

Toyota Policy on Carbon Removal and Carbon Credits

We at Toyota Motor Corporation aim to be the “best-in-town” that is both loved and trusted by local people based on the Toyota Philosophy and through the mass production of happiness. We are also working to reduce greenhouse gas (GHG) emissions throughout the entire vehicle life cycle to achieve the Toyota Environmental Challenge 2050. This policy reaffirms that reducing GHG emissions is our top priority, and sets forth our approach to, and principles for, the use of carbon removal and carbon credits to achieve carbon neutrality.

1. Prioritizing the reduction of greenhouse gas emissions

We prioritize reducing GHG emissions across the entire vehicle life cycle, including not only emissions during vehicle operation, but also those generated by materials and parts manufacturing, vehicle manufacturing, logistics, energy production, and disposal and recycling.

2. Utilization of high-quality carbon removal and carbon credits

We have established rigorous internal standards for the quality of carbon removal and carbon credits, taking into account current international guidelines, and only utilize those that meet these standards.

3. High-transparency information disclosure

We will disclose information about our use of carbon removal and carbon credits with high transparency, in accordance with applicable international rules.

4. Diverse carbon removal approaches

We recognize that a variety of carbon removal approaches play an important role, and will therefore explore a wide range of methodologies as well as the development of relevant technologies.

5. Regional contribution aiming to be the “best-in-town”

We view our initiatives related to carbon removal and carbon credits as opportunities to contribute to the communities in which we operate, and seek to advance such initiatives through carbon removals at our own sites and by conducting activities across our value chain.

Quality of carbon removal and carbon credits

Carbon credits can be categorized by project type into avoidance/ reduction credits and removal credits. In pursuit of goals such as the Toyota Environmental Challenge 2050, we will utilize carbon removals that physically remove and store GHGs from the atmosphere, as well as carbon removal credits generated and issued by projects that deliver these outcomes. Carbon removals can be further categorized into nature-based approaches, such as afforestation and blue carbon, and technology-based approaches, such as direct air capture and enhanced rock weathering. We will prioritize the use of nature-based carbon removals and carbon removal credits, while exploring an optimal portfolio that includes a range of other methodologies, toward achieving carbon neutrality by 2050.

With regard to quality criteria for carbon removal and carbon credits, we have established our own quality standards in line with the Toyota Policy on Carbon Removal and Carbon Credits, based on internationally recognized frameworks such as those set out by the Integrity Council for the Voluntary Carbon Market (ICVCM). In addition, to enable autonomous and consistent implementation in the development and procurement of carbon removal and carbon credits that meet these standards, we have developed a checklist to verify compliance with each quality criterion.

- 1. Effective governance**
(e.g., certification schemes include measures to prevent bribery and corruption)
- 2. Tracking**
(e.g., the establishment of retirement mechanisms and registries)
- 3. Transparency**
(e.g., project-related documentation and methodologies are publicly disclosed)
- 4. Robust independent third-party validation and verification**
(e.g., the use of validation and verification bodies (VVBs) accredited in accordance with standards such as ISO 14065 is specified)
- 5. Additionality**
(e.g., the establishment of investment analysis, barrier analysis, and common practice assessment)
- 6. Durability**
(e.g., the establishment of mechanisms or schemes to compensate for reversals)
- 7. Robust quantification of carbon removals**
(e.g., the application of conservative approaches and the establishment of requirements for uncertainty assessment)
- 8. No double counting**
(e.g., measures are in place to prevent double issuance of carbon credits)
- 9. Sustainable development benefits and safeguards**
(e.g., provisions are in place to respect biodiversity, Indigenous Peoples and local communities, and human rights)
- 10. Other relevant considerations**
(e.g., vintage and country risk)

We recognize that international discussions on frameworks for carbon removal and carbon credits are still evolving. Accordingly, this Policy will be reviewed and updated as those discussions progress.

However, our mission remains unchanged: aiming to be the “best-in-town,” we will continue to devote our full efforts to contributing to the mitigation of climate change, a global challenge.

While maintaining a clear and consistent set of core principles, we will continue to refine this Policy in response to changing circumstances.