

SUSTAINABILITY REPORT

— 2020



TOYOTA

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Letter to stakeholders



Dear Stakeholders,

document that provides a comprehensive picture of the activities and results achieved during the year in relation to the objectives stated and guidelines for the future.

Creating mobility solutions that respect the planet is one of the foundations of Toyota's Vision and our commitment towards a future society that is both environmentally friendly and inclusive. This focus has led our company to achieve major milestones in environmental, social and governance sustainability over the past years.

A commitment formalized in 2015 in the Toyota Environmental Challenge 2050, an action plan aimed at ensuring concrete environmental protection and sustainable mobility. The cornerstone of the Toyota Group's strategy is to reduce the average CO₂ emissions per vehicle by 90% by 2050 compared to 2010 levels.

This ambitious vision drives us to constantly develop new solutions for our products and services that put people and their needs at the center of what we do. In our vision, technology is an enabling factor that must amplify human potential, to add value to the quality of life of each individual and the related society.

For more than 20 years, the Toyota Group has been investing in the development of the Full Hybrid Electric system platform, a solution chosen by an increasing number of drivers (around 300,000 in Italy and 16 million worldwide). Such technology is capable of delivering high performances combined with extremely low fuel consumption, CO₂ emissions as well as other pollutants (NO_x emissions are around 90% below legal limits), and the ability to travel for more than 50% of the time with zero emissions in the city.

The Full Hybrid Electric represents the basis for the development of other electrification options (Full Hybrid, Plug-in Hybrid, Pure Electric, Hydrogen Fuel Cell), on which we have been investing for over 20 years. We consider such technologies complementary, with the aim of providing the right cars, at the right time, in the right place, at the right price, to give customers the possibility to choose according to their mobility needs.

Furthermore, the Toyota Group has always been committed to reducing its energy consumption and the environmental impact of its activities.

A key element is the presence of a solid Environmental Management System certified UNI EN ISO 14001:2015, effectively implemented through an environmental monitoring plan of the energy consumption of the entire building structure in Rome. Toyota Motor Italia

has been using only energy produced from renewable sources. The objective is the continuous improvement of the Company's energy performance, in particular the reorganization of the air conditioning system of the Office-Multipurpose buildings, which has allowed a 50% reduction in gas consumption and a saving of 40 MWh per year; the construction of a photovoltaic system of about 625.000 kWh/year, equal to more than 25% of the annual electricity needs of the entire Toyota real estate structure, from which we expect a reduction of 254 tons per year in CO₂ emissions; and investments aimed at updating the technology and systems of the headquarters: a first step towards a real estate structure that aims, in the future, to be self-sustaining in terms of energy.

Our vision in contributing to the realization of a society that is improving continuously has prompted us to take important actions in a year that will be remembered for the serious global emergency caused by the spread of Covid-19. In this context, the Toyota Group, with the support of its Toyota and Lexus dealer network, has made available to the Italian Red Cross ("Croce Rossa") a fleet of vehicles for home healthcare activities and for the delivery of medicines and basic necessities.

At the same time, the company has also contributed through a financial donation to the Italian Red Cross, used for local assistance activities and the consequences of the health emergency. In addition, there are many other support activities carried out by the Toyota Group in Italy, such as the donation to the Spallanzani Hospital in Rome, or the supply of face masks to the Civil Protection ("Protezione Civile") thanks to the contribution of Toyota Motor Corporation and Toyota Motor Europe.

A long-term perspective and a firm commitment to conducting business in an ethical way, protecting the environment and people, is the only way to achieve common goals, such as the Sustainable Development Agenda 2030 of the United Nations and the challenges outlined in the Toyota Environmental Challenge 2050.

Toyota Motor Italia and the entire global Toyota team will continue to work together with its stakeholders to achieve the Toyota Group's greatest ambition: the creation of a future society that can live in harmony with nature, through sustainable, responsible, safe and inclusive mobility.

Mauro Caruccio
CEO Toyota Motor Italia

Methodological note

— CHAPTER 1.



This document, which is Toyota Motor Italia's first Sustainability Report, aims to transparently communicate Toyota Motor Italia's (in the document also "TMI") sustainability strategies with respect to performance in the areas of environmental, social and Governance sustainability for fiscal year 2020 (April 1, 2019 to March 31, 2020). In order to allow comparability of data over time, a comparison with data for fiscal year 2019 (April 1, 2018 to March 31, 2019) is also provided. Any perimeter exceptions are expressly explained in the text.

In preparing this document, reference was also made to the sustainability-related information of the parent company Toyota Motor Corporation (also "TMC" or "Toyota" in the document), which is contained in the 2019 Sustainability Data Book or other communication channels.

This annual report has been prepared in accordance with the GRI Standards published by the Global Reporting Initiative (GRI): Core option.

Specifically, the contents subject to reporting were selected on the basis of the results of an initial materiality analysis carried out in 2020, which made it possible to identify the material aspects for Toyota Motor Italia and its stakeholders, as described in the "Stakeholder mapping and materiality analysis" section of this document.

The scope of data and economic information is the same as that of the Consolidated Financial Statements of Toyota Motor Italia as of 03/31/2020.

With reference to social and environmental data and information, the reporting boundary includes Toyota Motor Italia, headquartered at Via Kiichiro Toyoda, 2, Rome.

In the 2020 reporting year, we report that there were no significant changes related to the Company's size, ownership structure or supply chain.

For further information and suggestions regarding the Toyota Motor Italia Sustainability Report, please contact pr.tmi@toyota-europe.com.

This document is also available on the Toyota Motor Italia website www.toyota.it.



Abstract

— CHAPTER 2.



TOYOTA'S HISTORY AND VALUES

With over 80 years of history, we aim to pave the way for the mobility of the future and improve the lives of people around the world through **safe and responsible mobility solutions**.

- 1937: Kiichiro Toyoda founds the **Toyota Motor Corporation**.
- 1970s: Research into hybrid systems begins.
- 1997: Launch of the Toyota Prius, the world's **first mass-produced hybrid model**. It marks the **beginning of global leadership** in the production and research of electrified mobility solutions.
- 2014: The world's **first mass-produced hydrogen car**, the Toyota Mirai.

A strong and stable company founded on solid values and principles, embodied in the **Toyota Guiding Principles** and the **Toyota Way**: pillars of Toyota culture that guide the behavior of every member of the organization.

COMMITMENT TO THE ENVIRONMENT

Achieving mobility solutions that respect the planet is one of the cornerstones of the vision of Toyota, a pioneer of sustainable mobility solutions and a leading player in environmental protection efforts. A commitment formalized in 2015 in the Toyota Environmental Challenge 2050, a holistic action plan aimed at ensuring a concrete commitment to environmental protection and sustainable mobility, through the identification and overcoming of 6 challenges, which will also contribute to the achievement of the Sustainable Development Goals defined by the United Nations:

- **New zero-emission cars.**
- Zero-emission **life cycle**.
- Zero-emission **production steps**.
- **Minimizing** and optimizing water use.
- Encouraging a **circular economy**.
- Realizing a **society in harmony with nature**.

The cornerstone and primary goal of Toyota's strategy is a commitment to **sustainable mobility**, understood as the **creation of zero-impact vehicles**.

THE ROLE OF ELECTRIFICATION, TOWARDS ZERO EMISSION MOBILITY

The first challenge for Toyota is to **reduce average CO₂ emissions per vehicle by 90%** compared to 2010 values by 2050.

Full Hybrid technology plays a key role in the energy transition because, in addition to ensuring low environmental impacts without substantially changing driving habits compared to conventional vehicles, it is based on a basic architecture from which all electrified solutions can be derived. From BEVs, powered only by the battery, to **FCEVs**, or **hydrogen-powered vehicles**.

The numbers of Toyota electrification:

- **5.5 million** electrified vehicles expected to be sold by Toyota each year starting in 2025.
- **Over 16 million** hybrid vehicles sold in more than 90 countries.
- **More than 300,000** people in Italy have chosen a Toyota hybrid vehicle. **52% is Toyota's market share in the electrification segment**, with firm leadership.
- **73.2% and 67.6%** are the percentages of average time travelled with zero emissions by the Toyota Prius and Toyota Yaris respectively in dedicated scientific studies.

A leadership so entrenched that Toyota has chosen to liberalize **24,000 patents it owns related to electrification**.

SUSTAINABILITY OF TOYOTA MOTOR ITALIA'S FACILITIES

In Italy, despite the absence of production facilities, **TMI has always been committed to the constant reduction of its energy consumption and the environmental impact of its activities**.

