



Improving the quality of life  
of everyone we touch through  
our innovative motion systems

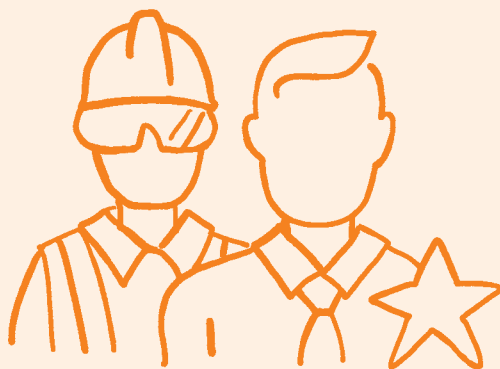
Johnson Electric Holdings Limited  
(Incorporated in Bermuda with limited liability)  
Stock Code: 179

Sustainability Report 2021

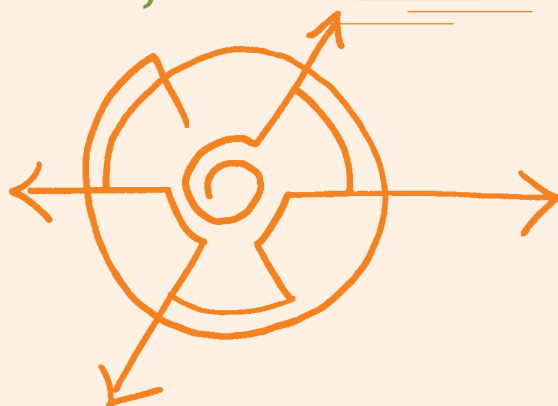


# Johnson Electric in 2021

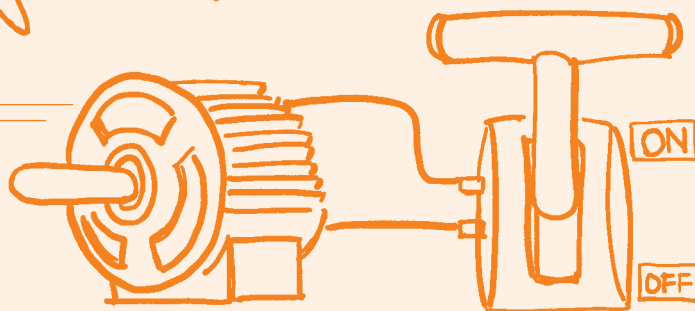
Employing over  
**39,000** people including  
more than **1,500** engineers



Providing  
**motion solutions** to over  
**1,700** customers



Producing over  
**2.5** million motors  
and **actuators** per day



Operating in  
**22** countries  
across **4** continents



Generating Total Sales Revenue of  
**US\$3.2** billion  
and Net Income of  
**US\$212** million

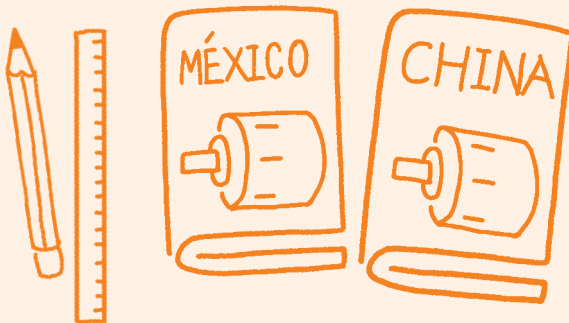


CO<sub>2</sub> intensity  
**dropped by 2%**  
compared to last year



Total workforce,  
by gender

**Male 59%**   **Female 41%**



**Johnson Electric Technical College**  
more than **400** students  
in Mexico & China

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### **Sustainable world through a kid's eyes**

– Johnson Electric is an active player in creating a sustainable future for the world through our innovative motion solutions and our positive impact on local communities where we operate.

# Improving the quality of life of everyone we touch since 1959



When Mr. and Mrs. Wang Seng Liang founded Johnson Electric in 1959, it was out of the simple purpose to help make people's lives better – through the products we made and the jobs we created.

Over the next 62 years, this unspoken purpose has remained our guiding ethos, witnessing the growth of Johnson Electric from a small Hong Kong business to a multinational company employing over 39,000 people in 22 countries spanning Asia, Europe, the Middle East, North America and South America.

Today, Johnson Electric Group is 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 sectors. Johnson Electric Holdings Limited, the Group's parent company, is listed on The Stock Exchange of Hong Kong.

## Stepping up to become an active player in driving a sustainable future

*"Business as usual is no longer sufficient to meet the challenges of this century, let alone preserve our noble purpose to help improve people's lives." – Dr. Patrick Wang, Chairman and Chief Executive*

Our world is becoming more unpredictable each day – the emergence of COVID-19 being a prime example. Rapid economic growth has led to environmental degradation on a global scale and contentious social issues in many parts of the world. Johnson Electric believes it is time that we bring our purpose to the forefront, leveraging our expertise in motion systems and our experience in serving local communities, to do good as well as to deliver sustainable value to our stakeholders.



# Message from the Chairman and Chief Executive



The past 12 months have been truly extraordinary for most people and most businesses worldwide.

For Johnson Electric, with operations in 22 countries across four continents, the onset of the COVID-19 pandemic represented an enormous risk to the business and livelihoods of our people. But our top priority was and remains the very practical matter of keeping our people safe and well.

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

Throughout this difficult period, I have seen many instances that give me great pride in the people and culture of Johnson Electric. We reacted quickly after the outbreak of COVID-19, putting the health and safety of our employees, customers, suppliers and the people in our communities at the forefront. The range of protective actions we implemented have so far managed to prevent any major outbreaks among our 39,000 employees worldwide.

### Focus on sustainability

The pandemic also created an environment that encouraged us all to reflect on the need for sustainability. It is clear that business as usual is no longer sufficient to meet the challenges of this century, let alone preserve our noble purpose to help improve people's lives. In response, Johnson Electric is stepping up to become an active player in driving a sustainable future.

Consequently, we have taken a number of actions to strengthen our focus on sustainability. These include:

- Publishing a purpose statement that embodies the values we have pursued since Johnson Electric's foundation, namely "to improve the quality of life of everyone we touch through our innovative motion systems". This is underpinned by promises to our customers, employees, shareholders and local communities, and for environmental protection
- Establishing a Global Social Impact and Sustainability

Committee with a mandate to create a disciplined, structured approach and to ensure support for social impact and sustainability activities around the globe

- Updating our MARBLE values to directly reflect our commitment to "Be sustainable"
- Issuing a "green plant" checklist for our factories to drive further improvements in environmental performance
- Setting targets for a 30% reduction in our carbon intensity by 2030 and a 15% reduction in the intensity of our purchased energy consumption over the same period
- Launching a global programme – JGenerations – empowering employees to reach out to local communities, identify their needs and make a difference to people's lives



### Innovating for a sustainable future

At the heart of our product strategy, we aim to provide innovative cost-competitive solutions to customers' problems.

Our automotive business is providing an increasing level of content for the electric vehicles that will reshape the entire automotive industry over the next ten years. I am very excited by the product and technology line-up that we have in this space.

Our Industry Products Group is also contributing to a more sustainable world with products that directly or indirectly address environmental and social needs. As lifestyles became more home-centric in response to the pandemic, there was a surge in demand for products to improve the quality of life in the home. We seized the opportunity to apply our innovative technology and application expertise to offer attractively priced products. These delivered the right functionality to delight end-users while also being durable and energy-efficient.

In our operations we continue to focus on automation and digital technologies to improve quality, increase speed and reduce cost. We are adapting our global footprint to provide the right balance of global and regional capacity to serve our target markets.

### Sustainability is integral

I believe that our stepping up of our actions and initiatives demonstrate that sustainability is integral to Johnson Electric's product, manufacturing and labour strategies. This is not a change in direction but rather a continuation of our sustainability journey and a re-emphasis of who we have always been – a company with a simple purpose to help make people's lives better.

**Patrick Shui-Chung WANG JP**

*Chairman and Chief Executive*

Hong Kong, August 2021

# Sustainable development goals

Johnson Electric uses the United Nations (“UN”) Sustainable Development Goals (“SDGs”) as a framework for determining its sustainability strategy.

The UN published these 17 SDGs in 2015 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”. The SDGs are interconnected – often the key to success in one will involve tackling issues more commonly associated with another.

We monitor the alignment of our business strategies with the SDGs and consider the actual and potential impacts (both positive and negative) of our current activities and scope of business. We also assess which of these goals are most important to our stakeholders in their interactions with Johnson Electric. This forms the basis for defining our priorities.

## Core SDGs

We have prioritized three core SDGs where we believe we can make the greatest impact and “move the needle”. These goals are closely aligned with our product, people and manufacturing strategies. 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

We have also identified five Supporting SDGs that give further focus to our activities. Efforts towards achieving these goals will also contribute towards success with our core SDGs. These 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

We do not report on progress towards the other nine SDGs. Although efforts towards these may contribute towards our success with our core SDGs and supporting SDGs, they do not provide the same opportunity for us to make an impact on a global level.

## Strategies to meet the goals

Following the formation of our Global Social Impact and Sustainability Committee, we have reviewed and refreshed our sustainability strategies and established a structured sustainability management framework. Additionally, commencing 1 April 2021, performance targets based on sustainability goals now form an element of determining all individual annual incentive pay, including the executive management team.

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.



## Core SDGs



**SDG 8**  
**Decent Work**  
**and Economic**  
**Growth**

We have identified significant alignment between our purpose to improve the quality of life of everyone we touch through our innovative motion systems and the goals of SDG 8. At the heart of our people strategy is the promise to inspire our employees to grow, act with ownership and find meaning and fulfilment in the work they do. Our materiality assessment has identified that meaningful work, human and labour rights, increased productivity and the decoupling of growth from environmental degradation as key concerns for our management and many of our stakeholders.

| Relevant targets set by SDG 8  | 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.   | Sustainability in our products and operations  |
| 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 reduce emissions, improve fuel consumption, have a longer working life and require fewer resources in their manufacture.<br><br>We are committed to improving resource efficiency in production and endeavour to decouple our growth from environmental degradation.  | Sustainability in our products and operations<br><br>Environmental responsibility  |
| Achieve full and productive employment and decent work for all women and men   | We provide meaningful, sustainable work with equal employment opportunity.   | Responsibility for our workforce   |
| 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.<br><br>We offer internships and apprenticeships to youth as routes to employment. | Responsibility for our 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.  | Responsibility for our workforce / Sustainability in our products and operations   |
| Protect labour rights and promote a safe and secure working environment for all workers, including migrant workers   | We are committed to respecting the labour and human rights of all our employees and to providing a safe and secure working environment in which the dignity of every individual is respected.<br><br>We have embedded employee safety in our operations model and require every Johnson Electric factory to apply our health and safety standards.   | Responsibility for our workforce<br><br>Sustainability in our products and operations / Responsibility for our workforce |

## Core SDGs



**SDG 9**  
**Industry,  
Innovation  
and  
Infrastructure**

Core elements of Johnson Electric’s product and manufacturing strategies are closely aligned to the goals of SDG 9. We invest in innovation to provide unique motion solutions to customer problems and employ more than 1,500 engineers around the world. Our manufacturing strategy includes the strengthening of in-region fulfilment capabilities. We are introducing advanced resource- and energy-efficient manufacturing technologies and localizing internal and external supply chains for our factories in Asia, Europe, North America and South America. Our stakeholders also express a strong interest in our innovation and in the sustainability of our manufacturing model.

| Relevant targets set by SDG 9   | 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 and 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. We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories, including sites in developing countries. | Sustainability in our products and operations |
| 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 through the localization of supply chains.                 | Sustainability in our products and operations |

## Core SDGs



### SDG 12

## Responsible Consumption and Production

Support for responsible consumption is one of the key drivers of our product strategy. We are seizing the opportunity to offer lightweight, high-power density motion solutions at an attractive price. Many of our products directly target emissions reduction and improved energy efficiency. In our factories, we seek to minimize waste and prevent environmental harm from our production processes. Our materiality assessment has identified that many of our stakeholders are deeply interested in the opportunities presented by this SDG or concerned by the risks of unsustainable consumption and production.

| Relevant targets set by SDG 12   | 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 reduce emissions, improve energy and fuel consumption, 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>We are exploring ways to increase our involvement in the circular economy.</p> | <p>Sustainability in our products and operations</p> <p>Environmental responsibility</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 complete replacement of the internal combustion engine, 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 our products and operations</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 our products and operations</p> <p>Environmental responsibility</p>                                     |
| Adopt sustainable practices and 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>We monitor our sustainability performance through regular management reporting and publish an annual sustainability report.</p>   | <p>Environmental responsibility</p> <p>Responsibility for our workforce</p> <p>Corporate governance</p>                      |

## Supporting SDGs



### SDG 3 Good Health and Well-being

Efforts towards good health and well-being contribute towards success with our core SDGs. In particular, our motion-related innovations in the medical field and in active and passive automotive safety functions support our efforts towards achieving certain of the innovation-related goals in SDG 9: Industry, Innovation and Infrastructure. Our management of health and safety risks in the workplace provides additional focus for providing a safe and secure working environment for all workers to meet the goals of SDG 8: Decent Work and Economic Growth.

| Relevant targets set by SDG 3   | Related strategies   | 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 in our products and operations   |
| 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 our products and operations   |
| 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 our products and operations   |
| Substantially reduce the number of deaths and illnesses from hazardous chemicals, and air, water and soil pollution and contamination | We ensure that our products are free from harmful chemicals.<br><br>We deploy the necessary resources to protect employees' health and safety from hazardous chemicals and processes and to prevent pollution. | Sustainability in our products and operations<br><br>Responsibility for our workforce |



