

# **TOYOTA**

## **Supplier Sustainability Guidelines**

November , 2021

**TOYOTA MOTOR CORPORATION**

At Toyota, we remain committed to advancing the quality of life through the products and services we offer. Therefore, we hope to contribute to the realization of a sustainable society through the following philosophy and activities in addition to implementing thorough environmental management:

## **(1) Share Basic Management Philosophy**

We would like to carry out the following philosophy together with our suppliers:

### **■ Creation of Work Environment based on Respect for our Employees**

Organize the environment to foster trust between workers and management and develop a work climate to promote human development.

### **■ Monozukuri based on Genchi-Genbutsu**

Genchi-Genbutsu - focusing all corporate activity on the actual needs in the marketplace and on conditions in the workplace. We practice Genchi Genbutsu, go to the source to find the facts to make correct decisions, build consensus, and achieve goals at our best speed.

### **■ Relentless Kaizen Efforts**

We improve our business operations continuously, always driving for innovation and evolution.

### **■ Two-way Communication**

Automobile manufacturing at Toyota is a joint endeavor with suppliers and Toyota. To succeed in that endeavor, we and our suppliers need to work together. We must maintain close communication, exchanging ideas frankly and coming to terms with each other on all matters of importance.

## **(2) Toyota's Expectations of Suppliers for providing "Products and Services"**

We expect suppliers to provide the best possible products at the lowest possible cost. This must also consider providing in the most timely manner on a stable and long-term basis.

Suppliers need to undertake product development and deploy manufacturing processes that address the customers' needs and wants of today and tomorrow.

Therefore, our five main expectations are as follows:

### **Safety**

Manufacturing is carried out by people, so it is most important to secure a safe environment for people to carry out manufacturing without worry. In a safe working environment, workers can concentrate their efforts on manufacturing, and make products of good quality.

### **Quality**

Our highest priority at Toyota is quality. Consistently high quality is the biggest reason for the excellent reputation of our products around the world and for the trust we enjoy from customers. We need to keep up with customers' increasing expectations of vehicle quality. We appreciate suppliers' understanding that quality is an absolute prerequisite for our business, and we assume that all Toyota suppliers will devote themselves to quality in development and production.

### **Delivery and Production**

We at Toyota maximize efficiency through lean manufacturing, producing only what is needed, only when it is needed, and only the amount that is needed. We expect suppliers to contribute to this lean efficiency through flexible, error-free execution in preparation for mass production, in mass production, and in delivery.

### **Cost**

We expect suppliers to offer the most competitive cost in the world. Suppliers need to develop new technologies and innovative production technologies to support their continuing cost reduction.

### **Technological Capabilities**

Customer and social expectations are mounting in three main areas; technologies for environmental protection, safety, and comfort. Our suppliers need to grasp these expectations and to address them a step ahead of their competition through innovative products and technologies. Our suppliers also need to broaden the marketability of their products through cost reduction.

### **(3) Toyota's Expectations of Suppliers in the Process of Developing "Products and Services"**

We expect suppliers to comply with the following items to undertake sustainability activities. We also expect suppliers to deepen and expand sustainability initiatives with business partners by developing and deploying individual sustainability policies and guidelines incorporating the following items:

#### **1) Legal Compliance**

##### **<Compliance with Laws and the Spirit thereof>**

- Comply with applicable laws and regulations of each country and region as well as the spirit thereof.
- Establish and implement policies, structure and mechanisms for ensuring and verifying legal compliance including a code of conduct, confidential compliance hotline and training.

##### **<Management and Protection of Confidential Information>**

- Manage and protect company's confidential information such as trade secrets and use such information in an appropriate manner.
- Obtain confidential information concerning other companies only from authorized personnel by legitimate means. Verify the permissible scope of use and other conditions concerning such confidential information and use it only within the scope allowed, while maintaining its confidentiality and not infringing upon the rights of the other companies.
- Obtain personal information concerning employees, customers and business partners only by legitimate means. Manage and protect such information in a secure manner, and use the information only within the scope allowed.

##### **<Protection of Intellectual Property>**

- Continually monitor and protect all intellectual property of the company against any infringement by others.
- Do not infringe the intellectual property (such as patents, utilities, designs and trademarks) of others, illegally use such intellectual property or make illegal copies of software or publications.

##### **<Compliance with the Competition Laws>**

- Do not engage in illegal acts against the competition laws and regulations of each country and region including private monopolies, unreasonable restraint of trade (cartel, collusive bidding, etc.) or unfair trade practices.

