

30 September 2022

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

A) Introduction

Toyota Motor Corporation (hereafter referred to as 'we/our') has issued within this report the statement on 'Toyota's action taken for Forced Labour of Migrant Workers (Statement on the Modern Slavery Acts)' in order to promote an awareness of Forced Labour at production sites within Japan and globally (hereafter collectively referred to as 'Toyota') in light of the UK Modern Slavery Act and similar laws and regulations in other countries¹.

In this statement, we disclose Toyota's commitment to the relevant laws and describe the measures implemented to prevent any modern slavery, for example, forced labour and human trafficking, in both our direct operations and supply chain².

B) Operational Structure

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. For example, '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. Organisational operation and structure of supply chain

Toyota's automotive manufacturing companies operate in 21 countries across Japan, Asia, North America, Europe, the Middle East, Latin America, and Africa. As of August 2022, 9,762 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 five main types: (1) manufacturing suppliers, (2) parts suppliers, (3) material suppliers, (4) equipment suppliers, and (5) warehouse and logistics suppliers. In addition, Toyota continues to identify its supplier plants and is now considering expanding the mapping to include information relating to raw materials sources.

The total number of global suppliers confirmed is 9,762. Of those, 6,613 (67.7 %) suppliers are based in Asia, with 1,736 (26.3 %) suppliers in Japan.

¹ Modern Slavery Act 2018 (Australia), for example.

² It refers to the entire process of vehicle manufacturing, from the procurement of raw materials and components for a product to its assembly, including component manufacturers and materials.

This report focuses on the 1,736 suppliers in Japan. Among them are 471 parts suppliers, 296 material suppliers, 21 car body suppliers, 860 equipment suppliers, and 88 warehouse/logistics suppliers. Toyota has measures across its entire automotive manufacturing supply chain in Japan to mitigate human rights risks. In developing and implementing those measures, Toyota placed itself in the supplier's perspective to propose feasible and practical steps for all parties involved. The standards were developed based on the knowledge and information obtained through dialogue with the Human Resources Division and other related divisions (e.g., Purchasing Group).

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. This methodology aims 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 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. At the same time, employees execute their duties and responsibilities for the company's prosperity. We share this philosophy with all Toyota entities worldwide, and this philosophy is reflected in the management and various policies that are promoted based on the specific characteristics of each region.

As it is essential to incorporate the philosophy into Toyota's activities for modern slavery and human trafficking, the relevant policies and principles that represent Toyota's philosophy are mentioned below.

1. Policies and guidelines developed and revised in FY2021

- [Toyota's Human Rights Policy](#)

'Toyota's Human Rights Policy' (hereinafter, 'Human Rights Policy') was established in September 2021 as the top-level policy on human rights in our business activities. In addition, this policy reflects the perspectives of our global sites and external experts.

- [Toyota Supplier Sustainability Guideline](#)

We believe working with stakeholders in the supply chain is essential when undertaking

human rights due diligence³. In November 2021, we renamed and revised the 'Toyota Supplier CSR Guideline' to stipulate suppliers' obligations to make efforts to reduce human rights risks in the supply chain.

2. Policies and guidelines that have been referred to since before FY2021.

- [Respect for Human Rights](#)
- [Toyota Code of Conduct](#)
- [Tokyo Declaration 2020 on the Responsible Reception of Foreign Workers](#)

D) Human rights due diligence process with regards to modern slavery and human trafficking

We refer to and respect the United Nations Guiding Principles on Business and Human Rights (UNGPs) and promote actions for human rights based on UNGPs.

The UNGPs clearly states the corporate responsibility for human rights. In particular, it introduces the concept of human rights due diligence (hereafter, DD) into business activities and requires companies to (1) establish a human rights policy, (2) carry out human rights DD, and (3) provide a process that enables the remediation of adverse human rights impacts. Having understood the UNGPs' approach, we conducted DD activities in FY2021 by focusing on weaving them into our business activities while aligning internal policies and principles for implementing human rights DD.

1. Activities to disseminate Toyota's Human Rights Policy

In formulating the human rights policy, we conducted feedback sessions, including social issues in each region, through regular meetings with the regional headquarters and collaborated in reflecting and formulating the opinions of each area. Through this process, we believe that we were able to develop a universal human rights policy.

We also explained our human rights policy at the consolidated accounting officers' liaison meeting and the Toyota group labour management workshop, in which 17 group companies participated. The companies participating in the consolidated accounting officers' liaison meeting and the labour management workshop are also important business partners in our supply chain, and we work together to raise awareness and foster

³ The process which is implemented for the identification, prevention, and mitigation of negative human rights impacts

respect for human rights.

We have also sent a letter to each of our sales outlets asking them to respect human rights as an initiative not only in the supply chain but also in the value chain⁴.

