

JOHNSON MATTHEY PLC

MEETING DATE	Fri, 28 Jul 2017 11:00 am	TYPE	AGM	ISSUE DATE	Mon, 17 Jul 2017
MEETING LOCATION	The Royal Society, 6-9 Carlton House Terrace, London SW1Y 5AG				
CURRENT INDICES	FTSE 100				
SECTOR	Specialty Chemicals				

PROPOSALS		ADVICE
1	<p>Receive the Annual Report</p> <p>Strategic report meets guidelines. Adequate employment and environmental policies are in place and relevant, up-to-date, quantified, environmental reporting is disclosed. The Company also disclosed the proportion of women on the Board, in Executive Management positions and within the whole organisation.</p> <p>Triodos supports this resolution.</p>	For
2	<p>Approve the Remuneration Report</p> <p>Disclosure: The overall disclosure is considered acceptable. Performance conditions and targets for the annual bonus and LTIP are adequately disclosed. All share incentive awards are fully disclosed with award dates and prices. Dividend equivalents paid on vesting of share awards are not separately categorised.</p> <p>Balance: The changes in CEO pay over the last five years are considered in line with the Company's TSR performance over the same period. The CEO's variable pay for the year under review is not considered excessive as it represents 74% of salary, which is less than the threshold limit of 200% of salary. Termination and recruitment arrangements made under the review period are considered acceptable.</p> <p>Rating: AB</p> <p>Triodos supports this resolution.</p>	For
3	<p>Approve Remuneration Policy</p> <p>Some of the proposed changes to the policy include the increase in shareholding requirement from 200% to 250% of base salary for the CEO and from 150% to 200% of base salary for other Executive Directors. The increase in shareholding guidelines is welcomed as it aligns management with the long term interest of shareholders.</p> <p>There are also important concerns over the existing remuneration structure. The CEO's maximum potential opportunity under all incentive schemes is equivalent to 385% of salary, which is excessive. Moreover, schemes are not available to enable all employees to benefit from business success without subscription. Furthermore, the LTIP is measured over a three-year performance, which is not considered sufficiently long term. However, the additional two-year post vesting period is considered appropriate. The performance conditions on the LTIP are also not appropriately linked to non-financial metrics and can vest independent of each other.</p> <p>Finally, concerns remain over the Company's recruitment and termination policies. It is noted that an exceptional limit of 350% of salary can be used for recruitment purposes, which is considered excessive above the normal limit of 200% of salary for Executives. The Remuneration Committee retains upside discretion to allow full vesting of outstanding share incentives without any consideration for time pro-rating in the event of termination and change of control.</p> <p>Rating: ADC</p> <p>Triodos opposes this resolution.</p>	Oppose
4	<p>Approve the Dividend</p> <p>A final dividend of 54.5 pence per share is proposed, which brings the total dividend for the year under review to 75.0 pence per share. This payment is covered by earnings.</p>	For
5	<p>Elect Mrs AO Manz</p> <p>Executive Director. 12 months rolling contract.</p>	For

- | | | |
|-----------|--|---------------|
| 6 | Elect Dr JV Griffiths
Independent Non-Executive Director. | For |
| 7 | Re-elect Mr TEP Stevenson
Chairman. Independent upon appointment | For |
| 8 | Re-elect Ms O Desforges
Independent Non-Executive Director. | For |
| 9 | Re-elect Mr AM Ferguson
Senior Independent Director. Considered independent. | For |
| 10 | Re-elect Mr RJ MacLeod
Chief Executive Officer. 12 months rolling contract. | For |
| 11 | Re-elect Mr CS Matthews
Independent Non-Executive Director. | For |
| 12 | Re-elect Mr CJ Mottershead
Independent Non-Executive Director. | For |
| 13 | Re-elect Mr JF Walker
Executive Director. 12 months rolling contract. | For |
| 14 | Appoint the Auditors
KPMG proposed. Non-audit fees represented 23.81% of audit fees during the year under review and 13.33% on a three-year aggregate basis. This level of non-audit fees does not raise serious concerns about the independence of the statutory auditor. The current auditor has been in place for more than seven years. There are concerns that failure to regularly rotate the audit firm can compromise the independence of the auditor. | For |
| 15 | Allow the Board to Determine the Auditor's Remuneration
Standard proposal. | For |
| 16 | Approve Political Donations
The proposed authority is subject to an overall aggregate limit on political donations and expenditure of £50,000. The Company did not make any political donations or incur any political expenditure and has no intention either now or in the future of doing so.
Triodos considers political donations as an inappropriate use of shareholder funds. | Oppose |
| 17 | Issue Shares with Pre-emption Rights
The authority is limited to one third of the Company's issued share capital. This cap can increase to two-third of the issued share capital if shares are issued in connection with an offer by way of a rights issue. All directors are standing for annual re-election. This resolution is in line with normal market practice and expires at the next AGM.
Triodos supports this resolution. | For |

