

# BOARD OF DIRECTORS



- 1 Sir John Banham
- 2 N A P Carson
- 3 J N Sheldrick
- 4 A M Thomson
- 5 R J W Walvis
- 6 D W Morgan
- 7 I C Strachan
- 8 M J Roney
- 9 D C Thompson
- 10 P N Hawker
- 11 L C Pentz

**Sir John Banham DL, MA, HonLLD**

Chairman, age 68; joined Johnson Matthey as Chairman Designate in January 2006; appointed Chairman on 1st April 2006. Currently the Senior Independent Director of Invesco Inc. and Cyclacel Pharmaceuticals Inc. He was previously a director at McKinsey & Company, the first Controller of the Audit Commission and is a former Director General of the Confederation of British Industry. Previously a director of National Power and National Westminster Bank, and Chairman of Spacelabs Healthcare Inc., Tarmac plc, Kingfisher plc, Geest plc, Whitbread PLC and Cyclacel Plc. M, N

**N A P Carson BSc**

Chief Executive, age 52; joined Johnson Matthey in 1980; appointed Division Director, Catalytic Systems in 1997 after having held senior management positions in the Precious Metals Division as well as Catalytic Systems in both the UK and the US. Appointed to the board as Managing Director, Catalysts & Chemicals in August 1999 and additionally assumed board level responsibility for Precious Metals Division in August 2002. Appointed Chief Executive in July 2004. Currently a member of the Advisory Board for the Cambridge Programme for Sustainability Leadership.

**J N Sheldrick MA, MSc, FCMA, FCT**

Group Finance Director, age 59; joined Johnson Matthey as Executive Director, Finance in September 1990 and assumed current job title in September 1995. Previously Group Treasurer of The BOC Group plc and a non-executive director of API Group Plc. Currently a non-executive director of GKN plc.

**A M Thomson MA, CA**

Age 62; appointed a non-executive director in September 2002. Currently Chairman of Bodycote International Plc and a non-executive director of Alstom S.A. (France). Until his retirement in 2006 he was Finance Director of Smiths Group plc. Mr Thomson is also Senior Vice President of the Institute of Chartered Accountants of Scotland. A, M, N

**R J W Walvis**

Age 62; appointed a non-executive director in September 2002. Currently a non-executive director of Associated British Ports Holdings Ltd and Balfour Beatty plc and Chairman of the Supervisory Board of Allianz Nederland Group NV. He was previously a non-executive director of British Energy Group plc and Chairman, Global Corporate Centre, Shell International Limited. Prior to that he held a series of senior management positions within the Royal Dutch Shell Group. A, M, N

**D W Morgan MA, ACA**

Executive Director, Group Corporate Development, age 51; joined Johnson Matthey in 1988 as a Division Finance Director. Appointed an executive director in August 1999. Responsible for the group's corporate development activities and legal and secretarial affairs. In addition, assumed board level responsibility for the company's central research activities in August 2002. Currently a member of the International Advisory Board of Conduit Ventures Limited.

**I C Strachan**

Age 66; appointed a non-executive director in January 2002. Currently a non-executive director of Transocean Inc., Xstrata plc, Rolls Royce Group plc and Caithness Petroleum Limited. Previously Chairman of Instinet Group Inc., Chief Executive of BTR plc and Deputy Chief Executive of Rio Tinto plc. He retired from the board on 31st March 2009. A, M, N

**M J Roney**

Age 54; appointed a non-executive director on 1st June 2007. Currently Chief Executive of Bunzl plc. Joined Bunzl plc as a non-executive director in 2003. Prior to becoming Chief Executive of Bunzl he was the Chief Executive Officer of Goodyear Dunlop Tires Europe BV and had an extensive career with the Goodyear Tire and Rubber Co holding a number of senior management positions with responsibilities in Latin America, Asia, Eastern Europe, the Middle East and Africa. A, M, N

**D C Thompson**

Age 48; appointed a non-executive director on 1st September 2007. Currently Chief Executive of Drax Group plc. Joined the board of Drax Group plc as Chief Executive in 2005. Prior to joining Drax she was head of the European business of the global power generation firm, InterGen. First starting her career in banking she has had senior management roles in the UK, Asia and Africa. A, M, N

**P N Hawker BSc, PhD, FRSC**

Executive Director; Process Technologies and Fine Chemicals & Catalysts, age 56; joined Johnson Matthey in 1985 as Research & Development Manager and was subsequently Managing Director; Autocatalysts Europe and Division Director; Environmental Catalysts and Technologies. Appointed Executive Director; Environmental Catalysts and Technologies in August 2003. He was appointed Executive Director; Process Catalysts and Technologies in July 2004 and assumed additional responsibility for Pharmaceutical Materials Division in April 2006.

**L C Pentz BS ChE, MBA**

Executive Director; Emission Control Technologies, age 54; joined Johnson Matthey in 1984; appointed Division Director; Process Catalysts and Technologies in 2001 after having held a series of senior management positions within Catalysts Division in the US. Appointed Executive Director; Process Catalysts and Technologies in August 2003 and Executive Director; Emission Control Technologies in July 2004. On 1st April 2009 he was appointed Executive Director; Environmental Technologies. Currently a non-executive director of Victrex plc.

**Committees of the Board**

- A Audit Committee
- M Management Development and Remuneration Committee
- N Nomination Committee

The composition of the board presented above reflects the position at 31st March 2009.

On 1st April 2009 Sir Thomas Harris joined the board. His biographical details are as follows:

**Sir Thomas Harris KBE CMG**

Age 64; appointed a non-executive director on 1st April 2009. Currently Vice Chairman of Standard Chartered Capital Markets Ltd, a non-executive director of Biocompatibles International plc and SC First Bank (Korea), a director of IFSL and a Trustee of Asia House. Until 2004, he was Director General of Trade & Investment USA responsible for British business and technology promotion throughout the United States. He served previously as British Ambassador to the Republic of Korea in Seoul, Deputy High Commissioner in Lagos, Nigeria and Commercial Counsellor in the British Embassy in Washington DC.

**OTHER SENIOR MANAGEMENT****Environmental Technologies**

- S M Christley** *Division Finance Director*, Emission Control Technologies
- A M Myers** *President*, Emission Control Technologies, North America
- D W Prest** *Technology and Business Development Director*, Emission Control Technologies
- J F Walker** *Managing Director*, Emission Control Technologies, Europe
- J V Zubrickas** *Managing Director*, Emission Control Technologies, Asia
- N Whitley** *Divisional Director*, Process Technologies
- G L McGregor** *Divisional Finance Director*, Process Technologies
- P C Framp** *Business Development Director*, Process Technologies
- A C Hurst** *Managing Director*, Tracerco and Vertec
- D J Tomlinson** *President*, Davy Process Technology
- J C Frost** *Director*, Fuel Cells

**Precious Metal Products**

- W F Sandford** *Division Director*
- B M O'Connell** *Division Finance Director*
- M Bedford** *Director*, Precious Metals Marketing
- C C Howlett** *General Manager*, Noble Metals, Europe
- J D Malanga** *General Manager*, Noble Metals, North America
- A J McCullough** *General Manager*, Gold, North America
- R L P J van der Heijden** *Managing Director*, Colour Technologies
- G P Otterman** *Managing Director*, Pgm Refining and Recycling

