

REMUNERATION REPORT

Remuneration Report to Shareholders

Management Development and Remuneration Committee and its Terms of Reference

The Management Development and Remuneration Committee of the board comprises all the independent non-executive directors of the company as set out on pages 36 and 37 and the group Chairman. The Chairman of the Committee throughout the year was Mr C D Mackay. Mr Mackay retired as a non-executive director of the company and as Chairman of the Committee on 31st March 2008. Mr R J W Walvis was appointed Chairman of the Committee on 1st April 2008.

The Committee's terms of reference 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), which, while set in the context of what the company can reasonably afford, recognises their individual contributions to the company's overall performance. In addition, the Committee assists the board in ensuring that the senior management of the group are recruited, developed and remunerated in an appropriate fashion. The Director of Human Resources, Mr I F Stephenson, acts as secretary to the Committee. The full terms of reference of the Committee are available on the company's website at www.matthey.com.

Non-executive directors' remuneration is determined by the board, within the limits prescribed by the company's Articles of Association. The remuneration consists of fees, which are set following advice taken from independent consultants and are reviewed at regular intervals.

Executive Remuneration Policy

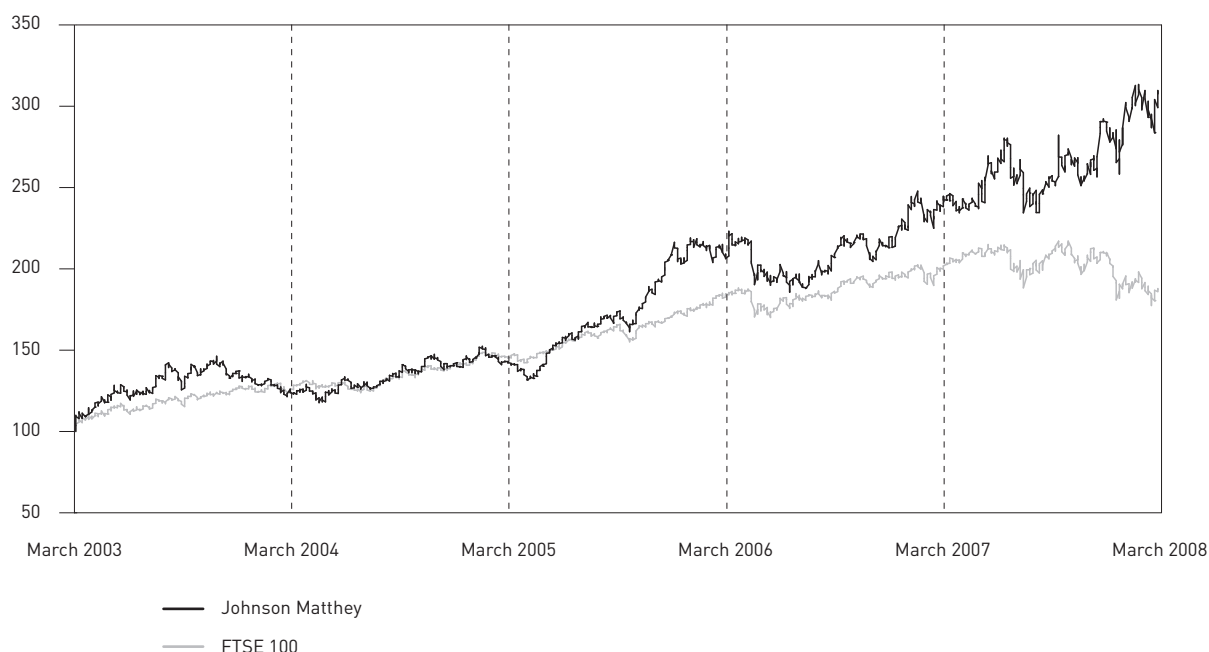
The Committee believes strongly that remuneration policy should be closely aligned with shareholder interests. The Committee recognises that, in order to maximise shareholder value, it is necessary to have a competitive pay and benefits structure. The Committee also recognises that there is a highly competitive market for successful executives and that the provision of appropriate rewards for superior performance is vital to the continued growth of the business. To assist with this, the Committee appoints and receives advice from independent remuneration consultants on the pay and incentive arrangements prevailing in comparably sized industrial companies in each country in which Johnson Matthey has operations. During the year, such advice was received from the Hay Group, which also provided advice on job evaluation, and PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP also provided expatriate tax advice, tax audit work, completion of overseas tax returns, advice on set up of new overseas operations and some overseas payroll services. The Committee also receives recommendations from the Chief Executive on the remuneration of those reporting to him as well as advice from the Director of Human Resources. Total potential rewards are earned through the achievement of demanding performance targets based on measures that represent the best interests of shareholders.

