

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.

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 current and future 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.

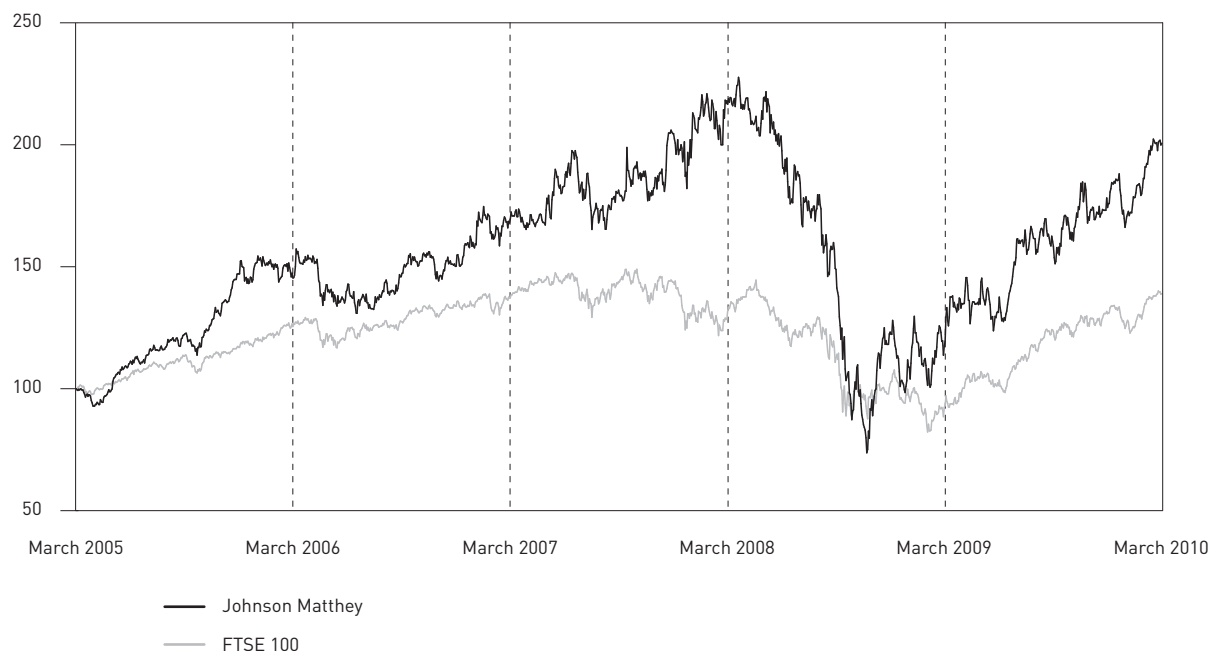
The Committee also recognises that there is a highly competitive market for successful executives and that the provision of appropriate rewards for superior performance is vital to the continued growth of the business. To assist with this, the Committee appoints and receives advice from independent remuneration 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 and other 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 2010 is available on the company's website at 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 normally reviewed by the Committee annually and a formal review is undertaken every three years. A triennial review was due to be held in 2009 but was delayed due to the uncertain market conditions at the time. It will be carried out in 2010, with any recommendations being implemented in 2011 subject to shareholder approval where necessary. 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 2005 to 31st March 2010 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2005. Johnson Matthey was ranked 70th by market capitalisation in the FTSE 100 as at 31st March 2010.



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Executive Remuneration

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 190 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 a maximum 100% of basic salary 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 2009/10 was 100% of basic salary at 31st March 2010 based on achieved PBT levels.
- **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 are made under the terms of the Johnson Matthey Long Term Incentive Plan 2007 (which also applies to the group's 850 senior and middle managers). Shares are released on the third anniversary of the allocation date and 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. Whilst it is intended that this level of allocation should normally only be made to the Chief Executive, the Committee approved an allocation of 170% of basic annual salary to the newly appointed Group Finance Director in 2009 to ensure close alignment of his objectives with those of the shareholders.

The allocations in 2007 and in 2008 were 150% of basic annual salary for the Chief Executive and 120% 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 underlying EPS. The minimum release, of 15% of the allocation, requires underlying EPS growth of 6% compound per annum over the three year period. For the maximum release of 100%

of the allocation, underlying 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. There is no retesting of the performance target and so allocations will lapse if underlying EPS growth is less than 6% compound per annum over the three year performance period.