### SDG 4 Quality Education

Our support for quality education in science, technology, engineering and mathematics ("STEM") subjects adds focus to our efforts to create Decent Work and Economic Growth, as required by SDG 8. We seek to provide a pathway for youth to gain the technical and vocational skills to choose engineering as a career.

| Relevant targets set by SDG 4   | 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 full-time residential programme. We employ similar educational concepts in Niš, Serbia, working hand-in-hand with a local technical school.  | Responsibility for our communities   |
| Substantially increase the number of youth and adults who have relevant technical and vocational skills, for employment and decent jobs | The Group also partners with schools and universities to support the provision of quality technical and vocational education. The Group's Junior Engineer programme encourages children to have an interest in STEM subjects and allows all employees to become involved in educational outreach to the community.<br><br>We offer internships and apprenticeships to youth, as routes to employment. | Responsibility for our communities<br><br>Responsibility for our workforce |

## Supporting SDGs

|   |  |   |
|---|--|---|
|  <p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p>   | <p><b>SDG 11</b><br/><b>Sustainable Cities and Communities</b></p>   | <p>Our efforts to enable cleaner transportation and more sustainable homes and buildings add additional focus to our efforts towards meeting the goals of SDG 12: Responsible Consumption and Production, as do our efforts to minimize the environmental impact of our factories.</p>  |
| <p><b>Relevant targets set by SDG 11</b></p> <p>Reduce the adverse impact of cities. This includes paying special attention to air quality and municipal and other waste management</p> | <p><b>Related strategies</b></p> <p>We enable cleaner transportation with products that enable hybrid and all-electric vehicles to supplant conventional internal combustion engine vehicles completely, or that reduce emissions from internal combustion engines. We offer a wide variety of solutions for heating and ventilation systems, window automation and smart-meter applications for more sustainable homes and buildings.</p> <p>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.</p> <p>We minimize the environmental impact of our factories, including air quality and waste reduction and management.</p>   | <p><b>In our report</b></p> <p>Sustainability in our products and operations</p> <p>Sustainability in our products and operations</p> <p>Environmental responsibility</p>   |
|  <p><b>13</b> CLIMATE ACTION</p>   | <p><b>SDG 13</b><br/><b>Climate Action</b></p>   | <p>Our efforts to develop innovative products that reduce emissions and energy consumption directly support our efforts towards the goals set by SDG 9: Industry, Innovation and Infrastructure and SDG 12: Responsible Consumption and Production. Our manufacturing strategy also supports these goals as we seek to reduce carbon emissions arising from our operations.</p> |
| <p><b>Relevant targets set by SDG 13</b></p> <p>Integrate climate change measures into policies, strategies and planning</p> <p>Improve capacity on climate change mitigation</p>       | <p><b>Related strategies</b></p> <p>Support for electric vehicles and energy efficiency are key elements of our product strategy.</p> <p>We are introducing advanced resource- and energy-efficient manufacturing technologies to our factories and have set a clear target for reducing our carbon intensity.</p> <p>We are reducing CO<sub>2</sub> from transportation through closer proximity with customers and suppliers, and shorter logistics routes.</p> <p>Our high-precision components for the automotive industry perform mission-critical functions in hybrid and all-electric vehicles and reduce emissions from internal combustion engine vehicles.</p> <p>Our Industry Products Group provides 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.</p> | <p><b>In our report</b></p> <p>Sustainability in our products and operations</p> <p>Environmental responsibility</p> <p>Sustainability in our products and operations</p> <p>Sustainability in our products and operations</p> <p>Sustainability in our products and operations</p>   |

## Supporting SDGs



### SDG 17 Partnerships for the Goals

Our partnerships for the goals underpin our efforts on all our Core SDGs and Supporting SDGs. We are part of a complex web, working together with our customers, suppliers, employees and governments and communities where we operate to achieve the sustainable development goals.

| Relevant targets set by SDG 17   | 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 our products and operations</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 nine 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. 100% of our manufacturing facilities around the world are certified under ISO 14001 for environmental management systems. 80% of our facilities are certified under ISO 45001:2018 or OHSAS 18001 for occupational health and safety management systems.</p> | <p>Sustainability in our products and operations / Environmental responsibility / Responsibility for our workforce / Corporate governance</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>Sustainability in our products and operations</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>Our place in this global partnership is expressed through our purpose statement and promises.</p>                               | <p>Corporate governance / Responsibility for our communities</p>  |

<sup>1</sup> Developing countries according to the International Monetary Fund's World Economic Outlook Database, April 2021

A young woman with dark hair, wearing a bright orange knitted sweater, is smiling warmly from the driver's side window of a dark-colored car. The car is parked on a green lawn. In the background, a small dog is lying on the grass. The scene is bright and sunny. The text 'Motivating our life' is overlaid on the image, with 'Motivating' in orange and 'our life' in white. Orange dashed lines radiate from behind the text.

# Motivating our life

# Sustainability in our products and operations

## Core SDGs



## Supporting SDGs



Johnson Electric is a leader in the supply of precision motors, motion subsystems and related electro-mechanical components. Within this defined market space we seek sustainable business growth and target segments where “mega-trends”, regulatory change or technology advancements are driving demand.

We work closely with our customers across a diverse range of industries and geographies to understand their customers’ requirements and preferences. Whether those requirements are for better energy efficiency and reduced emissions; a cleaner environment; support for the smart revolution in the car and home, and the transfer of mundane work to artificial intelligence; improved health and well-being; improved

security; superior product functionality; or ease of use that reduces barriers to age, gender and disability equality, Johnson Electric delivers. From this, we develop attractively priced products that offer effective solutions to our customers’ problems, including the environmental and social impacts of their business.

Sustainability is also intrinsic to our product development, as a direct result of engineering for efficiency. Our engineers strive to “make customers successful and end users delighted” with products that consume fewer resources in their manufacture, use less energy to deliver the required performance and functionality and have a longer operating life.

We promote brushless motor solutions for demanding applications, where energy efficiency, continuous variability, precision and control, or the durability to withstand constant use are critical. Our brushless electronically commuted motors have a higher power density for increased energy efficiency and enjoy a much longer operating life than brushed motors. We will continue to support brushed-motor technology – and innovate for improved efficiency and increased longevity – to provide a complete product range where customers require this.

Our vertical integration also assists customers in reducing their environmental footprint. Rather than simply purchasing a motor from us, increasingly customers are asking us to provide a more complete subsystem, including the motor, switch, gears and 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.



This year, our laboratory in Halver, Germany gained accreditation from UL and IEC for testing switches for use in appliances



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. It provides access to economic opportunities and improved standards of living. However, this mobility comes with environmental and social impacts, including climate change, pollution, noise, congestion, road traffic accidents and resource depletion.

We apply our innovative technology to contribute to a more sustainable automotive industry by tackling some of these environmental and social challenges. We create positive impacts with the electrification of critical automotive functions in new energy vehicles (“NEV”) to improve performance and lengthen the service life of critical components. We also help mitigate the negative impacts of the internal combustion engine (“ICE”). This represents a significant source of opportunity and growth, especially as the industry shifts from ICE to NEV to lower carbon emissions and reduce climate change risks.

The table below shows the typical sustainability benefits for a selection of APG’s products.

|  |  | New energy vehicle  | ICE vehicle  |
|--|--|---|--|
| <p><b>Thermal management</b></p> <p><b>Integrated thermal management system for electric vehicle</b></p>    |  | <ul style="list-style-type: none"> <li>✓ Increased range</li> <li>✓ Greater longevity of critical components</li> </ul> | <ul style="list-style-type: none"> <li>✓ Reduced fuel consumption</li> <li>✓ Lower engine emissions</li> </ul> |
| <p><b>Braking, steering and suspension</b></p> <p><b>Electric brake booster provides braking force, replacing conventional braking systems</b></p>  |  | <ul style="list-style-type: none"> <li>✓ Generation of braking force without ICE</li> </ul>                             | <ul style="list-style-type: none"> <li>✓ Reduced fuel consumption</li> <li>✓ Lower engine emissions</li> </ul> |
| <p><b>Transmission and driveline</b></p> <p><b>Electric oil pump for lubricating and cooling eAxle</b></p>    |  | <ul style="list-style-type: none"> <li>✓ Increased range</li> <li>✓ Greater longevity of critical components</li> </ul> | <ul style="list-style-type: none"> <li>✓ Reduced fuel consumption</li> <li>✓ Lower engine emissions</li> </ul> |

Sustainability in our products and operations

|  | New energy vehicle   | ICE vehicle  |
|--|--|--|
| <p><b>Engine management and exhaust treatments</b></p> <p><b>Exhaust gas recirculation motor to control NOx emissions from diesel engines</b></p>           |  | <ul style="list-style-type: none"> <li>✓ Reduced fuel consumption</li> <li>✓ Lower engine emissions</li> </ul> |
| <p><b>Weight reduction</b></p> <p><b>Powder-metal suspension components provide durability and lower weight than die-cast parts</b></p>                    | <ul style="list-style-type: none"> <li>✓ Increased range</li> <li>✓ Better power to weight ratio</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Reduced fuel consumption</li> <li>✓ Lower engine emissions</li> </ul> |
| <p><b>Safety</b></p> <p><b>Haptic motor to give driver alerts through the seat</b></p>    | <ul style="list-style-type: none"> <li>✓ Reduced frequency and severity of road traffic accidents</li> </ul> | <ul style="list-style-type: none"> <li>✓ Reduced frequency and severity of road traffic accidents</li> </ul>   |
| <p><b>Noise and EMI reduction</b></p> <p><b>Heating, ventilation and air-conditioning actuators for quiet delivery of air to the passenger cabin</b></p>  | <ul style="list-style-type: none"> <li>✓ Our products meet tough noise and EMC requirements</li> </ul>       | <ul style="list-style-type: none"> <li>✓ Our products meet tough noise and EMC requirements</li> </ul>         |

For more information on APG's products for NEV, please see our annual investor briefing and our solutions by automotive segments on [www.johnsonelectric.com](http://www.johnsonelectric.com).

# 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 increasing variety 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.












IPG seizes this opportunity to apply our innovative technology and application expertise to bring attractively priced products to market. We create positive impacts on sustainability with products that encourage energy awareness; replace the internal combustion engine especially in outdoor applications; improve health and well-being with fetal monitoring patches, and products for medication delivery and surgical automation; and lower barriers to equality. We mitigate the negative impacts of the consumer economy with products that help our customers improve energy efficiency, decrease carbon emissions and reduce pollution.

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. 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.

By nature, many of IPG’s products improve sustainability. The table on the following page shows a typical spread of sustainability benefits for a selection of products.



Sustainability in our products and operations

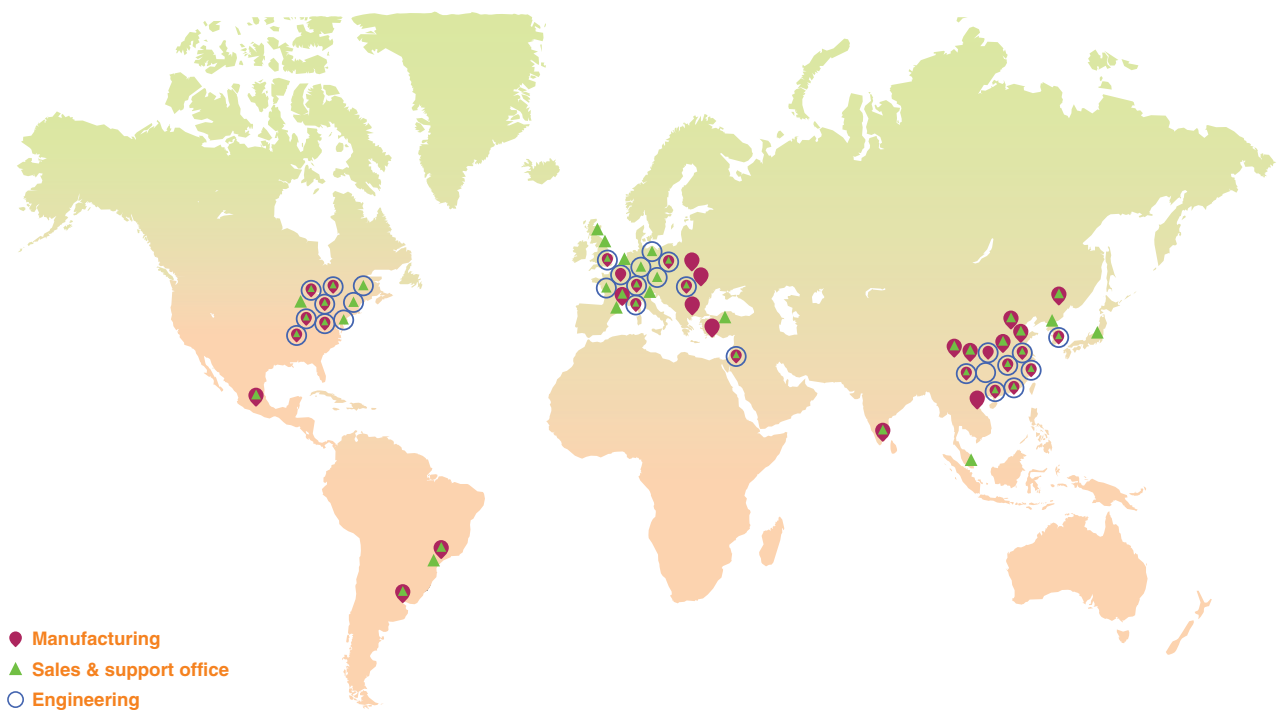
|  |   | Climate change and energy efficiency  | Noise   | Equality   | Health and well-being   | Waste prevention  |
|--|---|---|---|--|---|---|
|  |   |  |  |  |  |  |
| <b>Brushless motors for power tools</b>          |    | ✓ Energy-efficient  | ✓ Quieter than brushed motor tools  |  |   | ✓ Long life cycle   |
| <b>Window blind automation</b>                   |   | ✓ Better management of natural light and heat                                     |   |  | ✓ No cord – kid friendly  | ✓ Long life cycle   |
| <b>Smart meter and gas valve</b>                 |  | ✓ Increased consumer responsibility for energy choices                            |   |  | ✓ Designed for safety first   | ✓ Long life cycle   |
| <b>Lawn and garden, agriculture and forestry</b> |  | ✓ Direct replacement for ICE mowers and tools                                     | ✓ Low noise is a basic requirement for lawn and garden                            | ✓ Lighter and easier to use  | ✓ Chainsaw on-off at the touch of a switch  | ✓ Long life cycle   |
| <b>Air filtration system</b>                     |  | ✓ Energy-efficient for all-day use  | ✓ Low noise for unobtrusive all-day use   |  | ✓ Improved air quality  | ✓ Long life cycle   |
| <b>Medication delivery system</b>                |  |   | ✓ Imperceptible noise for unobtrusive all-day use                                 |  | ✓ Precise dosage and reliability  |   |

For more information on IPG's products and growth trends, please see our annual investor briefing and our solutions for industry segments on [www.johnsonelectric.com](http://www.johnsonelectric.com).