The remuneration policy is reviewed by the Committee annually and a formal review is undertaken every three years. Remuneration consists of basic salary, annual bonus, long term incentives and other benefits. Salaries are based on median market rates with incentives providing the opportunity for upper quartile total remuneration, but only for achieving outstanding performance.

To ensure the interests of the executive directors remain aligned with those of the shareholders, they are encouraged to build up over time and hold a shareholding in the company equal to at least their basic salary. As at 31st March 2008, all of the executive directors held shares in the company approximately equal to or in excess of their basic salary.

Johnson Matthey and FTSE 100 Total Shareholder Return rebased to 100

The following graph charts total cumulative shareholder return of the company for the five year period from 31st March 2003 to 31st March 2008 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2003. Johnson Matthey was ranked 61st in the FTSE 100 as at 31st March 2008.



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Executive Remuneration

During 2006/07 the Committee undertook a formal comprehensive triennial review of the executive director and senior management incentive arrangements within the group, which included advice from independent external consultants PricewaterhouseCoopers LLP and consultation with the company's major institutional shareholders and representative organisations.

Through the review the Committee sought to ensure that the incentive arrangements within the group support the objectives of the business, based on the following principles:

- Motivation of management – by having performance measures with strong line of sight to their performance and targets that are realistically achievable.
- Simplicity – through a single long term incentive plan with easily understood performance targets.
- Close alignment with shareholders – by requiring outstanding performance for full vesting and encouraging share ownership.
- Cohesion within the organisation – through the participation of all 800 of the group's senior and middle management in the same programme and by maintaining fair and appropriate reward differentials throughout the business.

Under the new arrangements resulting from the review, which were approved at the company's annual general meeting in 2007, these principles have all been achieved within the Committee's objective not to increase the overall expected accounting costs of the remuneration arrangements.

The Committee reviewed the total value and structure of remuneration for all executive directors and senior management and also considered the objectives of the business going forward. Overall, the Committee found that the potential value of remuneration and the proportion of fixed and variable pay were appropriate. Accordingly, the new arrangements proposed by the Committee broadly maintained the levels of overall remuneration and the balance between fixed and variable remuneration. However, the Committee considered that improvements could be made to the structure and performance measures of both the short and long term incentives in order to align them with Johnson Matthey's objective of delivering consistent and above average earnings per share growth over the long term. As a result of the review, changes were proposed to remuneration relating to annual bonus, long term incentive plan and share options. Proposals in respect of the introduction of a new long term incentive plan and the cessation of the granting of share options were submitted to and approved by shareholders at the company's annual general meeting in 2007.

Executive directors' remuneration consists of the following:

- **Basic Salary** – which is in line with the median market salary for each director's responsibilities as determined by independent surveys. Basic salary is normally reviewed on 1st August each year and the Committee takes into account individual performance and promotion during the year. Where an internal promotion takes place, the median salary relative to the market would usually be reached over a period of a few years, which can give rise to higher than normal salary increases while this is being achieved.

