

# Johnson Electric Holdings Limited

*(Incorporated in Bermuda with limited liability)*

## Sustainability Report 2020



innovating motion

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## ABOUT OUR REPORT

This Sustainability Report 2020 (the “Report”) covers the sustainability performance of Johnson Electric Holdings Limited (the “Company”) (Stock code: 179) and its subsidiaries (collectively the “Group” or “Johnson Electric”). It should be read in conjunction with the Group’s Annual Report 2020, in particular the Management’s Discussion and Analysis and the Corporate Governance Report sections.

The information presented relates to sustainability performance and activities in all of Johnson Electric’s major operating locations worldwide from 1 April 2019 to 31 March 2020, unless stated otherwise. There were no significant changes to the boundaries of the activities included in this Report compared to the previous year.

Our Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“HKEx”). It has been independently verified by the Hong Kong Quality Assurance Agency (“HKQAA”). The verification statement can be found on page 53.

Our Report is published in English and Chinese. Both versions are available for download at [www.johnsonelectric.com](http://www.johnsonelectric.com). In the interests of environmental protection, we do not provide printed copies of this Report.

# MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE



As the CEO of a company that has now been in existence for more than 60 years, I spend a lot of time reflecting on what needs to change, what does not need to change, and what we stand for as a business.

At its most fundamental level, I ask myself “What is the purpose of our Company?” or, putting this question another way, “What would the world miss without us?”

I think Johnson Electric exists for two main purposes:

The first is to provide advanced engineered solutions to products that ultimately help make people’s lives more comfortable, safer and healthier.

The second – and perhaps more tangible purpose – is to provide meaningful, sustainable work that contributes to vibrant local communities in the places where we do business.

## *Advanced Engineering Solutions*

Our Automotive Products Group supplies products that directly address many of the environmental and social challenges that face the automotive industry today. Our lightweight, highly efficient motors, actuators, pumps and related components increase the capabilities of hybrid and all-electric vehicles. They enable the electrification of critical functions in internal combustion engine vehicles, improving efficiency and power density to meet strict emissions and fuel-efficiency targets. They also support the development of autonomous vehicles and offer enhanced comfort and safety for all vehicles.

Our Industry Products Group serves a wide range of industrial, professional and consumer application segments. Here too, the theme is one of increasing sustainability. Our innovative technology and application expertise allows us to create products for more sustainable patterns of consumption requiring fewer resources in their manufacture – delivering ease-of-use and controllability while consuming less energy, and achieving a longer service life to reduce waste. Our products for lawn and garden are directly replacing highly polluting two-stroke internal combustion engines. Our products for ventilation applications assist in improving air quality in the home. In the healthcare market, we help improve patient well-being and achieve better clinical outcomes. We are applying our technology to enhance personal protective equipment for medical workers on the frontline of the fight against COVID-19.

## *The Way Forward*

We work to build our insight into the particular circumstances of our customers so we can understand how best to meet their needs. Customers not only require us to innovate to reduce pollution, increase energy efficiency, reduce greenhouse gas emissions and improve health and safety. They also need us to do so at an attractive price, allowing more and more people to access the sustainability benefits of our advanced engineering solutions.

To achieve this, we must integrate our understanding of the customer context with new technology tools, digitizing our industrial processes and analyzing big data. If we do this well, it will allow us to deliver a dramatically enhanced customer experience that solves customers’ problems faster and increases productivity through the speed and efficiency of our operations.

At the same time, we must increase the resilience of our operations, shaping our operating footprint to be in closer proximity with our customers. This too brings sustainability benefits as we introduce advanced manufacturing technologies to our various sites around the world, shorten our logistics routes and localize supply chains, increase value addition and reduce our reliance on any single country or factory.

## *Meaningful, Sustainable Work*

I would like to conclude my message by considering the human element.

I get very excited when Johnson Electric wins a new piece of business or we design an innovative solution to a customer problem. But honestly speaking, the part of this business that has the most impact on me personally stems from something my father once told me. He once said, “I love my career in industry, because I can make positive changes in people’s lives.”

When I look around Johnson Electric today, with thousands of employees contributing to vibrant local communities in more than 20 countries, I’m proud and humbled by what we have achieved.

There are many examples of this. The Johnson Electric Technical College provides a route to technical training and employment for underprivileged youth in China and Mexico. We have also created access to meaningful, sustainable work for single mothers in Mexico. Our work to tackle youth unemployment and long-term unemployment in Serbia has been recognized by the Country’s National Employment Service.

Most recently, the COVID-19 pandemic has brought stress and worry to us all. Yet – despite all this difficulty – we have seen many instances of what is so great about the people and culture of Johnson Electric. We moved quickly to get global alignment on the health and safety policies we needed to put in place. Then, at the local level, we witnessed practical actions taken by empowered teams of individuals who understood what was needed in the context of their workplace and their community.

These are challenging times for all of us. Nonetheless, I am confident in the knowledge that Johnson Electric has a proven record of adapting successfully to change – and that we have a fantastic team of people who will help us to continue to progress over the long term.

I would also like to thank our customers, partners and suppliers for their support for our journey. It is the imperative to continue to make this sustainable and enduring that matters most.

**Patrick Shui-Chung Wang JP**  
*Chairman and Chief Executive*  
Hong Kong, August 2020

# JOHNSON ELECTRIC AT A GLANCE >>>



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

## 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.

At 31 March 2020, Johnson Electric employed over 36,000 individuals in 23 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

Johnson Electric develops and produces subsystems for automotive applications that require motors, actuators, pumps and related components. We supply over 700 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.



Johnson Electric's automotive products include: thermal management subsystems such as powertrain cooling fans, battery cooling fans for hybrid/electric vehicles, coolant valve actuators, and auxiliary electric water pumps; heating, ventilation and air-conditioning actuators; engine and transmission oil pumps; electric power steering motors; electric parking brake actuators and motors; headlamp actuators and levelers; washer pump systems and motors; window lift drives; sun-roof drives; power-lift-gate drives; electric door lock motors and actuators; seat adjust motors; transmission and driveline actuators; motors for turbo charger actuators; engine management motors and actuators; and powder metal components for engines, transmissions and suspensions.

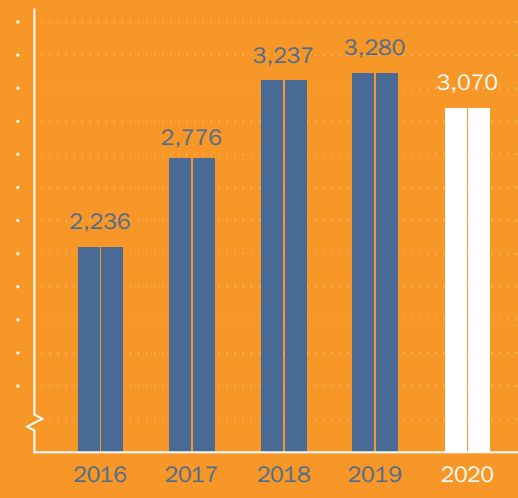
For vehicles in production today and for the next generation of conventional internal combustion engine, hybrid and all-electric vehicles under development, the imperative is for electro-mechanical components to be energy efficient, compact, lightweight and yet capable of withstanding extreme temperatures, 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 recognized leader in the market.

>>> Electric Clutch Actuator



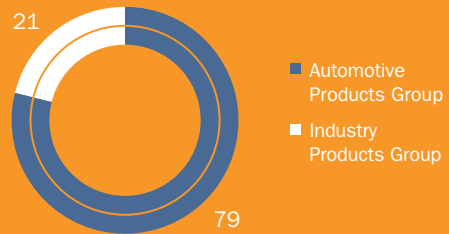
### TOTAL GROUP SALES

(US\$ million)



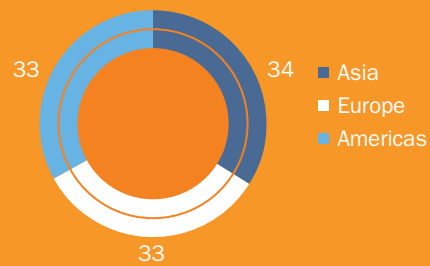
### SALES BY OPERATING DIVISION

(%)



### SALES BY DESTINATION

(%)



## Industry Products Group

Johnson Electric supplies advanced motion solutions and electro-mechanical components to approximately 1,400 industrial and commercial customers whose products are found in a remarkably diverse range of industrial, professional and consumer application segments.

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.



Miniature Drive for Insulin Pumps

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

# SUSTAINABLE DEVELOPMENT GOALS

In 2015, the United Nations adopted 17 Sustainable Development Goals (“SDGs”) as part of a development agenda that charts the course towards a more inclusive and sustainable future. The SDGs explicitly call on all businesses to apply creativity and innovation to solve sustainable development challenges. The SDG Compass, a guide for businesses to act on the SDGs, encourages companies to define their priorities, based on an assessment of the SDGs most relevant to the business and its stakeholders. This enables businesses to “seize the most important business opportunities presented by the SDGs and reduce risk”.

We monitor the alignment of our business strategies with the SDGs and identify their interactions with the actual and potential impacts (both positive and negative) of Johnson Electric’s current activities and business scope. The SDGs are interconnected – often the key to success on one will involve tackling issues more commonly associated with another. Considering this, we classify the SDGs as follows:

- “Core SDGs” where we believe we can make the greatest impact and “move the needle”. These goals are closely aligned with our product strategies and with our industrial logic. This year, we have updated our analysis, to reflect the importance placed on employment and related social issues by the business and by our stakeholders. Following this change, our core SDGs are:
  - SDG 8 – Decent Work and Economic Growth
  - SDG 9 – Industry, Innovation and Infrastructure
  - SDG 12 – Responsible Consumption and Production
- “Supporting SDGs” that give further focus to our activities. Efforts towards achieving these goals will also contribute towards success with our core SDGs. Our supporting SDGs are:
  - SDG 3 – Good Health and Well-being
  - SDG 4 – Quality Education
  - SDG 11 – Sustainable Cities and Communities
  - SDG 13 – Climate Action
  - SDG 17 – Partnerships for the Goals
- “Other SDGs”. Efforts towards these goals may contribute towards our success with the core SDGs and supporting SDGs but do not provide the same opportunity for us to make an impact on a global level

The specific targets set by the core and supporting SDGs most relevant to Johnson Electric’s current activities and business scope, and our related strategies, are set out on the following pages.





## SDG 8 Decent Work and Economic Growth

Core  
SDG

Relevant targets set by the SDG	Related strategies	In our report
Achieve higher levels of economic productivity through diversification, technological upgrading and innovation	We are introducing advanced manufacturing technologies to achieve higher levels of productivity.	Industrialization and Innovation
Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation	As a technology leader for lightweight, high-power-density motion solutions, we provide energy-efficient products that improve fuel consumption reduce emissions, have a longer working life and require fewer resources in their manufacture.	Sustainability in Johnson Electric Products
	We are committed to improve resource efficiency in production and endeavour to decouple our growth from environmental degradation.	Environmental Responsibility
Achieve full and productive employment and decent work for all women and men	We provide meaningful, sustainable work.	Investing in People and Communities
Substantially reduce the proportion of youth (aged 15-24 years) not in employment, education or training	In China and Mexico, the Johnson Electric Technical College ("JETC") provides a pathway for underprivileged youth to choose engineering as a viable career option and join the Group's workforce upon graduation. JETC provides a mix of general and technical education over a three-year course. We operate a similar scheme in Niš, Serbia, working hand-in-hand with a local technical school. The Group also partners with schools and universities to support the provision of quality technical and vocational education.	Investing in People and Communities
Take immediate and effective measures to eradicate forced labour and end child labour in all its forms	We are committed to the abolition of child labour and elimination of all forms of forced or compulsory labour. We take practical measures to prevent this in our own factories, and embed this requirement in our relationships with suppliers.	Investing in People and Communities  Sustainability in Johnson Electric Products
Protect labour rights and promote safe and secure working environments for all workers, including migrant workers	We protect labour rights and provide a safe and secure working environment for our workers.	Investing in People and Communities



## SDG 9 Industry, Innovation and Infrastructure

Core  
SDG

Relevant targets set by the SDG	Related strategies	In our report
Make industries sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes	We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories.	Environmental Responsibility
Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular, developing countries	We innovate and create the technical capability to provide unique solutions to our customers' problems.	Sustainability in Johnson Electric Products
	We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories, including sites in developing countries.	Industrialization and Innovation
Support technology development and research and innovation in developing countries, including industrial diversification and value addition to commodities	We are shaping the Group's operating footprint to be in closer proximity to our customers, building up the capabilities of our factories in several developing countries, and supporting this with localization of supply chains.	Industrialization and Innovation



**SDG 12**  
**Responsible Consumption and Production**

**Core  
SDG**

Relevant targets set by the SDG	Related strategies	In our report
Sustainable management and efficient use of natural resources	<p>As a technology leader for lightweight, high-power density motion solutions, we provide attractively priced products that improve energy and fuel consumption, reduce emissions, have a longer working life and require fewer resources in their manufacture.</p> <p>We take a systematic approach to resource- and energy-efficient production.</p>	<p>Sustainability in Johnson Electric Products</p> <p>Industrialization and Innovation</p> <p>Environmental Responsibility</p>
Environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significant reductions in their release to air, water and soil to minimize their adverse impacts on human health and the environment	<p>We design environmentally friendly products and processes.</p> <p>Some of our products enable the replacement of the internal combustion energy completely, while others reduce harmful engine emissions.</p> <p>We take practical steps to protect the environment wherever we operate around the world.</p>	<p>Environmental Responsibility</p> <p>Sustainability in Johnson Electric Products</p> <p>Environmental Responsibility</p>
Substantially reduce waste generation through prevention, reduction, recycling and reuse	<p>We reduce customers' waste generation by designing products that have a longer working life and require fewer resources in their manufacture.</p> <p>We recycle scrap from our own production processes to recover as much of these valuable resources as possible.</p>	<p>Sustainability in Johnson Electric Products</p> <p>Environmental Responsibility</p>
Adopt sustainable practices and to integrate sustainability information into the reporting cycle	<p>We take practical steps to protect the environment wherever we operate.</p> <p>We provide a safe working environment for our employees and protect their labour and human rights.</p> <p>Sustainability information in our reporting cycle includes monthly reporting to the Chief Executive, quarterly reporting on issues to the Risk Committee and the publishing of an annual Sustainability Report.</p>	<p>Environmental Responsibility</p> <p>Investing in People and Communities</p> <p>Corporate Governance and Risk Management</p>



**SDG 3**  
**Good Health and Well-being**

**Supporting  
SDG**

Relevant targets set by the SDG	Related strategies and actions	In our report
Reduce the global maternal mortality ratio and end preventable deaths of newborns	Johnson MedTech designed electrodes and circuits enable an advanced fetal monitoring patch for higher-risk pregnancies and assist doctors in making the best decisions for mother and baby.	Sustainability Report 2019
Reduce mortality from non-communicable diseases through prevention and treatment	Johnson MedTech designs and delivers innovative technology solutions for improved patient well-being and better clinical outcomes.	Sustainability in Johnson Electric Products
Halve the number of global deaths and injuries from road traffic accidents	We meet demands for better road safety with products for active and passive vehicle safety applications.	Sustainability in Johnson Electric Products
Substantially reduce the number of deaths and illnesses from hazardous chemicals, and air, water and soil pollution and contamination	We deploy the necessary resources to protect employees' health and safety from hazardous chemicals and processes.	Investing in People and Communities



**SDG 4**  
**Quality Education**

Supporting  
SDG

Relevant targets set by the SDG	Related strategies	In our report
Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university	JETC, operating in China and Mexico, assists underprivileged youth, providing a mix of general and technical education over a three-year apprenticeship programme. We also operate a similar scheme in Niš, Serbia, working hand-in-hand with a local technical school. The Group also partners with schools and universities to support the provision of quality technical and vocational education.	Investing in People and Communities
Substantially increase the number of youth and adults who have relevant technical and vocational skills, for employment and decent jobs	The Group's Junior Engineer programme encourages children to have an interest in science, technology, engineering and mathematics ("STEM") subjects and allows all employees to become involved in educational outreach to the community.	



