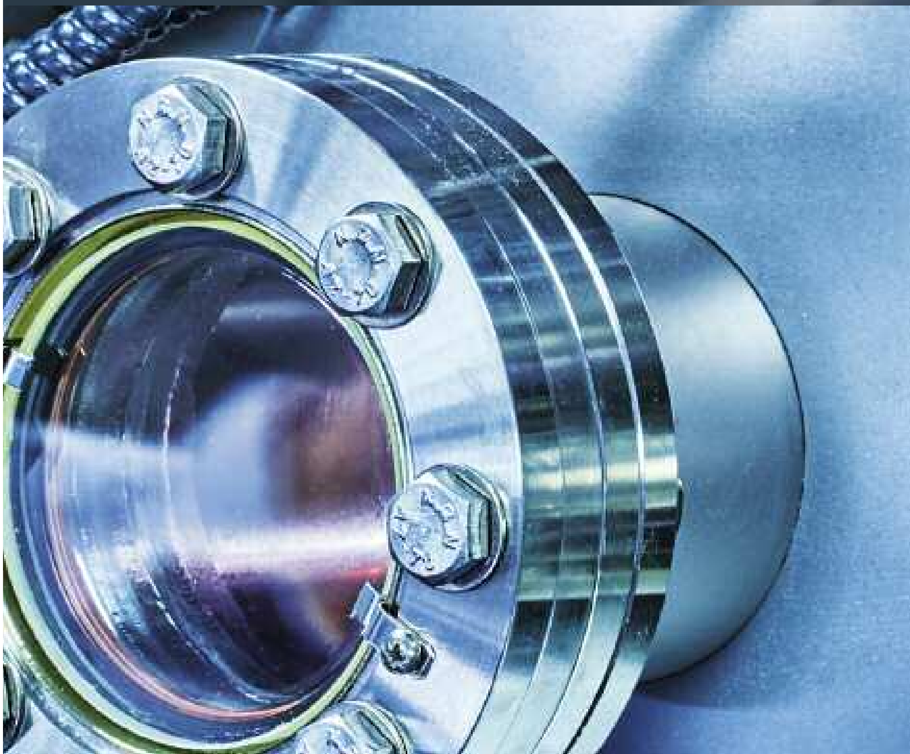
4. Governance

The Corporate Governance section, introduced by our Chairman, contains details about the activities of the board and its committees during the year.

It also contains the Directors' Report and the statement on responsibilities of directors.



Contents

Governance

Board of Directors







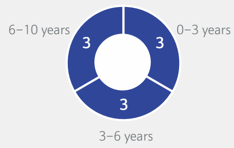


Board Diversity

Gender

Male	Female
67%	33%

Board Tenure



Dorothy Thompson retired as a Non-Executive Director with effect from 20th July 2016.

Den Jones resigned from the board as Group Finance Director at the Annual General Meeting on 20th July 2016 and left Johnson Matthey on 31st July 2016.

Anna Manz joined the board as Chief Financial Officer on 17th October 2016.

Jane Griffiths was appointed as a Non-Executive Director, joining the board with effect from 1st January 2017.

Simon Farrant – General Counsel and Company Secretary
Joined Johnson Matthey: 1994

Experience
Appointed Company Secretary in 1999 and Group Legal Director in 2007. He is a Solicitor and Attorney and Counselor-at-Law (State of New York).

Tim Stevenson, OBE – Chairman
Appointed to board: March 2011

Experience
Tim was appointed Chairman in July 2011. Tim was Chairman of The Morgan Crucible Company plc from December 2006 to July 2012 and Chairman of Travis Perkins plc from November 2001 to May 2010. He has also sat on a number of other boards including National Express plc, Partnerships UK and Tribal PLC. He was Chief Executive at Burmah Castrol plc from 1998 to 2000. He is a qualified barrister and is Lord Lieutenant of Oxfordshire.

Other Current Appointments
Director of the Emmott Foundation Limited.

Committees
Remuneration Committee, Nomination Committee (Chairman)

International Experience
Spain, UK

Sector Experience
Chemicals, Manufacturing, Oil and Gas, Retail

Robert MacLeod – Chief Executive
Appointed to board: June 2009

Experience
Robert was appointed as Chief Executive in June 2014 having joined Johnson Matthey as Group Finance Director in 2009. Previously he was Group Finance Director of WS Atkins plc and a Non-Executive Director at Aggreko plc. He is a Chartered Accountant with a degree in Chemical Engineering.

Other Current Appointments
Non-Executive Director at RELX PLC, RELX NV and RELX Group plc.

International Experience
UK, US

Sector Experience
Chemicals, Oil and Gas, Professional Services

Anna Manz – Chief Financial Officer
Appointed to board: October 2016

Experience
Anna joined Johnson Matthey as Chief Financial Officer in October 2016. She was previously Group Strategy Director and a member of the Executive Committee at Diageo plc. During 17 years at Diageo, Anna held a series of senior roles, including Finance Director Spirits North America, Group Treasurer and Finance Director Asia Pacific. Anna is a qualified management accountant with a degree in Chemistry.

Other Current Appointments
Non-Executive Director at ITV plc.

International Experience
China, India, Ireland, Kenya, Korea, Nigeria, Singapore, UK, US

Sector Experience
Manufacturing, Media

Alan Ferguson – Senior Independent Director
Appointed to board: January 2011

Experience
Alan was appointed a Non-Executive Director of Johnson Matthey in January 2011 and as Senior Independent Director in July 2014. He was previously Chief Financial Officer and a Director of Lonmin Plc. Prior to this he was Group Finance Director of The BOC Group. Before joining BOC, he worked for Inchcape plc for 22 years and was Group Finance Director from 1999 until 2005. He is a Chartered Accountant and sits on the Business Policy Panel of the Institute of Chartered Accountants of Scotland.

Other Current Appointments
Non-Executive Director and Chairman of the Audit Committee at Croda International Plc, The Weir Group PLC and Marshall Motor Holdings plc, where he is also Senior Independent Director.

Committees
Audit Committee (Chairman), Remuneration Committee, Nomination Committee

International Experience
South Africa, UK

Sector Experience
Automotive, Chemicals, Mining

Odile Desforges – Non-Executive Director
Appointed to board: July 2013

Experience
Odile's automotive industry experience began with the French Government's Transport Research Institute and developed with Renault SA and AB Volvo. She has held senior positions in purchasing, product planning, development and engineering, including as Chairman and Chief Executive Officer of the Renault-Nissan Purchasing Organization (RNPO) and most recently as Executive Vice President, Engineering and Quality at Renault. She was appointed a Knight of the French Legion of Honour in 2009.

Other Current Appointments
Non-Executive Director of Safran SA, Dassault Systèmes, Imerys and Faurecia.

Committees
Audit Committee, Remuneration Committee, Nomination Committee

International Experience
France, Japan, Sweden, UK

Sector Experience
Aerospace, Automotive, Defence, Manufacturing, Technology

Jane Griffiths – Non-Executive Director
Appointed to board: January 2017

Experience
Jane is currently Company Group Chairman of Janssen EMEA, the pharmaceutical arm of Johnson & Johnson (J&J). Since joining J&J in 1982 Jane's roles have included international and affiliate strategic marketing, sales management, product management, general management and clinical research. Jane is Director and Chair of the J&J Corporate Citizenship Trust in EMEA, a sponsor of the J&J Women's Leadership Initiative.

Other Current Appointments
Company Group Chairman of Janssen EMEA, Director and Chair of the Johnson & Johnson Corporate Citizenship Trust in EMEA. In addition to the above current appointments, Jane is Director of Johnson & Johnson Innovation Limited and a member of the Corporate Advisory Board of the 'Your Life' campaign.

Committees
Audit Committee, Remuneration Committee, Nomination Committee

International Experience
Africa, Middle East, UK

Sector Experience
Pharmaceuticals

Colin Matthews, CBE, FREng – Non-Executive Director
Appointed to board: October 2012

Experience
Colin has been Chief Executive Officer of Heathrow Airport (previously BAA), Hays plc and Severn Trent plc. He was also Managing Director of Transco and Engineering Director of British Airways. Prior to this he worked in strategy consulting for the motor industry and at General Electric Company. He has also served as Non-Executive Director of Mondi plc.

Other Current Appointments
Non-Executive Chairman at Highways England and Renewi plc.

Committees
Audit Committee, Remuneration Committee (Chairman), Nomination Committee

International Experience
Canada, France, Japan, UK

Sector Experience
Aerospace, Infrastructure, Professional Services, Technology, Utilities

Chris Mottershead – Non-Executive Director
Appointed to board: January 2015

Experience
Prior to joining King's College in 2009, Chris had a 30 year career at BP, most recently as Global Advisor on Energy Security and Climate Change. Before this, he was Technology Vice President for BP's Global Gas, Power and Renewables businesses, and was also the technical manager for its North Sea exploration and production activities. He is a Chartered Engineer and Fellow of the Royal Society of Arts.

Other Current Appointments
Senior Vice President of Quality, Strategy and Innovation at King's College London and Director of King's College London Business Limited. Non-Executive Director of The Carbon Trust, Carbon Trust Investments Limited and Imanova Limited.

Committees
Audit Committee, Remuneration Committee, Nomination Committee

International Experience
UK, US

Sector Experience
Energy, Oil and Gas

John Walker – Sector Chief Executive, Clean Air
Appointed to board: October 2013

Experience
John joined Johnson Matthey in 1984 and was appointed Division Director, Emission Control Technologies in 2009 after holding a series of positions within the division in the US, Asia and Europe. He was appointed Executive Director, Emission Control Technologies in October 2013 (division subsequently renamed Clean Air Sector in April 2017).

International Experience
Australia, China, France, Germany, India, Japan, Malaysia, UK, US

Sector Experience
Automotive, Chemicals

At the date of approval of this annual report, the Board of Directors of Johnson Matthey is as detailed above.

Letter from the Chairman

Good governance is fundamental to a successful company. We believe we have a governance framework which fits our needs and is effective.

Tim Stevenson
Chairman

This section of the annual report describes our corporate governance structures and processes and how they have been applied throughout the year ended 31st March 2017.

My Role as Chairman

My most important role is to ensure that Johnson Matthey has a board which works effectively under my leadership. I believe we have an effective board. We report on pages 82 to 84 on our board and committee review, which we conducted internally this year. I see open and constructive evaluation as integral to improving our effectiveness.

Our governance arrangements continue to be right for the company. They effectively support our strategy and business model and will enable us to respond to any challenges we may face. For me, ensuring the right dynamics of the board is vital. I am pleased to say that overall we have strong contributions and challenge from all our directors in an open and constructive atmosphere. This is in large part created by having a board comprising directors with a broad range and balance of skills, expertise and attributes. As Chairman, I lead the setting of the board's agenda and I pay considerable attention to ensuring we have a plan which allows for appropriate time to discuss all necessary items, particularly the development of strategy and the consideration of risk.

A key part of the board's role is to take effective steps in shaping and embedding a healthy corporate culture throughout our organisation. This is fundamental to being able to build sound governance behaviours and practices, all of which support the success of our company. We describe the board's activities in the year on pages 78 and 79.

Risk Management

Risk management is an important part of our wider discussion of strategy and our operating model. In this report, we aim to demonstrate how our strategy is underpinned by a robust risk management framework.

Succession Planning and Diversity

Ensuring that the group employs a process of thoughtful, strategic and practical succession planning is a key role for the board in nurturing our culture, sustaining our operating model and delivering our strategy. The board itself needs to be refreshed over time, drawing on an appropriately diverse talent pool. We recognise the benefits of bringing greater diversity throughout the organisation and in the boardroom. I am pleased that we now have real momentum in this area. We explain our approaches to this component of board effectiveness in this report.

The UK Corporate Governance Code

We are reporting this year against the 2014 version of the UK Corporate Governance Code and against the additional provisions in the 2016 revised version of the Code. We report on how we have applied the Code's main principles and complied with its relevant provisions. Except in one respect (which is explained on page 86), Johnson Matthey has complied with all relevant provisions throughout the year ended 31st March 2017 and from that date up to the date of approval of this annual report.

Tim Stevenson
Chairman

Getting to Know the Business

In order for our directors, particularly our Non-Executive Directors, to effectively discharge their responsibilities, it is critical that they understand our business.

At each board meeting we review the delivery against strategy of our divisions, either focusing on the whole division or businesses within it. These sessions are attended by the relevant division director and, where appropriate, other divisional senior management. They give the board an excellent opportunity to hear about, discuss and challenge the strategic direction of our business.

Throughout the year, the board also reviews our key functional areas. These reviews are attended by the relevant functional head and, where appropriate, other senior functional management. They enable the board to assess the strength of these functions in their ability to support delivery of the group's strategic objectives.

Last year, we introduced business 'teach-ins' for our board. These are half day sessions, separate from board meetings, which are attended by a range of managers from the relevant business. They are designed to give the board a more in depth insight into our businesses and their customers than is possible during board meetings. This deeper understanding enhances the Non-Executive Directors' ability to challenge, debate and contribute to divisional strategy at board meetings. A teach-in was held during the year on Process Technologies at its facility in Paddington, London (September 2016).

While the majority of our board meetings are held at our City office in London, the board holds two board meetings each year at operational sites. The board always tours the site and management present to them on the business, its challenges and successes. These visits enable the board to see our operations on the ground and to meet the teams that are making them successful. They are a useful opportunity for the board to hear about customers, business issues, risks and strategy as well as environment, health and safety developments and the business' sustainability and manufacturing efforts.

During 2016/17, board meetings were held at our manufacturing site at Royston, UK (April 2016) and in Philadelphia, US (October 2016). At Royston, the board visited Emission Control Technologies to learn more about manufacturing operations and capital projects. During the US visit the board toured our Precious Metal Products' Services business at West Deptford, the focus being on our platinum group metal recycling and refining operations. The board also visited our Fine Chemicals' Active Pharmaceutical Ingredient Manufacturing business' facility at Riverside. Areas of focus included our business' manufacturing operations, customers and partners.

Our Non-Executive Directors also undertake visits to our sites independent of the Executive Directors, either individually or collectively, to further enhance their knowledge and understanding, meeting with management and other employees. During the year, for example, some of our Non-Executive Directors visited our battery materials manufacturing facility at Candiac, Canada, while others visited our Fine Chemicals' operations at Devens near Boston, US, to hear more about the site and the business.

Tim Stevenson and the majority of our Non-Executive Directors also attended for part of the 2016 company conference, which gave them an opportunity to get a feel for the group's culture, hear more about the group's priorities in action and meet employees from across all our divisions and functions.

All of the above activities enable the Non-Executive Directors to continue to develop and refresh their knowledge and understanding of our businesses, the markets in which we operate and our key relationships. They are also important for building links with our employees. Through these, the board develops a sound and balanced insight into the group, which supports it in its role to provide entrepreneurial leadership and set strategy. This has been particularly important this year as we have reviewed our strategy, as explained by Robert MacLeod on pages 6 and 7.

Corporate Governance Report

Introduction

Our board of directors is responsible to our shareholders for ensuring the sound running of the company. This can only be achieved if the board is supported by appropriate and well managed governance processes. The key elements of these are described in this Corporate Governance Report.

UK Corporate Governance Code

The UK Corporate Governance Code (the Code) contains broad principles and specific provisions which set out standards of good practice in relation to **leadership, effectiveness, remuneration, accountability and relations with shareholders.** This Corporate Governance Report is structured to report against the 2014 version of the Code (as well as the provisions of the 2016 revised version of the Code) by reference to each of these key areas. Together with the Nomination Committee Report, the Audit Committee Report and the Remuneration Report, it describes how we have complied with the relevant provisions of the Code and applied its main principles during the year.

Leadership

Governance Framework

The group's principal decision making body is the board. It has responsibility for setting the group's strategic direction and for ensuring that the group manages risk effectively. The board is accountable to shareholders for the group's financial and operational performance. Responsibility for implementing operational decisions and the day to day management of the business is delegated to the Chief Executive who is supported by the Group Management Committee (GMC). The GMC is supported by three sub-committees – the Group Policy and Compliance Committee, the Finance and Administration Committee, and the Contracts Review Committee.

There is a clear division of responsibilities between the running of the board and the executive responsibility for running the business. The board has identified certain matters which only it can approve. These are set out in a schedule of matters reserved for the board. The Chairman's and Chief Executive's roles are separate and this division of responsibilities is clearly established in a written statement. Further information is set out on our website.

> Read more on page 77.

Go online: www.matthey.com/investor/governance

Board Meetings

Each year the board agrees an annual agenda plan. This year, in particular, the board has sought to ensure there is sufficient time to discuss strategy so that the Non-Executive Directors have the opportunity to challenge and help develop strategy proposals.

Our board usually meets formally six times a year. These are shown below for this year.

Date of board meeting	Location	Additional activities
7th April 2016	Royston, UK	Tour of Emission Control Technologies' plant
31st May 2016	London, UK	–
19th July 2016	London, UK	–
4th October 2016	West Deptford and Riverside, US	Tour of Precious Metal Products' Services and Fine Chemicals' sites
15th November 2016	London, UK	–
31st January 2017	London, UK	–

During the year, board members also participated in two scheduled conference calls to give the Executive Directors the opportunity to update the Non-Executive Directors on key matters between board meetings.

Chairman

Tim Stevenson

Key responsibilities

- Leads the board.
- Ensures an effective board, including effective contribution from the directors.
- Ensures that Johnson Matthey maintains effective communications with its shareholders.

Board

Membership

Nine directors (Chairman, three Executive Directors and five independent Non-Executive Directors).

Role

- Provides entrepreneurial leadership of the company and direction for management.
- Has collective responsibility and accountability to shareholders for the long term success of the group.
- Reviews the performance of management and the operating and financial performance of the group.
- Sets strategy.
- Determines risk appetite.
- Ensures that appropriate risk management and internal control systems are in place.
- Sets the company's values and standards.
- Ensures good governance and promotes good behaviour.

Executive Directors

Robert MacLeod
Anna Manz
John Walker

Key responsibilities

- Have specific executive responsibilities.
- Discharge duties in respect of the group as a whole.

Senior Independent Director

Alan Ferguson

Key responsibilities

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

Non-Executive Directors

Odile Desforges
Alan Ferguson
Jane Griffiths
Colin Matthews
Chris Mottershead

Key responsibilities

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

Chief Executive

Robert MacLeod

Key responsibilities

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

Company Secretary

Simon Farrant

Key responsibilities

- Acts as secretary to the board and its committees.
- Together with the Chairman, keeps the efficacy of the company's and the board's governance processes under review.
- Has responsibility for compliance with board procedures.
- Provides advice on corporate governance issues.

Audit Committee

Membership

Five independent Non-Executive Directors.
Chaired by Alan Ferguson.

Role

Assists the board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management and in maintaining an appropriate relationship with our external auditor, including recommending reappointment or a requirement to tender.

Nomination Committee

Membership

Five independent Non-Executive Directors and the group Chairman.
Chaired by Tim Stevenson.

Role

- Considers structure, size, composition and succession needs of the board.
- Oversees succession planning for senior executives.

Remuneration Committee

Membership

Five independent Non-Executive Directors and the group Chairman.
Chaired by Colin Matthews.

