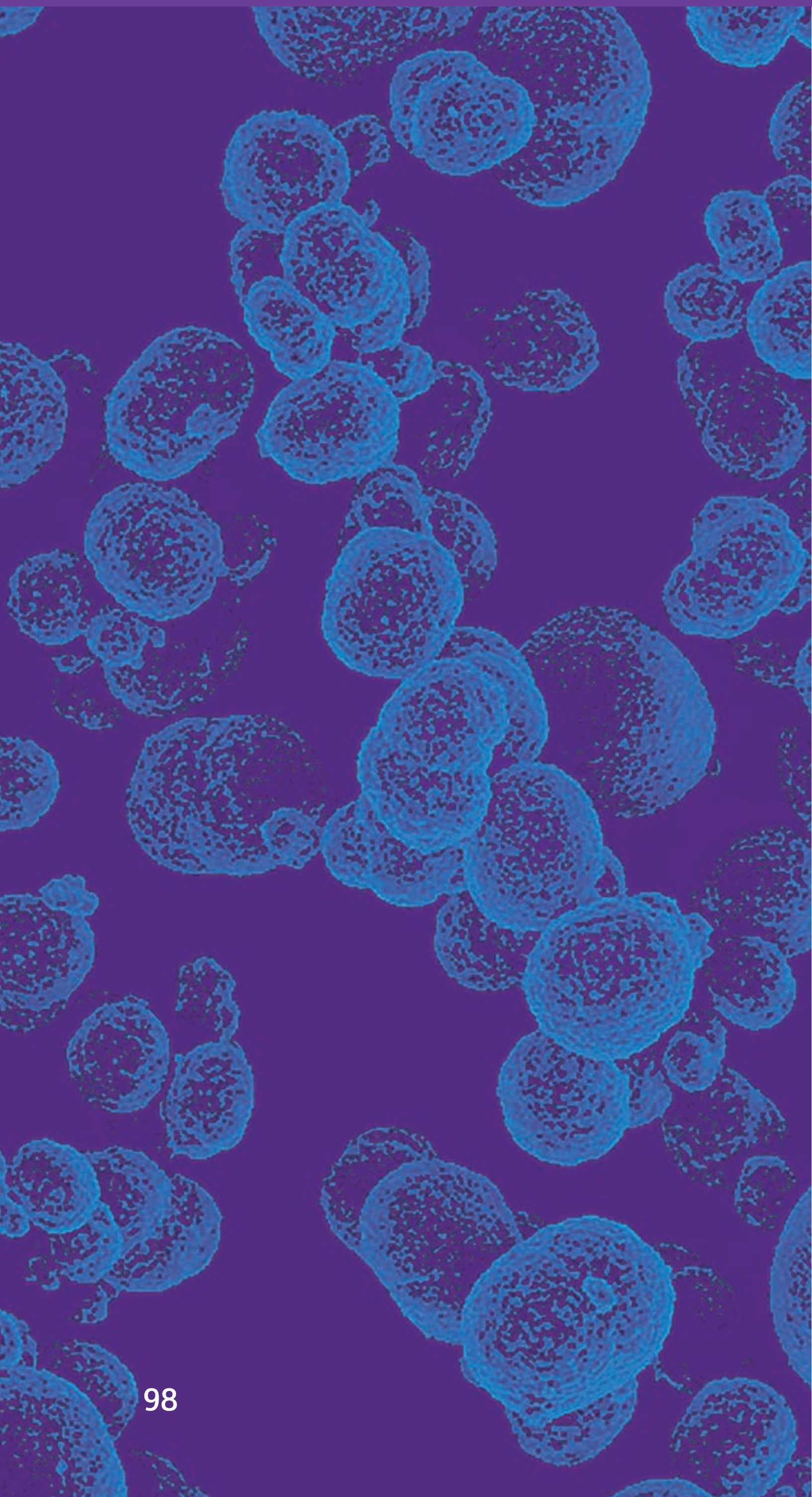
Governance



Case study

Celebrating our world leading low carbon hydrogen technology

Today JM is a leading manufacturer of catalysts used to make 'grey' hydrogen from fossil fuels. But since this process generates carbon dioxide (CO_2) emissions we're also developing technologies to make 'blue' hydrogen, in which the CO_2 is captured and stored, and 'green' hydrogen, made from renewable energy and electrolysis.

Our LCH™ process is actually world leading for producing blue hydrogen. It not only reduces CO_2 emissions by over 95%, but also offers the highest feedstock efficiency with lower capital expenditure, and a 40% smaller required footprint. It's ready to deploy now, and has already been used in the development of two major UK hydrogen projects, HyNet and Acorn.

There's a lot of buzz about low carbon hydrogen in the industry, and I'm excited to see our technology used at scale soon, helping to kick start the carbon reductions we need to reach net zero.

Rob Jolly
Business Development Manager

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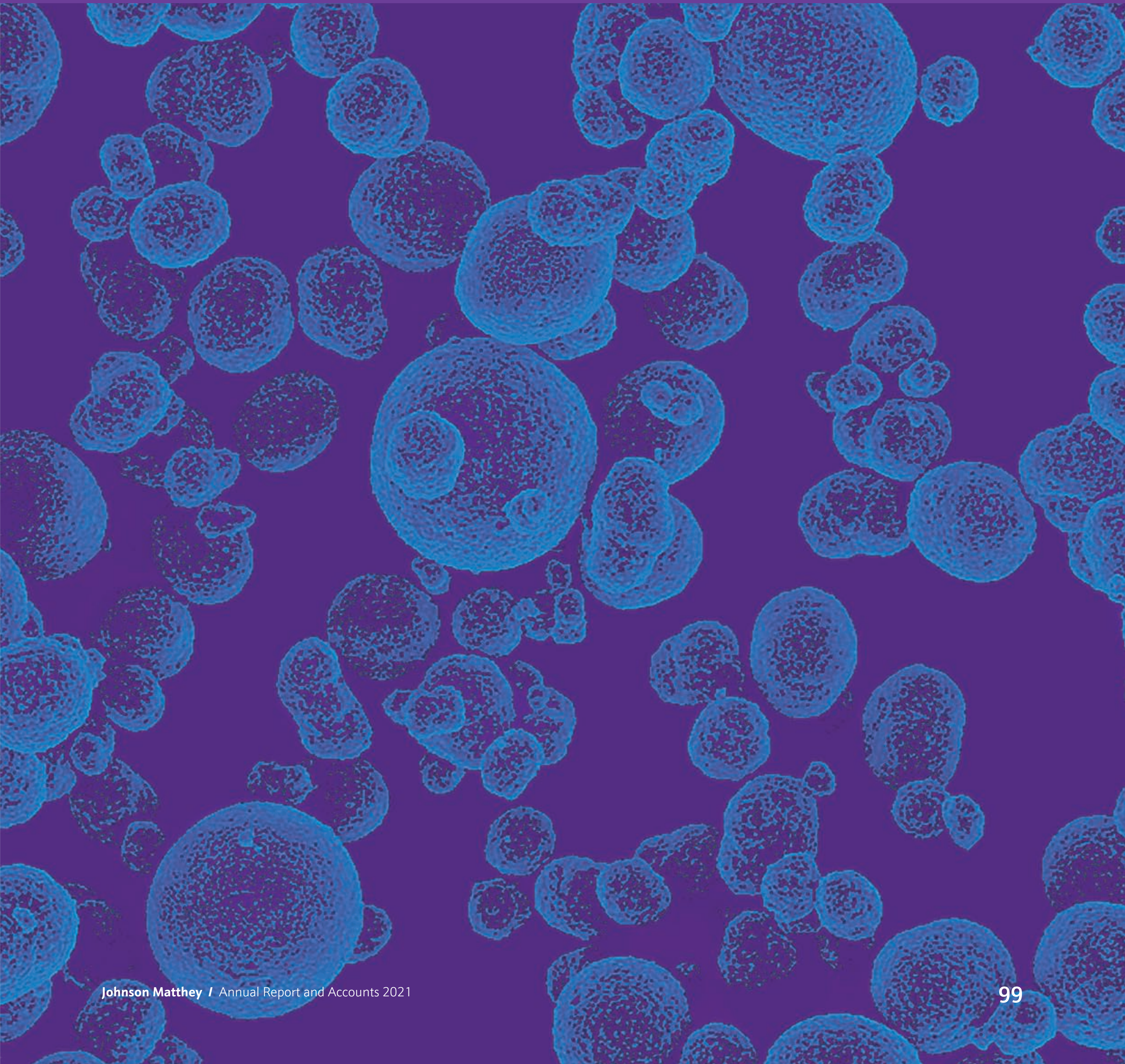


Letter from the Chair

Patrick Thomas Chair

Tackling today's unique challenges, driving change for the future

Dear Shareholder

I am pleased to present the Governance Report for the year ended 31st March 2021.

This year was of course, unlike any other. Many of the challenges the board faced were no doubt similar to our peers – adapting to a fully virtual meeting schedule, and balancing the views of stakeholders as we assessed the impact of the COVID-19 pandemic on our business. For us, there was also significant added complexity, as we drove the transformation of our business to make us ready for the future while adapting to the fast changing external environment. It meant a year when strong, effective governance was more important than ever, and I believe our high standards and clear framework supported the effective decision making which is so vital to delivering the company's strategic aims and our vision – a world that is cleaner and healthier; today and for future generations.

Staying in touch with stakeholders, and strengthening our board

In last year's report, we were just beginning to assess the impact of COVID-19 on our business. A year on, we have set out to explain how the board and committees continue to adapt our ways of working and adjust how we engage so that we make sure we stay in touch with all our stakeholders.

At the same time, we continued to seek to improve the effectiveness of our board, including through an external board effectiveness review. I'm delighted to report that the board continues to be effective, providing a culture of open debate, strong contribution and challenge. Further details on the review and the actions arising from it can be found on page 118.

Succession planning remains a key focus, particularly at Group Management Committee (GMC) level, where we saw a number of new appointments during the year. We welcomed Nick Cooper as General Counsel and Company Secretary, Ron Gerrard as Chief Environment, Health and Safety (EHS) and Operations Officer, and Stephen Oxley as Chief Financial Officer. All bring extensive experience in their respective fields and further enhance the skills and capabilities of our GMC. I would also like to extend my thanks to Karen Hayzen-Smith, our Group Financial Controller, who stepped up as Interim Chief Financial Officer following the departure of Anna Manz in November 2020. As reported last year, following the retirement of Alan Ferguson in July 2020, John O'Higgins took on the role of Senior Independent Director and Doug Webb became Chair of the Audit Committee.

Making sure sustainability stays at the heart of our success

As you will have seen from our strategic report, we are making it our business to help address the four big transitions the world needs for a sustainable future: transport, energy, chemicals decarbonisation, and the circular economy. It is at the heart of JM's strategy – so it is vital that we have the governance structure to support it, and that the board continues to place a priority focus on environmental, social, and governance (ESG) issues and the risks associated with them. The board has therefore established a new main board committee in May 2021 – the Societal Value Committee – to support all our sustainability ambitions, which will be chaired by Jane Griffiths.

Our approach to sustainability marches in step with JM's approach to business in general, and with the attitude that I'm pleased to say has been evident in the board again this year: where there are challenges, we see opportunities, and we put the creativity and innovation that drives this company to work.

Patrick Thomas

Patrick Thomas
Chair

Compliance with the UK Corporate Governance Code 2018

Our compliance statement on pages 120 and 121 summarises how the company has applied all principles of the UK Corporate Governance Code 2018 (the code). During the year under review, we have not complied with provision 38 on aligning executive director pension payments with the workforce. Our Remuneration Report on page 141, contains further details on the plans in place to ensure alignment with the workforce for the next financial year. We have also not fully complied with provision 41 engagement with the workforce on alignment of executive pay with the wider company pay policy. While we seek to ensure that our employees are kept informed on global changes to pay and benefits, we have not actively sought a two way dialogue with the workforce over executive pay. We continue to benchmark our remuneration against our peers to ensure the pay and benefits that we offer to the whole workforce are competitive to attract and retain the highest calibre candidates.

Go online: The code is publicly available on the Financial Reporting Council (FRC) website, frc.org.uk

> We will only achieve our vision for a cleaner, healthier world if we maintain our strong standards of governance and a culture of debate and challenge."

Board at a glance

Board and committee attendance

Board attendance	Board	Audit Committee	Remuneration Committee	Nomination Committee
Patrick Thomas	11/11	–	7/7	8/8
Robert MacLeod	11/11	–	–	–
Anna Manz	7/7	–	–	–
Alan Ferguson	4/4	4/4	4/4	3/3
Xiaozhi Liu	11/11	8/8	7/7	7/8[1]
John O'Higgins	11/11	8/8	7/7	8/8
Jane Griffiths	11/11	8/8	7/7	8/8
Chris Mottershead	11/11	8/8	7/7	8/8
Doug Webb	11/11	8/8	7/7	7/8[1]

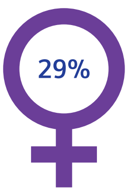
Attendance is expressed as number of meetings attended out of the number eligible to attend.

1 Doug and Xiaozhi were unable to attend an unscheduled Nomination Committee meeting due to unavoidable diary clashes.

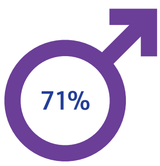
All information shown below is as at 31st March 2021.

Gender diversity*

Female
2 directors

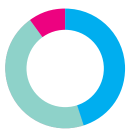


Male
5 directors



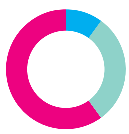
Tenure

- 0-3 years 45%
- 4-7 years 45%
- Over 9 years 10%



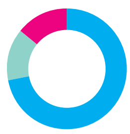
Role

- Chair 10%
- Executive 30%
- Non-Executive 60%



Nationality

- British 72%
- Irish 14%
- German 14%



* At the date of signing this report, the board comprised 2 female directors (25%) and 6 male directors (75%).

The table below shows the changes to the board during the year and up to the date of this report:

Changes to the board	Role changes within the board
Alan Ferguson stepped down from the board on 23rd July 2020	Doug Webb became Chair of the Audit Committee from 23rd July 2020
Anna Manz resigned from the board on 17th November 2020	John O'Higgins became Senior Independent Director from 23rd July 2020
Stephen Oxley was appointed as Chief Financial Officer from 1st April 2021	Jane Griffiths became Chair of the new Societal Value Committee on 26th May 2021

Board of Directors

1

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4

Patrick Thomas 1
Chair

N R S

Appointed to the board: June 2018

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

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

Other current appointments
Non-Executive Director at Akzo Nobel N.V. and member of the Supervisory Board of Covestro AG.

Robert MacLeod 2
Chief Executive

S

Appointed to the board: June 2009

Skills and experience
Robert was appointed as Chief Executive in June 2014. He joined JM as Group Finance Director in 2009. Previously he was Group Finance Director of WS Atkins plc and a Non-Executive Director at Aggreko plc. He is a chartered accountant with a degree in Chemical Engineering.

Contribution
Having been with JM for 11 years and as Chief Executive for six years, Robert has a proven track record of delivering success and driving change for the organisation. He has strong experience across JM, its culture and its markets and, as Chief Executive, has led our Health and New Markets teams.

Other current appointments
Non-Executive Director at RELX PLC.

Stephen Oxley 3
Chief Financial Officer

S

Appointed to the board: April 2021

Skills and experience
Stephen joined from KPMG, where he was a Partner. He brings experience of both audit and advisory roles for large, complex, international companies across a variety of sectors, including FMCG, healthcare, natural resources and industrials. He has worked with major global FTSE 100 and private companies, including JM. Stephen is a chartered accountant.

Contribution
Stephen brings operational and technical understanding of JM and significant experience working with companies going through major change programmes.

Other current appointments
Trustee of Care International UK and is Chair of its Finance and Audit Committee.

John O'Higgins 4
Senior Independent Non-Executive Director

N A R S

Appointed to the board: November 2017

Skills and experience
John was previously Chief Executive of Spectris plc, a position he held from January 2006 to September 2018. During that time, he led the business through a period of significant transformation. Prior to this, he worked for Honeywell in a number of management roles, including as President of automation and control solutions, Asia Pacific. Between 2010 and 2015, John was also a Non-Executive Director of Exide Technologies Inc, a battery technology supplier to automotive and industrial users. John began his career as a design engineer at Daimler-Benz in Stuttgart.

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

Other current appointments
Senior Independent Director of Elementis plc, Non-Executive Director of Oxford Nanopore Technologies Ltd, member of the Supervisory Board of Envea Global SA and Trustee of the Wincott Foundation.

Key

Chair of the Committee
N Member of the Nomination Committee
A Member of the Audit Committee
R Member of the Remuneration Committee
S Member of Societal Value Committee (established in May 2021)


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Xiaozhi Liu 5
Independent Non-Executive Director

N A R S

Appointed to the board: April 2019

Skills and experience
Xiaozhi is the founder and Chief Executive of ASL Automobile Science & Technology, a position she has held since 2009. She has previously held senior executive positions in a number of automotive companies including Chair and Chief Executive of General Motors Taiwan. She also has a PhD in chemical engineering and a master's degree in electrical engineering.

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

Other current appointments
Chief Executive of ASL Automobile Science & Technology, Non-Executive Director of Autoliv Inc and InBev SA/NV.

Chris Mottershead 6
Independent Non-Executive Director

N A R S

Appointed to the board: January 2015

Skills and experience
Chris previously held roles at King's College London until his retirement in 2021. Most recently he held the positions of Senior Vice President of Quality, Strategy and Innovation, and Director of King's College London Business Limited. Prior to joining King's College in 2009, Chris had a 30 year career at BP, including as Global Advisor on Energy Security and Climate Change. Before this, he was Technology Vice President for BP's Global Gas, Power and Renewables businesses. He is a chartered engineer and Fellow of the Royal Society of Arts.

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

Other current appointments
None.

Jane Griffiths 7
Independent Non-Executive Director

N A R S

Appointed to the board: January 2017

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

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

Other current appointments
Non-Executive Director and Sustainability Committee Chair of BAE Systems plc, Non-Executive Director of TB Alliance, Chair of RareiTi Advisory Board and Non-Executive Director of The White Ribbon Alliance.

Doug Webb 8
Independent Non-Executive Director

N A R S

Appointed to the board: September 2019

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

Contribution
Doug brings a strong background in corporate financial management and recent and relevant financial experience to the board and Audit Committee, along with a deep understanding of technology and engineering sectors. Doug chaired the Audit Committee at SEGRO plc for nine years until April 2019; his extensive experience makes him ideally suited to chairing the Audit Committee and acting as its financial expert.

Other current appointments
Non-Executive Director and Audit Committee Chair of The Manufacturing Technology Centre Ltd, Non-Executive Director of United Utilities Group PLC and Non-Executive Director, Senior Independent Director and Audit Committee Chair of BMT Group Ltd.

As at 27th May 2021, our five non-executive directors are each determined by the board to be independent directors in accordance with the criteria set out in the code. The board considers that their skills, experience and knowledge of the company enable them to discharge their respective duties and responsibilities effectively. The Chair was also considered independent upon appointment.

Group Management Committee

1 2 3 4 5

Robert MacLeod 1
Chief Executive

Appointed to GMC and board: June 2009

See page 102

Stephen Oxley 2
Chief Financial Officer

Appointed to GMC and board: April 2021

See page 102

Joan Braca 3
Sector Chief Executive, Clean Air

Appointed to GMC: October 2019

Joan joined JM to lead the next stage of the development of our Clean Air business. She brings seven years' experience from leadership roles at Tate & Lyle, and before that, many years in the speciality chemicals industry with Dow Chemical and the Rohm & Haas Company.

Joan's international experience and knowledge of how to successfully run complex businesses, drive growth in emerging markets and deliver efficiencies in more mature markets means she is well placed to lead Clean Air's transformation and strategy.

Nick Cooper 4
General Counsel and Company Secretary

Appointed to GMC and as Company Secretary: June 2020

Nick brings strong experience from his years working across a diverse range of sectors. After qualifying and then working as a solicitor, he has spent much of his career in General Counsel and Company Secretarial roles across the software, hospitality and telecommunications sectors. More recently, as Corporate Services Director of Cable & Wireless, he led the migration of its central operations from London to the US.

Nick currently serves as Non-Executive Director of Springfield Properties PLC, an AIM listed Scottish housebuilder. His wide knowledge of corporate law and operational experience means he has the ideal mix of skills for JM and our transformation.

Ron Gerrard 5
Chief EHS and Operations Officer

Appointed to GMC: August 2020

Ron has a wealth of global chemical industry experience from his 40 year career at ICI and then Huntsman International and is a chartered engineer.

He has operational, EHS, commercial and capital projects experience through senior management roles at Huntsman, and most recently, had executive responsibility for corporate sustainability at the company. His extensive experience makes him well placed to drive sustainability leadership throughout our business and for our customers.


6


7


8


9

Christian Günther 6
Sector Chief Executive, Battery Materials

Appointed to GMC: November 2019

Christian joined from Tasnee, the Saudi Arabian industrial and petrochemicals company, where he was Executive Vice President. Before that, he spent over a decade as a consultant at McKinsey & Company. He holds a doctorate in chemistry.

His scientific knowledge, experience of leading corporate transformations and advising companies on strategies and operational improvements gives him the ideal background to build our Battery Materials business in this growing market.

Annette Kelleher 7
Chief HR Officer

Appointed to GMC: May 2013

Annette joined having spent much of her career at Pilkington Glass in a variety of leadership roles in its businesses and corporate function, including time working in Japan and South East Asia.

Since joining JM, she has been instrumental in reshaping our approach to growing talent, developing our leaders and engaging and energising our people. Her deep experience and her understanding of JM is key to delivering the right culture as we transform our business and deliver our strategy.

Jane Toogood 8
Sector Chief Executive, Efficient Natural Resources

Appointed to GMC: March 2016

Jane brings a wealth of international experience in the chemicals industry working for companies including Borealis, ICI and Uniqema. She has held senior roles in business management, commercial and business development and has experience in leading transformational projects and driving growth.

Jane has chaired our internal Brexit working group, and currently represents JM on the UK Government's Hydrogen Advisory Council. Her wide commercial experience in global chemicals markets gives her the ideal background to drive growth for JM through new solutions for decarbonisation and circularity.

Maurits van Tol 9
Chief Technology Officer

Appointed to GMC: October 2019

Maurits joined after 26 years in the chemical industry and has a PhD in catalysis. Before joining us, he was Senior Vice President (SVP) Innovation and Technology, and SVP Circular Economy Solutions at Borealis. His experience in marketing, business management, business development, R&D, and innovation from senior management roles at Borealis and other multinational chemical companies means he is an expert and passionate leader of our R&D and innovation strategy. Maurits also serves on the Advisory Board of OCSiAl SA, the leading producer of Single Wall Carbon Nanotubes. His passion for innovation and sustainability is making a real difference across JM.

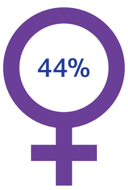
The table below shows the changes to the GMC during the year and up to the date of this report:

Nick Cooper was appointed as General Counsel and Company Secretary from 22nd June 2020
Ron Gerrard was appointed as Chief EHS and Operations Officer from 17th August 2020
Karen Hayzen-Smith was appointed as Interim Chief Financial Officer from 18th November 2020 until 31st March 2021
Stephen Oxley was appointed as Chief Financial Officer from 1st April 2021

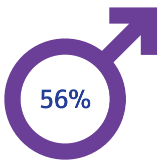
All information shown below is as at 31st March 2021.