A key element of this commitment is the presence of a solid ISO 14001 certified Environmental Management System, effectively implemented thanks also to an **environmental monitoring plan** of the energy consumption trend of the entire TMI headquarters in Rome, which covers 18,000 square meters. The objective is to continuously improve the energy performance of the company, pursued for several years through a series of activities aimed at improving the sustainability of its headquarters:

- Update of the plants with the greatest impact on consumption and **new interventions of energy efficiency**.
- **Monitoring and optimization of water consumption** through 5 energy meters distributed on the plant.

NEW MOBILITY SOLUTIONS

- **Investments aimed at updating the technology and systems of the headquarters:** a first step towards a building that seeks, in the future, to be **energetically self-sufficient**.
- **LED relamping** of over 2,700 lighting fixtures, with an annual saving of 49% on specific lighting consumption and around 15% on the total electricity consumption of the headquarters.
- **Revamping of the air conditioning system** of the Office-Multipurpose buildings, which has allowed a 50% cut in gas consumption and saved 40 MWh per year.
- Construction of a photovoltaic system with a peak power of about **450 kW with an estimated saving of about 254 tons of CO₂ per year**.
- Electricity from renewable sources for all supplies: zero indirect CO₂ emissions, **reducing total emissions by 50% compared to fiscal year 2019**.
- **Launched Toyota's "Plastic Free" project** to eliminate the little plastic still present.
- **Reduced the use of printed paper by more than 20%** compared to fiscal year 2019 through a process of digitization of the company.
- Continued improvement of efficiency in the management of spare parts logistics, a European best practice, through the reuse of **packaging materials and the reduction of inventories**, resulting in a reduction in operating costs, the risk of accidents and product obsolescence. This system has also been extended to a sample of 9 key dealers, through an improvement program that has led 67% of the sample to manage business with inventories of just over two weeks.
- Contribution to a sustainable society, through many activities on the territory: **Green Month Campaign, Sustainable Mobility Workshop, Green Kids**, the redevelopment of the **Villa Gregoriana Park in Tivoli, Treadom**.
- A **commitment of the entire network**: 96% of Toyota and Lexus dealers boast ISO 14001:2015 certified Environmental Management Systems.

The evolution of the automotive manufacturer's concept from a car manufacturer to a **mobility service provider** is part of the "Mobility for All" approach: mobility that is truly at the service of all, not only by responding to rapidly changing demand, but also by taking advantage of technological developments to better meet the mobility needs of people with disabilities or reduced mobility. Toyota has formalized the evolution of the brand with the European launch of the **KINTO** brand, dedicated to the offer of complementary and flexible mobility services: from long-term rental to car sharing and corporate car pooling, all encapsulated in the KINTO Go app, which also allows you to buy tickets for public transport, book a cab or pay for parking.

The company's attitude to innovation, however, does not stop at KINTO brand services, but invests in vehicle connectivity (55.3% of connected cars in June 2020), process digitalization with the **Digital Workplace project**, and the creation of a **Toyota Innovation Hub** aimed at fostering Open Innovation processes.

MOBILITY THAT PUTS PEOPLE AT THE CENTER

The centrality of people for Toyota is expressed through two fundamental concepts, **Customer First and Quality First**.

The ultimate goal remains to **make products of excellence in terms of safety, quality and environmental performance**, through:

- Extreme attention to the processes that govern **customer contact points**.
- A consolidated **communication strategy** based on quality, reliability and respect for the environment.
- A **strong involvement of the Dealers and Service Points network**.

This strategy has led the main **customer satisfaction indicators** (NPS) for Sales and Service to reach the targets set and to grow compared to FY2019 for both Toyota (respectively from 70.9 to 77.6 and from 78.4 to 79.5) and Lexus (Sales down slightly from 81.1 to 80.6, Service up from 78.2 to 81.2).

In this context, the **dealer network plays a role of primary importance** as it represents the local declination of TMI's vision. The current dealer network consists of **68 partners for Toyota** and **27 for Lexus**, for a total of **167 Toyota** and **34 Lexus dealers** operating throughout the country.

TMI'S PEOPLE: THE ENGINE OF THE FUTURE

"Customer First" is supported by the statement "**Employee First for Customer First**". Stimulating the talent and passion of its employees is in fact a necessary ambition to improve the very quality of the final product. In support of this, TMI reserves the utmost attention to HR processes, focusing in particular on three aspects of the Employee Experience: brand attractiveness, retention fostered through a review of the Total Reward Package (reaching an outbound turnover of 3% in fiscal year 2020), and employee development, encouraged through improved Performance Management, consolidation of job rotation and international and cross-company assignments, and greater investment in training, which between 2018 and 2019 reached about **500,000 € reaching approximately 25 hours of training per capita in fiscal year 2020**.

These measures have led to positive results in terms of employee satisfaction (82% of staff satisfied according to data collected via the Beaconforce app). In terms of attracting talent, the **Toyota Technical Education Program (T-TEP)**, a program that involves a collaboration between the brand and various educational institutions aimed at providing technical and customer experience management skills to students, with a significant impact on the public education system and the integration of young people into the world of work, has had great development.

At the same time, the company continues to prioritise issues of diversity and safety in the workplace, which are core values of the Toyota brand. For these reasons, **the company has been awarded Top Employer certification for the fifth consecutive year**.

SUPPORT TO THE NETWORK AND THE COMMUNITY IN THE COVID-19 EMERGENCY

A commitment that goes along with the support given during the emergency period, always alongside the Toyota and Lexus dealer network throughout the country, with the provision of 100 vehicles available to the Italian Red Cross for some home health care activities and for the delivery of medicines and basic necessities.

At the same time, the company also contributed to the emergency with:

- A financial donation to the Italian Red Cross of €100,000, which the organisation will use for assistance activities in the area and to deal with the consequences of the health emergency. Together with the Toyota Group, making this initiative possible

are all Toyota and Lexus customers who have chosen to join the 'Toyota Total Safe' and 'Lexus Diamond Experience' campaigns, or who will do so in the future. For both packages, offered by Toyota and Lexus Authorized Service Centers, there is in fact a contribution to be donated to the Italian Red Cross on each intervention performed.

- A supply of masks to the Civil Protection;
- A donation to the Spallanzani Institute in Rome, also thanks to the contribution of all Group employees.
- **Numerous initiatives undertaken by Toyota and Lexus dealers** in the area.

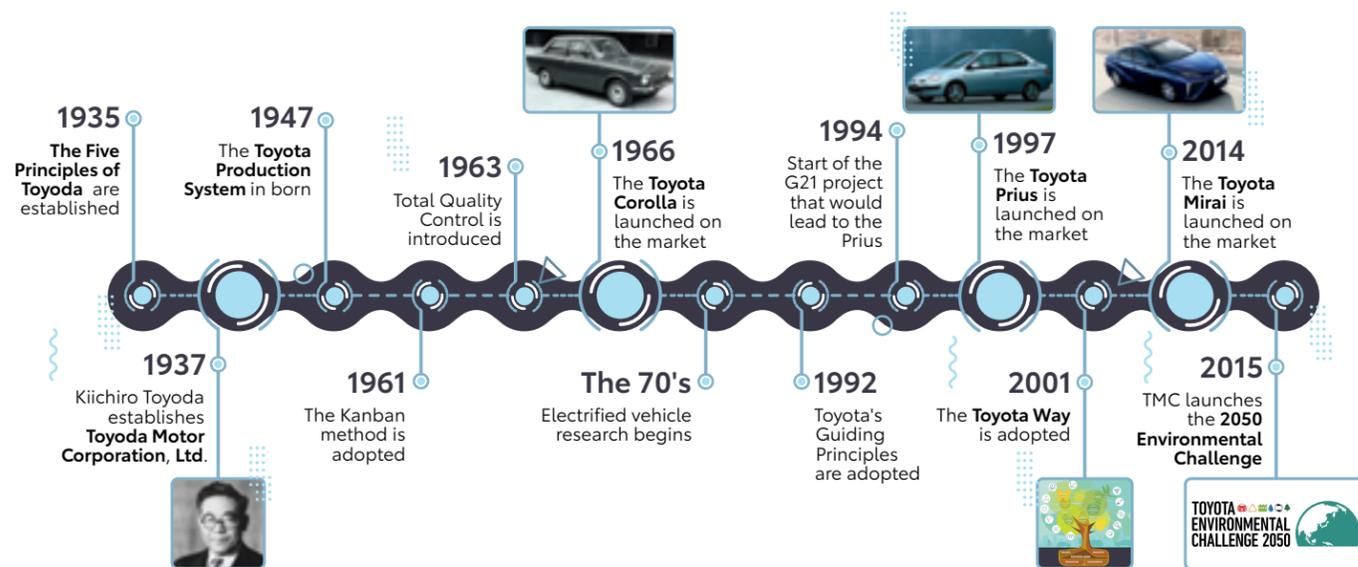
Company profile

— CHAPTER 3.