##### **<Export Controls>**

- Comply with laws and regulations concerning export controls, thoroughly implement such controls and establish management as confirming whether products, technology or other exports are subject to regulations, and prepare and provide documentation of such confirmation.

##### **<Anticorruption Measures>**

- Comply with applicable laws and regulations concerning political donations or contributions and strive to build transparent and fair relationships with political parties or administrative bodies.
- Do not engage in giving or receiving presents, entertainment or money with customers, suppliers and other business partners in order to acquire or maintain unjust interest or wrongful preferential treatment.
- Do not conduct off-the-book, fictitious or otherwise falsified transactions, or any other similar acts prone to be misconstrued as such, and shall make and keep books, records and accounts (ledger sheets and account ledgers, etc.), which, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets.

## 2) Labor and Human Rights

### **Understand and agree with "Toyota's Human Rights Policy" and strive to align with the policy.**

[Hyperlink; Toyota's Human Rights Policy](#)

- Respect and refer to international norms such as the Universal Declaration of Human Rights, the “United Nations Guiding Principles on Business and Human Rights” (UNGP) and also promote activities related to human rights based on the UNGP.
- Establish and continuously implement a Human Rights Due Diligence\* system in order to fulfill the responsibility to respect human rights.  
(\*The process which is implemented for the identification, prevention, and mitigation of negative human rights impacts)
- Strive to disclose the actions taken for respecting human rights, together with the appropriate measures.
- Develop and operate a practical remediation mechanism or expand the function of existing grievance mechanisms within Japan and other regions.

### **<No Discrimination, Diversity & Inclusion>**

- Do not tolerate any form of discrimination relating to gender, age, nationality, race, ethnicity, creed, religion, sexual orientation, gender identity, disability, marital status or the presence of children with regards to all aspects of employment, including the application process, hiring, promotion, compensation, access to training, job assignment, wages, benefits, discipline, termination and/or retirement.
- Consider diversity and inclusion to be one of the key elements of the business framework, and promote activities accordingly.

### **<Harassment>**

- Do not condone harassment which includes among others sexual harassment, power harassment (abuse of authority), peer pressure, nor any form of harassment that lowers the dignity of an individual.
- Harassment may involve verbal, visual or physical conduct that negatively interferes with work performance, diminishes the dignity of any employee, or creates an intimidating, hostile or otherwise offensive work environment.
- Implement procedures for prompt reporting and examination of any harassment complaints and enable employees to report any instances of harassment without fear of reprisal, intimidation, or harassment.

### **<Child Labor>**

- Do not tolerate child labor which deprives children of a childhood, access to education and restricts their development.
- The minimum age for employment shall be 15 years of age, the legal minimum age for employment, or the age for completing compulsory education, whichever is greatest under the local applicable laws and regulations, etc.
- Do not use employees under 18 years of age for hazardous work.
- Bona fide job training or apprenticeship programs permitted under the local applicable laws and regulations, etc. may be allowed.

### **<Migrant Labor, Forced Labor>**

- Do not tolerate forced labor, which is often extracted through violent and threatful means or by entrapment of debt, or any other form of modern slavery including human trafficking.
- Ensure that all work is voluntary and employees are free to leave work or terminate their employment.
- Do not require employees to surrender passports, government-issued identifications, or work permits as a condition of employment.  
Do not exploit employees with high recruitment fees and other costs that are considered unreasonable by international norms.

### **<Wages and Benefits>**

- Pay wages in compliance with local applicable laws and regulations, etc, including those relating to minimum wages, overtime hours, deductions from wage, piece rates and other elements of compensation.
- Provide legally mandated benefits.
- Ensure wages, other compensation, benefits and deductions are detailed and explained, in compliance with local applicable laws and regulations, clearly and regularly to employees.

### **<Working Hours>**

- Comply with local applicable laws and regulations, etc. which governs employees working hours, including overtime work.

### **<Freedom of Association>**

- Recognize the employee's right to freely associate, or not to associate, complying with local applicable laws and regulations, etc.
- Ensure employees are able to communicate openly and directly with management without fear of reprisal, intimidation, or harassment.

### **<Safe and Healthy Working Environment>**

- Place the highest priority on safety and health programs and policies at work, so that each employee is able to work without undue concerns, and strive to prevent accidents and injuries from happening at work.
- Support efforts to improve the health of employees through health promotion activities at work, guidance for preventing illness, and other means.

## **3) Environment**

### **<Environmental Management System>**

- To support a sustainable relationship between a human society and our planet, establish an Environmental Management System that will carry out continuous improvement to comply with the applicable environmental laws and regulations of each region and country and to implement initiatives to maximize environmental performance.