**SDG 11**  
**Sustainable Cities and Communities**

Supporting  
SDG

Relevant targets set by the SDG	Related strategies	In our report
Reduce the adverse impact of cities; this includes paying special attention to air quality and municipal and other waste management	We enable cleaner transportation with products that improve fuel consumption, give more complete combustion and reduce pollution from smaller internal combustion engines. We also improve the performance and capabilities of hybrid and all-electric vehicles. We offer a wide variety of solutions for heating and ventilation systems, window automation and smart-meter applications for more sustainable homes and buildings.	Sustainability in Johnson Electric Products
	We seek to drive down the cost of beneficial products to enable wider adoption of these technologies. We encourage customers to switch to products that use fewer resources in their manufacture and last longer in operation, thereby reducing waste.	Sustainability in Johnson Electric Products
	We minimize the environmental impact of our factories, including air quality and waste reduction and management.	Environmental Responsibility



**SDG 13**  
**Climate Action**

Supporting  
SDG

Relevant targets set by the SDG	Related strategies	In our report
Integrate climate change measures into policies, strategies and planning	We are shaping the Group's operating footprint to be in closer proximity with our customers, reducing carbon intensity with shorter logistics routes.	Industrialization and Innovation
	We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories.	Environmental Responsibility
Improve capacity on climate change mitigation	Our high-precision components for the automotive industry perform mission-critical functions in reducing fuel consumption and CO <sub>2</sub> emissions from internal combustion engine vehicles and also enable the transition to hybrid and all-electric vehicles.  Our Industry Products Group makes a strong contribution to climate action with solutions that reduce electricity consumption for hundreds of product applications. We also enable the complete replacement of the internal combustion engine for a number of outdoor applications.	Sustainability in Johnson Electric Products



**SDG 17**  
**Partnerships**  
**for the Goals**

**Supporting**  
**SDG**

Relevant targets set by the SDG	Related strategies	In our report
Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries	<p>We innovate and create the technical capability to provide unique solutions to our customers' problems. This includes both creating capability and solving customers' problems in developing countries.</p> <p>We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories, including our factories in developing countries.</p>	<p>Sustainability in Johnson Electric Products</p> <p>Environmental Responsibility</p>
Effective and targeted capacity-building in developing countries to implement all the sustainable development goals	<p>We are progressively expanding the Group's operating footprint with factories in 18 countries, including 9 developing countries<sup>1</sup>. All Johnson Electric factories are required to operate according to our standards for environmental and health and safety management, protection of human and labour rights, and corporate governance. 98% of our manufacturing facilities around the world are certified under ISO 14001 for environmental management systems. 80% of our facilities (including all our major sites) are certified under ISO 45001:2018 or OHSAS 18001 for occupational health and safety management systems.</p>	<p>Industrialization and Innovation</p> <p>Environmental Responsibility</p> <p>Investing in People and Communities</p> <p>Corporate Governance and Risk Management</p>
Significantly increase the exports of developing countries	<p>We have a number of factories in developing countries<sup>1</sup> and contribute towards the exports of Argentina, Brazil, China, Hungary, India, Mexico, Poland, Serbia and Turkey.</p>	<p>Industrialization and Innovation</p>
Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular, developing countries	<p>Johnson Electric actively engages with customers, employees, suppliers and communities around the world to fulfil shared sustainability goals. These include responsible consumption and production, climate action, sustainable cities and communities, good health and well-being and quality education. Our employees are especially proactive in organizing regular community outreach activities to engage with and support the local communities in which we operate.</p>	<p>Corporate Governance and Risk Management</p>

<sup>1</sup> Developing countries according to the International Monetary Fund's World Economic Outlook Database, April 2020

# SUSTAINABILITY IN JOHNSON ELECTRIC PRODUCTS

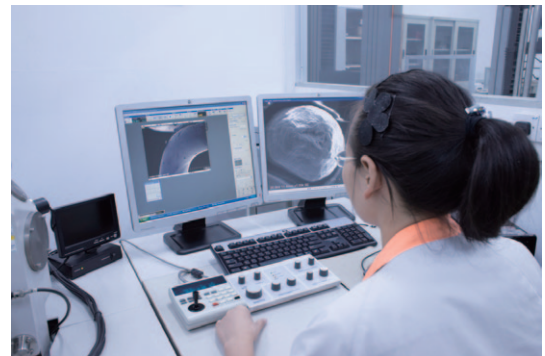


Johnson Electric's core business is the supply of electro-mechanical motion systems and solutions to customers who value innovation and reliability. Within this defined market space we target segments where "mega trends", regulatory change or technology advancements are driving demand.

Across a diverse range of industries and geographies, we work closely with our customers to understand their own customers' requirements and key preferences. Whether those requirements are for better energy efficiency, a cleaner environment, support for ageing populations, improved security, superior product functionality or ease of use that reduces barriers to age, gender and disability equality, Johnson Electric delivers.

At Johnson Electric, we seek to remain relevant and grow our business on a sustainable basis. We keep track of emerging trends and continue to develop products that offer effective and attractively priced solutions to our customers' problems, and take into consideration the environmental and social aspects of their business. This includes addressing the imperatives to consume responsibly, reduce emissions, lower fuel consumption and energy usage, improve health and well-being and make efficient use of resources.

Sustainability is also intrinsic to our product development process, as a direct result of engineering for efficiency. Our engineers strive to Make Customers Successful by developing products that consume less resources in their manufacture and use fewer energy to deliver the required performance and functionality. Johnson Electric is a technology leader for lightweight, high-power-density innovations for environmentally friendly products. For example, our brushless electronically commutated motors consume energy more efficiently and enjoy a much longer operating life than brushed electric motors; and our range of compact products consume less steel, copper and plastic in their manufacturing process.



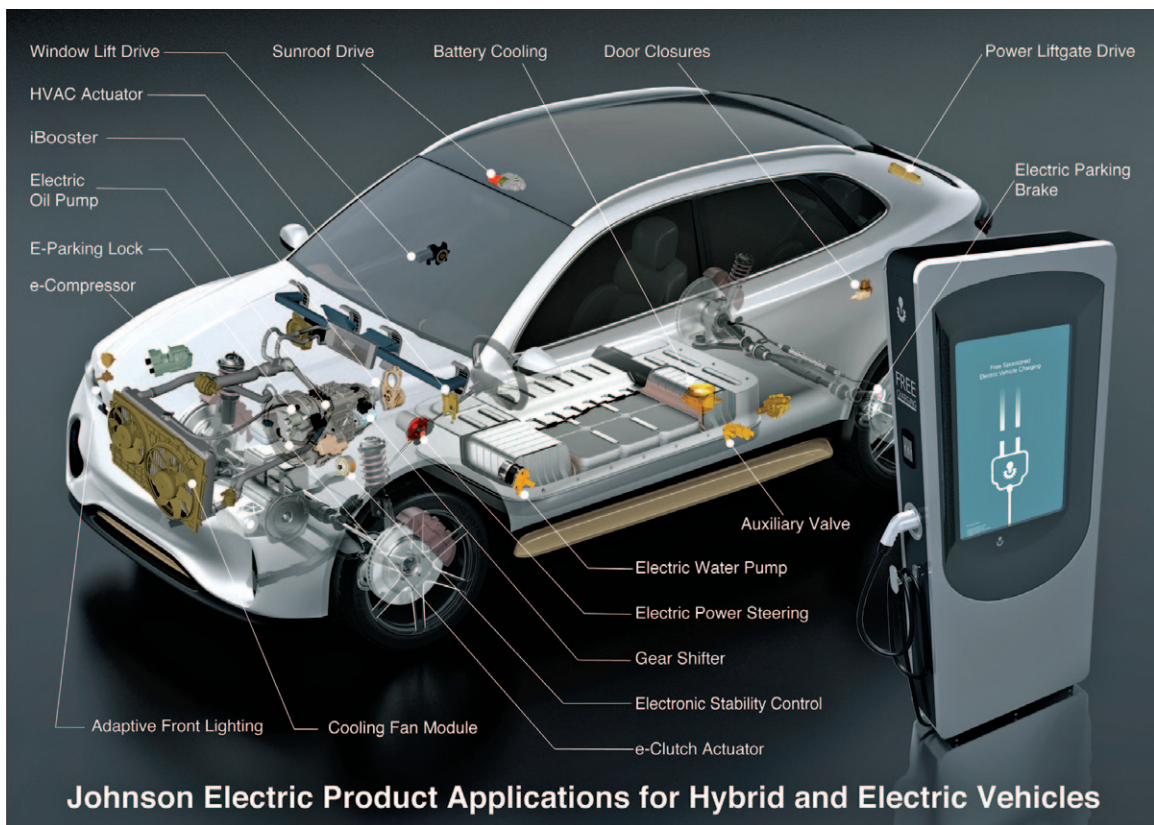
*Our "Eco Motion" symbol denotes those products that improve energy and fuel efficiency. The green leaf in the centre is marked with the Greek letter Eta, the engineering symbol for efficiency; it is enclosed by a circle to represent motion*

## Automotive Products Group

The automotive industry enables the high degree of mobility that shapes modern life and its industry, cities and communities, providing access to economic opportunities and improving standards of living. However, this mobility comes with environmental and social impacts including noise, congestion, accidents, pollution, climate change and resource depletion.

These impacts create opportunities for Johnson Electric to innovate and focus on engineering for efficiency. Our Automotive Products Group (“APG”) applies our innovative technology to contribute to a more sustainable automotive industry by tackling some of its environmental and social challenges. This represents a significant source of opportunity and growth.

APG’s wide range of application-specific know-how enables us to develop and produce lightweight, highly efficient motors, actuators, pumps and related components for all critical automotive motion-related functions. APG products enhance the capabilities of hybrid and all-electric vehicles, improve fuel efficiency and reduce emissions from internal combustion engine vehicles. They also support the development of autonomous vehicles and offer enhanced safety for all vehicles. At the same time, these components must meet tough EMC requirements, reduce noise, vibration and harshness, and adhere to strict power budgets.



Specific areas of focus that improve the sustainability of the automotive industry include:

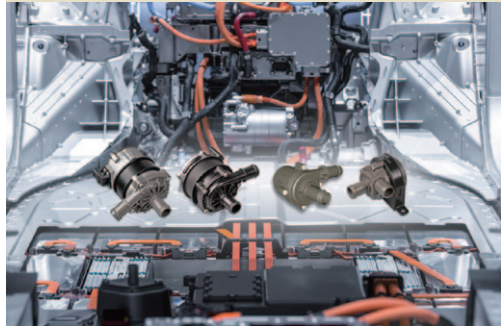
- **Thermal management subsystems and motors** that play a critical role in meeting the specific operating temperature requirements of the traction motor, battery, power electronics and additional electronic subsystems of hybrid and all-electric vehicles. Keeping these components at the right temperature – neither too hot nor too cold – extends the range of the vehicle, improving the battery life and helping prevent thermal events. In particular, the electrification of vehicles is increasing the need for water cooling pumps and high-power cooling

Thermal management is also key to optimizing the performance of internal combustion engine vehicles to reduce fuel consumption and engine emissions. This creates a requirement for controlled, efficient cooling-on-demand that can only be delivered by electrifying coolant pumps and valves, not by conventional mechanical solutions

- **Braking, steering and suspension subsystems and components.** Traditional power braking systems and power steering systems harvest power from the internal combustion engine to generate force. Hybrid and all-electric vehicles must replace this with electric systems to achieve the same force. Next-generation internal combustion engine vehicles have smaller engines that also require electric assistance to generate the same braking and steering force as older, conventional vehicles
- **Engine, transmission and driveline subsystems and components** including products to manage the flow of oil, fuel, intake air and exhaust gases; start-stop components; lightweight, durable powder-metal components; actuators and motors for smart power transfer units and axles as well as a wide range of other applications

In hybrid and internal combustion engine vehicles, the electrification and digitization of components in the engine, transmission and driveline offers weight reduction and improved precision, accuracy and speed of response in controlling performance compared to conventional mechanical solutions. Fuel efficiency is improved, power density is increased and the level of combustion by-products (emissions) is reduced

APG's thermal management solutions include electric water pumps; coolant valves and actuators; powertrain cooling fans; and battery cooling fans.



Coolant pumps for battery-electric vehicles

APG's products for braking, steering and suspension applications include electric motion parts for brake boosters; electric vacuum pump systems; parking brake actuators and motors; electric power steering motors; energy harvesting from braking and suspension movements; and lightweight durable powder-metal components for suspension systems.

The electrification of engine, transmission and driveline components for improved performance and efficiency includes pumps; compressors; smart axles; throttle control; variable valve lifting; variable valve timing; turbochargers and many other applications.