- **Annual Bonus** – which is paid as a percentage of basic salary under the terms of the company's Executive Compensation Plan (which also applies to the group's 170 or so most senior executives). The executive directors' bonus award is based on consolidated underlying profit before tax (PBT) compared with the annual budget. The board of directors rigorously reviews the annual budget to ensure that the budgeted PBT is sufficiently stretching. An annual bonus payment of 50% of basic salary (prevailing at 31st March) is paid if the group meets the annual budget. This bonus may rise on a straight line basis to 75% of basic salary if the group achieves PBT of 105% of budget and a maximum 100% of basic salary may be paid if 110% of budgeted PBT is achieved. PBT must reach 95% of budget for a minimum bonus of 15% to be payable. The Committee has discretion to vary the awards made. The bonus awarded to executive directors for 2007/08 was 89.5% of salary at 31st March 2008 based on an achieved PBT of 107.9% of budget.
- **Long Term Incentive Plan (LTIP)** – which is designed to achieve above average performance and growth.

Share Allocations made in 2007 and onwards – share allocations made in 2007 and onwards, under the terms of the Johnson Matthey Long Term Incentive Plan 2007 (which also applies to the group's 800 senior and middle managers), are subject to an earnings per share (EPS) performance target. Although the plan allows share allocations of up to a maximum of 200% of basic annual salary each year (to take account of evolution of market practice if required), it is the Committee's current intention that allocations will initially be no higher than 150% of basic salary each year which is considered appropriate based on current market conditions. It is intended that this level of allocation should normally only be made to the Chief Executive. The Committee would not seek to make awards above 150% of basic salary without first consulting major shareholders.

The allocation in 2007 was 150% for the Chief Executive and 120% of basic annual salary for executive directors. The release of the share allocation is subject to the achievement of a performance target measured over a three year performance period commencing in the year of allocation. The performance target is based on the compound annual growth in the company's EPS. The minimum release, of 15% of the allocation, will commence at EPS growth of 6% compound per annum over the three year period, with no retesting of the performance target. For the maximum release of 100% of the allocation, EPS must have grown by at least 15% compound per annum over the three year performance period. The number of allocated shares released will vary on a straight line basis between these points. Allocations will lapse if EPS growth is less than 6% compound per annum over the three year performance period.

Although growth in EPS is the primary financial measure, it is also a key objective of the company to achieve earnings growth only in the context of a good performance on return on invested capital (ROIC). Accordingly, the Committee is required to make an assessment of the company's ROIC over the performance period to ensure EPS growth has been achieved with ROIC in line with the company's planned expectations. The Committee may scale back vesting to the extent that ROIC has not developed appropriately.

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Share allocations made prior to 2007 – Share allocations made prior to 2007 were made under the Johnson Matthey Long Term Incentive Plan which was established in 1998. The last allocation of shares under this plan was made in 2006. No further allocations will be made under this plan. The outstanding allocations under this plan are subject to a relative total shareholder return (TSR) performance target. This compares the company's TSR over a three year performance period commencing in the year of allocation with that of a comparator group which comprises those companies placed 51-150 in the FTSE Index. All of the allocated shares are released if the company ranks in the 76th percentile or above. None of the shares are released if the company ranks in the 50th percentile or below. If the company ranks between these percentiles 35% to 100% of the shares are released on a straight line basis. In addition, the company's EPS must be at least equal to the increase in UK RPI plus 2% per annum over the three year performance period before any release is made.

- **Share Options** – the Johnson Matthey Long Term Incentive Plan 2007 is now the company's single means for the provision of long term awards and from 2007 replaced the granting of share options under the Johnson Matthey 2001 Share Option Scheme (the 2001 Scheme). Accordingly no share options were granted in 2007. From 2001 to 2006 options were granted each year under the 2001 Scheme. Options were granted at the market value of the company's shares at the time of grant and are subject to performance targets over a three year period. Options may be exercised upon satisfaction of the relevant performance targets. Approximately 800 employees were granted options under the 2001 Scheme each year.

