Annual Report 2023

For the Year Ended 31 March 2023

Johnson Matthey Employees Pension Scheme

Pension Scheme Registry number 10149596

Elements

Contents

Welcome from the Chairman of the Trustee Board

I am pleased to present the Trustee Report and Accounts for the Johnson Matthey Employees Pension Scheme ("JMEPS" or "the Scheme") for the year ended 31 March 2023.

Economic outlook

During the course of the last year, the JMEPS Trustee Ltd ("the Trustee") has had to continue to manage and react to a number of macro-economic issues – inflation has remained at high levels, interest rates have continued to increase, the conflict between Russia and Ukraine has continued, problems over the supply of goods and commodities have not abated and the prospects of a global recession have all led to huge volatility in investment markets.

Volatility reached a peak in October 2022 following the mini-budget when UK interest rates rose sharply leading to the "LDI Crisis" which saw most UK defined benefit pension schemes needing to raise collateral quickly for Liability Driven Investment (LDI) mandates with the sales from other assets and many pension schemes finding that their inflation and interest rate hedging positions were unable to be supported. Fortunately, JMEPS was able to navigate this period without any reduction to its hedging positions whilst maintaining its good funding position. A particular feature of this period was that although interest rates rose, on occasions spectacularly, there was a reduction in the value of the Scheme's assets with an equivalent reduction in the Scheme's liabilities.

Although it was a difficult environment for the Trustee to navigate, I am pleased to confirm that JMEPS continues to enjoy a healthy financial position.

Investment Strategy

During the year, the Trustee Board has continued to work with its advisers of the Defined Benefit Section to react to the economic situation and to ensure that sufficient assets are held in the appropriate investment vehicles to be able to support the Scheme's needs. The overall objective remains to have a simplified investment portfolio which is well protected against investment market volatility.

Having taken advice from the Investment Consultants, the bulk of the world developed equities that the Scheme held were sold during the year to fund the investment in diversified private credit. The final tranche of equities was sold in April 2023. It also proved necessary to sell a significant amount of Buy & Maintain bonds to fund the collateral for the hedging portfolio.

The Trustee has continued to draw down from its Diversified Growth Fund mandates in order to meet its cashflow requirements and ensure that member benefits are paid on time.

Welcome from the Chairman of the Trustee Board continued

The simplified investment strategy is as follows:

Growth portfolio	**24%**
Property	5%
Infrastructure	3%
Private Credit	16%
Matching portfolio	**76%**
Multi-Asset Credit	13.5%
Buy & Maintain Bonds	13%
LDI	49.5%

Having reviewed the investment strategy, the Trustee has updated its Defined Benefit Statement of Investment Principles and the assets at the year-end were broadly in line with this.

Fund value

The overall value of JMEPS was £1.9 billion at the year end, a reduction of £681 million compared with the position at 31 March 2022, which was largely down to the reduction in the assets caused by the market volatility following the mini-budget. Overall, the Career Average section's assets produced a return of (29.3)% over the financial year against a benchmark of (62.1)%. The returns for the DC funds are shown on page 20.

Due to the change in gilt yields as well as the inflation and interest rate hedging that was in place for the majority of the Scheme's assets, the liabilities for the Scheme also fell, so that the funding position for the Career Average Section remained unchanged at 101% as at 31 March 2023 and for the Elements Section had increased to 117%.

Defined Contributions

For those members with defined contribution (DC) assets in a JMEPS Investment account or a JMEPS Extra account, the Trustee has had a busy year having undertaken a review and implemented changes to the funds. A large part of the review was driven by the Trustee's objective to further integrate environmental, social and governance (ESG) metrics into the funds as well as ensuring that it has taken the necessary steps to ensure compliance with the governance standards. Further information of the funds can be found within this report and there is a comprehensive report in the Annual Chair's Statement on page 57.

Sustainability

The consideration of environmental, social and governance ("ESG") considerations has continued to be a key area of focus as the Trustee has continued to implement its plans covering a variety of initiatives. The Trustee has agreed investment beliefs which include sustainability targets which are aligned with those of JM's and has an ESG Policy in place.

The Trustee continues to review the ESG ratings for the Scheme's investments and further information can be found both in this report and in the Trustee's TCFD (Task Force on Climate-related Financial Disclosures) Report. For any new investments made by the Scheme, the investment manager will need to demonstrate their ability to integrate ESG considerations. Our intention is for the Scheme to be net zero carbon emissions by 2050 or earlier.

The Board also believes it is important to understand how ESG, climate change and stewardship is integrated within investment processes when an investment manager is appointed, as well as how these issues are reflected in the ongoing management of both the Defined Benefit and Defined Contribution (JMEPS Extra) Section's assets.

The TCFD requires schemes like JMEPS to disclose how climate-related risks and opportunities are measured, monitored and managed by the Trustee Board and the Trustee has produced its first TCFD report in 2023. This is available on the JMEPS website **https://elements.matthey.com/#/public-jmeps-trustee-governance-statement**.

Governance

The Trustee Board and its Sub-Committees met 13 times during the year through a combination of formal planned meetings and meetings arranged in response to the need to make urgent decisions. Meetings were held both virtually and in- person depending on the requirements.

The Trustee continues to place great importance on governance and strives for the highest possible standards. The Trustee Board keeps risks under regular review and monitors the Trustee's formal Risk Register to ensure this continues to comply with governance requirements and remains appropriate, undertaking deep dives on specific risks.

The Trustee Board carried out a self-assessment covering various areas of how the Board operates. Similar exercises have been carried out previously and the Board scored well. The assessment results were very good but a small number of areas were identified which the Board is addressing in the new financial year. One of the main changes was the abolition of the Investment and the Administration, Audit & DC Sub Committees. The matters dealt with by the sub-committees are now dealt with by the Board.

All Trustee Directors appreciate the importance of keeping up to date on technical issues and members of the Board frequently attend topical seminars, conferences and formal training sessions. In addition, the Pensions Management Institute again awarded its Trustee Group Continued Professional Development Certificate to the JMEPS Trustee Board.

Welcome from the Chairman of the Trustee Board continued

Trustee support

After over a decade as a Member Nominated Trustee Director (MND) and a period before that as a member of the JMEPS Consultative Committee, Mike Clover retired from JM and also as a JMEPS Trustee at the end of July 2023. I would like to extend my sincere thanks to Mike for his invaluable input and dedication to the role and wish him a long, happy and healthy retirement. The process of recruiting Mike's replacement via a member election was completed in early September and I am delighted to advise that Dan Booth was elected to the role.

As always, I would like to express my sincere thanks to Group Reward and Benefits for their work during another challenging year. I should also like to thank our advisers for their support and advice. Finally, I would like to thank my fellow Trustee Directors for their continued assistance, support and contribution.

Roger

Roger Buttery
Chairman, JMEPS Trustees Ltd
Date: 24 October 2023

Trustee Report

This is the Annual Report of the Johnson Matthey Employees Pension Scheme for the year ended 31 March 2023.

The Johnson Matthey Employees Pension Scheme ("JMEPS" or "the Scheme") is the main means of retirement savings provision for Johnson Matthey's (JM) UK employees. The Scheme is established under UK trust law as a legal entity with its own investments that are separate from Johnson Matthey Plc.

Trustee Arrangements

The Trustee Company is called JMEPS Trustees Ltd ('the Trustee') and has seven Trustee Directors. Under the Trust Deed and Rules, Trustee Directors are appointed and may be removed by Johnson Matthey Plc and at least one – third are nominated and elected by JMEPS members. Member Nominated Trustee Directors (MNDs) serve for a period of five years after which they must stand for re-election. The Trustee is supported by external advisers and an executive team of pension management professionals who advise the Trustee on its responsibilities and ensure that the Trustee's decisions are fully implemented.

The Trustee Board has an equal number of member nominated and employer appointed Trustee Directors, plus an independent Chairman. There are two pensioner Trustee Directors, one of whom is nominated by pensioner members and the other is appointed by Johnson Matthey Plc. The independent Chairman is also appointed by Johnson Matthey Plc. Irrespective of how they were appointed, all of the Trustee Directors are responsible for protecting the benefits of all members.

The two Pensioner Trustee Directors receive a payment from the Scheme, plus expenses, for their services.

Trustee Meetings

During the year, the Trustee Board and its sub-committees met formally on thirteen occasions and the matters addressed included:

- Employer covenant monitoring and financial reporting by Johnson Matthey Plc;
- Liaising with the Company and the Regulator over the impacts of the Company's corporate activity and in particular over the disposals of MacFarlan Smith Limited and Tracerco Limited;
- Work in relation to agreeing the metrics and reporting required for the Trustee's TCFD report;
- Reviews of the investment funds and implementation of changes for DC members;
- Reacting to the rapid changes in interest rates and the impact on the investments, particularly the LDI mandates and ensuring that assets were sold to provide collateral;
- Investment strategy, implementation and monitoring (both defined benefit and defined contribution);
- Investment beliefs and considerations of environmental, social and governance aspects with particular focus on the impact of the Scheme's assets on climate change;
- Updating the Trustee's Statements of Investment Principles;
- Agreeing and signing off the Scheme's Annual Report and Accounts;
- Annual meetings with investment managers;
- Ongoing monitoring of the Scheme's funding levels and production of the Summary Funding Statement (published in JMEPS News);
- Review of the Scheme's actuarial factors;
- Updates to the Scheme's Risk Register and transition of this onto a dashboard for the Trustee to easily be able to assess its risks;

- Updates to the Trustee Board structure and the format of meetings following a comprehensive review of the effectiveness of the Board;
- Administration, governance and compliance reporting;
- Preparation for the forthcoming Regulator's General Code of Practice;
- The rectification, equalisation and conversion of Guaranteed Minimum Pensions (where applicable) for the majority of pensioners in payment;
- Continued review of the Trustee's Knowledge and Understanding;

While the Trustee Board decides all policy matters, it has recognised that working groups are often necessary to carry out its functions efficiently.

Trustee Knowledge and Understanding

The Trustee follows the Code of Practice known as Trustee Knowledge and Understanding which was introduced by the Pensions Act 2004. During the year, the Trustee Directors undertook training courses on various topics of specific interest and relevance to their role as a Director. The Trustee Directors also receive regular updates, quarterly training from the Scheme's legal advisers and attend pensions and investment conferences, seminars and workshops during the year. The JMEPS Trustee Board was again awarded a certificate for Continuing Professional Development by the PMI Trustee Group for 2022.

Constitution

The Scheme is established under UK trust law as a legal entity with its own investments that are separate from Johnson Matthey Plc. The Trust Deed and Rules, and amendments since 1987, were consolidated into a single document dated 4 March 2009, which was subsequently amended by a new Trust Deed and Rules dated 28 March 2013 and further subsequent amendments. These documents constitute the Scheme's governing documents.

Tax Status

The Scheme is registered under Part IV of the Finance Act 2004 and as such its income and chargeable gains are free from taxation (Pension Scheme Tax Reference: 00080961RG). Neither the Trustee nor the Scheme's administrator is aware of any reason why Her Majesty's Revenue & Customs ("HMRC") might withdraw this registration.

Contracting Out

With the exception of the defined benefit section for former members of the Meconic Pension Scheme, the Career Average Related Earnings ("CARE") section and the defined contribution sections, the Scheme was contracted-out of the Second State Pension on a salary-related basis in respect of service prior to April 2010. From 1 April 2010, no member of the Scheme has been contracted-out.

Scheme Benefits

On 31 March 2010, all final salary sections of the Scheme ceased to accrue further pension by reference to future service and all active members moved to the Career Average section for future pension accrual. Pension benefits in respect of pensionable service up to and including 31 March 2010, continue to be based on the rules of the final salary sections and pensionable salary at the date members leave or retire from the Company (assuming they continue to build up pension benefits in the Career Average section).

On 1 October 2012 the Career Average section closed to all new members and pension benefits for new joiners were then provided in either the JMEPS Elements or JMEPS Defined Contribution sections, depending on which participating employer individuals were employed by and their contract. Benefits for members in the Career Average section at that date continued to accrue unaffected.

The JMEPS Elements section of the Scheme provides benefits on a Cash Balance (defined benefit) basis with a defined contribution top-up for members earning above the Scheme Earnings Cap. The Scheme Earnings Cap was £51,936 for the scheme year 2022/23 and this increases annually in line with inflation each April. New flexible membership levels were introduced in JMEPS Elements on 1 July 2018 which provided members with more flexibility on how they save for retirement.

JMEPS Elements members can review and change their level of membership annually. All new joiners to JM are automatically enrolled into the JMEPS Elements (Silver membership) on 1st of the month after they start working for the Company (the Scheme's default option was changed from Gold membership on 1 April 2023). Members have the opportunity to change the initial membership level and can then review on an annual basis during the Flexi-Elements election window in November.

Members of the Career Average section were given the option to switch to JMEPS Elements from 1 July 2018 or continue to accrue benefits in their original section.

The JMEPS DC Section of the Scheme, which mainly provided benefits to former ICI Synetix members, closed to new joiners from 1 July 2018. All existing members were then given the opportunity to switch to JMEPS Elements or remain in the legacy JMEPS DC Section.

In addition to the core level of benefits JMEPS provides, current Scheme members have the opportunity to pay voluntary contributions which JM will match up to certain levels depending on the Scheme section.

All member contributions are automatically collected by way of SMART Pensions, a salary sacrifice arrangement, unless the member elects to opt-out of this arrangement.

Johnson Matthey offers 'iSave', a workplace savings scheme allowing employees to pay contributions to a corporate ISA. If the member is not already receiving any matching contributions to their JMEPS Account, JM matches the contributions paid to iSave up to certain limits and pays these to the individual's JMEPS Account.

Membership

As at 31 March 2023, the Scheme had 16,114 members in the Defined Benefit sections (including JMEPS Elements) and 622 members in the Defined Contribution section, (an increase of 328 members in the Defined Benefits section and reduction of 14 in the Defined Contribution section).

	2023		2022	
	DB	DC	DB	DC
Employee members	3,955	27	4,369	33
Deferred members	7,747	595	7,009	603
Pensioner & dependent members	4,412	0	4,408	0
TOTAL	16,114[1]	622	15,786[1]	636

1 2,807 DB members (2022: 3,201) have accounts with additional defined contribution funds held in JMEPS Extra.

New joiners are automatically enrolled into the DB (Elements) section of the Scheme on the first of the month after they join the Company. Those members who opt out of the Scheme are automatically re-enrolled every three years.

Cash Equivalent Transfer Values

During the year, transfer values in respect of withdrawing members were calculated and verified in the manner prescribed by statutory regulations. No allowance has been made for discretionary pension increases in these transfer values as there is no practice of awarding such increases. Due to increased flexibilities and choices at retirement, the number of members considering a transfer of benefits out of JMEPS continues to be closely monitored by the Trustee.

Members have been warned about the increased risk of pension scams. The transfer out processes have been enhanced to take into account the latest industry and Pensions Regulator guidance.

Contributions

Contributions to the Defined Benefit sections of the Scheme amounted to £52.3 million during the year. In addition, contributions to the Scheme in respect of the Defined Contribution section were received in accordance with the Trust Deed and Rules of that section and amounted to £3.7 million.

Pension Increases

In accordance with the Trust Deed & Rules, eligible pensions in payment (in excess of GMP) were increased by 5.0% in May 2022 (2021: 1.4%) reflecting the change in RPI for the year ended February 2022. There was a 3.0% increase to GMPs. Deferred pensions (in excess of GMP) were increased by 3.1% (2021: 0.5% increase). No discretionary increases were awarded.

Changes to the Trust Deed & Rules

The official document governing the running of JMEPS is the Trust Deed and Rules. Changes are made to that document from time to time through a Deed of Amendment. During the Scheme year, the following changes were made to the Trust Deed and Rules.

Date the Deed was Executed	Change
29 April 2022	The Rules were amended to update the definitions of the Market Cap Test for the Deed of Amendment and Apportionment to apply.
20 December 2022	The Rules were updated to allow for the equalisation and conversion of Guaranteed Minimum Pensions (GMPs) accrued between 17 May 1990 and 5 April 1997.
20 December 2022	The Rules were updated to recognise that the Deed of Amendment and Apportionment previously entered into no longer required MacFarlan Smith to be a participating employer and the ongoing participating employers were Johnson Matthey Plc, Tracerco Limited and JM Davy Technologies Limited.
6 March 2023	The Rules were updated for the Elements Section to change the default level of membership for new joiners to the Silver level from 1 April 2023.

Actuarial Valuation

In accordance with the Trust Deed & Rules, the Scheme Actuary carried out an actuarial valuation of the Scheme as at 31 March 2021. In his report, the Scheme Actuary concluded that the Scheme's assets were sufficient to cover its past service liabilities and the funding level was 101% on its Technical Provisions and on the basis set out by the Pensions Protection Fund. This allows for the Trustee's interest in the Scottish Limited Partnership, which had a value of £33.0m at 31 March 2021, the last formal valuation. The draft actuarial report as at 31 March 2023 suggests a surplus of £16m, equivalent to a funding level of 101%. The next formal triennial actuarial valuation of the Scheme is due as at 31 March 2024.

The Elements section of the Scheme had a deficit of £0.9m as at 31 March 2021, equivalent to a funding level of 99% and the next triennial valuation is also due as at 31 March 2024. The draft actuarial report as at 31 March 2023 suggests a surplus of £23.1m, equivalent to a funding level of 117%.

Financial statements have been prepared and audited in accordance with Section 41(1) and (6) of the Pensions Act 1995.

Risk Management & Internal Controls

The Trustee has established a risk management framework for the identification, assessment, treatment, monitoring and reporting of risk as well as reviewing internal controls. Risks identified and action plans for their management are recorded in the Risk Register which is subject to ongoing review. It should be borne in mind that the system of internal control and risk management is designed to manage rather than eliminate risk of failure to achieve the Trustee's objectives. This framework is reviewed at each quarterly Board meeting and the Trustee aims to consider one different risk at each session.

Conflicts of Interest

The Trustee has a policy on managing conflicts of interest which takes into account guidance from the Pensions Regulator and Conflicts of Interest are an agenda item at each Board meeting.

Data Protection

The Trustee is a Data Controller under the General Data Protection Regulations (GDPR) and the Trustee's Privacy Notice can be downloaded at **elements.matthey.com**.

Advisers & Administrators

The Trustee has appointed the advisers and investment managers shown on page 12. Their services are provided under written agreements in accordance with the Occupational Pension Schemes (Scheme Administration) Regulations 1996. The investment managers' agreements also comply with the requirements of the Financial Conduct Authority ("FCA") and the standards set by the Institutional Fund Managers' Association and the London Investment Banking Association.

The Trustee has delegated the day-to-day administration of the Scheme to Group Reward & Benefits who also provide accounting, secretarial and communication services to the Scheme. With the Trustee's approval, Group Reward & Benefits outsource the administration of the Scheme's Defined Contribution section to AEGON whose performance and level of service is reviewed periodically by the Trustee.

The Pensions Regulator

The Scheme is registered with the Pension Schemes Registry (reference number: 101495961) and, in accordance with the provisions of the Pensions Act 2004, is registered with The Pensions Regulator ("tPR") (reference number: 10149596). The Trustee had an exchange of communication with the Pensions Regulator following the Company's recent corporate activity.

Pensions Tracing

A pensions tracing service is offered by the Department for Work and Pensions. This service can be contacted at the following address: Pension Tracing Service, The Pension Service 9, Mail Handling Site A, Wolverhampton, WV98 1LU or by telephone (0345 6002 537).

The Pensions Advisory Service

The Pensions Advisory Service ("TPAS") is available to assist members and beneficiaries of the Scheme in connection with difficulties that they have failed to resolve with the Trustee. TPAS can be contacted at the following address: 11 Belgrave Road, London, SW1V 1RB by email (enquiries@pensionsadvisoryservice.org.uk) or telephone (0300 123 1047). For problems that cannot be settled through TPAS, the Pensions Ombudsman (based at the same address) has the power to investigate and determine complaints or disputes of fact, or law, in relation to occupational pension schemes.

Management & Advisers

Trustee Directors
Roger Buttery (Chair)
Jon Balshaw
Mike J Clover (Member Nominated)
(retired 31 July 2023)
Andy Walker
Victoria Barlow (Member Nominated)
Simon Hooper
Alan James (Pensioner Member Nominated)

JMEPS Trustee Secretary
Mark Butler

Group Reward & Benefits Director
Phillip J Reeve

Head of Pensions (EMEA)
Andrew Charman

Group Reward & Benefits
Johnson Matthey Plc
Group Reward and Benefits 5th Floor,
25 Farringdon Street London EC4A 4AB
Telephone: +44(0) 207 269 8315
E-mail: elements.uk@matthey.com

Administrators
Group Reward and Benefits, Johnson Matthey Plc
(Defined Benefit administration)
Aegon Ltd (Defined Contribution administration)

Independent Medical Adviser
BUPA Insurance Ltd

Principal Employer
Johnson Matthey Plc

Participating Companies
Johnson Matthey Plc
Johnson Matthey Davy Technologies Ltd
MacFarlan Smith Ltd (ceased 30 May 2022)
Tracerco Ltd (ceased 29 September 2023)

Asset Custodians
BNY Mellon Asset Servicing Ltd
Citibank NA[1]
Euroclear[1]
HSBC Global Investor Services Ltd[1]

1 appointed by Legal & General Investment Management Ltd.

Asset Performance Monitor
BNY Mellon Asset Servicing Ltd

Bankers
NatWest plc

Investment Consultants
Isio (Defined Benefit Investments)
Willis Towers Watson Ltd
(Defined Contribution investments)

DB Investment Managers
BlackRock Investment Management UK Ltd
Legal & General Investment Management Ltd
Partners Group Management
Insight Investment Management Ltd
CQS (UK) LLP
Wellington Management International Ltd
Schroder Investment Management Ltd
(until June 2022)

DC Investment Managers
BlackRock Investment Managers
Legal & General Investment Management Ltd
PIMCO (until March 2023)
Jupiter (until March 2023)
River and Mercantile (until March 2023)
Baillie Gifford (until March 2023)

Scheme Actuary
Kevin Pither, FIA, Mercer Ltd

Solicitor
Mayer Brown LLP

Scheme Auditor
KPMG LLP

Enquiries about any matter or document concerning the Scheme or this Trustee's Report and Financial Statements, should be sent to the Secretary to the Trustee, Group Reward and Benefits.

Investment Policy & Management

Investment Principles

As required by Section 35 of the Pensions Act 1995, the Trustee has produced Statements of Investment Principles ("SIP") for both Defined Benefit and Defined Contribution sections of the Scheme. The SIP describes the Trustee's investment strategy and also records the Trustee's policy on governance matters and socially responsible investment. Copies of both SIPs are available on request from Group Reward & Benefits or to download at **elements.matthey.com/#/public-jmeps-trustee-governance-statement**. The Trustee updated the Statements of Investment Principles during the course of the year following the implementation of changes to its investment strategy.

The Trustee has defined its investment beliefs and set climate change objectives and is working with all of its investment managers to ensure that the assets are aligned with the Trustee's beliefs. The Trustee reviews the performance and associated costs of the investment managers at least quarterly. The Trustee meets all of its investment managers at least annually and periodically reviews reports from them to ensure these policies are being met.

The Trustee believes that good stewardship and environmental, social and governance ("ESG") issues may have a material impact on future investment returns. The Trustee evaluates these considerations when going through any tender processes and in the appointment of investment managers.

The Trustee's policy is to give the investment managers discretion when evaluating ESG issues and in exercising rights and stewardship obligations attached to the Scheme's investments. Similarly, the Scheme's voting rights are exercised by its investment managers in accordance with their own corporate governance policies and taking account of current best practice, including the UK Corporate Governance Code and the UK Stewardship Code.

More details can be found in the Trustee's Implementation Statement in the appendices.

Investment Strategy

The investment strategy of the Scheme aims to safeguard the assets and to provide, together with contributions, the financial resource from which benefits are paid. Investments are inevitably exposed to risks. These risks can be broadly classified as those inherent in the safe custody and record-keeping of assets and those inherent in the investment markets.

The assets of the Scheme are kept totally separate from the finances of the participating companies. In order to control their title and security, the Trustee holds the assets in designated custodian accounts and uses the safekeeping services of the custodians shown on page 12. The Trustee reviews the internal control reports produced by the custodian and regularly reconciles the custodian's records of securities and cash to the investment managers' records.

The risks inherent in the investment markets are partially mitigated by pursuing a diversified approach across asset classes and investment managers. The investments of the defined benefit sections and defined contribution sections are considered by the Trustee separately.

Investment Policy & Management continued

Implementation Statement

The JMEPS Trustee has published its Implementation Statement for the period to 31 March 2023 which sets out information about how the Trustee has put their statements of investment principles (SIP) into practice, particularly in relation to stewardship and engagement and forms part of the Trustee's Report. The full Implementation Statement is included within the appendices.

A copy of this implementation statement has been made available on the following website: **https://elements.matthey.com/#/public-jmeps-trustee-governance-statement**.

Defined Benefit Section – (Legacy Final Salary & Career Average) Asset Allocation

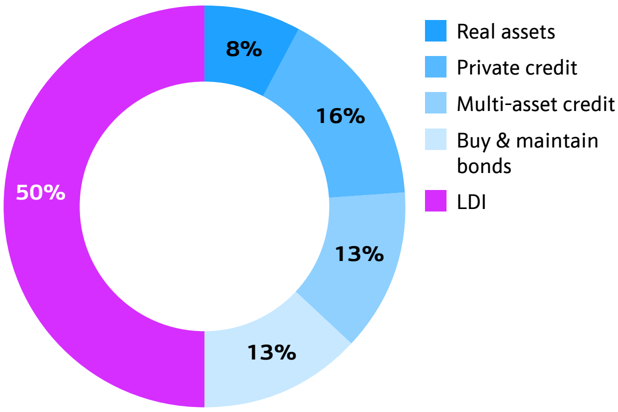
The Trustee has continued to work closely with its DB investment advisers, Isio, to review the Section's investment strategy with the aim of simplifying the structure of the investment portfolio, making it less vulnerable to any investment market volatility and to make it less risky.

During the year, the bulk of the World Developed Equities were sold to fund the investment in diversified private credit. The final tranche of equities was sold in April 2023.

The Trustee decided to invest around £240m in BlackRock's diversified private credit. As at 31 March 2023, almost £148m had been invested and the remainder is in BlackRock's Exchange Traded Fund, awaiting deployment.

It also proved necessary to sell a significant amount of Buy & Maintain Bonds to fund the collateral needed for the LDI portfolio.

Following recent market volatility, a new target investment strategy was agreed in November 2022 and the Trustee's Statement of Investment Principles was updated to reflect this. The updated target strategy aims to achieve the allocation of assets as shown in the chart.



Defined Benefit Section – (Legacy Final Salary & Career Average) Investment Managers

Over the year the overall fair value of the assets supporting this section reduced from £2,187.7 million to £1,504.8 million as at 31 March 2023. As explained earlier, as a result of LDI, although there was a reduction in the Scheme's assets, there was an equivalent reduction in its liabilities.

The Trustee regards the majority of the investment assets as readily realisable. Exceptions include certain pooled investments, property, infrastructure and some corporate bonds, which due to the nature of the investments or current market conditions are less liquid than the rest of the investment portfolio.

This Section currently has six investment managers with various portfolios – Legal & General, BlackRock, Partners Group, Insight, CQS and Wellington.

The Scheme has assets in a Diversified Growth Fund which is managed by Insight although this is being used to fund cash flow requirements and is expected to have been fully disinvested by 31 March 2024.

Partners Group manages an Infrastructure portfolio.

CQS and Wellington manage Multi-Asset Credit mandates.