Motor for electronic throttle control

- **Exhaust treatments** assist in reducing emissions in the vehicle exhaust system, including exhaust gas recirculation, secondary air injection, selective catalytic reduction and oil separation

Secondary air injection adds fresh air to the exhaust stream to increase the efficiency of the catalytic converter, thereby lowering emissions of toxic gases and pollutants

Modern diesel engines operate with a lean burn air-to-fuel ratio, to prevent their exhausts from emitting soot and unburned fuel. However, lean-burn engines generate nitrogen oxides, which are harmful pollutants. Selective catalytic reduction injects diesel exhaust fluid (“DEF”) into the exhaust pipeline, so that nitrogen oxides are converted into harmless nitrogen and water, contributing to sustainable cities and communities through cleaner air

Oil separators remove oil from the exhaust for cleaner air. If this oil is returned to the sump, this measure may reduce oil consumption. Additionally, with the trend for downsizing engines, an increasing number of vehicles are being fitted with turbochargers, which are particularly sensitive to the build-up of oil residue from the exhaust

- **Weight reduction** is key to extending the range of next-generation hybrid and all-electric vehicles, improving fuel consumption and reducing engine emissions from internal combustion engine vehicles

APG assists this with lightweight energy-efficient solutions for existing electrified applications, such as power seat adjustment, power windows and cabin heating, ventilation and air-conditioning. APG also enables the replacement of heavier conventional mechanical and hydraulic systems with lighter electric motion systems. Examples include brake-by-wire and electric power steering. Conventional mechanical and hydraulic systems draw power from the engine; if they are replaced with an electric motion system the result is a reduction in the overall power demand on the engine, further improving fuel efficiency and reducing emissions

- **Safety** requirements for vehicles are becoming ever more stringent, driven both by customer demand and government regulations. APG meets this demand with products for active and passive applications, including headlamp actuators and levellers, electric brake assistance, traction control, vehicle levelling, impact and crash sensing and other safety systems



## Industry Products Group

The Industry Products Group (“IPG”) serves a wide range of industrial, professional and consumer application segments. Many of these segments are undergoing rapid social and technological change and disruption, arising from a complex mix of demands and priorities that generate positive and negative impacts on economic, environmental and social development worldwide.

The growing number of devices and equipment that contain electro-mechanical components benefits social development, improving quality of life and removing barriers to equality as equipment becomes smaller, lighter and easier to use. However, the trade-off is often environmental stress from increased demand for energy, as well as increased mining and processing of raw materials. As long as products with better environmentally friendly credentials come at a higher cost, the adoption of more environmentally friendly products will remain slow. Consumers are likely to opt for technologies with a lower cost but a shorter life cycle or poor energy efficiency.

Johnson Electric seizes this opportunity to apply our innovative technology and application expertise to bring attractively priced products to market that help our customers reduce pollution, increase energy efficiency, decrease greenhouse gas emissions and enable equality.

Governments are another key stakeholder influencing demand for energy-efficient technologies, issuing directives limiting the power consumption of certain types of appliances or tightening the requirements for energy-efficient buildings, for example. Governments also influence consumer markets indirectly by means of energy taxes, energy efficiency labelling regulations for domestic appliances, energy awareness campaigns and smart-meter rollouts.

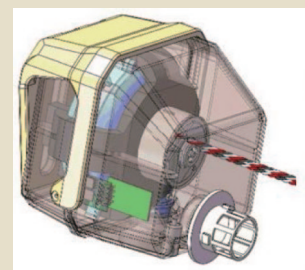
Johnson Electric’s vertical integration also assists customers in reducing their environmental footprint. Rather than simply purchasing a motor from us, increasingly customers are asking IPG to provide sustainability solutions with a more complete subsystem, including the motor, switch, gears and the controlling electronics. This is cost-effective for the customer, simplifying the customer’s logistics flow and reducing the negative environmental impacts of transportation and packaging.

IPG also serves the healthcare market. Johnson Medtech designs and delivers innovative technology solutions for improved patient well-being and better clinical outcomes. Medical applications include motorized instruments for minimally invasive surgery, miniaturized precision drug delivery devices, patient care, personal protective equipment for medical workers and wearable monitoring technology that frees the patient from being confined to a hospital bed.

For example, we have developed a fan pack for an air-purifying respirator that generates positive pressure within a protective medical suit and disposable hood. Medical workers can wear this inside intensive care units, isolation stations and operating theatres. This protects doctors and nurses from exposure to COVID-19 (and other contagious diseases) while working in the ICU but is more comfortable than previous generations of protective clothing.

Our wearable patches for remote vital-signs-monitoring also help in the fight against COVID-19. Patients who no longer need to be on a ventilator must remain under medical supervision to ensure their continued stability. Our patch allows real-time or on-demand monitoring of the patient’s respiratory and heart rates. It has a wear time on the skin of up to seven days and avoids the restrictions of wired systems that typically involve nine to twelve cables.

*Fan pack  
for medical  
personal  
protective  
equipment*



### Quality Assurance Culture and Policy

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

#### International Recognition and Compliance

To meet the increasing quality requirements demanded by our customers and government regulations, our manufacturing facilities and in-house testing laboratories are certified under the relevant international standards<sup>1</sup>. Additionally, our products are compliant with the necessary health, safety and environmental protection requirements as tested by recognized external testing laboratories and bodies.

#### Quality Assurance in New Product Development

We are committed to developing and manufacturing innovative market-leading product solutions that deliver high performance, superior quality, reliability and safety. The Johnson Electric Product Development System (JEPDS) combines engineering and manufacturing product quality planning methodologies to ensure the safe and flawless execution of new product launches. From the initial conceptual design, through product design verification and validation, these methodologies include advanced product quality planning, V-model product development, quality function deployment, simulation-led design, design and process failure mode effects analysis, reliability simulation and testing, capability analysis and safe product launch procedures.

<sup>1</sup> These international standards include:

- ISO 9001 for quality management systems
- IATF 16949 (which contains sector-specific supplemental requirements on applying ISO 9001 for the automotive industry)
- IECQ QC080000 hazardous substance process management system for hazardous-substance-free legal and customer requirements such as RoHS, ELV and REACH
- ISO 13485 quality management system for meeting regulatory requirements for the medical devices industry
- ISO 14001 for environmental management systems
- ISO 17025 for testing and calibration laboratories

#### Continuous Improvement

From humble beginnings as a Hong Kong manufacturer of motors for toys, Johnson Electric has become a global leader in motion systems across a wide range of industries. The company has a heritage of setting ambitious targets and driving continuous improvement – a heritage engrained in the company values system.

Johnson Electric is committed to continuous improvement and Making our Customers Successful as the basis for long-term success in our business and those stakeholders who depend on us. Our MARBLE values ask every employee to Reach Higher and set stretched goals. We Believe in Practical Solutions, seeking to innovate ideas with a positive “can do” mindset. We Excel in Execution to achieve the high standards of quality and performance expected by our customers and stakeholders. We work not only to meet those expectations, but also to exceed them, through continuous cycles of learning.

Our connected global manufacturing footprint shares a uniform supply chain and common production quality system. Our vertical integration business model provides speed and agility to respond immediately to changes in customer and market demand, identify opportunities to reduce and eliminate waste, while driving the highest standards in product quality and process capability. We are reducing variation with increasing automation and taking a systematic approach to increasing the service level provided to our customers through business process digitization and automated processing systems.

## Customer Feedback Handling System

We log any customer complaint or warranty claim in our Global 8D Database. This communication channel between front-line staff and engineers in our manufacturing locations enables a team-approach to identifying, correcting and eliminating problems. A description of the problem, details of any containment actions, root cause analysis and permanent corrective actions are recorded in the system. Every logged complaint is analyzed thoroughly, using the Eight Disciplines problem-solving methodology and supporting analytical tools, such as 5W2H, 5 Whys, Fish-Bone Diagrams, Fault-Tree Analysis, Design of Experiments, Hypothesis Tests and other advanced analytical tools. All knowledge gained from understanding the physics of failure feeds into our new product development and continuous-improvement systems.

## Recall and Traceability

In the case of incidents arising from customer feedback or internal control processes, any issue relating to safety or health will trigger defined product recall procedures. Unique product identifiers and manufacturing execution traceability systems enable timely and appropriate response actions.

## Integrating Sustainability into Our Supply Chain

Our engagement with suppliers is driven by our focus on Innovation and Safe Choice. Our robust supplier qualification procedures require due consideration of cost, quality, environmental awareness, ethical behaviour and social responsibility before ordering regular supplies from any supplier. We continue to monitor performance against these requirements throughout the business engagement through annual risk assessments, supplier self-assessments and on-site audits.

Suppliers are contractually required to be certified under relevant international quality and environmental management standards<sup>1</sup>. Additionally, we support our suppliers in striving for continuous improvement and better performance and encourage them to comply with environmental requirements and directives<sup>2</sup>.

We also expect suppliers to exercise social responsibility. Every supplier is required to comply with and sign our Code of Ethics and Business Conduct (the “Code”), which prohibits the 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. Additionally, our purchase terms and conditions require suppliers to adhere to directives set by the International Labour Organization’s “ILO Declaration on Fundamental Principles and Rights at Work” and the United Nations’ “UN Guiding Principles on Business and Human Rights”. These set out 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 in the workplace.

<sup>1</sup> Relevant international standards such as:

- ISO 9001 for quality management systems
- ISO 14001 for environmental management systems
- IATF 16949 (which contains particular requirements on applying ISO 9001 to the automotive industry)
- ISO 13485 on applying ISO 9001 in manufacturing and regulating medical devices

<sup>2</sup> Environmental and social requirements and directives 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”)
- The Dodd-Frank Wall Street Reform and Consumer Protection Act pertaining to Conflict Minerals

# INDUSTRIALIZATION AND INNOVATION



Our manufacturing strategy is evolving to emphasize speed, responsiveness and “in-region” fulfilment capabilities. At the same time, an increased use of data, digital tools and artificial intelligence are driving our continuous improvements in quality and productivity.

## Building a Global-Local Manufacturing Footprint

We aim to support our customers by being close to where they operate and being able to ensure fast and reliable supplies and a highly responsive service.

To execute this strategy, we are strengthening capabilities, introducing advanced resource- and energy-efficient manufacturing technologies to our factories across Asia, North America, South America and Europe, including factories in nine developing countries<sup>1</sup>. In support of this, we are increasingly localizing internal and external supply chains.

This closer proximity to customers brings multiple benefits to our economic and sustainability performance on several levels:

- Localization of the supply chain reduces exposure to tariffs, import duties and exchange rate fluctuations while also strengthening local economies. It also increases our resilience through the ability to source materials and components from alternative regions in case of localized disruption
- Shorter logistics routes lower freight costs, energy consumption and CO<sub>2</sub> emissions. They also reduce inventory levels and allow us to respond more swiftly to changes in demand by reducing the time from order to delivery
- Creating a diverse manufacturing footprint increases our resilience by minimizing reliance on any single country or factory

## Thriving in a Digital World

We are in the midst of a significant programme to transform our business through advanced automation and digital technology from a labour-intensive model to a more digitally advanced enterprise. Our industrial logic requires us to align our design and production processes to reduce cycle times and is geared towards higher volume product segments featuring more standardized designs.

Our goals in this transformation process are to improve the long-term sustainability of our business by:

- Providing innovative cost-competitive solutions to customers’ problems
- Accelerating automation to improve quality, increase productivity and manage cost
- Improving resource and energy efficiency
- Reducing space (and land) requirements for our factories
- Reducing our vulnerability to the shrinking availability of labour due to demographic changes (declining birth rates and ageing populations) in nearly all major manufacturing economies

<sup>1</sup> We contribute to the exports of Argentina, Brazil, China, Hungary, India, Mexico, Poland, Serbia and Turkey, all listed as developing economies in the International Monetary Fund’s World Economic Outlook Database, April 2020

This uplift in our manufacturing and functional capabilities closely aligns with the sustainable development goals of increasing productivity and decoupling economic growth from environmental degradation. It is key to progress in SDG8: Decent Work and Economic Growth, SDG 9: Industry, Innovation and Infrastructure and SDG 12: Responsible Consumption and Production.

The lead plant for this digital transformation is a next-generation manufacturing facility currently under construction in Jiangmen, China. This will be Johnson Electric's first fully integrated digital factory, running the latest Manufacturing Executions Systems ("MES"), Product Lifecycle Management ("PLM") and Enterprise Resource Planning ("ERP") systems.

The structural changes in the way work is done will have an impact upon the size and profile of our workforce, as processes become less labour-intensive and require different skill sets.

We engage regularly with employees on this topic through discussion, training and workshops, and our in-house social media platform. Additionally, we offer a number of courses on our in-house training platform aimed at reskilling employees to take their place in this transformed environment.

Our transformation to a more digitally advanced business model will take some time to complete. Component designs and manufacturing methods cannot always be easily changed in the middle of the customer's product life, especially in the automotive segment. Consequently, we need to continue to work with many of our legacy manufacturing lines for some time. But, even here, there are opportunities to apply new technologies, such as machine vision, to achieve close-to-zero defects and reduce waste.

## Investing in Technology Innovation

Technology leadership and application-specific know-how are the drivers that make Johnson Electric a global leader in our industry. Over the past two decades, we have evolved from being a leading small precision motor manufacturer to providing the broadest set of engineered motor and motion-system solutions available in the market today. These solutions include DC & AC motors, stepper motors, actuators, solenoids, switches, relays, precision gears, powder-metal components, pumps and flexible printed interconnects.

**Johnson Electric invests in innovation to provide unique motion solutions to customer problems**

**We employ more than 1,500 engineers around the world using a wide variety of tools in our laboratories, from wind tunnels and immersion tanks to electron microscopes**

**We filed more than 150 patent applications in FY19/20**

We constantly challenge our business managers and engineers to consider how particular market segments are changing – including the market priorities of the electrification and digitization of critical automotive applications; using fewer raw materials; improving health and well-being; improving safety standards; increasing mobility and controllability and reducing inequalities. We ask them how these changes might offer new opportunities for our innovative technology.

In some instances, this can mean differentiating our product offering using new technology (or a combination of technologies) to provide a unique motion solution to a customer's problem. In doing so, the ultimate objective is to help the customer differentiate their products in the marketplace – through lower energy consumption, lower weight, lower noise or higher performance, for example. In other situations, it can mean designing and delivering a solution that offers lower total transaction costs for a customer over their end-product's entire life cycle.

# ENVIRONMENTAL RESPONSIBILITY



We believe that excellent environmental performance will contribute to the sustainable growth of the Group for generations to come. Our specific goal for this is “No damage to the environment wherever we operate”.

We demand a systematic approach to resource and energy management and take practical steps to protect the environment wherever we operate. We adopt clean and environmentally sound technologies and industrial processes in our existing factories. We build these into all new facilities. Through this, we decouple our growth from environmental degradation.

## Environmental Management

Our global manufacturing footprint includes factories in countries with varying regulatory frameworks. Our rigorous EHS management system ensures an uncompromising approach to identifying, monitoring, managing and controlling environmental risks worldwide, regardless of differing environmental standards and regulations.

All Johnson Electric sites are required to apply our EHS management system and track their performance in reaching specific environmental objectives and targets. We also require an environmental assessment for any new construction project or site expansion. The Group’s leadership receives regular reports on key environmental performance indicators.

To achieve our environmental goal, we:

- Minimize the ecological impact of our operations
- Design environmentally friendly products and processes
- Comply with applicable environmental laws and regulations
- Commit appropriate resources and leadership to our Global EHS management system
- Continuously improve our Global EHS management system to set and maintain rigorous standards for managing our environmental risk
- Improve our environmental management by defining appropriate objectives and targets on a regular basis
- Promote environmental awareness in our workforce through regular communication; and
- Communicate our environmental performance to stakeholders and seek their involvement wherever applicable



EHS Management Review in Shenzhen, China, Johnson Electric’s largest manufacturing site

## Environmental Compliance

The vast majority – 98% – of our operating facilities are certified under ISO 14001:2015, the newest international standard for environmental management systems.

