

May 2024

Brimell Toyota

Supply Chains Act - Report

1. Introduction

This is the first report to be filed by Sheppard Automotive Inc. o/a Brimell Toyota (“Brimell Toyota”) and describes the actions taken by Brimell Toyota during the financial year ending December 31, 2023 to assess, prevent and reduce the risk that forced labour or child labour is used at any step in its operations and supply chains pursuant to the requirements of section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (“Act”). This Report constitutes the first report prepared by Brimell Toyota under the Act.

The Act came into force in Canada on January 1, 2024. Its goal is to implement Canada’s international commitment to contribute to the fight against forced labour and child labour through the imposition of reporting obligations on entities producing goods in Canada or elsewhere or importing goods produced outside Canada. The Act is part of a broader global effort to prevent, and combat forced and child labour, an effort that Brimell Toyota is committed to.

This report reflects Brimell Toyota’s commitment to implementing and endorsing responsible business practices to prevent and reduce the risk of forced labour or child labour in our supply chains.

As part of its effort to conduct business in an ethical manner, Brimell Toyota will therefore not engage in business practices or activities that compromise fundamental human rights including all aspects of modern slavery.

2. Structure, Activities and Supply Chains

Sheppard Automotive Inc. o/a Brimell Toyota is a corporation based in Scarborough, Ontario and specializes in the retail sale of motor vehicles and parts as well as comprehensive vehicle retail servicing and repairs.

As a dealer of new Toyota vehicles and used vehicles and their parts, our supply chain is primarily based on the supply chain of automotive manufacturers. Specifically, as an authorized Toyota dealer, the majority of Brimell Toyota’s procurement spending is with Toyota Canada Inc.

Supply Chains:

Toyota Canada Inc. (TCI) is the national sales, marketing, and distribution company for ‘Toyota’ and ‘Lexus’ in Canada, focused on distributing vehicles and genuine parts, managing the franchise retail network, supporting customers, and the promotion of the ‘Toyota’ and ‘Lexus’ brands. As such, the vast majority of TCI’s annual spending is focused on buying ‘Toyota’ and ‘Lexus’ vehicles and genuine parts from Toyota Motor Corporation (“TMC”) and certain of its wholly owned North American subsidiaries. For example, in the fiscal year ended March 31, 2023, 85% of TCI’s total spending was in respect of purchases of vehicles and parts from TMC and its North American subsidiaries. As of the date of this report a comparable percentage for

the fiscal year ended March 31, 2024 is not yet available, but for the 10 months ended January 31, 2024, the corresponding percentage is 84%. Accordingly, Part III of this report, below, addresses actions taken by TMC and its North American subsidiaries to prevent and reduce the risk that forced labour and child labour are used in our supply chains.

TCI also has a separate supply chain that it manages directly. This supply chain relates to activities typically taken by a local automotive distributor, and consists largely of marketing and advertising agencies, information technology services, transportation services, automotive accessories, and professional services. This TCI-specific supply chain accounts for a relatively small portion of TCI's total annual spending. A summary of actions taken by TCI to prevent and reduce the risk that forced labour and child labour are used in this supply chain is available on its website.

In addition, a report on Toyota's Action Taken for Forced Labour of Migrant Workers (Statement on Fighting Against Forced Labour and Child Labour in Supply Chains Act) can be found here:

https://global.toyota/pages/global_toyota/sustainability/human-rights/statement_on_the_modern_slavery_acts_en.pdf

3. Policies and Due Diligence Processes

Brimell Toyota is committed to conducting its operations ethically and responsibly. We recognize our responsibility to ensure that the products we sell and services we provide are free from any forced labour and child labour components. This policy outlines our commitment to preventing and mitigating the risks of forced labour and child labour within our supply chain and is designed to increase transparency and accountability in business practices and to help prevent exploitation of workers.

The purpose of reporting is not to certify that an entity is "risk-free," but rather to demonstrate that the entity has taken steps to identify and address risks. The reporting exercise is intended to encourage transparency, not to penalize entities for having identified risks in their activities and supply chains.

What is our Policy?

Brimell Toyota acknowledges that the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* aims to increase industry awareness and mandates transparency in supply chains to prevent products made with forced or child labour from entering the Canadian market. We are committed to complying with this legislation and ensuring that our supply chain is free from such labour practices.

Communication

Brimell Toyota will communicate this policy to all relevant stakeholders, including employees, suppliers, and customers. We will also provide transparent information about our efforts to prevent forced labour and child labour within our supply chain.

Summary

Non-compliance with labour laws poses significant risks to companies, including legal penalties, damage to a company's reputation, and loss of customer trust. By actively fighting against

forced labour and child labour, businesses can mitigate these risks and demonstrate their commitment to responsible practices.

Many companies operate within global supply chains, where the risk of labour exploitation can be higher. There is a risk that goods imported into and distributed in Canada were produced with forced labour or child labour. Upholding labour laws and implementing measures to combat forced labour and child labour can strengthen relationships with suppliers, fostering a more sustainable and ethical supply chain ecosystem.

Entities and government institutions doing business in Canada have a responsibility to ensure that exploitative practices are addressed and removed from their supply chains.

What is our process?