Gender diversity*

Female
4 members

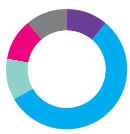


Male
5 members



Nationality

- American 11%
- British 56%
- Dutch 11%
- German 11%
- Irish 11%



* At the date of signing this report, the GMC comprised 3 female members and 6 male members.

Our governance structure

Our board of directors

The board is collectively responsible for the long term success of the company. It provides leadership and direction, and monitors the group's culture and values. The board also sets our strategy and oversees its implementation, ensuring that risks are appropriately managed and that due regard is given to views of our stakeholders.

Responsibilities which our board does not delegate are included in the matters reserved for the board within our Governance Framework, which is available on our website.

matthey.com/governanceframework

Board composition and roles

Chair: Patrick Thomas

Key responsibilities

- Leads the board.
- Ensures an effective board, including by welcoming contribution and challenge from the directors.
- Maintains regular and effective communications with our shareholders and ensures the board has a clear understanding of their views.
- Chairs the Nomination Committee, and, in that role, initiates change and succession planning for the board and GMC.
- Promotes the highest standards of integrity, probity and corporate governance throughout the group.

Independent Non-Executive Directors: Jane Griffiths, Xiaozhi Liu, Chris Mottershead, John O'Higgins and Doug Webb

Key responsibilities

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

Senior Independent Director: John O'Higgins

Key responsibilities

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

Chief Executive: Robert MacLeod

Key responsibilities

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

Chief Financial Officer: Stephen Oxley

Key responsibilities

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

Company Secretary: Nick Cooper

Key responsibilities

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

Our main board committees

All independent non-executive directors are members of the main board committees. The Chair is a member of the Remuneration Committee and the Societal Value Committee and chairs the Nomination Committee.

Audit Committee

Read more on pages 126 to 135

Nomination Committee

Read more on pages 122 to 125

Remuneration Committee

Read more on pages 136 to 163

Societal Value Committee

The Societal Value Committee was established in May 2021. Further information can be found in the Governance Framework on our website. The work of the committee will be reported in next year's annual report.

Other board committees

The board has delegated specific responsibilities to the Disclosure Committee and Ethics Panel. These committees comprise executive directors or GMC members and relevant senior leaders.

Disclosure Committee

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

Ethics Panel

- Oversees the concerns raised related to our Speak Up Policy, and ensures the effective review and investigation of these concerns.

Group Management Committee

The board delegates responsibility for implementing operational decisions and for the day to day management of the business to the Chief Executive, who is supported by the GMC. In turn, the GMC is supported by the four sub-committees below, each being chaired by a member of the GMC. Our Delegation of Authorities framework sets out levels of authority for decision making throughout the business.

Environment, Health and Safety Leadership Committee

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

Finance and Administration Committee

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

Legal Risk Committee

Reviews contract and litigation risk for the group.

Metal Steering Committee

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

More detail on the role and responsibilities of our committees and the division of responsibilities between the Chief Executive and Chair can be found in our Governance Framework, which is available on our website.
matthey.com/governanceframework

Corporate Governance Report

Our board and its committees

At the date of this report, the board comprises eight directors: the Chair, two executive directors and five independent non-executive directors. Details of their names, responsibilities and contribution to the company are included on pages 102 to 103.

During the year under review, the board held 11 meetings. As a result of COVID-19, all our meetings were held by video conference and no site visits occurred. Due to the delay in preparing and publishing our financial results for the year ended 31st March 2020 and the appointment of Stephen Oxley as our new Chief Financial Officer, it was necessary to hold two additional board meetings. The board continues to keep the number of meetings under review to make sure that the non-executive directors have sufficient time to discharge their duties.

Training and induction

As part of the board's continuous development, we invited Keith Tuffley from Citi to give us a presentation on ESG emerging trends. Keith has significant experience in advising companies on better ways of doing business. He was also an active participant in the Paris Climate Agreement process and the development of the UN Sustainable Development Goals. This presentation gave us a comprehensive insight into investor and social trends and helped shape some of the discussions around JM's sustainability ambitions.

PwC presented a regulatory update to the Audit Committee, which covered the key changes for the next financial year. All directors also complete mandatory training modules that include EHS and ethics and compliance matters, including our Code of Ethics, and receive regular legal and governance updates from the General Counsel and Company Secretary.

In normal circumstances all directors regularly go on site visits. This gives us the chance to engage with all levels of the business and gain a better understanding of the culture at our various sites. Unfortunately, COVID-19 restrictions meant that no site visits took place in this financial year. Nonetheless, the board continued to seek out insights, placing a greater emphasis on employee engagement focus groups to help us understand the culture and dynamics at various sites around the business – these are described on page 109.

All new directors receive a comprehensive and tailored formal induction plan and, when circumstances allow, site visits across various sectors to gain further understanding of the business. Directors follow the induction plan over the first year of their tenure, after which they attend our board development sessions. Stephen Oxley joined the board on 1st April 2021, and we will report on his induction process in next year's report.

Culture

The board is responsible for setting the company's culture. In last year's report we set out our culture ambition, which describes how we will need to work in order to successfully execute our future strategy. The board continually monitors culture through metrics such as JM's global employee yourSay survey, our engagement focus groups, customer satisfaction, customer behaviour statistics, health and safety reports, financial results, internal audit reports and progress against our key transformation project milestones.

+ **Read more** about how our engagement focus groups help the board monitor culture on page 109

We continued to transform our culture and embed our values and behaviours focusing on leadership capability, engagement and enablement. We created more clarity and confidence in our JM story and culture ambition through three virtual senior leadership forums. Our Chair was involved in creating context for our culture ambition in an interview recorded and shared with the senior leadership team (GMC direct reports). Members of our wider leadership team used stories and facilitated breakout sessions to bring our required ways of working to life. The pandemic had an impact on the board's ability to oversee JM's culture first hand, as no site visits were possible. That made the results of our annual employee engagement survey of even greater importance in enabling the board to understand the views and sentiments of the workforce. The number of employees who completed the survey increased 10% from the last financial year, bringing the total participation to over 74% of employees. We were delighted to see increases in both engagement and enablement scores, despite a year of significant change and disruption. The Chief Executive also focused on people, culture and morale in his board reports. This provides the board with an understanding of day to day operations and the cultural context in which employees work. During the pandemic, this was an important part of understanding how employees were coping with a changed working environment. The board continues to monitor culture whether implicitly or explicitly at every meeting.

Our board committees also play an important role in monitoring our culture:

- The Nomination Committee makes sure that succession planning supports our culture ambition (see pages 122 to 125).
- The Remuneration Committee determines the group's approach to reward and benefits to ensure that it promotes our culture ambition and the long term success of the company (see pages 136 to 163).
- The Audit Committee has oversight of internal controls which safeguard our culture, including JM's Speak Up process (see pages 126 to 135)

+ **Read more** about how our values drive our culture on page 72 and how senior management monitor our culture on pages 73 to 77

Employee engagement

The board is committed to engaging with employees in order to understand the culture, issues and challenges across our businesses. The board considered the employee engagement methods specified by the code but felt that an alternative method was more appropriate given our large, global and diverse network of employees. Our engagement focus groups are held in countries where JM has a significant footprint and each session is attended by one of our non-executive directors. The board considers that our engagement focus groups are more direct and effective in providing a range of views from our employees all around the world.

This year, we held virtual engagement focus groups in China, UK, Germany and the US in October 2020 and April 2021. Each session was led by a local senior leader and formed of a diverse group of people drawn from all sectors and functions, job types, ages and tenures. We used the output of the last yourSay survey to select topics for discussion and to assess how people felt that JM was communicating, how we're supporting ways of working through COVID-19, and our progress in building a truly diverse and inclusive organisation.

The focus groups also included separate breakout sessions to encourage further open and frank discussion. The non-executive directors reported back to the board: key actions arising from the sessions were then continually monitored through the year by regular reports to the board.

Governance

Number of colleagues who attended

109

Number of sessions held

8

Country	Non-executive attendee
UK	Chris Mottershead
US	Jane Griffiths
China	Xiaozhi Liu
Germany	Patrick Thomas

Common themes:

- Positive feedback about the JM response to COVID-19 and the support given to employees.
- A strong desire to maintain workplace flexibility beyond COVID-19.
- Acknowledgement of strong internal communications, but a call for targeted communication to drive greater knowledge sharing.
- Diversity and inclusion had made great strides thanks to leadership action but could sometimes feel weighted towards gender.
- Engagement focus groups themselves viewed very positively.

Actions for JM:

- Provide a framework for ways of working that can be used by managers and teams after COVID-19.
- Establish a consistent two way dialogue approach to inspire, engage, and involve everyone at JM.
- Continue the positive action on diversity and inclusion by broadening the scope of our diversity roadmap.
- Enable and empower leaders by providing consistent frameworks and tools which complement existing sector and function activities.

> "Employees are our most important asset; they are fundamental to JM's long term success. The engagement focus groups allow us, as non-executive directors, to really understand the culture of the company and provide an insight into the talent and capabilities across the business. By attending these focus groups, and monitoring the actions arising from them, we make sure the board is considering and championing the employee voice in the boardroom."

Xiaozhi Liu
Independent Non-Executive Director

Corporate Governance Report continued

How we engaged with stakeholders and considered their views

Our section 172 statement

We believe that stakeholder engagement is vital to building a sustainable business. The board recognises the need to foster business relationships with suppliers, customers and others. This year, as a board we reviewed our key stakeholders and the ways we engage with them, to ensure our engagement remains effective.

This section details the stakeholders the board considers central to our vision and the engagement mechanisms we used throughout the year. Not every matter under consideration will be equally relevant to each stakeholder, and sometimes stakeholders may have conflicting interests. The board aims to ensure that the key issues relevant to each stakeholder group are considered, and that our decisions will ultimately promote the long term success of the company and support JM's vision, purpose and strategy.

Stakeholders

	Customers and innovation partners	Our people	Investors
How JM engaged	• Annual customer satisfaction survey • Conference and industry events • Platinum Group Metals reports	• Engagement focus groups and our yourSay survey • Global town halls • Yammer • JM Awards • Employee resource groups	• Annual General Meeting (AGM) (our 2020 AGM was a closed meeting but questions were submitted and answered through JM's website) • Results presentations by the Chief Executive and Chief Financial Officer • Regular meetings with the Chair, Senior Independent Director and committee chairs • Website updates including regulatory announcements • Annual report
How the board received feedback and engaged	• Chief Executive updates • Sector updates • Platinum Group Metals reports	• Board reports on insights and actions from engagement focus groups • Non-executive director attendance and feedback from engagement focus groups • Annual talent review by the Nomination Committee • People strategy and culture updates from the Chief HR Officer • Results and feedback from yourSay	• Attendance and engagement at the AGM • Perception survey (completed every two years) • Regular broker reports • Feedback following results presentations • Chief Financial Officer updates • Feedback following investor meetings • Review of material news or regulatory announcements through the Disclosure Committee

	Suppliers	Governments and trade association	Communities
How JM engaged	• Supplier Code of Conduct • Payment practices reporting • Due diligence programmes	• Lobbying in the US relating to clean air legislation • UK Government's Hydrogen Taskforce • JM representatives on governance bodies	• Charitable donations, including ad hoc sponsorships • JM staff volunteering days • Community ambassadors for each JM site • JM's fund for science education • Engagement with local communities on specific projects e.g. new manufacturing plants
How the board received feedback and engaged	• Procurement update • Payment practices reporting • Modern Slavery Statement	• Chief Executive reports • Sector updates • Investment proposals	• Investment proposals • Sector updates • Chief Executive reports

Pages 22 to 25 in the Strategic Report details how we create and share value for our stakeholders

Balancing the views of our stakeholders, facing the challenges of COVID-19

The COVID-19 pandemic had an impact on every household, business and community this year – so it is no surprise that it affected all our stakeholders. Throughout JM's decision making during this time, the board has sought to balance the views of our stakeholders while making sure we stay true to our strategy for a cleaner, healthier world and preserve financial stability in a period of significant market uncertainty.

Looking after our employees and focusing on long term financial sustainability

The health and safety of our employees has always been our highest priority. Our Chief Executive regularly updated the board on the company's internal guidance on COVID-19 measures for employees, and on planned returns to specific sites when they were deemed safe and in line with government guidance. We could not carry out board site visits, so we sought feedback through engagement focus groups and JM's annual yourSay survey. As a result of that feedback, we proposed and oversaw a number of changes to improve our internal communications and enhance employee wellbeing. These included the introduction of virtual global town hall events and a library of guidance and support articles on our reward and benefits portal, and support from a network of global wellbeing ambassadors.

The board and the Audit Committee also maintained a particular focus on cash flow, supply management (including precious metal management) and credit risk. That meant balancing the interests of suppliers and customers with the aim of creating the best possible outcomes for all stakeholders. We also considered investors and other stakeholders before taking the difficult decision to reduce the full year and half year dividend to ensure effective cash flow management – a decision we considered prudent to preserve JM's long term financial success. Following extensive scenario testing, the board decided not to take any financial assistance offered by the UK government given the robustness of our balance sheet.

Stakeholders considered

Link to strategy

Link to risk

1 2 4 5 6 7 11

Outcomes and key decisions:

- New processes and protocols to minimise health and safety risks for colleagues working on sites and in offices.
- Virtual global sector and functional town halls.
- Programmes to support the mental wellbeing of employees especially while working from home.
- Regular video blogs from the GMC to keep employees informed and updated, as well as a series of 'get to know' articles for new GMC members.
- GMC review of future ways of working.
- Enhanced precious metal management procedures and governance.
- Enhanced credit control procedures.
- Reduced half year dividend.
- Decision not to take any financial assistance from the UK government.

Drawing on stakeholder insights, setting our sustainability strategy and committing to net zero

Sustainability is an integral part of our governance model, as well as of our strategy. Putting our world class science into action helps solve customers' complex problems – and our drive to help create a cleaner, healthier planet reaches all our stakeholders.

Keeping governance at the heart of our sustainable future

This year, the board considered and approved JM's sustainability strategy and net zero commitments – which meant looking closely at our own impacts, the potential of our unique portfolio of technologies and solutions to help customers and consumers, and the expectations of all our stakeholders. We know that these expectations are evolving fast – so we asked Citi to give the board a presentation on emerging trends in ESG to give us a broader insight. We also considered the specific challenges of eliminating greenhouse gas emissions and considered JM's current footprint, energy use, supply chains, products, and internal governance procedures. We explored each foundation pillar in our sustainability strategy, taking stakeholder expectations into account, and reviewed the goals and targets necessary to deliver against those expectations.

Our board review led to a number of actions including the creation of our Societal Value Committee to support the board in driving our sustainability strategy. It focuses on the actions and targets associated with our net zero ambitions, which is at the heart of our future success.

Outcomes and key decisions:

- New sustainability strategy, including a commitment to net zero by 2040 and verified science based targets for 2030.
- Communicating our strategy internally and externally.
- Engaging our employees on our sustainability agenda.
- Establishment of our Societal Value Committee.

Further detail about our sustainability strategy and net zero ambitions can be found on pages 62 and 63

Stakeholders considered

Link to strategy

Link to risk

2 3 4 6 11

Fit for future: considering the interests of all stakeholders as we transform our business

JM's transformation programme is designed to make us fit for the future. Announced in June 2020 and overseen by the company's new transformation office, it sets out to simplify the way we work together, create more efficiencies between our businesses and group functions, and drive future growth. Given its importance to stakeholders in terms of JM's long term success, and its impact on stakeholders now and in the future, the board has been closely involved.

Considering impacts, now and in the long term

We monitor progress through regular updates from the transformation office, and have reviewed and considered the impact of JM's planned restructuring. In particular, we have considered the immediate and long term impact on employees, and considered in detail the difficult decision to make job losses (estimated to be up to 2,500) over a three year period, following management consultation with trade unions. To mitigate the impact of this, we will look closely for redeployment opportunities across the group for those employees affected by these changes.

Management was tasked with simplifying the way we work together, removing duplication of effort between businesses and functions. With a less complex, more agile structure, we recognised that JM would be in an even stronger position to innovate new solutions for the future. We have closely monitored the impact on employees of the transformation programme in their daily work, checking that the business was not overburdening the workforce.

The programme is being delivered across our business, and specific sectors have reviewed their own strategies to ensure that they are also fit for the future. In those strategy reviews, management talked extensively with customers, suppliers and industry experts, and the board has heard the results of these reviews through sector strategy updates which we carefully considered before the new strategies were agreed.

Outcomes and key decisions:

- New sector strategies.
- New internal processes and governance procedures.
- Establishment of a transformation office to oversee multiple workstreams.
- Regular dialogue between management and trade unions.
- Approval of up to 2,500 redundancies over three years.
- Regular employee communications from the transformation office.

Stakeholders considered

Link to strategy

Link to risk

1 2 3 4 6 11 13

Corporate Governance Report continued

Board activities

We set our annual agenda plan to reflect our strategy, making sure we have sufficient time to discuss and develop strategic proposals and monitor performance. Below, we have set out some of the matters we considered during the year and up to the date of this report, the stakeholder groups central to those decisions, and the outcomes. Our section 172 statement details more information about how we engage with our stakeholders and the case studies on pages 111 to 113 illustrate how the board considers stakeholder views and the outcome of those considerations.

Read more about how we manage risk on pages 88 to 96 and our strategy on pages 24 and 25

Key areas of activity

Strategy and execution

Matters considered

Our strategic discussions included a focus on:
- Business transformation
- Growth strategies and strategic reviews of business sectors
- Sustainability strategy and goals

Outcomes

- Received detailed updates on the company's transformation programme
- Conducted deep dives into each sector's strategy
- Commenced a strategic review of our Health Sector
- Approved investment in a second eLNO plant in Finland
- Set and announced JM's sustainability strategy and goals
- Created a Societal Value Committee
- Agreed the divestment of non-core businesses in Finland and Israel

Principal risks

1 2 3 5 11 12

Financial oversight

Matters considered

As a result of COVID-19, the board scrutinised and monitored financial data and performance in great detail, including:
- Trading and performance
- Full and half year results
- Going concern and viability statements
- Dividend payments

Outcomes

- Received detailed reviews of the group's financial position including working capital and net debt
- Agreed the budget for 2021/22 and JM's three year plan
- Assessed the proposed dividend payment, balancing the views of various stakeholders and the uncertainty of global markets
- Approved the going concern and viability statements
- Reviewed and approved the full and half year results and annual report

Principal risks

2 5 7 9

Operational management

Matters considered

We received regular updates from the Chief Executive on:
- Group operations
- Capital project execution
- EHS performance
- Business continuity and ongoing COVID-19 site management
- Supply chain management

Outcomes

- Received detailed updates on group operations including capital projects, procurement, security, EHS and IT
- Monitored and discussed the impact of COVID-19 and reviewed responses and actions taken at site level
- Received detailed updates on the group's performance against EHS targets and significant events
- Secured the supply of critical raw materials for the eLNO plant

Principal risks

4 5 6 7 8 11 13

Key areas of activity

Governance

Matters considered

Governance continued to be at the heart of the board agenda, including consideration of:

- Stakeholder engagement mechanisms
- Board effectiveness
- JM's Governance Framework
- Policies and process

Stakeholders considered

Outcomes

- Reviewed and assessed our key stakeholder groups and how we engage with them
- Concluded the externally facilitated board effectiveness review
- Implemented changes to improve the Governance Framework, including the addition of a Societal Value Committee
- Approved updates to policies to ensure alignment to best practice

Principal risks

6 10 13 14

People and culture

Matters considered

One year after defining our culture ambition the board continued to focus on:

- JM's people strategy and culture
- Diversity and inclusion
- Employee engagement forums
- Speak Up reports

Outcomes

- Considered the next phase of our people strategy including mental wellbeing and the impact of COVID-19
- Became a signatory to the Change the Race Ratio, the campaign to increase racial and ethnic participation in British businesses
- Reviewed the feedback from the employee engagement forums and yourSay, and received status updates on progress against agreed actions
- Reviewed notable Speak Up matters and discussed mitigating actions

Principal risks

2 4 6 10 11

Risk

Matters considered

The board reviewed the group's approach to risk management and completed deep dives into each principal risk

Outcomes

- Considered the impact of COVID-19 on each principal risk
- Reviewed each principal risk to ensure they remained appropriate
- Approved the risk appetite for each principal risk
- Reviewed mitigating activities
- Approved the addition of a new principal risk – customer contract liability

Principal risks

1 2 3 4 5 6 7 8 9 10 11 12 13 14

Corporate Governance Report continued

Board and committee effectiveness

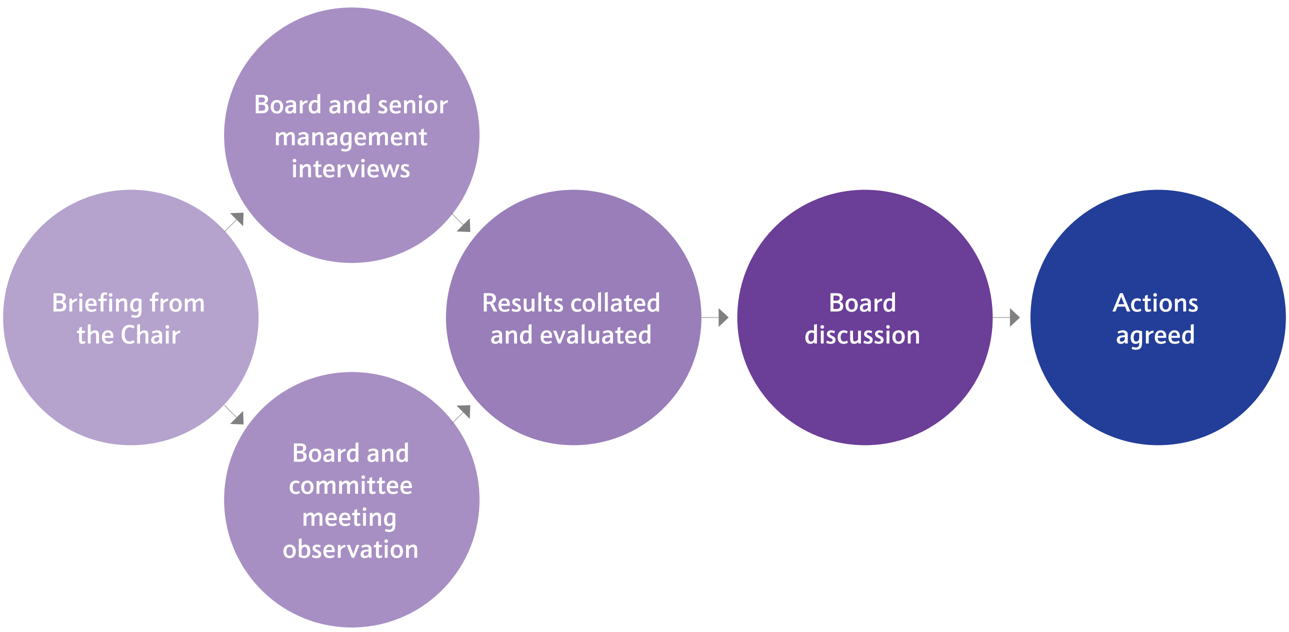
For the two years prior to this reporting period, we have carried out internal reviews of the board's effectiveness. This year, we commissioned an external review by independent consultants, Lorna Parker and Elaine Sullivan of Manchester Square Partners LLP (MSP).