3.1. HISTORY AND VALUES

Although Toyota Motor Corporation¹, Ltd. was founded in 1937 by Kiichiro Toyoda, many of the foundations of its business model and culture date back to the entrepreneurial experience of his father Sakichi and his company: Toyoda Automatic Loom Works, Ltd. The new company imported elements of the mass production of American car manufacturers, but proved capable of establishing its own original production model, which will be called the **Toyota Production System (TPS)**, or Lean Manufacturing System. The model, which aims to minimize production waste, resulting, for example, from excessive inventories and defective products, is based on the concepts of "**jidoka**", which is the automatic interruption of processes to the occurrence of an anomaly, so as to limit defective products, and "**Just-in-Time**", for which each process produces only what is required, when it is required and in the quantity required by the next process².



The Toyota Production System is the result of a continuous process improvement based on years of trial and error, in full kaizen logic, which has allowed Toyota to compete with the major international players in the automotive industry through greater production efficiency and product quality.

3.1.1 History of Toyota

Since the '50s we see the progressive affirmation of the brand at the global level and its most popular models such as the Corolla. At the same time, however, Toyota continues to invest in the future and innovation, starting in the '70s research on hybrid drive systems³, that will bring it, to the beginning of the 90s⁴, to the design of the first hybrid car prototypes and, in 1997, to the launch of the world's first mass-produced hybrid model: the **Toyota Prius**.

Words of the Toyota culture

A distinctive feature of the Toyota model is certainly the profound influence of Japanese culture on the brand's value system. For this reason, to grasp the essence of some of Toyota's founding principles, it is necessary to understand the real meaning of the Japanese terms that describe them, often not perfectly translatable in English.

Jidoka – a word that combines the concepts of automation and human intervention, often translated as "automation" or "intelligent automation", indicating a robotic process but supervised by humans.

Kaizen – a word formed from the terms *kai* (change) and *zen* (good, better), indicating constant improvement.

Genchi Genbutsu – literally "to go to the source," the attitude of directly observing what is happening on the gemba, or workplace, in order to make decisions based on objective, verified data.

Kanban – a word made up of the terms *kan* (visual) and *ban* (signal), indicates the method of internal circulation of information, based on the use of physical tags, aimed at the efficient management and movement of materials and warehouse stocks.

This event marked a turning point in the history of the brand, which henceforth assumed global leadership in the production and research of electrified mobility solutions. In parallel with the diffusion and evolution of hybrid electric-petrol (HEV) and plug-in hybrid (PHEV) models, Toyota is working on fuel cell vehicles (FCEV), focusing on the exploitation of hydrogen as an energy carrier. The world's first mass-produced hydrogen car is launched by Toyota in 2014: it is the **Mirai**, a word that means "Future" in Japanese⁵.



TMI Parts Logistics Warehouse:
an example of TPS

¹ As reported in the methodological note, "Toyota" and "TMC" refer to Toyota Motor Corporation. "TMI" refers to Toyota Motor Italia.

² TMC, Toyota Production System, <https://global.toyota/en/company/vision-and-philosophy/production-system/>.

³ TMC, 75 Years of Toyota, https://www.toyota-global.com/company/history_of_toyota/75years/data/automotive_business/products_technology/technology_development/hv-fc/index.html.

⁴ TMC, The story behind the birth of the Prius, <https://global.toyota/en/prius20th/challenge/birth/01/>.

⁵ TMC, 75 Years of Toyota https://www.toyota-global.com/company/history_of_toyota/75years/.

3.1.2 Toyota values and vision

Mobility solutions designed for people, safe and reliable, innovative, which meet everyone's needs and respect the planet.

Toyota is now among the top car manufacturers in the world, with sales volumes exceeding 10 million per year⁶. In addition to being a source of great prestige for the company, these figures also give it a role of responsibility within society, a role of which Toyota has always been aware and which it has always placed at the center of its activities.

Toyota's long-term goal remains **to pave the way for the mobility of the future and improve the lives of people around the world through safe and responsible mobility solutions.**

This goal, which constitutes the vision of the brand, finds concrete representation in the corporate culture and strategy.

This is how the road to the mobility of the future becomes the search for mobility solutions designed for people, which meet everyone's needs, respect the planet, are safe, reliable, innovative and go beyond customer expectations.

Woven City

The idea of a future society in which sustainable and inclusive mobility improves people's lives is not just a declaration of intent. Toyota has, in fact, revealed plans for the construction of a prototype **"city" of the future** built on an area of 708,000 square meters at the base of Mount Fuji in Japan: Woven City. The city will be a fully connected ecosystem powered by hydrogen fuel cells. Envisioned as a "living laboratory", Toyota Woven City will allow residents and researchers to test and develop technologies such as **autonomy, robotics, personal mobility, smart homes** and **artificial intelligence** in a real-world environment. **Environmental sustainability** and accessibility will be key elements of the project, which is scheduled to open in 2021. Mobility, in fact, will be entrusted exclusively to fully autonomous and zero-emission vehicles, such as the Toyota e-Palette.

To achieve such challenging goals and build a better society, however, requires a strong and stable company founded on solid values and principles. This concept is formalized in 2011 in the Toyota Global Vision, which, through the metaphor of the tree, shown in Figure 1, reflects the business structure to which Toyota must aspire to achieve its ambitious goals.

In this image, the brand values are the roots of the tree, indispensable elements for the growth of a healthy and robust organization. These include Toyoda's **Five Founding Principles**, Toyota's **Guiding Principles**,



and the Toyota Way. The first two, issued in 1935 and 1992 respectively (with an update in 1997), celebrate the importance of values such as dedication, creativity, concreteness, gratitude, human relations, but also respect for different cultures, teamwork, and collaboration with business partners for stable growth. At the same time they outline the company's **mission**, which is to offer safe and quality products that meet the needs of its customers, and to contribute to improving people's lives⁷.

In 2001, these values were joined by the **Toyota Way**, which, based on the concepts expressed in the Guiding Principles of 1997, aims, through the analysis of the main stages of Toyota's history, to define the values that in the years from the birth of the brand to its success on the global market have distinguished the company's way of doing

Figure 1

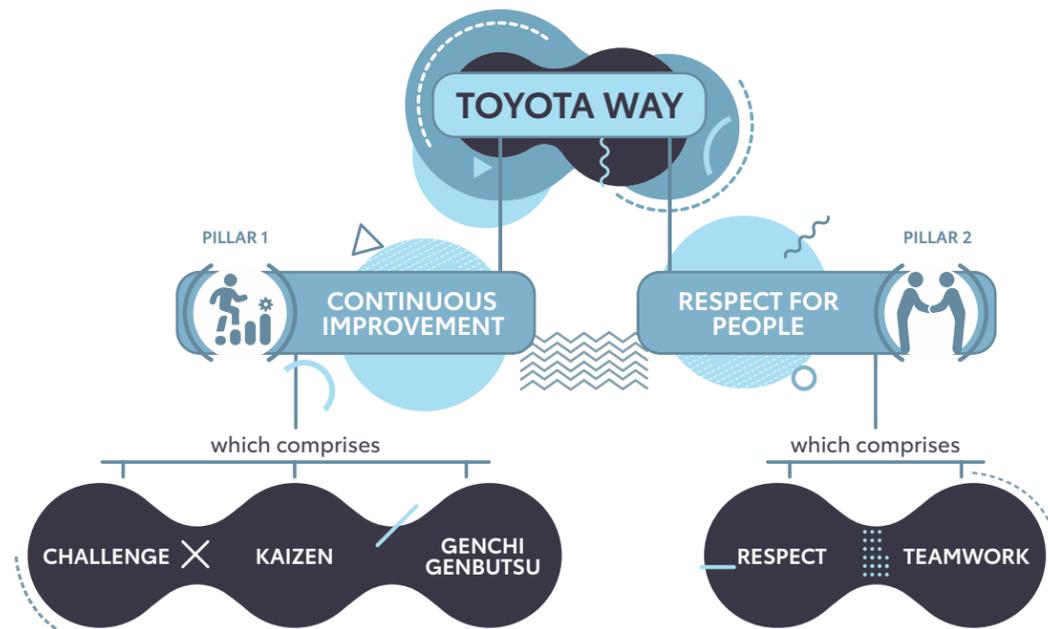
The tree metaphor, a representation of Toyota's vision and guiding principles expressed in the 2011 Toyota Global Vision.