The Scheme's DB Section's assets are detailed in the table below:

Fair Value as at 31 March 2023 (£ million)								
Fund	Legal & General	BlackRock	Partners	Insight	CQS	Wellington	Special Purpose Vehicle (SPV)	Total
Equities								
World developed (currency hedged)	71.2							**71.2**
Total Equity	**71.2**							**71.2**
Bonds								
UK Public Sector	192.8							**192.8**
UK Corporate	132.4							**132.4**
Overseas Corporate	49.2							**49.2**
UK Govt Index-Linked	752.5							**752.5**
Global Multi-Asset	133.8							**133.8**
Total Bonds	**1,260.7**							**1,260.7**
Total Derivatives	**5.3**							**5.3**
Total Property		**57.8**						**57.8**
Total Diversified Growth				**33.6**				**33.6**
Total Diversified Credit		**171.7**						**171.7**
Total Infrastructure			**44.6**					**44.6**
Multi Asset Credit					**89.3**	**98.4**		**187.7**
Total SPV							**29.8**	**29.8**
Repo	**(502.5)**							**(502.5)**
Reverse Repo	**106.7**							**106.7**
Total Assets Invested	**941.4**	**229.5**	**44.6**	**33.6**	**89.3**	**98.4**	**29.8**	**1,466.6**
Cash instruments, cash deposits, payables and receivables	33.0	0.4						
Grand Total	**974.4**	**229.9**	**44.6**	**33.6**	**89.3**	**98.4**	**29.8**	**1,500.0**

Investment management expenses for the defined benefit section are borne by the Scheme. Investment managers are remunerated by fees based on a percentage of funds under management.

Investment Policy & Management continued

Defined Benefit Section – (Legacy Final Salary & Career Average)

Investment Performance

The Trustee has set specific benchmarks against which the investment managers' performances after fees) are assessed. These benchmarks relate to recognised market indices and vary according to the specific investments.

BlackRock (Property mandate): to outperform the IPD All Balanced Funds Weighted Index.

BlackRock Diversified Private Credit: target to generate a total return with a net return target of 6-7% per annum.

Partners Group (Infrastructure mandate): target of absolute return of 8% per annum (for the 2012 Fund) and 7% per annum (for the 2018 Fund) net of fees.

LGIM (Multi-asset mandate): to avoid outperforming a combined equity and bond benchmark by more than 0.25% a year over a 3-year rolling period while also avoiding underperforming the combined benchmark by more than 0.5% a year.

Insight (Diversified Growth Fund): to achieve returns in line with 3 month Sterling SONIA plus 3.5% gross of fees over an annualised five year period.

CQS (Multi-asset credit): to achieve net returns in line with SONIA plus 4.5%.

Wellington (Multi-asset credit): to deliver absolute return of 5% per annum net of fees over an economic cycle.

The investment performance of the various pooled funds over a 12 month and three year rolling period to 31 March 2023 is detailed in the table below:

Investment Manager	Fund	Investment performance over last 12 months %		Investment performance over last 3 years %		Investment performance over last 5 years/since inception %	
		Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Legal & General	World Developed Equity (GBP Hedged)	**(6.2)**	(6.2)	**16.0**	16.1	**8.4**	8.5
	LDI portfolio	**(99.4)**	(99.4)	**(81.5)**	(81.4)	**(30.9)**	(30.8)
	Buy & Maintain (Corporate Bonds)	**13.8**	8.4	**–**	–	**13.8**	8.4
	Absolute return bonds	**(0.7)**	2.4	**–**	–	**(0.7)**	2.4
BlackRock	Property	**(15.7)**	(14.5)	**2.4**	2.6	**4.4**	4.5
	Diversified Private Credit	**3.2**	4.7	**–**	–	**3.2**	4.7
	ETF Portfolio (bonds)	**1.1**	1.6	**–**	–	**1.1**	1.6
Insight	Diversified Growth Fund	**(7.0)**	5.8	**3.3**	4.4	**1.9**	4.3
Partners Group	Infrastructure 2012	**19.2**	8.0	**14.0**	8.0	**10.5**	8.0
	Infrastructure 2018	**15.4**	7.0	**7.6**	7.0	**(0.1)**	7.0
CQS	Multi asset credit	**(5.2)**	6.8	**6.7**	5.4	**0.1**	5.4
Wellington	Multi asset credit	**(4.0)**	5.0	**4.7**	5.0	**(0.4)**	5.0

The funds performed broadly in line with their indices and the Trustee continues to closely monitor investment performance on a quarterly basis. Overall, the Scheme's assets saw a reduction of (29.3)% over the year from 1 April 2022 to 31 March 2023 against a total benchmark return of (62.1)%.

Defined Benefit Section (JMEPS Elements) – Background

JMEPS Elements is a segregated section of JMEPS and members build up benefits in their own individual Credit Account, based on earnings up to the Scheme Earnings Cap and also in their own individual Investment Account for any salary in excess of the Scheme Earnings Cap.

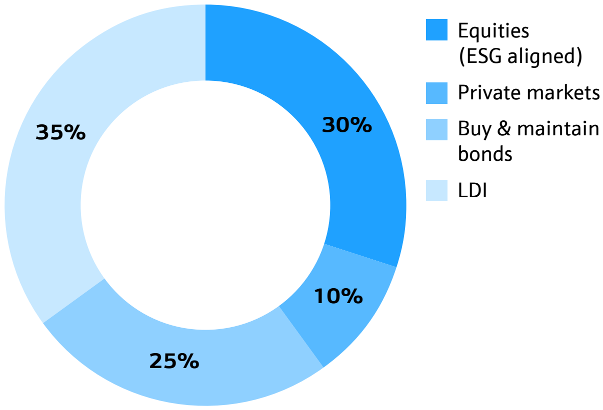
The Scheme Earnings Cap for the Scheme Year 2022/23 was £51,936 and for the Scheme Year 2023/24 is £54,540. JMEPS Elements members are able to elect their level of membership each November to apply from the following 1 January (Platinum, Gold or Silver).

Investment Policy & Management continued

Defined Benefit Section (JMEPS Elements) – Asset Allocation

Working with Isio, the Trustee also updated the investment strategy for the Elements Section and the current strategic asset allocation is shown in the chart.

During the year, the liability hedge was built, initially at 50%, then 75% and ultimately 100%. The Trustee also decided to transfer most of the equities to the Paris Aligned World Index Fund because of its ESG credentials.



The Scheme's DB Section (JMEPS Elements) assets as at 31 March 2023 are shown in the table below:

	March 2023 £m	March 2022 £m
LDI	61.3	–
Equities	56.5	56.6
Buy & Maintain Bonds	37.6	92.9
Corporate Bonds	2.1	2.9
	157.5	152.4

The Trustee Board expects to invest around £15m in the Schroders Climate Plus Fund (Diversified Private Markets) in the Autumn of 2023. This will be funded by selling the remaining equities in the LGIM World Developed Equity Index Fund (£10.4m) and the Corporate Bonds (£2.2m). The balance will be funded from contribution income.

Defined Benefit Section (JMEPS Elements) – Investment Managers

The fair value of the assets supporting member's JMEPS Elements Credit Accounts increased from £150.9 million to £157.8 million.

The funds performed broadly in line with their indices as detailed in the table below:

Investment Manager	Fund	Investment performance over last 12 months %		Investment performance over last 3 years %		Investment performance since inception %	
		Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
Legal & General	World Developed Equity	**(0.6)**	(0.5)	**16.7**	16.8	**9.7**	9.7
	ESG Paris Aligned World Equity	**–**	–	**–**	–	**0.3**	(0.3)
	Corporate Bonds (over 15 year)	**(24.2)**	(24.3)	**(10.1)**	(10.1)	**1.8**	1.7
	Buy & Maintain	**–**	–	**–**	–	**8.5**	8.1
	LDI	**–**	–	**–**	–	**(61.4)**	(61.4)
	Absolute Return Bonds	**–**	–	**–**	–	**1.0**	3.7

Defined Contribution Section (JMEPS Elements) – Investments

Any JMEPS Elements member with an Investment Account or JMEPS Extra Account chooses where to invest their retirement savings from the range of funds offered by the JMEPS Trustee. Over the year the overall fair value of these accounts increased from £137.0 million to £142.9 million as at 31 March 2023.

The table below shows where members have chosen to invest their voluntary contributions as at 31 March 2023. The same investment funds are available for the JMEPS Extra funds and the investment performance of the funds is shown below.

Investment Funds	Fair Value (£ million)
UK Equity Index	11.3
World Equity (excluding UK) Index	12.2
Global Equity Index Tracker	67.5
Emerging Market Equity	1.7
Real Assets	0.1
All Stocks Corporate Bond	2.0
Over 15 years UK Gilt Index	2.3
Over 5 years Index-Linked Index	1.1
Cash Fund	3.8
Diversified Growth	40.9
Grand Total	**142.9**

Defined Contribution Section (JMEPS Extra) – Additional Voluntary Contributions

Any current member can pay voluntary contributions to JMEPS, which are matched by JM up to certain limits depending on the section of the Scheme.

Defined Contribution Section – Investments & Investment Performance

Over the year the overall fair value of the assets in the Scheme's Defined Contribution section reduced from £98.1 million as at 31 March 2022 to £90.7 million as at 31 March 2023.

The table below shows where members have chosen to invest their contributions and performance data as at 31 March 2023.

		Investment performance over last 12 months %		Investment performance over last 3 years %		Investment performance over last 5 years or since inception %	
Investment Funds	**Value (£ million)**	Scheme	Benchmark	Scheme	Benchmark	Scheme	Benchmark
UK Equity Index	**10.4**	**2.2**	2.9	**13.3**	13.8	**4.7**	5.0
World Equity (excluding UK) Index	**11.8**	**(1.5)**	(1.1)	**16.3**	16.6	**10.9**	11.0
Global Equity Index Tracker	**31.8**	**(4.0)**	(3.9)	**6.5**	16.5	**N/A**	N/A
Emerging Markets Equity	**1.0**	**(6.6)**	(6.0)	**7.0**	7.8	**1.2**	1.7
Real Assets	**0.1**	**N/A**	N/A	**N/A**	N/A	**N/A**	N/A
All Stocks Corporate Bond	**1.2**	**(10.5)**	(10.2)	**(3.3)**	(3.1)	**(0.9)**	(0.9)
Over 15 years UK Gilt Index Fund	**1.8**	**(30.2)**	(29.7)	**(17.0)**	(16.4)	**(6.7)**	(6.4)
Over 5 years UK Index-Linked Gilt Index	**1.0**	**(29.6)**	(30.4)	**(10.5)**	(9.2)	**(4.2)**	(4.1)
Cash Fund	**3.3**	**2.0**	2.2	**0.7**	0.7	**0.6**	0.6
Diversified Growth	**28.3**	**(5.2)**	(3.3)	**6.5**	16.5	**N/A**	N/A
Grand Total	**90.7**						

Investment management charges for the Defined Contribution sections (JMEPS DC, JMEPS Extra and JMEPS Elements Investment Accounts) are included within the Annual Management Charges applied to the member's accounts.

For the Diversified Growth Fund, the fund does not have an explicit benchmark. The benchmark shown is the nominal target return of Cash plus 3.5% which was the objective when the LGIM Diversified Growth Fund was added to the platform.

Defined Benefit Section – Report on Actuarial Liabilities

The main purpose of the triennial funding valuation is to examine the financial position of the Scheme's defined benefit sections relative to its Statutory Funding Objective ("SFO"), as required under the Pensions Act 2004. The most recent valuation required under Section 224 of the Pensions Act 2004, was carried out as at 31 March 2021. As part of this exercise, the Trustee made a number of demographic and financial assumptions about the Scheme, which were agreed with the Company. Full details of these assumptions are contained in the Trustee's Statement of Funding Principles dated November 2021.

At the triennial valuation of the Scheme on 31 March 2021 the Scheme was 101% funded against its technical provisions.

The Company pays a percentage of Pensionable Pay each month, depending on the appropriate level of membership, towards the cost of benefits accruing.

These contribution rates are set out in the payment schedules (as required by section 227 of the Pensions Act 2004) agreed by the Company and Trustee on 18 November 2021.

A summary of the last formal actuarial valuation (31 March 2021) is shown below.

	As at 31 March 2021 (£ millions)	
Ongoing Funding Basis	Career Average	Elements
The value of the Scheme's assets	2,179	127.6
The value of the Scheme's liabilities	(2,155)	(128.5)
Surplus / (Deficit)	**24**	**(0.9)**
Ongoing funding level	101%	99%

The value of the Scheme's assets shown as at 31 March 2021 include £33.0 million relating to the Trustee interest in the Scottish Limited Partnership.

The next triennial valuation is due as at 31 March 2024.

For and on behalf of JMEPS Trustees Ltd

Roger

Roger Buttery
Chairman of the Trustee
Date: 24 October 2023

Statement of Trustee's responsibilities for the Financial Statements

The audited financial statements, which are required to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

i. show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
ii. contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and has agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. The Trustee is also responsible for:

- assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Scheme prescribed by pensions legislation, which it should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the statement of Trustee's responsibilities accompanying the Trustee's Summary of Contributions.

The Trustee is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to it to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Scheme and financial information included on the Scheme's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the Trustee of the Johnson Matthey Employees Pension Scheme

Opinion

We have audited the financial statements of Johnson Matthey Employees Pension Scheme ("the Scheme") for the year ended 31 March 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes to the financial statements, including the accounting policies in Note 4.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Scheme in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Trustee has prepared the financial statements on the going concern basis as it does not intend to wind up the Scheme, and as it has concluded that the Scheme's financial position means that this is realistic. It has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

Independent auditor's report to the Trustee of the Johnson Matthey Employees Pension Scheme continued

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee as to the Scheme's high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee Board and Administration, Audit and DC sub-committee minutes.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards we perform procedures to address the risk of management override of controls, in particular the risk that the Trustee (or its delegates) may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the valuation of Level 3 investments. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension scheme relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted after the first draft of the financial statements have been prepared and journals posted to cash accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and its delegates (as required by auditing standards) and discussed with the Trustee and its delegates the policies and procedures regarding compliance with laws and regulations.

As the Scheme is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Scheme's procedures for complying with regulatory requirements and reading the minutes of Trustee Board meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Independent auditor's report to the Trustee of the Johnson Matthey Employees Pension Scheme continued

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Scheme is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Scheme is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Scheme's registration. We identified the following areas as those most likely to have such an effect: pensions legislation and data protection legislation, recognising the financial and regulated nature of the Scheme's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and its delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the Schedule of Contributions in our statement about contributions on page 54 of the Annual Report.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's Report (including the Report on Actuarial Liabilities, the Summary of Contributions, the Chair's Statement and Implementation Statement), the actuarial certification of the Schedule of Contributions and the TCFD Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Independent auditor's report to the Trustee of the Johnson Matthey Employees Pension Scheme continued

Trustee's responsibilities

As explained more fully in its statement set out on page 22, the Scheme Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to wind up the Scheme, or has no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/ auditorsresponsibilities**.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Scheme Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept it or assume responsibility to anyone other than the Scheme Trustee, for our audit work, for this report, or for the opinions we have formed.

Nadia

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
Date: 30 October 2023

Financial Statements

Fund Account

For the year ended 31 March 2023

Note		2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000	2022 Total £'000
	Contributions and Benefits					
	Employer contributions	8,142	3,315	42,863	54,320	57,121
	Employee contributions	114	335	1,141	1,590	1,551
5	**Total contributions**	8,256	3,650	44,004	55,910	58,672
6	Transfers in	–	58	901	959	1,176
	Other income	–	–	532	532	1,809
		8,256	3,708	45,437	57,401	61,657
7	Benefits paid or payable	(51,963)	(2,958)	(4,793)	(59,714)	(56,202)
8	Payments to and on account of leavers	(11,442)	(3,422)	(4,344)	(19,208)	(19,523)
9	Administrative expenses	(4,167)	–	(3)	(4,170)	(3,672)
	Other payments	–	(114)	(1,990)	(2,104)	(1,628)
		(67,572)	(6,494)	(11,130)	(85,196)	(81,025)
	Net (withdrawals)/additions from dealings with members	(59,316)	(2,786)	34,307	(27,795)	(19,368)
	Returns on investments					
10	Investment income	32,306	–	1,295	33,601	29,554
11	Change in fair value of investments	(652,935)	(4,981)	(26,590)	(684,506)	59,250
12	Investment management expenses	(2,327)	(18)	(237)	(2,582)	(2,409)
	Net return on investments	(622,956)	(4,999)	(25,532)	(653,487)	86,395
	Net increase in the fund during the year	(682,272)	(7,785)	8,775	(681,282)	67,027
	Transfer between Sections	(620)	429	191	–	–
	Net assets of the Scheme					
	At 1 April 2022	2,187,652	98,086	292,470	2,578,208	2,511,181
	At 31 March 2023	1,504,760	90,730	301,436	1,896,926	2,578,208

The notes on pages 29 to 53 form part of these financial statements.

Statement of Net Assets (available for benefits)

As at 31 March 2023

Note		2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000	2022 Total £'000
11	**Investment assets**					
	Fixed interest securities	**478,885**	**–**	**57,177**	**536,062**	938,091
	Index-linked securities	**752,534**	**–**	**73,120**	**825,654**	1,086,555
14	Pooled investment vehicles	**693,693**	**90,735**	**222,802**	**1,007,230**	1,588,196
	Special purpose vehicle	**29,800**	**–**	**–**	**29,800**	27,400
	Infrastructure	**44,607**	**–**	**–**	**44,607**	36,670
15	Derivatives	**29,262**	**–**	**1,161**	**30,423**	23,283
	Cash deposits	**(4,893)**	**–**	**(948)**	**(5,841)**	(14,257)
	Other investment balances	**398**	**–**	**362**	**760**	8,212
	Amounts receivable under reverse repurchase agreements	**106,687**	**–**	**10,480**	**117,167**	215,376
		2,130,973	**90,735**	**364,154**	**2,585,862**	3,909,526
	Investment liabilities					
15	Derivatives	**(23,989)**	**–**	**(232)**	**(24,221)**	(20,740)
	Other investment liabilities	**(104,365)**	**–**	**(10,281)**	**(114,646)**	(213,290)
	Amounts due under repurchase agreements	**(502,544)**	**–**	**(52,919)**	**(555,463)**	(1,106,594)
		(630,898)	**–**	**(63,432)**	**(694,330)**	(1,340,624)
	Total net investments	**1,500,075**	**90,735**	**300,722**	**1,891,532**	2,568,902
20	**Current assets**	**6,557**	**–**	**790**	**7,347**	11,663
21	**Current liabilities**	**(1,872)**	**(5)**	**(76)**	**(1,953)**	(2,357)
	Net assets of the Scheme as at 31 March 2023	**1,504,760**	**90,730**	**301,436**	**1,896,926**	2,578,208

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations for the Defined Benefit section, is dealt with in the Report on Scheme Liabilities on page 21 of the Annual Report and these financial statements, should be read in conjunction with this report. These financial statements were approved by the Trustee on 27 October 2022.

Signed on behalf of the Trustee of the Scheme:

Roger

Roger Buttery
Chairman of the Trustee
Date: 24 October 2023

Alan

Alan James
Member Nominated Trustee Director

Notes to the Financial Statements

For the year ended 31 March 2023

1 Basis of Preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 – the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council and with the guidance set out in the Statement of Recommended Practice (SORP) (revised 2018).

The financial statements have been prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months from the date of approval of the financial statements.

The Trustee considered the general economic conditions including the impacts of Covid-19, the Russia/Ukraine crisis and the recent volatility in markets on the Scheme and on the Principal Employer, Johnson Matthey Plc.

At the latest triennial valuation on 31 March 2021 the Scheme was in a surplus funding position with its assets amounting to approximately 101% of its liabilities on a technical provision basis for the Defined Benefits Section. The Elements Section of the Scheme was in deficit with its assets amounting to approximately 98% of its liabilities. Using the Trustee's approximate funding tracking tool, the funding levels were estimated to be 101% and 124% for the Defined Benefits and Elements sections respectively as at 23 October 2023 on the same basis. Primarily due to the de-risking measures that the Trustee has taken, the Scheme has avoided any significant funding level volatility due to the economic reactions to Covid-19, the Russia/Ukraine conflict and the market volatility cause by other political events. Given these funding positions, if JM were to fail, the Trustee is comfortable that PPF support would not be needed and the Trustee could instead work towards full solvency in a low-risk way.

In reaching this conclusion, the Trustee has considered severe but plausible downsides and have taken into account the impact on investments, future income and capital growth, portfolio liquidity, cashflow requirements and the Employer covenant. This assessment gives the Trustee confidence to prepare the financial statements on a going concern basis.

Notes to the Financial Statements continued

For the year ended 31 March 2023

2 Comparative disclosures for the Fund Account and Statement of Net Assets

FUND ACCOUNT

		2022	2022	2022	2022
		Defined Benefit Section	Defined Contribution Section	Elements Section	Total
Note		£'000	£'000	£'000	£'000
	Contributions and Benefits				
	Employer contributions	8,668	3,925	44,528	57,121
	Employee contributions	122	249	1,180	1,551
5	**Total contributions**	8,790	4,174	45,708	58,672
6	Transfers in	–	102	1,074	1,176
	Other income	–	–	1,809	1,809
		8,790	4,276	48,591	61,657
7	Benefits paid or payable	(49,845)	(3,207)	(3,150)	(56,202)
8	Payments to and on account of leavers	(13,211)	(2,308)	(4,004)	(19,523)
9	Administrative expenses	(3,670)	–	(2)	(3,672)
	Other payments	–	(102)	(1,526)	(1,628)
		(66,726)	(5,617)	(8,682)	(81,025)
	Net (withdrawals)/additions from dealings with members	(57,936)	(1,341)	39,909	(19,368)
	Returns on investments				
10	Investment income	28,450	–	1,104	29,554
11	Change in fair value of investments	44,521	7,370	7,359	59,250
12	Investment management expenses	(2,237)	(25)	(147)	(2,409)
	Net return on investments	70,734	7,345	8,316	86,395
	Net increase in the fund during the year	12,798	6,004	48,225	67,027
	Transfer between Sections	(3,977)	477	3,500	–
	Net assets of the Scheme				
	At 1 April 2021	2,178,831	91,605	240,745	2,511,181
	At 31 March 2022	2,187,652	98,086	292,470	2,578,208

Notes to the Financial Statements continued

For the year ended 31 March 2023

STATEMENT OF NET ASSETS
(available for benefits)

Note		2022 Defined Benefit Section £'000	2022 Defined Contribution Section £'000	2022 Elements Section £'000	2022 Total £'000
11	**Investment assets**				
	Fixed interest securities	847,993	–	90,098	938,091
	Index-linked securities	1,086,555	–	–	1,086,555
14	Pooled investment vehicles	1,293,112	98,100	196,984	1,588,196
	Special purpose vehicle	27,400	–	–	27,400
	Infrastructure	36,670	–	–	36,670
15	Derivatives	23,283	–	–	23,283
	Cash deposits	(15,101)	–	844	(14,257)
	Other investment balances	7,120	–	1,092	8,212
	Amounts receivable under reverse repurchase agreements	215,376	–	–	215,376
		3,522,408	98,100	289,018	3,909,526
	Investment liabilities				
15	Derivatives	(20,740)	–	–	(20,740)
	Other investment liabilities	(213,290)	–	–	(213,290)
	Amounts due under repurchase agreements	(1,106,594)	–	–	(1,106,594)
		(1,340,624)		–	(1,340,624)
	Total net investments	**2,181,784**	**98,100**	**289,018**	**2,568,902**
20	**Current assets**	7,262	–	4,401	11,663
21	**Current liabilities**	(1,394)	(14)	(949)	(2,357)
	Net assets of the scheme at 31 March 2022	**2,187,652**	**98,086**	**292,470**	**2,578,208**

3 Identification of the financial statements

The Scheme is established as a trust under English law. The address for enquiries to the Scheme is included in the Trustee's Report.

4 Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

i. Fair Value of Investments

Investments are included in the financial statements at their fair value at the year end. Listed securities are valued at the bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted at the year end. For fixed interest and index-linked securities this valuation is reduced by the accrued interest therein. Pooled investment vehicles are valued at the Trustee's valuation using closing bid prices, published prices or the latest information from investment managers. Accrued income is accounted for within investment income.

Repos are a form of short-term borrowing for dealers which involve the purchase of government securities with the agreement to sell them back at a specific date, usually for a higher price. Under repurchase (repo) agreements, the Scheme continues to recognise and value the securities that are delivered out as collateral and includes them in the Financial Statements. The cash received is recognised as an asset and the obligation to pay it back is recognised as a liability.

Under reverse repurchase (repo) agreements, the Scheme does not recognise the securities received as collateral in the Financial Statements. The Scheme does recognise the cash delivered to the counterparty as a receivable in the Financial Statements.

The Special Purpose Vehicle has been valued by Mercer Limited on a fair value basis based on expected future cashflows arising from the vehicle discounted using market interest rates. Collateral received as security is not recognised in the Financial Statements. The value shown as at 31 March 2023 is based on their report dated June 2023. Receipts and payments are reported as investment purchases and sales.

ii. Investment costs and income

Acquisition costs of investments are added to the cost of purchasing those investments. Disposal costs of investments are deducted from the sale proceeds of those investments.

The change in the fair value of investments represents the realised and unrealised movements in the value of the investments.

Income from fixed interest and index-linked securities and other interest receivables is taken into account on an accruals basis. Income from all other marketable securities is taken into account on the date when stocks are quoted ex-dividend. Interest is accrued daily. Income from certain pooled investment vehicles is accounted for when declared by the fund manager. Income arising from the underlying investments of other pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the unit price and reported within "Change in Market Value".

The Special Purpose Vehicle distributes income to the Scheme of £3.5m per year in line with the agreement with the Company.

iii. Foreign Currencies

The Scheme's functional and presentational currency is Sterling. Foreign currency investments and related assets and liabilities are translated into sterling at the rates ruling at the year end. Foreign currency income and expenditure is translated at exchange rates prevailing at the appropriate dates, which are usually transaction dates. Exchange differences arising on investment balance translation are accounted for in market value of investments during the year.

iv. Derivatives

Derivative contracts are included in the net assets statement at fair value. Swaps and futures with positive values are included in the net assets statement at bid price and those with negative values as liabilities at offer price.

Swaps are over the counter contracts and fair value is the current value of the future expected net cash flows, taking into account the time value of money and market data at year end. All gains and losses on derivative contracts are included within the change in market value of investments.

v. Contributions

Normal contributions from employers and employees are made in accordance with the rates set out in the payment schedules in force for the Scheme year. Employee normal contributions are accounted for when deducted from pay, with the exception of contributions deducted from auto-enrolled members during the opt out period which are accounted for on the earlier of receipt or the expiry of the opt out period. Employer normal contributions which are expressed as a rate of salary are accounted for on the same basis as employees' normal contributions, otherwise they are accounted for in the period they are due under the Schedule of Contributions.

Augmentation contributions are accounted for in accordance with the agreement under which they are paid.

vi. Benefits

Benefits payable to members are accounted for in the period in which the member notifies the Trustee of their decision on the type or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving. Benefits are accounted for in the period in which they fall due for payment.

vii. Transfers

Individual transfers in and out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received. Group transfers are accounted for when liabilities are accepted by the receiving scheme, which is usually on the basis of amounts paid or received.

viii. Income & Expenditure

Income and expenditure are accounted for on an accruals basis.

ix. Critical accounting estimates and judgements

The preparation of the financial statements requires the Trustee to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Net Assets date and the amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Trustee confirms that no judgements have had a significant effect on amounts recognised in the Financial Statements.

Notes to the Financial Statements continued

For the year ended 31 March 2023

5 Contributions

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Employer contributions				
Normal	**7,292**	**2,962**	**41,182**	**51,436**
Augmentation	**513**	**–**	**3**	**516**
Other	**337**	**353**	**1,678**	**2,368**
	8,142	**3,315**	**42,863**	**54,320**
Employee contributions				
Normal	**114**	**335**	**1,141**	**1,590**
	8,256	**3,650**	**44,004**	**55,910**

	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Employer contributions				
Normal	8,268	3,288	42,316	53,872
Augmentation	232	–	14	246
Other	168	637	2,198	3,003
	8,668	3,925	44,528	57,121
Employee contributions				
Normal	122	249	1,180	1,551
	8,790	4,174	45,708	58,672

Employer normal contributions include contributions in respect of salary sacrifice arrangements made available to certain members by the Employer.

Members who wish to pay additional voluntary contributions receive matching additional contributions from JM up to 3%. The member's contributions can be paid to the Scheme or they can choose to pay them as an alternative to the JM ISA with Hargreaves Lansdown. In either case, the matching JM contributions are paid to the Scheme.

