accounting for metal and an update on stock take gains and losses, accounting for pensions and tax and going concern. • Reviewed credit control and credit risk and litigation affecting the group. • Considered a report from the external auditor on its review of the half-yearly report. • Approved the proposed external audit scope and fees for 2012/13 and considered the proposed appointment of a successor to the lead audit partner following the current partner's prospective rotation in 2013/14. • Considered reports from internal audit on internal controls and on the proposed three year internal audit plan. • Reviewed the status of actions arising as a result of the operational issues at the Salt Lake City refinery. • Received and considered a presentation on the group's high performance finance initiative.
29th January 2013	• Reviewed the group's interim management statement for the third quarter of 2012/13. • Reviewed key accounting judgments. • Considered reports from internal audit on internal controls. • Considered and approved the internal audit and group security plans for 2013/14. • Reviewed metal trading limits and controls. • Received an update from the external auditor on accounting, reporting and governance developments. • Reviewed non-audit services provided by the external auditor during 2012/13 and the associated authorisation policy. • Reviewed the group's whistleblowing procedures and the matters raised during 2012/13. • Approved changes to the Group Control Manual. • Received and considered a presentation from the Division Finance Director, Emission Control Technologies on the risks facing that business, associated mitigating actions and key controls. • Considered the advantages and disadvantages of tendering the external audit in the current year.
26th March 2013 (ad hoc)	• Concluded discussions on the topic of tendering the external audit.

Since 31st March 2013, the Audit Committee has met once, on the following date, and it conducted the following business:

Meeting date	Main activities
3rd June 2013	• Reviewed the group's preliminary announcement, draft report and accounts for 2012/13 and the group's assessment of going concern. • Reviewed key accounting judgments including accounting for metal and in particular the treatment of gains and losses identified by stock takes, impairment considerations, tax and provisioning, accounting for pensions and liquidity and going concern. • Reviewed credit controls and credit risk and litigation affecting the group. • Considered reports from the external auditor on its audit and its review of the accounts including accounting policies and areas of judgment, and its comments on risk management and control matters and corporate governance matters. • Approved the Audit Committee Report for 2012/13. • Considered reports from internal audit on internal controls, including results of the controls self assessment questionnaire, and assessed the effectiveness of risk management processes and internal controls. • Considered the performance of the external auditor, assessed its independence, qualification, expertise and resources, the effectiveness of the audit process and partner rotation; considered the appointment of KPMG LLP for 2013/14 and recommended its appointment to the board. • Met with both internal audit and the external auditor without management being present. • Reviewed the status of actions arising as a result of the operational issues at the Salt Lake City refinery.

Audit Committee Report (continued)

Independence of the External Auditor

Both the board and the external auditor have for many years had safeguards in place to avoid the possibility that the auditor's objectivity and independence could be compromised. The issue of auditor independence is taken very seriously and is reviewed annually.

Our policy in respect of services provided by the external auditor is as follows:

- Audit related services – the external auditor is invited to provide services which, in its position as auditor, it must or is best placed to undertake. This includes formalities relating to borrowings, shareholder and other circulars, various other regulatory reports and work in respect of acquisitions and disposals.
- Tax compliance and advice – the auditor may provide such services where it is best suited, but otherwise such work is put out to tender.
- Other services – these may not be provided where precluded by ethical standards or where we believe it would compromise audit independence and objectivity.

To the extent consistent with the above policy, services likely to cost less than £25,000 may be approved by the Group Finance Director. Services above this amount must be approved by the Chairman of the Audit Committee, unless they are likely to be in excess of £100,000, when they must be approved by the Audit Committee.

During the year ended 31st March 2013 the Chairman of the Audit Committee authorised the use of KPMG to support the group in its due diligence prior to the acquisition of Axeon and, following a competitive tendering process, to advise the group on the establishment of a special purpose vehicle which holds certain corporate bonds used to fund the group's UK pension scheme.

The split between audit and non-audit fees for the year ended 31st March 2013 and information on the nature of non-audit fees appear in note 5 on the accounts.

External Audit Quality and Tendering

The board is committed to maintaining the highest standards of audit quality. Management receives regular feedback from the businesses on the audit process. When assessing the effectiveness of the external audit process, the Committee combines formal and informal processes. As part of the formal processes the Committee considers feedback on the auditor provided by management and by external parties. Informal processes are centred around how the audit team, and the lead partner in particular, interact with management and the Committee. A constructive, open and challenging approach supported by knowledge of the business and sound judgment are important criteria in making this assessment.

KPMG (and its predecessor entities) have been the external auditor of the company since 1986. The last full tendering process was conducted in 1985 although annual performance reviews have been carried out as well as a more substantial review in 2003. The current lead audit partner at KPMG rotates after finalisation of the current year's audit and earlier in the year the Committee worked closely with KPMG to identify his successor. In light of the changes introduced in the 2012 Code, which requires the external audit contract to be put out to tender at least every ten years (and which apply to Johnson Matthey for its year commencing 1st April 2013), and the FRC's transitional guidance, the Committee spent some time considering the merits of putting the audit out to tender in 2013/14. The Committee decided against this for a number of reasons including the fact that it is very comfortable with the performance of KPMG and is looking forward to working with the newly appointed lead audit partner, who will bring new perspectives to the audit. In addition there is the possibility of further changes in the relevant governance frameworks pending the conclusion of the Competition Commission's market investigation into the supply of statutory audit services to large companies in the UK, and best practice around the tendering process is also developing. Whilst the Committee does not propose that a tendering process should be undertaken in 2013/14 it is committed to tendering the audit sometime during the new lead audit partner's five year tenure, at a time which is right for Johnson Matthey.

Internal Audit

Internal audit independently reviews the risks and control processes operated by management. It carries out independent audits in accordance with an internal audit plan which is agreed with the Audit Committee before the start of the financial year. As part of this process the Committee looks at the resources devoted to the function to ensure they are adequate to deliver the plan.

The plan provides a high degree of financial and geographical coverage and devotes significant effort to the review of the risk management framework surrounding the major business risks.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

The Audit Committee reviews the findings of the internal audits completed during the year.

The effectiveness of the internal audit function is reviewed and discussed on an annual basis.

The major focus of internal audit in the year was a review of the audit planning and reporting processes following the arrival of the new Head of Internal Audit and Risk in April 2012. This resulted in changes to the audit plan to focus on core processes, testing of key controls and the introduction of group wide themed audits together with a revised self assessment exercise and refreshed approach to risk assessment and management.

On behalf of the Audit Committee:

Alan Ferguson
Chairman of the Audit Committee

Remuneration Report

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Michael Roney
Chairman of the Management Development and Remuneration Committee

Introduction to the Remuneration Report

The year ended 31st March 2013 was a challenging year for Johnson Matthey and a challenging year for many companies operating in global markets.

At the start of the year, the board set ambitious targets, ahead of the prevailing industry analysts' consensus, but as the year unfolded, short term performance fell below that determined when setting the budget. As a result, no executive director bonuses will be paid this year, even though underlying earnings per share fell by just 2%.

The Long Term Incentive Plan (LTIP) looks at performance over a longer period and as a result of the very successful years in 2010/11 and 2011/12, the maximum vesting will be released in 2013. As is the intention with long term plans, future payments will require that strong growth now be re-established.

As set out in the Chief Executive's Statement on pages 8 and 9, Johnson Matthey expects to return to growth this year. The medium and long term prospects are encouraging and therefore the annual bonus and LTIP targets should continue to provide a strong incentive for good management performance.

As a committee we remain focused on ensuring that remuneration remains aligned with strategy. In particular, we continue to focus on long term value creation and this requires that we reconsider the detailed structure of remuneration and directors' pay. We have therefore commissioned a full remuneration review which will be carried out during the course of this year, including consultation with leading shareholders and representative bodies. The review aims to continue to create the structure that achieves the best value for shareholders, providing appropriate incentives for managers whilst seeking to align reward with strategy and to stimulate stability, growth and sustainability in a volatile world.

The year ahead is challenging but the variable elements of executive remuneration will remain focused on the simple and transparent measures of profit before tax and earnings per share. However, as noted in the Chairman's Statement on pages 6 and 7, Johnson Matthey continues to invest significant sums in longer term development. In the coming year, investment in R&D and business development will also be increased. We still plan for long term success and that remains a key element of Johnson Matthey's culture.

Structure of this Report

The UK government has issued draft regulations which will require changes in the content and structure of remuneration reports.

The Management Development and Remuneration Committee (MDRC) supports the aims of the draft regulations which reflect the wishes of stakeholders for greater transparency in the reporting of directors' pay. We have therefore sought to produce a remuneration report which moves further towards full compliance with these regulations.

In compliance with the draft regulations this report is split into two sections.

The first section gives a detailed summary of the 2012/13 remuneration outcomes, including the single figure total remuneration of each director and variable pay awarded in the year.

The second section focuses on the remuneration policy for 2013/14, including the objectives and operation of each element of pay, and the context in which decisions for this policy were made. We also include greater disclosure of termination payment provisions and we plan to fully review service contracts and exit payments as part of the remuneration review this year.

However, we are still bound by the current reporting regulations and this report remains in compliance with the current regime. The addendum includes those items which are required to be disclosed under current reporting regulations and which are not disclosed elsewhere in the report.

Michael J. Roney

Michael Roney

Remuneration Report continued

The Management Development and Remuneration Committee – Members, Terms of Reference and Meeting Structure

The Management Development and Remuneration Committee is a committee of the board and comprises all the independent non-executive directors of the company as set out on pages 92 and 93 and the group Chairman.

The members of the MDRC during the year were:

- Michael Roney (MDRC Chairman).
- Alan Ferguson.
- Sir Thomas Harris (until 25th July 2012).
- Colin Matthews (from 4th October 2012).
- Tim Stevenson.
- Dorothy Thompson.

The MDRC's terms of reference are summarised on page 100 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). Non-executive directors' remuneration is determined by the board, within the limits prescribed by the company's Articles of Association. Non-executive remuneration consists of fees, which are set following advice taken from independent consultants and are reviewed at regular intervals.

In addition, the MDRC assists the board in ensuring that the company has well developed plans for management succession, including the recruitment and development of senior management, along with appropriate remuneration policies to ensure that management are retained and motivated. The MDRC also receives recommendations from the Chief Executive on the remuneration of those reporting to him as well as advice from the Group Director, Human Resources. The Group Director, Human Resources acts as secretary to the MDRC.

The full terms of reference of the MDRC are available on our website in the Investor Relations / Corporate Governance section.

In determining the remuneration structure, the MDRC appoints and receives advice from independent remuneration consultants on the pay and incentive arrangements prevailing in comparably sized industrial companies in each country in which Johnson Matthey has operations. During the year, such advice was received from the Hay Group, which also provided advice on job evaluation, and from PricewaterhouseCoopers LLP.

All advisors are appointed independently by the MDRC. It regularly reviews the advisers it uses and periodically retenders.

Fees for services associated with the development and implementation of remuneration policy incurred during the year were:

Advisor	£
Hay Group	67,905
PricewaterhouseCoopers LLP	9,000

The Hay Group's fees also include fees for the provision of information on international pay data and trends. These data are used in the development of regional and national pay policies in countries where Johnson Matthey operates.

PricewaterhouseCoopers LLP also provide advice and tax compliance services to the company in relation to the administration of expatriates and internationally mobile employees. Additionally, PricewaterhouseCoopers LLP provide other tax advice, tax audit work, completion of overseas tax returns, advice on set up of new overseas operations, some overseas payroll services and reviews of some financial controls. The fees associated with the provision of these international services are not included in the above figures.

A statement regarding the use of remuneration consultants for the year ended 31st March 2013 is available on our website in the Investor Relations / Corporate Governance section.

Key Topics Covered at MDRC Meetings

The MDRC meets at least three times per year. The principal activities are set out in the terms of reference and the timetable for specific reviews and approval processes is set out below.

Meeting	Annual agenda items	Other agenda items
May	Review of CEC and senior managers' salary increases Review of executive directors' salary and bonus Review of pay within the group Approval of the Remuneration Report	
May or July	Approval of executive directors' salary and bonus Approval of LTIP allocation Approval of LTIP vesting Review of other senior managers' salary increases and bonus payments	Chairman's fees (every three years)
November	Management development and succession planning Review of the share incentive plan Update on remuneration issues Review of remuneration policy	
March	Preliminary review of draft Remuneration Report Approval of bonus scheme rules Review of the share incentive plan	

In addition, the MDRC will normally carry out a major review of the structure of executive remuneration every three years, or more frequently when circumstances require it.

In 2012/13 the committee met on four occasions, on 31st May 2012, 24th July 2012, 19th November 2012 and on 27th March 2013. Attendance at the meetings is recorded in the Corporate Governance Report on page 101.

Section 1 – Summary of 2012/13 Remuneration Outcomes

This section seeks to make plain the quantum of directors' earnings in the past year and to provide an explanation as to how bonuses and other elements of total pay were calculated.

The first element of this summary is the 'single figure' table, which seeks to make clear the total of all payments made to each director in the year.

Single Figure Table of Remuneration

The table below sets out the total remuneration and breakdown of the elements each director received in relation to 2012/13. An explanation of how the figures are calculated follows the table.

	Base salary / fees £'000	Benefits £'000	Pension[1] £'000	Annual bonus £'000	LTIP £'000	Total £'000
Executive directors						
Neil Carson	794	22	199	–	1,666	2,681
Robert MacLeod	431	19	108	–	722	1,280
Larry Pentz[2]	409	181	47	–	693	1,330
Bill Sandford	369	17	92	–	613	1,091
Non-executive directors						
Tim Stevenson (Chairman)	300	–	–	–	–	300
Alan Ferguson	65	–	–	–	–	65
Sir Thomas Harris[3]	18	–	–	–	–	18
Colin Matthews[4]	27	–	–	–	–	27
Michael Roney	68	–	–	–	–	68
Dorothy Thompson	55	–	–	–	–	55

[1] The amounts shown are in respect of the cash supplements paid in lieu of pension only. The value of the increase in the defined benefit pension over the year, using a valuation factor of 20, was for Neil Carson an additional £260,000, for Robert MacLeod an additional £5,000, for Larry Pentz an additional £80,000 and for Bill Sandford an additional £180,000.

[2] Larry Pentz repatriated to the United States in 2012/13 and received specialist tax and pension advice and a one-off contractual relocation allowance.

[3] Retired on 25th July 2012.

[4] Appointed on 4th October 2012.

Explanation of Figures

Base salary / fees: Salary paid in year for executive directors and fees paid in year for non-executive directors.

Benefits: All taxable benefits.

Pension: Cash supplements paid to directors. The footnote also shows the increase in the value of any defined benefit pension schemes.

Annual bonus: Annual bonus awarded for the year ended 31st March 2013. The figure includes any amounts deferred and awarded as shares.

LTIP: Shares vesting as a result of achievement of performance conditions over the three years to 31st March 2013. Shares will vest in July 2013 and the value is calculated using the average share price from 1st January 2013 to 31st March 2013, which was 2,301 pence.

Variable Pay – Additional Disclosures, Including Bases of Calculation and Outcomes

1 Annual Bonus for the Year Ended 31st March 2013

The annual bonus for 2012/13 is based on the performance against budgeted underlying profit before tax (PBT). An annual bonus of 75% of base salary (prevailing as at 31st March 2013) is paid to the Chief Executive and 62.5% of base salary is paid to executive directors if the group meets the annual budget. This bonus may rise on a straight line basis to a maximum of 150% of base salary for the Chief Executive and 125% for executive directors if 110% of budgeted underlying PBT is achieved. Underlying PBT must reach 95% of budget for the minimum threshold bonus of 15% to be payable to both the Chief Executive and the executive directors.

The annual budget target is set when budgets are approved in March, immediately prior to the new financial year. 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. The Vara consensus as at March 2012 (immediately prior to the financial year) was for an underlying PBT in the region of £425 million.

In line with the setting of challenging and stretching targets, the annual budget was set at a higher figure than the consensus. The outcome was that threshold levels of PBT (95% of budget) were not reached and therefore no bonus is payable to the Chief Executive or executive directors for 2012/13.

Remuneration Report continued

Commercial sensitivity precludes the advance publication of bonus targets but we reproduce below the targets for 2012/13 and the previous year.

Year	Budgeted underlying PBT[1] £ million	Actual underlying PBT £ million	% of budget	Chief Executive's bonus %	Executive directors' bonus %	Vara consensus £ million	Actual underlying PBT growth %
2011/12	406.0	426.0	105	112	93	382	23
2012/13	464.6	389.2	84	–	–	425	-9

[1] For bonus purposes budgeted PBT for 2012/13 was later reduced by £8.0 million to £456.6 million to take account of net finance cost associated with the special dividend payment of £212.1 million paid in August 2012. This had no effect on bonus outcomes, as the threshold was not reached.

In the event that a bonus is paid then the following rules of deferral apply:

- For the Chief Executive, 33.3% of the bonus payable is awarded as shares and deferred for a period of three years.
- For other executive directors, 20% of the bonus payable is awarded as shares and deferred for three years.
- The MDRC is entitled to claw back the deferred element in the case of misstatement or misconduct or other relevant reason as determined by the MDRC.
- There is no entitlement to dividends on the shares during the period of deferral.

The MDRC retains discretion in awarding annual bonuses and seeks to ensure that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. No discretion was applied to the above outcomes.

2 LTIP for the Three Year Performance Period Ended 31st March 2013

Shares allocated under the terms of the LTIP are released on the third anniversary of the allocation date, with the release being subject to targets based on compound annual growth in the company's underlying earnings per share (EPS). Current rules require that to achieve a maximum release of allocated shares, a compound annual growth rate (CAGR) in underlying EPS of 15% must be achieved over the three year period. The minimum release of 15% of the allocated shares requires a CAGR of 6% in underlying EPS. The number of allocated shares released will vary on a straight line basis between these points. There is no retesting of the performance target and so allocations will lapse if underlying growth fails to reach the 6% CAGR threshold over the three year period.

The table below sets out the normal opportunity for the LTIP allocated in July 2010 with a three year performance period ended 31st March 2013.

Required underlying EPS performance	Proportion of award vesting	Vesting as % of base salary at time of award	
		Chief Executive	**Executive directors**
Threshold 6% CAGR	15%	22.5%	18%
Maximum 15% CAGR	100%	150%	120%

In addition to the EPS performance condition, the MDRC considers the performance of return on invested capital (ROIC) over the performance period to ensure that earnings growth is achieved in a sustainable and efficient manner. The MDRC may, at its discretion, scale back vesting where ROIC has not developed appropriately over the period. The MDRC assessed the ROIC performance over the period and considered it to be satisfactory.

Readjustment of Targets Following the Share Consolidation

During the year the company carried out a share consolidation associated with the payment of a special dividend as described on page 133. The share consolidation took place in August 2012. The MDRC therefore considered the impact of the share consolidation on the EPS performance targets for outstanding incentives, where those performance targets were agreed by the MDRC before the consolidation was announced.

The MDRC agreed to adjust the vesting requirements for executive directors' outstanding LTIP awards so as to reflect the impact of the consolidation and therefore any resultant numerical enhancement of EPS. The MDRC also took into account the mitigating effect of the cost associated with increased borrowings as a result of the associated special dividend and concluded that the LTIP performance range should be increased from 6 to15% CAGR in underlying EPS to 7 to 16% for the three relevant awards whose performance periods spanned the consolidation. These are the awards allocated in 2010, 2011 and 2012.

LTIP Outcomes

The compound annual growth rate in underlying EPS achieved over the three year performance period ended 31st March 2013 was 20.2%. Therefore, having taken into account the increased performance range of 7 to 16%, 100% of the shares allocated in 2010 will be released in July 2013. The table below provides details of LTIP awards, performance and vesting over the last six years.

	Years of allocation	Years of vesting	% salary allocated	Shares allocated	Compound annual growth in underlying EPS in the period	% of award vesting	Shares released	Value at time of release £
Neil Carson								
	2007	2010	150	56,704	1.7%	–	–	–
	2008	2011	150	56,239	10.0%	52.42	29,480	614,233
	2009	2012	120	71,611	19.7%	100	71,611	1,468,537
	2010	2013	150	72,393	20.2%	100	72,393	1,665,763[1]
	2011	2014	175	69,096	n/a	n/a		
	2012	2015	175	62,737	n/a	n/a		
Robert MacLeod								
	2007	2010	n/a	–	1.7%	–	–	–
	2008	2011	n/a	–	10.0%	52.42	–	–
	2009	2012	170[2]	55,072	19.7%	100	55,072	1,129,36
	2010	2013	120	31,397	20.2%	100	31,397	722,445[1]
	2011	2014	140	29,979	n/a	n/a		
	2012	2015	140	27,222	n/a	n/a		
Larry Pentz								
	2007	2010	120	22,327	1.7%	–	–	–
	2008	2011	120	21,853	10.0%	52.42	11,455	238,672
	2009	2012	100	31,116	19.7%	100	31,116	638,100
	2010	2013	120	30,115	20.2%	100	30,115	692,946[1]
	2011	2014	140	28,744	n/a	n/a		
	2012	2015	140	26,100	n/a	n/a		
Bill Sandford								
	2007	2010	120	15,268	1.7%	–	–	–
	2008	2011	120	15,318	10.0%	52.42	8,029	167,289
	2009	2012	100	25,575	19.7%	100	25,575	524,470
	2010	2013	120	26,640	20.2%	100	26,640	612,986[1]
	2011	2014	140	25,429	n/a	n/a		
	2012	2015	140	23,427	n/a	n/a		

[1] The value of the 2010 allocation (which will vest in July 2013) is calculated using the average share price for the period 1st January 2013 to 31st March 2013, which was 2,301 pence.

[2] In 2009 there was a one-off allocation of 170% of base salary to the then newly appointed Group Finance Director to ensure alignment of his objectives with those of shareholders.

3 Variable Pay Awarded During the Year Ended 31st March 2013 (New LTIP Allocations Subject to Future Performance)

In addition to providing detailed outcomes regarding annual bonus and LTIP, the new UK government draft regulations will require that full details are disclosed regarding any new awards under existing long term incentive plan rules or under any new scheme, or any other share-based awards. The LTIP awards described on page 122 are all in line with the policy as described in last year's remuneration report.

Remuneration Report continued

LTIP Allocated in 2012/13

In August 2012 an LTIP allocation was made to the executive directors for the three year performance period to 31st March 2015. The table below sets out the details of this award.

Item	Detail
Type of award	Share-based long term incentive plan (LTIP).
Basis of award	Incentivise senior executives over the long term.
Face value of award (% of base salary)	Chief Executive – 175%. Other executive directors – 140%.
Threshold vesting (as % of maximum opportunity)	15% of the award will vest at threshold performance.
Performance period	1st April 2012 – 31st March 2015.
Performance conditions	• 100% of the award is based on underlying EPS performance targets. • Threshold performance is set at a 6% compound annual growth rate (CAGR) in underlying EPS over the performance period and maximum performance is set at a 15% CAGR in underlying EPS. Vesting is on a straight line basis between these two points. However, as referred to above, the target has been readjusted to take into account the share consolidation in August 2012 and therefore the target for the relevant period is set at 7 to 16% CAGR in underlying EPS. • Although growth in underlying EPS is the primary financial measure, it is also a key objective of the company to achieve earnings growth only in the context of a good performance on return on invested capital (ROIC). Accordingly, the MDRC is required to make 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. The MDRC may scale back vesting to the extent that ROIC has not developed appropriately.

4 Statement of Executive Directors' Shareholding

Executive directors are encouraged to build up over time, and hold, a shareholding in the company equal to at least their base salary with a view to ensuring that their interests remain fully aligned with those of shareholders. Further statutory information on shareholdings including current holdings, is shown in the addendum at the end of this report on pages 129 to 131.

	Number of shares held as at 31st March 2013	Shareholding as at 31st March 2013 (% of salary)
Neil Carson	213,243	611%
Robert MacLeod	16,072	85%
Larry Pentz	25,270	139%
Bill Sandford	14,627	90%

Value of shares as a percentage of salary is calculated using a share value of 2,301 pence, which was the average share price prevailing between 1st January 2013 and 31st March 2013.

5 Loss of Office Payments

No loss of office payments were made in 2012/13.

6 Relative Importance of Spend on Pay

The table on the right shows the absolute and relative amounts of total pay in the company, directors' pay, and other key financial metrics, for 2012/13.

7 Statement of Shareholder Voting

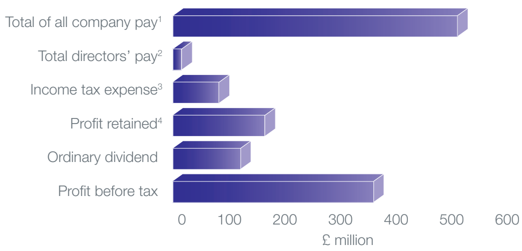
The table below shows the results of the poll taken on the resolution to receive and approve the Directors' Remuneration Report at the July 2012 Annual General Meeting.

Number of votes cast	For	Against	Votes withheld
151,093,979	149,479,470 98.9%[1]	1,614,509 1.1%[1]	2,912,416

[1] Percentage of votes cast, excluding votes withheld.

The MDRC believes the 98.9% vote in favour of the Remuneration Report showed very strong shareholder support for the group's remuneration arrangements at that time.

Relative Importance of Spend on Pay



[1] All company pay includes wages and salaries, social security costs, pension and other employment costs and share-based payments.

[2] Total directors' pay is the sum total of the single figure table on page 119.

[3] Income tax expense for the year as per the consolidated income statement on page 140.

[4] Profit retained is defined as profit for the year attributable to the owners of the parent company less dividends.

Section 2 – Summary of Remuneration Policy for 2013/14

This section describes the future policy in respect of each element of directors' remuneration. This policy applies from 1st April 2013.

Future Policy Table

The key goal of remuneration policy remains to obtain the best value for shareholders. This requires that the pay and benefits structure is competitive within the sector whilst simultaneously providing stretching targets that require significant outperformance to maximise incentive payments.

The table below provides detail on each element of directors' remuneration packages for 2013/14.

