



Canadian Premier Automotive Ltd

Forced Labour and Child Labour in Supply Chains Company
Assessment

Attention: Mark Eisan, Executive VP
1065 Wharnccliffe Road South
London, ON
N6L 1J9

Re: Assessment of Forced Labour and/or Child Labour in Supply Chains

Dear Mark,

Enclosed is the final report for the assessment of Forced Labour and/or Child Labour in Supply Chains of Canadian Premier Automotive Ltd, "ToyotaTown" and "Lexus of London". The intent of this report is to provide an evaluation of ToyotaTown's current state, in response to the reporting criteria of Canada's Bill S-211 - *An Act to support the Fighting Against Forced Labour and Child Labour in Supply Chains Act* and to amend the Customs Tariff ("the Bill" or "Bill"). This engagement evaluates all reporting criteria under this Bill. Reporting under this Bill is ToyotaTown's responsibility, and due on or before May 31st of each year, beginning in 2024. This report must be approved by ToyotaTown's highest governing body.

This report also identifies opportunities for ToyotaTown to enhance controls and activities related to Forced Labour and Child Labour within the organization and supply chains.

We wish to express our sincere thanks to the staff of ToyotaTown for their assistance during the completion of this assessment. Should you have any questions regarding the content of our report, please do not hesitate to contact me at (416) 515-5055.

Regards,



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Executive Summary

Forced labour can be found in every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide, including 17.3 million in the private economy. Forced labour and child labour risks occur primarily through the global supply chains of businesses. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and eradicated from their supply chains.

The measures introduced through former Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), aim to increase industry awareness and transparency and drive businesses to improve practices. The Act requires entities to report on the steps taken during its previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity. There are seven mandatory reporting areas that must be investigated and reported on which include:

- Its structure, activities and supply chains.
- Its policies and due diligence processes in relation to forced labour and child labour.
- The parts of its business and supply chains that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
- Any measures taken to remediate any forced labour or child labour.
- Any measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.
- The training provided to employees on forced labour and child labour.
- How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business and supply chains.

Introduction

This report is the response of Canadian Premier Automotive Ltd. (hereon referred to as ToyotaTown) to Bill S-211, An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff (the Act), sections 11(1) and 11(3).

ToyotaTown satisfies the definition of an Entity within the Act by having a place of business in Canada, doing business in Canada, having assets in Canada and meeting both the revenue and asset thresholds.

This report covers ToyotaTown's financial reporting year from January 1, 2023, to December 31, 2023.

This report also covers the Lexus of London dealership.

Structure, Activities & Supply Chain

Structure

ToyotaTown operates as a corporation (business number 105336655) at 1065 Wharnccliffe Road South, London, Ontario, N6L 1J9. ToyotaTown was founded in 1970 and has grown to become the major Toyota dealer in London and beyond. It now operates a 58,000sq/ft sales, parts, and service centre.

Key Departments

Ownership/Management: Ownership is represented by the board of directors. Day-to-day management of the dealership is overseen by Executive Vice President and his team who oversee all dealership operations.

Sales Department: This team is responsible for selling vehicles and includes sales managers, finance managers, and sales associates. They handle customer interactions, test drives, vehicle financing, and sales transactions.

Service and Parts Department: Led by a service manager, this department manages vehicle repairs, maintenance, and parts inventory. It includes roles such as service advisors, technicians, and parts managers.

Finance and Insurance (F&I): This department handles financing and insurance products for customers, working to secure loans and sell additional coverage like extended warranties.

Marketing and Customer Relations: This team focuses on advertising, promotions, and maintaining customer satisfaction and loyalty.

Finance/Accounting: This team operates under a controller and handles all planning/budgeting; accounting, auditing, etc.

Human Resources and Administration: Handles staffing, training, compliance, and day-to-day administrative tasks.

Activities

ToyotaTown primarily operates within the Retail Automobile OEM Franchise industry. Activities include:

Vehicle Sales: Selling new and used cars, including conducting negotiations and processing paperwork.

Financing: Arranging loans for customers through various lenders.

Servicing: Providing maintenance and repair services to vehicles.

Parts Sales: Selling auto parts and accessories, either as part of service and repair operations or directly to customers.

Customer Service involves engaging with customers before, during, and after the sale to ensure satisfaction and foster loyalty.

Supply Chain

All procurements are for new and used vehicles and car parts. Toyota Canada is their biggest supplier. All goods are sourced from Canada (for all procurement spending above \$1000).

Policies & Due Diligence Processes

ToyotaTown has the following policies and due diligence procedures in place to mitigate the risk of child labour and forced labour within internal activities and their supply chain:

Employee Handbook

ToyotaTown complies with the Ontario Health & Safety Act, which does not allow child employment: the minimum age is 14 for office-related employment and 15 for factory- or garage-related jobs.

The Handbook includes a section on Refusal to Work, where employees have the right to refuse work that they perceive to be unsafe. This issue is communicated through to the senior manager and an investigation will be launched, with full support of ToyotaTown's leadership team.