## 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 supply and a highly responsive service. To execute this strategy, we are strengthening in-region 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 is expected to deliver a number of positive impacts to our sustainability (see table on next page).

## Operating in 22 countries across four continents



<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 2021

Sustainability in our products and operations

Positive impacts from closer proximity to customers

| Action  | Economic impact  | Environmental impact   | Social impact   | Governance impact  |
|---|--|--|---|--|
| Shortening logistics routes   | <ul style="list-style-type: none"> <li>✓ Lower freight costs</li> <li>✓ Reduced inventory levels</li> <li>✓ Swifter response to changes in demand</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Lower CO<sub>2</sub> emissions from transportation</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Increased connections to local communities</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Closer engagement with customers</li> </ul>   |
| Increasing localization of internal and external supply chains  | <ul style="list-style-type: none"> <li>✓ Lower exposure to tariffs and duties with increased local content</li> <li>✓ Lower exposure to exchange rate fluctuations</li> <li>✓ Strengthening local economies</li> </ul> | <ul style="list-style-type: none"> <li>✓ Reduced packaging materials</li> </ul>  | <ul style="list-style-type: none"> <li>✓ Creating local employment and developing technical capabilities</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Mitigation of risks from global trade issues</li> </ul>   |
| Developing a diverse manufacturing footprint – with the ability to source materials and components from alternative regions – in case of localized disruption | <ul style="list-style-type: none"> <li>✓ Capacity building, including developing countries</li> <li>✓ Stable spend line</li> </ul>   | <ul style="list-style-type: none"> <li>✓ Disseminating advanced resource- and energy-efficient manufacturing technologies to our factories, including our factories in developing countries</li> </ul> | <ul style="list-style-type: none"> <li>✓ Building a more diverse workforce</li> <li>✓ Upgrading the technical capabilities of local industrial sectors</li> </ul> | <ul style="list-style-type: none"> <li>✓ Increased business resilience from reduced reliance on any single country or factory</li> </ul> |

Changes in operations

During FY20/21 we commenced manufacturing operations in Jiangmen, China, our digital flagship factory. In Zacatecas, Mexico, we opened a second manufacturing floor, expanding production. We are planning further expansion of both of these factories and will also expand our facilities in Niš, Serbia and Changzhou, China.

As part of the optimization of our operating footprint, we also

announced plans to cease manufacturing in Newport, Isle of Wight, United Kingdom; Beihai, China; and Ozd, Hungary. Manufacturing operations from these factories will be transferred to other facilities in the Group. Our Newport site will continue to host an engineering centre. We will retain a manufacturing presence in Hungary through our factory in Hatvan.



Changzhou ground-breaking ceremony

## Thriving in a digital world

We are transforming our business through advanced automation and digital technology. We are evolving 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.

Through this transformation we aim 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

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 SDG 8: 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 our next-generation manufacturing facility in Jiangmen, China. This is 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 – especially as repetitive manual tasks shift to being performed by artificial intelligence.

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. This year we upgraded this reskilling initiative, with the soft-launch of a JE Baccalaureate programme. This structured three-year internal training course aims to equip technical workers with the competencies to support our digital transformation and growth.

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.



Electric vehicle coolant circulation pump production in Shajing, China

Sustainability in our products and operations

**Our operations model**

Our operations model is designed to provide customers with value, ensure employee safety and strengthen environmental protection, while embracing a quality culture and continuous improvement mindset. Through this, we aim to drive consistency with one standard approach across our global operations.

This operations model drives improvements in our sustainability by:

**Environmental performance** – We promise to protect the environment for future generations

- We measure our environmental performance and drive improvement
- We design products and processes to be environmentally friendly
- We seek to minimize waste from our operations

**Social performance** – We promise to inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do

- We create a common work culture across the Group with every employee in an operations role, direct or indirect, skilled to apply standards and empowered to make decisions. We encourage team spirit and self-discipline

- We set the workplace in order for safety and efficiency and measure our safety performance
- We facilitate a quality culture and attitude. Quick response quality control and Eight Disciplines of problem solving drive teams to leverage their combined skills and knowledge to solve problems

**Governance performance** – We practice “Plan, Do, Check, Act”, whereby leaders drive standards and discipline to achieve performance targets and goals

- Leaders have clear responsibilities and performance targets
- We ensure consistent performance across our global organization. Standards are available, released as control documents, with supporting work instructions and training materials in local languages
- We set standards for behaviour. Our MARBLE values are the guiding principles and compass for our business

**Johnson Electric’s operations model**

| Standards  |
|--|
| “5S” organized, safe, clean & efficient workplaces                 |
| Operator & technician certification                                |
| Incoming inspection audits   |
| Preventative maintenance   |
| Standard work  |
| Quick response action plans & Eight Disciplines of problem solving |
| Pre-launch / process change control plans                          |
| Johnson Electric Product Development System                        |
| Capable processes  |
| Layered process audit  |
| Gemba Kaizen   |



| Execution                |
|--------------------------|
| Leadership               |
| Teamwork & collaboration |
| Standards                |
| Skills                   |
| Discipline               |



| Performance      |
|------------------|
| Safety           |
| Environment      |
| Quality          |
| On-time delivery |
| Productivity     |
| Cost control     |



## 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>2</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.

### 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; this and

### Making our Customers

**Successful**, are 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 strive to **Be Sustainable**, taking into account the long-term social and environmental impacts of our operations as well as the operations of our partners and suppliers. Our products should also contribute to the sustainability of the planet. **We Excel in Execution with Practical Solutions** 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, shop-floor practicality and a "can-do" mindset.

Our connected global manufacturing footprint shares a uniform supply chain and common

<sup>2</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 17025 for testing and calibration laboratories

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 and taking a systematic approach to increasing the service level provided to our customers; this is being achieved through business process digitization and increased automation.

## Sustainability in our products and operations

### 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 analysed 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.

## Supply chain sustainability

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 and supplier self-assessments. Ordinarily, we conduct some on-site supplier sustainability audits; however this was suspended during FY20/21 to reduce risk during the COVID-19 pandemic.

The Group's suppliers are:

- Contractually required to be certified under relevant international quality and environmental management

standards such as ISO 9001, ISO 14001, ISO/TS 16949 and ISO 13485. Additionally, we support suppliers to strive for continuous improvement and better performance, and encourage compliance with conflict minerals requirements. We have recently signed an agreement with a third-party specialist company to streamline and strengthen our conflict minerals and cobalt reporting processes

- Required to be committed to social and environmental responsibility and ethical practices. This year, we updated our Supplier Code of Conduct (the "Supplier Code") to strengthen our requirements for suppliers regarding human and labour rights, the environment and ethics and behaviour. Every supplier is required to comply with and sign our Supplier Code and in the coming year, we plan to begin a campaign for

suppliers to sign our updated Supplier Code. Suppliers are also required to comply with the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 and the criminal law in their country of operations

- Required by the Group's purchase terms and conditions 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 on freedom of association, right of collective bargaining, the abolition of child labour and the elimination of all forms of forced or compulsory labour and discrimination in the workspace

# Caring for our environment

Johnson Electric's worker bees: A biodiversity project in the grounds of our São Paulo, Brazil factory has attracted Atlantic Forest insects, birds, lizards and small mammals. This gives testimony to the low level of environmental stress at the site



# Environmental responsibility

## Core SDGs

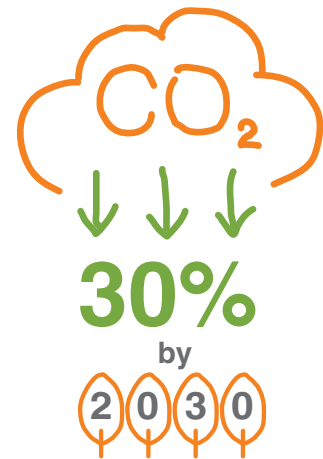


## Supporting SDGs



We promise to protect the environment for future generations.

Our environmental strategy and policies address climate change risk, the use of natural resources including water and raw materials, the prevention of pollution and the minimization of waste wherever we operate. We aim to decouple our growth from environmental degradation.



### Environmental management

We take practical steps to protect the environment wherever we operate. This includes:

- Complying with applicable environmental laws and regulations
- Designing environmentally friendly products and processes
- Continuously improving our Global Environment, Health and Safety (“EHS”) management system to set and maintain rigorous standards for managing our environmental risk
- Improving our environmental management by defining appropriate objectives and targets on a regular basis

- Promoting environmental awareness in our workforce through regular communication and training
- Committing appropriate resources and leadership to our Global EHS management system; and
- Communicating our environmental performance to stakeholders and seek their involvement wherever applicable

Our diverse manufacturing footprint includes factories in countries with varying regulatory frameworks. Our Global EHS management system ensures an uncompromising and proactive 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 this EHS management system and track their performance in reaching specific environmental objectives and targets. Furthermore, 100% of our manufacturing locations have obtained ISO 14001:2015 certification for their environmental management systems.

We identify the most significant environmental aspects for each manufacturing location and set specific environmental performance objectives and targets. Management reviews then ensure continuous improvement in the site’s environmental performance. We also require an environmental assessment for any new construction project or site expansion.

We adopt clean and environmentally sound technologies and industrial processes in our existing factories and build these into all new facilities. To support this, we recently launched a green plant checklist. This assists management to take a structured approach to identifying opportunities to improve environmental performance. Topics covered by the checklist include renewable energy, energy-efficiency and peak demand reduction, water conservation, material conservation and recycling, waste reduction, indoor environmental quality, green processes and production, pollution controls and end-of-pipe treatments, ecology and nature conservation, as well as certifications for environmental and energy management systems.

Previously, we set targets only at local level but we have recently established global targets for reductions in our carbon intensity and our energy intensity (see page 28). We are in the process of establishing further global targets for environmental performance including our use of natural resources, non-greenhouse gas emissions, waste, and packaging materials. This will support a five-year rolling improvement plan with targets linked to performance pay to drive concrete actions.

The Group's leadership receives regular reports on key environmental performance indicators.

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### Environmental compliance

We ensure compliance with our Global EHS management system and standards and with local environmental regulations at 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 at 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 (the "Code"). 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, including environmental issues, 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 FY20/21 and FY19/20 no manufacturing site or facility reported adverse environmental compliance issues.

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### Environmental awards

In 2020, two of our subsidiaries, operating from our Shajing, China plant, were awarded the "National Excellent Enterprise with Foreign Investment Security and Environment Promotion" by the China and Shenzhen Association of Enterprises with Promotion Investment.

## Energy consumption and carbon emissions

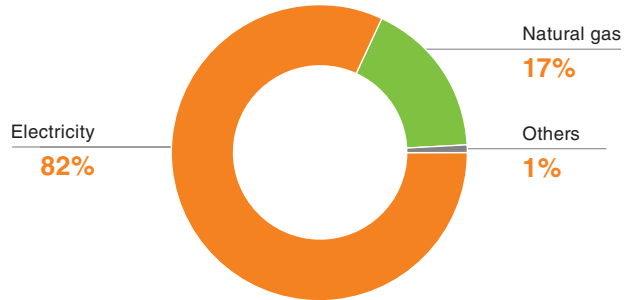
### Targets

We are actively seeking to reduce Johnson Electric’s energy and carbon intensity. We have set a goal to reduce the carbon intensity of our operations by 30% by 2030. Supporting this, we have set a goal to reduce the intensity of the purchased energy consumption of our operations by 15% by 2030. We are using FY19/20 as the baseline year for these targets.

Some of the reduction in carbon and energy intensity will be delivered through our existing energy-saving and technology improvement projects. For example, our investment in high-speed automated production lines will give a significant reduction in carbon and energy intensity compared to the manual lines they



### Energy consumption by source



are replacing. We believe this will deliver some swift improvement in our intensity.

We have a high degree of vertical integration, making the majority of components in-house, including plastic injection parts, stamped and die-cast metal parts, magnets and powder-metal parts. This brings benefits in reduced CO<sub>2</sub> emissions over the end-to-end production cycle due to reduced transportation of components and more efficient use of capacity. On the other hand, it transfers upstream energy consumption and carbon emissions from energy intensive “metal-bashing” processes to our factories. This makes our targets quite challenging to achieve. Nevertheless, we are determined to succeed, to fulfil our commitments to responsible production and to combatting climate change.

We are actively exploring additional avenues to meet our targets. This includes seeking further opportunities to reduce energy consumption, shifting production to regions with lower carbon in the power grid and increasing our use of renewable energy.

### Energy profile

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. 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.

### Performance

Energy usage in our operations increased by 3%, matching the 3% increase in our sales. However, our carbon emissions remained flat and our carbon intensity decreased by 2%.

The majority of our carbon emissions were in Asia. When comparing energy usage by region with carbon 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 carbon emissions in Europe and the Americas.