<table>
<tr><th>Purpose and link to strategy</th><th>Operation (and changes if appropriate)</th><th>Opportunity and performance metrics for 2013/14</th></tr>
<tr><td>Base salary
Retains and motivates, takes account of individual performance, complexity and scale of director's duties, length of time in post, and cognisance of market levels in the appropriate sector.</td><td>• The positioning of base salaries is set with reference to the performance of the individual executive director against a broad set of parameters including financial, environmental, social and governance issues, length of time in post, as well as comparison against similar roles in an appropriate comparator group (the comparator group comprises 20 other FTSE 100 companies in the industrial and service sectors, excluding natural resources, retail and financial service companies, and which have over 50% of revenue from overseas sales, with ten companies above and ten companies below Johnson Matthey's market capitalisation).</td><td>Base salaries at the last review are shown below:
<table>
<tr><th>Director</th><th>Salary as at 1st August 2012 £</th><th>Salary as at 1st August 2011 £</th><th>% increase</th></tr>
<tr><td>Neil Carson</td><td>803,400</td><td>776,250</td><td>3.5</td></tr>
<tr><td>Robert MacLeod</td><td>435,750</td><td>421,000</td><td>3.5</td></tr>
<tr><td>Larry Pentz</td><td>417,800</td><td>403,650</td><td>3.5</td></tr>
<tr><td>Bill Sandford</td><td>375,000</td><td>357,100</td><td>5</td></tr>
</table>
Base salaries will be reviewed during the year ending 31st March 2014. Any increases will take into account salary increases awarded to the wider Johnson Matthey workforce, as well as individual performance and length of time in post.</td></tr>
<tr><td>Benefits
Provision of non-cash benefits to directors in line with wider employee policy.</td><td>• Directors are entitled to private medical insurance and a company car.
• Directors with non-UK citizenship or domiciled outside the UK are assisted with relevant tax advice relating to matters such as normal pension arrangements and the filing of annual tax returns.
• Non-UK domiciled directors may be provided with assistance regarding accommodation in the UK, in cases where they are expected to spend substantial time away from their country of domicile.
• Other benefits such as relocation benefits may be awarded as part of a relocation package for new directors.
• This policy remains unchanged from 2012/13.</td><td>n/a</td></tr>
<tr><td>Annual bonus
Provides a strong short term incentive for delivery of budget in the relevant year.</td><td>• The annual bonus provides a strong short term incentive for delivery of budget in the relevant year. Whilst the LTIP target encourages business managers and the executive directors to set ambitious three year targets, the annual bonus allows the board to ensure that those plans are properly reflected in stretching but achievable annual budgets.
• This policy remains unchanged from 2012/13.</td><td>Maximum bonus opportunity
Chief Executive – 150% of base salary (75% of salary for on target performance, 22.5% of salary for threshold performance. 33.3% of any bonus is deferred and awarded as shares).
Other executive directors – 125% of base salary (62.5% of salary for on target performance, 15% of salary for threshold performance. 20% of any bonus is deferred and awarded as shares).
Performance conditions
The annual bonus is based on achievement of the group's budgeted underlying PBT. Threshold performance is at 95% of budget. Maximum payment is at 110% of budget.</td></tr>
</table>

Remuneration Report continued

Future Policy Table (continued)

Purpose and link to strategy	Operation (and changes if appropriate)	Opportunity and performance metrics for 2013/14
LTIP Incentivises above average performance and growth over the longer term.	• The LTIP is designed to incentivise above average performance and growth over the longer term. Shares allocated under the terms of the LTIP are released on the third anniversary of the allocation date with the release being subject to targets based on compound annual growth in the company's EPS. • EPS growth is considered to be the simplest, most transparent and most appropriate target because it reflects the full total of company activities. • The maximum individual allocation in any financial year is 200% of base salary, allowing the MDRC to take account of evolution of market practice as required. The actual allocation levels for 2013/14 are shown in the column to the right. • This policy remains unchanged from 2012/13.	**Maximum opportunity** Chief Executive – 175% of base salary. Other executive directors – 140% of base salary. **Performance conditions** The LTIP is based on compound annual growth in underlying EPS over the three year performance period. Threshold vesting is 15% of maximum opportunity and occurs where compound annual growth in underlying EPS is 6%. Maximum vesting occurs where compound annual growth in underlying EPS is 15%.
Pension Provides post-retirement remuneration and ensures that the total package is competitive.	• The company provides executive directors with membership of its pension scheme – the Johnson Matthey Employees Pension Scheme (JMEPS). The benefits provided to executive directors through JMEPS are the same as for all other UK employees. • Where directors cease to accrue pensionable service in JMEPS, they are entitled to a cash supplement equal to 25% of base salary. • This policy remains unchanged from 2012/13.	Neil Carson and Bill Sandford withdrew from pensionable service on 31st March 2006, Robert MacLeod withdrew on 31st March 2011 and Larry Pentz withdrew on 31st October 2012. No pensionable service in JMEPS has been accrued by these directors since these dates. They will receive a cash supplement of 25% of base salary in lieu of pension accrual.
Recruitment	• 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 executive remuneration policy. At the time of new directors joining from external companies, the MDRC retains discretion to make LTIP awards and to consider short term bonus awards that reflect equivalent loss of opportunity at the previous company, or that achieve rapid alignment with Johnson Matthey's strategic targets. LTIP awards made under this policy will not exceed 200% of salary. • This policy remains unchanged from 2012/13.	New directors would be recruited with terms and conditions in line with this policy. New directors will normally commence at lower level salary and progress towards higher salaries with experience and good performance in the role.
Non-executive director fees Retains and motivates non-executive directors with the required knowledge and experience.	• Non-executive directors are paid a flat fee each year with an additional fee for each committee chairmanship held. • This policy remains unchanged from 2012/13. • Non-executive fees were reviewed on 1st April 2012 and will be reviewed again no later than 2015	**Annual base fees** Non-executive Chairman – £300,000. Non-executive directors – £55,000. **Additional fees** Audit Committee chairmanship fee – £10,000. MDRC chairmanship fee – £10,000. Senior Independent Director (SID) fee – £13,000 Where the MDRC chairman is also the SID, no extra fee is paid for chairing the MDRC.

The policy set out above cascades down through the next tiers of senior management with appropriate reductions in opportunity levels based on seniority. 200 of the group's most senior executives participate in the annual bonus plan (as described above) and 900 of the group's senior and middle managers participate in the LTIP in line with the same performance conditions.

Remuneration Scenarios

The table below sets out the level of opportunity for each director based on the remuneration policy for 2013/14 both in absolute terms and as a proportion of the total package under different performance scenarios.

Statement of Consideration of Pay and Conditions Elsewhere in the Company and Group

The MDRC considers the directors' remuneration in the context of the wider employee population. Increases in base salary for directors will take into account the level of increases to UK employees and with reference to salary increases of overseas employees. Individual performance, development of responsibilities and length of service in the current role are also taken into account.

In setting directors' remuneration, the MDRC considers metrics for similar roles in a relevant comparator group. The comparator group comprises 20 other FTSE 100 companies in the industrial and service sectors, excluding natural resources, retail and financial service companies, and which have over 50% of revenue from overseas sales, with ten companies above and ten companies below Johnson Matthey's market capitalisation. However, it is not the policy of the MDRC to set salaries in line with that data or in line with benchmarks mathematically derived from that data.

The Chief Executive's base salary increased by 3.5% from 2011/12 to 2012/13. Pay increases for UK, Europe and North American employees were generally in the range 2 to 5%, with an average of 3%. Employees in other countries tended to receive higher raises, in line with local conditions.

Remuneration Report continued

Service Contracts and Termination Payments

The table below summarises certain 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 annual general meeting of the company.

Summary of Key Provisions of Executive Directors' Service Contracts and Treatment of Payments on Termination

	Neil Carson	Robert MacLeod	Larry Pentz	Bill Sandford
Employing company	Johnson Matthey Plc	Johnson Matthey Plc	Johnson Matthey Plc	Johnson Matthey Plc
Date of service agreement	1st August 1999	3rd February 2009	1st June 2006	21st July 2009
Date of appointment as director	1st August 1999	22nd June 2009	1st August 2003	21st July 2009
Contract duration	No fixed term.			
Notice period	Not less than 12 months' notice of termination by the company. Not less than six months' notice of termination by the director.			
Post-termination restrictions	The contracts of employment contain the following restrictions on the director for the following periods from the date of termination of employment: – non-compete – six months. – non-solicitation of customers and suppliers –12 months. – non-solicitation of employees – 12 months.			
Mitigation	The directors' service contracts do not provide for mitigation for loss of office by directors. However, the MDRC rigorously applies the principle of mitigation where appropriate to reduce compensation on early termination to reflect departing directors' obligations to mitigate loss.			
Summary termination – payment in lieu of notice	The company may, in its absolute discretion, terminate the employment of the director with immediate effect by giving written notice together with payment of: • One year's gross base salary plus the value of one year's other contractual benefits receivable (or, where prior notice of termination has been given, gross base salary and the value of any other contractual benefits receivable in respect of the unexpired portion of such notice).			
Termination payment – change of control	Upon termination by the company, within one year after a change of control of the company, liquidated damages of: • Gross base salary plus the value of all other contractual benefits in respect of the 12 months' notice period for termination by the company, less the period of any notice given by the company to the director.			
Termination – treatment under LTIP	Under the company's LTIP, participants generally forfeit their allocations upon leaving. Under the LTIP rules, good leavers (i.e. participants who leave early on account of injury, disability or ill health, a sale of their employer or the business in which they are employed, statutory redundancy, retirement or other reasons with the approval of the MDRC) will not lose their awards. In these circumstances, allocations will continue to vest on the normal vesting date subject to the performance target. The extent to which allocations vest is subject to pro-rating based on the time which has elapsed since the date of the allocation to the date of leaving as compared to the period between the allocation date and the normal release date.			
Termination – treatment of annual bonus under Executive Compensation Plan (the Plan)	Participation is at the discretion of the MDRC and is subject to the rules of the Plan. Under the Plan rules, employees voluntarily leaving the company's employment will not normally receive a bonus, except at the discretion of the MDRC. They will also normally forfeit the share awards relating to the deferred element of bonus which have not achieved the three year deferral period at their date of leaving. Employees leaving as good leavers will usually be entitled, at the MDRC's discretion, to a bonus payment, payable at the usual payment date, based on the proportion of the year actually worked, provided they have completed four month's service in that year. At the MDRC's discretion, they will also be entitled to any share awards relating to the deferred element of the bonus which have not achieved the three year deferral period. These shares will be released at the normal release date.			
Redundancy scheme	The director is not entitled to any benefit under any redundancy payments scheme operated by the company.			

Addendum – Other Historical and Statutory Information

Johnson Matthey and FTSE 100 Total Shareholder Return Rebased to 100

The following graph charts total cumulative shareholder return of the company for the five year period from 31st March 2008 to 31st March 2013 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2008.

As at 31st March 2013, Johnson Matthey was ranked 70th by market capitalisation in the FTSE 100.

Historical Data Regarding Chief Executive's Remuneration

The table below sets out the total remuneration of the Chief Executive over the last five years.

Chief Executive Single Figure of Remuneration

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000
Salary	680	700	733	768	794
Bonus	105	700	750	867	–
LTIP / share options	620	–	614	1,469	1,666
Benefits	24	21	21	22	22
Payment in lieu of pension	170	175	183	192	199
Total	**1,599**	**1,596**	**2,301**	**3,318**	**2,681**

The above data are calculated according to the same methodology as applied in the single figure table on page 119.

Remuneration Report continued

Summary Statement of Directors' Emoluments

The table below is a further summary of directors' pay, including necessary information as required under Schedule 8 of the Companies Act 2006.

Summary Statement of Directors' Emoluments 2012/13

	Date of service agreement	Date of appointment	Base salary £'000	Payment in lieu of pension [1] £'000	Annual cash bonus £'000	Annual deferred bonus [2] £'000	Benefits £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Executive									
Neil Carson[3]	1.8.99	1.8.99	794	199	–	–	22	1,015	1,849
Robert MacLeod[4]	3.2.09	22.6.09	431	108	–	–	19	558	931
Larry Pentz[5]	1.1.06	1.8.03	409	47	–	–	181	637	891
Bill Sandford	21.7.09	21.7.09	369	92	–	–	17	478	791
Total			**2,003**	**446**	**–**	**–**	**239**	**2,688**	**4,462**

	Date of letter of appointment	Date of appointment	Fees £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Non-executive[6]					
Tim Stevenson (Chairman)	10.1.11	29.3.11	300	300	225
Alan Ferguson	10.1.11	13.1.11	65[7]	65	57
Sir Thomas Harris[8]	22.1.09	1.4.09	18	18	50
Colin Matthews[9]	4.10.12	4.10.12	27	27	–
Michael Roney	29.3.07	1.6.07	68[10]	68	56
Dorothy Thompson	22.5.07	1.9.07	55	55	50
Directors who retired in 2011/12			–	–	127
Total			**533**	**533**	**565**

The aggregate amount of remuneration receivable by executive directors and non-executive directors totalled £3,221,000 (2012 £5,027,000).

Notes

[1] Neil Carson, Bill Sandford and Robert MacLeod no longer accrue pensionable service in the Johnson Matthey Employees Pension Scheme (JMEPS). Messrs Carson and Sandford ceased pensionable service on 31st March 2006 and Mr MacLeod ceased pensionable service on 31st March 2011. They all now receive an annual cash payment in lieu of pension equal to 25% of base salary. Larry Pentz accrued pension in JMEPS during the year up to the Annual Allowance and then opted out and started to receive a cash supplement in lieu of pension. From 1st January 2013 this cash supplement increased to 25% of base salary. These cash payments are taxable under the PAYE system.

[2] This is the element of the annual bonus which is payable as shares but is deferred for three years.

[3] Neil Carson is a non-executive director of AMEC plc. His fees for the year in respect of this non-executive directorship were £56,125. This amount is excluded from the table above and retained by him.

[4] Robert MacLeod is a non-executive director of Aggreko plc. His fees for the year in respect of this non-executive directorship were £72,500. This amount is excluded from the table above and retained by him.

[5] Larry Pentz is a non-executive director of Victrex plc. His fees for the year in respect of this non-executive directorship were £49,612. This amount is excluded from the table above and retained by him.

[6] Non-executive fees (other than for the Chairman) were reviewed on 1st April 2012 for the period from 1st April 2012 to 31st March 2015. The fees are £55,000 per annum, with the fee for chairmanship of the Audit Committee being £10,000 per annum and the MDRC / Senior Independent Director being £13,000 per annum. The Chairman and the non-executive directors do not receive any pension benefits, LTIP allocations or bonus payments.

[7] Includes £10,000 per annum for chairmanship of the Audit Committee.

[8] Retired on 27th July 2012.

[9] Appointed on 4th October 2012.

[10] Includes £13,000 per annum for being the Senior Independent Director and for chairmanship of the Management Development and Remuneration Committee.

Share Options

The LTIP is now the company's single means for the provision of long term awards and from 2007 replaced the granting of share options under the Johnson Matthey 2001 Share Option Scheme (the 2001 Scheme). From 2001 to 2006 options were granted each year under the 2001 Scheme. There have been no option grants since 2006. Options were granted at the market value of the company's shares at the time of grant and were subject to performance targets over a three year period. Options may be exercised upon satisfaction of the relevant performance targets. Approximately 800 employees were granted options under the 2001 Scheme each year.

Options granted from 2004 to 2006

Grants made in 2004, 2005 and 2006 were subject to a three year performance target of EPS growth of UK RPI plus 3% per annum. If the performance target was not met at the end of the three year performance period, the options lapsed as there was no retesting of the performance target. In addition, to reduce the cost calculated under the International Financial Reporting Standard 2 – 'Share-based Payment', gains made on the exercise of options are capped at 100% of the grant price.

The MDRC had the discretion to award grants greater than 100% of base annual salary. Grants which were made above this threshold were, however, subject to increasingly stretching performance targets. Grants between 100% and 125% of base annual salary were subject to EPS growth of UK RPI plus 4% per annum and grants between 125% and 150% of basic annual salary were subject to EPS growth of UK RPI plus 5% per annum. The executive directors were granted options equal to 150% of basic annual salary. All the options, other than those granted in 2006 which were subject to EPS growth of UK RPI plus 5% per annum, have met their performance targets. The 2006 options which did not meet their performance targets have lapsed.

Options granted prior to 2004

Prior to 2004, options granted to the executive directors under the 2001 Scheme were up to a maximum of 100% of basic annual salary each year. Such options were subject to a performance target of EPS growth of UK RPI plus 4% per annum over any three consecutive years during the life of the option. The performance target was subject to annual retesting until the lapse of the options on the tenth anniversary of grant. All of these options have met their performance targets.

Directors' Interests

The interests of the directors (including those of their connected persons) in the ordinary shares of the company disclosed in accordance with the Financial Conduct Authority's Listing Rules, were:

1 Ordinary Shares

	31st May 2013[1]	**31st March 2013[1]**	31st March 2012[1]
Tim Stevenson	5,250	**5,250**	5,500
Neil Carson	213,274	**213,243**	188,804
Alan Ferguson	2,200	**2,200**	1,000
Robert MacLeod	16,102	**16,072**	3,604
Colin Matthews	2,000	**2,000**	–[2]
Larry Pentz	25,270	**25,270**	25,789
Michael Roney	2,863	**2,863**	3,000
Bill Sandford	14,657	**14,627**	9,165
Dorothy Thompson	9,278	**9,278**	9,721

[1] Disclosures as at 31st March 2012 are of ordinary shares of 100 pence each. Following the company's share capital consolidation on 6th August 2012 (as referred to on page 133), the disclosures as at 31st March and 31st May 2013 are of ordinary shares of $104\frac{16}{21}$ pence each.

[2] At date of appointment.

All of the above interests of the directors and their connected persons were beneficial. The executive directors are also deemed to be interested in shares held by an employee share ownership trust (see note 30 on page 180).

Remuneration Report continued

2 Share Options

As at 31st March 2013, individual holdings by the directors under the company's executive share option schemes were as set out below. Options are not granted to non-executive directors.

	Date of grant	Ordinary shares under option	Exercise price (pence)	Date from which exercisable	Expiry date	Total number of ordinary shares under option
Neil Carson	17.7.03	33,407	898	17.7.06	17.7.13	33,407 (2012 92,888)
Larry Pentz						– (2012 45,950)
Bill Sandford						– (2012 3,774)

Between 1st April 2012 and 31st March 2013 the following options were exercised by directors:

	Date of grant	Date of exercise	Options exercised	Exercise price (pence)	Market price on exercise (pence)
Neil Carson	26.7.06	14.9.12	59,481	1,282	2,564
Larry Pentz	17.7.03	16.8.12	17,185	898	2,290
	26.7.06	17.9.12	28,765	1,282	2,564
Bill Sandford	26.7.06	14.8.12	3,774	1,282	2,279

Gains made on exercise of options by the directors during the year totalled £1,408,160 (2012 £2,113,928). The closing market price of the company's shares at 28th March 2013 was 2,300 pence. The highest and lowest closing market prices during the year ended 31st March 2013 were 2,573 pence and 2,081 pence respectively.

3 LTIP Allocations

Number of allocated shares:

	As at 31st March 2012	Allocations during the year	Market price at date of allocation (pence)	Released during the year	Lapsed during the year	**As at 31st March 2013**
Neil Carson	213,100	62,737	2,241	71,611	–	**204,226**
Robert MacLeod	116,448	27,222	2,241	55,072	–	**88,598**
Larry Pentz	89,975	26,100	2,241	31,116	–	**84,959**
Bill Sandford	77,644	23,427	2,241	25,575	–	**75,496**

On 25th July 2012 shares allocated in 2009 under the LTIP were released to participants. The compound annual growth in the company's underlying EPS over the three year performance period, commencing in the year of allocation, resulted in a release of 100% of the allocated shares and the following gains:

	Number of shares released	Share price when released (pence)	Gain (£)
Neil Carson	71,611	2,051	1,468,537
Robert MacLeod	55,072	2,051	1,129,369
Larry Pentz	31,116	2,051	638,100
Bill Sandford	25,575	2,051	524,470

4 Deferred Bonus Awards

	As at 31st March 2012	Number of shares awarded	Market price at date of allocation (pence)	Vested during the year	**As at 31st March 2013**
Neil Carson	–	12,902	2,241	–	**12,902**
Robert MacLeod	–	3,499	2,241	–	**3,499**
Larry Pentz	–	3,355	2,241	–	**3,355**
Bill Sandford	–	2,968	2,241	–	**2,968**

5 Pension Benefits

Disclosure of directors' pension benefits has been made under the requirements of the Financial Conduct Authority's Listing Rules and in accordance with the Companies Act 2006. The information below sets out the disclosures under the two sets of requirements.

	Age as at 31st March 2013	Total accrued pension as at 31st March 2012[1] £'000 pa	Total accrued pension as at 31st March 2013[1] £'000 pa	Change in accrued pension after allowing for inflation £'000 pa	Transfer value as at 31st March 2012[2] £'000	Transfer value as at 31st March 2013[2] £'000	Directors' contributions[3] £'000	Change in transfer value less directors' contributions £'000
Neil Carson[4]	55	365	378	5	7,665	8,350	–	685
Robert MacLeod[4]	48	9	9	–	106	119	–	13
Larry Pentz[5,6]	57	116	70	(46)	1,702	768	–	(934)
Bill Sandford[4]	59	185	194	5	4,390	4,848	–	458

Notes

[1] The total accrued pension represents the pension earned while in pensionable service and would be paid annually on normal retirement. The element of the pension earned before 31st March 2010 would be subject to an actuarial reduction if retirement is before age 60, and in the case of Robert MacLeod all of the pension will be reduced if taken before age 65. There is no additional pension benefit payable to any director in the event of early retirement.

[2] The transfer values shown for UK based pension benefits have been calculated in accordance with the Occupational Pension Schemes (Transfer Value) Regulations 1996. For US based pension benefits the transfer values have been determined using the same assumptions as those used for accounting disclosures. No allowance has been made in the transfer values for any discretionary benefits as there is no practice of awarding such benefits.

[3] As no director is in a contributory pension scheme no contributions have been paid. Any voluntary contributions paid by executive directors are not shown except where these are matched by the company.

[4] Messrs Carson and Sandford ceased pensionable service on 31st March 2006 and Mr MacLeod ceased pensionable service on 31st March 2011. They all now receive an annual cash payment in lieu of pension equal to 25% of base salary.

[5] Larry Pentz is a US citizen and became a member of the UK pension scheme (JMEPS) on 1st January 2006, but ceased pensionable service on 31st October 2012 and started to receive a cash payment in lieu of pension. From 1st January 2013 this cash supplement was 25% of basic salary. Prior to joining JMEPS Mr Pentz was a member of the US Johnson Matthey Inc. Salaried Employees Pension Plan (a non-contributory defined benefit arrangement) and also of a US savings plan (401k). He also has benefits in a US Supplemental Executive Retirement Plan (SERP). The pension values reported above are the aggregate for his separate membership of the UK and US pension schemes and the SERP. US entitlements have been converted to sterling by reference to exchange rates on 31st March 2012 and 31st March 2013. The sterling amounts have changed over the year as a result of exchange rate movements. Of the change in the accrued benefit and transfer value £3,588 and £39,127, respectively, is due to currency movements.

[6] Larry Pentz elected to transfer the value of his accrued UK pension benefits to a personal pension arrangement on 30th November 2012. The accrued UK pension and subsequent transfer value amount at 30th November was £53,609 p.a. and £1,400,425 respectively, including £204,425 of additional voluntary contributions (AVCs). This transfer has been taken into account in the numbers shown, such that the accrued pension and transfer values shown as at 31st March 2013 are in respect of his US pension benefits only.

The Remuneration Report was approved by the Board of Directors on 5th June 2013 and signed on its behalf by:

Michael J. Roney

Michael Roney
Chairman of the Management Development and Remuneration Committee

Other Statutory Information

For the year ended 31st March 2013 (the year) and from that date up to the date of approval of this annual report (together, the period).

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2013 Annual General Meeting (AGM)

Johnson Matthey's 2013 AGM will be held at 11.00 am on Thursday 25th July 2013 at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG.

The notice of the 2013 AGM is contained in the circular to shareholders accompanying this annual report, together with an explanation of the resolutions to be considered at the meeting. The notice of the 2013 AGM is published on the Investor Relations / Shareholder Centre / Annual General Meeting section of our website.

The business to be transacted at the meeting will include:

- To receive the company's annual accounts for the year together with the Report of the Directors and the auditor's report on those accounts.
- To receive and approve the directors' remuneration report for the year and the auditor's report on the auditable part of the directors' remuneration report.
- To declare a final dividend per ordinary share in respect of the year.
- To elect those directors appointed since the last annual general meeting and to re-elect all directors retiring at the meeting who are seeking reappointment.
- To appoint KPMG LLP as auditor of the company and to authorise the directors to determine its remuneration.
- To authorise the company (and all companies which are subsidiaries of the company) in aggregate to make political donations to political parties or independent election candidates, to make political donations to political organisations other than political parties and to incur political expenditure, provided that the combined aggregate amount of donations made and expenditure incurred does not exceed £50,000.
- To authorise the directors to exercise all the powers of the company to allot shares in the company and to grant rights to subscribe for, or to convert any security into, shares in the company up to certain limits.
- To empower the directors to dis-apply pre-emption rights when allotting equity securities for cash, subject to certain limits (special resolution).
- To authorise the company to make market purchases of its own ordinary shares, subject to certain limits and conditions (special resolution).
- To permit a general meeting of the company, other than an annual general meeting, to be called on not less than 14 clear days' notice (special resolution).

For a special resolution to be passed, where voting is conducted by poll, it must be passed by members representing at least 75% of the total voting rights of members who, being entitled to vote, do so in person or by proxy.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to exercise all or any of his or her rights to attend and to speak and vote on his or her behalf at the meeting. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the company.

Dividends

The interim dividend of 15.5 pence per share (2012 15.0 pence) was paid in February 2013.

The directors recommend a final dividend of 41.5 pence per share in respect of the year (2012 40.0 pence), making a total for the year of 57.0 pence per share (2012 55.0 pence), payable on 6th August 2013 to shareholders on the register at the close of business on 14th June 2013.

Other than as referred to under 'Employee Share Schemes' on page 134, during the period 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 (DRIP) is also available. This allows shareholders to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from our registrars, Equiniti, whose details are set out on page 195 and on the Investor Relations / Shareholder Centre section of our website.

2012 Special Dividend and Share Consolidation

At the 2012 AGM a resolution was passed to declare and pay a special dividend of 100.0 pence per share (in addition to the final dividend of 40.0 pence per share in respect of the year ended 31st March 2012). The special dividend represented a return of cash to shareholders of £212.1 million and was paid on 17th August 2012.

On 6th August 2012, combined with the payment of the special dividend, the company consolidated its share capital. The share capital consolidation replaced every 22 existing ordinary shares of 100 pence each, in issue as at the record date (3rd August 2012), with 21 new ordinary shares of 104 $^{16}/_{21}$ pence each. In connection with the share consolidation, on 6th August 2012, the company allotted one new ordinary share of 104 $^{16}/_{21}$ pence other than for cash (the new share was paid up by capitalisation of the relevant amount from the company's share premium account). The effect of the share consolidation was to reduce the number of ordinary shares in issue by 4.5%. There were no other share allotments during the year.

Share Capital and Control

Capital Structure

The issued share capital of the company at 31st March 2013 was 204,917,749 ordinary shares of 104 $^{16}/_{21}$ pence each (excluding treasury shares).

As at 31st March 2013, the company held 5,725,246 treasury shares. As a result of the share consolidation, on 6th August 2012 the company cancelled 0.2273 of a treasury share. There were no purchases, sales or transfers of treasury shares during the year.

Purchase by the Company of its Own Shares

At the 2012 AGM shareholders renewed the company's authority to make market purchases of up to 20,491,774 ordinary shares of 104 $^{16}/_{21}$ pence each, representing 10% of the issued share capital of the company (excluding treasury shares) as at 6th August 2012 immediately following the share consolidation. This authority subsisted at 31st March 2013.

During the year, Johnson Matthey did not make any purchases of its own shares or propose 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.

Since 31st March 2013 the company has not effected any purchases of its own shares, entered into any options to purchase its own shares or entered into any contracts to make such purchases (including transactions made through the market or by an offer made to all shareholders or otherwise).

Rights and Obligations Attaching to Shares

The holders of ordinary shares in Johnson Matthey are entitled to receive dividends when declared, to receive the company's annual report, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

As at 31st March 2013 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 of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. The directors may also refuse to register a transfer of ordinary shares in certificated form, which represents 0.25% or more of the issued share capital of the company, following the failure by the member or any other person appearing to be interested in the shares to provide the company with information requested under section 793 of the Companies Act 2006 (the 2006 Act).

No person holds securities in the company carrying any special rights with regard to control of the company. There are 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 are 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. As at 31st March 2013 and as at the date of approval of this annual report, 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 and Liens

During the period:

- 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 there was no person who acquired shares in the company in a 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 period, 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 period 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 JMPLY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. Contact details for BNY Mellon are set out on page 195.

Other Statutory Information continued

Employee Share Schemes

At 31st March 2013, 4,631 current and former employees, representing approximately 42% of employees worldwide, were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 3,786,506 ordinary shares (1.85% of issued share capital, excluding treasury shares). As at 31st March 2013, 137 current and former employees held options over 303,196 ordinary shares through the company's executive share option schemes. Also as at 31st March 2013, 2,574,451 ordinary shares had been allocated but had not yet vested under the company's long term incentive plan to 1,095 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 trustees of the company's employee share ownership trust (ESOT) have waived their rights to dividends on shares held by the ESOT which have not yet vested unconditionally in employees.

Interests in Voting Rights

The following information had been disclosed to the company under the Financial Conduct Authority's (FCA's) Disclosure and Transparency Rules in respect of notifiable interests in the voting rights in the company's issued share capital exceeding the 3% notification threshold:

	Nature of holding[1]	Total voting rights	% of total voting rights[2]
As at 31st March 2013:			
BlackRock, Inc.	Indirect Financial Instrument (CFD)	20,254,207 289,753	9.88% 0.14%
Ameriprise Financial, Inc.[3]	Direct Indirect	264,202 10,512,731	0.12% 4.89%
Lloyds Banking Group plc[3]	Indirect	10,731,602	4.99%
FIL Limited[3]	Indirect Financial Instrument (CFD)	10,516,934 43,890	4.89% 0.02%
From 31st March 2013 to 31st May 2013:			
Legal & General Group Plc	Direct	6,235,307	3.04%
Norges Bank	Direct	6,224,575	3.04%

[1] A person has an 'Indirect' holding of securities if they are held on its behalf or it is able to secure that rights carried by them are exercised in accordance with its instructions.

[2] Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the date of disclosure as notified to the company.

[3] Disclosures made to the company prior to the company's share capital consolidation in August 2012 (as referred to on page 133). Figures shown in the table relate to the company's pre-consolidated share capital.

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.

Contracts with Controlling Shareholders

There were no contracts of significance (as defined in the FCA's Listing Rules) subsisting during the period between any group undertaking and a controlling shareholder. There were no contracts for the provision of services to any group undertaking by a controlling shareholder subsisting during the period.

Directors

The following served as directors during the year:

- Tim Stevenson.
- Neil Carson.
- Alan Ferguson.
- Sir Thomas Harris (retired 25th July 2012).
- Robert MacLeod.
- Colin Matthews (appointed 4th October 2012).
- Larry Pentz.
- Michael Roney.
- Bill Sandford.
- Dorothy Thompson.

The biographical details of all the directors serving at 31st March 2013, including details of their relevant experience and other significant commitments, are shown on pages 92 and 93.

As announced on 20th May 2013, Odile Desforges is being appointed to the board as a non-executive director with effect from 1st July 2013.

As announced on 5th June 2013, Bill Sandford will retire from the board and John Walker will be appointed to the board as an executive director, both with effect from 9th October 2013.