MSP also delivered our previous external review in 2017/18, and we felt that asking them to complete this year's review would provide useful insight and perspective on how the board has developed over the past three years, especially given the changes in board leadership and membership. This had no bearing on MSP's independence, and they have no other connection with the company.

The Chair provided a comprehensive brief to MSP in November 2020. Between November 2020 and January 2021, MSP held individual discussions with each member of the board, the Company Secretary, the Chief HR Officer and the sector chief executives. The conversations were open, confidential and unattributed. Areas discussed included the board composition and dynamics, the agendas and board papers, strategy, culture and values, leadership, risk, and governance. MSP observed the January board and Audit Committee meetings, and had access to board and committee papers through a secure electronic portal.

> The board is open, collegiate, friendly and cohesive. The non-executive directors are supportive of management, while providing them with constructive challenge."
>
> **Patrick Thomas**

MSP prepared a report based on their observations and the information compiled from their discussions. Following discussion with the Chair, Lorna Parker and Elaine Sullivan presented this report to the board in April 2021. The board discussed the report and agreed a number of actions. On the following page we provide an update on the actions undertaken from the 2019/20 internal review, led by the Chair, the feedback and insight from the 2020/21 external review and the actions to be taken in 2021/22. Our intention remains to carry out an externally facilitated review process at least every three years. In the intervening years, the review will be led by the Chair, supported by the committee chairs and the Company Secretary.



How we've delivered against the 2019/20 action plan

The table below shows an update on the actions from our internal review in 2019/20, led by the Chair, and the progress made against these in the 2020/21 financial year.

2019/20 Action	2020/21 Progress and insight
Review and further develop the sector and business strategies	The board reviewed the group's strategy at sector level as well as at specific business level. This review led to refreshed sector strategies as well as the strategic review of the Health business and the decision to divest two non-core businesses in Israel and Finland. The board has also spent time considering the overarching sustainability strategy for the group. Having spent time developing the sustainability strategy, the 2020/21 review highlighted the importance of dedicating regular attention to this topic, to oversee its execution. The board decided to establish a Societal Value Committee to support and oversee this.
Support senior executives in prioritising effectively by agreeing group priorities in the context of significant change and a volatile environment	A new transformation office was established in June 2020 to oversee the priorities that are crucial to JM's success. The board received regular updates on the progress of these activities, which were monitored against key milestones.
Continue to undertake deep dives on each of the group's principal risks	The board has continued to challenge each of its principal risks throughout the year, reviewing JM's risk appetite and ensuring that mitigating actions are in place. The 2020/21 review showed that deep dives on risk have helped to inform the board and facilitate effective contribution and challenge. Next year the board will develop a framework to monitor progress and ensure risk considerations are further embedded within the business. + **Read more** about our principal risks on pages 92 to 96
Review leadership, talent and succession planning to ensure delivery of the group's strategy	Succession planning and talent development continued to be a key focus, particularly within the GMC, with a number of new appointments during the year to further enhance the skills of our senior leadership. Next year, the board's focus will move to the senior leaders, particularly those with potential to succeed to GMC roles or the board in the future.
Develop more ways of monitoring culture globally	Last year the board established engagement focus groups in key countries, attended by non-executive directors to allow them to directly engage with members of the workforce. The 2020/21 review showed that, while these groups have been insightful, it is harder to monitor the culture at ground level when site visits are not possible. Once travel restrictions are lifted, the board intends to resume site visits to engage with and observe the culture first hand.

Corporate Governance Report continued

What our 2020/21 review showed us

We were delighted that MSP felt that the board was highly effective with excellent dynamics. The board has a full, complex, challenging and content rich agenda but continues to perform strongly, providing valuable governance, oversight, challenge and support. Directors had a breadth and depth of complementary skills and experience. Based on MSP's detailed review, the board agreed an action plan which will further support our continuous development.

Action	Responsibility
Ensure regular focus on sustainability matters through establishing a Societal Value Committee	All directors
Enhance key metrics to support the board in monitoring progress in delivering our strategy	Chief Executive
Embed risk management further within the business and continue to monitor the risk framework	Chief Financial Officer
Focus on talent and succession plans for senior leaders below the GMC	Chief Executive
Review the board calendar, including the number of meetings held and the location of such meetings	Company Secretary

Review of the Chair's performance

Led by John O'Higgins, the Senior Independent Director, the non-executive directors met without Patrick Thomas being present to discuss his performance as Chair. They considered that he provided robust leadership for the board, driving the pace of the transformation and facilitating open and constructive challenge. MSP also found that Patrick had made a significant positive impact and provided much valued recent and relevant operational and sector experience.

The board's approach to risk management and internal control

The board is accountable for determining the extent and nature of the risks it is prepared to take in order to achieve JM's strategic objectives. The board has overall responsibility for JM's approach to risk management, It determines the appetite for each risk and ensures appropriate mitigating actions are in place. It does this in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, issued by the FRC in September 2014 and the requirements of the code.

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

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

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

The board delegates oversight of the adequacy and effectiveness of risk management and internal controls responsibility to the Audit Committee. The board, through the Audit Committee, confirms that a robust assessment of JM's risk management and internal control systems has been carried out taking into consideration the principal risks and uncertainties detailed on pages 92 to 96. This assessment covered all material controls, including financial, operational and compliance controls, and financial reporting processes. Following review, the board is satisfied that no significant failings or weaknesses have been identified and that the company's risk management and internal controls were effectively monitored throughout the year.

The COVID-19 pandemic has altered the external environment and impacted the risks JM manages. Further details on the board's view of JM's key strategic and operating risks, and how the company seeks to manage those risks at board and management level with further details of the principal risks and the risk assessment process, are set out on pages 88 to 96.

Risk governance

The board
- Assesses principal risks and determines JM's risk appetite.
- Is responsible for the approach to risk management and internal controls.

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

Group Management Committee
- Champions risk management through sponsoring each principal risk and agreeing mitigation plans, and monitors progress against JM's risk appetite.

Group assurance function
- Provides independent advice and constructively challenges the range and materiality of risks identified. Provides particular focus on the progress of mitigating actions.

Going concern
The code requires the board to state whether it considers it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We have undertaken extensive reviews of our businesses and projections under a range of potential outcomes. The group has a robust funding position and has tested its performance under a base case scenario and a severe but plausible downside scenario. In both scenarios, we have sufficient headroom against committed facilities and key financial covenants in the going concern period (15 months following the balance sheet date). Based on the group's business activities, its cash flow forecasts and projections, the board confirms it has a reasonable expectation that the group has adequate resources to continue in operational existence for the period, and accordingly, has adopted the going concern basis in preparing the financial statements for the year ended 31st March 2021. Further detail on the group's going concern statement and the audit committee's assessment of that statement can be found on pages 40 and 132.

Viability statement
The directors have assessed the prospects of the company and the group over a three year period following a robust assessment of the principal and emerging risks affecting the company, the business model, forecasts and strategic plans. In making the viability assessment a number of severe but plausible stress scenarios were considered and details of this process are set out on page 97. The directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the three year period under review.

Fair, balanced and understandable reporting
In its reporting to shareholders, the board recognises its responsibility to present a fair, balanced and understandable assessment of the group's position and prospects.

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

We concluded that the 2020/21 Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Further information on the process management undertake, and the Audit Committee's assessment of that process is detailed on page 132

Corporate Governance Report continued

Compliance with the UK Corporate Governance Code 2018

Board leadership and company purpose

- The board members have diverse skills and expertise from a range of professional backgrounds. Their experience and contribution to the board is detailed in their biographies on page 102 and 103. They are responsible for the long term sustainable success of the company and consider the interests of shareholders and the wider community in all of their decision making. There is a formal schedule of matters reserved for the board which are detailed in our Governance Framework which is available to view on our website, matthey.com.
- The company's purpose, values and strategy are set out on pages 22 to 25. They are integral to everything we do at JM. Our culture ambition describes our ways of working and is vital to successfully execute and deliver our strategy.
- The group's transformation programme is designed to ensure that the necessary resources are in place to help JM meet its objectives and measure performance against them. The Audit Committee reviews the internal control environment and regularly reports to the board. Further information on the Audit Committee can be found on pages 126 to 135.
- The board actively engages with shareholders and those stakeholders considered key to JM. The engagement mechanisms used by the board are shown within our section 172 statement on page 111 to 113. Further detail about direct employee engagement by the Chair and three of our independent non-executive directors is shown on page 109.
- Our Code of Ethics and associated policies ensure our people understand and follow the company's values and strategy, supporting the long term success of the company. Our Speak Up line provides an anonymous way to raise matters of concern. Read more about our Code of Ethics and Speak Up on page 77.

Division of responsibilities

- Our independent board effectiveness review confirmed that the Chair promotes a culture of openness and debate and encourages the effective contribution of all non-executive directors.
- Our board composition is continually monitored by the Nomination Committee to ensure an appropriate balance of executive and non-executive directors, further information about our board composition and succession planning can be found on page 124. We clearly define the roles of the Chair and Chief Executive in our Governance Framework which can be found on our website matthey.com/governanceframework.
- The board must approve all new external appointments for each director prior to acceptance. As part of this process we assess the existing time commitments of directors to ensure they have sufficient time to meet their board responsibilities. Our board effectiveness review also confirmed that our non-executive directors bring significant experience and knowledge to the board, provide challenge and strategic guidance whilst holding management to account.
- The board has the right policies, processes and information to be able to perform efficiently and effectively. This was confirmed by our external board effectiveness review which is detailed on pages 116 to 118. All directors have access to the advice of the Company Secretary.

Composition, succession and evaluation

- The Nomination Committee ensures effective succession plans are maintained for the board and senior management giving due consideration to diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. There is a clear and transparent process when considering appointments to the board. Details of the appointment of our new Chief Financial Officer are included on page 124 to 125.
- The Nomination Committee regularly reviews the skills and expertise on the board which informs our succession planning process. The board's skills are shown in the table on page 124.
- This year, MSP undertook an external board effectiveness review. In line with the code, the board completes an external review every three years conducting internal reviews in the interim.

Audit, risk and internal control

- The Audit Committee reviews the policies and procedures in place to ensure the independence and effectiveness of internal and external audit and the integrity of financial and narrative statements.
- The board presents a fair, balanced and understandable assessment of the company's position and prospects. To enable the board to do this, the Audit Committee reviews the process used to prepare and verify the fair, balanced and understandable statement.
- The board considers emerging and principal risks throughout the year. In addition, the Audit Committee reviews the internal risk and control environment.

+ **Further information** about the Audit Committee can be found on pages 126 to 135

Remuneration

- The Remuneration Policy was approved at the 2020 AGM. It is clearly aligned to the company's purpose and values and is linked to the successful long term delivery of the company's strategy. The Remuneration Policy can be found on pages 142 to 151.
- The Remuneration Committee is formed by our non-executive directors, who exercise independent judgement and discretion when authorising remuneration outcomes, taking into consideration individual performance and the wider circumstances.
- No director is involved in deciding their own remuneration.

+ **Read more** about the Remuneration Committee on pages 136 to 163

Nomination Committee Report

Patrick Thomas
Chair

Maintaining a board with the diverse skills and expertise to respond to current and future opportunities and challenges.

The committee currently comprises the Chair and all independent non-executive directors. Members' attendance at committee meetings is shown on page 101.

Regular attendees at committee meetings:

Chief Executive

Chief HR Officer

Our key responsibilities at a glance:

- Reviewing the structure, size and composition of the board.
- Ensuring the board has appropriate skills and experience.
- Ensuring adequate succession planning for board and GMC members.
- Overseeing the most senior talent and ensuring a pipeline for the future.

The committee's Terms of Reference set out our full responsibilities. You can view these on our website matthey.com/governanceframework

Our focus areas for 2021/22:

- To ensure there is an appropriate succession planning process and talent pipeline for the most senior roles, including the direct reports of GMC members.
- To select and appoint an additional non-executive director as part of mid-term succession planning and to enhance further our breath of skills.

Planning for the future, ensuring effective leadership today

Our business focuses on the future: we are a company that thinks in the long term as we set out to build a cleaner, healthier world. That long term thinking also applies to the skills and insights of all our people, including our board and senior leadership. And the core responsibilities of our Nomination Committee are to keep our board's composition under review, and to look to the future by ensuring we have a succession plan in place to safeguard the delivery of our strategy.

In this report, we describe some of the steps we have taken this year and the changes to our board. As the Audit Committee reports on page 126, Doug Webb became Chair of the Audit Committee following Alan Ferguson's retirement at the end of our 2020 AGM. John O'Higgins took on the role of Senior Independent Director.

As the Nomination Committee, we have overseen a number of key appointments during the year. In November 2020, Anna Manz stepped down as Chief Financial Officer, having spent almost four years developing the finance and IT foundations of our transformation programme. The committee oversaw an internal and external search for a new Chief Financial Officer, and we were delighted to welcome Stephen Oxley to JM in April 2021. During our search for a replacement, Karen Hayzen-Smith, our Group Financial Controller, was appointed as Interim Chief Financial Officer.

The committee also oversaw the search process for a new General Counsel and Company Secretary and Chief EHS and Operations Officer, both of which are key roles and members of the GMC. These appointments further strengthen our GMC, ensuring it remains effective in executing JM's strategy.

Anna's departure means that the board no longer meets the targets for diversity set in the Hampton-Alexander review. As a committee, we recognise the need for diversity of all kinds in a successful board, including of skills, knowledge, and perspective. We remain committed to ensuring that appointments are made on merit and objective criteria whilst promoting diversity, and we ensured this was reflected in the development of JM's refreshed Board Diversity Policy in May 2021, which is summarised in this report.

> " We are a company that thinks in the long term – and that thinking must apply to ensuring the right composition of our board and senior leadership to deliver our strategy for a cleaner, healthier world."

Governance

I am pleased to confirm that following an externally facilitated board effectiveness review, the committee was considered to be operating effectively, particularly in ensuring the right leadership is in place with strong capability and diversity of experience and expertise. Looking towards next year, the committee intends to spend more time understanding our talent pipeline, to ensure that we have effective leaders to deliver our strategy in the long term.

Patrick Thomas
Nomination Committee Chair

How we delivered on our responsibilities: the committee's activities in 2020/21

Board composition	Discussed and recommended proposed changes to the board and its committees. This included the recruitment and appointment of Stephen Oxley as Chief Financial Officer.
Re-appointment of directors	Recommended the re-appointment of Jane Griffiths, Chris Mottershead, John O'Higgins and Patrick Thomas at the conclusion of their specified three year terms.
Election of directors	Recommended that the Chair and all current directors be elected or re-elected at the 2021 AGM having evaluated the performance of individual board members, giving due regard to their time commitment, tenure, performance and contributions to the board.
Succession planning and senior leadership changes	Approved the appointment of the new Chief Executive for the Health Sector, the new Chief EHS and Operations Officer, and the new General Counsel and Company Secretary. Agreed the appointment of Karen Hayzen-Smith as Interim Chief Financial Officer from 19th November 2020. Reviewed the succession plans for the most senior roles, and ensured career and personal development plans were in place to meet future succession needs.
Talent management framework	Reviewed and discussed the approach to talent and leadership development for the GMC and senior leaders.
Diversity	Reviewed and approved a new Board Diversity Policy. Reviewed the directors' combined skills, experience and diversity through self assessment, to identify any areas for development and ensure their effectiveness in driving our strategy.
Review of performance and effectiveness during 2020/21	Considered the outcomes of the external effectiveness review with regard to board composition, talent management and succession planning.

Nomination Committee Report continued

Board composition and succession planning

One of our key roles is to ensure that JM is led by a diverse, high quality board, with the appropriate skills, knowledge and experience. All board appointments and succession plans are based on merit, taking into consideration background, experience and any specific skills or criteria that would enhance the board's collective effectiveness, with due regard to the benefits of diversity.

We spent time this year reviewing the way board members' skills are assessed. We also reviewed the skills and areas of expertise that each director brings to the boardroom to ensure the board is effective in providing good corporate governance and strategic oversight. Our assessment will help us identify gaps in the board's collective skillset and point us to areas where we will seek to strengthen the board through future appointments.

We also considered the succession plans for key roles on the board and other senior leaders, including the GMC and ensured that plans for developing a diverse pipeline of potential successors remained effective.

Non-executive director succession

In accordance with the code, the committee monitors the tenure of JM's non-executive directors against the recommended nine year term, to ensure an orderly succession. The tenures of our non-executive directors and the Chair are illustrated on page 101.

Snapshot: the board's skills

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

Leadership	Strategy
Finance	Risk
Health and safety	Commercial
Human Resources	Technology
International	Growth / transformation

Putting succession planning into action: our search for a new Chief Financial Officer

Candidate

The role of Chief Financial Officer is critical to the future success of our business. Following Anna Manz's resignation, the Nomination Committee oversaw the search process for her successor, considering internal and external candidates. We discussed the requirements for the role as part of the creation of a detailed job description. As well as strong financial experience, we sought candidates with the ability to drive growth and embed change and develop and nurture talent. In identifying candidates, we also recognised the importance of diversity of background and opinion.

Process

The committee agreed that an external search was required and engaged Russell Reynolds Associates, a third party search and recruitment specialist to assist. Russell Reynolds Associates has no other connection with the company or its individual directors aside from the provision of recruitment services, including assessment and some people development services.

A quality diverse list of potential candidates was drawn up, with a range of backgrounds and experiences.

Interviews

Selected candidates had their first interview with the Chief Executive and Chief HR Officer. The Chair and other non-executive directors interviewed the final candidates. The candidates were assessed against the agreed job description which included the required skills and experiences, as well as the behavioural traits to align with the company's values and leadership expectations.

Diversity

The board is committed to supporting diversity at all levels of the organisation, to promote an inclusive culture across JM and ensure a diverse pipeline of talent. Supporting this commitment is an important part of the role of the Nomination Committee. As part of that work, in May 2021, we reviewed JM's new Board Diversity Policy, which the board subsequently approved.

Following the resignation of Anna Manz and subsequent appointment of Stephen Oxley, two members of our board (25%) are female. The board fully supports the recommendations of the Hampton-Alexander Review and aspires to meet its goal of having 33% women on our board in the mid-term and has plans in place to do so. The committee is pleased with the positive progress on gender diversity throughout the organisation, including in the GMC, which currently has three female members (33%), and among the direct reports of the GMC (34%), which helps promote a diverse pipeline of talent for JM.

Further details Information about our approach to diversity in the organisation below board level, including our Equal Opportunities Policy and the gender balance of senior management can be found on page 73.

> We set out to appoint a Chief Financial Officer with the skills and experience to drive our transformation as well as ensure we have the strong financial foundations to execute our strategy. I am confident that, in appointing Stephen, our process has identified the right candidate, and I was delighted to welcome him into the company."

Patrick Thomas

Appointment

The committee agreed that Stephen Oxley's experience of senior financial, audit and advisory matters, as well as his work with global companies going through major change programmes, and his leadership style, qualified him as the best candidate. The committee made its recommendation to the board in January 2021.

The board approved the appointment, which was announced to the market the next day, and we welcomed Stephen Oxley as our Chief Financial Officer on 1st April 2021.

Board Diversity Policy

Our Board Diversity Policy ensures the tone for diversity and inclusion is set from the top. It ensures that our business continues to be governed by a team with a diverse set of views and perspectives, to drive and challenge business performance. The board acknowledges the importance of diversity in its broadest sense in the boardroom as a driver of board effectiveness. Consideration is given to the combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes to provide a range of perspectives, insights and challenge needed to support good decision making. While maintaining a commitment to diversity, all appointments to the board are made on merit, against objective criteria.

Maintain at least 33% female directors on the board

The board recognises that it currently falls short of this aim but the short to mid term intention is to maintain this balance. For all future board appointments, the board will ensure that any executive search firm focuses on securing a gender balanced long list of candidates. We will also be discussing diversity and inclusion in more detail to reflect on the board's role in driving change in JM.

Maintain the appointment of at least one director of colour on the board

Following the appointment of Xiaozhi Liu in April 2019, the board has met the recommendations of the Parker Review to appoint at least one director of colour to the board by 2021.

Only engage executive search consultants who have signed up to the Enhanced Voluntary Code of Conduct for Executive Search Firms on gender diversity

The board supports the terms of the Enhanced Voluntary Code of Conduct for Executive Search Firms and is committed to searching widely to secure a long list of diverse talent, including BAME talent. During the year, the committee's work on succession was supported by EgonZehnder and Russell Reynolds Associates, neither of which have any other connection with the company aside from the provision of recruitment services, including assessment and some people development services.

Report annually against these objectives and other initiatives taking place to promote diversity at board level and across the group

Diversity and inclusion have continued to be promoted across the business, as part of our culture ambition and to support an inclusive working environment. During the year the company became a signatory to the Change the Race Ratio campaign, reflecting its commitment to increasing racial and ethnic diversity among board members and in senior leadership. There has been active participation in key campaigns, including LGBT Pride celebrations, International Women's Day, Black History Week and Mental Health Awareness Week, raising awareness and promoting diversity across the group. Within JM there are a number of active Employee Resource Groups, who, on a fairly regular basis, have time with the GMC and other leaders to discuss and look for ways to further improve inclusion and diversity.

Audit Committee Report

Doug Webb
Chair from 23rd July 2020

Maintaining our focus in a time of rapid change.

The committee currently comprises all five of JM's independent non-executive directors. As required by the code, our Chair, Doug Webb, has significant financial expertise and is an experienced chartered accountant with recent and relevant experience as the former Chief Financial Officer of three listed companies.

The committee's membership draws on a broad range of knowledge, skills and experience gained from a variety of backgrounds, as described on pages 102 to 103, and has considerable experience relevant to our sector. Members' attendance at committee meetings is shown on page 101.

Regular attendees at committee meetings:

Chief Executive

Chief Financial Officer

General Counsel and Company Secretary

Group Assurance and Risk Director

Group Financial Controller

PwC Audit Partner

Our key responsibilities at a glance:

- Monitoring the integrity of the group's financial reporting.
- Reviewing the effectiveness of internal controls.
- Overseeing the relationship with the external auditor.
- Overseeing the execution and effectiveness of the group assurance and risk function and the risk management process.

The committee's Terms of Reference set out the full responsibilities of the committee. You can view these on our website matthey.com/governanceframework

By adapting our ways of working we've continued our vital role in overseeing financial integrity and reviewing JM's internal controls, so the business can continue to contribute to a sustainable future.

This is my first report to you since my appointment as Chair of the committee after the 2020 AGM, following Alan Ferguson's retirement. Alan guided the committee through significant change, and I want to thank him for his contribution over his nine years as Chair.

This year, like everyone at JM, we have adapted to working in a virtual environment. As a committee, it has been vital that we continue to ensure that both JM's management and our auditors are appropriately challenged and held to account while working remotely. I know that both management and PwC have worked hard throughout the year to ensure the integrity of our financial reporting. The internal audit plan has been more dynamic than in the past as a result of COVID-19 to ensure it reflects the changing needs of the business. I have maintained regular dialogue with management, the Group Assurance and Risk Director, and the external auditor to ensure they are supported through the challenges of the pandemic. While I did not have the opportunity to engage in person with shareholders during the year, I remain available to answer any questions on the work of the committee and look forward to engaging in person or virtually at our next AGM.

Read about how the group assurance and risk function adapted during the year on page 133

> This year, like everyone at JM, we have adapted to working in a virtual environment. As a committee, it has been vital that we continue to ensure that both JM's management and our auditors are appropriately challenged and held to account while working remotely."