**Fine Chemicals & Catalysts**

- N P H Garner** *Director, Finance and Planning*, Process Technologies and Fine Chemicals & Catalysts
- M T Durney** *President*, Catalysts and Chemicals
- J B Fowler** *President*, Pharmaceutical Materials and Services
- R M Kilburn** *Managing Director*, Macfarlan Smith
- F K Sheffy** *Director, Business Development*, Fine Chemicals & Catalysts
- B C Singelais** *President*, Global Research Chemicals

**Corporate**

- G J Coates** *Group Treasurer*
- S Farrant** *Group Legal Director and Company Secretary*
- I D Godwin** *Director, Investor Relations and Corporate Communications*
- V E Gough** *Group Reporting Controller*
- T Hassan** *Group Business Development Director*
- B A Murrer** *Director*, Technology Centre
- S P Robinson** *Director of Tax*
- I F Stephenson** *Director*, Group Systems, Environment, Health and Safety and Human Resources
- M V Twigg** *Chief Scientist*

# CORPORATE GOVERNANCE

## Statement of Compliance with the Combined Code

The company has applied the principles set out in Section 1 of the Combined Code on Corporate Governance issued by the Financial Reporting Council dated June 2006 (the Code). This statement describes how the principles of the Code have been applied.

The company has complied with all relevant provisions set out in Section 1 of the Code throughout the year except that the board has taken the view that it is not necessarily practical, efficient or desired by shareholders for the Senior Independent Director to attend meetings with major shareholders in order to learn their issues and concerns unless such discussions are requested by shareholders. The methods by which major shareholders' views are communicated to the board as a whole are discussed under 'Relations with Shareholders' on page 41.

## Directors and the Board

The board is responsible to the company's shareholders for the group's system of corporate governance, its strategic objectives and the stewardship of the company's resources and is ultimately responsible for social, environmental and ethical matters. The board held eight meetings in the year and in addition met separately to review the group's long term strategy. The board delegates specific responsibilities to board committees, as described below. The board reviews the key activities of the business and receives papers and presentations to enable it to do so effectively. The Company Secretary is responsible to the board, and is available to individual directors, in respect of board procedures.

The board comprises the Chairman, the Chief Executive, four other executive directors and five independent non-executive directors. Mr N A P Carson is the Chief Executive. Sir John Banham is the Chairman. Sir John's other commitments are disclosed on page 38. The roles of Chairman and Chief Executive are separate. The Chairman leads the board, ensuring that each director, particularly each non-executive director, is able to make an effective contribution. He monitors, with assistance from the Company Secretary, the information distributed to the board to ensure that it is sufficient, accurate, timely and clear. The Chief Executive maintains day-to-day management responsibility for the company's operations, implementing group strategies and policies agreed by the board.

The role of non-executive directors, who are appointed for specified terms subject to re-election and to Companies Acts provisions relating to the removal of a director, is to enhance independence and objectivity of the board's deliberations and decisions. Mr A M Thomson was appointed Senior Independent Director on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 2008. Sir Thomas Harris joined the board as a non-executive director on 1st April 2009 following the retirement from the board of Mr I C Strachan on 31st March 2009. All non-executive directors are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment.

The executive directors have specific responsibilities, which are detailed on pages 38 and 39, and have direct responsibility for all operations and activities. As announced on 26th February 2009, Mr D W Morgan, Executive Director, Group Corporate Development, has decided to stand down from the board at the forthcoming Annual General Meeting on 21st July 2009. As announced on 1st April 2009, Dr P N Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, has decided to retire and will also stand down from the board at the forthcoming Annual General Meeting. Also as announced on 1st April 2009, Mr W F Sandford, Division Director, Precious Metal Products, has been appointed an executive director and will join the board with effect from the end of the forthcoming Annual General Meeting. Mr L C Pentz, previously Executive Director, Emission Control Technologies, was appointed Executive Director, Environmental Technologies with effect from 1st April 2009.

In accordance with the company's Articles of Association, all directors submit themselves for re-election at least once every three years. The board composition allows for changes to be made with minimum disruption.

The board has undertaken a formal evaluation of its performance and the performance of its committees and the individual directors. During the year, the Company Secretary conducted face to face interviews with each individual director. The interviews focused on the operation of the board and its committees and on individual directors' contributions. A summary of the responses was prepared by the Company Secretary and discussed at a board meeting.

One area covered by the board evaluation related to the training needs of the executive and non-executive directors. Regular business presentations from senior managers at board meetings assist the non-executive directors in familiarising themselves with the group's businesses. The board also usually holds at least one board meeting per year at one of the group's operational sites and takes the opportunity to tour the site and discuss issues with local senior and middle management. Individual non-executive directors also undertake site visits. Such presentations, meetings and site visits help to give a balanced overview of the company. They enable the non-executive directors to build an understanding of the company's businesses, the markets in which the company operates and its main relationships and to build a link with the company's employees. This is important in helping the non-executive directors to continually develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. Account is taken of environmental, social and governance matters in the training of directors.

Led by the Senior Independent Director, the non-executive directors met without the Chairman present to consider evaluation of the Chairman's performance.

## Committees of the Board

**The Chief Executive's Committee** is responsible for the recommendation to the board of strategic and operating plans and on decisions reserved to the board where appropriate. It is also responsible for the executive management of the group's business. The Committee is chaired by the Chief Executive and meets monthly (except in August). During the year it comprised the executive directors and five senior executives of the company.

**The Audit Committee** is a sub-committee of the board whose purpose is to assist the board in the effective discharge of its responsibilities for financial reporting and corporate control. The Audit Committee meets quarterly and is chaired by Mr A M Thomson. It comprises all the independent non-executive directors with the group Chairman, the Chief Executive, the Group Finance Director and the external and internal auditors attending by invitation. A report from the Audit Committee on its activities is given on page 46. Mr Thomson has recent and relevant financial experience as former Finance Director of Smiths Group plc and currently as Senior Vice President of the Institute of Chartered Accountants of Scotland.

**The Nomination Committee** is a sub-committee of the board responsible for advising the board and making recommendations on the appointment of new directors. The Nomination Committee is chaired by Sir John Banham, the group Chairman, and also comprises all the independent non-executive directors. A report from the Nomination Committee on its activities is given on page 45.

**The Management Development and Remuneration Committee** (MDRC) is a sub-committee of the board which determines on behalf of the board the remuneration of the executive directors. Mr R J W Walvis was appointed Chairman of the MDRC on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 2008. The MDRC comprises all the independent non-executive directors of the company together with the group Chairman. The Chief Executive and the Director of Human Resources attend by invitation except when their own performance and remuneration are discussed. Further details are set out in the Remuneration Report on pages 47 to 53.