Role

- Sets remuneration policy for executive directors and the Chairman and determines the application of that policy.
- Reviews and monitors the level and structure of remuneration for senior executives.

Disclosure Committee

Membership

The Chief Executive, Chief Financial Officer and the Company Secretary.
Chaired by Robert MacLeod.

Role

To identify and control inside information or information which could become inside information, and to determine how or when that information is disclosed in accordance with applicable legal and regulatory requirements.

Ethics Panel

Membership

The Company Secretary and three executive heads of functions.
Chaired by Simon Farrant.

Role

To oversee the concerns raised pursuant to the speak up policy, including the effective review and investigation of these concerns.

Group Management Committee

Membership

Chief Executive, Chief Financial Officer, Sector Chief Executives, Chief HR Officer, Chief Technology Officer, General Counsel and Company Secretary.

Role

Has responsibility for the executive management of the group's businesses. Recommends strategic and operating plans to the board.

Group Policy and Compliance Committee

Chaired by John Walker.

Role

Provides leadership, oversight and assurance in relation to certain environment, health and safety, sustainability, human resources and ethics and compliance matters.

Finance and Administration Committee

Chaired by Anna Manz.

Role

Has responsibility for certain of the group's finance and corporate restructuring matters.

Contracts Review Committee

Chaired by Simon Farrant.

Role

Reviews contract and litigation risk for the group.

4. Governance

During the year, the board focused on a number of specific areas which are outlined in the following table. Links to the group's 12 principal risks (below) are also highlighted in the table.

1. Existing Market Outlook
2. Future Revenue Growth
3. Maintaining our Competitive Advantage
4. Environment, Health and Safety
5. Sourcing of Strategic Materials
6. People
7. Security of Metal and Highly Regulated Substances
8. Intellectual Capital Management
9. Failure of Significant Sites
10. Ethics and Compliance
11. Business Transition
12. Product Quality

Principal Board Activities

Activities	Key outcomes	Page reference	Link to principal risks
Strategy			
• Reviewed proposed strategic plans in detail.	Approved refreshing of strategy.	6	1 2 3 4 5 6 7 8 9 10 11 12
• Reviewed Battery Technologies (including battery materials) strategy.	Approved strategy.	42	1 2 3
• Reviewed Precious Metal Products' strategy.	Approved strategy.	38	1 3 7
• Considered Process Technologies' strategic planning.	Elements of plan challenged for further review.	34	1 3
• Reviewed Emission Control Technologies' strategy.	Approved strategy and reviewed investment opportunities to support growth.	30	1 3
• Reviewed innovation.	Endorsed the approach being taken to develop the research and development portfolio and the growth initiatives to build on technical competences.	13	1 2 3
• Considered sustainability goals beyond 2017.	Approved the sustainable business goals to 2025.	51	3 4 5 6
• Reviewed brand proposals.	Considered brand refresh and the programme of delivery to support Johnson Matthey's 200th anniversary.	6	3 6 11
• Reviewed the implications of the UK leaving the EU.	Assessed areas of potential impact and identified issues of unique importance to Johnson Matthey.	18	1 2 4 5 6 8 11 12
• Received a half day deep dive teach-in on Process Technologies.	Helped to facilitate board strategic review and discussion.	75	1 8
Environment, Health and Safety (EHS)			
• Reviewed EHS performance at each board meeting.	Reviewed significant incidents including management response and actions and the outcomes of safety audits.	61	4
• Considered significant EHS incidents. • Reviewed key areas of focus and effectiveness of EHS reporting and management processes.	Reviewed progress on the launch of a new EHS reporting tool.	62	4

Activities	Key outcomes	Page reference	Link to principal risks
Risk and Governance			
• Reviewed board's responsibilities in relation to risk assessment and monitoring of risk management and internal control systems. • Reviewed principal risks, mitigating actions, key assurance activities and risk appetite.	Agreed processes. Assessed and agreed principal risks and the management and mitigation of these risks.	16	1 2 3 4 5 6 7 8 9 10 11 12
• Reviewed key findings of board, committee and Chairman performance evaluation.	Actions agreed.	83	–
• Reviewed directors' conflicts of interest and Non-Executive Directors' independence. • Reviewed the key features of the EU Market Abuse Regulations.	Approved a new inside information policy and established a Disclosure Committee to assist the board in identifying and controlling inside information.	77	
• Considered a recommendation in respect of the creation and governance of a new committee to oversee concerns raised pursuant to the speak up policy.	Agreed that the Ethics Panel be created, reporting to the Board.	77	10
Financial and Operational			
• Reviewed group budget and three year plan. • Reviewed full year results, half-yearly results, trading updates and the annual report.	Approved.	84	1 2 3 4 5 6 8 9 11 12
• Reviewed the group's going concern and viability statements.		47	
• Reviewed the group's dividend policy and proposals in respect of dividends.		46	
Reviewed progress on the development and implementation of groupwide IT and business information systems, including KPMG assurance.	Challenged progress and reviewed the scope of the project.		8 9 10 11 12
• Considered capital investment proposals.	Approved capital investment for battery materials business.	42	1 2 3 5
Shareholder Engagement			
• Reviewed analyst and investor feedback following full year and half-yearly results announcements. • Reviewed proposed results presentations to investors and analysts. • Received an update from one of our brokers, JP Morgan Cazenove, regarding share price performance, market perceptions and relevant macroeconomic factors.	Key reflections taken into account.	51 and 85	–
Our Values			
• Received a legal, ethics and compliance and intellectual property risk update.	Reviewed risks and mitigations.	20-21	8 10
• Reviewed the Modern Slavery and Transparency Statement.	Approved.	53	
Leadership and People			
• Reviewed our people strategy in relation to recruitment, development and support, reward and retention, culture and values and supporting change.	Considered the key actions required by the HR function to implement the people strategy.	55	6 10 11
• Reviewed the results of a global employee survey.	Agreed priority themes to determine actions.	56	
• Considered board succession.	Approved the appointments of Anna Manz as Chief Financial Officer and Jane Griffiths as a Non-Executive Director.	88	

> Read more about our strategy on pages 8 and 9.

> Read more about our principal risks on pages 16 to 21.

4. Governance

Board Committees

Our board has three principal committees: the Nomination Committee, the Audit Committee and the Remuneration Committee.

Go online: www.matthey.com/investor/governance

Board Attendance

The attendance of members at board meetings during the year was as follows:

	Role	Date of appointment to board	Number of meetings eligible to attend	Number of meetings attended	% attended
Tim Stevenson	Chairman	29th March 2011[1]	6	6	100%
Odile Desforges	Non-Executive Director	1st July 2013	6	6	100%
Alan Ferguson	Non-Executive Director	13th January 2011	6	6	100%
Jane Griffiths	Non-Executive Director	1st January 2017	1	1	100%
Den Jones	Group Finance Director	5th June 2014	3[3]	3	100%
Robert MacLeod	Chief Executive	22nd June 2009[2]	6[2]	6	100%
Anna Manz	Chief Financial Officer	17th October 2016	2	2	100%
Colin Matthews	Non-Executive Director	4th October 2012	6	6	100%
Chris Mottershead	Non-Executive Director	27th January 2015	6	6	100%
Dorothy Thompson	Non-Executive Director	1st September 2007	3[4]	3	100%
John Walker	Executive Director	9th October 2013	6	6	100%

1 Tim Stevenson was appointed Chairman on 19th July 2011.

2 Robert MacLeod was appointed Chief Executive on 5th June 2014.

3 Den Jones stepped down from the board at the Annual General Meeting on 20th July 2016.

4 Dorothy Thompson retired from the board on 20th July 2016.

Where directors are unable to attend a board or committee meeting, they communicate their comments and observations on the matters to be considered in advance of the meeting via the group Chairman, the Senior Independent Director or the relevant board committee chairman. Since the end of the year, the board has met twice. Tim Stevenson was unable to attend one meeting due to illness. In his absence, Alan Ferguson, Senior Independent Director, chaired the board meeting. Tim Stevenson reviewed all meeting papers and shared his thoughts, comments and questions with Alan Ferguson, who raised these at the meeting. All other board members attended both meetings.

The attendance of members at committee meetings in the year is set out in the Audit Committee Report, the Nomination Committee Report and the Remuneration Report (in respect of the Remuneration Committee) on pages 91, 87 and 108 respectively.

Individuals' attendance at board and board committee meetings is considered, as necessary, as part of the formal annual review of their performance.

Effectiveness

Our Board's Composition

As at 31st March 2017 and as at the date of approval of this annual report, our board comprised the Chairman, three Executive Directors and five Non-Executive Directors.

Our board seeks to ensure that both it and its committees have the appropriate range and balance of skills, experience, knowledge and independence to enable them to carry out their duties and responsibilities effectively. The board is of the view that it is the right size to meet the requirements of the business; that changes to its composition and that of its committees can be managed without undue disruption; and that it is not so large as to be unwieldy. It also believes that it includes an appropriate combination of Executive and Non-Executive Directors (and, in particular, independent Non-Executive Directors). The size and composition of the board is regularly reviewed by the Nomination Committee.

Independence of the Non-Executive Directors

The board formally reviews Non-Executive Director independence annually, most recently at its meeting in May 2017. The board considers all relevant relationships and circumstances, including those set out in the Code. It considers, for example, whether the director has, or has had within the last three years, a material business relationship with Johnson Matthey, holds cross directorships or has significant links with fellow directors through involvement in other companies or bodies, or represents or has a material connection to a controlling or significant shareholder or is nominated by a shareholder.

The board considers that there are no business or other relationships or circumstances which are likely to affect, or may appear to affect, the judgment of any Non-Executive Director. Each Non-Executive Director is determined by the board to be independent in character and judgment.

Information on the company's procedures for authorising potential conflicts of interest is set out under 'Directors' Conflicts of Interest' on page 82.

Strategic Report
Governance
Accounts
Other Information

Board and Committee Appointments

The board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new board directors. The processes are similar for the appointment of Executive and Non-Executive Directors. The Nomination Committee leads the process and makes recommendations to the board. The board recognises the importance of developing internal talent for board appointments, as well as recruiting externally, and Johnson Matthey has a variety of mentoring arrangements and a wide range of management development programmes for all employee levels, as described on page 55. The board also recognises the need to recruit Non-Executive Directors with the right technical skills and knowledge for its committees and who have the potential to chair them.

Terms of Appointment of the Non-Executive Directors

Our Non-Executive Directors are appointed for specified terms subject to annual election and to the provisions of the Companies Act 2006 (the 2006 Act) relating to the removal of a director. In accordance with the Code, any term beyond six years for a Non-Executive Director is subject to particularly rigorous review. Odile Desforges and Alan Ferguson, two of our Non-Executive Directors who will be proposed for re-election at the 2017 AGM, have served on our board for three years and six years respectively. Their terms of appointment were reviewed and extended during the year.

The term of appointment of Tim Stevenson as Chairman was reviewed in May 2017. After full review, this was extended to 31st December 2018.

Succession Planning

The board recognises that good succession planning is not only a fundamental component of board effectiveness but is also integral to the delivery of Johnson Matthey's strategic plans. It is essential in ensuring a consistent level of quality in management, in avoiding instability by helping mitigate the risks which may be associated with any unforeseen events (such as the departure of a key individual), and in promoting diversity. The board, through the Nomination Committee, is actively engaged in succession planning to ensure plans are in place for the orderly and progressive refreshing of its membership and to identify and develop senior management with potential for board and GMC positions through a pipeline of talented and capable individuals from within Johnson Matthey.

Each of our sectors and corporate functions prepare and maintain succession plans, assisted by sectoral and group Human Resources. A key aim is to ensure that we have the right mix of talent capability to support our business strategies whilst also encouraging broad experiences through movement of talent across our sectors and corporate functions. The GMC reviews these plans each year and the identification and development of high potential individuals is also considered. The GMC's review of succession plans generally leads to further refinement and changes, resulting in the final plans which are submitted to the Nomination Committee. Each year the Nomination Committee, with input from the Chief HR Officer, reviews the management development and succession planning processes for the directors and senior executives, approves succession plans for the board and considers succession plans for senior executives. Key initiatives continued this year are our executive development programme with London Business School, aimed at developing senior level talent and boosting their capabilities around strategy and leadership; our global management development programme, aimed at developing our middle level talent identified as having potential for future strategic leadership roles; and a global training curriculum to support the group's Manufacturing Excellence programme.

Succession planning at board and senior management level for Johnson Matthey includes potential succession to all senior roles, including that of Chief Executive, and considers the identification, development and readiness of potential internal successors. The board (through the Nomination Committee) will continue to focus during the coming year on the key issues of active talent management, mobility across the group and diversity.

Boardroom Diversity

Our board believes that diversity is important for board effectiveness.

Our board has adopted a diversity policy and this is set out in full on our website. We have not set express diversity quotas or measurable objectives for implementing the policy. However, in recent Non-Executive Director selection processes the board has encouraged applications from women subject to the objective selection criteria being met and to the appointment of the best qualified candidate.

As at the date of approval of this annual report we had three women on our board, which represented 33% of our total board membership.

The company has taken several steps to promote diversity and inclusion both at senior management level and in the boardroom. Developing policies and processes that prevent bias in relation to recruitment and promotion form the basis of this. These include requiring balanced shortlists when recruiting, actively discussing diversity in succession planning and talent management, promoting industrial and scientific careers to women and flexible employment policies. There remain challenges to overcome, particularly in respect of gender diversity given the sector in which Johnson Matthey operates, but we are making good progress.

>
Read more about diversity and inclusion across the group on page 57.

Go online: www.matthey.com/investor/governance

Under the Code, evaluation of the board should consider board diversity (including gender), how the board works together as a unit and other factors relevant to its effectiveness. Our board followed this principle in its board and committee evaluation process in 2016/17. Further information is set out under 'Evaluation of the Board, Board Committees and Directors' on page 82.

Time Commitment of the Chairman and the Non-Executive Directors

The board recognises that it is vital that all directors should be able to dedicate sufficient time to Johnson Matthey to effectively discharge their responsibilities. The time commitment required by Johnson Matthey is considered by the board and by individual directors on appointment. The letters of appointment of the Chairman and of each Non-Executive Director set out the expected minimum time commitment for their roles. Each undertake that they will have sufficient time to meet what is expected of them for the proper performance of their duties and acknowledge that there may, on occasion, be a need to devote additional time. The minimum time commitment considered by the board to be necessary for a Non-Executive Director, who does not chair a Committee, is two days per calendar month following induction.

The other significant commitments of the Chairman and of each Non-Executive Director are disclosed to the board before appointment, with an indication of the time involved. The board requires to be informed of subsequent changes as they arise. There were no changes to Tim Stevenson's other significant commitments during the year. Details of these, together with the significant commitments of the other board members can be found on page 73.

Director's Induction and Development

Johnson Matthey puts full, formal and tailored induction programmes in place for all its new board directors. These are intended to give a broad introduction to the group's businesses and its areas of significant risk. Key elements are meeting the executive directors and senior and middle management and visiting the group's major sites in order to gain an understanding of group strategy and of individual businesses.

Our intention is that all directors are familiar with, and gain an appropriate knowledge of, Johnson Matthey through visits to our operations and meeting with employees. The board ensures that the company provides the necessary resources to allow this to happen. We take various steps to ensure that all of our directors continually refresh their knowledge and skills so that they can effectively fulfil their roles and so that their contributions remain informed and relevant.

> Read more on page 75.

The board has processes in place to ensure that it receives the right information in the right form and at the right time to enable it to effectively discharge its duties. The Chairman, through the Company Secretary and with the support of the Executive Directors and management, ensures that this information is of a high quality. Directors are able to seek clarification or amplification from management where necessary. Our directors have access to independent external professional advice at the company's expense where they judge this necessary.

Indemnification of Directors and Insurance

Under Deed Polls dated 20th July 2005, which were replaced during the year by updated Deed Polls dated 31st January 2017, Johnson Matthey has granted indemnities in favour of each director of the company and of its subsidiaries in respect of any liability that he or she may incur to a third party in relation to the affairs of the company or any group member. These were in force during the year for the benefit of all persons who were directors of the company or of its subsidiaries at any time during the year. They remain in force as at the date of approval of this annual report. The company has appropriate directors' and officers' liability insurance cover in place in respect of legal action against, amongst others, its executive and non-executive directors. Neither the company nor any subsidiary has indemnified any director of the company or a subsidiary in respect of any liability that he or she may incur to a third party in relation to a relevant occupational pension scheme.

Directors' Conflicts of Interest

We have established procedures in place in accordance with our Articles of Association to ensure we comply with the directors' conflicts of interest duties under the 2006 Act and for dealing with situations in which a director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of the company. Johnson Matthey has complied with these procedures during the year.

In April 2017, the board undertook an annual review of potential conflict matters including in respect of directors' external appointments (both current and pending). In each case, the review was undertaken by directors who were genuinely independent of the matter. The board concluded that there were no matters which constituted a conflict. Potential conflicts will continue to be reviewed by the board on an annual basis.

The board confirms that Johnson Matthey complies with its procedures to authorise conflict situations and is satisfied that its powers to authorise conflict situations are being exercised properly and effectively and in accordance with its Articles of Association.

Evaluation of the Board, Board Committees and Directors

Our board carries out a formal annual evaluation of its own performance and that of its committees and individual directors with the aim of improving effectiveness. This is led by the Chairman and seeks to be as rigorous and objective as possible. The process considers the board's strengths and weaknesses, its range and balance of skills, experience, independence and knowledge of the company, its gender diversity, how the board works together as a unit and any other factors considered to be relevant. Individual evaluation aims to show whether each director continues to contribute effectively and to demonstrate commitment to the role. The Chairman acts on the results of the performance evaluation. Strengths are recognised and any weaknesses addressed.

This year, our Chairman led an internal review process supported by the committee chairs and the Company Secretary. In January and February 2017, the Chairman had individual discussions with each member of the board, the Company Secretary, the Chief HR Officer and the KPMG lead audit partner regarding the board. The conversations were open, confidential and unattributed, using a questionnaire devised by Independent Audit, a specialist corporate governance consultancy, to steer but not prescribe the topics.

Areas discussed covered board composition and dynamics and the key board responsibilities of strategy, risk management and succession.

The 2016/17 review echoed the key findings of the prior year that the board was well founded in terms of composition, organisation and culture and working effectively to support the business. Since an external review in 2014/15, the Chairman and the board have sought to make continuous improvements and enhance focus in order to make the board even more useful both as a monitor of executive performance and, more importantly, a contributor to that performance.

The Chairman discussed his findings of the 2016/17 review with the Chief Executive and presented them to the board in April 2017, together with a number of ideas and recommendations for consideration. These were then discussed and follow up actions and responsibilities considered. The board also discussed the evaluation process itself and agreed that this had been appropriate and effective.

A summary of findings and actions undertaken following the 2015/16 review and the key findings and recommendations from this year's review are outlined on the following page.