In 2009 the Committee approved an adjustment to the performance targets for one year only to reflect the market conditions prevailing at the time of allocation. The top ten major shareholders were consulted regarding this adjustment. For the 2009 allocation only, the minimum release, of 15% of the allocation, requires underlying EPS growth of 3% compound per annum over the three year period, with no retesting of the performance target. For the maximum release of 100% of the allocation, underlying EPS must have grown by at least 10% compound per annum over the three year performance period. As a result of this adjustment, the level of award was reduced to 120% of basic annual salary for the Chief Executive and 100% for executive directors (except for the newly appointed Group Finance Director as explained above).

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

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 and these shares were released in 2009. No further allocations will be made under this plan. The allocations under this plan were subject to a relative total shareholder return (TSR) performance target. This compared the company's TSR over a three year performance period commencing in the year of allocation with that of a comparator group which comprised those companies placed 51-150 in the FTSE Index. All of the allocated shares were released if the company ranked in the 76th percentile or above. None of the shares were released if the company ranked in the 50th percentile or below. If the company ranked between these percentiles, 35% to 100% of the shares were released on a straight line basis. In addition, the company's EPS had to be at least equal to the increase in UK RPI plus 2% per annum over the three year performance period before any release was made. Shares were released on the third anniversary of the allocation date.

- **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 were subject to performance targets over a three year period. Options may be exercised upon satisfaction of the relevant performance targets. Approximately 800 employees were granted options under the 2001 Scheme each year.

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

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Executive Remuneration (continued)

The Committee had the discretion to award grants greater than 100% of basic annual salary. Grants which were made above this threshold were, however, subject to increasingly stretching performance targets. Grants between 100% and 125% of basic annual salary were subject to EPS growth of UK RPI plus 4% per annum and grants between 125% and 150% of basic annual salary were subject to EPS growth of UK RPI plus 5% per annum. The executive directors were granted options equal to 150% of basic annual salary. All the options, other than those granted in 2006 which were subject to EPS growth of UK RPI plus 5% per annum, have met their performance targets. The 2006 options which did not meet their performance targets have lapsed.

Options granted prior to 2004 – Prior to 2004, options granted to the executive directors under the 2001 Scheme were up to a maximum of 100% of basic annual salary each year. Such options were subject to a performance target of EPS growth of UK RPI plus 4% per annum over any three consecutive years during the life of the option. The performance target was subject to annual retesting until the lapse of the options on the tenth anniversary of grant. All of these options have met their performance targets.

There were 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.

Full disclosure of the pension arrangements are set out on pages 55 to 56.

- **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.

Former Directors

Dr P N Hawker and Messrs D W Morgan and J N Sheldrick left during the year.

Dr Hawker stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. He received compensation for loss of office in accordance with his service contract of £443,000 and statutory redundancy payment of £10,000. Of this amount, £205,860 was paid into the pension scheme.

Mr Morgan stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. He received compensation for loss of office in accordance with his service contract of £359,000, accrued holiday pay of £13,000, statutory redundancy payment of £8,000 and an additional year's credit into the pension scheme. To account for the credit in respect of this additional year's service, the compensation for loss of office payment was reduced by £23,000.

Mr Sheldrick retired on 7th September 2009 at the normal retirement age for directors of 60.

Directors' Emoluments 2009/10

	Date of service agreement	Date of appointment	Base salary £'000	Payment in lieu of pension ⁽¹⁾ £'000	Annual bonus £'000	Benefits £'000	Compensation for loss of office £'000	Total excluding pension £'000	Total prior year excluding pension £'000
Executive									
N A P Carson	1.8.99	1.8.99	700	175	700	21	–	1,596	979
R J MacLeod ⁽²⁾	3.2.09	22.6.09	294	–	285	12	–	591	–
L C Pentz ⁽³⁾	1.1.06	1.8.03	365	–	365	57	–	787	434
W F Sandford ⁽⁴⁾	21.7.09	21.7.09	209	52	200	10	–	471	–
Total Continuing Directors			1,568	227	1,550	100	–	3,445	1,413
Former Directors									
P N Hawker ⁽⁵⁾	1.8.03	1.8.03	113	28	113	8	453	715	487
D W Morgan ⁽⁶⁾	1.8.99	1.8.99	112	–	112	9	380	613	405
J N Sheldrick ⁽⁷⁾	24.11.97	3.9.90	194	48	185	6	–	433	626
Total Former Directors			419	76	410	23	833	1,761	1,518
Total			1,987	303	1,960	123	833	5,206	2,931

