Johnson Electric Holdings Limited
Sustainability Report 2017

JOHNSON ELECTRIC
innovating motion

(Stock Code: **179**)

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ABOUT THIS REPORT

Introduction

Johnson Electric is dedicated to socially responsible interactions with its stakeholders worldwide. Johnson Electric's commitment to social accountability includes policies and practices on a variety of issues such as human rights, non-discrimination, social responsibilities and environmental management.

This Sustainability Report (the "Report") focuses on Johnson Electric's performance and efforts in the aspects of sustainability that it considers to be material to Johnson Electric and stakeholders: **Environmental and Safety Goals for Products; Quality Assurance; Supply Chain Management; Environmental Protection; Investing in People; and Employee and Community Engagement.** It should be read in conjunction with Johnson Electric's Annual Report 2017, in particular the Management's Discussion and Analysis and the Corporate Governance Report sections.

Scope of the Report

The Report covers the sustainability performance of Johnson Electric Holdings Limited (the "Company") (Stock code: 179) and its subsidiaries (the "Group") and their major operating locations from 1 April 2016 to 31 March 2017.

Assurance

The Report was independently verified by the Hong Kong Quality Assurance Agency ("HKQAA"). The verification statement can be found on page 31.

Reference Guidelines

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The Report is published in English and Chinese. Both versions are available for download from http://www.johnsonelectric.com. For conservation purposes, we do not provide printed copies of this Report.

MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE

I am pleased to present to you Johnson Electric's Sustainability Report for the financial year ended 31 March 2017. This Report will enhance the transparency of the Group's sustainability programmes by giving an account of our progress and by highlighting the key initiatives undertaken in our areas of focus.

Johnson Electric believes that high standards of performance in environmental, social and corporate governance matters are essential to the Group's long-term sustainability and create value for our stakeholders. This conviction is embedded in our MARBLE[1] statement of corporate values – a set of shared values and commitments that together form the foundation of everything that the Group does and aspires to do.

As a responsible corporate citizen operating in many countries around the world, Johnson Electric is committed to lead by example, with uncompromising standards of integrity, openness and fairness in our business practices. The Group offers equal opportunities in a harassment free workplace and promotes a safe and healthy environment for both our people and for the local community wherever it does business.

Johnson Electric uses its technology leadership and application specific know-how to make its customers successful, including meeting their environmental and sustainability goals. The Group's range of motion sub-systems and solutions enable better energy efficiency and a cleaner environment, improve health and safety, support ageing populations, improve security and increase mobility and control. In the automotive industry, for example, the imperative of reducing emissions and improving fuel consumption is leading to new sources of demand for Johnson Electric's technology. This will include the next generation of Hybrid and All-Electric Vehicles which, will require new motion sub-systems to address the changed internal functional dynamics of the vehicle.

The Group takes an active, systemic approach to managing energy, water and materials consumption in production processes and to preventing pollution and environmental contamination. Monitored by a global Environmental, Health and Safety ("EHS") function, Johnson Electric facilities around the world share cycles of learning in EHS issues and celebrate success. From energy-saving initiatives, to the recycling and reuse of waste wherever possible, this approach matches the Group's manufacturing philosophy of maximising efficiency and reducing waste.

Overall, I am encouraged by Johnson Electric's corporate sustainability and citizenship achievements to date. However, the bar for superior performance in the area of sustainability continues to rise – and hence the Group is committed to work with all of its stakeholders for continued improvement. Together, we can and will reach higher.

Patrick Shui-Chung Wang *JP*
Chairman and Chief Executive

Hong Kong, July 2017

1 See page 21 for more details of our MARBLE values

Johnson Electric: Innovating Motion since 1959

The Johnson Electric Group traces its origins to a business founded in Hong Kong by Mr. and Mrs. Wang Seng Liang in 1959 to manufacture small electric motors for toys. The business has since expanded its product range and geographic presence to become a global leader in the supply of precision motors, motion subsystems and related electro-mechanical components to the automotive industry and other industrial and consumer product applications.

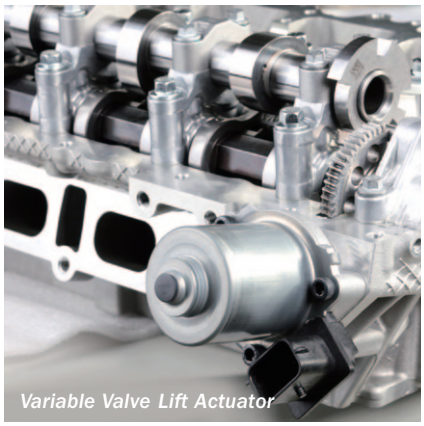
Johnson Electric Group presently employs over 39,000 individuals in 22 countries spanning Asia, Europe, the Middle East, North America and South America. Johnson Electric Holdings Limited, the Group's parent company, is listed on The Stock Exchange of Hong Kong.

Automotive Products Group

Electric Water Pump

Johnson Electric develops and produces subsystems for automotive applications that require motors, actuators, pumps and related components. We supply over 500 customers spanning OEMs, Tier 1 and Tier 2 suppliers in the automotive industry and our products can be found in substantially all of the major passenger vehicle brands in the world.

Demand for our technology and motion solutions is growing due to increasingly stringent regulations on fuel emissions and fuel economy, as well as the ongoing adoption by mid-range and compact car models of the more advanced comfort and safety features of luxury vehicles.



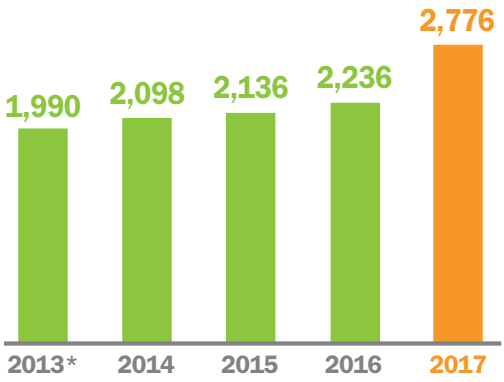
Variable Valve Lift Actuator

Johnson Electric's automotive products include electric motors, actuators, other electro-mechanical components and powder metal components for the following applications: cooling fans modules for engine thermal management; heating, ventilation and air conditioning ("HVAC"); battery cooling fans for hybrid/electric vehicles; electric power steering; electric parking brake; headlamp; window lift; sun-roof; electric door lock; seat adjust; transmission and driveline; water pumps; variable and fixed displacement oil pumps; washer pumps; suspension; turbo charger; and engine management.

For vehicles in production today and for the next generation of conventional internal combustion engine, Hybrid and All-Electric Vehicles under development, the imperative is for electro-mechanical components to be energy efficient, compact, lightweight and yet capable of withstanding extreme temperatures, shocks and vibrations for the lifetime of the car. Our ability to address these technical challenges and deliver reliable, cost-competitive products to automotive customers worldwide has made Johnson Electric a recognised leader in the market.

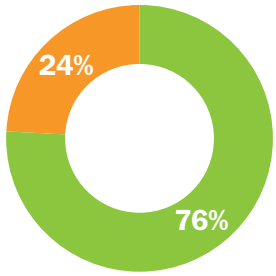
Total Group Sales

US$ million



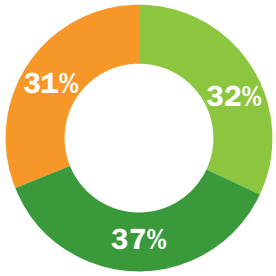
* *Excluding Discontinued Businesses*

Sales by Operating Division



- Automotive Products Group
- Industry Products Group

Sales by Destination



- Asia
- Europe
- Americas

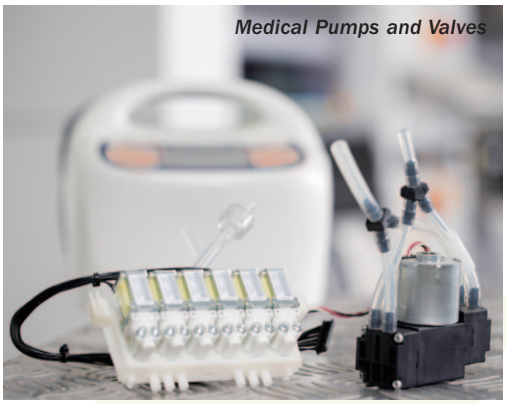
Industry Products Group

Johnson Electric supplies advanced motion solutions and electro-mechanical components to approximately 2,000 industrial and commercial customers whose products are found in a remarkably diverse range of industrial, professional and consumer applications.