Board Evaluation

Strategy > Read more on pages 8 and 9.	The 2015/16 review found that the board's agendas allocated appropriate time to consideration of strategic issues and the continuing development of strategy as circumstances evolve. In the 2016/17 review, the board felt that the balance of board discussion between operational issues, strategy and governance was appropriate (with the right balance of time devoted to each) but that there could be more discussion of the shape and strategy for the group overall and its business model in order for the board to address the medium to long term options for continued growth. The need for a good understanding of all the group's businesses was emphasised in order to ensure effective board contribution to debate.
Risk management > Read more on pages 16 to 21.	The 2015/16 review found that, in general, progress was being made in the way in which risk in the business was identified and managed, but that there was further work to do in this area, including in enhancing and developing processes. Proposals for improvements were made in respect of risk reviews by the board. The 2016/17 review found that the proposals for board risk reviews had been well executed but there remained work to do to embed an appropriately robust process throughout the group.
Board composition > Read more on pages 72 and 73.	In the 2015/16 review, the board felt its size and the balance of non-executive and executive members was appropriate. It was also felt the mix of skills, experience and diversity (including of style and approach) across the Non-Executive Directors should continue to serve the board and the company well. The 2016/17 review confirmed that, taking into account some change in composition, the group of Non-Executive Directors still had good diversity of experience, background and gender and knowledge about the group's major markets.
Board dynamics > Read more on page 75.	In 2015/16 the review found good engagement, strong and open contribution to discussion and decisions and constructive challenge to the executive. However, more challenge from the non-executive members would be welcome and valuable. The 2016/17 review found the board to be a cooperative and supportive space, with the executive open and transparent, including on raising and discussing issues of concern, and ready to listen to Non-Executive Directors' challenge and comments. It was felt that opportunities to work together, not only within the board but importantly when visiting businesses and meeting senior colleagues, were valuable, particularly in enabling the cementing of board relationships. There was still scope for greater contribution and input from the Non-Executive Directors, particularly on key strategy issues and on areas where they could identify what good looks like. Suggestions considered in 2014/15 had been implemented on gaining full value from presentations to the board, more agenda free discussion and continued use of 'teach-ins' on major business areas explicitly separated from consideration of strategy.
Succession management > Read more on pages 55 to 57 and 88.	In 2015/16, the review reflected that a key role of the board, and particularly its Nomination Committee, was to ensure that there is a viable and effective process for management of succession to key positions and that this is backed up by processes for management of individual careers through development of skills (management moves and appropriate training). It was felt that excellent progress was being made in this critical area. However, there were some important areas for focus on key succession strength and the development of individual talent. Several proposals were put forward to enable more to be achieved in this area. The 2016/17 review again emphasised that oversight of Johnson Matthey's people management processes i.e. hiring, training, developing and career management, is an essential board role. It was felt that this was being done well, with the Non-Executive Directors in particular valuing the open and regular updates on key people moves from the Chief Executive and the opportunity to express their views on issues that arise.

The board's intention remains to undertake an externally facilitated evaluation process at least every three years. In the intervening years, the review will be led by the Chairman supported by the committee chairs and the Company Secretary. As the last external evaluation was undertaken in 2014/15, the board intends to conduct an external process next year.

Review of the Chairman's Performance

The Non-Executive Directors recognise that the Chairman's effectiveness is vital to that of the board. Led by Alan Ferguson, the Senior Independent Director, the Non-Executive Directors are responsible for performance evaluation of the Chairman and for providing a fair and balanced assessment to shareholders.

In April 2017, the Non-Executive Directors, led by Alan, met without Tim Stevenson being present to discuss Tim's performance. Key considerations were his overall leadership of the board, the setting of tone, the setting of appropriate agendas and the effectiveness of structuring and facilitating discussions. The views of Executive Directors were also taken into account. Alan subsequently reported the outcome to the board that Tim's leadership of the board continued to be effective and engendered openness and constructive challenge.

Review of Executive Director Performance

The Chairman met with the Non-Executive Directors without the Executive Directors being present in November 2016 in order to review the Executive Directors' performance. Each of the directors was considered to be effective in discharging their responsibilities.

Annual Re-Election of Directors

In accordance with the Code, all directors retire at each Annual General Meeting (AGM) and offer themselves for re-election by shareholders.

On 17th October 2016, Anna Manz joined the board as Chief Financial Officer and Dr Jane Griffiths was appointed to the board as a Non-Executive Director with effect from 1st January 2017. As required by our Articles of Association, Anna and Jane will retire at the 2017 AGM and offer themselves for election. All other directors will be offering themselves for re-election.

Our five Non-Executive Directors are each determined by the board to be independent directors in accordance with the criteria set out in the Code.

The board considers that their skills, experience, independence and knowledge of the company enable them to discharge their respective duties and responsibilities effectively. Biographies of each of the directors standing for re-election can be found on pages 72 and 73.

Our 2017 AGM circular details why the board believes each director should be re-elected based on continued satisfactory performance in the role. In the circular, the Chairman confirms to shareholders that, following formal performance evaluation, the performance of each Non-Executive Director continues to be effective and that they demonstrate commitment to the role (including commitment of time for board and board committee meetings).

Remuneration

The board has established a Remuneration Committee. The composition and role of the Remuneration Committee is set out in the Annual Report on Remuneration.

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See pages 97 to 116.

Accountability

Financial and Business Reporting

In its reporting to shareholders, the board recognises its responsibility to present a fair, balanced and understandable assessment of the group's position and prospects. This responsibility covers the annual report and accounts and extends to half year and other price sensitive public reports and reports to regulators, as well as to information required by statutory requirements.

The directors are responsible for preparing this annual report and consider it, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

For the year ended 31st March 2017, the group was organised into five divisions: Emission Control Technologies, Process Technologies, Precious Metal Products, Fine Chemicals and New Businesses. The group reports results for these five divisions. The divisions were managed by executive management teams reporting to the GMC. The GMC reviewed monthly summaries of financial results from each division through a standardised reporting process. From April 2017, the group has restructured into four sectors: Clean Air, Efficient Natural Resources, Heath and New Markets. Results will be reported for the four sectors and each is managed by executive management teams reporting to the GMC. The group has a comprehensive annual budgeting and planning process including plans for the following two years. Budgets are approved by the board. Variances from budget are closely monitored. In addition to the annual budgeting process, there is a ten year strategy review process.

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Read more about our five divisions on pages 28 to 43.

Risk Management and Internal Control

The board is ultimately responsible for maintaining sound risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature).

The company's internal control systems are on a groupwide basis and the review of their effectiveness (including of the application of the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC in September 2014 – FRC Guidance) is implemented and reported from a groupwide perspective, covering the company and its subsidiaries. There are no material joint ventures or associates which have not been dealt with as part of the group for the purposes of applying the FRC Guidance.

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

The board confirms that there is an ongoing process in place (established in accordance with the FRC Guidance) for identifying, evaluating and managing the principal risks faced by the group. This process is regularly reviewed by the GMC, the board and the Audit Committee as appropriate and has been in place during the year and up to the date of approval of this annual report.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board's view of Johnson Matthey's key strategic and operating risks and how the company seeks to manage those risks is set out in this report.

The directors confirm that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

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Read more about our principal risks on pages 16 to 21.

Risk Management and Internal Control Systems

The group's risk management and internal control systems comprise group policies, procedures and practices covering a range of areas including the appropriate authorisation and approval of transactions, the application of financial reporting standards and the review of financial performance and significant judgments.

Review of Effectiveness of the Group's Risk Management and Internal Control Systems

The board has important responsibilities in respect of the group's risk management and internal control systems (including financial controls, controls in respect of the financial reporting process and controls of an operational and compliance nature). The board monitors these carefully throughout the year and carries out an annual review of their adequacy and effectiveness. The board has delegated part of this responsibility to the Audit Committee. The role and work of the Audit Committee in this regard and the role of the group's internal audit function are described in the Audit Committee Report page 93.

The board, through setting its own annual agenda plan, defines the review process to be undertaken, including the scope and frequency of assurance reports received throughout the year. The board agenda plan, together with that of the Audit Committee, are designed to ensure that all significant areas of risk and the related risk management and internal control systems are reported on and considered during the course of the year. In addition to determining risk appetite, the board specifically reviews, amongst other things, risks relating to EHS, innovation, human resources, legal and compliance and intellectual capital.

The board, in part through the Audit Committee, has conducted an overarching review of the effectiveness of the company's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls, and financial reporting processes, for the year. The review process accords with the FRC Guidance.

The Audit Committee

The composition of the Audit Committee is set out in the Audit Committee Report (pages 90 to 96), which describes the work of the Audit Committee in discharging its responsibilities.

The board is satisfied that at least one member of the Audit Committee, Alan Ferguson, has recent and relevant financial experience, including competence in accounting and that the Audit Committee as a whole has competence relevant to the sectors in which the company operates.

Relations with Shareholders

Dialogue with Our Shareholders

Our board welcomes the opportunity to openly engage with shareholders as it recognises the importance of a continuing effective dialogue, whether with major institutional investors, private shareholders or employee shareholders. The board takes responsibility for ensuring that such dialogue takes place.

Reporting of Results and Capital Markets Day

We report formally to our shareholders when we publish our full year results in June and our half-yearly results in November. When we publish the results, our Executive Directors give presentations in face to face meetings with institutional investors, analysts and the media in London. Live webcasts and transcripts of these presentations are available on our website.

In addition, we hold a Capital Markets Day for our institutional investors and analysts. The last of these was held in February 2016 and the next is planned for September 2017. A live webcast of the presentation to investors, a transcript of the event and a downloadable copy of the slides are made available on our website.

Go online: www.matthey.com/investor/presentations

Contact with Our Shareholders

Our Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the board and that our directors are made aware of major shareholders' issues and concerns. However, contact with major shareholders is principally maintained by the Chief Executive and the Chief Financial Officer. They have a regular dialogue with institutional shareholders on performance, plans and objectives through a programme of one to one and group meetings and ensure that shareholders' views are communicated to the board. Our Investor Relations Department acts as a focal point for contact with investors throughout the year.

The Chairman is available to meet with institutional investors to hear their views and discuss any issues or concerns, including on governance and strategy. The Senior Independent Director and the other Non-Executive Directors are similarly available if requested, but no such meetings were held or requested during the year.

Overall, 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 views of major shareholders. These have included, for example, analysts' and brokers' briefings, consideration by the board of six-monthly brokers' reports and of feedback from shareholder meetings on a six monthly basis. Major shareholders' views are canvassed for the board in a detailed investor survey which is usually conducted every two years by external consultants. The purpose of these surveys is to obtain the views and opinions of a broad range of shareholders and non-shareholders. A survey will be undertaken in early 2018 and the results will be discussed by the board.

The Remuneration Committee undertakes detailed consultation exercises with a selection of major institutional shareholders and institutional investor bodies as part of its comprehensive review of Executive Director and senior management remuneration arrangements within the group.

The board believes that these methods, taken together, are a practical and efficient way for all our directors to keep in touch with shareholders' opinions and views and to reach a balanced understanding of major shareholders' objectives, issues and concerns.

While the board recognises that the company is primarily accountable to its shareholders, it also recognises the contribution made by other providers of capital and confirms its interest in listening to their views, where relevant, to the company's overall approach to governance.

Annual General Meetings

The AGM is an important part of effective communication with shareholders. Our AGM takes place in London. Notice is sent to shareholders at least 20 working days beforehand and is published on our website. The circular sent to shareholders with the notice aims to set out a balanced and clear explanation of each proposed resolution. All directors who are able to attend our AGMs do so. In 2016, the entire board attended. Our board welcomes the opportunity for face to face communication with our shareholders. Shareholders are encouraged to participate and all directors are available to answer questions, formally through the Chairman during the meeting and informally afterwards.

At the AGM, we propose separate resolutions on each substantially separate issue. For each resolution, shareholders may direct their proxy to vote either for or against or to withhold their vote. The proxy form and the announcement of the results make it clear that a 'vote withheld' is not legally a vote and is not counted in the calculation of the proportion of the votes cast. All valid proxy appointments received are recorded and counted.

All resolutions at the AGM are decided on a poll carried out by electronic means. The results are announced as soon as possible and posted on our website. This shows votes for and against as well as votes withheld.

Our 2017 AGM will be held on 28th July 2017. The notice, together with an explanation of the resolutions to be considered, is set out in a circular to shareholders.

Compliance with the UK Corporate Governance Code

Code provision E.1.1 states that the Senior Independent Director should attend sufficient meetings with a range of major shareholders to listen to their views in order to help develop a balanced understanding of the issues and concerns of major shareholders. We have not complied with this provision throughout the year. The board considers that there are appropriate mechanisms in place to listen to the views of shareholders and communicate them to the board without it being necessary for the Senior Independent Director to attend meetings with major shareholders. However, he is available to attend any such meetings if requested by shareholders. The board believes that this approach is consistent with the relevant main principle of the Code on dialogue with shareholders and is consistent with good governance and the promotion of delivery of the company's objectives. This approach will continue throughout the current year but the board will keep the matter under review.

Nomination Committee Report

Our role is to ensure that Johnson Matthey has the right leadership, including a board with the right mix of attributes and skills to effectively develop, and support delivery of, the company's strategy.

Tim Stevenson
Chairman of the Nomination Committee

The year under review saw changes to our board composition. Anna Manz was appointed our Chief Financial Officer in October 2016 following the stepping down of Den Jones in July. Following the retirement of Dorothy Thompson, also in July, Dr Jane Griffiths was selected as a new Non-Executive Director and appointed in January 2017. During the year, we continued our focus on succession planning and talent management, recognising the importance these play in supporting the group's strategic aspirations.

Role

The principal role of our Nomination Committee is to keep under review the structure, size and composition of the board and to make appropriate recommendations to the board with respect to any necessary changes. We also consider the adequacy and effectiveness of management development and succession planning processes for board members and senior executives and ensure the adequacy and effectiveness of the group's processes for identifying and developing the future senior management pipeline.

Go online: www.matthey.com/investor/governance

Composition

Our committee has six members, myself as Chairman and all the independent Non-Executive Directors. Only members of the committee have the right to attend meetings. The Chief Executive and the Chief HR Officer, as well as external advisers and others, attend for all or part of our meetings by invitation when appropriate. Simon Farrant, our Company Secretary, is secretary to the committee.

Committee Meetings During the Year

Our committee usually meets immediately prior to or following board meetings, and also on other occasions as may be needed.

We met seven times during the year ended 31st March 2017. I also kept committee members up to date between meetings. Several members of the committee, led by me, also met as a working group during the year to progress Non-Executive Director recruitment. The attendance of members at meetings during the year was:

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Tim Stevenson	29th March 2011[1]	7	7	100%
Odile Desforges	1st July 2013	7	7	100%
Alan Ferguson	13th January 2011	7	7	100%
Jane Griffiths	1st January 2017	1	1	100%
Colin Matthews	4th October 2012	7	6[3]	86%
Chris Mottershead	27th January 2015	7	7	100%
Dorothy Thompson	1st September 2007	4[2]	3[3]	75%

1 Tim Stevenson was appointed group Chairman on 19th July 2011.

2 Dorothy Thompson retired from the board and the committee on 20th July 2016.

3 The meeting not attended was a telephone meeting convened at short notice in July 2016. Colin Matthews was unable to attend due to a coinciding commitment at Renewi plc where he is Chairman. Dorothy Thompson was unable to attend due to conflicting travel commitments.

Since the end of the year, the committee has met twice. Tim Stevenson was unable to attend one meeting due to illness. In his absence, Alan Ferguson, Senior Independent Director, chaired the committee meeting. Tim Stevenson reviewed all meeting papers and shared his thoughts, comments and questions with Alan Ferguson, who raised these at the meeting. All other committee members attended both meetings.

Committee Activities During the Year

Our committee has been active in addressing several key matters in the course of the year:

Non-Executive Director succession	Having conducted a search process for a new Non-Executive Director with the assistance of The Zygos Partnership in the prior year, recommended to the board the appointment of Dr Jane Griffiths as a new Non-Executive Director. Also began a search process for an additional Non-Executive Director.
Executive Director succession	Considered succession to the role of Chief Financial Officer and recommended to the board the appointment of Anna Manz as Chief Financial Officer.
Renewal of appointment terms – Odile Desforges and Alan Ferguson	Having considered their performance and ability to continue to contribute to the board, as well as their independence and the need for progressive refreshing of the board, recommended to the board that the terms of appointment as Non-Executive Directors of Odile Desforges be renewed for a second three year term to 30th June 2019 and of Alan Ferguson for a three year term to 13th January 2020, bringing his total appointment term to nine years.
Talent management framework	Received a presentation from the Chief HR Officer and the Group Talent and Learning Director on the group's integrated talent management process, addressing the talent requirements for delivery of its strategic aspirations and feedback from the recent employee engagement survey.
Succession planning and senior management changes	Reviewed the 2017 succession and development plans in respect of the Group Management Committee (GMC) including the Chief Executive, and other senior executives in each division. Discussed GMC membership, responsibility changes and senior (non-GMC) moves.
Review of performance and effectiveness during 2016/17	Led by the committee Chairman, reviewed our committee's performance and effectiveness.
Nomination Committee Report	Reviewed and approved the draft Nomination Committee Report for 2016/17.

Board Appointments

In considering board composition, we assess the range and balance of skills, experience, knowledge and independence on the board, identify any gaps or issues and consider any need to refresh the board. If, after this evaluation, we feel that it is necessary to appoint a new director we then prepare a description of the role and the capabilities required for the appointment and set objective selection criteria accordingly. The benefits of diversity on the board are carefully considered. We consider any proposed recruitment in the context of the company's strategic priorities, plans and objectives, as well as the prevailing business environment. We also take into account relevant succession plans already in place.

In appointing Non-Executive Directors we seek individuals who can make positive contributions to the board and its committees and who have the capability to challenge on strategic and other matters. This is balanced with the need to maintain board cohesiveness.

We use external search consultancies to help with the appointment process and appointments are ultimately made on merit against the agreed objective selection criteria, having due regard, amongst other things, to the benefits of diversity, including gender.

While the board has not set express diversity quotas or measurable objectives, in Non-Executive Director selection, the board seeks to encourage applications from women, subject to the selection, criteria being met.

Succession Planning

A key role of the Nomination Committee is to ensure that plans are in place for the orderly and progressive refreshing of the board and to identify and develop individuals with potential for board and GMC positions. As announced on 20th April 2017, there have been several changes in the leadership of our group and the Nomination Committee played a key role in supporting the Chief Executive in making these changes. The Nomination Committee will continue to focus during the coming year on active talent management, mobility across the group and diversity.

We considered a presentation from our Chief HR Officer in respect of Johnson Matthey's leadership pipeline in the context of the group's talent strategy. This covered both assessment and development of internal talent as well as external recruitment. We also considered a presentation on the company's integrated talent strategy and talent focus for 2017. This included discussion of further strengthening of performance management across the group.

Non-Executive Director Succession

Having considered board size and balance, we decided that it was desirable to seek a replacement Non-Executive Director following Dorothy Thompson's retirement from the board in July 2016. The preference expressed to the head hunters was for a candidate with sound executive experience directly relevant to Fine Chemicals. In terms of fit, there was a desire for difference while maintaining the collegiality of the board. It was also agreed that consideration would be given to those without FTSE 100 board experience. We established a working group comprising myself and Alan Ferguson working with the Chief Executive and our Chief HR Officer. We engaged The Zygos Partnership in a search process which led to the appointment of Jane Griffiths. Jane's appointment, which was announced on 1st June 2016, took effect on 1st January 2017.