Appointment and Replacement of Directors

The rules about the appointment and replacement of directors are contained in the company's Articles of Association. These include:

- The number of directors is not subject to any maximum but must not be less than six, unless otherwise determined by the company by ordinary resolution.
- Directors may be appointed by an ordinary resolution of the members or by a resolution of the directors.
- A director appointed by the directors must retire at the next annual general meeting and is not taken into account in determining the directors who are to retire by rotation at the meeting. At least one third of the board must retire by rotation at each annual general meeting.

Notwithstanding these provisions, the board has agreed that all directors will seek re-election at each annual general meeting in accordance with the UK Corporate Governance Code. At the 2013 AGM, Colin Matthews and Odile Desforges, having been appointed by the directors during the year, will be offering themselves for election and all other directors will be offering themselves for re-election.

A director may be removed by a special resolution of the company. In addition, a director must automatically cease to be a director if (i) he or she ceases to be a director by virtue of any provision of the 2006 Act or he or she becomes prohibited by law from being a director, or (ii) he or she becomes bankrupt or makes any arrangement or composition with his or her creditors generally, or (iii) he or she is suffering from a mental disorder, or (iv) he or she resigns from his or her office by notice in writing to the company or, in the case of an executive director, the appointment is terminated or expires and the directors resolve that his or her office be vacated, or (v) he or she is absent for more than six consecutive months without permission of the directors from meetings of the directors and the directors resolve that his or her office be vacated, or (vi) he or she is requested in writing, or by electronic form, by all the other directors to resign.

The Company's Articles of Association

Johnson Matthey's Articles of Association are available on the Investor Relations / Corporate Governance section of our website. These Articles of Association may only be amended by a special resolution at a general meeting of the company.

Powers of the Directors

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

The directors have been authorised by the company's Articles of Association to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each annual general meeting. Any shares so purchased by the company may be cancelled or held as treasury shares. Further information is set out under 'Purchase by the Company of its Own Shares' on page 133.

The Interests of Directors in the Company's Shares

The interests of persons who were directors of the company at 31st March 2013, and their connected persons, in the issued shares of the company (or in derivatives or other financial instruments relating to such shares) disclosed in accordance with the FCA's Listing Rules are given in the Remuneration Report on pages 129 to 131. The Remuneration Report also sets out details of any changes in those interests between 31st March 2013 and 31st May 2013.

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 period. There were no contracts of significance (as defined in the FCA's Listing Rules) subsisting during the period to which any group undertaking was a party and in which a director of the company is or was materially interested.

Change of Control

During the period 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 following a takeover bid.

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

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

The company is party to a marketing agreement with a subsidiary of Anglo American Platinum Limited, originally entered into in 1992, under which the company was appointed as sales and marketing agent for refined platinum group metals worldwide, excluding the US, and the company agreed to provide certain marketing services. The agreement contains provisions under which the counterparty may have the right to terminate the agreement on a change of control of the company. As announced on 15th February 2013, the company agreed with Anglo American Platinum Limited that the marketing agreement would continue until it expires on 31st December 2013 but would not be extended beyond that date.

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

The rules of the company's employee share schemes set out the consequences of a change of control of the company on participants' rights under the schemes. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions.

During the period there were no other agreements between the company or any subsidiary and its or their directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Other Statutory Information continued

Disabled Persons

A description of the company's policy applied during the period relating to the recruitment, employment and training of disabled employees can be found on page 91.

Employee Involvement

A description of the action taken by the company during the period relating to employee involvement can be found on pages 52 to 65.

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 can be found on pages 173 to 178.

Branches

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

Policy on Payment of Commercial Debts

The group's policy in relation to the payment of all suppliers and persons who may become suppliers is set out in its Group Control Manual, which is distributed to all group operations. The group's policy is that payment should be made within the credit terms agreed with the supplier, subject to the supplier having performed its obligations under the relevant contract. It is not the group's policy to follow any other specific code or standard on payment practice in respect of its suppliers.

At 31st March 2013, the company's aggregate level of 'creditor days' amounted to 6 days. Creditor days are calculated by dividing the aggregate of the amounts which were outstanding as trade payables at 31st March 2013 by the aggregate of the amounts the company was invoiced by suppliers during the year ended 31st March 2013 and multiplying by 365 to express the ratio as a number of days.

Charitable Donations

During the year the group donated £615,000 (2012 £645,000) to charitable organisations worldwide, of which £379,000 (2012 £378,000) was in the UK. Further information on donations made by the group worldwide are given on pages 61 to 64.

Political Donations and Expenditure

It is the policy of the group not to make political donations or incur political expenditure.

Under the 2006 Act, political donations by the company to any political parties, other political organisations or independent election candidates or the incurring by the company of political expenditure are prohibited unless authorised by shareholders in advance. Under the legislation, the terms political donation, political party, political organisation and political expenditure are capable of wide interpretation. Sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling public duties and support for bodies representing the business community in policy review or reform may fall within these definitions. During the year:

- no political donations were made by the company or its subsidiaries to any EU political party, to any other EU political organisation or to any EU independent election candidate (2012 £ nil);
- no EU political expenditure was incurred by the company or its subsidiaries (2012 £ nil); and
- no contributions were made by the company or any subsidiary to any non-EU political party (2012 £ nil).

The term 'EU' as used above applies to parties, organisations and independent election candidates that seek public office in any EU Member State and to expenditure incurred in their support or in relation to any referendum held under the laws of an EU Member State. 'Non-EU political party' means any political party which carries on, or proposes to carry on, its activities wholly outside EU Member States.

The company has no intention either now or in the future of making any political donation or incurring any political expenditure in respect of any political party, political organisation or independent election candidate. However, to avoid inadvertently contravening the 2006 Act, the board is proposing at the 2013 AGM to renew the authority, first granted by shareholders at the AGM in 2004, and renewed at each subsequent annual general meeting, for the company to make political donations and to incur political expenditure. The proposed authority will be subject to an overall aggregate limit on donations and expenditure of £50,000. As permitted under the 2006 Act, the resolution will extend to political donations made, or political expenditure incurred, by any subsidiaries of the company.

Financial Assistance Received from Government

The group received no financial assistance from government during the year.

Auditors and Disclosure of Information

KPMG has notified the company that it proposes to commence providing audit services to the company through its entity KPMG LLP, rather than through KPMP Audit Plc as at present. Accordingly, KPMG Audit Plc is not seeking re-appointment as auditor of the company when its present term of office expires at the end of the 2013 AGM and resolutions are to be proposed at the AGM for the appointment of KPMG LLP as auditor of the company and to authorise the directors to determine its remuneration.

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

Management Report

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

The Report of the Directors (including the Corporate Governance Report) was approved by the board on 5th June 2013 and is signed on its behalf by:

S. Farrant

Simon Farrant
Company Secretary

Responsibility 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 that 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 applicable law and have elected to prepare the parent company accounts on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the directors are also responsible for preparing a directors' report, directors' 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.

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 on pages 92 and 93, 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 Report of the Directors) 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 5th June 2013 and is signed on its behalf by:

Tim Stevenson
Chairman

- Our high precision fabricated products are used in components for medical devices such as cardiac pacemakers.

Global Drivers

Driving Demand for Pain Management and Medical Device Components

"The global population is increasing and ageing. The average age looks set to continue to rise and people around the world are living longer and leading unhealthier lifestyles. Unfortunately, as a result, they are likely to suffer from more chronic diseases and illnesses. As economies, particularly in Asia, continue to develop, governments there are increasingly able to provide improved healthcare. In the west, budget deficits are forcing governments to control their spend in all areas, including healthcare, and as a consequence there is a shift away from branded drugs, in favour of lower cost generic medicines.

These global trends will positively impact the need for pharmaceutical products, especially those to manage pain, and minimally invasive surgical procedures which are used to treat conditions such as heart disease, chronic pain, hypertension, hearing impairments and neurological disorders. These, in turn, will drive demand for a number of Johnson Matthey's products.

We have leading positions in narcotic based pain therapy and are well placed to benefit from global industry drivers over the coming years. The majority of our sales today are to customers in the US and Europe, but there are opportunities for future growth in emerging markets.

Our high precision products, which are used in components for medical devices such as cardiac pacemakers, play an important part in enabling more efficient surgical procedures that are also more comfortable for both patient and practitioner.

As the ageing population continues to grow, Johnson Matthey is well positioned to respond to increased demand for the pain management products and medical device components which help deliver quality of life benefits for many people around the world."

→ SUPPORTING OUR STRATEGY

– GLOBAL DRIVERS

This section includes the consolidated and parent company accounts and related notes, as well as the independent auditor's report on the financial accounts.

ACCOUNTS

.07

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Consolidated Income Statement

for the year ended 31st March 2013

	Notes	2013 £ million	2012 £ million
Revenue	1,2	10,728.8	12,023.2
Cost of sales		(10,024.9)	(11,270.2)
Gross profit		703.9	753.0
Distribution costs		(125.1)	(119.8)
Administrative expenses		(164.0)	(183.1)
Major impairment and restructuring charges	3	(17.4)	–
Amortisation of acquired intangibles	4	(16.9)	(16.7)
Operating profit	1,6	380.5	433.4
Finance costs	7	(33.8)	(35.4)
Finance income	8	8.2	11.3
Profit before tax		354.9	409.3
Income tax expense	9	(79.1)	(93.9)
Profit for the year		275.8	315.4
Attributable to:			
Owners of the parent company		276.5	315.9
Non-controlling interests		(0.7)	(0.5)
		275.8	315.4
		pence	pence
Earnings per ordinary share attributable to the equity holders of the parent company			
Basic	11	134.6	148.7
Diluted	11	133.5	146.9

Consolidated Statement of Total Comprehensive Income

for the year ended 31st March 2013

	Notes	2013 £ million	2012 £ million
Profit for the year		275.8	315.4
Other comprehensive income:			
Currency translation differences	31	22.2	(53.7)
Cash flow hedges	31	(15.6)	6.1
Fair value (losses) / gains on net investment hedges	31	(4.3)	23.7
Fair value loss on available-for-sale investments		(0.3)	–
Actuarial loss on post-employment benefits assets and liabilities	14	(97.9)	(70.6)
Tax on above items taken directly to or transferred from equity	32	25.8	18.7
Other comprehensive (expense) / income for the year		(70.1)	(75.8)
Total comprehensive income for the year		205.7	239.6
Attributable to:			
Owners of the parent company		206.1	240.1
Non-controlling interests		(0.4)	(0.5)
		205.7	239.6

The notes on pages 149 to 186 form an integral part of the accounts.

Consolidated and Parent Company Balance Sheets

as at 31st March 2013

	Notes	Group 2013 £ million	Group 2012 £ million	Parent company 2013 £ million	Parent company 2012 £ million
Assets					
Non-current assets					
Property, plant and equipment	15	**993.5**	909.5	**247.3**	235.7
Goodwill	16	**585.3**	519.5	**110.5**	110.5
Other intangible assets	17	**212.8**	127.8	**5.9**	5.4
Investments in subsidiaries	18	**–**	–	**1,611.3**	1,546.2
Deferred income tax assets	29	**20.3**	25.4	**11.9**	14.2
Available-for-sale investments	19	**57.9**	8.0	**–**	–
Interest rate swaps	24	**27.1**	29.3	**27.1**	29.3
Other receivables	21	**4.7**	3.0	**573.6**	387.7
Post-employment benefit net assets	14	**1.9**	2.0	**–**	–
Total non-current assets		**1,903.5**	1,624.5	**2,587.6**	2,329.0
Current assets					
Inventories	20	**665.9**	630.8	**109.4**	164.4
Current income tax assets		**15.1**	11.5	**–**	–
Trade and other receivables	21	**873.1**	847.1	**1,023.5**	1,009.6
Cash and cash equivalents – cash and deposits	24	**70.0**	139.1	**6.0**	78.0
Other financial assets	25	**5.7**	11.6	**8.1**	11.2
Total current assets		**1,629.8**	1,640.1	**1,147.0**	1,263.2
Total assets		**3,533.3**	3,264.6	**3,734.6**	3,592.2
Liabilities					
Current liabilities					
Trade and other payables	22	**(733.5)**	(710.7)	**(1,595.1)**	(1,554.4)
Current income tax liabilities		**(106.7)**	(103.1)	**(9.4)**	(5.5)
Cash and cash equivalents – bank overdrafts	24	**(48.2)**	(35.8)	**(59.7)**	(65.9)
Other borrowings and finance leases	24	**(273.8)**	(56.4)	**(254.9)**	(40.3)
Other financial liabilities	26	**(11.3)**	(4.5)	**(10.7)**	(4.8)
Provisions	28	**(19.8)**	(34.0)	**(6.2)**	(17.1)
Total current liabilities		**(1,193.3)**	(944.5)	**(1,936.0)**	(1,688.0)
Non-current liabilities					
Borrowings, finance leases and related swaps	24	**(610.3)**	(530.4)	**(610.2)**	(530.1)
Deferred income tax liabilities	29	**(56.5)**	(53.4)	**–**	–
Employee benefit obligations	14	**(247.9)**	(171.4)	**(125.8)**	(96.6)
Provisions	28	**(29.2)**	(28.8)	**(14.0)**	(12.6)
Other payables	22	**(3.6)**	(4.3)	**(8.5)**	(23.3)
Total non-current liabilities		**(947.5)**	(788.3)	**(758.5)**	(662.6)
Total liabilities		**(2,140.8)**	(1,732.8)	**(2,694.5)**	(2,350.6)
Net assets		**1,392.5**	1,531.8	**1,040.1**	1,241.6
Equity					
Share capital	30	**220.7**	220.7	**220.7**	220.7
Share premium account		**148.3**	148.3	**148.3**	148.3
Shares held in employee share ownership trust (ESOT)		**(51.7)**	(50.2)	**(51.7)**	(50.2)
Other reserves	33	**48.1**	43.0	**(3.6)**	6.8
Retained earnings		**1,028.5**	1,169.6	**726.4**	916.0
Total equity attributable to owners of the parent company		**1,393.9**	1,531.4	**1,040.1**	1,241.6
Non-controlling interests		**(1.4)**	0.4	**–**	–
Total equity		**1,392.5**	1,531.8	**1,040.1**	1,241.6

The accounts were approved by the Board of Directors on 5th June 2013 and signed on its behalf by:

N A P Carson
R J MacLeod
Directors

The notes on pages 149 to 186 form an integral part of the accounts.

Consolidated and Parent Company Cash Flow Statements

for the year ended 31st March 2013

		Group		Parent company	
	Notes	**2013 £ million**	2012 £ million	**2013 £ million**	2012 £ million
Cash flows from operating activities					
Profit before tax		**354.9**	409.3	**226.3**	199.2
Adjustments for:					
Depreciation, amortisation, impairment losses and profit on sale of non-current assets and investments		**149.6**	146.8	**32.8**	30.9
Share-based payments		**7.9**	12.8	**6.0**	7.7
(Increase) / decrease in inventories		**(11.6)**	(88.9)	**55.1**	(9.7)
(Increase) / decrease in receivables		**(2.1)**	24.5	**(199.9)**	(80.0)
(Decrease) / increase in payables		**(22.1)**	55.4	**43.5**	237.1
(Decrease) / increase in provisions		**(16.2)**	(19.2)	**(9.6)**	14.0
Contributions in excess of employee benefit obligations charge		**(26.2)**	(30.9)	**(20.5)**	(30.0)
Changes in fair value of financial instruments		**(3.0)**	(0.7)	**(3.6)**	(0.3)
Dividends received from subsidiaries		**–**	–	**(75.4)**	(80.8)
Net finance costs		**25.6**	24.1	**(14.4)**	(20.3)
Income tax paid		**(60.7)**	(68.8)	**(15.2)**	(4.2)
Net cash inflow from operating activities		**396.1**	464.4	**25.1**	263.6
Cash flows from investing activities					
Dividends received from subsidiaries		**–**	–	**75.4**	80.8
Purchases of non-current assets and investments	34	**(234.2)**	(150.7)	**(109.9)**	(34.5)
Proceeds from sale of non-current assets and investments		**1.4**	8.3	**0.7**	–
Purchases of businesses	34	**(149.6)**	0.6	**–**	–
Net cash (outflow) / inflow from investing activities		**(382.4)**	(141.8)	**(33.8)**	46.3
Cash flows from financing activities					
Net cost of ESOT transactions in own shares	34	**(23.9)**	(25.7)	**(23.9)**	(25.7)
Proceeds from / (repayment of) borrowings and finance leases	34	**280.2**	(166.4)	**278.3**	(147.0)
Dividends paid to equity holders of the parent company	10	**(328.4)**	(103.1)	**(328.4)**	(103.1)
Settlement of currency swaps for net investment hedging		**2.7**	8.8	**2.7**	8.8
Interest paid		**(35.2)**	(34.0)	**(43.1)**	(47.6)
Interest received		**7.5**	11.4	**57.3**	67.8
Net cash outflow from financing activities		**(97.1)**	(309.0)	**(57.1)**	(246.8)
(Decrease) / increase in cash and cash equivalents in the year		**(83.4)**	13.6	**(65.8)**	63.1
Exchange differences on cash and cash equivalents		**1.9**	(4.7)	**–**	–
Cash and cash equivalents at beginning of year		**103.3**	94.4	**12.1**	(51.0)
Cash and cash equivalents at end of year	35	**21.8**	103.3	**(53.7)**	12.1
Reconciliation to net debt					
(Decrease) / increase in cash and cash equivalents in the year		**(83.4)**	13.6	**(65.8)**	63.1
(Proceeds from) / repayment of borrowings and finance leases		**(280.2)**	166.4	**(278.3)**	147.0
Change in net debt resulting from cash flows		**(363.6)**	180.0	**(344.1)**	210.1
Borrowings acquired with subsidiaries		**(0.5)**	–	**–**	–
Exchange differences on net debt		**(16.9)**	5.2	**(18.6)**	10.0
Movement in net debt in year		**(381.0)**	185.2	**(362.7)**	220.1
Net debt at beginning of year		**(454.2)**	(639.4)	**(529.0)**	(749.1)
Net debt at end of year	24	**(835.2)**	(454.2)	**(891.7)**	(529.0)

The notes on pages 149 to 186 form an integral part of the accounts.

Consolidated Statement of Changes in Equity

for the year ended 31st March 2013

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 33) £ million	Retained earnings £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1st April 2011	220.7	148.3	(35.8)	68.3	1,001.2	1,402.7	1.1	1,403.8
Profit for the year	–	–	–	–	315.9	315.9	(0.5)	315.4
Actuarial loss on post-employment benefits	–	–	–	–	(70.6)	(70.6)	–	(70.6)
Cash flow hedges	–	–	–	6.1	–	6.1	–	6.1
Net investment hedges	–	–	–	23.7	–	23.7	–	23.7
Currency translation differences	–	–	–	(53.7)	–	(53.7)	–	(53.7)
Tax on other comprehensive income	–	–	–	(1.4)	20.1	18.7	–	18.7
Total comprehensive income	–	–	–	(25.3)	265.4	240.1	(0.5)	239.6
Dividends paid (note 10)	–	–	–	–	(103.1)	(103.1)	(0.2)	(103.3)
Purchase of shares by ESOT	–	–	(37.0)	–	–	(37.0)	–	(37.0)
Share-based payments	–	–	–	–	18.8	18.8	–	18.8
Cost of shares transferred to employees	–	–	22.6	–	(17.4)	5.2	–	5.2
Tax on share-based payments	–	–	–	–	4.7	4.7	–	4.7
At 31st March 2012	220.7	148.3	(50.2)	43.0	1,169.6	1,531.4	0.4	1,531.8
Profit for the year	–	–	–	–	276.5	276.5	(0.7)	275.8
Actuarial loss on post-employment benefits	–	–	–	–	(97.9)	(97.9)	–	(97.9)
Cash flow hedges	–	–	–	(15.6)	–	(15.6)	–	(15.6)
Net investment hedges	–	–	–	(4.3)	–	(4.3)	–	(4.3)
Available-for-sale investments	–	–	–	(0.3)	–	(0.3)	–	(0.3)
Currency translation differences	–	–	–	21.9	–	21.9	0.3	22.2
Tax on other comprehensive income	–	–	–	3.4	22.4	25.8	–	25.8
Total comprehensive income	–	–	–	5.1	201.0	206.1	(0.4)	205.7
Dividends paid (note 10)	–	–	–	–	(328.4)	(328.4)	(0.2)	(328.6)
Purchase of non-controlling interest (note 39)	–	–	–	–	–	–	(1.2)	(1.2)
Purchase of shares by ESOT	–	–	(28.6)	–	–	(28.6)	–	(28.6)
Share-based payments	–	–	–	–	14.3	14.3	–	14.3
Cost of shares transferred to employees	–	–	27.1	–	(28.1)	(1.0)	–	(1.0)
Tax on share-based payments	–	–	–	–	0.1	0.1	–	0.1
At 31st March 2013	**220.7**	**148.3**	**(51.7)**	**48.1**	**1,028.5**	**1,393.9**	**(1.4)**	**1,392.5**

The notes on pages 149 to 186 form an integral part of the accounts.

Parent Company Statement of Changes in Equity

for the year ended 31st March 2013

	Share capital £ million	Share premium account £ million	Shares held in ESOT £ million	Other reserves (note 33) £ million	Retained earnings £ million	Total equity £ million
At 1st April 2011	220.7	148.3	(35.8)	1.8	870.3	1,205.3
Profit for the year	–	–	–	–	183.4	183.4
Actuarial loss on post-employment benefits	–	–	–	–	(53.3)	(53.3)
Cash flow hedges	–	–	–	6.7	–	6.7
Currency translation differences	–	–	–	(0.1)	–	(0.1)
Tax on other comprehensive income	–	–	–	(1.6)	14.6	13.0
Total comprehensive income	–	–	–	5.0	144.7	149.7
Dividends paid (note 10)	–	–	–	–	(103.1)	(103.1)
Purchase of shares by ESOT	–	–	(37.0)	–	–	(37.0)
Share-based payments	–	–	–	–	16.2	16.2
Cost of shares transferred to employees	–	–	22.6	–	(14.8)	7.8
Tax on share-based payments	–	–	–	–	2.7	2.7
At 31st March 2012	220.7	148.3	(50.2)	6.8	916.0	1,241.6
Profit for the year	–	–	–	–	196.8	196.8
Actuarial loss on post-employment benefits	–	–	–	–	(49.6)	(49.6)
Cash flow hedges	–	–	–	(12.6)	–	(12.6)
Currency translation differences	–	–	–	(0.6)	–	(0.6)
Tax on other comprehensive income	–	–	–	2.8	5.4	8.2
Total comprehensive income	–	–	–	(10.4)	152.6	142.2
Dividends paid (note 10)	–	–	–	–	(328.4)	(328.4)
Purchase of shares by ESOT	–	–	(28.6)	–	–	(28.6)
Share-based payments	–	–	–	–	11.5	11.5
Cost of shares transferred to employees	–	–	27.1	–	(25.4)	1.7
Tax on share-based payments	–	–	–	–	0.1	0.1
At 31st March 2013	**220.7**	**148.3**	**(51.7)**	**(3.6)**	**726.4**	**1,040.1**

The notes on pages 149 to 186 form an integral part of the accounts.

Accounting Policies

for the year ended 31st March 2013

The group's and parent company's significant accounting policies, together with the judgments made by management in applying those policies which have the most significant effect on the amounts recognised in the accounts, are:

Basis of accounting and preparation

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or the Standing Interpretations Committee (SIC) as adopted by the European Union. For Johnson Matthey, there are no differences between IFRS as adopted by the European Union and full IFRS as published by the International Accounting Standards Board (IASB) and so the accounts comply with IFRS.

The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value as explained below.

The parent company has not presented its own income statement, statement of total comprehensive income and related notes as permitted by section 408 of the Companies Act 2006.

Basis of consolidation

The consolidated accounts comprise the accounts of the parent company and all its subsidiaries, including the employee share ownership trust.

Entities over which the group has the ability to exercise control are accounted for as subsidiaries. Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies.

The results of businesses acquired or disposed of in the year are consolidated from or up to the effective date of acquisition or disposal respectively. The net assets of businesses acquired are incorporated in the consolidated accounts at their fair values at the date of acquisition.

Foreign currencies

Foreign currency transactions are recorded in the functional currency of the relevant subsidiary or branch at the exchange rate at the date of transaction. Foreign currency monetary assets and liabilities are retranslated into the relevant functional currency at the exchange rate at the balance sheet date.

Income statements and cash flows of overseas subsidiaries and branches are translated into sterling at the average rates for the year. Balance sheets of overseas subsidiaries and branches, including any fair value adjustments and including related goodwill, are translated into sterling at the exchange rates at the balance sheet date.

Exchange differences arising on the translation of the net investment in overseas subsidiaries and branches, less exchange differences arising on related foreign currency financial instruments which hedge the group's net investment in these operations, are taken to other comprehensive income. On disposal of the net investment the cumulative exchange difference is reclassified from equity to operating profit. The group has taken advantage of the exemption allowed in IFRS 1 – 'First-time Adoption of International Reporting Standards' to deem the cumulative translation difference for all overseas subsidiaries and branches to be zero at 1st April 2004.

Other exchange differences are taken to operating profit.

Revenue

Revenue comprises all sales of goods and rendering of services at the fair value of consideration received or receivable after the deduction of any trade discounts and excluding sales taxes. Revenue is recognised when it can be measured reliably and the significant risks and rewards of ownership are transferred to the customer. With the sale of goods, this occurs when the goods are despatched or made available to the customer, except for the sale of consignment products located at customers' premises where revenue is recognised on notification that the product has been used. With the rendering of services, revenue is recognised by reference to the stage of completion as measured by the proportion that costs incurred to date bear to the estimated total costs. With royalties and licence income, revenue is recognised in accordance with the substance of the relevant agreement.

Long term contracts

Where the outcome of a long term contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion. This is measured by the proportion that contract costs incurred to date bear to the estimated total contract costs.

Where the outcome of a long term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Finance costs and finance income

Finance costs that are directly attributable to the construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other finance costs and finance income are recognised in the income statement in the year incurred.

Grants

Grants related to assets are included in deferred income and released to the income statement in equal instalments over the expected useful lives of the related assets. Grants related to income are deducted in reporting the related expense.

Accounting Policies

for the year ended 31st March 2013

Research and development

Research expenditure is charged to the income statement in the year incurred.

Development expenditure is charged to the income statement in the year incurred unless it meets the IFRS recognition criteria for capitalisation. When the recognition criteria have been met any further development expenditure is capitalised as an intangible asset.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its useful life. Certain freehold buildings and plant and equipment are depreciated using the units of production method, as this more closely reflects their expected consumption. All other assets are depreciated using the straight line method. The useful lives vary according to the class of the asset, but are typically: leasehold property 30 years (or the life of the lease if shorter); freehold buildings 30 years; and plant and equipment 4 to 10 years. Freehold land is not depreciated.

Goodwill

Goodwill arises on the acquisition of a business when the fair value of the consideration given exceeds the fair value attributed to the net assets acquired (including contingent liabilities). It is subject to annual impairment reviews. Acquisition-related costs are charged to the income statement as incurred.

The group and parent company have taken advantage of the exemption allowed under IFRS 1 and so goodwill arising on acquisitions made before 1st April 2004 is included at the carrying amount at that date less any subsequent impairments.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provisions for impairment. They are amortised in accordance with the relevant income stream or by using the straight line method over the useful lives from the time they are first available for use. The estimated useful lives vary according to the specific asset but are typically: 1 to 15 years for customer contracts and relationships; 3 to 8 years for capitalised computer software; 3 to 20 years for patents, trademarks and licences; 4 to 10 years for acquired research and technology; and 3 to 8 years for capitalised development currently being amortised.

Intangible assets which are not yet being amortised are subject to annual impairment reviews.

Investments in subsidiaries

Investments in subsidiaries are stated in the parent company's balance sheet at cost less any provisions for impairment. If a distribution is received from a subsidiary then the investment in that subsidiary is assessed for an indication of impairment.

Leases

Leases are classified as finance leases whenever they transfer substantially all the risks and rewards of ownership to the group. The assets are included in property, plant and equipment and the capital elements of the leasing commitments are shown as obligations under finance leases. The assets are depreciated on a basis consistent with similar owned assets or the lease term if shorter. The interest element of the lease rental is included in the income statement.

All other leases are classified as operating leases and the lease costs are expensed on a straight line basis over the lease term.

Precious metal inventories

Inventories of gold, silver and platinum group metals are valued according to the source from which the metal is obtained. Metal which has been purchased and committed to future sales to customers or hedged in metal markets is valued at the price at which it is contractually committed or hedged, adjusted for unexpired contango and backwardation. Other precious metal inventories owned by the group, which are unhedged, are valued at the lower of cost and net realisable value using the weighted average cost formula.

Other inventories

Non-precious metal inventories are valued at the lower of cost, including attributable overheads, and net realisable value. Except where costs are specifically identified, the first-in, first-out or weighted average cost formulae are used to value inventories.

