



KELSO TECHNOLOGIES INC.

**Report on Forced Labour and Child
Labour Risks**

Year ended December 31, 2024

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1 Application

The following is a report (the “**Report**”) prepared pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) that pertains to Kelso Technologies Inc. (“**Kelso**” or the “**Corporation**”).

Forced labour and child labour, as defined in the Act, (together “**modern slavery**”) are crimes and serious violations of human rights. Kelso recognizes the important role that the Corporation has in ensuring that our operations, and the supply chains that support our operations, adhere to the highest ethical standards, including the prevention and identification of modern slavery in our supply chain.

For clarity, forced labour, as defined in the Act, includes work or service exacted under menace of any penalty and for which the person has not offered themselves voluntarily. Child labour, as defined by the Act, refers to work performed by a person under the age of 18 that is prohibited under law in Canada, or, if performed outside Canada, would be prohibited under Canadian law.

This Report describes the policies and processes the Corporation has implemented and sets out the steps we have taken during the year ended December 31, 2024, to prevent and reduce the risk that modern slavery occurs at any step in the production of goods by Kelso or of goods imported by Kelso or third parties supplying Kelso, as defined in and required by the Act.

The Kelso Subsidiaries (as defined below) do not have reporting obligations under the Act as the Kelso Subsidiaries do not meet the threshold requirements for “entity” status pursuant to section 2 of the Act. However, the discussion of the activities, operations and supply chains of the Corporation in this Report encompasses those of the Kelso Subsidiaries.

2 Steps to Prevent and Reduce Risks of Forced Labour and Child Labour

Kelso is committed to conducting its business to the highest standards of ethical business practice and conduct and to respecting and observing all human rights, in accordance with applicable laws and the principles set forth in applicable international standards.

Through the Corporation’s policies (“**Policies**”) approved and adopted by the Board of Directors, Kelso communicates our values and expectations, setting high standards of business conduct for ourselves and our suppliers while remaining committed to consistently evolving and improving our approach. While the Policies do not specifically address modern slavery, the Corporation does not tolerate modern slavery in any form in any of our operations or by suppliers working with us.

Kelso seeks to identify, assess, and manage supplier risk. To identify the business activities with the greatest exposure to these risks, we consider many factors, including new or non-transparent supply chains as well as jurisdictional risks including poverty, conflict, and enforcement of international human rights standards. While no specific remediation measures have been formally adopted due to the absence of identified incidents, Kelso is committed to a victim-centered approach should any instances of modern slavery be identified. Our approach would prioritize the safety and well-being of affected individuals, involve appropriate authorities where necessary, and aim for effective remedy, which may include collaboration with NGOs or other expert organizations to support affected workers. Any remediation would also focus on preventing recurrence and strengthening our systems.

Between January 1, 2024 and the publication of this Report, the Corporation began reviewing the adoption of a supplier code of conduct in order to comply with its reporting requirements and to reflect the

Corporation's engagement to further monitor and prevent forced labour or child labour risks in its supply chains. This forthcoming Code will establish clear expectations for all direct suppliers regarding ethical labour practices, including explicit prohibitions against forced labour and child labour, adherence to fair wages, safe working conditions, and freedom of association. It is also expected to outline Kelso's expectations for suppliers regarding their own supply chain due diligence, including requirements for sub-tier supplier transparency where applicable, and will include mechanisms for reporting and remediation.

Further, Kelso began conducting an internal assessment of the risks of forced labour and child labour in its Tier 1 supply chains and is also working to enhance due diligence procedures with respect to the onboarding of new suppliers.

3 Structure, Activities and Supply Chains

Structure

Kelso is a corporation organized pursuant to the *Business Corporations Act* (British Columbia) and is listed on the Toronto Stock Exchange (TSX: KLS). The Corporation operates in combination with its wholly owned subsidiaries Kelso Technologies (USA) Inc, Kel-Flo Industries Inc., KIQ Industries Inc. ("**KIQ**") and KXI™ Wildertec™ Industries Inc. ("**KXI**") (collectively, the "**Kelso Subsidiaries**").

Activities

Kelso is a diverse product engineering company that specializes in the development, production and distribution of proprietary equipment used in transportation, including high-quality, specialized rail tank car equipment used in the handling and containment of commodities during transport, no-spill fuel loading systems and first responder emergency response equipment.

The Corporation's core rail tank car products include pressure relief valves, vacuum relief valves and bottom outlet valves as well as a proprietary one-bolt manway. These products provide some of the key elements of a rail tank car's structure to ensure the safe handling and containment of hazardous materials during transport. Kelso also serves many of North America's largest tank car builders and shippers with a wide range of custom engineering and production services.