⁶ In the fiscal year ended March 31, 2020, the brand reported a decline in sales volumes to nearly 9 million vehicles. Source: TMC, FY2020 Financial Results – Overview, https://global.toyota/pages/global_toyota/ir/financial-results/2020_4q_overview_en.pdf.

⁷ Toyota Motor Corporation, Sustainability Data Book, p.5.

business, determining its success. The result is the identification of the DNA of the brand, a synthesis of the pillars of the Toyota culture that, crystallized in a formal document, now guide the behavior of every member of the organization.

The Toyota Way is based on two pillars: **Continuous Improvement** and **Respect for People**. The first pillar includes the values of the **Challenge**, which is the importance of facing and overcoming with courage and creativity the difficulties encountered in the pursuit of



their goals, **Kaizen**, which is the constant improvement of processes, in the name of innovation and evolution, and finally **Genchi Genbutsu**, which represents the value of direct observation to support decisions that are based on objective data and hard facts.

The second pillar is articulated in the value of **Respect**, understood as respect for others, mutual understanding and trust, and **Teamwork**, based on the promotion of personal and professional growth of all employees to maximize group performance ⁸.

⁸ Toyota Motor Corporation, *The Toyota Way 2001*, p.3.

All these principles, or the roots of the tree of the Toyota Global Vision, are an expression of very different phases of the company's life and contribute to outlining a distinctive culture of the brand, which in turn guides its strategy, modus operandi and results, and represents the basis of its success.

The solidity of the company and its performance constitutes the trunk of the tree, the support and the only way towards the realization of the fruits, i.e. of the **twelve objectives** that constitute Toyota's vision represented in Figure 2⁹.

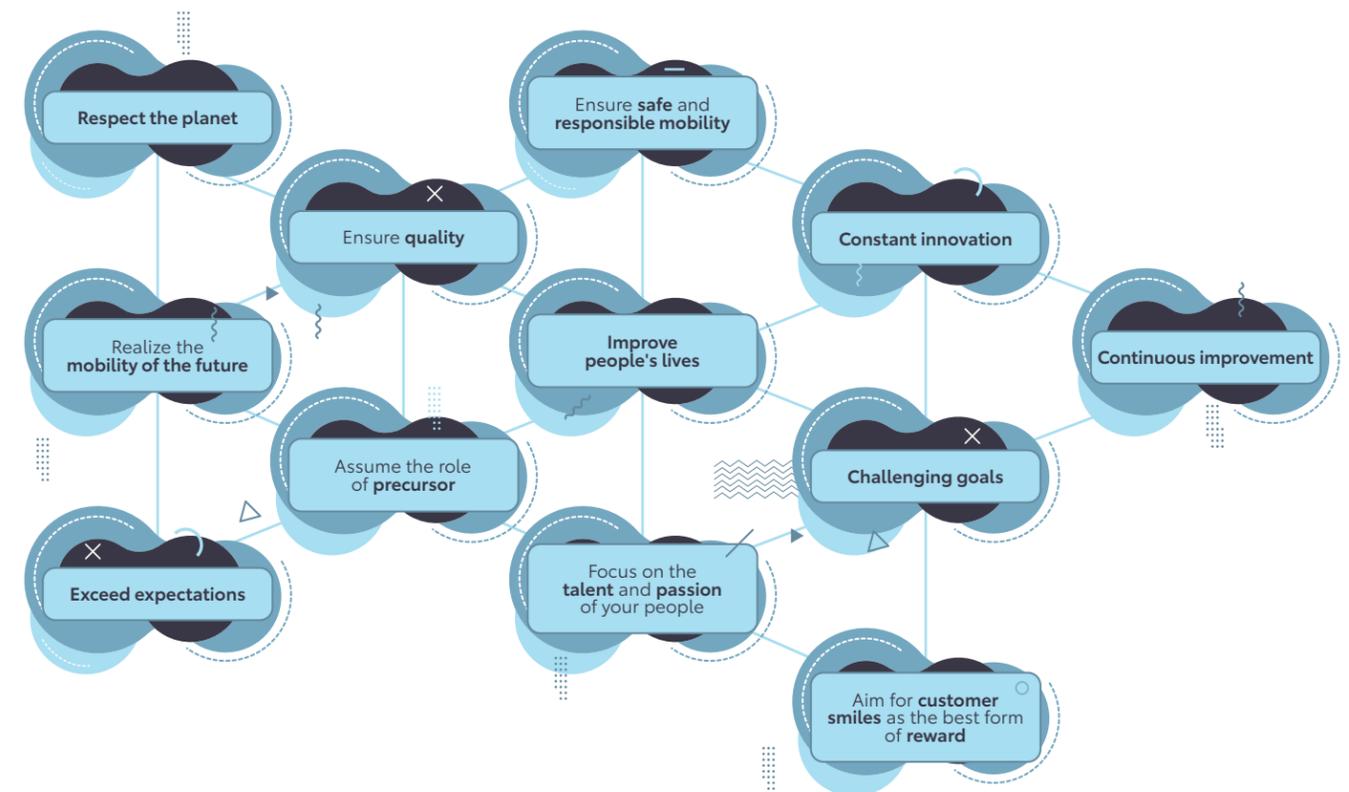


Figure 2
Twelve objectives of the Toyota vision.

⁹ Toyota Motor Europe, *Toyota Global Vision*, <https://www.toyota-europe.com/world-of-toyota/this-is-toyota/toyota-global-vision>.

3.2.

TOYOTA'S GLOBAL SUSTAINABILITY STRATEGY

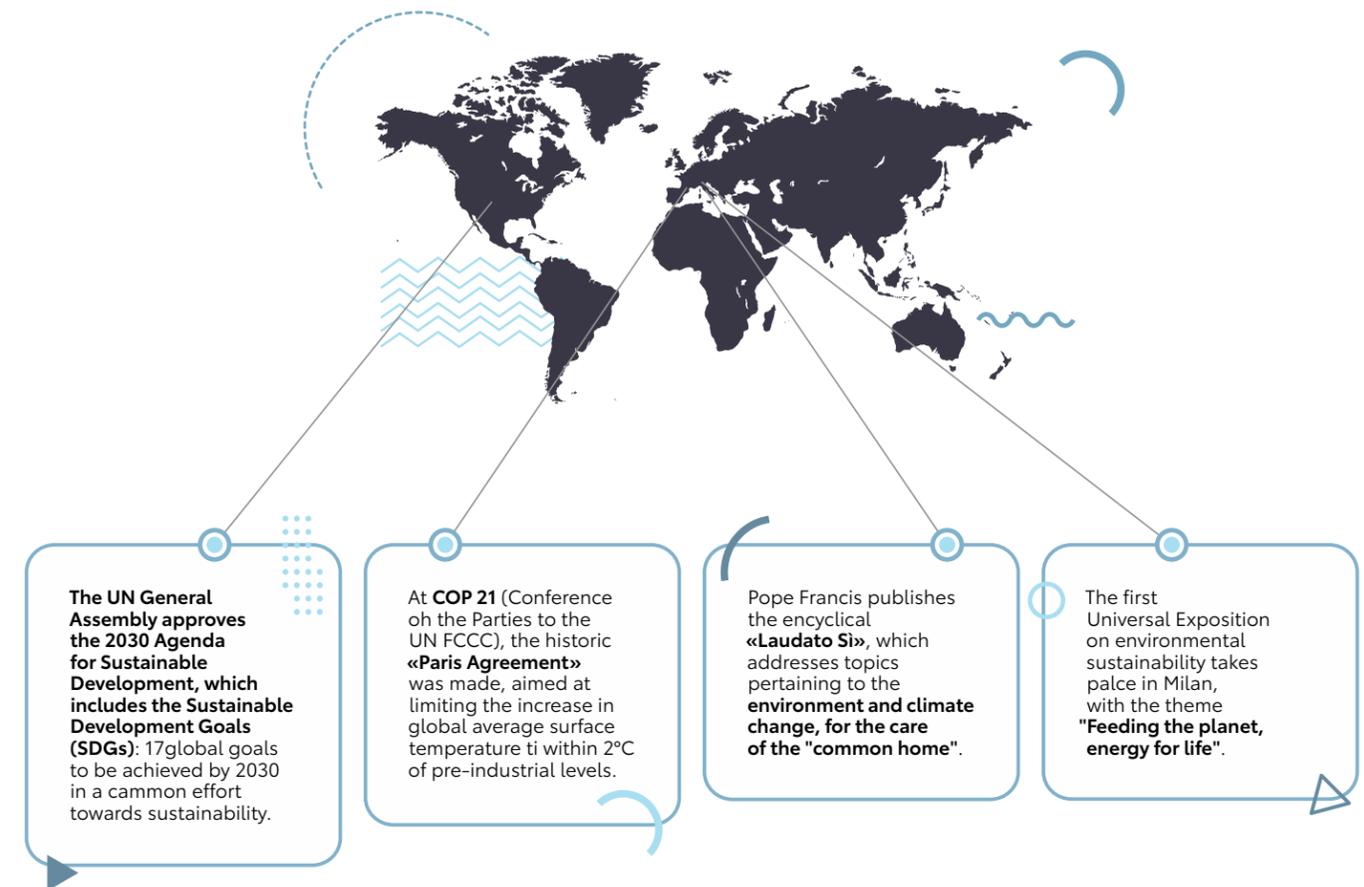
TMC's corporate social responsibility policy, called "**Contribution to Sustainable Development**", was first announced in January 2015. The document represents an interpretation of the Guiding Principles in light of Toyota's relationships and interactions with its stakeholders. In the preamble to the statement, the company pledges to contribute, through all its business activities and in all markets in which it operates, to the harmonious and sustainable development of society and the Earth, based on the Toyota Guiding Principles. Honesty and integrity in conducting business, transparency and soundness in stakeholder relations, and sharing this commitment with all business partners are key elements of TMC's social responsibility. For each stakeholder category identified as primary to Toyota worldwide, the reason and values that make it so important to the company and its strategy are described.

