



Report on the fight against forced labor and child labor in supply chains

Fiscal year ended May 31, 2025

Soucy 

Introduction

The *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, which came into force on January 1st, 2024 (the “**Act**”), requires certain Canadian entities to prepare an annual report outlining the measures taken to prevent and mitigate the risk of forced or child labour in their supply chains.

This report has been prepared for the fiscal year ended May 31, 2025 and is submitted jointly by Portefeuille Soucy inc. and three of its subsidiaries subject to the Act, namely, Soucy Baron inc. (“**Soucy Baron**”), Soucy International inc. (“**Soucy International**”) and Soucy Techno inc. (“**Soucy Techno**”) (hereinafter collectively referred to as “**Soucy**”).

Portefeuille Soucy inc. is a company incorporated in Quebec headquartered in Drummondville. The company is the parent of a group of businesses that specialize in designing and manufacturing track systems, parts, and accessories for the agricultural, motorsports, industrial and defense sectors.

Soucy considers respect for human rights to be a fundamental corporate responsibility. The company aims to continuously improve its practices to prevent, and combat forced labour and child labour, and asks its suppliers to make the same commitment.

Structure, activities and supply chain

Soucy Baron

Soucy Baron is a company incorporated in Quebec headquartered in Saint-Jérôme. It specializes in the manufacture of raw rubber and the custom fabrication of rubber parts and rubber-molded metal parts. It is also a leader in the development and integration of elastomer solutions.

The company sources its parts from Shanghai Soucy Rubber Co. Ltd (“**Soucy Shanghai**”), a subsidiary of its parent company, as well as from manufacturers in China and Vietnam. Soucy Shanghai manufactures its products from pre-mixed elastomer solutions or assembles prefabricated rubber parts by sourcing directly from manufacturers on the East Coast of China and in Vietnam.

Its raw materials are sourced from both natural rubber producers and synthetic rubber manufacturers in various countries. Other materials, such as carbon black and fillers like silica, come from the United States, while calcium carbonate is sourced from Quebec. For elastomer solutions, Soucy Baron buys from Soucy Techno, as well as from various Canadian distributors.

Metal inserts sourced from manufacturers on the East Coast of China and in Canada are also used on the production line.

Soucy Techno

Soucy Techno is a Canadian company headquartered in Sherbrooke, Quebec. It specializes in the development of customized rubber compounds and polyethylene-based color concentrates.

As part of its operations, it sources both natural and synthetic rubber. Natural rubber is purchased directly from producers in Côte d'Ivoire and Guatemala while synthetic rubber comes from Germany, Brazil, or Mexico. As for the main ingredients mixed with rubber, carbon black is purchased directly from manufacturers in China, India, and North America while fillers such as silica and calcium carbonate are purchased directly from manufacturers in the United States and Quebec.

For its polyethylene-based color concentrate recipes, Soucy Techno sources polyethylene granules directly from manufacturers in the United States and Quebec.

Soucy International

Soucy International is a company incorporated in Quebec headquartered in Drummondville. The company has three business units, namely Soucy Track Systems, Soucy Rubber Tracks and Soucy Powersports.

Soucy Track Systems designs and assembles custom rubber track systems for original equipment manufacturers worldwide. The unit sources rubber tracks and components from other Soucy business units and from external suppliers.

Soucy Rubber Tracks designs and molds rubber tracks for original equipment manufacturers of the industrial, recreational, agricultural and defense sectors. Nearly two-thirds of this unit's supply of machined components comes from Soucy's other business

units. Rubber is supplied mainly by Soucy Techno, while cabling systems are sourced from suppliers in China, South Korea, United States and Finland.

Soucy Powersports designs and manufactures parts and accessories for the powersports market and the industry's leading manufacturers. The Drummondville plant sources its plastics from suppliers in Canada and the United States and subcontracts the manufacture of certain parts to manufacturers on the East Coast of China and in Vietnam.

Policies and due diligence practices

As part of the global governance structure of Soucy, all business units reporting to the parent company are required to comply with policies, the Code of Ethics, and other corporate requirements, including those described in this report.

Code of Ethics

Soucy's Code of Ethics reflects its values and vision and sets out the principles and behaviors that its employees, directors and officers must respect and adopt during business activities. This Code of Ethics also applies to all suppliers and business partners of Soucy. It defines the company's expectations in terms of respect for human rights in the workplace and covers topics such as preventing harassment and violence and ensuring occupational health and safety. All employees must sign a certificate confirming that they have read and understood how the Code of Ethics applies to their work.

Supplier Code of Conduct

Over the past fiscal year, Soucy has developed a Supplier Code of Conduct to ensure that companies in its supply chain adopt ethical and responsible business practices aligned with internationally recognized standards. This Code of Conduct applies to both Canadian and foreign suppliers. It also aims to clarify Soucy's requirements in terms of protecting fundamental human rights and explicitly bans all forms of forced labour and child labour. Over the coming year, Soucy will disseminate and deploy its Supplier Code of Conduct and ensure that its suppliers read and adhere to it.

Policies and practices

Soucy employees are expected to conduct themselves in accordance with the policies and procedures established by the company. These policies and procedures cover, but are not limited to, the following subjects:

- Prevention of harassment in the workplace

- Environment

- Occupational Health and Safety

Over the past year, Soucy has launched a new internal platform for employees that centralizes the Code of Ethics, along with all of the company's policies and procedures. This initiative ensures easy and constant access to corporate documentation and supports the continuous updating of internal policies.

