

29 September 2021

Toyota's action taken for
Forced Labor of Migrant Workers
(Statement on the Modern Slavery Acts)

A) Introduction

To comply with the UK Modern Slavery Act 2015 and other similar legislations ¹, Toyota issued a statement “Toyota's action taken for Forced Labor of Migrant Workers (Statement on the Modern Slavery Acts) for its domestic and overseas production facilities. In this statement, we disclose Toyota’s commitment to the relevant laws and describe the implemented measures to prevent any modern slavery, for example human trafficking, in both our direct operations and supply chain.

B) Business operation and Scope of the report / Organizational operation and Structure of supply chain

1. Business operation and Scope of the report

Toyota’s business involves the development, manufacture and sales of automobiles. It also provides services associated with the above activities. "Toyota" and "Lexus" are its core brands and this report focuses on the foreign workers in Japan employed by these companies and their respective supply chains.

2. Organizational operation and Structure of supply chain

Toyota's automotive manufacturing companies operate in 21 countries across 7 regions (Japan, Asia, North America, Europe, Middle East, Latin America, Africa).

As of October 2020, 9,849 suppliers have been confirmed to be a part of the supply chain of "Toyota" and "Lexus".

Based on the functions they provide, companies in the supply chain can be categorized into 5 main types: (1) manufacturing companies, (2) parts suppliers, (3) material suppliers, (4) equipment suppliers, and (5) warehouse and logistics suppliers. Toyota has been working to identify their supplier plants and is now considering to expand the mapping to include information relating to raw materials sources as well.

¹ Modern Slavery Act 2018 (Australia)

The total number of global suppliers confirmed are 9,849. Of those, 6,989 (71.0 %) suppliers are based in Asia with 1,352 (19.3 %) suppliers based in Japan.

This report focuses on the 1,352 suppliers in Japan. Among them are 455 parts suppliers, 221 material suppliers, 20 car body suppliers, 577 equipment suppliers, and 79 warehouse/logistics suppliers.

Toyota has measures in place across its entire automotive manufacturing supply chain in Japan, to mitigate human rights risks within it. In the development and implementation of those measures, Toyota placed themselves in the supplier's perspective in order to propose measures that are both feasible and effective for all parties involved. The measures were developed based on the knowledge and information obtained through dialogue with the Human Resources Division and other related divisions (Purchasing Group, etc).

C) Policies and principles related to Modern Slavery and Human Trafficking

Toyota's methodology for its employees, is institutionalised as The Toyota Way in Human Resources Management. The aim of this methodology is to practice management while realising respect for people. This provides all employees with opportunities to achieve a level of social contribution and self-realisation through their work, thus enabling them to exercise their abilities to be creative, and to perform.

For this aim to be achieved, "a relationship of mutual trust and mutual responsibility between labour and management" is essential, in which the company ensures stable employment and strives to improve labour conditions, while employees execute their duties and responsibilities for the prosperity of the company. This philosophy is shared by global Toyota. Depending on the governance of each region, this philosophy is reflected and implemented within business practices and policies.

As it is important to incorporate the philosophy into Toyota's activities for Modern Slavery and Human Trafficking, the relevant policies and principles that represents Toyota's philosophy are mentioned below:

1. Human Rights Policy
2. Respect for Human Rights (Mentioned on Sustainability Data Book)
3. Toyota Code of Conduct
4. Supplier CSR Guidelines
5. Tokyo Declaration 2020 on Responsible Acceptance of Foreign Workers (also known as the ASSC Tokyo Declaration 2020) ²

The Global Alliance for Sustainable Supply Chain (ASSC), which is a non-governmental organisation (NGO) that promotes a sustainable supply chain in Japan, held the meeting called the “ASSC Foreign Workers Round Table”. As part of the outcomes, ASSC developed and announced the “ASSC Tokyo Declaration 2020” in April 2020. Toyota also participated in these round table discussions with other stakeholders.

The declaration includes guidelines for any related parties to follow and practice the responsible acceptance of foreign workers within Japan. Toyota has thereby adopted the declaration as a guide to ensure the protection of foreign workers in its supply chain with respect to human rights.

D) Human Rights Due Diligence (hereafter; DD) Process with regards to Modern Slavery and Human Trafficking

Toyota refers and respects the UNGP principles and promotes actions for human rights based on UNGP.

