

## 1. INTRODUCTION

This joint report has been prepared according to *the Fighting Against Forced Labour and Child Labour in Supply Chains Act, S.C. 2023, c.9* (“**Act**”) and covers CAD Rail’s 2023-2024 financial year (April 1, 2023 to March 31, 2024) (“**Reporting Period**”) (“**Report**”).

Prepared in collaboration and consultation between CAD Rail and Sojitz Corporation, the information provided in this Report generally applies to STAR, CADRI, CRFS and Caltrax.

In this Report, “we”, “our”, “us”, or “CAD Rail” means STAR, CADRI, CRFS or Caltrax, individually or collectively, as the context may require.

### 1.1 Structure and Organization Overview

CAD Rail is in the general business of maintenance, repair and overhaul of rolling stock in Canada (Québec, Ontario and Alberta), employing approximately 500 employees across the organization.

CAD Railway Industries Ltd (“**CADRI**”) forms part of the Sojitz Group, with Sojitz Transit & Railway Canada Inc. (“**STAR**”) being CADRI’s sole shareholder, and its ultimate parent company being Sojitz Corporation. CADRI is the sole shareholder of CAD Rail Fleet Services (Ontario) Ltd (“**CRFS**”) (Ontario) and Caltrax Inc. (“**Caltrax**”) (Alberta).

Sojitz Corporation has its head office in Japan. As a general trading company, the Sojitz Group is engaged in a wide range of businesses globally, including buying, selling, importing, and exporting goods, manufacturing and selling products, providing services, and planning and coordinating projects, in Japan and overseas. The Sojitz Group also invests in various sectors and conducts financing activities. The broad range of sectors in which the Sojitz Group operates includes those related to automobiles, plants, aerospace, medical infrastructure, energy, mineral resources, chemicals, foodstuff resources, agricultural and forestry resources, consumer goods, and industrial parks.

### 1.2 Our Supply Chain and Business Operations

Our operations are mostly limited to the Canadian market, with a small presence in the United States of America, and our tier one supply chain is mostly limited to North American (Canada and the United States of America) based suppliers of rail parts, supplies, materials and services, including maintenance, transport and other professional services. However, certain parts, supplies and materials procured by our tier one or tier two suppliers may be ultimately manufactured in countries where worker protections standards may not be aligned with North American standards and regulations, such as China, and may be at a higher risk of forced and child labour. All suppliers must disclose the country of origin of all imported parts, supplies and materials, and our supplier selection and evaluation process is subject to our corporate policies, as further described herein.

### 1.3 Commitment

As a member of the Sojitz Group, we are committed to preventing and reducing risks of forced and child labour being used in our supply chain, and have taken a number of measures during the Reporting Period to prevent and reduce same.

## 2. ADDRESSING FORCED AND CHILD LABOUR

We have taken a number of actions in the Reporting Period to assess and mitigate the risks of use of forced and child labour in our business and supply chains.

## 2.1 Supplier Adherence and Due Diligence

We are committed to working with and encouraging our suppliers and business partners to uphold the values outlined in our policies, ensuring that all stakeholders do their part in reducing the risk of use of forced and child labour in their supply chains and businesses.

For example, we have included terms and conditions in agreements pursuant to which suppliers represent and warrant that they do not have any knowledge of any risk of actual or suspected occurrence of child or forced labour within their businesses and supply chains, and that they have taken reasonable steps to identify, assess and address risks of child or forced labour practices in the operations and supply chains used in connection with the services rendered and goods sold to CAD Rail.

Additionally, we started work on the development of an external risk assessment process which is to be conducted in our supply chain in order to identify suppliers and manufacturing activities with higher risks of employing forced or child labour. Such assessments will aim to identify any risk areas, taking into consideration suppliers' reputation and historical human rights breaches, the location of the supplier and, where possible, where the goods or services provided are sourced from, as well as the nature of the products provided or the particular industry the supplier is involved in. Additionally, we aim to engage only with suppliers that uphold our standards and values in relation to human rights practices through their operations and supply chains.

In order to ensure that risk assessment processes are applied efficiently, CAD Rail will be implementing the above-mentioned measures gradually throughout its organization, with the aim to extend it across all entities.

## 2.2 Policies

As part of the Sojitz Group, CAD Rail benefits from and implements Sojitz Corporation's vast array of resources, including various policies, such as the Code of Conduct and Ethics Policy and Human Rights Policy. The Sojitz Group's Human Rights Policy reflects our commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to mitigate risks of forced and child labour taking place in our supply chains.