- | | | |
|------------|---|---------------|
| 18 | Approve Performance Share Plan
The Board seeks shareholders approval to introduce a new long term Johnson Matthey Performance Share Plan (PSP) for Executive Directors and eligible senior managers who are not appointed to the board. The new PSP replaces existing long-term incentive plan, the Johnson Matthey Long Term Incentive Plan 2007, which expires on on 24 July 2017. The maximum opportunity under the PSP rules amounts to 200% of salary (350% of salary in exceptional circumstances) of the individual's base salary. All awards will be subject to performance conditions set by the Committee each year that will reflect the company's performance over a performance period. The performance conditions are assessed over a period of three years. Malus and clawback provisions apply.
There are concerns over the excessiveness of the Performance Share Plan (PSP). The maximum opportunity under the PSP is considered excessive, considering with a combined annual bonus of 180% the overall opportunity under all incentive schemes amounts to 380% of salary for the CEO and 355% of salary for other Executives. Concerns also remain over certain features of the PSP. The PSP is measured over three performance period, which is not considered sufficiently long term. However, a two-year holding is applied, which is welcomed. Furthermore, it is noted that thee Remuneration Committee retains upside discretion to dis-apply time pro-rating on vested shares in the case of termination and takeover. Such use of discretion is not supported. Based on these concerns, Triodos opposes this resolution. | Oppose |
| 19 | Approve Restricted Share Plan (RSP)
Approval is sought for the introduction of Johnson Matthey Restricted Share Plan (RSP) for eligible senior managers who are not appointed to the board. Executive directors will not be eligible to receive awards under the RSP unless the company seeks an amendment to its shareholder approved remuneration policy to allow for such participation. The terms of the RSP have been designed to materially mirror those of the proposed PSP but with awards not being subject to the achievement of performance conditions. The maximum opportunity under the plan is limited at 200% of the individual's base salary. Malus and clawback provisions apply.
Although it is appreciated that senior employees are not eligible to participate in order to benefit from the success of the Company, the plan is however considered excessive at 200% of salary. Furthermore, the Committee can use its discretion not to apply time pro-rating on vested shares on cessation of employment, which is considered inappropriate. Based on these concerns, Triodos opposes this resolution. | Oppose |
| 20* | Issue Shares for Cash
Authority is limited to 5% of the Company's issued share capital and will expire at the next AGM. Triodos supports this resolution. | For |
| 21* | Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment
The Board is seeking approval to issue up to an additional 5% of the Company's issued share capital for cash for use only in connection with an acquisition or a specified capital investment. Such proposal is not supported as it is considered that the 5% limit sought under the general authority above is sufficient. Best practice would be to seek a specific authority from shareholders in relation to a specific transactions if such situation arises. As this is not the case, Triodos opposes this resolution. | Oppose |
| 22* | Authorise Share Repurchase
The authority is limited to 10% of the Company's issued share capital and will expire at the next AGM. This resolution will not be supported unless the Board has set forth a clear, cogent and compelling case demonstrating how the authority would benefit long-term shareholders. As no clear justification was provided by the Board, Triodos opposes this resolution. | Oppose |
| 23* | Meeting Notification-related Proposal
All companies should aim to provide at least 20 working days notice for general meetings in order to give shareholders sufficient time to consider what are often complex issues. Although the proposed change is permissible by the Companies Act, Triodos does not support this resolution. | Oppose |
- * = *Special resolution*

SUPPORTING INFORMATION FOR RESOLUTIONS

Proposal 21 - Issue Shares for Cash for the Purpose of Financing an Acquisition or Other Capital Investment

The Company has stated that this additional authority will only be used to fund one or more acquisitions or specified capital investments, in line with the Pre-Emption Group Guidelines. This recommendation is not supported by PIRC.

Proposal 23 - Meeting Notification-related Proposal

The proposed resolution reflects the implementation of the EU Shareholder Rights Directive into English law, which took place on 3 August 2009 as implemented by the company in its Articles of Association. Under the regulations, the minimum notice period for general meetings (other than Annual General Meetings) will increase to 21 days unless shareholders agree on a shorter notice period, in which case it may be 14 days. Shareholder approval is sought to call general meetings on 14 clear days notice.

For Private Circulation only

©Copyright 2017 PIRC Ltd

Researcher: Abdul Rahman
Email: pircresearch@pirc.co.uk

Information is believed to be correct but cannot be guaranteed. Opinions and recommendations constitute our judgement as of this date and are subject to change without notice. The document is not intended as an offer, solicitation or advice to buy or sell securities. Clients of Pensions & Investment Research Consultants Ltd may have a position or engage in transaction in any of the securities mentioned.



Pensions & Investment Research Consultants Limited
8th Floor, Suite 8.02, Exchange Tower
2 Harbour Exchange Square
E14 9GE

Tel: 020 7247 2323
Fax: 020 7247 2457
<http://www.pirc.co.uk>

Regulated by the Financial Conduct Authority