# CORPORATE GOVERNANCE

## Committees of the Board (continued)

Attendance at the board and board committee meetings in 2008/09 was as follows:

Director	Full Board		MDRC		Nomination Committee		Audit Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Sir John Banham	8	8	4	4	6	6	–	4 <sup>(1)</sup>
N A P Carson	8	8	–	4 <sup>(1)</sup>	–	6 <sup>(1)</sup>	–	4 <sup>(1)</sup>
P N Hawker	8	8	–	–	–	–	–	–
D W Morgan	8	8	–	–	–	–	–	–
L C Pentz	8	8	–	–	–	–	–	–
M J Roney	8	8	4	4	6	5	4	4
J N Sheldrick	8	8	–	–	–	–	–	4 <sup>(1)</sup>
I C Strachan	8	6	4	3	6	3	4	4
D C Thompson	8	8	4	4	6	6	4	4
A M Thomson	8	8	4	4	6	6	4	4
R J W Walvis	8	8	4	4	6	6	4	4

<sup>(1)</sup> Includes meetings attended by invitation for all or part of meeting.

## Directors' Remuneration

The Remuneration Report on pages 47 to 53 includes details of remuneration policies and of the remuneration of the directors.

## Relations with Shareholders

The board considers effective communication with shareholders, whether institutional investors, private or employee shareholders, to be extremely important.

The company reports formally to shareholders when its full year results are announced and a half-yearly report and a full report are published. These reports are posted on Johnson Matthey's website ([www.matthey.com](http://www.matthey.com)). At the same time, executive directors give presentations on the results to institutional investors, analysts and the media in London and other international centres. Copies of major presentations are also posted on the company's website.

The company's Annual General Meeting takes place in London and formal notification is sent to shareholders at least 20 working days in advance of the meeting. The directors are available for questions, formally during the Annual General Meeting and informally afterwards. Details of the 2009 Annual General Meeting are set out in the notice of the meeting accompanying this Annual Report.

Contact with major shareholders is principally maintained by the Chief Executive and the Group Finance Director, who ensure that their views are communicated to the board as a whole. The Chairman also discusses governance and other matters directly with major shareholders. The board believes that appropriate steps have been taken during the year to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the issues and concerns of major shareholders about the company. The board is provided with brokers' reports and feedback from shareholder meetings on a six-monthly basis. The canvassing of major shareholders' views for the board in a detailed investor survey is usually conducted every two years by external consultants. The board has taken the view that these methods, taken together, are a practical and efficient way both for the Chairman to keep in touch with major shareholder opinion on governance and strategy and for the Senior Independent Director to learn the views of major shareholders and to develop a balanced understanding of their issues and concerns. The Senior Independent Director and other non-executive directors are available to attend meetings with major shareholders if requested, however no such meetings were requested during the year.

## Accountability, Audit and Control

The statement of the Responsibility of Directors for the preparation of the Annual Report and Accounts is set out on page 54.

In its reporting to shareholders, the board aims to present a balanced and understandable assessment of the group's financial position and prospects.

The group's organisational structure is focused on its three divisions. These are all separately managed but report to the board through a board director. The executive management team receives monthly summaries of financial results from each division through a standardised reporting process.

The group has in place a comprehensive annual budgeting process including forecasts for the next two years. Variances from budget are closely monitored.

The board has overall responsibility for the group's systems of internal control and for reviewing their effectiveness. The internal control systems are designed to meet the group's needs and address the risks to which it is exposed. Such systems can provide reasonable but not absolute assurance against material misstatement or loss.

There is a continuous process for identifying, evaluating and managing the significant risks faced by the company which has been in place during the financial year and up to the date of approval of the Annual Report and Accounts. The board regularly reviews this process.

The assessment of group and strategic risks is reviewed by the board and updated on an annual basis. At the business level, the processes to identify and manage the key risks are an integral part of the control environment. Key risks and internal controls are the subject of regular reporting to the Chief Executive's Committee.

The Group Control Manual, which is distributed to all group operations, clearly sets out the composition, responsibilities and authority limits of the various board and executive committees and also specifies what may be decided without central approval. It is supplemented by other specialist policy and procedures manuals issued by the group, divisions and individual business units or departments. The high intrinsic value of many of the metals with which the group is associated necessitates stringent physical controls over precious metals held at the group's sites.

The internal audit function is responsible for monitoring the group's systems of internal financial controls and the control of the integrity of the financial information reported to the board. The Audit Committee approves the plans for internal audit reviews and receives the reports produced by the internal audit function on a regular basis. Actions are agreed with management in response to the internal audit reports produced.

In addition, significant business units provide assurance on the maintenance of financial and non-financial controls and compliance with group policies. These assessments are summarised by the internal audit function and a report is made annually to the Audit Committee.

The directors confirm that the system of internal control for the year ended 31st March 2009 and the period up to 3rd June 2009 has been established in accordance with the Turnbull Guidance included with the Code and that they have reviewed the effectiveness of the system of internal control.

# CORPORATE GOVERNANCE

## Corporate Social Responsibility

Measures to ensure responsible business conduct and the identification and assessment of risks associated with social, ethical and environmental matters are managed in conjunction with all other business risks and reviewed at regular meetings of the board, the Audit Committee and the Chief Executive's Committee.

A review of the group's policies and targets for corporate social responsibility (CSR) is set out in the Sustainability section of the Business Review on pages 29 to 37. A full version of the Sustainability Report is available on the company's website.

The identification and monitoring of environment, health and safety (EHS), social and governance risks are the responsibility of the CSR Compliance Committee, which is a sub-committee of the Chief Executive's Committee. It comprises the division directors, the Director of EHS, the Company Secretary and senior representatives of Group Legal, Internal Audit and Group EHS. The Committee has specific responsibility for setting and overseeing compliance with the standards for group CSR performance through the development, dissemination, adoption and implementation of appropriate group policies and other operational measures.

EHS performance is monitored using monthly statistics and detailed site audit reports. EHS performance is reviewed on a regular basis by the Chief Executive's Committee and an annual review is undertaken by the board.

Risks from employment and people issues are identified and assessed by the Chief Executive's Committee and reported to the board.

Employment contracts, handbooks and policies specify acceptable business practices and the group's position on ethical issues. The Group Control Manual and security manuals provide further operational guidelines to reinforce these.

The Audit Committee reviews risks associated with corporate social responsibility on an annual basis and monitors performance through the annual control self-assessment process conducted by the internal audit function.

## OTHER STATUTORY INFORMATION

### Dividends

The interim dividend of 11.1 pence per share (2008 10.6 pence) was paid in February 2009. The directors recommend a final dividend of 26.0 pence per share in respect of the year ended 31st March 2009 (2008 26.0 pence), making a total for the year of 37.1 pence per share (2008 36.6 pence), payable on 4th August 2009 to shareholders on the register at the close of business on 12th June 2009.

A Dividend Reinvestment Plan is in place which allows shareholders to purchase additional shares in the company with their dividend payment. Further information and a mandate can be obtained from the company's registrars, Equiniti, whose details are set out on page 112.

### Share Capital

As at 31st March 2009, the company's authorised share capital was £291,550,000 divided into 291,550,000 ordinary shares of £1.00 each. The issued share capital of the company at 31st March 2009 was 214,675,736 ordinary shares of £1.00 each, excluding 5,997,877 shares held as treasury shares.

There were no share allotments during the year.

At the 2008 Annual General Meeting, shareholders renewed the company's authority to make market purchases of up to 21,467,573 ordinary shares (representing 10% of the issued share capital of the company (excluding treasury shares) as at 30th May 2008).

The company did not make any purchases of its own shares during the year. Authority to purchase up to 21,467,573 shares remained in place at 31st March 2009. At the forthcoming Annual General Meeting the board will again seek shareholders' approval to renew the annual authority for the company to make purchases of its own shares through the market.