The Sojitz Group strives to create value and prosperity by connecting the world with a spirit of integrity. As part of the Sojitz Group, we believe that respect for human rights is an integral foundation for creating what we call "Two Types of Value" — value for both our company and society, and for meeting the expectations of our stakeholders. In undertaking these business activities, we recognize our responsibility to avoid causing or contributing to adverse human rights impacts and of seeking to prevent or mitigate such adverse impacts. We are committed to respecting human rights as set out in the *International Bill of Human Rights* and the *International Labour Organization's Declaration on Fundamental Principles and Rights at Work*, and to carry out our business in accordance with the United Nations Guiding Principles on Business and Human Rights.

Sojitz Group's Human Rights Policy can be found at: <https://www.sojitz.com/en/csr/humanrights/>

Our commitment to reducing human rights violations in our supply chains is further supported by the Sojitz Group's Code of Conduct and Ethics (a set of decision-making standards established to act as the foundation for all Sojitz Group business activities) and broader CSR policies, such as:

- ✓ CSR Action Guidelines for Supply Chains;
- ✓ Sojitz Group Code of Conduct and Ethics;
- ✓ Anti-Corruption Rules; and
- ✓ Sojitz Group Sustainable Supply Chain Handbook.

The aforementioned policies can be found at: <https://www.sojitz.com/en/>.

In complying with the above-mentioned policies, we pledge to select suppliers and supply chain vendors that share our values and commitments. Pursuant to such policies, we prohibit the use of forced labour and child labour in our supply chains, and demand that all suppliers and business partners provide appropriate working hours and liveable wages for their employees and contractors.

Thus, by adhering to valuable Sojitz Group policies, not only is CAD Rail promoting vital Sojitz Group values, but is also able to gain greater visibility in its supply chains, and therefore any associated forced labour and child labour risks by requiring suppliers to develop responses to human rights violations, amongst other sustainability measures.

### **2.3 Training**

During the Reporting Period, mandatory training regarding the management of human rights risks in supply chains was provided to all CAD Rail's 500 employees. Executive management was also provided a mandatory live webinar regarding this topic. Training material, developed internally by Sojitz Corporation in December 2023, aims at ensuring that all Sojitz Group employees, including those of CAD Rail, have an awareness and understanding of human rights risks that may affect Sojitz Corporation and all entities in the Sojitz Group. The content of the training material includes an understanding on how to identify potential human rights risks when dealing with suppliers and business partners, including the use of child and forced labour, practical examples of human rights violations in the industry, consequences of human rights violations and importance of mitigating same, and Sojitz Group's strategy and initiatives in effectively mitigating human rights violations.

### **2.4 Remediation**

We respect the human rights of all people involved in our operations, including employees and everyone affected by our operations throughout our supply chains. Should there be any instances of forced or child labour, we will seek to rectify them. This said, we did not identify any instances during the Reporting Period where forced labour or child labour was used by our suppliers or business partners and therefore have not taken any steps in remediating same. Additionally, we did not identify any instances during the Reporting Period where the measures we have taken to mitigate the risks of use of forced and child labour in our supply chains have caused vulnerable families to experience loss of income, and therefore have not taken any steps in remediating same.

## **3. ASSESSING THE EFFECTIVENESS OF OUR MEASURES**

In working towards the goal of preventing and reducing risks of forced and child labour in our activities and supply chains, we aim to build knowledge across our operations and have better visibility of our supply chains, suppliers and business partners by seeking dialogue for greater transparency and a more unified approach to further assessing and addressing any potential human rights violations risks.

Although we have not taken direct actions during the Reporting Period to assess the effectiveness of our actions, we are working towards developing effective ways to track the effectiveness of measures detailed herein, such as mapping all current suppliers, developing robust and detailed due diligence processes for identifying at risk suppliers and supply chains, and engaging in investigation activities with all those identified as at risk or suspicious of engaging in forced labour or child labour.

#### 4. ATTESTATION

This joint Report has been prepared for all entities in the CAD Rail group, as indicated in section 1.1 of this Report. This Report has been approved by the Board of Directors of STAR and of CADRI pursuant to paragraphs 11(4)(b)(i) of the Act, which are the appropriate governing bodies pursuant to the Act.

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 or entities 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.

I have the authority to bind CAD Railway Industries Ltd.

DocuSigned by:  
  
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Benoit Leclerc  
President  
**CAD Railway Industries Ltd**  
Date:

DocuSigned by:  
**Masayoshi Hirose**  
257A7DE7CAB9400...  
Masayoshi Hirose  
President and CEO  
**Sojitz Transit & Railway Canada Inc.**  
Date:

I have the authority to bind Sojitz Transit & Railway Canada Inc.

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**Masayoshi Hirose**  
257A7DE7CAB9400...  
Masayoshi Hirose  
President and CEO  
**Sojitz Transit & Railway Canada Inc.**  
Date: