

# Regency Auto Investments Inc.

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2023 Report under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

May 31, 2024

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## Background

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This report (the “report”) is made on behalf of Regency Auto Investments Inc. (“Regency Auto”) pursuant to Section 11(1) of the Fighting Against Forced Labour and Child Labour in Supply Chains Act (“Bill S-211” or the “Act”) covering our most recently completed fiscal year from March 1, 2022, to February 29, 2023. This is the first version of the report submitted by Regency Auto.

Forced labour can be found in almost every country and every sector. The International Labour Organization estimates that there are approximately 27.6 million victims of forced labour worldwide. Forced labour and child labour risks occur primarily through the global supply chains of businesses. As such, 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 labour practices are identified, addressed, and eradicated from supply chains. Based on the Act, there are eight mandatory areas that must be reported:

1. The steps the entity has 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.
2. Its structure, activities, and supply chain(s).
3. Its policies and due diligence processes in relation to forced labour and child labour.
4. The parts of its business(es) and supply chain(s) that carry a risk of forced labour or child labour being used and the steps it has taken to assess and manage that risk.
5. Any measures taken to remediate any forced labour or child labour.
6. 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.
7. The training provided to employees on forced labour and child labour.
8. How the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its business(es) and supply chain(s).

# 1. Steps Taken by Entity

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To address the requirements of Bill S-211, the following steps have been undertaken by Regency Auto to identify and manage risks associated with forced labour and child labour in the businesses and supply chains:

## Step 1 - Assess Applicability

The work commenced with a kick-off meeting involving Managing Director of Regency Auto, where the applicability of the Act was thoroughly discussed, and initial activities such as identifying key board members, management, and personnel; obtaining necessary documentation; and developing a draft timeline for the required analysis, and ultimately for report preparation were completed.

## Step 2 - Scope Identification

Management conducted an assessment and identified relevant business areas by analyzing Regency Auto's financial statements and other data to understand transaction streams and accounts related to Regency Auto's supply chain. Management also documented Regency Auto's business structure, related activities, and reviewed existing policies and processes concerning forced labour and child labour within the operations and supply chain. Additionally, management has evaluated and scheduled to deliver training programs to ensure their effectiveness in meeting the Act's requirements and documented policies relevant to supplier conduct.

## Step 3 - Risk Assessment

Management reviewed the supply chain data, analyzed suppliers, expenditures, and categories of goods across various jurisdictions, and conducted a preliminary analysis of significant suppliers to assess relationships and financial flows. Following this, management prepared a comprehensive risk assessment categorizing potential exposure levels in Low, Medium, and High-risk categories with respect to forced or child labour. Factors that were considered in the risk assessment included the origin of goods, the category of goods, and significance of spend.

## Step 4 - Remediation and Action Plans

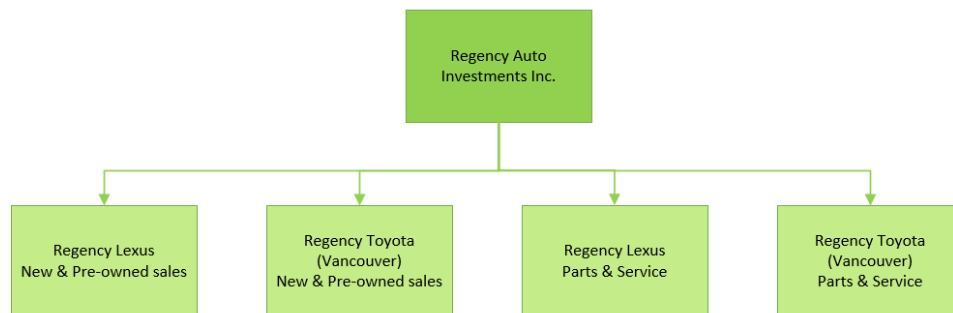
Based on the results of the risk assessment (please refer to Section 4 for details), no suppliers were identified as posing a High risk. As a result, there is no need to develop or implement any remediation efforts.

## 2. Structure, Activities and Supply Chains

Regency Auto Investments Inc. (“Regency Auto”) is incorporated in B.C. under the Business Corporations Act. For over four decades, Regency Auto has provided automotive services throughout British Columbia, with flagship locations Regency Lexus and Regency Toyota spanning four locations in Metro Vancouver.