Cash and cash equivalents

Cash and deposits comprise cash at bank and in hand, including short term deposits with a maturity date of three months or less from the date of acquisition. The group and parent company routinely use short term bank overdraft facilities, which are repayable on demand, as an integral part of their cash management policy. Therefore cash and cash equivalents in the cash flow statements are cash and deposits less bank overdrafts. Offset arrangements across group businesses have been applied to arrive at the net cash and overdraft figures.

Accounting Policies

for the year ended 31st March 2013

Derivative financial instruments

The group and parent company use derivative financial instruments, in particular forward currency contracts and currency swaps, to manage the financial risks associated with their underlying business activities and the financing of those activities. The group and parent company do not undertake any trading activity in derivative financial instruments.

Derivative financial instruments are measured at their fair value. Derivative financial instruments may be designated at inception as fair value hedges, cash flow hedges or net investment hedges if appropriate. Derivative financial instruments which are not designated as hedging instruments are classified under IFRS as held for trading, but are used to manage financial risk.

Changes in the fair value of any derivative financial instruments that are not designated as or are not determined to be effective hedges are recognised immediately in the income statement.

Changes in the fair value of derivative financial instruments designated as fair value hedges are recognised in the income statement, together with the related changes in the fair value of the hedged asset or liability. Fair value hedge accounting is discontinued if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked.

Changes in the fair value of derivative financial instruments designated as cash flow hedges are recognised in other comprehensive income, to the extent that the hedges are effective. Ineffective portions are recognised in the income statement immediately. If the hedged item results in the recognition of a non-financial asset or liability, the amount previously recognised in other comprehensive income is transferred out of equity and included in the initial carrying amount of the asset or liability. Otherwise, the amount previously recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item is recognised in the income statement. If the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the designation is revoked, amounts previously recognised in other comprehensive income remain in equity until the forecast transaction occurs. If a forecast transaction is no longer expected to occur, the amounts previously recognised in other comprehensive income are transferred to the income statement.

For hedges of net investments in foreign operations, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are reclassified from equity to the income statement when the foreign operations are sold.

Other financial instruments

All other financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement is as follows:

- Unhedged borrowings are measured at amortised cost.
- Available-for-sale investments, which are investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, are measured at cost.
- Other available-for-sale investments are measured at fair value with interest calculated using the effective interest method recognised in financial income and the remaining gain or loss recognised in other comprehensive income until the investment is derecognised. At that time the cumulative gain or loss recognised in other comprehensive income will be transferred from equity to operating profit.
- All other financial assets and liabilities, including short term receivables and payables, are measured at amortised cost less any impairment provision.

Taxation

Current and deferred tax are recognised in the income statement, except when they relate to items recognised directly in equity when the related tax is also recognised in equity.

Current tax is the amount of income tax expected to be paid in respect of taxable profits using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the balance sheet. It is provided using the tax rates that are expected to apply in the period when the asset or liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. No deferred tax asset or liability is recognised in respect of temporary differences associated with investments in subsidiaries and branches where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Provisions and contingencies

Provisions are recognised when the group has a present obligation as a result of a past event and a reliable estimate can be made of a probable adverse outcome, for example warranties, environmental claims and restructurings. Otherwise, material contingent liabilities are disclosed unless the transfer of economic benefits is remote. Contingent assets are only disclosed if an inflow of economic benefits is probable.

The parent company considers financial guarantees of its subsidiaries' borrowings and precious metal leases to be insurance contracts. These are treated as contingent liabilities unless it becomes probable that it will be required to make a payment under the guarantee.

Accounting Policies

for the year ended 31st March 2013

Share-based payments and employee share ownership trust (ESOT)

The fair value of outstanding shares allocated to employees under the long term incentive plan is calculated by adjusting the share price on the date of allocation for the present value of the expected dividends that will not be received. The resulting cost is charged to the income statement over the relevant vesting periods, adjusted to reflect actual and expected levels of vesting where appropriate.

The group and parent company provide finance to the ESOT to purchase company shares in the open market. Costs of running the ESOT are charged to the income statement. The cost of shares held by the ESOT is deducted in arriving at equity until they vest unconditionally with employees.

Pensions and other post-employment benefits

The group operates a number of contributory and non-contributory plans, mainly of the defined benefit type, which require contributions to be made to separately administered funds.

The costs of the defined contribution plans are charged to the income statement as they fall due.

For defined benefit plans, the group and parent company recognise the net assets or liabilities of the plans in their balance sheets. Obligations are measured at present value using the projected unit credit method and a discount rate reflecting yields on high quality corporate bonds. Assets are measured at their fair value at the balance sheet date. The changes in plan assets and liabilities, based on actuarial advice, are recognised as follows:

- The current service cost is spread over the period during which benefit is expected to be derived from the employees' services based on the most recent actuarial valuation and is deducted in arriving at operating profit.
- The interest cost, based on the discount rate at the beginning of the year and the present value of the defined benefit obligation during the year, is included in operating profit.
- The expected return on plan assets, based on market expectations at the beginning of the year for returns over the entire life of the related obligation and amended for changes in the fair value of plan assets as a result of contributions paid in and benefits paid out, is included in operating profit.
- Actuarial gains and losses, representing differences between the expected return and actual return on plan assets and reimbursement rights, differences between actuarial assumptions underlying the plan liabilities and actual experience during the year, and changes in actuarial assumptions, are recognised in other comprehensive income in the year they occur.
- Past service costs are spread evenly over the period in which the increases in benefit vest and are deducted in arriving at operating profit. If an increase in benefits vests immediately, the cost is recognised immediately.
- Gains or losses arising from settlements or curtailments are included in operating profit.

Standards and interpretations adopted in the year

During the year, Amendments to IFRS 7 – 'Disclosures – Transfers of Financial Assets', Amendments to IAS 12 – 'Deferred Tax: Recovery of Underlying Assets' and Amendments to IFRS 1 – 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' were adopted. There was no material impact on the reported results or financial position of the group and parent company.

Standards and interpretations issued but not yet applied

The impact of the adoption of IFRS 9 – 'Financial Instruments', Amendments to IFRS 9 and IFRS 7 – 'Mandatory Effective Date and Transition Disclosures', IFRS 10 – 'Consolidated Financial Statements', IFRS 11 – 'Joint Arrangements', IFRS 12 – 'Disclosure of Interests in Other Entities' and IFRS 13 – 'Fair Value Measurement' and the revised IAS 27 – 'Separate Financial Statements' and IAS 28 – 'Investments in Associates and Joint Ventures' are still being evaluated.

IAS 19 – 'Employee Benefits' was revised in June 2011 and is applicable for periods beginning on or after 1st January 2013 and so will be applied for the year starting 1st April 2013. It removes the 'corridor approach' for recognising actuarial gains and losses and eliminates options for presenting gains and losses which will have no effect on the group and parent company. It also amends the disclosures and requires the replacement of the expected return on plan assets and interest cost on plan obligations with net interest on the net defined benefit liability based on the discount rate. In addition, past service costs will no longer be spread over the vesting period but will be immediately expensed. The group has decided that it will include net interest on the net defined benefit liabilities in finance costs. Had the standard been applied for the year ended 31st March 2013, the group's operating profit would have increased by £1.3 million, its net finance costs increased by £7.6 million and its employee benefit obligations decreased by £2.1 million. This would have decreased the earnings per share (basic, diluted and underlying) by 2.3p. The parent company's profit for the year would have decreased by £3.2 million with no effect on its employee benefit obligations. It is estimated that for the year ending 31st March 2014, the group's operating profit will increase by £1.5 million and its net finance costs increase by £10.5 million. The parent company's profit for the year is estimated to decrease by £3.9 million.

The effects of any standards and interpretations amended or issued after 30th April 2013 have not yet been evaluated.

The group and parent company do not consider that any other standards or interpretations issued by the IASB but not yet applicable will have a significant impact on their reported results or net assets.

Notes on the Accounts

for the year ended 31st March 2013

1 Segmental information

For management purposes, the group is organised into three operating divisions – Environmental Technologies, Precious Metal Products and Fine Chemicals and each division is represented by a director on the Board of Directors. These operating divisions represent the group's segments. Their principal activities are described on pages 30 to 46. The performance of the divisions is assessed by the Board of Directors on underlying operating profit, which is before amortisation of acquired intangibles, major impairment and restructuring charges and profit or loss on disposal of businesses. Each division is also assessed on sales excluding precious metals including inter-segment sales. Sales between segments are made at market prices, taking into account the volumes involved.

Year ended 31st March 2013

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Revenue from external customers	2,925.1	7,520.1	283.6	–	10,728.8
Inter-segment revenue	76.1	970.9	2.7	(1,049.7)	–
Total revenue	3,001.2	8,491.0	286.3	(1,049.7)	10,728.8
External sales excluding the value of precious metals	1,896.3	504.6	274.8	–	2,675.7
Inter-segment sales	7.6	43.4	2.6	(53.6)	–
Sales excluding the value of precious metals	1,903.9	548.0	277.4	(53.6)	2,675.7
Segmental underlying operating profit	226.0	147.1	71.1	–	444.2
Unallocated corporate expenses					(29.4)
Underlying operating profit					414.8
Major impairment and restructuring charges (note 3)					(17.4)
Amortisation of acquired intangibles (note 4)					(16.9)
Operating profit					380.5
Net finance costs					(25.6)
Profit before tax					354.9
Segmental net assets	1,674.4	425.7	422.7	–	2,522.8
Net debt					(835.2)
Post-employment benefits net assets and liabilities					(246.0)
Deferred income tax assets and liabilities					(36.2)
Provisions and non-current other payables					(52.6)
Unallocated corporate net assets					39.7
Total net assets					1,392.5
Segmental capital expenditure	117.4	40.7	20.4	–	178.5
Other additions to non-current assets (excluding financial assets, deferred tax assets and post-employment benefits net assets)	163.8	2.5	0.7	–	167.0
Segmental total additions to non-current assets	281.2	43.2	21.1	–	345.5
Corporate capital expenditure					13.5
Total additions to non-current assets					359.0
Segment depreciation and amortisation	80.7	24.1	17.9	–	122.7
Corporate depreciation					3.9
Amortisation of acquired intangibles (note 4)					16.9
Total depreciation and amortisation					143.5

Notes on the Accounts

for the year ended 31st March 2013

1 Segmental information (continued)

Year ended 31st March 2012

	Environmental Technologies £ million	Precious Metal Products £ million	Fine Chemicals £ million	Eliminations £ million	Total £ million
Revenue from external customers	3,123.6	8,609.4	290.2	–	12,023.2
Inter-segment revenue	131.0	1,232.0	2.2	(1,365.2)	–
Total revenue	3,254.6	9,841.4	292.4	(1,365.2)	12,023.2
External sales excluding the value of precious metals	1,861.9	534.3	282.4	–	2,678.6
Inter-segment sales	13.8	47.7	2.3	(63.8)	–
Sales excluding the value of precious metals	1,875.7	582.0	284.7	(63.8)	2,678.6
Segmental underlying operating profit	211.8	200.8	69.7	–	482.3
Unallocated corporate expenses					(32.2)
Underlying operating profit					450.1
Amortisation of acquired intangibles (note 4)					(16.7)
Operating profit					433.4
Net finance costs					(24.1)
Profit before tax					409.3
Segmental net assets	1,448.6	324.6	418.8	–	2,192.0
Net debt					(454.2)
Post-employment benefits net assets and liabilities					(169.4)
Deferred income tax assets and liabilities					(28.0)
Provisions and non-current other payables					(67.1)
Unallocated corporate net assets					58.5
Total net assets					1,531.8
Segmental capital expenditure	97.1	31.6	15.8	–	144.5
Other additions to non-current assets (excluding financial assets, deferred tax assets and post-employment benefits net assets)	0.3	–	–	(0.3)	–
Segmental total additions to non-current assets	97.4	31.6	15.8	(0.3)	144.5
Corporate capital expenditure					5.1
Total additions to non-current assets					149.6
Segment depreciation and amortisation	82.8	22.6	17.4	–	122.8
Corporate depreciation					3.3
Amortisation of acquired intangibles (note 4)					16.7
Total depreciation and amortisation					142.8

The group received £1,435.4 million of revenue from one external customer (2012 £1,690.0 million) which is 13% (2012 14%) of the group's revenue from external customers. The revenue is reported in Precious Metal Products as it is generated by the group's platinum marketing and distribution activities and so has a very low return on sales.

Notes on the Accounts

for the year ended 31st March 2013

1 Segmental information (continued)

The group's country of domicile is the UK. Revenue from external customers is based on the customer's location. Non-current assets are based on the location of the assets and exclude financial assets, deferred tax assets and post-employment benefits net assets.

	Revenue from external customers		Non-current assets	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
UK	**2,818.5**	3,534.4	**698.2**	665.3
Germany	**679.5**	869.4	**220.7**	227.9
Rest of Europe	**1,177.3**	1,379.7	**269.7**	97.2
USA	**3,096.0**	2,896.9	**369.3**	343.3
Rest of North America	**85.4**	126.8	**26.8**	16.0
China (including Hong Kong)	**1,527.0**	1,497.4	**62.1**	51.8
Rest of Asia	**846.0**	1,027.4	**121.0**	123.8
Rest of World	**499.1**	691.2	**28.3**	34.3
Total	**10,728.8**	12,023.2	**1,796.1**	1,559.6

2 Revenue

	2013 £ million	2012 £ million
Sale of goods	**10,482.1**	11,771.9
Rendering of services	**193.2**	193.1
Royalties and licence income	**53.5**	58.2
Total revenue	**10,728.8**	12,023.2

3 Major impairment and restructuring charges

During the year ended 31st March 2013 the group commenced a restructuring of its global active pharmaceutical ingredient (API) manufacturing business. This gave rise to a pre-tax impairment and restructuring charge of £14.2 million.

During the year ended 31st March 2013 the group liquidated an Irish subsidiary and an Australian subsidiary and so reclassified £4.6 million of cumulative exchange losses from equity to major impairment and restructuring charges.

During the year ended 31st March 2011 the group announced it was starting consultation with the Works Council about the closure of its autocatalyst facility in Brussels. The plant ceased production in July 2011, the closure of the site then commenced and was completed during the year ended 31st March 2013. This gave rise to a pre-tax impairment and restructuring charge of £57.0 million estimated in the year ended 31st March 2011. £1.4 million was credited to major impairment and restructuring charges in the year ended 31st March 2013.

These are excluded from underlying operating profit.

4 Amortisation of acquired intangibles

The amortisation of intangible assets which arise on the acquisition of businesses, together with any subsequent impairment of these intangible assets, is shown separately on the face of the income statement. It is excluded from underlying operating profit.

Notes on the Accounts

for the year ended 31st March 2013

5 Fees payable to auditors

	2013		2012	
	£ million	£ million	£ million	£ million
Fees payable to the company's auditor for the audit of the company's annual accounts		**0.5**		0.5
Fees payable to the company's auditor and its associates for other services:				
– the audit of the company's subsidiaries, pursuant to legislation	**1.2**		1.1	
– audit-related assurance services	**0.1**		0.1	
– tax compliance services	**0.2**		0.2	
– tax advisory services	**0.1**		0.2	
– corporate finance services	**0.1**		–	
– other services	**0.2**		0.1	
Total fees payable to the company's auditor and its associates for other services		**1.9**		1.7
Total fees payable to the company's auditor and its associates		**2.4**		2.2

Audit fees paid to other auditors were £0.1 million (2012 £0.1 million).

6 Operating profit

	2013 £ million	2012 £ million
Operating profit is arrived at after charging / (crediting):		
Total research and development expenditure	**136.0**	128.6
less development expenditure capitalised	**(3.2)**	(9.1)
Research and development charged	**132.8**	119.5
less external funding received – from government grants	**(1.9)**	(2.0)
– from other organisations	**(2.0)**	(4.2)
Net research and development	**128.9**	113.3
Other government grants	**–**	(0.2)
Inventories recognised as an expense	**9,294.9**	10,561.4
Write-down of inventories recognised as an expense	**14.5**	8.6
Reversal of write-down of inventories arising from increases in net realisable value	**(6.3)**	(2.2)
Net losses / (gains) on foreign exchange	**3.4**	(5.2)
Net (gains) / losses on foreign currency forwards held for trading	**(3.5)**	6.0
Cash flow hedges transferred from equity – revenue	**(2.2)**	(2.3)
– cost of sales	**(5.6)**	0.1
– finance costs	**0.1**	–
– total	**(7.7)**	(2.2)
Depreciation of property, plant and equipment	**111.2**	108.5
Amortisation of internally generated intangible assets included in cost of sales	**9.8**	12.5
Amortisation of other intangible assets included in – cost of sales	**2.7**	3.2
– distribution costs	**0.1**	0.1
– administrative expenses	**2.8**	1.8
– amortisation of acquired intangibles (note 4)	**16.9**	16.7
Operating lease rentals payable – minimum lease payments	**15.0**	13.4
Operating lease rentals payable – sublease payments received	**(0.2)**	(0.2)

Notes on the Accounts

for the year ended 31st March 2013

7 Finance costs

	2013 £ million	2012 £ million
Net loss on remeasurement of fair value hedges and related hedged items to fair value	–	0.1
Net losses on financial assets and liabilities classified as held for trading	–	0.1
Interest payable on financial liabilities measured at amortised cost	33.5	35.0
Unwinding of discount on provisions	0.3	0.3
Total finance costs	33.8	35.4

8 Finance income

	2013 £ million	2012 £ million
Interest receivable on interest rate swaps	6.0	8.2
Net gains on financial assets and liabilities classified as held for trading	6.0	8.2
Interest receivable on available-for-sale investments, loans and receivables	2.2	3.1
Total finance income	8.2	11.3

9 Taxation

	2013 £ million	2012 £ million
Current tax		
Corporation tax on profits for the year	83.0	82.6
Adjustment for prior years	(7.5)	(8.4)
Total current tax	75.5	74.2
Deferred tax		
Origination and reversal of temporary differences	3.0	22.7
Changes in tax rates and laws	(1.9)	(2.8)
Benefit from previously unrecognised tax losses, tax credits or temporary differences of prior years	–	(0.2)
Write-downs, or reversal of previous write-downs, of deferred tax assets	2.5	–
Total deferred tax	3.6	19.7
Income tax expense	79.1	93.9

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2013 £ million	2012 £ million
Profit before tax	354.9	409.3
Tax expense at UK corporation tax rate of 24% (2012 26%)	85.2	106.4
Effects of:		
Overseas tax rates	4.1	8.5
Expenses not deductible for tax purposes	1.6	1.7
Unutilised losses	1.4	2.6
Utilisation of tax losses and tax holidays	(4.6)	(4.9)
Adjustments for prior years	(5.0)	(8.6)
Research and development credits	(8.0)	(7.0)
Other	4.4	(4.8)
Tax expense for the year	79.1	93.9

In July 2012 the UK government enacted a change in the UK corporation tax rate from 24% to 23% effective from 1st April 2013 and so the UK deferred tax balances at 31st March 2013 have been recalculated at the new rate.

Notes on the Accounts

for the year ended 31st March 2013

10 Dividends

	2013 £ million	2012 £ million
2010/11 final ordinary dividend paid – 33.5 pence per share	–	71.2
2011/12 interim ordinary dividend paid – 15.0 pence per share	–	31.9
2011/12 final ordinary dividend paid – 40.0 pence per share	84.9	–
Special dividend paid – 100.0 pence per share	212.1	–
2012/13 interim ordinary dividend paid – 15.5 pence per share	31.4	–
Total dividends	328.4	103.1

A final dividend of 41.5 pence per ordinary share has been proposed by the board which will be paid on 6th August 2013 to shareholders on the register at the close of business on 14th June 2013, subject to shareholders' approval. The estimated amount to be paid is £84.1 million and has not been recognised in these accounts.

11 Earnings per ordinary share

	2013 pence	2012 pence
Basic	134.6	148.7
Diluted	133.5	146.9

Earnings per ordinary share have been calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of shares in issue during the period.

	2013 £ million	2012 £ million
Earnings		
Profit for the year attributable to equity holders of the parent company	276.5	315.9

	2013	2012
Weighted average number of shares in issue		
Basic	205,507,239	212,431,522
Dilution for share options and long term incentive plans	1,683,218	2,567,460
Diluted	207,190,457	214,998,982

Underlying earnings per ordinary share are calculated as follows:

	2013 £ million	2012 £ million
Profit for the year attributable to equity holders of the parent company	276.5	315.9
Major impairment and restructuring charges (note 3)	17.4	–
Amortisation of acquired intangibles (note 4)	16.9	16.7
Tax thereon	(2.6)	(6.1)
Underlying profit for the year	308.2	326.5

	2013 pence	2012 pence
Underlying earnings per share		
Basic	150.0	153.7
Diluted	148.8	151.9

Notes on the Accounts

for the year ended 31st March 2013

12 Employee and key management personnel costs

12a Employee numbers

	2013	2012
The average monthly number of employees during the year was:		
Environmental Technologies	**5,968**	5,568
Precious Metal Products	**2,937**	2,847
Fine Chemicals	**1,108**	1,089
Corporate and Central Research	**485**	410
Average number of employees	**10,498**	9,914
Actual number of employees at 31st March	**10,995**	10,058

The number of temporary employees included above at 31st March 2013 was 390 (2012 253).

The actual number of staff was:

	At 31st March 2013			At 31st March 2012		
	Actual employees	Agency staff	Total headcount	Actual employees	Agency staff	Total headcount
Environmental Technologies	**6,445**	**740**	**7,185**	5,640	687	6,327
Precious Metal Products	**2,948**	**137**	**3,085**	2,894	165	3,059
Fine Chemicals	**1,107**	**30**	**1,137**	1,090	17	1,107
Corporate and Central Research	**495**	**4**	**499**	434	4	438
Total	**10,995**	**911**	**11,906**	10,058	873	10,931

12b Employee benefits expense

	2013 £ million	2012 £ million
Wages and salaries	**403.9**	392.9
Social security costs	**41.8**	48.2
Pension and other post-employment costs	**47.6**	32.3
Share-based payments	**14.3**	18.8
Total employee benefits expense	**507.6**	492.2

Termination benefits of £4.9 million (2012 £5.2 million) are not included above.

12c Key management personnel

The key management of the group and parent company consist of the Board of Directors and the members of the Chief Executive's Committee (CEC). During the year ended 31st March 2013 the CEC had 11 members (2012 11 members). Their compensation charged in the year was:

	2013 £ million	2012 £ million
Short term employee benefits	**4.6**	6.5
Pension and other post-employment costs	**0.5**	0.4
Share-based payments	**2.0**	3.6
Non-executive directors' fees and benefits	**0.5**	0.6
Total compensation of key management personnel	**7.6**	11.1

Termination benefits not included above were £0.8 million (2012 £ nil). Other than the compensation above there were no transactions with any key management personnel. There were no balances outstanding at the year end.

Information on the directors' remuneration is given in the Remuneration Report on pages 117 to 131.

Notes on the Accounts

for the year ended 31st March 2013

13 Share-based payments

Long Term Incentive Plan (LTIP)

Under the LTIP, shares are allocated to approximately 900 of the group's executive directors, senior managers and middle managers based on a percentage of salary and are subject to performance targets over a three year period. At 31st March 2013, shares allocated in 2010, 2011 and 2012 (at 31st March 2012, shares allocated in 2009, 2010 and 2011) were outstanding in respect of which the performance period has not expired. The minimum release of 15% of the allocation is subject to the achievement of underlying earnings per share (EPS) growth of 6% compound per annum over the three year period. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if the EPS growth is less than 6% compound per annum over the three year performance period. For the shares allocated in 2009 only, the performance conditions were relaxed and so the minimum release required EPS growth of 3% compound per annum and the maximum release required EPS growth of 10% compound per annum. As a result of the share consolidation (note 30), for the shares allocated in 2010, 2011 and 2012 to executive directors only, the performance conditions have been adjusted and so the minimum release requires EPS growth of 7% compound per annum and the maximum release requires EPS growth of 16% compound per annum. Of the shares allocated in 2009, 100% were released during the year.

Share options

In 2007 the LTIP was introduced and allocations of shares under this plan replaced the granting of share options. No share options have been granted since the year ended 31st March 2007. Equity settled share options were granted to employees at the average of the market value of the company's shares over the three days prior to the date of grant and were subject to performance targets over a three year period and have a maximum life of ten years. The number of shares over which options were granted was based on a percentage of the employee's salary and approximately 800 employees were granted options each year.

Options granted in 2004 to 2006 were subject to a minimum three year performance target of EPS growth of UK RPI plus 3% per annum. Other performance targets were EPS growth of UK RPI plus 4% per annum and EPS growth of UK RPI plus 5% per annum. If the performance targets were not met at the end of the three year performance period, the options would lapse. The targets for options granted in 2004, 2005 and the 3% and 4% targets for options granted in 2006 have been met and so these options are exercisable. The 5% target for options granted in 2006 was not met and so these options have lapsed. Gains are capped at 100% of the grant price.

Options granted in 2002 and 2003 can only be exercised if the normalised EPS has grown by at least UK RPI plus 4% per annum over any three consecutive years during the life of the options. They were subject to annual retesting until they lapse on the tenth anniversary of grant. Since the targets have been met all these options are exercisable.

Deferred bonus

In the year ended 31st March 2012 the bonus rules were changed for the executive directors and members of the Chief Executive’s Committee, whereby a proportion of their bonus payable is now awarded as shares and deferred for three years. The first shares were awarded in August 2012 for the 2011/12 bonus. The Management Development and Remuneration Committee is entitled to claw back the deferred element in cases of misstatement or misconduct or other relevant reason as determined by it.

Share Incentive Plan (SIP) – UK and Overseas

Under the SIP, all employees with at least one year of service with the group and who are employed by a participating group company are entitled to contribute up to 2.5% of basic pay each month, subject to a £125 per month limit. The SIP trustees buy shares (partnership shares) at market value each month with the employees' contributions. For each partnership share purchased, the group purchases two shares (matching shares) which are allocated to the employee. In the UK SIP, if the employee sells or transfers partnership shares within three years from the date of allocation, the linked matching shares are forfeited. In the Overseas SIP, partnership shares and matching shares are subject to a three year holding period and cannot be sold or transferred during that time.

401k approved savings investment plans (401k plans)

In the US there are two 401k plans, one for salaried employees and one for hourly employees. Salaried employees may contribute up to 50% of their base pay and hourly employees up to 20% of their base pay, both subject to a statutory limit. Salaried employees choosing Johnson Matthey Plc shares matching are matched 100% of the first 4% contributed and hourly employees are matched 50% of the first 6% contributed. Employees may contribute after one month of service and are eligible for matching after one year of service.

Further details of the directors' remuneration under share-based payment plans are given in the Remuneration Report on pages 117 to 131.

Notes on the Accounts

for the year ended 31st March 2013

13 Share-based payments (continued)

Options were exercised on a regular basis throughout the year. The average share price during the year was 2,297.0 pence (2012 1,943.0 pence).

Activity relating to share options was:

	2013 Number of options	**2013 Weighted average exercise price pence**	2012 Number of options	2012 Weighted average exercise price pence
Outstanding at the start of the year	**758,867**	**1,174.4**	1,797,780	1,124.0
Forfeited during the year	**(741)**	**1,070.0**	(15,063)	1,060.8
Exercised during the year	**(454,930)**	**1,195.0**	(1,023,850)	1,087.6
Outstanding at the end of the year	**303,196**	**1,143.8**	758,867	1,174.4
Exercisable at the end of the year	**303,196**	**1,143.8**	758,867	1,174.4

Details of share options outstanding at the end of the year are:

	2013 Number of options	**2013 Weighted average remaining life years**	2012 Number of options	2012 Weighted average remaining life years
Range of exercise price				
800 pence to 900 pence	**103,236**	**0.3**	199,965	1.1
1,000 pence to 1,100 pence	**10,620**	**2.3**	15,335	3.3
1,200 pence to 1,300 pence	**189,340**	**3.3**	543,567	4.3
	303,196	**2.3**	758,867	3.5

The fair value of the shares allocated during the year under the LTIP was 2,005.0 pence per share allocation (2012 1,907.2 pence per share allocation). The fair value was based on the share price at the date of allocation of 2,163.2 pence (2012 2,040.0 pence) adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.54% (2012 2.25%).

Activity relating to the LTIP was:

	2013 Number of allocated shares	2012 Number of allocated shares
Outstanding at the start of the year	**2,676,241**	2,402,541
Allocated during the year	**915,983**	937,850
Forfeited during the year	**(55,018)**	(127,552)
Released during the year	**(962,755)**	(280,521)
Expired during the year	**–**	(256,077)
Outstanding at the end of the year	**2,574,451**	2,676,241

32,475 shares were awarded during the year under deferred bonus rules. The fair value was 1,953.8 pence per share award, based on the share price at the date of award of 2,162.0 pence adjusted for the present value of the expected dividends that will not be received at an expected dividend rate of 2.54%. These shares are still outstanding at the end of the year.

