

SM Cyclo of Canada, Ltd.
 1453 Cornwall Road,
 Oakville, Ontario
 L6J 7T5

May 22, 2024

Re: Fighting Against Forced Labour and Child Labour in Supply Chains Act

Entity Name: SM Cyclo of Canada, Ltd.
 Financial Reporting Year: January 1 to December 31, 2023
 Revised Report: No, this is the initial report
 Joint Report: No
 Other reporting obligations: No
 Entity structure: SM Cyclo of Canada, Ltd. Is a Canadian business, does business in Canada and has assets in Canada.
 SM Cyclo of Canada Ltd. has at least \$20million in assets for at least one of its two most recent financial years and has generated at least \$40million in revenue for at least one of its two most recent financial years.
 Entity Organization: Manufacturing

SM Cyclo of Canada, Ltd. (“we”, “company”, “our”, “SMC”) specializes in the assembly and distribution of industrial gearboxes and gearmotors, which are integral components in a wide range of industrial applications. These gearboxes and gearmotors are manufactured and assembled to meet the highest standards of quality and performance. In order to ensure precision and reliability, SM Cyclo of Canada, Ltd. sources its parts from a network of affiliate suppliers located across the globe. This strategic approach allows the company to access a diverse range of high-quality components, ensuring that each product is built to withstand demanding industrial environments.

To gain a better understanding of our business, SM Cyclo of Canada, Ltd. is a Canadian affiliate company of Sumitomo Heavy Industries, which is an affiliate company of Sumitomo Corporation headquartered in Japan.

While no comprehensive investigation has been conducted of our supply chain, we are of the opinion that the probability of encountering forced labour or child labour is exceedingly low and poses minimal risk.

During 2023, SM Cyclo of Canada, Ltd. did not identify any forced labour or child labour in its business operations or supply chains. As well, we did not identify any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.

Consequently, SM Cyclo of Canada, Ltd. did not take any remedial action to specifically address the issues noted above. Further, we have not provided training to our employees with a focus on forced labour or child labour.

However, Sumitomo Corporation, has been actively committed to the global issue of forced labour and child labour. In March 2009, Sumitomo Corporation, along with 16,000 participating companies from approximately 160 countries, signed the UN Global Compact and declared its support for the ten principles as this international CSR-related initiative shares the same values as their Corporate Mission Statement. The ten principles are separated into 4 distinct areas:

Human Rights

1. **Businesses should support and respect the protection of internationally proclaimed human rights; and**
2. **make sure they are not complicit in human rights abuses.**

Labour Standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. **the elimination of all forms of forced and compulsory labour;**
5. **the effective abolition of child labour;** and
6. the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertaking initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

In May, 2020, Sumitomo Corporation established a Human Rights Policy in which it declares in its management principles that it aims to be a global organization that contributes broadly to society and places prime importance on utmost respect for the individual and will respect human rights to fulfill our corporate social responsibility, and pursue sustainable growth within society. Under the policy, Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes.

Within this policy, Sumitomo Corporation also respects the "International Bill of Human Rights", the ILO's "Declaration on Fundamental Principles and Rights at Work" and operates in accordance with the "United Nations Guiding Principles on Business and Human Rights". In July, 2023, Sumitomo Corporation published its ongoing commitment and action plan to address human rights.

Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes. Sumitomo Corporation strives to identify and to prevent or mitigate any adverse impact on human rights through the application of human rights due diligence processes.

At SM Cyclo of Canada, Ltd., we have an established Code of Ethics and Business Conduct Guidelines. Within these Guidelines it is stated: "It is the policy of SM Cyclo of Canada, Ltd., an affiliate of Sumitomo Heavy Industries, Ltd., a Sumitomo Group company, to conduct its affairs in accordance with the Sumitomo Spirit and Ethical Principles of the Company. We promote a strong commitment to the highest standard of ethics in its dealings with customers, suppliers, business associates and its own employees. This Code of Ethics and Business Conduct Guidelines applies to every employee of SMC." This Guideline further defines "The Ethical Principles of SM Cyclo of Canada, Ltd." that requires "All executives, officers, managers and employees of SM Cyclo of Canada, Ltd. must thoroughly and adequately understand the Ethical Code of SMC, must observe laws and regulations as a member of society and must engage in business activities fairly and ethically while performing their duties for the company."

Within the Ethical Principles are:

- "1. Respect for Individuals. The fundamental human rights must be respected.*
- 2. Observance of Laws and Regulations. All applicable laws and regulations, whether domestic or foreign, and codes and rules, whether those of SMC or the outside when applicable, must be respected and complied with.*
- 3. Fair Competition and Transactions. SMC and SMC Employees must perform business activities pursuant to fair and free competition, and must not pursue any profits by inappropriate measures or inadequate or unethical activities.*
- 4. Reject Involvement with Any Anti-Social Groups of Individuals. SMC and SMC Employees should firmly reject any connection to and/or relationships with groups or individuals that could interfere with public order, policy, or safety by imposing threats.*
- 5. Protect the Environment. SMC and SMC Employees should protect the environment by not just preventing environmental pollution, but by saving resources and energy, reducing waste, and promoting recycling.*
- 6. Respect Fair International Business Activities and Foreign Culture. In international business scenes and transactions, SMC and SMC Employees shall respect relevant cultures and customs as well as comply with applicable international laws and regulations."*

In 2024, SM Cyclo of Canada, Ltd. will review the Sumitomo Corporation's report (Sumitomo Corporation - Slavery and Human Trafficking Statement for the Fiscal Year 2022) and begin our journey in identifying and establishing policies and processes to address forced labour and child labour within our supply chain.


In 2023, other than as disclosed above, the company did not take any such steps to prevent and reduce the risk that no forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity. In addition, SMC did not initiate any new due forms of diligence processes.

SMC did not identify any parts of its business and supply chains that carry a risk of forced labour except as otherwise shown herein.

"In accordance with the requirements of the Act, and in particular Section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above."

This report was approved by the Board of Directors of SM Cyclo of Canada, Ltd. on May 22, 2024.

Gregory Banero
President & CEO
SM Cyclo of Canada, Ltd.
May 22, 2024

DocuSigned by:

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I have the authority to bind SM Cyclo of Canada, Ltd.