International recruitment

When Soucy recruits foreign workers, the entire process is managed by two internal resources who have been with the parent company since 2021. The team consists of an immigration counsellor and a cultural integration counsellor. They are involved at every stage, from selecting candidates to preparing them for their arrival in Canada. They ensure that foreign workers receive all the necessary information and tools.

As part of her role, the cultural integration counsellor is responsible for guiding foreign workers in their integration into the community, directing them to external language learning resources, and offering them support tailored to their needs. She also conducts informational sessions for current employees on the culture and country of origin of the foreign workers joining their work teams. Soucy has trained its international recruitment team to develop in-house expertise that promotes the harmonious integration of foreign workers in line with the company's values.

A firm specializing in international recruitment provides support in all aspects of candidate documentation compliance and compliance with legal and administrative requirements.

Supply chain

In business since 1967, Soucy relies on solid collaboration between its various business units, all of which participate in the manufacture of track systems. This enables the company to exercise rigorous control over a significant part of its supply chain.

As for its external suppliers and subcontractors, the company conducts punctual assessments to ensure their compliance with quality standards and applicable regulations. Thanks to the local presence of a subsidiary in China, which has been in operation for over 20 years, and a subsidiary in Vietnam, whose activities it directly supervises, Soucy has significant control over its supply chain.

Soucy Powersports' purchasing offices in China conduct spot audits of their most important suppliers. The purpose of these audits is to ensure that they maintain the required quality standards and comply with applicable norms, including those related to employee working conditions. These audits provide Soucy with a global view of its suppliers' business practices and their alignment with its Supplier Code of Conduct.

Forced labour and child labour risk assessment

Most of Soucy's employees are based in Canada. The jurisdiction of Quebec provides a very strict regulatory framework regarding workers' rights and occupational health and safety. As a result, the risk of forced or child labour in Soucy's current operations in Quebec is very low. In addition, Soucy is committed to conducting regular audits to ensure compliance with ethical practices and employee rights.

Soucy has not identified any risk of forced or child labour in its business relations with its suppliers. The company recognizes that manufacturing certain equipment, components and parts could involve risks in terms of working conditions, but manufacturing takes place in territories where laws to prevent forced labour and child labour are in force.

Soucy is committed to doing business with suppliers who implement best practices and exceed the legal minimums in their countries of origin. For instance, employees of Soucy's Asian subsidiaries receive health care allowances and other benefits that exceed China's legal requirements.

Well-established laws on employment, working hours and worker health and safety are in force in the Shanghai area. The risk of forced labour and child labour within the scope of the company's operations is low.

Soucy pays attention to known risks depending on the industry and origin of the goods it buys. For instance, the rubber production industry can pose risks in terms of forced and child labour, but Côte d'Ivoire has a regulatory environment that provides significant worker protections. Côte d'Ivoire and Guatemala are not on the list of natural rubber-producing countries identified by the U.S. Bureau of International Labor Affairs as being at risk of forced or child labour. Nevertheless, Soucy recognizes that the mere existence of laws cannot guarantee absolute prevention. The company intends to continue improving its due diligence and control measures to limit the risks of forced labour and child labour in its supply chains.

Corrective measures

Soucy asks its employees and suppliers to report any violations of the law, its Code of Ethics, its Supplier Code of Conduct and its internal policies. The company has established a formal reporting process outlined in its Code of Ethics and Supplier Code of Conduct. Employees are required to report any violations and discuss any issues of concern with their immediate superior, a Human Resources representative, a Legal Services representative or a member of the Finance team. Suppliers can also report any breaches of the Supplier Code of Conduct via an e-mail address.

In the event of a human rights violation, Soucy will take all necessary measures to stop it and prevent any recurrence. The company will also promptly and impartially investigate any concerns, complaints or incidents in accordance with confidentiality principles.

To date, Soucy has not received any complaints relating to forced or child labour in its operations or supply chain and has therefore not taken any corrective or compensatory measures.

Training

Soucy provides new employees with an induction training program tailored to their role within the company. The training covers corporate values, ethics and health and safety in the workplace.

As of May 31, 2025, Soucy's Board of Directors, Executive Committee and relevant employees had been informed of the Act's requirements. However, the company had not developed training to educate its employees about forced labour and child labour in its supply chain.

Efficiency assessment

Soucy's mechanisms for combating forced labor and child labor are still under development. As a result, no process has yet been established to evaluate the efficiency of the approach to preventing and mitigating the risks associated with forced labour and child labour in its supply chain.

Approval and certification

In accordance with the requirements of the Act, particularly Article 11, and in my capacity as President, I certify that I have examined the information in this report on behalf of the Board of Directors of the aforementioned companies. To the best of my knowledge and after exercising due diligence, I certify that the information in the report is true, accurate, and complete in all material respects for the purposes of the Act and for the reporting year indicated in the report.

Signed in Drummondville, Québec, this 29th day of May, 2025.

/s/ Gilles Soucy

Gilles Soucy, President

I am authorized to engage Portefeuille Soucy inc.

Translation performed by a certified translator, with the assistance of artificial intelligence tools. The final version was reviewed and approved by the translator.