### Rights and Obligations Attaching to Shares

The holders of ordinary shares are entitled to receive dividends when declared, to receive the company's report and accounts, to attend and speak at general meetings of the company, to appoint proxies and to exercise voting rights.

There are no restrictions on transfer or limitations on the holding of ordinary shares and no requirements to obtain prior approval to

any transfers except where the company has exercised its right to suspend their voting rights, withhold a dividend or prohibit their transfer following the failure by the member or any other person appearing to be interested in the shares to provide the company with information requested under section 793 of the Companies Act 2006. The directors may, in certain circumstances, also 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 Articles of Association, or if entitled to do so under the Uncertificated Securities Regulations 2001. No ordinary shares carry any special rights with regard to control of the company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no known agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights and no known arrangements under which financial rights are held by a person other than the holder of the shares.

Shares acquired by employees through the Johnson Matthey employee share schemes rank equally with the other shares in issue and have no special rights.

### Annual General Meeting

The notice of the 2009 Annual General Meeting of the company to be held on Tuesday 21st July 2009 at 11.00 am at The Institution of Engineering and Technology (The Lecture Theatre), 2 Savoy Place, London, WC2R 0BL is contained in the circular accompanying this Annual Report, together with an explanation of the resolutions to be considered at the meeting.

### Employee Share Schemes

At 31st March 2009 4,456 current and former employees, representing approximately 52.2% of employees worldwide, were shareholders in Johnson Matthey through the group's employee share schemes, which held 3,774,061 shares (1.76% of issued share capital, excluding treasury shares). A total of 661 current and former executives held options over 4,476,662 shares through the company's executive share option schemes.

# OTHER STATUTORY INFORMATION

## Directors

The names and biographical details of the directors of the company are shown on pages 38 and 39.

On 31st March 2009, Mr I C Strachan retired as a non-executive director of the company. On 1st April 2009, Sir Thomas Harris was appointed a non-executive director of the company. On 22nd June 2009, Mr R J MacLeod will be appointed an executive director and Group Finance Director designate. It is intended that Mr MacLeod will take over the role of Group Finance Director from Mr J N Sheldrick when he retires at age 60 on 7th September 2009.

As announced on 26th February 2009, Mr D W Morgan, Executive Director, Group Corporate Development, has decided to stand down from the board at the forthcoming Annual General Meeting on 21st July 2009. As announced on 1st April 2009, Dr P N Hawker, Executive Director, Process Technologies and Fine Chemicals & Catalysts, has decided to retire and will also stand down from the board at the forthcoming Annual General Meeting. Also as announced on 1st April 2009, Mr W F Sandford, Division Director, Precious Metal Products, has been appointed an executive director and will join the board with effect from the end of the forthcoming Annual General Meeting. Mr L C Pentz, previously Executive Director, Emission Control Technologies, was appointed Executive Director, Environmental Technologies with effect from 1st April 2009.

In accordance with the provisions for retirement by rotation in the company's Articles of Association, Sir John Banham, Mr N A P Carson and Mr Pentz will retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Also in accordance with the provisions of the company's Articles of Association, Sir Thomas Harris and Mr MacLeod will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for election.

Details of the constitution of the board and its committees are set out on pages 40 and 41.

## Appointment and Replacement of Directors

The Articles of Association provide that the number of directors is not subject to any maximum but must not be less than six, unless otherwise determined by the company by ordinary resolution. Directors may be appointed by an ordinary resolution of the members or by a resolution of the directors. A director appointed by the directors must retire at the next following Annual General Meeting and is not taken into account in determining the directors who are to retire by rotation at the meeting.

At every Annual General Meeting at least one third of directors must retire by rotation. The directors to retire by rotation must include any director who has not been subject to election or re-election at the time of the two preceding Annual General Meetings, and (if so required to constitute one third of directors) those directors who have been longest in office since their last appointment or re-appointment.

A director may be removed by a special resolution of the company. In addition, a director must automatically cease to be a director if (i) he ceases to be a director by virtue of any provision of the Companies Act 1985 or Companies Act 2006 or he becomes prohibited by law from being a director, or (ii) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or (iii) he is suffering from a mental disorder, or (iv) he resigns from his office by notice in writing to the company, or in the case of an executive director, his appointment is terminated or expires and the directors resolve that his office be vacated, or (v) he is absent for more than six consecutive months without permission of the directors from meetings of the directors and the directors resolve that his office be vacated or (vi) he is requested in writing, or by electronic form, by all the other directors to resign.

## Powers of the Directors

The powers of the directors are determined by the company's Memorandum and Articles of Association, the Companies Act 1985 and Companies Act 2006 and any directions given by the company in general meeting. The directors have been authorised by the Articles of Association to issue and allot ordinary shares and to make market purchases of shares. These powers are referred to shareholders at the Annual General Meeting for renewal. Any shares purchased may be cancelled or held as treasury shares.

## Directors' Interests

Details of directors' remuneration, service contracts and interests in the shares of the company are set out in the Remuneration Report on pages 47 to 53.

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year.

During the year procedures were put in place to ensure compliance with the directors' conflict of interest duties set out in the Companies Act 2006. All directors were asked to submit details to the Company Secretary of any current situations (appointments or otherwise) which may give rise to a conflict, or potential conflict, of interest. Notifications were received from all directors. These were reviewed by the board and the board identified those which required further consideration and, if appropriate, approval. Following consideration, the board approved the conflict or potential conflict matters, subject to the condition that the directors concerned abstain from participating in any discussion or decision affected by the conflict matter. In each case, authorisation was given by directors who were genuinely independent of the conflict matter. A record of all authorisations is maintained by the Company Secretary and will be reviewed by the board on an annual basis.

In addition, the board approved a procedure in respect of the ongoing authorisation of directors' conflicts of interests and directors' duty to declare interests in proposed and existing transactions and arrangements.

The above conflicts procedures have operated effectively since their implementation.

## Major Shareholders

As at 31st May 2009, the following information had been disclosed to the company under the Financial Services Authority's Disclosure and Transparency Rules in respect of holdings exceeding the 3% notification threshold:

	Nature of holding	Total voting rights	% of total voting rights <sup>(1)</sup>
Prudential plc	Direct	17,835,901	8.31
Vanguard Precious Metals & Mining Fund	Direct	10,850,000	5.05
BlackRock, Inc.	Indirect	10,677,567	4.97
Lloyds TSB Group plc	Indirect	10,490,545	4.89
Aviva plc	Direct	6,192,018	2.88
	Indirect	2,867,283	1.34
Legal & General Group Plc	Direct	8,879,144	4.13

<sup>(1)</sup> Total voting rights attaching to the issued ordinary share capital of the company (excluding treasury shares) at the date of disclosure.

## Change of Control

The company and its subsidiaries are party to a number of commercial agreements that may allow the counterparties to alter or terminate the arrangements on a change of control of the company following a takeover bid. Other than the matters referred to below, these are not deemed by the company to be significant in terms of their potential effect on the group as a whole.

# OTHER STATUTORY INFORMATION

## Change of Control (continued)

The group has a number of loan notes and borrowing facilities which may require prepayment of principal and payment of accrued interest and breakage costs if there is change in control of the company. The group has also entered into a series of financial instruments to hedge its currency, interest rate and metal price exposures which provide for termination or alteration if a change of control of the company materially weakens the creditworthiness of the group.