The entities covered in this Bill S-211 report for Regency Auto include:

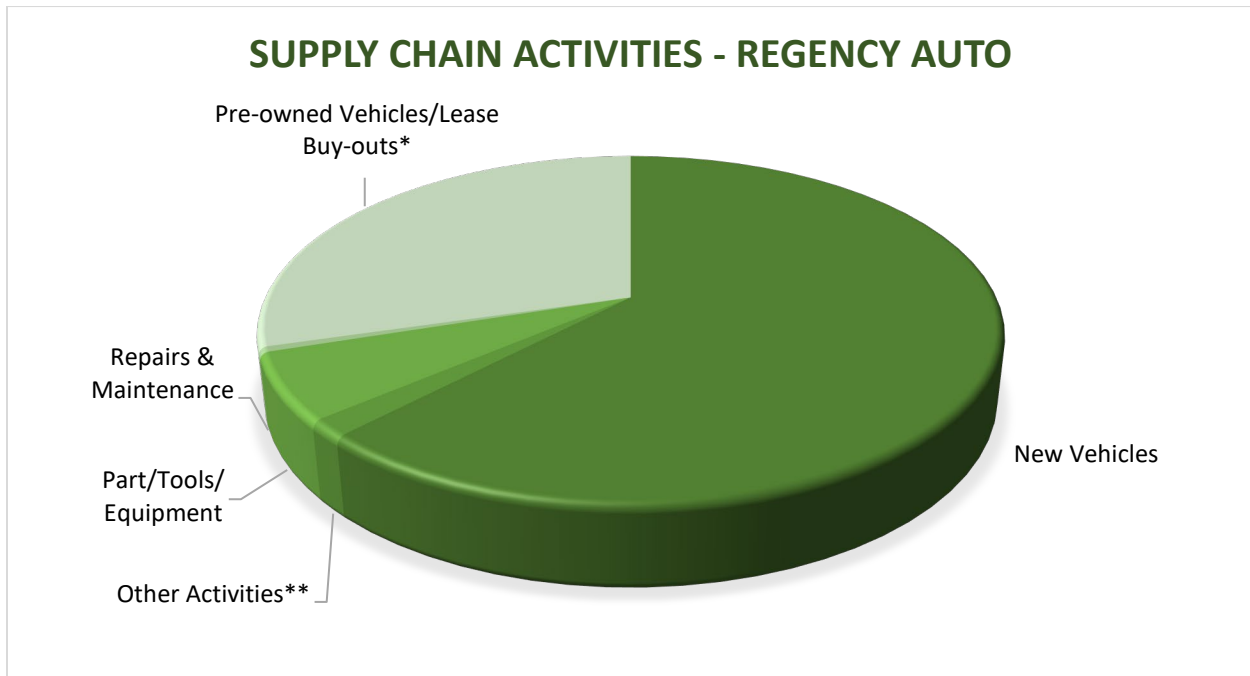
- Regency Lexus New & Pre-owned sales
- Regency Toyota (Vancouver) New & Pre-owned sales
- Regency Lexus Parts & Service
- Regency Toyota (Vancouver) Parts & Service



Regency Auto operates by acquiring new vehicles and lease buy-outs from Toyota Canada Inc. (“TCI” or “Toyota Canada”) and pre-owned vehicles from private owners. These vehicles are subsequently sold to customers through Regency Lexus and Regency Toyota locations in Metro Vancouver. Additionally, Regency Auto offers parts and services to its customers at these locations.

Regency Auto sources its entire supply chain from Canada and the United States, thus inherently carrying lower risk of forced labour or child labour. For fiscal year 2023, Regency Auto incurred in excess of \$100 million in supply chain spend, which primarily consists of the following activities:

- New Vehicles
- Pre-owned Vehicles/Lease Buy-outs\*
- Part/Tools/Equipment
- Other Activities\*\*
- Repairs & Maintenance



\* Lease Buy-outs are from Toyota Canada, other pre-owned vehicles are all from private owners with no specific vendor.

\*\*Other activities refer to other services such as logistic services and office related services, other supplies such as shop supplies, cleaning supplies and other office related supplies.

### 3. Policies & Due Diligence

Currently, Regency Auto has the following policies and due diligence procedures in place in relation to forced labour and child labour:

1. Employee Handbook: The handbook includes the behavioural expectations of employees and their rights and responsibilities. The *Supplier Code of Conduct* is explicitly stated within the document to show that Regency Auto is dedicated to ethical business practices and integrity, emphasizing "Sourcing with Integrity" from all suppliers. The company supports Bill S-211 against forced and child labour in supply chains, expecting supplier compliance with relevant laws.
2. Supplier Code: Regency Auto formalized and published the Sustainable and Responsible Sourcing Statement and Supplier Code on the corporate website in May 2024 (<https://www.regencyauto.com/en/about-us>). It outlines the standards management expect from the supply chain partners, ensuring that suppliers and subcontractors align with Regency Auto's values across various external domains.

### 4. Risk Assessment

To manage the risks associated with forced and child labour, Regency Auto employs a systematic approach to classify suppliers into low, medium, and high-risk categories. This involves evaluating a combination of multiple factors, including the origin of goods, the category of goods, and significance of spend.

## Origin of Goods

All Regency Auto suppliers are based in Canada and the United States. Both countries are considered low-risk countries with respect to forced labour and child labour.

The risk assessment of the origin of goods references, amongst other publicly available data, the US Department of Labour (<https://www.dol.gov/agencies/ilab/reports/child-labour/list-of-goods/supply-chains>).