- a) **Supplier Assessments:** Brimell Toyota will conduct assessments of all current and potential suppliers to evaluate their labour practices. This assessment will include a review of their policies, procedures, and compliance with relevant labour laws and regulations.
- b) **Supplier Audits:** Periodic audits will be conducted on high-risk suppliers to ensure compliance with our standards and applicable laws. These audits may be conducted internally or by third-party auditors.
- c) **Risk Assessment:** We will conduct regular risk assessments of our supply chain to identify and address any potential risks of forced labour or child labour. This assessment will consider factors such as geographical location, industry sector, and known risks within the supply chain. Regular due diligence and risk assessments are essential for identifying and mitigating the risks of non-compliance.
- d) **Supplier Contracts:** Contracts with suppliers will include clauses requiring compliance with labour laws, including provisions prohibiting forced labour and child labour. Suppliers will be evaluated to ensure they also adhere to labour laws and ethical standards.
- e) **Training and Awareness:** Brimell Toyota will provide training to employees on identifying and preventing forced labour and child labour within the supply chain. Training and awareness on the Fighting Against Forced Labour and Child Labour in Supply Chains Act are essential components of a comprehensive strategy to combat modern slavery effectively, promote ethical business practices, and protect human rights.

Toyota Canada Inc. Policies: Policies and Due Diligence Processes in Relation to Forced and Child Labour

The Toyota and Lexus vehicles and genuine parts that are distributed by TCI are the product of a corporate culture dedicated to protecting and improving the human rights of Toyota's employees, customers, and other stakeholders. TCI acquires vehicles and most genuine parts from TMC and its wholly owned North American subsidiaries.

TMC and its North American subsidiaries have a number of measures in place to prevent and lessen the risk of forced and child labour in their supply chains. For the purposes of this portion of this Report, the term "Toyota" refers to TMC and its production facilities in Japan and North America. Such measures include the following:

- a) **United Nations Guiding Principles on Business and Human Rights:** Toyota refers to and respects the United Nations Guiding Principles on Business and Human Rights (UNGP), and promotes activities related to human rights based on these guidelines.
- b) **Human Rights Policy:** Toyota's Human Rights Policy applies to all executives and employees at Toyota and its subsidiaries. Toyota also expects its business partners, including its suppliers, to understand and support this policy, and to work with Toyota to ensure that their business operations respect this policy. A copy of the Human Rights Policy can be found here: <https://global.toyota/en/sustainability/>
- c) **Supplier Sustainability Guidelines:** Toyota has implemented Supplier Sustainability Guidelines that set out Toyota's sustainability expectations of its suppliers in the areas of business ethics, legal compliance, labour and human rights, and environmental practices and Toyota expects such suppliers to embed the Supplier Sustainability Guidelines in their own operations and to disseminate them to their own supply chain.
- d) **Human Rights Due Diligence:** Toyota continuously identifies and assesses risks related to human rights impacts on stakeholders, while ensuring mitigation and preventative measures are implemented. Toyota conducts continuous risk monitoring operations, which include business partner collaboration, affected stakeholder consultations, and Human Rights risk research. Toyota develops risk mitigation plans through an agreement with the affected stakeholders while also being guided by specialist external bodies.
- e) **Initiatives for Migrant Labour / Forced Labour:** As part of its due diligence activities, TMC has been working with non-governmental organizations to ensure fair working conditions for migrant workers within its affiliates and suppliers, both inside and outside Japan. TMC has developed guidelines to help eliminate possible exploitation by unscrupulous employment agencies charging high recruitment fees, and to ensure freedom of movement, fair treatment, and proper employment contracts for migrant workers. A task force was assembled to conduct surveys on matters such as numbers of migrant workers, countries of migration, and possible issues in the recruitment and/or repatriation process.
- f) **JP-MIRAI:** TMC is a founding member in the establishment of the "Japan Platform for Migrant Workers toward a Responsible and Inclusive Society (JP-MIRAI)" which has now grown to be a multi-stakeholder framework for resolving issues faced by migrant workers in Japan. In May 2023, JP-MIRAI officially started operating a grievance mechanism for migrant workers after a one-year pilot program. TMC supports and cooperates with this mechanism that aims to resolve issues in an appropriate and timely manner.
- g) **Prevention of Child Labour:** Toyota has undertaken an initiative to enhance due diligence activity in the high-risk sector of child labour in its business operations and supply chain.

4. Assessment of Forced Labour and Child Labour Risks

Brimell Toyota has not independently engaged in its own risk assessment with regards to forced labour or child labour in its supply chain. As the majority of Brimell Toyota's supply chain is

based on the supply chain of Toyota Canada, Brimell Toyota relies on the assessment undertaken by Toyota Canada regarding the extent of this risk.

You can review the Toyota Canada Inc. report here:

https://global.toyota/pages/global_toyota/sustainability/human-rights/statement_on_the_modern_slavery_acts_en.pdf

5. Remediation Measures

Brimell Toyota has not identified any instances of forced labour or child labour in its supply chain, and so no remediation measures have been taken.

6. Remediation of Loss of Income

Brimell Toyota has not identified any instances where the measures it has implemented to eliminate forced labour or child labour from its supply chain have led to the loss of income, and so no remediation measures have been taken to address this issue.

7. Training

Brimell Toyota provides E-learning training covering the following areas:

- a) Introduction to Forced Labour Training
- b) History of Labour Laws in Canada
- c) Fighting Against Forced Labour and Child Labour in Supply Chains Act
- d) Forced Labour Penalties and Enforcement
- e) Steps for Forced Labour Compliance
- f) Conclusion to Forced Labour Training

This training is optional for employees.

8. Assessing Effectiveness

Brimell Toyota has not taken any action to assess its effectiveness in addressing risks of forced labour and child labour in its activities and supply chains.

9. Approval and Attestation

This report has been approved by the President of Sheppard Automotive Inc. o/a Brimell Toyota in accordance with section 11(4)(a) of the Act.

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.

Full name: James Sullivan

Title: President

Date: May 31, 2024

Signature:  7EC77128D2B44D4

I have the authority to bind Sheppard Automotive Inc. o/a Brimell Toyota