For the year ended 31 March 2023

6 Transfers in

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Individual transfers in from other schemes	**–**	**58**	**901**	**959**

	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Individual transfers in from other schemes	–	102	1,074	1,176

7 Benefits paid or payable

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Pensions	**48,218**	**–**	**–**	**48,218**
Commutation of pensions and lump sum retirement benefits	**3,164**	**2,692**	**3,066**	**8,922**
Lump sum death benefits	**365**	**245**	**1,505**	**2,115**
Taxation where lifetime or annual allowance exceeded	**216**	**21**	**222**	**459**
	51,963	**2,958**	**4,793**	**59,714**

	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Pensions	46,229	–	–	46,229
Commutation of pensions and lump sum retirement benefits	2,345	2,564	1,531	6,440
Lump sum death benefits	958	643	1,598	3,199
Taxation where lifetime or annual allowance exceeded	313	–	21	334
	49,845	3,207	3,150	56,202

Taxation arising on benefits paid or payable is in respect of members whose benefits exceeded the lifetime or annual allowance and who elected to take lower benefits from the Scheme in exchange for the Scheme settling their tax liability.

Notes to the Financial Statements continued

For the year ended 31 March 2023

8 Payments to and on account of leavers

	2023	2023	2023	2023
	Defined Benefit Section	Defined Contribution Section	Elements Section	Total
	£'000	£'000	£'000	£'000
Individual transfers to other schemes	**11,442**	**3,422**	**4,344**	**19,208**

	2022	2022	2022	2022
	£'000	£'000	£'000	£'000
Individual transfers to other schemes	13,211	2,308	4,004	19,523

9 Administrative expenses (Defined Benefit Section)

	2023	2022
	£'000	£'000
Administration and processing	**1,584**	1,602
Actuarial fees	**793**	565
Audit fee	**66**	58
Legal and other professional fees	**1,377**	1,112
Pensions Regulator levy	**350**	335
	4,170	3,672

10 Investment income

	2023	2023	2023	2023
	Defined Benefit Section	Defined Contribution Section	Elements Section	Total
	£'000	£'000	£'000	£'000
Income from fixed income securities	**22,571**	**–**	**1,791**	**24,362**
Dividends from infrastructure	**1,615**	**–**	**–**	**1,615**
Income from index-linked securities	**2,926**	**–**	**226**	**3,152**
Interest on repurchase agreements	**(11,977)**	**–**	**(890)**	**(12,867)**
Income from pooled investment vehicles	**15,658**	**–**	**151**	**15,809**
Interest on cash deposits	**(1,987)**	**–**	**17**	**(1,970)**
Income from special purpose vehicle	**3,500**	**–**	**–**	**3,500**
	32,306	**–**	**1,295**	**33,601**

	2022	2022	2022	2022
	Defined Benefit Section	Defined Contribution Section	Elements Section	Total
	£'000	£'000	£'000	£'000
Income from fixed income securities	14,326	–	1,104	15,430
Dividends from infrastructure	510	–	–	510
Income from index-linked securities	1,072	–	–	1,072
Interest on repurchase agreements	(4,487)	–	–	(4,487)
Income from pooled investment vehicles	13,506	–	–	13,506
Interest on cash deposits	23	–	–	23
Income from special purpose vehicle	3,500	–	–	3,500
	28,450	–	1,104	29,554

Investment income arising from assets held in the Defined Contribution section is accumulated and not distributed to investors.

11 Reconciliation of investments

	Value at 01.04.22	**Purchases at cost and derivative payments**	**Sales proceeds and derivative receipts**	**Change in Fair Value**	**Value at 31.03.23**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Defined Benefit Section					
Fixed interest securities	847,993	**781,325**	**(885,894)**	**(264,539)**	**478,885**
Index-linked securities	1,086,555	**231,594**	**(211,010)**	**(354,605)**	**752,534**
Pooled investment vehicles	1,293,112	**1,865,526**	**(2,413,569)**	**(51,376)**	**693,693**
Special purpose vehicle	27,400	**–**	**–**	**2,400**	**29,800**
Infrastructure	36,670	**6,726**	**(4,364)**	**5,575**	**44,607**
Derivatives	2,543	**4,008**	**–**	**(1,278)**	**5,273**
	3,294,273	**2,889,179**	**(3,514,837)**	**(663,823)**	**2,004,792**
Cash deposits	(15,101)			**8,670**	**(4,893)**
Amounts receivable under reverse repurchase agreements	215,376				**106,687**
Amounts due under repurchase agreements	(1,106,594)				**(502,544)**
Other investment balances	7,120				**398**
Other investment liabilities	(213,290)			**2,218**	**(104,365)**
	2,181,784			**(652,935)**	**1,500,075**

	Value at 01.04.22	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in Fair Value	Value at 31.03.23
Defined Contribution Section	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Pooled investment vehicles	98,100	**4,055**	**(6,439)**	**(4,981)**	**90,735**
Elements Section					
Fixed interest securities	90,098	**66,266**	**(88,142)**	**(11,045)**	**57,177**
Index-linked securities	–	**79,990**	**–**	**(6,870)**	**73,120**
Pooled investment vehicles	196,984	**354,166**	**(321,322)**	**(7,026)**	**222,802**
Derivative contracts	–	**701**	**–**	**228**	**929**
	287,082	**501,123**	**(409,464)**	**(24,713)**	**354,028**
Cash deposits	844			**(2,009)**	**(948)**
Amounts receivable under reverse repurchase agreements					**10,480**
Amounts due under repurchase agreements					**(52,919)**
Other investment balances	1,092				**362**
Other investment liabilities				**132**	**(10,281)**
	289,018			**(26,590)**	**300,722**

Included in sales of pooled investment vehicles in the table above for the DB Section is £227.4m (2022 £205.5m) that relates to a redemption of pooled funds in exchange for fixed interest securities and cash.

Included in sales of pooled investment vehicles in the table above for the Elements Section is £22.0m (2022 £91.4m) that relates to a redemption of pooled funds in exchange for fixed interest securities.

The majority of negative balances in cash on deposit as at the Scheme year end relate to foreign exchange trades, where the Scheme has sold local currency and bought sterling in order to hedge the euro and US dollar bonds received. Any physical US dollar or euro cash received was then invested in liquidity funds.

The capital commitment to the Partners Infrastructure Fund is 21.5m Euro (2022: 29.4m Euro). The capital commitment to the BlackRock Diversified Private Debt Fund is £220.0m (2022: nil).

Switches between funds in the Defined Contributions and Elements Sections are excluded from purchases and sales.

Transaction costs are included in the cost of purchases and deducted from sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees.

Transaction costs analysed by main asset class and type of cost are as follows:

	Fees	Commissions	2023 Total	2022
	£'000	£'000	£'000	£'000
Bonds	–	–	–	5
Other	81	–	81	79
	81	–	81	84
2022	79	5	–	84

In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles and charges made within those vehicles. The amount of indirect costs is not separately provided to the Scheme.

For the Defined Contribution section investments purchased by the Scheme are allocated to provide benefits to the individuals on whose behalf corresponding contributions are paid. The investment manager holds the investment units on a pooled basis for the Trustee. The Scheme administrator allocates investment units to members. The Trustee may hold investment units representing the value of employer contributions that have been retained by the Scheme that relate to members leaving the Scheme prior to vesting.

Defined Contribution assets are allocated to members and the Trustee as follows:

	2023	2022
	£'000	£'000
Members	90,573	97,940
Trustee	162	160
	90,735	98,100

Notes to the Financial Statements continued

For the year ended 31 March 2023

12 Investment Management Expenses

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Administration, management and custody	**2,304**	**18**	**237**	**2,559**
Performance measurement service	**23**	**–**	**–**	**23**
	2,327	**18**	**237**	**2,582**

	2022 Defined Benefit Section £'000	2022 Defined Contribution Section £'000	2022 Elements Section £'000	2022 Total £'000
Administration, management and custody	2,215	25	147	2,387
Performance measurement service	22	–	–	22
	2,237	25	147	2,409

13 Taxation

The Scheme is a registered Pension Scheme under Chapter 2 of Part 4 of the Finance Act 2004 and is therefore exempt from income tax and capital gains tax.

Notes to the Financial Statements continued

For the year ended 31 March 2023

14 Pooled investment vehicles

The Scheme's investments in pooled investment vehicles at the year-end comprised:

	2023	2022
	£'000	£'000
Defined Benefit Section		
Equity	**71,229**	298,607
Bonds	**493,207**	544,461
Diversified Growth	**33,610**	142,735
Property	**57,747**	70,393
Cash	**37,900**	236,916
	693,693	1,293,112
Defined Contribution Section		
Equity	**55,037**	58,886
Bonds	**4,018**	6,064
Diversified Growth	**28,336**	30,194
Real Assets	**61**	–
Cash	**3,283**	2,956
	90,735	98,100
Elements Section		
Equity	**149,205**	145,695
Bonds	**23,406**	9,552
Diversified Growth	**40,864**	37,874
Real Assets	**77**	–
Cash	**9,250**	3,863
	222,802	196,984

15 Derivatives

OBJECTIVES AND POLICIES

The Trustee has authorised its investment managers to use derivatives for the purpose of efficient portfolio management, reducing potential mismatches between assets and liabilities and reducing investment risk. The Scheme's investment managers may use interest rate swaps, inflation swaps and futures to reduce the potential mismatch between the Scheme's assets and its liabilities in respect of interest rates and inflation movements.

At the year-end the Scheme had the following derivatives:

	2023	2023	2022	2022
	Asset	Liabilities	Asset	Liabilities
	£'000	£'000	£'000	£'000
OTC Swaps	**29,262**	**(23,989)**	23,283	(20,740)

A summary of the Scheme's outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

(i) OTC Swaps

	Notional amounts	Expires	Asset value	Liability value
	£'000		£'000s	£'000s
Interest rate swaps	**712,730**	**0-5 years**	**–**	**(23,846)**
Interest rate swaps	**50,700**	**5-10 years**	**1,391**	**–**
Interest rate swaps	**8,100**	**15-20 years**	**2,845**	**–**
Interest rate swaps	**1,007**	**35-40 years**	**362**	**–**
Inflation rate swaps	**39,500**	**0-5 years**	**3,392**	**–**
Inflation rate swaps	**162,650**	**5-10 years**	**17,531**	**–**
Inflation rate swaps	**6,399**	**10-15 years**	**1,429**	**–**
Inflation rate swaps	**11,858**	**15-20 years**	**2,312**	**–**
Inflation rate swaps	**2,846**	**30-35 years**	**–**	**(143)**
Total 2023	**995,790**		**29,262**	**(23,989)**
Total 2022	1,135,073		23,283	(20,740)

At the end of the year the Scheme held United Kingdom Treasury index-linked bonds of £752.534 million as collateral in respect of OTC swaps (2022: £1,086.555 million).

Elements Section:

	2023 Asset £'000	2023 Liabilities £'000	2022 Asset £'000	2022 Liabilities £'000
OTC Swaps	**1,161**	**(232)**	–	–

A summary of the outstanding derivative contracts at the year-end aggregated by key characteristics is set out below:

(i) OTC Swaps

	Notional amounts £'000	Expires	Asset value £'000s	Liability value £'000s
Interest rate swaps	**70,460**	**0-5 years**	**487**	**(230)**
Interest rate swaps	**5,030**	**5-10 years**	**540**	**–**
Interest rate swaps	**720**	**10-15 years**	**105**	**–**
Inflation rate swaps	**1,732**	**0-5 years**	**29**	**(2)**
Total 2023	**77,942**		**1,161**	**(232)**
Total 2022	–		–	–

At the end of the year the Elements Section held United Kingdom Treasury index-linked bonds of £73.120 million as collateral in respect of OTC swaps (2022: £Nil).

16 Fair value determination

The fair value of financial instruments has been disclosed using the following fair value hierarchy:

Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;

Level 2: inputs other than quoted prices included within Level 1 which are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;

Level 3: inputs which are unobservable (i.e. for which market data is unavailable) for the asset or liability.

A fair value measurement is categorised in its entirety on the basis of the lowest level input which is significant to the fair value measurement in its entirety. The Scheme's investment assets and liabilities have been fair valued using the above hierarchy categories as follows:

At 31 March 2023	Level (1) £'000s	Level (2) £'000s	Level (3) £'000s	Total £'000s
Defined Benefit Section				
Fixed interest securities	–	478,885	–	478,885
Index-linked securities	–	752,534	–	752,534
Pooled investment vehicles	23,946	276,493	393,254	693,693
Special purpose vehicle	–	–	29,800	29,800
Infrastructure	–	–	44,607	44,607
Derivatives	–	5,273	–	5,273
Cash deposits	(4,893)	–	–	(4,893)
Amounts receivable under reverse repurchase agreements	–	106,687	–	106,687
Amounts due under repurchase agreements	–	(502,544)	–	(502,544)
Other investment balances	398	(104,365)	–	(103,967)
	19,451	1,012,963	467,661	1,500,075
Defined Contribution Section				
Pooled investment vehicles	–	90,735	–	90,735
Elements Section				
Fixed interest securities	–	57,177	–	57,177
Index-linked securities	–	73,120	–	73,120
Pooled investment vehicles	–	222,802	–	222,802
Derivatives	–	929	–	929
Cash deposits	(948)	–	–	(948)
Amounts receivable under reverse repurchase agreements	–	10,480	–	10,480
Amounts due under repurchase agreements	–	(52,919)	–	(52,919)
Other investment balances	362	(10,281)	–	(9,919)
	(586)	301,308	–	300,722
	18,865	1,405,006	467,661	1,891,532

Notes to the Financial Statements continued

For the year ended 31 March 2023

At 31 March 2022	Level (1) £'000s	Level (2) £'000s	Level (3) £'000s	Total £'000s
Defined Benefit Section				
Fixed interest securities	–	847,993	–	847,993
Index-linked securities	–	1,086,555	–	1,086,555
Pooled investment vehicles	–	1,015,331	277,781	1,293,112
Special purpose vehicle	–	–	27,400	27,400
Infrastructure	–	–	36,670	36,670
Derivatives	–	2,543	–	2,543
Cash deposits	(15,101)	–	–	(15,101)
Amounts receivable under reverse repurchase agreements	–	215,376	–	215,376
Amounts due under repurchase agreements	–	(1,106,594)	–	(1,106,594)
Other investment balances	7,120	(213,290)	–	(206,170)
	(7,981)	**1,847,914**	**341,851**	**2,181,784**
Defined Contribution Section				
Pooled investment vehicles	–	98,100	–	98,100
Elements Section				
Fixed interest securities	–	90,098	–	90,098
Pooled investment vehicles	–	196,984	–	196,984
Cash deposits	844	–	–	844
Other investment balances	1,092	–	–	1,092
	1,936	287,082	–	289,018
	(6,045)	**2,233,096**	**341,851**	**2,568,902**

Level 1 and Level 2 assets have been reanalysed in the prior year.

The Special Purpose Vehicle (SPV) is the Scheme's interest in a Scottish Limited Partnership which owns a portfolio of investment grade corporate bonds. Its fair value represents the present value of amounts due to the Scheme over a 25-year period. The Scheme's interest in the SPV is transferable to another party only in very limited circumstances and is therefore considered to be highly illiquid. Collateral, in the form of the bond portfolio is available to the Trustee in the event the amounts due to the Scheme are not received. This collateral is valued at an amount representing 128.9% of the value of the SPV asset at 31 March 2023 (2022: 170.2%).

17 Investment risk disclosures

(a) Investment risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- **Currency risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- **Interest rate risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- **Other price risk:** this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument of its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determines its investment strategy after taking advice from a professional investment adviser. The Scheme has exposure to these risks because of the investments it makes in following the investment strategy set out below. The Trustee manages investment risks, including credit risk and market risk, within agreed risk limits which are set taking into account the Scheme's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Scheme's investment managers and monitored by the Trustee by regular reviews of the investment portfolio.

Further information on the Trustee's approach to risk management, credit and market risk is set out below:

(b) Defined Benefit Section

(i) Investment strategy

The investment objective of the Defined Benefit section (DB Section) is to invest the Scheme's assets in the best interests of the members and beneficiaries, and to pay for current benefits out of investment income, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficit.

The Trustee sets the investment strategy for the DB Section taking into account considerations such as the strength of the employer covenant, the long-term liabilities of the DB Section and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP).

The current strategy is to hold:

76% in investments that move in line with the long-term liabilities of the Scheme. This comprises 41% government bonds and 35% corporate bonds (including those in the Special Purpose Vehicle).

24% in return seeking investments comprising 16.0% diversified private credit, 5% property and 3% global infrastructure.

(ii) Credit risk

The Scheme is subject to direct credit risk because the Scheme directly invests in bonds (fixed interest securities and index-linked securities), OTC derivatives, the Special Purpose Vehicle, has cash balances and enters into repurchase agreements. The Scheme also invests in pooled investment vehicles and infrastructure funds and is directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles and infrastructure funds. The Scheme is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment vehicles.

Credit risk arising on bonds held directly is mitigated by investing in government bonds of the value £945.4m (2022: £1,562.7m) where the credit risk is minimal, or corporate bonds of value £181.6m (2022: £371.9m) which are rated at least investment grade. This is the position at the year-end.

OTC derivative contracts are not guaranteed by any regulated exchange and therefore the Scheme is subject to risk of failure of the counterparty. The credit risk for OTC swaps is reduced by collateral arrangements (see note 15(i). Credit risk also arises on forward foreign currency contracts. There are no collateral arrangements for these contracts but all counterparties are required to be at least investment grade. This is the position at the year-end.

Credit risk on repurchase agreements is mitigated through collateral arrangements.

Cash is held within financial institutions which are at least investment grade credit rated. This is the position at the year-end.

The pooled investment vehicles are unrated.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager.

A summary of pooled investment arrangements by type of arrangement is as follows:

	2023	2022
	£'000	£'000
Unit linked insurance contracts	**204,983**	635,681
Unit trusts	**57,747**	143,035
Open ended investment companies	**259,249**	514,396
Closed end limited partnership	**171,714**	–
	693,693	1,293,112

Indirect credit risk arises in relation to underlying investments held in the bond pooled investment vehicles with value of £493.2m (2022: £544.5m). The risk is mitigated by only investing in funds which hold at least investment grade investments.

(iii) Currency risk

The Scheme is subject to direct currency risk because some of the Scheme's investments totalling £57.9m (2022: £76.6m) are held in non-sterling currencies.

The Scheme is subject to indirect currency risk because some of the Scheme's pooled investment vehicles totalling £464.3m (2022: £648.7m) are held in overseas markets.

(iv) Interest rate risk

The Scheme is subject to interest rate risk because some of the Scheme's investments are held in bonds, interest rate swaps, either as segregated investments or through pooled vehicles, and cash. The Trustee has set a benchmark for total investment in bonds and interest rate swaps of 75% of the total investment portfolio, as part of their LDI investment strategy. Under this strategy, if interest rates fall, the value of matching investments will rise to help match the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, the matching investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate. At the year-end the matching portfolio represented 74.3% of the total investment portfolio (2022: 74.4%).

	2023	2022
	£'000	£'000
Defined benefit LDI investments exposed to direct interest rate risk		
Bonds – government	**297,234**	476,086
Bonds – corporate (investment grade)	**181,651**	371,907
Bonds – government index linked	**752,534**	1,086,555
Defined benefit investments exposed to indirect interest risk		
Pooled investment vehicles – bond funds	**493,207**	544,461
Derivatives – interest rate swaps – assets	**29,262**	2,377
Derivatives – interest rate swaps – liabilities	**(23,989)**	(20,740)
	1,729,899	2,460,646

(v) Other price risk

Other price risk arises principally in relation to the Scheme's return seeking portfolio which includes property and equities held in pooled vehicles. The Scheme has set a target allocation of 24% of investments being held in return seeking investments. This was the intended strategy at the year end.

The Scheme manages this exposure to overall price movements by constructing a diverse portfolio of investments across various markets.

	2023	2022
	£'000	£'000
Defined benefit investments exposed to indirect other price risk		
Pooled investment vehicles		
Equity funds	**71,229**	298,607
Diversified growth	**33,610**	142,735
Property	**57,747**	70,393
	162,586	511,735

(c) Defined contribution section

(i) Investment strategy

The Trustees' objective is to make available to members of the Scheme an appropriate range of investment options designed to generate income and capital growth, which together with new contributions from members and their employer, will provide a retirement amount with which the member can purchase a pension annuity or other type of retirement product.

The investment funds offered to members comprise in-house and white label funds provided by Aegon as follows:

- Equities
- Bonds
- Diversified growth
- Sustainability (equities)
- Emerging markets (equities)
- Real assets
- Cash

The Trustee has an investment management agreement in place with Aegon that sets out guidelines for the underlying investments held by the funds. The day to day management of the underlying investments of the fund is the responsibility of Aegon, including the direct management of credit and market risks.

The Trustee monitors the underlying risks by quarterly investment reviews with Aegon.

(ii) Credit risk

The Defined Contribution Section (DC Section) is subject to direct credit risk in relation to Aegon through its holding in unit linked insurance funds provided by Aegon.

Aegon is regulated by the Financial Conduct Authority and maintains separate funds for its policy holders. The Trustee monitors the creditworthiness of Aegon by reviewing published credit ratings. In the event of default by Aegon the Scheme is protected by the Financial Services Compensation Scheme.

The DC Section is also subject to indirect credit and market risk arising from the underlying investments held in the funds. Member level risk exposures will be dependent on the funds invested in by members.

At the Scheme year-end the Bond, Diversified Growth and Cash funds were exposed to underlying indirect credit risk.

The Trustee only invests in funds where the financial instruments and all counterparties are at least investment grade. The pooled funds are unrated. The funds are set up as unit linked insurance contracts with Aegon.

(iii) Market risk
The Scheme's DC Section is subject indirectly to currency rate, interest rate and other pricing risks arising from the underlying financial instruments held in the funds managed by BlackRock.

The Equity Fund is exposed to foreign exchange and other price risks.

The Bond Fund is exposed to foreign exchange and interest rate risks and indirect credit risks.

The Diversified Growth Fund is exposed to foreign exchange risk, interest rate risk and other price risk.

The Sustainability Fund is exposed to foreign exchange and other price risks.

The Emerging Markets Fund is exposed to foreign exchange and other price risks.

The Real Assets Fund is exposed to foreign exchange risk, interest rate risk and other price risk.

The Cash Fund is exposed to foreign exchange and interest rate risk.

(d) Elements section
(i) Investment strategy
The investment objective of the Defined Benefit part of the Elements section (to fund the members' Credit Accounts) is to invest in defensive assets that best match the liabilities, pay for benefits out of investment income, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficits.

The current strategy is to hold:
- 70% in investments that move in line with the long term liabilities of the Scheme. This comprises 25% government bonds, 35% corporate bonds and 10% private credit.
- 30% in return seeking investments comprising 30% World Developed equities (Paris Aligned).

(iv) Credit risk
The Scheme is subject to direct credit risk because the Scheme directly invests in bonds and cash balances. The Elements section invests in pooled investment vehicles and is therefore directly exposed to credit risk in relation to the instruments it holds in the pooled investment vehicles. The Elements section is indirectly exposed to credit risks arising on the financial instruments held by the pooled investment bond funds.

Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new investment managers and on an ongoing basis monitors any changes to the operating environment of the pooled manager. The pooled funds are unrated unit linked insurance contracts.

Notes to the Financial Statements continued

For the year ended 31 March 2023

(v) Market risk

The Elements section is subject to indirect interest rate risk arising from the underlying financial instruments held in the bond funds.

The Elements section is exposed to indirect foreign exchange risks and other indirect price risks from the equities it holds in the equity fund.

The assets held in the Defined Contribution part of the Elements section (in respect of members' Investment Accounts) are subject to the same risks as disclosed in note 17(c) above.

18 Self investment

The Scheme held indirect holdings of Johnson Matthey Plc through its pooled investment vehicles which amounted to less than 0.1% (2021: less than 0.1%) of the Scheme's net assets at the year-end.

19 Concentration of investments

The investments (other than UK Government Securities) at the year end which are more than 5% of the total value of the net assets of the Scheme comprise:

	2023	2022
	£'000	£'000
CQS Multi Asset Credit (5.2%, 2022 nil%)	**98,434**	–
Legal & General World Developed Equity Index Fund (nil%, 2022: 8.1%)	**–**	209,814
Legal & General World Developed Equity Index GBP Hedged Fund (3.8%, 2022: 6.1%)	**71,229**	145,364
Legal & General Liquidity Fund Short Dated BM 6263 (0.0%, 2022: 7.5%)	**1**	192,246
Legal & General Buy and Maintain Bond Fund (nil%, 2022: 7.1%)	**–**	240,297
Legal & General Absolute Return Bond Fund (7.1%, 2022 nil%)	**133,754**	–
BlackRock Diversified Private Debt (9.1%, 2022: nil%)	**171,714**	–
JMEPS Global Equity Index Tracker Fund (5.2%, 2022: nil%)	**99,368**	–
	574,500	787,721

Notes to the Financial Statements continued

For the year ended 31 March 2023

20 Current assets

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Prepayments	**3,299**	**–**	**–**	**3,299**
Cash balances	**3,258**	**–**	**790**	**4,048**
	6,557	**–**	**790**	**7,347**

	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Prepayments	3,162	–	–	3,162
Cash balances	4,100	–	4,401	8,501
	7,262	–	4,401	11,663

21 Current liabilities

	2023 Defined Benefit Section £'000	2023 Defined Contribution Section £'000	2023 Elements Section £'000	2023 Total £'000
Benefits payable	**–**	**–**	**–**	**–**
Management expenses	**1,019**	**5**	**76**	**1,100**
Balance with participating employer	**853**	**–**	**–**	**853**
	1,872	**5**	**76**	**1,953**

	2022 £'000	2022 £'000	2022 £'000	2022 £'000
Benefits payable	12	–	897	909
Management expenses	1,062	14	52	1,128
Balance with participating employer	320	–	–	320
	1,394	14	949	2,357

22 Related party transactions

All administrative expenses of the Scheme are met from the defined benefit section. For the purposes of Financial Reporting Standard (FRS) 102, Johnson Matthey Plc, the participating employer, is a related party to the Scheme.

Johnson Matthey Plc provides pensions management and payroll services to the Scheme and pays other administrative expenses and recharges them to the Scheme. These costs totalling £4,144,822 (2022: £3,450,000) are included in note 9 "Administrative expenses" above.

Two pensioner Trustee Directors received fees and expenses from the Scheme totalling £18,000 (2022: £16,000).

Contributions received in respect of four Trustee Directors who are members of the Scheme have been made in accordance with the Trust Deed and Rules.

Two Trustee Directors are pensioner members of the Scheme who have been in receipt of pensions in accordance with the Trust Deed and Rules.

Shown in note 21 there was an outstanding balance with the participating employer at 31 March 2022.

23 Guaranteed Minimum Pension Equalisation

A High Court judgement published on 26 October 2018 confirmed that defined benefit pension schemes will be required to equalise benefits for the effect of inequalities between males and females in respect of Guaranteed Minimum Pensions (GMPs) since 17 May 1990.

Guidance was issued on 18 March 2019 by the Pensions Research Accountants Group ("PRAG") which sets out the impact of this on the preparation of annual pension scheme accounts under FRS 102 and the SORP.

GMP equalisation was carried out for the majority of pensioners who are in receipt of post 1990 GMP in May 2023. This project included a GMP conversion exercise where GMP benefits were converted to non-GMP benefits of the same actuarial value. There is a minority group of pensioners where their GMP benefits are yet to be equalised and converted, largely due to work carried out to ensure that they are receiving the correct GMP records, in line with the records held by HMRC.

On 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This judgment concluded that historic transfer values paid out should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits.

In accordance with the judgements and guidance the Trustee has determined that the arrears payments are immaterial and therefore not recognised as a liability in the accounts.

24 Repurchase agreements

Defined Benefit Section

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £502,544k (2022: £1,106,594k) and the amount receivable under reverse repurchase agreements amounted to £106,687k (2022: £215,376k).

Elements Section

At the year end, within other investment assets and liabilities, amounts payable under repurchase agreements amounted to £52,919k (2022: £nil) and the amount receivable under reverse repurchase agreements amounted to £10,480k (2022: £nil).

25 Subsequent events

After the year end, Johnson Matthey Plc announced its disposal of Tracerco Limited, one of the participating employers of JMEPS, which was completed on 29 September. On the completion of the disposal, a Scheme Apportionment Arrangement was entered into which means that the Section 75 liabilities for Tracerco Limited passed to Johnson Matthey Plc.