The continuing proliferation of hardware devices and equipment that contain electric motors, solenoids, switches and other electro-mechanical components reflects a rapidly changing world where businesses and consumers are seeking products that are more energy efficient, smaller, lighter, more controllable and more connected than ever before. Among the application segments we serve are: heating and ventilation; electric and gas metering; power tools; lawn and garden equipment; white goods; small domestic appliances; food and beverage dispensing machines; window automation; printers and business machines; medical devices; bank/SIM cards; ATMs and Point of Sale equipment.

Many of the world's leading branded goods companies rely on Johnson Electric to solve their most complex motion problems at a competitive total cost that enables them to be successful in their markets.

Gas Metering Valves



Medical Pumps and Valves

A global leader in the supply of precision motors, motion subsystems and related electro-mechanical components.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Johnson Electric is committed to maintaining high standards of corporate governance that properly protect and promote the interests of its stakeholders and devotes considerable effort to identifying and formalising best practices of corporate governance.

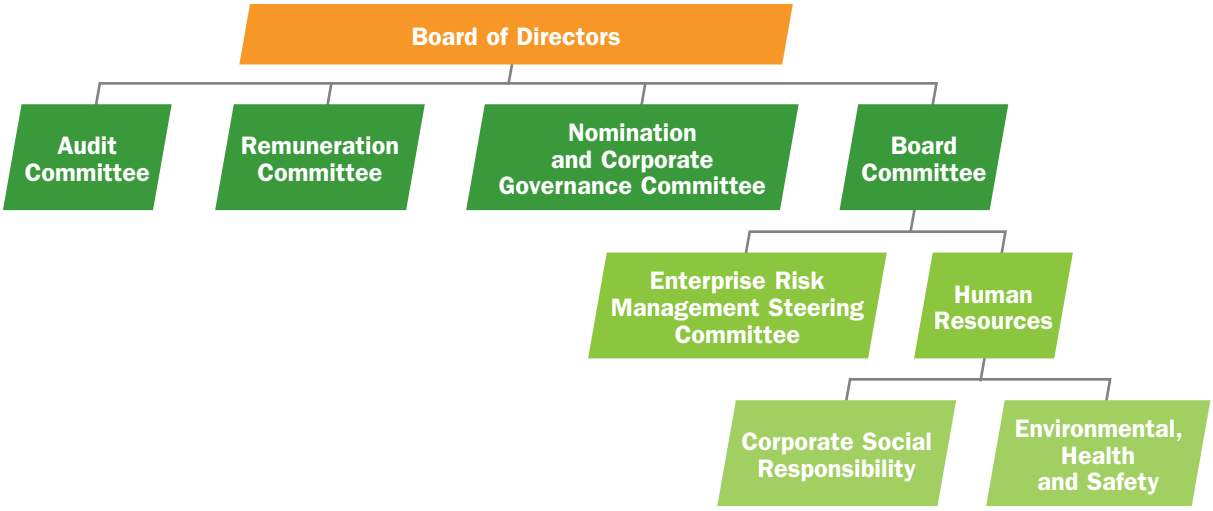
Good governance is not merely a compliance exercise but a process that supports the success of the Company. The Board of Directors of the Company (the "Board") is focused on building a culture of integrity, transparency and accountability in Johnson Electric that extends across the Group's extensive worldwide operations and will serve to sustain the business over the long term.

Board of Directors and Its Committees

The Board currently consists of three executive directors and seven non-executive directors (of whom five are independent). Profiles of the Directors are provided on pages 176 to 179 of the Annual Report 2017.

The Board is accountable to shareholders for the activities and performance of the Group. The directors meet in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Board has reserved for its decision or consideration matters covering corporate strategy, annual and interim results, directors' appointment, succession planning, enterprise risk management, major acquisitions, disposals and capital transactions and other significant operational and financial matters.

Board of Directors and Its Committees



The Board is ultimately responsible for leading, reviewing and monitoring the Company's policies. The Audit Committee considers the effectiveness of the Group's enterprise risk management and internal control systems and annually reviews a report from management on environmental, health and safety issues. The Remuneration Committee determines the compensation structure and rewards for the Chief Executive and other executive directors and monitors the policies being applied in remunerating the senior management on behalf of the Board. The Nomination and Corporate Governance Committee is responsible for the development and maintenance of the Group's overall corporate governance policies and practices. The Board Committee undertakes the supervision of the day-to-day management of sustainability issues, assisted by the Enterprise Risk Management Steering Committee and the Human Resources department. The EHS function is responsible for identifying, managing and advising on issues relating to environmental protection and employee health and safety.

Further details of the composition and work of the Board and its Committees can be found in the Corporate Governance Report of the Annual Report 2017.

Code of Ethics and Business Conduct

The Group strives to conduct its business with honesty and integrity, both within the Group and in dealings with business partners, customers, suppliers, competitors and the communities in which it operates. To that end, the Group has published and implemented a Code of Ethics and Business Conduct (the "Code") which sets out the principles that define such behaviour and guides all employees to use good judgment and ethical decision-making in their business conduct and practices to prevent bribery, fraud, corrupt behaviour, money laundering and conflicts of interest.

The Group believes that its business partners' sourcing decisions should be based on the product offering, including quality, price, service and other competitive factors. Under the Code, it is prohibited to offer, give, solicit or accept, directly or indirectly, anything of value (such as money, goods or services) to or from a customer, government official or supplier for the purpose of obtaining an advantage. In addition, a business courtesy, such as a gift, favour, contribution or entertainment, must never be offered or accepted if it can be interpreted as improper.

Additionally, the Group is committed to complying fully with all applicable anti-money laundering laws throughout the world. The Group's management processes for customer relationships are designed to ensure that each business unit understands its customer businesses and markets so that the Group targets the right products for the customers. The Group endeavours to conduct business only with reputable customers involved in legitimate business activities and takes reasonable steps to ensure that the Group does not accept any forms of payment that are suspicious or identified as a means of laundering money.

The Group requires all of its managers, globally, to sign an annual declaration that they have read and conformed to the requirements of the Code. Additionally, the Group maintains a whistleblower hotline, accessible globally at any hour by phone or email, for employees to make anonymous reports of any ethics of business conduct concerns with any such reports investigated promptly and confidentially. If it is determined that there has been a violation of the Code, the Group takes prompt action to avoid future violations. If necessary, the Group will take appropriate disciplinary action against the violating party, which may include counselling, warning, transfer, suspension or termination of employment.

In FY2016/17, one investigation of employee violation of the Code was concluded, resulting in the case being reported to and investigated by the local police. Although the monetary amount was minimal to the Group's operations, such behaviour is nonetheless not tolerated by the Group and appropriate disciplinary and legal action was taken against the employee concerned.

Enterprise Risk Management

The Group has instituted a set of policies and processes to identify, mitigate and control its exposure to strategic, commercial, operational and financial risks and uncertainties through proactive management oversight and close cooperation amongst the members of the senior management team. In addition, robust day-to-day business practices are aimed at lowering the frequency and reducing the severity of any risk exposure. These business practices are closely monitored by the senior management and tested periodically to ensure their continued effectiveness. Existing and emerging risks are classified, analysed and tracked by the Group's Enterprise Risk Management Steering Committee, led by the Chairman and Chief Executive of the Company and also comprised of the Group Executive Vice President and Chief Financial Officer, Senior Vice President of Human Resources, Senior Vice President of Global Manufacturing, Senior Vice President of Supply Chain Services and Senior Vice President of Corporate Engineering, as well as key functional leaders from the Legal and Intellectual Property, Corporate Audit Services and Environmental, Health and Safety Departments.

ENVIRONMENTAL AND SAFETY GOALS FOR PRODUCTS

Johnson Electric helps its customers to attain their sustainability goals through the development of products that meet green imperatives, increasingly stringent government regulations and customer demand. The Automotive Products Group ("APG") achieves this by enabling and supporting the transition to Hybrid and All-Electric Vehicles and by assisting customers to improve fuel economy and reduce emissions for internal combustion engines. In the Industry Products Group ("IPG"), the priority is on creating energy efficient and smart products.