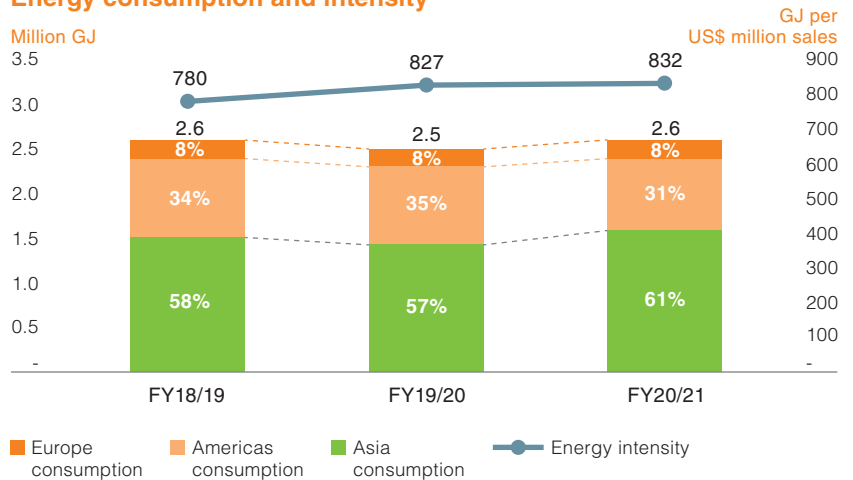
### Energy efficiency in Jiangmen, China

Our next-generation manufacturing facility in Jiangmen, China has been designed with energy efficiency in mind.

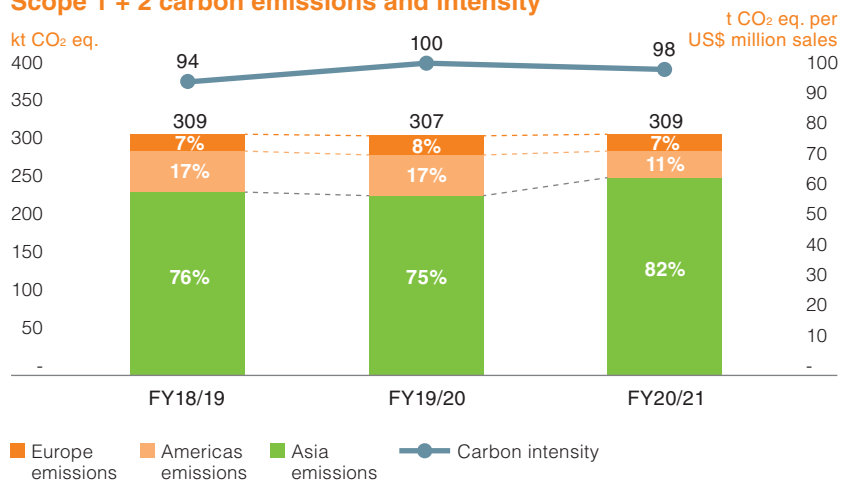
For example:

- The air-conditioning system uses centrifugal chillers that are approximately 30% more efficient compared to the previous generation of split chillers
- Compressed air is important for motion in production processes but is one of the major uses of energy in the factory. The air compression system installed in the Jiangmen factory uses a three-stage centrifugal compressor that is much more efficient than the previous generation of screw air compressors
- The domestic hot water system uses an air energy pump design that consumes just 25% of the energy used by a conventional

### Energy consumption and intensity



### Scope 1 + 2 carbon emissions and intensity



electric boiler for the same amount of hot water

- The Jiangmen site uses the latest high-efficiency transformers, reducing energy loss by 20-30% compared to the previous generation of transformers
- All lighting in the factory uses energy-efficient LED lamps

As the lead site for our digital transformation, we expect our Jiangmen site to play a key role in the pursuit of our energy and carbon intensity targets.

### ISO 50001 certifications

The energy management systems in our largest site in Shajing, China and in our flexible printed circuit factory in Shanghai are certified under ISO 50001:2018.

### China's carbon emissions trading scheme

We have been participating in this scheme since 2013. To date, our Shajing factories have saved and accumulated 210kt of surplus credits that can be traded at the Shenzhen Emission Trading Center.

### Renewable energy

As part of our actions to reduce the carbon intensity of Johnson Electric's operations, we are making increased use of renewable energy.

- **Purchase of renewable energy** – Since our 31 March 2021 year-end, our sites in Bedzin, Poland, and Dresden and Halver, Germany have begun purchasing electricity from renewable sources
- **Photo-voltaic cells** – In August 2020, our factory in Murten, Switzerland installed solar

panels, with an expected output of 123 MWh per year. We are exploring the feasibility of similar projects at other sites

- **Solar water heating** – In Shajing and Nanjing, China we use solar water heating to provide hot water for the workers' dormitories

### Other energy-saving and carbon-reduction projects

Every year we implement a variety of energy-saving and carbon-reduction projects in our factories around the world. Some examples from this year's projects include:

- In Ochang, South Korea improvements to sintering furnaces reduced our carbon emissions by nearly 500t CO<sub>2</sub> eq. per year
- In Asti, Italy we installed a new chiller for use in moulding processes saving an estimated 50 MWh a year, a 34% reduction compared to the old chiller
- In Mississauga, Canada we implemented acoustic imaging, with a live sound map to rapidly identify and show the location of compressed air leaks. This significantly reduces energy consumption by the compressor

### Materials consumption

Our manufacturing processes consume raw materials such as steel, copper, aluminium and plastic resins. We address the environmental challenges posed by this by applying the concept of reduce, recycle and reuse.

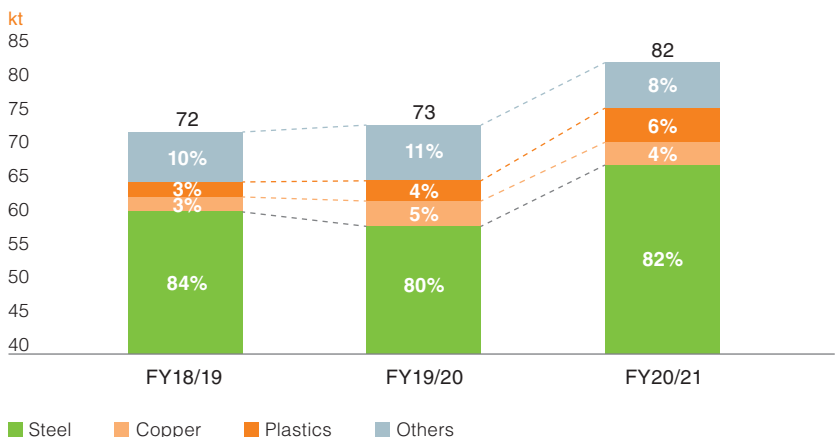
**Reduce** – We seek to reduce our consumption by:

- Designing compact, lightweight products that weigh less while delivering the same power output. We describe this as high power density
- Minimizing waste from production processes
- Minimizing packaging and using returnable packaging where feasible
- 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 FY20/21 we recycled and sold approximately 82kt of recoverable solid materials.

**Reuse** – Wherever economically and technically feasible waste such as aluminium, epoxy powder, plastic from injection sprues and cores, and coolant is recovered from our manufacturing lines and reused directly in our production processes.

### Recyclable solid materials by source





Our sites are stepping-up their efforts to reduce, recycle and reuse. For example, this year:

- In Murten, Switzerland we installed a machine to stretch packaging film before it is wrapped around the shipping pallet. This reduces the consumption of packaging film by over 60%
- Also in Murten, each employee received an insulated water bottle as a Christmas gift. This enabled us to remove polypropylene cups from water fountains and created an opportunity for engagement with employees on sustainability

- In Asti, Italy we installed a new moulding machine with hot runners, reducing plastic consumption by approximately 25 tonnes a year
- In Hirson, France we began collaborating with the French postal service to collect and recycle paper. We also issued all employees with a reusable EcoCup to reduce plastic consumption
- In Springfield, USA, working with a recycling vendor to increase the efficiency of material recovery and to achieve cost reduction, we increased recovery of plastic materials for recycling

- by 17%. We also introduced the means to puncture empty aerosol cans and safely remove any residual propellant and paint before selling them for recycling
- In Vandalia, USA we added recycling training to the New Hire Orientation programme
- In Izmir, Turkey we began using a centrifuge to separate coolant from aluminium chips. The coolant is recycled and reused in production processes, extending its usable life and reducing the amount of hazardous waste

## Pollution prevention

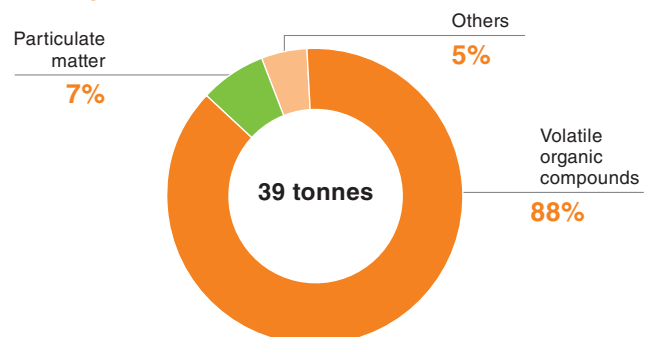
We seek to prevent pollution from our operations through our environmental management system. We assess potential environmental impacts before building any new facilities or expanding any sites. Comprehensive environmental due diligence and baseline assessments ensure these sites are clean prior to and 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.

### Air emissions

In FY20/21 we generated 39 tonnes of non-CO<sub>2</sub> emissions. The main component of this was volatile organic compounds (“VOCs”) from glues used in product assembly and solvents used for parts cleaning, injection moulding and ink printing. We also had some particulate matter 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 using oil mist controls in staff canteens.

### Air emissions by source



**Phase-out of hydrochlorofluorocarbon compounds**

We have largely completed our 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

- Eliminating oil cleaning for sintered parts

We will complete this project later in 2021, when we replace the few remaining HCFC processes with additional laser machines. These machines have been ordered and we are awaiting delivery.

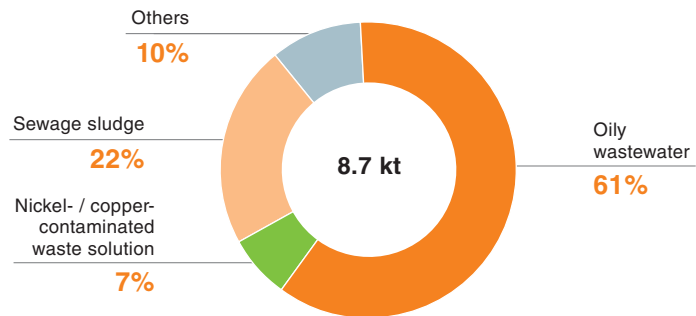
**Waste management**

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 FY20/21 we generated 5.6kt of general solid waste. This is less than 6% of the combined total of solid waste and recovered materials.

We generated 8.7kt of hazardous waste, including oily wastewater, sewage treatment sludge and liquid waste containing spent copper or nickel solutions. Hazardous waste is collected and treated by licensed vendors in compliance with regulatory requirements.

**Hazardous waste by source**



## Water stewardship

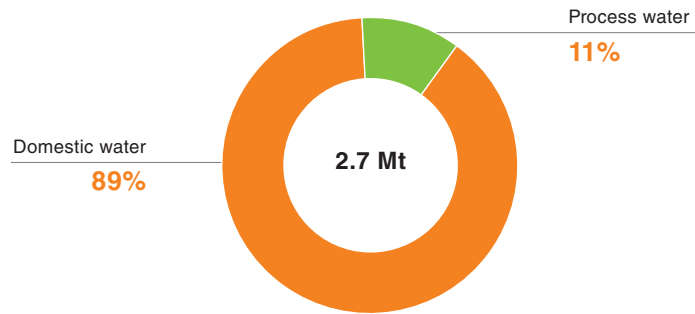
Our operations do not consume significant quantities of water and none of our major operations are in water-stressed regions<sup>1</sup>.

Nevertheless, we take 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 FY20/21 we consumed 295kt of water in manufacturing processes, a 6% reduction from the prior year as we benefited from projects to reduce usage or to recycle and reuse process water.

However, we consumed 2,434kt in domestic water – a 37% increase – due to our measures to combat the COVID-19 pandemic. This increase in usage included:

### Water consumption by process



- Cleaning and disinfection in our dormitories, offices and workshops
- Encouraging strong personal hygiene, such as increased frequency and duration of handwashing
- Encouraging employees in China to remain in our dormitories rather returning to their hometown for holidays, leading

to an increase in water consumption for sanitation purposes

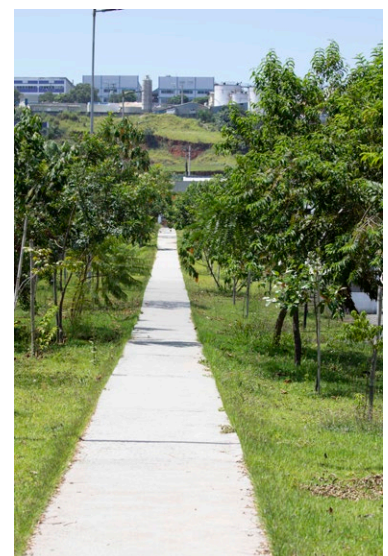
This caused our total water consumption to increase by 631kt, or 30%.

## Biodiversity

Our biodiversity project in the grounds of our factory in Sao Paulo, Brazil has more than 400 trees, from nearly 30 local species. In turn this has attracted a wide variety of Atlantic Forest insects, birds, lizards, and even a family of marmosets.

Following the success of this project, we have established a policy of only planting indigenous species of flora in future. This in turn will provide an environment that is hospitable to local wildlife.