During the year, we've looked extensively at the controls around precious metal management, credit risk and cash flow management, and spent additional time reviewing the impact on going concern and viability statements. We also continued our series of deep dives with the sector finance directors. The new Efficient Natural Resources Sector Finance Director and Battery Materials Sector Finance Director updated us on plans to enhance the control environment and the key challenges and financial risks facing both sectors. These deep dives give committee members a better understanding of the control framework in these areas, and mean we can engage with managers from outside the central group team, helping us to assess the depth and quality of management throughout the business.

I am pleased to say that the external board effectiveness review confirmed that the committee continues to operate well and remains informed of relevant changes and developments in the external audit market.

Read more about the external board effectiveness review and the associated actions on pages 116 to 118

As we head into the next financial year, our focus turns to the shifting regulatory landscape and the anticipated outcome of the Department for Business, Energy and Industrial Strategy (BEIS) white paper on restoring trust in audit and corporate governance. We have already started assessing the potential impact and planning for anticipated changes. This includes the development of an internal controls financial reporting framework and the establishment of a fraud risk management programme. The committee also has a crucial role to play in ensuring that ongoing capital projects have effective governance and internal control frameworks to ensure their successful delivery, in turn contributing to JM's drive to help shape a more sustainable future.

Doug Webb
Audit Committee Chair

Our focus areas for 2020/21:

- Monitor controls around our new enterprise resource planning system.
- Review systems and controls in a COVID-19 environment.
- Review revised processes for management of group metal requirements and associated key performance indicators.

Our focus areas for 2021/22:

- Planning for regulatory changes arising from the BEIS white paper 'Restoring trust in audit and corporate governance' and Task Force on Climate-Related Financial Disclosures (TCFD).
- Review internal controls in relation to fraud management.
- Review the governance and controls established for capital projects to ensure they are effective.

Audit Committee Report continued

Overview: how we delivered on our responsibilities

Our responsibility	What we did	Our outcomes
Published financial information		
To monitor the integrity of the reported financial information and to review significant financial considerations and judgements Link to risk 1 2 9 11	• Reviewed the group's full year results and half year results and considered the significant accounting policies, principal estimates and accounting judgements used in their preparation. • Reviewed the matters, assumptions and sensitivities in support of preparing the accounts on a going concern basis and assessed the long term viability of the group. • Reviewed the financial reporting framework of the parent company financial statements. • Assessed the process which management put in place to support the board when giving its assurance that the 2020/21 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. • Reviewed reports from the General Counsel and Company Secretary on group litigation and disputes. • Reviewed reports on credit controls and credit risks. • Approved the 2020/21 Audit Committee report. • Reviewed and recommended the approval of elements of the 2020/21 Annual Report and Accounts to the board. • Reviewed a letter from the FRC which requested additional information regarding our accounting policies for recognising revenue in our refining business. • Reviewed and challenged the payment practices, policies and performance of the company and certain UK subsidiaries.	• Following a thorough review the committee challenged management assumptions and recommended the approval of the half and full year results to the board for approval. • Spent extra time reviewing the detail of the going concern and viability statements and assessed a variety of scenarios with management before recommending the approval of both statements to the board. • Considered the early adoption of certain disclosures required under TCFD with the aim of full compliance in 2021/22. • Determined that the refreshed fair, balanced and understandable process undertaken by management was effective. • Spent extra time reviewing credit controls and risks in the context of COVID-19. • Reviewed management's proposed response to the FRC's letter and concluded that our accounting policy disclosures should be enhanced with respect to the recognition of cash and non-cash refining related revenue.

Our responsibility	What we did	Our outcomes
Risk management and internal control		
To review the group's internal financial controls and its risk management systems, and to monitor the effectiveness of the group assurance function Link to risk 1 2 3 4 5 6 7 8 9 10 11 12 13 14	• Received reports from the Group Assurance and Risk Director on the group assurance, risk reviews and risk management processes. • Monitored progress against the 2020/21 group assurance and risk plan including the changes made to the plan as a result of COVID-19, and agreed the 2021/22 plan. • Reviewed an assessment of the control environment based on the results of the key control questionnaire and management's plans to address areas requiring further improvement. • Monitored the effectiveness of the group assurance and risk function. • Reviewed precious metal governance and controls. • Received presentations from the Efficient Natural Resources and Battery Materials Finance Directors on the internal control environment within the sectors. • Met with the Group Assurance and Risk Director without management present.	• Determined whether risk management and internal controls effectively meet the group's needs and manage risk exposure. • Assessed if changes to the internal audit plan were correct to adapt to the changing needs of the business as a result of COVID-19. • Determined that the internal controls could be relied on but agreed with management's suggestions to enhance the internal controls over the financial reporting framework. • Assessed the group assurance and risk function against the results of a self assessment against the Institute of Internal Auditors' standards and determined that the function was effective. • Oversaw comprehensive changes controls and governance procedures in relation to precious metal management.
Our external auditor		
To oversee the relationship with the external auditor, to monitor its independence and objectivity, to approve its fees, recommend its re-appointment or not, and to ensure it delivers a high quality effective audit, based on a sound plan Link to risk 11 13	• Considered reports from the auditor, including its views on our accounting judgements and control observations. • Met with the external auditor without management present. • Considered and reviewed indicators of audit quality. • Assessed the independence and objectivity of the auditor. • Reviewed the non-audit fees incurred during the year and the non-audit fee policy.	• Approved, after due challenge and discussion, PwC's audit plan and fees for 2020/21. • Determined that a good quality, comprehensive audit had been completed, following a review of PwC's regular reports to the committee, the outcome of the FRC Audit Quality Review of PwC and feedback from the Independent Quality Review Partner. • Recommended the re-appointment of PwC as auditor.

Audit Committee Report continued

Financial reporting

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

It is a fundamental part of our role that we act independently from management to ensure that the interests of shareholders are properly protected in relation to financial reporting. When the accounts are being prepared, there are areas where management exercises a particular judgement or a high degree of estimation. The committee assesses whether the judgements and estimates made by management are reasonable and appropriate. In the process of applying the group's accounting policies, management also makes judgements and estimates that have a significant effect on the amounts recognised in the financial statements. The group's key accounting judgements discussed and challenged by the Audit Committee are set out below.

Significant current year considerations in relation to the accounts	Work undertaken / outcome
COVID-19 pandemic The COVID-19 pandemic has impacted group operations due to travel restrictions, social distancing and disrupted business activity. The Clean Air Sector, in particular has been impacted by the pandemic as global demand for automotives was adversely affected in the first half. Since then sales have recovered to near to pre COVID-19 levels. Most of our operations continue to navigate positively out of the pandemic however, we continue to monitor regions that face possibility of further restrictions.	We received a report from management which explains the accounting and disclosure implications of COVID-19. The report was reviewed and discussed with management and PwC to ensure that we were satisfied with its conclusions. Since the outbreak at the start of 2020, our operations have navigated positively around the disruption. The recovery has been reflected in our budgets and plans used for the viability and going concern assessment and annual goodwill impairment testing. As a result, there is increased headroom from goodwill testing (see below) and no other impairments have been identified as a direct result of COVID-19. In the year to 31st March 2020, management increased provisions for expected credit losses on trade and contract receivables. The provision has not been utilised during the year but will remain in place as management have assessed that some market uncertainty remains, in addition to the total receivables balance increasing (see note 31 on page 229). We concluded that the financial impact of the COVID-19 pandemic has been appropriately accounted for and disclosed in the group's accounts.

Major impairment and restructuring activities	Work undertaken / outcome
In June 2020, we announced actions to drive efficiency across our manufacturing footprint and operations. Significant progress was made during the year with further recognition of restructuring provisions and impairments as we look to accelerate transformation initiatives. Key judgements in relation to restructuring provisions relate primarily to estimates of future cost. Key judgements in relation to impairment testing relate primarily to estimates in assessing recoverable value against carrying value.	We received a report from management which explains the basis of recognition and estimate for restructuring provisions related to transformation initiatives. The report also detailed asset impairments as management seeks to accelerate plant closures. We considered and debated the nature of the provisions recognised, the identification of impairment triggers across the group's asset portfolio and valuation of those assets as part of the impairment testing. We discussed the rationale behind the presentation of the charges as part of underlying operating profit (see note 5 on page 197) or exceptional (see note 6 on page 199). We focused on the following major impairments and restructuring charges that required judgement, with the remainder mostly relating to cash spend during the reporting period: • **Clean Air**, progress with rebalancing production into our key plants in North Macedonia, China and Poland has resulted in an impairment to plant (£19 million) and associated information systems (£30 million). The Clean Air restructuring charge was £53 million and relates substantially to implementation and redundancy costs. • **Efficient Natural Resources**, the closure of the Catacel Ravenna facility in Ohio (£7 million impairment charge and £4 million for site closure and redundancies). In addition, the Efficient Natural Resources Sector restructuring charge was £10 million and substantially relates to redundancy costs. • **Health**, the planned closure of a production unit in Scotland (£5 million impairment) and other restructuring activities (£6 million restructuring charges) of which the majority is redundancy and compliance costs, associated information systems were impaired by £6 million. • **Corporate**, a review of the scope of the roll out of the global ERP system resulted in a £20 million impairment. We concluded that management's key assumptions and disclosures are reasonable and appropriate.

Significant recurring considerations in relation to the accounts	Work undertaken / outcome
Impairment of goodwill, other intangibles and other assets Key judgements are made in determining the appropriate level of cash generating unit (CGU) for the group's impairment analysis. Key estimates are made in relation to the assumptions used in calculating discounted cash flow projections to value the CGUs containing goodwill, to value other intangible assets not yet being amortised and to value other assets when there are indications that they may be impaired. The key assumptions are management's estimates of budgets and plans for how the relevant businesses will develop or how the relevant assets will be used in the future, as well as discount rates and long term average growth rates for each CGU.	We reviewed a report from management which explains the methodology used, assumptions made and significant changes from those used in prior years, including the impact of climate change on the group's long term plans, especially within Clean Air. We discussed with management the rationale behind the key assumptions and sensitivities in the calculations to ensure we were satisfied on their reasonableness. The impairment reviews were an area of focus for PwC who reported their findings to us. Management has not identified any impairments as part of the annual impairment tests. Overall, the headroom over the carrying value of the net assets of the material CGUs has been increased, in particular for the recovery from the impact of COVID-19 on the group's board approved budgets and plans. Further information on this can be found in note 5 of the accounts. We concluded that management's key assumptions and disclosures are reasonable and appropriate.
Refining process and stock takes When agreeing commercial terms with customers and establishing process loss provisions, key estimates are made of the amount of precious metal that may be lost during the refining and fabrication processes. Refining stock takes involve key estimates regarding the volumes of precious metal-bearing material in the refining system and the subsequent sampling and assaying to assess the precious metal content.	We received a report from management which summarises the results of the refinery stock takes in the UK, and China. The report was reviewed to ensure that the results were in line with expectations and historic trends and, where this was not the case, explanations were provided by management. The refining process and stock takes were also an area of focus for PwC who reported their findings to us. We concluded that management's accounting for refining stock take gains and losses was in accordance with the agreed methodology.
Post-employment benefits Key estimates are made in relation to the assumptions used to value post-employment benefit obligations, including the discount rate and inflation.	We received a report from management which summarises the key assumptions used to value the liabilities of the main post-employment benefit plans. The assumptions were compared with those made by other companies and PwC's assessment of the reasonableness of the assumptions was considered. We concluded that the assumptions used, and accounting treatment, are appropriate for the group's post-employment benefit plans.
Tax provisions Key estimates are made in determining the tax charge in the accounts where the precise impact of tax laws and regulations is unclear.	We received a report from management which explains the issues in dispute, or at risk of this, with tax authorities across the business, the calculation of tax provisions and relevant disclosures. We also considered the sensitivities around the provisions and debated the circumstances in arriving at the key provisions. Tax provisioning was an area of focus for PwC who reported their findings to us. We concluded that management's key assumptions and disclosures are reasonable and appropriate.
Provisions and contingent liabilities Key estimates are made in determining provisions in the accounts for disputes and claims which arise from time to time in the ordinary course of business. Key judgements are made in determining appropriate disclosures in respect of contingent liabilities.	We received a report from management which provides information in respect of disputes and claims and identifies the accounting and disclosure implications which were challenged and discussed. Provisioning for, and disclosure of, disputes and claims was an area of focus for PwC who reported their findings to us. We concurred with management's conclusions regarding provisioning and contingent liability disclosures.

JM received correspondence from the FRC regarding its disclosures related to the revenue recognition for refining services based on their review of the 2019/20 Annual Report and Accounts.

Management responded to outline the group's rationale for its accounting policy and application of IFRS 15 for revenue from refining services; the responses were reviewed by PwC and the audit committee. While there has been no change to the basis or timing of revenue recognition in our accounts following the correspondence with the FRC, we have considered recommendations made and have further enhanced our revenue recognition accounting policy disclosures in respect of refining activities (see note 3 on page 193).

The review by the FRC does not provide any additional assurance regarding the accuracy of the 2019/20 Annual Report and Accounts. The FRC does not accept any liability in relation to its review.

Audit Committee Report continued

Going concern and viability statement

The committee reviewed the matters, assumptions and sensitivities being used to assess both the going concern basis and the long term viability of the group. This included assessing the risks which would threaten our business model, the current funding position, and different stress scenarios and mitigating actions. Further details on our going concern and viability, and the scenarios considered, are set out on pages 40 to 97.

Following our review, we concluded that the company and group would be able to continue in operation and meet its liabilities as they fall due over a period of at least three years, which remained the most appropriate timespan.

Fair, balanced and understandable

Another of our roles is to review and assess the process which management puts in place to support the board so it can give its assurance that the 2020/21 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable (FBU) and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

A group of individuals was selected from a variety of functions across JM; all had not been involved in the drafting process but were familiar with JM's strategy and business model. These individuals were selected by management to form an FBU Panel to carry out a detailed review of the full annual report. The FBU Panel, auditor and project team then met to determine whether the key messages in the annual report were aligned with the company and group's position, performance and strategy, and whether the narrative sections were consistent with the financial statements.

A report detailing the key themes from that review and the discussions at the meeting was also presented to the board. In addition, to further support the board, the Disclosure Committee reviewed the verification process dealing with the factual content. Following a review of the FBU process, the committee provided positive assurance to the board that the process was effective.

At a glance: how we ensure our annual report is FBU

Management selects a group of individuals from a variety of functions across JM to form an FBU Panel and complete a 'cold review'. Panel members are familiar with JM's business model and strategy but have not been involved in the drafting of the annual report

↓

Draft annual report circulated with comprehensive guidance notes and reviewed by the FBU Panel

↓

FBU Panel meeting held with the annual report project team and PwC to discuss key themes and recommendations

↓

Recommendations and key themes incorporated into the final draft of the annual report

↓

Final annual report and paper detailing the key outcomes and themes from the FBU Panel circulated to the board for their FBU assessment

Risk management and internal control

The committee assists the board in its overall responsibility for the group's internal controls by reviewing the adequacy and effectiveness of controls and risk management systems. The Group Assurance and Risk Director is responsible for providing independent assurance that our risk management and internal control processes are operating effectively. She provides regular oversight of risk matters that affect our business, makes recommendations to address key issues, and ensures that any mitigating actions are properly tracked, challenged and reported on. During the year, a new co-sourcing partnership with Deloitte has ensured access to additional specialist skills and expertise.

Our key control questionnaire process

Our businesses complete the key controls questionnaire

→ Output reviewed with each sector / Output reviewed with each function

→ Sector level reviews with Chief Financial Officer, Group Financial Controller and Group Assurance and Risk Director

→ Findings shared with the Audit Committee

→ Actions tracked at business and group level, including periodic reporting to the Audit Committee

Key control questionnaire

The company's key control questionnaire is an annual, bottom up process that requires the managers of our material businesses to certify the existence and effectiveness of the key controls set out in our policies. The questionnaire is a critical component of our governance and assurance framework, which details the minimum set of controls our businesses need to keep our people safe, ensure compliance with the standards and regulations expected of us, and protect our assets (physical and intellectual).

Our businesses assess themselves against the questions, and the results are then reviewed at sector, function and group levels. Despite the change to remote working, the only impact on the key control questionnaire was a small extension to the submission deadline. The committee assessed the effectiveness of the process and considered the nature and quality of managers' responses. We also looked at the level of challenge to the responses, significant findings, areas for improvement and how management intended to address findings. To provide the committee with additional assurance on the process, the group assurance function review the latest key control questionnaire findings to ensure consistency with their internal audit reviews.

Group assurance and risk

The Group Assurance and Risk Director provides us with regular reports on internal audit reviews, including their key findings, the actions needed to address the findings, and the progress made by management in implementing them. The committee pays particular attention to the level of engagement of all our managers, whether at local, sector or executive level, in implementing corrective actions and in strengthening the control framework across all our sites, wherever they are, and whatever their size and function.

We continually review the effectiveness of the group assurance and risk function using a variety of inputs including audit reports, discussions with management, and by monitoring the progress of the internal audit plan. We consider whether the function has adequate standing across the group, whether it is free from management influence or other restrictions, and if it is sufficiently resourced.

As mentioned above, the function has successfully begun a co-sourcing partnership with Deloitte for its assurance activities to provide access to subject matter expertise or additional capacity as needed.

This year we also reviewed the results of a stakeholder survey, which included GMC members, sector leadership teams, group function heads and project leads. The responses were consistently positive, and highlighted the agility and partnering support that the team provided during the year.

Having carefully considered all these inputs, the committee concluded that the group assurance and risk team was effective and played a critical role in supporting the business through the pandemic. In line with best practice, an independent external quality assessment of the group assurance and risk team will be carried out in 2021/22.

Case study

The impact of COVID-19 on group assurance and risk

In normal years, our risk management and assurance activities are evaluated and updated regularly but, with the evolving landscape in the last 12 months, the global impact of the pandemic meant plans became out of date almost immediately. Our risk management activities had previously been focused on risks that we considered high impact, and those that were more likely to occur. That quickly shifted towards risks that, in a more stable world, would have a material impact but had been considered highly unlikely to occur. At the same time we realigned from scanning the horizon for emerging risks, to addressing more 'business as usual' risks that needed immediate action such as people safety, counterparty credit risk, working capital / liquidity risk, supply chain and guarantee of supply chain. The board and GMC launched a series of deep dive exercises to understand the impact of COVID-19 on our existing risks and any new actions needed.

Our group assurance function supported the business with projects that had been specifically created to manage the risks caused by remote working (and as such supported delivery of the external year end audit activities). That meant fewer reviews were completed in the first quarter of the financial year. The audit plan was under constant review and discussion with stakeholders to ensure it reflected the key risks and priorities of the organisation, as it navigated the uncertainty caused by the pandemic.

It also led to the function introducing creative and agile ways of working to ensure that virtual audits provided the correct level of assurance and advice for the business, such as merging scope areas where practical and appropriate; performing high level 'desktop reviews' of management assurance activity and attendance at a number of programme boards and steering committees, providing 'real time' challenge and feedback in these forums.

We also reached out more to our co-source partner, Deloitte, to provide specific expertise or presence in the remote locations where our internal team was unable to be on site because of travel restrictions.

While the change to working practices might have been a reaction to the external environment, it highlighted new ways of working which improved efficiency and effectiveness. The team will continue to build on the skills learnt during this year and embed greater flexibility into the audit plan for the next financial year.

Audit Committee Report continued

Group assurance and risk annual plan

The committee spends a significant amount of time reviewing the group assurance and risk annual plan. We aim to ensure it is comprehensive, that it reflects the challenges and changes to our business, and that it provides the appropriate level of assurance over the group's key risks. When we reviewed the 2021/22 plan, we considered the continued impact of the pandemic and the context of business as usual in JM, as well as the macroeconomic environment and business transformation. The plan is based on a risk based audit universe broken into three specialised areas: operational, financial and risk related; IT; and transformation programme assurance. The plan also allows for assurance activity to deal with unexpected events, when approved by the Group Assurance and Risk Director.

The committee believes the 2021/22 plan addresses JM's key risks and identifies where additional assurance is needed, and is appropriately comprehensive for the size and nature of the group.

Risk management

The committee worked with the board to review and refine the risk assurance processes (including the assurance framework and key control questionnaire). The committee concentrates primarily on reviewing the mitigating controls and the levels of assurance over these, while the board is directly responsible for managing risks and establishing levels of risk appetite for the group's principal risks. The board may ask for additional assurance to be provided and this is carried out by the group assurance and risk function, which reports back to the committee.

Speak Up process

We review the company's Speak Up (whistleblowing) process annually to ensure procedures are proportionate and independent. During the year, ethics and compliance made changes to the Speak Up process to reflect lessons learned and to ensure that the actions taken as a result of the most important Speak Up reports would be owned by the sector chief executives. The committee reviewed the new process step by step and agreed that the procedures allowed proportionate and independent investigation and appropriate effective follow up action. We report the findings of this review to the board as appropriate.

+ **More information** on Speak Up can be found on page 77

External auditor

Tenure

PwC was appointed as the group's external auditor by shareholders in July 2018 following a formal tender process. This is the third year the group has been audited by PwC. Mark Gill continues to be the lead audit partner. The committee confirms ongoing compliance with the Competition and Markets Authority's Statutory Audit Services Order.

External audit plan

In developing the external audit plan for 2020/21, PwC performed a risk assessment to identify the potential risks of material misstatement in the financial statements. This assessment considered the nature, magnitude and likelihood of each identified risk, and the relevant controls in place, in order to identify the audit risks. The key audit matters are referred to in the independent auditor's report on pages 247 to 257 and formed the basis of the plan.

In determining the scope of coverage, consideration was given to management reporting, the group's legal entity structure, the financial results as at 31st March 2020 and the forecast for 2020/21. Details of the coverage and the agreed scope are set out in the independent auditor's report on page 247. The committee also reviewed the procedures to be performed at a group level, and the impact of COVID-19 on the audit and the planned site visits. Materiality was agreed at approximately 5% of the three year average profit before tax adjusted for loss on disposal of businesses, loss on significant legal proceedings, major impairment and restructuring charges.

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

How we reviewed PwC's performance

The committee reviews the ongoing effectiveness and quality of the external auditor and audit process throughout the year. We base our review on the auditor's reports to the committee, on the performance of Mark Gill and his team both in and outside committee meetings, on how they interact with and challenge management, and on how they are building relationships with our internal audit teams.

We also had regard to how the auditor challenged management's judgements and assumptions on the matters highlighted on pages 130 to 131 and asked the auditor to confirm if those matters had been addressed correctly by management. Following detailed analysis of the assurance completed, the auditor confirmed they agreed with management's judgements and assumptions.

We also sought direct feedback from the independent Quality Review Partner to review their assessment of PwC's key planning judgements and the execution of their response to significant risks and reporting. In addition, we feel it is important to understand management's opinion of audit quality and effectiveness: to support this, the executive directors and senior management complete a questionnaire on the external auditor each year.

How we gather feedback on the effectiveness of our external auditor and external audit process

Third party reviews

- Consideration of the external reviews of PwC performed by the FRC's Audit Quality Review team and the Quality Assurance Department of the ICAEW.

Information provided by the auditor

- Details on the delivery of the audit plan and any changes to the scope of work and the impact of COVID-19.
- Assurance on the operation of audit quality control procedures.

Management feedback

- Survey of audit quality and effectiveness completed by executive directors and senior management. This includes recommendations for improvement.
- Assurance on the disclosure process for the provision of information to the auditor.

