

December 2, 2013

California Transparency in Supply Chains Act of 2010 Disclosure

The California Transparency in Supply Chains Act of 2010 (SB 657), Civil Code Section 1714.43 (the "Act"), is intended "to ensure large retailers and manufacturers provide consumers with information regarding their efforts to eradicate slavery and human trafficking from the supply chains, to educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains, and, thereby, improve the lives of victims of slavery and human trafficking."

Regal Beloit Corporation ("Regal"), including its subsidiaries, does not tolerate slavery or human trafficking in its operations or its suppliers' operations. Regal expects its suppliers to comply with applicable laws, including laws against forced or involuntary labor.

The Act requires disclosure of actions being taken in five areas. The following is Regal's disclosure in each area:

What actions is Regal taking, if any, in:

- *Engaging in verification of product supply chains to evaluate and address risks of human trafficking and slavery?* – Regal does not engage in verification of product supply chains to evaluate and address risks of human trafficking and slavery. Regal visits some supplier sites and, on discovery of evidence of human trafficking or slavery, would take remedial actions.
- *Conducting audits of its suppliers to evaluate compliance with company standards for trafficking and slavery in supply chains?* – Regal does not conduct audits of its suppliers to evaluate compliance with company standards for trafficking and slavery in supply chains. Regal visits some supplier sites and, on discovery of evidence of human trafficking or slavery, would take remedial actions.
- *Requiring direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the countries in which they are doing business?* – Regal does not require direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the countries in which they are doing business. Regal's standard terms and conditions of purchase and its agreement templates for use with strategic suppliers require compliance with applicable laws.
- *Maintaining internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking?*
– Applicable standards include:

- Regal's Code of Business Conduct and Ethics (http://www.regalbeloit.com/pdfs/codeofconduct_english.pdf), which states Regal's commitment to compliance with laws, including those pertaining to forced labor, sets forth policies and procedures for reporting and addressing violations, issues, and concerns, and requires employees to periodically acknowledge understanding of the Code and the obligation to report known or suspected violations of law or the Code; and
- Regal's Social Accountability Policy, which is based upon and has substantial similarity to the SA 8000:2008 Standard published by Social Accountability International, which prohibits use of forced or compulsory labor and sets forth policies and procedures in support of the prohibition.
- *Providing training on human trafficking and slavery to company employees and management who have direct responsibility for supply chain management? -- does not provide training on human trafficking and slavery to company employees and management who have direct responsibility for supply chain management.*

This disclosure applies to Regal subsidiaries subject to the California Transparency in Supply Chains Act.