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Directors' Emoluments 2009/10 (continued)

	Date of letter of appointment	Date of appointment	Fees £'000	Total excluding pension £'000	Total prior year excluding pension ⁽¹¹⁾ £'000
Non-Executive ⁽⁸⁾					
Sir John Banham (Chairman)	10.12.05	1.1.06	280	280	270
Sir Thomas Harris	22.1.09	1.4.09	45	45	–
M J Roney	29.3.07	1.6.07	45	45	45
D C Thompson	22.5.07	1.9.07	45	45	45
A M Thomson	1.8.02	24.9.02	50 ⁽⁹⁾	50	50
R J W Walvis	1.8.02	24.9.02	50 ⁽¹⁰⁾	50	50
Total			515	515	460

The aggregate amount of remuneration paid or receivable to directors and non-executive directors totalled £5,721,000 (2009 £3,436,000).

Notes

- (1) Messrs Carson and Sandford 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 received an annual cash payment in lieu of pension equal to 25% of basic salary. This is taxable under the PAYE system.
- (2) Mr MacLeod's emoluments relate to the period from 22nd June 2009 to 31st March 2010. Mr MacLeod is a non-executive director of Aggreko plc. His fees for the period from 22nd June 2009 to 31st March 2010 in respect of this non-executive directorship were £37,200. This amount is excluded from the table above and retained by him.
- (3) Mr Pentz is a non-executive director of Victrex plc. His fees for the year in respect of this non-executive directorship were £41,000. This amount is excluded from the table above and retained by him.
- (4) Mr Sandford's emoluments relate to the period from 21st July 2009 to 31st March 2010.
- (5) Dr Hawker stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. Compensation for loss of office was in accordance with his service contract.
- (6) Mr Morgan stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. Compensation for loss of office was in accordance with his service contract.
- (7) Mr Sheldrick retired on 7th September 2009 at normal retirement age for executive directors of 60.
- (8) 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.
- (9) Includes £5,000 per annum for chairmanship of the Audit Committee.
- (10) Includes £5,000 per annum for chairmanship of the Management Development and Remuneration Committee.
- (11) Excludes the emoluments of Mr I C Strachan who retired on 31st March 2009. His emoluments were £45,000 bringing the total to £505,000.

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 2010 in the shares of the company were:

1. Ordinary Shares

	31st March 2010	31st March 2009
Sir John Banham	18,400	18,400
N A P Carson	174,027	143,258
Sir Thomas Harris	1,180	500 ⁽¹⁾
R J MacLeod	3,400	400 ⁽¹⁾
L C Pentz	24,968	19,464
M J Roney	3,000	3,000
W F Sandford	4,839	1,644 ⁽¹⁾
D C Thompson	9,721	9,721
A M Thomson	2,383	2,323
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 an employee share ownership trust (see note 32 on page 100).

Directors' interests as at 31st May 2010 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, Pentz and Sandford a further 45 shares each. In addition, Mr Carson has acquired 1 share through his automatic quarterly PEP reinvestment.

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Directors' Interests (continued)

2. Share Options

As at 31st March 2010, individual holdings by the directors under the company's executive share option schemes were as set out below. Options are not granted to non-executive directors.

	Date of grant	Ordinary shares under option	Exercise price (pence)	Date from which exercisable	Expiry date	Total number of ordinary shares under option
Continuing Directors:						
N A P Carson	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	59,481	1,282.00	26.7.09	26.7.16	218,282 (2009 248,214)
L C Pentz	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	17,185	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	28,765	1,282.00	26.7.09	26.7.16	114,482 (2009 145,617)
W F Sandford	26.7.06	18,868	1,282.00	26.7.09	26.7.16	18,868 (2009 18,868) ⁽¹⁾
Former Directors:						
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 ⁽²⁾ (2009 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 ⁽³⁾ (2009 144,613)
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	39,003	1,282.00	26.7.09	26.7.16	188,300 ⁽⁴⁾ (2009 196,101)

Notes

⁽¹⁾ At date of appointment.

⁽²⁾ At date ceased to be a director (21st July 2009). In accordance with the rules of the 2001 Scheme, Dr Hawker was permitted to retain his options upon cessation of his employment and was given six months from the date of his cessation of employment in which to exercise them, subject to the relevant performance targets being met. Dr Hawker has subsequently exercised all his remaining options (66,615 in total).