Committee assessment

- Assessment of the quality of regular audit reports.
- Assessment of feedback from committee members and regular attendees including the Group Financial Controller and Group Assurance and Risk Director.

Provision of non-audit services

Our Non-Audit Services Policy ensures that the provision of non-audit services does not create a threat to PwC's independence and objectivity as an auditor. In accordance with the FRC's Revised Ethical Standard 2019, the auditor can only provide additional services directly linked to the audit.

Our policy sets out how approval should be obtained before PwC is engaged to provide a permitted non-audit service. The committee has pre-approved non-audit services up to £100,000. Services likely to cost £25,000 or less must be approved by the Chief Financial Officer, services likely to cost more than £25,000 but less than £100,000 must be approved by the Audit Committee Chair. Services likely to cost over £100,000 must be approved by the Audit Committee.

Compliance with the policy and the provision of non-audit services and details of the non-audit services provided by PwC and associated fees were reviewed during the year. Non-audit fees in the year were £0.3 million compared with audit fees of £4.6 million, representing 6.5% of the audit fee. More information on fees incurred by PwC for non-audit services, as well as the split between PwC's audit and non-audit fees, can be found in note 3 to the accounts, on page 151.

Objectivity and independence

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

Proposed re-appointment of PwC

Following our work to assess PwC's performance and independence, we agreed that PwC continued to provide a robust audit and valuable technical knowledge and that the auditor remained free from third party influence and restrictive contractual clauses. As a result, a resolution proposing PwC's re-appointment as the company's auditor and authorising the committee to determine PwC's remuneration is included in the company's Notice of AGM.

Remuneration Committee Report

Chris Mottershead
Chair of the Remuneration Committee

The committee currently comprises all five of JM's independent non-executive directors. Member's attendance at committee meetings is shown on page 152.

Regular attendees at committee meetings:

Chief Executive

Chief HR Officer

Group Total Reward, Wellbeing & People Services Director

Our key responsibilities at a glance:

- Set remuneration policy for executive directors, senior management and the Chairman and determine the application of that policy.
- Oversight of workforce remuneration policies and their alignment with culture.
- The committee's terms of reference set out our full responsibilities. You can view these on our website: matthey.com/governanceframework

Our focus areas for 2021/22:

- Setting sustainability measures for inclusion in our long term incentive plan.
- Review alignment of reward with culture.
- Review broader employee pay equity.

Aligning performance and reward

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

As Chair of the committee, I am pleased to present our report for the year ended 31st March 2021.

We submitted our latest Remuneration Policy to shareholders at our 2020 Annual General Meeting (AGM) and appreciated the high level of support we received (85.7% in favour). We also value the continuing constructive dialogue we've had with a number of our shareholders and representatives of institutional investors.

This Annual Report on Remuneration sets out how we applied the Remuneration Policy in 2020/21 and how we intend to apply it in the forthcoming year.

COVID-19

Over the past year the COVID-19 pandemic has brought extraordinary challenges to our employees, customers, suppliers and the communities in which we operate. No one could have foreseen these challenges. However, through strong leadership that focused on the health, safety and wellbeing of our people, and included implementing the highest safety standards across all our facilities as well as enabling working from home where possible, we demonstrated operational resilience and delivered a strong financial performance.

This outcome was possible thanks to the collective hard work of the entire organisation. We have seen outstanding examples of collaboration, speed, agility, and resilience as our people came together to tackle the complex issues of COVID-19 and overcome hurdles to keep our operations running safely. To recognise this tremendous effort and commitment, all our non-managerial employees received an additional one-off recognition payment of £250 (or local equivalent) over and above their usual annual bonus payment.

In managing through the pandemic, we did not furlough any employees or seek any government financial support, and we did not make any specific COVID-19 related redundancies.

In addition, we delayed the commencement of our pre-planned corporate restructuring until after June 2020, which gave stability to our employees during the period of greatest uncertainty for COVID-19. We also supported our customers, suppliers and the communities in which we operate throughout the crisis.

The strong financial performance delivered following our rapid and effective response to COVID-19 also enabled us to continue to pay dividends and retain a strong balance sheet and share price. Along with our strong financial performance we also executed robustly against our strategic priorities (e.g. progressing our eLNO®, fuel cells and green hydrogen capabilities) which will provide the long term platform for delivering sustainable growth and shareholder returns.

As an organisation we have learned a lot from the challenges we faced over the past year, which we will take with us into the future to help us strengthen our company even further.

Voluntary contribution

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

Our approach to remuneration

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

As the world 'builds back greener' following the pandemic, we recognise that we have an important role to play in helping society address climate change through our sustainable technologies, products and services. As such, to enable us to continue to invest and meet our strategic objectives, we remain focused on efficiencies and driving cash flow from our more established businesses. We are excited about commercialising our suite of sustainable technologies that will enable decarbonisation and enhance circularity, including our portfolio of eLNO battery materials and hydrogen technologies.

Our remuneration strategy focuses on motivating our talent to achieve our strategic objectives; delivering on customer commitments; inspiring employees; and driving value for our shareholders through long term success and growth.

This long term focus is supported by our Remuneration Policy, which includes an incentive structure that is purposefully weighted towards long term performance and includes meaningful shareholding guidelines for executive directors during and after employment.

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

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

Board changes

On 20th November 2020, Anna Manz, Chief Financial Officer (CFO) decided to leave Johnson Matthey after almost four years and join the London Stock Exchange Group (LSEG). No special remuneration arrangements were agreed with Anna on leaving. Further details of Anna's leaving arrangements are provided on page 159.

We announced in January that Stephen Oxley would succeed Anna as our new Chief Financial Officer on 1st April 2021. The board considers Stephen to be an outstanding candidate, joining us after almost 30 years with KPMG where he was a Partner. Stephen joined us with a great enthusiasm for our purpose and our culture.

Stephen's remuneration upon recruitment was set in line with our Remuneration Policy, and further details are provided on page 159.

Performance in the year

In the face of a difficult and very demanding environment brought on by COVID-19, our Chief Executive Officer, Robert MacLeod, and the senior leadership team have delivered a strong performance, exceeding targets set in many areas and delivered a very good total shareholder return.

Following the disruption from COVID-19 earlier in the year, our second half financial performance was materially stronger. This reflected increased activity in the automotive industry and other key end markets, as well as the actions taken to transform our business including tight cost management. Our strong operational performance has also enabled us to continue to invest in our strategic growth projects including battery materials, fuel cells as well as green and blue hydrogen.

Remuneration Committee Report continued

The committee always seek to ensure that there is a clear link between pay and performance. We therefore consider the performance of the wider business and individual accomplishment over the period, including how the performance was delivered, and other achievements such as the response to COVID-19. In that context, we believe that the payments outlined below fairly reflect the performance achieved.

2020/21 incentive plan outcomes

As detailed in last year's Directors' Remuneration Report, we set our incentive plan targets after considering the potential impact that COVID-19 would have on our business in the 2020/21 financial year. The committee revisited those original performance targets at the year end to ensure the targets retained the same level of stretch envisaged when the targets were originally set. As a result of that review, given the increase in activity in the automotive industry relative to the time when the targets were set, the committee increased the target for the Group Profit Before Tax performance measure in the 2020/21 annual incentive plan. This increase to the target ensured that the annual bonus out turn did not benefit from the higher than expected levels of activity in the automotive industry.

Due to the very strong level of financial performance and achievement against the strategic objectives, accompanied by high quality leadership behaviours aligned to our values and a good health and safety record over the year, a bonus of 98% of maximum is payable to Robert MacLeod, of which one half will be deferred in shares for a period of three years. Anna Manz is not eligible for a bonus payment. Further details on the performance against the annual targets and strategic objectives is set out on pages 154 and 155.

The formulaic outcome for the vesting of the long term PSP awards granted on 1st August 2018 was zero. It was not felt appropriate to adjust the outcome and as such there is zero PSP vesting for the executive directors.

In determining the annual and long term incentive plan outcomes the committee carefully considered the performance achieved, including the impact and response to COVID-19 and the retrospectively increased Group Profit Before Tax target. The committee did not deem it necessary to exercise any discretion on the outcomes as they consider the remuneration earned appropriate in light of the performance achieved and after having regard to the company's stakeholders' experiences during the year.

The outcomes, as a percentage of maximum opportunity, for both the annual incentive plan and long term performance share plan for employees below the board are similar to those for executive directors with the same principles applied consistently.

Application of Remuneration Policy for 2021/22

The company's general approach to senior executive salaries is to consider the performance and experience of an individual in the context of comparable rates of pay in similar sized organisations. Executive directors are considered for an increase set at the typical rate of increase applied to the wider workforce in their geographical location. Reflecting this principle, Robert MacLeod received an increase on 1st April 2021 of 2.0%. This compares to no increase in 2020.

The planned reduction in the Chief Executive's pension cash supplement from 23% to 20% will occur on 1st April 2021 with a further reduction from 20% to 15% scheduled for 1st April 2022.

There are no changes anticipated to the wider application of our Remuneration Policy in 2021/22. As a result, Robert MacLeod and Stephen Oxley will continue to be eligible to participate in the annual incentive plan with a maximum bonus opportunity of 180% of base salary and 150% of base salary respectively. The plan will have performance conditions based on a combination of financial (80%) and non-financial (20%) performance. In addition, Robert will be eligible to receive an award equal to 200% of base salary in our long term incentive plan, and Stephen will be eligible for an award equal to 175% of base salary. In both cases the performance conditions will be based on challenging EPS and relative TSR performance targets.

Given Johnson Matthey's unique value proposition and purpose of delivering a 'world that is cleaner and healthier today and for future generations', we are committed to broadening the way we measure our long term success. As part of our Remuneration Policy approved by shareholders at our AGM in 2020, we committed to introduce a third performance measure into our long term incentive plan that focuses on sustainability. This metric will represent no more than one-third of the overall award and would be included in awards from August 2022. The measure will be a scorecard of quantitative measures that cover the company's performance in our operations, people, and delivering products and services that contribute to a more sustainable world. The committee is currently finalising the specific details of this measure and will update shareholders prior to the award in August 2022.

In advance of including sustainability targets in the long term incentive plan from August 2022 a portion of the non-financial targets within the 2021/22 annual incentive plan will be set with reference to evolving our sustainability strategy and delivering progress against it.

Wider employee remuneration

Paying our employees fairly relative to their role, skills, experience and performance is central to our approach to remuneration, and our reward framework and policies support us in doing this. Equal pay is also critical, and we review our pay levels on an ongoing basis to ensure that men and women are paid fairly, and as we get better access to data we will also start to analyse pay different ways including by ethnicity. We are also committed to the real living wage and narrowing the gender pay gap that exists amongst our employees and to tackle the root causes of gender imbalance to ensure a truly inclusive culture that supports diversity. Our UK gender pay gap is currently 6.7%. The full report, including details of what we are doing to eliminate the gap can be found on our website.

2021 Annual General Meeting

I would like to thank shareholders for their input and engagement ahead of last year's AGM and I ask you to support our 2020/21 Annual Report on Remuneration at our forthcoming AGM on 29th July 2021. We believe that our policy remains simple, transparent and effective, strongly supporting our business strategy with remuneration outcomes aligned to the shareholder experience. We welcome an open dialogue with our shareholders, and I will be available at the meeting to answer any questions about the work of the Remuneration Committee.

Chris Mottershead
Chair of the Remuneration Committee

Remuneration at a glance

Aligning remuneration with strategy

Our strategy

We will use our deep knowledge of metals chemistry to help our customers address the complex technical challenges of the four transitions – transport, energy, decarbonising chemicals production and a circular economy – by delivering sustainable products, services and technologies

Our strategic objectives

Invest in growth areas targeted at climate change and circularity

Manage our established businesses to support growth

Promote a fast paced, efficient business and high performance culture

KPIs

Group profit before tax	Group working capital days	Earnings per share	Total shareholder return	Return on invested capital
Annual Incentive Plan (AIP)	Annual Incentive Plan (AIP)	Performance Share Plan	Performance Share Plan[1]	Performance Share Plan

[1] Measure included in awards from 2020 onwards.

Policy for executive directors

Base salary	• Reviewed annually, with any changes normally taking effect from 1st April each year
Benefits	• Includes medical, life and income protection, company car, relocation benefits relating to business moves, and assistance with tax advice and compliance services where appropriate
Pension	• Cash supplement as a percentage of base salary • 15% for all new executive directors, and for current executive directors the percentage is reducing to 15% by 1st April 2022 to align to the cost of providing pension benefits to other employees in the UK
Annual Incentive Plan (AIP)	• Maximum 180% of base salary for Chief Executive, and 150% for other executive directors, with awards of: – 15% of maximum for threshold – 50% of maximum for on target – 100% of maximum for outstanding performance • Assessed against achievement of financial, and where appropriate, non-financial targets • A substantial portion will be based on key financial measures, including underlying profit before tax (PBT) • Paid equally in cash and deferred shares • Deferred shares vest after three years
Performance Share Plan (PSP)	• Granted at maximum of 200% of base salary for Chief Executive, and 175% for other executive directors • Vesting based on performance over three years, with between 15% and 25% vesting for threshold performance, dependent on the performance measure • Subject to financial and / or shareholder return targets with potential to include strategic and / or sustainability targets for future awards • At least two thirds of awards should be subject to financial and / or total shareholder return targets
Shareholding requirements	• Chief Executive 250% of base salary, other executive directors 200% • Requirements to be built up over a reasonable period and apply for the two year period after cessation of employment

Remuneration at a glance continued

2021 performance

Annual Incentive Plan (AIP)

Actual performance against threshold, target and maximum performance for each measure is set out in the charts below:

Financial measures[1]

Performance measure	Weighting	Threshold	Target	Maximum
Group underlying PBT[2]	60%	£250m (90% of target)	£278m[3]	£306m (110% of target)
		Actual: £448m (160% of target)		
Group total working capital days (including precious metal)	10%	42 days (105% of target)	40 days	38 days (95% of target)
		Actual: 34 days (86% of target)		
Group working capital days (excluding precious metal)	10%	68 days (105% of target)	64 days	61 days (95% of target)
		Actual: 58 days (89% of target)		

1 All figures in the table have been rounded to the nearest whole number.

2 Group underlying PBT and group working capital days are measured using budget foreign exchange rates.

3 The original PBT target set was £238 million.

Strategic objectives

	Weighting	Threshold	Maximum
Robert MacLeod	20%	(0%)	(100%)
		Actual 90% of target	

Bonus outcomes

Based on performance against the above targets, total bonuses for the year ended 31st March 2021 were:

	Bonus outcome (% of base salary)			
	Financial measures	Strategic objectives	Total	Value of bonus (£'000)
Robert MacLeod, Chief Executive	144	32.4	176.4	1,479
Anna Manz, Chief Financial Officer[1]	–	–	–	–

1 Anna Manz is not eligible to receive a bonus as she left Johnson Matthey on 20th November 2020.

Further details on the Annual Incentive Plan outcomes can be found on page 154 and 155.

Performance Share Plan (PSP)

The performance condition for the 2018 award and the actual performance achieved are shown below. As performance did not meet threshold, no shares will vest. The committee also considers Return on Invested Capital when assessing the PSP vesting. This assessment did not change the vesting outcome.

Performance measure	Threshold	Target	Maximum
Compound annual growth rate in earnings per share	4%	7%	10%
Actual -4%			

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

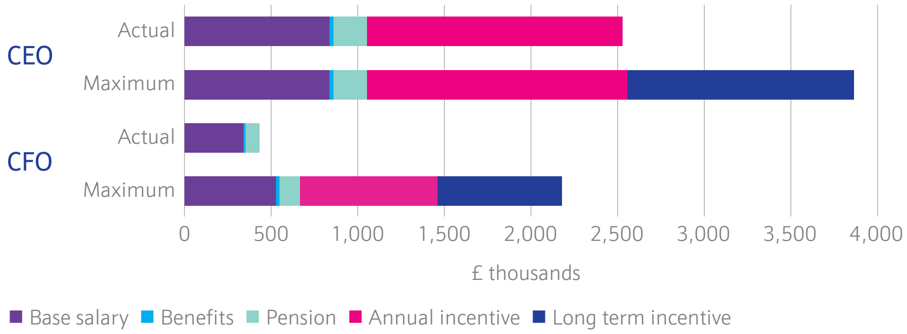
Executive Directors	% of base salary awarded	Shares awarded	% of award to vest	Shares to vest	Estimated value on vesting £
Robert MacLeod	200	43,833	–	–	–
Anna Manz[1]	175	24,174	–	–	–

1 The 2018 award granted to Anna Manz was lapsed in full on 20th November 2020 when she left Johnson Matthey.

2021 outcomes

Executive director remuneration

The charts below set out maximum and actual remuneration for the Chief Executive, Robert MacLeod and the Chief Financial Officer, Anna Manz, who stepped down from the board on 20th November 2020.



Actual is representative of values from the single figure of remuneration table. As such, the figures for Anna Manz only represent the portion of the year before she stepped down from the board.

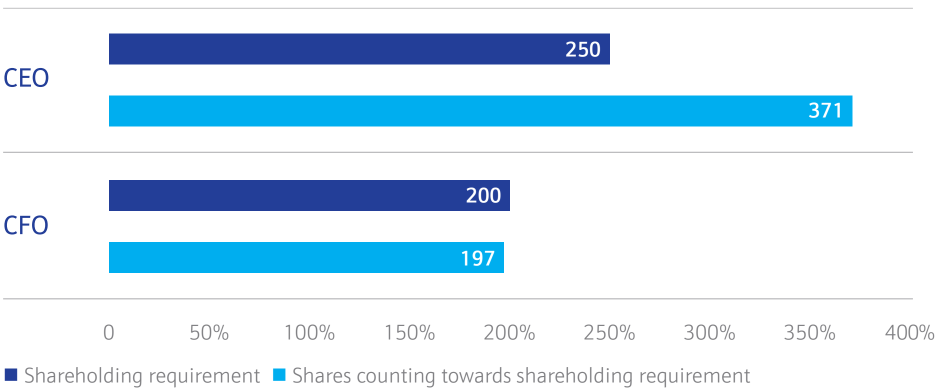
The maximum values for Anna Manz have been calculated based on what would have been payable had she remained a director for the full year. The annual incentive plan values have been calculated using the maximum payout of 180% and 150% of base salary for the CEO and CFO respectively. The long term incentive has been calculated based on the 2018 Performance Share Plan award achieving maximum vesting for the performance period ended 31st March 2021. This value was calculated using the average share price from 1st January 2021 to 31st March 2021 (2,981.78 pence).

Aligning pension benefits

As set out in the remuneration policy approved at the 2020 AGM, Robert MacLeod's pension contribution is being reduced to align to the cost of providing pension benefits to other employees in the UK. As a new executive director, under the same policy, Stephen Oxley's pension contribution is already 15% of base salary. Robert MacLeod's pension contribution is being reduced to 20% from 1st April 2021 and to 15% from 1st April 2022.

Shareholding requirements

Executive director shareholdings as at 31st March 2021 for Robert MacLeod and 20th November 2020 for Anna Manz are shown below as a percentage of base salary. Anna Manz is subject to post cessation shareholding requirements in line with our remuneration policy.



Remuneration Policy

Below we publish the Remuneration Policy table, which includes the elements of directors' remuneration. For each element we describe its purpose and its link to strategy, how it works, the opportunity, boundaries and performance measures and any clawback or withholding conditions which may apply. This Remuneration Policy was approved at the 2020 AGM and applies to all remuneration for the financial year 1st April 2020 onwards. The approved policy can also be found in our 2020 annual report.

Approach to designing the Remuneration Policy

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

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

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

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

Clarity	Remuneration arrangements have defined parameters which can be transparently communicated to shareholders and other stakeholders.
Simplicity	Remuneration arrangements for executive directors consist of salary, a fixed pension contribution set to reflect the typical rate provided to the UK workforce, participation in the annual incentive plan, a portion of which is deferred into shares, and annual long term incentive plan awards which provide focus over the longer term performance. Unnecessary complexity is avoided by the committee in operating the arrangements.
Risk	The remuneration arrangements are designed to have a robust link between pay and performance thereby mitigating the risk of excessive reward. In addition, behavioural risks are considered when setting targets for performance related pay and the arrangements have safeguards to ensure that pay remains appropriate including committee discretion to adjust incentive outturns, deferral of incentive payments in shares, recovery provisions and share ownership requirements.
Predictability	The committee set specific targets for different levels of performance which are communicated to the individuals and disclosed to shareholders.
Proportionality	The annual incentive and long term incentive plans have performance metrics that are aligned with the company's KPIs and the payouts reflect achievement against the targets. The committee may reduce payouts under the bonus and long term incentive plan if they are not considered aligned with underlying performance. Safeguards are identified to ensure that poor performance is not rewarded.
Alignment to culture	The directors' remuneration arrangements are cascaded down through the organisation ensuring that there are common goals. The committee review remuneration arrangements throughout the company and take these into account when setting directors' remuneration.

Policy table

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Base salary		
Base salary is the basic pay for doing the job. Its purpose is to provide a fair and competitive level of base pay to attract and retain individuals of the calibre required to lead the business.	Base salaries will be reviewed annually and any changes normally take effect from 1st April each year. In determining salaries and salary increases, the Remuneration Committee will take account of the performance of the individual director against a broad set of parameters including financial, environmental, social and governance issues. The Remuneration Committee will also take into account the director's knowledge, contribution to the role, length of time in post, and any additional responsibilities since the last salary review, as well as the level of salary increases awarded to the wider Johnson Matthey workforce. Salaries across the group are benchmarked against a comparator group of similarly sized companies within the FTSE, with a comparable international presence and geographic spread and operating in relevant industry sectors. New appointments or promotions will be paid at a level reflecting the executive director's level of experience in the particular role and experience at board level. New or promoted executive directors may receive higher pay increases than typical for the group over a period of time following their appointment as their pay trends toward an appropriate level for their role.	**Maximum opportunity** No salary increase will be awarded which results in a base salary which exceeds the competitive market range. Details of the current salaries for the executive directors are shown in the Annual Report on Remuneration on page 154.
Benefits		
To provide a market aligned benefits package. The purpose of any benefit is to align with normal market practices, and to remove certain day to day concerns from executive directors, to allow them to concentrate on the task in hand.	Benefits include medical, life and income protection insurance, medical assessments, company sick pay, and a company car (or equivalent). Other appropriate benefits may also be provided from time to time at the discretion of the Remuneration Committee. Directors' and officers' liability insurance is maintained for all directors. Directors who are required to move for a business reason may, where appropriate, also be provided with benefits such as relocation benefits (e.g. the provision of accommodation, transport or medical insurance away from their country of residence) and schooling for dependants. The company may pay the tax on these benefits. Directors may be assisted with tax advice and tax compliance services. The company will reimburse all reasonable expenses (including any tax thereon) which the executive director is authorised to incur whilst carrying out executive duties.	Benefits are not generally expected to be a significant part of the remuneration package in financial terms and are there to support the director in his or her performance in the role. In general, benefits will be restricted to the typical level in the relevant market for an executive director. Car benefits will not exceed a total of £25,000 per annum. The cost of medical insurance for an individual executive director and dependants will not exceed £20,000 per annum. Company sick pay is 52 weeks' full pay.