Options granted from 2004 to 2006 – Grants made in 2004, 2005 and 2006 are subject to a three year performance target of EPS growth of UK RPI plus 3% per annum. If the performance target is not met at the end of the three year performance period, the options will lapse. There is no retesting of the performance target. In addition, to reduce the cost calculated under the International Financial Reporting Standard IFRS 2 – 'Share-based Payment', gains made on the exercise of options are capped at 100% of the grant price.

The Committee had the discretion to award grants greater than 100% of basic annual salary. Grants which have been made above this threshold are, however, subject to increasingly stretching performance targets. Grants between 100% and 125% of basic annual salary are subject to EPS growth of UK RPI plus 4% per annum and grants between 125% and 150% of basic annual salary are subject to EPS growth of UK RPI plus 5% per annum. The executive directors were granted options equal to 150% of basic annual salary.

Options granted prior to 2004 – Prior to 2004, options granted to the executive directors under the 2001 Scheme were up to a maximum of 100% of basic annual salary each year. Such options can only be exercised if the company's EPS has grown by at least UK RPI plus 4% per annum over any three consecutive years during the life of the option. These options are subject to annual retesting until they lapse on the tenth anniversary of grant.

There are also options outstanding under the Johnson Matthey 1995 UK and Overseas Executive Share Option Scheme. The last option grant under this scheme was made in 2000. All options were granted in annual tranches up to the maximum permitted of four times earnings and were subject to a performance target of EPS growth of UK RPI plus 2% over the three year performance period. Option grants were not made to executive directors in the years 1998, 1999 and 2000.

- **Pensions** – All the executive directors are members of the Johnson Matthey Employees Pension Scheme (JMEPS) in the UK. Mr Carson and Dr Hawker ceased to accrue pensionable service in JMEPS on 31st March 2006 and Mr Sheldrick ceased to accrue pensionable service on 31st March 2008. Mr Pentz, a US citizen, joined JMEPS on 1st January 2006. Prior to this he was a member of the Johnson Matthey Inc. Salaried Employees Pension Plan in the US. None of the non-executive directors are members of JMEPS.

Under JMEPS, members are entitled to a pension based on their pensionable service and final pensionable salary. JMEPS also provides life assurance cover of four times annual salary. The normal scheme pension age for directors is 60. Details of the individual arrangements for executive directors are given on pages 50 and 51.

- **Other Benefits** – Other benefits available to the executive directors are private medical insurance, a company car and membership of the group's employee share incentive plans which are open to all employees in the countries in which the group operates such schemes.
- **Service Contracts** – The executive directors are employed on contracts subject to one year's notice at any time. On early termination of their contracts the directors would normally be entitled to 12 months' salary and benefits.

Directors' Emoluments 2007/08

	Date of service agreement	Date of appointment	Basic salary £'000	Payment in lieu of pension ⁽¹⁾ £'000	Annual bonus £'000	Benefits £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Executive								
N A P Carson	1.8.99	1.8.99	630	157	573	29	1,389	1,080
P N Hawker	1.8.03	1.8.03	308	77	282	21	688	532
D W Morgan	1.8.99	1.8.99	310	–	282	26	618	473
L C Pentz ⁽²⁾	1.1.06	1.8.03	308	–	282	184	774	711
J N Sheldrick ⁽³⁾	24.11.97	3.9.90	410	–	371	14	795	612
Total			1,966	234	1,790	274	4,264	3,408

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Directors' Emoluments 2007/08 (continued)

	Date of letter of appointment	Date of appointment	Fees £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Non-Executive ⁽⁴⁾					
Sir John Banham (Chairman)	10.12.05	1.1.06	250	250	250
M B Dearden	5.1.99	1.4.99	45	45	40
C D Mackay	5.1.99	27.1.99	50 ⁽⁵⁾	50	45
M J Roney	29.3.07	1.6.07	38 ⁽⁶⁾	38	–
I C Strachan	10.12.01	23.1.02	45	45	40
D C Thompson	22.5.07	1.9.07	26 ⁽⁶⁾	26	–
A M Thomson	1.8.02	24.9.02	50 ⁽⁷⁾	50	45
R J W Walvis	1.8.02	24.9.02	45	45	40
Total			549	549	460