The company is party to a marketing agreement with a subsidiary of Anglo Platinum Limited, originally entered into in 1992, under which the company was appointed as sales and marketing agent for refined platinum group metals worldwide excluding the US and the company agreed to provide certain marketing services. The agreement contains provisions under which the counterparty may have the right to terminate the agreement on a change of control of the company.

The rules of the company's employee share schemes set out the consequences of a change of control of the company on participants' rights under the schemes. Generally such rights will vest and become exercisable on a change of control subject to the satisfaction of relevant performance conditions.

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 basic salary and other contractual benefits less the period of any notice given by the company to the director.

Other than the marketing agreement with a subsidiary of Anglo Platinum Limited referred to above, the group does not have any contractual or other arrangements with any persons which the directors consider are essential to the business of the company.

## Disabled Persons

Details of the company's policy relating to the employment and training of disabled persons can be found on pages 32 and 33.

## Use of Financial Instruments

Information on the company's financial risk management and policies and its exposure to price risk, credit risk, liquidity risk and cash flow risk can be found on pages 90 to 94.

## Employee Involvement

Information on the action taken by the company during the year relating to employee involvement can be found on pages 29 to 37.

## Policy on Payment of Commercial Debts

The group's policy in relation to the payment of all suppliers (set out in its Group Control Manual, which is distributed to all group operations) is that payment should be made within the credit terms agreed with the supplier, subject to the supplier having performed its obligations under the relevant contract. At 31st March 2009, the company's aggregate level of 'creditor days' amounted to 6 days. Creditor days are calculated by dividing the aggregate of the amounts which were outstanding as trade payables at the end of the year by the aggregate of the amounts the company was invoiced by suppliers during the year and multiplying by 365 to express the ratio as a number of days.

## Charitable Donations

During the year the group donated £495,000 (2008 £415,000) to charitable organisations worldwide, of which £366,000 (2008 £264,000) was in the UK.

Further details of contributions made by the group worldwide are given on pages 35 and 36 and in the Sustainability Report which can be found on the company's website at [www.matthey.com](http://www.matthey.com).

## Political Donations and Expenditure

It is the policy of the group not to make political donations. During the year to 31st March 2009, no donations were made to EU political organisations (2008 £ nil), no EU political expenditure was incurred (2008 £ nil) and no contributions to political parties outside the EU were made within the meaning of Part XA of the Companies Act 1985 or Part 14 of the Companies Act 2006 (2008 £ nil).

## Directors' Indemnities

The company has granted indemnities in favour of all directors under Deed Polls. These provisions were in force during the year ended 31st March 2009 and remain in force as at the date of this report. Copies of the Deed Polls and the company's Articles of Association are available for inspection during normal business hours at the company's registered office and will be available for inspection at the forthcoming Annual General Meeting.

## Corporate Governance and Remuneration

The board's statement on corporate governance matters is given on pages 40 to 42 and its report on directors' remuneration is set out on pages 47 to 53.

## Auditors and Disclosure of Information to Auditors

In accordance with section 489 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the reappointment of KPMG Audit Plc as auditors of the company and to authorise the directors to determine their remuneration.

So far as each person serving as a director of the company at the date this Annual Report was approved by the board is aware, there is no relevant information needed by the company's auditors in connection with preparing its report set out on page 55 (audit information) of which the company's auditors are unaware. Each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Report of the Directors was approved by the Board of Directors on 3rd June 2009 and is signed on its behalf by:



**Simon Farrant**  
Company Secretary

# NOMINATION COMMITTEE REPORT

## Role of the Nomination Committee

The Nomination Committee is a sub-committee of the board whose purpose is to advise the board on the appointment and, if necessary, dismissal of executive and non-executive directors. The full terms of reference of the Nomination Committee are provided on the company's website at [www.matthey.com](http://www.matthey.com).

## Composition of the Nomination Committee

The Nomination Committee comprises all the independent non-executive directors together with the group Chairman. The quorum necessary for the transaction of business is two, each of whom must be an independent non-executive director. Biographical details of the independent directors and the group Chairman are set out on pages 38 and 39. Their remuneration is set out on page 50.

The group Chairman acts as the Chairman of the Nomination Committee, although the group Chairman may not chair the Nomination Committee when it is dealing with the matter of succession to the Chairmanship of the company. A non-executive director may not chair the Nomination Committee when it is dealing with a matter relating to that non-executive director.

Only members of the Nomination Committee have the right to attend Nomination Committee meetings. However, other individuals, such as the Chief Executive, the Director of Human Resources and external advisers, may be invited to attend for all or part of any meeting as and when appropriate.

The Company Secretary is secretary to the Nomination Committee.

The Nomination Committee has the authority to seek any information that it requires from any officer or employee of the company or its subsidiaries. In connection with its duties, the Nomination Committee is authorised by the board to take such independent advice (including legal or other professional advice, at the company's expense) as it considers necessary, including requests for information from or commissioning investigations by external advisers.

## Main Activities of the Nomination Committee

The Nomination Committee met six times during the financial year ended 31st March 2009; on 1st and 29th April, 3rd June and 24th November 2008 and on 3rd February and 31st March 2009.

The Nomination Committee met on 1st April 2008 to discuss and make recommendations to the board for the appointments of a Senior Independent Director and Chairman of the Management Development and Remuneration Committee following the retirement of Mr C D Mackay from the board on 31st March 2008. After full discussion, taking into account all relevant factors and considering the corporate governance and Combined Code background to the proposed appointments (including the role of the Senior Independent Director under the Combined Code), the Nomination Committee agreed to recommend to the board that Mr A M Thomson be appointed Senior Independent Director and that Mr R J W Walvis be appointed Chairman of the Management Development and Remuneration Committee. The board approved the recommendations at its meeting on 1st April 2008.

At its meeting on 1st April 2008, the Nomination Committee went on to discuss and agree the process for the selection and appointment of a non-executive director to replace Mr I C Strachan, who would be retiring from the board on 31st March 2009. The Nomination Committee evaluated the balance of skills, knowledge and experience on the board and, in the light of this evaluation, prepared a description of the role and capabilities required for the appointment. At its meetings between 1st April 2008 and 3rd February 2009 the Nomination Committee agreed the appointment of an external search consultant, formed an interview panel comprising the Chairman, Senior Independent Director and the Chief Executive and considered a shortlist of candidates. The suitability of each proposed candidate was carefully considered, including whether they could devote sufficient time to the role. At its meeting on 3rd February 2009, the Nomination Committee agreed to recommend the appointment of Sir Thomas Harris with effect from 1st April 2009, following the retirement of Mr Strachan. The board accepted the recommendation at its meeting later that day.