Remuneration policy continued

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Pension		
Provides for post-retirement remuneration, ensures that the total package is competitive and aids retention.	All executive directors will be paid a cash supplement in lieu of membership in a pension scheme.	The maximum supplement is 15% of base salary for new executive directors. This is aligned to the cost of providing pension benefits to other employees in the UK. The current CFO receives a supplement equal to 15% of base salary. The current CEO's supplement is decreasing over time. It was reduced from 25% to 23% on 1st April 2020 and from 23% to 20% on 1st April 2021, and will reduce again to 15% on 1st April 2022.
Annual Incentive Plan		
The Annual Incentive Plan (AIP) provides a strong incentive aligned to strategy in the short term. It allows the board to drive and reward both financial and non-financial metrics, including leadership behaviours, in order to deliver sustainable growth in shareholder value. The AIP bonus plays a key part in the motivation and retention of executive directors, one of the key requirements for long term growth. Bonus deferral as well as malus and clawback provisions ensure that longer term considerations are properly taken into account in the pursuit of annual targets.	The Remuneration Committee sets the AIP performance measures and targets for each new award cycle. At the end of the year, the Remuneration Committee determines the extent to which these have been achieved. The Remuneration Committee retains the discretion to reduce any bonus award if, in its opinion, the underlying financial performance of the company has not been satisfactory in the circumstances. **Deferral** Of any bonus paid, 50% is paid in cash and the remaining 50% is deferred into shares for a three year period as an award under the deferred bonus plan. No further performance conditions apply to awards under the Deferred Bonus Plan. Dividends that accrue on the deferred shares during the vesting period will be paid in either cash and / or shares at the time of vesting. **Malus and clawback** The cash and deferred elements of the bonus are subject to malus and clawback provisions such that they can be forfeited or recouped in part or in full in the event of a misstatement of results, error in the calculation, misconduct by the individual or serious reputational damage.	**Performance measures** Bonuses are based on the achievement of demanding financial and, where appropriate, non-financial targets. The committee may use different performances and / or weightings for each performance cycle as appropriate to take into account the strategic needs of the business. However, a substantial proportion will be based on key financial measures, including underlying PBT. Targets are set on a robust bottom up process to achieve full accountability. The financial performance targets are retrospectively published in the immediately following Annual Report on Remuneration. Details of last year's bonus awards are on pages 154 and 155. The performance period for annual bonus purposes matches the financial year (1st April to 31st March). **Maximum opportunity and vesting thresholds** Chief Executive – 180% of base salary. Other executive directors – 150% of base salary. Threshold vesting will result in a bonus of 15% of maximum opportunity. On target performance will result in 50% payment of the maximum opportunity.

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures

Annual Incentive Plan Continued

Adjustments

The Remuneration Committee retains discretion to change the performance targets if there is a significant and / or material event which causes the committee to believe the original targets are no longer appropriate (e.g. to reflect material acquisitions or disposals).

The Remuneration Committee also retains discretion to amend the level of annual bonuses determined by the performance condition to seek to ensure that the incentive structure for executive directors does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. For example, reducing or eliminating bonuses where the company has suffered reputational damage or where other aspects of performance, including leadership behaviour, has been unacceptable.

The Remuneration Committee retains the ability to increase bonus awards from the formulaic outcome where there is identifiable and exceptional performance by the executive director. Bonus payments in such circumstances would remain within the maximum bonus opportunity and shareholders would be fully informed of the justification.

Performance Share Plan

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

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

The performance targets are set by the Remuneration Committee based on internal and external growth forecasts to ensure they remain appropriate and aligned with shareholder expectations.

The awards are granted in accordance with the rules of the plan approved by shareholders. The maximum award level is 250% of base salary. Awards may be granted in the form of conditional shares, nil or nominal cost options or cash (where the awards cannot be settled in shares). Dividends that accrue during the post-vesting holding period will be managed in accordance with our dividend re-investment process.

Malus and clawback

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

Performance measures

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

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

a) the compound annual growth rate (CAGR) of underlying EPS; and

b) the Total Shareholder Return (TSR) relative to a comparator group (e.g. the FTSE 31-100 excluding financial services companies)

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

Remuneration policy continued

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Performance Share Plan Continued		
	Adjustments The Remuneration Committee has the power to adjust the annual award level, for example in the event of a material fall in share price, as well as the power to adjust the vesting level of an award based on the underlying performance of the company. The Remuneration Committee may adjust the performance measure to reflect material changes (e.g. significant acquisitions or disposals, share consolidation, share buy-backs or special dividends). Any such change would be fully explained to shareholders.	**Performance measures** The prospective weightings, targets and measures for the year commencing 1st April 2021 are shown on page 163. The Remuneration Committee retains the discretion to amend the weightings, targets and the performance measures detailed on page 163 for future awards as appropriate to reflect the business strategy and intends to look to include a further measure relating to sustainability during the policy period. However, it is not anticipated that this would relate to more than 20% of a future award. Any material changes to the approach set out on page 163 will be subject to appropriate dialogue with major shareholders. **Awards levels and vesting thresholds** Chief Executive – 200% of base salary. Other executive directors – 175% of base salary. There is no intention to increase the award levels to current executive directors beyond the levels noted. If a new executive director is appointed during the policy period, awards may be granted up to 250% of salary if necessary for recruitment purposes (both in connection with their appointment and on an ongoing basis). Any adjustment to the ongoing annual award level would be subject to appropriate dialogue with our shareholders. Threshold vesting will result in a payment of up to 25% of the award. The actual threshold vesting will depend on the performance metric and the performance range set for the specific award.
All employee share plan		
Encourages share ownership	Executive directors are entitled to participate in the company's all employee plan under which regular monthly share purchases are made and matched with the award of company shares, subject to retention conditions. Executive directors would also be entitled to participate in any other all employee arrangements that may be established by the company on the same terms as all other employees.	Executive directors are entitled to participate up to the same limits in force from time to time for all employees.

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Shareholding requirements		
To encourage executive directors to build a shareholding in the company and ensure the interests of management are aligned with those of shareholders.	Executive directors are expected to build up a shareholding in the company over a reasonable period of time, and upon cessation of employment are expected to retain a shareholding for a period of up to two years. Shares that count towards achieving these guidelines while an executive director include: all shares beneficially owned by an executive director or a person connected to the executive as recognised by the Remuneration Committee; deferred bonus shares and PSP awards which have vested and so are no longer subject to performance conditions but are within a holding period. Shares that count toward achieving the post-cessation guideline include the same as those while an executive director, except that only shares that become owned after 1st April 2021 count toward the post-cessation guideline. Executive directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the PSP and Deferred Bonus Plan until the required levels of shareholding are achieved. Executive directors are not required to make personal share purchases should awards not meet the performance conditions and so a newly appointed director may take longer to reach the expected level, depending on the company's performance against targets over the period. In addition, a director who ceases employment with the company is not required to purchase shares to satisfy the post-cessation shareholding requirement.	The minimum shareholding requirement while an executive director and for the two year period after cessation of employment is as follows: Chief Executive – 250% of base salary. Other Executive Directors – 200% of base salary. If the executive director has not been able to build up their shareholding prior to cessation they are not required to purchase shares upon cessation to satisfy the requirement. There is no requirement for non-executive directors to hold shares but they are encouraged to acquire a holding over time.
Non-executive director fees		
Attracts, retains and motivates non-executive directors with the required knowledge and experience.	Non-executive director fees are determined by the board and the non-executive directors exclude themselves from such discussions. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions. Non-executive directors are paid a base fee each year with an additional fee for each committee chairmanship or additional role held. Non-executive director fees are reviewed every year. Any increase will take into account the market rate for the relevant positions within the comparator group of similarly sized companies with a comparable international presence and geographic spread and operating in relevant industry sectors, the experience of the individuals and the expected time commitment of the role. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. The company will also reimburse the Chairman and non-executive directors for all reasonable expenses (including any tax thereon) incurred whilst carrying out duties for the company.	Details of the current fee levels for the Chairman and non-executive directors are set out in the Annual Report on Remuneration on page 154. The fee levels are set subject to the maximum limits set out in the Articles of Association.

Remuneration policy continued

Approach to recruitment remuneration

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

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

Area	Policy and operation
Overall	The policy of the board is to recruit the best candidate possible for any board position and to structure pay and benefits in line with the Remuneration Policy set out in this report. The ongoing structure of a new recruit's package would be the same as for existing directors, with the possible exception of an identifiable buy-out provision, as set out below.
Base salary or fees	Salary or fees will be determined by the Remuneration Committee in accordance with the principles set out in the policy table on page 143.
Benefits and pension	An executive director shall be eligible for benefits and pension arrangements in line with the company's policy for current executive directors, as set out in the policy table on pages 143 and 144.
Annual Incentive Plan	The maximum level of opportunity is as set out in the policy table on pages 144 and 145. The Remuneration Committee retains discretion to set different performance targets for a new externally appointed executive director, or adjust performance targets and / or measures in the case of an internal promotion, to be assessed over the remainder of the financial year, in which case any bonus payment would be made at the same time as for existing directors, such award to be pro rated for the time served in the performance period.
Performance Share Plan	The maximum level of opportunity is as set out in the policy table on pages 145 and 146. In order to achieve rapid alignment with Johnson Matthey's and shareholder interests, the Remuneration Committee retains discretion to grant a PSP award to a new externally appointed executive director on or soon after appointment if they join outside of the normal grant period.
Replacement awards	The Remuneration Committee retains discretion to grant replacement buy-out awards (in cash or shares) to a new externally appointed executive director to reflect the loss of awards granted by a previous employer. Where this is the case, the Remuneration Committee will seek to structure the replacement award such that overall it is on an equivalent basis to broadly replicate that foregone, using appropriate performance terms. If granted, any replacement buy-out award would not exceed the maximum set out in the rules of the 2017 Performance Share Plan (350% of base salary). If the executive director's prior employer pays any portion of the remuneration that was anticipated to be forfeited, the replacement awards shall be reduced by an equivalent amount.
Other	The Remuneration Committee may agree that the company will meet certain mobility costs, relocation costs, including temporary living and transportation expenses, in line with the company's prevailing mobility policy for senior executives as described in the policy table on page 143.

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

Service contracts and policy on payment for loss of office

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

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

The table on the following page describes the contractual conditions pertaining to the contracts for Robert MacLeod, Anna Manz and for any future executive director.

Summary of key provisions of executive directors' service contracts and treatment of payments on termination

	Robert MacLeod	Anna Manz	Stephen Oxley
Date of service agreement	31st January 2014	25th July 2016	12th January 2021
Date of appointment as director	22nd June 2009	17th October 2016	1st April 2021
Employing company	Johnson Matthey Plc		
Contract duration	No fixed term.		
Notice period	No more than 12 months' notice, with equal notice from the company and director except for directors who joined before 1st January 2017 where the director's notice period is six months and the notice period from the company is 12 months.		
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-dealing and non-solicitation of client / customers – 12 months. – non-solicitation of suppliers and non-interference with supply chain – 12 months. – non-solicitation of employees – 12 months.		
Summary termination – payment in lieu of notice (PILON)	The company may, in its absolute discretion, terminate the employment of the director with immediate effect by giving written notice together with payment of a sum equivalent to the director's base salary and the value of their contractual benefits as at the date such notice is given, in respect of the director's notice period, less any period of notice actually worked. The company may elect to pay the PILON in equal monthly instalments. The director is under a duty to seek alternative employment and to keep the company informed about whether they have been successful. If the director commences alternative employment, the monthly instalments shall be reduced (if appropriate to nil) by the amount of the director's gross earnings from the alternative employment. A PILON paid to a director who is a US taxpayer would be in equal monthly instalments.		
Termination payment – change of control	If, within one year after a change of control, the director's service agreement is terminated by the company (other than in accordance with the summary termination provisions), the company shall pay, as liquidated damages, one year's base salary, together with a sum equivalent to the value of the director's contractual benefits, as at the date of termination, less the period of any notice given by the company to the director.		
Termination – treatment of annual incentive awards	Annual bonus awards are made at the discretion of the Remuneration Committee. Employees, including executive directors, leaving the company's employment will receive a bonus, pro rata to service, unless the reason for leaving is resignation or misconduct. Any bonus awarded would continue to be subject to deferral as set out in the Remuneration Policy. In relation to deferred bonus awards which have already been made, shares will be released on the normal vesting date unless one of the following circumstances applies, and subject to the discretion of the Remuneration Committee: the participant leaves as a result of misconduct; or the participant, prior to vesting, breaches one of the post-termination restrictions or covenants provided for in their employment contract, termination agreement or similar agreement. In which case the deferred awards will lapse on cessation of employment. The Remuneration Committee has the discretion to accelerate vesting of a deferred award if appropriate to do so to reflect the circumstances of the departure. It is intended that this would only be used in the event of a departure due to ill health (or death).		
Termination – treatment of long term incentive awards	Employees, including executive directors, leaving the company's employment will normally lose their long term incentive awards unless they leave for a specified 'good leaver' reason, in which case their shares will be released on the normal release dates, subject to the performance condition. The Remuneration Committee has discretion to accelerate vesting, in which case the performance condition would be assessed based on available information at the time. In either case, unless the Remuneration Committee determines otherwise, the level of vesting shall be pro rated to reflect the proportion of the performance period which has elapsed to the date of leaving. In the post-vesting deferral period, only those who leave due to misconduct will lose their shares.		
Redundancy arrangements	The director is not entitled to any benefit under any redundancy payments arrangement operated by the company.		
Holiday	Upon termination for any reason, directors will be entitled to payment in lieu of accrued but untaken holiday entitlement.		

Remuneration policy continued

Chairman and non-executive directors

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

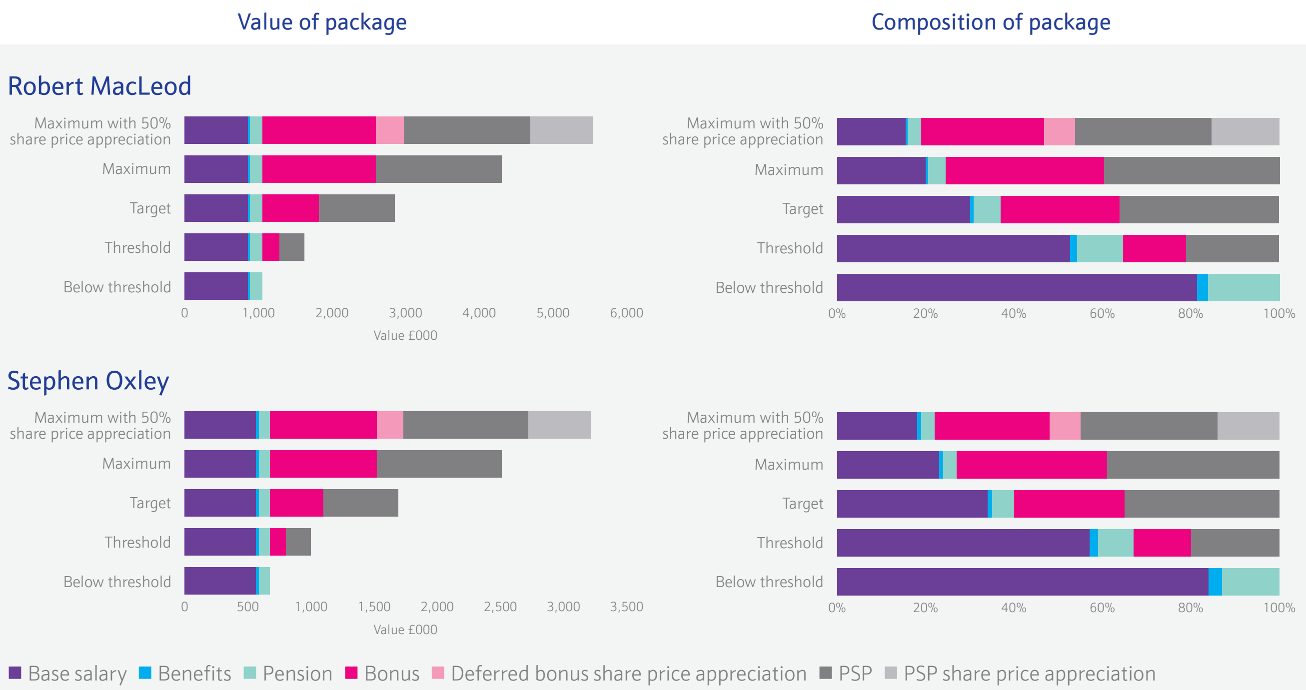
The details of the service contracts, including notice periods, contained in the letters of appointment in relation to the non-executive directors who served during the year are set out in the table below. Neither the Chairman or the non-executive directors has provisions in his or her letter of appointment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

Non-executive director	Committee appointments	Date of appointment	Expiry of current term	Notice period by the individual	Notice period by the company
Patrick Thomas (Chair)	R, N	1st June 2018	31st May 2024	6 months	6 months
Alan Ferguson	A, R, N	13th January 2011	23rd July 2020	1 month	1 month
Jane Griffiths	A, R, N	1st January 2017	31st December 2022	1 month	1 month
Chris Mottershead	A, R, N	27th January 2015	26th January 2024	1 month	1 month
John O'Higgins	A, R, N	16th November 2017	15th November 2023	1 month	1 month
Xiaozhi Liu	A, R, N	2nd April 2019	1st April 2022	1 month	1 month
Doug Webb	A, R, N	2nd September 2019	1st September 2022	1 month	1 month

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

Remuneration scenarios

Below is an illustration of the potential future remuneration that could be received by each executive director for the year commencing 1st April 2021, both in absolute terms and as a proportion of the total package under different performance scenarios. The value of the PSP is based on the award that will be granted in August 2021.



In developing the scenarios the following assumptions have been made:

Below threshold	Only fixed elements of remuneration (base salary, pension and benefits) are payable
Threshold	Fixed elements of remuneration plus 15% of maximum bonus and 20% vesting of PSP award are payable
Target	Fixed elements of remuneration plus 50% of maximum bonus and 60% vesting of PSP award are payable
Maximum	Fixed elements of remuneration plus 100% of maximum bonus and 100% vesting of PSP award are payable
Maximum plus 50% share price appreciation	Maximum plus a 50% share price appreciation on the PSP award and deferred bonus award

Remuneration in context

The Remuneration Committee considers the directors' remuneration, along with the remuneration of the Group Management Committee (GMC), in the context of the wider employee population and is kept regularly updated on pay and conditions across the group. The board has set up country focus groups in China, UK, US and Germany, consisting of diverse groups of 25-30 employees. These groups feed back on a wide variety of topics and provide employee context to decision making.

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

The table below sets out how our remuneration arrangements cascade through the organisation:

<table>
<tr><th></th><th>Executive directors</th><th>Senior managers</th><th>Middle managers</th><th>Managers</th><th>Wider workforce</th></tr>
<tr><td>Base salary</td><td colspan="4">Base salary is set with reference to the relevant local market and takes account of the employee's knowledge, experience and contribution to the role. Base salaries are usually reviewed annually and take into account local salary norms, local inflation and business conditions. Increases in base salary for directors will take into account the level of salary increases granted to all employees within the group.</td><td>Base salary is either subject to negotiation with local trade unions or follows the market pay approach outlined for managers.</td></tr>
<tr><td>Pension and benefits</td><td colspan="5">Employment related benefits are offered in line with local market conditions.</td></tr>
<tr><td>Short term incentives</td><td>Annual incentive plan based 80% on financial metrics and 20% on strategic objectives. Compulsory deferral into shares for three years.</td><td>Annual incentive plan based on 80% financial or strategic business objectives and 20% individual performance. Compulsory deferral into shares for three years for certain levels within this category.</td><td colspan="2">Annual incentive plan based on 80% financial or strategic business objectives and 20% individual performance.</td><td>Annual incentive is either subject to negotiation with local trade unions or follows the standard annual incentive plan framework with financial, non-financial and individual performance measures used.</td></tr>
<tr><td rowspan="2">Long term incentives</td><td colspan="5">Eligible employees may participate in JM's Share Incentive Plan ("ShareMatch"). Two free matching shares are awarded for every one partnership share purchased by the employee subject to an annual maximum employee contribution of GBP 1,500.</td></tr>
<tr><td>Performance Share Plan (PSP) awards are subject to a three year performance period and two year holding period. Performance conditions are designed to drive company financial performance and align to stakeholder interests.</td><td>PSP awards are subject to a three year performance period. Performance conditions are designed to drive company financial performance and align to stakeholder interests.</td><td>Both PSP and Restricted Share Plan (RSP) awards are made dependent on level.

PSP awards are subject to a three year performance period and are designed to drive company financial performance and align to stakeholder interests.

RSP awards are typically subject to a three year service condition.</td><td colspan="2">RSP awards may be granted as special recognition or to motivate and retain key talent. They are typically subject to a three year service condition.</td></tr>
</table>

Annual Report on Remuneration

This section provides details of how the 2020 Directors' Remuneration Policy was implemented during 2020/21 and how we intend to apply the policy in 2021/22.

About the Remuneration Committee

The Remuneration Committee is a committee of the board and comprises all the independent non-executive directors of the company as set out on pages 102 and 103 including the group Chair Patrick Thomas. Details of attendance at committee meetings during the year ended 31st March 2021 is shown below.

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Chris Mottershead	27th January 2015	7	7	100%
Alan Ferguson[1]	13th January 2011	4	4	100%
Jane Griffiths	1st January 2017	7	7	100%
John O'Higgins	16th November 2017	7	7	100%
Patrick Thomas	1st June 2018	7	7	100%
Xiaozhi Liu	2nd April 2019	7	7	100%
Doug Webb	2nd September 2019	7	7	100%

1 Alan Ferguson stepped down from the board as a Non-Executive Director on 23rd July 2020.

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

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

Advisers to the committee

In determining the remuneration structure, the committee appoints and receives advice from independent remuneration consultants on the latest developments in corporate governance and the pay and incentive arrangements prevailing in comparably sized industrial companies. Korn Ferry is our sole advisor in relation to the advice to the Remuneration Committee, having been appointed following a competitive tender process in 2017. The total fees paid to Korn Ferry in respect of its services to the committee during the year were £37,128 plus VAT. The fees paid to Korn Ferry are based on the standard time and materials market rates Korn Ferry has for Remuneration Committee advisory services.

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

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

Herbert Smith Freehills is the committee's legal advisor. There was no requirement during 2020/21 for Herbert Smith Freehills to provide advice to the committee. The committee is aware that Herbert Smith Freehills is one of a number of legal firms that provide legal advice and services to the company on a range of matters.

A statement regarding the use of remuneration consultants for the year ended 31st March 2021 is available on our website.

Go online: matthey.com/corporate-governance

Key areas of remuneration committee focus in 2020/21

Wider workforce remuneration	Executive director and GMC remuneration	Governance	Stakeholder management
Considered Johnson Matthey's 2019 UK gender pay gap outcomes.	Approved 2020 pay awards and 2019/20 Annual Incentive Plan payments.	Reviewed the Remuneration Committee terms of reference.	Discussed shareholder consultation feedback and overview of remuneration policy reaction.
Considered below board remuneration principles and objectives and noted below board pay analysis for management level roles.	Approved 2020/21 Annual Incentive Plan measures, including executive director and GMC strategic objectives.	Approved the 2020 remuneration report.	Engaged shareholders on the introduction of an Environmental, Sustainability and Governance measure into the long term incentive.
Considered the 2020/21 Annual Incentive Plan structures below executive director and GMC level.	Approved new CFO and GMC remuneration terms.		
	Discussed impact of COVID-19 on 2020 Performance Share Plan awards, including quantum and performance measures.		

Statement of shareholder voting

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

The tables below show the results of the polls taken of the resolution to approve the Remuneration Policy at the July 2020 AGM and Directors' Annual Report on Remuneration at the July 2020 AGM.