To further enhance board balance, we also decided to seek an additional Non-Executive Director. The selection process is underway, with a preference expressed to the head hunters for a candidate with a current executive role. The Chairman is again leading a working group as described above and The Zygos Partnership have been engaged.

The term of my appointment as Chairman was reviewed in May 2017. After full review, this was extended to 31st December 2018. Given my intention to step down as Chairman by this date, Alan Ferguson has commenced a process on behalf of the Committee to search for my successor, working with The Zygos Partnership. The Zygos Partnership has no other connection with the company.

Executive Director Change

During the year, the committee supported the Chief Executive in searching for and selecting a new Chief Financial Officer following the stepping down of Den Jones last July. Anna Manz's appointment was announced on 14th July 2016 and she joined the board as Chief Financial Officer on 17th October 2016.

Our 2016/17 Performance Review

Last year, I led an internal review of the committee's performance. I sought the views of all committee members, as well as others who regularly attend our meetings, through a questionnaire and face to face meetings. Matters covered included the scope of the agenda and the running of our meetings. The outcome of the review was summarised at our April 2017 meeting and discussed by the board. While the importance of giving continued appropriate attention to succession planning and board balance was emphasised, there were no areas where significant change or improvement was felt necessary.

On behalf of the Nomination Committee:

Tim Stevenson
Chairman of the Nomination Committee

Audit Committee Report

During the year we continued to play a key role in monitoring the integrity of the group's published financial information, assessing the effectiveness of its internal controls and ensuring that our external auditor, KPMG, delivers a high quality effective audit.

Alan Ferguson
Chairman of the Audit Committee

I am pleased to present our report for the year ended 31st March 2017. It has been another busy year for the committee. A new Chief Financial Officer, Anna Manz, was appointed in October 2016, a role of significant importance to this committee. In January, we also welcomed Jane Griffiths as a committee member. We have spent time with both Anna and Jane to ensure a successful induction to the committee whilst helping to support the business during the gap between Anna's predecessor leaving and her joining. Continuing to monitor and review the effectiveness of the group's internal controls and risk management systems has been particularly important during periods of change for the business.

Each year, we look at the control environment of selected individual divisions and this year we focused on Fine Chemicals, Precious Metal Products and Process Technologies, with the Divisional Finance Directors of each division presenting to the committee. The group's significant investment in business information systems has become increasingly important this year and we have worked closely with the board to review the risks and controls associated with this.

We have also looked at the risk management processes across the group and at risk assurance mapping. Last year, the group refined and developed its risk management processes to enhance the way the board reviews principal risks, the associated mitigating controls and how the committee provides assurance to the board on the effectiveness of those controls. These new processes have been embedded during the year. We have also re-assessed and simplified how we articulate the 12 principal risks.

> Read more about our risk management systems on page 16.

Looking ahead to the next 12 months, as well as the business as usual work, we will continue to monitor the group's ongoing investment in business information systems. We will also spend time planning and conducting the external audit tender which will conclude during the first half of 2018.

Role

Our principal role is to assist the board in carrying out its oversight responsibilities in relation to financial reporting, internal controls and risk management and in maintaining an appropriate relationship with our external auditor. More details on our role and responsibilities can be found in our terms of reference which were updated during the year and are available on our website.

Go online: www.matthey.com/investor/governance

Composition

Our committee currently comprises five members; myself as Chairman and all of our independent Non-Executive Directors. This is my sixth year as Chairman of the committee. I am a Chartered Accountant with many years' experience working in finance, having been, over a 12 year period, the Group Finance Director at Inchcape plc, The BOC Group plc and Lonmin Plc. I also chair the audit committees of three other companies. As a committee, we have a broad range of knowledge, skills and experience gained from a variety of backgrounds as detailed on page 73. This is essential to the effective discharging of our duties.

The board has agreed that the committee has experience relevant to the sectors in which we operate and that I have recent and relevant financial experience, including competence in accounting, as required by the provisions of the UK Corporate Governance Code 2016.

The secretary to the committee is Simon Farrant, Company Secretary.

Committee Meetings During the Year

We met five times during the year. Attendance at these meetings was as follows:

	Date of appointment to committee	Number of meetings eligible to attend	Number of meetings attended	% attended
Alan Ferguson	13th January 2011[1]	5	5	100%
Odile Desforges	1st July 2013	5	5	100%
Jane Griffiths	1st January 2017	1	1	100%
Colin Matthews	4th October 2012	5	5	100%
Chris Mottershead	27th January 2015	5	5	100%
Dorothy Thompson	1st September 2007	3[2]	3	100%

[1] Alan Ferguson was appointed Chairman of the committee on 19th July 2011.

[2] Dorothy Thompson retired from the board and the committee on 20th July 2016.

Since the end of the year, the committee has met twice and all members attended.

In order for us to properly discharge our role, it is critical that we have the opportunity to openly discuss with management any matter which falls within our remit and probe and challenge where necessary. The Chief Executive, the Chief Financial Officer and the Group Assurance and Risk Director attend all of our meetings and other senior managers attend to provide technical or business information as necessary.

In addition, our meetings are attended by the KPMG lead audit partner, Stephen Oxley, and other representatives from KPMG. Their attendance is important as it gives us the opportunity to seek their independent and objective views on matters which they encounter during their audit. At least once a year, we meet separately with Stephen and with the Group Assurance and Risk Director, who manages the internal audit function, to discuss matters without executive management being present.

On a more frequent basis, I meet with the Chief Financial Officer, the Group Assurance and Risk Director, other senior management and with KPMG. This means any issues or concerns can be raised at an early stage allowing me to ensure that sufficient time is devoted to them at the subsequent committee meeting.

There is an open and constructive communication between the committee, management and the internal and external auditors.

How we Discharged our Responsibilities During the Year

Our principal activities during the year, and up to the date of this report, were as follows:

1 Published Financial Information

Role: to monitor the integrity of the reported financial information and to review significant financial issues and judgments.

- Reviewed the group's full year results, half-yearly results and quarterly updates, considered the significant accounting policies, principal estimates and accounting judgments used in their preparation.
- Reviewed the matters, assumptions and sensitivities which informed the board's assessment that it was appropriate to prepare the accounts on a going concern basis.
- Reviewed and challenged the financial modelling and stress testing, based on plausible scenarios arising from selected principal risks in assessing the long term viability of the group.
- Received and considered reports from KPMG on its audit of the full year results and its review of the half-yearly results.
- Reviewed management representation letters requested by KPMG in respect of the full year and half-yearly results prior to them being signed on behalf of the board.
- Reviewed and assessed the process which management put in place to support the board when giving its assurance that the 2017 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provided the information necessary for shareholders to assess the company's position and performance, business model and strategy. Confirmed to the board that we had done so and that the process was satisfactory.
- Reviewed the principal findings arising from the inspection of KPMG's 2016 audit by the Financial Reporting Council's (FRC's) Audit Quality Review team (disclosed in more detail on page 94).
- Received an update on new or forthcoming accounting standards that could materially impact the group, including IFRS 15 – 'Revenue from Contracts with Customers'.

Significant Issues Considered by the Committee in Relation to the Group's and Company's Accounts

Ensuring the integrity of the accounts is fundamental to our remit. In preparing the accounts, there are a number of areas requiring the exercise by management of particular judgment or a high degree of estimation. Our role is to assess whether the judgments and estimates made by management are reasonable and appropriate. Set out below are what we consider to be the most significant accounting areas which required the exercise of judgment or a high degree of estimation during the year, together with details of how we addressed these. These are all considered to be recurring issues.

Significant issue considered by the committee in relation to the accounts	Work undertaken by the committee in forming an opinion
Refining process and stock takes When setting process loss provisions, key judgments are made in estimating the amount of precious metal that may be lost during the refining and fabrication processes. In addition, refining stock takes involve key judgments in estimating volumes of precious metal bearing material in the refining system and the subsequent sampling and assaying to assess the precious metal content (note 40 on page 169).	In order to satisfy ourselves on the robustness of the stock take results and the adequacy of process loss provisions, we reviewed the results from the refinery stock takes together with explanatory commentary from management which included whether these results were in line with expectations and historic trends. We also reviewed the results as a percentage of throughput. The refining process and stock takes were also an area of focus for KPMG who reported its findings to us. We considered whether the accounting treatment for refining stock take gains and losses was in accordance with agreed methodology and concurred with management's opinion that it was.
Impairment of goodwill, other intangibles and other assets Key judgments are made in relation to the assumptions used in calculating discounted cash flow projections to value the cash generating units (CGUs) containing goodwill, to value other intangible assets not yet being amortised and to value other assets when there are indications that they may be impaired. The key assumptions are management's estimates of budgets and plans for how the relevant businesses will develop or how the relevant assets will be used in the future, as well as discount rates and long term average growth rates for each CGU (notes 17 and 40 on pages 150 and 169 respectively).	As part of the annual impairment review of goodwill and other intangible assets not yet being amortised, we reviewed a report from management, which explained the methodology used and the rationale for the assumptions made including explanations for any significant changes from those used in prior years. For these annual impairment tests, there was significant headroom over the carrying value of the relevant CGU's net assets. There were no significant impairments of other assets in the year. The impairment reviews were also an area of focus for KPMG who reported its findings to us. We concluded that management's key assumptions were reasonable.
Taxation Key judgments are made in arriving at management's best estimate of the tax charge included in the accounts, where the precise impact of tax laws and regulations is unclear (note 40 on page 169).	We reviewed explanatory papers from management, which included a review of the appropriateness of the tax provisions and relevant disclosures. KPMG also reported its findings in this area to us and we reviewed these. We concluded that the judgments, estimates and disclosures were reasonable and appropriate.
Post-employment benefits Key judgments are made in relation to the assumptions used when valuing post-employment benefits obligations (note 15 on pages 142 to 148).	We reviewed the report from management summarising actuarial valuations and key assumptions for the main post-employment benefit plans. We compared these assumptions with those made by other companies and those used last year. We also considered the opinions expressed by KPMG in this area. We concluded that the assumptions used are appropriate for the group's post-employment benefit plans.

Corporate Assurance and Risk Annual Plan

We spend a significant amount of time reviewing the corporate assurance and risk annual plan, which is presented to us by the Group Assurance and Risk Director, to ensure it is comprehensive, well targeted and provides the appropriate level of assurance. In particular, we want to know the factors taken into account in devising the plan, the risk profile of auditable sites and businesses influenced by the key control assessment process, the scope and depth of each type of audit and the plan's coverage across the group. It is just as important for us to understand what is not covered by the plan, either by way of business activity or geographic coverage. Where there is no coverage at certain sites or businesses, we discuss what other mechanisms are in place to check the adequacy of controls, such as sector management oversight or external audit activity. These other sources of assurance are important when assessing the level of assurance we require from this plan. In reviewing the 2017/18 plan, we were pleased to see that additional data had been analysed in building the plan, including concerns raised via speak up (whistleblowing) reports, the results of investigations and legal team health check findings. The plan was also mapped against the principal risks which allowed us to see how much coverage there would be on each risk. We believe the 2017/18 plan addresses Johnson Matthey's key risks and its coverage is appropriate for the size and nature of the group. On that basis, we approved the plan.

2 Internal Control, Risk Management Systems and Internal Audit

Role: to review the group's internal financial controls and its internal control and risk management systems and to monitor the effectiveness of the group's internal audit function.

- Received reports at every meeting from the Group Assurance and Risk Director on:
  - *Corporate assurance and risk reviews.* These reports summarised the number and type of internal audits and security reviews undertaken during the period and how this compared to the plan, the key findings of those audits and reviews, the number and nature of actions to address the findings and progress made by management in implementing the actions. During the year we paid particular attention to the level of engagement of all our managers, whether at local, divisional or executive level, in implementing corrective actions and in strengthening the control framework across all our sites, irrespective of location, size and activity. At each meeting we tracked progress in completing open actions and challenged management to ensure that actions were being dealt with in a timely manner.
  - *Key control assessment.* Reviewed a report at our November 2016 meeting on the key control questionnaire process. This questionnaire, which forms an important part of our overall assurance programme, is a bottom up process by which managers across all our businesses are required to certify the existence and effectiveness of certain key controls within their areas of responsibility. We assessed the effectiveness of the process and we evaluated the nature and quality of responses, the level of challenge to the responses, significant findings and how management intended to address findings.
  - *Risk management processes.* Working with the board, the risk assurance processes were reviewed and refined. We concentrate primarily on the mitigating controls and the levels of assurance over these. As noted above, the annual plan is mapped to understand the level of coverage provided.
- Monitored progress against the 2016/17 corporate assurance and risk plan and agreed the 2017/18 corporate assurance and risk plan (see above).
- Monitored the effectiveness of the Corporate Assurance and Risk function. We pay close attention to the resourcing of the function, knowing that the calibre, knowledge and experience of individual auditors are critical to achieving an effective audit. We continually assess the effectiveness of the function. At each meeting the Group Assurance and Risk Director is present and we have the opportunity to ask detailed questions and challenge her. We receive regular reports from her as noted above and we seek the views of managers and also of KPMG, all of whom have frequent contact with the function. We also pay attention to whether the function has adequate standing across the group and is free from management or other restrictions. As Chairman of the committee, I occasionally meet with the Corporate Assurance and Risk team and I plan to do so again during 2017/18.
- Reviewed the processes and controls associated with the group's continued investment in business information systems. The committee has been kept informed of progress on the implementation of these systems during the year, including the challenges and risks and how these were being managed. Due to the significance of this project and the value to be delivered on completion, the board has also maintained close oversight, receiving two presentations. The partner from the independent programme assurance provider, KPMG, attended one of our meetings as well as one of our board meetings to provide feedback on the conduct of the project from the programme assurance engagement. The committee also approved the reappointment of KPMG as the independent programme assurance provider for 2017/18.
- Undertook a review of the control environment within three of the five divisions. The committee received updates from the Divisional Finance Directors of Fine Chemicals, Precious Metal Products and Process Technologies. This gave us an opportunity to learn more about key financial risks and how these were being managed, what control enhancements were being carried out, as well as understanding the bench strength of the divisional finance teams. In particular, we heard about the main themes arising from the key control assessment process which gave us an opportunity to better understand the control environment in the divisions and to seek assurance on the progress of actions being taken to address any weaknesses.
- Received an update from the incoming Chief Financial Officer on her impressions of the divisional and group finance teams.
- Reviewed reports from the General Counsel on litigation and on the speak up (whistleblowing) procedures. In particular we heard about enhancements made to speak up procedures during the year and we formalised the responsibilities of the Ethics Panel, which oversees concerns raised and ensures effective reviews or investigations of those concerns. We also reviewed key matters raised via speak up reports.

> Read more on page 56 and 59.

- Reviewed the risk management and control statements in the Annual Report and Accounts before they were approved by the board.

3 External Auditor

Role: to ensure an appropriate relationship with the external auditor, to monitor its independence and objectivity, negotiate and approve its fees, recommend its reappointment or not and to ensure it delivers, based on a sound plan, a high quality effective audit.

How we reviewed KPMG's performance and the effectiveness of the external audit process

Towards the end of the 2016/17 external audit, a feedback questionnaire was circulated to the executive directors and senior management. They were asked to rate how satisfied they were with KPMG, including its level of planning and coordination, ability to meet delivery dates and objectives, industry / specialist knowledge, preparedness and organisation, ability to firmly challenge management, independence, level and quality of communication and value for money.

The results showed an overall level of satisfaction with KPMG and that action had been taken on points arising from last year's feedback. There are areas where further improvements can be made and at our next meeting, Stephen Oxley, our lead audit partner, will explain how he intends to adapt the audit approach for the current year to take into account the findings. We will also consider any relevant issues as part of the external audit tender process which will be conducted in 2017/18.

On a continuous basis throughout the year, we look at the quality of KPMG's reports and the performance of Stephen Oxley both in and outside committee meetings. We pay particular attention to the way Stephen and the team interact with and challenge management as well as the effectiveness of the relationship between the internal and external audit teams. We also obtain feedback from the Chief Executive, the Chief Financial Officer and the Group Reporting Controller, all of whom have extensive interactions with KPMG. As noted earlier, I have regular one to one update meetings with Stephen to discuss agenda items and other matters which either Stephen or I feel are important.

We also reviewed findings from the FRC's Audit Quality Review team on KPMG's audit of Johnson Matthey's Annual Report and Accounts for the year ended 31st March 2016. We were pleased to find that the feedback was reassuring. Points were raised on post-employment benefit plans and, at component level, revenue. These points were fully discussed by the committee and, together with KPMG, we have agreed a number of actions to be taken in order to refine the audit approach. The committee was comfortable that whilst the proposed changes would improve the quality of the audit going forward they were not such as to give us concerns as to the audit of the 2016 accounts.

Following the above, we concluded that KPMG continues to provide an effective audit and therefore we recommended to the board its reappointment for 2017/18. A resolution proposing its reappointment is included in the notice of the 2017 AGM.

- Reviewed KPMG's performance and the effectiveness of the external audit process (see above).
- Took steps to ensure that external auditor objectivity and independence were safeguarded. We did this by:
  - Reviewing compliance against our policy on the provision of non-audit services and considered the continued appropriateness of this policy. We concluded that the policy, as detailed in last year's annual report, remained fit for purpose and no changes were needed in the year. However, we approved an updated policy to reflect changes made to the FRC's Revised Ethical Standard 2016 and this is effective from 1st April 2017 (see box on page 95).
  - Reviewing details of the non-audit services provided by KPMG and associated fees. Non-audit fees in the year were £0.6 million compared to audit fees of £2.1 million. The non-audit fees predominantly comprised expenditure on the provision of independent programme assurance (as discussed in more detail in the paragraph below), and direct and indirect tax compliance advisory services. More information on fees incurred by KPMG for non-audit services, as well as the split between KPMG's audit and non-audit fees, can be found in note 7 on the accounts, page 137.
  - Considering for approval the engagement of KPMG to provide non-audit services above certain monetary thresholds, as set out in the policy. During the year, I approved the engagement of KPMG to provide non-audit services on taxation services and an initial review of IFRS 15.

The committee approved additional accounting advice on the implementation of IFRS 15 and the reappointment of KPMG to provide further independent programme assurance in relation to the implementation of new business information systems. In late 2015, the committee had approved the appointment of KPMG to be our assurance provider on the large systems implementation being carried out by the group. This had followed a full tender process with four participants. KPMG won the tender due to the quality of its tried and tested approach, its style, previous experience and its references. We challenged the decision making process to extend KPMG's involvement, reviewed the scope of work and satisfied ourselves that this appointment did not compromise auditor independence and objectivity. Following discussion, we approved the reappointment of KPMG.

Our Policy on the Provision of Non-Audit Services – Summary

During the year and in light of EU legislation and the FRC's Revised Ethical Standard, the committee adopted a new policy on the provision of non-audit services which is effective from 1st April 2017.

The policy identifies certain types of engagement that the external auditor shall not undertake, including tax services, the preparation of accounting records and risk management procedures. It also includes key controls to ensure that the provision of non-prohibited services does not create a threat to KPMG's independence and objectivity.

KPMG can be invited to provide non-audit services which, in its position as auditor, it must or is best placed to undertake and which do not impact auditor objectivity or independence. The policy sets out how approval should be obtained prior to KPMG being engaged. Services likely to cost £25,000 or less should be approved by the Chief Financial Officer, services likely to cost more than £25,000 but £100,000 or less must be approved by myself as Chairman of the committee and services likely to cost over £100,000 must be approved by the committee.