Notes

- ⁽¹⁾ Mr Carson and Dr Hawker ceased to accrue pensionable service in the Johnson Matthey Employees Pension Scheme with effect from 31st March 2006. They receive an annual cash payment in lieu of pension equal to 25% of basic salary. This is taxable under the PAYE system.
- ⁽²⁾ Mr Pentz's emoluments from 1st January 2006 are based on UK salary and benefits. Prior to that Mr Pentz's emoluments were based on US basic salary adjusted for the cost of living differential in the UK including UK taxation. Associated with his localisation to UK salary and benefits and the purchase of a UK residence, Mr Pentz was provided with a package of transitional assistance including a housing allowance and relocation expenses commensurate with the company's relocation policy.
- ⁽³⁾ Mr Sheldrick is a non-executive director of GKN plc. His fees for the year were £55,750. This amount is excluded from the table above and retained by him.
- ⁽⁴⁾ Non-executive fees (other than for the Chairman) were reviewed on 1st May 2007 for the period from 1st April 2007 to 31st March 2010. The fees are £45,000 per annum, with the fee for chairmanship of committees being £5,000 per annum. The Chairman and the non-executive directors do not receive any pension benefits, LTIP allocations, share option grants or bonus payments. The Chairman's fees include £25,000 per annum to cover his administrative and secretarial support costs.
- ⁽⁵⁾ Includes £5,000 per annum for chairmanship of the Management Development and Remuneration Committee.
- ⁽⁶⁾ Fees paid during the year from date of appointment to the board.
- ⁽⁷⁾ Includes £5,000 per annum for chairmanship of the Audit Committee.

Directors' Interests

The interests (in respect of which transactions are notifiable to the company under Rule 3 of the Financial Services Authority's Disclosure and Transparency Rules) of the directors as at 31st March 2008 in the shares of the company were:

1. Ordinary Shares

	31st March 2008	31st March 2007
Sir John Banham	8,000	8,000
N A P Carson	95,710	61,310
M B Dearden	2,000	2,000
P N Hawker	15,635	15,327
C D Mackay	12,500	12,500
D W Morgan	40,843	40,582
L C Pentz	18,914	18,526
M J Roney	1,000	– ⁽¹⁾
J N Sheldrick	97,195	74,517
I C Strachan	1,000	1,000
D C Thompson	3,721	3,721 ⁽¹⁾
A M Thomson	2,256	2,213
R J W Walvis	1,000	1,000

⁽¹⁾ At date of appointment.

All of the above interests were beneficial. The executive directors are also deemed to be interested in shares held by two employee share ownership trusts (see note 31 on page 93).

Directors' interests as at 31st May 2008 were unchanged from those listed above, other than that the trustees of the Johnson Matthey Share Incentive Plan have purchased on behalf of Messrs Carson, Hawker, Morgan and Sheldrick a further 36 ordinary shares each and on behalf of Mr Pentz a further 39 ordinary shares.

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Directors' Interests (continued)

2. Share Options

As at 31st March 2008, individual holdings under the company's executive share option schemes were as set out below. Options are not granted to non-executive directors.