ToyotaTown prohibits all types of unlawful harassment and discrimination, whether against an individual or group, including employees, customers, and suppliers, whether on or off property. For transparency purposes, the handbook defines the terms harassment and discrimination. It explicitly states that ToyotaTown will not defend any employee being sued or prosecuted in connection with a violation of its policy, and disciplinary actions can escalate to termination for cause.

Employees experiencing continued discrimination and/or harassment, or those who have witnessed suspected incidents, are to report the incident immediately to their manager. When it is reported, the manager has an obligation to launch an internal investigation led by HR and with full support of ToyotaTown. HR then brings forward the finding from the investigation and a recommendation for the GM/VP to decide on. Therefore, like the function of a whistleblower, if an issue were to arise related to forced or child labour, this reporting process is a mechanism in place to alert ToyotaTown management,

who would be responsible for managing the resolution efforts.

To reflect ongoing acknowledgement and agreement, employees are required to sign off on the Employee Handbook at the time of onboarding. Additionally, policies related to workplace violence, discrimination and harassment are posted in common rooms for employees to refer to daily.

Supplier Processes

Receiving Inspection

There are detailed procedures in place for the receiving of all new/used vehicles and parts. Specifications are set by the supplier upon order, and the relevant department managers at ToyotaTown verify if specifications are adequately met. If they are not, a detailed process is followed by the dedicated manager and the supplier receives a communication within 1 business day. The nature of these processes is to validate the physical quality of received vehicles/parts. Requirements specific to the risk of child labour or forced labour have not yet been incorporated.

Supplier Selection & Purchasing

This procedure ensures that all purchased goods adequately match the intended purchase for those goods. The controller is responsible for creating an Approved Supplier List, and annually, the GM and department manager meet to assess supplier performance against a set of criteria. If results of the assessment are found unacceptable, the department manager will issue a Supplier Corrective Action Report to the supplier. Should the supplier's subsequent corrective action not be acceptable, the department manager will seek an alternate supplier. As of now, criteria do not include elements specific to the risk of child labour or forced labour. However, with identified gap, ToyotaTown's supplier selection & purchasing procedure will be amended to incorporate the assessment and compliance of a supplier with child labour or forced labour practices.

Toyota Motor Company

Detailed Overview of Toyota's Human Rights Due Diligence

The company, as a Toyota car dealership, leverages the Toyota Motor Company's Supplier CSR Guidelines. The framework used, prohibits suppliers of Toyota to employ the use of child or forced labour in the operations. Toyota is committed to identifying and monitoring human rights risks within its supply chain, as showcased in their Supplier CSR Guidelines.

Supply Chain Risk Assessment

A Supply Chain Risk Assessment was conducted on the industry in which ToyotaTown operates, the goods it acquires, and the countries of origin. This assessment focused on primary suppliers and used two

distinct indices to determine the potential risks associated with child and/or forced labor: the Global Slavery Index by Walk Free and the List of Goods Produced by Child Labor or Forced Labor compiled by the US Department of Labor.

Industry of Operation

ToyotaTown operates within retail automobile industry, procuring automobiles and automobile parts to sell. Given the two indices noted above have not identified risks of child labour and forced labour inherent to retail automobile, it is concluded that this industry does not have inherent risk exposure.

Goods Procured

There are many goods that are used to manufacture Toyota cars and their parts. The main categories and their associated inherent risk levels are as follows:

1. Cobalt ore – High
2. Iron – High
3. Electronics – Extreme
4. Textiles – Extreme
5. Glass – High
6. Rubber – Extreme

A risk assessment on those goods has been conducted and identified an initial inherent risk of forced and/or child labour in each. This does not mean there is child labour or forced labour present in ToyotaTown's supply chain, it is rather the inherent potential, thus warranting further investigation.

Countries Which Goods Are Procured from

For the purposes of a risk assessment over countries where goods are procured from, this report focuses on direct material suppliers only – those accounting for at least \$1,000 of procurement spend in the last fiscal year. 100% of goods come from Canada, representing a low risk for forced and child labour.

Remediation of Forced & Child Labour

Toyota, the largest supplier, has led several notable initiatives specific to forced and child labour in its supply chains. ToyotaTown being under Toyota Motor Company adheres to the rules under the "Toyota Franchise Agreement".

Toyota Motor Company

Toyota Motor Company has collaborated with the Global Alliance for Sustainable Supply Chain (ASSC) to conduct human rights risk investigations for Japan and has used the findings to implement measures to identify and remedy human rights risks in their countries of operation.

They also joined the ASSC's Foreign Workers Round Table in order to understand the human rights risks associated with foreign workers in Japan and mitigation measures that they can undertake. With other participants of the Foreign Workers Round Table, they helped create the Japan Platform for Foreign Workers towards Responsible and Inclusive Society to promote responsible employment practices. As of August 2023, there were 659 participating companies.