232,668 (2012 252,092) matching shares under the SIP and 46,951 (2012 55,442) shares under the 401k plans were allocated to employees during the year. They are nil cost awards on which performance conditions are substantially completed at the date of grant. Consequently the fair value of these awards is based on the market value of the shares at that date.

The total expense recognised during the year in respect of equity settled share-based payments, taking into account expected lapses due to leavers and the probability that EPS performance conditions will not be met, was £14.3 million (2012 £18.8 million).

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for the year ended 31st March 2013

14 Post-employment benefits

14a Group

The group operates a number of post-employment benefits plans around the world, the forms and benefits of which vary with conditions and practices in the countries concerned. The majority of the plans are defined benefit which require contributions to be made into separately administered funds and retirement benefits are based on factors such as employees' pensionable salary and length of service. Some of the plans are defined contribution, where the retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. The group also makes payments to employees' personal pension plans. The amount recognised as an expense for defined contribution plans was £7.4 million (2012 £6.9 million).

The major defined benefit plans are pension plans and post-retirement medical plans in the UK and the US. The UK pension plan is a career average salary plan with a final salary section which was closed to future accrual of benefits from 1st April 2010. The career average salary section of the plan was closed to new members from 1st October 2012. From 1st October 2012 new employees are enrolled in a new contributory cash balance defined benefit section of the UK plan. The US hourly pension plan is a fixed benefit plan based upon years of service. The US salaried pension plan is a final salary plan. Full actuarial valuations were carried out at 1st April 2012 for the UK pension plan and 30th June 2012 for the US pension plans and the valuations of all of the UK and US plans were updated to 31st March 2013 by qualified independent actuaries.

The main assumptions were:

	2013 UK plans %	**2013 US plans %**	**2013 Other plans %**	2012 UK plans %	2012 US plans %	2012 Other plans %
First 3 years rate of increase in salaries	**3.40**	**3.50**	**2.79**	3.40	3.40	3.21
Ultimate rate of increase in salaries	**4.15**	**3.50**	**2.79**	4.15	3.40	3.21
Rate of increase in pensions in payment	**3.40**	**–**	**1.18**	3.40	–	1.57
Discount rate	**4.50**	**4.20**	**3.57**	5.10	4.80	4.78
Inflation		**2.75**	**1.36**		2.75	1.76
– UK RPI	**3.40**			3.40		
– UK CPI	**2.70**			2.70		
Current medical benefits cost trend rate	**6.10**	**7.48**	**–**	5.40	7.78	–
Ultimate medical benefits cost trend rate	**6.10**	**4.50**	**–**	5.40	4.50	–

The group uses certain mortality assumptions when calculating plan obligations. The current mortality assumptions for all major plans retain prudent allowance for future improvements in longevity and take account of experience.

The group's largest plan is in the UK and for this plan the group has used SAPS S1 mortality tables based on year of birth (as published by the Institute of Actuaries) for both pensioner and non-pensioner members in conjunction with the results of an investigation into the actual mortality experience of plan members. In addition, to allow for future improvements in longevity, the CMI 2011 tables (published by the Institute of Actuaries) have been used, with an assumed long term rate of future annual mortality improvement of 1.25%.

The mortality tables used for the other larger plans were:

US	RP2000 Generational Table projected with Scale BB
Netherlands	AG Prognosetafel 2012-62 with adjustment table HM
Canada	UP 94 generational (including allowance for future mortality improvements)
Germany	RT2005 G
South Africa	PA(90), rated down by two years

The expected future lifetime of average members currently at age 65 and average members at age 65 in 25 years time (i.e. members who are currently aged 40 years) is respectively:

	Currently age 65		**Age 65 in 25 years**	
	UK plan	**US plans**	**UK plan**	**US plans**
Male	**21.9**	**20.5**	**24.1**	**23.2**
Female	**24.9**	**22.8**	**27.3**	**25.1**

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14a Group (continued)

A 1% point change in the assumed medical cost trend rates would have the following effects on:

	1% point increase		1% point decrease	
	UK plan £ million	US plan £ million	UK plan £ million	US plan £ million
Post-retirement medical plan expense	**0.1**	**0.4**	**(0.1)**	**(0.3)**
Post-retirement medical plan defined benefit obligation	**1.5**	**8.1**	**(1.2)**	**(6.3)**

A 0.1% change in the discount rate and rate of increase in salaries would have the following increases / (decreases) on the pension plans' defined benefit obligations at 31st March 2013:

	0.1% point increase		0.1% point decrease	
	UK plan £ million	US plans £ million	UK plan £ million	US plans £ million
Effect of discount rate	**(24.0)**	**(4.5)**	**24.7**	**4.6**
Effect of rate of increase in salaries	**4.8**	**1.2**	**(4.7)**	**(1.2)**

A one year increase in life expectancy would have the following increase on:

	UK plan £ million	US plans £ million
Pension defined benefit obligation	**31.1**	**6.9**

The fair values and expected rates of return for plan assets were:

	UK pension		US pensions		Other	
	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million	Expected rate of return %	Value £ million
At 31st March 2013						
Equities	**6.80**	**444.8**	**7.70**	**110.6**	**8.16**	**10.3**
Bonds	**3.68**	**685.9**	**3.90**	**84.2**	**5.06**	**9.1**
Property	**5.00**	**46.2**	**–**	**–**	**–**	**–**
Insurance policies	**–**	**–**	**–**	**–**	**4.19**	**22.2**
	4.91	**1,176.9**	**6.06**	**194.8**	**5.37**	**41.6**
At 31st March 2012						
Equities	7.10	430.7	7.70	86.3	8.57	5.7
Bonds	4.24	550.5	3.70	70.7	4.90	11.0
Property	5.40	47.4	–	–	–	–
Insurance policies	–	–	–	–	4.36	24.0
	5.49	1,028.6	5.90	157.0	5.09	40.7

The defined benefit pension plans do not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plans are used by the group. The overall expected rate of return is determined on a country by country basis by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

During the year the group established a special purpose vehicle (SPV) and invested £50.0 million in a bond portfolio which is beneficially held by this SPV. The annual income generated by the SPV will be paid to the UK pension plan while it remains in deficit. This bond portfolio is held as a non-current available-for-sale investment (note 19) and the group's liability to pay the income to the plan is not a plan asset under IAS 19, although it is for the actuarial funding valuation.

The assets for the new contributory cash balance section of the UK plan are held separately from the assets of the career average salary section. At 31st March 2013 the defined benefit obligation related to the contributory cash balance section was £0.2 million and the fair value of the plan assets was £0.2 million.

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14a Group (continued)

Movements in the fair value of the plan assets during the year were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2011	966.8	–	134.0	–	35.8	1,136.6
Expected return on plan assets	64.3	–	8.6	–	2.0	74.9
Settlement gains	–	–	–	–	0.9	0.9
Actuarial (loss) / gain	(11.4)	–	10.2	–	3.1	1.9
Employee contributions	–	–	–	–	0.3	0.3
Company contributions	44.7	0.5	8.5	0.7	2.1	56.5
Benefits paid	(35.8)	(0.5)	(4.7)	(0.7)	(1.5)	(43.2)
Exchange adjustments	–	–	0.4	–	(2.0)	(1.6)
At 31st March 2012	1,028.6	–	157.0	–	40.7	1,226.3
Expected return on plan assets	57.4	–	9.3	–	2.2	68.9
Actuarial gain / (loss)	81.6	–	10.5	–	(3.9)	88.2
Employee contributions	–	–	–	0.2	0.3	0.5
Company contributions	47.9	0.3	13.5	0.5	4.0	66.2
Benefits paid	(38.6)	(0.3)	(4.8)	(0.7)	(1.9)	(46.3)
Exchange adjustments	–	–	9.3	–	0.2	9.5
At 31st March 2013	**1,176.9**	**–**	**194.8**	**–**	**41.6**	**1,413.3**

The actual return on plan assets for the UK plan was £139.0 million (2012 £52.9 million) and for US plans was £19.8 million (2012 £18.8 million). It is estimated that the group will contribute about £71 million to the post-employment defined benefits plans during the year ending 31st March 2014.

Movements in the defined benefit obligation during the year were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2011	(1,027.4)	(12.5)	(152.1)	(25.8)	(49.6)	(1,267.4)
Current service cost – in operating profit	(23.0)	(0.1)	(6.9)	(0.8)	(1.7)	(32.5)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(0.2)	–	–	–	(0.1)	(0.3)
Interest cost	(55.5)	(0.7)	(8.5)	(1.5)	(2.6)	(68.8)
Curtailment gains	–	–	–	–	0.2	0.2
Settlement losses	–	–	–	–	(0.9)	(0.9)
Employee contributions	–	–	–	–	(0.3)	(0.3)
Actuarial (loss) / gain	(43.0)	1.1	(19.7)	(3.3)	(8.6)	(73.5)
Benefits paid	35.8	0.5	4.7	0.7	1.5	43.2
Exchange adjustments	–	–	(0.5)	(0.1)	2.8	2.2
At 31st March 2012	(1,113.4)	(11.7)	(183.0)	(30.8)	(59.3)	(1,398.2)
Current service cost – in operating profit	(26.7)	(0.1)	(8.7)	(1.0)	(2.2)	(38.7)
Current service cost – capitalised	(0.1)	–	–	–	–	(0.1)
Past service cost – vested	(1.9)	–	–	–	(0.1)	(2.0)
Interest cost	(55.8)	(0.6)	(8.8)	(1.5)	(2.7)	(69.4)
Employee contributions	–	–	–	(0.2)	(0.3)	(0.5)
Actuarial (loss) / gain	(133.2)	2.0	(42.9)	(11.6)	(2.1)	(187.8)
Benefits paid	38.6	0.3	4.8	0.7	1.9	46.3
Exchange adjustments	–	–	(11.6)	(2.1)	(0.9)	(14.6)
At 31st March 2013	**(1,292.5)**	**(10.1)**	**(250.2)**	**(46.5)**	**(65.7)**	**(1,665.0)**

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14a Group (continued)

Movements in the reimbursement rights during the year were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2011	–	–	–	4.9	0.7	5.6
Expected return	–	–	–	0.5	–	0.5
Actuarial gain	–	–	–	1.0	–	1.0
At 31st March 2012	–	–	–	6.4	0.7	7.1
Expected return	–	–	–	0.6	–	0.6
Actuarial gain	–	–	–	1.7	–	1.7
Company contributions	–	–	–	–	0.2	0.2
Exchange adjustments	–	–	–	0.3	–	0.3
At 31st March 2013	**–**	**–**	**–**	**9.0**	**0.9**	**9.9**

Amounts recognised in the income statement in respect of these plans were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2013						
Current service cost	**(26.7)**	**(0.1)**	**(8.7)**	**(1.0)**	**(2.2)**	**(38.7)**
Interest on plan liabilities	**(55.8)**	**(0.6)**	**(8.8)**	**(1.5)**	**(2.7)**	**(69.4)**
Expected return on plan assets	**57.4**	**–**	**9.3**	**–**	**2.2**	**68.9**
Expected return on reimbursement rights	**–**	**–**	**–**	**0.6**	**–**	**0.6**
Past service cost – vested	**(1.9)**	**–**	**–**	**–**	**(0.1)**	**(2.0)**
Past service cost – non-vested	**–**	**–**	**–**	**0.4**	**–**	**0.4**
Charge to income statement	**(27.0)**	**(0.7)**	**(8.2)**	**(1.5)**	**(2.8)**	**(40.2)**
Year ended 31st March 2012						
Current service cost	(23.0)	(0.1)	(6.9)	(0.8)	(1.7)	(32.5)
Interest on plan liabilities	(55.5)	(0.7)	(8.5)	(1.5)	(2.6)	(68.8)
Expected return on plan assets	64.3	–	8.6	–	2.0	74.9
Expected return on reimbursement rights	–	–	–	0.5	–	0.5
Curtailment gains	–	–	–	–	0.2	0.2
Past service cost – vested	(0.2)	–	–	–	(0.1)	(0.3)
Past service cost – non-vested	–	–	–	0.6	–	0.6
Charge to income statement	(14.4)	(0.8)	(6.8)	(1.2)	(2.2)	(25.4)

Of the total charge for the year, £24.8 million (2012 £15.3 million) has been included within cost of sales, £5.2 million (2012 £3.0 million) in distribution costs and £10.2 million (2012 £7.1 million) in administrative expenses.

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14a Group (continued)

The net post-employment benefits assets and liabilities shown in the balance sheet are analysed as:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 31st March 2013						
Present value of funded obligations	(1,292.5)	–	(250.2)	–	(48.6)	(1,591.3)
Present value of unfunded obligations	–	(10.1)	–	(46.5)	(17.1)	(73.7)
Defined benefit obligation	(1,292.5)	(10.1)	(250.2)	(46.5)	(65.7)	(1,665.0)
Fair value of plan assets	1,176.9	–	194.8	–	41.6	1,413.3
Reimbursement rights	–	–	–	9.0	0.9	9.9
Unrecognised past service credit – non-vested	–	–	–	(2.1)	–	(2.1)
Net post-employment benefits assets and liabilities	(115.6)	(10.1)	(55.4)	(39.6)	(23.2)	(243.9)
At 31st March 2012						
Present value of funded obligations	(1,113.4)	–	(183.0)	–	(45.0)	(1,341.4)
Present value of unfunded obligations	–	(11.7)	–	(30.8)	(14.3)	(56.8)
Defined benefit obligation	(1,113.4)	(11.7)	(183.0)	(30.8)	(59.3)	(1,398.2)
Fair value of plan assets	1,028.6	–	157.0	–	40.7	1,226.3
Reimbursement rights	–	–	–	6.4	0.7	7.1
Unrecognised past service credit – non-vested	–	–	–	(2.3)	–	(2.3)
Net post-employment benefits assets and liabilities	(84.8)	(11.7)	(26.0)	(26.7)	(17.9)	(167.1)

These are included in the balance sheet as:

	2013 Post-employment benefits net assets £ million	2013 Employee benefits obligations £ million	2013 Total £ million	2012 Post-employment benefits net assets £ million	2012 Employee benefits obligations £ million	2012 Total £ million
UK pension plan	–	(115.6)	(115.6)	–	(84.8)	(84.8)
UK post-retirement medical benefits plan	–	(10.1)	(10.1)	–	(11.7)	(11.7)
US pension plans	–	(55.4)	(55.4)	–	(26.0)	(26.0)
US post-retirement medical benefits plan	–	(39.6)	(39.6)	–	(26.7)	(26.7)
Other plans	1.9	(25.1)	(23.2)	2.0	(19.9)	(17.9)
Total post-employment plans	1.9	(245.8)	(243.9)	2.0	(169.1)	(167.1)
Other long term employee benefits		(2.1)			(2.3)	
Total long term employee benefits obligations		(247.9)			(171.4)	

The cumulative amount of actuarial gains / (losses) recognised in the statement of total comprehensive income were:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
At 1st April 2011	(176.7)	0.3	(26.4)	(1.4)	(4.3)	(208.5)
Recognised in year	(54.4)	1.1	(9.5)	(2.3)	(5.5)	(70.6)
At 31st March 2012	(231.1)	1.4	(35.9)	(3.7)	(9.8)	(279.1)
Recognised in year	(51.6)	2.0	(32.4)	(9.9)	(6.0)	(97.9)
At 31st March 2013	(282.7)	3.4	(68.3)	(13.6)	(15.8)	(377.0)

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14a Group (continued)

History of the plans and experience adjustments are:

	UK pension £ million	UK post-retirement medical benefits £ million	US pensions £ million	US post-retirement medical benefits £ million	Other £ million	Total £ million
Year ended 31st March 2013						
Present value of defined benefit obligation	**(1,292.5)**	**(10.1)**	**(250.2)**	**(46.5)**	**(65.7)**	**(1,665.0)**
Fair value of plan assets	**1,176.9**	**–**	**194.8**	**–**	**41.6**	**1,413.3**
Reimbursement rights	**–**	**–**	**–**	**9.0**	**0.9**	**9.9**
Deficit in the plan	**(115.6)**	**(10.1)**	**(55.4)**	**(37.5)**	**(23.2)**	**(241.8)**
Experience adjustments arising on plan liabilities	**10.4**	**(0.1)**	**(48.8)**	**(10.8)**	**(1.6)**	**(50.9)**
Experience adjustments arising on plan assets	**81.6**	**–**	**10.6**	**–**	**(3.9)**	**88.3**
Year ended 31st March 2012						
Present value of defined benefit obligation	(1,113.4)	(11.7)	(183.0)	(30.8)	(59.3)	(1,398.2)
Fair value of plan assets	1,028.6	–	157.0	–	40.7	1,226.3
Reimbursement rights	–	–	–	6.4	0.7	7.1
Deficit in the plan	(84.8)	(11.7)	(26.0)	(24.4)	(17.9)	(164.8)
Experience adjustments arising on plan liabilities	–	0.3	0.7	(3.3)	(3.0)	(5.3)
Experience adjustments arising on plan assets	(11.4)	–	10.2	–	3.1	1.9
Year ended 31st March 2011						
Present value of defined benefit obligation	(1,027.4)	(12.5)	(152.1)	(25.8)	(49.6)	(1,267.4)
Fair value of plan assets	966.8	–	134.0	–	35.8	1,136.6
Reimbursement rights	–	–	–	4.9	0.7	5.6
Deficit in the plan	(60.6)	(12.5)	(18.1)	(20.9)	(13.1)	(125.2)
Experience adjustments arising on plan liabilities	2.7	(0.2)	(0.2)	3.3	0.6	6.2
Experience adjustments arising on plan assets	8.1	–	8.5	–	1.4	18.0
Year ended 31st March 2010						
Present value of defined benefit obligation	(1,043.6)	(14.4)	(149.6)	(28.5)	(54.2)	(1,290.3)
Fair value of plan assets	886.7	–	122.5	–	36.0	1,045.2
Reimbursement rights	–	–	–	5.5	0.6	6.1
Deficit in the plan	(156.9)	(14.4)	(27.1)	(23.0)	(17.6)	(239.0)
Experience adjustments arising on plan liabilities	(5.2)	1.2	(2.1)	0.4	(0.2)	(5.9)
Experience adjustments arising on plan assets	173.4	–	19.8	–	1.9	195.1
Year ended 31st March 2009						
Present value of defined benefit obligation	(715.6)	(12.0)	(128.3)	(26.7)	(45.3)	(927.9)
Fair value of plan assets	670.4	–	77.9	–	29.4	777.7
Reimbursement rights	–	–	–	4.5	–	4.5
Deficit in the plan	(45.2)	(12.0)	(50.4)	(22.2)	(15.9)	(145.7)
Experience adjustments arising on plan liabilities	24.4	(0.6)	0.9	(1.0)	0.3	24.0
Experience adjustments arising on plan assets	(191.2)	–	(32.4)	–	(3.8)	(227.4)

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14b Parent company

The parent company is the sponsoring employer of the group's UK defined benefit pension plan and the UK post-retirement medical benefits plan. There is no contractual agreement or stated policy for charging the net defined benefit cost for the plan to the individual group entities. The main assumptions used for these plans are disclosed in note 14a.

The fair values and expected rates of return for defined benefit pension plan assets were:

	2013 Expected rate of return %	2013 Value £ million	2012 Expected rate of return %	2012 Value £ million
Equities	**6.80**	**444.8**	7.10	430.7
Bonds	**3.68**	**685.9**	4.24	550.5
Property	**5.00**	**46.2**	5.40	47.4
	4.91	**1,176.9**	5.49	1,028.6

The defined benefit pension plan does not invest directly in Johnson Matthey Plc shares and no property or other assets owned by the pension plan are used by the company. The overall expected rate of return is determined by reference to market expectations for each class of asset. It is based upon the forecasts of actuaries and market professionals.

Movements in the fair value of the plan assets during the year were:

	2013 Pension £ million	2013 Post-retirement medical benefits £ million	2012 Pension £ million	2012 Post-retirement medical benefits £ million
At beginning of year	**1,028.6**	**–**	966.8	–
Expected return on plan assets	**57.4**	**–**	64.3	–
Actuarial gain / (loss)	**81.6**	**–**	(11.4)	–
Company contributions	**47.9**	**0.3**	44.7	0.5
Benefits paid	**(38.6)**	**(0.3)**	(35.8)	(0.5)
At end of year	**1,176.9**	**–**	1,028.6	–

The actual return on plan assets was £139.0 million (2012 £52.9 million). It is estimated that the company will contribute about £44 million (and its subsidiaries will also contribute about £6 million) to the company's post-employment defined benefit plans during the year ending 31st March 2014.

Movements in the defined benefit obligation during the year were:

	2013 Pension £ million	2013 Post-retirement medical benefits £ million	2012 Pension £ million	2012 Post-retirement medical benefits £ million
At beginning of year	**(1,113.4)**	**(11.7)**	(1,027.4)	(12.5)
Current service cost – in operating profit	**(26.7)**	**(0.1)**	(23.0)	(0.1)
Current service cost – capitalised	**(0.1)**	**–**	(0.1)	–
Past service cost – vested	**(1.9)**	**–**	(0.2)	–
Interest cost	**(55.8)**	**(0.6)**	(55.5)	(0.7)
Actuarial (loss) / gain	**(133.2)**	**2.0**	(43.0)	1.1
Benefits paid	**38.6**	**0.3**	35.8	0.5
At end of year	**(1,292.5)**	**(10.1)**	(1,113.4)	(11.7)

Notes on the Accounts

for the year ended 31st March 2013

14 Post-employment benefits (continued)

14b Parent company (continued)

The net post-employment benefits assets and liabilities shown in the balance sheet are analysed as:

	2013 Pension £ million	**2013 Post-retirement medical benefits £ million**	2012 Pension £ million	2012 Post-retirement medical benefits £ million
Present value of funded obligations	**(1,292.5)**	**–**	(1,113.4)	–
Present value of unfunded obligations	**–**	**(10.1)**	–	(11.7)
Defined benefit obligation	**(1,292.5)**	**(10.1)**	(1,113.4)	(11.7)
Fair value of plan assets	**1,176.9**	**–**	1,028.6	–
Net retirement benefits assets and liabilities	**(115.6)**	**(10.1)**	(84.8)	(11.7)

These are included in the balance sheet under employee benefits obligations as:

	2013 £ million	2012 £ million
Pension plan	**(115.6)**	(84.8)
Post-retirement medical benefits plan	**(10.1)**	(11.7)
Total post-employment plans	**(125.7)**	(96.5)
Other long term employee benefits	**(0.1)**	(0.1)
Total long term employee benefits obligations	**(125.8)**	(96.6)

The cumulative amount of actuarial gains / (losses) recognised in the statement of changes in equity were:

	2013 Pension £ million	**2013 Post-retirement medical benefits £ million**	2012 Pension £ million	2012 Post-retirement medical benefits £ million
At beginning of year	**(232.5)**	**1.4**	(178.1)	0.3
Recognised in year	**(51.6)**	**2.0**	(54.4)	1.1
At end of year	**(284.1)**	**3.4**	(232.5)	1.4

History of the plans and experience adjustments are:

	Present value of defined benefit obligation £ million	Fair value of plan assets £ million	Deficit in plan £ million	Experience adjustments arising on plan liabilities £ million	Experience adjustments arising on plan assets £ million
Year ended 31st March 2013					
Pension	**(1,292.5)**	**1,176.9**	**(115.6)**	**10.4**	**81.6**
Post-retirement medical benefits	**(10.1)**	**–**	**(10.1)**	**(0.1)**	**–**
Year ended 31st March 2012					
Pension	(1,113.4)	1,028.6	(84.8)	–	(11.4)
Post-retirement medical benefits	(11.7)	–	(11.7)	0.3	–
Year ended 31st March 2011					
Pension	(1,027.4)	966.8	(60.6)	2.7	8.1
Post-retirement medical benefits	(12.5)	–	(12.5)	(0.2)	–
Year ended 31st March 2010					
Pension	(1,043.6)	886.7	(156.9)	(5.2)	173.4
Post-retirement medical benefits	(14.4)	–	(14.4)	1.2	–
Year ended 31st March 2009					
Pension	(715.6)	670.4	(45.2)	24.4	(191.2)
Post-retirement medical benefits	(12.0)	–	(12.0)	(0.6)	–

Notes on the Accounts

for the year ended 31st March 2013

15 Property, plant and equipment

15a Group

	Freehold land and buildings £ million	Long and short leasehold £ million	Plant and machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2011	426.1	24.6	1,241.9	62.4	1,755.0
Additions	5.8	0.4	53.7	77.0	136.9
Reclassifications	8.6	0.1	36.7	(45.4)	–
Disposals	(1.8)	(0.1)	(72.9)	(8.3)	(83.1)
Exchange adjustments	(6.4)	(0.9)	(22.0)	(2.5)	(31.8)
At 31st March 2012	432.3	24.1	1,237.4	83.2	1,777.0
Additions	7.4	0.6	58.7	114.9	181.6
Acquisitions (note 39)	–	0.1	3.9	2.3	6.3
Reclassifications	11.6	0.3	57.7	(69.6)	–
Disposals	(1.9)	(11.8)	(53.6)	(0.2)	(67.5)
Exchange adjustments	5.2	0.1	18.5	2.9	26.7
At 31st March 2013	454.6	13.4	1,322.6	133.5	1,924.1
Accumulated depreciation and impairment					
At 1st April 2011	126.8	16.0	704.5	–	847.3
Charge for the year	14.5	0.9	93.1	–	108.5
Impairment losses	–	1.4	1.6	–	3.0
Reversal of impairment losses	–	–	(2.8)	–	(2.8)
Disposals	(1.5)	–	(69.8)	–	(71.3)
Exchange adjustments	(1.6)	(0.7)	(14.9)	–	(17.2)
At 31st March 2012	138.2	17.6	711.7	–	867.5
Charge for the year	15.1	1.0	95.1	–	111.2
Impairment losses	0.4	0.1	3.7	1.5	5.7
Reversal of impairment losses	–	(0.8)	(0.6)	–	(1.4)
Disposals	(0.9)	(11.8)	(51.7)	–	(64.4)
Exchange adjustments	1.5	–	10.5	–	12.0
At 31st March 2013	154.3	6.1	768.7	1.5	930.6
Carrying amount at 31st March 2013	**300.3**	**7.3**	**553.9**	**132.0**	**993.5**
Carrying amount at 31st March 2012	294.1	6.5	525.7	83.2	909.5
Carrying amount at 1st April 2011	299.3	8.6	537.4	62.4	907.7

The carrying amount of plant and machinery includes £1.3 million (2012 £1.6 million) in respect of assets held under finance leases.

Compensation received for impaired or lost property, plant and equipment was £1.0 million (2012 £3.0 million).

Finance costs capitalised were £2.0 million (2012 £0.7 million) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.0% (2012 4.4%).

The impairment losses for freehold land and buildings of £0.4 million (2012 £ nil) have been included in major impairment and restructuring charges (note 3). Of the impairment losses for long and short leaseholds in the year £ nil (2012 £0.3 million) have been included in cost of sales, £0.1 million (2012 £0.7 million) in administrative expenses and £ nil (2012 £0.4 million) in major impairment and restructuring charges (note 3). Of the impairment losses for plant and machinery £0.8 million (2012 £1.0 million) have been included in administrative expenses, £0.2 million in cost of sales (2012 £0.6 million), £0.1 million in distribution and selling costs (2012 £ nil) and £2.6 million (2012 £ nil) in major impairment and restructuring charges (note 3). Of the impairment losses for construction in progress £0.6 million (2012 £ nil) have been included in major impairment and restructuring charges and £0.9 million has been included in cost of sales (2012 £ nil). Impairment losses of £1.7 million and £0.4 million are included in the underlying operating profit of Environmental Technologies and Precious Metal Products respectively and arose as the assets have become idle or damaged.

Of the reversal of impairment losses for long and short leaseholds, £0.7 million (2012 £ nil) is included in distribution and selling costs and £0.1 million (2012 £ nil) is included in cost of sales. Of the reversal of impairment losses for plant and machinery, £0.6 million (2012 £0.7 million) is included in cost of sales and £ nil (2012 £2.1 million) is included in major impairment and restructuring charges. £0.5 million and £0.9 million of these reversals are included in the underlying operating profit of Environmental Technologies and Fine Chemicals respectively.