### **<Reduction of Greenhouse Gas (GHGs) Emissions>**

- Develop products and services that will reduce GHGs and reduce GHGs at your operation bases and throughout the entire life cycle.
- Aiming to achieve carbon neutrality, not only strive to identify the details of challenges in operations and materials etc. in addition to tracking GHGs emissions, but also develop and promote proposals of all possible reduction measures, including energy savings, equipment improvement, material replacement and the introduction of renewable energy under a united effort with your suppliers.

### **<Reduction of Impact on Water Environment>**

- Taking water environment of each country and region into consideration, continuously evaluate environmental impact and take initiatives to thoroughly reduce water usage and manage waste water.

### **<Contribution to Establishing a Recycling-based Society and Systems>**

- When designing and developing products, reduce consumption of exhaustible resources and utilize recycled materials, while considering their appropriate disposal measures and recyclability. If requested, report the actual use of recycled materials.
- In addition, take initiatives to reduce and recycle waste at your operation bases and in logistics.

### **<Management of Chemical Substances>**

- Comply with the relevant laws and regulations of each country and region, manage chemical substances (i.e. elimination, reduction in use) as well as especially ensure that prohibited substances are not used in products and production processes etc.
- In addition, report appropriately to governmental agencies as required by laws and regulations.

### **<Establishment of a Society in Harmony with Nature>**

- Based on the recognition that biodiversity is the premise of continuation of business operations, take initiatives that will help realize a sustainable society in harmony with the nature.

(Refer to the Green Purchasing Guidelines of each region and country)

#### **4) Responsible Material Procurement**

- Obtain materials with full deliberation and care to avoid the procurement or usage of materials which are unlawful or which are obtained through unethical or otherwise unacceptable means (such as conflicts minerals, cobalt, natural rubber) . We expect suppliers to take appropriate steps to discontinue procurement of these materials if usage is detected.

#### **5) Local/Global Community**

##### **<Social Contribution>**

- Strive to pay attention to the societal challenges of each community in order to promote its prosperity and development, and to conduct social contribution activities leading to the solution of such challenges in cooperation with the local communities.

##### **<Disclosure of Information to Stakeholders>**

- Strive to disclose to stakeholders such information as is pertinent to them, including management, financial condition, environmental preservation, community and social contribution, in a timely and fair manner and to build and maintain positive relationships with stakeholders through open and fair communication.

#### **6) Developing and Deploying Policies and Guidelines for Business Partners**

- Request to deepen and expand sustainability initiatives with business partners (e.g., tier 2 level) by developing and deploying individual Sustainability policies and guidelines incorporating the guidelines outlined above.
- Promote the above activities in consideration of the whole supply chain and conduct the necessary countermeasures for follow-up and improvement of business partners.

#### **7) Compliance with Sustainability Guidelines**

- Toyota will address compliance of these guidelines throughout the entire supply chain which supports our manufacturing efforts. It is our policy to ask all of our suppliers to carefully read and understand these guidelines and take the initiatives necessary to ensure that they penetrate down through your supply chain.  
We ask that you share in this intent by having the legal representative sign and submit this form as evidence of your agreement.
- To confirm compliance status for these guidelines and for mutual communication, if necessary, there may be times when we visit your plant or other facilities. There may be some cases where we accomplish this by having a third party carry out an audit.
- If a problem that violates these guidelines should occur, we ask that you report it immediately and take steps to make the necessary improvements.  
In the unlikely event that appropriate countermeasures are not taken, this may result in the cancellation of business orders.

## Toyota Supplier Sustainability Guideline Compliance Confirmation Form

Toyota will address compliance of these guidelines throughout the entire supply chain which supports our manufacturing efforts. It is our policy to ask all of our suppliers to carefully read and understand these guidelines and take the initiatives necessary to ensure that they penetrate down through your supply chain.

We ask that you share in this intent by having the legal representative\* sign and submit this form as evidence of your agreement.

\* We request that the person signing this form be an authorized representative of your company (President) or someone delegated with the appropriate authority (executive in charge of this matter, etc.).

\_\_\_\_\_  
Your Company Name

\_\_\_\_\_  
Supplier Code

\_\_\_\_\_  
Signature

(handwritten or filled in + representative's seal)

\_\_\_\_\_  
Date of Signature

\_\_\_\_\_  
Name of Signer

\_\_\_\_\_  
Title of Signer

\_\_\_\_\_  
Department in Charge of this Matter

\_\_\_\_\_  
Person in Charge of this Matter

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
E-mail Address



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Published by :  
TOYOTA MOTOR CORPORATION  
November , 2021