2. Implementation into operational policies and procedures necessary for business activities

In FY2021, the renamed and revised 'Toyota Supplier Sustainability Guideline' was distributed to each of our Tier-1 suppliers. In addition, we collect written confirmation of compliance with the guidelines from suppliers with whom we have concluded basic transaction agreements (1045 companies in total), and the collection rate has reached approximately 90% (945 companies) of the total (as of August 2022).

In addition, to promote efforts to comply with the guideline throughout the entire supply chain, we ask our Tier-1 suppliers to ensure that our guideline also permeates their supply chains.

We also stipulate checking human rights risks and collaborating with stakeholders at business planning meetings to realise business activities aligned with the human rights policy.

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

1. Foreign workers in Japan are vulnerable to human rights violations

We are aware that 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. We also recognise that this sort of risk could potentially be found within the company or its supply chain due to the nature of its business.

Therefore, as part of human rights DD activities, we work with NGOs to ensure proper working conditions for all the foreign workers within the company and its supply chain inside and outside Japan.

⁴ For the purposes of this report, the value chain is defined as the sequence of steps from post-manufactured vehicle sales to the provision of services to the customer.

2. Foreign workers survey (Toyota group companies and their main Tier-1 suppliers)

Following the previously mentioned survey, we also surveyed consolidated subsidiaries and their main Tier-1 suppliers in Japan. The survey found that many foreign technical intern trainees from Vietnam work in the supply chain of automobile manufacturing companies and that some of them had reported that they had paid high fees before entering Japan. Therefore, we 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 in FY2021.

(1) Supervising organisations

Through the above survey, we have found 40 supervising organisations under the umbrella of 46 companies accepting Vietnamese technical intern trainees. In addition, we make an effort to understand detailed information about the fees that supervising organisations collect from these companies, such as management fees or service fees.

(2) Sending organisations in Vietnam

The survey revealed that the intern trainees themselves had paid amounts in excess of those required by Vietnamese domestic law (one month's advance training fee for foreign technical training; VND5.9 million; maximum departure fee; USD3,600) when they came to Japan. On the other hand, our subsequent detailed secondary investigation into the above report did not reveal any payment of amounts above the limit. In addition, amendments to Vietnamese domestic law have set certain limitations on the amount of money that sending organisations can collect from the trainees from 2022. Therefore, we are investigating how this amendment will affect the financial burden on Vietnamese apprentices visiting Japan.

3. Foreign workers survey (main Tier-1 suppliers and consolidated subsidiaries)

To understand a more complicated situation, we also investigated our main Tier-1 suppliers and consolidated subsidiaries in Japan. The investigation covered 276 of our Tier-1 suppliers and 203 of our consolidated subsidiaries.

As a result, we found that 124 of our main Tier-1 suppliers and 43 of our consolidated subsidiaries accept foreign workers. In addition, most foreign technical trainees accepted by the above suppliers came from Southeast Asian countries such as Vietnam, Laos, Thailand, and Indonesia, as well as from China.

F) Effectiveness of measures to ensure no modern slavery or human trafficking

1. Stakeholder Engagement

We promote engagement with our stakeholders, and this activity is based on our belief that working to prevent modern slavery and human trafficking from occurring not only in our supply chain but in society as a whole is essential to solving the problem.

(1) Creation and participation in the Japan Platform for Foreign Workers towards Responsible and Inclusive Society

The Japan Platform for Foreign Workers towards Responsible and Inclusive Society (hereinafter; [JP-MIRAI](#)) is a platform developed 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. The number of participating companies and organisations in JP-MIRAI has increased to 323 (as of August 2022). We are one of the ten companies and primary organisations that have supported and participated in JP-MIRAI since its inception, and we also participate in the management of the platform as an advisory company.

At JP-MIRAI's 2nd General Assembly Forum, we delivered a keynote speech on 'Business and Human Rights - Private Sector Initiatives'. In this keynote speech, we strongly encouraged business entities to use the JP-MIRAI portal to ascertain opinions from foreign workers relating to their general domestic situation. In addition, we announced our participation in JP-MIRAI's consultation and redress window pilot project.

(2) Speech at a forum organised by the Nagoya Immigration Bureau

We spoke at the Digital Forum, 'How to support the creation of a symbiotic society - from the perspective of public-private-academic-industry collaboration' and emphasised our responsibilities and support as an industry and company which welcomes many foreigners from the perspective of 'business and human rights'. We have called on stakeholders in the Tokai region, where our global headquarter is based, to see that 'Creating a society in harmony with foreigners' is an important matter which can be achieved through regional cooperation and other platforms.

2. Dialogue with overseas affiliates

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

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

As we continue to work closely with TMUK, we have recently intensified our discussions, mainly focusing on the draft European Directives and human rights DD on Toyota's supply chain. We also support the strengthening of cooperation between TMUK and Toyota Motor Europe NV/SA (hereafter, 'TME') by holding discussions that include TME, our regional headquarters in Europe. TMUK promotes key DD activities of which are published on their website and are also accessible to all external stakeholders. In FY2021, a video containing recent information on human rights and modern slavery was made available on the website. It was well received particularly by small to medium suppliers which provided them with additional support. 'Toyota's Human Rights Policy' was also published on the TMUK website, and procurement activities are aligned with the 'Toyota Supplier Sustainability Guidelines'.