Notes on the Accounts

for the year ended 31st March 2013

15 Property, plant and equipment (continued)

15b Parent company

	Freehold land and buildings £ million	Long and short leasehold £ million	Plant and machinery £ million	Assets in the course of construction £ million	Total £ million
Cost					
At 1st April 2011	94.2	1.0	366.9	2.1	464.2
Additions	3.1	–	25.0	5.5	33.6
Reclassifications	–	–	4.0	(4.0)	–
Disposals	(1.3)	–	(3.8)	(0.2)	(5.3)
At 31st March 2012	96.0	1.0	392.1	3.4	492.5
Additions	3.3	0.4	26.5	13.0	43.2
Reclassifications	0.2	–	4.6	(4.8)	–
Disposals	(0.6)	–	(24.7)	–	(25.3)
At 31st March 2013	98.9	1.4	398.5	11.6	510.4
Accumulated depreciation and impairment					
At 1st April 2011	34.7	0.1	198.6	–	233.4
Charge for the year	2.7	–	25.3	–	28.0
Disposals	(1.1)	–	(3.5)	–	(4.6)
At 31st March 2012	36.3	0.1	220.4	–	256.8
Charge for the year	2.8	0.1	26.6	–	29.5
Disposals	(0.1)	–	(23.1)	–	(23.2)
At 31st March 2013	39.0	0.2	223.9	–	263.1
Carrying amount at 31st March 2013	**59.9**	**1.2**	**174.6**	**11.6**	**247.3**
Carrying amount at 31st March 2012	59.7	0.9	171.7	3.4	235.7
Carrying amount at 1st April 2011	59.5	0.9	168.3	2.1	230.8

The carrying amount of plant and machinery includes £1.3 million (2012 £1.5 million) in respect of assets held under finance leases.

Finance costs capitalised were £0.2 million (2012 £ nil) and the capitalisation rate used to determine the amount of finance costs eligible for capitalisation was 5.0% (2012 4.4%).

Notes on the Accounts

for the year ended 31st March 2013

16 Goodwill

	Group £ million	Parent company £ million
Cost		
At 1st April 2011	528.7	110.5
Exchange adjustments	(9.2)	–
At 31st March 2012	519.5	110.5
Acquisitions (note 39)	60.0	–
Exchange adjustments	5.8	–
At 31st March 2013	585.3	110.5
Impairment		
At 1st April 2011, 31st March 2012 and 31st March 2013	–	–
Carrying amount at 31st March 2013	**585.3**	**110.5**
Carrying amount at 31st March 2012	519.5	110.5
Carrying amount at 1st April 2011	528.7	110.5

Goodwill arising on the acquisition of businesses is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination. Goodwill is allocated as follows:

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Environmental Technologies				
Emission Control Technologies – Non-light Duty Catalysts	**85.8**	84.4	**–**	–
Process Technologies	**290.4**	245.3	**110.5**	110.5
Battery Technologies	**15.1**	–	**–**	–
Precious Metal Products				
Catalysts and Chemicals	**26.0**	24.8	**–**	–
Other	**7.5**	5.6	**–**	–
Fine Chemicals				
Macfarlan Smith	**117.1**	117.1	**–**	–
Pharmaceutical Materials and Services	**21.8**	20.7	**–**	–
Research Chemicals	**21.6**	21.6	**–**	–
	585.3	519.5	**110.5**	110.5

The group and parent company test goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations which use cash flow projections based on financial budgets and plans approved by management, generally covering a three year period except as discussed below. The budgets and plans are based on a number of key assumptions. Assumptions on the likelihood and timing of new product launches are based on management's best estimate of what may happen. Foreign exchange rates are based on actual forward rates at the time the budgets were prepared and are held constant over the budget and plan years. Other assumptions such as market share, expected changes to selling prices, product profitability, precious metal prices and other direct input costs are based on past experience and management's expectations of future changes in the markets using external sources of information where appropriate. These cash flows are then extrapolated using the long term average growth rates for the relevant products, industries and countries in which the CGUs operate. The cash flows are discounted at the group's estimated pre-tax weighted average cost of capital adjusted for the estimated tax cash flows and risk applicable to each CGU.

For the Non-light Duty Catalysts CGU five (2012 five) year plans have been approved by management. The cash flow projections have been extrapolated using a long term average growth rate of 3% (2012 12% for years 6 to 10 and 4% after that). The discount rate used was 11.6% (2012 12.3%). The impairment test results in headroom of more than 100% over the carrying value of the CGU's net assets and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

16 Goodwill (continued)

For Process Technologies the long term average growth rate used was 3.2% (2012 5.0%) and the discount rate was 11.4% (2012 12.0%). For Battery Technologies, which was acquired during the year, the long term average growth rate used was 5.0% and the discount rate was 12.0%. For Catalysts and Chemicals the long term average growth rate used was 2.5% (2012 4.7%) and the discount rate was 11.4% (2012 12.0%). For Macfarlan Smith the long term average growth rate used was 2.5% (2012 2.5%) and the discount rate was 6.9% (2012 8.0%). For Pharmaceutical Materials and Services the long term average growth rate used was 3.0% (2012 4.0%) and the discount rate was 8.3% (2012 8.3%). For Research Chemicals the long term average growth rate used was 5.0% (2012 5.0%) and the discount rate was 8.4% (2012 9.2%). These impairment tests all result in headroom of over 100%, except for Battery Technologies which is over 50%, and so it is unlikely that a reasonably possible change in a key assumption would result in an impairment of goodwill.

17 Other intangible assets

17a Group

	Customer contracts and relationships £ million	Computer software £ million	Patents, trademarks and licences £ million	Acquired research and technology £ million	Development expenditure £ million	Total £ million
Cost						
At 1st April 2011	73.5	53.5	29.0	25.2	97.2	278.4
Additions	–	3.5	0.1	–	9.1	12.7
Disposals	–	(2.5)	–	–	–	(2.5)
Exchange adjustments	(2.4)	(1.5)	(0.5)	(1.1)	(1.2)	(6.7)
At 31st March 2012	71.1	53.0	28.6	24.1	105.1	281.9
Additions	–	4.9	0.8	–	4.7	10.4
Acquisitions (note 39)	77.0	–	–	27.0	–	104.0
Disposals	–	(0.7)	–	–	–	(0.7)
Exchange adjustments	2.0	0.3	0.6	0.6	4.4	7.9
At 31st March 2013	150.1	57.5	30.0	51.7	114.2	403.5
Accumulated amortisation and impairment						
At 1st April 2011	33.1	40.0	9.3	1.0	42.1	125.5
Charge for the year	13.0	4.0	3.6	1.2	12.5	34.3
Disposals	–	(2.5)	–	–	–	(2.5)
Exchange adjustments	(1.5)	(0.9)	(0.3)	–	(0.5)	(3.2)
At 31st March 2012	44.6	40.6	12.6	2.2	54.1	154.1
Charge for the year	10.4	4.6	3.7	3.8	9.8	32.3
Disposals	–	(0.7)	–	–	–	(0.7)
Exchange adjustments	1.4	0.3	0.3	0.2	2.8	5.0
At 31st March 2013	56.4	44.8	16.6	6.2	66.7	190.7
Carrying amount at 31st March 2013	**93.7**	**12.7**	**13.4**	**45.5**	**47.5**	**212.8**
Carrying amount at 31st March 2012	26.5	12.4	16.0	21.9	51.0	127.8
Carrying amount at 1st April 2011	40.4	13.5	19.7	24.2	55.1	152.9

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for the year ended 31st March 2013

17 Other intangible assets (continued)

17b Parent company

	Computer software £ million	Patents, trademarks and licences £ million	Development expenditure £ million	Total £ million
Cost				
At 1st April 2011	15.2	–	9.0	24.2
Additions	1.2	–	–	1.2
Disposals	(1.0)	–	–	(1.0)
At 31st March 2012	15.4	–	9.0	24.4
Additions	1.8	0.6	–	2.4
At 31st March 2013	17.2	0.6	9.0	26.8
Accumulated amortisation and impairment				
At 1st April 2011	13.2	–	4.6	17.8
Charge for the year	1.0	–	1.2	2.2
Disposals	(1.0)	–	–	(1.0)
At 31st March 2012	13.2	–	5.8	19.0
Charge for the year	1.0	–	0.9	1.9
At 31st March 2013	14.2	–	6.7	20.9
Carrying amount at 31st March 2013	**3.0**	**0.6**	**2.3**	**5.9**
Carrying amount at 31st March 2012	2.2	–	3.2	5.4
Carrying amount at 1st April 2011	2.0	–	4.4	6.4

18 Investments in subsidiaries

	Cost of investments in subsidiaries £ million	Accumulated impairment £ million	Carrying amount £ million
At 1st April 2011	1,692.3	(186.1)	1,506.2
Additional shares issued by subsidiary	40.0	–	40.0
At 31st March 2012	1,732.3	(186.1)	1,546.2
Additions	65.2	–	65.2
Impairment loss	–	(0.1)	(0.1)
At 31st March 2013	**1,797.5**	**(186.2)**	**1,611.3**

The principal subsidiaries are shown in note 41.

In the year ended 31st March 2013, one of the parent company's subsidiaries paid a dividend and as a consequence the investment was impaired.

19 Non-current available-for-sale investments

	2013 £ million	2012 £ million
Quoted bonds purchased to fund pension deficit	**49.7**	–
Unquoted investments	**8.2**	8.0
	57.9	8.0

The quoted bonds are measured at fair value using quoted prices in active markets (level 1 inputs per IFRS 7's fair value hierarchy). There is no active market for the unquoted investments since they are investments in a company that is in the start up phase and in an investment vehicle that invests in start up companies. Given their size it would be overly onerous to provide additional detail.

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for the year ended 31st March 2013

20 Inventories

	Group		Parent company	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million
Raw materials and consumables	**140.6**	154.8	**19.5**	31.6
Work in progress	**255.3**	229.1	**44.1**	87.3
Finished goods and goods for resale	**270.0**	246.9	**45.8**	45.5
	665.9	630.8	**109.4**	164.4

The group also holds customers' materials in the process of refining and fabrication and for other reasons.

21 Trade and other receivables

	Group		Parent company	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million
Current				
Trade receivables	**712.1**	690.3	**147.4**	139.4
Amounts receivable from long term contract customers	**19.4**	12.3	**–**	–
Amounts receivable from subsidiaries	**–**	–	**855.4**	827.7
Prepayments and accrued income	**49.5**	68.7	**13.4**	34.5
Value added tax and other sales tax receivable	**34.7**	31.5	**4.6**	3.9
Other receivables	**57.4**	44.3	**2.7**	4.1
Current trade and other receivables	**873.1**	847.1	**1,023.5**	1,009.6
Non-current				
Amounts receivable from subsidiaries	**–**	–	**530.1**	387.6
Prepayments and accrued income	**4.5**	2.9	**43.5**	0.1
Other receivables	**0.2**	0.1	**–**	–
Non-current trade and other receivables	**4.7**	3.0	**573.6**	387.7

22 Trade and other payables

	Group		Parent company	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million
Current				
Trade payables	**315.9**	344.7	**105.0**	103.6
Amounts payable to long term contract customers	**93.0**	80.4	**–**	–
Amounts payable to subsidiaries	**–**	–	**1,324.2**	1,206.9
Accruals and deferred income	**243.5**	222.8	**75.5**	77.7
Other payables	**81.1**	62.8	**90.4**	166.2
Current trade and other payables	**733.5**	710.7	**1,595.1**	1,554.4
Non-current				
Amounts payable to subsidiaries	**–**	–	**7.4**	22.6
Accruals and deferred income	**1.0**	1.7	**–**	–
Other payables	**2.6**	2.6	**1.1**	0.7
Non-current trade and other payables	**3.6**	4.3	**8.5**	23.3

Notes on the Accounts

for the year ended 31st March 2013

23 Long term contracts

	2013 £ million	2012 £ million
Contract revenue recognised	**85.1**	117.1
Contracts in progress at the year end:		
Costs incurred plus recognised profits less recognised losses to date	**291.3**	244.9
Amount of advances received	**87.6**	73.6

24 Net debt

	Group		Parent company	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million
Non-current borrowings, finance leases and related swaps				
Bank, other loans and related swaps				
3.57% Sterling Bonds 2024	**65.0**	–	**65.0**	–
3.26% US Dollar Bonds 2022	**98.6**	–	**98.6**	–
4.66% Euro Bonds 2021	**84.5**	83.3	**84.5**	83.3
1.945% Euro European Investment Bank (EIB) loan 2019	**104.8**	–	**104.8**	–
5.67% US Dollar Bonds 2016	**115.1**	110.9	**115.1**	110.9
4.95% US Dollar Bonds 2015	**139.9**	135.8	**139.9**	135.8
4.987% Euro EIB loan 2013	**–**	104.2	**–**	104.2
5.55% US Dollar Bonds 2013	**–**	62.6	**–**	62.6
Cross currency interest rate swaps designated as cash flow hedges	**–**	0.3	**–**	0.3
Other interest rate swaps classified as held for trading	**1.0**	–	**1.0**	–
Other repayable from one to two years	**–**	31.5	**–**	31.3
Finance leases repayable				
After five years	**–**	0.2	**–**	0.2
From four to five years	**0.2**	0.4	**0.2**	0.4
From three to four years	**0.4**	0.4	**0.4**	0.4
From two to three years	**0.4**	0.4	**0.4**	0.4
From one to two years	**0.4**	0.4	**0.3**	0.3
Non-current borrowings, finance leases and related swaps	**610.3**	530.4	**610.2**	530.1
Current borrowings and finance leases				
4.987% Euro EIB loan 2013	**105.8**	–	**105.8**	–
5.55% US Dollar Bonds 2013	**65.8**	–	**65.8**	–
5.17% Sterling Bonds 2013	**–**	40.0	**–**	40.0
Other bank and other loans	**101.8**	16.1	**83.0**	–
Finance leases	**0.4**	0.3	**0.3**	0.3
Current borrowings and finance leases excluding bank overdrafts	**273.8**	56.4	**254.9**	40.3
Bank overdrafts	**48.2**	35.8	**59.7**	65.9
Current borrowings and finance leases	**322.0**	92.2	**314.6**	106.2
Total borrowings and finance leases	**932.3**	622.6	**924.8**	636.3
Less interest rate swaps designated as fair value hedges	**17.3**	29.3	**17.3**	29.3
Less cross currency interest rate swaps designated as cash flow hedges	**0.9**	–	**0.9**	–
Less other interest rate swaps classified as held for trading	**8.9**	–	**8.9**	–
Less cash and deposits	**70.0**	139.1	**6.0**	78.0
Net debt	**835.2**	454.2	**891.7**	529.0

Of the 4.95% US Dollar Bonds 2015, US $35.0 million have been swapped into sterling at 5.15% and US $165.0 million have been swapped into floating rate US dollars. Up to 3rd May 2012, all the 5.67% US Dollar Bonds 2016 had been swapped into floating rate US dollars. From 3rd May 2012, US $75.0 million of the 5.67% US Dollar Bonds 2016 have been swapped into floating rate US dollars and the balance has effectively been swapped into fixed rate US dollars at 1.55%. The interest rate implicit in the finance leases is 5.9% and the lease term ends in 2017. Apart from the bonds, EIB loans and finance leases shown separately above, all the loans, overdrafts and bank deposits are denominated in various currencies and bear interest at commercial floating rates.

Notes on the Accounts

for the year ended 31st March 2013

25 Other financial assets

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	**1.2**	7.0	**3.6**	7.1
Forward foreign exchange contracts and currency swaps held for trading	**3.7**	3.1	**3.7**	2.9
Foreign exchange swaps designated as hedges of a net investment in foreign operations	**–**	0.3	**–**	–
Embedded derivatives	**0.8**	1.2	**0.8**	1.2
	5.7	11.6	**8.1**	11.2

Of the other financial assets listed above, all are measured at fair value using observable inputs (level 2 inputs per IFRS 7's fair value hierarchy) except for certain embedded derivatives which are valued based on both observable and unobservable inputs (level 3 inputs).

The reconciliation of other financial assets valued using level 3 inputs is:

	Group £ million	Parent company £ million
At 1st April 2011	1.4	1.4
Gains recognised in cost of sales	4.8	4.8
Settlements	(5.0)	(5.0)
At 31st March 2012	1.2	1.2
Gains recognised in cost of sales	3.4	3.4
Settlements	(3.8)	(3.8)
At 31st March 2013	**0.8**	**0.8**

There were no transfers between the levels of IFRS 7's fair value hierarchy during the year.

26 Other financial liabilities

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Forward foreign exchange contracts and options designated as cash flow hedges	**9.3**	0.6	**9.5**	1.6
Forward foreign exchange contracts and currency swaps held for trading	**2.0**	3.9	**1.2**	3.2
	11.3	4.5	**10.7**	4.8

All other financial liabilities are measured at fair value using observable inputs (level 2 inputs per IFRS 7's fair value hierarchy).

27 Financial risk management

The group's and parent company's activities expose them to a variety of financial risks including market risk, liquidity risk and credit risk. Market risk includes currency risk, interest rate risk and price risk. The main financial risks managed by the group and parent company, under policies approved by the board, are foreign currency risk, interest rate risk, liquidity risk and credit risk. The group and parent company use derivative financial instruments, in particular forward currency contracts and currency swaps, to manage their financial risks associated with their underlying business activities and the financing of those activities. Some derivative financial instruments used to manage financial risk are not designated as hedges and so are classified as 'held for trading'. The group and parent company do not undertake any speculative trading activity in financial instruments.

Notes on the Accounts

for the year ended 31st March 2013

27 Financial risk management (continued)

27a Foreign currency risk

The group operates globally with a significant amount of its profit earned outside the UK. In order to protect the group's sterling balance sheet and reduce cash flow risk the group has financed most of its investment in the USA and Europe by borrowing US dollars and euros respectively. Although much of this funding is obtained by directly borrowing the relevant currency, a part is achieved through currency swaps which can be more efficient and reduce costs. The group has designated the currency swaps, a US dollar loan and three euro loans (fair value of the loans was £387.2 million (2012 £202.0 million)) as hedges of net investments in foreign operations as they hedge the changes in values of the subsidiaries' net assets against movements in exchange rates.

The main currencies of the net debt after taking into account the effect of the currency swaps were:

	Group		Group		Parent company		Parent company	
	Borrowings 2013 £ million	Borrowings 2012 £ million	**Cash 2013 £ million**	Cash 2012 £ million	**Borrowings 2013 £ million**	Borrowings 2012 £ million	**Cash 2013 £ million**	Cash 2012 £ million
Sterling	**179.0**	220.4	**237.6**	394.9	**177.2**	240.2	**236.6**	390.6
US dollar	**700.8**	424.3	**193.8**	75.9	**711.6**	421.9	**173.8**	69.4
Euro	**325.4**	372.8	**39.6**	38.1	**339.0**	388.4	**36.0**	23.1
Swedish krona	**101.1**	1.6	**1.8**	4.5	**108.4**	1.5	**–**	5.9
Hong Kong dollar	**–**	–	**50.3**	46.5	**–**	–	**50.3**	46.0
South African rand	**45.8**	28.9	**0.3**	52.2	**31.4**	19.7	**–**	51.5
Chinese renminbi	**23.8**	19.7	**6.8**	9.9	**15.4**	14.4	**–**	–
South Korean won	**20.5**	19.3	**7.8**	5.2	**18.2**	17.0	**–**	–
Canadian dollar	**0.4**	6.9	**19.1**	8.6	**–**	7.9	**19.4**	8.5
Indian rupee	**8.4**	9.8	**10.1**	9.0	**–**	–	**–**	–
Japanese yen	**8.1**	10.2	**4.7**	2.1	**8.1**	16.9	**1.7**	1.4
Other currencies	**12.0**	3.8	**18.2**	16.6	**9.6**	3.8	**9.4**	6.3
	1,425.3	1,117.7	**590.1**	663.5	**1,418.9**	1,131.7	**527.2**	602.7

The group and parent company use forward exchange contracts, and occasionally purchased currency options, to hedge foreign exchange exposures arising on forecast receipts and payments in foreign currencies. These are designated and accounted for as cash flow hedges. The majority of the cash flows are expected to occur and the hedge effect realised in the income statement in the year ending 31st March 2014.

The main impact of movements in exchange rates on the group's results arises on translation of overseas subsidiaries' profits into sterling. The group's largest exposure is to the US dollar and a 5% (7.9 cent (2012 8.0 cent)) movement in the average exchange rate for the US dollar against sterling would have had a £6.5 million (2012 £7.3 million) impact on operating profit. The group is also exposed to the euro and a 5% (6.1 cent (2012 5.8 cent)) movement in the average exchange rate for the euro against sterling would have had a £4.2 million (2012 £3.7 million) impact on operating profit. This exposure is part of the group's economic risk of operating globally which is essential to remain competitive in the markets in which the group operates.

For financial instruments the main exposures are to the US dollar and euro and are due to loans, swaps and cash flow hedges on forecast receipts and payments. A 5% (7.6 cent (2012 8.0 cent)) movement in the closing exchange rate for the US dollar against sterling would have had a £3.3 million (2012 £3.1 million) impact on operating profit and a £32.4 million (2012 £20.8 million) impact on equity for these instruments. A 5% (5.9 cent (2012 6.0 cent)) movement in the closing exchange rate for the euro against sterling would have had a £4.6 million (2012 £5.7 million) impact on operating profit and a £20.9 million (2012 £21.4 million) impact on equity for these instruments. However, the impact on operating profit relates primarily to the cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have occurred in the year and so would be offset by similar movements in the hedged items. Similarly, the impact on equity relates primarily to foreign exchange positions used to hedge the subsidiaries' net assets and so would be offset by an equal and opposite movement in the value of the relevant subsidiaries' net assets. The remaining impact on equity of £7.0 million (2012 £3.3 million) for the US dollar and £6.7 million (2012 £4.6 million) for the euro relates to cash flow hedging instruments hedging the forecast receipts and payments whose cash flows have yet to occur.

27 Financial risk management (continued)

27b Interest rate risk

The group's and parent company's interest rate risk arises from their fixed rate borrowings (fair value risk) and floating rate borrowings (cash flow risk). Their policy is to optimise interest cost and reduce volatility in reported earnings and equity. They manage their risk by reviewing the profile of their debt regularly and by selectively using interest rate and cross currency swaps to maintain borrowings in appropriate currencies and at competitive rates. The group and parent company have designated four US dollar fixed rate to US dollar floating rate swaps as fair value hedges as they hedge the changes in fair value of bonds attributable to changes in interest rates. The losses on the interest rate swaps in the year ended 31st March 2013 were £3.6 million (2012 gains £5.6 million) and the gains on the bonds attributable to the hedged risk were £3.6 million (2012 losses £5.7 million). The group and parent company have designated the US dollar fixed interest rate to sterling fixed interest rate cross currency swap as a cash flow hedge as it hedges the movement in the cash flows of the hedged bond attributable to changes in the US dollar / sterling exchange rate. The cross currency swap's cash flows are expected to occur in 2015 when the bond which it hedges matures. The interest element of the cash flow hedge is realised in the income statement each year and the exchange effect is expected to be realised in the income statement in 2015. At 31st March 2013, 74% (2012 73%) of the group's net debt and 70% (2012 62%) of the parent company's net debt were at fixed rates with an average interest rate of 3.67% (2012 4.91%). The remaining debt is funded on a floating rate basis. Based on the group's net debt funded at floating rates, after taking into account the effect of the swaps, a 1% change in all interest rates would have a £2.1 million (2012 £1.2 million) impact on the group's profit before tax. This is within the range the board regards as acceptable.

27c Fair value of financial instruments

The fair value of financial instruments is approximately equal to book value except for:

	2013		2012	
Group	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
US Dollar Bonds 2013, 2015, 2016 and 2022	**(419.4)**	**(419.0)**	(309.3)	(334.1)
Euro Bonds 2021	**(84.5)**	**(100.5)**	(83.3)	(93.6)
Euro EIB loans 2013 and 2019	**(210.6)**	**(212.9)**	(104.2)	(108.4)
Sterling Bonds 2013 and 2024	**(65.0)**	**(65.9)**	(40.0)	(41.1)

	2013		2012	
Parent company	**Carrying amount £ million**	**Fair value £ million**	Carrying amount £ million	Fair value £ million
Amounts receivable from subsidiaries	**1,385.5**	**1,437.6**	1,215.3	1,247.8
US Dollar Bonds 2013, 2015, 2016 and 2022	**(419.4)**	**(419.0)**	(309.3)	(334.1)
Euro Bonds 2021	**(84.5)**	**(100.5)**	(83.3)	(93.6)
Euro EIB loans 2013 and 2019	**(210.6)**	**(212.9)**	(104.2)	(108.4)
Sterling Bonds 2013 and 2024	**(65.0)**	**(65.9)**	(40.0)	(41.1)

The fair values are calculated by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end.

27d Liquidity risk

The group's and parent company's policy on funding capacity is to ensure that they always have sufficient long term funding and committed bank facilities in place to meet foreseeable peak borrowing requirements. At 31st March 2013 the group and parent company had borrowings under committed bank facilities of £50.1 million (2012 £ nil). The group and parent company also have a number of uncommitted facilities, including metal leases, and overdraft lines at their disposal.

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Undrawn committed borrowing facilities				
Expiring within one year	**110.5**	120.8	**110.5**	120.8
Expiring in more than one year but not more than two years	**154.8**	131.3	**154.8**	131.3
Expiring in more than two years	**99.4**	60.0	**99.4**	60.0
	364.7	312.1	**364.7**	312.1

Notes on the Accounts

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27 Financial risk management (continued)

27d Liquidity risk (continued)

The maturity analyses for financial liabilities showing the remaining contractual undiscounted cash flows, including future interest payments but excluding unamortised transaction costs, were:

Group as at 31st March 2013	**Within 1 year £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**	**After 5 years £ million**	**Total £ million**
Bank overdrafts	**48.2**	**–**	**–**	**–**	**48.2**
Bank and other loans – principal	**273.3**	**130.7**	**98.3**	**352.8**	**855.1**
Bank and other loans – interest payments	**30.1**	**23.8**	**44.4**	**41.8**	**140.1**
Finance lease obligations	**0.5**	**0.4**	**1.1**	**–**	**2.0**
Financial liabilities in trade and other payables	**597.3**	**0.5**	**0.6**	**0.8**	**599.2**
Total non-derivative financial liabilities	**949.4**	**155.4**	**144.4**	**395.4**	**1,644.6**
Foreign exchange forwards, options and swaps – payments	**427.1**	**20.2**	**–**	**–**	**447.3**
Foreign exchange forwards, options and swaps – receipts	**(416.7)**	**(19.5)**	**–**	**–**	**(436.2)**
Total derivative financial liabilities	**10.4**	**0.7**	**–**	**–**	**11.1**

Group as at 31st March 2012	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	35.8	–	–	–	35.8
Bank and other loans – principal	56.2	198.5	219.0	83.3	557.0
Bank and other loans – interest payments	29.2	22.1	28.7	15.3	95.3
Finance lease obligations	0.4	0.5	1.3	0.2	2.4
Financial liabilities in trade and other payables	588.8	0.8	0.5	0.4	590.5
Total non-derivative financial liabilities	710.4	221.9	249.5	99.2	1,281.0
Foreign exchange forwards, options and swaps – payments	370.8	2.2	0.7	–	373.7
Foreign exchange forwards, options and swaps – receipts	(366.4)	(2.2)	(0.7)	–	(369.3)
Total derivative financial liabilities	4.4	–	–	–	4.4

Parent company as at 31st March 2013	**Within 1 year £ million**	**1 to 2 years £ million**	**2 to 5 years £ million**	**After 5 years £ million**	**Total £ million**
Bank overdrafts	**59.7**	**–**	**–**	**–**	**59.7**
Bank and other loans – principal	**254.6**	**130.7**	**98.3**	**352.8**	**836.4**
Bank and other loans – interest payments	**27.8**	**23.8**	**44.4**	**41.8**	**137.8**
Finance lease obligations	**0.4**	**0.4**	**1.0**	**–**	**1.8**
Financial liabilities in trade and other payables	**1,585.7**	**0.1**	**0.3**	**8.1**	**1,594.2**
Total non-derivative financial liabilities	**1,928.2**	**155.0**	**144.0**	**402.7**	**2,629.9**
Foreign exchange forwards, options and swaps – payments	**440.9**	**25.9**	**1.2**	**–**	**468.0**
Foreign exchange forwards, options and swaps – receipts	**(430.7)**	**(25.2)**	**(1.2)**	**–**	**(457.1)**
Total derivative financial liabilities	**10.2**	**0.7**	**–**	**–**	**10.9**

Parent company as at 31st March 2012	Within 1 year £ million	1 to 2 years £ million	2 to 5 years £ million	After 5 years £ million	Total £ million
Bank overdrafts	65.9	–	–	–	65.9
Bank and other loans – principal	40.0	198.1	219.0	83.3	540.4
Bank and other loans – interest payments	27.3	21.9	28.7	15.3	93.2
Finance lease obligations	0.4	0.4	1.3	0.2	2.3
Financial liabilities in trade and other payables	1,539.4	0.1	0.3	22.9	1,562.7
Total non-derivative financial liabilities	1,673.0	220.5	249.3	121.7	2,264.5
Foreign exchange forwards, options and swaps – payments	395.9	4.6	0.8	–	401.3
Foreign exchange forwards, options and swaps – receipts	(391.3)	(4.5)	(0.7)	–	(396.5)
Total derivative financial liabilities	4.6	0.1	0.1	–	4.8

27 Financial risk management (continued)

27e Credit risk

Within certain businesses, the group and parent company derive a significant proportion of their revenue from sales to major customers. Sales to individual customers are frequently high if the value of precious metals is included in the price. The failure of any such company to honour its debts could materially impact the group's and parent company's results. The group and parent company derive significant benefit from trading with their large customers and manage the risk at many levels. Each business and division has a credit committee that regularly monitors its exposure. The Audit Committee receives a report every six months that details all significant credit limits, amounts due and amounts overdue within the group and the relevant actions being taken. At 31st March 2013 trade receivables for the group amounted to £712.1 million (2012 £690.3 million) (parent company £147.4 million (2012 £139.4 million)). £470.8 million (2012 £482.2 million) of these receivables at group level (£93.4 million (2012 £103.7 million) at parent company level) arose in Emission Control Technologies (ECT) which is part of Environmental Technologies Division and mainly supplies the automotive industry including car and truck manufacturers and component suppliers. Although ECT has a wide spread of the available customers the concentrated nature of this industry means that amounts owed by individual customers can be large. Other parts of the group tend to sell to a larger number of customers and amounts owed tend to be lower. As at 31st March 2013 (and at 31st March 2012) for the group as a whole, no single outstanding balance exceeded 2% of the group's revenue. No assets have been taken possession of as collateral.