⁽³⁾ At date ceased to be a director (21st July 2009). In accordance with the rules of the 2001 Scheme, Mr Morgan was permitted to retain his options upon cessation of his employment and was given six months from the date of his cessation of employment in which to exercise them, subject to the relevant performance targets being met. Mr Morgan has subsequently exercised all his remaining options (138,762 in total).

⁽⁴⁾ At date of retirement as a director (7th September 2009). In accordance with the rules of the 2001 Scheme, Mr Sheldrick was permitted to retain his options upon his retirement and was given six months from the date of his retirement in which to exercise them. Mr Sheldrick has subsequently exercised all his remaining options.

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Directors' Interests (continued)

2. Share Options (continued)

Between 1st April 2009 and 31st March 2010 the following options were exercised by directors and former directors:

	Date of grant	Date of exercise	Options exercised	Exercise price (pence)	Market price on exercise (pence)
Continuing Directors:					
N A P Carson	22.7.99	12.6.09	18,035	585.50	1,228.32
L C Pentz	22.7.99	5.6.09	12,158	585.50	1,224.00
	17.7.03	10.6.09	5,000	898.00	1,232.00
	19.7.00	1.12.09	8,224	942.00	1,500.00
Former Directors:					
P N Hawker	20.7.05	16.10.09	37,850	1,070.00	1,474.04
	26.7.06	16.10.09	28,765	1,282.00	1,474.04
D W Morgan	17.7.02	17.12.09	21,965	865.00	1,519.00
	17.7.03	18.12.09	26,726	898.00	1,504.30
	20.7.05	30.12.09	6,542	1,070.00	1,530.00
	20.7.05	5.1.10	6,542	1,070.00	1,579.00
	20.7.05	8.1.10	26,168	1,070.00	1,595.00
	18.7.01	15.1.10	18,098	1,083.00	1,620.25
	17.7.02	15.1.10	3,468	865.00	1,613.00
	26.7.06	19.1.10	15,000	1,282.00	1,623.70
	26.7.06	29.1.10	8,402	1,282.00	1,466.50
	26.7.06	29.1.10	5,851	1,282.00	1,460.00
J N Sheldrick	17.7.02	17.9.09	3,468	865.00	1,494.00
	17.7.02	17.9.09	31,214	865.00	1,486.05
	17.7.03	20.10.09	36,191	898.00	1,501.00
	20.7.05	11.11.09	8,761	1,070.00	1,525.00
	20.7.05	12.11.09	8,761	1,070.00	1,530.00
	20.7.05	13.11.09	10,000	1,070.00	1,550.00
	20.7.05	16.11.09	25,048	1,070.00	1,575.00
	18.7.01	18.11.09	10,000	1,083.00	1,620.00
	18.7.01	10.2.10	15,854	1,083.00	1,520.00
	26.7.06	11.2.10	16,202	1,282.00	1,573.00
	26.7.06	1.3.10	15,000	1,282.00	1,612.00
	26.7.06	2.3.10	7,801	1,282.00	1,635.00

Gains made on exercise of options by the directors (including amounts after they ceased to be directors) during the year totalled £2,106,852 (2009 £208,496).

The closing market price of the company's shares at 31st March 2010 was 1,746 pence. The highest and lowest closing market prices during the year ended 31st March 2010 were 1,761 pence and 1,070 pence respectively.

Between 1st April 2009 and 31st March 2010 the following options lapsed as the relevant performance target was not met:

	Date of grant	Date of lapse	Options lapsed
Continuing Directors:			
N A P Carson	26.7.06	26.7.09	11,897
L C Pentz	26.7.06	26.7.09	5,753
W F Sandford	26.7.06	26.7.09	3,774
Former Directors:			
P N Hawker	26.7.06	26.7.09	5,753
D W Morgan	26.7.06	26.7.09	5,851
J N Sheldrick	26.7.06	26.7.09	7,801

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Directors' Interests (continued)

3. LTIP Allocations

Share allocations made prior to 2007

Number of allocated shares:

	As at 31st March 2009	Shares released during the year	Allocations lapsed during the year	As at 31st March 2010
Continuing Directors:				
N A P Carson	56,148	42,112	14,036	–
L C Pentz	21,723	16,292	5,431	–
W F Sandford	12,665 ⁽¹⁾	9,499	3,166	–
Former Directors:				
P N Hawker	21,723	16,292	5,431	–
D W Morgan	22,091	16,568	5,523	–
J N Sheldrick	29,455	22,092	7,363	–

⁽¹⁾ At date of appointment.