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

TMCA commits to understanding its supply chain situation, the risks associated with modern slavery, the issues related to the inclusion of people from diverse backgrounds, and the understanding and promotion of indigenous cultures. 'Toyota's Human Rights Policy' and 'Toyota Supplier Sustainability Guideline' play an essential role in TMCA's engagement with suppliers, and TMCA hopes that by incorporating a regional perspective into these globally universal guidelines, suppliers in Australia will understand the risks and take action to remedy them. In FY2021, a survey of the supply chain was conducted, and a questionnaire survey was planned for FY2022. Through these activities, TMCA aims to promote the understanding of the Australian Modern Slavery Act and achieve an awareness of the risks in order to eliminate issues related to modern slavery for suppliers.

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

TMNA recognises that it is essential to adequately explain Toyota's expectations to

suppliers in order to promote more substantial human rights DD and is currently working on revising TMNA's Supplier Sustainability Guideline. In addition to ensuring consistency with 'Toyota's Human Rights Policy', TMNA has added its own regional perspective on human rights DD and seeks to understand the actual situation of forced labour and other forms of modern slavery in the supply chain. In addition, TMNA's procurement department is taking the lead in supply chain risk management and is promoting activities in collaboration with group companies after identifying priority issues specific to each region. Finally, given new legislation and increasing social demands, TMNA has encouraged continued collaboration with TMC to strengthen cooperation between the respective divisions of each company by sharing and promoting best practices.

G) Training and capacity building for modern slavery and human trafficking

1. Training on Toyota labour management

We have been conducting group training for our suppliers since 2014. In November 2020, the training was switched to an online format, and content relating to human rights issues in the international community and the impact of human rights violations on corporate activities was added. In FY2021, 159 employees took part in the training.

2. Executive officers' study sessions

In June 2021, a study session on the theme of Business and Human Rights was held for relevant officers (General Manager or above), including executive officers and external officers. Our Deputy Chief Officer (General Affairs and Human Resources) presented key relevant human rights topics, which deepened the executives' understanding and created awareness of human rights issues.

H) 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)

New investigations will be conducted to understand the actual situation of foreign workers in the current supply chain and value chain post-pandemic. We will continue to conduct surveys on our group companies, their main subsidiaries and suppliers, and now also include our main Tier-1 suppliers and vehicle dealers. In addition, we will carry out detailed surveys on foreign technical trainees' acceptance status and fees. In particular, a

survey will be conducted to understand further the recruitment costs. The number of countries that foreign technical trainees originate from shall be expanded from the 2020 survey. To solve the burden of high recruitment fees faced by foreign technical trainees, further analysis is needed to understand the actual cost breakdown for technical trainees, thereby leading to a position where corrective actions can be implemented.

2. Lobbying with supervising organisation to ensure responsible employment

To oversee the process of recruiting foreign workers and to ensure proper acceptance of foreign technical trainees, we understand that it will be necessary to strongly request that the current supervising organisations adhere to the requirements listed below. In addition, we understand that it is essential to establish a supervisory structure, for all supervising organisations, while ensuring that current supervising organisations can fulfil the requirements below.

Requirements:

- Request the sending organisation to ensure responsible employment
- Make recruitment costs and fees transparent
- Ensure reporting obligations for us
- Assure the proper supervision during the implementation of technical training
- Provide comprehensive support for foreign workers
- Provide consultation services and build an effective support system

We will work with group companies to establish a transparent process for the proper acceptance of foreign technical trainees in our supply and value chains.

3. Collaboration with stakeholders towards the elimination of social issues related to foreign workers

We believe that individual company efforts alone will not be sufficient to resolve the various issues related to accepting foreign workers. Therefore, in FY2022, we aim to resolve the social problems through participation in the JP-MIRAI consultation and relief window (grievance mechanism) project, which is a collaboration with group companies, business partners, and cooperation with companies in other industries and NGOs. In FY2022, we aim to gradually implement on-site audits that were postponed due to the pandemic.

4. Global Initiatives of human rights DD

In promoting human rights DD across Global Toyota, we believe our regional business units must proactively initiate their activities, and we will continue to strengthen collaboration and support to build a due diligence mechanism and identify risks so that the seven regional business units can work to prevent and mitigate human rights risks in their respective regions.

The Sustainability Subcommittee of Toyota Motor Corporation approved this statement on September 8, 2022.

September 30, 2022
Toyota Motor Corporation
Vice Chairman and Representative Director, Shigeru Hayakawa

A handwritten signature in black ink, appearing to read 'S. Hayakawa', written in a cursive style.