The credit profiles of the group's and parent company's customers are obtained from credit rating agencies and are closely monitored. The scope of these reviews includes amounts overdue and credit limits. Generally, payments in the automotive industry and in the other markets in which the group operates are made promptly.

Trade receivables are considered impaired when the amount is in dispute, customers are in financial difficulty or for other reasons which imply there is doubt over the recoverability of the debt. Trade receivables can be analysed as:

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Amounts neither past due nor impaired	**626.5**	618.8	**133.0**	129.3
Amounts past due but not impaired				
less than 30 days	**61.0**	52.2	**10.7**	7.2
30 – 90 days	**14.3**	11.3	**2.6**	1.8
more than 90 days	**10.8**	8.5	**1.1**	1.2
Total past due but not impaired	**86.1**	72.0	**14.4**	10.2
Amounts impaired	**5.2**	4.8	**2.1**	1.1
Specific allowances for bad and doubtful debts	**(5.1)**	(4.4)	**(2.1)**	(1.1)
Carrying amount of impaired receivables	**0.1**	0.4	**–**	–
Other allowances for bad and doubtful debts	**(0.6)**	(0.9)	**–**	(0.1)
Trade receivables net of allowances	**712.1**	690.3	**147.4**	139.4

Movements in the allowances for impairments were:

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
At beginning of year	**5.3**	7.2	**1.2**	1.8
Charge for year	**2.0**	2.9	**1.3**	0.7
Acquisitions	**0.1**	–	**–**	–
Released	**(1.6)**	(1.7)	**(0.3)**	(0.2)
Utilised	**(0.1)**	(2.9)	**(0.1)**	(1.1)
Exchange adjustments	**–**	(0.2)	**–**	–
At end of year	**5.7**	5.3	**2.1**	1.2

Financial assets included in sundry receivables are all current and not impaired.

The credit risk on cash and deposits and derivative financial instruments is limited because the counterparties with significant balances are banks with high credit ratings. The exposure to individual banks is monitored frequently against internally defined limits together with the bank's credit ratings and credit default swap prices. As at 31st March 2013, the maximum exposure with a single bank for deposits was £7.8 million (2012 £12.8 million) for the group and £0.6 million (2012 £12.2 million) for the parent company, whilst the largest mark to market exposure for derivative financial instruments to a single bank was £12.5 million (2012 £14.3 million) for the group and parent company. The group and parent company also use money market funds to invest surplus cash thereby further diversifying credit risk and at 31st March 2013 the group's and parent company's exposure to these funds was £ nil (2012 £59.7 million). The amounts on deposit at the year end represent the group's and parent company's maximum exposure to credit risk on cash and deposits.

The parent company also guarantees some of its subsidiaries' borrowings, partly through interest netting arrangements, and precious metal leases and its exposure at 31st March 2013 was £43.3 million (2012 £26.8 million).

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for the year ended 31st March 2013

27 Financial risk management (continued)

27f Capital management

The group's policy for managing capital is to maintain an efficient balance sheet to ensure that the group always has sufficient resources to be able to invest in future growth. The group has a long term target of a return on invested capital (underlying operating profit divided by average capital employed) of over 20% to ensure focus on efficient use of the group's capital. See the section on return on invested capital in the Financial Review of Operations on page 48 for more information. The group also has a long term target of net debt (including post tax pension deficits) to EBITDA of between 1.5 and 2.0 times although in any given year it may fall outside this range depending on future plans. See the section on capital structure in the Financial Review of Operations on page 50 for more information.

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Net debt	**835.2**	454.2	**891.7**	529.0
Equity	**1,392.5**	1,531.8	**1,040.1**	1,241.6
Capital employed	**2,227.7**	1,986.0	**1,931.8**	1,770.6

	2013 £ million	2012 £ million
Net debt	**835.2**	454.2
Pension deficits	**196.1**	130.7
Bonds purchased to fund pensions	**(49.7)**	–
Related deferred taxation	**(38.6)**	(33.7)
Net debt (including post tax pension deficits)	**943.0**	551.2
EBITDA	**541.4**	576.2
Return on invested capital	**19.7%**	22.3%
Net debt (including post tax pension deficits) to EBITDA	**1.7 times**	1.0 times

28 Provisions and contingent liabilities

28a Group

	Restructuring provisions £ million	Warranty and technology provisions £ million	Other provisions £ million	Total £ million
At 1st April 2012	18.0	24.1	20.7	62.8
Charge for year	2.0	4.1	3.9	10.0
Acquisitions (note 39)	–	0.5	2.0	2.5
Utilised	(10.9)	(2.9)	(4.1)	(17.9)
Released	(2.9)	(5.4)	(0.6)	(8.9)
Unwinding of discount	–	–	0.3	0.3
Exchange adjustments	–	–	0.2	0.2
At 31st March 2013	**6.2**	**20.4**	**22.4**	**49.0**

	2013 £ million	2012 £ million
Current	**19.8**	34.0
Non-current	**29.2**	28.8
Total provisions	**49.0**	62.8

The restructuring provisions relate to all divisions and are expected to be fully spent by 2014/15.

The warranty and technology provisions represent management's best estimate of the group's liability under warranties granted and remedial work required under technology licences, based on past experience in Environmental Technologies Division. Warranties generally cover a period of up to three years.

The other provisions include environmental, onerous leases and legal provisions arising across the group. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date. They are expected to be fully spent over the next six years.

28 Provisions and contingent liabilities (continued)

28b Parent company

	Restructuring provisions £ million	Warranty provisions £ million	Other provisions £ million	Total £ million
At 1st April 2012	3.8	–	25.9	29.7
Charge for year	0.3	1.8	2.3	4.4
Utilised	(3.5)	–	(6.5)	(10.0)
Released	(0.1)	–	(3.8)	(3.9)
At 31st March 2013	**0.5**	**1.8**	**17.9**	**20.2**

	2013 £ million	2012 £ million
Current	**6.2**	17.1
Non-current	**14.0**	12.6
Total provisions	**20.2**	29.7

The restructuring provisions relate to Environmental Technologies Division and are expected to be fully spent in 2013/14.

The warranty provisions represent management's best estimate of the parent company's liability under warranties granted, based on past experience in Environmental Technologies Division.

The other provisions include onerous leases, legal provisions and provisions to buy metal to cover positions created by the parent company selling metal belonging to subsidiaries. Amounts provided reflect management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Details of guarantees given by the parent company are disclosed in note 27e.

29 Deferred taxation

29a Group

	Property, plant and equipment £ million	Post-employment benefits £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities £ million
At 1st April 2011	56.5	(32.9)	(26.7)	(46.1)	39.2	29.8	19.8
Charge / (credit) to income	13.3	4.9	9.0	8.4	(6.1)	(9.8)	19.7
Tax on items taken directly to or transferred from equity	–	(9.4)	–	–	–	(0.9)	(10.3)
Exchange adjustments	(0.7)	0.1	0.6	0.1	(0.6)	(0.7)	(1.2)
At 31st March 2012	69.1	(37.3)	(17.1)	(37.6)	32.5	18.4	28.0
(Credit) / charge to income	(3.9)	(3.2)	1.7	8.6	(1.4)	1.8	3.6
Acquisitions (note 39)	0.3	–	(0.1)	(0.2)	22.3	(5.9)	16.4
Tax on items taken directly to or transferred from equity	–	(11.8)	–	–	–	(0.4)	(12.2)
Exchange adjustments	1.4	(1.5)	(0.4)	(0.3)	1.3	(0.1)	0.4
At 31st March 2013	**66.9**	**(53.8)**	**(15.9)**	**(29.5)**	**54.7**	**13.8**	**36.2**

	2013 £ million	2012 £ million
Deferred tax assets	**(20.3)**	(25.4)
Deferred tax liabilities	**56.5**	53.4
	36.2	28.0

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £101.2 million (2012 £72.5 million).

Deferred tax liabilities have not been recognised on temporary differences of £629.7 million (2012 £576.9 million) associated with investments in subsidiaries.

Notes on the Accounts

for the year ended 31st March 2013

29 Deferred taxation (continued)

29b Parent company

	Property, plant and equipment £ million	Post-employment benefits £ million	Provisions £ million	Inventories £ million	Intangibles £ million	Other £ million	Total deferred tax (assets) / liabilities £ million
At 1st April 2011	20.5	(14.4)	(0.2)	(36.3)	1.1	9.4	(19.9)
(Credit) / charge to income	(0.1)	3.6	0.2	8.4	(0.4)	(2.4)	9.3
Tax on items taken directly to or transferred from equity	–	(4.0)	–	–	–	0.4	(3.6)
At 31st March 2012	20.4	(14.8)	–	(27.9)	0.7	7.4	(14.2)
Charge / (credit) to income	0.1	(7.0)	(0.4)	4.7	(0.2)	1.0	(1.8)
Tax on items taken directly to or transferred from equity	–	5.3	–	–	–	(1.2)	4.1
At 31st March 2013	**20.5**	**(16.5)**	**(0.4)**	**(23.2)**	**0.5**	**7.2**	**(11.9)**

Deductible temporary differences, unused tax losses and unused tax credits not recognised on the balance sheet are £3.0 million (2012 £4.0 million).

30 Share capital

	Number	£ million
Issued and fully paid ordinary shares		
At 1st April 2011 and 31st March 2012	220,673,613	220.7
Effect of share consolidation	(10,030,618)	–
At 31st March 2013	**210,642,995**	**220.7**

Details of outstanding share options and allocations under the company's long term incentive plan which have yet to mature are disclosed in note 13.

Following approval at the annual general meeting held on 25th July 2012 and in connection with the special dividend also approved (note 10), a share consolidation under which shareholders received 21 new ordinary shares of $104^{16}/_{21}$ pence for every 22 existing ordinary shares of 100 pence each, became effective on 6th August 2012.

At the last annual general meeting on 25th July 2012 shareholders approved a resolution for the company to make purchases of its own shares up to a maximum number of 20,491,774 ordinary shares of $104^{16}/_{21}$ pence each. The resolution remains valid until the conclusion of this year's annual general meeting. The company will purchase its own shares when the board believes it to be in the best interests of the shareholders generally and will result in an increase in earnings per share.

The group and parent company's employee share ownership trust (ESOT) also buys shares on the open market and holds them in trust for employees participating in the group's executive share option schemes and long term incentive plan. At 31st March 2013 the ESOT held 2,275,765 shares (2012 2,508,723 shares) which had not yet vested unconditionally in employees. Computershare Trustees (CI) Limited, as trustee for the ESOT, has waived its dividend entitlement.

The total number of treasury shares held was 5,725,246 (2012 5,997,877) at a total cost of £91.7 million (2012 £91.7 million).

31 Components of other comprehensive income

	2013 £ million	2012 £ million
Cash flow hedges – (losses) / gains taken to equity	**(7.9)**	8.3
– transferred to income statement	**(7.7)**	(2.2)
	(15.6)	6.1
Currency translation differences – gains / (losses) taken to equity	**21.5**	(53.7)
– transferred to income statement	**0.7**	–
	22.2	(53.7)
Net investment hedges – (losses) / gains taken to equity	**(8.2)**	23.7
– transferred to income statement	**3.9**	–
	(4.3)	23.7

Notes on the Accounts

for the year ended 31st March 2013

32 Tax effects relating to other comprehensive income

	2013			2012		
	Before tax £ million	**Tax £ million**	**Net of tax £ million**	Before tax £ million	Tax £ million	Net of tax £ million
Currency translation differences	**22.2**	**–**	**22.2**	(53.7)	–	(53.7)
Cash flow hedges	**(15.6)**	**3.4**	**(12.2)**	6.1	(1.4)	4.7
Fair value (losses) / gains on net investment hedges	**(4.3)**	**–**	**(4.3)**	23.7	–	23.7
Fair value loss on available-for-sale investments	**(0.3)**	**–**	**(0.3)**	–	–	–
Actuarial loss on post-employment benefits assets and liabilities	**(97.9)**	**22.4**	**(75.5)**	(70.6)	20.1	(50.5)
Total other comprehensive (expense) / income	**(95.9)**	**25.8**	**(70.1)**	(94.5)	18.7	(75.8)

33 Other reserves

33a Group

	Capital redemption reserve £ million	Foreign currency translation £ million	Available-for-sale reserve £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2011	6.5	62.2	–	(0.4)	68.3
Cash flow hedges:					
Gains taken to equity	–	–	–	8.3	8.3
Transferred to income statement	–	–	–	(2.2)	(2.2)
Fair value gains on net investment hedges	–	23.7	–	–	23.7
Currency translation differences on foreign currency net investments and related loans	–	(53.7)	–	–	(53.7)
Tax on items taken directly to or transferred from equity	–	–	–	(1.4)	(1.4)
At 31st March 2012	6.5	32.2	–	4.3	43.0
Cash flow hedges:					
Losses taken to equity	–	–	–	(7.9)	(7.9)
Transferred to income statement	–	–	–	(7.7)	(7.7)
Fair value losses on net investment hedges	–	(8.2)	–	–	(8.2)
Fair value losses on net investment hedges transferred to profit on liquidation of subsidiaries (note 3)	–	3.9	–	–	3.9
Fair value losses on available-for-sale investments	–	–	(0.3)	–	(0.3)
Currency translation differences on foreign currency net investments and related loans	–	21.2	–	–	21.2
Currency translation differences transferred to profit on liquidation of subsidiaries (note 3)	–	0.7	–	–	0.7
Tax on items taken directly to or transferred from equity	–	–	–	3.4	3.4
At 31st March 2013	**6.5**	**49.8**	**(0.3)**	**(7.9)**	**48.1**

33b Parent company

	Capital redemption reserve £ million	Foreign currency translation £ million	Hedging reserve £ million	Total other reserves £ million
At 1st April 2011	6.5	(3.8)	(0.9)	1.8
Cash flow hedges:				
Gains taken to equity	–	–	8.5	8.5
Transferred to income statement	–	–	(1.8)	(1.8)
Currency translation differences on foreign operations	–	(0.1)	–	(0.1)
Tax on items taken directly to or transferred from equity	–	–	(1.6)	(1.6)
At 31st March 2012	6.5	(3.9)	4.2	6.8
Cash flow hedges:				
Losses taken to equity	–	–	(5.9)	(5.9)
Transferred to income statement	–	–	(6.7)	(6.7)
Currency translation differences on foreign operations	–	(0.6)	–	(0.6)
Tax on items taken directly to or transferred from equity	–	–	2.8	2.8
At 31st March 2013	**6.5**	**(4.5)**	**(5.6)**	**(3.6)**

Notes on the Accounts

for the year ended 31st March 2013

34 Gross cash flows

34a Purchases of non-current assets and investments

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Purchases of property, plant and equipment	**174.2**	137.5	**42.3**	33.3
Purchases of intangible assets	**9.7**	13.0	**2.4**	1.2
Funding of new subsidiaries	**–**	–	**65.2**	–
Purchases of available-for-sale investments	**50.3**	0.2	**–**	–
	234.2	150.7	**109.9**	34.5

34b Purchases of businesses

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Purchases of businesses	**156.3**	–	**–**	–
Purchase of non-controlling interest	**1.2**	–	**–**	–
Cash acquired with businesses	**(7.4)**	–	**–**	–
Consideration refunded for prior years' acquisitions	**(1.1)**	(1.6)	**–**	–
Consideration paid for prior years' acquisitions	**0.6**	1.0	**–**	–
	149.6	(0.6)	**–**	–

34c Net cost of ESOT transactions in own shares

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Purchase of own shares by ESOT	**(29.3)**	(36.8)	**(29.3)**	(36.8)
Release of own shares by ESOT	**5.4**	11.1	**5.4**	11.1
	(23.9)	(25.7)	**(23.9)**	(25.7)

34d Proceeds from / (repayment of) borrowings and finance leases

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Proceeds from borrowings falling due within one year	**59.7**	2.6	**50.1**	–
Repayment of borrowings falling due within one year	**(47.7)**	(168.7)	**(40.0)**	(146.7)
Proceeds from borrowings falling due after more than one year	**268.5**	–	**268.5**	–
Capital element of finance lease rental payments	**(0.3)**	(0.3)	**(0.3)**	(0.3)
	280.2	(166.4)	**278.3**	(147.0)

35 Cash and cash equivalents

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Cash and deposits	**70.0**	139.1	**6.0**	78.0
Bank overdrafts	**(48.2)**	(35.8)	**(59.7)**	(65.9)
Cash and cash equivalents	**21.8**	103.3	**(53.7)**	12.1

Notes on the Accounts

for the year ended 31st March 2013

36 Precious metal operating leases

The group leases, rather than purchases, precious metals to fund temporary peaks in metal requirements provided market conditions allow. These leases are from banks for specified periods (typically a few months) and for which the group pays a fee. These arrangements are classified as operating leases. The group holds sufficient precious metal inventories to meet all the obligations under these lease arrangements as they fall due. At 31st March 2013 precious metal leases were £96.8 million (2012 £9.1 million).

37 Commitments

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Future capital expenditure contracted but not provided	**23.0**	20.8	**10.0**	1.4
Future minimum amounts payable under non-cancellable operating leases				
Within one year	**15.3**	17.1	**2.2**	2.3
From one to five years	**26.1**	27.9	**4.9**	6.9
After five years	**18.7**	19.4	**8.3**	8.7
	60.1	64.4	**15.4**	17.9
Future minimum sublease payments expected to be received under non-cancellable operating leases	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Future minimum amounts payable under finance leases				
Within one year	**0.5**	0.4	**0.4**	0.4
From one to five years	**1.5**	1.8	**1.4**	1.7
After five years	**–**	0.2	**–**	0.2
	2.0	2.4	**1.8**	2.3
Less future finance charges	**(0.2)**	(0.3)	**(0.2)**	(0.3)
Present value of finance lease obligations	**1.8**	2.1	**1.6**	2.0

The group and parent company lease some of its property, plant and equipment which are used by the group and parent company in their operations, except for leases of some property which the group and parent company no longer use which are now sublet.

38 Transactions with related parties

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and so are only disclosed for the parent company's accounts. Guarantees of subsidiaries' borrowings are disclosed in note 27e.

	Group		Parent company	
	2013 £ million	2012 £ million	**2013 £ million**	2012 £ million
Trading transactions with subsidiaries				
Sale of goods	**–**	–	**2,562.0**	2,898.2
Purchases of goods	**–**	–	**378.2**	404.9
Income from service charges	**–**	–	**23.0**	16.2
Amounts receivable from subsidiaries	**–**	–	**168.6**	140.9
Amounts payable to subsidiaries	**–**	–	**15.6**	18.6
Loans to subsidiaries	**–**	–	**1,216.9**	1,074.4
Loans from subsidiaries	**–**	–	**1,316.0**	1,210.9

The group's post-employment benefits plans are related parties and the group's and parent company's transactions with them are disclosed in notes 14a and 14b respectively.

The transactions with key management personnel are described in note 12c.

Notes on the Accounts

for the year ended 31st March 2013

39 Acquisitions

If all the acquisitions in the year had been completed on 1st April 2012 the revenue for the group would have been £10,814.4 million and its profit for the year £277.4 million.

On 21st August 2012 the group acquired 100% of Shanghai Changyin Electronic Material Science and Technology Co., Ltd. Changyin is based in Shanghai, China and manufactures silver paste. The acquisition of Changyin should provide a route to the growing market for silver paste for photovoltaic cell applications. The goodwill arising is attributable to synergies and future opportunities expected as Changyin provides a production base for the group's Colour Technologies business to supply silver paste to the photovoltaic industry and the Chinese automotive product sector currently being served from the Netherlands and Korea.

On 19th October 2012 the group acquired 100% of AG Holding Limited and its subsidiaries (Axeon). Axeon is a specialist in the design, development and manufacture of integrated battery modules and systems for customers in the automotive industry and in high performance non-automotive applications. The acquisition of Axeon brings applications engineering expertise for battery systems which will complement the group's materials science and research and development expertise, providing the base for further expansion in battery materials and technology. The goodwill arising is attributable to: the synergies expected from the deeper understanding of the fundamentals of cell electrochemistry and materials that the combining of these respective areas of expertise will bring; the probable geographical expansion of Axeon's markets which the group's global footprint should enable; and the assembled workforce.

On 27th March 2013 the group acquired 100% of Formox AB, its Chinese subsidiary and its business in USA. Formox is based in Sweden and is a leading global provider of catalysts, plant designs and licences for the manufacture of formaldehyde. Its technologies complement the group's existing strengths in process catalysts and in plant design and licensing. Formox provides opportunities to integrate and expand the group's technology and catalysts into a broader range of chemical processes and grow its position in the global petrochemicals market. The goodwill arising is attributable to these significant opportunities and synergies plus the assembled workforce.

The fair value of the net assets acquired, consideration paid, goodwill arising on these transactions, acquisition-related expenses and contribution to the group's results since acquisition were:

	Changyin £ million	Axeon £ million	Formox £ million
Net assets acquired			
Property, plant and equipment	0.1	1.0	5.2
Intangible assets	0.3	30.4	73.3
Inventories	0.4	4.2	9.1
Trade and other receivables	0.9	4.3	8.6
Cash and cash equivalents	0.2	1.6	5.6
Current other borrowings	(0.5)	–	–
Trade and other payables	(0.9)	(7.2)	(23.1)
Current income tax (liabilities) / assets	–	(0.4)	0.6
Deferred income tax liabilities	(0.1)	(5.8)	(10.5)
Provisions	–	(2.5)	–
Total net assets acquired	0.4	25.6	68.8
Goodwill on acquisition	1.6	15.0	43.4
	2.0	40.6	112.2
Satisfied by			
Purchase consideration – cash	2.0	40.6	113.7
Purchase consideration – to be refunded	–	–	(1.5)
	2.0	40.6	112.2
Acquisition-related costs charged to administrative expenses	0.2	1.0	0.8
Revenue since acquisition	3.4	30.7	–
Profit / (loss) since acquisition	(0.2)	(1.6)	–
Trade and other receivables – gross contractual amounts receivable	0.9	4.4	8.6
Trade and other receivables – estimate of amounts not expected to be collected	–	0.1	–

None of the goodwill arising on acquisition is expected to be deductible for tax purposes.

For the acquisition of Formox, the fair value of the consideration and the fair value of the net assets acquired are provisional as the completion accounts have yet to be agreed with the vendor.

On 23rd October 2012 the group acquired the 50% of Tracerco Asia Sdn. Bhd. it did not already own for £1.2 million and the non-controlling interest at this date was £1.2 million. This has been accounted for as an equity transaction.

Notes on the Accounts

for the year ended 31st March 2013

40 Key sources of estimation uncertainty

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events on those assets and liabilities at the balance sheet date. The group and parent company have made appropriate estimates when applying the accounting policies, but the actual outcome may differ from those calculated.

The key sources of estimation uncertainty at the balance sheet date which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Post-employment benefits

The group's and parent company's defined benefit plans are assessed annually by qualified independent actuaries. The details of the plans and assumptions used are described in note 14.

Goodwill

The group has capitalised goodwill of £585.3 million and the parent company has £110.5 million. Annual impairment reviews are performed which require various assumptions. More details are given in note 16.

Other intangible assets

Other intangible assets which are not yet being amortised are also subject to annual impairment reviews based on discounted cash flow projections.

Provisions and contingent liabilities

As described in note 28 and the accounting policies, the group and parent company measure provisions and contingent liabilities at management's best estimate of the expenditure required to settle the obligations at the balance sheet date.

Taxation

The tax payable on profits is determined based on tax laws and regulations that apply in each of the numerous jurisdictions in which the group operates. Where the precise impact of these laws and regulations is unclear then reasonable estimates may be used to determine the tax charge included in the accounts. If the tax eventually payable or reclaimable differs from the amounts originally estimated then the difference will be charged or credited in the accounts for the year in which it is determined.

Refining process and stock takes

The group's and parent company's refining and fabrication businesses process significant quantities of precious metal and, similar to many industrial activities, losses may arise during processing. The extent of such losses depends on many factors, including the nature of material being refined, the specific refining processes applied and the processes' efficiency. Judgment is therefore required in estimating the amount of such losses when setting process loss provisions. In addition stock takes, particularly at the refining businesses, involve estimation of volumes in the refining system and the subsequent sampling and assaying of material to assess the precious metal content. In addition, the results of sampling and assaying and therefore the stock take itself are only available some time after the date of the stock take. In setting process loss provisions and assessing the stock take results management takes account of the complexity of the stock take process, past experience, the ability to extract precious metals from the refining process and other factors when estimating losses and gains.

Notes on the Accounts

for the year ended 31st March 2013

41 Principal subsidiaries

The group's principal subsidiaries at 31st March 2013 are set out below. Those held directly by the parent company are marked with an asterisk (*). All the companies are wholly owned unless otherwise stated. All the subsidiaries are involved in the principal activities of the group. A full list of the group's subsidiaries will be attached to the parent company's annual return to be filed with the Registrar of Companies.

	Country of incorporation
Europe	
* Avocado Research Chemicals Limited	England
* Davy Process Technology Limited	England
* Johnson Matthey Fuel Cells Limited (82.5%)	England
* Tracerco Limited	England
Johnson Matthey SAS	France
Alfa Aesar GmbH & Co KG	Germany
Johnson Matthey Catalysts (Germany) GmbH	Germany
Johnson Matthey GmbH	Germany
Johnson Matthey DOOEL Skopje	Macedonia
Johnson Matthey BV	Netherlands
Axeon Spólka z ograniczoną odpowiedzialnocścią	Poland
Macfarlan Smith Limited	Scotland
Johnson Matthey AB	Sweden
Formox AB	Sweden
Johnson Matthey & Brandenberger AG	Switzerland
North America	
The Argent Insurance Co. Limited	Bermuda
Johnson Matthey Limited	Canada
Johnson Matthey de Mexico, S.A. de C.V.	Mexico
Johnson Matthey Inc.	USA
Johnson Matthey Catalog Company Inc.	USA
Johnson Matthey Fuel Cells, Inc. (82.5%)	USA
Johnson Matthey Pharmaceutical Materials, Inc.	USA
Intercat, Inc.	USA
Johnson Matthey Gold & Silver Refining Inc.	USA

	Country of incorporation
Asia	
Johnson Matthey (Shanghai) Catalysts Co., Ltd	China
Johnson Matthey (Shanghai) Chemicals Limited	China
Johnson Matthey Pacific Limited	Hong Kong
Johnson Matthey India Private Limited	India
Johnson Matthey Chemicals India Private Limited	India
Johnson Matthey Japan GK	Japan
* Johnson Matthey Sdn. Bhd. (92%)	Malaysia
Johnson Matthey Catalysts Korea Limited	South Korea
Africa	
Johnson Matthey (Proprietary) Limited	South Africa
Australasia	
Johnson Matthey (Aust) Ltd	Australia
South America	
* Johnson Matthey Argentina S.A.	Argentina

Independent Auditor’s Report

to the members of Johnson Matthey Public Limited Company

We have audited the group and parent company accounts of Johnson Matthey Plc for the year ended 31st March 2013 which comprise the Consolidated Income Statement, the Consolidated Statement of Total Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated Statement of Changes in Equity, the Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU and, as regards the parent company accounts, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the directors' responsibilities statement set out on page 137, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Accounts

A description of the scope of an audit of accounts is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Accounts

In our opinion:

- the accounts give a true and fair view of the state of the group's and of the parent company's affairs as at 31st March 2013 and of the group's profit for the year then ended;
- the group accounts have been properly prepared in accordance with IFRS as adopted by the EU;
- the parent company accounts have been properly prepared in accordance with IFRS as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group accounts, Article 4 of the IAS Regulation.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on Which we are Required to Report by Exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company accounts and the part of the directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 51, in relation to going concern; and
- the part of the Corporate Governance statement on page 95 relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

David Matthews (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square, London E14 5GL

5th June 2013

→ SUPPORTING OUR STRATEGY

– OUR PEOPLE AND CULTURE

This section contains the assurance statement on our non-financial data and a checklist against the Global Reporting Initiative. It also provides further information for shareholders, a glossary and an index to help the reader locate information in the relevant sections.