The policy also sets out the circumstances in which a former employee of KPMG can be employed by Johnson Matthey and the procedure for obtaining approval for such employment.

As a result of the new policy, the tax compliance services work previously carried out by KPMG was put out to tender and awarded to Grant Thornton.

Our Approach to External Audit Tendering

KPMG (and its predecessor entities) has been our external auditor since 1986, following a full tendering process in 1985. We have undertaken a review of KPMG's performance every year since then. Stephen Oxley, our current lead audit partner, was appointed in 2013/14 and each year since then he has taken steps to refresh KPMG's approach to certain aspects of its audit.

As disclosed in last year's annual report, under the EU audit reform transitional arrangements KPMG's last possible audit would be for the year ending 31st March 2020. However, it has always been our intention to put the audit out to tender when Stephen's term expires, which is after completion of the 2017/18 audit. This approach is in line with EU legislation which came into force on 17th June 2016.

Given this, we have started planning the process. The committee has agreed which parties will be invited to tender and the Chief Financial Officer and I will shortly be meeting with those audit firms to discuss the key attributes we would expect to see in the senior members of the group audit team, including the lead audit partner, and the likely structure of that team. The objective of this process is to ensure each firm puts forward the highest quality team to lead the tender that fits best with our requirements.

We have also requested those firms to confirm that they have not carried out any services for us which would cause an issue with audit independence and that they have processes in place to ensure their independence throughout the tender process. In addition, we approved an interim policy on the engagement of those audit firms tendering to ensure they were not precluded from participating in the tender process and to avoid any independence issue arising in the run up to the appointment of a new auditor.

  – Reviewing the procedures followed by KPMG to safeguard its objectivity and independence. We received confirmation from KPMG that it was compliant with APB Ethical Standards in relation to the audit engagement; and

- Approving, after due challenge and discussion, KPMG's proposed terms of engagement, audit plan and fees for 2016/17.
- Took steps to prepare for the forthcoming audit tender (see above).

External Audit Plan

The external audit plan for 2016/17 was presented at our November 2016 meeting. The plan began with a review of significant risks and then an assessment of how those risks impacted on the audit approach which then formed the basis of the plan. In deriving the key audit risks, KPMG considered the internal and external factors impacting the group and the group's own risk assessment. These were then discussed with divisional and group management and translated into audit risks which shaped the audit approach. In line with the prior year, four key audit risks were identified which are referred to in the Independent Auditor's Report on pages 174 to 179. Materiality was set at 5% of profit before tax, and the scope covered 88% of group sales (excluding precious metals), 83% of profit before tax and 81% of total assets. The actual scoping percentages as set out in the Independent Auditor's Report on page 178 are not materially different to those agreed in the plan. In assessing adequacy of coverage, we also looked at local materiality levels, whether local statutory accounts were to be signed off and the number of site visits to be carried out by the group audit team. We also discussed the background and experience of the audit partners responsible for the largest local teams, independence and KPMG's audit quality framework. Following discussion we concluded that the proposed plan was sufficiently comprehensive for the purpose of the audit of the group's accounts and approved the proposed fee after due challenge.

Statement of Compliance

The committee confirms that, during the financial year ended 31st March 2017, the company complied with the applicable provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

4. Governance

4 Other Activities

- Reviewed reports on credit controls and credit risks.
- Reviewed our performance and effectiveness during 2016/17. Our review took the form of a questionnaire circulated to all committee members, as well as others who regularly attend committee meetings, seeking their views on matters such as committee composition, roles and responsibilities, the dynamics and culture of meetings and the interaction with Corporate Assurance and Risk and KPMG.

  I reviewed and summarised the responses and presented them for discussion at a committee meeting. The responses were positive, with just two areas highlighted for improvement. The first was in further enhancing the support for Corporate Assurance and Risk. Significant progress has been made in this area in the last year but there is more to do. The second area, is to continue to enhance the external audit performance evaluation process.
- Reviewed and approved the Audit Committee Report for 2016/17.
- Received reports on, and monitored, key governance and regulatory developments.
- Reviewed the committee's terms of reference in light of the UK Corporate Governance Code 2016 and EU legislation and recommended these to the board for approval.

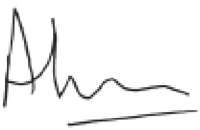
Our Priorities

In last year's annual report we set out our priorities, over and above our business as usual work, for 2016/17. Below we report on the status of these and set out our priorities for 2017/18.

2016/17	Comments
• Continue to monitor progress of the investment in business information systems.	A presentation was made to the committee on the investment in business information systems. Due to the significance of the matter, the board received regular updates on the investment, including a further two presentations. The committee also approved the reappointment of KPMG as the independent programme assurance provider for 2017/18.
• Work closely with the incoming Chief Financial Officer, when appointed, to help ensure a successful induction to the business, including supporting the business if there is a gap between Den Jones leaving and the new Chief Financial Officer being appointed.	I have held a number of meetings with Anna Manz since she joined Johnson Matthey to help ensure a successful introduction to the workings of the committee and to assist in her induction process.
• Start the detailed planning for the external audit tender which is intended to be undertaken in 2017.	As discussed on page 95.

2017/18
• Continue to monitor progress of the investment in business information systems.
• Plan and conduct the tender of the external audit.

On behalf of the Audit Committee:



Alan Ferguson
Chairman of the Audit Committee

Remuneration Report

Our role is to ensure that Johnson Matthey's remuneration arrangements align with shareholders' interests, reward directors for performance and are well managed in line with good governance.

Colin Matthews
Chairman of the Remuneration Committee

Introduction

As Chairman of the Remuneration Committee, I am pleased to present our report for the year ended 31st March 2017. This report is intended to explain the key matters considered by the committee during the previous 12 months and to indicate the matters we expect to consider over the coming year.

Our current Remuneration Policy was introduced in 2014 with strong shareholder support. As required by regulation, we will resubmit the Remuneration Policy for approval at the 2017 Annual General Meeting (AGM). This Annual Report on Remuneration, which sets out how we applied the Remuneration Policy in 2016/17 and how we intend to apply it in the forthcoming year, will be subject to an advisory vote by shareholders at the AGM.

Our Approach to Remuneration

The overall objective of Johnson Matthey is to deliver sustained superior shareholder value using our world class science and our competitive strengths, contributing to a cleaner, healthier world and so the remuneration strategy focuses on ensuring alignment with long term success and growth. Long term variable reward is tied to growth as measured by increases in underlying earnings per share (EPS). Short term variable reward is tied to the achievement of challenging near term financial targets.

We remain committed to reporting clearly on remuneration and listen carefully to shareholders' views. During the year, the committee reviewed the Remuneration Policy and its operation to ensure that it continues to support the business strategy and remains in line with the best governance practices.

Following this review, we consulted with our major shareholders regarding a number of proposed changes. The feedback from shareholders led to us modifying our original proposals.

Changes to the Remuneration Policy and its Implementation

I summarise below the changes to our Remuneration Policy, taking into account the changes following shareholder consultation, and its implementation for 2017/18:

Shareholding Guidelines

The recommended shareholding level for Executive Directors has been increased from 200% to 250% of base salary for the Chief Executive and from 150% to 200% of base salary for other Executive Directors to support higher levels of executive share ownership and alignment with shareholders.

Annual Bonus

The majority of the bonus will continue to be based on underlying profit before tax but working capital will also be used in 2017/18.

The maximum and target bonus opportunities remain unchanged. However, the level payable at threshold performance has been increased to 15% of the maximum (from 15% of base salary) to align the structure fairly with that applying to other employees below the board.

We will continue to set stretching targets and ensure that no bonus is payable unless the requisite level of performance is achieved. All measures are objective and quantifiable and we will disclose full details of the targets and performance against them on a retrospective basis.

Long Term Incentives

Our current long term incentive plan rules were approved by shareholders at our 2007 AGM for a period of ten years and have operated largely unchanged since then, except for the inclusion of malus and clawback provisions and the introduction of an extended vesting period for Executive Directors. We note the public dialogue over the past year about alternative incentive structures for Executive Director remuneration and their relative merits. However, we believe that our current long term incentive structure remains appropriate for Johnson Matthey.

Our long term incentives reward the achievement of sustainable earnings growth, aligned with our long term business strategy. As such, we are seeking shareholder approval for a new Performance Share Plan (PSP) at the 2017 AGM. Aside from some minor drafting changes to recognise emerging good practice, the one notable change compared to the existing plan is an increase to the maximum individual award level under the rules to 350% of base salary. However, annual awards to Executive Directors will be limited to the lower level specified in the Remuneration Policy, namely 200%, with the higher limit in the rules only being used to structure a replacement or buy-out award, if necessary, on recruitment. Any changes to the award level would be subject to consultation with shareholders.

As mentioned above, the maximum PSP award level for the next three years will remain limited to 200% of base salary under the new Remuneration Policy. Awards will continue to be linked to the achievement of stretching underlying EPS growth targets and subject to the delivery of satisfactory return on invested capital (ROIC) in line with our business strategy. The targets applying to the 2017 awards are the same as those set for the 2016 awards and are considered by the committee to be suitably challenging in light of current forecasts.

In addition to the introduction of a new PSP to replace the existing long term incentive plan, the committee is introducing a new Restricted Share Plan (RSP) for certain senior managers below the board. Executive Directors will not be eligible for any awards under the RSP.

Pensions

The pension policy for existing Executive Directors remains a cash allowance of up to 25% of base salary. As set out in the recruitment section of the new Remuneration Policy, when setting the pension arrangement for a new Executive Director we will seek to align the level of pension benefit more closely with that awarded to other employees in Johnson Matthey.

Salary Reviews

The annual review of Executive Director salaries has normally taken effect on 1st August each year. In future, we will align the review date to the company's financial year such that Executive Director salaries will normally take effect from 1st April each year.

A summary of the key elements of the Remuneration Policy and their application for 2017/18 is set out in the Remuneration Overview on page 99.

2017 Salary Review

Taking into account performance and time in role, each Executive Director received an increase on 1st April 2017 in line with the increase awarded to other UK employees but pro-rated to take account of the period of time since their last salary review. As a result, Robert MacLeod and John Walker received an increase of 1.5% and Anna Manz received an increase of 1%.

Board Changes

Den Jones stood down from the board on 20th July 2016 and left Johnson Matthey on 31st July 2016. Under the terms of the annual bonus plan, he received a pro-rata bonus for the proportion of the year served and any outstanding deferred share bonus awards will vest on the normal release dates. In addition, his outstanding awards under the long term incentive plan will continue to vest on the normal dates subject to performance and a time pro-rata reduction to reflect the proportion of the performance period served.

We welcomed Anna Manz to the board on 17th October 2016. Her remuneration package was set in line with our standard policy and she received no replacement or buy-out awards in connection with her appointment.

The Year Ahead

Looking ahead to the next 12 months, we will monitor the appropriateness of the performance conditions attached to our annual and long term incentive plans and will consider the remuneration and incentive arrangements for senior managers below the board following the implementation of a new global grading structure across the organisation.

2017 Annual General Meeting

I ask you to support our proposed Directors' Remuneration Policy along with our 2016/17 Annual Report on Remuneration at our forthcoming AGM on 28th July 2017. We believe that our policy is simple, transparent and effective, strongly supporting our business strategy. We welcome an open dialogue with our shareholders and I will be available at the meeting to answer any questions about the work of the Remuneration Committee.

Colin Matthews
Chairman of the Remuneration Committee

Remuneration Overview

Remuneration Policy

The table below sets out the remuneration policy for the 2017/18 financial year. Further details are set out in the Directors' Remuneration Policy and the Annual Report on Remuneration.

Remuneration element	Remuneration structure
Base salary	Current salaries as follows: • Robert MacLeod – £798,000 (including 1.5%[1] increase effective from 1st April 2017) • Anna Manz – £490,000 (including 1%[1] increase effective from 1st April 2017) • John Walker – £456,750 (including 1.5%[1] increase effective from 1st April 2017).
Benefits	Medical, life and income protection insurance, medical assessments, a company car (or equivalent), matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
Pension contribution	25% of salary cash supplement in lieu of pension.
Annual bonus	180% of salary for Chief Executive and 150% of salary for other Executive Directors. Bonuses for 2017/18 will be based on underlying profit before tax (PBT) and working capital performance. 50% of any bonus earned is deferred in shares for three years.
Long term incentive	200% of salary for the Chief Executive and 175% of salary for other Executive Directors. Awards vest subject to achieving challenging EPS growth targets (with a ROIC underpin). Targets for the 2016 and 2017 awards require 4% to 10% p.a. underlying EPS growth for 15% to 100% vesting. Performance is measured over three years with awards vesting in equal tranches over three, four and five years.
Shareholding guidelines	250% of salary for the Chief Executive and 200% of salary for other Executive Directors. 50% of the shares (net of tax) vesting under the incentive schemes must be retained until the guideline holding has been achieved.

[1] 2.25% pro-rated to reflect the period of service since last increase.

2016/17 Outcomes

The table below sets out the remuneration outcomes for the Executive Directors for 2016/17.

£'000	Salary	Benefits	Annual bonus[3]	Long term incentive	Pension	**Total**
Robert MacLeod	769	21	569	417	195	**1,971**
Den Jones[1]	156	5	73	176	40	**450**
Anna Manz[2]	222	7	123	–	56	**408**
John Walker	442	20	273	192	110	**1,037**

[1] Den Jones stood down from the board on 20th July 2016 and left the company on 31st July 2016.

[2] Anna Manz joined the board on 17th October 2016.

[3] In accordance with the rules of the plan, 50% of the bonus payable is awarded as shares and deferred for three years.

Annual bonuses for Robert MacLeod, Den Jones and Anna Manz were based solely on the underlying profit before tax of the group and paid out at 40% of the maximum, reflecting a good performance in challenging conditions. The bonus for John Walker was based on the underlying profit before tax of the group, Emission Control Technologies' (ECT's) underlying operating profit and ECT's working capital targets and paid out at 40% of the maximum. 50% of the bonus paid to the Chief Executive and other Executive Directors was paid in shares and deferred for three years.

The long term incentive plan awards were based on underlying EPS performance to 31st March 2017 and vested at 28% of the maximum following underlying EPS growth over the performance period of 7% per annum. The shares will be released in equal tranches in 2017, 2018 and 2019.

Directors' Remuneration Policy

Below we publish the Remuneration Policy table, which includes the elements of directors' remuneration. For each element we describe its purpose and its link to strategy, how it works, the opportunity, boundaries and performance measures and any clawback or withholding conditions which may apply. This Remuneration Policy will, subject to shareholder approval, take effect immediately following the 2017 AGM and apply to all remuneration for the financial year commencing 1st April 2017 onwards.

The previous Remuneration Policy was approved by shareholders in July 2014, with 97.6% votes cast in favour. The only significant changes between the policy presented below and that previously approved by shareholders are:

- A change to the base salary review date from 1st August to 1st April each year. The increase will be pro-rated in the first year to reflect the Executive Director's service since their last increase.
- The annual bonus threshold vesting is changed to 15% of the maximum opportunity, it was previously 15% of base salary for all Executive Directors.
- An increase to the recommended shareholding level from 200% to 250% of base salary for the Chief Executive and from 150% to 200% of base salary for other Executive Directors.
- Dividends will accrue on deferred shares during vesting periods and may be paid in cash or shares at the time of vesting.

Remuneration Policy Table

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Base salary Base salary is the basic pay for doing the job. Its purpose is to provide a fair and competitive level of base pay to attract and retain individuals of the calibre required to lead the business.	Base salaries will be reviewed annually and any changes normally take effect from 1st April each year. In determining salaries and salary increases, the Remuneration Committee will take account of the performance of the individual director against a broad set of parameters including financial, environmental, social and governance issues. The Remuneration Committee will further take into account the length of time in post and the level of salary increases awarded to the wider Johnson Matthey workforce. Salaries across the group are benchmarked against a comparator group of similarly sized companies within the FTSE, with a comparable international presence and geographic spread and operating in relevant industry sectors. New appointments or promotions will be paid at a level reflecting the Executive Director's level of experience in the particular role and experience at board level. New or promoted Executive Directors may receive higher pay increases than typical for the group over a period of time following their appointment as their pay trends toward an appropriate level for their role.	**Maximum opportunity** No salary increase will be awarded which results in a base salary which exceeds the competitive market range. Details of the current salaries for the Executive Directors are shown in the Annual Report on Remuneration on page 116.

Purpose and link to strategy

Annual incentive
The annual bonus provides a strong incentive aligned to strategy in the short term. The annual bonus allows the board to ensure that the company's plans are properly reflected in stretching but achievable annual budgets.

The annual bonus plays a key part in the motivation and retention of Executive Directors, one of the key requirements for long term growth.

Bonus deferral as well as malus and clawback provisions ensure that longer term considerations are properly taken into account in the pursuit of annual targets.

Operation (and changes if appropriate) of the element

The Remuneration Committee sets annual bonus performance measures and targets for each new award cycle. At the end of the year, the Remuneration Committee determines the extent to which these have been achieved. The Remuneration Committee retains the discretion to reduce any bonus award if, in its opinion, the underlying financial performance of the company has not been satisfactory in the circumstances.

Deferral
Of any bonus paid, 50% is paid in cash and the remaining 50% is deferred into shares for a three year period as an award under the deferred bonus plan. No further performance conditions apply to awards under the deferred bonus plan. Dividends that accrue on the deferred shares during the vesting period will be paid in either cash and / or shares at the time of vesting.

Malus and clawback
The cash and deferred elements of the bonus are subject to malus and clawback provisions such that they can be forfeited or recouped in part or in full in the event of a misstatement of results, error in the calculation or misconduct by the individual.

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

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

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

Potential value of element and performance measures

Performance measures
Bonuses are based on the achievement of demanding financial and, where appropriate, non-financial targets. The Remuneration Committee may use different performances and weightings for each performance cycle as appropriate to take into account the strategic needs of the business. However, a substantial proportion will be based on key financial measures, including budgeted underlying profit before tax (PBT).

The budget is set on a robust bottom up process to achieve full accountability. The target budgeted underlying PBT is retrospectively published in the immediately following Annual Report on Remuneration. Details of last year's bonus awards are on page 110.

The performance period for annual bonus purposes matches the financial year (1st April to 31st March).

Maximum opportunity and vesting thresholds
Chief Executive – 180% of base salary.

Other Executive Directors – 150% of base salary.

Threshold vesting will result in a bonus of 15% of maximum opportunity. On target performance will result in 50% payment of the maximum opportunity.