Eco Motion Solutions

The Group's "Eco Motion" symbol denotes those products that improve energy and fuel efficiency: a green leaf marked with the Greek letter Eta, the engineering symbol for efficiency, enclosed by a circle to represent motion. Johnson Electric is a technology leader for low weight high-power density technology innovations for eco-friendly products. The Group's brushless electronically commutated motors have high efficiency and its new compact designs require less steel, copper and plastic in their manufacture.

Automotive Products Group

APG develops and produces subsystems including motors, actuators and pumps for all critical automotive motion-related functions. Constantly innovating in its new product development, APG assists OEMs to meet their current and future needs including improving the capabilities of Hybrid and All-Electric Vehicles; complying with strict regulations and customer demands for fuel economy and emissions reduction in conventional internal combustion engines; and assisting in improving safety features in all vehicles.

Hybrid vehicles / electric – APG offers a wide range of products and application-specific know-how for zero and low carbon emission vehicles. Examples include:

- **Thermal management subsystems** – including electric water pumps, electric oil pumps, electric coolant valves and cooling fan modules;
- **Braking and suspension subsystems** – including electric motion systems for brake boosters giving electric braking force without vacuum or for electric vacuum pump systems assisting braking force and for energy harvesting from braking and suspension movements;
- **Engine and transmission subsystems** – in hybrid vehicles including start-stop components and subsystems that automatically shut down and restart the internal combustion engine, as well as electronic throttle control and electronic variable valve lifters that further improve fuel efficiency and reduce emissions; and
- **Weight reduction** – Hybrid and All-Electric Vehicles are designed to weigh less, to extend their range. APG assists this with lightweight energy-efficient solutions for existing electrified applications such as power seat adjustment, power windows, HVAC, etc.

Internal combustion engines – APG offers a wide range of products to assist Johnson Electric customers to meet their fuel efficiency and emissions reduction goals. Johnson Electric know-how assists customers to reach Euro 6 emissions requirements for petrol- or diesel-engine light passenger and commercial vehicles. Application examples include:

- **Fuel efficiency and emissions reduction** – APG has created a range of motion subsystems for managing the flow of fuel, air and oil in engines and regulating engine operating temperatures. The electrification of components in the engine including pumps, cooling systems, compressors, throttle control, valve lifting, etc., offers improved precision, accuracy and speed of response in controlling engine performance compared to conventional mechanical solutions. Engine efficiency and power density is increased and the level of combustion "by-products" (emissions) is reduced;

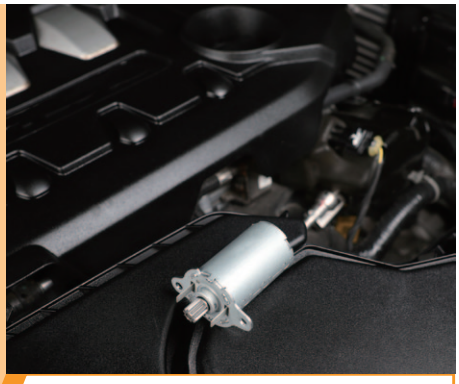
- **Exhaust treatments** – Products for selective catalytic reduction, diesel exhaust fluid and oil separator applications assist in the reduction of emissions in the vehicle exhaust system;

- **Transmission and driveline** – The electrification of oil pumps, shift, engage and disengage functions allows customers to design more efficient dual clutch transmissions or automatic transmissions. Johnson Electric actuators in smart power transfer units and axles for all-wheel drive and four-wheel drive vehicles contribute to significant fuel savings; and

- **Weight reduction** – Next generation fuel-efficient internal-combustion-engine vehicles are designed to weigh less, replacing conventional mechanical and hydraulic systems with lighter electric motion systems such as brake by wire, power steering, etc. and seeking lighter-weight solutions for existing electrified applications.

Safety – Customer demand and government regulations continuously raise safety requirements for vehicles. APG meets this demand with products for active and passive safety applications including headlamp adjusting, electric brake assistance, traction control, vehicle levelling, impact and crash-sensing and other safety systems.

Valve actuators



Electronic Throttle Control Motor

Industry Products Group

IPG develops and produces technologically leading motion solutions and electro-mechanical components for a diverse range of industrial, professional and consumer applications. A consistent theme, running across IPG's customer base, is the need for energy-efficient, high-performance products that solve complex motion problems at a competitive cost.

Energy Savings and Energy Efficiency – In many countries, multiple government initiatives promote awareness of energy usage, from legislation for smart metering of electricity and gas usage to regulations on labelling the energy efficiency of domestic appliances. Many of IPG's products directly address these imperatives. For example:

- IPG provides motorised gas shut-off valves to leading manufacturers of smart meters with zero pressure drop in the valve to prevent energy losses. All of IPG's gas shut-off valves exceed every international safety and performance standard.

- IPG's high-efficiency advanced-technology brushless ("BLDC") motors cater to a wide range of customer applications, assisting OEMs to deliver energy savings to domestic consumers. In the ventilation fan industry, BLDC motors with an efficiency of 80%, are replacing shaded-pole and induction motors with an efficiency of 10% to 25%, offering substantial energy savings. In home appliances, IPG's BLDC pumps for washing machines and dishwashers also give significant energy savings. Further energy savings can be achieved using IPG's Tippmatic™ switches, custom engineered to automatically disconnect standby power from coffee machines, washing machines, dishwashers and other appliances.

- IPG's BLDC motor technology is also replacing small internal combustion engines in chainsaws and professional tools as well as replacing pneumatic equipment and less efficient induction motors. The energy efficiency of these BLDC motors gives battery powered tools an extended battery life before recharging.

Health – IPG's Johnson Medtech business provides innovative motion solutions for improved patient well-being and better clinical outcomes. Applications include medication delivery, motorised surgical instruments and patient care devices.

Safety – IPG assists manufacturers of windows and window blinds to meet consumer product safety regulations. Window automation actuators combining motor, gearbox and the controlling electronics allow the manufacturer to eliminate the window blind cord. As an additional benefit to consumers, window automation also allows residential and commercial buildings to operate more efficiently, using less energy for heating and cooling through the smart control of windows and window coverings.

Quality Assurance Culture and Policy

Johnson Electric is committed to provide "Safe Choice" solutions, building in quality using superior designs, world-class quality systems and controlled manufacturing processes to meet or exceed its customers' requirements.

International Recognition and Compliance

To meet the increasing quality requirements demanded by customers and government regulations, the Group's various facilities have gained certifications under relevant quality standards. These international standards include ISO9001 for quality management systems; ISO/TS16949 (which contains sector-specific supplemental requirements on applying ISO9001 for the automotive industry); IECQ QC080000 hazardous substance process management system for hazardous-substance-free legal and customer requirements; ISO13485 quality management system for meeting regulatory requirements for the medical devices industry; and ISO14001 for environmental management systems.

The Group's products are certified as being in compliance with essential health, safety and environmental protection requirements by recognised testing laboratories and bodies including UL, VDE, NSF, CCC, ETL etc.

Additionally, to strengthen the capability and reliability of the Group's in-house testing laboratories and gain credibility for the quality of our testing, the Group has established a control system and has gained accreditation for our testing laboratories under ISO17025.

Quality Assurance in New Product Development

Johnson Electric's product development and engineering control process combines engineering, materials science and manufacturing expertise. From conceptual design to final production, the Group utilises various tools and methodologies such as Advanced Product Quality Planning ("APQP"), Quality Function Deployment ("QFD"), Failure Mode Effects Analysis ("FMEA") including Design FMEA, simulation testing, risk assessment, capability analysis, etc., to create differentiated products that deliver high performance, superior quality, reliability and functional safety.

Continuous Improvement Process

Johnson Electric's manufacturing processes are integrated with its product development and quality management systems to ensure product, production processes and business operations are "designed-in" with full capabilities. This features vertical integration for superior quality, a global manufacturing footprint, efficient logistics and a uniform global production system for high process capability throughout the world. This is underpinned by a culture of continuous improvement for eliminating waste, improving quality and reducing variation with increasing automation and enhancing the effectiveness of operations.