Independent Auditor's Statement

about Contributions to the Trustee of the Johnson Matthey Employees Pension Scheme

Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the Johnson Matthey Employees Pension Scheme in respect of the Scheme year ended 31 March 2023 which is set out on page 55.

In our opinion contributions for the Scheme year ended 31 March 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the Actuary on 19 November 2021.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 55, the Scheme's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Scheme and to report our opinion to you.

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Scheme's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustee, for our work, for this statement, or for the opinions we have formed.

Nadia

Nadia Dabbagh-Hobrow
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

Date: 30 October 2023

Summary of Contributions

Statement of the Trustee's responsibilities in respect of Contributions
The Scheme's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Scheme by, or on behalf of the, Employer and the active members of the Scheme and the dates on, or before, which such contributions are to be paid. The Scheme's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Scheme and for monitoring that contributions are made to the Scheme in accordance with the Schedule.

Trustee's summary of the contributions payable under the Schedule of Contributions in respect of the Scheme year ended 31 March 2023
This summary of Contributions has been prepared on behalf of, and is the responsibility of, the Scheme's Trustee. It sets out the employer and member contributions, payable to the Scheme under the Schedule of Contributions dated 19 November 2021 as certified by the Scheme Actuary, in respect of the Scheme year ended 31 March 2023. The Scheme Auditor has reported on the contributions payable under the schedule in the Auditor's Statement about Contributions on page 54.

	£'000s
Employer	
Normal Contributions including Salary Sacrifice	51,436
Augmentations and other contributions	2,884
Member	
Normal Contributions	1,590
Total contributions payable under the Schedule of Contributions (as reported on by the Scheme Auditor)	55,910

Reconciliation of contributions payable under the Schedule of Contributions to Total Contributions reported in the Financial Statements	
Other Employer Contributions	Nil
Total contributions as reported in the Scheme's Financial Statements	55,910

Signed on behalf of the Trustee of the Scheme:

Roger

Roger Buttery
Chairman of the Trustee

Alan

Alan James
Member Nominated Trustee Director

Date: 24 October 2023

Certification of Schedule of Contributions

Name of Scheme Johnson Matthey Employees Pension Scheme

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.

Adherence to statement of funding principles

2. I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated November 2021.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the JMEPS liabilities by the purchase of annuities, if JMEPS were to be wound up.

Signature	Kevin
Name	Kevin Pither
Date of signing	19 November 2021
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of employer	Mercer Limited
Address	One Christchurch Way Woking GU21 6JG

Annual Chair's Statement – 1 April 2022 to 31 March 2023

Introduction

This Statement has been prepared by the Trustee of the Johnson Matthey Employee Pension Scheme ('JMEPS') ('the Scheme') to demonstrate how the Scheme has complied with the governance standards introduced under The Occupational Pension Schemes (Charges and Governance) Regulations 2015 in relation to:

- Providing a default investment arrangement for members (the 'default arrangement')
- Processing financial transactions promptly and accurately
- Net investment performance
- Details and impact of charges and transaction costs borne by members
- Assessment of the value members received from being a member of the Scheme; and
- Meeting the requirements for trustees' knowledge and understanding.

The period this Statement covers is the Scheme Year from 1 April 2022 to 31 March 2023 ('the reporting period').

This Statement covers the following populations within the Scheme: **Career Average Revalued Earnings members** (with JMEPS Extra Accounts), JMEPS Elements members with DC assets through either an Investment Account or a JMEPS Extra Account and **JMEPS DC only members**.

The Trustee believes that it has taken the necessary steps to ensure compliance with the governance standards.

A copy of this document has been published on a publicly accessible website and can be found at:
https://elements.matthey.com/#/public-jmeps-trustee-governance-statement

Investment

General investment principles

The Trustee's objective is to make available to members an investment programme via pooled funds which seek to generate income and capital growth which, together with new contributions from members and the Sponsor, will provide a fund at retirement with which to provide retirement benefits.

The Trustee's general investment aims are as follows:

- To offer a suitable default strategy appropriate for the profile of the defaulting members that considers their expected risk tolerances and potential target retirement outcomes; and
- To supplement the default strategy with a range of self-select investment options as well as two further Glidepath strategies, which offer sufficient investment choice to satisfy members' differing risk appetites and risk profiles, and retirement objectives.

Investment strategy – relating to the Scheme's default arrangement(s)

Although members have the choice of where to invest, the Trustee must also make available a default arrangement for members that do not select an investment option.

A formal review of the default investment strategy was carried out during the previous reporting period in November 2021. The Trustee also took the opportunity to revisit its investment beliefs framework and made a number of changes to reflect its objective to further integrate sustainable investment into the portfolio.

This review itself included an analysis of market 'megatrends' and a comprehensive evaluation of the membership profile and continued suitability of the default Drawdown Glidepath, alternative Glidepaths and self-select options (including those categorised as 'defaults' as a result of prior fund mapping exercises). The review concluded that:

- the risk profile and target of the default Drawdown Glidepath strategy remained appropriate for the membership,
- the performance of the default Drawdown Glidepath strategy had been in line with the strategy's aims and objectives
- the historic default funds from mapping exercises (as identified in the 'Charges and transaction costs' section in the appendix to this statement) had performed in line with their objectives and remain suitable.

Acknowledging the above, the Trustee decided to fine tune the Global Equity Index Tracker funds within the accumulation phase of Default GlidePath Strategy (and the supporting Glidepaths) and make several changes to the self-select fund range. These changes were introduced following a comprehensive communication and engagement programme with members which included written communications, updates to the Elements website and dedicated webinars. The investment changes were actioned in March 2023 in consultation with the Trustee's advisers and facilitated by platform provider Aegon. Specifically they entailed:

- Restructuring of the JMEPS Global Equity Index Tracker Fund to integrate Environmental, Social and Governance (ESG) factors in order to support sustainable investment offerings and integrate the Trustee's sustainability beliefs into the JMEPS investment options, including the glidepaths and self-select fund range.
- Closing and removing the JMEPS Global Equity, Global Corporate Bond and Sustainability Funds due to periods of mixed performance and limited take-up by members.
- Introducing a new Real Assets Fund as an alternative to the equity and bond funds for those members looking for growth and diversification within their investment portfolio.

Due to the implementation of Environmental, Social and Governance (ESG) factors into the JMEPS Global Equity Index Tracker Fund the annual management charge of the fund increased. Full details are included in Appendix B 'Charges and transaction costs'.

A copy of the Scheme's Defined Contribution Statement of Investment Principles which includes the investment principles for the default arrangements and details of the Scheme's glidepaths, is enclosed with this Statement and is also accessible online at: **https://elements.matthey.com/#/public-jmeps-trustee-governance-statement**

Investment monitoring

The Trustee has sufficient and appropriate knowledge and understanding to provide sound and prudent oversight of the investment strategy and investment/risk management expertise to critically evaluate and oversee the investment strategy and associated risks. The Trustee receives professional investment advice in this capacity which supports the Trustee in its investment oversight and strategic decision-making process. The Trustee also has a dedicated DC investment manager day, during which it meets with both BlackRock and Legal & General, the two largest DC investment managers under the Scheme. These sessions are a key part of the Trustee's investment stewardship programme and cover performance against objective, long-term investment outlook and integration of sustainable investment principles.

In addition, the Trustee regularly reviews the underlying performance of the funds within the default strategy and the self-select fund range. The Trustee receives quarterly investment performance reports which enables it to review the performance of all funds against their benchmarks. The Trustee also receives detailed quarterly reports from its investment adviser with in-depth performance analysis against a set of defined performance triggers. The Trustee's investment advisers will also raise significant issues with the Trustee when they arise so action can be considered expediently.

Outside of the performance concerns that contributed to the removal of the self-select funds listed in the prior section; the Trustee has continued to keep a close eye on the Scheme's Diversified Fund. The Trustee recognises that the Fund's bond allocation has limited returns, with the rise in yields over the last 18 months having a negative impact on valuations. Longer term performance remains between the long-term equity and cash plus metrics (set by the Fund manager) and the Fund has outperformed its equity/bond reference portfolio over the year and longer-term, demonstrating added value from asset allocation.

JMEPS passive index-tracking fund options all performed in line with their aims and expectations. The Trustee is satisfied that over the reporting period, the performance of the investment funds has been consistent with their aims and objectives as set out in the SIP.

The Trustee has a policy on sustainable investing and monitors asset managers' sustainable investment practices, including the approach to ESG integration. This includes identification, assessment and management of risks and opportunities relating to climate change. Further details on the Trustee's ESG framework can be found in the Scheme's Implementation Statement which covers how the Trustee implemented its investment policies over the reporting period (for the Scheme as whole). This document can be found at the following address: **https://elements.matthey.com/#/public-jmeps-trustee-governance-statement**

Net investment returns

The Trustee has provided the net investment returns for the Scheme's investment options. These returns can be found in the Appendix and have been prepared taking into the account the DWP's statutory guidance.

Financial transactions

Overview

The Trustee has selected Aegon as its DC service provider. Aegon carries out the back-office administration, supports online functionality and acts as the investment platform provider. Group Reward and Benefits carry out member facing administration functions.

All tasks are set up on the in-house administration system and are monitored by a workflow system that is managed by a senior member of the team. To help ensure work is accurate, all administration tasks completed are peer reviewed. Time critical financial transactions are flagged and prioritised and all work is monitored against a Service Level Agreement. Monthly contributions are processed by the JM payroll department and Aegon has a separate contribution processing team which ensures investment and banking transactions are checked and fully reconciled. There is also a separate Scheme Accountant who monitors the Trustee's bank account.

Trustee administration monitoring

The Trustee regularly monitors the core financial transactions of the Scheme. These include the collection and investment of contributions, transfers into and out of the Scheme, fund switches and payments out of the Scheme to and in respect of members. This is achieved through the review of quarterly reporting from Aegon, and the monthly monitoring of contribution payments calculated and paid by JM payroll to Aegon.

The Trustee monitors administration effectiveness against the Service Level Agreement (SLA) it has in place with Aegon. The SLA is dependent on each administration task as the table below illustrates:

Task	Service Level Agreement (SLA)
Investment of contributions	100% in 1 day (or 95% in 3 days if not fully automated)
Transfer-in payment	95% in 5 days
Fund switches	100% in 1 day
Disinvestment of members accounts when retiring and transferring	95% in 2 days

Please note that this table only shows administration tasks which constitute core financial transactions and has been simplified to better provide a meaningful narrative.

Over the reporting period, Aegon completed 94% of core financial transactions (numbering 1474) within SLA and 92% of all tasks (including core financial transactions) within SLA. This year's performance represents a slight dip against last year's reported figures. The Trustee is aware of some mitigating circumstances at Aegon which influenced this at the start of the reporting period, however, it also recognises that performance over the final two quarters was progressively stronger, indicating that these issues have now been resolved. The Trustee remains satisfied with Aegon's SLA performance overall.

There is also a formal SLA in place with Group Reward and Benefits, who report against this and present the results to the Trustee Board on a regular basis. As the Scheme is fundamentally a hybrid DB/DC arrangement, the majority of members have both DB & DC benefits. Consequently, the Trustee monitors the SLA performance of DB and DC tasks together and is satisfied that during the reporting period, the overall administration provided by Group Reward and Benefits has been undertaken in a timely and accurate manner.

Contribution processing

Group Reward & Benefits has an agreed payroll timetable and escalation process in place with Aegon which provides a further structured control to monitor contribution processing. Over the reporting period, monthly contributions were remitted by the Company and received and invested by Aegon in advance of statutory deadlines.

Administration issues

Over the reporting period, there were no material administration errors reported. We are aware that one complaint was referred to the Pension Ombudsman primarily relating to the timing of information being provided.

Conclusion

Based on the above, the Trustee is satisfied that the Scheme's core financial transactions have been processed promptly and accurately during the scheme year.

Charges and transaction costs

Charges

The Total Expense Ratio (TER) applied to the funds available for selection by members of the Scheme as at 31 March 2023 are set out in the Appendix. TER is a measure of the costs associated with managing and operating an investment fund. These costs consist primarily of Annual Management Charges (AMC) and variable additional expenses such as trading, legal and auditor fees and other operational expenses. The Trustee has taken into account the DWP statutory guidance in preparing this information.

Transaction costs

Transaction costs and gains are those incurred by fund managers as result of buying, selling, lending or borrowing investments. These costs are allowed for within the unit price of each of the Scheme's funds.

The Financial Conduct Authority (FCA) has set out a specific method for providers and managers to calculate transaction costs and they are typically categorised as being explicit costs or implicit costs.

- **Explicit costs** are directly observable and include broker commissions and taxes.
- **Implicit costs** cannot be observed in the same way but occur, for example, where the price on placing a trade instruction is different to the price paid when the trade is executed. This can also lead to 'negative' transaction costs or small 'gains' where the price when placing a trade instruction is higher than the price when the actual trade is executed.

Details of the 'day to day' transaction costs for each of the Scheme's funds over the period available are set out in the Appendix. The Trustee has undertaken some benchmarking in conjunction with its advisers and has concluded that, based on the market data available, the transaction costs incurred over the period were reasonable and represent good value for members.

Investment Changes (6 February 2023 and 17 March 2023)

As a result of the changes to the JMEPS Global Equity Index Tracker Fund on 6 February and the fund closures on 17 March, transaction costs on rebalancing and switching applied. The transactions were executed by Aegon using the Scheme's unit-linked insurance policy where unit values are linked to daily dealt funds invested in liquid asset classes. Details below.

Restructure of the Global Equity Index Tracker Fund	Cost as % of assets value
Global Equity Index Tracker Fund	0.16%

The transaction costs associated with the JMEPS Global Equity Index Tracker were found to be slightly higher than expected but still within an acceptable range of 0.1% – 0.2% for an equity fund transition. The main reason for the higher cost was the purchase of units in the BlackRock World ESG Equity Tracker Fund.

From Fund	To Fund	Cost as % of assets value
JMEPS Sustainability	JMEPS Global Equity Index Tracker	0.05%
JMEPS Global Equity	JMEPS Global Equity Index Tracker	0.10%
JMEPS Global Bond	BlackRock All Stocks Corporate Bond Index	0.00%

The trading costs associated with the fund closures and switches were low and below initial expectations.

Illustration of costs and charges

The Occupational Pension Schemes (Administration and Disclosure) (Amendment) Regulations 2018 require the Trustee to produce a "£ and pence" illustration showing the compounded effect of costs and charges.

DWP statutory guidance sets out the elements that must be considered but there is some flexibility to reflect plan experience albeit illustrations do not have to be personalised. The Trustee, in conjunction with its advisers, has taken account of the DWP's statutory guidance and carefully considered the use of different representative members of the Scheme's membership when preparing these illustrations. These essentially represent illustrative members across each of JMEPS Silver, Gold and Platinum sections. The funds for the illustration were selected in line with the guidance.

These illustrations are presented in full in the Appendix to this statement and show the projected value, over different time horizons, for selected investment funds and representative members.

Value for Members (VfM)

The Trustee remains committed to ensuring that members receive value for the services provided by the Scheme, and so in accordance with regulation 25(1)(b) of the Scheme Admin Regulations, the Trustee, with the assistance of its advisers (WTW), assessed the extent to which the charges and transaction costs above represent good value for members in September 2023.

The Trustee is legally required to undertake a VFM assessment on at least an annual basis, and report on the outcome of the assessment.

The assessment framework was consistent with last year's updated approach and specifically considered:

1. The level of the charges and transaction costs members pay (benchmarked against the UK DC pension market)
2. The net investment returns of the Scheme's fund range and how the funds performed against their benchmarks (the performance of the Scheme's default investment option was also benchmarked against the wider UK pension provider market)
3. The scope and performance of services available to members through the Scheme including those relating to administration, investment and communications.

Assessment conclusion

The assessment compared the overall DC cost members bear against a number of comparators including similarly structured plans and the wider market. This comparison showed the charges members pay to be competitive and below average when compared to similar types of scheme and the wider occupational DC pension scheme market. Furthermore, the Company pays a subsidy to Aegon for administration costs, which partly reduces the Annual Management Charge (AMC) for employees. The assessment also considered the transaction costs members have borne over the period and determined that, based on the benchmarking sources available, the level of transaction costs was either below or inline market averages for most funds.

Whilst outside the direct scope of the VfM review, the Trustee also acknowledges that the Company meets all of the associated costs of the Credit Account element of members' benefit accrual (this is essentially a cash balance accrual on salary up to £51,936 per annum).

Investment returns net of fees are a key influence in the overall value members receive. The Trustee considered the performance of the Scheme's funds against their respective benchmarks with a specific focus on the component funds of the Scheme's default strategy – the Drawdown Glidepath.

The component funds of the Drawdown Glidepath had all performed in line with expectations over the long term. The evaluation acknowledged that the L&G Diversified Fund did not perform in line with its equity comparator but that it had continued to exceed its target of achieving a rate of the Bank of England Base Rate + 3.75% p.a. over the long term.

When considering the performance of the growth phase of default strategy against UK pension provider defaults (including some of the leading master-trusts) over a 3 year period, the JMEPS default has outperformed all of the other strategies assessed. This demonstrates the additional value provided through designing an appropriate default strategy to specifically meet the needs of the Scheme members.

The passively managed (index tracking) self-select funds had all tracked their respective indices within a reasonable level of tolerance over the long term.

The assessment also considered the services offered by the Scheme and highlighted:
- The Drawdown Glidepath which was introduced in 2020 as the Scheme's new default strategy. This glidepath is strongly aligned with the profile and expected needs of the membership alongside members' likely retirement objectives and was constructed following detailed membership analysis and risk profiling.
- Members are part of a well governed scheme, which offers a broad suite of highly rated investment options to meet the needs of the membership (which includes the addition of a new Real Assets Fund). The Trustee Board has significant experience and expertise, operating under a robust governance structure and risk management framework.
- Aegon has over the longer term provided strong performance against its SLAs. The level of performance for this reporting period averaged at 94%, which is slightly behind its target of 95% but would be considered relatively strong within the DC market.
- Members have a single point of contact with the in-house team, i.e. Group Reward and Benefits that provides full and joined up information on all benefits within the Scheme.
- As part of the administration service, members have access to information on all Scheme benefits in one place and this information feeds into joined up bespoke member communication materials provided by Group Reward and Benefits i.e. investment communications, online benefit statements, retirement guidance packs, pre-retirement seminars and newsletters.
- Members have access to Group Reward and Benefits and have the opportunity to arrange 1:1 sessions with representatives from the team to address any questions they have about their JMEPS benefits and options. The investment changes in 2023 were supported by an extensive communication campaign and member presentations. Feedback from the members is that these sessions are popular and informative.
- Access to annuity broking and income drawdown is facilitated through external providers for members wishing to access this at retirement.
- Members have access to a bespoke Scheme specific online projection tool which helps them to better understand the level of income they need at retirement.
- Members are able to use their JMEPS Accounts to fund part/all of their total tax-free cash at retirement under the Scheme.
- The overall benefit design including the cash balance element of the Scheme is unusual in the market and provides significant value to members. The cost of providing the cash balance element is met by the Company.

Overall, based on the analysis summarised above, the Trustee in conjunction with its independent advisers concluded that the Scheme continues to offer good value for members. This is the top rating offered under the Trustee's assessment framework.

The Trustee continually seeks to ensure the Scheme provides 'value' and will complete the next assessment in 2024.

Trustee Knowledge and Understanding (TKU)

The Trustee has a strong TKU process in place which enables it, together with the advice available, to exercise its function as Trustee of the Scheme and ensure appropriate levels of TKU are maintained.

Assessing TKU

The last formal TKU assessment was undertaken in February 2022. Using an independent questionnaire prepared by its advisers Willis Towers Watson (WTW), based on TPR's Code of Practice 7, the Trustee assessed the depth of their collective knowledge on various relevant issues relating to the Scheme (also covering trust law, investment and funding principles) as well as conversance with scheme documentation. The results of this review showed no significant knowledge gaps, however, several areas were highlighted for refresher training. Progress against these areas was considered against independent updates from WTW during the May and December 2022 Trustee meetings (highlighted topics are noted in the table below).

Training

Formal training is incorporated into regular Trustee meetings and additional quarterly training sessions are run by the Scheme's advisers. Training topics are planned in advance and are based on the Trustee's training plan (driven by the TKU assessment) and other topical items. Examples of the formal training the Trustee has received during the reporting period include:

Date	Presenter	Training topic
05/05/2022	Mayer Brown (legal advisers)	Long term strategy, TPR's guidance for Pension Increase Exchange and Enhanced Transfer Value exercises, General Code, stronger nudge and Dashboards
07/06/2022	Isio (DB Investment advisers)	TCFD related disclosures
25/05/2022	Mercer (Scheme Actuary)	Trustee training – GMP conversion and Pension Increase Exchange
23/08/2022	Mayer Brown	Scheme apportionment, GMP rectification and equalisation, member communication
15/09/2022	LGIM (Investment manager)	LDI collateral, interest rates and inflation
23/11/2022	Isio	ESG, TCFD climate metrics and targets
07/12/2022	WTW (DC advisers)	DC platform structure and policy overview and protections in place for members
15/03/2023	WTW	The Pensions Regulator's guidance – supporting DC members

Group Reward and Benefits circulate periodic technical updates to the Trustee, which supplements the quarterly training run by the Scheme's advisers. This ensures the Trustee maintains an up-to-date knowledge on pension and trust law. Trustee Directors receive general updates from their advisers about matters relevant to the Scheme and most DC related matters for discussion are prefaced by a short training recap.

JMEPS Trustee is a member of the PMI Trustee Group and benefits from training sessions offered by the PMI. The PMI certify annually that JMEPS Trustee meets Continuing Professional Development (CPD) requirements.

A training log is maintained for each trustee director by the JMEPS Secretary. A central record is maintained of the Trustee's objectives for the Scheme and an update on the key activities undertaken. This framework helps to ensure the Trustee is constantly evaluating its performance against its objectives. During the reporting period, the majority of Trustee Directors logged over 40 hours of training activities.

New Trustee Director induction process

New trustees complete a robust induction process, typically during the first six months, which includes overviews of the Scheme's investment, funding, administration and communication strategy. All new Trustees are also required to complete the Pensions Regulator's trustee toolkit.

There were no new Trustee's appointed during the reporting period. However, one Member Nominated Trustee is retiring outside of the reporting period and an election exercise is underway to find a suitable successor.

Ensuring effective operation of the Scheme

In March 2023, the Trustee worked with WTW to undertake an independent review of its ongoing 'Board Effectiveness'. This evaluation considered the effectiveness of meetings, decision making, ongoing monitoring, chairship, board composition, review processes and external relations. The overall results were positive but did highlight several areas which could benefit from fine tuning. A working party consisting of Trustee Directors and senior members of Group Reward and Benefits was established to address this and consider future new ways of working. During the next reporting period, this will see changes to the operation of meetings, preparation of papers by advisers, updates to the Trustee's Equality, Diversity Policy amongst other things.

In addition to the above review, the Trustee monitors its ongoing 'effectiveness' by reference to its Business Plan, which serves the dual purpose of planning future monthly activities and documenting successful completion of each activity.

The JMEPS Trustee Board is chaired by a professional independent trustee bringing significant expertise and knowledge to the Board through having fulfilled several high-profile industry and Trustee roles. In addition, the Trustee Board consists of three Member Nominated Trustees, who are selected by the Scheme membership and three Company appointed Trustees. The Trustee is supported by a Scheme Secretary, a team of professional advisers and Group Reward and Benefits.

The JMEPS Board believes it is important to be able to attract Directors from a diverse and inclusive population and that a Trustee Board is able to draw from a wide range of appropriate skills and experience. A Member Nominated Trustee election exercise has recently been completed and in order to attract a diverse range of candidates, applications for the vacancy were taken online to ensure that the process was as streamlined as possible. In addition, a short video explaining the role of a Trustee was produced along with simplified communication materials. An overview session explaining the role enabled potential candidates to find out more about the vacancy and ask any questions before applying. All sixteen applicants were interviewed by the JMEPS Selection Panel which resulted in a short-list of six candidates participating in a member ballot.

When considering Scheme design change, or ensuring legislative requirements are met, the Trustee consults the Scheme's Trust Deed & Rules and associated documents and seek appropriate professional advice. All advisers are invited to attend the relevant sections in Trustee meetings which ensures the Trustee has access to appropriate advice before decision making. The Trustee also meets with its investment advisers (both DB and DC) on annual basis to provide direct feedback against the objectives it has set for them.

The Trustee's strategic investment aims have also been fully integrated into the DC adviser's fund investment performance reporting to better support the Trustee in monitoring the investments in line with the SIP.

The above processes ensure that the Trustee is conversant with the Scheme's documentation and that sufficient knowledge and understanding of trust law, funding and investment principles (including identification, assessment and management of risks and opportunities relating to climate change) is maintained.

Conclusion

Based on these factors and in conjunction with the advice the Trustee receives from its professional advisers, the Trustee is satisfied that it has the combined knowledge and understanding required to properly exercise its function as Trustee.

Statement of compliance

On behalf of the Trustee of JMEPS, I confirm that the Trustee is comfortable that the Scheme met and exceeded the minimum governance standards as defined in the Occupational Pension Scheme (Charges and Governance) Regulations 2015 during the period 1 April 2022 to 31 March 2023.

Signed by the Chair on behalf of the Trustee of the Scheme:

Roger

Date: 24 October 2023

Appendix A: Net investment returns

The Trustee is required to set out the investment returns of the Scheme's DC funds net of any charges over the reporting period. In reporting the investment returns, the Trustee has reviewed and taken account of the DWP's Statutory Guidance in this area. Five year annualised performance has been provided where available. Where this is not possible due to historic investment changes or unavailability of data, three year annualised performance has been provided. The Trustee expects to be able to provide 5 year annualised performance for all investment options for next year's Statement.

Default arrangements

Members in the Scheme's default arrangement are in the Drawdown Glidepath which invests in several underlying funds, the proportion of assets in each depending on the number of years until the member's Target Retirement Age (TRA).

Members are able to choose their own TRA, however we have provided the investment returns at a range of ages based on a TRA of 65 (which is the Normal Retirement Age under the Scheme). The performance information has been derived from the proportion of assets invested in each underlying fund at that age. Please note that performance figures vary slightly depending on member status due to the Company's contribution towards charges for current employees.

	Name	Status	3 years (% pa)	1 year (%)
Default arrangement	Drawdown Glidepath – age 25	Pre 2012 Active member	14.3	(3.9)
		Post 2012 Active member	14.2	(4.0)
		Deferred member	14.2	(4.0)
	Drawdown Glidepath – age 45	Pre 2012 Active member	11.9	(4.3)
		Post 2012 Active member	11.8	(4.3)
		Deferred member	11.7	(4.4)
	Drawdown Glidepath – age 55	Pre 2012 Active member	8.0	(4.9)
		Post 2012 Active member	8.0	(4.9)
		Deferred member	7.9	(5.0)

The individual funds and Glidepaths also designated as default arrangements as a result of previous fund mapping exercises are identified in **bold** in the tables overleaf.

Appendix A: Net investment returns continued

Alternative glidepaths

The Trustee offers two alternative glidepaths targeting annuity purchase and short-term cash withdrawal at retirement respectively. These strategies invest in several underlying funds, the proportion of assets in each depending on the number of years until the member's Target Retirement Age (TRA).

As in the previous section, we have provided the investment returns at a range of ages based on a TRA of 65.