Resolution	Number of votes cast	For	Against	Votes withheld
Remuneration Policy	148,233,329	126,978,681 (85.66%)[1]	21,183,260 (14.29%)[1]	1,552,871
Remuneration Report	149,230,420	140,192,977 (93.94%)[1]	8,966,820 (6.01%)[1]	555,780

1 Percentage of votes cast, excluding votes withheld.

The Remuneration Committee believes that the 85.66% vote in favour of the Directors' Remuneration Policy at the 2020 AGM and the 93.94% vote in favour of the Annual Report on Remuneration at the 2020 AGM showed strong shareholder support for the group's remuneration arrangements at that time.

Annual Report on Remuneration continued

Remuneration for the year ended 31st March 2021

Single figure table of remuneration* (this table is auditable along with any subsequent information marked with a *)

Our Remuneration Policy operated as intended over the year, and the table below sets out the total remuneration and breakdown of the elements each director received in relation to the year ended 31st March 2021, together with a prior year comparative. An explanation of how the figures are calculated follows the table.

	Base salary / fees £'000		Benefits £'000		Pension[1] £'000		Annual incentive £'000		Long term incentive £'000		Total £'000		Total fixed remuneration £'000		Total variable remuneration £'000	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive directors																
Robert MacLeod	838	838	22	22	193	210	1,479	392	–	–	2,532	1,462	1,053	1,070	1,479	392
Anna Manz[2]	340	528	12	19	78	132	–	206	–	–	430	885	430	679	–	206
Non-executive directors																
Patrick Thomas	369	369	–	–	–	–	–	–	–	–	369	369	369	369	–	–
Alan Ferguson[3]	31	98	–	–	–	–	–	–	–	–	31	98	31	98	–	–
Jane Griffiths	67	67	–	–	–	–	–	–	–	–	67	67	67	67	–	–
Chris Mottershead	84	84	–	–	–	–	–	–	–	–	84	84	84	84	–	–
John O'Higgins	79	67	–	–	–	–	–	–	–	–	79	67	79	67	–	–
Xiaozhi Liu	67	64	–	–	–	–	–	–	–	–	67	64	67	64	–	–
Doug Webb	81	39	–	–	–	–	–	–	–	–	81	39	81	39	–	–

1 Represents a cash allowance in lieu of a pension.

2 Anna Manz stepped down from the board as Chief Financial Officer on 20th November 2020.

3 Alan Ferguson stepped down from the board as a Non-Executive Director on 23rd July 2020.

Explanation of figures

Base salary / fees	Salary paid during the year to executive directors and fees paid during the year to non-executive directors.
Benefits	All taxable benefits such as medical and life insurance, service and car allowances, matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
Pension	The amounts shown represent the value of the increase over the year of any defined benefit pension the executive director may have in the Johnson Matthey Employees Pension Scheme (JMEPS) plus any cash supplements paid in lieu of pension membership.
Annual incentives	Annual bonus awarded for the year ended 31st March 2021. The figure includes any amounts deferred and awarded as shares.

Annual bonus for the year ended 31st March 2021*

The executive directors were eligible for a maximum annual bonus opportunity of 180% of base salary for the Chief Executive and 150% of base salary for the Chief Financial Officer. The target bonus opportunity was set at 50% of the maximum opportunity and the threshold bonus opportunity was 15% of the maximum opportunity.

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

	Percentage of bonus available		
	Group underlying PBT	Group working capital days[1]	Strategic objectives
Chief Executive	60%	20%	20%
Chief Financial Officer	60%	20%	20%

1 Group working capital days is split 50% total working capital (including precious metals) and 50% total working capital days (excluding precious metals).

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

Targets for the 2020/21 plan were set in consideration of the potential impact of COVID-19 on our business and the resulting anticipated decline in the automotive industry. The committee also considered the performance range for the group profit measures and concluded that given the ongoing uncertainty and volatility expected in the 2020/21 year, threshold should be set at 90% of the targeted profit number and maximum at 110%. The Remuneration Committee was comfortable that the financial targets were stretching at the time they were set.

The committee revisited the performance targets at the year end to ensure they retained the same level of stretch envisaged when originally set. As a result of that review, given the increase in activity in the automotive industry relative to the time when the targets were set, the committee increased the target for the Group Profit Before Tax performance measure in the 2020/21 annual incentive plan.

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

Achievement against the performance targets for the year ended 31st March 2021 is set out in the tables below.

Financial measures[1]

					Robert MacLeod	
Performance measure	Bonus weighting	Threshold	Target	Maximum	Maximum bonus available (% of base salary)	Outcome (% of base salary)
Group underlying PBT[2]	60%	£250m (90% of Target)	£278m[3]	£306m (110% of Target)	108	108
		Actual: £448m (160% of target)				
Group total working capital days (including precious metal)[2]	10%	42 days (105% of Target)	40 days	38 days (95% of Target)	18	18
		Actual: 34 days (86% of target)				
Group working capital days (excluding precious metal)[2]	10%	68 days (105% of Target)	64 days	61 days (95% of Target)	18	18
		Actual: 58 days (89% of target)				
Total bonus for financial measures					**144**	**144**

1 All figures in the table have been rounded to the nearest whole number.

2 Group underlying PBT and group working capital days is measured using budget foreign exchange rates.

3 The original PBT target set was £238 million.

Strategic objectives[1]

Robert MacLeod

Objective 1	Summary outcome
Execute the group transformation programme to unlock value through improved efficiencies and reduced costs, and ensure that the business is fit for the future to enable delivery in our growth areas such as battery materials, recycling of batteries and the hydrogen economy.	Progress towards the three year target of annualised savings of £225 million by 2022/23 is ahead of plan as a result of effectively and efficiently executing agreed plans with all in year delivery milestones met and cost reductions for the year exceeding original expectations. Continued good progress in establishing our growth business opportunities that will enable decarbonisation and enhance circularity, including our portfolio of eLNO battery materials and hydrogen technologies. The board discussed and agreed the plans and key milestones of our hydrogen technologies growth strategy, including the launch of new capacity to produce products that enable green hydrogen production. In addition, there was solid progress on our Battery Materials plant in Poland and our second commercial plant in Finland as well as the establishment of a number of key strategic partnerships. Outcome: 44% of 50%

Objective 2	Summary outcome
New group and sector operating models to be defined, with a clear plan to execute. Non-system enabled changes to be largely completed by end of FY21, and system enabled changes / upgrades to be progressed and on track against plan and key milestones.	All target operating models were defined in line with the group principles and presented to the board ahead of the timetable agreed. This process enabled the identification of cost savings targets which were all achieved. The new operating models implemented will simplify operations and enable more agile working across the group and sector and bring ongoing cost savings. The board reviewed the plans for system changes and key delivery milestones were on track against these agreed plans. Outcome: 23% of 25%

Annual Report on Remuneration continued

Objective 3	Summary outcome
Enhance senior leadership bench strength, with robust development and succession plans in place for critical roles at both the Group Management Committee (GMC) level and one level below.	A review of GMC roles was undertaken, and an action plan put in place and delivered during the year that enabled a strengthening of the GMC capabilities within the new group and sector operating models. This included the completion of a number of key appointments ahead of expectations including a new CFO (Stephen Oxley), a new General Counsel & Company Secretary (Nick Cooper), a new Chief EHS & Operations Officer (Ron Gerard), and new Health Sector CEO (Niek Stapel). In addition, a review of roles directly below the GMC was undertaken to ensure appropriate leadership and succession was in place. This resulted in a number of internal and external appointments which will not only enhance our near term capabilities but will also provide a pipeline for future succession. Good quality processes are in place to continue further work that will build capabilities and pipeline for the future. Outcome: 23% of 25%

Overall	90% achievement of 100%
Robert has performed well against the objectives during the year, and the board is delighted to say that Robert's leadership of JM and the way in which the business and all of its employees where managed and treated during the COVID-19 crisis was of the highest standard.	
Maximum bonus available (% of base salary)	36
Outcome (% of base salary)	**32.4**

At the start of the year, Anna Manz was set a number of strategic objectives that related to the group transformation programme, group and sector operating models, managing working capital, and reviewing the non-core businesses of JM's portfolio. Prior to her leaving, Anna made good progress in all of these areas.

Bonus outcomes

Based on performance against the above targets, total bonuses for the year ended 31st March 2021 were:

	Bonus outcome (% of base salary)			
	Financial measures	Strategic objectives	Total	Value of bonus (£'000)[1]
Robert MacLeod, Chief Executive	144	32.4	176.4	1,479
Anna Manz, Chief Financial Officer[2]	–	–	–	–

[1] 50% of this figure is deferred into conditional shares subject to a three year vesting period with no further performance conditions.

[2] Anna Manz is not eligible to receive a bonus as she left Johnson Matthey on 20th November 2020.

Long term incentives

Performance Share Plan awards vesting for the three year performance period ended 31st March 2021*

The 2018 Performance Share Plan awards were made in August 2018 and performance was measured over the period 1st April 2018 to 31th March 2021. After the performance period, shares are no longer subject to performance conditions and where the performance conditions are met the shares will vest in equal instalment on the third, fourth and fifth anniversary of the award.

The awards vest on a straight line basis between threshold (15% vesting) and maximum (100% vesting).

The performance condition for the 2018 award and the actual performance achieved are shown below.

	Weighting	Threshold	Target	Maximum
Compound annual growth rate in earnings per share	100%	4%	7%	10%
	Actual -4%			

The committee also considers Return on Invested Capital when assessing the PSP vesting. This assessment did not change the vesting outcome, which is detailed in the table below.

Executive Directors	% of base salary awarded	Shares awarded	% of award to vest	Shares to vest	Estimated value on vesting £
Robert MacLeod	200	43,833	–	–	–
Anna Manz[1]	175	24,174	–	–	–

1 The 2018 award granted to Anna Manz was lapsed in full on 20th November 2020 when she left Johnson Matthey.

Performance Share Plan awards granted in the year ended 31st March 2021*

The table below provides details of the share awards made to executive directors on 1st August 2020:

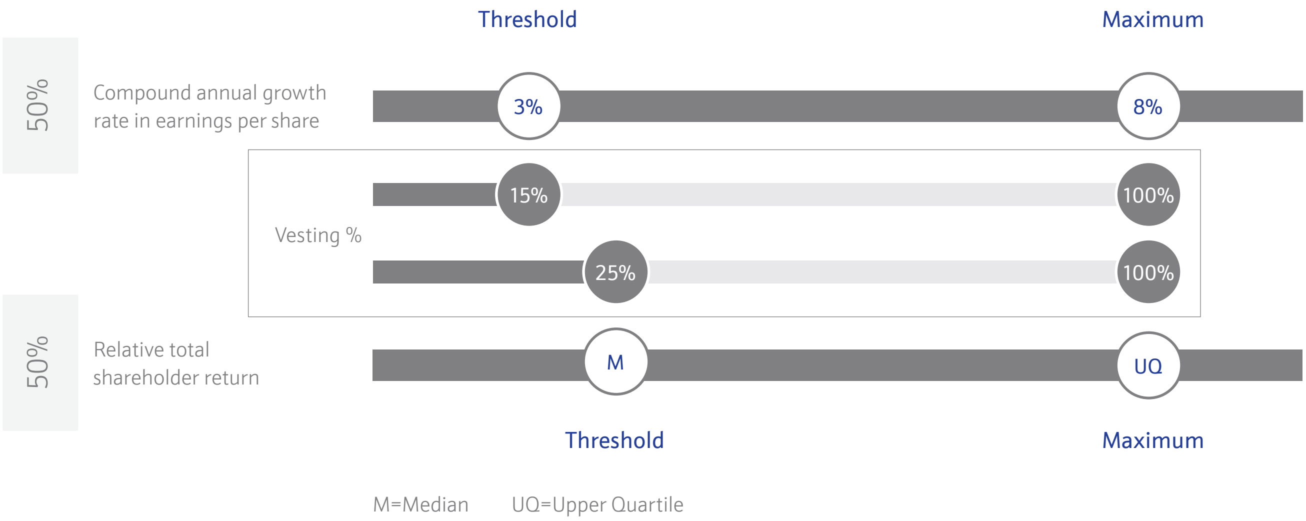
Executive Directors	Award type	Award size (% of base salary)	Number of shares awarded	Face value[1] £	% vesting at threshold[2]	End of performance period	End of holding period
Robert MacLeod	Conditional Shares	200	79,415	£1,676,880	20%	1st August 2023	1st August 2025
Anna Manz[3]	–	–	–	–	–	–	–

1 Face value is calculated using the award share price of 2,111.55 pence, which is the average closing share price over the four week period commencing on 11th June 2020.

2 Threshold vesting is 15% for the EPS measure and 25% for the Relative Total Shareholder Return measure. The value shown is the average threshold vesting for the award.

3 Anna Manz was not eligible for a 2020 PSP award.

The performance targets and vesting ranges for the 2020 award are set out below.



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

The committee has noted the increase in the number of shares granted in 2020 due to the lower share price prevailing at the time the award price was set. The committee will review the vesting levels at the end of the performance period and ensure that the vesting values reflect the underlying business performance and do not result in a windfall gain that is not in line with shareholder experience.

Annual Report on Remuneration continued

Statement of directors' shareholding*

The table below shows the directors' interests in the shares of the company, together with their unvested scheme interests, as at 31st March 2021.

	Ordinary shares[1]	Subject to ongoing performance conditions[2]	Not subject to further performance conditions[3]
Executive Directors			
Robert MacLeod	59,556	176,622	44,811
Anna Manz[4]	10,800	–	24,026
Non-Executive Directors			
Patrick Thomas	8,194	–	–
Alan Ferguson[5]	2,078	–	–
Jane Griffiths	2,671	–	–
Chris Mottershead	2,809	–	–
John O'Higgins	1,500	–	–
Xiaozhi Liu	2,000	–	–
Doug Webb	4,000	–	–

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

2 Represents unvested long term incentive shares within three years of the date of award.

3 Represents unvested deferred bonus shares and unvested long term incentive shares between the third and fifth anniversary of award, where performance conditions have been assessed but vesting has not occurred. These awards are not subject to service conditions.

4 Shareholding as at 20th November 2020, when Anna Manz stepped down from the board.

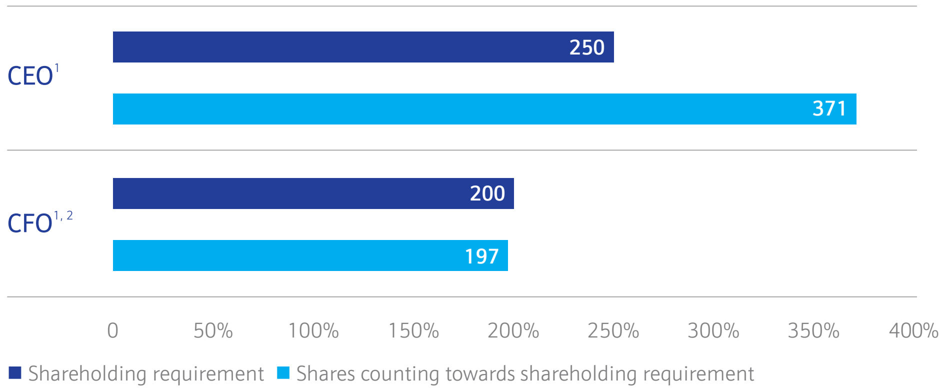
5 Shareholding as at 23rd July 2020, when Alan stepped down from the board.

Directors' interests as at 27th May 2021 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased a further 24 shares for Robert MacLeod.

Executive directors are expected to achieve a shareholding guideline of 250% of base salary for the Chief Executive and 200% for other executive directors, within a reasonable amount of time. The director's total shareholding for the purposes of comparing it with the minimum shareholding requirement includes shares held beneficially by the director and any connected persons (as recognised by the Remuneration Committee) together with deferred shares awarded under the annual incentive plan rules for which there are no further performance conditions and any unvested long term incentive shares between the third and fifth anniversary of award, where performance conditions have been assessed but vesting has not occurred (this is not subject to continued employment, but the passage of time).

From 1st April 2020, a post-cessation shareholding guideline applies that requires the executives to retain future vested shares to the value of the current share ownership guidelines for two years from the date of cessation of employment. Shares that count toward achieving the post-cessation guideline include the same as those while an executive director, except that only shares owned after 1st April 2021 count toward the post-cessation guideline. Executive directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the Performance Share Plan and Deferred Bonus Plan until the required levels of shareholding are achieved.

Executive director shareholdings as at 31st March 2021 as a percentage of base salary are shown below.



1 Value of shares as a percentage of base salary is calculated using a share value of 2,981.78 pence, which was the average share price prevailing between 1st January 2021 and 31st March 2021.

2 Shareholding as at 20th November 2020, when Anna Manz stepped down from the board.

Pension entitlements*

No director is currently accruing any pension benefit in the group's pension schemes. Instead they receive an annual cash payment in lieu of pension membership, equal to 23% of base salary in 2020/21, reducing to 20% of base salary from 1st April 2021 and reducing again to 15% of base salary from 1st April 2022. However, Robert MacLeod has accrued a pension entitlement in respect of a prior period of pensionable service in one or more of the group's pension arrangements.

Robert MacLeod ceased pensionable service in JMEPS on 31st March 2011. Details of the accrued pension benefits of the executive directors as at 31st March 2021 in the UK pension scheme are given below:

	Total accrued annual pension entitlement at 31st March 2021 £'000[2]
Robert MacLeod[1]	11
Anna Manz	–

[1] Pension payable from age 65 based on pensionable service in the UK pension scheme up to 31st March 2011.

[2] No director would gain any additional benefit by retiring early in line with the scheme rules.

Payments to former directors*

There were no payments made to, or in respect of, any former director in 2020/21 that have not been previously disclosed.

Payments for loss of office*

Anna Manz received no payments for loss of office on leaving Johnson Matthey. The remuneration payable to Anna Manz following her resignation is as follows:

Annual Incentive Plan

Anna Manz will not receive a bonus for the year ended 31st March 2021.

Anna Manz was awarded 6,820 shares under the Deferred Bonus Plan (DBP) in 2018, 5,873 shares under the DBP in 2019 and 4,876 shares under the DBP in 2020. These shares will be released on their normal release dates in August 2021, August 2022 and August 2023 respectively. Dividend equivalent shares will accrue on deferred bonus awards during the relevant vesting period.

Long term incentives

Anna Manz holds an outstanding award under the Long Term Incentive Plan. This relates to the 2016 award, which satisfied performance conditions in August 2019, and which vests in three equal tranches in August 2019, 2020 and 2021. Anna will retain the third tranche of 6,457 shares, which will vest as normal on 1st August 2021. Dividend equivalent shares will accrue on this award between the end of the three year performance period and the date the shares finally vest and are released.

The Performance Share Plan awards granted to Anna Manz in 2018 and 2019 lapsed in full on 20th November 2020. No Performance Share Plan award was made to her in 2020.

Remuneration arrangements for Stephen Oxley

Stephen Oxley joined Johnson Matthey on 1st April 2021 as Chief Financial Officer. His remuneration arrangements are set out below.

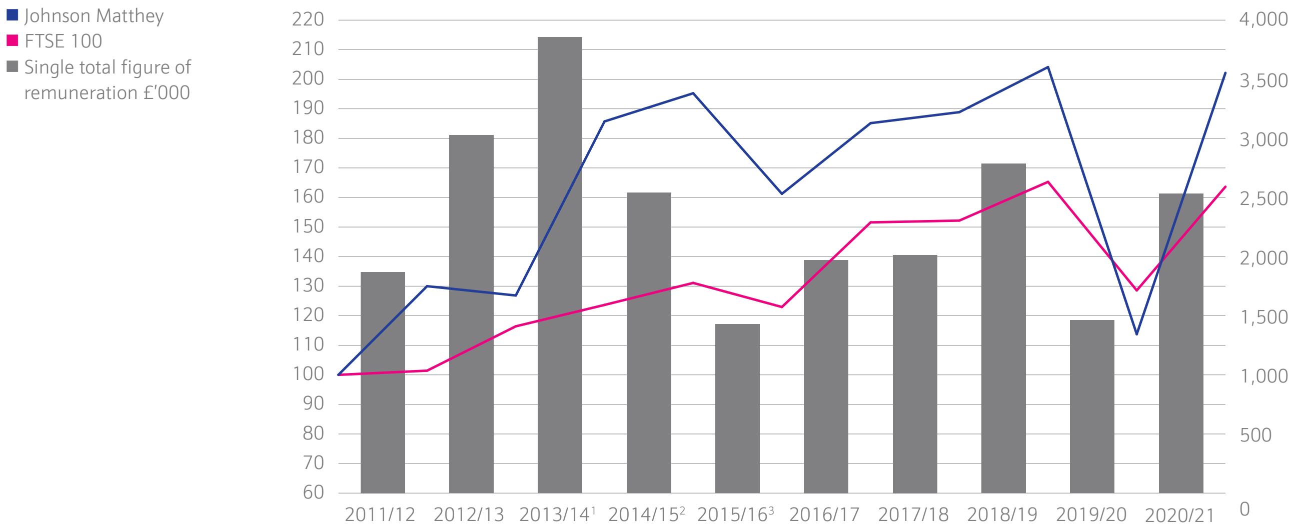
Base salary	£565,000 per annum.
Pension	15% cash supplement.
Benefits	Standard UK benefits, in line with remuneration policy, including: car allowance, medical insurance and health screening, life assurance and ill health benefits, holiday and eligibility to join ShareMatch on the same terms as all UK employees.
Annual Incentive Plan	Maximum opportunity of 150% of base salary, with 50% of any award being deferred into shares for three years.
Performance Share Plan	Maximum opportunity of 175% of base salary. Subject to performance conditions over a three year period, with any vested shares subject to a further two year holding period.
Buy out award	A one off award of 41,500 shares will be granted to Stephen Oxley on 1st August 2021 to compensate for the loss of his KPMG long term deferred cash awards. This award will not be subject to any performance conditions and will vest in August 2024, subject to his continued employment. The remuneration committee believes that this award is comparable to the KPMG awards forgone, albeit the award is in Johnson Matthey shares rather than cash and so is linked to our share price performance. Upon vesting, if Stephen has not satisfied his shareholding requirement at that time, 50% of the net proceeds will need to be held in shares as part of satisfying his shareholding requirement.
Shareholding requirement	200% of base salary, expected to be achieved within four years. Stephen Oxley purchased 5,478 shares in the open market on 8th March 2021 (with a purchase value of £175,814) in order to begin building his shareholding in Johnson Matthey.

Annual Report on Remuneration continued

Performance graph and comparison to Chief Executive's remuneration

Johnson Matthey and FTSE 100 Total Shareholder Return rebased to 100

The following chart illustrates the total cumulative shareholder return of the company for the ten year period from 1st April 2011 to 31st March 2021 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2011.



Historical data regarding Chief Executive's remuneration

	2011/12	2012/13	2013/14[1]	2014/15[2]	2015/16[3]	2016/17	2017/18	2018/19	2019/20	2020/21
Single total figure of remuneration	1,870	3,025	3,855	2,539	1,429	1,971	2,013	2,784	1,462	2,532
Annual incentives (% of maximum)	75	–	71	54	15	40	69	45	26	98
Long term incentives (% of award vesting)[4]	100	100	75	–	33	28	–	67	–	–

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

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

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

4 Vesting of long term incentive awards whose three year performance period ended in the financial year shown.

The above data is calculated according to the same methodology as applied in the single figure table on page 154.