We ensure compliance with our EHS management system and standards and with local environmental regulations in all Johnson Electric sites through:

- Monitoring key environmental performance indicators such as wastewater discharge, air emissions, waste disposal and noise levels
- Auditing environmental performance as well as compliance with new and existing regulations. We conduct internal audits and develop specific regulatory compliance audit protocols for assurance purposes. Compliance in individual sites is also verified by third party annual surveillance or certification audits conducted by accredited external auditors
- Reporting environmental compliance to management on a monthly basis
- Tracking changes in environmental regulations
- Including environmental compliance requirements in our Code of Ethics and Business Conduct. All managers and other employees in sensitive positions are required to sign an annual declaration that they have read and conformed to the requirements of our Code and are not aware of any potential violations of the Code by others. Breaches of the Code may also be reported anonymously at any time via our whistle-blower hotline
- An annual assurance process, with managers responsible for EHS compliance in each Johnson Electric site acknowledging and certifying their full compliance with our EHS management system and with relevant environmental protection laws and regulations

In FY19/20, no manufacturing site or facility reported environmental compliance issues. In FY18/19 there was one environmental noncompliance, relating to sanitary wastewater discharged from our Beijing, China powder-metal plant. Further details of this incident and our subsequent actions to resolve the issue can be found on page 25.

## Energy Consumption and Greenhouse Gases (“GHG”)

Our operations consumed less energy and emitted less GHG compared with last year.

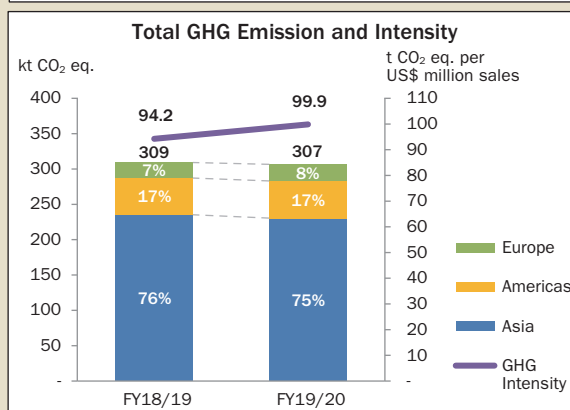
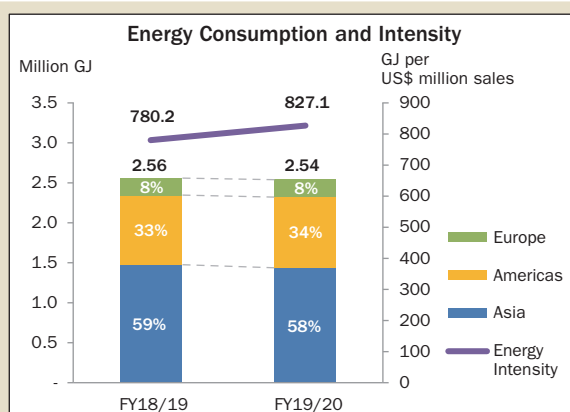
However, energy and GHG intensity increased due to disruption caused by COVID-19. We consumed energy to produce parts but their sale was delayed as customers shuttered plants in March 2020. Looking at plant production, both energy intensity and GHG intensity decreased.

Energy consumption by source followed a similar pattern to the previous year. Electricity accounted for 82% of our energy consumed. This was largely for assembly and parts production, including plastic injection, stamping, powder metallurgy, die-casting and magnet production. Auxiliary production systems such as air-conditioning and air-compressor systems also consumed electricity. Natural-gas usage contributed 17% to overall energy consumption, largely for space heating for operations in northerly countries. Some manufacturing processes, such as sintering furnaces for powder-metal parts and magnet production, also use natural gas.

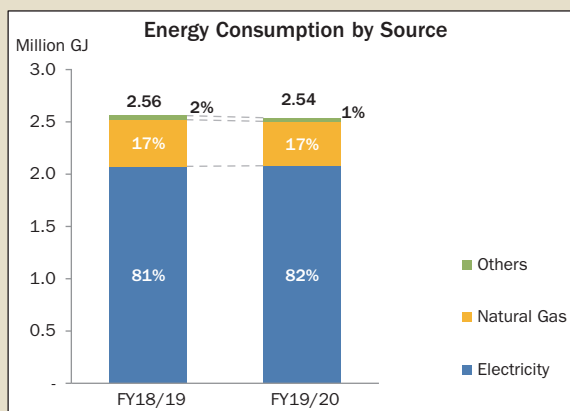
The majority of our GHG emissions were in Asia. When comparing energy usage by region with GHG emissions for each region, the greater use of renewable and nuclear energy in countries such as Canada, Switzerland and France is a significant factor in the lower proportion of GHG emissions in Europe and the Americas.

The increases in consumption and intensity were partly mitigated by the beneficial impact of a number of energy- / GHG-saving projects across the Group (see following page), as we continued to seek opportunities for improvement.

**China’s Carbon Emissions Trading Scheme:** To date, our Shajing factories have accumulated 229kt of surplus credits that can be traded at the Shenzhen Emission Trading Center.



		FY18/19	FY19/20
Energy Consumption	Million GJ	2.56	2.54
Energy Intensity	GJ per US\$ million sales	780.2	827.1
Direct CO <sub>2</sub> (Scope 1) Emissions	Kt CO <sub>2</sub> eq.	27	26
Indirect CO <sub>2</sub> (Scope 2) Emissions	Kt CO <sub>2</sub> eq.	282	281
Total CO <sub>2</sub> (Scope 1 + 2) Emissions	Kt CO <sub>2</sub> eq.	309	307
CO <sub>2</sub> Intensity	t CO <sub>2</sub> eq. per US\$ million sales	94.2	99.9



Further details of the performance indicators can be found in Appendix II on pages 51-52.

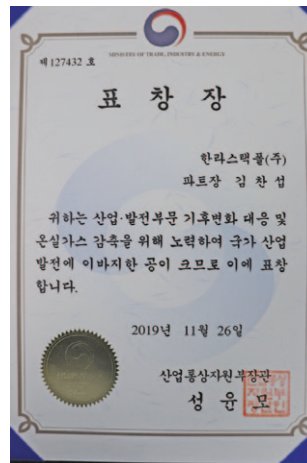


**Energy- / GHG-saving projects around the world:**

- **Jiangmen, China** – We replaced an electric furnace with a natural gas furnace for melting aluminium. Natural gas is a much cleaner energy source than electricity generated from fossil fuels, lowering the carbon intensity of the process. Additionally, the new furnace recovers waste heat which is then used to preheat the aluminium before it is introduced to the melting chamber. This reduces energy consumption from 2.34GJ per tonne to 2.24GJ per tonne, a 4% energy saving

- **Ochang, South Korea** – We installed an automatic temperature control for an electric furnace. On the weekend, the temperature inside the furnace is allowed to fall to 770°C, rising to 1130°C during the working week. This system will save 17,000GJ of energy annually. Other energy-saving actions in Ochang include improved combustion efficiency in its gas furnaces and the optimization of preheating

In November 2019, the Korean Ministry of Trade, Industry and Energy presented an award to our Ochang factory in recognition of its energy-saving efforts



*“We commend you for your contribution to the development of national industries by making efforts to cope with climate change and reduce greenhouse gas emissions in the industrial and power generation sectors.”  
Korean Ministry of Trade, Industry and Energy*

- **Beijing, China** – We adjusted a sintering furnace to use less gas, reducing the volume of the optimized mix of gas (nitrogen, natural gas and ammonia) by 22.7%

- **Nanjing, China** – We installed solar water heating on the rooftop of the factory building. It now provides the hot water supply for the entire dormitory building. A similar system is already used by the dormitory for our Shajing factory



- **Hirson, France** – We installed several electric injection-moulding machines. These are expected to consume 30-40% less electricity than hydraulic injection moulding machines

- **Shenzhen, China** – At the Group’s largest site, we completed 24 energy saving projects in FY19/20. These included efficiency improvements for injection-moulding machines, grinder exhaust improvements, improvements to an automated rubber-cover line and the reduced use of compressed air for grinders. The total energy saving is estimated to be more than 24,840GJ per annum, which represents 2.7% of the site’s annual energy consumption

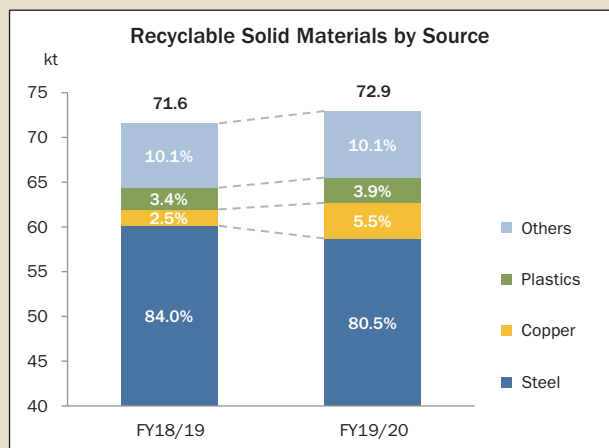
## Materials Consumption

Manufacturing our products consumes raw materials such as steel, copper, aluminium and plastic resins. We address the environmental challenges posed by this, and improve the sustainability of our factories by adopting the concept of reduce, recycle and reuse:

- **Reduce** – We improve our sustainability by designing compact, lightweight products that consume fewer raw materials. We also seek to minimize waste from production processes and packaging. We reduce material consumption over the product life cycle by ensuring that our electro-mechanical components deliver long life and reliability
- **Recycle** – We recycle scrap and waste from production processes to recover as much of these valuable resources as possible. If we cannot recover and reuse this material directly in our production processes it is sold for recycling (e.g. steel, copper, plastics and wood). In FY19/20 we recycled and sold approximately 73kt of recoverable solid materials
- **Reuse** – Wherever economically and technically feasible, waste recovered from our manufacturing lines is reused directly in our production processes. Examples include:
  - o Aluminium waste recovered in Shajing, China
  - o Epoxy powder recovered from the waste stream in Shajing and Beihai, China
  - o Plastic waste from injection sprues and cores recovered and reused in Asti, Italy and Hirson, France. This year our factories in Arujá, Brazil and Niš, Serbia also began to recover and reuse plastic waste from manufacturing processes



Reusable plastic packaging in Hirson, France saving 4.7 tonnes of carton waste per year



Our electro-mechanical components are found in many complex durable goods, including automobiles, robot lawn mowers, medical equipment, household appliances and more. Other components in the finished goods will have been sourced from numerous suppliers. A single car may have 30,000 different parts. Consequently, it is too complicated to identify the origin of each component at the end of life of the product and return it for recycling. Instead, at end-of-life, many durable goods are broken down by specialist recyclers.

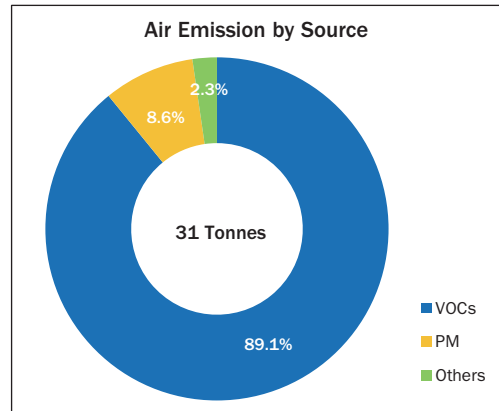
For example, in both the European Union and the United Kingdom, it is a legal requirement to reuse and recover at least 95% of every vehicle at end-of-life. Modern car recycling attempts to achieve this as cost-effectively as possible. Some parts may be stripped to be sold or reconditioned as spares for other vehicles. The rest of the vehicle is shredded allowing the metal content to be recovered for recycling. The remaining material may be further sorted by machine for the recovery and recycling of additional materials, including glass and plastics.

## Pollution Prevention and Management

We seek to prevent pollution from our operations through our environmental management system. We assess the potential environmental impact before building any new facilities or expanding any sites. Comprehensive environmental due diligence and baseline assessments ensure these sites are clean prior to and during their operating life. We also conduct environmental impact assessments for changes of equipment, processes and chemicals. Our 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.

**Emissions** – Our main non-CO<sub>2</sub> emissions are volatile organic compounds (“VOCs”) from glues used in product assembly and solvents used for parts cleaning, injection moulding and ink printing. We also have some particulate matter (“PM”) emissions from various powder processes.

We make significant efforts to manage these emissions. For example, monitoring VOC levels, improving exhaust controls, substituting laser-marking systems for ink-jet printers, recovering particulate matter for reuse, enclosing manufacturing processes, and installing oil mist controls in staff canteens.



This year, we made significant progress in our two-year project to phase out ozone-depleting hydrochlorofluorocarbon (“HCFC”) compounds used in our Shajing, China facilities. We eliminated HCFC solvents from several cleaning processes by:

- Installing hydrocarbon cleaning machines and laser cleaning machines in certain processes
- Replacing HCFC cleaning solvents with non-ozone-depleting cleaning solvents in the bussing process
- Eliminating oil cleaning for sintered parts

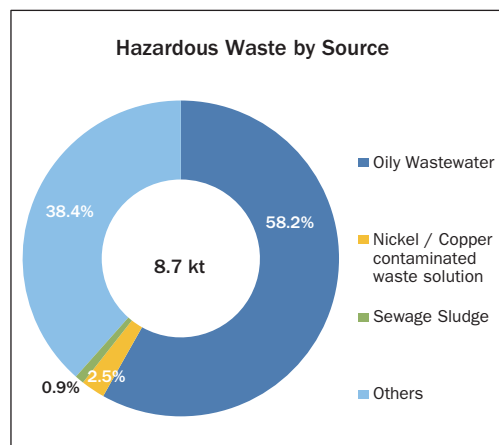
## Waste Management

Waste reduction is a key goal of our environmental management system. All our manufacturing facilities are required to develop and continuously improve site-specific programmes to prevent or minimize solid or hazardous waste generation. All our main waste streams are segregated for reuse and recycling, wherever feasible.

In FY19/20 we generated 5.2kt of general solid wastes, a 3% reduction from the previous year. This is less than 7% of the combined total of solid waste and recovered materials.

