

Forced Labor and Child Labor Report

(Reporting Period: January 1, 2024 to December 31, 2024)

1. Introduction

- This document constitutes Kobelco Compressors America, Inc.'s second report (this "**Report**") pursuant to Canada's Fighting Against Forced Labor and Child Labor in Supply Chains Act (S.C. 2023, c. 9) (the "**Act**").
- Where this Report refers to "KCA", the "Company", "we", or "our", it is a reference to Kobelco Compressors America, Inc.
- This Report describes the steps taken to enhance transparency in our supply chains by outlining the steps taken during the 2023 financial year to prevent and reduce the risk that forced labor or child labor is used at any step of our production of goods in Canada or elsewhere, or of goods we import into Canada. This has been done in accordance with the mandatory reporting criteria outlined in Sections 11(1) and 11(3) of the Act.
- KCA is a member of the KOBELCO Group (or "**KOBELCO**"). The KOBELCO Group's corporate social responsibility ("**CSR**"), human rights and related policies mentioned in this Report apply to KCA, as member of the KOBELCO Group. All references to the KOBELCO Group in this Report include reference to KCA.
- The KOBELCO Group Corporate Philosophy was established in 2020. The Group Corporate Philosophy comprises four elements: KOBELCO's View of the Future and KOBELCO's Mission, along with the Core Values of KOBELCO and the Six Pledges of KOBELCO, which present our values to be shared and standards of conduct. The KOBELCO Group Corporate Philosophy is publicly available online, accessible here¹.
- **KOBELCO's View of the Future** incorporates the spirit that has been passed down since its founding: Making the world today and in the future a better place by providing products that can be used safely and reliably for a long time and offering new value to society.
- **KOBELCO's Mission** represents its vision of creating solutions to social issues in ways only possible by KOBELCO through the combination of diverse businesses, technologies, and qualities of its people developed in the efforts to address social needs.
- In the spirit of honoring the **Core Values of KOBELCO**, we make the following **Six Pledges**:
 1. Uphold the Highest Sense of Ethics and Professionalism.
 2. Contribute to the Society by Providing Superior Products and Services.
 3. Establish a Comfortable but Challenging Work Environment.

¹ https://www.kobelco.co.jp/english/about_kobelco/csr/ksl_csr/index.html

4. Live in Harmony with the Local Community.

5. Contribute to a Sustainable Environment.

6. Respect Each Stakeholder

- The KOBELCO Group strives to realize a world in which people, now and in the future, can fulfill their hopes and dreams while enjoying safe, secure, and prosperous lives, as stated in the Group Corporate Philosophy formulated with all employees involved.
- As a corporate group that operates globally, the KOBELCO Group respects the International Bill of Human Rights adopted by the United Nations and implements initiatives in accordance with international standards. In March 2021, we began participating in the United Nations Global Compact advocated by the United Nations.
- In order for our Group to realize KOBELCO's View of the Future, as a responsible member of the global supply chain, we actively promote initiatives to address issues such as human rights and environmental challenges, not only in our own Group but also throughout our supply chains.
- Going forward, as a company that endorses the principles of protecting human rights and eliminating improper labor practices, we will continue our efforts to achieve them and strengthen our initiatives to prevent human rights violations.

2. Our structure, activities and supply chains

- Kobelco Compressors America, Inc. is headquartered in 1450 West Rincon Street, Corona, CA 92878, and employs approximately 130 employees globally.
- Kobelco Compressors America, Inc. is engaged in the manufacturing, selling, distributing and/or importing of process gas compressor systems, refrigeration systems, pressure vessels and heat exchangers.

3-1. Our policies in relation to forced labor and child labor

- The KOBELCO Group makes the following clear in the KOBELCO Group's Basic Policy on Human Rights ("**Human Rights Policy**"). The Human Rights Policy and its appendices are available publicly online, on the KOBELCO Group website, here². The Human Rights Policy provides;
 - i. The KOBELCO Group will not tolerate any form of modern slavery, including forced labor, labor involving human trafficking, and bonded labor, in any country or region in which it operates; and
 - ii. The KOBELCO Group will not tolerate child labor in any country in which it operates. In addition, we will adhere to the minimum working age stipulated by each country's laws and regulations and respect the rights of children in accordance with the Children's Rights and

² https://www.kobelco.co.jp/english/about_kobelco/csr/files/policy_en.pdf

Business Principles developed by UNICEF, and the United Nations Convention on the Rights of the Child.

- The Human Rights Policy applies to all directors, executive officers, and employees of the KOBELCO Group, including permanent, contract and temporary employees and all other persons working in the KOBELCO Group. In addition, we expect KOBELCO Group's business partners, including suppliers, to understand and support the Human Rights Policy.
- In addition, the KOBELCO Group released the Basic CSR Procurement Policy for Building Responsible Supply Chains ("**Procurement Policy**"). In the Procurement Policy, the KOBELCO Group requests its business partners and suppliers thereof to understand and practice the items regarding human rights and labor, including the prohibition of forced labor and child labor, in order to work together to build responsible supply chains.