	Name	Status	3 years (% pa)	1 year (%)
Alternative glidepaths	Annuity Glidepath – age 25	Pre 2012 Active member	14.3	(3.9)
		Post 2012 Active member	14.2	(4.0)
		Deferred member	14.2	(4.0)
	Annuity Glidepath – age 45	Pre 2012 Active member	11.9	(4.3)
		Post 2012 Active member	11.8	(4.3)
		Deferred member	11.7	(4.4)
	Annuity Glidepath – age 55	Pre 2012 Active member	4.0	(7.0)
		Post 2012 Active member	4.0	(7.1)
		Deferred member	3.9	(7.1)
	Cash Glidepath – age 25	Pre 2012 Active member	14.3	(3.9)
		Post 2012 Active member	14.2	(4.0)
		Deferred member	14.2	(4.0)
	Cash Glidepath – age 45	Pre 2012 Active member	11.9	(4.3)
		Post 2012 Active member	11.8	(4.3)
		Deferred member	11.7	(4.4)
	Cash Glidepath – age 55	Pre 2012 Active member	8.0	(4.9)
		Post 2012 Active member	8.0	(4.9)
		Deferred member	7.9	(5.0)

Appendix A: Net investment returns continued

Self-select funds

	Name	Status	5 years (% pa)		3 years (% pa)		1 year (%)	
			Fund	BM	Fund	BM	Fund	BM
Self-select options	JMEPS Global Equity Index Tracker Fund	Pre 2012 Active member	–	–	15.6	15.5	(3.9)	(3.9)
		Post 2012 Active member	–	–	15.5	15.5	(4.0)	(3.9)
		Deferred member	–	–	15.5	15.5	(4.0)	(3.9)
	JMEPS Diversified Growth Fund	Pre 2012 Active member	–	–	6.6	4.5	(5.2)	6.0
		Post 2012 Active member	–	–	6.5	4.5	(5.2)	6.0
		Deferred member	–	–	6.5	4.5	(5.3)	6.0
	BlackRock Over 15 years UK Gilt Index Fund	Pre 2012 Active member	(6.5)	(6.4)	(16.8)	(16.4)	(30.0)	(29.7)
		Post 2012 Active member	(6.5)	(6.4)	(16.9)	(16.4)	(30.1)	(29.7)
		Deferred member	(6.7)	(6.4)	(17.0)	(16.4)	(30.2)	(29.7)
	BlackRock Cash Fund	Pre 2012 Active member	0.6	0.6	0.7	0.7	2.0	2.2
		Post 2012 Active member	0.6	0.6	0.7	0.7	2.0	2.2
		Deferred member	0.6	0.6	0.7	0.7	2.0	2.2
	BlackRock UK Equity Index Fund	Pre 2012 Active member	4.7	5.0	13.3	13.8	2.2	2.9
		Post 2012 Active member	4.7	5.0	13.3	13.8	2.2	2.9
		Deferred member	4.5	5.0	13.2	13.8	2.1	2.9
	BlackRock World (ex-UK) Index Fund	Pre 2012 Active member	11.0	11.0	16.4	16.6	(1.4)	(1.1)
		Post 2012 Active member	10.9	11.0	16.4	16.6	(1.4)	(1.1)
		Deferred member	10.9	11.0	16.3	16.6	(1.5)	(1.1)
	BlackRock Over 5 Years UK Index-Linked Gilt Index Fund	Pre 2012 Active member	(4.2)	(4.1)	(10.5)	(9.2)	(29.6)	(30.4)
		Post 2012 Active member	(4.2)	(4.1)	(10.5)	(9.2)	(29.6)	(30.4)
		Deferred member	(4.3)	(4.1)	(10.6)	(9.2)	(29.7)	(30.4)
	BlackRock All Stocks Corporate Bond Index Fund	Pre 2012 Active member	(0.9)	(0.9)	(3.2)	(3.1)	(10.5)	(10.2)
		Post 2012 Active member	(0.9)	(0.9)	(3.3)	(3.1)	(10.5)	(10.2)
		Deferred member	(0.9)	(0.9)	(3.3)	(3.1)	(10.6)	(10.2)
	JMEPS Emerging Markets Equity Fund	Pre 2012 Active member	1.3	1.7	7.1	7.8	(6.5)	(6.0)
		Post 2012 Active member	1.2	1.7	7.1	7.8	(6.6)	(6.0)
		Deferred member	1.2	1.7	7.0	7.8	(6.6)	(6.0)

Notes

BM = Benchmark. Please note that the benchmark the Trustee has used for the L&G Diversified Fund is 'Bank of England Base Rate + 3.75% p.a.' The Trustee believes this is an appropriate benchmark to use for the Fund and is aligned with the investment manager's fund objective.

*The JMEPS Real Assets Fund was launched just prior to the end of the reporting period, hence no performance data is available.

Performance information has been provided by Aegon. Benchmark data has been provided by Aegon with the exception of the L&G Diversified Fund which has been sourced from L&G.

Please refer to the fund factsheets for further details on the funds including their underlying holding, risk profile and performance benchmarks. These can be found by logging into the Investment Portal which can be accessed via **https://elements.matthey.com**

Appendix B: Charges and transaction costs

The charges applied to all funds, including those in the Scheme's default Glidepath arrangement are set out in the below appendix. Funds that make up the default investment options are shown in bold for ease of reference (this includes those for previous consolidation exercises). The Trustee has taken into account the DWP statutory guidance in preparing this section. Please note that the difference in charges depending on member status relates to the Company's contribution towards administration costs for current employees.

	Fund	Status	Fund charges (% p.a.)					T-cost (%)
			AMC	+	Add exp.	=	TER	
All funds	JMEPS Global Equity Index Tracker Fund*	Pre 2012 Active member	0.26 (0.18)	+	0.02	=	0.28	0.05
		Post 2012 Active member	0.28 (0.20)	+	0.02	=	0.30	0.05
		Deferred member	0.34 (0.26)	+	0.02	=	0.36	0.05
	JMEPS Diversified Growth Fund	Pre 2012 Active member	0.33	+	0.04	=	0.37	0.00
		Post 2012 Active member	0.34	+	0.04	=	0.38	0.00
		Deferred member	0.40	+	0.04	=	0.44	0.00
	BlackRock Over 15 years UK Gilt Index Fund	Pre 2012 Active member	0.10	+	0.01	=	0.11	0.01
		Post 2012 Active member	0.15	+	0.01	=	0.16	0.01
		Deferred member	0.20	+	0.01	=	0.21	0.01
	BlackRock Cash Fund	Pre 2012 Active member	0.15	+	0.03	=	0.18	0.01
		Post 2012 Active member	0.15	+	0.03	=	0.18	0.01
		Deferred member	0.15	+	0.03	=	0.18	0.01
	BlackRock UK Equity Index Fund	Pre 2012 Active member	0.10	+	0.00	=	0.10	0.02
		Post 2012 Active member	0.15	+	0.00	=	0.15	0.02
		Deferred member	0.20	+	0.00	=	0.20	0.02
	BlackRock World (ex-UK) Index Fund	Pre 2012 Active member	0.13	+	0.01	=	0.14	0.01
		Post 2012 Active member	0.15	+	0.01	=	0.16	0.01
		Deferred member	0.20	+	0.01	=	0.21	0.01
	BlackRock Over 5 Years UK Index-Linked Gilt Index Fund	Pre 2012 Active member	0.10	+	0.01	=	0.11	0.08
		Post 2012 Active member	0.15	+	0.01	=	0.16	0.08
		Deferred member	0.20	+	0.01	=	0.21	0.08
	BlackRock All Stocks Corporate Bond Index Fund	Pre 2012 Active member	0.13	+	0.02	=	0.15	0.06
		Post 2012 Active member	0.15	+	0.02	=	0.17	0.06
		Deferred member	0.20	+	0.02	=	0.22	0.06
	JMEPS Real Assets Fund	Pre 2012 Active member	0.57	+	0.00	=	0.57	0.03
		Post 2012 Active member	0.59	+	0.00	=	0.59	0.03
		Deferred member	0.65	+	0.00	=	0.65	0.03
	JMEPS Emerging Markets Equity Fund	Pre 2012 Active member	0.23	+	0.08	=	0.31	0.00
		Post 2012 Active member	0.25	+	0.08	=	0.33	0.00
		Deferred member	0.30	+	0.08	=	0.38	0.00

Funds removed during the reporting period

	Fund	Status	Fund charges (% p.a.)					T-cost (%)
			AMC	+	Add exp.	=	TER	
All funds	JMEPS Global Equity Fund	Pre 2012 Active member	0.69	+	0.02	=	0.71	n/a
		Post 2012 Active member	0.70	+	0.02	=	0.72	n/a
		Deferred member	0.76	+	0.02	=	0.78	n/a
	JMEPS Sustainability Fund	Pre 2012 Active member	0.85	+	0.03	=	0.88	n/a
		Post 2012 Active member	0.95	+	0.03	=	0.98	n/a
		Deferred member	1.00	+	0.03	=	1.03	n/a
	JMEPS Global Corporate Bond Fund	Pre 2012 Active member	0.64	+	0.00	=	0.64	n/a
		Post 2012 Active member	0.73	+	0.00	=	0.73	n/a
		Deferred member	0.78	+	0.00	=	0.78	n/a

Charges expressed as '£ and p'

The above charge information is expressed as a % of fund value. Using the JMEPS Global Equity Index Tracker Fund (Post 2012 Active member) as example, the below table illustrates how to interpret this data as a monetary amount.

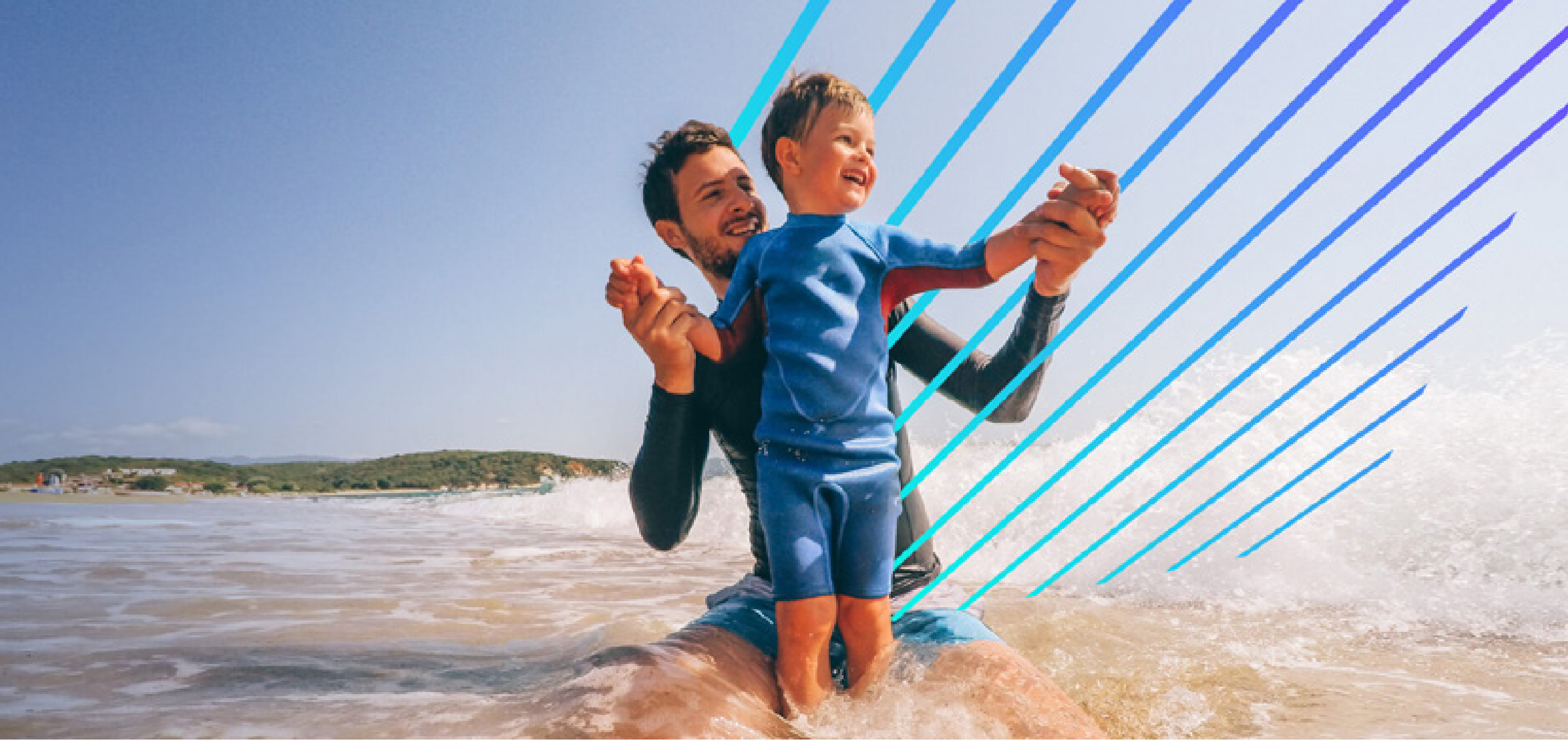
Charge	AMC	Additional expenses	TER	T-cost
%	0.28	0.02	0.30	0.05
£ cost for every £1,000 invested	£2.80	£0.20	£3.00	£0.50

Notes

*the figures in brackets represent the AMC prior to the underlying restructuring of the JMEPS Global Equity Index Tracker Fund which took place in March 2023.

All of the other above charges are correct as at 31 March 2023 and the transaction costs reported are all in respect of the period 1 April 2022 to 31 March 2023. Transaction costs were not available for part-year period for the funds removed as part of the March 2023 investment changes.

A zero cost has been reported where there has been a negative transaction cost (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.



Appendix C: Costs and charges illustrations

The following tables have been produced to show the compounding effect of costs and charges over time based on a range of funds available under the Scheme covering the default investment option, any individual funds that are deemed defaults as a result of previous mapping activities, the fund with the highest charge and the fund with the lowest charge. You should note that charges differ and these are illustrative only. The Trustee is required to include this information in the Chair's Statement and the relevant statutory guidance from the DWP has been taken into account when producing these illustrations.

The assumptions used are intended to model the behaviour of assets and market conditions over the long term. They are not meant to be reflective of the possible, or even likely, course of those investment markets in the short term. The return forecasts are not intended to imply, nor should be interpreted as conveying, any form of guarantee or assurance of the future performance of the funds in question, either favourable or unfavourable. If you are considering making changes to your investment strategy, you should read through the Scheme's investment guide which includes details of each of the Scheme's investment funds and their objectives.

The investment guide can be found online at **https://elements.matthey.com**. Neither the Trustee, or JM Group Reward & Benefits can give you financial advice. You should seek advice form an independent financial adviser if you are unsure about your investment choices. For help with finding a financial adviser in your area, please contact Money Helper (the updated Money Advice Service) at **https://www.moneyhelper.org.uk/en?source=mas#**.

Appendix C: Costs and charges illustrations continued

Example member (A) – This example member is 18 years old with a pensionable salary of £30,000 per annum. Contributions of 9% of pensionable salary are being paid into JMEPS Elements Silver and the existing fund value is £7,500. Please refer to the notes at the end of this section for further details on the overall assumptions used. Please note the first table relates to the charges that apply for active members that joined the Company prior to 1 October 2012 and the second table relates to the charges that apply for active members that joined the Company after this date.

Pre 2012 charges

Period (yrs)		1	3	5	10	15	20	25	30	35	40	45	47
Drawdown Glidepath	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,200	£236,300	£320,200	£425,900	£553,500	£606,700
	After	£10,700	£17,500	£25,000	£47,600	£76,700	£114,200	£162,300	£222,700	£297,900	£390,700	£500,500	£545,700
BlackRock UK Equity Fund	Before	£10,600	£17,400	£24,900	£47,000	£75,300	£111,400	£157,400	£216,200	£291,300	£387,000	£509,200	£567,100
	After	£10,600	£17,400	£24,800	£46,600	£74,400	£109,600	£154,200	£210,900	£282,700	£373,800	£489,400	£543,900
BlackRock World Ex-UK Index Fund	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,500	£238,300	£326,900	£442,700	£594,100	£666,900
	After	£10,700	£17,500	£25,100	£48,000	£77,700	£116,200	£166,200	£230,900	£315,000	£424,000	£565,300	£633,000
BlackRock Over 15 Year UK Gilt Index Fund	Before	£10,400	£16,300	£22,500	£39,000	£57,300	£77,400	£99,600	£124,200	£151,300	£181,300	£214,300	£228,500
	After	£10,400	£16,300	£22,400	£38,700	£56,700	£76,400	£98,100	£121,800	£147,900	£176,600	£208,100	£221,500
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£10,400	£16,300	£22,500	£39,000	£57,300	£77,400	£99,600	£124,200	£151,300	£181,300	£214,300	£228,500
	After	£10,400	£16,300	£22,400	£38,600	£56,500	£76,000	£97,500	£121,000	£146,700	£175,000	£205,900	£219,100
JMEPS Global Equity Index Tracker Fund	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,500	£238,300	£326,900	£442,700	£594,100	£666,900
	After	£10,700	£17,500	£25,000	£47,600	£76,700	£114,200	£162,500	£224,800	£305,000	£408,300	£541,400	£604,900
BlackRock All Stocks Corporate Bond Index	Before	£10,500	£16,700	£23,200	£41,500	£62,600	£87,200	£115,600	£148,600	£186,800	£231,100	£282,400	£305,200
	After	£10,400	£16,600	£23,100	£41,000	£61,500	£85,100	£112,200	£143,300	£179,000	£219,900	£267,000	£287,700
JMEPS Real Assets Fund	Before	£10,600	£17,000	£24,000	£44,200	£68,600	£98,400	£134,700	£178,800	£232,400	£297,700	£377,100	£413,400
	After	£10,500	£16,800	£23,600	£42,500	£65,000	£91,500	£122,800	£159,900	£203,700	£255,400	£316,600	£344,000
BlackRock Cash Fund	Before	£10,300	£16,100	£22,100	£37,800	£54,800	£73,000	£92,700	£113,800	£136,600	£161,200	£187,700	£198,900
	After	£10,300	£16,100	£22,000	£37,400	£53,800	£71,400	£90,200	£110,200	£131,500	£154,300	£178,600	£188,800

Post 2012 charges

Period (yrs)		1	3	5	10	15	20	25	30	35	40	45	47
Drawdown Glidepath	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,200	£236,300	£320,200	£425,900	£553,500	£606,700
	After	£10,700	£17,500	£25,000	£47,600	£76,600	£113,900	£161,700	£221,800	£296,600	£389,000	£498,000	£543,000
BlackRock UK Equity Fund	Before	£10,600	£17,400	£24,900	£47,000	£75,300	£111,400	£157,400	£216,200	£291,300	£387,000	£509,200	£567,100
	After	£10,600	£17,300	£24,700	£46,500	£74,000	£108,900	£153,000	£208,900	£279,500	£368,900	£482,000	£535,300
BlackRock World Ex-UK Index Fund	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,500	£238,300	£326,900	£442,700	£594,100	£666,900
	After	£10,700	£17,500	£25,100	£48,000	£77,600	£115,900	£165,600	£230,100	£313,500	£421,700	£561,800	£628,900
BlackRock Over 15 Year UK Gilt Index Fund	Before	£10,400	£16,300	£22,500	£39,000	£57,300	£77,400	£99,600	£124,200	£151,300	£181,300	£214,300	£228,500
	After	£10,400	£16,200	£22,400	£38,600	£56,400	£76,000	£97,300	£120,800	£146,400	£174,500	£205,300	£218,500
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£10,400	£16,300	£22,500	£39,000	£57,300	£77,400	£99,600	£124,200	£151,300	£181,300	£214,300	£228,500
	After	£10,400	£16,200	£22,300	£38,500	£56,200	£75,600	£96,800	£119,900	£145,200	£172,900	£203,200	£216,000
JMEPS Global Equity Index Tracker Fund	Before	£10,700	£17,600	£25,300	£48,500	£78,900	£118,600	£170,500	£238,300	£326,900	£442,700	£594,100	£666,900
	After	£10,700	£17,500	£25,000	£47,600	£76,600	£113,900	£162,000	£223,900	£303,600	£406,100	£538,100	£601,000
BlackRock All Stocks Corporate Bond Index	Before	£10,500	£16,700	£23,200	£41,500	£62,600	£87,200	£115,600	£148,600	£186,800	£231,100	£282,400	£305,200
	After	£10,400	£16,600	£23,100	£40,900	£61,400	£84,900	£111,900	£142,800	£178,200	£218,900	£265,500	£286,000
JMEPS Real Assets Fund	Before	£10,600	£17,000	£24,000	£44,200	£68,600	£98,400	£134,700	£178,800	£232,400	£297,700	£377,100	£413,400
	After	£10,500	£16,800	£23,500	£42,500	£64,900	£91,300	£122,500	£159,300	£202,800	£254,100	£314,800	£342,000
BlackRock Cash Fund	Before	£10,300	£16,100	£22,100	£37,800	£54,800	£73,000	£92,700	£113,800	£136,600	£161,200	£187,700	£198,900
	After	£10,300	£16,100	£22,000	£37,400	£53,800	£71,400	£90,200	£110,200	£131,500	£154,300	£178,600	£188,800

Appendix C: Costs and charges illustrations continued

Example member (B) – This example member is 43 years old with a pensionable salary of £55,000 per annum. Contributions of 15% of pensionable pay over the earnings threshold paid into JMEPS Elements Gold and the existing fund value is £10,000. No contributions are being made into JMEPS Extra. Please refer to the notes at the end of this section for further details on the overall assumptions used. Please note the first table relates to the charges that apply for active members that joined the Company prior to 1 October 2012 and the second table relates to the charges that apply for active members that joined the Company after this date.

Pre 2012 charges

Period (yrs)		1	3	5	10	15	20	22
Drawdown Glidepath	Before	£11,000	£13,200	£15,600	£22,700	£31,800	£42,700	£47,400
	After	£11,000	£13,100	£15,400	£22,100	£30,500	£40,400	£44,600
BlackRock UK Equity Fund	Before	£11,000	£13,100	£15,400	£22,200	£31,000	£42,100	£47,400
	After	£11,000	£13,000	£15,300	£22,000	£30,500	£41,200	£46,300
BlackRock World Ex-UK Index Fund	Before	£11,000	£13,200	£15,700	£23,200	£32,900	£45,600	£51,800
	After	£11,000	£13,200	£15,600	£22,900	£32,300	£44,500	£50,300
BlackRock Over 15 Year UK Gilt Index Fund	Before	£10,700	£12,000	£13,500	£17,300	£21,500	£26,100	£28,100
	After	£10,700	£12,000	£13,400	£17,100	£21,200	£25,700	£27,600
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£10,700	£12,000	£13,500	£17,300	£21,500	£26,100	£28,100
	After	£10,600	£12,000	£13,400	£17,100	£21,100	£25,500	£27,400
JMEPS Global Equity Index Tracker Fund	Before	£11,000	£13,200	£15,700	£23,200	£32,900	£45,600	£51,800
	After	£11,000	£13,100	£15,500	£22,600	£31,700	£43,500	£49,100
BlackRock All Stocks Corporate Bond Index	Before	£10,800	£12,400	£14,100	£18,800	£24,300	£30,600	£33,400
	After	£10,700	£12,300	£13,900	£18,500	£23,700	£29,600	£32,300
JMEPS Real Assets Fund	Before	£10,900	£12,700	£14,700	£20,400	£27,400	£35,900	£39,800
	After	£10,800	£12,500	£14,300	£19,400	£25,500	£32,600	£35,800
BlackRock Cash Fund	Before	£10,600	£11,900	£13,200	£16,600	£20,200	£24,200	£25,800
	After	£10,600	£11,800	£13,000	£16,300	£19,800	£23,500	£25,000

Post 2012 charges

Period (yrs)		1	3	5	10	15	20	22
Drawdown Glidepath	Before	£11,000	£13,200	£15,600	£22,700	£31,800	£42,700	£47,400
	After	£11,000	£13,100	£15,400	£22,100	£30,400	£40,300	£44,500
BlackRock UK Equity Fund	Before	£11,000	£13,100	£15,400	£22,200	£31,000	£42,100	£47,400
	After	£11,000	£13,000	£15,200	£21,900	£30,300	£40,900	£45,900
BlackRock World Ex-UK Index Fund	Before	£11,000	£13,200	£15,700	£23,200	£32,900	£45,600	£51,800
	After	£11,000	£13,200	£15,600	£22,800	£32,200	£44,300	£50,100
BlackRock Over 15 Year UK Gilt Index Fund	Before	£10,700	£12,000	£13,500	£17,300	£21,500	£26,100	£28,100
	After	£10,600	£12,000	£13,400	£17,000	£21,100	£25,500	£27,400
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£10,700	£12,000	£13,500	£17,300	£21,500	£26,100	£28,100
	After	£10,600	£12,000	£13,300	£17,000	£21,000	£25,300	£27,200
JMEPS Global Equity Index Tracker Fund	Before	£11,000	£13,200	£15,700	£23,200	£32,900	£45,600	£51,800
	After	£11,000	£13,100	£15,500	£22,500	£31,600	£43,300	£48,900
BlackRock All Stocks Corporate Bond Index	Before	£10,800	£12,400	£14,100	£18,800	£24,300	£30,600	£33,400
	After	£10,700	£12,300	£13,900	£18,400	£23,600	£29,500	£32,200
JMEPS Real Assets Fund	Before	£10,900	£12,700	£14,700	£20,400	£27,400	£35,900	£39,800
	After	£10,800	£12,500	£14,300	£19,400	£25,400	£32,500	£35,700
BlackRock Cash Fund	Before	£10,600	£11,900	£13,200	£16,600	£20,200	£24,200	£25,800
	After	£10,600	£11,800	£13,000	£16,300	£19,800	£23,500	£25,000

Appendix C: Costs and charges illustrations continued

Example member (C) – This example member is 50 years old with a pensionable salary of £70,000 per annum. Contributions of 21% of pensionable pay over the earnings threshold are being paid into JMEPS Elements Platinum and this member is also contributing 3% into JMEPS Extra (and is receiving the Company's 3% matching contribution). The existing fund value is £60,000. Please refer to the notes at the end of this section for further details on the overall assumptions used. Please note the first table relates to the charges that apply for active members that joined the Company prior to 1 October 2012 and the second table relates to the charges that apply for active members that joined the Company after this date.

Pre 2012 charges

Period (yrs)		1	3	5	10	15
Drawdown Glidepath	Before	£71,300	£95,700	£122,700	£202,200	£296,200
	After	£71,100	£94,900	£121,000	£197,000	£285,400
BlackRock UK Equity Fund	Before	£71,200	£95,300	£121,800	£200,800	£301,500
	After	£71,100	£95,000	£121,200	£198,900	£297,400
BlackRock World Ex-UK Index Fund	Before	£71,500	£96,500	£124,200	£208,200	£317,900
	After	£71,400	£96,100	£123,500	£205,800	£312,600
BlackRock Over 15 Year UK Gilt Index Fund	Before	£69,300	£88,400	£108,300	£161,500	£220,400
	After	£69,200	£88,100	£107,800	£160,300	£217,900
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£69,300	£88,400	£108,300	£161,500	£220,400
	After	£69,200	£88,000	£107,600	£159,800	£217,000
JMEPS Global Equity Index Tracker Fund	Before	£71,500	£96,500	£124,200	£208,200	£317,900
	After	£71,300	£95,800	£122,800	£203,700	£307,900
BlackRock All Stocks Corporate Bond Index	Before	£69,900	£90,600	£112,600	£173,600	£244,400
	After	£69,800	£90,200	£111,700	£171,100	£239,300
JMEPS Real Assets Fund	Before	£70,600	£92,900	£117,200	£186,700	£271,300
	After	£70,200	£91,600	£114,400	£178,700	£254,800
BlackRock Cash Fund	Before	£69,000	£87,300	£106,100	£155,800	£209,400
	After	£68,800	£86,800	£105,300	£153,700	£205,300

Post 2012 charges

Period (yrs)		1	3	5	10	15
Drawdown Glidepath	Before	£71,300	£95,700	£122,700	£202,200	£296,200
	After	£71,100	£94,900	£120,900	£196,900	£285,100
BlackRock UK Equity Fund	Before	£71,200	£95,300	£121,800	£200,800	£301,500
	After	£71,100	£94,900	£121,000	£198,100	£295,800
BlackRock World Ex-UK Index Fund	Before	£71,500	£96,500	£124,200	£208,200	£317,900
	After	£71,400	£96,000	£123,400	£205,500	£311,900
BlackRock Over 15 Year UK Gilt Index Fund	Before	£69,300	£88,400	£108,300	£161,500	£220,400
	After	£69,200	£88,000	£107,600	£159,700	£216,800
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£69,300	£88,400	£108,300	£161,500	£220,400
	After	£69,100	£87,900	£107,400	£159,200	£215,900
JMEPS Global Equity Index Tracker Fund	Before	£71,500	£96,500	£124,200	£208,200	£317,900
	After	£71,300	£95,700	£122,700	£203,400	£307,300
BlackRock All Stocks Corporate Bond Index	Before	£69,900	£90,600	£112,600	£173,600	£244,400
	After	£69,800	£90,100	£111,700	£170,900	£238,800
JMEPS Real Assets Fund	Before	£70,600	£92,900	£117,200	£186,700	£271,300
	After	£70,200	£91,500	£114,300	£178,500	£254,200
BlackRock Cash Fund	Before	£69,000	£87,300	£106,100	£155,800	£209,400
	After	£68,800	£86,800	£105,300	£153,700	£205,300

Appendix C: Costs and charges illustrations continued

Example member (Deferred) – This example member is 45 years old with a DC fund size of £20,000. They have no contributions being paid into the Scheme. Please refer to the notes at the end of this section for further details on the overall assumptions used.