Customer Feedback Handling System

Any customer complaint and/or warranty claim is logged in the Group's Global 8D Database and communicated to concerned parties. A description of the problem, containment actions, root cause analysis and permanent corrective actions are recorded in the system, as appropriate. The Global 8D Database serves as a communication tool between front line staff close to the customer to product and design engineers at manufacturing locations; as an enabler for a team approach to identify, correct and eliminate problems; and as a system for recording lessons learned with consolidation of data and information for improvement.

Recall and Traceability

In case of incidents arising from customer feedback or internal control processes, any issue affecting safety or health will trigger a defined recall system and procedures. Product location(s) will be traced by the product lot code, shipment record, production record, ERP information, etc. for any containment action necessary. Returned products are segregated, analysed and improvement actions are taken, as appropriate.

SUPPLY CHAIN MANAGEMENT

The Group's engagement with suppliers is driven by its focus on "Innovation" and "Safe Choice". These core values are incorporated in the Group's supplier selection process, performance monitoring and throughout the business engagement with suppliers. Robust supplier qualification procedures before ordering regular supplies from any supplier ensure that the Group has the right supplier to source the right item. These procedures include due consideration of cost, quality, delivery, environmental awareness, ethical behaviour and social responsibility.

Supplier Selection Criteria

The Group's suppliers are contractually required to be certified with international accreditations such as ISO9001 for quality management systems, ISO14001 for environmental management systems, ISO/TS 16949 (which contains particular requirements on applying ISO9001 in the automotive industry), ISO13485 on applying ISO9001 in the manufacture and regulation of medical devices, etc. Suppliers are encouraged to be in compliance with environmental requirements such as Restriction of the use of certain Hazardous Substances in Electrical and Electronic Equipment ("RoHS EEE"), Directive No. 2000/53/EC End of Life Vehicles ("ELV"), Regulation EC No. 1907/2006 ("REACH") and Regulation No. 1272/2008 ("CLP"), Toxic Substance Control Act as amended ("TOSCA") directive and The Dodd Frank Wall Street Reform Act pertaining to Conflict Minerals.

Every supplier is required to comply with and sign the Code; which prohibits offering of gifts, certificates, loans, hospitality, service or favour in an improper manner. Suppliers are required to comply with The U.S. Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the criminal law of the country of operations.

The Group's purchase terms and conditions require suppliers to adhere to directives set by the International Labour Organisation ("ILO")'s "ILO Declaration on Fundamental Principles and Rights at Work" and the United Nations (UN)'s "UN Guiding Principles on Business and Human Rights" which adhere to the principles of freedom of association, right of collective bargaining, abolition of child labour and elimination of all forms of forced or compulsory labour or discrimination at work.

Compliance to these laws and directives is periodically monitored through supplier self-declarations and on-site audits. Furthermore, the Group's Supplier Performance Rating System enables it to continuously gauge and calibrate suppliers' ability to meet the above requirements.

ENVIRONMENTAL PROTECTION

The Group believes that excellent environmental performance will contribute to its sustainable growth for generations to come.

The Group's specific goal for its environmental management is "No damage to the environment wherever Johnson Electric operates." To achieve this goal, the Group endeavours to:

- Comply with applicable environmental laws and regulations;
- Design products and processes that are environmentally friendly;
- Continuously improve its Global EHS Management System to set and maintain rigorous standards for managing its environmental risk;
- Improve its EHS management by defining appropriate objectives and targets on a regular basis;
- Promote an environmentally aware workforce with regular communication to employees;
- Commit appropriate resources and leadership to the Global EHS Management System; and
- Communicate its environmental performance to stakeholders and seek their involvement wherever applicable.

The Group has implemented a Global EHS Management System for its environmental goals and policies. This aligns with the continuous improvement framework set out in the internationally recognised ISO14001 standard for environmental management systems.

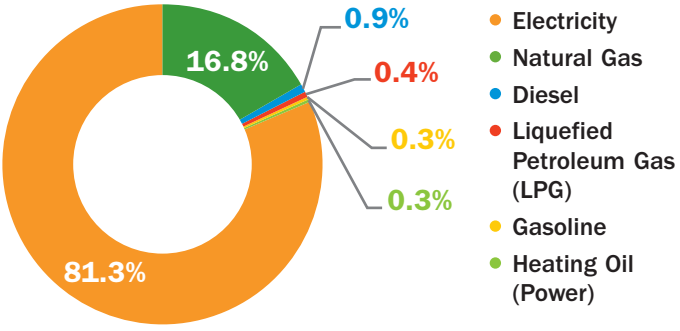
To assure compliance, most of the Group's operating locations have achieved ISO14001 certification. In FY2016/17, the Group's new manufacturing sites in Serbia and Mexico also achieved this certification. The system is regularly audited and verified by internal audit programs and by accredited external auditors. Following the management system principles, significant environmental aspects are identified; specific objectives and targets are set and appropriate resources and procedures are provided to address these. Every year, management conducts reviews to ensure that improvements are being made to fulfil the Group's overall environmental goals.

Resource Management

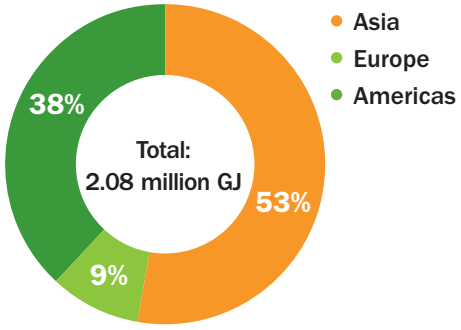
Johnson Electric actively manages energy, water and materials usage in its production processes and seeks to reduce consumption of these resources, for sustainable development.

Energy Usage: The Group consumed 2.08 million GJ of energy in FY2016/17. The Group's energy usage was largely from electricity consumption (81%) in its various manufacturing facilities, mostly for assembly and parts production including plastic injection, stamping, powder metallurgy, die-casting, magnet production, etc. Auxiliary production systems including air conditioning and air compressor systems also consumed electricity in these facilities. About 17% was from consumption of natural gas, mainly for space heating during the winter months for operations in northerly countries, e.g. Canada, and for sintering processes.

Types of Energy Consumption



Energy Consumption



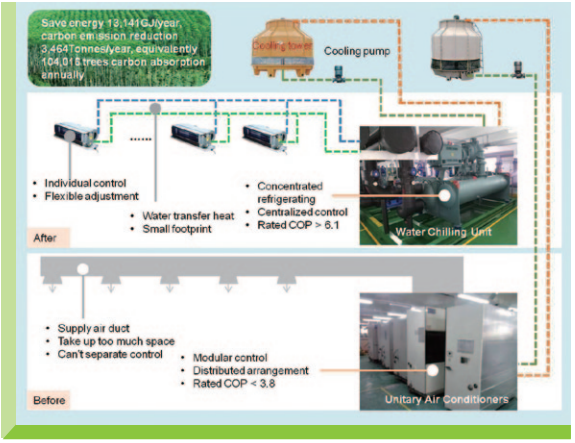
On a geographic basis, 53% of this energy consumption was in Asia, largely in the Group's factories in Shenzhen, China. 38% of this energy consumption was in the Americas, mainly in the energy intensive manufacturing processes required for Stackpole's engineered products and powder metal parts. 9% of this energy consumption was in Europe.

Energy Management and Energy Saving: The Group adopts a site specific approach to controlling energy consumption, facilitating effective energy management at an operational level at each of its locations.

