

Birchwood

Birchwood Automotive Group's Annual Report for the Fiscal Year ended December 31, 2023 on the Prevention and Reduction of Risks of Forced Labour and Child Labour

INTRODUCTION

The Birchwood Automotive Group ("Birchwood") is comprised of twenty-four automotive dealerships and the entities that provide related support services and underlying real estate, all of which are privately held. In accordance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act, (the "Act"), Birchwood is pleased to present its first forced labour and child labour report (the "Report"), covering the financial reporting period of January 1, 2023 to December 31, 2023.

At Birchwood, we are fully committed to conducting business with honesty and integrity and treating all people with respect and dignity. We are also committed to complying with applicable laws, regulations and treaties and to protecting and promoting human rights. We are in the process of implementing and enforcing effective systems and controls to ensure that modern slavery and human trafficking are not taking place anywhere within our own business or within any of our supply chains. Birchwood is focused on operating in a socially responsible way. Moreover, Birchwood strives to do business with suppliers who honour these same values and commitments.

This Report outlines the efforts and actions Birchwood has taken over the reporting period in its approach to identify and understand the risk of forced labour and child labour in its operations and supply chain and to strengthen its controls in order to reduce and mitigate these risks.

STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

A. Structure

Birchwood Automotive Group was founded in 1963 by Robert M. Chipman, and over 60-years later has grown to become Manitoba's largest automotive dealership group. Birchwood is a values-driven organization, recognized as a top employer in Canada and currently employs over 1,200 people.

As of December 31, 2023, Birchwood has 24 dealerships in two provinces and one state that carry 22 automotive brands, which include BMW, Mini, Chevrolet, Buick, GMC, Ford, Honda, Hyundai, Infiniti, Nissan, Kia, Lexus, Toyota, Volkswagen, Chrysler, Dodge, Jeep, Ram, Fiat, Jaguar, Land Rover, and Volvo and provide vehicle servicing, as well as three collision repair facilities, four Birchwood Credit stores, and a reconditioning facility.

B. Activities

Birchwood's core operations consist of the ownership and operation of automotive retail dealerships and collision centres in Manitoba and Saskatchewan.

Birchwood's activities include the following:

- selling new and used vehicles;
- selling and distributing parts, accessories and vehicle care products;
- providing vehicle repair and servicing services; and

- provision of, or facilitation of, vehicle finance, insurance and warranty products related to the sale, purchase, or lease of vehicles.

C. Supply Chains

The broad nature of Birchwood’s business means that its supply chains are equally varied, although primarily related to the automotive industry. It sources and sells products and parts from a wide range of national and international suppliers. Supply chains in the automotive industry are inherently complex due to the huge number of components and materials involved. Birchwood does not currently have a centralized procurement function, with procurement conducted through its corporate head office and individual dealerships and collision centres.

Birchwood’s supply chains include:

- manufacture and assembly of vehicles and parts;
- importation of vehicles and parts;
- local transportation of vehicles and parts to dealerships and service centres; and
- local contracts for services (e.g., employees, cleaning, snow removal, etc.).

During the reporting period, the largest categories of supply chain expenditures were:

- vehicles (new and used); and
- vehicle parts.

Other expenditures include:

- vehicle related consumables (fuel, oil, paint and lubricants);
- vehicles services (transport, storage and detailing); and
- brand merchandise (shirts, hats, etc.).

RISK OF FORCED LABOUR AND CHILD LABOUR IN OPERATIONS AND SUPPLY CHAIN

A. Birchwood Oversight

Birchwood has a dedicated management structure in place to ensure our policies and practices are operationalized and effective. Oversight is provided at the individual dealership management level and the senior executive level.

B. Supply Chain Risks

Birchwood’s operations are based wholly within Canada, a country with comprehensive human right statutory protections and regulatory oversight. Accordingly, we believe that Birchwood is generally at low-risk from engaging in forced labour and child labour within its own operations.

That being said, we recognize that there is a risk that Birchwood may be indirectly linked to forced labour or child labour practices given the inherent risks associated with the manufacturing sector for the automotive products sold by Birchwood. There are often numerous suppliers between a vehicle manufacturer and the source of raw materials that enter the manufacturing process. It is ultimately our suppliers’ responsibility to ensure that they fully respect human rights as well as environmental issues. However, as customers we play an active role in ensuring we communicate our expectations to our suppliers.