This policy applies to all landscaping for new or extended facilities and to any new planting during the maintenance of landscaping around our existing facilities. Although our land is limited to the grounds around our factories, we are pleased to make a contribution to the preservation of biodiversity wherever we operate. Additionally, this will present a visible reminder of our commitment to sustainability for workers and visitors to each of our sites.



<sup>1</sup> UN Water SDG6 – Indicator 6.4.2 – Water stress



**Empowering**  
our people

# Responsibility for our workforce

## Core SDGs



## Supporting SDGs



We promise to inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do.

We aim to offer our people career development that rewards results, enterprise, mentorship and teamwork. We protect labour rights and provide a safe and secure working environment for our employees.

## One Johnson around the world, a great company and a great place to work!



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.



We thrive on innovation and excel in execution. We are committed to making our customers successful and our world a better place.



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.

## Nurturing our talents

Our global team is bound together by our shared “MARBLE” values. They are the foundation of the “One Johnson” culture that provides a common identity for employees to operate as a global team, in both times of growth and times of adversity.

We recognize that the talent and diversity of our people drives business results. In our Global Headquarters, in Hong Kong, close to 20 nationalities are represented and 13 languages are spoken. Global collaboration is the norm for how work is done in 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 people vision is to become “One Johnson around the world, a great company and a great place to work!”

## Our MARBLE values<sup>1</sup>

### Make customers successful and end users delighted

Delivering what our customers need to delight their end users is the primary goal of Johnson Electric. We are committed to making our customers successful in *their* business, as the basis for long-term success in *our* business.

### Attract and empower great people

Johnson Electric aims to offer its people career development that rewards results, enterprise, mentorship and teamwork. We achieve business results by empowering our people. We have employees all around the world and recognize that our business thrives on the diversity of our people and their ideas.

### Reach higher

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.

### Be sustainable

Our business model must take into account long-term social and environmental impacts of our own operations, as well as the operations of our partners and suppliers. Our products should also contribute to the sustainability of the planet. We will reduce greenhouse gas emissions and energy consumption in our own business operations.

### Lead by example

Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness and fairness. We are committed to demonstrating leadership wherever we do business through the promotion of a safe, healthy and fair environment for our people.

### Excel in execution with practical solutions

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, shop-floor practicality and a “can do” mindset. We aim to put innovative ideas into practice quickly as a team and refuse to be stalled by complexity.

<sup>1</sup> The Group’s MARBLE values have been updated this year to better reflect the Group’s Purpose Statement and Promises

## Talent management processes

Johnson Electric's Executive Committee is committed to fulfilling our promise to "inspire our employees to grow, act with ownership and find fulfilment and meaning in the work they do".

Our Human Capital Committee meets monthly with the most senior executives. Its mission is to drive the talent pipeline and continuously improve organizational effectiveness. The agenda for these meetings includes:

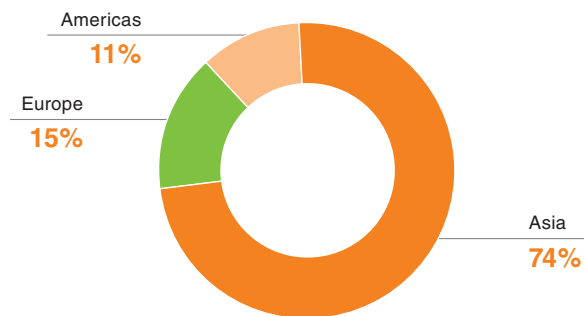
- Talent management strategies and initiatives
- Appointments to senior roles
- Succession planning for key positions
- Development of senior high-potential individuals through job rotation, job expansion, promotion, transfer and executive coaching
- Other key people initiatives

Annual succession planning workshops for Senior Vice Presidents and mission-critical positions aim to build our bench strength for long-term success.

Regular talent calibration is used to assess employees' growth potential and identify high-potential employees who are then targeted for additional development opportunities. This year, we have involved additional levels of management in this process, with the aim of identifying high potential employees much deeper in our organization.

## Global workforce

As of 31 March 2021, the Group's total global headcount stood at over 39,000 across Asia, Europe and the Americas.



All identified high-potential employees are then vetted by the Executive Committee to qualify for inclusion in Johnson Electric's talent pool. This talent pool is regularly reviewed when considering key appointments in organizational reviews.

Managers are empowered to drive talent development and are expected to create individual development plans for their identified talent. We support this by offering psychometric assessments for development, 360 feedback, executive coaching and formal executive education programmes.

During FY20/21, we took several steps to enrich our talent management processes, including:

- Improving our Performance Management process to increase the fairness, equity and alignment of performance standards globally. The updated process gives greater emphasis to development planning and behaviours in annual goal setting and performance reviews.

Performance discussions provide recognition and constructive feedback to employees to support their growth

- Upgrading our people analytics capability to better support data-driven people decisions. Key demographic and people performance data is built into easy-to-navigate data visualizations for Executive Committee members to track
- A pilot launch of "feedback requests". Staff and managers may request feedback about themselves or their subordinates from anyone in the organization. This allows employees to proactively collect recognition and constructive feedback from those with whom they work closely. Feedback tied to strategic goals has allowed tighter alignment across functional teams and cross-functional recognition of staff achievements in town hall meetings

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

A “JE Career Paths” resource is available for APG, IPG and engineering employees. This gives a better understanding of available career pathways and the areas they may need to build upon when driving their own career development.

We are conscious of the need to develop our pipeline of technical experts. Engineering talent has always been a key priority, but as Johnson Electric transforms, digital know-how is now also crucial to our future. We are recruiting new talent

with the necessary future skill sets. We are also upskilling our current workforce through internships, job rotations, technical seminars and peer-learning collaborative projects. Through these actions, we aim to strengthen our engineering centres of excellence and enhance business units’ engineering and digital capabilities.

We thrive on innovation and never stop investing in the next generation of engineers. It is Johnson Electric’s ambition to become the employer of choice for engineers. We partner with technical colleges and renowned universities worldwide to recruit top engineering students each year. Through these partnerships, we offer scholarships and cooperative education programmes including capstone projects, doctoral research assignments, design competitions, trainee programmes and internships.

For example:

- In France, youth unemployment is relatively high (OECD, July

2020: approximately 20% of people under 24 years of age are unemployed). Our factory in Hirson, France addresses this social need through an engineering apprenticeship programme and hosted 17 apprentices in FY20/21. This scheme offers experience and knowledge that helps these youths develop their employability. In the previous year, more than 70% of the apprentices were able to find a job within seven months of completing the programme

- In Murten, Switzerland, we are launching an AI Summer Internship Programme for students pursuing engineering, data and technology undergraduate or postgraduate studies. The interns will take part in projects related to Robotics and Industry 4.0, Smart Manufacturing, Artificial Intelligence & Big Data Analytics, and Digital Twin (virtual representations of our products and process)



## Providing the right environment

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

## Johnson Electric employment standards

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### Labour and human rights

Johnson Electric 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 on freedom of association, right of collective bargaining, the abolition of child labour and the elimination of all forms of forced or compulsory labour and discrimination in the workplace.

### Equal employment opportunity

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

### Open communication

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

### Harassment-free workplace

Johnson Electric is committed to providing a workplace in which the dignity of every individual is respected.

### Workplace violence and weapons

Johnson Electric's objective is to provide a safe work environment free from acts and threats of violence.

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**Freely chosen employment** – We do not use forced or compulsory labour in any form. Under no circumstances will we directly employ, or indirectly through a labour agency, a person who has not freely chosen to perform such work and who is not free to leave our employment at reasonable notice.

**Child labour** – We only employ workers aged 18 years or older (except in the case of government-recognized apprenticeships).

**Contract of employment** – All employees are provided with a written offer letter or contract of employment that includes (at a minimum) working hours, reasonable notice period and termination provisions, methods and timing of salary or wage payments and overtime eligibility and terms. All overtime is voluntary.

**Wage deductions** – We do not make deductions from wages as a disciplinary measure.

**Company housing** – Employees who are provided with company housing are free to come and go from their housing units, subject to reasonable security considerations.

**Compliance** – As part of its corporate governance, we monitor our compliance with our employment standards and relevant labour laws and regulations. As part of this:

#### At any time

- Employees may report any breach of our labour standards. Reports may be submitted anonymously via our whistleblower hotline, accessible globally at any time by phone or email. All such reports are investigated promptly and confidentially. If it is determined that there has been a violation, prompt action is taken to prevent reoccurrence, if necessary, including appropriate disciplinary action

#### Every year

- Our regional and country Human Resources teams acknowledge and certify their full compliance to our Human Resources policies and to relevant labour laws and regulations
- All managers and above, as well as other employees in sensitive positions, must certify that they have read and comply with the Johnson Electric Code of Ethics and Business Conduct. Our Code guides every employee in the use of good judgment and ethical decision-making, ensuring employees uphold Johnson Electric's belief in conducting our business lawfully and ethically. In relation to labour and human rights, our Code includes specific requirements on preventing child labour and forced labour, ensuring equal

employment opportunity, keeping open communication, ensuring a harassment-free workplace and preventing workplace violence and weapons

#### 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 Code

#### This year

- On assessing child labour and forced labour risks, we identified that some of our sites are located in countries that were ranked as Tier 2, Tier 2 Watchlist, or Tier 3 in the US Department of State's "Trafficking in Persons Report". Consequently, we reviewed and strengthened our global child labour and forced labour policy for all sites. Our policy includes a mix of preventative and detective controls and is subject to internal audit

### Compensation and rewards

We maintain a global compensation structure to ensure competitive pay levels and benefit offerings in each market in which we operate. At entry level, remuneration and benefits comply with or (more usually) exceed the minimum legal limits for the country of employment.

Annual incentive pay is an important component of compensation for more than 80% of staff-level employees, including all management staff and the executive management team. This

is tied to the achievement of revenue, profitability, liquidity and, from 1 April 2021, sustainability goals.

Additionally, our long-term incentive share scheme forms a critical part of the competitive compensation package for senior executives, encouraging retention while aligning rewards to shareholder value. The scheme includes not only time-vested restricted stock units, but also a high proportion of performance stock units which vest only if stringent financial conditions are achieved.

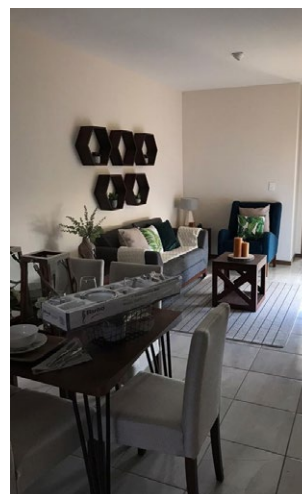
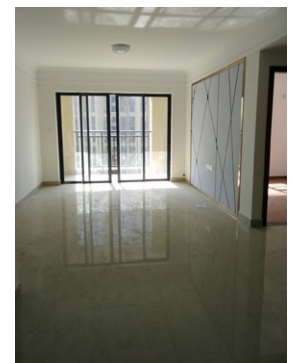
### Employee housing in China and Mexico

Our employee housing projects in Zacatecas, Mexico and Jiangmen, China have been enthusiastically welcomed by both our workforce and the wider community.

Application is open to technicians, operational and administrative support and supervisory staff. Applicants are evaluated for eligibility based on combination of their work and potential, their match to Johnson Electric's culture and their demonstration of Johnson Electric values in the workplace.

**Jiangmen, China**  
 Top left: External view of the estate  
 Top centre and right: Interior views of employee housing

**Zacatecas, Mexico**  
 Below left: External view of the estate  
 Below centre: Interior view of employee housing  
 Below right: A successful applicant receives her key



## Training and development

We emphasize continuous learning as a key attribute required in every Johnson Electric employee. The Johnson Electric Learning Institute provides global direction for all employee learning, development and reskilling activities. A Steering Committee, with representatives from all regions, meets once a month to assess strategic training needs and guide and shape policies and practices. A strong network of learning and development teams in each location supports this, delivering local learning programmes in response to our business priorities and talent needs. Additionally, we make every September a “Learning Month”.

We offer just-in-time classroom, web-conference and eLearning programmes to grow employees’ soft and technical skills. Our new JE Baccaalaureate programme provides a structured three-year

internal course to upskill technical workers to support our digital transformation. Our leadership curriculum provides training for managers via a variety of formats. Stretch assignments and international secondments enable employees to gain global exposure and broaden their horizons.

Our global Learning in Motion platform offers more than 360 courses for employees to learn anytime, anywhere, on any device, at their own pace. These cover key business, compliance and soft-skill topics, including internal training material. We have also partnered with LinkedIn Learning – an on-demand learning platform with more than 16,000 on-line courses, taught by industry experts.

Our various sites also offer apprenticeship programmes, giving youth a route to gain technical training and work experience.

## Learning in Motion

|   |  |
|---|--|
| <b>Engineering</b><br>                   | <b>Quality</b><br>  |
| <b>Manufacturing</b><br>                 | <b>Environmental, health and safety</b><br>                   |
| <b>MARBLE values and leadership</b><br> | <b>Personal development</b><br>                              |
| <b>Supply chain services</b><br>       | <b>Business</b><br>   |
| <b>Compliance</b><br>                  | <b>JE competencies &amp; BU / functional curriculum</b><br> |
| <b>Orientation</b><br>                 | <b>Leadership moment</b><br>                                |

## Employee engagement

Johnson Electric pledges to maintain open and honest communication with employees through a variety of channels, as a foundation for building a high-performance engagement culture across the Group. The Group's employee communication includes:

- One Johnson Global Celebration, an annual event for all Johnson Electric employees around the globe. This year, organizers took a creative approach to find ways to maintain togetherness while respecting social distancing requirements
- JE in Motion, a digital platform for sharing multimedia content with all global employees or specific employee groups, facilitating knowledge sharing and team collaboration
- Regular all-staff meetings held in every Johnson Electric location to provide updates on business performance and developments on key projects. Throughout FY20/21 these were held as virtual meetings to maintain social distancing during the COVID-19 pandemic
- MARBLE Snapshot, a regular survey to measure the organization's engagement level. This provides a confidential route for employee feedback. Follow-up actions ensure that employees' voices are heard and responded to at both corporate and team levels
- Local initiatives such as recreational and team building activities, held throughout the year to boost engagement, build social skills and promote recognition. Local teams organized festive celebrations, outings, cultural excursions, appreciation days, parent-child activities, COVID-19 seminars and other events

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



Mikulás (Santa Claus) and his assistant distribute sweets to employees at Hatvan, Hungary



Outward bound course in Chennai, India

## Keeping a healthy and safe workplace

### Health and safety management

Johnson Electric is firmly committed to protecting employees' good health and well-being wherever we operate around the world. Our specific goal for the management of health and safety matters is "No harm to people working for Johnson Electric".