For example, in Shenzhen, an Energy Saving Committee formulates strategies to reduce energy consumption and has implemented an energy management system ("EnMS") certified under ISO50001. The Committee is also responsible for the implementation and monitoring of energy saving initiatives in the Shenzhen factories. In FY2016/17, in addition to focusing on training the workforce and enhancing the EnMS, the Energy Saving Committee oversaw the completion of a number of energy saving projects, including:

Energy Saving Project	Energy Saved (GJ/year)	Carbon Emission Reduction (Tonnes/year)
Improvement in Air Conditioning Systems	13,141	3,464
Installation of hydraulic presses with frequency conversion controls	4,391	1,157
Use of servo motors for plastic injection machines and hydraulic presses	2,302	607
Use of far infrared heating oven to replace hair dryer oven	849	224

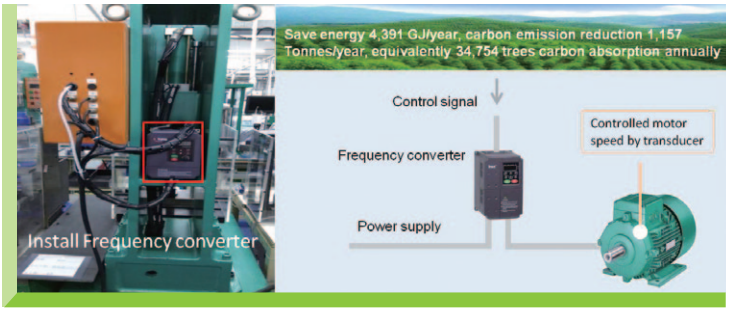
Improvement in Air Conditioning Systems:



A central air conditioner with a water cooled chiller system was installed to replace the unitary air conditioners for a factory building in Shenzhen. The water cooled chiller has a higher Coefficient of Performance ("COP") value reducing the energy consumption by 47%.

Installation of hydraulic presses with frequency conversion controls:

Frequency converters were installed for 265 sets of hydraulic presses and pumps. Used in conjunction with control software that optimises the operation parameters of the hydraulic presses, electricity consumption was reduced by more than 1 million kWh (or 4,391GJ).



The other sites of the Group also devised various saving programs, reducing both operating costs and energy consumption. For example, the Stackpole Powder Metal Group in Canada saved more than 13,000 GJ in FY2016/17 through various improvement projects.

Water Resource Management and Water Conservation: The Group's manufacturing facilities do not consume significant volumes of water. Nevertheless, the Group takes a proactive approach to reducing its water consumption, setting up water conservation programs wherever appropriate. For example:

- Ultra-filtration and reverse osmosis technologies enable process water from electroplating in Parlex, Shanghai, to be reused or recycled;
- In India, a wastewater minimisation program ensures that most of the water is used or reused after thorough biological treatment, reverse osmosis and UV disinfection; and
- The Shenzhen factories have gradually replaced certain older manufacturing technologies that require higher water consumption with more advanced processes that recycle or reuse water resources. In FY2016/17, the Group invested in a new treatment system for its aluminium die casting operations, so that grinding wastewater containing suspended solids can be reused in the process. Through coagulation, sedimentation, filtration, disinfection and reuse, process wastewater was significantly reduced.

Material and Resource Management: Manufacture of the Group's products consumes raw materials such as steel, copper, aluminium and plastic resins. The Group minimises the related impact by utilising these resources at their optimal rates to minimise process waste and by recycling scrap from the production processes to recover as much valuable resource as possible. This scrap may be sold for further recycling or used internally. For example, aluminium scrap from die casting processes is fully recovered through collection, remelting and internal reuse as raw material.

In FY2016/17, in addition to the conventional recovery of steel, copper, aluminium, plastics and paper, the Group took the initiative to recover other reusable materials from its process waste streams. For example, in the manufacturing of motors, epoxy powder was generated as a relatively inert solid waste. The Group's Shenzhen factories analysed the contents of this waste and confirmed its reusability. As a result, it is estimated that around 100 tonnes of epoxy powder was recovered and converted to useful materials.

Pollution Prevention and Management

The Group seeks to prevent pollution and other forms of environmental impact. Before building any new facilities, the Group assesses the potential environmental impact. Comprehensive environmental due diligence and baseline assessments ensure that these sites are clean prior to and during their operational life cycle. Manufacturing processes are designed from the outset to avoid pollution or environmental contamination. In the event that emissions or wastewater generation occur, appropriate treatment facilities are installed to mitigate possible pollution risks.

The Group has invested significantly in pollution prevention and control facilities to reduce environmental emissions from its factories, including wastewater, volatile organic compounds, acid fumes and particulate matter. The Group has assured 100% compliance with wastewater regulation and discharge standards in all of its major operations worldwide. In the last few years, the Group's Shenzhen facility has been continuously awarded a Green Environmental Credit Rating. In FY2015/16, the Group's Nanjing factory also achieved the Green Environmental Credit Rating.

Environmental Awards for the Shenzhen Factory: In FY2016/17, the Shenzhen Environmental Protection and Water Bureau contributed RMB500,000 to Hwa Sun (Guangdong) Co Ltd, in recognition of an upgrade to the treatment of wastewater and the optimisation of air emissions control in the Group's Shenzhen factory. The wastewater upgrade project uses advanced biochemical treatment following Fenton treatment, with an aerated biological reactor and flocculation. The exhaust gas optimisation project replaces a conventional wet alkali scrubbing process with a dry process using ceramic filters and pulse dust collection technology. Both projects contributed to the improvement of waste stream treatment, with the latter removing secondary pollution of wastewater from flue gas treatment for the magnet sintering process.

Cleaner Production: Alongside conventional approaches to pollution prevention and control, the Group uses the Cleaner Production concept to identify feasible options to reduce its environmental footprint. This approach seeks to minimise waste and emissions and to maximise product output from the manufacturing process.

Cleaner Production Partnership Programme

In Shanghai and Nanjing, China, the Group set cleaner production objectives for energy conservation and waste minimisation, working with the respective local authorities on Cleaner Production projects. In FY2016/17, these sites passed verification audits conducted by the government or certified third party agents. Previously, the Shenzhen factories also made improvements through the Cleaner Production Partnership Programme, promoted by the Hong Kong Environmental Protection Department, in collaboration with the Economic and Information Commission of Guangdong Province ("GDEIC").

In December 2016, the Parlex Shanghai factory was awarded two grants, totalling RMB300,000, from the Qingpu Authority in recognition of the facility's achievements in Cleaner Production, including upgrades to plating process equipment, real-time online monitoring, energy saving and hazardous waste reduction.

Waste Management

Waste reduction is a key target of the environmental management system. All of the Group's manufacturing facilities worldwide, are required to develop, implement and continuously improve site-specific programs to prevent or minimise solid and hazardous waste generation. Generally, if waste and used materials can be recycled, then it is sorted and recycled.

Hazardous waste, such as liquid waste containing spent copper or nickel solutions, oily waste and treatment sludge, is collected and treated by licensed vendors in accordance with regulatory requirements. Hazardous waste is carefully tested and verified before being treated with appropriate technology. The Group conducts regular audits to confirm hazardous waste is being correctly handled at each stage of storage, transportation, treatment and final disposal.

Non-hazardous (or general) waste such as food waste from canteens, cafeterias and pantries, is collected by registered service providers for landfill disposal, composting, or use as animal fodder.

Accomplishments in waste reduction in the Group's facilities in FY2016/17 included:

The Poland operation sends its plastics packaging waste for recycling. In FY2016/17, the facility introduced a baler to reduce the volume of plastics packaging material, reducing the consumption of fuel and greenhouse gas emissions during transportation.

In FY2016/17, the Mexico operation started a campaign to reduce the volume of waste, separating those materials that could be recycled and re-used. After detailed classification, most of the steel, wood, expanded polystyrene, plastics etc. is separated and reused as raw material for other activities. This saves space in the landfill and recovers cost from the process.

Climate Change – Greenhouse Gas Management

In FY2016/17, the Group emitted approximately 22 thousand tonnes of Direct (Scope 1) Greenhouse Gas ("GHG")[1] emissions and approximately 316 thousand tonnes of Energy Indirect (Scope 2) GHG[1] emissions.

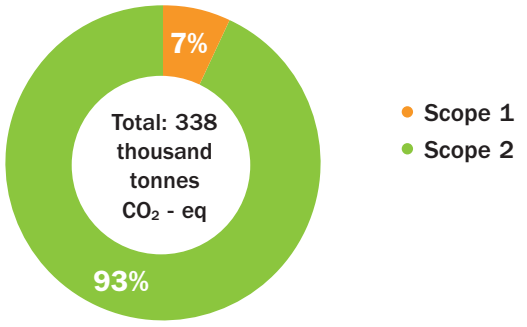
Scope 1: 82% of the Group's Direct GHG emissions were in the Americas. This was due to the use of natural gas for space heating and sintering processes, especially in Stackpole, Canada.