Among the various aspects of Toyota's contribution to Sustainable Development, a prominent position is certainly occupied by the environmental strategy. Creating mobility solutions that respect the planet is one of the cornerstones of Toyota's vision and one of the symbols of the brand since the 1990s, when it established itself as a pioneer of sustainable mobility solutions and a major player in environmental protection efforts. Recent years have seen the occurrence of momentous events in the area of sustainability.

Against this backdrop, Toyota announces its long-term environmental sustainability strategy, launching the **Toyota Environmental Challenge 2050**, a holistic action plan aimed at ensuring a concrete commitment to environmental protection and sustainable mobility¹⁰. The strategy's six goals aim to minimize business impacts on the environment by monitoring and acting throughout the value chain.

A key element and the first objective of the strategy is the commitment to **sustainable mobility** understood as the creation of zero-impact vehicles, a path that the brand has been following for many years and which, in Toyota's vision, envisages a gradual move towards solutions that can currently guarantee zero emissions in the vehicle use phase, namely BEVs (or pure electric) and FCEVs (fuel cell vehicles). However, the path towards the diffusion of these solutions will see each electrified technology make its contribution depending on the mobility needs it is best suited to meet, the technological and infrastructural development of the context of reference and many

Commitment to sustainable mobility understood as the creation of zero-impact vehicles.



other factors. At the heart of this path, according to Toyota, there will be **hybrid thermal-electric technology**, capable of meeting all mobility needs without changing the driving habits of users and based on an architecture that is fundamental to the development of other electrified systems.

This is why the technology that started the new course of Toyota's history is still the reference point for its path of innovation, the protagonist of a gradual transition to the mobility of the future that the brand is determined to lead for more than twenty years now.

Figure 3

The year of Toyota's "Contribution to Sustainable Development" announcement was marked by global sustainability-related events that changed the approach to these issues.

¹⁰ TMI, *La mobilità sostenibile secondo Toyota*, p. 8.

3.3. GOVERNANCE OF TMI – TOYOTA MOTOR ITALIA

Toyota Motor Italia-TMI is governed by a **Board of Directors** composed of two members, the Chairman of the Board of Directors and the Managing Director¹¹. Both have broad powers of ordinary management of the company and legal representation of the same. The company currently has a number of special proxies with special powers of attorney, including:

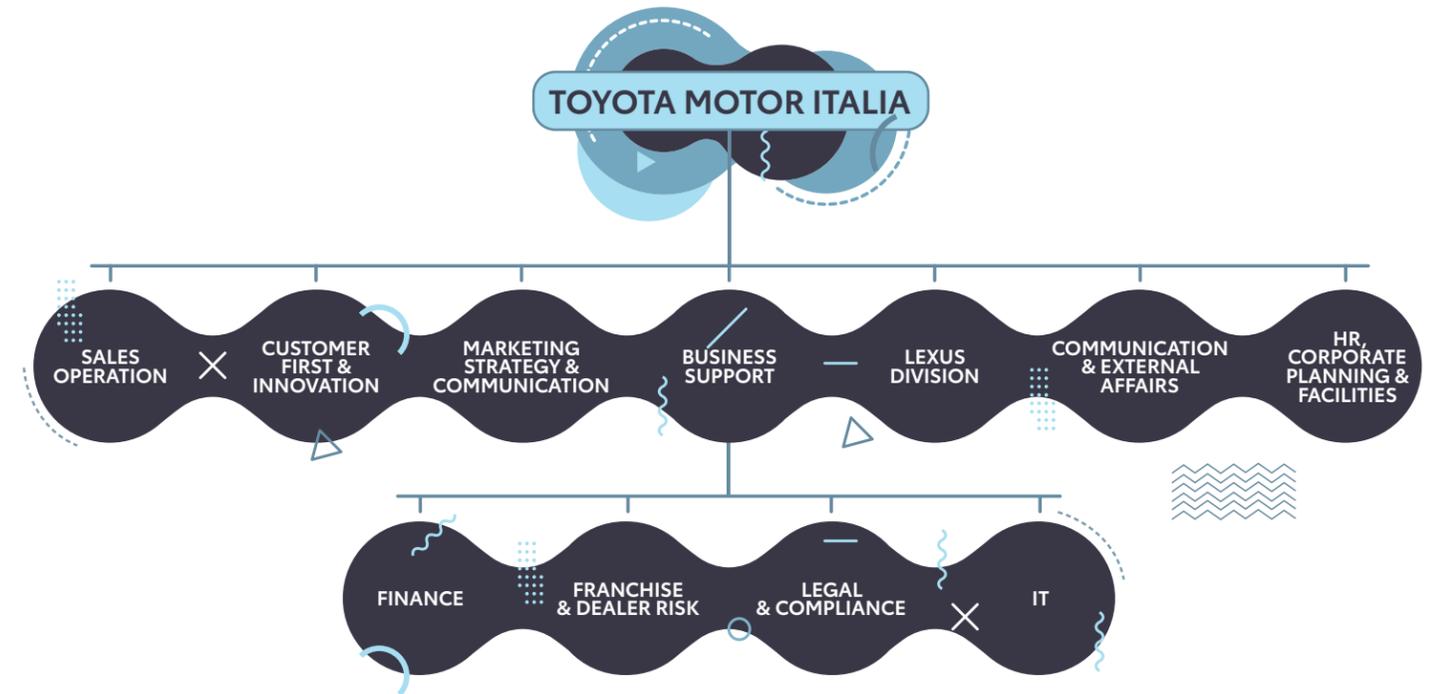
- The **CFO & Business Support Director** who has the power of legal representation of the company with the possibility of committing the same to third parties, as well as the power to dispose of economic and financial resources jointly with the CEO and the Chairman of the Board of Directors or with other managers in the finance department.
- The **HR General Manager** who has the powers of the employer and powers in relation to workplace safety.

The members of the Board of Directors are elected every three years by the Shareholders' Meeting, or by the sole shareholder Toyota Motor Europe. The Board of Directors meets at least twice a year - to approve the semi-annual report and the financial statements - in addition to further needs and/or requests.

The **Board of Statutory Auditors**, consisting of three permanent and two substitute auditors, is the supervisory body of the Board of Directors. The Board of Statutory Auditors is also appointed by the Shareholders' Meeting for a three-year term of office. It supervises compliance with the law and the Articles of Association, observance of the principles of proper administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its actual functioning.