Market and Products

Currently, the Corporation offers a wide range of proprietary valves and other specialty equipment for rail tank cars and road tankers. Since 2012, the Corporation has distributed over 95,000 valves and generated more than \$147 million in revenues. Total original equipment manufacturer production output in 2024 was 10,300 rail tank car deliveries. Kelso provided 2,604 valves (25%) for new tank car production and 2,826 valves for retrofit and repair activity in 2024.

The Corporation's key products include:

- Pressure relief valves
- Bottom outlet valves (under Association of American Railroads ("**AAR**") field service trials)
- Pressure car angle valves (under AAR field service trials)
- DOT 407 PRV/VRV for truck tankers
- One-bolt manways and related equipment
- Emergency response equipment for hazmat first responders
- No spill locomotive fueling equipment

- Other specialty valves, parts, equipment and services

In 2017, Kelso, through the Corporation's wholly owned subsidiary KXI, began the development of a unique vehicle suspension system that provided new rapid response "road-to-no-road" capabilities regardless of the climate or the severity of the terrain. The KXI Suspension System was discontinued in August 2024 and the research and development facility closed by December 2024.

Production and R&D Facilities

Kelso currently operates a rail equipment production research and development ("R&D") facility totaling 50,000 square feet in Bonham, Texas. The Corporation is fully qualified and certified to produce products for the railroad and other industries.

KXI heavy duty R&D operations were located in a new facility in West Kelowna, British Columbia, Canada. In February 2024, the Corporation established an initial 3,000 square foot Phase-One (Pilot) production facility that ceased operations August 2024.

Employees

As at the date of this Report, the Corporation had 29 employees, including employees of the Kelso Subsidiaries. These employees work at the production facilities in Bonham, Texas.

Supply Chains

Kelso procures a significant proportion of its goods and services from a small number of suppliers and chooses to establish strategic, long-term, and transparent relationships and to engage with all suppliers in an ethical and socially responsible way. The raw materials, components, items and systems required to produce rail and road transport equipment are procured from suppliers around the world and vary from product to product. The Corporation's supply chain is primarily composed of suppliers located in the United States (over 90%), who supply finished machined components and steel and metal fabrication parts, which are used throughout the production and R&D facilities described above. Most of these materials, components and systems are provided by well-established suppliers with which Kelso has long-term contracts. To date Kelso has not collected information or conducted any mapping exercise with respect to its Tier 2 suppliers, being the suppliers to its direct suppliers. Recognizing the potential for hidden risks in deeper supply chains, Kelso commits to exploring strategies for mapping its Tier 2 and beyond suppliers in the coming years. This will likely involve collaborating with Tier 1 suppliers to enhance visibility further down the supply chain, as part of our continuous improvement efforts.

4 Policies and Due Diligence Processes

The following are the policies and due diligence processes that are applicable to Kelso and that Kelso follows, which are aimed at identifying the use of, and preventing and mitigating the risks relating to the use of, forced labour or child labour in its operations and supply chains. They demonstrate the Corporation's commitment to sustainable performance and to protecting human rights as well as its strong desire to create a safe and inclusive experience for all colleagues and workers across its operations and supply chains.

Our relevant policies and associated due diligence processes include the following (the "**Policies**"):

Code of Business Conduct and Ethics

Kelso is committed to conducting business in a lawful and ethical manner. The Code of Business Conduct and Ethics (the “**Code**”) supports and substantiates this commitment and requires full compliance with all laws, rules and regulations applicable to the Corporation’s business in the countries in which it conducts business. The Code applies to all the Corporation’s employees, consultants, directors and officers (collectively, the “**Employees**”) and is circulated to all Employees of the Corporation on an annual basis and whenever changes are made.

While not exclusively focused on modern slavery, these foundational policies contribute to a culture of ethical conduct essential for preventing human rights abuses. For example, our Code of Business Conduct and Ethics guides employees on reporting any unethical behavior, including potential labour abuses, and our Anti-Bribery and Anti-Corruption Policy helps to mitigate risks of illicit practices that can enable forced labour. The Internal Employee Alert Policy provides a confidential mechanism for reporting concerns.

Anti-Bribery and Anti-Corruption Policy

Kelso has adopted an Anti-Bribery and Anti-Corruption Policy (the “**Anti-Bribery Policy**”) that prohibits all forms of corruption, including direct, indirect, active and passive forms, in all of the Corporation’s activities, including charitable contributions, sponsorships and community-based initiatives as well as preventing fraud and enhancing Kelso’s governance and internal control standards for its business activities. The Corporation is committed to the highest standards of integrity and compliance in striving to prevent money laundering or potential unintended financing of criminal activities.