Scope 2: 86% of the Group's Energy Indirect GHG emissions were in Asia. This was due to the use of purchased electricity and the size of the Group's operations in China, especially its Shenzen factories. In Europe, carbon emissions from electricity production are lower in countries such as France and Switzerland, therefore the indirect carbon emissions in operations in this region were lower than in other regions.

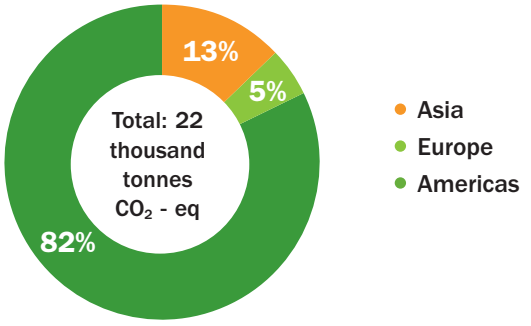
China's Pilot Carbon Emission Trading Scheme: In 2011, China launched a pilot carbon emission trading scheme for 8 cities and provinces, including Shenzhen. This trading program follows the Cap-and-Trade principle and is part of the government's efforts to fulfil its commitment to reduce carbon intensity significantly.

The Group has been trading in the Shenzhen Carbon Emission Trading System since 2013, with its carbon emission inventories data fully verified by a certified third party. Through various energy saving projects and technological improvements, The Group's Shenzhen factories reduced their carbon emissions, reaching an excess of carbon credits of 50,000 tonnes each year. The practice continues and in the calendar year 2016 more than 50,000 tonnes were available for trading in the scheme.

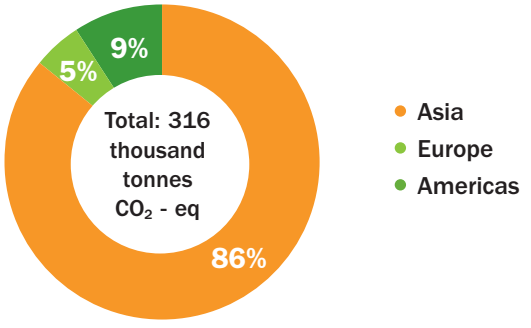
Scope 1 vs Scope 2 GHG emissions



Scope 1 GHG emissions



Scope 2 GHG emissions



Other locations worldwide also participate in GHG management. For example, the calendar year 2016 was the third successive year that the control and management of GHG in Parlex, Shanghai, was certified under ISO14064. The ISO14064 system follows the approach of GHG inventory establishment, verification, with targets for reduction to continuously improve carbon emission management and reduce energy use.

[1] Greenhouse gas is measured as carbon dioxide equivalent (CO_2 - eq).

INVESTING IN PEOPLE

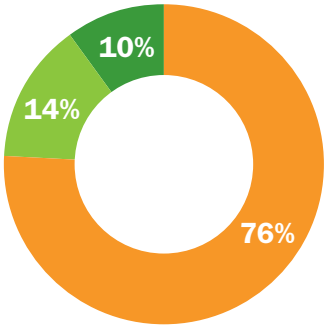
People and culture are at the heart of Johnson Electric's success. The Group's human capital strategy is to attract and develop great people, put them in the right jobs and provide an environment that enables everyone to excel at what they do. These are the 3 pillars that support the vision to become ***"One Johnson around the world, a great company and a great place to work!"***.

This is supported by a robust talent management process, an equitable and competitive compensation and benefits program, a fit-for-purpose training and development agenda, an engaging internal communications infrastructure and a systems-based approach to EHS requirements.

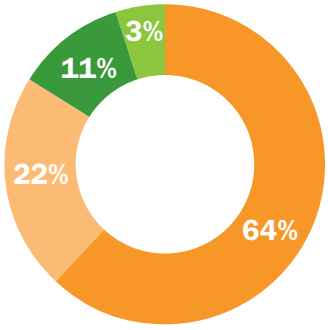
Our Employees

As of 31 March 2017, the Group's total global headcount stood at over 39,000 across Asia, Europe and the Americas, with the following profile and breakdown:

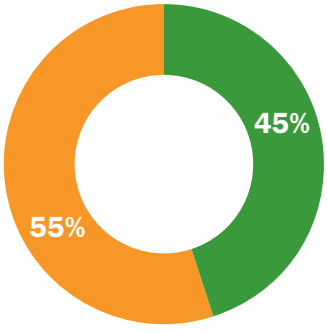
Total Workforce by Region



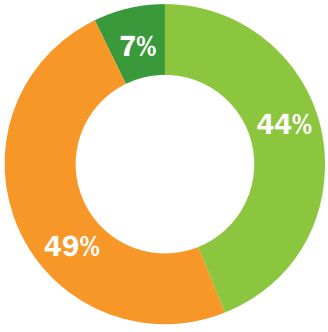
Total Workforce by Category



Total Workforce by Gender



Total Workforce by Age Group



Human Resources Policy

Johnson Electric is committed to respecting the labour and human rights of all its employees. Global policies related to these aspects are in place and diligently adhered to. These policies include:

- **Equal employment opportunity** – Johnson Electric is committed to treating all applicants and employees in a fair and non-discriminatory manner without regard to age, disability, marital status, race or colour, national origin, veteran status, religion, sex, sexual orientation, or any other legal protected status.

- **Open communication** – Johnson Electric is committed to maintaining open two-way communication throughout the Group, keeping employees informed of current happenings and fostering an environment where employees can feel comfortable voicing their opinions, ideas, suggestions and concerns.

- **Harassment free workplace** – Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.

- **Workplace violence and weapons** – Johnson Electric's objective is to provide a safe work environment that is free from violent acts and threats of violence.

- **Code of ethics and business conduct** – This guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. Globally, every manager is required to regularly declare that they have read and conformed to the requirements of the Code of Ethics and Business Conduct. For more details of the whistleblower policy, please refer to page 7 of this Report.

Every year, the Group's regional and country Human Resources teams acknowledge and certify their full compliance to the Human Resources policies and to relevant labour laws and regulations. Additionally, the Group's subsidiaries around the world set their labour standards in line with local governmental requirements, so that the employment conditions fully comply with the relevant labour laws and regulations.

MARBLE Values and Imperatives

Johnson Electric prides itself on a set of shared core values and commitments that together form the foundation to everything the Group does. The first initial of each of these values spell the word "MARBLE"; the acronym that Johnson Electric employees use internally when referring to these values.

- ***M***ake customers successful – Providing "Safe Choice" solutions and delivering what our customers need, when they need it, is the primary goal of Johnson Electric. We are committed to make our customers successful in their business, as the basis for long-term success in our business.

- ***A***ttract and develop great people – Johnson Electric aims to offer its people a superior career development experience that rewards results, enterprise, coaching and teamwork. We recognise that our business thrives on the diversity of our people and their ideas.

- ***R***each higher – Johnson Electric people set stretched goals for themselves to drive business growth and personal career fulfilment. We know from experience that bold thinking and bold action will bring about extraordinary results. We make Johnson Electric a great company and a great place to work.

- ***B***elieve in practical solutions – Johnson Electric is driven by shop-floor practicality and a positive "can do" mindset. We seek to turn innovative ideas into cash flow by working quickly as a team and refusing to be stalled by complexity.

- ***L***ead by example – Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe and healthy environment for our people and the local community.

- ***E***xcel in execution – Johnson Electric's customers expect the highest standards of quality and performance. We work not only to meet those expectations but also to exceed them through continuous cycles of learning. We have fun at work and celebrate success.

Talent Management

The Group is committed to attracting and developing great people, supported by a group-wide definition of talents, along with a clear set of management competencies and corresponding evaluation tools. There is a focus on strengthening the development of high potential employees and the leadership bench, with special emphasis on outside-the-classroom training through stretch assignments and on-the-job opportunities. The Group's selection tools are continuously being refined to ensure the right people are hired for the right jobs.