Change in Chief Executive's remuneration

The table below shows how the remuneration of directors, both executive and non-executive, has changed over the year ended 31st March 2021. This is then compared to employees of JM Plc.

	Salary	Bonus[1]	Benefits
Executive Directors			
Robert MacLeod	No change	377% increase	No change in benefits policy. No change on overall costs between 2019/20 and 2020/21
Anna Manz	No change	Not applicable	
Non-Executive Directors			
Patrick Thomas	No change	Not applicable	No change in benefits policy. No change on overall costs between 2019/20 and 2020/21
Alan Ferguson	No change	Not applicable	
Jane Griffiths	No change	Not applicable	
Chris Mottershead	No change	Not applicable	
John O'Higgins[2]	27% increase	Not applicable	
Xiaozhi Liu	No change	Not applicable	
Doug Webb[3]	31% increase	Not applicable	
Comparator group			
JM PLC employees[4]	2% increase	312% increase	No change in benefits policy. No change on overall costs between 2019/20 and 2020/21

1 It was not administratively possible to calculate the individual bonuses due to all employees in the comparator group. As such, the percentage change in bonus was calculated based on the change in bonus accrual taken for JM Plc employees, excluding the Chief Executive, for the 2019/20 and 2020/21 years.

2 Represents the additional fee received for taking the Senior Independent Director role on 23rd July 2020.

3 Represents the additional fee received for taking the Audit Chairman role on 23rd July 2020.

4 Includes promotions and market adjustments.

Relative spend on pay

The table below shows the absolute and relative amounts of distributions to shareholders and the total remuneration for the group for the years ended 31st March 2020 and 31st March 2021.

	Year ended 31st March 2020 £ million	Year ended 31st March 2021 £ million	% change
Payments to shareholders – special dividends	–	–	–
Payments to shareholders – ordinary dividends	167	99	-41%
Total remuneration (all employees)[1]	743	776	3%

1 Excludes termination benefits.

CEO to employee pay ratio

The table below shows the ratio of CEO to employee pay for 2020 and 2021. We have compared the single total figure of remuneration for the CEO to the total pay and benefits of UK employees who are ranked at the lower quartile, median and upper quartile across all UK employees as at 31st March 2021.

We believe that using total pay and benefits for the year ending 31st March 2021 provides a like for like comparison to the CEO pay data.

CEO pay ratio	2020[1]	2021
Method	A – total pay and benefits in 2019/20	A – total pay and benefits in 2020/21
CEO single figure	1,462,000	2,532,000
Upper quartile	22:1	39:1
Median	**28:1**	**50:1**
Lower quartile	36:1	63:1

1 CEO pay ratio revised to include employee bonuses payable in relation to 2019/20. This changed median from 29:1 to 28:1 and lower quartile from 37:1 to 36:1.

Annual Report on Remuneration continued

Bonus data for UK employees was omitted from the 2021 calculation as it was not administratively possible to calculate these bonuses before the publication of this report. However, the calculation will be revised to include these bonuses once available and will be disclosed in the 2022 report. Excluding the 2020/21 bonus payable to the CEO from the calculation would result in the following pay ratios: lower quartile – 26:1, median – 21:1 and upper quartile – 16:1.

The salary and total pay for the individuals identified at the lower quartile, median and upper quartile positions in 2021 are set out below:

2021	Salary[1]	Total Pay
Upper quartile individual	£52,965	£65,325
Median individual	£32,302	£51,039
Lower quartile individual	£32,855	£40,377

[1] Includes shift allowance.

Our principles for pay setting and progression are consistent across the organisation as a whole. Underpinning our principles is a need to provide a competitive total reward so as to enable the attraction and retention of high calibre individuals and providing the opportunity for individual development and career progression. The pay ratios reflect the difference in role accountabilities which are recognised through our pay structures and the greater variable pay opportunity for more senior positions. The CEO's variable pay opportunity is higher than those employees noted in the table reflecting the weighting towards long term value creation and alignment with shareholder interests inherent in this role.

The increase in CEO pay ratio this year is due to the near maximum payout under the annual incentive plan for the year ending 31st March 2021 for Robert MacLeod. It was not administratively possible to calculate the bonus data for the UK employee population before the publication of this report. As such, we have not been able to include this bonus data within the calculations and this affects the ratios disclosed. Our bonus plans cascade through the organisation so our UK employees will see a comparable increase in payout relative to their maximum bonus opportunity. However, as noted above, our executive directors have the highest level of variable remuneration as a percentage of salary, and so the relative pay ratio has increased. There have been no other changes to remuneration arrangements for our UK employees that would impact the CEO pay ratio.

We are satisfied that the median pay ratio is consistent with our wider pay, reward and progression policies for employees. All our employees have the opportunity for annual pay increases, career progression and development opportunities.

Implementation of the Directors' Remuneration Policy for 2021/22

The table below sets out how the Remuneration Committee intends to apply the Directors' Remuneration Policy for the year ended 31st March 2022.

Salary	The Chief Executive will receive a salary increase of 2% for 2021/22, which is in line with the policy applied to all other UK employees. The Chief Financial Officer is not eligible for a salary increase until 1st April 2022.
Benefits	No change to policy applied in 2021/22.
Pension	New executive directors will have a maximum pension cash supplement of 15%. Robert MacLeod will see his pension cash supplement reduce from 20% to 15% as follows: 1st April 2021 – 20% of base salary 1st April 2022 – 15% of base salary
Annual incentives	The maximum bonus opportunity for 2021/22 remains unchanged at 180% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer. 2021/22 bonus will be based on underlying profit before tax (60%), working capital (20%) and 20% weighting to strategic objectives. Targets for the Chief Executive and Chief Financial Officer will be based on group performance. The range around targeted performance levels to apply to the 2021/22 annual bonus have been narrowed compared to 2020/21 to reflect the decrease in uncertainty in the market. The absolute level of profit needing to be achieved has also been reset to better reflect the more positive outlook. The recalibration of targets has been set with reference to both internal and external planning. The 2021/22 targets are considered similarly challenging, if not more challenging to those set in 2020/21. The Remuneration Committee considers the forward looking targets to be commercially sensitive but full retrospective disclosure of the actual targets will be included in next year's Directors' Remuneration report. As set out in the Policy Report, 50% of any bonus paid will be deferred in shares for three years and the payment of any bonus is subject to appropriate malus and clawback provisions.

Long term incentives	Award levels remain unchanged at 200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer. The long term Performance Share Plan awards will be based on EPS growth targets, subject to achieving a satisfactory level of return on capital invested and relative TSR performance. The 2021 Performance Share Plan award will be 50% based on EPS growth targets and 50% on TSR performance. The range of annualised EPS growth targets that the committee intends to set for the FY 2021/22 awards is higher than the range set for the awards granted in the year under review. The range expected to apply is 4% p.a. growth for 15% vesting, rising to 12% p.a. growth for 100% vesting. This range is above the 3% to 8% range set last year. The committee considers it appropriate to increase the performance range having taken into account the base EPS from which performance will be measured (noting this was impacted by COVID-19) and both current internal planning and external expectations (where available) for our future performance. As part of the committee's discussions a key factor considered was the impact of current metal prices on future EPS. With metal prices at recent historic highs there are clear risks in assuming that these will be sustained over the three year performance period. As a result, the targets set took this into account with the committee noting that it retains discretion to adjust both targets and vesting outcomes if the assumptions on which targets were set are not replicated in practice (e.g. the committee increased the profit target in the FY 2020/21 annual bonus so that it reflected actual activity levels in the automotive market as opposed to basing bonus awards on performance against assumed activity levels when the target was set). Having considered these factors in the round, plus the fact that the EPS targets are subject to a ROIC underpin, the committee was comfortable that the range of intended targets strikes the right balance between being realistic at the lower end of the performance range and stretching at the top end of the range. Overall, the targets were considered similarly challenging to those set in prior years. The committee will revisit both the threshold and maximum performance ranges prior to granting awards in FY 2022/23. The TSR target will be 25% vesting for median performance, increasing on a straight line basis to 100% vesting for upper quartile performance. The TSR peer group will be the FTSE 31 – 100 (excluding financial services companies). In relation to the performance targets, the committee retains discretion to adjust vesting outcomes. This may include adjusting TSR vesting if it was not considered aligned with the underlying financial performance of the Company during the performance period or adjusting EPS vesting outcomes for relevant events (e.g. material acquisitions and divestments or material changes in corporation tax rates) with the objective of any adjustments being to ensure that the performance targets fulfilled their original intent and were no more or less challenging but for the relevant events taking place during the performance period. Any use of discretion would be detailed in the 2024 Directors' Remuneration Report. Awards vest in year three and are then subject to a two year holding period.
Chairman and Non-Executive Director fees	Non-executive directors will receive a fee increase in 2021/22, in line with treatment of executive directors and wider global workforce.

This Remuneration Report was approved by the Board of Directors on 27th May 2021 and signed on its behalf by:

Chris Mottershead
Chair of the Remuneration Committee

Directors' Report

Statutory and other information

The Directors' Report required under the Companies Act 2006 (the 2006 Act) comprises the Corporate Governance Report (pages 100 to 170) including the Sustainable Business section for disclosure of our carbon emissions in the Strategic Report (pages 60 to 87). The management report required under Disclosure Guidance and Transparency Rule 4.1.8R comprises the Strategic Report (pages 4 to 97) which includes the risks relating to our business and the Directors' Report.

Business performance		Page reference
Business model	A description of the company's business model is set out in the Strategic Report.	22 – 23
Results	Results for the year ended 31st March 2021 are set out in the Financial Review and the consolidated income statement.	174
Dividends	The interim dividend of 20.00 pence per share (2020: 24.50 pence) was paid in February 2021. The directors recommend a final dividend of 50.00 pence per share in respect of the year (2020: 31.125 pence), making a total for the year of 70.00 pence per share (2020: 55.625 pence), payable on 3rd August 2021 to shareholders on the register at the close of business on 11th June 2021. Other than as referred to under 'Employee share schemes' in this table, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends. Dividends can be paid directly into shareholders' bank accounts. A dividend reinvestment plan is also available. This allows shareholders to purchase additional shares in the company with their dividend payment. Further information and a mandate can be obtained from our registrar, Equiniti, and on our website matthey.com	274 – 275
Research and development activities	The Strategic Report details our research and development activities throughout the year.	58 – 59
Future developments	Potential future developments in the group's business can be found in the Strategic Report.	4 – 13
Non-financial key performance indicators	Read more about the group's non-financial key performance indicators.	26 – 30

Directors		Page reference
Directors	Name of directors who served during the financial year and the biographies of the current directors of the company are included in the Corporate Governance Report.	102 – 103
Directors' indemnities and insurance	Johnson Matthey has granted indemnities to each director of the company and its subsidiaries in respect of certain liabilities arising against them in the course of their duties, in relation to the affairs of the company or any group company. Neither the company nor any subsidiary has indemnified any director of the company or a subsidiary in respect of any liability that they may incur to a third party in relation to a relevant occupational pension scheme. The company also maintains appropriate directors' and officers' liability insurance.	

Directors continued		Page reference
Conflicts of interest	The board has a policy to identify and manage directors' conflicts of interest which also extends to cover close family members. As part of this policy, the board completes an annual review of external appointments to consider if any constitute a potential or actual conflict of interest. In the event a conflict of interest is declared, the board will review the authorisation and terms associated to ensure that all matters presented to the board are considered solely with a view of promoting the success of the company. For the year under review, it was determined that there were no potential or actual conflicts of interest.	
External appointments	The board approves all external appointments in advance of acceptance. If an external appointment arises between meetings, this is considered by the Chair and Chief Executive with the assistance of the Company Secretary. In approving each additional external appointment, the time commitment is assessed to ensure that directors have sufficient time to fulfil their duties. This allows the board to ensure that no individuals are considered to be overboarded. During the year, the board considered the additional external appointments for Jane Griffiths (Non-Executive Director at BAE Systems plc and Chair of Advisory Board to RareiTi), Patrick Thomas (Supervisory Board member of Covestro AG), Doug Webb (Non-Executive Director of United Utilities Group PLC) and John O'Higgins (advisor at The Carlyle Group). It was determined that the proposed appointments would further enhance the skills and experience of those individuals, whilst allowing for sufficient time to discharge their role at JM, even with the possibility of additional meetings and time commitments as a result of COVID-19.	
Directors' reappointment	Our Articles of Association (the Articles) provide the rules on director appointments including that all directors will retire and be eligible for re-election at each AGM (except any director appointed after the notice of that AGM meeting has been given and before that AGM has been held). Our Articles are consistent with the recommendation contained within the code.	
Directors' powers	The powers of the directors are determined by the Articles, UK legislation including the 2006 Act and any directions given by the company in general meeting. The directors are authorised by the company's Articles to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out in this table under the heading 'Authority to purchase own shares'.	
Directors' interests	Details of the interests in the company's shares (or in related derivatives or other financial instruments) held by directors of the company (and of their connected persons) at 31st March 2021, are set out in the Remuneration Report.	158

Directors' Report continued

Constitution		Page reference
Articles of Association	The Articles may only be amended by a special resolution at a general meeting of the company. The company's current Articles were adopted on 17th July 2019 and are available on our website at matthey.com/corporate-governance.	
Branches	The company and its subsidiaries have established branches in a number of different countries in which they operate.	
Change of control	As at 31st March 2021 and as at the date of approval of this annual report, there were no significant agreements, to which the company or any subsidiary was or is a party to, that take effect, alter or terminate on a change of control of the company, whether following a takeover bid or otherwise. However, the company and its subsidiaries were, as at 31st March 2021 and as at the date of approval of this annual report, party to a number of commercial agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the company following a takeover bid. These are not deemed by the company to be significant in terms of their potential effect on the group as a whole. The group also has a number of loan notes and borrowing facilities which may require prepayment of principal and payment of accrued interest and breakage costs if there is change of control of the company. The group has entered into a series of financial instruments to hedge its currency, interest rate and metal price exposures which provide for termination or alteration if a change of control of the company materially weakens the creditworthiness of the group. The executive directors' service contracts each contain a provision to the effect that, if the contract is terminated by the company within one year after a change of control of the company, the company will pay to the director as liquidated damages an amount equivalent to one year's gross base salary and other contractual benefits less the period of any notice given by the company to the director. The rules of the company's employee share schemes set out the consequences of a change of control of the company on participants' rights under the schemes. Generally, the rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions. As at 31st March 2021 and as at the date of approval of this annual report, there were no other agreements between the company or any subsidiaries and its or their directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.	

Stakeholders and policies		Page reference
Corporate governance statement	The Corporate Governance Report is incorporated by reference into this Directors' Report and includes details of our compliance with the code. Our statement includes a description of the main features of our internal control and risk management systems in relation to the financial reporting process and forms part of this Directors' Report. A copy of the 2018 version of the code can be found at the FRC's website frc.org.uk.	100 – 170

Stakeholders and policies continued		Page reference
Section 172 statement and stakeholder engagement	Information about our stakeholders and how the board considers their views in regard to principal decisions can be found in the Corporate Governance Report.	110 – 113
Suppliers	We recognise the importance of good supplier relationships to the overall success of our business. Further information on our payment practices can be found on the UK government's reporting portal. Read more about our enhanced Supplier Code of Conduct.	 83
Employee engagement	Our Sustainable Business section in the Strategic Report and the Corporate Governance Report include details on our employee engagement during the year.	71 – 82 109
Diversity and employment of disabled persons	The group is committed to employing a diverse workforce. Information about the diversity policies and practices at company level can be found in the Strategic Report, or the Nomination Committee Report for the board. Information on the company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of disabled employees can be found in our Strategic Report.	73 – 74 125 71 – 77
Greenhouse gas emissions	Read more on our greenhouse gas emissions, TCFD reporting and energy efficiency.	64 – 71, 86 – 87
Human rights and anti-bribery and corruption	Read more about the group's human rights and anti-bribery and corruption policies.	71 – 77
Modern slavery and human trafficking statement	The company has approved and published on its website its Modern Slavery Statement in accordance with the Modern Slavery Act 2015.	
Speak Up	We provide employees (and third parties) with an independently run Speak Up helpline to raise concerns anonymously. Further details can be found in the Strategic Report and the Audit Committee Report.	77 134
Political donations	It is the group's policy not to make political donations or to incur political expenditure. During the year, there were no political donations made to any EU or non-EU political party, EU or non-EU political organisation or to any EU or non-EU independent election candidate. During the year, no EU or non-EU political expenditure was incurred.	
Events occurring after the reporting period	There have been no important events affecting the company or any subsidiary between 31st March 2021 and the date of approval of this annual report, 27th May 2021.	
Use of financial instruments	Read more 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 in the Strategic Report and Note 31 of the Financial Statements.	41 229 – 234
Related party transactions	Details on the transactions with related parties during the year can be found in Note 36 of the Financial Statements.	239

Directors' Report continued

Shareholders and share capital		Page reference
AGM	Our 2021 AGM will be held on Thursday 29th July 2021 at 11.00 am in the Great Hall, JP Morgan, 60 Victoria Embankment London EC4Y 0JP. We hope that the UK government's roadmap for the easing of COVID-19 restrictions continues to plan so that our AGM can proceed in the traditional format. However, we ask shareholders to consider if attendance at the AGM is necessary and in line with UK government guidance before travelling. A live webcast of the event will be provided to ensure those that cannot attend in person can still participate and ask questions in real time, details of how to join the webcast are included within the Notice of AGM. Shareholders can also send their questions to the company in advance of the AGM by emailing jmir@matthey.com. Questions received in advance of the meeting will be answered on the webcast which will be recorded and available on our website matthey.com/AGM. As set out in the Notice of AGM, we propose separate resolutions on each substantially separate issue. For each resolution, shareholders may direct their proxy to vote either for or against or to withhold their vote. A 'vote withheld' is not legally a vote and not counted in the calculation of the proportion of the votes cast. All resolutions at the AGM are decided on a poll carried out by electronic means. The results are announced as soon as possible and posted on our website. This shows votes for and against as well as votes withheld.	
Share capital	As at 31st March 2021, the issued share capital of the company was 193,533,430 ordinary shares of $110\frac{49}{53}$ pence each (excluding treasury shares) and 5,407,176 treasury shares. There were no purchases, sales or transfers of treasury shares during the year. There were no share allotments during the year.	
Authority to purchase own shares	At the 2020 AGM, shareholders authorised the company to make market purchases of up to 19,353,343 ordinary shares of $110\frac{49}{53}$ pence each, representing 10% of the issued share capital of the company (excluding treasury shares). Any shares so purchased by the company may be cancelled or held as treasury shares. This authority will cease at the date of the 2021 AGM. During the year and up until the date of approval of this annual report, the company did not make any purchases of its own shares or propose to, or enter into any options or contracts to, purchase its own shares (either through the market or by an offer made to all shareholders or otherwise), nor did the company acquire any of its own shares other than by purchase.	
Rights and obligations attaching to shares	The rights and obligations attaching to the ordinary shares in the company are set out in the Articles. As at 31st March 2021 and as at the date of approval of this annual report, except as referred to below, there were no restrictions on the transfer of ordinary shares in the company, no limitations on the holding of securities and no requirements to obtain the approval of the company, or of other holders of securities in the company, for a transfer of securities. The directors may, in certain circumstances, refuse to register the transfer of a share in certificated form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the company's Articles, or if entitled under the Uncertificated Securities Regulations 2001. As at 31st March 2021 and as at the date of approval of this report: • No person held securities in the company carrying any special rights with regard to control of the company.	

Shareholders and share capital continued		Page reference
Rights and obligations attaching to shares (continued)	• There were no restrictions on voting rights (including any limitations on voting rights of holders of a given percentage or number of votes or deadlines for exercising voting rights) except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. • There were no arrangements by which, with the company's cooperation, financial rights carried by shares in the company are held by a person other than the holder of the shares. • There were no agreements known to the company between holders of securities that may result in restrictions on the transfer of securities or on voting rights.	
Nominees, financial assistance and liens	During the year: • no shares in the company were acquired by the company's nominee, or by a person with financial assistance from the company, in either case where the company has a beneficial interest in the shares (and no person acquired shares in the company in any previous financial year in its capacity as the company's nominee or with financial assistance from the company); and • the company did not obtain or hold a lien or other charge over its own shares.	
Allotment of securities for cash and placing of equity securities	During the year the company has not allotted, nor has any major subsidiary undertaking of the company allotted, equity securities for cash. During the year the company has not participated in any placing of equity securities.	
Listing of the company's shares	JM'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	JM 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 those dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders.	275
Employee share schemes	At 31st March 2021, 4,385 current and former employees were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 2,749,742 ordinary shares, 1.42% of issued share capital, excluding treasury shares as at 31st March 2021. Also as at 31st March 2021, 1,971,370 ordinary shares had been awarded but had not yet vested under the company's long term incentive plan to 308 current and former employees. Shares acquired by employees through the company's employee share schemes rank equally with the other shares in issue and have no special rights. Voting rights in respect of shares held through the company's employee share schemes are not exercisable directly by employees. However, employees can direct the trustee of the schemes to exercise voting rights on their behalf. The trustee of the company's Employee Share Ownership Trust (ESOT) has waived its right to dividends on shares held by the ESOT which have not yet vested unconditionally to employees.	

Directors' Report continued

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

	Nature of holding	Total voting rights[1]	% of total voting rights[2]
As at 31st March 2021:			
Ameriprise Financial Inc.	Direct	84,408	0.04
	Indirect	9,727,409	5.03
BlackRock, Inc.	Indirect[3]	21,004,885	10.83

1 Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the time of disclosure to the company.

2 % of total voting rights at the date of disclosure to the company.

3 Indirect holdings include qualifying financial instruments and contract for differences.

Other than as stated above, as far as the company is aware, there is no person with a significant direct or indirect holding of securities in the company. The information provided above was correct at the date of notification. However, since notification of any change is not required until the next notifiable threshold is crossed, these holdings are likely to have changed. Between 31st March 2021 and the date of this Report, 27th May 2021, the company has been notified of changes in the following interests:

	Nature of holding	Total voting rights[1]	% of total voting rights[2]
BlackRock, Inc.	Indirect[3]	21,395,710	11.04

1 Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the time of disclosure to the company.

2 % of total voting rights at the date of disclosure to the company.

3 Indirect holdings include qualifying financial instruments and contract for differences.

Contracts with controlling shareholders

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

Asset reunification

The board proactively seeks to reunite shareholders promptly with their shares and dividend payments.

To date, we have successfully reunited £1.3 million of share and dividend payments through our registrar, Equiniti, and its partner ProSearch.

Listing rule disclosures		Page reference
Listing Rule 9.8.4R	Details of the disclosures to be made under Listing Rule 9.8.4R are listed below.	
	• Interest capitalised	203
	• Allotments of equity securities for cash	169
	• Dividend waiver	164
	There are no other applicable disclosures to be made.	

Responsibilities of Directors

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, directors must not approve the financial statements 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 the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- State whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the financial statements.
- Make judgements and accounting estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are also responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

Each of the directors (who are listed on pages 102 to 103) confirm that, to the best of their knowledge:

- The group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group.
- The parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the parent company.
- The management report (which comprises the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- As at the date of this report there is no relevant audit information of which the company's auditor is unaware. Each director has taken all the steps he or she should have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Directors' Report and Responsibilities Statement was approved by the board on 27th May 2021 and is signed on its behalf by:

Nick Cooper
General Counsel and Company Secretary