4. Governance

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Long term incentive The Performance Share Plan (PSP) is a long term incentive plan designed to ensure that executives take decisions in the interest of the longer term success of the group. Having a measure that looks at profitable growth over the longer term ensures that the interests of executives are aligned with shareholder wishes for long term value.	Shares may be awarded each year and are subject to performance conditions over a three year performance period. Subject to performance conditions being met, the shares will vest in equal instalments on the third, fourth and fifth anniversary of the date of award. The performance targets are set by the Remuneration Committee based on internal and external growth forecasts to ensure they remain appropriate and aligned with shareholder expectations. The awards are granted in accordance with the rules of the plan approved by shareholders. Awards may be granted in the form of conditional shares, nil or nominal cost options or cash (where the awards cannot be settled in shares). Dividends that accrue between the third and fifth anniversary of the award date will be paid in either cash and / or shares at the time of vesting. **Malus and clawback** Long term incentive plan awards granted since 2014 are subject to malus and clawback provisions that can apply in the case of a misstatement of results, error in the calculation or misconduct by the individual. **Adjustments** The Remuneration Committee has power to adjust the vesting level of an award based on the underlying performance of the company. The Remuneration Committee may adjust the performance measure to reflect material changes (e.g. significant acquisitions or disposals, share consolidation, share buy-backs or special dividends). Any such change would be fully explained to shareholders.	**Performance measures** PSP vesting is currently based on the compound annual growth rate (CAGR) of underlying EPS over a three year performance period, subject to a discretionary ROIC underpin. However, the Remuneration Committee retains discretion to amend the targets and the performance measures for future awards as appropriate to reflect the business strategy. Wherever possible, the views of major shareholders will be sought when it is proposed to make any substantive changes to the performance measures. The prospective targets and measures for the year commencing 1st April 2017 are shown on page 99. **Maximum opportunity and vesting thresholds** A new long term incentive plan, a Performance Share Plan (PSP), is being put to shareholders for approval at the 2017 AGM. Subject to approval of the plan, the maximum award limit under this policy will be 200% of base salary.
Benefits To provide a market aligned benefits package. The purpose of any benefit is to align with normal market practices and to remove certain day to day concerns from Executive Directors to allow them to concentrate on the task in hand.	Benefits include medical, life and income protection insurance, medical assessments, company sick pay, and a company car (or equivalent). Other appropriate benefits may also be provided from time to time at the discretion of the Remuneration Committee. Directors' and officers' liability insurance is maintained for all directors. Directors who are required to move for a business reason may, where appropriate, also be provided with benefits such as relocation benefits (e.g. the provision of accommodation, transport or medical insurance away from their country of residence) and schooling for dependents. The company may pay the tax on these benefits. Directors may be assisted with tax advice and tax compliance services. The company will reimburse all reasonable expenses (including any tax thereon) which the Executive Director is authorised to incur whilst carrying out executive duties.	Benefits are not generally expected to be a significant part of the remuneration package in financial terms and are there to support the director in his or her performance in the role. In general benefits will be restricted to the typical level in the relevant market for an Executive Director. Car benefits will not exceed a total of £25,000 per annum. The cost of medical insurance for an individual Executive Director and dependents will not exceed £15,000 per annum. Company sick pay is 52 weeks' full pay.

Purpose and link to strategy	Operation (and changes if appropriate) of the element	Potential value of element and performance measures
Pension Provides for post-retirement remuneration, ensures that the total package is competitive and aids retention.	All Executive Directors will be paid a cash supplement in lieu of membership in a pension scheme.	The maximum supplement is 25% of base salary.
All employee share plan Encourages share ownership.	Executive Directors are entitled to participate in the company's all employee share incentive plan under which regular monthly share purchases are made and matched with the award of company shares, subject to retention conditions. Executive Directors would also be entitled to participate in any other all employee arrangements that may be established by the company on the same terms as all other employees.	Executive Directors are entitled to participate up to the same limits in force from time to time for all employees.
Shareholding requirements To encourage Executive Directors to build a shareholding in the company and ensure the interests of management are aligned with those of shareholders.	Executive Directors are expected to build up a shareholding in the company over a reasonable period of time. Shares that count towards achieving these guidelines include: all shares beneficially owned by an Executive Director or a person connected to the executive as recognised by the Remuneration Committee; deferred bonus shares and long term incentive awards which are no longer subject to performance conditions but have not yet vested. Executive Directors are expected to retain at least 50% of the net (after tax) vested shares that are released under the long term PSP and deferred bonus plans until the required levels of shareholding are achieved. Executive Directors are not required to make personal share purchases should awards not meet the performance conditions and so a newly appointed director may take longer to reach the expected level, depending on the company's performance against targets over the period.	The minimum shareholding requirement is as follows: Chief Executive – 250% of base salary. Other Executive Directors – 200% of base salary. The above shareholding requirements are effective as of the date of approval of this policy. The previous shareholding requirement was 200% of base salary for the Chief Executive and 150% of base salary for the other Executive Directors. There is no requirement for Non-Executive Directors to hold shares but they are encouraged to acquire a holding over time.
Non-Executive Director fees Attracts, retains and motivates Non-Executive Directors with the required knowledge and experience.	Non-Executive Director fees are determined by the board. The Non-Executive Directors exclude themselves from such discussions. The fees for the Chairman are determined by the Remuneration Committee taking into account the views of the Chief Executive. The Chairman excludes himself from such discussions. Non-Executive Directors are paid a base fee each year with an additional fee for each committee chairmanship or additional role held. Non-Executive Director fees are reviewed every year. Any increase will take into account the market rate for the relevant positions within a comparator group of similarly sized companies with a comparable international presence and geographic spread and operating in relevant industry sectors, the experience of the individuals and the expected time commitment of the role. In exceptional circumstances, additional fees may be payable to reflect a substantial increase in time commitment. The company will also reimburse the Chairman and Non-Executive Directors for all reasonable expenses (including any tax thereon) incurred whilst carrying out duties for the company.	Details of the current fee levels for the Chairman and Non-Executive Directors are set out in the Annual Report on Remuneration on page 109. The fee levels are set subject to the maximum limits set out in the Articles of Association.

Selection of Performance Targets

Annual incentive	Financial performance targets under the annual bonus plan are set by the Remuneration Committee with reference to the prior year and to the budgets and business plans for the coming year, ensuring the levels to achieve threshold, target or maximum payout are appropriately challenging. The performance targets for 2017/18 are based upon budgeted underlying PBT and working capital to ensure that there is strong attention paid to delivery of current operational plans and operational efficiency. Commercial sensitivity precludes the advance publication of the actual bonus targets but these targets will be retrospectively published in the Annual Report on Remuneration for 2017/18.
Long term incentive	EPS targets under the PSP are set to reflect the company's longer term growth objectives at a level where the maximum represents genuine outperformance. Underlying EPS is considered a simple and clear measure of absolute growth in line with the company's strategy. It is also a key objective of the company to achieve earnings growth only in the context of a satisfactory performance on ROIC. Accordingly, the Remuneration Committee makes 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.

Group Employee Considerations

The Remuneration Committee considers the directors' remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the group. The company has not consulted directly with employees with respect to directors' remuneration. Increases in base salary for directors will take into account the level of salary increases granted to all employees within the group.

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

The key elements of variable pay cascade down through the next tiers of senior management with appropriate reductions in opportunity levels based on seniority. The group's senior executives plus senior and middle managers (1,300 employees) participate in the annual bonus plan (with performance conditions similar to those described in the Remuneration Policy). In addition, the group's senior executives and certain senior management participate in the long term PSP in line with the same EPS based performance conditions (although only Executive Directors are subject to the post-vesting holding period and only the Executive Directors and members of the Group Management Committee are subject to deferral of annual bonus). Certain senior management also participate in a long term Restricted Share Plan (RSP) which has no performance conditions attached. No Executive Director is eligible to participate in this RSP.

There are also a number of country and business dependent arrangements under which bonuses may be paid to the entire business workforce where performance conditions associated with profitability are met.

Johnson Matthey operates a number of pension arrangements around the world, relevant to the local conditions and arrangements.

The key element of remuneration for those below senior management grades is base salary and Johnson Matthey's policy is to ensure that base salaries are fully competitive in the local markets. General pay increases take into account local salary norms, local inflation and business conditions.

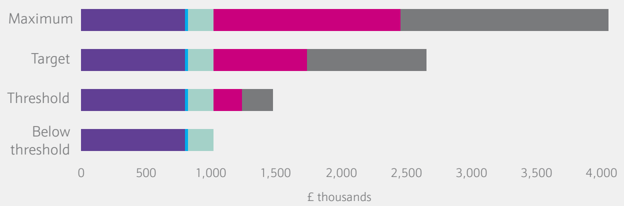
Remuneration Scenarios

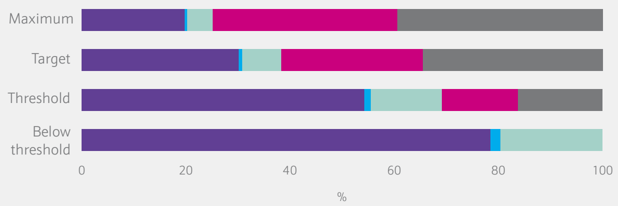
Below is an illustration of the potential future remuneration that could be received by each Executive Director for the year commencing 1st April 2017, both in absolute terms and as a proportion of the total package under different performance scenarios. The value of the PSP is based on the award that will be granted in August 2017.

Value of package

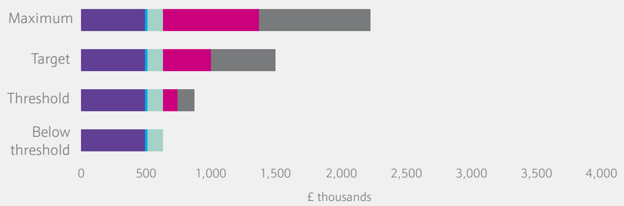
Composition of package

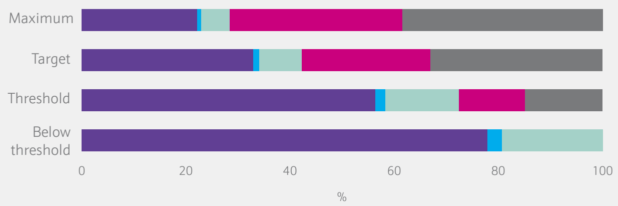
Robert MacLeod



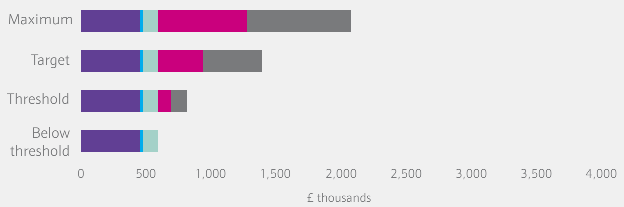


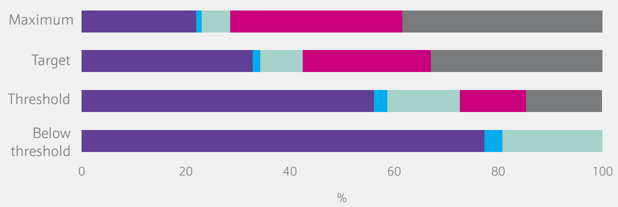
Anna Manz





John Walker





Base salary Benefits Pension Bonus PSP

Approach to Recruitment Remuneration

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

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

Area	Policy and operation
Overall	The policy of the board is to recruit the best candidate possible for any board position and to structure pay and benefits in line with the Remuneration Policy set out in this report. The ongoing structure of a new recruit's package would be the same as for existing directors, with the possible exception of an identifiable buy-out provision, as set out below.
Base salary or fees	Salary or fees will be determined by the Remuneration Committee in accordance with the principles set out in the policy table on page 100.
Benefits and pension	An Executive Director shall be eligible for benefits and pension arrangements in line with the company's policy for current Executive Directors, as set out in the policy table on pages 102 and 103. For new hires the cash supplement payable will be more aligned to that payable to other employees.
Annual incentive	The maximum level of opportunity is as set out in the policy table on page 101. The Remuneration Committee retains discretion to set different performance targets for a new externally appointed Executive Director, or adjust performance targets and measures in the case of an internal promotion, to be assessed over the remainder of the financial year. In this case any bonus payment would be made at the same time as for existing directors, and any such award would be pro-rated for the time served in the performance period.
Long term incentive	The maximum level of opportunity is as set out in the policy table on page 102. In order to achieve rapid alignment with the company's and shareholder interests, the Remuneration Committee retains discretion to grant a PSP award to a new externally appointed Executive Director on or soon after appointment if they join outside of the normal grant period.
Replacement awards	The Remuneration Committee retains discretion to grant replacement buy-out awards (in cash or shares) to a new externally appointed Executive Director to reflect the loss of awards granted by a previous employer. Where this is the case, the Remuneration Committee will seek to structure the replacement award such that overall it is on an equivalent basis to broadly replicate that foregone, using appropriate performance terms. If granted, any replacement buy-out award would not exceed the maximum set out in the rules of the 2017 Performance Share Plan Rules (350% of base salary). If the Executive Director's prior employer pays any portion of the remuneration that was anticipated to be forfeited, the replacement awards shall be reduced by an equivalent amount.
Other	The Remuneration Committee may agree that the company will meet certain mobility costs, relocation costs, including temporary living and transportation expenses, in line with the company's prevailing mobility policy for senior executives as described in the policy table on page 102.

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

Service Contracts and Policy on Payment for Loss of Office

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

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

The following table describes the contractual conditions pertaining to the contracts for Robert MacLeod, Anna Manz and John Walker and for any future Executive Director.

Summary of Key Provisions of Executive Directors' Service Contracts and Treatment of Payments on Termination

	Robert MacLeod	Anna Manz	John Walker[1]
Date of service agreement	31st January 2014	25th July 2016	31st January 2014
Date of appointment as director	22nd June 2009	17th October 2016	9th October 2013
Employing company	Johnson Matthey Plc		
Contract duration	No fixed term.		
Notice period	No more than 12 months' notice, with equal notice from the company and director except for directors who joined before 1st January 2017 where the director's notice period is six months and the notice period from the company is 12 months.		
Post-termination restrictions	The contracts of employment contain the following restrictions on the director for the following periods from the date of termination of employment: – non-compete – six months; – non-dealing and non-solicitation of client / customers – 12 months; – non-solicitation of suppliers and non-interference with supply chain – 12 months; and – non-solicitation of employees – 12 months.		
Summary termination – payment in lieu of notice (PILON)	The company may, in its absolute discretion, terminate the employment of the director with immediate effect by giving written notice together with payment of a sum equivalent to the director's base salary and the value of their contractual benefits as at the date such notice is given, in respect of the director's notice period, less any period of notice actually worked. The company may elect to pay the PILON in equal monthly instalments. The director is under a duty to seek alternative employment and to keep the company informed about whether they have been successful. If the director commences alternative employment, the monthly instalments shall be reduced. (if appropriate to nil) by the amount of the director's gross earnings from the alternative employment. A PILON paid to a director who is a US taxpayer (John Walker) would be in equal monthly instalments.		
Termination payment – change of control	If, within one year after a change of control, the director's service agreement is terminated by the company (other than in accordance with the summary termination provisions), the company shall pay, as liquidated damages, one year's base salary, together with a sum equivalent to the value of the director's contractual benefits, as at the date of termination, less the period of any notice given by the company to the director.		
Termination – treatment of annual incentive awards	Annual bonus awards are made at the discretion of the Remuneration Committee. Employees, including Executive Directors, leaving the company's employment will receive a bonus, pro-rata to service, unless the reason for leaving is resignation or misconduct. Any bonus awarded would continue to be subject to deferral as set out in the Remuneration Policy. In relation to deferred bonus awards which have already been made, shares will be released on the normal vesting date unless one of the following circumstances applies, and subject to the discretion of the Remuneration Committee: • the participant leaves as a result of misconduct; or • the participant, prior to vesting, breaches one of the post-termination restrictions or covenants provided for their employment contract, termination agreement or similar agreement. In which case the deferred awards will lapse on cessation of employment. The Remuneration Committee has the discretion to accelerate vesting of a deferred award if appropriate to do so to reflect the circumstances of the departure. It is intended that this would only be used in the event of a departure due to ill health (or death).		
Termination – treatment of long term incentive awards	Employees, including Executive Directors, leaving the company's employment will normally lose their long term incentive awards unless they leave for a specified 'good leaver' reason, in which case their shares will be released on the normal release dates, subject to the performance condition. The Remuneration Committee has discretion to accelerate vesting, in which case the performance condition would be assessed based on available information at the time. In either case, unless the Remuneration Committee determines otherwise, the level of vesting shall be pro-rated to reflect the proportion of the performance period which has elapsed to the date of leaving. In the post-vesting deferral period, only those who leave due to misconduct will lose their shares.		
Redundancy scheme	The director is not entitled to any benefit under any redundancy payments scheme operated by the company.		
Holiday	Upon termination for any reason, directors will be entitled to payment in lieu of accrued but untaken holiday entitlement.		

[1] John Walker is eligible for continuing post-retirement medical benefits provided he satisfies the conditions of this plan and retires directly from Johnson Matthey.

Chairman and Non-Executive Directors

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

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

Non-Executive Director	Committee appointments	Date of appointment	Expiry of current term	Notice period by the individual	Notice period by the company
Tim Stevenson (Chairman)	R, N	29th March 2011	31st December 2018	6 months	6 months
Odile Desforges	A, R, N	1st July 2013	30th June 2019	1 month	1 month
Alan Ferguson	A, R, N	13th January 2011	13th January 2020	1 month	1 month
Jane Griffiths	A, R, N	1st January 2017	31st December 2019	1 month	1 month
Colin Matthews	A, R, N	4th October 2012	3rd October 2018	1 month	1 month
Chris Mottershead	A, R, N	27th January 2015	26th January 2018	1 month	1 month

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

External Appointments

It is the board's policy to allow Executive Directors to accept non-executive appointments provided there is no conflict of interest and that the time spent would not impinge on their work for Johnson Matthey. Details of external directorships held by Executive Directors, together with fees retained during the year are as follows:

Executive Director	Company	Role held	Fees retained £'000
Robert MacLeod	RELX PLC, RELX NV and RELX Group plc	Non-Executive Director	85
Anna Manz	ITV plc	Non-Executive Director	70

Annual Report on Remuneration

This section provides details of how the 2014 Directors' Remuneration Policy was implemented during the year and how we intend to apply the new 2017 Directors' Remuneration Policy in the year ahead (subject to its approval by shareholders at the forthcoming AGM).

About the Remuneration Committee

The Remuneration Committee is a committee of the board and comprises all the independent Non-Executive Directors of the company as set out above including the group Chairman Tim Stevenson. Details of attendance at committee meetings during the year ended 31st March 2017 is shown below.

			Meeting attendance						
	Committee role	Date of appointment	6th April 2016	31st May 2016	19th July 2016	7th September 2016	5th October 2016	14th November 2016	31st January 2017
Dorothy Thompson[1]	Chairman (until 20th July 2016)	1st September 2007	✓	✓	✓	–	–	–	–
Colin Matthews	Chairman (from 20th July 2016)	4th October 2012	✓	✓	✓	✓	✓	✓	✓
Odile Desforges	Member	1st July 2013	✓	✓	✓	✓	✓	✓	✓
Alan Ferguson	Member	13th January 2011	✓	✓	✓	✓	✓	✓	✓
Jane Griffiths	Member	1st January 2017	–	–	–	–	–	–	✓
Chris Mottershead	Member	27th January 2015	✓	✓	✓	✓	✓	✓	✓
Tim Stevenson	Member	29th March 2011	✓	✓	✓	✓	✓	✓	✓

1 Dorothy Thompson stood down as Chairman of the Remuneration Committee and retired from the board on 20th July 2016.

Since the end of the year, the committee has met. Tim Stevenson was unable to attend one meeting due to illness. He reviewed all meeting papers and shared his thoughts, comments and questions with the committee chairman, who raised these at the meeting. All other committee members attended both meetings.