The Johnson Electric management team and students at the inauguration of JETC in Zacatecas, Mexico

Additionally, to address local talent needs, the Group launches talent acquisition initiatives, as needed, targeting candidates with specific skills and experience. For example, in FY2016/17:

- In Canada, Stackpole cooperated with Ontario's Ministry of Advanced Education and Skills Development and Conestoga College to launch a Skills Advance pilot project offering industry-specific training. The project assists Johnson Electric in hiring the right people with the right skills, while also taking a proactive move in the competitive labour market.

- In Asti, Italy, the Group offered internship opportunities to students from technical and commercial high schools, to meet the growing demand for talent.

- In Serbia, Johnson Electric cooperated with the Faculty of Mechanical Engineering of the University of Niš in an internship program for Master Academic students in Mechatronics and Management, as well as Production-Information Technology.

- In Dresden, Germany, a Johnson Electric Prize was awarded to the best diploma thesis in precision engineering at Technical University Dresden, to feature the Group as a potential employer and open up a talent pipeline for the Company.

Compensation and Rewards

The Group maintains a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which it operates. Annual incentive pay is tied to the achievement of revenue, profitability and cash flows goals and is an important component of compensation for more than 80% of staff-level employees, including all management staff. Additionally, the Group's long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

Training and Development

Johnson Electric promotes the 70/20/10 learning and development model; a self-directed, self-paced approach to acquire 70% of learning through real life and on-the-job experiences, tasks, challenges and practice, 20% through a variety of activities that include feedback, social learning, coaching, mentoring, collaborative learning and other interactions with peers and 10% from formal training.

The Group's Training and Development teams design and deliver just-in-time, pragmatic programs to align the Group's business direction through advancing the skills and knowledge of employees. Training subjects range from leadership development, ISO international standards, compliance awareness and hazardous substance process management to specialised workshops on motor design engineering plus a wide range of soft skills training.

Additionally, Johnson Electric is dedicated to developing future talent and leaders to meet its ambitious growth targets. To support this, the Group operates the Johnson Electric Technical College (JETC). Founded in 2004 in Shenzhen, China, with an additional centre opened in Zacatecas, Mexico in FY2016/17, JETC provides a mix of general and technical education for youth over a three-year course. This paves the way for younger generations to choose engineering as a viable career option and join the Group's workforce upon graduation. Targeting underprivileged youth, JETC is also part of Johnson Electric's corporate social responsibility to give back to society. Since its foundation, JETC has accepted 1,093 students, including a further intake of 60 expected to join later in 2017.

In Serbia, Johnson Electric provides training schemes in partnership with a local secondary mechanical school and with the University of Niš. Students participating in these schemes spend 2 days a week in the factory, following detailed programs based on the JETC concept, bringing together theory with practical experience. Since their inception, 18 secondary school students and 10 master's degree students have been accepted in these schemes.

These efforts have led to recognition, including the Gold Awards at the AmCham's CHRMA Human Resources Best Practice Awards South China 2016 in the categories of Talent Acquisition and Employee Relations, as well as a Letter of Appreciation from the Faculty of Mechanical Engineering, University of Niš, Serbia, for Johnson Electric's outstanding contribution to the development of local education.

Employees' Health and Safety

The Group is committed to protecting the health and safety of its employees. This is embedded in the Group's Global EHS Management System and associated standards. All operations worldwide are expected to comply with this, to manage the Group's various health and safety risks.

The Group's specific goal for its health and safety management is "No harm to people working for Johnson Electric." To achieve this goal, the Group endeavours to:

- Comply with applicable health and safety laws and regulations;
- Design products and processes that are safe;
- Continuously improve its Global EHS Management System to set and maintain rigorous standards for managing its various environmental risks;
- Improve its EHS management by defining appropriate objectives and targets on a regular basis;
- Promote a positive safety culture with regular communications to its employees.
- Commit appropriate resources and leadership to the Global EHS Management System; and
- Communicate its health and safety performance to stakeholders and seek their involvement wherever applicable.

All operations worldwide are expected to achieve the Company's goal and comply with the Global EHS Management System and associated standards, to manage the Group's various health and safety risks.

Building a Safety Culture: The Group understands that outstanding health and safety performance requires a proactive safety culture that involves everybody in the organisation. To achieve this, the Group provides various forums and opportunities to engage leaders and employees to promote safety. This safety culture is embedded in day-to-day tasks via "Safety Moments" before meetings, tool-box talks prior to the commencement of operational activities, safety training and employee participation in safety committees and safety inspections. The Group requires its sites to have safety committees providing training and communication to the workforce, so that they are safe in executing their work. Additionally, every year, the Group dedicates the entire month of June as its "Safety Month" worldwide.

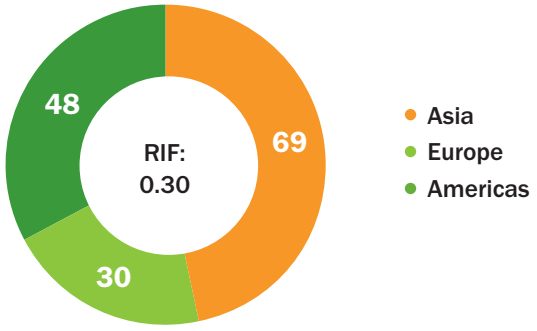
For the Safety Month in FY2016/17, the theme was "Taking Safety Personally". This was to highlight that in a true safety culture, everyone is responsible for his/her own safety as well as those working around them. The message was spread to every Johnson Electric employee. In the opening remarks for the month, Dr. Patrick Wang, Chairman and Chief Executive of the Group emphasised the "Should Be Condition" is critical to workers' safety.

Safety Performance: The Group uses the recordable injury frequency ("RIF") metric, calculated as the number of recordable injuries per 100 employees each year, to measure its safety performance.

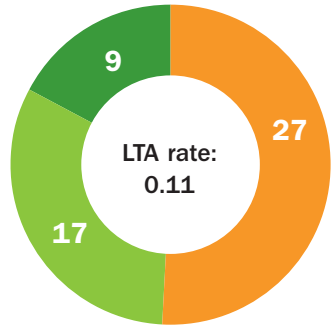
In FY2016/17, there were 147 recordable injuries ("RI") across the Group and the cases were mostly minor. This led to a recordable injury frequency of 0.30 for the Group. 53 of these recordable injuries were lost time accidents ("LTA") with lost time of more than one working day. The LTA rate was 0.11. To prevent recurrence of such incidents, the Group's policy is to investigate and address the root causes. For example, the Group conducted production machinery safety analysis and used the conclusions from this to develop rules for safer machine design and for enhanced training of the Group's engineers and operators. Additionally, further automation of the production lines is underway and will further reduce worker exposure to safety risk.

In FY2016/17, we took the initiative of not only reporting actual injuries or materialised incidents, but also near misses. We believe that only by creating a proactive near miss reporting culture can injuries be prevented.

Number of RI: 147 cases



Number of LTA: 53 cases



Promoting Occupational Health: The Group also devotes substantial effort in the protection of workers' health. For example, in the Group's Shenzhen factories, where more than 20,000 workers are employed, we have devised various measures to ensure workers' occupational health. The occupational health program involves the identification and assessment of occupational health risks in the workplace and the implementation of control measures to reduce the risk to as low as possible.

All of the Group's operational sites worldwide have health promotion and first aid programs. For example, in the Shenzhen site, employees are trained in first aid and medical staff provide clinical and health consulting services to all workers. The health team also advises and explains the results of health checks to employees and educates them on the prevention of general and occupational diseases.

Every year, the Group arranges workplace industrial hygiene monitoring to ensure hazardous materials and conditions are properly controlled. Health examinations for workers are also conducted so as to monitor the workers' health and well-being.

Examples of the elimination of occupational health hazards in the workplace in FY2016/17 included:

- In the new facility in Niš, Serbia, detailed noise analysis of new equipment was conducted prior to the installation of press machines. This led to a full enclosure design significantly reducing workplace noise from more than 95 dB(A) to below 82 dB(A), more than halving the intensity of the sound.

- Noise abatement measures in component production workshops in the Group's Chinese operations, reducing workplace noise levels to below 80 dB(A), a level comparable to some domestic dish-washers.