Also at its meeting on 1st April 2008, the Nomination Committee began consideration of the process for the selection and appointment of a new Group Finance Director to replace Mr J N Sheldrick on his proposed retirement from the board on 7th September 2009. The Nomination Committee took further steps in the selection and appointment process at its meetings between 1st April 2008 and 3rd February 2009. The Nomination Committee considered the skills, knowledge and experience which the role demanded and a specification was drawn up. An external search consultant was appointed to assist in the process. A sub-committee of the Nomination Committee, comprising the Chairman and the Senior Independent Director, assisted by the Chief Executive, was appointed to take the selection process forward. Several candidates were interviewed by the sub-committee. At its meeting on 3rd February 2009, following feedback from its sub-committee, the Nomination Committee agreed to recommend to the board the appointment of Mr R J MacLeod as an executive director and Group Finance Director designate with effect from 22nd June 2009. The board approved the appointment of Mr MacLeod at its meeting on 3rd February 2009.

At its meeting on 31st March 2009, the Nomination Committee considered and recommended to the board the proposed appointment of Mr W F Sandford as an executive director following Dr P N Hawker's decision to retire from the board at the forthcoming Annual General Meeting on 21st July 2009. It also considered and recommended to the board the proposed change in responsibilities of Mr L C Pentz to Executive Director, Environmental Technologies. Proposals for new appointments to the Chief Executive's Committee with effect from 1st April 2009 were also discussed. The board approved the appointment of Mr Sandford and the change in responsibilities of Mr Pentz at its meeting on 31st March 2009.

On behalf of the Nomination Committee:



**Sir John Banham**  
Chairman of the Nomination Committee

# AUDIT COMMITTEE REPORT

## Role of the Audit Committee

The Audit Committee is a sub-committee of the board whose responsibilities include:

- Reviewing the half-yearly and full year accounts and results announcements of the company and any other formal announcements relating to the company's financial performance and recommending them to the board for approval.
- Reviewing the group's systems for internal financial control and risk management.
- Monitoring and reviewing the effectiveness of the company's internal audit function and considering regular reports from internal audit on internal financial controls and risk management.
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the board in relation to their appointment to be put to shareholders for approval at a general meeting.
- Monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, agreeing their remuneration, and considering their reports on the company's accounts, reports to shareholders and their evaluation of the systems of internal financial control and risk management.

The full terms of reference of the Audit Committee are provided on the company's website at [www.matthey.com](http://www.matthey.com).

## Composition of the Audit Committee

The Audit Committee comprises all the independent non-executive directors. Biographical details of the independent directors are set out on pages 38 and 39. Their remuneration is set out on page 50. The Chairman of the Audit Committee is Mr A M Thomson, who was formerly Finance Director of Smiths Group plc and is currently Senior Vice President of the Institute of Chartered Accountants of Scotland. The group Chairman, Chief Executive, Group Finance Director, Head of Internal Audit and external auditors (KPMG Audit Plc) attend Audit Committee meetings by invitation. The Committee also meets separately with the Head of Internal Audit and with the external auditors without management being present. The Company Secretary is secretary to the Audit Committee.

## Main Activities of the Audit Committee

The Audit Committee met four times during the financial year ended 31st March 2009. At its meeting on 29th May 2008 the Committee reviewed the company's preliminary announcement of its results for the financial year ended 31st March 2008, and the draft report and accounts for that year. The Committee received reports from the external auditors on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgment, and their comments on risk management and control matters. The Committee also reviewed shareholder resolutions to be proposed at the forthcoming Annual General Meeting.

The Audit Committee met on 21st July 2008 to receive reports on internal controls from both the internal and external auditors. The external auditors also presented their proposed fees and scope for the forthcoming year's audit. The Committee also reviewed the performance of both the internal and external auditors. The review of the external auditors was used to confirm the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process. The group's Sustainability Report 2007/08 was also reviewed, which is available on the company's website at [www.matthey.com](http://www.matthey.com).

At its meeting on 24th November 2008 the Audit Committee reviewed the company's half-yearly results, the half-yearly report and the external auditors' review.

At its meeting on 3rd February 2009 the Audit Committee reviewed management's and internal audit's reports on the effectiveness of the company's systems for internal financial control and risk

management. The Committee reviewed the group's credit control procedures and risks, controls over precious metals and IT controls. The group's corporate social responsibility reporting arrangements and whistleblowing procedures were also reviewed. Changes to the Group Control Manual were ratified. The Committee also reviewed the governance procedures of the external auditors and considered the risk of their failure to operate as a going concern.

Since the year end the Committee has met to review the company's preliminary announcement of its results and draft report for the financial year ended 31st March 2009, and also the company's assessment of going concern for the period to 30th June 2010.

## Independence of External Auditors

Both the board and the external auditors have for many years had safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. Our policy in respect of services provided by the external auditors is as follows:

- Audit related services – the external auditors are invited to provide services which, in their position as auditors, they must or are best placed to undertake. This includes formalities relating to borrowings, shareholders' and other circulars, various other regulatory reports and work in respect of acquisitions and disposals.
- Tax consulting – in cases where they are best suited, we use the external auditors. All other significant tax consulting work is put out to tender.
- General consulting – in recognition of public concern over the effect of consulting services on auditors' independence, our policy is that the external auditors are not invited to tender for general consulting work.

The split between audit and non-audit fees for the year ended 31st March 2009 and information on the nature of non-audit fees appear in note 5 on the accounts.

## Internal Audit

During the year the Audit Committee reviewed the performance of the internal audit function, the findings of the audits completed during the year and the department's resource requirements and also approved the internal audit plan for the year ending 31st March 2010.

Internal audit independently reviews the risks and control processes operated by management. It carries out independent audits in accordance with an internal audit plan which is agreed with the Audit Committee before the start of the financial year.

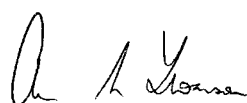
The plan provides a high degree of financial and geographical coverage and devotes significant effort to the review of the risk management framework surrounding the major business risks.

Internal audit reports include recommendations to improve internal controls together with agreed management action plans to resolve the issues raised. Internal audit follows up the implementation of recommendations and reports progress to senior management and the Audit Committee.

The Audit Committee receives reports from the Head of Internal Audit on the department's work and findings.

The effectiveness of the internal audit function is reviewed and discussed on an annual basis with the Head of Internal Audit.

On behalf of the Committee:



**Alan Thomson**  
Chairman of the Audit Committee

# 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 38 and 39 and the group Chairman. The Chairman of the Committee throughout the year was Mr R J W Walvis who was appointed Chairman of the Committee on 1st April 2008 following the retirement of Mr C D Mackay on 31st March 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](http://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