On 3rd August 2009 shares allocated in 2006 (at an allocation price of 1,358 pence) under the LTIP were 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 75% of the allocated shares. This resulted in the following gains:

	Number of shares released	Share price when released (pence)	Gain £
Continuing Directors:			
N A P Carson	42,112	1,401.619	590,250
L C Pentz	16,292	1,401.619	228,352
W F Sandford	9,499	1,401.619	133,140
Former Directors:			
P N Hawker	16,292	1,401.619	228,352
D W Morgan	16,568	1,401.619	232,220
J N Sheldrick	22,092	1,401.619	309,646
Total			1,721,960

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

Number of allocated shares:

	As at 31st March 2009	Allocations during the year	Market price at date of allocation (pence)	Lapsed during the year	As at 31st March 2010 ⁽²⁾
Continuing Directors:					
N A P Carson	112,943	71,611	1,173.00	–	184,554
R J MacLeod	– ⁽¹⁾	55,072	1,173.00	–	55,072
L C Pentz	44,180	31,116	1,173.00	–	75,296
W F Sandford	30,586 ⁽¹⁾	25,575	1,173.00	–	56,161
Former Directors:					
P N Hawker	44,180	–	–	21,710	22,470
D W Morgan	43,858	–	–	21,497	22,361
J N Sheldrick	58,017	37,936	1,173.00	62,772	33,181

Notes

⁽¹⁾ At date of appointment.

⁽²⁾ Under the rules of the Johnson Matthey Long Term Incentive Plan 2007, Dr Hawker, Mr Morgan and Mr Sheldrick have retained their share allocations.

These will be released on the normal release dates (the third anniversary of the allocation dates) subject to the performance targets over the whole of the performance periods. The extent to which the allocations will be released is subject to pro rating based on the time which has elapsed from the allocation dates to the dates of cessation of employment / retirement.

REMUNERATION REPORT

Pensions

Pensions and life assurance benefits for the executive directors are currently provided through the company's 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 also a registered scheme for the purposes of the Finance Act 2004.

All pension accruals under the final salary sections of JMEPS ceased on 31st March 2010. From 1st April 2010, retirement benefits for UK employees are being provided through a defined benefit career average salary pension arrangement (called the Johnson Matthey Pension Plan – JMPP). This includes executive directors whose benefits do not exceed the Life Time Allowance. JMPP is a subsidiary section of JMEPS. Defined benefits based on career average salaries are non-contributory. Members may pay contributions to a defined contribution account and the company will match contributions up to 3% of pensionable pay contributed each year.

Executive directors whose retirement benefits are valued in excess of the Life Time Allowance may withdraw from pensionable service

and receive instead a supplemental payment of 25% of basic salary each year. Mr Carson, Dr Hawker and Mr Sandford withdrew from pensionable service 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 change in accrued pensions for these directors in the tables below is attributable solely to the increase in basic salary in 2009/10 and the effect of negative inflation. The supplemental payments received by Mr Carson, Dr Hawker, Mr Sandford and Mr Sheldrick are reflected in the table on page 50. The payments for Dr Hawker and Mr Sheldrick ceased when they left employment on 31st July 2009 and 7th September 2009 respectively.

Member contributions paid by executive directors to the final salary sections of JMEPS increased from 6% to 7% with effect from 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.

a. United Kingdom Listing Authority Listing Rules

	Age as at 31st March 2010	Years of JMEPS pensionable service at 31st March 2010	Directors' contributions to JMEPS during the year ^(1,2) £'000	Increase in accrued pension during the year (net of inflation) ⁽³⁾ £'000 pa	Total accrued pension as at 31st March 2010 ⁽⁴⁾ £'000 pa	Total accrued pension as at 31st March 2009 £'000 pa	Transfer value of increase in accrued pension (less directors' contributions) ⁽⁵⁾ £'000
Continuing Directors:							
N A P Carson	52	25	–	5	329	329	69
R J MacLeod ⁽²⁾	45	1	–	4	4	–	27
L C Pentz ⁽⁶⁾	54	25	26	11	83	76	148
W F Sandford	56	28	–	23	155	135	399
Former Directors:							
P N Hawker ^(7,9)	56	20	–	1	160	160	13
D W Morgan ^(8,9)	52	20	8	13	77	65	173
J N Sheldrick ⁽¹⁰⁾	60	17	–	4	73	69	89