3-2. Our due diligence processes in relation to forced labor and child labor

- The KOBELCO Group has been establishing a human rights due diligence process to identify and assess any potential adverse impact on human rights, including forced labor and child labor, and to prevent or mitigate any such impact.
- In addition, Kobe Steel, Ltd. ("**KSL**"), the parent company of KOBELCO Group, asks its business partners and the suppliers thereof to ensure they thoroughly understand and implement the "Requests to Our Business Partners" and confirm the progress of business partners that require improvements while providing support. KSL may visit business partners in person as needed for reasons such as performing third-party audits and may elect to terminate the business relationship if appropriate improvements are not made. KOBELCO Group will cooperate with its employees, group companies, and affiliates in regard to the Procurement Policy through raising awareness and organizing training.
- KSL administered the first general CSR questionnaire to its major suppliers (approx. 330 companies) in February 2022. In fiscal 2023, KSL conducted a second questionnaire to the same suppliers in order to identify changes from the first questionnaire. For suppliers who were determined in the first questionnaire to have an insufficient internal governance system for human rights and labor, KSL distributed a "Guidebook for Assisting with Human Rights-Related Improvements," which clearly documents the items KSL wants such suppliers to address in the areas of human rights and labor, in February 2024. Simultaneously, KSL conducted a detailed questionnaire on human rights for the purpose of checking each suppliers' status of compliance with laws, regulations, etc. related to human rights and labor. In the fiscal year 2024, KSL analyzed responses from the suppliers and provided feedback on the response results to each supplier.

4. Identification, assessment and management of forced and child labor risks

- The KOBELCO Group conducted a risk assessment of KSL on a non-consolidated basis to identify human rights issues, assess risks, and identify impact based on the policy described under 3-2 above. Since fiscal 2023, the KOBELCO Group has been implementing human rights risk assessments for major Group companies in Japan and some Group Companies in countries other than Japan. In this way, it has been implementing initiatives for human rights issues in a planned and organized fashion.
- We, KCA, consider the risks of forced and child labor occurring within our operations to be low. [Among other things, we are satisfied that, because of recruitment, remuneration and compliance measures throughout our operations, there is minimal risk that any of our staff are at risk of modern slavery.
- We recognize that there is a risk of forced labor and child labor occurring within supply chains. We further understand that geographic considerations, the nature of raw materials and particular industries can carry a higher risk of forced labor and child labor. As a whole, however, we view the risks of forced labor and child labor in our supply chains as low.

5. Any measures taken to remediate any forced labor or child labor, or loss of income from remediation

- At present, no forced labor or child labor has been identified in the business activities or supply chain of the Kobelco Group. Accordingly, no steps have been taken to remediate forced labor or child labor, or the loss of income associated with remediation efforts. If we identify forced labor or child labor, we are committed to considering and take adequate corrective measures.

6. The training provided to employees on forced labor and child labor

- Although we do not provide employees with specific training on forced labor and child labor, we do inform our employees of the KOBELCO Group Corporate Philosophy. In fiscal year 2024, Kobe Steel USA Inc., the U.S. headquarter of the KOBELCO Group, conducted training on business and human rights, including topics on forced labor and child labor, for human resources and compliance personnel at its U.S. subsidiaries. Our company's representatives also participated in the training to enhance their understanding of forced labor and child labor issues.
- For example, on the occasion of Human Rights Day in December of each year, we implement initiatives such as the distribution of messages by directors and executive officers and the use of educational posters, clearly stating our attitude of zero tolerance for discrimination or harassment, while instilling human rights awareness more deeply throughout the entire KOBELCO Group, and creating opportunities to reflect on respect for human rights.

7. How we assess the effectiveness in ensuring that forced labor and child labor are not being used in our activities and supply chains

- The KOBELCO Group implement regular monitoring surveys of Group companies and strive to prevent the occurrence of those problems in the business activities of the KOBELCO Group.
- KSL, the parent company of KOBELCO Group, administered the first general CSR questionnaire to its major suppliers (approx. 330 companies) in February 2022. In fiscal 2023, KSL conducted a second questionnaire to the same suppliers in order to identify changes from the first questionnaire.
- In addition, in the fiscal year 2023, for suppliers identified as having insufficient internal governance system related to human rights and labor based on the results of the first general CSR questionnaire, KSL conducted detailed questionnaire on human rights for the purpose of checking each suppliers' status of compliance with laws and regulations related to human rights and labor". In the fiscal year 2024, we provided feedback on the results to the suppliers, and for those identified as needing improvement, we plan to verify the progress of improvements once again.

8. Approval and Attestation

- This report is made in accordance with Section 11 of the Act for the financial year commencing on January 1, 2024 and ending on December 31, 2024.
- This report was approved by the Board of Directors of KCA pursuant to Paragraph 11(4)(a) of 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. 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.



Name: Teruhiko Murata

Title: President

Date: May 30, 2025

I have the authority to bind Kobelco Compressors America, Inc.