Toyota's Supplier Sustainability Guideline was distributed to all major suppliers with basic transaction agreements, and as of August 2023, almost all suppliers have signed written confirmations of compliance. Toyota asks its primary suppliers to ensure secondary suppliers have access to the guideline as well.

Supplier Contracts (excluding Toyota)

ToyotaTown suppliers are required to sign supplier contracts. These contracts define product specifications and quality standards to be met, but do not contain clauses identifying expectations regarding child labour or forced labour. However, ToyotaTown is considering the addition of this matter.

There have been no instances of child labour or forced labour identified within the activities of ToyotaTown or of suppliers. ToyotaTown commits to continuing to use those measures identified above to reduce the risk of child labour or forced labour within its supply chain.

Remediation of Vulnerable Family Income Loss

ToyotaTown (as well as Toyota Motor Company and Toyota Motor Manufacturing Canada) is in the process of understanding and evaluating its supply chain related to the risk of child labour and forced labour. To date, ToyotaTown has not identified instances of the use of child labour or forced labour within their operations or those of suppliers. ToyotaTown is continuing its review of procurement practices to enhance the rigor of its due diligence processes including raising awareness with its suppliers.

Awareness Training

Toyota Motor Corporation does have some training related to forced and child labour in place. In 2020, they launched a sustainability workshop for major suppliers to reduce the risk of human rights violations. The training media received more than 11,000 views over a three-month period. In 2022, Toyota launched an e-learning on business and human rights for all employees in English and Japanese, where participants can verify understanding through a test.

ToyotaTown does not have training in place specifically focused on child or forced labor. However, as

part of the onboarding process for new employees they review the Employee Handbook, which covers relevant topics such as acts of abuse, harassment policies, and employee conduct. ToyotaTown recognizes the opportunity to enhance the relevant employee training and will evaluate suitable training options for staff in the future. One of those options could include making the Toyota e-learning mandatory.

Assessing Effectiveness

To track ToyotaTown's procedural effectiveness against the risk of child labour and forced labour, the following mechanisms are in place:

Company Activities

1. Harassment Incidents: ToyotaTown maintains a zero-tolerance policy for workplace harassment. All harassment claims will be processed by HR and reported to the Executive VP, along with an action plan for timely resolution.
2. Conduct and Behavior Incidents: ToyotaTown has a zero-tolerance policy for inappropriate conduct and behavior. Any claims will be processed by HR and reported to the Executive VP, along with an action plan for timely resolution.
3. Employee Handbook: ToyotaTown will continue to monitor that new employees access the employee handbook to understand their rights at the company.

Supplier Activities

1. Supplier Agreements: ToyotaTown has identified the opportunity to implement a clause within supplier agreements regarding a zero-tolerance for child labour and forced labour. This clause will identify the outcome or disciplinary action should an instance of child or forced labour be reported or discovered by ToyotaTown.
2. Supplier Monitoring: Key suppliers of ToyotaTown will be monitored on an annual basis through performance reviews. Records for frequency of reviews and date of last review are kept in a centralized system to ensure these reviews are being performed.
- 3.

Steps Taken to Prevent & Reduce Risk of Child Labour or Forced Labour

ToyotaTown's main supplier is Toyota Canada who have policies around child labor and forced labour. In terms of the other suppliers ToyotaTown has, they are both taking, and will take the following steps to

prevent and reduce the risk of forced and child labour:

1. ToyotaTown has identified the opportunity to add clauses against forced and child labour within supplier contracts, exclusive of Toyota Motor Company. If those suppliers fail to comply, this should be integrated into ToyotaTown's Corrective Action Plan during the year-end review. Alternate suppliers should be identified if corrective action proves unsatisfactory.
2. ToyotaTown has identified the opportunity to integrate standards/conduct against forced and child labour into internal policies (employee handbook and training).

Toyota Motor Manufacturing Canada has also taken several steps toward reducing forced and child labour risks moving forward:

1. Toyota Canada plans to build an audit system and enhance its collaboration with other Canadian Toyota entities.
2. It will develop new procurement policies, contractual requirements, and supplier questionnaires specific to forced and child labour.

As an authorized dealership, ToyotaTown is assigned to Toyota Motor Company's commitment to the following:

1. Toyota's Procurement and Human Resources divisions have formed a voluntary association for suppliers where they discuss procedures for preparing human rights policies and innovations.
2. Revision of the Code of Conduct to strengthen human rights compliance for every employee in all subsidiaries.
3. Add a new "Business and Human Rights" section on its company webpage.
4. Continued lobbying with foreign employee recruitment organizations to ensure responsible employment and fair fees.
5. Toyota will also consider implementing an audit system and on-site visits for top suppliers.

Attestation

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 Canadian Premier Automotive Ltd. 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.

Full Name: Mark Eisan

Date: May 24th 2024

Title: EVP

Signature: *Mark Eisan*

I have the authority to bind "Canadian Premier Automotive" and this report covers fiscal year July 1, 2022, to June 30, 2023.