	Date of grant	Ordinary shares under option	Exercise price (pence)	Date from which exercisable ⁽¹⁾	Expiry date	Total number of ordinary shares under option
N A P Carson	14.7.98	15,964	524.00	14.7.01	14.7.08	
	22.7.99	18,035	585.50	22.7.02	22.7.09	
	18.7.01	19,391	1,083.00	18.7.04	18.7.11	
	17.7.02	28,901	865.00	17.7.05	17.7.12	
	17.7.03	33,407	898.00	17.7.06	17.7.13	
	20.7.05	77,102	1,070.00	20.7.08	20.7.15	
	26.7.06	71,378	1,282.00	26.7.09	26.7.16	264,178 (2007 339,856)
P N Hawker	20.7.05	37,850	1,070.00	20.7.08	20.7.15	
	26.7.06	34,518	1,282.00	26.7.09	26.7.16	72,368 (2007 156,131)
D W Morgan	18.7.01	18,098	1,083.00	18.7.04	18.7.11	
	17.7.02	25,433	865.00	17.7.05	17.7.12	
	17.7.03	26,726	898.00	17.7.06	17.7.13	
	20.7.05	39,252	1,070.00	20.7.08	20.7.15	
	26.7.06	35,104	1,282.00	26.7.09	26.7.16	144,613 (2007 189,010)
L C Pentz	22.7.99	12,158	585.50	22.7.02	22.7.09	
	19.7.00	8,224	942.00	19.7.03	19.7.10	
	18.7.01	12,952	1,083.00	18.7.04	18.7.11	
	17.7.02	17,730	865.00	17.7.05	17.7.12	
	17.7.03	22,185	898.00	17.7.06	17.7.13	
	20.7.05	37,850	1,070.00	20.7.08	20.7.15	
26.7.06	34,518	1,282.00	26.7.09	26.7.16	145,617 (2007 180,474)	
J N Sheldrick	18.7.01	25,854	1,083.00	18.7.04	18.7.11	
	17.7.02	34,682	865.00	17.7.05	17.7.12	
	17.7.03	36,191	898.00	17.7.06	17.7.13	
	20.7.05	52,570	1,070.00	20.7.08	20.7.15	
	26.7.06	46,804	1,282.00	26.7.09	26.7.16	196,101 (2007 254,962)

⁽¹⁾ Subject to meeting the relevant performance targets.

Between 1st April 2007 and 31st March 2008 the following options were exercised:

	Date of grant	Date of exercise	Options exercised	Exercise price (pence)	Market price on exercise (pence)
N A P Carson	21.7.04	9.8.07	75,678	892.0	1,784.0
P N Hawker	21.7.04	9.8.07	36,746	892.0	1,784.0
	17.7.03	11.6.07	21,158	898.0	1,644.0
	17.7.02	11.6.07	15,606	865.0	1,644.0
	18.7.01	11.6.07	10,253	1,083.0	1,644.0
D W Morgan	21.7.04	9.8.07	44,397	892.0	1,784.0
L C Pentz	21.7.04	9.8.07	34,857	892.0	1,784.0
J N Sheldrick	21.7.04	9.8.07	58,861	892.0	1,784.0

Gains made on exercise of options by directors during the year totalled £2,571,737 (2007 £39,293).

The closing market price of the company's shares at 31st March 2008 was 2,005 pence. The highest and lowest closing prices during the year ended 31st March 2008 were 2,031 pence and 1,529 pence respectively.

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Directors' Interests (continued)

3. LTIP Allocations

Share allocations made prior to 2007

Number of allocated shares:

	As at 31st March 2007	Allocations during the year	Shares released during the year	Allocations lapsed during the year	As at 31st March 2008
N A P Carson	187,999	–	44,937	18,336	124,726
P N Hawker	73,233	–	17,456	7,122	48,655
D W Morgan	79,717	–	21,091	8,605	50,021
L C Pentz	71,969	–	16,558	6,756	48,655
J N Sheldrick	106,231	–	27,961	11,409	66,861

On 2nd August 2007 the 2004 LTIP allocation was released to participants. The release of this allocation was subject to the achievement of a relative TSR performance target, further details of which can be found on page 47. The company's TSR performance relative to the comparator group qualified for a release of 71.02% of the allocated shares. This resulted in the following gains:

	Number of shares released	Share price when released (pence)	Gain £
N A P Carson	44,937	1,675.44	752,892
P N Hawker	17,456	1,675.44	292,465
D W Morgan	21,091	1,675.44	353,367
L C Pentz	16,558	1,675.44	277,419
J N Sheldrick	27,961	1,675.44	468,470

