

TICA-Smardt Chiller Group Inc – Anti Slavery in Supply Chain Statement

November 2023

INTRODUCTION

Slavery, human trafficking and forced labour are reprehensible acts which deprive a person's liberty and dignity, for another person's gain. This is a real problem for millions of people around the world. People are being kept and exploited in various forms of slavery and forced labour. Every company is at risk of being involved in such crimes through their own operations and supply chain.

TICA-Smardt Chiller Group Inc and all of its subsidiaries (together "Smardt") have a zero-tolerance approach to modern slavery, human trafficking and forced labour; and we are fully committed to preventing these actions in our operations and supply chain. We have taken steps to understand our supply chain and its risks of involving slavery, human trafficking and forced labour (together they shall be referred to as "Slavery") as outlined in our statement. This statement sets out our actions to understand potential Slavery risks related to our business and our plans to improve our knowledge and implement steps to prevent Slavery.

OUR BUSINESS AND SUPPLY CHAINS

Smardt is a global provider of chillers. We have been in the industry since 2004 and operate in Singapore, Malaysia, Hong Kong, China, Australia, Canada, Germany and the US.

We establish a relationship of trust and integrity with our suppliers, which is built upon mutually beneficial factors. In 2022, we were not made aware of any Slavery activities against any of our suppliers, but if we were, we would act immediately against the supplier and report it to the appropriate authorities.

RISK ASSESSMENT

In the past year, we conducted a risk assessment of our supply chain by taking into account:

- The business services rendered by the suppliers
- The corruption perceptions index 2022 (www.transparency.org)
- The Transparency International and UNODC Research report on human trafficking 2022
- Office of Foreign Assets Control of the US Department of Treasury list (OFAC)



We determined our suppliers are located in the following countries, have the following ranked exposures to corruption and human trafficking¹, and we have screened all suppliers against the OFAC list, as indicated in the table below.

<u>Supplier location</u>	<u>Corruption Score</u>	<u>Human Trafficking</u>	<u>OFAC</u>
Singapore	83	X	No
Australia	75	X	No
China	45	X	No
USA	69	Y	No
Hong Kong	76	X	No
Germany	79	Z	No
Malaysia	47	X	No
Netherlands	80	Z	No
Canada	74	Y	No
France	72	Z	No
United Kingdom	73	Z	No
India	40	58%	No
Japan	73	X	No

For the purpose of human trafficking, an 'X' indicates the proportion of human trafficking (54%) in the global area of East Asia and Pacific (Brunei Darussalam, Cambodia, **China**, Indonesia, **Japan**, **Malaysia**, Mongolia, Myanmar, the Philippines, **Singapore**, Thailand, **Australia**, Fiji, Federal State of Micronesia, Palau and Solomon Islands, Tonga, Vanuatu) as per the UN's report; therefore specific exposure per country was not determined.

In Western Europe (Z), the UN's report encompasses Andorra, Austria, Belgium, Cyprus, Denmark, Finland, **France**, **Germany**, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, the **Netherlands**, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, **the UK** and Northern Ireland where the percentage of forced labour trafficking is 26% compared to 21% (Y) in North America (**Canada**, the **USA**, Mexico, Central America and the Caribbean Islands).

Smardt elected to view the corruption score to provide another point of view in its analysis. The Corruption Perception Index score measures public sector corruption as it relates to bribery, diversion of public funds, officials using public office for private gain without facing consequences, legal protection of people who report bribery and corruption, laws ensuring public officials disclose finances and conflicts of interest and more. This type of factor provides an indication as to the likelihood Slavery is easily practiced or not in a country. The closer the score to 100, the lesser the public sector corruption is noted.

None of Smardt's suppliers were listed on the OFAC list.

SUPPLIER DUE DILIGENCE

It is not sufficient for Smardt to rely on broad global reports of tendencies in particular regions; therefore Smardt will be preparing a questionnaire addressed to all current and future suppliers, to obtain details about their labour practices. The suppliers will also be required to attest in writing:

- They do not use any form of Slavery
- Their employees work voluntarily and are entitled to leave work

¹ (Transparency International, 2022)

- They provide each employee with an employment contract which contains reasonable notice period for terminating their employment
- They do not require employees to post a deposit/bond and do not withhold their salaries for any reason
- They do not require employees to surrender their passports or work permits as a condition of employment

Failure of a supplier to attest to any of the above points will result in deeper scrutiny and likely termination of agreement.

AWARENESS

Smardt will raise awareness of Slavery issues by putting up posters across our facilities and sending electronic communication focused specifically on Slavery to all staff, which explains:

- Our commitment to the fight against Slavery
- Red flags for potential cases of slavery or human trafficking
- How employees should report suspicions of Slavery

KEY PERFORMANCE INDICATORS & NEXT STEPS

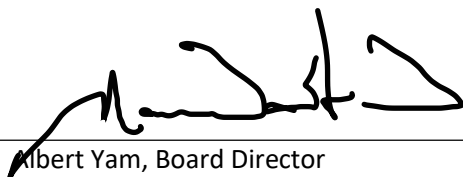
Smardt is in an ongoing process to ensure Slavery is eliminated from its supply chain, including training employees, updating supplier contracts, and delving deeper into risk areas. Smardt will concentrate on employee training and supplier analysis in the coming months as it prepares its next statement on Slavery.

Smardt has defined two key performance indicators and controls to combat Slavery in our organization and supply chain, which include the following, and will be adding to these indicators:

- How many suppliers have an awareness and training program regarding Slavery?
- How many employees have received specific training and know how to report suspicions of Slavery?

This statement covers the period of 20 May 2022 to 31 December 2022 and has been approved by the boards of directors of the following entities in November 2023:

- TICA-Smardt Chiller Group Inc
- Smardt Inc
- Smardt Chillers Pty Ltd
- Smardt Chillers Inc.
- Kiltech Inc
- Smardt Chillers Pte. Ltd
- Smardt Malaysia SDN BHD
- Smardt-OPK Chillers GmbH
- TICA-Smardt Hong Kong Ltd
- Guangzhou Smardt Chiller Manufacturing Co. Ltd.



Albert Yam, Board Director