We take practical steps to maintain a healthy and safe workplace wherever we operate. This includes:

- Complying with applicable health and safety laws and regulations
- Designing products and processes that are safe for employees
- Continuously improving our Global EHS management system to set and maintain rigorous standards for managing workplace health and safety risks
- Improving our occupational safety management by defining appropriate objectives and targets on a regular basis. Previously we set health and safety performance targets at local level; we are now in the process of establishing global targets
- Promoting a positive safety culture in our workforce through regular communication. Additionally, every operating location has a joint management-worker safety committee
- Committing appropriate resources and leadership to our Global EHS management system
- Communicating our health and safety performance to stakeholders and seeking their involvement wherever applicable

Our manufacturing footprint includes sites in countries with varying requirements for workers' health and safety. Our EHS management system addresses this by setting global 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.

In all, 80% of our manufacturing locations have obtained certification for their occupational health and safety management systems (57% of our sites are certified under ISO 45001:2018 and 23% are certified under OHSAS 18001).

The Group's leadership receives regular reports on key health and safety performance indicators.

Our Global EHS management system includes 21 specific elements relating to health and safety, which are set out in detailed standards. These elements are:

- ✓ Incident notification, investigation and reporting
- ✓ Personal protective equipment
- ✓ Electrical safety
- ✓ Machine safety
- ✓ Manual handling
- ✓ Elevated work / working at height
- ✓ Safety committee and safety inspections
- ✓ Vehicle safety
- ✓ Chemical management
- ✓ Hot work
- ✓ Lifting operations
- ✓ Industrial hygiene
- ✓ Occupational health
- ✓ EHS training and communication
- ✓ Access authorization and control
- ✓ Contractor management
- ✓ Hazard and risk assessment
- ✓ Emergency preparedness and response
- ✓ Lock-out / tag-out (LOTO)
- ✓ Documentation and recordkeeping
- ✓ Audit and assurance

All health and safety procedures are translated into local languages.

## Health and safety compliance

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

- Monitoring key health and safety performance indicators including the recordable injury frequency (“RIF”) and the lost-time accident rate (“LTA”)
- Auditing health and safety 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 health and safety performance to management on a monthly basis
- Tracking changes in health and safety regulations

- Including health and safety compliance requirements in our Code of Ethics and Business Conduct
- 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 health and safety laws and regulations

## Safety performance

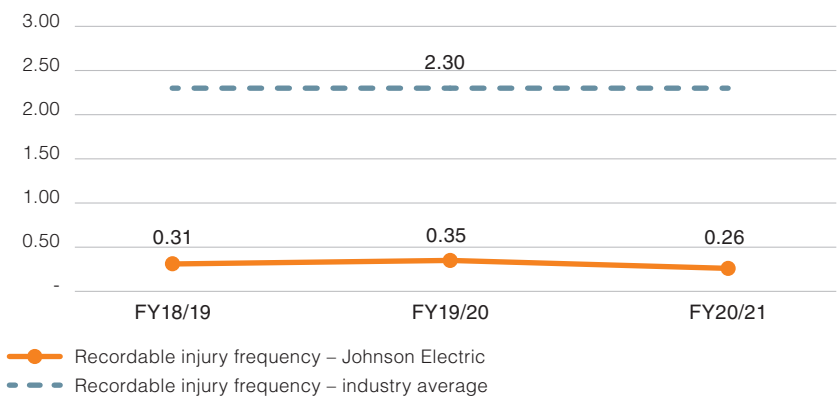
We measure our safety performance using the RIF and LTA. We use the US Occupational Safety and Health Administration (“OSHA”) definitions for these and calculate them as a rate per 100 employees, working in the year.

In FY20/21, there were:

- 125 recordable injuries across the Group, giving a RIF of 0.26 per 100 employees
- 53 lost-time accidents (recordable injuries with lost time of more than one working day). This gave an LTA rate was 0.11 per 100 employees
- One fatality

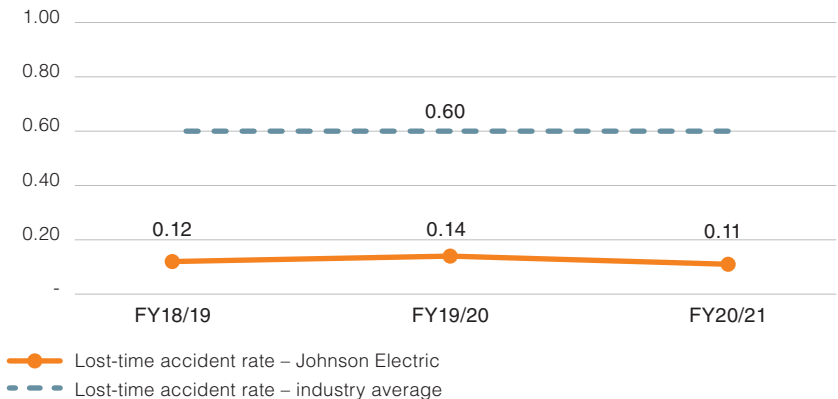
### Recordable injury frequency

RIF per 100 employees



### Lost-time accident rate

LTA per 100 employees



Both the recordable injury frequency and the lost-time accident rate decreased and remain very low compared to the industry average<sup>2</sup>.

Despite this general improvement in safety performance, sadly in August 2020 there was a fatal accident in Niš, Serbia – the first such incident since 2005. During the movement of heavy equipment, a machine toppled over and fell onto a technician involved in the moving operation. This was a painful learning experience for the plant’s management and employees and for our global team.

In addition to providing the necessary help and support to the employee’s family, we conducted a thorough root-cause investigation.

The findings from this investigation were embedded in improvements to our standards for moving heavy machinery. These included:

- Developing a stability index to assess the falling risks for all of our heavy machinery. All movement of heavy machinery must now include appropriate precautions based on each individual machine’s stability profile
- Introducing a Buddy System that requires all personnel involved in moving machinery to monitor and intervene in safety matters. This Buddy System encourages open and effective dialogue on safety during movement and improves team safety spirit. Nobody is allowed to take part in the movement of machinery without first receiving training in this system
- We consulted operational leaders across the Group and obtained expert advice from professional companies. Based on this, we developed and issued “Safety Principles of Heavy Machine Movement” to be followed at all sites worldwide. Under these principles, each move requires a full risk assessment and an explicit moving plan

**Determine stability**

- Risk of falling based on centre of gravity and tip-over angle

**Machine movement standards**

- Standard operating procedures for moving each type of machine

**Risk assessment**

- Identification of hazards for this movement

**Movement plan**

- Detailed plan with safety precautions based on the risk assessment

**Training and communication**

- Mandatory Buddy System training

**Movement**

- Safety vigilance throughout the movement based on Buddy System and standard operating procedures



<sup>2</sup> U.S. Bureau of Labor Statistics. Incidence rates of nonfatal occupational injuries and illnesses by industry and case types for motor and generator manufacturing (NAICS code 335312). We compared our performance to the 2019 industry averages, the most up-to-date information available at the time of producing this report





## 2020 Safety Month

### Managing the COVID-19 Pandemic

Response

Health  
& Safety

Business Continuity

Recovery

In Johnson Electric, June is Safety Month. Every year, during this month, we organize activities across the entire Group to engage employees and raise awareness of health and safety risks. Safety month is an important part of our efforts to drive continuous improvement in our safety practices and nurture a safety culture.

In June 2020, our theme for safety month was "Managing the COVID-19 Pandemic". Our aim was to reinforce our precautionary measures, educate our workforce on the science behind these measures, and to communicate our "Response, Business Continuity and Recovery" actions regarding the pandemic.

#### Our COVID-19 actions

We reacted quickly after the outbreak of COVID-19, putting the health and safety of our employees, customers, suppliers and the people in our communities at the forefront. We formed a Corporate Health Committee to formalize actions, policies and procedures for our worldwide operations. Our pandemic prevention and control measures have been recognized as best practices. Actions included:

- We began our own face masks production in Hong Kong, so far making over 4.4 million masks. We also sourced 12 million masks externally
- We made special arrangements for working from home, flexible working hours and reduced non-essential work



Manufacturing our own face masks for employees and their families



Cleansing and disinfecting our facilities



- We introduced social distancing protocols to reduce the risk of transmission in workplace, canteen and hostel spaces
- We installed automated temperature monitoring equipment in most of our locations
- We established robust cleaning and disinfection requirements for our dormitories, offices and workshops
- We strongly encouraged employees to be considerate of their colleagues and maintain high standards of hygiene
- We conducted a comprehensive survey of ventilation in our facilities and made improvements to airflow to prevent cross-contamination
- We provided each facility rapid test kits for use in case any employee showed COVID symptoms
- We provided quarantine advice to employees throughout the year and quarantined employees with symptoms or in close contact with actual or suspected cases
- We strongly encourage employees to be vaccinated
- We continue to closely monitor developments

As a result of our prevention and control measures, our 22,000-strong workforce in Shajing, China, had zero COVID-19 cases in FY20/21 although we did have cases in other sites across the group.

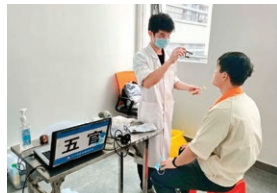
## Continuous safety improvement

We devote substantial effort to the protection of workers' health and seek continuous improvement in 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 in FY20/21 included:

### Safety risk reduction

|                            |   |   |
|----------------------------|---|---|
| <b>Asti, Italy</b>         | New equipment eliminates the use of oxygen and acetylene cylinders for brazing with oxyacetylene. Instead, oxygen and hydrogen are produced on demand in a closed circuit inside the machine by electrolysis of water   |   |
| <b>Izmir, Turkey</b>       | A new cardboard angle cutting machine performs cutting operations inside the machine, greatly reducing the safety risks from this operation   |   |
| <b>Murten, Switzerland</b> | The Lock-Out, Tag-Out system was upgraded to prevent unexpected machine starts. Employees received individual padlocks. New codes are generated weekly for any locks that are shared by groups  |   |
| <b>Shajing, China</b>      | Autoline safety improved by establishing standards to be followed by suppliers; conducting safety audits during design and construction; carrying out safety inspections before acceptance; and implementing facial recognition for access control during use |  |
| <b>Shanghai, China</b>     | Safety in a punching process was improved by automating the loading and other actions, and by adding an infrared grating protection system  |   |
| <b>Springfield, USA</b>    | A new Lock-Out, Tag-Out system includes placarding for isolation points, machine specific instructions with reference images, and digital tracking  |   |

### Occupational health

|                       |  |   |
|-----------------------|--|---|
| <b>Shajing, China</b> | We increased the scope of our employee health surveillance with health examinations for more than 11,000 employees |  |
|-----------------------|--|---|

### EHS management

|                          |   |
|--------------------------|---|
| <b>Stratford, Canada</b> | Digitizing the administration of pre-shift forklift inspections reduced the time taken by this task, saved paper and improved the response time for repair requests |
|--------------------------|---|

### Safety milestones

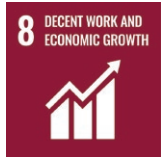
|                            |  |
|----------------------------|--|
| <b>Mississauga, Canada</b> | In August 2020, our powder-metal Mississauga plant celebrated 10 years without a lost-time accident  |
| <b>Springfield, USA</b>    | In March 2021, our Springfield plant received an award from the National Safety Council for reaching 2,000 days without a lost-time accident |

# Supporting our communities



# Responsibility for our communities

## Core SDG



## Supporting SDGs



We promise to enrich our local communities.

We seek to identify social needs and fulfil these in a way that benefits both Johnson Electric and the local community. Our new JGenerations programme empowers our employees to identify and get involved in fulfilling these needs.

### Leading our social impact

Johnson Electric’s approach to social impact is to enrich the local communities where we are present, guided by our Purpose to improve the quality of life of people we touch. We aim to achieve this through empowering our employees to reach out to local communities, identify their needs and carry out activities that make a difference in people’s lives.

In FY20/21 management established a Global Social Impact and Sustainability Committee, including key executives. This committee provides focus and support and ensures a structured approach to empowering our social impact activities, worldwide.

### JENERATIONS

One of the Committee’s first actions was to launch JGenerations, our new programme for social impact and community outreach activities. We encourage all of our employees, worldwide, to get involved and enrich our local communities through volunteering, participation



JGenerations launch celebrations in Niš, Serbia



Tree planting in Detroit, USA with the Greening of Detroit and JGenerations

in local activities, as well as donations and other contributions. We are supporting this with paid-time off for each employee taking part in our social impact activities.

Our employees have responded enthusiastically to JGenerations and have already begun identifying suitable local community actions.

### Engaging through education

Technical education is a flagship theme in our community engagement activities.

**The Johnson Electric Technical College (“JETC”)** is host to more than 400 residential students. Operating from campuses in China and Mexico, JETC targets underprivileged youth and provides a way for the new generation to choose engineering as a career.

Founded in China in 2004, JETC delivers a mix of general and

technical education over a three-year full-time course and has changed the lives of over 1,000 families. Most JETC students choose to join our workforce upon graduation.