Hazardous waste – including oily wastewater, sewage treatment sludge and liquid waste containing spent copper or nickel solutions – is collected and treated by licensed vendors in compliance with regulatory requirements. In FY19/20, we generated 8.7kt of hazardous waste, a 10% increase from the previous year. This was due to a large-scale clean-out of oily wastewater in some of our Canadian plants. However, we benefited from a number of hazardous waste minimization projects, for example:

- In Asti, Italy, after successfully trialling a cast-resin transformer, this year we expanded the use of this technology to the entire electrical substation. This achieves full-efficiency of the plant’s medium-low voltage transformer, while minimizing the risk of a plant shutdown due to



## Sustainability Report 2020

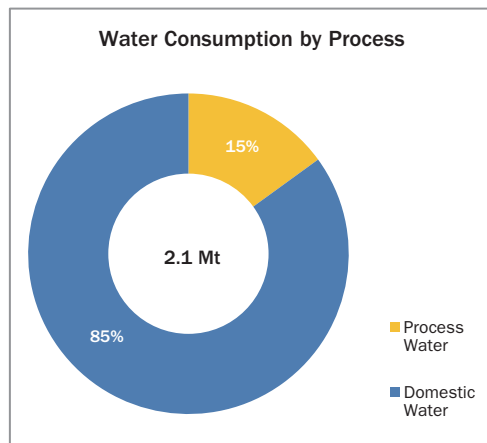
transformer failure. It also eliminates risk of oil spills from the transformer and the need to periodically replace and dispose of exhausted oil

- In Ancaster, Canada, we replaced some hazardous products with an environmentally friendly biodegradable universal cleaner. The new cleaner is free from boron, bactericide, phosphate and silicon, ensuring the health and safety of workers

## Water Stewardship

Our operations do not consume significant quantities of water and none of our major operations are in water-stressed regions. Nevertheless, the Group takes a responsible approach to water stewardship, seeking to maximize efficiency and minimize waste. We engage employees on the need to conserve water and we constantly seek to improve water stewardship in our existing facilities. Good stewardship is built-in when we construct new facilities.

In FY19/20, we consumed 2.1 million tonnes, a 12% reduction compared with the previous year. Our main use of water is for sanitary purposes, with the remainder used in manufacturing processes. Projects to reduce water consumption included the increased recycling and reuse of wastewater from production processes in Ancaster, Canada and in Shenzhen and Nanjing, China; the installation of a rain sensor to prevent unnecessary irrigation in wet weather in Niš, Serbia; and the minimization of flushing water used for sanitary purposes in Newport, Isle of Wight, United Kingdom.



Wastewater from our facilities comes mainly from sanitary use by our workforce. This is typically discharged to the municipal sewer system after ensuring compliance with standards. Our processes also generate some wastewater, which is recycled and reused in the production line wherever possible, or is otherwise treated to reach compliance with discharge limits (or better) before outflow from our facilities.

In FY19/20 we discharged 1.9 million tonnes of wastewater from our facilities worldwide – an 11% reduction from the prior year. Additionally, our operations had no wastewater non-compliances during this period.

In FY18/19, the sanitary wastewater discharge from our powder-metal plant in Beijing China was found to have a chemical oxygen demand (COD) above the 500 mg/L discharge limit and a fine was levied on the plant. We investigated the incident thoroughly, implemented measures in the plant to prevent reoccurrence, and strengthened awareness of environmental issues and social responsibility in the workforce. Furthermore, we hired a professional third party to monitor sanitary wastewater discharged from the plant. With these improvements, the COD value for sanitary wastewater discharged from the plant averaged less than 50mg/L for 2019, significantly lower than the discharge limit.

# INVESTING IN PEOPLE AND COMMUNITIES



## Investing in Our Employees

### Vision and Culture

Johnson Electric's global team is bound together by its shared **MARBLE** values. These values are the foundation of the "One Johnson" culture that provides a common identity for employees to operate as a global team, both in times of growth and in times of adversity.

The Group recognizes that the talent and diversity of its people drives results. In its Global Headquarters, in Hong Kong, over 20 nationalities are represented and more than 14 languages are spoken. Global collaboration is the norm for how work is done within the Group's functions and business units.

Attracting and developing the Right People, putting them in the Right Jobs and providing them with the Right Environment to excel at what they do; these are the pillars that underlie Johnson Electric's people strategy and talent management processes. Our ultimate vision is to become "One Johnson around the world, a great company and a great place to work!"

**ONE JOHNSON AROUND THE WORLD, A GREAT COMPANY AND A GREAT PLACE TO WORK!**

<p><b>ONE JOHNSON AROUND THE WORLD</b></p> <p><i>We are a truly global team bound together by our shared values. We recognize that the talent and diversity of our people drive business results.</i></p>	<p><b>WE MAKE THINGS HAPPEN</b></p> <p><i>We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.</i></p>	<p><b>RIGHT PEOPLE, RIGHT JOBS</b></p> <p><i>We are highly selective. We believe that hiring the right people and putting them in the right jobs maximizes the success of our people and the business.</i></p>
<p><b>ONE JOHNSON AROUND THE WORLD</b></p> <p><i>We are a truly global team bound together by our shared values. We recognize that the talent and diversity of our people drive business results.</i></p>	<p><b>WE MAKE THINGS HAPPEN</b></p> <p><i>We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.</i></p>	<p><b>RIGHT PEOPLE, RIGHT JOBS</b></p> <p><i>We are highly selective. We believe that hiring the right people and putting them in the right jobs maximizes the success of our people and the business.</i></p>

Our MARBLE values	
<b>Make Customers Successful</b>	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.
<b>Attract and Develop Great People</b>	Johnson Electric aims to offer its people a superior career development experience that rewards results, enterprise, coaching and teamwork. We employ more than 35,000 worldwide and recognize that our business thrives on the diversity of our people and their ideas.
<b>Reach Higher</b>	Johnson Electric people set stretch 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.
<b>Believe in Practical Solutions</b>	Johnson Electric is driven by shop-floor practicality and a positive “can do” mind-set. We seek to turn innovative ideas into cash flow by working quickly as a team and refusing to be stalled by complexity.
<b>Lead by Example</b>	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.
<b>Excel in Execution</b>	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.



A group-wide Living MARBLE programme recognizes employees who exemplify our MARBLE values



## Attracting, Retaining and Developing Talent

Our Executive Committee is committed to fulfilling the Group's vision to be "One Johnson around the world, a great company and a great place to work!" To this purpose, it has established a Corporate Human Capital Committee ("HCC") with the mission of driving a sustainable talent pipeline and the continuous improvement of organizational effectiveness. The Group's senior-most executives hold a monthly HCC meeting to agree on:

- Talent management strategies and initiatives
- Appointments to senior roles
- Succession planning for key positions
- Development of senior high-potential individuals through job rotation, job expansion, promotion, transfer and executive coaching
- Other key people initiatives

A people evaluation process provides a framework to evaluate, define and assess employees' capability. Initially, the scope of assessors was limited to HCC members only, and the most senior leaders were evaluated. Last year, the Group widened the scope of the process, leveraging the use of technology, to identify talent located much deeper in our organization. In FY19/20, this assessment included more than 1,000 employees from around the globe. This widening in scope enables Johnson Electric to build its internal pipeline at a much earlier stage through targeted development interventions of identified talent. The Group aims to expand the scope of assessors even further this year, empowering more managers to identify, develop and engage the next generation of leaders.

### Identifying the Right People

The Group thrives on innovation and never stops investing in the next generation of engineers to introduce new ideas and insights. It is also Johnson Electric's ambition to become the employer of choice for engineers.

The Group partners with technical colleges and renowned universities worldwide to recruit top engineering students each year. Through these partnerships, the Group offers scholarships and co-operative education programmes, including capstone projects, doctoral research assignments, design competitions, trainee programmes and internships. The Group is also expanding its efforts to target universities that excel in technology. The aim is to recruit individuals with the expertise required by the digitization of industrial technology and the associated gathering and analysis of data for faster, more flexible, and more efficient processes.

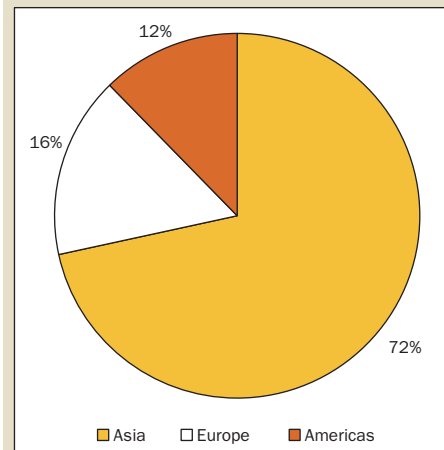
### Developing and Retaining our Talent

To enhance and broaden career opportunities for Johnson Electric people, we foster a culture of "promoting from within".

Johnson Electric empowers managers to drive talent development and expects all managers to create individual development plans for their identified talent. Corporate Talent Management supports this by offering the use of psychometric assessments for development, 360 feedback, executive coaching and formal executive education programmes.

#### Global Workforce

As of 31 March 2020, the Group's total global headcount stood at over 36,000 across Asia, Europe and the Americas



## Sustainability Report 2020

Additionally, a “My Career in Motion” programme enables employees to take greater accountability for their career growth and development, working in partnership with their managers and other employees. At the heart of this programme is a formal self-nomination process that encourages employees to apply for open positions for which they are qualified.

Besides self-nomination, all new senior role openings are discussed by the HCC before appointing an internal candidate or starting an external search, should an internal resource not be identified. In FY19/20 Financial Year, all senior roles (above Director grade) were filled by internal candidates.

The Group is also conscious of the need to ensure its pipeline of technical experts. As a historically engineering-focused company, engineering talent has always been a key priority, but as Johnson Electric transforms, digital know-how is also crucial to the organization’s future.

### Providing the Right Environment

Johnson Electric is committed to respecting the labour and human rights of all employees and to providing a safe workplace in which the dignity of every individual is respected. The Group’s subsidiaries around the world set their labour standards in line with Group policy and with local governmental requirements, so that employment conditions fully comply with Johnson Electric’s commitments and with applicable labour laws and regulations.

What We Stand For	
<b>Labour and Human Rights</b>	Johnson Electric is committed to respecting the labour and human rights of all its employees. In pursuit of this, the Group adheres to the directives set by the International Labour Organization’s “ILO Declaration on Fundamental Principles and Rights at Work” and the United Nations’ “UN Guiding Principles on Business and Human Rights”. These set out 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 in the workplace.
<b>Equal Employment Opportunity</b>	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 legally protected status.
<b>Open Communication</b>	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 are comfortable voicing their opinions, ideas, suggestions and concerns.
<b>Harassment-free Workplace</b>	Johnson Electric is committed to providing a working environment that is free from any inappropriate behaviour and all kinds of harassment based on personal characteristics or status. Threats or acts of harassment are prohibited and not tolerated.
<b>Elimination of Violence and Weapons in the Workplace</b>	Johnson Electric’s objective is to provide a safe work environment that is free from acts and threats of violence.



As part of its corporate governance, Johnson Electric monitors its compliance with its Human Resources policies and commitments and with the relevant labour laws and regulations. As part of this:

***At any time***

- Employees may report any ethical or business conduct concerns, including (but not limited to) all topics covered by the Code of Ethics and Business Conduct. Reports may be submitted anonymously via the Group's whistle-blower hotline, accessible globally at any hour by phone or email. Any such reports are investigated promptly and confidentially. If it is determined that there has been a violation of the Code, prompt action is taken to prevent reoccurrence, if necessary including appropriate disciplinary action

***Every year***

- The Group's regional and country Human Resources teams acknowledge and certify their full compliance with the Human Resources policies and to the relevant labour laws and regulations
- All managers and above, and other key staff must certify that they have read and comply with the Code and are not aware of any breaches by others. Our Code includes specific requirements on ensuring equal employment opportunity, keeping open communication, ensuring a harassment-free workplace, preventing workplace violence and weapons, and the prevention of child labour and forced labour

***Every two years***

- All managers and above, as well as other employees in sensitive positions, must undergo refresher training on the Code and its application in the workplace, including the protection of labour and human rights. On completing this training, they must pass a test on the Code. Only then are they allowed to certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct. Shortly after our 31 March 2019 year-end, 2,064 managers took part in this training. The next refresher training session is scheduled for our 31 March 2021 year-end

***This year***

- Johnson Electric does not tolerate child labour or forced labour. We hire only employees aged 18 years or older (except in the case of government-structured apprenticeships). We adhere to the principles of freely chosen employment. However, some of our factories are located in countries that were ranked as Tier 2, Tier 2 Watchlist or Tier 3 in the U.S. Department of State's [2019 Trafficking in Persons Report](#). Consequently, we are strengthening controls and operating procedures to enhance current practices relating to the prohibition of child labour and the elimination of forced labour

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 liquidity 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 that vest only if stringent financial conditions are achieved.

Training and Development

The Johnson Electric Learning Institute (“JELI”) provides global direction for all learning, development and reskilling activities within the Group. A Steering Committee comprising representatives from all regions meets once a month to guide and shape policies and practices. This is supported by a strong network of learning and development teams in each location, which deliver local learning programmes in response to business priorities and the organization’s talent needs. A wide variety of development channels includes stretch assignments and international secondments that provide employees with opportunities to gain global exposure and broaden their horizons. The Group also offers just-in-time classroom and eLearning programmes to grow employees’ soft and technical skills.

Learning and development activities are facilitated by the “Learning in Motion” hub, a global learning platform that provides more than 300 courses to employees. These cover key business and soft-skill areas and allow employees to learn anytime, anywhere and on any device, all at their own pace. In addition, as part of cultivating a learning culture, the Group organizes a Learning Month every April. This emphasizes continuous learning as a key attribute required in every Johnson Electric employee.

			
Engineering	Quality	Manufacturing	Environmental, Health and Safety
			
MARBLE Values and Leadership	Personal Development	Supply Chain Services	Business
			
Compliance	JE Competencies & BU / Functional Curriculum	Orientation	Leadership Moment

Key business and soft-skill categories available on the “Learning in Motion” hub

Additionally, operating from campuses in China and Mexico, the Johnson Electric Technical College (“JETC”) targets underprivileged youth and provides a way for the new generation to choose engineering as a career and join the Group’s workforce upon graduation. Founded in Shajing, China in 2004, JETC provides a mix of general and technical education to young people over a three-year course.

As the pace of change in digital technologies continues to increase, and as our factories become more digitized, JETC is adopting new educational offerings to help students build competency in this area.

In Serbia, Johnson Electric provides training schemes in partnership with a local technical school and with the University of Niš. Students participating in these schemes spend two days a week in the factory, following detailed programmes based on the JETC concept, effectively bringing together theory and practice.