Share allocations made in 2007 under the Johnson Matthey Long Term Incentive Plan 2007

Number of allocated shares:

	As at 31st March 2007	Allocations during the year	Market price at date of allocation (pence)	As at 31st March 2008
N A P Carson	–	56,704	1,693.0	56,704
P N Hawker	–	22,327	1,693.0	22,327
D W Morgan	–	22,327	1,693.0	22,327
L C Pentz	–	22,327	1,693.0	22,327
J N Sheldrick	–	29,415	1,693.0	29,415

Pensions

Pensions and life assurance benefits for the executive directors are provided through the company's final salary occupational pension scheme for UK employees – the Johnson Matthey Employees Pension Scheme (JMEPS) – which is constituted under a separate Trust Deed. JMEPS is an exempt approved scheme under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988. It is a registered scheme for the purposes of the Finance Act 2004.

The Finance Act 2004 introduced changes to the taxation of benefits payable from registered UK pension schemes. Unless protected under transitional arrangements, retirement benefits that exceed a capital value – called the Life Time Allowance – will be subject to an additional tax charge. Any such tax charge arising out of membership of JMEPS will be paid by the trustees at the point of retirement and the member's benefits will be reduced accordingly. Executive directors whose retirement benefits are valued in excess of the Life Time Allowance may withdraw from pensionable service in JMEPS and receive instead a supplemental payment of 25% of basic salary each year. Mr Carson and Dr Hawker withdrew from JMEPS and ceased paying member contributions on 31st March 2006 and Mr Sheldrick did so on 31st March 2008. No pensionable service in JMEPS has been accrued by these directors since those dates. The increase in accrued pension in the tables below is attributable to the increase in basic salary. The supplemental payments received by Mr Carson and Dr Hawker are reflected in the table on page 47. Supplemental payments to Mr Sheldrick commenced with effect from 1st April 2008.

The Finance Act 2004 also enables authorised schemes to remove the restriction imposed by the 'earnings cap' under the Finance Act No. 2, 1989. As a result, the accrued pensions for Messrs Morgan and Sheldrick for service from 6th April 2006 are calculated by reference to normal JMEPS rules and actual basic salary. Their accrued pensions in respect of service prior to that date remain restricted by reference to the 'earnings cap' (see note 5 below).

From 1st April 2007, member contributions paid by executive directors to JMEPS increased from 4% to 5% of pensionable pay (i.e. basic salary). From 1st April 2008, member contributions increased from 5% to 6% of pensionable pay and there will be a further increase to 7% on 1st April 2009.

Disclosure of directors' pension benefits has been made under the requirements of the United Kingdom Listing Authority Listing Rules and in accordance with the Directors' Remuneration Report Regulations 2002. The information below sets out the disclosures under the two sets of requirements.

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Pensions (continued)

a. United Kingdom Listing Authority Listing Rules

	Age at 31st March 2008	Years of JMEPS pensionable service at 31st March 2008	Directors' contributions to JMEPS in the year ⁽¹⁾ £'000	Increase in accrued pension during the year (net of inflation) ⁽²⁾ £'000 pa	Total accrued pension at 31st March 2008 ⁽³⁾ £'000 pa	Total accrued pension at 31st March 2007 £'000 pa	Transfer value of increase in accrued pension (less directors' contributions) ⁽⁴⁾ £'000
N A P Carson	50	25	–	3	301	287	33
P N Hawker	54	20	–	4	148	138	59
D W Morgan ⁽⁵⁾	50	19	16	6	55	47	53
L C Pentz ⁽⁶⁾	52	23	15	6	52	46	72
J N Sheldrick ⁽⁵⁾	58	17	21	8	66	55	138