The UNGP clearly states the corporate responsibility with respect to human rights. In particular, it introduced the concept of “human rights DD” into business activities and requires companies to 1) establish human rights policies, 2) carry out human rights DD, and 3) provide a process that enables the remediation of adverse human rights impacts. Having understood the UNGP’s approach, Toyota then aligned its internal policies and principles in implementing human rights DD.

² https://g-assc.org/assc_declaration/

Toyota endeavors to identify and monitor the human rights risks within its supply chain with reference to global issues; which are considered as essential and high priority. Those activities underpin Toyota's planning and implementation of both the measures and the remedy to these identified human rights risks.

E) Risk identification and the measures taken to evaluate and manage the risk

Japan ; Foreign Workers in Japan Are Vulnerable to Human Rights Violation

Toyota is aware that the foreign workers (including, foreign technical intern trainees, specified skilled workers, and international students) and migrant workers in Japan can be particularly vulnerable to labour exploitation and forced labour. Toyota also recognises that it could potentially find this sort of risk within the company or its supply chain as a result of the nature of their business. Therefore, as part of its human rights DD, Toyota has been working with NGOs to ensure proper working conditions for all the foreign workers within the company and its supply chain both inside and outside of Japan.

Using the ASSC Tokyo Declaration 2020 as a guideline, Toyota has conducted measures that help the company promote responsible employment and ensures human rights for foreign workers in Japan in line with the global expectation.

1. Foreign Workers Survey (Toyota group companies and their Tier 1 suppliers)

From December 2019 to January 2020, Toyota conducted a survey of the supply chain in Japan. The outline and key findings of the survey are summarised as follows:

- ① Scope of Survey
 - i. 11 Toyota group companies
 - ii. 108 of their Major Tier-1 Suppliers
- ② Agenda of Survey
 - i. Entry routes of foreign workers to Japan
 - ii. Cost and fees related to the foreign workers

③ Result

- i. 83 companies accepting foreign workers
 - 1. 46 companies accepting Vietnamese
 - 2. 37 companies accepting except for Vietnamese
- ii. 36 companies accepting no foreign workers

④ Findings

- i. A lot of Vietnamese technical intern trainees are in the supply chain
- ii. There were reported cases where high fees were collected

Priorities

The survey found that there are many foreign technical intern trainees from Vietnam working in the supply chain of automobile manufacturing companies and that some of them had reported that they had paid high fees before entering Japan. Responding to these findings, Toyota considered the recruitment fees that Vietnamese technical intern trainees were paying as a prioritised human rights issue and have thus far launched projects to address it.

Supervising Organisations

One of the findings of the survey is that there are a total of 40 supervising organisations under the umbrella of 46 companies accepting Vietnamese technical intern trainees. The survey also found detailed information about the fees that supervising organisations collect from accepting companies, such as management fees or service fees to help accepting companies with complicated procedures to accept technical intern trainees.

Sending organisation in Vietnam

While the survey provided some important findings, it also suggested the need for further investigation. The national laws in Vietnam stipulate that pre-dispatch education for foreign technical intern trainees should be no more than 5.9 million VND per month and dispatch fees collected by sending organisation for its service, should be no more than 3,600 USD. However, some trainees reported that they had

paid more than that before they entered Japan. Although a secondary survey was conducted on this matter, the collection of fees that exceeds the legal limit was not confirmed. ASSC's analysis of this survey, in reference to known indicators about the Foreign Technical Intern Training Program, confirms that further investigation was needed.

2. Foreign Workers Survey (Toyota's Tier-1 Suppliers (Japan only) and Consolidated Subsidiaries)

Following the previously-mentioned survey, Toyota also conducted a survey of Toyota's Tier-1 suppliers and consolidated subsidiaries in Japan. The outline and key findings of the survey are summarised as follows:

- ① Scope of Survey
 - i. 276 Tier-1 suppliers of Toyota
 - ii. 203 consolidated subsidiaries
- ② Agenda of Survey
 - i. Utilization of the foreign workers in each company
 - ii. Procedure for accepting technical intern trainees (Supervising organisation type / Individual enterprise type)
 - iii. Nationality of foreign technical intern trainees
 - iv. Number of current foreign technical trainees and future prospects for the number of trainees
- ③ Result
 - i. 124 Tier-1 suppliers of Toyota
 - ii. 43 consolidated subsidiaries

Nationality and number of foreign technical intern trainees

The survey confirmed that 6,300 foreign technical intern trainees are accepted by Toyota's Tier-1 suppliers. We found that the countries dispatching technical internship trainees were mainly comprised of China and various South East Asian countries such as Vietnam, Laos, Thailand and Indonesia.

