Chairman’s statement

Making a huge contribution to a more sustainable future

I’m delighted to be writing to you – shareholders, employees and other interested followers – for the first time as Chairman of Johnson Matthey.

Johnson Matthey is a remarkable company.

In a world where many companies are just waking up to sustainability, JM has been punching above its weight on this for years. We make a huge contribution to a more sustainable future, through making the world cleaner and healthier. And we are better qualified to do this than most other companies; we have catalysts that make your car less polluting, groundbreaking new technology to take your household waste and turn it into jet fuel and molecules that help combat cancer.

Balancing human prosperity with climate stability – it's the challenge facing us all and it needs nations, industry and individuals to pull together. It is clear that sustainable technologies play a huge part in tackling this and so will JM with the work we do at the leading edge of modern catalysis, process engineering, electrochemistry and synthetic organic chemistry.

We operate in today’s technology hot spots and that's why we will continue to make a measurable contribution to a sustainable future. The United Nations Sustainable Development Goals (UN SDGs) provide us with that measure and this year alone, over 87% of our sales came from products that tackle those globally shared goals. So it's not just talk. JM’s commitment is lived out through our contribution today and through our investments in sustainable innovations of the future.

One year in

I'm now one year into my role as Chairman. Before I joined JM I knew it as a company with deeply talented, competent people that translate science into sustainable solutions. I’m pleased to say that over the past year those prior perceptions have been well and truly confirmed and JM is even better than I had thought.

I have made it a priority to really get under the skin of JM over the last year. I met the company's 80 or so senior leaders at their recent annual conference. I was struck by their energy, enthusiasm and real engagement in the company and its future. And all this at a time when JM is undergoing a fundamental change; professionalising its core systems and processes to drive efficiency and value, while continuing to deliver this year’s results and shape new business areas for accelerated growth.

I've also spent time at our corporate R&D centre in Sonning, UK, visiting our impressive laboratories there and getting into deep conversation with our brilliant scientists and engineers about their research work. JM is a community of very innovative people. Their deep scientific knowledge and how to use it to solve a customer's problem is JM's unique strength. It is something that takes time to build, is extremely difficult for others to replicate and it's in our DNA.
Customers choose to work with JM because of our world class technologies and the relationships they have with our people. That’s how we’ve earned our leading positions in the vast majority of the markets that we serve. But JM does not over shout about what it does. We take great pride in being the company behind the things our customers are most proud of. We want to make heroes out of our customers – and that’s what we do.

I’ve also met shareholders, which left me confident that they are committed for the long term. As you’d expect, discussions covered a broad range of topics from how we are looking at our culture, how we think about sustainability and how we are balancing and prioritising investments across our business opportunities. I was pleased to hear about their interest in our R&D and their support for the investments and changes we are making to grow our business.

We have good mechanisms in place for the board to understand the views of our shareholders and, alongside these, I will continue to be available to our major shareholders throughout the year and look forward to meeting more of you at our AGM in July.

**Q. What makes JM special?**

The massive contribution it is already making to a more sustainable future by applying its brilliant science. And the potential this holds for the long term.

**Q. What are your top three highlights from your first year?**

- Meeting JM’s people, hearing their stories and feeling their passion and energy for what the company is doing.
- Working as a board in which there is a real feeling of a team effort.
- Sustaining our year on year delivery of dividend growth for our shareholders.

**Q. How many shareholders have you met?**

About 30% of our shareholding – a two way dialogue and having the opportunity to understand their views first hand is really crucial, particularly at this time of inflexion as we drive value in Clean Air and invest appropriately to maximise our success in new areas like battery materials.

**Q. What are the board’s top three priorities for next year?**

- Keep on supporting Robert, the Group Management Committee and senior leaders in their execution of strategy by asking the right questions of them so that we challenge in a constructive way that drives results.
- Continue to evolve our risk management approach by introducing further rigour and more ongoing discussion.
- Getting across our role in monitoring and shaping the culture of JM by always thinking about the tone we are setting and through incorporating more formalised ‘culture health checks’ in the board agenda.

See page 104 for more information
The job of the board

Robert and the senior management team have continued to deliver our strategy for sustained growth and value creation – and with that, a strong set of financial results. Our job as a board is to actively engage in the development of strategy, provide challenge and ask useful questions. During the year we have done so across a series of strategic topics – in the development of our Battery Materials business, for example, where, by a process of iterative and constructive debate, we have supported the team as they made huge advancements this year, in line with our strategic plans for this business.

One area where we are placing increasing focus as a board, is more active and regular risk management in our meeting agendas through the coming year. This will provide greater rigour to ensure we are looking at our business through a risk management lens at all times and translating this through to real business results.