b. Directors' Remuneration Report Regulations 2002

	Directors' contributions to JMEPS in the year ⁽¹⁾ £'000	Increase in accrued pension in the year £'000 pa	Total accrued pension at 31st March 2008 ⁽³⁾ £'000 pa	Transfer value of accrued pension at 31st March 2008 ⁽⁴⁾ £'000	Transfer value of accrued pension at 31st March 2007 ⁽⁴⁾ £'000	Increase in transfer value (net of directors' contributions) £'000
N A P Carson ⁽⁷⁾	–	14	301	3,368	3,431	(63)
P N Hawker	–	10	148	2,177	1,954	223
D W Morgan ⁽⁵⁾	16	8	55	582	539	27
L C Pentz ⁽⁶⁾	15	7	52	497	411	71
J N Sheldrick ⁽⁵⁾	21	11	66	1,235	907	307

Notes

- ⁽¹⁾ Member contributions were paid at the general scheme rate of 5% of pensionable pay. This general rate increased to 6% on 1st April 2008 and a further increase to 7% will become effective on 1st April 2009.
- ⁽²⁾ The increase in accrued pension during the year excludes any increase for inflation.
- ⁽³⁾ The entitlement shown under 'Total accrued pension at 31st March 2008' is the pension which would be paid annually on retirement, based on pensionable service to 31st March 2008 (except in the case of Mr Carson and Dr Hawker whose pensionable service ceased on 31st March 2006). The pension would, however, be subject to an actuarial reduction of 0.3% per month for each month that retirement precedes age 60.
- ⁽⁴⁾ The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note 11. No allowance has been made in the transfer values for any discretionary benefits that have been or may be awarded under JMEPS. The transfer values in the Directors' Remuneration Report Regulations 2002 have been calculated at the start and the end of the year and, therefore, also take account of market movements. The JMEPS' trustees changed the actuarial assumptions used for calculating transfer values during the year. The transfer values shown have been calculated using the actuarial assumptions which applied at each reporting date. Part of the increase in transfer value over the year, therefore, is due to the change of actuarial basis.
- ⁽⁵⁾ The JMEPS' benefits and contributions for Messrs Morgan and Sheldrick in respect of pensionable service up to 5th April 2006 are restricted by reference to the 'earnings cap' imposed by the Finance Act No. 2, 1989. Between 1st April 2000 and 31st March 2006, contributions were paid to Funded Unapproved Retirement Benefit Schemes (FURBS) to provide retirement and death benefits in relation to basic salary in excess of the 'earnings cap'. FURBS were not exempt approved under Chapter I of Part XIV of the Income & Corporation Taxes Act 1988 and so payments were also made to meet the tax liabilities in respect of these contributions. No FURBS payments have been made after 31st March 2006. Benefits and contributions in respect of service from 6th April 2006 have been provided by JMEPS in accordance with the normal scheme rules.
- ⁽⁶⁾ Mr Pentz is a US citizen but became a member of JMEPS on 1st January 2006. Prior to that he was a member of the Johnson Matthey Inc. Salaried Employees Pension Plan (a non-contributory defined benefit arrangement) and a US savings plan (401k). He also has benefits in a Senior Executive Retirement Plan. The pension values reported above are the aggregate for his separate membership of the UK and US pension schemes and the Senior Executive Retirement Plan. US entitlements have been converted to sterling by reference to exchange rates on 31st March 2007 and 31st March 2008. Mr Pentz's US pension was fixed on 31st December 2005. The sterling equivalent of it has fluctuated over the year as a result of exchange rate movements. This is reflected in the transfer values.
- ⁽⁷⁾ The transfer value in respect of Mr Carson decreased during the year. Transfer values for members age 50 are based on equity yields which progressively change to a bond yield basis over ten years. Transfer values for members aged 60 and over are based entirely on bond yields. Towards the end of last year equity yields increased significantly, pushing down the transfer values for members more than ten years away from retirement.

The Remuneration Report was approved by the Board of Directors on 3rd June 2008 and signed on its behalf by:



Robert Walvis
Chairman of the Management Development and Remuneration Committee