In addition, to ensure that the use of chemicals is safe and does not pose a health risk to its workers, the Group has a comprehensive chemical management system to control the purchase, storage, use and disposal of chemicals. Under this system, no new chemicals are allowed without a high degree of scrutiny of their health and environmental effects. Additionally, the Group seeks opportunities to reduce the variety and quantity of chemicals used in its operations by eliminating or reducing their use in processes or by standardisation of processes. In FY2016/17, the Group's Shenzen factories reduced the variety of chemicals used by 40%.

Safety beyond the fence: Since some of the operations of the Group are located in developing countries, we pay particular attention to the safety risk on the road to our employees travelling to and from our facilities. For example, in India, the plant management is committed to demonstrate their safety leadership as a role model in Chennai. The company strictly applies a mandatory rule for safety helmets for employees or contractors driving to the plant by two wheelers. The simple rule is that they must wear helmets, otherwise, they will not be allowed to enter the plant. The same measures are being applied in the other operations worldwide.

EMPLOYEE AND COMMUNITY ENGAGEMENT

The Group seeks to continuously enhance communications within the organisation as it expands through organic growth and acquisitions. Employees are kept up to date with corporate news through different internal communication channels at the global and local level.

Employees of AML China and their family members posing for a group photo at a company outing

Globally, the Group utilises an enterprise social network as a major internal communications vehicle to disseminate company news. The platform was further enhanced in FY2016/17 to include interactive and team collaboration features to promote multi-directional communication and enhance team effectiveness. At the local level, all-staff meetings were held to update staff on business performance and key priorities.

An increasing number of employee activities were held at different sites to boost employee morale, build team rapport and enhance employee well-being. A diversity of creativity was shown across regions, from sports competitions, festive celebrations, family day, health and safety awareness programs to influenza vaccinations.

For example, AML China organised a company trip for employees and their family members for its annual team building event. Johnson Electric Hong Kong formed teams to take part in the dragon boat competition and the annual Oxfam Trailwalker to raise funds for charity. Other examples include yoga classes and a cricket match in India; Take Your Kids to Work Day at Stackpole; a cancer awareness week in Springfield, US; a football club in Murten, Switzerland; and a hockey team in Bedzin, Poland.

Johnson Electric Hong Kong employees raised funds for Oxfam through participating in the 100-km long Trailwalker challenge

Employees at Johnson Electric Springfield, US showed their care for the breast cancer community

Employees at Johnson Electric Poland having a great time at their Christmas party

As part of the Group's employee engagement initiative, the "Living MARBLE" recognition program rewards role-model behaviours aligning with the Company's core values. In FY2016/17, close to 240 employees were recognised under the program. Since the inception of the program, over 500 employees have been publicly recognised in presentation ceremonies held at their own locations.

The third One Johnson Celebration, held in December 2016, was an occasion for employees to celebrate another year of impressive accomplishments. All locations joined in to organise activities around a common theme of **Simplify, Standardize and Globalize** (**SSG**) which is also a key business priority going forward. A global SSG contest was organised to reward and recognise projects and teams that helped the Company achieve operational efficiency and effectiveness. All staff meetings, Christmas parties and charitable events were among a wide range of activities held during the week to celebrate "One Johnson Around The World".

The One Johnson Celebration concluded with an entertainment-filled party in Shenzhen, China

Caring for the Underprivileged

Echoing our core values of good corporate citizenship wherever we operate, Johnson Electric actively engages our employees through participation in community service or partnering with not-for-profit organisations to show we care for society. The good deeds that our employees made time to do over the past year included clothes donation and blood donation drives, cancer awareness campaigns, visiting children's hospitals and elderly homes, organising activities for low-income families, supporting animal welfare and promoting environmental causes.

Stackpole employees took part in a fundraising campaign for Heart and Stroke Foundation

FY2016/17 also saw the launch of Junior Engineer, a global community project aiming to build a culture of giving back as well as nurturing the future generations of engineers. More than 20 locations took part in the initiative and each of the participating locations cooperated with a local school or a not-for-profit organisation of their choice. A group of up to 20 children were invited to have a fun time with our volunteers and participate in a competition to build model cars powered by our proprietary electric motors.

KEY STATISTICS

Items	FY 2016/17	Unit	HKEx indicators [1]	Page
Air emissions [2], e.g. VOCs, Acid Fume, Sulphur Dioxide, PM	18	tonnes	A1.1	N/A
Direct GHG (Scope 1) emissions [3, 4]	22	thousand tonnes CO_2 - eq	A1.1/A1.2	19
Indirect GHG (Scope 2) emissions [3, 5]	316	thousand tonnes CO_2 - eq	A1.1/A1.2	19
Direct/indirect energy consumption	2.08	million GJ	A2.1	15
Total workforce	39,984	no.	B1.1	20
Total workforce by region				
Asia	76	%	B1.1	20
Europe	14			
Americas	10			
Total workforce by category				
Blue collar	64	%	B1.1	20
Support/others	22			
Professional/supervisory	11			
Managerial	3			
Total workforce by gender				
Male	55	%	B1.1	20
Female	45			
Total workforce by age group				
Under 30 years old	44	%	B1.1	20
30 – 50 years old	49			
Over 50 years old	7			
Number of work-related fatalities	Zero	cases	B2.1	N/A
Number of recordable injury ("RI") [6]	147	cases	B2.2	25
Recordable injury frequency ("RIF") [7]	0.30	per 100 employees	B2.2	25
Lost time accident ("LTA") [8]	53	cases	B2.2	25
Lost time accident rate [9]	0.11	per 100 employees	B2.2	25

1 HKEx indicators refer to the KPI listed in the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on of the Stock Exchange of Hong Kong Limited.

2 Air emissions are estimated based on single or periodic measured air pollutant concentrations multiplied by average air flow rates and total working hours in a year.

3 The calculation involved the use of country specific conversion factors and in reference to Greenhouse Gas ("GHG") Protocol.

4 Direct GHG (Scope 1) emissions refers to the direct emission of CO_2 - eq from the combustion of fossil fuels, including natural gas, diesel, liquefied petroleum gas, gasoline and heating oil.

5 Indirect GHG (Scope 2) emissions refers to the indirect emission of CO_2 - eq from purchased electricity.

6 Recordable injury is defined as all injuries except first aid cases as defined by US Occupational Safety and Health Administration ("OSHA") regulation.

7 Recordable injury frequency is calculated as the number of recordable injuries per 100 employees working each year.

8 Lost time accident refers to recordable injuries with lost time of more than one working day.

9 Lost time accident rate is defined as lost time accident per 100 employees working each year.

HKQAA
HONG KONG QUALITY ASSURANCE AGENCY
香港品質保證局

VERIFICATION STATEMENT

Scope and Objective
Hong Kong Quality Assurance Agency (HKQAA) has been commissioned by Johnson Electric Holdings Limited ("Johnson Electric") to conduct an independent verification of its Sustainability Report 2017 (herein referred to as "the Report"). The Report stated Johnson Electric's sustainability performance and efforts towards sustainable development for the period from 1 April 2016 to 31 March 2017.

The aim of this verification was to provide assurance on the completeness and accuracy of the information stated in the Report. And it was to confirm the Report has been prepared based on the Environmental, Social and Governance (ESG) Reporting Guide of The Stock Exchange of Hong Kong Limited (HKEx).

Independence
HKQAA was not involved in collecting and calculating data, or in the development of the Report. HKQAA's verification exercises are independent from Johnson Electric. There is no relationship between Johnson Electric and HKQAA beyond the contractual agreement for providing the verification service.

Methodology
The process used in this verification was based on current best practices. The Report was reviewed against the following criteria:

- International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board; and
- HKEx's ESG Reporting Guide

The verification procedure included reviewing relevant documentation, interviewing responsible personnel with accountability for preparing the Report and verifying the selected representative sample of data and information consolidated in the Report. Raw data and supporting evidence of the selected samples were examined.

Conclusion
Based on the outcome of the verification process, it is opined that the Report has been prepared based on the HKEx's ESG Reporting Guide.

The Report illustrates Johnson Electric's sustainability performance on the significant aspects in a balanced, comparable, clear and timely manner. We are satisfied that the Report includes factual statements and the data contained within the Report is generally reliable and complete. It is a fair and honest representation of Johnson Electric's initiatives, targets, progress and performance on its sustainable development achievements.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam
Director, Corporate Business
July 2017

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