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

Advisers to the Committee

In determining the remuneration structure, the committee appoints and receives advice from independent remuneration consultants on the latest developments in corporate governance and the pay and incentive arrangements prevailing in comparably sized industrial companies. New Bridge Street (part of Aon Hewitt Limited) was appointed as adviser to the committee in November 2015 following a competitive tender process. The total fees paid to New Bridge Street in respect of its services to the committee during the year were £58,126 plus VAT. Aon Hewitt also provides consultancy services to the company in relation to certain employee benefits to those below the board. New Bridge Street is a signatory to the Remuneration Consultants Group Code of Conduct and the committee is satisfied that the advice that it receives from New Bridge Street is objective and independent.

Herbert Smith Freehills provided advice to the company in connection with the drafting of share plan rules and directors' service contracts in accordance with the policy determined by the Remuneration Committee. This advice was charged on an hourly basis. The committee is aware that Herbert Smith Freehills is one of a number of legal firms that provide legal advice and services to the company on a range of matters.

A statement regarding the use of remuneration consultants for the year ended 31st March 2017 is available on our website in the Investor Relations / Corporate Governance section.

Remuneration for the Year Ended 31st March 2017

Single Figure Table of Remuneration

The table below sets out the total remuneration and breakdown of the elements each director received in relation to the year ended 31st March 2017, together with a prior year comparative. An explanation of how the figures are calculated follows the table.

	Base salary / fees £'000		Benefits £'000		Annual incentive £'000		Long term incentive £'000		Pension £'000		Total £'000	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Executive Directors												
Robert MacLeod	**769**	748	**21**	21	**569**	208	**417**	261	**195**	191	**1,971**	1,429
Anna Manz[1]	**222**	–	**7**	–	**123**	–	**–**	–	**56**	–	**408**	–
John Walker	**442**	415	**20**	14	**273**	233	**192**	133	**110**	104	**1,037**	899
Former Executive Directors												
Den Jones[2]	**156**	464	**5**	18	**73**	117	**176**	–	**40**	118	**450**	717
Larry Pentz[3]	**–**	460	**–**	265	**–**	114	**146**	250	**–**	115	**146**	1,204
Non-Executive Directors												
Tim Stevenson	**343**	335	**–**	–	**–**	–	**–**	–	**–**	–	**343**	335
Odile Desforges	**63**	61	**–**	–	**–**	–	**–**	–	**–**	–	**63**	61
Alan Ferguson	**81**	79	**–**	–	**–**	–	**–**	–	**–**	–	**81**	79
Jane Griffiths[4]	**16**	–	**–**	–	**–**	–	**–**	–	**–**	–	**16**	–
Colin Matthews	**73**	61	**–**	–	**–**	–	**–**	–	**–**	–	**73**	61
Chris Mottershead	**63**	61	**–**	–	**–**	–	**–**	–	**–**	–	**63**	61
Dorothy Thompson[5]	**23**	76	**–**	–	**–**	–	**–**	–	**–**	–	**23**	76

1 Anna Manz was appointed to the board on 17th October 2016.

2 Den Jones stood down from the board on 20th July 2016 and left the company on 31st July 2016.

3 Larry Pentz stood down from the board and left the company on 31st March 2016.

4 Jane Griffiths was appointed to the board on 1st January 2017.

5 Dorothy Thompson stood down from the board on 20th July 2016.

Explanation of Figures

Base salary / fees	Salary paid during the year to Executive Directors and fees paid during the year to Non-Executive Directors.
Benefits	All taxable benefits such as medical and life insurance, service and car allowances, matching shares under the all employee share incentive plan and assistance with tax advice and tax compliance services where appropriate.
Annual incentives	Annual bonus awarded for the year ended 31st March 2017. The figure includes any amounts deferred and awarded as shares.
Long term incentives	The 2016 figure represents the value of shares which vested in August 2016. The volume weighted average share price at vest was 3,274 pence. The 2017 figure represents the estimated value of the shares which are due to vest in August 2017 based on achievement of performance conditions over the three years to 31st March 2017, calculated using the average share price from 1st January 2017 to 31st March 2017 which was 3,100 pence.
Pension	The amounts shown represent the value of the increase over the year of any defined benefit pension the Executive Director may have in the Johnson Matthey Employees Pension Scheme (JMEPS) plus any cash supplements paid in lieu of pension membership.

Variable Pay – Additional Disclosures, Including Bases of Calculation and Outcomes

1 Annual Bonus for the Year Ended 31st March 2017

The Executive Directors were eligible for a maximum annual bonus opportunity of 180% of base salary for the Chief Executive and 150% of base salary for the other Executive Directors (pro-rated to reflect the period served in the case of Den Jones and Anna Manz). The on target bonus opportunity was set at 50% of the maximum opportunity and the threshold bonus opportunity was 15% of salary.

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

	Percentage of bonus available		
	Group underlying PBT	ECT underlying operating profit	ECT working capital days
Chief Executive	100%	–	–
Chief Financial Officer	100%	–	–
Sector Chief Executive, Clean Air	60%	30%	10%

The annual targets are set when budgets are approved in early April, at the start of the new financial year. Budgets are built from the bottom up and are subject to a rigorous process of challenge before final proposals are considered by the board. Further information is used in the determination, including a consensus of industry analysts' forecasts, provided by Vara Research.

Achievement against targets for the year ended 31st March 2017 is set out in the table below:

Performance measure		Threshold	Target	Maximum	Actual	Actual % of budget
Group underlying PBT[1]	£ million	409.9 (95% budget)	431.5 (100% budget)	474.7 (110% budget)	426.4	98.82
ECT underlying operating profit[1]	£ million	274.9 (95% budget)	289.4 (100% budget)	318.3 (110% budget)	284.9	98.45
ECT working capital days	days	72.7 (105% budget)	69.2 (100% budget)	65.7 (95% budget)	69.4	100.29

[1] For 2016/17 actual performance for group underlying PBT and ECT underlying operating profit is measured using budget foreign exchange rates. Performance at actual exchange rates was £481.7 million and £318.2 million respectively.

Based on performance against the above targets, bonuses for the year ended 31st March 2017 were:

	£'000	% salary
Robert MacLeod, Chief Executive	569	72.35
Anna Manz, Chief Financial Officer[1]	123	25.37
Den Jones, Former Group Finance Director[1]	73	15.22
John Walker, Sector Chief Executive, Clean Air	273	60.57

[1] Bonuses for Anna Manz and Den Jones were pro-rated to reflect the proportion of the performance period for which they worked.

In accordance with the rules of the plan, 50% of the bonus payable is awarded as shares and deferred for three years. There are no further performance conditions attached to the deferred element.

2 Long Term Incentive Vesting for the Three Year Performance Period Ended 31st March 2017

The table below sets out the performance targets for the long term incentive awards made in August 2014 with a three year performance period which ended 31st March 2017.

Required underlying EPS performance	Proportion of award which may vest
Threshold 6% CAGR	15%
Maximum 15% CAGR	100%

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

The performance over the period was a compound annual growth in underlying EPS of 7.39% per annum. This growth had been achieved with ROIC in line with the group's expectations.

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

	% of base salary awarded	Shares awarded	% of award to vest	Shares to vest	Estimated value on vesting[1] £
Executive Directors					
Robert MacLeod	200	47,709	28.16	13,435	416,537
Anna Manz	–	–	–	–	–
John Walker	175	21,986	28.16	6,191	191,945
Former Executive Directors					
Den Jones[2]	175	20,138	28.16	5,670	175,792
Larry Pentz[3]	175	16,772	28.16	4,723	146,431

[1] The value of the 2014 award, which will vest in three equal tranches on 1st August 2017, 1st August 2018 and 1st August 2019, is estimated using the average share price for the period 1st January 2017 to 31st March 2017 which was 3,100 pence.

[2] Den Jones stood down from the board on 20th July 2016 and left the company on 31st July 2016. The long term incentive shares awarded to Mr Jones in August 2014 (25,882) were, on leaving, pro-rated to 20,138 based on his completed service since the start of the performance period.

[3] Larry Pentz retired from the board on 31st March 2016. The long term incentive shares awarded to Mr Pentz in August 2014 (25,159) were, on leaving, pro-rated to 16,772 based on his completed service since the start of the performance period.

3 Variable Pay Awarded During the Year Ended 31st March 2017 (Long Term Incentive Awards Subject to Future Performance)

In 2016/17 long term incentive awards were made to the Executive Directors in respect of the three year performance period to 31st March 2019. The table below sets out the opportunity and performance targets for these awards.

Required underlying EPS performance	Proportion of award which may vest	Chief Executive	Other Executive Director
Threshold 4% CAGR	15%	30%	26.25%
Maximum 10% CAGR	100%	200%	175%

The table below sets out the details of the actual conditional long term incentive awards made as a percentage of base salary.

	Date of grant	Award size (% of base salary)	Number of shares awarded	Face value[1] £
Robert MacLeod	1st August 2016	200	52,529	£1,537,498
Anna Manz	1st November 2016	175	28,997	£848,728
John Walker	1st August 2016	175	25,387	£743,065

1 Face value is calculated using the award share price of 2,926.95 pence, which is the average closing share price over the four week period commencing on 2nd June 2016.

4 Prior Year Long Term Incentive Awards and Outcomes

The table below shows the history of long term incentive awards granted since 2009.

Year of award	Year of vesting	% salary awarded to Chief Executive	% salary awarded to other Executive Directors	Threshold EPS growth target	Stretch EPS growth target	Compound annual growth in underlying EPS in the period	% of award vested
2009	2012	120	100	3%	10%	19.7%	100
2010	2013	150	120	7%	16%	20.2%	100
2011	2014	175	140	7%	16%	13.3%	75
2012	2015	175	140	7%	16%	6.07%	–
2013	2016	175	140	6%	15%	7.85%	33
2014	2017	200	175	6%	15%	7.39%	28
2015	2018	200	175	6%	12%	n/a	n/a
2016	2019	200	175	4%	10%	n/a	n/a

Pension Entitlements

No director is currently accruing any pension benefit in the group’s pension schemes. Instead they receive an annual cash payment in lieu of pension membership equal to 25% of base salary. However, Robert MacLeod and John Walker have each accrued a pension entitlement in respect of a prior period of pensionable service in one or more of the group’s pension arrangements.

Robert MacLeod ceased pensionable service in JMEPS on 31st March 2011.

John Walker joined JMEPS on 1st September 2012 and ceased pensionable service in this scheme on 9th October 2013. Prior to joining JMEPS Mr Walker was a member of the US Johnson Matthey Inc. Salaried Employees Pension Plan.

Details of the accrued pension benefits of the Executive Directors as at 31st March 2017 in the UK and US pension schemes are given below:

	Total accrued annual pension entitlement at 31st March 2017 £’000
Robert MacLeod[1]	10
Anna Manz	–
John Walker[2]	89

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

2 Pension payable in respect of pensionable service in the UK and US pension schemes payable from age 65 and 62 respectively. The pension payable from the US pension scheme will be paid in local currency.

Payments for Loss of Office

Den Jones stood down from the board on 20th July 2016 and left the company on 31st July 2016. Mr Jones received his salary, normal benefits and pension supplement up until 31st July 2016. Mr Jones received a pro-rata bonus for the year reflecting the proportion of the performance period worked, which amounted to £72,566, one half of which will be awarded as shares subject to a three year deferral period.

In accordance with the rules of the deferred share bonus plan and as set out in the Directors' Remuneration Policy, outstanding deferred share awards will be released on the normal vesting date. Mr Jones was awarded 4,864 deferred shares under the annual bonus plan in 2015. These will be released to him on the normal release date in August 2018. He was awarded 2,002 deferred shares under the annual bonus plan in 2016. These will be released to him on the normal release date in August 2019. Dividend equivalent shares will accrue on the deferred bonus awards during the relevant vesting period.

The long term incentive shares awarded to Mr Jones in August 2014 and August 2015 will be released in three equal tranches on the executive release dates in August 2017, August 2018 and August 2019 for the 2014 award and August 2018, August 2019 and August 2020 for the 2015 award. The 2014 and 2015 awards will be pro-rated to 20,138 and 11,746 shares based on his completed service since the start of the relevant performance period. In all cases, final vesting will be determined by reference to the achievement of the relevant performance conditions. Dividend equivalent shares will accrue on the 2015 award between the first and last executive release dates.

Mr Jones received a payment in lieu of notice of £357,610. This comprised of £279,337 in lieu of salary, £8,439 in lieu of car allowance and £69,834 in lieu of pension. Mr Jones continued to receive private medical insurance coverage until 31st December 2016 and thereafter a payment equal to the monthly insurance premiums payable by the company for Mr Jones' medical insurance was paid in cash until 2nd March 2017. On leaving Johnson Matthey, Mr Jones received a lump sum payment equal to the value of his accrued but untaken holiday plus an amount equal to the insurance premiums payable by the company to provide life and income protection insurance for the period up to 2nd March 2017. No other remuneration or loss of office payments will be received by Mr Jones.

Payments to Past Directors

Larry Pentz retired from the board on 31st March 2016. As set out in last year's remuneration report, he was treated as a retiree in respect of his outstanding deferred share bonus and long term incentive awards. 2,421 shares awarded under the deferred share bonus plan in 2014 will be released to him in August 2017. 4,723 long term incentive shares awarded in August 2014 will vest in August 2017, August 2018 and August 2019 following a pro-rata reduction to take into account the proportion of the performance period served and application of the EPS performance condition (as set out on page 111). The face value of these shares is estimated to be £75,060 and £146,431 respectively.

Larry Pentz is also eligible for continuing post-retirement medical benefits provided he continues to satisfy the conditions of this plan.

Recruitment of Anna Manz

Anna Manz was appointed to the board as Chief Financial Officer on 17th October 2016, succeeding Den Jones. Her remuneration package was set in line with the Directors' Remuneration Policy approved by shareholders at the 2014 AGM. Her salary on appointment was £485,000 and she became eligible for an annual bonus (pro-rated to reflect the proportion for the year worked) and a long term incentive award (details of which are set out on pages 111 and 112). She received no other incentive or recruitment awards in connection with her appointment.

Statement of Directors' Shareholding

The table below shows the directors' interests in the shares of the company, together with their unvested scheme interests, as at 31st March 2017.

	Ordinary shares[1]	Subject to ongoing performance conditions[2]	Not subject to further performance conditions[3]
Executive Directors			
Robert MacLeod	36,020	148,947	17,246
Anna Manz	2,184	28,997	–
Den Jones[4]	101	52,294	4,864
John Walker	13,949	70,914	11,841
Non-Executive Directors			
Tim Stevenson	4,958	–	–
Odile Desforges	1,416	–	–
Alan Ferguson	2,078	–	–
Jane Griffiths	–	–	–
Colin Matthews	1,888	–	–
Chris Mottershead	1,330	–	–
Dorothy Thompson[5]	8,762	–	–

1 Includes shares held by the director and / or connected persons, including those in the all employee share matching plan and 401k plan. Shares in the all employee share matching plan may be subject to forfeiture in accordance with the rules of the plan.

2 Represents unvested long term incentive shares awarded.

3 Represents unvested deferred bonus shares.

4 The figures for Den Jones are as at 20th July 2016 when he resigned from the board. As at 31st March 2017, the number of shares subject to ongoing performance conditions was 31,884 and the number of shares not subject to further performance conditions was 6,866.

5 The figures for Dorothy Thompson are as at 20th July 2016 when she stepped down from the board.

Directors' interests as at 1st June 2017 were unchanged from those listed above, other than that the trustees of the all employee share matching plan have purchased on behalf of Robert MacLeod and John Walker a further 24 shares each.

Executive Directors are expected to build up a shareholding in the company. The minimum shareholding requirement for the year ended 31st March 2017 was 200% of base salary for the Chief Executive and 150% of base salary for the other Executive Directors. The table below shows the extent to which the proposed minimum shareholding requirements have been satisfied:

	Shares held as at 31st March 2017 (% of base salary)[1,2]
Robert MacLeod	210%
Anna Manz[3]	14%
John Walker	178%

1 Value of shares as a percentage of base salary is calculated using a share value of 3,100.39 pence, which was the average share price prevailing between 1st January 2017 and 31st March 2017.

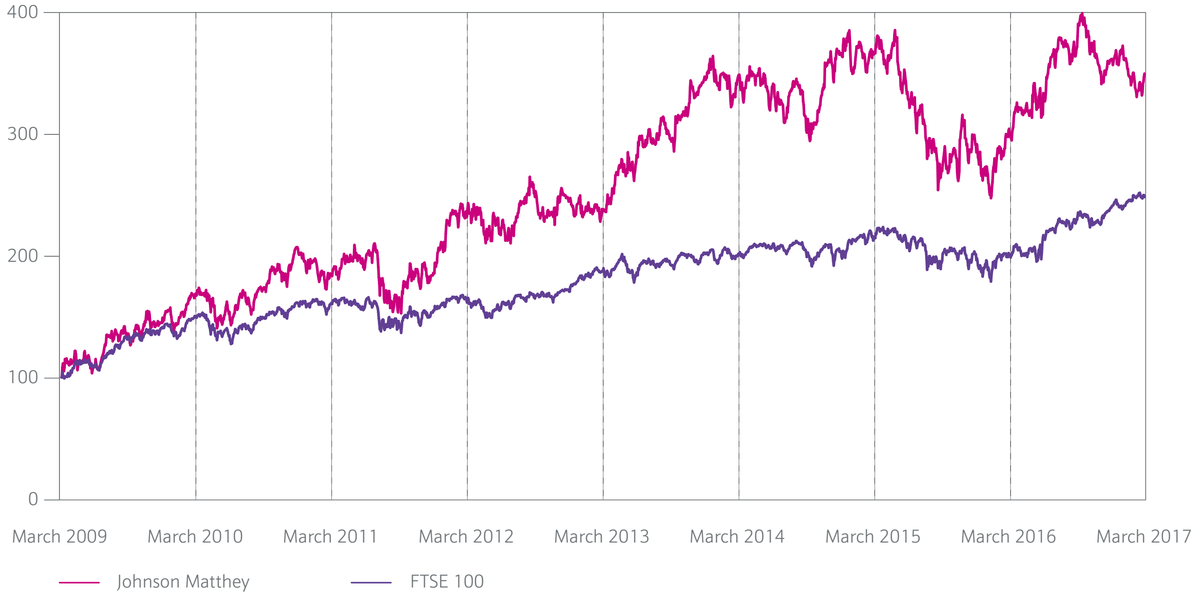
2 The director's total shareholding for the purposes of comparing it with the minimum shareholding requirement includes shares held beneficially by the director and any connected persons (as recognised by the Remuneration Committee) together with deferred shares awarded under the annual bonus rules for which there are no further performance conditions and any vested but unreleased long term incentive share awards for which there are no further performance conditions.

3 Anna Manz became an Executive Director on 17th October 2016 and purchased 2,184 shares. She will build her shareholding over time in line with the Remuneration Policy.