*JETC China – Students receiving training in automation*



*(Above and below) JETC Mexico students teamed up to help the José María Morelos Primary School in Santiagoullo. They worked to recondition the school’s sports areas, classrooms and other facilities to provide an upgraded environment for teaching, learning and school activities*



*JETC Mexico – Students receiving safety education through awareness strategies for work hazards and the correct use of tools*



## Employee Engagement

Open and honest communication is a fundamental part of Johnson Electric's pledge to employees, inseparably linked to the high-performance engagement culture the Group constantly seeks to instil. The Group uses a variety of communication channels for this, including:

- One Johnson Global Celebration, an annual event for all Johnson Electric employees around the globe. Each year, as part of the One Johnson celebrations we give Chairman's Awards honouring teams or individuals' achievements in striving for excellence and innovation. Local sites arrange a variety of celebratory activities, which include business-related activities, charitable activities, Junior Engineer events, gatherings and festive meals, open days, a "drink tea with your favourite manager" event, games and puzzles. This year's activities were especially enthusiastic as we celebrated Johnson Electric's 60<sup>th</sup> anniversary
- JE in Motion, a digital platform for sharing multimedia contents with all global employees or specific employee groups, facilitating knowledge sharing and team collaboration
- Regular all-staff meetings, held in every Johnson Electric location. These provide updates on business performance and developments on key projects
- Surveys of the organization's engagement level. These provide a confidential route for employee feedback. Follow-up actions ensure that employees' voices are heard and responded to at both corporate and team levels. This year we asked a sample of employees, representing all Johnson Electric sites, to take part in a stakeholder engagement survey on sustainability. We are assessing its results to build our materiality assessment of sustainability issues
- Local initiatives, including a variety of recreational and team-building activities throughout the year to boost engagement and promote recognition. Local teams organized festive celebrations, outings, cultural excursions, "Take Your Kid to Work" days, environmental pledge boards, and similar events

Other means to ensure employees' alignment with Johnson Electric's strategy and direction include newflashes, open forums and global and local employee contests.

### 60th Anniversary Celebration



60th anniversary event at the One Johnson Celebration in Shajing, China



Fabio Olmo from Asti, Italy won a global competition to design a 60<sup>th</sup> Anniversary poster



An online game engaged employees in Johnson Electric's history

## Maintaining a Healthy and Safe Work Environment

Johnson Electric is committed to protecting employees' health and well-being, forming an essential element of our sustainable development. Our specific goal for employees' health and safety is "No harm to people working for Johnson Electric".

We constantly seek to develop our safety culture and further improve our safety performance. We place unceasing emphasis on safety matters in the workplace and continuous improvement to eliminate potential causes of incidents.

### Health and Safety Management

Our global manufacturing footprint includes sites in countries with varying requirements for worker's health and safety. Our rigorous EHS management system addresses this with high standards for managing occupational health and safety issues. Every Johnson Electric factory is required to apply this EHS management system and comply with both our global safety standards and local regulations. This is subject to rigorous verification through internal audit programmes and by accredited external auditors.

Our EHS management system includes incident reporting and investigation, use of personal protective equipment, machine safety, electrical safety, working at height, vehicle safety, chemical management, occupational hygiene, safety committees and inspection, emergency response, risk assessment and assurance, audits and more.

We identify significant health and safety aspects in every factory and devote resources to monitor and control risks to ensure employee safety. Every level of management is involved in reviews to ensure continuous improvement in health and safety performance, everywhere. In day-to-day activities, leaders set a common theme of "injury-free". This is reinforced through regular safety inspections, training and thorough incident analysis. We also encourage employees to report hazards and near-misses to identify areas for further improvement. We embed the lessons learned in process and machine improvements and job-specific training. All newly hired employees receive a safety orientation as part of their induction into the workforce. Our Chairman and Chief Executive and the Executive Committee receive regular health and safety performance reports.

This year, we undertook a number of projects to strengthen our occupational health programme and improve the employee work environment – especially in our China plants. We:

- Issued a new Occupational Health commitment. We commit to meet regulatory requirements, set up effective occupational health management procedures and provide adequate resources to deliver this and protect employees' occupational health
- Upgraded our Occupational Hazard Identification and Risk Control Procedure. A qualified cross-functional team must apply a consistent methodology to conduct hazard assessments and identify risks to occupational health and safety. This requires consideration of chemical, physical, biological and other factors. The cross-functional team works systematically through the list of identified hazards to specify all methods needed to mitigate each. These measures include the existing controls, any additional controls that can be implemented now and future opportunities for improvement. The control hierarchy guideline

To achieve our goal of "No harm to people working for Johnson Electric" we:

- Design products and processes that are safe for employees
- Comply with applicable health and safety laws and regulations
- Commit appropriate resources and leadership to our Global EHS management system
- Continuously improve our Global EHS management system to set and maintain rigorous standards for managing our health and safety risk
- Improve our occupational safety management by defining appropriate objectives and targets on a regular basis
- Promote a positive safety culture in our workforce through regular communication; and
- Communicate our health and safety performance to stakeholders and seek their involvement wherever applicable

80% of our manufacturing locations, including all our major sites, have obtained certification for their occupational health and safety management systems (41% of our sites are certified under ISO 45001:2018 and 39% are certified under OHSAS 18001).

Our factories in Brazil, India and the United Kingdom are working towards obtaining ISO 45001 certification later in 2020.

## Sustainability Report 2020

used to assist in this process includes elimination, substitution, engineering controls, segregation, reduction in personnel and time exposure, procedures and personal protective equipment (“PPE”)

Additionally, in China, we:

- Engaged a professional third party to work with the cross-functional team to conduct an annual occupational health hazard assessment to identify, monitor and control all hazards
- Worked with the local Center of Disease Control to upgrade our chemical safety management and reduce risks from using chemicals to as low as reasonably practicable. We requested all suppliers to submit a form declaring they were benzene-free. We also conducted chemical composition analysis and testing of all chemicals used in our factories to ensure they are free from benzene and other forbidden hazardous chemicals
- Updated our safety data sheets (SDS). We requested all suppliers to send up-to-date SDS to ensure that our SDS meet regulatory requirements
- Organized industrial ventilation training for relevant workers and managers. This helped to provide an understanding of how to design and maintain an effective local exhaust ventilation (LEV) system to improve the workshop air quality
- Formed an LEV task-force to review current LEV systems and identify workshops in need of upgraded LEV. As a result, we improved LEV in eight workshops
- Hired more experienced and competent occupational hygiene professionals and added resources to deliver a robust occupational health management programme
- Implemented a rigorous occupational health medical check programme, with a blanket medical check for all employees in the workshop. This programme was supported and recognized by the local occupational health bureau
- Revisited and evaluated our PPE standards and our PPE training programme. Consequently, we are now implementing new PPE standards
- Reassessed hazard communication. We provided training on communicating occupational hazards, assessed labelling of chemicals, and relocated some hazard communication boards to make them more accessible

## Safety Performance

We measure our safety performance using the recordable injury frequency (“RIF”) and the lost-time accident rate (“LTA”). We use the U.S. Occupational Safety and Health Administration (“OSHA”) definitions for these and calculate them as a rate per 100 employees, working in the year.

In FY19/20, there were:

- 166 recordable injuries across the Group, giving a RIF of 0.35 per 100 employees
- 69 lost-time accidents (recordable injuries with lost time of more than one working day). Consequently, the LTA rate was 0.14 per 100 employees
- Zero fatalities

Although both the recordable injury frequency and the lost-time accident rate increased slightly, they remain very low compared to the averages for our industry<sup>1</sup>. Nevertheless, we were not satisfied with the increase, particularly lost-time accidents, over the past three years. We conducted a comprehensive root-cause analysis to identify further opportunities for improvement.

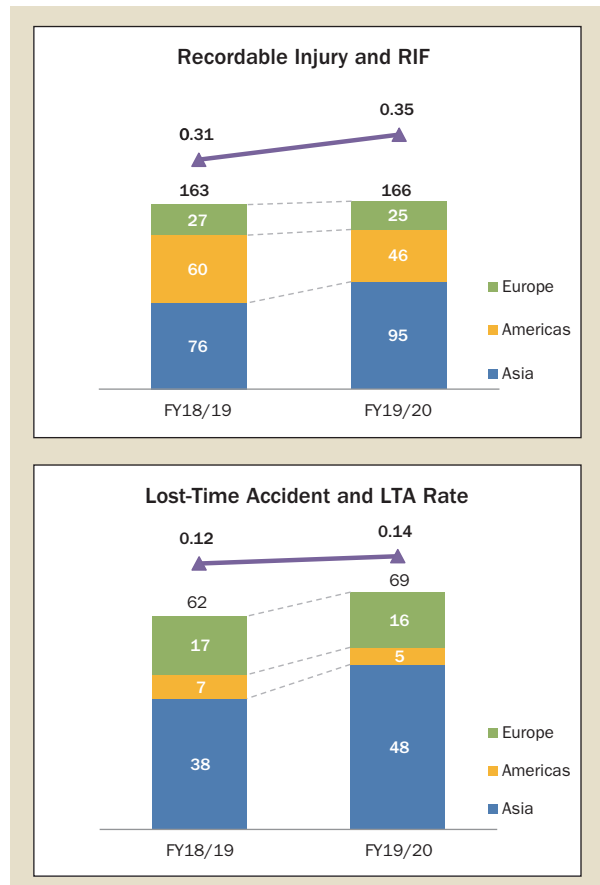
Our analysis identified three main reasons for the increase:

- Hazards or risks not totally eliminated in the initial stages of some process designs
- Human factors, as technicians or workers occasionally bypassed safety features or interlocked systems during the installation and commissioning stages of new processes
- Some operators’ inadequate understanding of hazards presented by new processes

We initiated a number of improvement actions and controls to tackle these challenges. These included:

- Innovative use of artificial intelligence for accident prevention. We added facial recognition systems to monitor and control safety features and prevent operator violation
- Improved communication with equipment suppliers so that risks can be avoided during the design and programming phase
- Conducting proactive risks assessments to identify the hazards presented by new processes – especially automated lines – to ensure that appropriate safety controls are put in place
- Checking safeguards are in place during regular maintenance intervals. This includes verifying that warning and safety signs are in place; that interlocks, sensors and light curtains are in working condition; and that guarding is fully in place and locked to prevent accidental entry
- Training workers how to work safely with robots
- Implementing a hazard hunt and recognition programme. This encourages workers not only to report hazards but also motivates them to create solutions to eliminate hazards

<sup>1</sup> U.S. Bureau of Labor Statistics. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types





We designate June every year as International Safety Month, with activities organized across the entire Group to engage employees and raise awareness of safety risks. This forms an important element in our efforts to drive continuous improvement in our safety practices and nurture a safety culture.

In June 2019, our theme for Safety Month was “Safety: A Reflection of the Past 60 Years”.

Forming part of Johnson Electric’s 60th anniversary celebrations, our sites worldwide used a three-stage model of “Technology, Systems and Culture” to reflect on our safety journey over the past 60 years.



We presented Senior Safety Leader Awards to employees and senior leaders for their contributions over many years to our Safety Management Development. Operating units with a good safety record received Safety Performance Awards

Sites engaged in safety-related activities, games and family days to engage employees in this critical topic





## Response to COVID-19

The experience of dealing with the SARS outbreak in Asia 17 years ago had a major impact on our thinking in response to the COVID-19 pandemic.



When COVID-19 forced the initial lockdown in China in late January 2020, we reactivated many of the health and safety protocols we implemented in the 2003 SARS outbreak. Then we rolled those out as a global response plan for all JE locations to follow.

Our Global Supply Chain and Corporate Administration teams moved quickly to source facemasks for our people – not only for those in China, but also for all of our employees in every country. To date, we have managed to secure supplies of almost 5 million masks – with sufficient stocks to supply the immediate families of our employees and make donations to the local communities where we operate.

We have installed strict entry procedures at all Johnson Electric locations – with advanced temperature monitoring equipment installed where we have large numbers of employees.

Each local office and facility has shown terrific spirit and good sense in putting in place practical procedures that reduce the risk of transmission. We have all made conscious efforts to be considerate of our colleagues and to maintain high standards of hygiene and social distancing. This in turn contributes to protecting our families, our local healthcare professionals and the local communities where we operate.



We are not going to relax our COVID-19 safety protocols until conditions improve significantly.

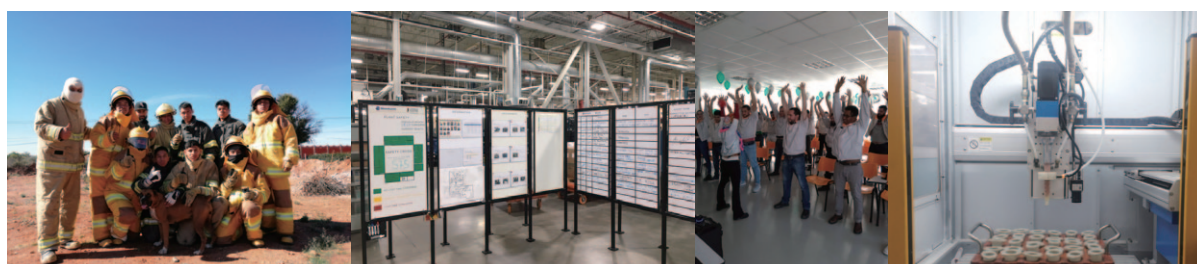
Since we do not know how long this pandemic will last, we have taken the additional step of investing in our own mask manufacturing line based in Hong Kong. This production line has the capacity to manufacture up to 1.5 million masks per month. It will help to ensure all of our employees and their families will have access to high-quality, protective facemasks for the foreseeable future.

Safety Highlights

We devote substantial effort to the protection of workers’ health and seek continuous improvement in health and safety performance – at all our sites around the world. To achieve this, we seek ways to control hazards; reduce the range of chemicals in use, maintain strong controls over our safety risks; build and maintain a safety culture; and improve our EHS management.

Highlights of our continuous improvement activities in FY19/20 include:

<b>Ancaster, Canada</b>	<b>Ergonomics</b>	Ergonomic training for all employees and evaluator training for supervisors and managers.
<b>Arujá, Brazil</b>	<b>Safety Culture</b>	Cultivating our safety culture, engaging employees in a “What Moves You” programme.
<b>Asti, Italy</b>	<b>Ergonomics</b>	Ergonomic improvements with height-adjustable work stations and the automation of certain processes.
<b>Beihai, China</b>	<b>Injury Prevention</b>	Automatic loading to replace manual handling, minimizing the risk of exposing hands to the danger zones of tapping machines.
<b>Beijing, China</b>	<b>Fire Safety</b>	Fire suppression system improved for all-season safety.
<b>Bedzin, Poland</b>	<b>Injury Prevention</b>	Improved machine safety guards and installed vending machines for PPE.
<b>Chennai, India</b>	<b>Safety Culture</b>	On National Safety Day, we refreshed our safety culture by renewing our commitment to work safely throughout the year.
<b>Hirson, France</b>	<b>Ergonomics</b>	Ergonomic improvement from height-adjustable work stations.
<b>Izmir, Turkey</b>	<b>Occupational Health</b>	Improved air-conditioning for thermal comfort.
	<b>Injury Prevention</b>	Elimination of injury risk through automation of the sealing and body loading workstation.
<b>Mississauga, Canada</b>	<b>Injury Prevention</b>	Improved Lock-Out, Tag-Out procedures for 160 items of equipment.
	<b>Communication</b>	EHS fast response boards with daily reports, meeting and inspection schedules, an injury heat map and ergonomic programme and safety findings.
<b>Nanjing, China</b>	<b>Ergonomics</b>	Automation in wet pressing workshops to reduce ergonomic risks.
<b>Niš, Serbia</b>	<b>Ergonomics</b>	Automation and industrial logic for injury prevention and ergonomic improvement.
	<b>Chemical Safety</b>	Prevention of spillage through automation of glue dispensing.
	<b>Industrial Hygiene</b>	Continuous monitoring of dust levels from epoxy powder area with light and sound signals to alert employees.
<b>Ochang, South Korea</b>	<b>Safety Culture</b>	“Finding a Near-miss” safety campaign with a QR code for employees to report risks.
<b>Shanghai, China</b>	<b>Physical Safety</b>	Automation of punching and electric inspection lines to reduce risk of mechanical injury.
<b>Shenzhen, China</b>	<b>Occupational Health</b>	Automation of AB gluing to avoid occupational exposure to chemicals.
	<b>Physical Safety</b>	Facial recognition to control access to nickel plating processes. Safety enhancements to environmental testing chambers to avoid explosion risks.
	<b>Ergonomics</b>	Automatic loading of heavy material on winding machines to avoid ergonomic risk.
<b>Vandalia, USA</b>	<b>Chemical Safety</b>	SDS information maintained online for ease of access by employees.
<b>Zacatecas, Mexico</b>	<b>Emergency Response</b>	Took part in mutual aid emergency preparedness with Zacatecas airport and other companies in the industrial park. Real-scale aircraft accident simulation and drill.