b. Directors' Remuneration Report Regulations 2002

	Directors' contributions to JMEPS in the year ^(1,2) £'000	Increase in accrued pension in the year £'000 pa	Total accrued pension as at 31st March 2010 ⁽⁴⁾ £'000 pa	Transfer value of accrued pension as at 31st March 2010 ⁽⁵⁾ £'000	Transfer value of accrued pension as at 31st March 2009 ⁽⁵⁾ £'000	Increase in transfer value (net of directors' contributions) £'000
Continuing Directors:						
N A P Carson	–	–	329	4,952	3,921	1,031
R J MacLeod ⁽²⁾	–	4	4	27	–	27
L C Pentz ⁽⁶⁾	26	10	83	1,052	805	227
W F Sandford	–	20	155	2,734	2,005	729
Former Directors:						
P N Hawker ^(7,9)	–	–	160	2,712	2,421	291
D W Morgan ^(8,9)	8	12	77	1,090	730	352
J N Sheldrick ⁽¹⁰⁾	–	4	73	1,503	1,310	193

REMUNERATION REPORT

Pensions (continued)

Notes

- ⁽¹⁾ With the exception of Mr MacLeod who accrued benefits under JMPP, member contributions to the final salary section of JMEPS were paid at the general scheme rate of 7% of pensionable pay.
- ⁽²⁾ Mr MacLeod joined JMPP when he was appointed to the board on 22nd June 2009 and has paid voluntary contributions of 3% of pensionable pay to the defined contribution arrangement. In accordance with JMPP rules, the company paid a matching contribution of £8,550 into his defined contribution account.
- ⁽³⁾ The disclosure regulations require the pension accrued to the end of the previous year to be adjusted for inflation. In a period of negative inflation, this adjustment effectively reduces the previous year's accrued pension. For example, in the case of Mr Carson for whom there was no change in pensionable salary or service during the year, the increase in accrued pension is entirely due to the effect of negative inflation. Inflation was -1.4% for the year to 30th September 2009 as prescribed by the Revaluation Order (SI 2008 No. 3070) issued under the Pensions Schemes Act 1993.
- ⁽⁴⁾ The entitlement shown under 'Total accrued pension at 31st March 2010' is the pension which would be paid annually from normal retirement, based on pensionable service to 31st March 2010 (except in the case of Messrs Carson and Sandford whose pensionable service ceased on 31st March 2006). The pension would be subject to an actuarial reduction for each month that retirement precedes age 60.
- ⁽⁵⁾ The transfer values have been calculated on the basis of actuarial advice in accordance with the 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 value in the United Kingdom Listing Authority Listing Rules is the value of the increase (net of inflation) in the accrued pension as at 31st March 2010. 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.
- ⁽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 2009 and 31st March 2010. 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⁾ Dr Hawker stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. He chose to draw his retirement benefits immediately with effect from 1st August 2009 and his pension was reduced appropriately to take account of early retirement. Dr Hawker's pensionable service stopped on 31st March 2006 and the increase in pension is attributable only to an increase in basic salary. The company made an additional payment into JMEPS of £205,860 on a defined contribution basis.
- ⁽⁸⁾ Mr Morgan stepped down from the board on 21st July 2009 and his employment ceased on 31st July 2009. He has not drawn his retirement benefits, but holds a deferred pension in the scheme. In lieu of a contractual bonus earned in 2008/09, the company made an additional payment into JMEPS of £50,250 on a defined contribution basis.
- ⁽⁹⁾ Any tax liability arising out of regulations under the Finance Act 2009 that may become chargeable on the additional payments for Dr Hawker and Mr Morgan is the responsibility of these individuals.
- ⁽¹⁰⁾ Mr Sheldrick retired from the board at his normal retirement date, age 60, on 7th September 2009 and payment of his pension started from that date. As his pensionable service stopped on 31st March 2008, the increase in pension is attributable only to an increase in basic salary.

The Remuneration Report was approved by the Board of Directors on 2nd June 2010 and signed on its behalf by:



Robert Walvis

Chairman of the Management Development and Remuneration Committee