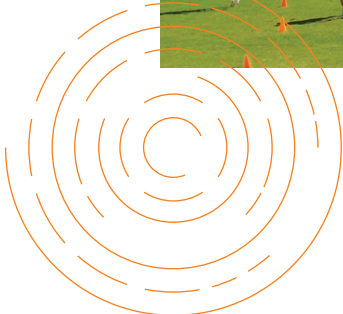
**JETC**  
Bringing education to the underprivileged

In Serbia, Johnson Electric provides a similar training scheme in partnership with a local secondary technical school. Students participating in this

scheme spend two days a week in the factory, following a detailed programme based on the JETC concept, bringing theory and practical experience together.

Our local teams also organize technical education activities. We collaborate with educational institutions to provide scholarships, cooperative education programmes, work placements for degree students, doctoral research assignments and design competitions. We also provide trainee programmes, apprenticeships and internships.

JETC students at study and play in China and Mexico



Earth Hour activities



Social impact around the world

Our sites around the world partner with local non-governmental organizations, taking part in a wide variety of charitable activities and actions. These include health education, support programmes for children, the elderly, and the under-privileged, animal welfare, environmental protection and community harmony. In the 12 months ended 31 March 2021, these activities included:

- **Earth Hour** – in March 2021 we joined with millions around the globe, switching off non-essential lights at our facilities to support the World Wide Fund for Nature in its Earth Hour Campaign. This year, the theme of Earth Hour was “Let Oceans Shine”. In support of this, we organized a “One person, one bottle campaign” and set up plastic bottle recycling points in our factories and offices. Some employees went even further and recovered plastic trash from the outdoors

- **Fighting the virus** – Many of this year’s activities revolved around fighting the COVID-19 pandemic. Around the world, Johnson Electric and our employees reached out to help our communities. Together, we donated face masks, visors, disinfectant, gloves and other supplies to hospitals and medical authorities, fire and police departments, the elderly and the needy



Visors donated by our ice hockey players and masks donated by Johnson Electric in Bedzin, Poland

- **Alleviating land degradation** – In Chennai, India we dispersed seed balls around neglected areas including roadsides and abandoned lots to help alleviate land degradation, deforestation and climate change

Social impact awards

We received the Caring Company Award from the Hong Kong Council of Social Service. It recognizes our longstanding commitment to corporate social responsibility and our voluntary efforts to create a caring community in Hong Kong.



Dispersing seed balls in Chennai, India

# Corporate governance

Johnson Electric believes that good corporate citizenship requires uncompromising standards of integrity, openness, and fairness. We pursue high standards of corporate governance that properly protect and promote the interests of our stakeholders and safeguard and build our reputation.



## Core SDG



## Supporting SDG



### 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 senior management may also be asked to attend board meetings to advise on environmental, social and governance issues and performance.

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

**The Board** oversees the Group's sustainability strategies and performance.

**The Audit Committee** monitors the Group's financial reporting, provides oversight of our sustainability 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.

**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.

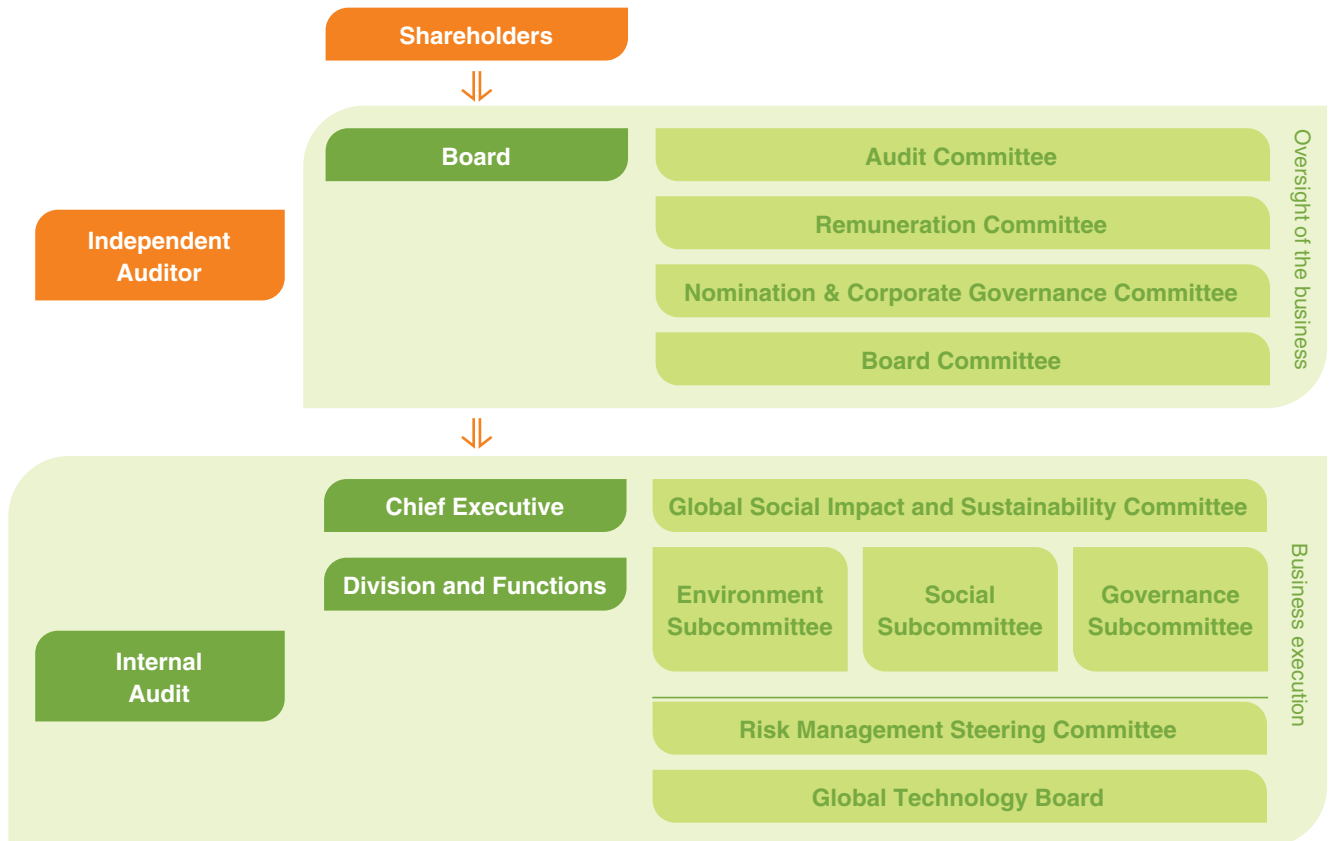
**The Nomination and Corporate Governance Committee** identifies and evaluates candidates for appointment or reappointment as director. It also develops and maintains our overall corporate governance policies and practices and is responsible for implementing our Board Diversity Policy.

**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 further details of the composition and work of the Board and its Committees see the Corporate Governance Report on pages 66 to 77 of the Annual Report 2021. Profiles of the Directors can be found on pages 198 to 201 of the Annual Report 2021



## Johnson Electric's governance structure



### Sustainability execution

**The Global Social Impact and Sustainability Committee (“GSISC”)**, established in January 2021, is responsible for creating a focused, structured approach to sustainability issues and for providing support for social impact and sustainability activities across the Group. It is chaired by Mr. Austin Wang, Executive Director and Senior Vice President, Industry Products Group, and includes the Chief Financial Officer, the Chief Human Resources Officer, the Senior Vice Presidents of Global Operations, the Automotive Products Group, Corporate Engineering and Supply Chain Services, and other leaders with

responsibilities for sustainability matters. Three subcommittees are focused on environmental, social and governance matters.

The GSISC has established a structured framework aligned to the Group’s core and supporting United Nations Sustainable Development Goals, initiated improvements to management reporting of sustainability performance and has launched the Group’s JGenerations initiative.

Looking forward, from 1 April 2021, performance-related pay will be tied to the achievement of revenue, profitability, liquidity and sustainability goals. The GSISC is also assisting in the establishment of global targets for certain aspects of Johnson Electric’s sustainability

performance and is overseeing improvements in our supply chain sustainability.

**The Risk Management Steering Committee** is responsible for identifying, mitigating and controlling Johnson Electric’s exposure to risk. It is chaired by Dr. Patrick Wang, the Group’s Chief Executive, and includes the Chief Financial Officer, the Chief Information Officer, the Chief Human Resources Officer, the Senior Vice Presidents of Global Operations and Corporate Engineering and Supply Chain Services, as well as the Group’s leaders from the Environment, Health and Safety, Legal, Intellectual Property and Internal Audit Departments.

This committee works with senior leaders in core business functions to classify, analyse and track existing and emerging risks. It ensures we have robust business practices to lower the frequency and reduce the severity of any risk exposure as well as to ensure business continuity. These business practices are closely monitored by our senior management and tested periodically by both management and internal audit to ensure their continued effectiveness.

Further details of our enterprise risk management, our risk profile and our policies for managing exposure to key risks can be found on pages 44 to 51 of the Annual Report 2021.

**The Global Technology Board (“GTB”)** leads Johnson Electric’s global technology strategy and key technology initiatives (including design for automation; digital transformation; automotive software performance improvement and capability determination; and product life cycle management). The GTB also manages Johnson Electric’s global intellectual property (including patents, trademarks and trade secrets) and leads the execution of key engineering projects contributing to our technology strategy.

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## Sustainability reporting

We include sustainability information in our reporting cycle through monthly reporting to the Chief Executive, monthly management reporting and reviews, and the publication of an annual sustainability report.

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## Ethics and business conduct

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. We make the Code available in the local language of each site.

See next page for the behaviours embedded in our Code

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 must complete training and pass a test before making their declaration. In FY20/21, 2,012 managers and other employees took part in and completed this refresher training.

All employees may make anonymous whistle-blower reports of any ethical or business conduct concerns at any hour by phone or email. In every workplace, conspicuously placed posters inform employees of ways to access the hotline. All reports are

investigated promptly and confidentially by Internal Audit. If it is determined there has been a violation of our Code, we take prompt action to prevent reoccurrence. If necessary, we take appropriate disciplinary action.

In FY20/21 and FY19/20:

- No cases were concluded against the Group or our employees for corrupt practices
- There were no cases or regulatory actions regarding fair trade and competitive practices

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## Intellectual property

We protect our proprietary position by safeguarding trade secrets and know-how and by filing patent applications for technologies and processes that are important to the development of our business. We take enforcement action in case of infringement of our intellectual property rights by competitors. We respect others’ intellectual property rights and conduct patent searches to avoid infringement.

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## Global tax policy

We manage our tax affairs in a manner that maintains the Group’s corporate reputation. The finance team responsible for each Group company is required to understand and comply with all applicable tax laws and regulations. They are supported in these duties, and in the identification, reporting and resolution of possible tax issues by our internal tax experts and our external tax advisers. We seek external guidance where tax laws are changing or unclear.

## Code of ethics and business conduct

**Preventing bribery and corruption** – We believe all business decisions should be made fairly and impartially, based on quality, price, service and other competitive factors and not on the basis of gifts or gratuities. 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.

**Anti-money laundering** – 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.

**Government relationships** – All dealings with governments should be at "arm's length". Employees must not offer or make any payment, gift, bribe, secret commission or give any other benefit to influence the decision or action of any government employee, official, candidate or political party.

**Preventing conflicts of interest** – 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.

**Preventing unfair competition** – 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.

**Product integrity** – Johnson Electric ships products that live up to our product and safety standards. We are committed to constantly improving our products through the Johnson Electric Product Development System and the proper communication of long-term business strategies.

**Proper authorization** – The Johnson Electric name can only be used for authorized, ethical and legitimate business activities. Employees should only make commitments for which they have received delegated authority (as per policy and documented scope of employee position), that they believe the Company can keep, and then do their best to keep these commitments.

**Preventing fraud and maintaining accurate and complete official record and reporting** – 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.

**Protecting proprietary information and intellectual property** – 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.

**Treating each employee with mutual respect and fairness at all times** – 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.

**Preventing child labour and forced labour** – We do not permit the employment of minors who do not meet the legal minimum working age of each country and region in which we operate. We will not partake in any form of forced, bonded or indentured labour.

**Protecting the environment and creating a healthy and safe workplace** – 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.