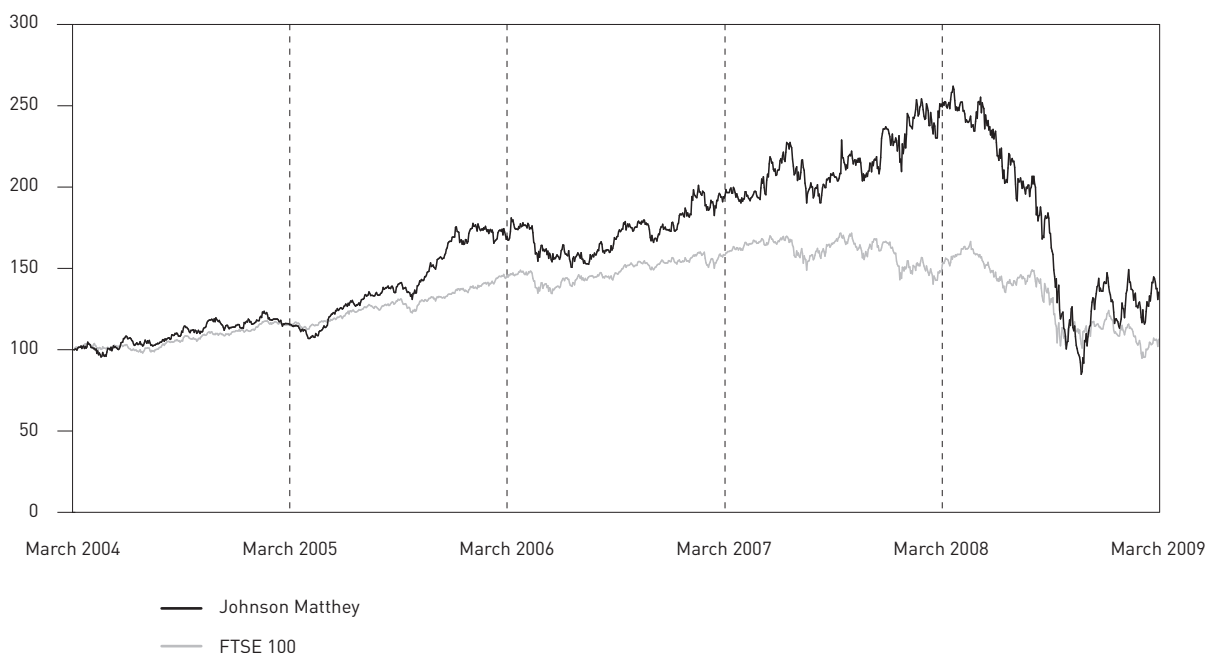
that, in order to maximise shareholder value, it is necessary to have a competitive pay and benefits structure. The Committee also recognises that there is a highly competitive market for successful executives and that the provision of appropriate rewards for superior performance is vital to the continued 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. A statement regarding the use of remuneration consultants for the year ended 31st March 2009 is available on the company's website at [www.matthey.com](http://www.matthey.com). 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.

### 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 2004 to 31st March 2009 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2004. Johnson Matthey was ranked 71st by market capitalisation in the FTSE 100 as at 31st March 2009.



# REMUNERATION REPORT

## 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 that 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 arrangements resulting from the review, which were approved at the company's Annual General Meeting in 2007, those principles were all 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 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. The remuneration comparator used by the Committee for executive directors other than the Chief Executive is the industrial and service sectors (excluding the oil and financial services sectors). In the case of the Chief Executive, the remuneration comparator group used by the Committee is based on FTSE 100 and 250 industrial companies (excluding the oil and financial services sectors) with market capitalisation of around £3 billion and with over 45% of revenue coming from overseas. 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 Committee has discretion in awarding annual bonuses and is able to consider corporate performance on environmental, social and governance issues when awards are made to executive directors. The Committee ensures that the incentive structure for senior management does not raise environmental, social and governance risks by inadvertently motivating irresponsible behaviour. The bonus awarded to executive directors for 2008/09 was 15% of salary at 31st March 2009 based on an achieved PBT of 95.0% 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 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 will not seek to make awards above 150% of basic salary without first consulting major shareholders.

The allocations in 2007 and in 2008 were 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.

# REMUNERATION REPORT

## Executive Remuneration (continued)

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). From 2001 to 2006 options were granted each year under the 2001 Scheme. There have been no option grants since 2006. Options were granted at the market value of the company's shares at the time of grant and 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 were subject to a performance target of EPS growth of UK RPI plus 4% per annum over any three consecutive years during the life of the option. The performance target was subject to annual retesting until the lapse of the options on the tenth anniversary of grant. All of these options have met their performance targets.

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 N A P Carson and Dr P N Hawker ceased to accrue pensionable service in JMEPS on 31st March 2006 and Mr J N Sheldrick ceased to accrue pensionable service in JMEPS on 31st March 2008. Mr L C 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 52 and 53.

- **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. The contracts of service of the executive directors and the terms and conditions of appointment of the non-executive directors are available for inspection at the company's registered office during normal business hours and at the forthcoming Annual General Meeting.

## Directors' Emoluments 2008/09

	Date of service agreement	Date of appointment	Base salary £'000	Payment in lieu of pension <sup>(1)</sup> £'000	Annual bonus £'000	Benefits £'000	Total excluding pension £'000	Total prior year excluding pension £'000
<b>Executive</b>								
N A P Carson	1.8.99	1.8.99	680	170	105	24	979	1,389
P N Hawker	1.8.03	1.8.03	332	83	51	21	487	688
D W Morgan	1.8.99	1.8.99	328	–	50	27	405	618
L C Pentz <sup>(2)</sup>	1.1.06	1.8.03	332	–	51	51	434	774
J N Sheldrick <sup>(3)</sup>	24.11.97	3.9.90	435	109	67	15	626	795
<b>Total</b>			<b>2,107</b>	<b>362</b>	<b>324</b>	<b>138</b>	<b>2,931</b>	<b>4,264</b>

# REMUNERATION REPORT

## Directors' Emoluments 2008/09 (continued)

	Date of letter of appointment	Date of appointment	Fees £'000	Total excluding pension £'000	Total prior year excluding pension <sup>(7)</sup> £'000
<b>Non-Executive</b> <sup>(4)</sup>					
Sir John Banham (Chairman)	10.12.05	1.1.06	270	270	250
M J Roney	29.3.07	1.6.07	45	45	38
I C Strachan	10.12.01	23.1.02	45	45	45
D C Thompson	22.5.07	1.9.07	45	45	26
A M Thomson	1.8.02	24.9.02	50 <sup>(6)</sup>	50	50
R J W Walvis	1.8.02	24.9.02	50 <sup>(6)</sup>	50	45
<b>Total</b>			<b>505</b>	<b>505</b>	<b>454</b>

### Notes

- <sup>(1)</sup> Mr Carson and Dr Hawker ceased to accrue pensionable service in the Johnson Matthey Employees Pension Scheme with effect from 31st March 2006 and Mr Sheldrick did so with effect from 31st March 2008. They receive an annual cash payment in lieu of pension equal to 25% of basic salary. This is taxable under the PAYE system.
- <sup>(2)</sup> Mr Pentz's benefits include a transitional housing allowance, which ceased on 31st August 2008, associated with his relocation to the UK and the purchase of a UK residence. Mr Pentz was appointed a non-executive director of Victrex plc on 28th July 2008. His fees for the year were £27,317. This amount is excluded from the table above and retained by him.
- <sup>(3)</sup> Mr Sheldrick is a non-executive director of GKN plc. His fees for the year were £62,750. This amount is excluded from the table above and retained by him.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> Includes £5,000 per annum for chairmanship of the Audit Committee.
- <sup>(6)</sup> Includes £5,000 per annum for chairmanship of the Management Development and Remuneration Committee.
- <sup>(7)</sup> Excludes the emoluments of Mr Dearden and Mr Mackay who retired on 31st March 2008. Their emoluments were £45,000 and £50,000 respectively, bringing the total to £549,000.

