

May 14, 2025

Re: Annual report - 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, 2024

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

Location: Ontario

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, Ltd. which is an affiliate company of Sumitomo Corporation headquartered in Japan.

As mentioned in our previous report, dated May 22, 2024, Sumitomo Corporation has been actively committed to the global issue of forced labour and forced child labour. In March 2009, Sumitomo Corporation was one of the signatories of the UN Global Compact and declared its support for the ten principles as this CSR-related initiative shares the same values as their corporate mission statement including:

- Human Rights: Businesses should support and respect the protection of internationally proclaimed human rights and make sure they are not complicit in human rights abuses.
- Labour Standards: Businesses should uphold the elimination of all forms of forced Labour and compulsory labour and the effective abolition of child labour.

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 fulfil their corporate social responsibility, and pursue sustainable growth within society. Under this 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.

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 standards of ethics in its dealings with customers, suppliers, business associates and its own employees. This Code of Ethics applies to every employee of SMC."

Our Supply Chain

Our Tier 1 suppliers are all affiliate companies of Sumitomo Heavy Industries, Ltd. and Sumitomo Corporation. Our Tier 1 suppliers are located in Japan, China, Vietnam, Belgium, Germany, Brazil, Mexico and the USA.

Our Tier 2 suppliers are located primarily in Canada and USA.

In 2024, 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.

Although we have not conducted a comprehensive investigation of our supply chain, based on the association and knowledge of our suppliers, we are of the opinion that the probability of encountering forced labour or child labour is exceedingly low and poses minimal risk.

ACTIONS TAKEN IN 2024:

1. Development and Implementation of a SM Cyclo of Canada, Ltd. Human Rights Policy.

This policy outlines our commitment in supporting, respecting, and protecting human rights in our relationships with our employees, suppliers, and business partners and reaffirms Sumitomo Corporation's commitment to protecting human rights.
2. Development and Implementation of a SM Cyclo of Canada, Ltd. Supplier Code of Conduct.

This Supplier Code of Conduct emphasizes that to do business with SM Cyclo of Canada, Ltd., our suppliers must agree to meet our standards for workers' rights and environmental sustainability. This Supplier Code of Conduct outlines our expectations regarding compliance with all applicable legal and regulatory requirements in the jurisdiction they do business including protecting worker rights under national and international labour laws and regulations, voluntary employment (forced labour), child labour, non-discrimination, harassment and abuse, compensation, hours of work, freedom of association and collective bargaining, health and safety, environment, quality, and transparency within the supply chain.
3. Contact with Tier 1 and Tier 2 suppliers.

Emails were sent to senior managers at all 12 of our Tier 1 suppliers and Top 20 Tier 2 suppliers. The email outlined SM Cyclo of Canada, Ltd.'s commitment to eliminate forced labour and child labour and requesting their acknowledgement of their commitment to our efforts. Included within this communication was a copy of our Human Rights Policy and Supplier Code of Conduct.
4. Training for all employees.

An awareness training program was developed internally utilizing information and resources from reliable sources. The training was completed through several facilitator-led sessions to all our employees including all levels of management. The session introduced staff to the new Fighting Against Forced Labour and Child Labour in Supply Chains Act, an understanding of forced labour and child labour abuse throughout the globe, Sumitomo Corporation's commitment and the UN Global Compact, our Human Rights Policy, our Supplier Code of Conduct and a review of our Code of Ethics and Business Conduct Guidelines. The training session is approximately 1.5 hours in duration.

This training was mandatory for all employees and management and has also been embedded into our new employee orientation.

Actions Planned for 2025/2026:

1. Continue training for new employees through initial orientation. We will also consider a refresher awareness session for all employees.

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2. Raise awareness through our suppliers to have them consider implementing policies and procedures in their own organization prohibiting the use of forced labour and child labour in their activities and supply chains.
3. Consider the development and implementation of anti-forced labour and/or -child labour contractual clauses.
4. Ongoing monitoring of our Tier 1 and Tier 2 suppliers.

In accordance with the requirements of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Act), and in particular section 11 thereof, I, in the capacity of President and CEO, attest that I have reviewed the information contained in the report of behalf of the governing body of the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this report is true, accurate and complete in all material aspects for the purposes of the Act, for the reporting year listed within this report.

Gregory Banero

President and CEO

SM Cyclo of Canada, Ltd.

DocuSigned by:

Gregory Banero

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