Ensign Pacific Lease Ltd.

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

May 31, 2024

Table of Contents

Background 3
1. Steps Taken by Entity 4
2. Structure, Activities and Supply Chains 5
3. Policies & Due Diligence 6
4. Risk Assessment 6
5. Remediation - Forced & Child Labour 7
6. Remediation - Vulnerable Family Income Loss 7
7. Awareness Training 7
8. Ensuring Effectiveness of Processes 8

Background

This report (the "report") is made on behalf of Ensign Pacific Lease Ltd. ("Ensign") 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 January 1, 2023 to December 31, 2023. This is the first version of the report submitted by Ensign.

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

To address the requirements of Bill S-211, the following steps have been undertaken by Ensign 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 planning meeting involving Ensign's finance and supply chain departments and an independent consulting firm, 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 Ensign's financial statements and other data to understand transaction streams and accounts related to our supply chain. Management also documented Ensign'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 Medium or High risk. As a result, there is no need to develop or implement any remediation efforts.

2. Structure, Activities and Supply Chains

Ensign Pacific Lease Ltd. ("Ensign") is incorporated in B.C. under the Business Corporations Act. Ensign provides automotive leasing services throughout British Columbia in Metro Vancouver.

The entity covered in this Bill S-211 report for Ensign includes:

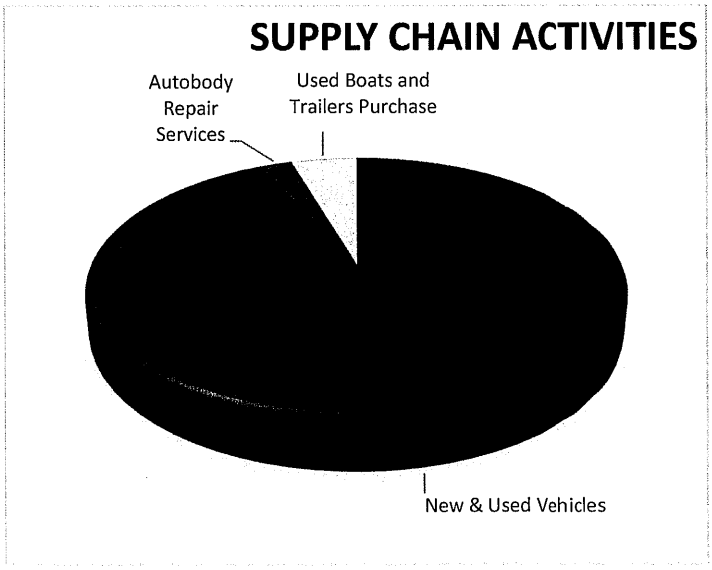
- Ensign Pacific Lease Ltd.

In addition to Ensign Pacific Lease Ltd., our company group also includes Ocean Surf Motors Ltd., Ocean Surf Motors dba Ensign Pacific Chrysler, Antares Capital Inc., Hall Properties Ltd. and Ocean Surf Holdings Ltd. However, these five companies do not meet the conditions for Bill S-211. i.e., they are either not involved in producing, selling or distributing goods, or importing goods into Canada, or they do not meet the criteria of revenue / assets / number of employees. Hence, they are not considered reporting entities as defined by the Public Safety Canada Guide and thus excluded for further analysis.

Ensign operates by acquiring new and used vehicles and leasing them in Metro Vancouver. Additionally, Ensign offers auto parts services to its customers at its locations.

Ensign sources its entire supply chain from Canada, thus inherently carrying lower risk of forced labour or child labour. For fiscal year 2023, Ensign incurred in excess of $20 million in supply chain spend, which primarily consists of the following activities:

- New and used vehicles (approx. 93%)
- Autobody repair services (approx. 2%)
- Used boats and trailers (approx. 5%)



3. Policies & Due Diligence

Currently, Ensign does not have formal written policies or due diligence procedures in place specifically related to forced labour and child labour. However, Ensign is currently developing its supplier code of conduct and due diligence procedures to address the risk associated with forced labour and child labour.

4. Risk Assessment

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

Origin of Goods

All Ensign suppliers are based in Canada, which is considered a low-risk country 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 website (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 and Used Vehicles:**
  New and Used Vehicles procurement constitutes approx. 93% of Ensign's supply chain activities by spend. All suppliers are located in Canada, which is, as previously noted, a low-risk country for forced labour and child labour.

- **Used Boats and Trailers:**
  Used Boats and Trailers purchases accounted for approx. 5% of the total spend in FY23. They are pre-owned and were acquired within the local British Columbia market.

- **Autobody Repair Services:**
  Autobody Repair Services for vehicles accounted for approx. 2% of the total spend in FY23. They are assessed as low risk. This low risk assessment is supported by the suppliers' business operations predominantly being located within British Columbia, Canada.

The risk assessment of the category of goods references the US Department of Labour website. (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 all of Ensign's suppliers. 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

To date, Ensign 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 Ensign be made aware of any issues regarding the behaviour or conditions within our supply chain, Ensign 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

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

7. Awareness Training

Ensign does not have a training program in place to its employees on identifying, assessing, and responding to the risks associated with child labour and forced labour within Ensign's operations and supply chains. Ensign is developing a training program, and have scheduled a training session in July 2024.

8. Ensuring Effectiveness of Processes

On May 31, 2024, Ensign completed and reported the initial assessment of Bill S-211 as it pertains to Ensign'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.

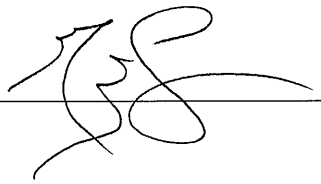
Annual Review of Policies and Procedures

Management will conduct an annual review of Ensign'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 an annual 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.

Ernie Sam	
Full Name	**Signature**
Chief Financial Officer	*MAY 31/24*
Title	**Date**