

ESG Report on child labour prevention

Introduction

JCB Group Holdings Sàrl (hereafter: the "**Company**") is the holding company of the JCB Group, a multinational group operating internationally and manufacturing in the UK, India, the United States of America, Brazil and China. The JCB Group offers products which are made of parts either manufactured by the JCB Group itself or purchased from various suppliers locally and internationally. A portion of the parts and components used to produce the JCB products are made in countries where the risk of child labour is considered by UNICEF as enhanced. (hereafter: "**Risk Countries**").

Human Rights Policy

JCB Group has published a JCB Human Rights Policy. According to this policy, "*JCB is committed to respecting internationally recognised Human Rights principles and standards in all aspects of [its] business operations. In addition, JCB complies with all relevant national laws and regulations in all jurisdictions within which [it] operates*". Article 4 of the policy further states that "*JCB will not use child labour in its business operations and expects its suppliers and dealers to also apply this zero-tolerance approach and in accordance with all relevant laws*". Those commitments apply to all JCB Business Units, at all levels of the business including Human Resources. This policy remains unchanged and is published on JCB's website and applies internationally.

Supply chain policy of the JCB Group

The supply chain policy of the JCB Group with regard to child labour (also covering other areas such as human rights, slavery, sustainability and environment) is currently being implemented and developed at various levels:

1. **Supplier Code of Conduct:** In 2020, the JCB Group published a Supplier Code of Conduct providing that the suppliers "*are required to comply with this Code of Conduct in order to provide products and services to [the JCB Group]*", and "*to communicate [the content of such Code of Conduct] to their employees and their own suppliers*". They must also "*ensure that appropriate documentation is kept demonstrating compliance with the JCB Supplier Code of Conduct and must provide access to that documentation upon request*". With regard to child labour, the Supplier Code of conduct states the following: "*We expect all our suppliers to [...] Not use child labour – the minimum age for admission to employment should not be less than the age of completion of compulsory schooling and never be less than 15 years. Hazardous work may not be done by anyone below the age of 18.*" This policy remains in effect as previously outlined.
2. **New supplier audit:** All production suppliers are subject to a supplier audit process. This requires on-site visits to the supplier premises by a Supplier Development Engineer (SDE), who is a representative from JCB. The UK-based SDE team covers suppliers in the UK and Europe, while local teams, following Group policies, oversee suppliers in regions such as India, China, and the USA. This process ensures that all production suppliers are evaluated for compliance with the standards of JCB Group.
3. **Supplier corporate responsibility questionnaire:** In 2023, a questionnaire aiming at monitoring the suppliers' corporate responsibility and the best practices in areas such as child labour prevention was sent to suppliers. With regard to child labour, the questionnaire included the following question: "*Does your company have a documented policy and risk management process to prevent child labour and modern slavery throughout your supply chain?*" The "yes or no" answers to this questionnaire allow for a scoring of the suppliers based on their corporate responsibility, after which suppliers receive scorecard points upon completing the questionnaire. This process has been phased out in favour of the ASSENT process.

4. **ASSENT expertise:** Since 2022, the JCB Group has hired ASSENT, a worldwide recognised service provider offering supply chain sustainability management solutions for the world's most responsible complex manufacturers. The aim is to benefit from the best available expertise in order to better assess the Group's supply chain sustainability and to have a deeper view of suppliers, regulations and ethical standards. Ultimately, the JCB Group aims at being able to issue a digital passport for each machine manufactured, indicating all parts and components of the machine and their traceability. In 2023, ASSENT scrutinised the results to identify shortfalls and recommend corrective actions. Recommendations for improvement have been made where relevant and are being monitored centrally. The ongoing collaboration with ASSENT aims to extend the review process to approximately 1,300 suppliers within the JCB Group, facilitating risk management decisions to improve sustainability, particularly concerning child labour prevention. At the beginning of 2024, a new questionnaire was distributed via ASSENT, maintaining the same system for evaluation.
5. **Expansion of ASSENT process and improvement of Internal Audit:** In 2024, the JCB Group appointed a Sustainability Manager and Compliance Officer at the Group level. This role involves benchmarking best practices across all levels of the Group and improving the assessment of supply chain policies. A dashboard displaying results from ASSENT's evaluations is overseen, enabling the identification of areas requiring corrective actions. The process, developed in 2024, emphasises data collection to cover all active supplier groups, with a response rate exceeding 50% since ASSENT's onboarding. This data-driven approach facilitates the identification of potential risks, prioritization of corrective actions, and the development of ESG goals and initiatives. Additionally, an Internal Audit system has been established, including a Risk Committee for compliance with, and assessment of, matters such as "right to work" checks in Europe and the election of risk champions at each level. Key adverse findings identified by the Sustainability Manager result in steps being taken to motivate suppliers to implement corrective actions.
6. **Supply Agreement:** JCB Group uses a template supply agreement with all its suppliers, which provides that the Supplier shall comply with all laws relating to Human Rights and with the Modern Slavery Act 2015. Furthermore, ESG and compliance has been added to the monthly supplier evaluation scorecard.