Given the nature of our business, the most significant supply arrangements relate to the purchase of new vehicles and parts from different original equipment manufacturers (“OEMs”). The OEMs from which Birchwood purchases new vehicles and parts for resale are generally large multinational organizations with

sophisticated governance and business practices. Each OEM features geographically dispersed manufacturing and supply chains.

Given that the manufacturing sector is at an increased risk of forced labour where aspects of manufacturing are outsourced to geographical locations with higher instances of these abhorrent practices, Birchwood is working to better understand the supply chains of its OEM suppliers around the world and their respective policies and practices. In that regard, a number of the OEMs have filed their own reports in response to the Act (for example, Ford Canada), to which Birchwood is closely monitoring.

In particular, Birchwood acknowledges that issues with respect to forced labour may occur further down the supply chain, from a sub-supplier, rather than occurring at the level of one of our direct suppliers. Accordingly, our visibility over the raw materials used within our supply chain to produce components used in vehicle and parts manufacturing is hampered.

As a result of the foregoing, there is potential risk for Birchwood's supply chain to cause, contribute to, or be directly or indirectly linked to actual or potential forced labour or child labour; however, to date, Birchwood has not identified any specific instances of forced labour or child labour in its supply chain so no remediation activities have been undertaken by Birchwood.

BIRCHWOOD'S DUE DILIGENCE TO PREVENT INCIDENCES OF FORCED LABOUR AND CHILD LABOUR

A. Birchwood Policies

Birchwood's due diligence process is focused on the identification and management of forced labour and child labour risks. Birchwood recognizes that the embedding of responsible business conduct into our policies and practices is critical to our continuing efforts to strengthen our ability to assess our risks and evaluate the effectiveness of Birchwood's policies and practices in this area.

To that end, Birchwood has in place the following policies:

- Vulnerable Workers Act Policy
- Whistleblower Policy
- Respectful Workplace Policy

All our employees are encouraged to review and familiarize themselves with this information and our management team are aware of their responsibilities in relation to them.

B. Mitigation Efforts

In order to identify and mitigate any risk, we have undertaken the following initiatives:

- Our Human Resources team pre-screens all applicants thoroughly. We have great control over employment and working conditions and the risk of forced labour or human trafficking is regarded as low. This is due to the corporate governance processes, policies and procedures which have been implemented.
- We build long-standing relationships wherever possible with our suppliers.
- For national or international supply chains, our point of contact is preferably with a Canadian company or branch and we expect these entities to have suitable anti-slavery and human trafficking policies and processes.

- We expect each entity in the chain to, at least, adopt 'one-up' due diligence on the next link in the chain. It is not practical or possible for us (and every other participant in the chain) to have a direct relationship with all links in the chain.
- We have in place systems to encourage the reporting of concerns and the protection of whistle blowers.

C. Remediation of Loss of Income of Vulnerable Families, if applicable

Not applicable. We have not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in Birchwood's activities and supply chains.

NEXT STEPS

While we continue to make progress towards reducing the risk of forced labour and child labour within our business, we understand that there is still more that all businesses, including our own, can do.

Some of the steps we are taking in 2024 include:

- Training our key employees that work in the procurement and finance functions of Birchwood about the risks of forced labour and child labour inherent within our supply chains.
- Rolling out a social and ethical audit programme to our suppliers to provide assurance that our significant suppliers and those suppliers in higher risk industries are taking the steps necessary to mitigate any risks from their own supply chains.
- Launching our supplier code of conduct, in order to provide suppliers with a clear set of expectations regarding ethical standards and also to assist in ensuring that Birchwood's suppliers comply with laws and regulation relating to labour practices and human rights practices. With respect to child and forced labour specifically, it is intended that the supplier code of conduct will ensure there is no child labour, forced labour or exploitation of any kind within the supplier's organization or within any suppliers who are supplying their organization.
- Reviewing and, if necessary, redrafting our internal policies to add in specific references to Birchwood's strong stance against forced labour and child labour.

APPROVAL

This Report has received approval from the Board of Directors of each entity comprising the Birchwood Automotive Group.

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 for the entity listed above. 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.



Steve Chipman
President and CEO of Birchwood Automotive Group
Dated: May 14, 2024