From an organisational point of view, TMI is structured in **directorates**, corresponding to the different functional areas into which the company organigram is divided, namely: Sales Operation, Customer First & Innovation, Marketing Strategy & Communication, Business Support (which includes Finance, Franchise & Dealer Risk, Legal & Compliance, IT), and Lexus Division. In addition to these, there are the Communication & External Affairs and HR, Corporate Planning & Facilities operating groups which, although they do not have formal management status, report directly to the Managing Director.

From an **internal governance** point of view, TMI - in line with that indicated by TME (Toyota Motor Europe) - has a structure of **committees** responsible for approving and monitoring projects and company activities in the various relevant sectors.



The main committee is the **Steering Committee**, made up of the Managing Director, the Directors and General Managers of the HR and Communication & External Affairs operating groups. The committee is responsible for approving all strategic projects and monitoring the overall performance of the company. Among others, particular importance is attached to the following:

- The **Network & Risk Committee**, with tasks of assessing and approving operations on the distribution network, such as the termination of the concession contract or the appointment of a new concessionaire, and of monitoring the financial situation of the operators in the distribution network.
- The **Internal Control and Risk Management**, with functions of monitoring company risks, such as compliance, cyber security, and legal risks, and implementing control/audit and mitigation actions.
- The **Commercial Committee**, responsible for verifying commercial performance and the marketing activities carried out and planned.

¹¹ With regard to the composition by gender and age, as of today the Board of Directors is made up of two men, one belonging to the category between 30 and 50 years of age and one belonging to the category over 50 years of age.

In corporate governance activities, a system is adopted that ensures, in the various corporate processes, the **segregation of the functions** involved. In particular, the system of Segregation of Duties envisages specific rules for the internal approval of corporate operations and projects, especially for the most important ones, so that each decision is proposed, validated and controlled according to a formalised system of proxies and powers of attorney which envisages progressive authorization levels (defined according to the type and strategic and/or economic importance of the operation to be carried out), by separate functions, before the final authorization by the Top Management.

The **two main approval bodies and instruments** are:

1. The **Steering Committee**, involved in cases where the need for consensus and alignment of different business functions prevails in the decision-making process;
2. The **Management Agreement**, a procedure to track the approval flow used in the decision-making process.

3.4. INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

TMI manages in an integrated way the compliance systems based on the international standards of quality, environment and safety at work according to the provisions of the respective voluntary standards. In this regard, TMI has obtained the renewal of the relevant certifications (ISO:9001 - ISO:14001 and ISO:45001) from the TUV certification body.

The **Quality Management System** is based on **three fundamental pillars**: context analysis, determination of stakeholders and their influence on business processes, and risk management.

3.4.1 Internal Audit

TMI has established a monitoring system to keep key business processes and service level compliance under control.

At different levels of the organization, TMI has several planning, scheduling, control, and performance measurement tools, including:

- The application of Toyota Motor Europe Group's **Toyota Global Risk Management Standards** (TGRS) as an internal risk control and governance system.
- The Company **Hoshin Kanri** (Company Hoshin) and departmental Hoshin Kanri, formal documents indicating the vision and mission of the company and department, derived from the European Hoshin Kanri.
- A system of **M.B.O.** (Management By Objectives), i.e., performance objectives that the Company Management defines for each organizational position in line with TME development strategies and management system policies, and to the achievement of which is linked a result remuneration.

With regard to the monitoring of operational objectives, departments have dashboards of indicators that measure organizational and economic-financial performance and, therefore, indirectly also the efficiency and effectiveness of the underlying processes.

The **Internal Audit** function plans and carries out internal audits in line with TME indications, based on the indications received from the directors, in particular the Director of the Business Support Area, and the evidence deriving from processes that are in line with objectives (with evidence of anomalies, non-compliance and excessive exposure to risks).

The internal audit plan, which TMI management uses to support the effectiveness and operational efficiency of business activities, has a **five-year** time horizon and can be reviewed on the basis of requirements requested by Top Management or TME.

Specific corrective actions are defined and planned on the basis of the results of audit activities.

3.4.2 Risk Management

The **risk management system** is defined according to the guidelines of the parent company TME and provides, as mentioned above, for a governance system that guarantees control over internal escalation processes and periodic reporting to the parent company of the risks that are relevant for TMI. In this regard, the Integrated Management Systems Committee has become part of the **Internal Control and Risk Management Committee (ICRM)**, which represents the point of contact of the internal control system with the Company's management, as a moment of punctual and timely reporting on risk management and compliance aspects.

This Committee supports the effective implementation of corporate policies and those relating to Toyota Motor Europe in terms of risk assessment and monitoring, with the aim of greater protection of the shareholder's interest and a more accurate mapping of the processes that contribute to the concrete achievement of the company's performance results.

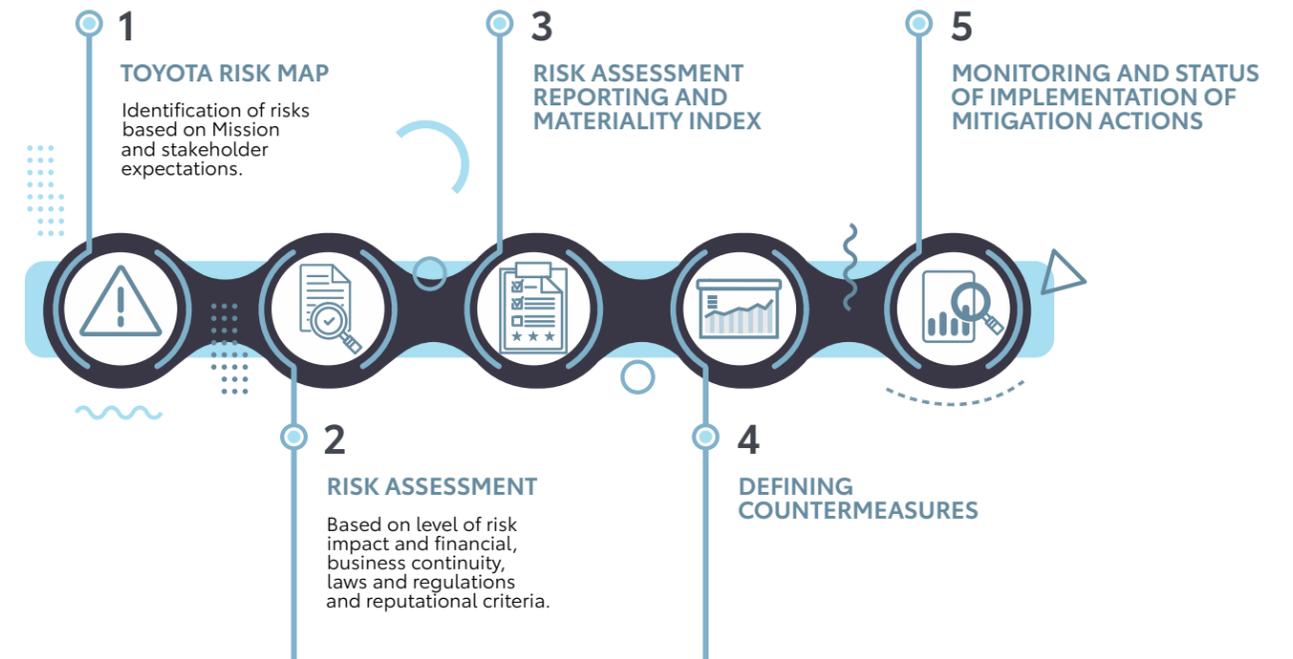
Operationally, Corporate Management has, during 2016, started a process of aligning the Organizational Model with the global risk governance standard proposed by TMC and declined in the national affiliates, called "**Toyota Global Risk Management Standards**" (TGRS).

The model was created as a result of TMC's need to implement a global risk management system following the negative product quality events that occurred in North America in 2010. As part of the TGRS Model, **risk registers** are identified that identify stakeholders, their expectations, and the disruptive elements that may pose risks to their satisfaction.

TMI applies the TGRS as an internal risk control and governance system, with which it prevents and counteracts threats and vulnerabilities that may arise and compromise the delivery of its services. The TGRS system, aimed at protecting business value and pursuing corporate objectives, is applied in a systematic, structured, timely, and documented manner, and is periodically audited to ensure that the overall process meets corporate objectives.

The risk management process has two phases, one at the management level (TME/TMI) and one at the departmental level that integrate the identified risks and opportunities.

The TGRS implementation steps are as follows:



Responsibilities for defining and implementing measures are defined on the basis of the priorities and importance of the risks present in the risk registers, and are planned and monitored in the Corporate Hoshin and departmental *hoshin kanri*.