HR policies of the JCB Group

JCB Modern slavery statement for 2023 indicates that JCB undertakes "right to work" checks on all employees prior to them commencing their roles with the Group. This includes checking, where applicable, that the employee has a valid work visa and is of an appropriate age to work. The Employee Guide explains that every new employee must provide the relevant "right to work" documentation which include a valid passport or original birth certificate, supporting visa documents and national insurance documentation. Effective January 1, 2024, JCB implemented a system called PPAC, which verifies these kinds of forms of identification. To date, there have been no failures in these checks. If any queries arise, the PPAC team investigates further, and individuals are not permitted onsite if the checks fail. PPAC also identifies fraudulent identification, and new employees must preregister on a system called Compliant 101 prior to the PPAC checks.

The JCB Group also operates a Whistleblowing Policy aimed principally at the UK employees but also available to all employees internationally which encourages individuals to report wrong doing (incl. human rights violations).

This currently applies to the UK employees only but similar processes are in place in the other regions where JCB operates (notably China, US and Brazil), either through the Employee Handbook and pre-employment checks, or similar documentation referring to a "right to work" check. JCB India complies with domestic labour laws prohibiting the employment of minors under the age of 18 and follows the UK Policy on Human Rights incl. the prohibition of child labour. Additionally, JCB India conducts comprehensive pre-employment background verifications to ensure compliance with legal requirements and uphold ethical standards.

The Anti-Bribery and Corruption Policy has undergone a high-level independent review. No significant findings were reported; however, several administrative improvements were recommended. Ownership has been assigned, and work is underway to implement these minor enhancements. Fraud risk management is a significant focus area, a maturity assessment has been completed and actions are being taken to make improvements in key areas.

Observations and targets for 2025

The JCB Group is active in the process of improving the assessment of its supply chain policy. In 2023, existing processes facilitated the identification of child labour risks within the supply chain in some cases. The ongoing analysis of responses from JCB questionnaires and ASSENT's surveys supports the identification and understanding of any opportunities for improvement, and the development of corrective actions and mitigation measures. In 2024, these processes were expanded across the Group.

To ensure full compliance with JCB Group's values and policies and to prevent any risk of child labour internationally, the assessment of "right to work" checks and associated risks will be incorporated into Internal Audits risk review processes in 2025. Internal Audit plan to evaluate existing mechanisms and provide recommendations to strengthen these processes. Improvements and expansions include enhanced data collection, which has become more comprehensive, thereby improving risk management through multiple internal audits. Notably:

- A Compliance and Sustainability Manager has been appointed to oversee compliance initiatives and to reinforce JCB's commitment to sustainability.
- A Risk Committee has been established, focusing on compliance, with risk champions being elected at multiple levels within the organisation.
- Key adverse findings identified by the Sustainability Manager result in steps being taken to motivate suppliers to implement corrective actions

JCB Group maintains a zero-tolerance approach to Modern Slavery and Child Labour. These measures underscore JCB Group's commitment to prevent child labour within its operations and supply chain, aligning with international human rights standards and legal requirements.