## Directors' Interests

The interests (in respect of which transactions are notifiable to the company under the Financial Services Authority's Disclosure and Transparency Rules) of the directors as at 31st March 2009 in the shares of the company were:

### 1. Ordinary Shares

	31st March 2009	31st March 2008
Sir John Banham	18,400	8,000
N A P Carson	143,258	95,710
P N Hawker	16,085	15,635
D W Morgan	43,905	40,843
L C Pentz	19,464	18,914
M J Roney	3,000	1,000
J N Sheldrick	119,652	97,195
I C Strachan	6,800	1,000
D C Thompson	9,721	3,721
A M Thomson	2,323	2,256
R J W Walvis	1,000	1,000

All of the above interests were beneficial. The executive directors are also deemed to be interested in shares held by an employee share ownership trust (see note 32 on page 96).

Directors' interests as at 31st May 2009 were unchanged from those listed above, other than that the trustees of the Johnson Matthey Share Incentive Plan have purchased on behalf of the executive directors a further 63 shares each.

# REMUNERATION REPORT

## Directors' Interests (continued)

### 2. Share Options

As at 31st March 2009, 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 <sup>(1)</sup>	Expiry date	Total number of ordinary shares under option
N A P Carson	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	248,214 (2008 264,178)
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 (2008 72,368)
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 (2008 144,613)
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 (2008 145,617)
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 (2008 196,101)

<sup>(1)</sup> Subject to meeting the relevant performance targets.

Between 1st April 2008 and 31st March 2009 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	14.07.98	26.06.08	15,964	524.0	1,830.04

Gains made on exercise of options by directors during the year totalled £208,496 (2008 £2,571,737).

The closing market price of the company's shares at 31st March 2009 was 1,053 pence. The highest and lowest closing prices during the year ended 31st March 2009 were 2,093 pence and 668.5 pence respectively.

# REMUNERATION REPORT

## Directors' Interests (continued)

### 3. LTIP Allocations

#### Share allocations made prior to 2007

Number of allocated shares:

	As at 31st March 2008	Shares released during the year	As at 31st March 2009
N A P Carson	124,726	68,578	56,148
P N Hawker	48,655	26,932	21,723
D W Morgan	50,021	27,930	22,091
L C Pentz	48,655	26,932	21,723
J N Sheldrick	66,861	37,406	29,455

On 1st August 2008 the 2005 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 49. The company's TSR performance relative to the comparator group qualified for a release of 100% of the allocated shares. This resulted in the following gains:

	Number of shares released	Share price when released (pence)	Gain £
N A P Carson	68,578	1,619.2208	1,110,429
P N Hawker	26,932	1,619.2208	436,089
D W Morgan	27,930	1,619.2208	452,248
L C Pentz	26,932	1,619.2208	436,089
J N Sheldrick	37,406	1,619.2208	605,686

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

Number of allocated shares:

	As at 31st March 2008	Allocations during the year	Market price at date of allocation (pence)	As at 31st March 2009
N A P Carson	56,704	56,239	1,867.0	112,943
P N Hawker	22,327	21,853	1,867.0	44,180
D W Morgan	22,327	21,531	1,867.0	43,858
L C Pentz	22,327	21,853	1,867.0	44,180
J N Sheldrick	29,415	28,602	1,867.0	58,017

## 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.

Under the provisions of the Finance Act 2004, benefits from a registered pension scheme that exceed the Life Time Allowance will be subject to an additional tax charge of 25%. Any such tax charge arising out of membership of JMEPS will be paid by the JMEPS 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 their 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 salaries. The supplemental payments to Mr Carson, Dr Hawker and Mr Sheldrick are reflected in the table on page 49.

The Finance Act 2004 also enables registered 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).

Member contributions paid by executive directors to JMEPS increased from 4% to 5% of pensionable pay (i.e. basic salary) on 1st April 2007 and then from 5% to 6% on 1st April 2008. There was a further increase to 7% of pensionable pay 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.

# REMUNERATION REPORT

## Pensions (continued)

### a. United Kingdom Listing Authority Listing Rules

	Age at 31st March 2009	Years of JMEPS pensionable service at 31st March 2009	Directors' contributions to JMEPS in the year <sup>(1)</sup> £'000	Increase in accrued pension during the year (net of inflation) <sup>(2)</sup> £'000 pa	Total accrued pension at 31st March 2009 <sup>(3)</sup> £'000 pa	Total accrued pension at 31st March 2008 £'000 pa	Transfer value of increase in accrued pension (less directors' contributions) <sup>(4)</sup> £'000
N A P Carson	51	25	–	13	329	301	157
P N Hawker	55	20	–	4	160	148	66
D W Morgan <sup>(5)</sup>	51	20	20	7	65	55	56
L C Pentz <sup>(6)</sup>	53	24	20	8	76	52	91
J N Sheldrick <sup>(5)</sup>	59	17	–	–	69	66	–

### b. Directors' Remuneration Report Regulations 2002

	Directors' contributions to JMEPS in the year <sup>(1)</sup> £'000	Increase in accrued pension in the year £'000 pa	Total accrued pension at 31st March 2009 <sup>(3)</sup> £'000 pa	Transfer value of accrued pension at 31st March 2009 <sup>(4)</sup> £'000	Transfer value of accrued pension at 31st March 2008 <sup>(4)</sup> £'000	Increase in transfer value (net of directors' contributions) £'000
N A P Carson	–	28	329	3,921	3,368	553
P N Hawker	–	12	160	2,421	2,177	244
D W Morgan <sup>(5)</sup>	20	10	65	730	582	128
L C Pentz <sup>(6)</sup>	20	9	76	805	497	288
J N Sheldrick <sup>(5)</sup>	–	3	69	1,310	1,235	75

#### Notes

- <sup>(1)</sup> Member contributions were paid at the general scheme rate of 6% of pensionable pay. This general rate increased to 7% with effect from 1st April 2009.
- <sup>(2)</sup> The increase in accrued pension during the year is net of any increase for inflation. For these purposes, the UK Listing Authority Listing Rules define inflation as the change in RPI over 12 months ending on 30th September 2008. This was 5%.
- <sup>(3)</sup> The entitlement shown under 'Total accrued pension at 31st March 2009' is the pension which would be paid annually on retirement, based on completed pensionable service to 31st March 2009 (except in the case of Mr Carson and Dr Hawker whose pensionable service ceased on 31st March 2006 and Mr Sheldrick whose pensionable service ceased on 31st March 2008). The accrued pension would, however, be subject to an actuarial reduction of 0.3% per month for each month that retirement precedes age 60.
- <sup>(4)</sup> The transfer values have been calculated on the basis of actuarial advice in accordance with the new transfer value regulations. 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 United Kingdom Listing Authority Listing Rules are the values of the increases (net of inflation) in the directors' accrued pensions as at 31st March 2009. The transfer values in the Directors' Remuneration Report Regulations 2002 have been calculated at the start and end of the year and, therefore, take account of market movements over the year.
- <sup>(5)</sup> 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 their basic salaries 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 since 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.
- <sup>(6)</sup> 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 also of 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 2008 and 31st March 2009. Mr Pentz's US pension was fixed on 31st December 2005. The sterling equivalent of this pension has fluctuated over the year as a result of exchange rate movements. This is reflected in the transfer values.

The Remuneration Report was approved by the Board of Directors on 3rd June 2009 and signed on its behalf by:



**Robert Walvis**  
Chairman of the Management Development and Remuneration Committee