Performance Graph and Comparison to Chief Executive's Remuneration

Johnson Matthey and FTSE 100 Total Shareholder Return Rebased to 100

The following chart illustrates the total cumulative shareholder return of the company for the eight year period from 31st March 2009 to 31st March 2017 against the FTSE 100 as the most appropriate comparator group, rebased to 100 at 1st April 2009.



As at 31st March 2017, Johnson Matthey was ranked 73 by market capitalisation in the FTSE 100.

Historical Data Regarding Chief Executive's Remuneration

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15 [1]	2015/16 [1]	2016/17
Single total figure of remuneration	1,596	2,095	1,870	3,025	3,855	1,594	1,429	1,971
Annual incentives (% of maximum)	100	100	75	–	71	54	15	40
Long term incentives (% of award vesting) [2]	–	52	100	100	75	–	33	28

1 The figures for 2014/15 and 2015/16 are in respect of Robert MacLeod who was appointed as Chief Executive on 5th June 2014. Prior to this, the figures shown are for the previous Chief Executive, Neil Carson.

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

The above data is calculated according to the same methodology as applied in the single figure table on page 109.

Change in Chief Executive's Remuneration

The table below shows how the remuneration of the Chief Executive has changed over the year ended 31st March 2017. This is then compared to a group of appropriate employees, being those based in the UK. This comparator group was used because the Remuneration Committee believes it gives a reasonable understanding of the underlying increases, based on similar annual bonus performance measures, while at the same time reducing the distortion from currency fluctuations and the distortions that would arise from including all of the many countries in which the group operates with their different economic conditions.

	Chief Executive	Comparator group [1]
Salary	An increase of 1.5%	An increase of 4.5%
Annual incentives (bonus)	An increase of 174%	An increase of 25.4%
Benefits	No change in benefits policy. No change on overall costs between 2015/16 and 2016/17.	No change in benefits policy. No change on overall costs between 2015/16 and 2016/17.

1 Including promotions.

Relative Spend on Pay

The table below shows the absolute and relative amounts of distributions to shareholders and the total remuneration for the group for the years ended 31st March 2016 and 31st March 2017.

	Year ended 31st March 2017 £ million	Year ended 31st March 2016 £ million	% change
Payments to shareholders – special dividends	**–**	304.5	n/a
Payments to shareholders – ordinary dividends	**139.0**	140.1	-1
Total remuneration (all employees) [1]	**645.5**	603.5	+7

1 Excludes termination benefits.

Implementation of the Directors’ Remuneration Policy for 2017/18

The table below sets out how the Remuneration Committee intends to apply the Directors’ Remuneration Policy, subject to approval of the Remuneration Policy by shareholders, for the year ended 31st March 2018.

Salary	The salary review date has been moved from 1st August to 1st April. Salaries for the Executive Directors for 2017/18 have been increased in line with the budgeted increase for all other UK employees of 2.25%, albeit pro-rated to reflect the Executive Director’s period of service since their last increase. The salaries of Robert MacLeod and John Walker have therefore increased by 1.5% (to £798,000 and £456,750 respectively) and Anna Manz’s salary has increased by 1% (to £490,000).
Benefits and pension	No change to policy applied in 2017/18. The maximum limit on pensions has been retained at 25%, the level paid to the current Executive Directors. However, as set out in the recruitment section of the Directors’ Remuneration Policy, it is the committee’s intention that pension for future hires would be aligned with the level for other senior managers.
Annual incentives	The maximum bonus opportunity for 2017/18 remains unchanged at 180% of salary for the Chief Executive and 150% of salary for the other Executive Directors. As explained in the Chairman’s introductory letter, bonuses for 2017/18 will be based on underlying profit before tax (80%) and working capital (20%). Targets for the Chief Executive and Chief Financial Officer will be based on group performance. For the Sector Chief Executive, Clean Air, targets will be based on a mix of group and Clean Air Sector performance. The addition of a working capital measure into the bonus is new for 2017/18 and is designed to provide a broader framework for assessing the performance of the company. The Remuneration Committee considers the forward looking targets to be commercially sensitive, but full details of the targets and performance against them will be disclosed in next year’s report. As set out in the Policy Report, 50% of any bonus paid will be deferred in shares for three years and the payment of any bonus is subject to appropriate malus and clawback provisions.
Long term incentives	Award levels remain unchanged at 200% of salary for the Chief Executive and 175% of salary for the other Executive Directors. The long term Performance Share Plan awards will be based on EPS growth targets, subject to achieving a satisfactory level of return on capital employed. The EPS targets will be the same as those applying to the 2016 awards, namely 15% vesting for 4% p.a. underlying EPS growth, increasing on a straight line basis to 100% vesting for 10% p.a. underlying EPS growth or above. Vested awards are released in equal tranches over three, four and five years.
Chairman and Non-Executive Director fees	The fee review date has been moved from 1st August to 1st April. Fees for the Non-Executive Directors for 2017/18 have been increased in line with the budgeted increase for all other UK employees of 2.25%, albeit pro-rated to 1.5% to reflect the Non-Executive Director’s period of service since their last increase. The fees for each Non-Executive Director are shown below. Tim Stevenson £351,060 Chairman Odile Desforges £63,880 Alan Ferguson £81,900 Senior Independent Director and Chairman of Audit Committee Jane Griffiths £63,880 Colin Matthews £79,900 Chairman of Remuneration Committee Chris Mottershead £63,880

Statement of Shareholder Voting

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

The table below shows the results of the poll taken on the resolution to receive and approve the Directors’ Remuneration Policy at the 2014 AGM and the Annual Report on Remuneration at the July 2016 AGM.

Resolution	Number of votes cast	For	Against	Votes withheld
Remuneration Policy	142,717,124	139,293,726 (97.60%)[1]	3,423,398 (2.40%)[1]	524,316
Remuneration Report	133,637,060	128,663,795 (96.24%)[1]	4,973,265 (3.72%)[1]	455,202

1 Percentage of votes cast, excluding votes withheld.

The Remuneration Committee believes that the 97.60% vote in favour of the Directors’ Remuneration Policy and the 96.24% vote in favour of the Annual Report on Remuneration showed very strong shareholder support for the group’s remuneration arrangements at that time.

This Remuneration Report was approved by the Board of Directors on 31st May 2017 and signed on its behalf by:

Colin Matthews
Chairman of the Remuneration Committee

Directors' Report

for the year ended 31st March 2017

Directors

The names of the directors who held office during the year are set out on page 80. The biographies of all the directors serving at the date of this report are shown on page 73.

Indemnification of Directors

Details of indemnities granted in favour of each director of the company and each director of the company's subsidiaries, which were in force during the year and which remain in force as at the date of approval of this annual report, can be found in the Corporate Governance Report on page 82.

Appointment and Replacement of Directors

The rules about the appointment and replacement of directors are contained in our Articles of Association, which are available on our website. These include:

- directors may be appointed by a resolution of the members or a resolution of the directors; and
- if appointed by the directors, the newly appointed director must retire at the next Annual General Meeting (AGM) and is not taken into account in determining the directors who are to retire by rotation at the meeting. At least one third of the board must retire by rotation at each AGM.

The Articles of Association may only be amended by a special resolution at a general meeting of the company.

Notwithstanding the provisions within the Articles of Association, the board has agreed that all directors will seek re-election at each AGM in accordance with the UK Corporate Governance Code 2016.

Powers of the Directors

The powers of the directors are determined by the Articles of Association, UK legislation including the Companies Act 2006 and any directions given by the company in general meeting.

The directors have been authorised by the company's Articles of Association to issue and allot ordinary shares and to make market purchases of its own shares. These powers are referred to shareholders for renewal at each AGM. Further information is set out under 'Purchase by the Company of its Own Shares' opposite.

Directors' Interests in the Company's Shares

The interests of persons who were directors of the company (and of their connected persons) at 31st March 2017 in the issued shares of the company (or in related derivatives or other financial instruments), which have been notified to the company in accordance with the Market Abuse Regulation, are set out in the Remuneration Report on pages 97 to 116. The Remuneration Report also sets out details of any changes in those interests between 31st March 2017 and 31st May 2017.

Directors' Interests in Contracts

Other than service contracts, no director had any interest in any material contract with any group company at any time during the year. There were no contracts of significance (as defined in the Financial Conduct Authority's (FCA) Listing Rules) subsisting during the year to which any group undertaking was a party and in which a director of the company is or was materially interested.

Dividends

The interim dividend of 20.5 pence per share (2016 19.5 pence) was paid in February 2017. The directors recommend a final dividend of 54.5 pence per share in respect of the year (2016 52.0 pence), making a total for the year of 75.0 pence per share (2016 71.5 pence), payable on 1st August 2017 to shareholders on the register at the close of business on 9th June 2017.

Other than as referred to under 'Employee Share Schemes' on page 118, during the year there were no arrangements under which a shareholder has waived or agreed to waive any dividends nor any agreement by a shareholder to waive future dividends.

Dividend Payments and DRIP

Dividends can be paid directly into shareholders' bank accounts. A Dividend Reinvestment Plan (DRIP) is also available. This allows shareholders to purchase additional shares in Johnson Matthey with their dividend payment. Further information and a mandate can be obtained from our registrar, Equiniti, whose details are set out on page 187 and on our website.

Share Capital

Capital Structure

As at 31st March 2017, the issued share capital of the company was 193,533,430 ordinary shares of 110$\frac{49}{53}$ pence each (excluding treasury shares) and the company held 5,407,176 treasury shares. There were no purchases, sales or transfers of treasury shares during the year.

Share Allotments

There were no share allotments during the year.

Purchase by the Company of its Own Shares

At the 2016 AGM shareholders authorised the company to make market purchases of up to 19,353,343 ordinary shares of 110$\frac{49}{53}$ pence each, representing 10% of the issued share capital of the company (excluding treasury shares). Any shares so purchased by the company may be cancelled or held as treasury shares. This authority will subsist at the date of the 2017 AGM.

During the year and up until the date of approval of this annual report, the company did not make any purchases of its own shares or propose to, or enter into any options or contracts to, purchase its own shares (either through the market or by an offer made to all shareholders or otherwise), nor did the company acquire any of its own shares other than by purchase.

Rights and Obligations Attaching to Shares

The rights and obligations attaching to the ordinary shares in Johnson Matthey are set out in the Articles of Association.

As at 31st March 2017 and as at the date of approval of this annual report, except as referred to below, there were no restrictions on the transfer of ordinary shares in the company, no limitations on the holding of securities and no requirements to obtain the approval of the company, or of other holders of securities in the company, for a transfer of securities.

The directors may, in certain circumstances, refuse to register the transfer of a share in certificated form which is not fully paid up, where the instrument of transfer does not comply with the requirements of the company's Articles of Association, or if entitled under the Uncertificated Securities Regulations 2001.

Also as at 31st March 2017 and as at the date of approval of this annual report:

- no person held securities in the company carrying any special rights with regard to control of the company;
- there were no restrictions on voting rights (including any limitations on voting rights of holders of a given percentage or number of votes or deadlines for exercising voting rights) except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid;
- there were no arrangements by which, with the company's cooperation, financial rights carried by shares in the company are held by a person other than the holder of the shares; and
- there were no agreements known to the company between holders of securities that may result in restrictions on the transfer of securities or on voting rights.

Nominees, Financial Assistance and Liens

During the year:

- no shares in the company were acquired by the company's nominee, or by a person with financial assistance from the company, in either case where the company has a beneficial interest in the shares (and no person acquired shares in the company in any previous financial year in its capacity as the company's nominee or with financial assistance from the company); and
- the company did not obtain or hold a lien or other charge over its own shares.

Allotment of Securities for Cash and Placing of Equity Securities

During the year the company has not allotted, nor has any major subsidiary undertaking of the company (broadly an undertaking that represents at least 25% of the group's aggregate gross assets or profit) allotted, equity securities for cash. During the year the company has not participated in any placing of equity securities.

Listing of the Company's Shares

Johnson Matthey's shares have a Premium Listing on the London Stock Exchange and trade as part of the FTSE 100 index under the symbol JMAT.

American Depositary Receipt Programme

Johnson Matthey has a sponsored Level 1 American Depositary Receipt (ADR) programme which BNY Mellon administers and for which it acts as Depositary. Each ADR represents two ordinary shares of the company. The ADRs trade on the US over-the-counter market under the symbol JMPLY. When dividends are paid to shareholders, the Depositary converts such dividends into US dollars, net of fees and expenses, and distributes the net amount to ADR holders. Contact details for BNY Mellon are set out on page 187.

Employee Share Schemes

At 31st March 2017, 4,596 current and former employees representing approximately 37% of employees worldwide were shareholders in the company through the group's employee share schemes. Through these schemes, current and former employees held 2,939,456 ordinary shares (1.52% of issued share capital, excluding treasury shares as at 31st March 2017). Also as at 31st March 2017, 2,175,761 ordinary shares had been allocated but had not yet vested under the company's long term incentive plan to 1,385 current and former employees.

Shares acquired by employees through the company's employee share schemes rank equally with the other shares in issue and have no special rights. Voting rights in respect of shares held through the company's employee share schemes are not exercisable directly by employees. However, employees can direct the trustee of the schemes to exercise voting rights on their behalf. The trustee of the company's employee share ownership trust (ESOT) has waived its right to dividends on shares held by the ESOT which have not yet vested unconditionally to employees.

Interests in Voting Rights

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

	Nature of holding	Total voting rights [1]	% of total voting rights [2]
As at 31st March 2017:			
BlackRock, Inc.	Indirect	20,181,149	9.85%
	Financial Instrument (CFD)	209,763	0.10%
Standard Life Investments (Holdings) Limited	Indirect	10,031,851	5.18%
Interests in voting rights notified to the company between 31st March 2017 and 31st May 2017:			
Ameriprise Financial Inc.	Direct	84,408	0.04%
	Indirect	9,727,409	5.03%
Standard Life Investments (Holdings) Limited	Indirect	10,829,249	5.60%

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

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

Other than as stated above, as far as the company is aware, there is no person with a significant direct or indirect holding of securities in the company.

Contracts with Controlling Shareholders

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

Change of Control

As at 31st March 2017 and as at the date of approval of this annual report, there were no significant agreements to which the company or any subsidiary was or is a party that take effect, alter or terminate on a change of control of the company, whether following a takeover bid or otherwise.

However, the company and its subsidiaries were, as at 31st March 2017 and as at the date of approval of this annual report, party to a number of commercial agreements that may allow the counterparties to alter or terminate the agreements on a change of control of the company following a takeover bid. 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.

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 of 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 Executive Directors' service contracts each contain a provision to the effect that if the contract is terminated by the company within one year after a change of control of the company, the company will pay to the director as liquidated damages an amount equivalent to one year's gross base salary and other contractual benefits less the period of any notice given by the company to the director.

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

As at 31st March 2017 and as at the date of approval of this annual report, there were no other agreements between the company or any subsidiary and its or their directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Branches

The company and its subsidiaries have established branches in a number of different countries in which they operate.

Political Donations and Expenditure

It is the policy of the group not to make political donations or to incur political expenditure. During the year, there were no political donations made to any EU or non-EU political party, EU or non-EU political organisation or to any EU or non-EU independent election candidate. During the year, no EU or non-EU political expenditure was incurred.

Information Set Out in the Strategic Report

In accordance with section 414C(11) of the 2006 Act, the directors have chosen to set out in the Strategic Report the following information required to be included in the Directors' Report:

- **Employee Involvement**
  A description of the action taken by the company during the year relating to employee involvement.

  > Read more on pages 56 and 57.

- **Employment of Disabled Persons**
  Information on the company's policy applied during the year relating to the recruitment, employment, training, career development and promotion of disabled employees.

  > Read more on page 57.

- **Research and Development Activities**
  An indication of the activities of the group in the field of research and development.

  > Read more in our case studies and on pages 6, 13, 23, 45 and 55.

- **Likely Future Developments**
  An indication on likely future developments in our business.

  > Read more on pages 6 and 7.

- **Greenhouse Gas Emissions**
  Disclosures relating to greenhouse gas emissions.

  > Read more on pages 67 and 69.

- **Use of Financial Instruments**
  Information on the group's financial risk management objectives and policies, its exposure to credit risk, liquidity risk, interest rate risk and foreign currency risk and its use of financial instruments.

  > Read more on pages 155 to 161.

4. Governance

Disclosures Required by Listing Rule 9.8.4R

Disclosures required by the FCA's Listing Rule 9.8.4R, can be found on the following pages:

Information Required	Sub-section of Listing Rule 9.8.4R	Page reference
1. Capitalised interest	(1)	Page 148
2. Publication of unaudited financial information	(2)	Not applicable
3. Details of long term incentive schemes established to specifically recruit or retain a director	(4)	Not applicable
4. Waiver of emoluments by a director	(5) (6)	Not applicable
5. Allotments of equity securities for cash	(7) (8)	Page 118
6. Participation in a placing of equity securities	(9)	Not applicable
7. Contracts of significance	(10)	Not applicable
8. Contracts for the provisions of services by a controlling shareholder	(11)	Not applicable
9. Dividend waiver	(12) (13)	Pages 117-118
10. Agreements with controlling shareholder	(14)	Not applicable

Important Events since 31st March 2017

There have been no important events affecting the company or any subsidiary since 31st March 2017.

2017 Annual General Meeting

Our 2017 AGM will be held at 11.00 am on Friday 28th July 2017 at The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG.

The notice of the 2017 AGM, together with an explanation of the resolutions to be considered at the meeting, is set out in a separate circular to shareholders. This circular is published on our website.

Auditor and Disclosure of Information

The auditor of the company is KPMG LLP.

So far as each person serving as a director of the company at the date this Directors' Report was approved by the board is aware, there is no relevant audit information (that is, information needed by the auditor in connection with preparing its report) of which the company's auditor is unaware. Each such director 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 auditor is aware of that information.

Management Report

The Strategic Report and the Directors' Report together include the 'management report' for the purposes of the FCA's Disclosure and Transparency Rules (DTR 4.1.8R).

The Directors' Report was approved by the board on 31st May 2017 and is signed on its behalf by:

Simon Farrant
Company Secretary

Responsibility of Directors

Statement of Directors' Responsibilities in Respect of the Annual Report and Accounts

The directors are responsible for preparing the annual report and the group and parent company accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company accounts for each financial year. Under company law they are required to prepare the group accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and other applicable law and have elected to prepare the parent company accounts on the same basis.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its accounts comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, directors' Remuneration Report and Corporate Governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in Respect of the Annual Report and Accounts

Each of the directors as at the date of the Annual Report and Accounts, whose names and functions are set out below:

- Tim Stevenson, Chairman
- Robert MacLeod, Chief Executive
- Anna Manz, Chief Financial Officer
- John Walker, Executive Director
- Odile Desforges, Non-Executive Director
- Alan Ferguson, Non-Executive Director
- Jane Griffiths, Non-Executive Director
- Colin Matthews, Non-Executive Director
- Chris Mottershead, Non-Executive Director

states that to the best of his or her knowledge:

- the group and parent company accounts, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the management report (which comprises the Strategic Report and the Directors' Report) includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

This responsibility statement was approved by the board on 31st May 2017 and is signed on its behalf by:

Tim Stevenson
Chairman