The board is deeply involved in upholding governance. We’ve spent time this year looking at the evolving corporate governance scene and at our business in the context of the revised UK Corporate Governance Code. Of particular interest is corporate culture and I was pleased to learn that work was already under way prior to my joining JM and ahead of the revised code which we will report against next year.

We have varied and well balanced expertise, experience and diversity on our board which was boosted at the beginning of April 2019 when we welcomed Xiaozhi Liu as a Non-Executive Director. Her joining coincided with our board visit to JM’s site in Shanghai and was extremely well received by the local team as a strong statement of our commitment to the Chinese market. I am very pleased to welcome Xiaozhi to our board. We are already benefiting from her experience and perspective, and from her deep knowledge and understanding of the evolution of the powertrain in different markets of the world.

With the current dynamics and seismic shifts in the automotive industry that lie ahead, it is great to have Xiaozhi in the team. At the end of the AGM in July, Odile Desforges will step down as a Non-Executive Director after six years as a member of our board. Odile has contributed significantly, particularly with her valuable automotive industry insights; we will miss her and wish her well for the future.

More recently, in May 2019, we announced that Doug Webb will be joining us as a Non-Executive Director from 2nd September 2019. From July 2020 he will also chair our Audit Committee, as Alan Ferguson will be stepping down at that point, after just over nine years on our board. Doug’s strong background in finance coupled with his deep understanding of the technology and engineering sectors will complement the experience of our board and I look forward to working with him.

I’m pleased that Alan will be with us for just over another year as we will continue to benefit from his insight and ensure a smooth handover to Doug. Although somewhat premature, I’d like to express gratitude to Alan on behalf of the board for his significant and valuable contributions. Alan will be succeeded as Senior Independent Director by John O’Higgins.

A culture for success

In my experience, the culture at JM is open and inclusive where people really enjoy working together. We place huge importance on creating a culture of doing what’s right and speaking out if things are not. We put people’s health and safety first and JM, like any company engaged in potentially hazardous operations, must manage the associated risks. Nothing we do is worth getting hurt for and that is the tone I set – talking safety when I visit our sites and not being afraid to challenge or question on safety matters. I want everyone in JM to be empowered to do the same.

JM Awards – January 2019

I was honoured to spend time with so many incredible JM people from across the world and to celebrate their amazing achievements. The setting was awe inspiring too – London’s Natural History Museum where we sat underneath Hope, the iconic blue whale skeleton. What a fitting environment to celebrate talented people who are making a genuine and tangible contribution to a more sustainable future.
A long term view

JM is a company that delivers sustained growth and value, driving strong returns. Growth comes through innovation and is supported by our commitment to substantial investment in R&D. In a business like ours – one with 200+ years of history – we take a long term view. Our considered investments over many years in fuel cell technology and, more recently in new chemical process technologies, pharmaceutical APIs and battery materials, exemplify this. In that sense we are not tactical, but with the level and pace of change going on in our major markets and with our customers, we are, as always, responding with flexibility and agility.

Underlying earnings per share grew 10% this year and on a reported basis they were up 39%. In light of our strong performance, continued delivery against our strategy and confidence in the group’s future growth prospects, the board is proposing a 7% increase in the ordinary dividend.

Sustained year on year dividend growth is a hallmark of JM. I believe we are one of only a handful of companies in the FTSE that has delivered continued growth in its dividend over the last 30 years.

A successful future ahead

I’d like to finish by personally thanking our shareholders for placing their confidence in us – and that includes the several thousand of our employees who own company shares. I’m pleased to say that your company remains in good shape. We have a clear strategy, grounded with the world class science needed to tackle our planet’s most important social and environmental challenges. That is why I am confident of a successful future ahead for JM.

I also want to say a huge thank you to every single JM employee around the world for steering JM through these times of flux and change to deliver what we promised – growth for our shareholders, brilliant products and services for our customers and a continued contribution to a more sustainable future for all.

My final message is to everyone on our planet, and one which I make on behalf of the 14,800 people in JM...

This year, we’ve made your world a cleaner and healthier place.

Patrick Thomas
Chairman

Board visit to China – April 2019

We had a hugely valuable visit to some of JM’s major operations in China. I really enjoyed spending time with our employees on tours of our facilities, in discussions on our business strategies and over lunchtimes and in the evenings. It’s given me a much better understanding of JM’s culture and a much deeper understanding of our markets in China. Our trip was timed to perfection too, as it coincided with Xiaozhi Liu, our newest Non-Executive Director, joining the board.