

January 1, 2012

Re: California Transparency in Supply Chains Act of 2010 (SB 657)

On January 1, 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) took effect in the State of California. The Act seeks the elimination of slavery and human trafficking from product supply chains and requires that companies disclose their efforts to ensure that their supply chains are free from slavery and human trafficking.

SMC Ltd. is dedicated to conducting business in a lawful and ethical manner and supports human rights, ethical labor practices, and environmental protection standards.

In support of the California Transparency in Supply Chains Act of 2010 (SB 657) SMC Ltd. will uphold our commitment through the following practices:

1. **Risk Assessments:** SMC Ltd. is in the process of evaluating the risk of our suppliers being involved in slavery or human trafficking. Attention will be paid to suppliers that provide goods or services that are listed on the "List of Goods Produced by Child Labor or Forced Labor" as published by the Office of Labor, Forced Labor, and Human Trafficking. Current suppliers who may be at high risk will be contacted to make them aware of the California Transparency in Supply Chains Act of 2010 (SB-657). In addition, new suppliers are asked to state that they are in compliance with the California Transparency in Supply Chains Act of 2010 (SB 657) when they complete a Supplier Self Survey form. This verification is conducted by SMC Ltd. employees and not by a third party.
2. **Auditing:** SMC Ltd. performs regularly scheduled internal audits. These audits verify that no slavery or human trafficking is occurring in any of our facilities. Audits of Key Suppliers are performed and verified that there is no evidence of slavery or human trafficking taking place. The SMC Ltd. Supplier Audit Checklist includes questioning of the supplier concerning their compliance with the California Transparency in Supply Chains Act of 2010 (SB 657). Both internal and external audits are not independent and are announced.

3. **Certification Requirement:** SMC Ltd. is in the process of modifying our Terms and Conditions so that when a supplier accepts a SMC Ltd. Purchase Order they are certifying that they comply with the laws and regulations concerning slavery and human trafficking in the country or countries in which they are doing business.
4. **Employee Standards of Conduct:** SMC Ltd. requires that all employees act in a responsible and ethical manner in all activities in the workplace. All activities are governed by honesty, fair dealing, integrity, and full compliance with all applicable laws and regulations. Any employees not adhering to this policy will be subject to disciplinary action up to and including termination of employment.
5. **Employee Training:** SMC Ltd. conducts training for employees whose job functions include procurement that emphasizes the importance of ensuring SMC's supplier base abide by the California Transparency in Supply Chains Act of 2010 and its prohibition on slavery and human trafficking.