TMI's risk management process makes use of:

- A **Risk Committee**, in which the aspects most relevant to management are brought to the attention of management.
- **Department Managers** whose aim is to implement and develop the risk management programme, as well as to supervise and monitor the identification and analysis of risks on the basis of the TGRS methodology and the Risk Map.

BUSINESS ETHICS, COMPLIANCE AND ANTI-CORRUPTION

The ethical conduct of business is one of the mandatory principles of Toyota's strategy.

Specifically:

1. The **Quality Management System** ensures, from a risk perspective, the effective monitoring of *governance*, business and support processes with a view to continuous improvement.
2. The **Environmental Management System** is structured around two areas:
 - The TMI site management system that manages the significant environmental aspects of the headquarters, the logistics service for the dealer network and the End of Life Vehicles (E.L.V).
 - The dealer network management system which manages the environmental aspects of sales and after-sales activities throughout Italy.
3. The **Safety Management System**, in line with Legislative Decree 81/08, guarantees effective and efficient planning for safety.

The certifications are managed as an Integrated Management System within which the activities of identification and control of mandatory regulations are also placed.

As an integral part of corporate risk management, the activities of control of compliance with Sarbanes Oxley 404 (SOX) rules, which this year for the first time were carried out by TME with the support of the Internal Audit department of Toyota Motor Italia, are also part of the process. These controls are necessary to ensure the quality and transparency of Financial Reporting through the prevention and timely identification of material errors. This constant commitment and continuous alignment with international best practices has allowed TMI to issue a **Certification of Compliance** for fiscal year 2019 **based on SOX standards**.

TMI's Internal Audit Department prepares an annual audit plan that is approved together with the draft financial statements in June and on which it reports to the ICRM. In addition, TME's Internal Audit Team plans and conducts annual third-party audits of processes deemed to be of strategic importance.

The Toyota Group considers the ethical conduct of business one of the mandatory principles of its strategy since the birth of the brand. The most evident demonstration and formalization of this principle is represented by the Toyota Guiding Principles, which have been the basis of the **Code of Conduct** adopted by TMI, published on the company intranet and in extracts on the website. Adherence to the principles of the Code of Conduct is required of all parties that enter into agreements with TMI through the inclusion of a specific clause in the contractual text.

TMI has also adopted, and subsequently updated several times, an **Organization and Management Model pursuant to Legislative Decree 231/2001** in order to create a structured and organic system of procedures and control activities aimed at preventing the commission of the crimes covered by the Decree and to raise awareness among all those who work on behalf of TMI of the relevant cases of crime. The Model, last revised in December 2018, has mapped all areas potentially at risk not only of corruption but in general of the commission of any crime relevant to the aforementioned decree, and has identified the policies and procedures in place in the company to prevent the commission of such crimes.

A **whistleblowing procedure and a reporting tool**, detailed below, are an integral part of the model and a tool through which it is ensured the detection of any wrongdoing. Periodically, moreover, the president of the OdV sends a report on the status of the whistleblowing reports received. To date, **no reports have been received**.

With particular reference to anti-corruption, TMI has also adopted and published an Anti-Corruption Policy, referred to in the Company's Code of Conduct, which lays down the rules necessary for the correct prevention of corruption incidents. The principles of this policy are also applied to TMI's commercial partners through specific references and guarantees within the relevant contracts.

In line with the attention that TMI has always paid to **compliance** with the law, the Company has also adopted a detailed corporate compliance program, both with reference to the processing of personal data and to the issue of fair competition. Special funds have been set up to implement and monitor these programmes. Moreover, privacy and competition law risks have been included in the company's risk register and monitored by the ICRM.

Management has identified the Legal department as TMI's **Internal Compliance Officer**, assigning it the task of ensuring that the business

is in line with regulations, laws and mandatory standards, also making use of information flows with the Supervisory Body pursuant to Legislative Decree 231/2001 and with the head of the company's management system, who passes on the results of internal audits.

In order to ensure the effective implementation of these rules, the aforementioned **whistleblowing** policy has been adopted with a dedicated e-mail address and a special reporting system that guarantees the confidentiality of reports where required. Reports may be received by the internal Compliance Officer (Legal Affairs Manager) or by the external Compliance Officer (Chairman of the 231 Supervisory Board) and may concern attempts to commit offences, including unknowing ones, weaknesses in the company's internal control systems, and opportunities for improvement in order to bring the company's organization into line with regulations, laws and legislation.

In the event of a report, the Compliance Officer will register it and carry out an internal investigation.

3.6. PRIVACY INFORMATION SECURITY

3.6.1

The handling of data

TMI places compliance in the field of personal data protection among the priorities of its business.

In this sense, the introduction of the current European legislation, EU Regulation 2016/679, known as **GDPR (General Data Protection Regulation)**, has required an important organizational and procedural reorganization, to which TMI has responded quickly and effectively, adapting previous measures on the subject or adopting new ones.

In addition, for proper implementation of the regulations, TMI has established an internal governance structure to manage, implement and monitor the status of compliance with these regulations, which is

also included in the Hoshin Kanri¹² as one of the corporate objectives. The new procedures required by the directive have led to a wide-ranging review of the company's existing processes, reinforcing those aspects considered most vulnerable.

This has led to a substantial modification of certain aspects of the business and has made it necessary to provide specific training for the company's own employees and those of its distribution and service network operators.

The regulations have, in fact, largely affected **TMI's** activity, which **processes different types of data** for heterogeneous categories of stakeholders, including customers, employees and suppliers. Data processing is carried out by means of manual tools (collection through paper forms) and computerized tools (collection and storage on a management platform called "**Toshiko**" and in a computerized customer relationship management archive called "**Customer Relationship Management**" CRM).

TMI, in its capacity as data controller, has adopted the **Privacy by Design and Privacy by Default** policy process, which defines the rules, methods and principles relating to the Data Protection Impact Assessment ("DPIA") and which is addressed to all parties who, for various reasons, carry out information processing operations, so that these take place in compliance with the requirements of the applicable legislation. For customers, the processing is carried out by TMI employees and by the operators of the official Toyota and Lexus network who have been appointed as data processors. For the correct application of these rules, the company ensures, through specific contractual clauses, that suppliers also comply with the requirements of the "Regulations" during the processing, access or use of personal data of employees, customers and potential customers of TMI.

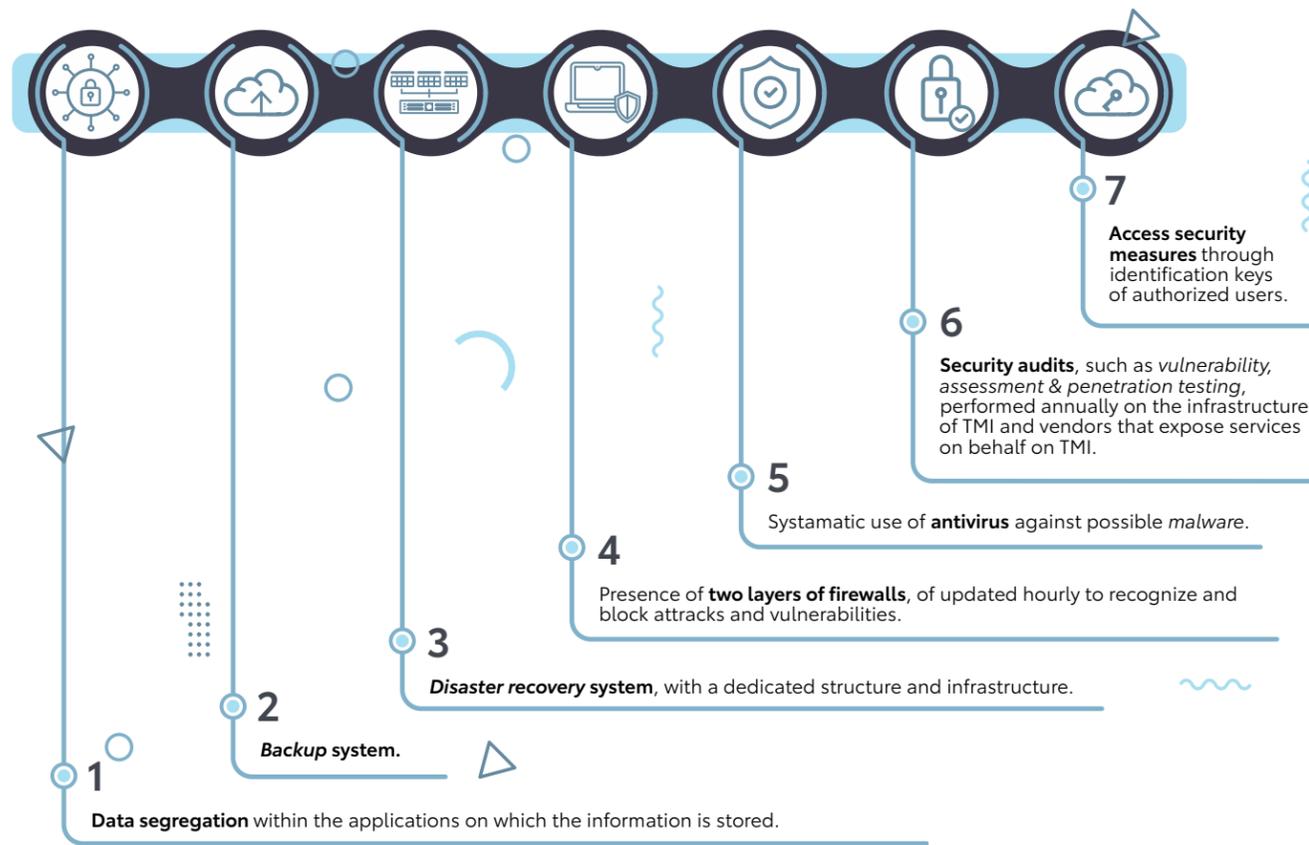
The management of the entire process of data processing and data security requires the involvement of all interested parties within the organization, in particular the ICT and Legal & Compliance departments. In compliance with the applicable legislation, the company has also provided for the Data Protection Officer ("DPO"), together with the DPO Committee and/or the Legal & Compliance Department, to supervise the compliance of the personal data management process and to report, together with the designated internal data processing managers, to the relevant bodies (ICRM, SB and Board of Auditors).