Deferred charges

Period (yrs)		1	3	5	10	15	20
Drawdown Glidepath	Before	£21,100	£23,400	£25,900	£33,300	£42,600	£53,100
	After	£21,000	£23,100	£25,400	£32,000	£40,200	£49,000
BlackRock UK Equity Fund	Before	£21,000	£23,200	£25,500	£32,600	£41,600	£53,100
	After	£21,000	£23,000	£25,200	£31,900	£40,200	£50,800
BlackRock World Ex-UK Index Fund	Before	£21,100	£23,500	£26,100	£34,200	£44,600	£58,400
	After	£21,100	£23,300	£25,900	£33,400	£43,200	£55,900
BlackRock Over 15 Year UK Gilt Index Fund	Before	£20,400	£21,200	£22,100	£24,400	£26,900	£29,700
	After	£20,400	£21,100	£21,900	£23,900	£26,100	£28,500
BlackRock Over 5 Year UK Index Linked Gilt Fund	Before	£20,400	£21,200	£22,100	£24,400	£26,900	£29,700
	After	£20,400	£21,100	£21,800	£23,800	£25,900	£28,300
JMEPS Global Equity Index Tracker Fund	Before	£21,100	£23,500	£26,100	£34,200	£44,600	£58,400
	After	£21,000	£23,200	£25,700	£33,000	£42,300	£54,300
BlackRock All Stocks Corporate Bond Index	Before	£20,600	£21,900	£23,200	£26,900	£31,200	£36,100
	After	£20,500	£21,700	£22,900	£26,200	£30,000	£34,300
JMEPS Real Assets Fund	Before	£20,800	£22,500	£24,300	£29,600	£36,000	£43,800
	After	£20,700	£22,100	£23,500	£27,700	£32,600	£38,400
BlackRock Cash Fund	Before	£20,300	£20,900	£21,500	£23,200	£25,000	£26,900
	After	£20,300	£20,800	£21,300	£22,800	£24,300	£25,900

Assumptions and notes:

- Projected pension pot values are shown in today's terms, and do not need to be reduced further for the effect of inflation.
- Contributions and costs/charges are shown as a monetary amount and reductions are made halfway through the year.
- Investment returns and costs/charges as a percentage reduction per annum are assumed to be deducted at the end of the year.
- Charges and costs are deducted before applying investment returns.
- Switching costs are not considered in the lifestyle strategy.
- Inflation is assumed to be 2.5% each year.
- Contributions are assumed to be paid from age 18 to 65 for the Silver member, 43 to 65 for the Gold member and 50 to 65 for the Platinum member; contributions increase in line with assumed earnings inflation of 0% per year (in real terms).
- Values shown are estimates and are not guaranteed.

- The real projected growth rates for each fund are as follows:
  - Drawdown Glidepath (default strategy) – from 4.125% – 5.50% p.a. (adjusted depending on term to retirement)
  - BlackRock UK Equity Fund – 5.00% p.a.
  - BlackRock World (Ex-UK) Equity Fund – 5.50% p.a.
  - BlackRock Over 15 Year UK Gilt Index Fund – 2.00% p.a.
  - BlackRock Over 5 Year UK Index Linked Gilt Fund – 2.00% p.a.
  - JMEPS Global Equity Index Tracker Fund – 5.50% p.a.
  - BlackRock All Stocks Corporate Bond Index – 3.00% p.a.
  - JMEPS Real Assets Fund – 4.00% p.a.
  - BlackRock Cash Fund – 1.50% p.a.

- Transactions costs and other charges have been provided by Aegon and averaged over the period 01 April 2020 to 31 March 2023 (the longest complete period available) with the exception of the JMEPS Real Assets Fund where transaction cost data is only available for the one year period 1 April 2022 – 31 March 2023. The transaction costs for Blended funds were estimated by WTW based on the transaction costs for the underlying funds.
- A zero cost has been used where there are negative transaction costs (i.e. an overall gain was made on the transaction, which can happen as a result of changes in the pricing of the assets being bought or sold). It is not expected that transaction costs will always be negative. It is important to note that using a negative or zero cost during any one scheme year may not accurately represent the actual transaction costs a member may expect to see in any future scheme year.
- Pension scheme's normal retirement age is 65.

Appendix D: DC Statement of Investment Principles

Section 1: Introduction

Scheme details

1.1 This document describes the investment policy pursued by the Johnson Matthey Employees Pension Scheme (JMEPS, the "Scheme") Trustee.

1.2 The Scheme operates for the exclusive purpose of providing retirement benefits and death benefits to eligible participants and beneficiaries. The Scheme operates several Defined Contribution (DC) sections (listed below). This Statement of Investment Principles (SIP) is only applicable to the DC sections of the Scheme.

I. JMEPS DC
II. JMEPS Elements (Investment Account)
III. JMEPS Extra

1.3 The Scheme is a registered pension scheme under the Finance Act 2004.

Pensions Acts

1.4 Under the Pensions Act 1995 (as amended by the Pensions Act 2004), the Trustee is required to prepare a statement of the principles governing investment decisions. This document contains that statement and describes the investment principles adopted by the Trustee of the Scheme.

1.5 Before preparing this document, the Trustee has consulted Johnson Matthey ('the Sponsor') and the Trustee will consult the Sponsor before revising this document. However, the ultimate power and responsibility for deciding DC investment policy lies solely with the Trustee.

1.6 In drawing up this document, the Trustee has sought advice from the Scheme's DC Investment Consultant, WTW. Before preparing this document, the Trustee has had regard to the requirements of Section 36 of the Pensions Act 1995 concerning diversification of investments and suitability of investments. The Trustee will consider those requirements on any review of this document, or any change in their investment policy. The Trustee will refer to this document where necessary to ensure that it exercises its powers of investment to give effect to the principles set out in it as far as is reasonable.

Financial Services and Markets Act 2000

1.7 In accordance with the Financial Services and Markets Act 2000, the Trustee will set general investment policy, but will delegate the responsibility for selection of specific investments to appointed investment managers, which may include an insurance company or companies.

Regulatory guidance

1.8 The Pensions Regulator has several regulatory tools, including issuing Codes of Practice to enable it to meet its statutory objectives. Codes of Practice provide practical guidelines on the requirements of pensions legislation. This document has been drafted in the light of the Code of Practice and specifically its recommendations relating to the content of Statements of Investment Principles generally.

Appendix D: DC Statement of Investment Principles continued

Section 2: Division of Responsibilities

2.1 The Trustee has ultimate responsibility for decision-making on DC investment matters. In order to ensure that investment decisions are taken only by persons or organisations with the skills, information and resources necessary to take them effectively, the Trustee delegates some of these responsibilities.

Trustee

2.2 The Scheme Trustee will exercise their powers of investment in accordance with the provisions of regulation 4 of the Occupational Pension Schemes (Investment) Regulations (2005). As such, the Trustee's responsibilities include:

I. Reviewing the content of this Statement of Investment Principles and modifying it if deemed appropriate, in consultation with the Investment Consultant and the Sponsor.
II. Developing a work plan for the Scheme.
III. Setting terms of reference for the Trustee and appointing the members of the Trustee Board.
IV. Assessing its own performance and that of its advisors and delegates in fulfilling the requirements of the work plan.
V. Reporting to Scheme members as appropriate on the content of and compliance with this statement.
VI. Monitoring investment arrangements on an ongoing basis.
VII. Appointing and discharging the underlying investment manager(s).
VIII. Assessing the quality of the performance and processes of the investment managers by means of regular reviews of the investment results and other information, in consultation with the Investment Consultant.
IX. Monitoring and considering the appropriateness of the investment strategy, having regard to the need for diversification of investment so far as is appropriate and to the suitability of investments.
X. To monitor investment choices made by members.

Platform provider

2.3 Aegon as the investment platform provider will be responsible for:

I. Providing access to a range of funds managed by various investment managers.
II. Providing the Trustee with regular information concerning the management and performance of the assets.
III. The independent safekeeping of the assets and appropriate administration (including income collection and corporate actions) within any pooled funds used by the Trustee.

Investment managers

2.4 The underlying DC investment managers' responsibilities include:

I. Managing the portfolios of assets according to their stated objectives, and within the guidelines and restrictions set out in their respective investment manager agreements and/or other relevant governing documentation.
II. Taking account of financially material considerations (including climate change and other ESG considerations) as appropriate when managing the portfolios of assets.
III. Exercising rights (including voting rights) attaching to investments and undertaking engagement activities in respect of investments.
IV. Having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

Appendix D: DC Statement of Investment Principles continued

Investment Consultant

2.6 The Investment Consultant's responsibilities include:

I. Participating with the Trustee in reviews of this Statement of Investment Principles.
II. Undertaking project work as required including transitions and implementations, strategy reviews and reviews of the investment managers.
III. Advising the Trustee on topics such as the ones described below:
   a. How any changes within the Scheme's membership profile may affect the investment funds or Glidepath options offered.
   b. How any changes in the investment managers' organisations could affect the interests of the Scheme.
   c. How any changes in the investment environment could either present opportunities or problems for the Scheme.
IV. Undertaking trustee education on DC investment matters.
V. Providing commentary on investment performance.
VI. Providing general advice in respect of the Scheme's investment activities.
VII. Providing views of the investment managers employed by the Scheme.
VIII. Providing accurate and timely deliverables as agreed with the Trustee.
IX. Delivering advice in a clear and engaging manner to the Trustee.
X. Reflecting any Trustee-specific investment beliefs and Scheme-specific circumstances in the advice provided.
XI. Facilitating a review of the Trustees' investment governance arrangements.
XII. Negotiating a competitive fee basis for the proposed manager mandates, on the Trustee's behalf.
XIII. Ensuring that the Trustee's policy on ESG including climate change is integrated into the advice provided.

Section 3: Objective and Investment Strategy

3.1 Within the defined contribution sections members' benefits are dependent on the amount of money paid into their individual accounts, performance of investments and annuity rates at retirement.

Investment Objective

3.2 The Trustee's objective is to make available to members a programme of investment via pooled funds which seek to generate income and capital growth which, together with new contributions from members and the Sponsor, will provide a fund at retirement with which to provide retirement benefits.

Investment Strategy

3.3 The Trustee recognises that investment is essentially about decision making in an uncertain and complex environment. To help bring clarity to the decision-making process, the Trustee has established an investment beliefs framework which is in line with achieving the investment objective for the Scheme. This was last agreed in December 2021 and will be considered periodically and as part of any future investment review.

3.4 The Trustee believes that following an effective set of investment beliefs allows a coherent and consistent approach to investment that leads to a better suite of options which are tailored to members' needs.

3.5 The Scheme's investment fund options are sourced through various investment managers.

3.6 A full list of the range of funds offered is shown in Appendix A.

3.7 The Scheme also offers three pre-determined glidepath strategies for members. The aim of the glidepath strategies is for members to achieve a reasonable level of long-term growth on the investments over the majority of their working life, with an element of risk protection as retirement approaches. All three strategies have been designed to comply with the charge cap of 0.75%.

3.8 The Default Glidepath strategy for JMEPS DC, JMEPS Investment and JMEPS Extra Account members is called the "Drawdown Glidepath strategy". It is a 'white-labelled' strategy that invests in the JMEPS Global Equity Index-Tracker Fund before switching to the JMEPS Diversified Growth Fund over a 20-year period beginning 25 years from retirement. Members then start switching into the BlackRock Cash Fund five years from retirement. At the member's target retirement age, the asset split is 75% JMEPS Diversified Growth Fund and 25% BlackRock Cash.

3.9 The "Annuity Glidepath strategy" is offered as an alternative glidepath strategy. It is a 'white-labelled' strategy that invests in the JMEPS Global Equity Index-Tracker Fund before switching to the JMEPS Diversified Growth Fund over a 20-year period beginning 25 years from retirement. Members then start switching into the BlackRock Over 15 Year Gilt Index and BlackRock Cash Fund from ten and five years before retirement respectively. At the member's target retirement age, the asset split is 85% BlackRock Over 15 Year Gilt Index Fund and 15% BlackRock Cash Fund.

3.10 There is an additional glidepath strategy called the "Cash Glidepath strategy". It is a 'white-labelled' strategy that invests in the JMEPS Global Equity Index-Tracker Fund, before switching to the JMEPS Diversified Growth Fund over a 20-year period beginning 25 years from retirement.

Members then start switching into the BlackRock Cash Fund from five years before retirement. At the member's target retirement age, the asset split is 70% BlackRock Cash and 30% JMEPS Diversified Growth Fund.

Default Options

3.11 The Trustee offers members the option to invest in the range of funds described in Appendix A entirely at their discretion. If members opt to join the Scheme and do not make a choice, they will be automatically enrolled into the Default Glidepath (noted above) with a default target retirement age of 65.

3.12 The Trustee designed the Default Glidepath strategy in conjunction with their investment advisers, with due regard for the best interests of members invested in the default option, having given in-depth consideration to the Scheme's demographic profile and the retirement outcome needs and risk tolerance of the membership. Due consideration was also given to charge cap compliance.

Appendix D: DC Statement of Investment Principles continued

3.13 In addition to the above, the Trustee has historically selected various investment options for the purposes of fund mapping exercises. In such cases, in order to consider the best interests of these groups of members, the Trustee's policy is to select suitable 'like for like' investments to most closely match the prior investments. The Trustee's aims and objectives, expected risks and returns of these 'default arrangements' are consistent with their overarching investment strategy, monitoring and risk management policies as set out in this document.

I. As a result of the AVC rationalisation exercise conducted in 2013/14, the Trustee considers the following investment options to be default arrangements as they all received member assets on a non-consent basis:
   i. BlackRock UK Equity Index Fund
   ii. BlackRock World (ex-UK) Index Fund
   iii. BlackRock Over 15 years UK Gilt Index Fund
   iv. BlackRock Over 5 Years UK Index-Linked Gilt Index Fund
   v. BlackRock Cash Fund
   vi. JMEPS Diversified Growth Fund
   vii. Cash Glidepath strategy

   The investment funds were chosen as they represented the closest equivalents to the members' prior investments in terms of broad asset class exposure, investment objective and expected risk and return.

   The Cash Glidepath strategy was chosen to receive members' with-profits assets as it offered a gradual risk reduction approach over time with increasing capital protection as members get closer to retirement.

II. The Trustee also considers the JMEPS Global Equity Index Tracker Fund and the Aegon BlackRock Corporate Bond Fund to be default arrangements as it has received member assets on a non-consent basis from members previously invested in the BlackRock Global Equity (30:70) Index Fund and the JMEPS Global Corporate Bond Fund, respectively, as a result of the investment strategy changes implemented in 2020 and 2023. The JMEPS Global Equity Index Tracker Fund aims to achieve a return consistent with a composite market capitalisation global equity index, which take account of ESG and Climate risks and opportunities through the use of exclusions and tilts to portfolio weights. The Aegon BlackRock Corporate Bond Fund aims to track the return of a UK index market composed of sterling denominated investment-grade corporate bonds.

3.14 The Trustee's other investment policies set out in Section 4 covering sustainable investing, rights attached to investments, liquidity and realisation of investments, diversification, suitability and fee basis apply to the default arrangements.

3.15 The Trustee's policies regarding its investment manager arrangement set out in Section 5 covering investment manager structure, performance objectives and fees apply to the default arrangements.

Appendix D: DC Statement of Investment Principles continued

Expected Risk and Return

3.16 The investment options invest in the following assets and have the following risk and expected return characteristics:

I. Equities – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be highly volatile in the short term.

II. Real assets – expected to produce returns in line with the infrastructure sector in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.

III. Diversified assets – expected to produce returns in excess of rates of salary and price inflation in the medium to long term. Capital values may be volatile in the short term although this is expected to be less than for equities.

IV. Bonds – capital values are likely to be less volatile than equities but tend to produce lower returns in the medium to long term. The value of bonds are expected to move broadly in line with the price of annuities, providing some protection to the 'purchasing power' of a member's account near retirement (for those members electing to purchase an annuity).

V. Cash – low risk to capital and asset values are easily realisable with limited investment returns associated with the low risk nature of the assets.

Additional Voluntary Contributions ('AVCs')

3.17 The Scheme provides a facility for members to pay AVCs into the Scheme (through JMEPS Extra) to enhance their benefits at retirement. The Company offers a matched contribution up to certain levels. Members have the choice of investing their AVC in any combination of self-select or glidepath investment options. The Trustee's objective is to provide funds which will offer a suitable long-term return for members, consistent with members' investment needs as they approach retirement age.

Section 4: Other investment policies

The Trustee also faces other requirements relating to investment, be they legislative or considered best practice.

Sustainable investing

4.1 The Trustee takes account of financially material risks and opportunities in consultation with its advisers. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives. The Trustee considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of this broader risk management framework.

4.2 The Trustee's policy is that day-to-day decisions relating to the investment of the Plan's assets is left to the discretion of the investment managers. This includes consideration of all financially materially factors, including ESG-related issues where relevant. The Trustee explores these issues with its advisers to understand how the investment managers exercise these duties in practice.

4.3 When considering the appointment of new managers, and reviewing existing managers, the Trustee, together with their adviser, look to take account of the approach taken by investment managers with respect to sustainable investing including engagement and voting policies where relevant.

4.4 The Trustee have selected the underlying funds within the JMEPS Global Equity Index Tracker Fund that aim to track indices that incorporate ESG and/or Climate change factors. Such factors are considered through exclusions or adjustments to the index weights.

4.5 The Trustee monitors investment managers' sustainable investment practices, including the approach to ESG integration within the investment process, by meeting with investment managers periodically.

4.6 Member views on non-financial matters are not currently taken into account.

Rights attached to investments

4.7 The Trustee's policy is to delegate responsibility for the exercising of ownership rights (including engagement and voting rights) attaching to investments to the investment managers and the Trustee expects these to be exercised in an appropriate manner. The Trustee recognises the UK Stewardship Code as best practice and encourages their investment managers, via their adviser, to comply with the UK Stewardship Code or explain where they do not adhere to this policy. Furthermore, in alignment with the Trustee's ESG Policy, the Trustee have replicated their priorities in order to maintain consistency across their stewardship policy, which highlights two main areas of ESG focus:

- Climate change risk and the transition to a low carbon economy (i.e. achieving net zero emissions);
- The exclusion of investments from companies or countries that demonstrate poor human rights practices.

Liquidity and realisation of investments

4.8 The Trustee's policy is that members' accounts are held in funds that trade regularly, typically daily, which can be realised promptly to provide pension benefits on retirement, or earlier on transfer to another pension arrangement.

4.9 The default arrangements do not include a specific allocation to illiquid assets, although there may be an allocation to illiquid assets within the JMEPS Diversified Growth Fund at the discretion of the investment manager. The Trustee's policy is to invest in assets that are sufficiently liquid to allow them to be realised readily and typically daily dealt. The Trustee does not currently have any plans to invest in illiquid assets in the future.

Diversification

4.10 The Trustee believes that the provision of the investment funds and the three glidepath strategies meet the Scheme's investment needs and that these funds provide adequate diversification of investments.

Suitability

4.11 The Trustee has taken advice from the Investment Consultant to ensure that the investment options are suitable for the Scheme. The Scheme continues to monitor, and take advice on, the various options on an ongoing basis.

Appendix D: DC Statement of Investment Principles continued

Fee basis

4.12 Members bear the investment management charges on their investment. These fees are charged by adjustment to the unit prices within the funds, calculated daily on the value that day.

4.13 The Trustee is aware of the importance of fees for members over long periods and therefore take into account the level of fees when selecting funds and seek to negotiate improved terms where possible. The Trustee will keep this under periodic review.

Section 5: Investment Manager Arrangements

Investment Manager Structure

5.1 Currently, the Scheme offers members a range of self-select and glidepath investment options as listed in Appendix A.

5.2 The Scheme has two white-labelled funds the JMEPS Diversified Growth Fund and the JMEPS Global Equity Index Tracker Fund. White-labelling refers to the process of using a generic name for each investment option offered to members. White-labelling allows for underlying components to be changed more easily. In addition, the use of white labelled investment options that are not specifically branded by reference to the manager makes it potentially easier (at a high level) for members to understand where they are investing their assets. The assets of the Scheme are invested with investment managers appointed by the Trustee.

5.3 The Trustee's policy is to obtain ongoing advice on whether these funds continue to be satisfactory as required by the Pensions Act and that the various investment managers continue to be appropriate DC investment managers.

5.4 The Trustee has delegated day-to-day management of the assets to the investment managers.

5.5 The Scheme is in a contractual insurance policy with the platform provider, which allows the Scheme to access a number of different funds and managers. The Trustee ensures that, in aggregate, its portfolio is aligned with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005). The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are aligned with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.

5.6 To maintain alignment, managers are provided with the most recent version of the Scheme's Statement of Investment Principles on an annual basis to ensure they are aware of the Trustee's expectations regarding how the Scheme's assets are being managed.

Appendix D: DC Statement of Investment Principles continued

5.7 The Trustee monitors the manager's investment approach to assess alignment with the Trustee's policy. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the fund and the managers' engagement activities. Should the Trustee's monitoring process reveal that a manager's portfolio is not aligned with the Trustee's policies, the Trustee's policy is to engage with the manager to ascertain the reasons for this and whether closer alignment can be achieved. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee will consider alternative options available in order to consider terminating and replacing the Investment Manager. The managers have been informed of this by the Trustee's Investment Consultant to incentivise alignment.

5.8 For most of the Scheme's investments, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity with the underlying issuers of debt or equity to drive improved performance over these periods. The Trustee may select certain investment funds where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making.

5.9 The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Scheme's assets. When assessing a manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate a manager's appointment based purely on short term performance. However, a manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Performance Objectives

5.10 Whilst the Trustee is not involved in each investment managers' day to day method of operation and therefore cannot directly influence attainment of the performance target, it will regularly assess performance and review appointments in line with its SIP policies.

5.11 The investment managers set performance objectives and risk tolerances for each of the Scheme's funds. The Trustee considers these investment performance objectives to be appropriate to assess each fund's performance against.

5.12 The investment objectives will be treated as a target only and will not be considered as an assurance or guarantee of the performance or risk of the Scheme or any part of it.

5.13 The Trustee receive investment manager performance reports on a quarterly basis, which present performance information over 3 month, 1 year, 3 year and 5 year time periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and/or against the managers' stated target performance (over the relevant time period).

5.14 The Trustee's focus is on long-term performance but may review a manager's appointment if:

I. There are sustained periods of underperfomance;
II. There is a change in the portfolio manager or portfolio team;
III. There is a change in the underlying objectives of the investment manager;
IV. There is a significant change in the management of the fund;
V. There is a concern at the manager's approach to ESG and climate change;
VI. The manager's investment approach does not align with the Trustee's policies.

Fees

5.15 Managers are paid an ad valorem fee, in line with normal market practice, for a given scope of services which includes consideration of long-term factors and engagement. The Trustee has accepted the fees of the Scheme's investment manager in line with the manager's stated fee scale.

5.16 The Trustee reviews the costs incurred in managing the Scheme's assets regularly, which includes the costs associated with portfolio turnover, including regular engagement with Investment Managers on this subject and through the receipt of cost and charges reporting. There is no broad targeted portfolio turnover (how frequently assets within a fund are bought and sold by Investment Managers) which the Trustee adheres to. The Trustee, with the help of the Investment Consultant, will monitor that the level of portfolio turnover remains appropriate in the context of the Investment Managers' strategy and the Plan's investment strategy.

5.17 The Trustee will pay fees to WTW based on time cost (or as agreed in advance for specific projects).

Section 6: Risk Management

6.1 The Scheme recognises specific investment risks which can be managed by the range of investment options provided to the members. These are:

(i) 'Inflation risk' – the risk that the investment return over members' working lives does not keep pace with inflation and does not therefore secure an adequate pension.
(ii) 'Conversion risk' – the risk that relative market movements in the years just prior to retirement lead to a substantial reduction in the benefits secured.
(iii) 'Shortfall' or 'opportunity cost' risk – the risk that members end up with insufficient funds at retirement with which to secure a reasonable income.
(iv) 'Manager risk' – the risk that the chosen investment manager underperforms the benchmark against which the investment manager is assessed.
(v) 'Capital risk' – the risk of a fall in the value of the members' fund.

6.2 The funds offered through the Scheme have been chosen, in part, to help members mitigate these risks.

Appendix D: DC Statement of Investment Principles continued

The Trustee recognises a number of risks involved in the investment of the assets of the Scheme:

1. **Manager risk:**
   I. is measured by the expected deviation of the prospective risk and return, as set out in the managers' objectives, relative to the investment policy.
   II. is managed by monitoring the actual deviation of returns relative to the objective and factors supporting the managers' investment processes.

2. **Liquidity risk:**
   I. is measured by the amount of a pooled fund investment that can be redeemed by members over a specified period.
   II. is managed by typically offering members pooled funds that are readily redeemable in normal circumstances at reasonable prices.

3. **Political risk:**
   I. is measured by the level of concentration of any one market leading to the risk of an adverse influence on investment values arising from political intervention.
   II. is managed by regular reviews of the actual investments relative to policy and through regular assessment of the levels of diversification within the existing policy.

4. **Diversification risk:**
   I. is measured by observing the relative and absolute volatility of the investment options.
   II. is managed through the selection of broad-based funds that show internal diversification, as well as by offering the membership a fund range which provides for reasonable diversification.

5. **Currency risk:**
   I. is measured by observing the difference between hedged and unhedged returns.
   II. is managed by providing the membership with a number of GBP based investment options and communicating those funds which invest overseas.

6. **ESG and Climate Change Risk:**
   I. is measured through engagement and reporting from the managers to understand the level of ESG and climate change risks present in the investment funds.
   II. is managed by monitoring managers' sustainable investment practices, including the approach to ESG integration within the investment process, to ensure alignment with the Trustee's policies and beliefs.
   III. the Trustee has created a specific ESG policy to facilitate effective management of this risk. The purpose of the ESG Policy is to sit alongside the Scheme's Statement of Investment Principles ("SIP") and Climate Delegation Framework, formalising the Trustee's ESG beliefs and its policy on how ESG factors should be integrated into investment decision making.

Appendix D: DC Statement of Investment Principles continued

Section 7: Compliance with and Review of this Statement

Compliance with this Statement

7.1 The Trustee will monitor compliance with this Statement annually.

Review of this Statement

7.2 The Trustee will review this Statement in response to any material changes to any aspects of the Scheme, its membership profile and the attitude to risk of the Trustee, which it judges to have a bearing on the stated investment policy.

7.3 This review will occur no less frequently than every three years or at the time of any changes to the fund range. Any such review will be based on written expert investment advice and the Sponsor will be consulted.

Appendix D: DC Statement of Investment Principles continued

Appendix A: Fund range

UK Equity	BlackRock UK Equity Index Fund
JMEPS Diversified Growth	LGIM Diversified Fund
JMEPS Real Assets	LGIM Infrastructure Index Fund
Overseas Equity	BlackRock World (ex-UK) Index Fund
JMEPS Global Equity Index Tracker	50% LGIM FTSE TPI Global (ex Fossil Fuels) Equity Index: 45% BlackRock World ESG Equity Tracker: 5% BlackRock EM Equity Index
Corporate Bonds	BlackRock Corporate Bond All Stocks Index Fund
Government Bonds	BlackRock Over 15 Years UK Gilt Index Fund BlackRock Over 5 Years UK Index-Linked Gilt Index Fund
Emerging Markets Equity	BlackRock Emerging Markets Equity Index
Cash	BlackRock Cash Fund

Funds in the Glidepath Strategies	
Drawdown Glidepath Strategy (Default)	JMEPS Global Equity Index Tracker Fund JMEPS Diversified Growth Fund BlackRock Cash Fund
Annuity Glidepath Strategy	JMEPS Global Equity Index Tracker Fund JMEPS Diversified Growth Fund BlackRock Over 15 Years UK Gilt Index Fund BlackRock Cash Fund
Cash Glidepath Strategy	JMEPS Global Equity Index Tracker Fund JMEPS Diversified Growth Fund BlackRock Cash Fund

Appendix E: Annual Implementation Statement (forming part of the Trustee Report)

Scheme year ended 31 March 2023

Section 1: Introduction

This document is the Annual Implementation Statement ("the statement") prepared by the Trustee of the Johnson Matthey Employees Pension Scheme ("the Scheme") covering the Scheme year ("the year") to 31 March 2023.