## Community Engagement

Johnson Electric's community engagement runs on the flagship theme of "technical education", which comprises two main initiatives:

- **Johnson Electric Technical College:** JETC serves a dual purpose. It provides the Group with a stream of well-educated future employees. It also gives back to society through supporting underprivileged youngsters in China and Mexico by providing them with a quality general and technical education. In Serbia, the Group works in partnership with a local technical high school. Using similar concepts to JETC, we provide access to our facilities and staff to help students receive a quality technical education
- **Junior Engineer:** Over 30 Johnson Electric locations hosted Junior Engineer events in 2019 reaching more than 500 children. This global community outreach programme is a simple but effective way to encourage early interest in science, technology, engineering and mathematics subjects. Participating children, from 6 to 12 years old, build a toy powered by a Johnson Electric motor



Technical Education is also a recurring theme in our community engagement activities. Local teams collaborate with educational institutions in their neighbourhoods to provide internship opportunities for students, reward outstanding performers and organize open-house events for students.

Additionally, local sites around the world partner with local non-governmental organizations (NGOs) to take part in charitable activities and actions. These include health education, poverty action, children, elderly, underprivileged groups, animals, environmental protection and community order, among others. In the 12 months ended 31 March 2020, their activities included:

- **Earth Hour** – In March 2020, we joined with millions around the globe to support the World Wide Fund for Nature (WWF) in its Earth Hour campaign, switching off non-essential lights in our office premises. We added our voice to safeguarding nature and showed our commitment to minimizing the ecological impact of our operations around the world



*To raise awareness of Earth Hour in our global workforce, we challenged our employees to "Go beyond lights-off!" turning the inspiration of one hour into the actions of every hour to raise awareness of climate change. Participants promised to carry out one environmentally friendly action before tagging a co-worker to join in. Pledges made included reusing and recycling paper, minimizing the use of plastic bags, cycling instead of driving, and unplugging electrical devices when not in use*

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- Hong Kong, China** – We received the “Caring Company Award” from the Hong Kong Council of Social Service – the 5<sup>th</sup> consecutive year we received this award. It recognizes our commitment to corporate social responsibility and our voluntary efforts in creating a caring community in Hong Kong



- Chennai, India** – Our Chennai plant organized an “Anti-plastic Campaign” raising the local community’s awareness to the adverse effect of plastic usage. We encouraged employees and the community to start thinking about how to reduce plastic usage in our daily lives. In a “Cleanliness Drive”, employees removed plastic rubbish from the streets near our factory. If we can eliminate plastic from our lives, we can save hundreds of marine species from entanglement and plastic ingestion



- Niš, Serbia** – We received an award for the “highest contribution in the field of employment policy” in 2019 from the Serbian National Employment Service (NES). We were rated as having the most successful and proactive cooperation with NES in the Serbian labour market in 2019 (in terms of the number of new hires and participation in employment/related programmes)

The “ADATechAk” project jointly organized by the Serbian Chamber of Commerce and NES was a typical example of such cooperation. This aimed to increase employability in the automotive industry by providing tailored training for people without work experience. Certified JE trainers provided practical training in our Niš plant



- Arujá, Brazil** – Our plant created a commitment wall for employees to display “paper hands” describing their personal commitments to improve the environment. This wall is near the entrance, reminding employees of their commitments every day



- Vandalia, U.S.** – Last year, we reported on the multiple tornadoes that struck the area around Vandalia on 27 May 2019. Five hundred homes were damaged and 59 destroyed. We provided paid leave and accommodation for employees (and their families) who had lost their homes. The plant’s employees also played their part in supporting the wider community, collecting items for tornado relief, including water bottles, non-perishable food, personal care items, shelter supplies, baby wipes and new or gently used clothing



# CORPORATE GOVERNANCE AND RISK MANAGEMENT



Johnson Electric pursues high standards of corporate governance that properly protect and promote the interests of all our stakeholders. We set a strong tone from the top and devote considerable effort to building a sound governance structure. We identify and formalize corporate governance best practices that foster a culture of integrity, transparency and accountability.

## Board of Directors and its Committees

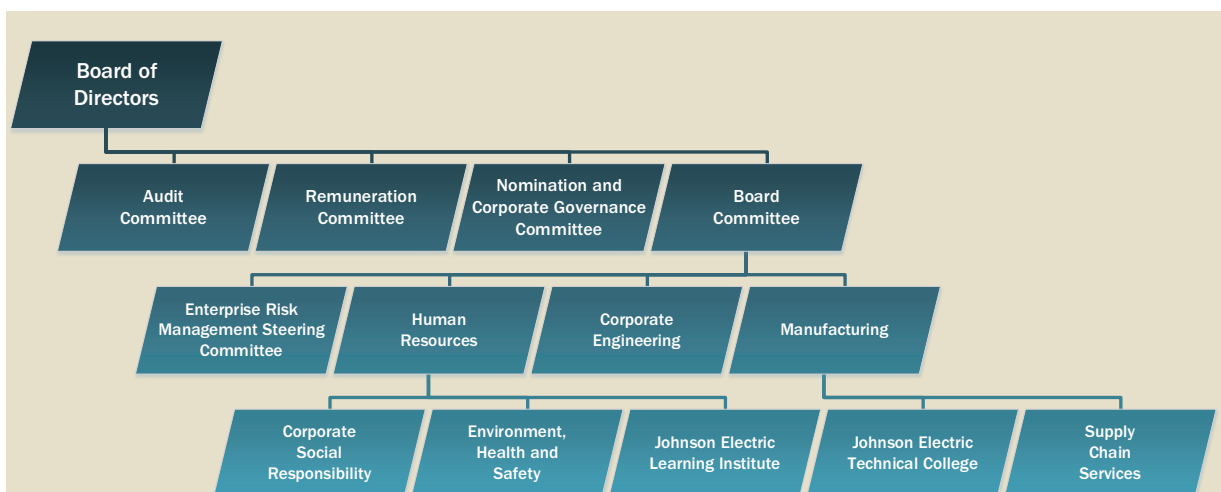
The Company's Board of Directors ("the Board") is responsible for leading, reviewing and monitoring the Company's sustainability policies and is accountable for the environmental, social and governance performance of the Group. The Board meets in person on a quarterly basis and on other occasions when a board-level decision on a particular matter is required. The Group's Executive Vice Presidents attend board meetings and advise on a number of issues pertinent to environmental, social and governance matters, including strategic planning, corporate governance, enterprise risk management, internal controls and statutory compliance.

Further details of the composition and work of the Board and its Committees can be found in the Corporate Governance Report section of the Annual Report 2020.

Major corporate matters specifically delegated by the Board to management pertinent to environmental, social and governance matters include:

- The preparation of an annual sustainability report
- The execution of business strategies and initiatives adopted by the Board
- The implementation of adequate systems of risk management and internal controls
- Compliance with relevant statutory requirements and rules and regulations

The monitoring and assessment of particular aspects of sustainability are delegated to the relevant Board committees; they operate under defined terms of reference and are required to report to the Board on a regular basis.



## Sustainability Report 2020

**The Audit Committee** monitors the Group's financial and sustainability reporting and reviews the annual Sustainability Report. It is also responsible for the internal control aspects of the Group's activities. It receives reports on integrity and ethics issues, including all matters reported via the whistle-blower hotline. Regularly, it reviews a report from management on environmental issues, and health and safety issues.

**The Remuneration Committee** determines the compensation structure and rewards for the Chairman and Chief Executive and other executive directors. It also monitors the policies applied in remunerating senior management on behalf of the Board. It reviews and makes recommendations on management development and succession plans for executive directors and senior management.

**The Nomination and Corporate Governance Committee** identifies and evaluates candidates for appointment or reappointment as director. It also develops and maintains our overall corporate governance policies and practices and is responsible for implementing our Board Diversity Policy.

**The Board Committee** undertakes and supervises the day-to-day management and operating affairs of the Group. It exercises leadership and develops and keeps under review strategy and business initiatives, and supervises their implementation. For sustainability matters, the Board Committee is assisted by the Enterprise Risk Management Steering Committee and the Human Resources ("HR"), Corporate Engineering and Manufacturing functions. Specific functional responsibilities embedded in this include:

- HR identifies, manages and advises on issues relating to Corporate Social Responsibility. HR also manages the Johnson Electric Learning Institute, taking responsibility for the content and delivery of its courses
- Environment, Health & Safety, reporting to the Senior Vice President, HR, identifies, manages and advises on issues relating to managing and mitigating the environmental impact of our factories and protecting employees' health and safety
- Corporate Engineering innovates to create value and ensure that our products make our customers successful in fulfilling their sustainability requirements
- Manufacturing implements our industrialization strategy, ensures responsible consumption and production in our factories. It is also responsible for the Johnson Electric Technical College
- Supply Chain Services, reporting to the Senior Vice President, Manufacturing, is responsible for our engagement with suppliers, driven by our focus on "innovation" and "safe choice". This includes cost, quality, delivery, environmental management, health and safety performance, ethical behaviour and social responsibility

We include sustainability information in our reporting cycle through monthly reporting to the Chief Executive, quarterly reporting on issues to the Risk Committee and publishing of an annual Sustainability Report.

## Enterprise Risk Management

We have instituted policies and procedures to identify, mitigate and control our exposure to business and sustainability risks. This includes risks to the environment, to people and to our integrity and ethics. Led by the Chairman and Chief Executive of the Company, our Enterprise Risk Management Steering Committee works with senior leaders in core business functions to classify, analyze and track existing and emerging risks. 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 our senior management and tested periodically both by management and our Internal Audit function to ensure their continued effectiveness.

Further details of our Enterprise Risk Management, our risk profile and our policies for managing our exposure to key risks can be found on pages 37 to 43 of the Annual Report 2020

## Code of Ethics and Business Conduct, and Whistle-blowing Policy

We strive to conduct our business with honesty and integrity, both within the Group and in our dealings with our business partners, customers, suppliers, competitors and the communities in which we operate. To that end, we have published and implemented a Code of Ethics and Business Conduct (the “Code”) setting out the principles that define such behaviour. This guides all our employees to use good judgment and ethical decision making in their business conduct and practices.

<b>Our Code of Ethics</b>	
<b><i>Preventing Bribery and Corruption</i></b>	We believe business decisions should be based on our product offering, including quality, price, service and other competitive factors. Business courtesies such as gifts, favours, contributions or entertainment must never be offered or accepted if they can be interpreted as improper. This is further enforced through rigorous expenditure controls with strict monetary limits on gifts and entertainment.
<b><i>Preventing Conflicts of Interest</i></b>	We require employees to report potential conflicts of interest. They are prohibited from using their positions to benefit themselves, their families, friends, or associates. They are also prohibited from any non-Company business involvement with a competitor, supplier or customer.
<b><i>Anti-money Laundering</i></b>	We are committed to complying fully with all applicable anti-money laundering laws throughout the world’s jurisdictions. Our customer relationship processes are designed to ensure that we know our markets and our customers’ businesses. We take reasonable steps to ensure we do not accept forms of payment that are suspicious or identified as a means of laundering money.
<b><i>Preventing Unfair Competition</i></b>	We do not enter into agreements that harm customers, including price-fixing and bid-rigging, or unreasonably limit the freedom of a reseller, customer or supplier to sell a product or technology. We do not abuse a dominant position in the market to stop others competing.
<b><i>Protecting Proprietary Information, Confidential Information and Intellectual Property Rights</i></b>	We safeguard all proprietary and confidential information.  We establish, maintain and defend our intellectual property rights and respect the valid intellectual property rights of others.
<b><i>Preventing Fraud and Maintaining Accurate and Complete Official Records and Reporting</i></b>	All books, records and accounts must conform to applicable accounting principles, laws and regulations, and to Johnson Electric’s internal control policies. False, misleading or artificial entries in any financial books, records or accounts are prohibited. The same principle applies to quality records, environmental, health and safety records and to any other information that is critical to the business including performance metrics.
<b><i>Treating Each Employee with Mutual Respect and Fairness at All Times</i></b>	We are committed to providing a harassment-free workplace in which the dignity of every individual is respected. We value the differences of diverse individuals around the world. Each job applicant and employee is treated in a fair and non-discriminatory manner without regard to age, disability, marital status, race, nationality, religion, gender, sexual orientation or any other legally protected status.
<b><i>Protecting the Environment and the Health and Safety of Employees</i></b>	We maintain an environmental, health and safety policy including standards, checks, inspection procedures and audits to prevent harm to the environment and employees wherever we operate.
<b><i>Preventing Child Labour and Forced Labour</i></b>	We do not permit the employment of minors who do not meet the legal minimum working age of each country and region. We will not partake in any form of forced, bonded or indentured labour.

## Sustainability Report 2020

As part of their induction, all staff joining the company in a position that requires an email account must complete compulsory Code of Ethics training. All managers and other employees in sensitive positions are required to sign an annual declaration that they have read and conformed to the requirements of our Code and are not aware of any potential violations of the Code by others. Additionally, every two years, they are required to complete training and pass a test before making their declaration. During FY19/20, 2,064 managers and other employees took part in and completed this refresher training.

We maintain a whistle-blower hotline enabling all employees to make anonymous reports of any ethical or business conduct concerns at any hour by phone or email. In every workplace, conspicuously placed posters inform employees how to access the hotline. All reports are investigated promptly and confidentially. If it is determined that there has been a violation of our Code, we take prompt action to prevent reoccurrence. If necessary, we take appropriate disciplinary action.