OTHER INFORMATION

.08

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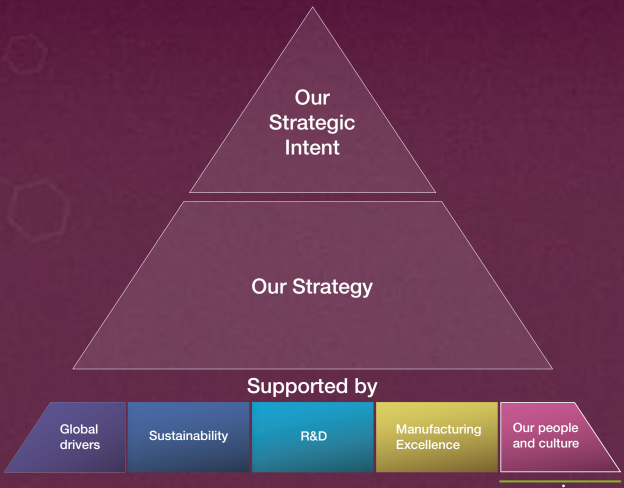

- ‘Dr Jim’ is the myJM mascot. The ‘superhero in a labcoat’ has been created to help promote uptake of the new tool amongst employees.

Our People and Culture

→ Making the Connection with myJM

“Since November 2012 I have been using myJM, Johnson Matthey’s new web based collaboration and networking tool. It’s already enabling me to work more effectively and connect more easily with my colleagues around the world.

I work in Johnson Matthey’s Technology Forecasting and Information (TFI) group and our role is to provide employees with the right information and knowledge to make technical and commercial decisions. Although I am based in the UK, I am responsible for technology and market information for China so, as you can imagine, in the past, communication and sharing information mainly consisted of emails with many file attachments.

With myJM, my TFI colleague in China and I can work on the same documents and we are both able to share our work more easily with our fellow employees. This has really helped improve our workflow.

TFI gathers and holds a considerable amount of information. In the past, making this available to the wider Johnson Matthey group has been difficult. With myJM we are able to open up this information, where appropriate, to more people in the company with the added bonus that they can search and filter it to quickly find what they need.

As an information provider to the whole of Johnson Matthey, making sure people know who we are and how we can help them is key. With myJM I have my own profile where I can share details of my expertise. What’s better is that I can search the profiles of others to see if anyone already has any information or knowledge in the areas which I am working on. I’m also posting blogs to keep people up to date with news and developments from our group.

For a growing company with around 11,000 people in over 30 different countries, there are real business benefits from being able to connect and collaborate more easily. Overall, myJM has had a really positive impact on the way that I work – I don’t know how I ever managed without it!”

Five Year Record – Financial Data

	2009 £ million	2010 £ million	2011 £ million	2012 £ million	**2013 £ million**
Revenue	7,847.8	7,839.4	9,984.8	12,023.2	**10,728.8**
Sales excluding the value of precious metals	1,796.9	1,885.5	2,280.3	2,678.6	**2,675.7**
EBITDA	398.1	382.7	489.4	576.2	**541.4**
Depreciation	(88.7)	(97.3)	(108.3)	(108.5)	**(111.2)**
Amortisation	(10.9)	(13.6)	(14.9)	(17.6)	**(15.4)**
Underlying operating profit	298.5	271.8	366.2	450.1	**414.8**
Net finance costs	(32.6)	(19.4)	(20.7)	(24.1)	**(25.6)**
Share of profit of associate	2.0	1.7	–	–	**–**
Underlying profit before tax	267.9	254.1	345.5	426.0	**389.2**
Amortisation of acquired intangibles	(9.1)	(9.9)	(14.5)	(16.7)	**(16.9)**
Major impairment and restructuring charges	(9.4)	(11.3)	(71.8)	–	**(17.4)**
Dissolution of associate	–	(4.4)	0.1	–	**–**
Profit before tax	249.4	228.5	259.3	409.3	**354.9**
Income tax expense	(76.7)	(64.3)	(75.5)	(93.9)	**(79.1)**
Profit after taxation	172.7	164.2	183.8	315.4	**275.8**
Profit / (loss) for the year from discontinued operations	1.2	–	(1.9)	–	**–**
Non-controlling interests	0.2	–	(0.4)	0.5	**0.7**
Profit attributable to owners of the parent company	174.1	164.2	181.5	315.9	**276.5**
Underlying earnings per ordinary share	89.6p	86.4p	119.0p	153.7p	**150.0p**
Earnings per ordinary share	82.6p	77.6p	85.2p	148.7p	**134.6p**
Dividend per ordinary share	37.1p	39.0p	46.0p	55.0p	**57.0p**
Summary Balance Sheet					
Assets employed:					
Goodwill	516.0	513.8	528.7	519.5	**585.3**
Property, plant and equipment / other intangible assets	1,060.5	1,053.2	1,060.6	1,037.3	**1,206.3**
Non-current investments / associates	12.1	10.9	8.0	8.0	**57.9**
Inventories	371.7	390.1	556.3	630.8	**665.9**
Receivables / current investments / tax assets / financial assets	585.9	718.9	952.2	898.6	**918.9**
Payables / provisions / tax liabilities / financial liabilities	(684.1)	(717.0)	(932.2)	(938.8)	**(960.6)**
Post-employment benefits net assets / employee benefit obligations	(151.6)	(245.7)	(130.4)	(169.4)	**(246.0)**
	1,710.5	1,724.2	2,043.2	1,986.0	**2,227.7**
Financed by:					
Net debt	534.4	473.4	639.4	454.2	**835.2**
Retained earnings	849.6	837.7	1,001.2	1,169.6	**1,028.5**
Share capital, share premium, shares held in ESOTs and other reserves	325.7	411.7	401.5	361.8	**365.4**
Non-controlling interest	0.8	1.4	1.1	0.4	**(1.4)**
Capital employed	1,710.5	1,724.2	2,043.2	1,986.0	**2,227.7**
Return on invested capital (Underlying operating profit / average capital employed)	17.1%	15.8%	19.4%	22.3%	**19.7%**

In 2012, 2011 was restated for changes to Intercat, Inc.'s fair values at acquisition.

Five Year Record – Non-Financial Data

		2009	2010	2011	2012	**2013**
Social						
Average employee numbers		8,742	8,575	9,388	9,914	**10,498**
Total employee turnover[1]	%	12.7	10.0	8.5	11.7	**9.1**
Voluntary employee turnover[1]	%	6.4	5.4	5.6	6.4	**6.5**
Employee gender (female)	%	22	21	22	22	**25**
New recruits gender (female)	%	29	25	23	25	**25**
Trade union representation	%	34	33	38	35	**31**
Training days per employee		2.6	2.3	2.6	3.1	**2.7**
Training spend per employee[2]	£	346	291	390	335	**433**
Internal promotions	% of all recruitment in year	38	35	33	35	**36**
Attendance	days lost per employee	5.3	5.2	5.2	5.0	**5.2**
Sickness absence rate	%	2.2	2.1	2.1	2.0	**2.2**
Charitable donations	£ thousands	495	458	517	645	**615**
Health and Safety						
Greater than three day accidents	per 1,000 employees	5.09	2.48	2.99	2.38[3]	**2.68**
Total lost time accidents		95	60	74	58[3]	**50**
Total accident rate	per 1,000 employees	10.83	7.11	7.89	6.00[3]	**4.97**
Total lost time accident incident rate	per 100,000 hours worked	0.53	0.36	0.40	0.29[3]	**0.25**
Total days lost	per 1,000 employees	124	64	102	90	**137**
Occupational illness cases	per 1,000 employees	5.5	5.2	3.5	3.5	**2.7**
Environment						
Energy consumption	thousands GJ	4,070	4,001	4,749	4,726	**4,648**
Total global warming potential	thousands tonnes CO_2 equivalent	372	377	415	417	**413**
Total acid gas emissions	tonnes SO_2 equivalent	334	335	318	444	**334**
Total NOx emissions	tonnes	439	434	393	566	**420**
Total SO_2 emissions	tonnes	25.8	31.0	43.0	47.5	**39.9**
Total VOC emissions	tonnes	209.1	180.8	185.7	189.8	**185.6**
Total waste	tonnes	96,287	90,308	113,671	120,363	**110,448**
Total waste to landfill	tonnes	5,535	5,071	6,165	10,708	**3,218**
Water consumption	thousands m^3	1,951	1,750	2,076	2,201	**2,444**
Emissions to water	tonnes	376	236	251	260	**226**

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[1] Calculated by reference to the total number of leavers during the year expressed as a percentage of the average number of people employed during the year. Does not include agency workers not directly employed by Johnson Matthey.

[2] Does not include the cost of in house training or the cost of employees' wages during training.

[3] Restated due to reclassification in 2012/13 of accidents that were reported during 2011/12.

Basis of Reporting – Non-Financial Data

Johnson Matthey has adopted a framework based upon the GRI G3.1 sustainability reporting guidelines and applied them in an appropriate context to the group by examination of the definition, explanation notes and self diagnosis tests to ensure a comprehensive, accurate and complete account when assessed against the reporting criteria. In addition, feedback received on the 2012 Annual Report and Accounts, recommendations on that report arising from the assurance process and a well structured management approach early in 2013 have shaped the reporting of non-financial content and context. Due consideration has been given to relevant international standards such as the International Organization for Standardization's voluntary standard on 'social responsibility', ISO 26000, the progress of the International Integrated Reporting Framework and other emerging regulations and standards for non-financial reporting.

This report has been developed to incorporate the group's significant economic, environmental and social impacts and is set within the context of the United Nations Brundtland definition of sustainability (1987) and our own Sustainability 2017 goals. Understanding the relevance of local, national, regional and global issues, regulation and legislation is taken into account when considering reporting. The AA1000AS assurance standard principles of inclusivity, materiality and responsiveness are central to the structure of the report and in setting priorities for reporting.

There are no limitations on the scope or boundary of the non-financial data in this report. The non-financial information presented covers the sustainability activities and performance of Johnson Matthey's global operations and includes the parent company and its subsidiaries (as listed on page 186). Environmental performance data covers manufacturing, research and warehousing operations of the parent company and its subsidiaries. Environmental performance data from acquired facilities is only included after the first full year of Johnson Matthey ownership (and so in 2012/13 data from Colour Technologies' facility in China, which was acquired in August 2012, Axeon's facilities in Scotland and Poland, which were acquired in October 2012, and Formox's facility in Sweden, which was acquired in March 2013, are not included). Environmental performance data from new facilities is included from the point at which the facility is fully operational. The report also explains how we are continuing to build sustainability into our business planning and decision making processes and how, through our governance processes, we manage social, environmental and ethical matters across the group.

Data measurement techniques, including calculations for social, environmental and health and safety performance, have used internationally recognised protocols such as the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition) and the GRI indicator protocols as appropriate. Any exceptions are noted.

All non-financial performance data is reported on a financial year basis unless otherwise stated. Where necessary data has been restated, for example to reflect changes in the business (e.g. divestments and site closures), to take account of changes in best practice methodologies for reporting and changes in calculating emissions. Certain safety data has been restated as a result of reclassification in 2012/13 of accidents that were reported in 2011/12. For employee data, percentage calculations are made in relation to the number of permanent employees in the group (unless otherwise stated).

Global warming potential (GWP) in tonnes of carbon dioxide (CO_2) equivalent includes Scope 1 and Scope 2 emissions. We report greenhouse gas emissions from process and energy use and convert the total group energy use to tonnes CO_2 equivalent using national and regional conversion factors for each emissions source as appropriate.

Certain employee data is included in the accounts which is subject to external audit. The group's other social, health and safety and environmental data is collected annually at a group level. The data is collated through five questionnaires based on the requirements of the Global Reporting Initiative third generation (GRI G3.1) guidelines. It is completed by businesses and signed off by the general manager for each global operation. The reported site level data is a combination of actual measurement and estimates. The processes in place to internally verify the reported data are described in the Verification section on page 193.

Accident Calculation Definitions

Johnson Matthey's definition of an accident for the purposes of this report is any acute unplanned event that causes harm to individuals, making them unable to attend work on days after the date of the event. Accidents are further subdivided into accidents that result in more than three days' work lost and those that cause three or less days to be lost. Accident incidence rates are calculated based on the rate of these accidents per 1,000 employees.

The following metrics are used in this report:

Incidence rate for all lost time accidents in the year = (number of greater than three day accidents in the year + number of three day or less accidents in the year) x 1,000 ÷ (average number of employees in the year).

Incidence rate for greater than three day accidents in the year = (number of greater than three day accidents in the year) x 1,000 ÷ (average number of employees in the year).

Lost work days per 1,000 employees per year = (total lost work days in year) x 1,000 ÷ (average number of employees in the year).

Frequency rate for all lost time accidents in the year = (number of greater than three day accidents in the year + number of three day or less accidents in the year) x 100,000 ÷ (number of hours worked in the year).

Calculation of the Value of Employee Time

In determining the in kind value of employees' volunteering we take the number of volunteering days reported in the year and multiply it by the cost of one day of employee time.

Cost of one day of employee's time = (total employee benefits expense ÷ average number of employees in the year) ÷ (number of working days in the year).

Verification of Non-Financial Data

For a number of years the group has sought to collect and present certain non-financial data in respect of human resources, health and safety and environmental metrics as a means to demonstrate internally and externally our performance as a responsible business. We have continued to consider the metrics we present, the basis of measurement and the processes of collection and consolidation with a view to standardising and improving the relevance and quality of the metrics presented, and to further improve our processes in this area.

Certain human resources data forms part of Johnson Matthey's accounts which are subject to external audit. Other human resources data, community investment data and information relating to charitable donations is reviewed and verified by internal experts.

Health and safety data is reviewed by group health and safety experts and as part of the group environment, health and safety (EHS) audit programme. Environmental data is reviewed by group environmental experts and as part of the group EHS audit programme.

All data is reviewed by internal sustainability experts and at appropriate levels of management up to and including the Chief Executive's Committee.

Johnson Matthey utilises external specialists on specific sustainability issues. Over the past year this has included external audits or reviews of people management systems, health and safety (OHSAS 18001) and environmental management systems (ISO 14001).

The board reviews corporate social responsibility issues as part of its risk management process. This year we changed our assurance partner to further challenge the robustness of our non-financial data. The new provider has identified certain areas where improvements can be made to our data collection processes at a site level and also to ensure consistency across the group. As a result, whilst we have collected, internally reviewed and presented the data on the same basis as in 2011/12, we are not providing an assurance statement for 2012/13. The board is considering the implications of the recommendations made by our assurance partner in the context of our future reporting.

Shareholder Information

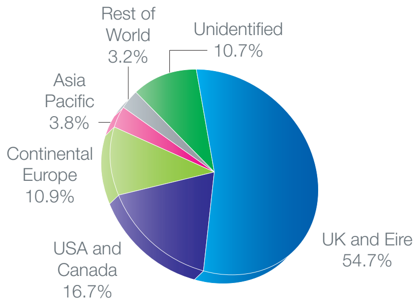
Johnson Matthey Share Price Five Year Performance versus FTSE 100

Johnson Matthey Share Price as at 31st March

2008	2009	2010	2011	2012	2013
2,005p	1,053p	1,746p	1,860p	2,359p	2,300p

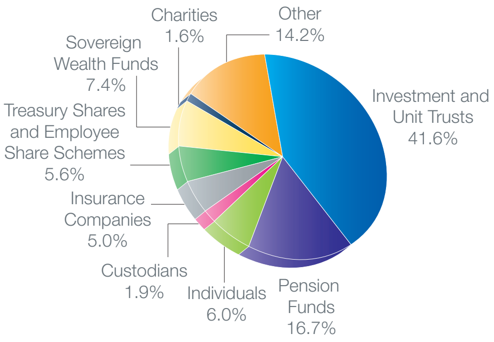
Analysis of Ordinary Shareholders as at 30th April 2013

By Location



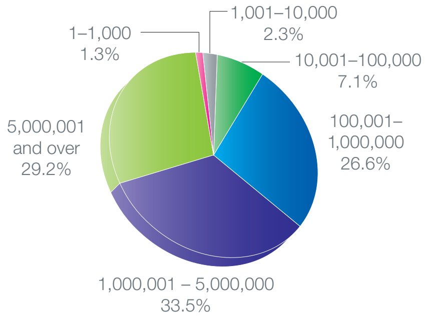
By location	Number of shares	Percentage
UK and Eire	115,129,129	54.7
USA and Canada	35,209,356	16.7
Continental Europe	23,004,036	10.9
Asia Pacific	8,107,058	3.8
Rest of World	6,646,655	3.2
Unidentified	22,546,761	10.7
Total	210,642,995	100.0

By Category



By category	Number of shares	Percentage
Investment and Unit Trusts	87,598,696	41.6
Pension Funds	35,110,413	16.7
Individuals	12,694,096	6.0
Custodians	4,076,450	1.9
Insurance Companies	10,591,183	5.0
Treasury Shares and Employee Share Schemes	11,776,399	5.6
Sovereign Wealth Funds	15,621,856	7.4
Charities	3,234,218	1.6
Other	29,939,684	14.2
Total	210,642,995	100.0

By Size of Holding



By size of holding	Number of holdings	Percentage	Number of shares	Percentage
1 – 1,000	7,511	74.7	2,644,496	1.3
1,001 – 10,000	1,899	18.9	4,869,861	2.3
10,001 – 100,000	406	4.0	14,996,860	7.1
100,001 – 1,000,000	195	1.9	56,124,853	26.6
1,000,001 – 5,000,000	35	0.4	70,515,825	33.5
5,000,001 and over	7	0.1	61,491,100	29.2
	10,053	100.0	210,642,995	100.0

Shareholder Information continued

Share Dealing Services

A telephone and internet dealing service for UK shareholders is provided by the company's registrars, Equiniti. For further information, including Equiniti's terms and conditions and details of their fees, log on to www.shareview.co.uk/dealing or call 08456 037 037.

Dividend History – Pence per Share

	2009	2010	2011	2012	2013
Interim	11.1	11.1	12.5	15.0	15.5
Final	26.0	27.9	33.5	40.0	41.5
Total ordinary	37.1	39.0	46.0	55.0	57.0
Special	–	–	–	100.0	–

Dividend Policy

It is Johnson Matthey's policy to grow ordinary dividends over time, broadly in line with underlying earnings per share while maintaining dividend cover at about two and a half times to ensure sufficient funds are retained to support organic growth. Over the last five years from 2008/09, underlying earnings per share have grown at a compound annual growth rate of 13.7% p.a. The board is proposing a final dividend for 2012/13 of 41.5 pence to take the total ordinary dividend for the year to 57.0 pence, which is 4% up. The dividend will be covered 2.6 times by underlying earnings.

Dividend Payments and DRIP

Dividends can be paid directly into shareholders' bank or building society accounts. Shareholders wishing to take advantage of this facility should contact the company's registrars, Equiniti, or complete the dividend mandate form attached to their dividend cheque. A Dividend Reinvestment Plan (DRIP) is also available which allows shareholders to purchase additional shares in the company. Further information can be obtained from Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2268*. They can also be contacted via their website at www.shareview.co.uk.

American Depositary Receipts

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 Johnson Matthey ordinary shares. The ADRs trade on the US over-the-counter (OTC) market under the symbol JMPLY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. For enquiries, BNY Mellon can be contacted on 1-888-BNY-ADRS (1-888-269-2377) toll free if you are calling from within the United States. Alternatively, they can be contacted by e-mail at shrrelations@bnymellon.com or via their website at adrbnymellon.com.

Share Price and Group Information

Information on the company's current share price together with copies of the group's annual and half-yearly reports and major presentations to analysts and institutional shareholders are available on the Johnson Matthey website: www.matthey.com.

The website's Investor Relations section contains extensive information and a number of tools which will be of assistance to investors including historic share price information downloads and a share price charting facility.

For capital gains tax purposes the mid-market price of the company's ordinary shares on 31st March 1982 was 253 pence.

Enquiries

Shareholders who wish to contact Johnson Matthey Plc on any matter relating to their shareholding are invited to contact the company's registrars, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2344* or via their website www.shareview.co.uk.

Shareholders may also telephone the company on 020 7269 8400 or write to:

The Company Secretary
Johnson Matthey Plc
5th Floor
25 Farringdon Street
London EC4A 4AB

For other enquiries shareholders may contact the Director, Investor Relations and Corporate Communications at the above address and telephone number.

* Calls to these numbers are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm Monday to Friday (excluding bank holidays).

Global Reporting Initiative (GRI) Summary

This summary outlines where to find information in this report on the GRI core and additional indicators and topics relevant to the International Organization for Standardization (ISO) standard on social responsibility (ISO 26000) standard core subject areas. The complete GRI Index can be found online at www.matthey.com/AR13.

ISO 26000 Standard Core Subject Areas	GRI Indicator	Subject	Page
	Strategy and Profile		
	1.1	Chief Executive's Statement	8-9
	1.2	Key impacts, risks and opportunities	12-13, 15-19, 24-27, 88-91
	2.1 – 2.10	Organisational profile	inner flap, 10, 30-46, 56, 134, 141, 184, 186, 200
	3.1 – 3.4	Report parameters	192, 200
	3.5 – 3.13	Report scope, boundary and assurance	24-27, 54, 88-91, 145-148 192-193, 196
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	4.11 – 4.13	Commitments to external initiatives	55, 61-64, 75, 89
	4.14 – 4.17	Stakeholder engagement	52-65
	Economic Performance		
	Management approach		12-13, 14-19
	EC1	Direct economic value generated and distributed	20-21, 30-51, 64, 136, 154-155
	EC2	Financial implications due to climate change	15, 24-27, 42, 50
	EC3	Coverage of the organisation's defined benefit plan obligations	158-165
	EC4	Significant financial assistance received from government	136
	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	61-65
	Environmental Performance		
The environment	Management approach		78-83, 88, 90-91
	EN3, EN4	Energy	79
	EN8	Water	83
	EN16, EN17, EN20	Emissions	79-81
	EN21	Wastewater	83
	EN22	Waste	81-82
	EN23	Significant spills	83
	EN24	Hazardous waste	81-82
	EN28	Compliance	79
	Social Performance – Labour Practices		
Labour practices	Management approach		54-61, 68-74, 88-91
	LA1, LA2, LA4	Employment	56-61
	LA7	Occupational health and safety	57, 68-74
	LA10	Training and education	56-59
	Social Performance – Human Rights		
Human rights	Management approach		88-91
	HR1	Significant investment agreements	89
	HR6, HR7	Child labour, forced labour, compulsory labour	89
	HR11	Grievances addressed and resolved	89
	Social Performance – Society		
Fair operating practices / community involvement and development	Management approach		54, 61,91
	SO1	Community	61-65
	SO2, SO3	Corruption	24-27, 89, 108-109
	SO6	Political contributions	136
	Social Performance – Product Responsibility		
Consumer (customer) issues	Management approach		74-75
	PR1	Customer health and safety	74-75
	PR2, PR4, PR9	Compliance	74

Johnson Matthey continues to develop sustainability metrics and reporting criteria in alignment with those developed by the Global Reporting Initiative (GRI). More information on the GRI Reporting Framework can be found at www.globalreporting.org.

This report has been prepared according to the G3.1 version of the GRI Sustainability Reporting Guidelines and Johnson Matthey self declares a GRI B level. We note the introduction of the new G4 version of the guidelines on 22nd May 2013 and are assessing these in the context of our future reporting.

Glossary of Terms

2PH	2-propylheptanol
2006 Act	The Companies Act 2006
3TG metals	Tin, tungsten, tantalum and gold
AA1000AS	An assurance standard for sustainability and corporate responsibility reporting
ADHD	Attention deficit hyperactivity disorder
ADR	American Depositary Receipt
AGM	Annual general meeting
Alfa Aesar	Brand name of Johnson Matthey's Research Chemicals business
AMOG	Ammonia, Methanol, Oil and Gas
APB	Auditing Practices Board
API	Active pharmaceutical ingredient
AVC	Additional voluntary contribution
Bitrex®	The world's bitterest substance which is added to household cleaning products to prevent accidental swallowing
CAGR	Compound annual growth rate
CEC	Chief Executive's Committee
CGU	Cash-generating unit
CO_2	Carbon dioxide
COD	Chemical oxygen demand
CPI	Consumer price index
CRC	UK government's Carbon Reduction Commitment
CSR	Corporate social responsibility
DPT	Davy Process Technology
DRIP	Dividend Reinvestment Plan
EBITDA	Earnings before interest, tax, depreciation and amortisation
ECT	Emission Control Technologies
EHS	Environment, health and safety
EIB	European Investment Bank
EPS	Earnings per share
ESOT	Employee Share Ownership Trust
EU	European Union
EU ETS	European Union Emission Trading Scheme
FCA	Financial Conduct Authority
FCC	Fluid catalytic cracking
FRC	Financial Reporting Council
Fuel cell	Technology which converts hydrogen or other fuels (methanol, natural gas) into clean electricity
GHG	Greenhouse gas
GHS	Globally Harmonised System of Classification and Labelling of Chemicals
GOR	Group operating report
GRI	Global Reporting Initiative
Group Control Manual	The group's compendium of policies, procedures and rules which is distributed to all group operations
GWP	Global warming potential
HDD	Heavy duty diesel
HR	Human resources
HSRG	Health Science Research Group
IAS	International Accounting Standard
IASB	International Accounting Standards Board
ICCA	International Council of Chemical Associations
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Interest cover	Underlying operating profit / net finance costs
IP	Intellectual property
ISO 14000	Internationally recognised series of standards which specify the requirements for an environmental management system
ISO 26000	International standard giving guidelines on social responsibility
ISO 50001	International standard giving guidelines on an energy management system
ISO 9000	Internationally recognised series of standards which specify the requirements for a quality management system
JMEPS	Johnson Matthey Employees Pension Scheme
KPI	Key performance indicator
LBG	London Benchmarking Group
LCA	Life cycle assessment
LTIP	Long term incentive plan
MDRC	Management Development and Remuneration Committee
MEA	Membrane electrode assembly
N_2O	Nitrous oxide
NGO	Non-governmental organisation
NOx	Oxides of nitrogen
OTC	Over-the-counter
PBT	Profit before tax
Pgm	Platinum group metal
PMPD	Precious Metal Products Division
PRM	Process risk management
PSRT	PE International Product Sustainability Round Table
R&D	Research and development
RC 14001	An internationally recognised standard on environment, health, safety and security. An expansion of ISO 14001
REACH	Registration, Evaluation and Authorisation of Chemicals. EU chemical control legislation which came into force in June 2007
Redox	Reduction-oxidation: chemical reaction where both reduction and oxidation reactions take place
ROIC	Return on invested capital
RPI	Retail price index
SAICM	Strategic Approach to International Chemicals Management
SCR	Selective catalytic reduction
SEC	United States Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIC	Standing Interpretations Committee
SIP	Share incentive plan
SNG	Substitute natural gas
SO_2	Sulphur dioxide
SOx	Oxides of sulphur
SPV	Special purpose vehicle
SRI	Socially responsible investment
Syngas, synthesis gas	A mixture of hydrogen and carbon oxides
TERI	The Energy and Resources Institute
TFI	Technology forecasting and information
The Code	The UK Corporate Governance Code, issued by the Financial Reporting Council in June 2010
TSCA	Toxic Substances Control Act
UNIDO	United Nations Industrial Development Organization
VOC	Volatile organic compound

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Financial Calendar 2013/14

2013

12th June

Ex dividend date

14th June

Final dividend record date

25th July

122nd Annual General Meeting (AGM)

6th August

Payment of final dividend subject to declaration at the AGM

21st November

Announcement of results for the six months ending 30th September 2013

27th November

Ex dividend date

29th November

Interim dividend record date

2014 (provisional)

4th February

Payment of interim dividend

5th June

Announcement of results for year ending 31st March 2014

11th June

Ex dividend date

13th June

Final dividend record date

23rd July

123rd AGM

5th August

Payment of final dividend subject to declaration at the AGM

Company Details

Registered Office

5th Floor
25 Farringdon Street
London EC4A 4AB
Telephone: +44 (0)20 7269 8400
Fax: +44 (0)20 7269 8433
Internet address: www.matthey.com
E-mail: jmpr@matthey.com

Registered in England – Number 33774

Professional Advisers

Auditor

KPMG Audit Plc
15 Canada Square
London E14 5GL

Brokers

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

J. P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Lawyers

Herbert Smith Freehills LLP
Exchange House
Primrose Street
London EC2A 2EG

Registrars

Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: 0871 384 2344 (in the UK)*
+44 (0) 121 415 7047 (outside the UK)
Internet address: www.shareview.co.uk

* Calls to this number are charged at 8p per minute plus network extras. Lines are open 8.30am to 5.30pm (UK time) Monday to Friday (excluding bank holidays).

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JM
Johnson Matthey

5th Floor
25 Farringdon Street
London EC4A 4AB
United Kingdom
Tel: +44 (0)20 7269 8400
Fax: +44 (0)20 7269 8433

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