



Johnson Matthey

Remuneration Committee

Terms of Reference

(Effective 1 September 2014)

1. Membership

- 1.1 The Remuneration Committee (the “**Committee**”) shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chairman, and shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Board may also serve on the Committee as an additional member if he or she was considered independent on appointment as Chairman.
- 1.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Group Human Resources Director, the Group Reward & Benefits Director and external advisers may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 1.3 The Committee Chairman shall be appointed by the Board and shall be an independent Non-Executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members of the Committee present shall elect one of themselves to chair the meeting provided that member is an independent Non-Executive Director. The Chairman of the Board shall not be the Committee Chairman.

2. Secretary

- 2.1 The Group Human Resources Director or his or her nominee shall act as the secretary of the Committee (the “**Secretary**”).

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members including the Committee Chairman.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least twice a year and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of the Committee Chairman.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the

Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

6. Minutes of Meetings

6.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Draft minutes shall also be circulated to all other members of the Board unless in the opinion of the Committee Chairman or Secretary it would be inappropriate to do so.

7. Annual General Meeting

7.1 The Committee Chairman shall attend the Company's Annual General Meeting to answer any shareholder questions on the Committee's activities.

8. Responsibilities

The responsibilities of the Committee are as set out below.

8.1 Determine the remuneration policy for all Executive Directors and the Company Chairman ("**Remuneration Policy**"). In so doing the Committee shall take into account the following factors:

- the need to attract, retain and motivate Executive management of the quality required to run the Company successfully;
- that a significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Company;
- pay and employment conditions across the Company and Group as a whole, especially when determining annual salary increases;
- the views of shareholders and other stakeholders;
- the risk appetite of the Company and its long-term strategic goals; and
- relevant legal and regulatory requirements, the UK Corporate Governance Code (the "**Code**") and associated guidance.

8.2 Review the ongoing appropriateness and relevance of the Remuneration Policy.

8.3 Within the terms of the Remuneration Policy and in consultation with the Company Chairman and/or Chief Executive, as appropriate, determine the components and levels that make up the total remuneration package of each Executive Director and the Company Chairman. The remuneration of Non-Executive Directors shall be a matter for the Chairman and the Executive Directors. No Director shall be involved in any decisions as to their own remuneration.

8.4 Review and monitor the level and structure of remuneration for Senior Executives (being members of the Chief Executive's Committee).

- 8.5 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board.
- 8.6 Establish the selection criteria, select, appoint and set the terms of reference for any remuneration consultants who advise the Committee.
- 8.7 Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company for the Executive Directors and approve the total annual payments made under such schemes (in accordance with the provisions in Schedule A of the Code).
- 8.8 Approve the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the levels of awards to Executive Directors and Senior Executives and the performance targets to be used.
- 8.9 Ensure that the contractual terms on the termination of Directors, and any payments made on termination to Directors, are fair to the Director, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.10 Work and liaise as necessary with all other Board committees.

9. Reporting Responsibilities

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its duties and responsibilities where action or improvement is needed.
- 9.3 The Committee shall produce a report to be included in the Company's annual report about its activities in accordance with the Code and applicable law.
- 9.4 Through the Chairman of the Board, the Committee shall ensure that the Company maintains contact as required with its principal shareholders on all matters relating to Director remuneration.

10. Other Matters

The Committee shall:

- 10.1 have access to sufficient resources to carry out its responsibilities, including access to the company secretariat for assistance as required;
- 10.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

- 10.3 give due consideration to applicable laws, regulations and any published guidelines or recommendations regarding the remuneration of listed companies and formation and operation of share schemes including, but not limited to, the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the ABI and NAPF any other applicable rules, as appropriate; and
- 10.4 arrange for annual reviews of its own performance and of its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised:

- 11.1 to seek information it requires from any officer or employee of the Company or Group in order to perform its duties;
- 11.2 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- 11.3 to delegate any of its powers to a sub-committee comprising at least any two Committee members or to the Secretary.

Approved by the Board on 4 June 2014