In FY19/20, no cases were concluded or brought against the Group or our employees for corrupt practices.

In FY18/19, the Group concluded one case it brought against an employee for corrupt practices. Although the monetary amount was not material to the Group's operations, we do not tolerate such behaviour. No other legal cases brought against the Group or our employees regarding corrupt practices were concluded during this year.

## Global Tax Policy

We manage our tax affairs in a manner that maintains the Group's wider corporate reputation. Every Group company has the responsibility to understand and comply with tax laws and regulations applicable to its business. They are supported in these duties, and in the identification, reporting and resolution of potential tax issues by our internal tax experts and our external tax advisors. We seek external guidance where tax laws are changing or unclear.



## Stakeholder Engagement

We stay connected with our customers, employees, suppliers, shareholders, investors and the wider communities in which we operate through a variety of channels. This engagement helps us to identify the sustainability issues that most concern our stakeholders and informs the development of our sustainability strategy and our approach to sustainability activities and reporting.

This year, we launched an additional stakeholder engagement channel, conducting a survey on sustainability issues. For this survey, the Enterprise Risk Management Steering Committee determined that we should select a number of representative customers from our APG and IPG divisions and employees from all of our sites around the world. We also surveyed the Group's senior managers to increase our understanding of what is important to the business.

### Stakeholder engagement channels

	Topics covered	Communication channels
<b>Customers</b>	<ul style="list-style-type: none"> <li>Product, price and performance</li> <li>Quality</li> <li>Financial performance</li> <li>Sustainability strategy and performance</li> <li>Business integrity and ethics</li> </ul>	<ul style="list-style-type: none"> <li>Phone calls and email – ongoing</li> <li>Customer visits and meetings – as needed</li> <li>Customer complaints process – as needed</li> <li>Quarterly results announcements, interim report and annual report</li> <li>Customers' on-site visits and audits of Johnson Electric's factories – on request</li> <li>Sustainability report – annual</li> <li>Sustainability survey – new this year</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Working conditions and welfare</li> <li>Labour and human rights</li> <li>Employees' health and safety</li> <li>Employee engagement</li> <li>Career development and training</li> <li>Business performance</li> </ul>	<ul style="list-style-type: none"> <li>Whistle-blower hotline – ongoing</li> <li>One Johnson Celebration – annual</li> <li>Performance reviews – annual</li> <li>Employee engagement surveys – biannual</li> <li>Workplace posters, emails, social media and intranet – ongoing</li> <li>All-staff meetings – quarterly</li> <li>Training, coaching and on-the-job development – ongoing</li> <li>Sustainability report – annual</li> <li>Sustainability survey – new this year</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Johnson Electric expectations of suppliers</li> <li>Supplier quality performance</li> <li>Supplier sustainability performance</li> <li>Compliance with Johnson Electric's Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>Johnson Electric Terms and Conditions</li> <li>Johnson Electric Code of Conduct</li> <li>Phone calls and email – ongoing</li> <li>Supplier self-assessments</li> <li>Supplier risk review – annual</li> <li>On-site visits and audits of key suppliers</li> </ul>
<b>Shareholders and potential investors</b>	<ul style="list-style-type: none"> <li>Financial performance and expectations</li> <li>Strategic plans</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly results announcements, interim report, annual report</li> <li>Quarterly, interim and annual results announcement events</li> <li>Media / investor relations conferences and feedback to enquiries</li> <li>Sustainability report – annual</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>Employment and training opportunities</li> <li>Quality education</li> <li>Environmental protection</li> <li>Local community activities</li> </ul>	<ul style="list-style-type: none"> <li>Phone calls and email – ongoing</li> <li>Johnson Electric Technical College and partnerships with local education authorities and universities – ongoing</li> <li>Johnson Electric Junior Engineer – annual</li> <li>Participation in local community activities and voluntary work – ongoing</li> <li>Participation in government / NGO training and employment schemes – ongoing</li> </ul>

### Materiality Assessment

During FY19/20 we conducted our first stakeholder engagement survey to identify the material topics that have significant influence on stakeholder decisions. We also surveyed Johnson Electric leaders to obtain their views.

We are now using this, and considering the materiality of our impacts (actual and potential), to build our materiality assessment. This will allow us to discover and communicate:

- Each topic's relative importance to the business and to stakeholders
- Which topics exert a significant influence on stakeholder decision making
- Where we as a business have significant influence through our own operations and upstream in our supply chain, and downstream in the supply chain, through our products and how we act in the market

Based on our initial analysis of the results of this survey, we have added SDG8 – Decent Work and Economic Growth to our Core SDGs. This is reflected in our analysis of how we contribute to the SDGs on pages 5-9. We have also enhanced our disclosures relevant to this topic within Investing in People and Communities on pages 26-41.

Except for the above, the direction of this year's report and the priority of environmental, social and governance issues during the year is consistent with that of the previous year.

We will publish and make use of the results of our updated materiality assessment in our Sustainability Report 2021.

# APPENDIX I: HKEx ESG REPORTING GUIDE

## Environmental, Social and Governance Reporting Guide

Notes /  
Sections

### A. Environmental

#### Aspects A1: Emissions

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas ("GHG") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Responsibility/ Performance Indicators
KPI A1.1	The types of emissions and respective emissions data.	
KPI A1.2	GHG emissions in total (in tonnes) and where appropriate, intensity.	
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity.	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity.	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	
KPI A1.6	Description of how hazardous and non-hazardous waste is handled, reduction initiatives and results achieved.	

#### Aspects A2: Use of Resources

General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Responsibility/ Performance Indicators
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kwh in '000s) and intensity.	
KPI A2.2	Water consumption in total and intensity.	
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
KPI A2.4	Description of whether there is any problem in sourcing water that is fit for purpose, water-efficiency initiative and results achieved.	
KPI A2.5	Total packaging material used for finished products (in tonnes), and if applicable, with reference to per unit produced.	Performance Indicators

#### Aspects A3: The Environment and Natural Resources

General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Environmental Responsibility
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

**Environmental, Social and Governance Reporting Guide**

**Notes / Sections**

*B. Social – Employment and Labour Standards*

Aspect B1: Employment

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Investing in People and Communities
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employee turnover rate, by gender, age group and geographical region.	

Aspect B2: Health and Safety

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	Investing in People and Communities
KPI B2.1	Number and rate of work-related fatalities.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	

Aspect B3: Development and Training

General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Investing in People and Communities
KPI B3.1	Percentage of employees trained, by gender and employee category.	
KPI B3.2	Average training hours completed per employee, by gender and employee category.	N/A

Aspect B4: Labour Standards

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child labour and forced labour.	Johnson Electric's Labour and Human Rights Policies
KPI B4.1	Description of measures to review employment practices to avoid child labour and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	

## Environmental, Social and Governance Reporting Guide

Notes /  
Sections**B. Social – Operating Practices**

## Aspect B5: Supply Chain Management

General disclosure	Policies on managing environmental and social risks of the supply chain.	Sustainability in Johnson Electric Products
KPI B5.1	Number of suppliers by geographical region.	Performance Indicators
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A

## Aspect B6: Product

General disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Sustainability in Johnson Electric Products
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Performance Indicators
KPI B6.2	Number of product- and service-related complaints received and how they are dealt with.	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	See Annual Report 2020
KPI B6.4	Description of quality assurance process and recall procedures.	Sustainability in Johnson Electric Products
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A

## Aspect B7: Anti-corruption

General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Corporate Governance and Risk Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	

**B. Social – Community**

## Aspect B8: Community Investment

General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Investing in People and Communities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

## APPENDIX II: PERFORMANCE INDICATORS

Items	FY19/20	FY18/19	Unit	HKEx Indicators	Page
Energy consumption	2.54	2.56	million GJ	A2.1	21
Energy intensity	827.1	780.2	GJ per US\$ million sales	A2.1	21
Direct CO <sub>2</sub> (Scope 1) emissions <sup>1,2,3</sup>	26	27	kt CO <sub>2</sub> eq.	A1.1 / A1.2	21
Indirect CO <sub>2</sub> (Scope 2) emissions <sup>1,4</sup>	281	282	kt CO <sub>2</sub> eq.	A1.1 / A1.2	21
Total CO <sub>2</sub> emissions <sup>3</sup>	307	309	kt CO <sub>2</sub> eq.	A1.1 / A1.2	21
CO <sub>2</sub> intensity <sup>3</sup>	99.9	94.2	t CO <sub>2</sub> eq. per US\$ million sales	A1.1 / A1.2	21
Solid materials recycled	73	72	kt	A3.1	23
Hazardous waste produced	8.7	7.9	kt	A1.3	24
Non-hazardous waste produced	5.2	5.3	kt	A1.4	24
Water consumption	2,098	2,378	kt	A2.2	25
Waste water discharged <sup>3</sup>	1,855	2,094	kt	A2.2	25
Cost of packaging materials incurred <sup>5</sup>	29.4	26.0	US\$ million	A2.5	N/A
Suppliers by region					
Asia	43	45			
Europe	35	35	%	B5.1	N/A
Americas	22	18			
Others	–	2			
Total workforce	36,028	38,997	no.	B1.1	N/A
Total workforce, by region					
Asia	72	73			
Europe	16	16	%	B1.1	N/A
Americas	12	11			
Total workforce, by employment role					
Manufacturing operators	60	62			
Technicians and other operational and administrative support	25	23	%	B1.1	N/A
Individual contributor <sup>6</sup> /supervisory	12	12			
Managerial	3	3			
Total workforce, by gender					
Male	57	58	%	B1.1	N/A
Female	43	42			
Total workforce, by age group					
Under 30 years old	28	35			
30–50 years old	62	57	%	B1.1	N/A
Over 50 years old	10	8			

Items	FY19/20	FY18/19	Unit	HKEx Indicators	Page
<b>Turnover rate, by region <sup>7</sup></b>					
Asia	11.3	12.2			
Europe	13.7	13.4			
Americas	20.4	22.3	%	B1.2	N/A
Global	12.9	13.7			
<b>Total turnover, by age <sup>7</sup></b>					
Under 30 years old	23.2	25.2			
30 – 50 years old	9.9	9.9			
Over 50 years old	11.2	11.4	%	B1.2	N/A
Total	12.9	13.7			
<b>Total training hours</b>	123,000	200,000	hours	B3.1 / 3.2	N/A
<b>Number of work-related fatalities</b>	Zero	Zero	cases	B2.1	36
<b>Number of recordable injuries (“RI”) <sup>8</sup></b>	166	163	cases	B2.2	36
<b>Recordable injury frequency (“RIF”) <sup>9</sup></b>	0.35	0.31	per 100 employees	B2.2	36
<b>Lost-time accidents (“LTA”) <sup>10</sup></b>	69	62	cases	B2.2	36
<b>Lost-time accident rate <sup>11</sup></b>	0.14	0.12	per 100 employees	B2.2	36
<b>Percentage of total products sold or shipped subject to recalls for safety and health reasons</b>	Zero	Zero	cases	B6.1	N/A
<b>Number of legal cases concluded regarding corrupt practices brought against the issuer or its employees <sup>12</sup></b>	Zero	1	cases	B7.1	45

<sup>1</sup> The calculation involved the use of country-specific conversion factors, in reference to Greenhouse Gas (“GHG”) Protocol.

<sup>2</sup> Direct CO<sub>2</sub> (Scope 1) emissions refer to the direct emission of CO<sub>2</sub> eq. from the combustion of fossil fuels, including natural gas, diesel, liquefied petroleum gas, gasoline and heating oil.

<sup>3</sup> Direct CO<sub>2</sub> emissions, total CO<sub>2</sub> emissions, CO<sub>2</sub> intensity and waste water discharged for FY18/19 have been restated.

<sup>4</sup> Indirect CO<sub>2</sub> (Scope 2) emissions refer to the indirect emission of CO<sub>2</sub> eq. from purchased electricity.

<sup>5</sup> Cost of packaging materials incurred is immaterial to the total procurement of the Group and our target is to minimize the total spending on packaging materials instead of packaging materials on finished goods.

<sup>6</sup> Professionals without management responsibilities who contribute independently to help support Johnson Electric’s goals and mission.

<sup>7</sup> Turnover ratio is calculated as number of employees leaving during the year (voluntarily and involuntarily) per total workforce as of 31 March 2020. The manufacturing operators’ category is excluded from the calculation.

<sup>8</sup> Recordable injuries include all injuries except first-aid cases as defined by US OSHA regulation.

<sup>9</sup> Recordable injury frequency is calculated as the number of recordable injuries per 100 employees working each year.

<sup>10</sup> Lost-time accident refers to recordable injuries with lost time of more than one working day.

<sup>11</sup> Lost-time accident rate is defined as lost-time accident per 100 employees working each year.

<sup>12</sup> In FY18/19 the issuer brought a case against an employee for corrupt practices.

# APPENDIX III: VERIFICATION STATEMENT



## Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) was commissioned by Johnson Electric Holdings Limited to undertake an independent verification for its Sustainability Report 2020 (hereinafter referred to as “the Report”). The Report included the overall sustainability performance and efforts made by Johnson Electric Holdings Limited and its subsidiaries (collectively “Johnson Electric”) in economic, environmental and social aspects in the period of 1st April 2019 to 31st March 2020.

The aim of this verification is to provide a reasonable assurance of the reliability of the contents. The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as “ESG Guide”) of The Stock Exchange of Hong Kong Limited.

## Level of Assurance and Methodology

The process applied in this verification was based on the 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. Our evidence gathering process was designed to obtain a reasonable level of assurance as set out in the standard for the purpose of devising the verification conclusion. The extent of this verification process undertaken covered the criteria set in the ESG Guide.

The verification process included verifying the systems and processes implemented for collecting, collating and reporting the sustainability performance data; reviewing relevant documentation; interviewing responsible personnel with accountability for preparing the reporting contents; and verifying selected representative samples of data and information. Raw data and supporting evidence of the selected samples were thoroughly examined during the verification process according to the sampling plan.

## Independence

Johnson Electric is responsible for the collection and presentation of the information presented. HKQAA is not involved in calculating, compiling, or developing of the Report. Our verification activities are independent from Johnson Electric.

## Conclusion

Based on the verification results and in accordance with the verification procedures undertaken, HKQAA has obtained reasonable assurance and is of the opinion that:

- The Report has been prepared in accordance with the ESG Guide;
- The Report illustrates the sustainability performance of Johnson Electric, covering all material aspects, in a balanced, comparable, clear and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA's attention indicating that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in all material aspects, in accordance with the verification criteria. In conclusion, the Report provides clear information with regards to the sustainability performance of Johnson Electric in a factual, responsive, consistent, fair and truthful manner.

## Signed on behalf of Hong Kong Quality Assurance Agency

A handwritten signature in black ink, appearing to read 'Jorine', is written over a light blue horizontal line.

Jorine Tam  
Director, Corporate Business  
July 2020



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