## Category of Goods

Management assessed the category of goods based on the following considerations:

- **New Vehicles:**  
New Vehicles procurement constitutes over half of Regency Auto's supply chain activities by spend, Toyota Canada Inc. is the only supplier of new vehicles for Regency Auto, and management also reviewed the Report on Efforts to Prevent & Reduce the Risk of Forced & Child Labour in Supply Chains from TCI published on April 19, 2024. Based on the report, TCI can reasonably be considered at low risk for forced labour & child labour, the associated risk for Regency Auto is evaluated as low.
- **Pre-owned Vehicles:**  
Based on the supply chain information from FY'23, management identified about half of the pre-owned vehicles as lease buy-outs from TCI, which given the consideration for new vehicles, these are considered low risk. The remaining half of the pre-owned vehicles are acquired from private owners within Canada, primarily within the local British Columbia market.
- **Procurement of Repair & Maintenance (R&M) services:**  
R&M services for vehicles, equipment, property, and shop, categorized under Repairs & Maintenance, are assessed as low risk. This low risk assessment is supported by the suppliers' business operations being located within Canada – generally within the geographic regions surrounding the facilities.
- **Logistics Providers:**  
Suppliers engaged in logistics are considered to carry a low risk. This assessment is based on the fact that these service providers operate and rendered within Canada.
- **Contract Services:**  
Suppliers involved in contract services, such as construction related contractors and office cleaning contractors for Regency Auto, are deemed to have a medium risk. This designation is due to the potential use of forced labour by such suppliers, thus elevating the risk profile.
- **Distributors:**  
Suppliers identified as distributors, primarily those offering spare parts, accessories, service equipment and shop supplies, are assigned a medium risk level. This is due to the potential for these suppliers to import goods from various global locations which may have a higher risk of forced labour or child labour, thereby introducing variable risk factors.

The risk assessment of the category of goods references the US Department of Labour

<https://www.dol.gov/agencies/ilab/reports/child-labour/list-of-goods>

### **Spend**

The spend risk rating utilizes thresholds of 1% and 5% to assess the risk level associated with supply chain expenditures. This approach enables management to prioritize oversight and control, ensuring that higher-risk financial activities receive the appropriate level of scrutiny. The classification is as follows:

- Expenditures that are equal to or less than 1% of the total annual supply chain spend are considered low risk.
- Expenditures that fall between 1% and 5% of the total annual supply chain spend are classified as medium risk.
- Expenditures that equal or exceed 5% of the total annual supply chain spend are deemed high risk.

Based on the comprehensive risk assessment, management evaluated over 200 suppliers within Regency Auto. The assessment revealed that **NONE** of the suppliers pose a high or medium risk of forced labour or child labour.

## **5. Remediation - Forced & Child Labour**

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To date, Regency Auto has not identified any suppliers as medium or high risk. All are considered low risk for exposure to forced labour and child labour. Consequently, there are currently no remediation efforts required.

Should Regency Auto be made aware of any issues regarding the behaviour or conditions within our supply chain, Regency Auto is committed to promptly address such a situation by entering into discussions with the relevant party, investigating the facts and circumstances, entertaining required corrective actions with the supplier and ensuring such corrective actions are fully implemented.

## **6. Remediation - Vulnerable Family Income Loss**

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As noted above, there have been no instances identified by Regency Auto of forced labour or child labour. As such remediation does not apply.

## **7. Awareness Training**

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Regency Auto continues to offer training to all employees on identifying, assessing, and responding to the risks associated with child labour and forced labour within Regency Auto's operations and supply chains. The first training session addressing child or forced labour has been scheduled for June 17, 2024.

Other training on relevant topics is outlined below:



1. During the onboarding process for new employees, Regency Auto provides training on employee policies and procedures which contains aspects related to forced labour and/or child labour through non-discrimination, anti-harassment, and professional behaviour clauses. This training is mandatory.
2. Regency Auto recognizes the importance of having employees aware of signs of child and forced labour and has identified the opportunity to incorporate training on this during the onboarding process and throughout its existing employee policies and procedures.

## 8. Ensuring Effectiveness of Processes

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On May 31, 2024, Regency Auto completed and reported the initial assessment of Bill S-211 as it pertains to Regency Auto's business, and management remain committed to ongoing reviews of the processes, policies, and practices, including the assessment of the suppliers. This commitment is aimed at aligning with industry best practices and mitigating the risks related to forced labour and child labour.

### **Annual Review of Policies and Procedures**

Management will conduct an annual review of Regency Auto's policies and procedures concerning forced labour and child labour. This review aims to identify any gaps and further strengthen measures to reduce the risk of such practices occurring within the company's activities and supply chains, both now and in the future.

### **Supplier Review**

Additionally, management will conduct a supply chain risk assessment to review all suppliers and identify any instances of non-compliance with the policies regarding forced labour and/or child labour. The results will be documented in accordance with the Act's requirements and reviewed and signed off by the management.

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 or entities 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.

Izzam Ahamed



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**Full Name**

**Signature**

Managing Director

May 29, 2024

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**Title**

**Date**