## 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.

|   | 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>                                    | Phone calls and email – ongoing<br>Customer visits and meetings – as needed<br>Customer complaints process – as needed<br>Quarterly results announcements, interim report and annual report<br>Customers' on-site visits and audits of our factories – on request<br>Customers' sustainability targets, questionnaires and assessments<br>Sustainability report – annual<br>Our customer sustainability survey |
| <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> | Whistle-blower hotline – ongoing<br>One Johnson Celebration - annual<br>Performance reviews – annual<br>Employee surveys – biannual<br>Workplace posters, emails, social media and intranet – ongoing<br>All-staff meetings – quarterly<br>Employee representatives / trade unions<br>Training, coaching and on-the-job development – ongoing<br>Sustainability report – annual<br>Sustainability survey       |
| <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>                 | Johnson Electric Terms and Conditions<br>Johnson Electric Code of Conduct<br>Phone calls and email – ongoing<br>Supplier self-assessments<br>Supplier risk review – annual<br>On-site visits and audits of key suppliers   |
| <b>Shareholders and potential investors</b> | <ul style="list-style-type: none"> <li>Financial performance and expectations</li> <li>Strategic plans</li> </ul>   | Quarterly results announcements, interim report, annual report<br>Quarterly, interim and annual results announcement events<br>Media / investor relations conferences and feedback to enquiries<br>Sustainability report – annual  |
| <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>  | Phone calls and email – ongoing<br>Johnson Electric Technical College and partnerships with local education authorities and universities – ongoing<br>Johnson Electric Junior Engineer – (suspended this year due to COVID-19)<br>Participation in local community activities and voluntary work – ongoing<br>Participation in government / NGO training and employment schemes – ongoing                      |



# HKEx ESG reporting guide

## Environmental, social and governance reporting guide

Notes/sections

### A. Environmental

#### Aspect 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.

**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 wastes are handled, reduction initiatives and results achieved.

Environmental responsibility/  
Key performance indicators

#### Aspect A2: Use of resources

**General disclosure** Policies on the efficient use of resources, including energy, water and other raw materials.

**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 issue 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.

Environmental responsibility/  
Key performance indicators

Key performance indicators

#### Aspect A3: The environment and natural resources

**General disclosure** Policies on minimizing the issuer’s significant impact on the environment and natural resources.

**KPI A3.1** Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.

Environmental responsibility

## Environmental, social and governance reporting guide

Notes/sections

### B. Social – Employment and labour practices

#### 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. | Responsibility for our workforce |
| 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. | Responsibility for our workforce |
| KPI B2.1           | Number and rate of work-related fatalities.   | Responsibility for our workforce |
| 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. | Responsibility for our workforce            |
| KPI B3.1           | The percentage of employees trained:<br>– by gender<br>– by employee category.  | Not available<br>Key performance indicators |
| KPI B3.2           | The average training hours completed per employee:<br>– by gender<br>– by employee category.                              | Not available<br>Key performance indicators |

#### 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 and forced labour. | Responsibility for our workforce |
| KPI B4.1           | Description of measures to review employment practices to avoid child and forced labour.   | Responsibility for our workforce |
| 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.  | Responsibility in our products and operations |
| KPI B5.1           | Number of suppliers by geographical region.   | Key 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. | Responsibility in our products and operations |

#### Aspect B6: Product responsibility

|                    |   |   |
|--------------------|---|---|
| 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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Responsibility in our products and operations |
| KPI B6.1           | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | Key performance indicators                    |
| KPI B6.2           | Number of product and service related complaints received and how they are dealt with.  | Key performance indicators                    |
| KPI B6.3           | Description of practices relating to observing and protecting intellectual property rights.   | Corporate governance                          |
| KPI B6.4           | Description of quality assurance process and recall procedures.   | Responsibility in our products and operations |
| KPI B6.5           | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | Not applicable                                |

#### 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. |                      |
| 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.                               | Corporate governance |
| 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. | Responsibility for our 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.  |                                    |



# Key performance indicators

| Items  | FY20/21 | FY19/20       | FY18/19       | Unit   | HKEx indicators | Page  |
|--|---------|---------------|---------------|--|-----------------|-------|
| Direct CO <sub>2</sub> (Scope 1) emissions <sup>1,2,3</sup>  | 26      | 26            | 27            | kt CO <sub>2</sub> eq.                       | A1.1 / A1.2     | –     |
| Indirect CO <sub>2</sub> (Scope 2) emissions <sup>1,4</sup>  | 283     | 281           | 282           | kt CO <sub>2</sub> eq.                       | A1.1 / A1.2     | –     |
| Total CO <sub>2</sub> emissions <sup>3</sup>                 | 309     | 307           | 309           | kt CO <sub>2</sub> eq.                       | A1.1 / A1.2     | 29    |
| CO <sub>2</sub> intensity <sup>3</sup>                       | 97.8    | 99.9          | 94.4          | t CO <sub>2</sub> eq. per US\$ million sales | A1.1 / A1.2     | 29    |
| Energy consumption   | 2.63    | 2.54          | 2.56          | million GJ                                   | A2.1            | 28-29 |
| Energy intensity   | 832.2   | 827.1         | 780.2         | GJ per US\$ million sales                    | A2.1            | 29    |
| Solid materials recycled                                     | 82      | 73            | 72            | kt   | A3.1            | 30    |
| Cost of packaging materials incurred <sup>5</sup>            | 29.9    | 29.4          | 26.0          | US\$ million                                 | A2.5            | –     |
| Non-hazardous waste produced                                 | 5.6     | 5.2           | 5.3           | kt   | A1.4            | 32    |
| Hazardous waste produced <sup>3</sup>                        | 8.7     | 8.7           | 8.6           | kt   | A1.3            | 32    |
| Water consumption  | 2,729   | 2,098         | 2,378         | Kt   | A2.2            | 33    |
| Total workforce  | 39,442  | 36,028        | 38,997        | no.  | B1.1            | 37    |
| Total workforce, by region                                   |         |               |               |  |                 |       |
| Asia   | 74      | 72            | 73            |  |                 |       |
| Europe   | 15      | 16            | 16            | %  | B1.1            | 37    |
| Americas   | 11      | 12            | 11            |  |                 |       |
| Total workforce  |         |               |               |  |                 |       |
| Permanent and fixed term contract                            | 97      | Not available | Not available | %  | –               | –     |
| Temporary <sup>6</sup>                                       | 3       |               |               |  |                 |       |
| Total workforce, by employment role                          |         |               |               |  |                 |       |
| Manufacturing operators                                      | 64      | 60            | 62            |  |                 |       |
| Technicians and other operational and administrative support | 22      | 25            | 23            | %  | B1.1            | –     |
| Individual contributor / supervisory                         | 11      | 12            | 12            |  |                 |       |
| Managerial   | 3       | 3             | 3             |  |                 |       |
| Total workforce, by gender                                   |         |               |               |  |                 |       |
| Male   | 59      | 57            | 58            | %  | B1.1            | –     |
| Female   | 41      | 43            | 42            |  |                 |       |
| Managerial positions, by gender                              |         |               |               |  |                 |       |
| Male   | 81      | 82            | Not available | %  | –               | –     |
| Female   | 19      | 18            |               |  |                 |       |

## Key performance indicators

| Items  | FY20/21 | FY19/20       | FY18/19       | Unit              | HKEx indicators | Page |
|--|---------|---------------|---------------|-------------------|-----------------|------|
| Total workforce, by age group  |         |               |               |                   |                 |      |
| Under 30 years old   | 28      | 28            | 35            |                   |                 |      |
| 30-50 years old  | 63      | 62            | 57            | %                 | B1.1            | –    |
| Over 50 years old  | 9       | 10            | 8             |                   |                 |      |
| Turnover rate, by region <sup>7</sup>  |         |               |               |                   |                 |      |
| Asia   | 11.8    | 11.3          | 12.2          |                   |                 |      |
| Europe   | 9.6     | 13.7          | 13.4          | %                 | B1.2            | –    |
| Americas   | 12.1    | 20.4          | 22.3          |                   |                 |      |
| Global   | 11.4    | 12.9          | 13.7          |                   |                 |      |
| Turnover rate, by gender <sup>7</sup>  |         |               |               |                   |                 |      |
| Male   | 11.6    | Not available | Not available | %                 | B1.2            | –    |
| Female   | 11.0    |               |               |                   |                 |      |
| Turnover rate, by age <sup>7</sup>   |         |               |               |                   |                 |      |
| Under 30 years old   | 22.1    | 23.2          | 25.2          |                   |                 |      |
| 30 – 50 years old  | 9.3     | 9.9           | 9.9           | %                 | B1.2            | –    |
| Over 50 years old  | 8.3     | 11.2          | 11.4          |                   |                 |      |
| Total  | 11.4    | 12.9          | 13.7          |                   |                 |      |
| Percentage of employees trained, by employment role <sup>8</sup>               |         |               |               |                   |                 |      |
| Manufacturing operators  | 24.6    |               |               |                   |                 |      |
| Technicians and other operational and administrative support                   | 48.9    | Not available | Not available | %                 | B3.1            | –    |
| Individual contributor / supervisory   | 56.2    |               |               |                   |                 |      |
| Managerial   | 100.0   |               |               |                   |                 |      |
| Total  | 35.9    |               |               |                   |                 |      |
| Average training hours completed per employee, by employment role <sup>8</sup> |         |               |               |                   |                 |      |
| Manufacturing operators  | 1.9     |               |               |                   |                 |      |
| Technicians and other operational and administrative support                   | 3.7     | Not available | Not available | hours             | B3.2            | –    |
| Individual contributor / supervisory   | 5.9     |               |               |                   |                 |      |
| Managerial   | 8.0     |               |               |                   |                 |      |
| Total  | 2.9     |               |               |                   |                 |      |
| Number of work-related fatalities  | 1       | Zero          | Zero          | cases             | B2.1            | 45   |
| Number of recordable injuries (“RI”) <sup>9</sup>                              | 125     | 166           | 163           | cases             | B2.2            | 45   |
| Recordable injury frequency (“RIF”) <sup>10</sup>                              | 0.26    | 0.35          | 0.31          | per 100 employees | B2.2            | 45   |
| Lost-time accidents (“LTA”) <sup>11</sup>                                      | 53      | 69            | 62            | cases             | B2.2            | 45   |
| Lost-time accident rate <sup>12</sup>  | 0.11    | 0.14          | 0.12          | per 100 employees | B2.2            | 45   |
| Suppliers by region  |         |               |               |                   |                 |      |
| Asia   | 42      | 43            | 45            |                   |                 |      |
| Europe   | 37      | 35            | 35            | %                 | B5.1            | –    |
| Americas   | 21      | 22            | 18            |                   |                 |      |
| Others   | –       | –             | 2             |                   |                 |      |

| Items   | FY20/21 | FY19/20 | FY18/19 | Unit  | HKEx indicators | Page |
|---|---------|---------|---------|-------|-----------------|------|
| Percentage of total products sold or shipped subject to recalls for safety and health reasons                         | Zero    | Zero    | Zero    | %     | B6.1            | –    |
| Number of products and service related complaints received <sup>13</sup>  | 853     | 921     | 875     | cases | B6.2            | –    |
| Number of legal cases concluded regarding corrupt practices brought against the issuer or its employees <sup>14</sup> | Zero    | Zero    | 1       | cases | B7.1            | 56   |

<sup>1</sup> The calculation involved the use of country-specific conversion factors and 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> emission, CO<sub>2</sub> intensity and hazardous waste produced 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> Contract term less than 12 months at inception.

<sup>7</sup> Turnover ratio is calculated as number of employees leaving during the year (voluntarily and involuntarily) per total workforce as of the end of the reporting year. The manufacturing operators category is excluded from the calculation. The turnover rate breakdown by gender for FY19/20 and FY18/19 are not available.

<sup>8</sup> Percentage of employees trained and average training hours completed per employee by category for FY19/20 and FY18/19 are not available. The total training hours incurred in these two years were 123,000 hours and 200,000 hours respectively.

<sup>9</sup> Recordable injuries includes all injuries except first-aid cases as defined by US OSHA regulation.

<sup>10</sup> Recordable injury frequency is calculated as the number of recordable injuries per 100 employees working each year.

<sup>11</sup> Lost-time accident refers to recordable injuries with lost time of more than one working day.

<sup>12</sup> Lost-time accident rate is defined as lost-time accidents per 100 employees working each year.

<sup>13</sup> Valid complaints received.

<sup>14</sup> In FY18/19 the issuer brought a case against an employee for corrupt practices.

# Verification statement



## Scope and Objective

Hong Kong Quality Assurance Agency (“HKQAA”) has been engaged by Johnson Electric Holdings Limited (Stock Code: 179) “Johnson Electric” to undertake an independent verification of its Sustainability Report 2021 (“the Report”). The Report stated the economic, environmental and social performance of Johnson Electric in the period of 1 April 2020 to 31 March 2021 for its major operating locations worldwide.

The aim of this verification is to provide a reasonable assurance on the reliability of the report content. The Report has been prepared in accordance with the Appendix 27 “Environmental, Social and Governance Reporting Guide” (“ESG Guide”) of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“SEHK”).

## 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 covered the criteria set in the ESG Guide of the SEHK.

The verification process included verifying information relevant to reporting and management procedures, including stakeholder engagement methods and result, and materiality assessment processes. In addition, system and process for collecting, collating and reporting sustainability performance data were verified. Raw data and supporting evidence of the selected representative samples were also thoroughly examined during the verification process.

## Independence

Johnson Electric is responsible for the collection and presentation of the information presented. HKQAA was not involved in calculating, compiling, or in the development of the Report. Our verification activities are independent from Johnson Electric. There was no relationship between HKQAA and Johnson Electric that would affect the independence of HKQAA for providing the verification service.

## Conclusion

Based on the verification results, HKQAA has obtained reasonable assurance and is of the opinion that:

- The Report has been prepared in accordance with the ESG Guide of the SEHK;

- The Report illustrates the sustainability performance of Johnson Electric in a balanced, clear, comparable and timely manner; and
- The data and information disclosed in the Report are reliable and complete.

Nothing has come to HKQAA attention that the selected sustainability performance information and data contained in the Report has not been prepared and presented fairly and honestly, in material aspects, in accordance with the verification criteria. In conclusion, the Report reflects truthfully the sustainability commitments, policies and performance of Johnson Electric, and discloses transparently their sustainability performance that is commensurate with their sustainability context and materiality.

Signed on behalf of Hong Kong Quality Assurance Agency

Jorine Tam  
Director, Corporate Business  
July 2021

# About this report

Our Sustainability Report 2021 (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 2021, in particular the Management’s Discussion and Analysis and the Corporate Governance Report sections.

The information presented in this Report relates to the sustainability performance and activities of all Johnson Electric’s major operating locations worldwide from 1 April 2020 to 31 March 2021, 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”) plus additional voluntary disclosures. It has been independently verified by the Hong Kong Quality Assurance Agency (“HKQAA”). The verification statement can be found on page 66.

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



**Johnson Electric Holdings Limited**

(Incorporated in Bermuda with limited liability)

12 Science Park East Avenue, 6/F  
Hong Kong Science Park  
Shatin, New Territories  
Hong Kong  
Tel: (852) 2663 6688  
Fax: (852) 2897 2054

[www.johnsonelectric.com](http://www.johnsonelectric.com)

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