Internal Employee Alert Policy

Kelso is committed to conduct operations in an honest, transparent and ethical manner and encourages employees, former employees and contractors of the Corporation or any of its affiliates who have serious concerns about any aspect of the business to raise them and to disclose any information which relates to improper, unethical or illegal conduct in the workplace. Kelso’s Internal Employee Alert Policy (the “**Whistleblower Policy**”) provides a mechanism to report concerns regarding wrongdoing without fear of victimization, subsequent discrimination, or disadvantage. Individuals governed by the Whistleblower Policy are entitled to report any such improper conduct on a confidential and, if preferred, anonymous basis, including by submitting a report to the Corporation’s corporate counsel or the Chair of the Audit Committee via telephone, email or mail.

Supplier Code of Conduct

Additionally, a Supplier Code of Conduct aimed at effectively managing the Corporation’s risks of forced labour and child labour in its supply chains is scheduled to be presented in the coming years. The Supplier Code of Conduct will articulate explicit expectations in this regard for Kelso’s suppliers and, among other obligations, is expected to require direct suppliers to certify an absence of forced labour in their supply chain.

5 Forced Labour and Child Labour Risks

The Corporation is committed to engaging in employment practices that meet all ethical and legal standards, including laws and regulations related to forced and child labour, in the markets in which it operates.

The Corporation believes that Kelso's risk of directly employing or contracting labour considered to be modern slavery is very low given the well-developed employment laws in the jurisdictions of our operations and our corporate monitoring and management of employment and contracting policies and practices.

We expect suppliers and third parties with which we work to adhere to business principles and values similar to our own and to comply with all applicable laws and regulations. The vast majority of the Corporation's Tier 1 suppliers are located in North America, where the risk of forced and child labour is low. The Corporation is working to enhance due diligence procedures with respect to the on-boarding of new suppliers.

Kelso has not conducted any substantial analysis of its Tier 2 suppliers but expects that exposure to the risk of modern slavery increases when we engage with suppliers in categories where materials are sourced in whole or in part internationally through third parties. In the future, Kelso plans to conduct a comprehensive risk assessment of its Tier 2 suppliers. This assessment will involve:

- a. Mapping our supply chain to identify Tier 2 suppliers, especially those located outside North America.
- b. Using a risk-scoring methodology based on geographic location, industry practices, and regulatory environments.
- c. Collaborating with industry associations and leveraging third-party audits to ensure suppliers adhere to ethical labour practices.

6 Remediation Measures

In accordance with the Act, Kelso continues to review and assess our activities and supply chains. For the year ended December 31, 2024 and to the date of this Report, we have not identified any incident of modern slavery. Therefore, during the year ended December 31, 2024, we did not need to take any measures to remediate an incident of modern slavery.

The Corporation acknowledges the importance of vigilance and ongoing monitoring to ensure that modern slavery risks remain mitigated within our operations and supply chains. We are committed to regularly reviewing our risk assessments and implementing any necessary remediation measures should the need arise in the future. No specific remediation measures have been adopted to date and any that may be taken are expected to be situationally dependent.

7 Remediation of Loss of Income

As Kelso has not yet identified any instances of forced labour or child labour in its activities and supply chains and so did not take any remediation measures, no measures were needed to remediate any associated loss of income.

8 Training

Specific training related to forced labour and child labour was not provided in 2024.

Kelso personnel at all levels are required to adhere to the Code, the Anti-Bribery Policy and the Whistleblower Policy and ensure that it is understood and properly applied to daily activities. The Code, the Anti-Bribery Policy and the Whistleblower Policy are circulated to all Employees on an annual basis

and whenever changes are made, and every new Employee must review the Code, the Anti-Bribery Policy and the Whistleblower Policy.

9 Assessing Effectiveness

The Corporation has not yet introduced specific measures aimed at reducing the risk that forced labour or child labour will be used in its activities and in its supply chains and therefore has not yet adopted any methods or procedures to assess the effectiveness of such measures.

As part of Kelso's governance processes, we monitor compliance with our Policies on an ongoing basis. We would also review any concerns raised through our Whistleblowing Policy and other informal mechanisms of employee feedback. For the year ended December 31, 2024 and to the date of this Report, no concerns or complaints regarding modern slavery have been identified.

The Corporation is committed to ensuring that it does not directly or indirectly source goods from regions subject to the UFLPA, including Xinjiang, China, and will continue to assess its Tier 2 and Tier 3 supply chain risks in this regard.

10 Approval and Attestation

This Report was approved pursuant to subparagraph 11(4)(a) of the Act by the Board of Kelso, as being the Report for the financial year ended December 31, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in this Report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this Report is true, accurate and complete in all material respects, for the purposes of the Act, for the reporting year listed above.

Sameer Uplenchwar

Sameer Uplenchwar (Jun 17, 2025 15:28 MDT)

Sameer Uplenchwar

Chief Financial Officer
Kelso Technologies Inc.
I have the authority to bind
Kelso Technologies Inc.
May 30, 2025






Kelso 2024 Modern Slavery Report

Final Audit Report

2025-06-17

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