Concerns in accepting foreign workers

Concerns in accepting foreign workers that suppliers and consolidated subsidiaries raised during this survey can be summarised as below.

- ① Difficulties in communication
- ② A lot of effort is required to accept foreign workers
- ③ Difficulties in managing and ensuring foreign workers comply with company rules
- ④ Confusion over very complex procedures of the Foreign Technical Intern Training Program. It is challenging to understand them correctly.

3. Understanding the Use of Foreign Workers (Supplier Engagement)

After implementing the foreign worker survey, Toyota visited two operating companies in the supply chain to check on the actual situation regarding their use of foreign workers. These two companies reported that foreign technical trainees had vacated their posts prior to the end of their contracts.

Toyota decided to investigate the possible causes for the situation, specifically relating to workplace conditions and employee welfare. After the investigation, Toyota found the situation regarding the dormitories and wages for foreign technical trainees was acceptable. The wages were confirmed to be the equivalent to the basic salary of a Japanese graduate, and the dormitories were equipped with the basic requirements, and even included Wi-Fi access. Therefore, Toyota concluded that the situation within the 2 suppliers investigated, did not infringe on any labour or human rights. However, it remains that the conclusions above have still not provided any insight on the initial problem of the technical trainees vacating their posts before the end of their contracts. Further investigation and consultation revealed that other factors like labour brokers who illegally redeploy foreign workers in Japan could have a role to play in this issue.

F) Effectiveness of measures to ensure no Modern Slavery or Human Trafficking

1. Measures to Solve the Issues with Foreign Workers

① Sustainability Workshop (online media)

As one of Toyota's human rights DD efforts in Japan, a sustainability workshop was planned and created by both Toyota and ASSC and distributed online. The training media from the workshop was distributed to around 300 Tier1 companies in the supply chain. Toyota also requested to their Tier1 suppliers to introduce this media contents to their suppliers. As a result, more than 11,000 views over a period of three months from September to December 2020 was recorded. This was one of the measures implemented to help reduce the risk of human rights violations in their supply chain, and to improve the overall knowledge of sustainability throughout the supply chain. It is believed that this training could provide relief to foreign workers and resolve issues that the suppliers are experiencing, as identified from the surveys mentioned above.

② Toyota Group Labour Management Workshop (held 12 times a year)

This is a monthly workshop focused on labour management which is held with Toyota group companies. Within this workshop, Action for Human Rights based on UNGP and other related activities are studied and discussed. More specifically, we have discussed the challenges of foreign workers in Japan and migrant labour issues overseas with external Human Rights Specialists in this workshop. Supervising organisations related to our business partners within the supply chain were also in attendance. The group worked to create a foundation for collaboration with stakeholders in order to address various issues surrounding foreign workers.

③ Stakeholder Engagement

i. Participation in the Foreign Workers Round Table

Toyota has been participating in the ASSC's Foreign Workers Round Table (hereafter, "the Round Table") in order to understand the human rights risks associated with foreign workers in Japan and to consider proactive measures that Toyota can undertake. Some of the aims of the Round table was to improve

knowledge of the problems foreign workers face in the supply chains of Japanese companies, to make recommendations on how to solve these problems, and to create the necessary foundations for accepting foreign workers. Participants from various sectors, including government agencies, companies, researchers and NGOs, gathered to discuss the issues from their various perspectives, and then met in sub-committees of the Round Table to discuss concrete measures for the responsible acceptance of foreign workers.

ii. **Creation and Participation in the Japan Platform for Foreign Workers towards Responsible and Inclusive Society (hereinafter referred to as, JP-MIRAI)**

Toyota has been involved with JP-MIRAI since its inception, along with other companies that participated in the Foreign Workers Round Table. Toyota participates as an advisory company. JP-MIRAI is jointly administered by Japan International Cooperation Agency (JICA) and ASSC. In contribution towards the target for the 2030 SDGs, it aims to improve the working and living conditions of foreign workers by promoting their responsible acceptance and responsible employment, thereby creating a prosperous and sustainable society thus making “Japan, a country that is trusted and chosen by workers around the world.” By participating in JP-MIRAI, Toyota intends to create a better living and working environment not only for its own supply chain, but also for foreign workers in Japan for all forms of employment.