The purpose of this statement is to:

- Detail any reviews of the Defined Benefit and Defined Contribution Statements of Investment Principles ("SIPs") that the Trustee has undertaken, and reasons for any changes made to the SIPs over the year as a result of the reviews
- Set out the extent to which, in the opinion of the Trustee, the Scheme's SIPs have been followed during the Scheme year
- Describe the engagement and voting behaviour on behalf of the Trustee over the year.

The Scheme makes use of a wide range of investments; therefore, the principles and policies in the SIPs are intended to be applied in aggregate and proportionately, focussing on areas of maximum impact.

A copy of this implementation statement has been made available on the following website:
https://elements.matthey.com/#/public-jmeps-trustee-governance-statement

Section 2: Review and changes to the SIPs

A) Defined Contribution SIP

The SIP was last reviewed and updated during 2020, with an updated version being published as at September 2020.

A formal review of the SIP was not carried out during the Scheme year relevant to this Statement. The SIP in place as at 31 March 2023 has been reviewed and updated.

B) Defined Benefit SIP

The Defined Benefit (DB) SIP was reviewed and updated in February 2023. This included updates to the Scheme's Responsible Investment policy, in line with the separate ESG Policy and Climate Delegation Framework document, as well as revised benchmark allocations for the Main and Elements Section.

The update to the Responsible Investment policy included the addition of two main ESG focus areas, which were identified by the Trustee:

- Climate change risk and the transition to a low carbon economy (i.e., achieving net zero emissions);
- The exclusion of investments from companies or countries that demonstrate poor human rights practices.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

The updates also included the following additions to the Trustee's responsibilities:

- Reviewing the content of the Scheme's ESG Policy and Climate Delegation Framework, which sit alongside the Statement of Investment Principles.
- Producing an annual Task Force on Climate-related Financial Disclosures ("TCFD") report.

The Investment Managers' and Investment Consultant's responsibilities were also updated to provide updates to the Trustee on any relevant ESG or climate-related matters and to assist the Trustee in the production of their annual TCFD Report.

In addition, the benchmark allocation for the Main and the Elements Sections were revised. The strategic benchmark allocation for the Main Section was revised to 76.0% in Matching assets and 24.0% in Growth assets and the interest rate and inflation hedge ratio was set at 93% of the liability risk (measured on a gilts+0.5% p.a. basis). Changes to the benchmark allocations for the Elements Section included a 25% allocation to LDI and 10% to Diversified Private Markets.

The DB SIP was further updated in February 2023 to reflect the latest Stewardship Regulations published by the Department for Work and Pensions (DWP). The Trustee acknowledged responsibility for the engagement and voting policies that are implemented by the Scheme's investment managers on their behalf, and as such will engage with investment managers, via their Investment Consultant, about relevant matters at least annually. The Trustee will also consider investment managers' stewardship policies and activities during their selection and appointment. On an annual basis, the Trustee also assesses the engagement activity of its investment managers. The results of this analysis feeds into the Trustee's decision making.

Section 3: Adherence to the SIP

The Trustee believes the policies outlined in the DC and DB SIPs have been followed during the Scheme year and the justification for this is set out in the remainder of this section. Please note that this statement only covers sections of the SIPs deemed to represent the Trustee's policies, and not introductory or background comments, or statements of fact.

A) Defined Contribution

OBJECTIVE AND INVESTMENT STRATEGY

The Trustee has met its objective of making available to members a programme of investment expected to provide a fund at retirement with which to provide retirement benefits through the provision of three Glidepath strategies and a range of self-select fund options.

The Trustee's general investment aims are as follows:

To offer a suitable default strategy appropriate for the profile of the defaulting members that takes into account their expected risk tolerances and potential target retirement outcomes; and

To supplement the default strategy with a range of self-select investment options which offer sufficient investment choice to satisfy members' differing risk appetites and risk profiles, and retirement objectives.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

The Glidepath strategies aim to provide a reasonable level of long-term growth, with both the equity and diversified growth elements delivering positive returns over the long-term. An element of risk management is provided for members approaching their designated retirement age through increasing diversification and reducing investment risk.

INVESTMENT STRATEGY

During the current and previous Scheme year, the Trustee reviewed the investment strategy. The Trustee undertook a review of the memberships to understand risk tolerance and likely levels of engagement and retirement choice; a review of investment beliefs, establishing an ESG policy, and considered the megatrends, including climate change, and their potential impact on investments over the long-term.

A key area of focus identified was the JMEPS Global Equity Index Tracker Fund. The Trustee with the help of its Investment Consultant agreed to integrate environmental, social and governance (ESG) factors as well as climate considerations into this Fund's portfolio construction processes via the introduction of market cap-based fund solutions. This was implemented via investment in the LGIM FTSE TPI (ex-Fossil Fuels) Global Equity Index and the BlackRock ACS World ESG Equity Tracker GBP hedged funds. The Emerging Markets Equity Index fund weight was reduced to 5% to maintain a similar overall allocation to this region.

These changes are in line with the Trustee's desire to reduce its investments' carbon footprint with an aim of reaching net zero by 2050 and avoiding investment in companies that have a record of poor human rights practices.

The Trustee also considered changes to the range of self-select options offered to members. This resulted in the addition of the JMEPS Real Assets Fund and the closure of the JMEPS Sustainability Fund, the JMEPS Global Bond Fund and the JMEPS Global Equity Fund during the Scheme Year. It was agreed that opportunities for further integration of ESG across wider fund ranges remained limited.

Each investment manager that invests in equities has been provided with a copy of the SIP and have been asked to confirm whether they believe that the management of the assets is consistent with those policies in the SIP that are relevant to the fund in question.

SUSTAINABLE INVESTMENT

The Trustee monitors asset managers' sustainable investment practices, including the approach to ESG integration within the investment process through desk-based research. During the Scheme year, the Scheme's Investment Consultant presented the Trustee with an annual Sustainable Investment review which summarised how the Scheme's managers incorporate sustainable investing into their approach and also assessed the Scheme's Diversified Growth Fund.

The Trustee also considers sustainable investment factors, such as (but not limited to) those arising from Environmental, Social and Governance (ESG) considerations, including climate change, in the context of a broader risk management framework. All risks and opportunities are considered for materiality and impact within a risk management framework, which takes account of members' investment time horizons and objectives.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

During the year the Trustee provided members with one fund that is managed with reference to social, environmental or ethical considerations within the self-select fund range, namely the JMEPS Sustainability Fund. Following the investment strategy review ESG and Climate considerations were embedded more centrally into the Trustee strategy with changes made to the Global Equity Index Tracker Fund. As a result, the Trustee decided the JMEPS Sustainability Fund was no longer required as a fund choice for members.

The Trustee has created an ESG Policy Statement. The purpose of this policy is to sit alongside the Scheme's SIP and Climate Delegation Framework, formalising the Trustee's ESG beliefs and its policy on how ESG factors should be integrated into investment decision making. The policy will be made available to members upon request.

MONITORING PERFORMANCE, MANAGERS & COSTS

The Trustee regularly reviews the underlying performance of the funds within the default strategy and the self-select fund range. Over the reporting period, the Trustee reviewed performance information quarterly, prepared by either the Group Reward & Benefits (the in-house Pensions Team) or the Investment Consultant which enables the Trustee to review performance of the funds against their benchmarks and identify any areas of concern that may require further investigation. As part of the investment performance monitoring, upper and lower performance triggers are used to evaluate the performance of the funds. No material issues were identified during the Scheme year.

The Trustee met with two of the Scheme's investment managers, LGIM and BlackRock, in December 2022. These managers have responsibility for the management and stewardship of the vast majority of the Scheme's DC section assets. This allowed the Trustee to review the performance of the funds against their objectives; hear from the managers what action they had taken to manage ESG and Climate risks and opportunities, and to review the stewardship activities of the managers. In particular, the Trustee discussed the new funds it was planning to invest in and to challenge the managers on some of the issues highlighted by its investment consultant. It also provided a forum for sharing the Trustee's stewardship priorities with the managers.

MONITORING PORTFOLIO TURNOVER

The Trustee monitors the costs associated with portfolio turnover, as part of their annual assessment of the costs and charges incurred within the Scheme. As an additional monitoring item, fund managers were asked to confirm the actual level of portfolio turnover during the Scheme year. This enables the Trustee to consider whether the levels are consistent and proportionate to the type of fund and the way it is managed.

The Trustee is satisfied that over the reporting period, the performance of the investment funds has been consistent with their aims and objectives as set out in the SIP.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Fund	Level of portfolio turnover 01/04/22 – 31/03/23	Comments
Baillie Gifford Long Term Global Growth Fund	21%	The level of portfolio turnover for each fund is in line with our expectations for the given fund and asset class.
Jupiter Ecology Fund	13.3%	
River & Mercantile Global High Alpha	30.8%	
BlackRock Emerging Markets Equity Index Fund	6.4%	
BlackRock UK Equity Index Fund	1.8%	
BlackRock World ex-UK Index Fund	4.4%	
BlackRock MSCI World Index Fund (Hedged and Unhedged)	10.2%	

Notes
1 A number of funds invested in by the Scheme are not listed in this table as turnover is not appropriate to monitor on an annual basis.
2 Observed turnover for the year ending 31 March 2023 has been provided by the investment managers.
3 WTW expected ranges are produced by the WTW Manager Research Team. These ranges are to act as guidance and may vary year-on-year depending on specifics such as the manager's investment process and market environment. For some funds, a WTW expected range is not applied due to the fund type.

RISK MANAGEMENT
The DC committee met four times during the year. At these meetings, the Trustee considered both short and long-term risks associated with the investment strategies. Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The Trustee was supported in these considerations by reports prepared by its Investment Consultant.

B) Defined Benefit
OBJECTIVE AND INVESTMENT STRATEGY
The Trustee's objective is to invest the Main Section's assets in the best interests of the members and beneficiaries, and to pay for current benefits out of investment income as far as practical, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficit. This is done by setting a strategy that relies on a balance between contributions from the Sponsor and investment returns to achieve this goal, with due regard to risk.

The Trustee has agreed to a strategy which is expected to achieve full funding on a gilts+0.5% p.a. basis.

The Trustee's investment objective (at the Company's request) for the Elements Section is to invest in assets that best match the liabilities, pay for benefits out of investment income, provide for future accrual of benefits through capital growth and future contributions and reduce any funding deficits.

Full details of the investment managers and funds are contained in the DB SIP.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

RESPONSIBLE INVESTMENT AND CORPORATE GOVERNANCE

The Trustee defines Responsible Investment ("RI") in line with the UN-backed Principles for Responsible Investing, which states that RI is an approach to investing that aims to incorporate ESG factors into investment decisions, to better manage risk and generate sustainable, long-term returns. The Trustee has a separate ESG Policy and Climate Delegation Framework which sets out its ESG beliefs and responsibilities. The two main ESG focus areas the Trustee has identified are outlined in Section 2 of this report.

As part of the Trustee's fiduciary duty, which includes a comprehensive approach to risk management, it has been recognised that ESG factors, including, but not limited to, climate change, can be financially material. The Trustee recognises that there is a need for the Scheme to be a long-term, responsible steward of its assets and consider, in a manner consistent with its fiduciary obligations, the wider impacts of its investment decisions on the environment and society, as well as the potential financial returns.

The Trustee will ensure its investment strategy is aligned with being net zero by 2050. The aim is to achieve this as soon as possible whilst maintaining appropriate levels of diversification. The Scheme is currently invested in an ESG-aligned equity mandate. The Trustee also intends to consider excluding investments from companies or countries that demonstrate poor human rights practices or insufficient principles.

The Trustee considers how ESG, climate change and stewardship are integrated within investment processes in appointing, monitoring, and withdrawing from investment managers. Monitoring is undertaken on a regular basis, and this makes use of the investment consultant's ESG ratings.

Towards the end of the Scheme year, the Trustee agreed to set explicit stewardship priorities that the investment managers will be monitored against going forwards. The Trustee will engage with the investment managers on the agreed stewardship priorities and review the relevant managers' track record of voting in relation to these priorities as part of our investment governance framework. The Trustee will publish this information in the annual Implementation Statement from the scheme year ending 2024.

The Trustee agreed the following stewardship priorities: climate change, biodiversity, gender diversity and equality, and labour rights (including modern slavery), following consultation with the investment consultant. The rationale for choosing these priorities being that they align with the Trustee's agreed focus areas (climate change and human rights), as well as the capabilities of the relevant investment managers.

MONITORING PERFORMANCE, MANAGERS & COSTS

The governance of the pension scheme is well documented in the SIP and includes the division of responsibilities between the Trustee, Investment Managers, Investment sub-Committee, Investment Consultant and Custodians.

The Trustee receives investment manager performance reports on a quarterly basis, which present performance information over 3-month, 1-year, 3-year and 5-year time periods. The Trustee reviews the absolute performance, relative performance against a suitable index used as the benchmark, and/or against the managers' stated target performance (over the relevant time period). The Trustee's focus is primarily on long-term performance, but short-term performance is also reviewed.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

The Trustee has a meeting with each manager during the year to receive a presentation on their performance, discuss other investment matters (such as integration of ESG and climate change into the investment process and voting and engagement activities) and raise questions where actions appear to be out of line with the Scheme's policies.

In addition, the Trustee receives an annual assessment report from its Investment Consultant that assesses each of the investment managers with regard to their level of ESG integration, with a focus on climate-related risks, for each mandate in the Main and Elements Section. The report identifies areas for improvement and ensures engagement efforts are focused towards these areas. The Trustee monitors progress annually and expects the managers' capabilities to improve over time.

MONITORING PORTFOLIO TURNOVER

As an additional monitoring item, fund managers were asked to confirm the actual level of portfolio turnover during the Scheme year. This enables the Trustee to consider whether the levels are consistent and proportionate to the type of fund and the way it is managed.

Fund	Level of portfolio turnover 01/04/22 – 31/03/23	Comments
BlackRock UK Property	2%	The level of portfolio turnover for each fund is in line with our expectations for the given fund and asset class.
BlackRock Diversified Private Debt	Not applicable	
BlackRock ETF Portfolio (Global High Yield Corp Bond)	22%	
BlackRock ETF Portfolio (£ Ultrashort Bond)	45%	
CQS Multi Asset Credit	39%	
Insight Diversified Growth	478%	
LGIM Absolute Return Bonds	94%	
LGIM Buy & Maintain Credit	202%	
LGIM LDI Portfolio	Not applicable	
LGIM World Developed Equity Index	10%	
LGIM World Developed Equity Index GBP Hedged	41%	
LGIM Paris Aligned Equity	19%	
LGIM Corporate Bonds Over 15y	29%	
Wellington Multi Sector Credit	233%	
Partners Group Global Infrastructure 2012	Not applicable	
Partners Group Global Infrastructure 2018	Not applicable	

The Trustee takes regular advice from their investment consultant about the suitability of the funds and the investment managers, so that they can be satisfied that they are consistent with their investment policies.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Each investment manager has been provided with a copy of the SIP and has been asked to confirm whether they believe that the management of the assets is consistent with those policies in the SIP that are relevant to the fund in question.

RISK MANAGEMENT

The Trustee manages investment risks associated with the Scheme in several ways, for example:

- A proportion of the Main Section's assets are in a Matching portfolio which aims to hedge a proportion of the liabilities to decrease the likelihood of inflation and interest rate risk.
- The Trustee has regard for the strength of the Company's covenant and engages in regular dialogue with them to assess sponsor risk. The Trustee also receives a confidential review of the financials of the business at least once a year.
- The Trustee diversifies the investment across different asset classes and geographical markets to reduce market risk, credit risk and volatility risk.
- As part of the quarterly monitoring, the Trustee monitors the actual deviation of returns relative to the manager's objective and investment processes to reduce the likelihood of manager risk.
- To manage liquidity risk, the Trustee invests in assets of sufficient liquidity so that benefits can be paid as they fall due but, given the Scheme's long-term horizon, also in illiquid assets such as property and infrastructure to receive an illiquidity premium.
- The Trustee assesses the creditworthiness of the custodian bank, the ability of the organisation to settle trades on time and provide secure safekeeping of the assets under custody to measure custodian risk.
- The Trustee regularly reviews the actual investments relative to the policy and regularly assesses the diversification within the existing policy to measure the level of concentration of any one market and assess the impact of potential regulatory changes on investment values.
- The Trustee reviews the investment managers' Environmental, Social and Governance (ESG) policies before appointment and on an annual basis to manage ESG risks.
- The Trustee produces an annual TCFD Report

Risk is not considered in isolation, but in conjunction with expected investment returns and outcomes for members. The investment strategy reviews take account of the overall balance of these risks.

Section 4: Voting Data

The Scheme's equity holdings are held within pooled investment vehicles and the Trustee delegates voting rights and the execution of those rights to the underlying managers for the securities they hold. The Scheme's Investment Consultant engages managers on areas for development, not least around resourcing, and improving the breadth and depth of corporate engagements.

The Trustee believe that it should be a responsible steward of its assets and consider, in a manner consistent with its fiduciary obligations, the wider impacts of its investment decisions on the environment and society, as well as the potential financial returns.

In its ESG policy, the Trustee agreed its stewardship priorities were:

- Climate change risk and the transition to a low carbon economy
- Labour rights and modern slavery
- Gender diversity and equality
- Biodiversity

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

In selecting the significant votes, the Trustee have had regards to its voting priorities, potential impact, the size of the holding and whether it was controversial.

Further information on the voting and engagement activities of the managers is provided in the summary table below. A supplementary document containing information on the managers' key voting activities will be published on the Scheme's website.

Having reviewed the information summarised in this Implementation Statement, the Trustee is satisfied with the way in which the managers are exercising voting rights.

A) Defined Contribution

Fund	Votes cast	Significant votes
Main Section		
LGIM Diversified Fund	99,252 (99.8% of eligible votes cast) 21.9% of votes against management / 0.7% abstained	Royal Dutch Shell Plc Total Energies SE
BlackRock MSCI World Index	14,092 (88% of eligible votes cast) 6% of votes against management / 0% abstained	Rio Tinto Plc Santos Limited
BlackRock MSCI Currency Hedged World Index	14,092 (88% of eligible votes cast) 6% of votes against management / 0% abstained	Rio Tinto Plc Santos Limited
BlackRock EM Equity Index	25,350 (98% of eligible votes cast) 11% of votes against management / 3% abstained	Petroleo Brasileiro SA Grupo Financiero Banorte SAB de CV
BlackRock UK Equity Index	10,135 (99% of eligible votes cast) 3% of votes against management / 0% abstained	Rio Tinto Plc Barclays Plc
BlackRock World (ex-UK) Index Fund	25,196 (95% of eligible votes cast) 6% of votes against management / 0% abstained	Bank of Montreal Marathon Petroleum Corporation
River & Mercantile Global High Alpha	2,889 (99.3% of eligible votes cast) 23.0% of votes against management / 0.5% abstained	Alphabet Citigroup Inc
Baillie Gifford Long-Term Global Growth	483 (100% of eligible votes cast) 3.5% of votes against management / 0.6% abstained	Amazon.com, Inc. TESLA, Inc.
Jupiter Ecology Fund	821 (100% of eligible votes cast) 2.0% of votes against management / 0% abstained	A.O. Smith Corporation

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

B) Defined Benefit

Fund	Votes cast	Significant votes
Main Section		
LGIM World Developed Equity Index GBP Hedged	32,028 (99.82% of eligible votes) 21.33% against management / 0.17% abstained Non-proxy agent votes: 4,641 Proxy agent votes: 27,387	Berkshire Hathaway Inc. Exxon Mobil Corporation
Insight Diversified Growth	152 (100% of eligible votes) 0% against management / 0% abstained Insight is not able to provide a breakdown of proxy agent votes	No information provided
Elements Section		
LGIM ESG Paris Aligned World Equity Fund	17,498 (99.70% of eligible votes) 21.06% against management / 0.17% abstained Non-proxy agent votes: 2,583 Proxy agent votes: 14,915	Amazon.com, Inc. NVIDIA Corporation
LGIM World Developed Equity Index	32,028 (99.82% of eligible votes) 21.33% against management / 0.17% abstained Non-proxy agent votes: 4,641 Proxy agent votes: 27,387	Berkshire Hathaway Inc. Exxon Mobil Corporation

Voting activity

1. Introduction

This document forms part of the Annual Implementation Statement ("the statement") prepared by the Trustee of the Johnson Matthey Employees Pension Scheme ("the Scheme") covering the Scheme year ("the year") to 31 March 2023. It provides additional detail on the key voting and engagement activities for the managers of the Scheme during the year.

A) Defined Contribution

BAILLIE GIFFORD – LONG-TERM GLOBAL GROWTH

Voting Activities:

- There were 483 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 100% of its votes over the year
- 3.52% of votes were against management and 0.62% were abstained

What is Baillie Gifford's policy on consulting with clients before voting?

All voting decisions are made by the ESG team in conjunction with investment managers. Baillie Gifford does not regularly engage with clients prior to submitting votes, however if a segregated client has a specific view on a vote then they will engage with them on this. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Please describe whether Baillie Gifford has made use of any proxy voter services
Whilst Baillie Gifford are cognisant of proxy advisers' voting recommendations (ISS and Glass Lewis), they do not delegate or outsource any of their stewardship activities or follow or rely upon their recommendations when deciding how to vote on their clients' shares. All client voting decisions are made in-house. Baillie Gifford vote in line with their in-house policy and not with the proxy voting providers' policies. Baillie Gifford also have specialist proxy advisors in the Chinese and Indian markets to provide us with more nuanced market specific information.

Please provide an overview of Baillie Gifford's process undertaken for deciding how to vote
Baillie Gifford believe that voting should be investment led, because how they vote is an important part of the long-term investment process, which is why their strong preference is to be given this responsibility by their clients. The ability to vote on their clients' shares also strengthens their position when engaging with investee companies. Baillie Gifford's ESG team oversees their voting analysis and execution in conjunction with their investment managers. Baillie Gifford do not outsource any part of the responsibility for voting to third-party suppliers. They utilise research from proxy advisers for information only. Baillie Gifford analyses all meetings in-house in line with their ESG Principles and Guidelines and they endeavour to vote every one of our clients' holdings.

Is Baillie Gifford currently affected by any of the five conflicts listed by the PLSA or any other conflicts across any of its holdings?

1. The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to a company in which they also have an equity or bond holding;

   Baillie Gifford provides services to a wide variety of clients including those that may be issuers of securities that Baillie Gifford may recommend for purchase or sale to clients. In addition to their clients, some of their service providers and/or suppliers are issuers of securities that Baillie Gifford may recommend for purchase or sale to clients. In both cases it is Baillie Gifford's general policy not to take into account that an issuer is their client, service provider or supplier when making investment decisions. Baillie Gifford believes it would not be in the interests of clients generally to exclude such issuers from a client portfolio unless the client instructs Baillie Gifford to the contrary.

2. Senior staff at the asset management firm hold roles (e.g. as a member of the Board) at a company in which the asset management firm has equity or bond holdings.

   At Schibsted ASA, Kinnevik AB, Adevinta ASA and VNV Global, Kieran Murray, Lawrence Burns, Chris Davies and Stephen Paice respectively, Baillie Gifford partners and/or fund managers are members of the Nomination Committee. It is market practice in Scandinavia for representatives of a company's largest shareholders to make up the committee; the Nomination Committee is not a board committee.

   Within Baillie Gifford, any decisions with material relevance are made in conjunction with multiple members of the portfolio construction group ensuring robust discussion and debate. As the Nomination Committee is not a board committee, members do not have a vote on substantive company policies or actions. Baillie Gifford support the opportunity to be more closely involved in the governance and stewardship of one of their clients' holdings.

3. The asset management firm's stewardship staff have a personal relationship with relevant individuals (e.g. on the Board or the company secretariat) at a company in which the firm has an equity or bond holding

   None disclosed to Compliance.

4. Clients sign up to individual strategies' philosophies which may result in different voting decisions. Therefore, voting according to each strategy's philosophy is in line with our clients' expectations, so this is not deemed a conflict of interest.

5. Baillie Gifford's preference is for clients to give them full discretion to vote in line with Baillie Gifford's Governance and Sustainability Principles and Guidelines. Where clients request them to adhere to their own stewardship policies, these are reviewed and discussed with the client, noting deviations from their own Governance and Sustainability Principles and Guidelines and can be implemented, where appropriate.

Please include here any additional comments which are relevant to Baillie Gifford's voting activities or processes
N/A

Most significant vote – Vote 1: Amazon.com, Inc.

Resolution: Shareholder Resolution – Social

Date of Vote: 25/05/2022

Approximate size of the fund's holding as at the date of the vote: 6.00%

Why the vote is considered significant: This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Action: For

Outcome: Fail
Baillie Gifford supported a shareholder proposal on freedom of association. In light of several recent high profile controversies, Baillie Gifford believe that shareholders would benefit from a more thorough examination of the compliance of the company's policies and practices with international fundamental rights.

Baillie Gifford took the decision to oppose the remuneration report due to the committee's decision to make in-flight adjustments to the 2018 LTIP. Baillie Gifford understand that for FY2021, the committee adjusted target EPS to be negative, a change that led to the 2021 tranche achieving 150% of target. Baillie Gifford believe that further discretion should have been exercised when determining this tranche of the award given the negative EPS performance during the year.

Additionally, it is noted that under the relative TSR metric in the LTIP, threshold vesting occurs at 25% below index average. While we believe the metric itself to be sensible, Baillie Gifford do not believe incentive pay should start paying out at below median performance as this gives potential for reward for underperformance. Baillie Gifford encouraged the board to revise this condition to ensure that no vesting occurs below median performance.

Most significant vote – Vote 2: Tesla, Inc.

Resolution: Shareholder Resolution – Environmental

Date of vote: 04/08/2022

Approximate size of the fund's holding as at the date of the vote: 6.99%

Why the vote is considered significant: This resolution is significant because it was submitted by shareholders and received greater than 20% support.

Action: Against
Baillie Gifford opposed the resolution requesting a report on the company's water risk exposure. The company already provides detailed disclosure and has stated its intention to continue to increase the level of disclosure in future Impact Reports.

Outcome: Fail
Baillie Gifford did not support this proposal because they are satisfied by Tesla's ongoing efforts to address their exposure to water risk as detailed in their annual Impact Report.

BLACKROCK – EM EQUITY INDEX, MSCI CURRENCY HEDGED WORLD INDEX, MSCI WORLD INDEX, UK EQUITY INDEX, WORLD (EX-UK) INDEX

Voting Activities:

EM Equity Index
- There were 25,350 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 98% of its votes over the year
- 11% of votes were against management and 3% were abstained

MSCI Currency Hedged World Index & MSCI World Index
- There were 14,092 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 88% of its votes over the year
- 6% of votes were against management and 0% were abstained

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

UK Equity Index
- There were 10,135 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 99% of its votes over the year
- 3% of votes were against management and 0% were abstained

World (ex-UK) Index
- There were 25,196 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 95% of its votes over the year
- 6% of votes were against management and 0% were abstained

What is BlackRock's policy on consulting with clients before voting?
BlackRock believes that companies are responsible for ensuring they have appropriate governance structures to serve the interests of shareholders and other key stakeholders. BlackRock believes that there are certain fundamental rights attached to shareholding. Companies and their boards should be accountable to shareholders and structured with appropriate checks and balances to ensure that they operate in shareholders' best interests to create sustainable value. Shareholders should have the right to vote to elect, remove, and nominate directors, approve the appointment of the auditor, and amend the corporate charter or by-laws.

Consistent with these shareholder rights, BlackRock has a responsibility to monitor and provide feedback to companies, in their role as stewards of their clients' investments. BlackRock Investment Stewardship ("BIS") does this through engagement with management teams and/or board members on material business issues including environmental, social, and governance ("ESG") matters and, for those clients who have given authority, through voting proxies in the best long-term economic interests of clients. BlackRock participate in the public debate to shape global norms and industry standards with the goal of a policy framework consistent with clients' interests as long-term shareholders.

BlackRock looks to companies to provide timely, accurate, and comprehensive reporting on all material governance and business matters, including ESG issues. This allows shareholders to appropriately understand and assess how relevant risks and opportunities are being effectively identified and managed. Where company reporting and disclosure is inadequate or the approach taken is inconsistent with BlackRock's view of what supports sustainable long-term value creation, BlackRock will engage with a company and/or use their vote to encourage a change in practice.

BlackRock views engagement as an important activity; engagement provides them with the opportunity to improve their understanding of the business and ESG risks and opportunities that are material to the companies in which clients invest. As long-term investors on behalf of clients, BlackRock seek to have regular and continuing dialogue with executives and board directors to advance sound governance and sustainable business practices, as well as to understand the effectiveness of the company's management and oversight of material issues. Engagement is an important mechanism for providing feedback on company practices and disclosures, particularly where BlackRock believe they could be enhanced. BlackRock primarily engage through direct dialogue but may use other tools such as written correspondence to share their perspectives. Engagement also informs voting decisions.

BlackRock's approach to corporate governance and stewardship is explained in their Global Principles. These high-level Principles are the framework for their more detailed, market-specific voting guidelines, all of which are published on the BlackRock website. The Principles describe their philosophy on stewardship (including how they monitor and engage with companies), their policy on voting, their integrated approach to stewardship matters and how they deal with conflicts of interest. These apply across relevant asset classes and products as permitted by investment strategies. BlackRock reviews their Global Principles annually and updates them as necessary to reflect in market standards, evolving governance practice and insights gained from engagement over the prior year.

Please describe whether BlackRock has made use of any proxy voter services
BlackRock subscribe to research from the proxy advisory firms Institutional Shareholder Services (ISS) and Glass Lewis.

BlackRock use Institutional Shareholder Services' (ISS) electronic platform to execute their vote instructions, manage client accounts in relation to voting and facilitate client reporting on voting. In certain markets, BlackRock work with proxy research firms who apply their proxy voting guidelines to filter out routine or non-contentious proposals and refer to them any meetings where additional research and possibly engagement might be required to inform their voting decision.

Please provide an overview of BlackRock's process undertaken for deciding how to vote
The team and its voting and engagement work continuously evolves in response to changing governance related developments and expectations. BlackRock's voting guidelines are market-specific to ensure they take into account a company's unique circumstances by market, where relevant. BlackRock inform their vote decisions through research and engage as necessary. Their engagement priorities are global in nature and are informed by BlackRock's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. BlackRock may also update their regional engagement priorities based on issues that they believe could impact the long-term sustainable financial performance of companies in those markets. BlackRock welcome discussions with clients on engagement and voting topics and priorities to get their perspective and better understand which issues are important to them. As outlined in their Global Corporate Governance and Engagement Principles, BlackRock determines which companies to engage directly based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of our engagement being productive. BlackRock's voting guidelines are intended to help clients and companies understand their thinking on key governance matters. They are the benchmark against which BlackRock assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. BlackRock apply their guidelines pragmatically, taking into account a company's unique circumstances where relevant. They inform their vote decisions through research and engage as necessary. If a client wants to implement their own voting policy, they will need to be in a segregated account. BlackRock's Investment Stewardship team would not implement the policy themselves, but the client would engage a third-party voting execution platform to cast the votes.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Is BlackRock currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?
As an investment manager, BlackRock has a duty of care to its clients. BlackRock's duty extends to all of its employees and is critical to their reputation and business relationships, and to meeting the requirements of their various regulators worldwide. Employees are held responsible by BlackRock to seek to avoid any activity that might create potential or actual conflicts with the interests of clients.

BlackRock maintains a compliance program for identifying, escalating, avoiding and/or managing potential or actual conflicts of interest. The program is carried out through their employees' adherence to relevant policies and procedures, a governance and oversight structure and employee training.

Among the various policies and procedures that address conflicts of interest is BlackRock's Global Conflicts of Interest Policy. This policy governs the responsibility of BlackRock and its employees to place their clients' interests first and to identify and manage any conflicts of interest that may arise in the course of their business. In order to mitigate potential and actual conflicts of interest, each BlackRock employee must, among other things:

- Identify potential or actual conflicts of interest both in relation to existing arrangements and when considering changes to, or making new, business arrangements;
- Report any conflicts of interest promptly to his/her supervisor and Legal & Compliance;
- Avoid (where possible) or otherwise take appropriate steps to mitigate a conflict to protect our clients' interests; and
- Where appropriate, disclose conflicts of interest to clients prior to proceeding with a proposed arrangement

BlackRock Legal & Compliance conducts mandatory annual compliance training, which includes a discussion of the Global Conflicts of Interest Policy.

Please include here any additional comments which are relevant to BlackRock's voting activities or processes
No response provided

Most significant vote – EM Equity Index

Petroleo Brasileiro SA

Date of Vote: 13/04/2022

Resolution: Percentage of Votes to Be Assigned – Elect Marcio Andrade Weber as Independent Director

Approximate size of the fund's holding as at the date of the vote: N/A

Why the vote is considered significant: Significant Vote Proposal

Action: For

Outcome: Passed

Most significant vote – MSCI Currency Hedged World Index, MSCI World Index & UK Equity Index

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Rio Tinto Plc

Date of Vote: 08/04/2022

Resolution: Approve Climate Action Plan

Approximate size of the fund's holding as at the date of the vote: N/A

Why the vote is considered significant: Significant Vote Proposal

Action: For

Outcome: Passed

Most significant vote – World (ex-UK) Index

Bank of Montreal

Date of Vote: 13/04/2022

Resolution: Adopt a Policy to Ensure the Bank's Financing is Consistent with IEA's Net Zero Emissions by 2050 Scenario

Approximate size of the fund's holding as at the date of the vote: N/A

Why the vote is considered significant: Significant Vote Proposal

Action: Against

Outcome: Fail

Most significant vote – UK Equity Index

Barclays Plc

Date of Vote: 04/05/2022

Resolution: Approve Barclays' Climate Strategy, Targets and Progress 2022

Approximate size of the fund's holding as at the date of the vote: N/A

Why the vote is considered significant: Significant Vote Proposal

Action: For

Outcome: Passed

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

JUPITER ASSET MANAGEMENT – JUPITER ECOLOGY FUND

Voting Activities

- There were 821 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 100% of its votes over the year
- 2.00% of votes were against management and 0% were abstained

What is Jupiter's policy on consulting with clients before voting?

Jupiter is open to and welcomes dialogue with clients on stewardship matters, including voting decisions. Such dialogue is typically coordinated by their in-house Governance and Sustainability team, who work with their fund managers on proxy voting and company engagement and the development of our Stewardship Policy. Understanding client priorities, engaging in collective action with other investors, using third party data and remaining close to investor organisations and industry bodies informs their overall stewardship strategy, including voting.

Please describe whether Jupiter has made use of any proxy voter services

In order to assist in the assessment of corporate governance and sustainability issues, Jupiter subscribes to external corporate governance and sustainability research and data providers. Such external resources contribute to forming a balanced view on voting matters. However, while Jupiter takes the proxy adviser's recommendations into account, stewardship activities are not delegated or outsourced to third parties and recommendations are not automatically followed when deciding how to vote. Jupiter's primary proxy research providers are Institutional Shareholder Services (ISS).

Please provide an overview of Jupiter's process undertaken for deciding how to vote

Jupiter seek to vote through all eligible proxies, taking account of local market practice such as powers of attorney or share blocking. Their investment managers are accountable for exercising their shareholder votes, supported by the Stewardship team, which is responsible for proxy voting operations, monitoring meeting ballots, and providing an initial assessment of each meeting's agenda, including an assessment of independent proxy advisory research. Jupiter do not outsource their voting decisions to an external service provider, nor do they automatically vote in line with third-party recommendations, with the exception of their systematic quant-driven strategy. Jupiter intend to update their proxy voting guidelines during 2023.

Jupiter's Responsible Investment Policy sets out their approach to stewardship and active ownership. Jupiter's proxy voting is publicly disclosed and available on their website.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Together with ISS, Jupiter endeavour to assess each voting decision based on a culmination of the following characteristics:

- Deviations from best practice
- Disclosures made by the company, or lack of
- Engagement activity including dialogue Jupiter has had with the company, commitments made, or irrevocable undertakings
- Jupiter's commitment to responsible investment codes and other ESG initiatives
- Client initiatives

Is Jupiter currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?
Jupiter's investment management business is conducted at arm's length from its parent company (Jupiter Fund Management PLC). Conflicts of interest between the parent and subsidiary are rare and appropriately managed.

Conflicts of interest may arise when clients are also companies in which Jupiter's funds invest. In these circumstances, potential conflicts are discussed with the relevant fund managers and the asset class heads. In addition, there is close engagement with the investee company, including where the issue may relate to a voting matter. In this instance Jupiter vote in the best interest of clients, using the principles of Treating Customers Fairly (TCF). Where applicable, they obtain advance approval from the client prior to voting.

The following considerations are made to ensure they best mitigate conflicts of interest surrounding proxy voting:
Jupiter's funds may not invest in the shares of Jupiter Fund Management PLC.

- Where they manage money for a corporate pension scheme and hold equities in that company across our portfolios, their Stewardship team will formulate a voting recommendation based on a best practice evaluation, which will then be approved by the Investment Oversight Committee for additional assurance.
- Where they manage a segregated mandate that is part invested in a Jupiter-run listed vehicle, the proxy voting ballot will be transferred to the client rather than being voted by Jupiter employees.
- Where a Jupiter Unit trust invests in a Jupiter-run listed vehicle, the ballot will be reviewed by the Stewardship Team with reference to this policy and best practice provisions and a voting outcome will be resolved with a recommendation to Head of Equities and/or the Investment Review Forum.

Please include here any additional comments which are relevant to Jupiter's voting activities or processes
N/A

Most significant vote – Vote 1: A.O. Smith Corporation

Date of Vote: 11/04/2022

Resolution: Advisory Vote to Ratify Named Executive Officers' Compensation

Approximate size of the fund's holding as at the date of the vote: 2.09%

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Why the vote is considered significant: The potential impact on financial outcome

Action: Against

Jupiter voted against the executive compensation because only 1/3 of the long-term incentive awards were tied to challenging performance conditions. Jupiter don't consider the 5% ROE hurdle for the RSUs to be stretching at all. Furthermore the options vest over a short time period of less than three years, which doesn't feel in the spirit of a long-term incentive, and it is not clear why the ROIC/WACC tested aspect vests in cash rather than equity when we would like to see the exec chair own more shares.

Outcome: Passed

Jupiter expressed concerns around the performance-alignment of the remuneration policy in a post-results call with company IR, communicated after the vote and before the meeting date on 4th May. The company confirmed they will pass on Jupiter's comments to the Board and revert back to shareholders in due course. Regarding the Board, via analysis and in engagement with the company Jupiter are monitoring the ongoing CEO succession process, at this time they believe the company would benefit most from stability and thus have decided to vote in favour of board elections. The resolution passed and Jupiter remain invested in the company. Jupiter will continue to monitor remuneration practices at the company.

LEGAL AND GENERAL INVESTMENT MANAGEMENT (LGIM) – DIVERSIFIED FUND

Voting Activities:
- There were 99,252 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 99.82% of its votes over the year
- 21.94% of votes were against management and 0.70% were abstained

What is LGIM's policy on consulting with clients before voting?
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all our clients. Their voting policies are reviewed annually and take into account feedback from our clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as they continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Please describe whether LGIM has made use of any proxy voter services
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment their research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what they consider are minimum best practice standards which they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to their voting judgement. LGIM have strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform them of rejected votes which require further action.

Please provide an overview of LGIM's process undertaken for deciding how to vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures their stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

Is LGIM currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?
N/A

Please include here any additional comments which are relevant to LGIM's voting activities or processes
It is vital that the proxy voting service are regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out LGIM's expectations, an analysis of any issues we have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of our formal RMS processes the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Most significant vote – Vote 1: Royal Dutch Shell Plc

Date of Vote: 24/05/2022

Resolution: Approve the Shell Energy Transition Progress Update

Approximate size of the fund's holding as at the date of the vote: 28.5%

Why the vote is considered significant: LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Action: Against
A vote against is applied. LGIM acknowledge the substantial progress made by the company in strengthening its operational emissions reduction targets by 2030, as well as the additional clarity around the level of investments in low carbon products, demonstrating a strong commitment towards a low carbon pathway. However, LGIM remain concerned about the disclosed plans for oil and gas production, and would benefit from further disclosure of targets associated with the upstream and downstream businesses.

Outcome: 79.9% of shareholders supported the resolution. LGIM will continue to engage with investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

Most significant vote – Vote 2: TotalEnergies SE

Resolution: Approve Company's Sustainability and Climate Transition Plan

Date of Vote: 25/05/2022

Approximate size of the fund's holding as at the date of the vote: 10.1%

Why the vote is considered significant: LGIM considers this vote significant as it is an escalation of our climate-related engagement activity and our public call for high quality and credible transition plans to be subject to a shareholder vote.

Action: Against

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

A vote against is applied. LGIM recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, LGIM remain concerned about the company's planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.

Outcome: 88.9% of shareholders supported the resolution.
LGIM will continue to engage with our investee companies, publicly advocate our position on this issue and monitor company and market-level progress.

RIVER AND MECANTILE ASSET MANAGEMENT (R&M) – GLOBAL HIGH ALPHA FUND

Voting Activities:
- There were 2,889 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 99.34% of its votes over the year
- 23.02% of votes were against management and 0.49% were abstained

What is R&M's policy on consulting with clients before voting?
As an active equity manager, they believe that they are not only the stewards of the assets entrusted to us by their clients, but that they also have a fiduciary responsibility to improve the management of companies for all stakeholders, whilst not compromising their objective of achieving strong financial returns. R&M further believe the best process for improving the management of companies is through engagement and investor peer group pressure.

They therefore encourage active dialogue on engagement issues with their clients. R&M look to incorporate these discussions as part of their standard review meetings but are delighted to hold dedicated discussions with clients as and when requested. However, at present they do not consult directly with clients before voting but for segregated mandates R&M will follow client voting requests if they share their voting policies with R&M. They implement these client specific policies through their proxy voting provider, Institutional Shareholder Services (ISS).

Please describe whether R&M has made use of any proxy voter services
R&M use a third party, Institutional Shareholder Services (ISS), to implement their voting policy which largely follows the UK Corporate Governance Code. Gary Dowsett and Lucy Cheng, Head of Sustainability and Sustainability Equity Analyst respectively, make the voting decisions internally in discussion with the rest of the investment team when necessary. The recommendations of proxy voting service ISS and the default response under their voting policy is not always followed as each voting decision is actively considered in the context of the company and R&M's ongoing stewardship programme with them.

Please provide an overview of R&M's process undertaken for deciding how to vote
Sustainability considerations are embedded into their investment process therefore portfolio managers are responsible for Sustainability considerations. Additionally, the parent of R&M (AssetCo) has a group "Sustainability & Stewardship" Committee led by an independent chair and feeds down to R&M from a governance perspective and also is a forum for sharing best practice and working collaboratively across the business.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

R&M regard voting at company general meetings as an important aspect in improving the stewardship of a company in the interests of all stakeholders. They view voting as a crucial aspect of responsible ownership and a valuable tool to encourage better standards of corporate governance and management of Sustainability risks and opportunities.

R&M's Voting Policy incorporates their General Principles on standards for good corporate governance and management of environmental and social issues. The Institutional Shareholder Services (ISS) voting platform is used to implement their Voting Policy. R&M discourage passive box ticking and aim to take an informed and pragmatic approach to voting. They give consideration to the specific circumstances and facts available to investors before voting.

For UK companies they support a "comply or explain" approach to corporate governance and endorse the UK Corporate Governance Code. R&M expect UK companies to explain and justify any reasons for non-compliance, and to outline their plans for compliance in future. In the case of non-compliance, they reserve the right to accept or reject the explanation. For non-UK companies, they are supportive of similar Codes.

Is R&M currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?

1. The asset management firm overall has an apparent client-relationship conflict e.g. the manager provides significant products or services to the company in which they also have an equity or bond holding
2. Senior staff at the asset management firm hold roles at a company, e.g. as a member of the Board, in which the asset management firm has an equity or bond holding
3. The asset management firm's stewardship staff have a personal relationship with relevant individuals at a company in which there is also an equity or bond holding
4. There is a situation where the interests of different clients diverge. An example of this could be a takeover, where one set of clients is exposed to the target and another set is exposed to the acquirer
5. There are differences between the stewardship policies of managers and their client(s).

Of the 5 conflicts of interest listed above, R&M is affected by all conflict of interests.

Please include here any additional comments which are relevant to R&M's voting activities or processes

General Voting Activity

In the last four years, their voting compared to management and ISS recommendation has remained fairly flat with an average of 16% and 11% respectively. This is reflective of their custom voting policy and that they analyse each individual vote as described above.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Shareholder Resolutions

Generally, they are supportive of environmental shareholder resolutions. R&M supported all 26 environmental shareholder resolutions that were votable in the 2022 voting season. The types of environmental shareholder resolutions we supported this year included:

- Setting and Reporting on Emission Reduction Targets
- Adopt a Financing Policy Consistent with IEA's Net Zero Emissions by 2050 Scenario
- Report on Climate Change Risks and Opportunities
- Report on Water Related Risks and Opportunities
- Establishing Environmental Sustainability Board Committee
- Report on Climate Lobbying.

Generally, R&M are also supportive of social shareholder resolutions. They supported 99 social shareholder resolutions out of the 106 that were votable in the 2022 voting season. The types of social shareholder resolutions they voted on this year included:

- Report on Diversity and Inclusion at the Company
- Report on Prevention of Harassment and Discrimination in the Workplace
- Report on Third-Party Racial Equity Audit/ Workplace Non-Discrimination Audit
- Report on Median Gender/Racial Pay Gap
- Report on Charitable Contributions/Lobbying Payments and Policy
- Report on Employee Health and Safety

Most significant vote – Vote 1: Alphabet

Resolution: Establish an Environmental Sustainability Board Committee

Date of Vote: 01/06/2022

Approximate size of the fund's holding as at the date of the vote: 1.8%

Why the vote is considered significant: R&M deemed this vote as significant due to their large holding in portfolio and importance of environmental issues at AGM.

Action: For

There were several shareholder proposals at the AGM requesting greater disclosure and accountability on environmental matters. R&A will monitor Alphabet's response on this.

Outcome: Only 17.73% of shareholders voted for the proposal.

Most significant vote – Vote 2: Citigroup Inc.

Resolution: Human rights: Report on civil rights and non-discrimination audit

Date of Vote: 26/04/2022

Approximate size of the fund's holding as at the date of the vote: 1.1%

Why the vote is considered significant: R&M deemed this vote as significant due to their large holding in the portfolio and importance of social issues.

Action: For
R&M support Racial Equality – report on racial equity audit.

Outcome: Only 2.9% of shareholders voted for the proposal.
R&M support Racial Equality and will continue to support shareholder resolutions requesting a racial equity audit.

B) Defined Benefit
INSIGHT – DIVERSIFIED GROWTH FUND

Voting Activities:
- There were 152 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 152 of its votes over the year
- 0% of votes were against management and 0% were abstained
- Insight uses a proxy agent, but no breakdown of votes was provided.

What is Insight's policy on consulting with clients before voting?
Insight does not consult clients prior to voting on resolutions. However, Insight is committed to voting all proxies where it is deemed appropriate and responsible to do so. Insight takes its responsibility to vote very seriously and votes in the best interest of clients.

Please describe whether Insight has made use of any proxy voter services
Insight uses Minerva Analytics to analyse resolutions against Insight-specific voting policy templates to determine the direction of the vote, where applicable. Insight votes in line with the recommendations of the proxy voting agent and documents where it makes a voting decision against the recommendation.

Please provide an overview of Insight's process undertaken for deciding how to vote
Insight retains the services of Minerva Analytics (Minerva) for the provision of proxy voting services and votes at meetings where it is deemed appropriate and responsible to do so. Minerva provides research expertise and voting tools through sophisticated proprietary IT systems allowing Insight to take and demonstrate responsibility for voting decisions. Independent corporate governance analysis is drawn from thousands of market, national and international legal and best practice provisions from jurisdictions around the world. Independent and impartial research provides advance notice of voting events and rules-based analysis to ensure contentious issues are identified. Minerva Analytics analyses any resolution against Insight-specific voting policy templates which will determine the direction of the vote.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Is Insight currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?
Insight engages with clients frequently on a range of potential conflicts related to responsible investment. Among these, they describe two frequently occurring areas:

- To address potential conflicts that arise because of divergences between Insight's responsible investment policies and the responsible investment policies of the client.
- To address potential divergence between the interests of their client and their beneficiaries.

In the reporting period, these issues are negotiations relevant to Insight's efforts to represent client interests, as opposed to conflicts between Insight's interests and those of clients and beneficiaries. To date, issues highlighted have been identified and addressed effectively through direct engagement between their investment team, client solutions team and the client to agree specifically how to proceed. These discussions happen in the context of the investment approach being pursued and need to balance financial and non-financial considerations and establish the correct approach to measure, monitor and report. In all cases during the reporting period, Insight identified and resolved issues in partnership with their clients, formally documenting the agreed approach in the investment guidelines for the mandate.

As Insight seeks to evolve its approach, they believe that conflicts are more likely to arise in this area as a result of legal changes; net-zero emissions goals; or the introduction of additional firmwide ESG or stewardship-related policies that need to be implemented, such as firm-wide exclusions lists. Because these have different implications in different jurisdictions or for different types of clients, they will need to be addressed on a case-by-case basis and Insight envisages that the identification and escalation of these types of conflict will be represented more frequently in their conflicts register, and that we will see increased monitoring and potentially escalation of issues through their governance structure.

Please include here any additional comments which are relevant to Insight's voting activities or processes
No response provided.

Most significant votes: Insight did not provide any significant votes.

LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM) – ESG PARIS ALIGNED WORLD EQUITY FUND

Voting Activities:

- There were 17,551 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 17,498 votes over the year
- 21.06% of votes were against management and 0.17% were abstained
- Non-proxy agent votes: 2,583
- Proxy agent votes: 14,915

What is LGIM's policy on consulting with clients before voting?
LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all of their clients. LGIM's voting policies are reviewed annually and take into account feedback from clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continue to develop their voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/or ad-hoc comments or enquiries.

Please describe whether LGIM has made use of any proxy voter services
LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and they do not outsource any part of the strategic decisions. LGIM's use of ISS recommendations is purely to augment research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that they receive from ISS for UK companies when making specific voting decisions.

To ensure their proxy provider votes in accordance with their position on ESG, LGIM has put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards that they believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retains the ability in all markets to override any vote decisions, which are based on their custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows them to apply a qualitative overlay to their voting judgement. LGIM has strict monitoring controls to ensure their votes are fully and effectively executed in accordance with their voting policies by their service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes that require further action.

Please provide an overview of LGIM's process undertaken for deciding how to vote
All decisions are made by LGIM's Investment Stewardship team and in accordance with their relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents, which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the voting decision process, therefore sending consistent messaging to companies.

Is LGIM currently affected by any of the five conflicts listed by the PLSA (see notes) or any other conflicts across any of its holdings?
Please refer to the LGIM investment stewardship conflict of interest document here.

Appendix E: Annual Implementation Statement (forming part of the Trustee Report) continued

Please include here any additional comments which are relevant to LGIM's voting activities or processes
It is vital that the proxy voting service is regularly monitored and LGIM do this through quarterly due diligence meetings with ISS. Representatives from a range of departments attend these meetings, including the client relationship manager, research manager and custom voting manager. The meetings have a standing agenda, which includes setting out their expectations, an analysis of any issues they have experienced when voting during the previous quarter, the quality of the ISS research delivered, general service level, personnel changes, the management of any potential conflicts of interest and a review of the effectiveness of the monitoring process and voting statistics. The meetings will also review any action points arising from the previous quarterly meeting.

LGIM has its own internal Risk Management System (RMS) to provide effective oversight of key processes. This includes LGIM's voting activities and related client reporting. If an item is not confirmed as completed on RMS, the issue is escalated to line managers and senior directors within the organisation. On a weekly basis, senior members of the Investment Stewardship team confirm on LGIM's internal RMS that votes have been cast correctly on the voting platform and record any issues experienced. This is then reviewed by the Director of Investment Stewardship who confirms the votes have been cast correctly on a monthly basis. Annually, as part of LGIM's formal RMS processes, the Director of Investment Stewardship confirms that a formal review of LGIM's proxy provider has been conducted and that they have the capacity and competency to analyse proxy issues and make impartial recommendations.

Most significant vote – Vote 1: Amazon.com, Inc.

Resolution: To elect Director Daniel P. Huttenlocher who is a long-standing member of the Leadership Development & Compensation Committee.

Date of vote: 25/05/2022

Approximate size of fund's holding as at the date of the vote (as % of portfolio): 2.0%

Why the vote is considered significant: The vote relates to the Trustee's stewardship priority of labour rights.

Action: LGIM voted against the resolution
A vote against was applied as the director is a long-standing member of the Leadership Development & Compensation Committee which is accountable for human capital management failings.

Outcome: 93.3% voted against the resolution
LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant vote – Vote 2: NVIDIA Corporation.

Resolution: To elect Director Harvey C. Jones, a long-standing male director.

Date of vote: 02/06/2022

Approximate size of fund's holding as at the date of the vote (as % of portfolio): 1.8%

Why the vote is considered significant: The vote relates to the trustee's stewardship priority of gender diversity. LGIM also views diversity as a financially material issue for all their clients, with implications for the assets they manage on their behalf.

Action: LGIM voted against the resolution
A vote against was applied as LGIM expects a company to have at least 25% women on the board with the expectation of reaching a minimum of 30% of women on the board by 2023. LGIM are targeting the largest companies as they believe that these should demonstrate leadership on this critical issue of diversity. A vote against was applied as LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Outcome: 83.8% of shareholders supported the resolution.

LEGAL & GENERAL INVESTMENT MANAGEMENT (LGIM) – WORLD DEVELOPED EQUITY INDEX FUND GBP HEDGED AND WORLD DEVELOPED EQUITY INDEX FUND UNHEDGED

Voting Activities:
- There were 32,086 eligible votes for the fund over the 12 months to 31 March 2023
- The manager exercised 32,028 votes over the year
- 21.33% of votes were against management and 0.17% were abstained
- Non-proxy agent votes: 4,641
- Proxy agent votes: 27,387

Most significant vote – Vote 1: Berkshire Hathaway Inc.

Resolution: To elect Director Susan L. Decker, a lead independent director.

Date of vote: 30/04/2022

Approximate size of fund's holding as at the date of the vote (as % of portfolio): 0.7%

Why the vote is considered significant: The vote relates to the Trustee's stewardship priority of climate change. LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Action: LGIM withheld their vote
A withhold vote is warranted for lead independent director Susan Decker, given her role as a lead independent director for a company which does not adequately disclose climate change-related risks and opportunities and LGIM expects a board to be regularly refreshed in order to maintain an appropriate mix of independence, relevant skills, experience, tenure, and background.

Outcome: 86.6% voted for the resolution
LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Most significant vote – Vote 2: Exxon Mobil Corporation
Resolution: To set GHG emissions reduction targets consistent with Paris Agreement Goal

Date of vote: 25/05/2022

Approximate size of fund's holding as at the date of the vote (as % of portfolio): 0.6%

Why the vote is considered significant: The vote relates to the Trustee's stewardship priority of climate change. LGIM considers this vote significant as it is an escalation of their climate-related engagement activity and their public call for high quality and credible transition plans to be subject to a shareholder vote.

Action: LGIM voted for the resolution
A vote for was applied in the absence of reductions targets for emissions associated with the company's sold products and insufficiently ambitious interim operational targets. LGIM expects companies to introduce credible transition plans, consistent with the Paris goals of limiting the global average temperature increase to 1.5 C. This includes the disclosure of scope 1, 2 and material scope 3 GHG emissions and short-, medium- and long-term GHG emissions reduction targets consistent with the 1.5 C goal.

Outcome: 27.1% voted for the resolution
LGIM will continue to engage with investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

Get in touch

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