2. Dialogue with Toyota’s overseas affiliates

To strengthen the communication of Toyota’s overseas affiliates which fall under the Modern Slavery Legislation for their respective countries, we have set in place regular meetings with the UK, Australia, and the USA (where the Supply Chain Transparency Act was enacted in California in 2012). The contents of which are described below.

① UK : Toyota Motor Manufacturing (UK) Limited (hereafter; TMUK)

The human rights DD report (Issued by global headquarters on Mar 2021) is the first report which global headquarters has documented relating to the actions taken for

human rights. This has helped TMUK to understand the headquarters' approach. TMUK would want to strengthen their actions by incorporating the policies, principles, and methods relating to Human Rights DD described in this report.

TMUK believes that the next step is to continue to collaborate with group companies in the UK and regional headquarters in Europe to identify their suppliers' risks. They would also like to continue discussions with the Global headquarters to consider various approaches for human rights.

② Australia : Toyota Motor Corporation Australia Ltd (hereafter; TMCA)

For TMCA, the Human Rights DD Report was very useful because they were able to understand the Global headquarters' basic approach and methodologies with regards to human rights. TMCA will also want to align with the global headquarters for the conducting of surveys within the supply chain.

TMCA feels that strengthening communication between the Global headquarters and Toyota affiliates, which fall under the Modern Slavery Legislation for their respective countries, will be an opportunity to consolidate Toyota's human rights perspective globally. By sharing each other's experience, problems and by deepening discussions, TMCA believes that they can promote each activity more effectively while aligning in a common direction.

Recently, the awareness for human rights has been increasing in Australia, and several cases of modern slavery have been taken up. TMCA will pay close attention to its supply chain, and would like to continue to share information with the global headquarters in order to promote proactive measures.

③ USA : Toyota Motor North America, Inc (hereafter; TMNA)

TMNA is creating a work environment where people of various races, ages and genders can work in happiness and in harmony. This is done by reflecting the national population demographics onto TMNA's employee composition thus progressing TMNA's diversity initiatives. In addition to this, TMNA also embeds non-discrimination matters within the contracts of their suppliers.

TMNA also acknowledges that the Human Rights DD Report issued by the global headquarters describes good practices of countermeasure activities in Japan, and it enables investors, NGOs, and other external stakeholders to understand the actions of global headquarters.

TMNA appreciates that Global headquarters created these opportunities for engagement. In the future, TMNA would like to discuss the activities that each country and region is prioritizing such as D&I and other human rights issues. They would like to continue to cooperate in this way.

Action taken by Toyota affiliates which fall under the Modern Slavery Legislation for their respective countries. (Hyperlink to be inserted)

- [TMUK \(Located in UK\)](#)
- [TMCA \(Located in Australia\)](#)

G) Action for the next fiscal year and thereafter

1. Investigation into the legitimacy of fees charged to sending organisations for the acceptance of foreign workers (technical trainees).

In order to eliminate the recruitment fee burden on foreign workers especially technical intern trainees in Japan, it is very important to collect information on the breakdown of the actual costs incurred. Thereafter an analysis can be conducted to find out what the so-called 'reasonable cost' would be. It is necessary to define the contents of what can be considered as a reasonable cost in order to reduce the current commission costs identified in this year's survey. Transparency of costs (e.g. language training fees, passport application fees, referral fees, etc.) would then enable both sending and receiving countries to clearly identify the costs of recruitment services and to request cooperation in reducing the burden on workers.

2. Lobbying with Supervising Organisation to Ensure Responsible Employment

In order to oversee the process of recruiting foreign workers and to ensure proper acceptance, it will be necessary to request that current supervising organisations

adhere to the requirements listed below, or to find a supervisory body that can fulfill such requirements and establish a transparent management system.

(Requirements; To request the sending organisation to ensure responsible employment / To coordinate with a supervising organisation that is able to meet such requirements such as making recruitment costs transparent / Ensuring reporting obligations / Properly supervising during the implementation of technical training / Providing comprehensive support for foreign workers / Providing consultation services and building an effective support system)

3. Collaboration for Tackling Social Issues

The social issues related to foreign workers cannot be completely resolved by individual companies alone. When we analyse these issues that foreign workers face, we find that in some cases they are not only caused by the situations in Japan but also are caused by those within the respective sending countries. In these situations, cooperation and collaboration with external organisations will be necessary in order to build influence to solve the problems.

This statement was approved by the Board of Directors of Toyota Motor Corporation on September 29, 2021.

September 29, 2021
Toyota Motor Corporation
Vice Chairman and Representative Director, Shigeru Hayakawa