¹² For the description of the tool, please refer to paragraph 3.4.1 "Internal Audit".

3.6.2 Information security

TMI has also defined and structured processes, procedures and controls to ensure the level of continuity required for **information security**, an equally important aspect in ensuring the proper management and storage of data.

Figure 4
The main security measures adopted by TMI in the management of information.



The company has adopted a **security model from parent company Toyota Motor Corporation**, based on the main points of security models such as the National Institute of Standards and Technology (NIST), the Cybersecurity Framework (CSF), the Information Security Management System (ISMS), and the Cybersecurity Management Guideline for auditing business. Following the adoption of TMC's security model, Toyota Motor Europe has also provided new IT security tools with centralized monitoring on different systems such as endpoints, email, server patching and support in identifying security incidents, security awareness to users.

All systems are monitored with a Security Operations Center (SOC) service provided by Toyota Motor Europe, with real-time reporting of critical issues or attacks detected, managed internally by opening a ticket.

Among the technical measures adopted by TMI in order to make the management of processes and information more secure, the most relevant are shown in Figure 4.

Stakeholder mapping and materiality analysis

— CHAPTER 4.



4.1. STAKEHOLDER MAPPING

As stated in TMC's Corporate Social Responsibility (CSR) policy¹³, dialogue with stakeholders is a fundamental value for Toyota's business and, of course, for Toyota Motor Italia as well. The identification of stakeholder categories and of the most suitable channels of dialogue for their involvement is an important step to fully understand their needs and expectations and to define the best approach for the creation of shared value.

The identification of stakeholder categories and of the most suitable channels of dialogue for their involvement is an important step for the creation of value.

February 2020, TMI completed the **first mapping of its stakeholders**, i.e., the identification of the individuals or groups of individuals who can most influence or be influenced by TMI's activities. In implementing this process, the macro-categories mentioned in TMC's global CSR policy, i.e. Customers, Employees, Business Partners, Shareholders, Local Communities/Global Society, constituted a primary reference that TMI then adapted to its own business and the European and Italian context. To this end, a benchmark analysis was carried out among the main automotive companies, which enabled the identification of trends and best practices in the sector. The categories identified were then analyzed and integrated in light of the context in which TMI operates and the specific characteristics of its business model, leading to the definition of **twelve categories**, represented in Figure 5.

As part of its first Sustainability Report, TMI has also started to involve some of the categories identified, making them active participants in the company's commitment to sustainability by assessing the most relevant issues for Toyota, as described in the next paragraph. This is only the first step in a process that aims to identify and institutionalize specific channels of dialogue that can lead the company to increasingly involve its stakeholders in defining its activities and its sustainability strategy.

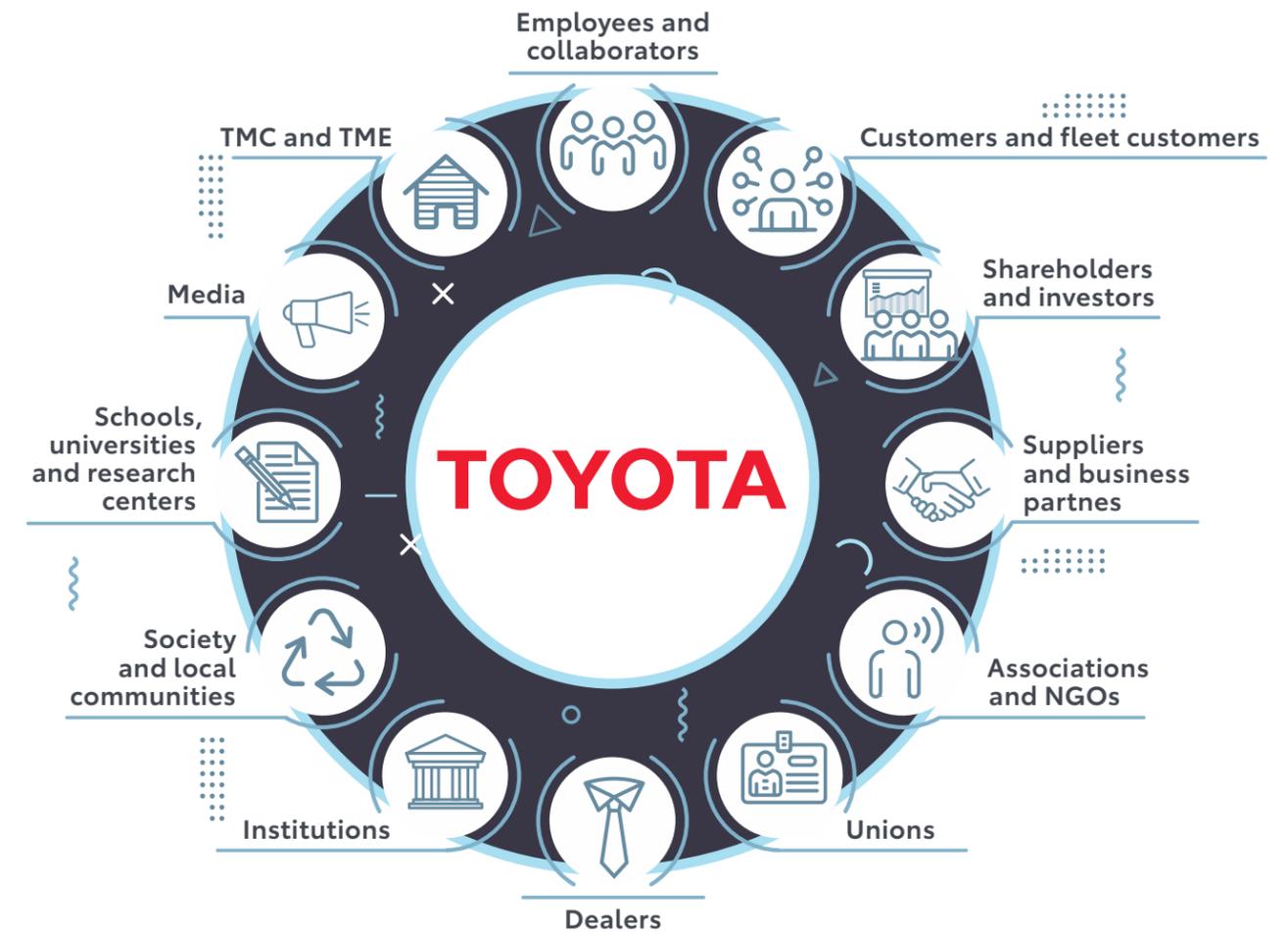


Figure 5

Mapping of TMI stakeholders.

¹³ Toyota Motor Corporation, Sustainability Data Book, p.7.

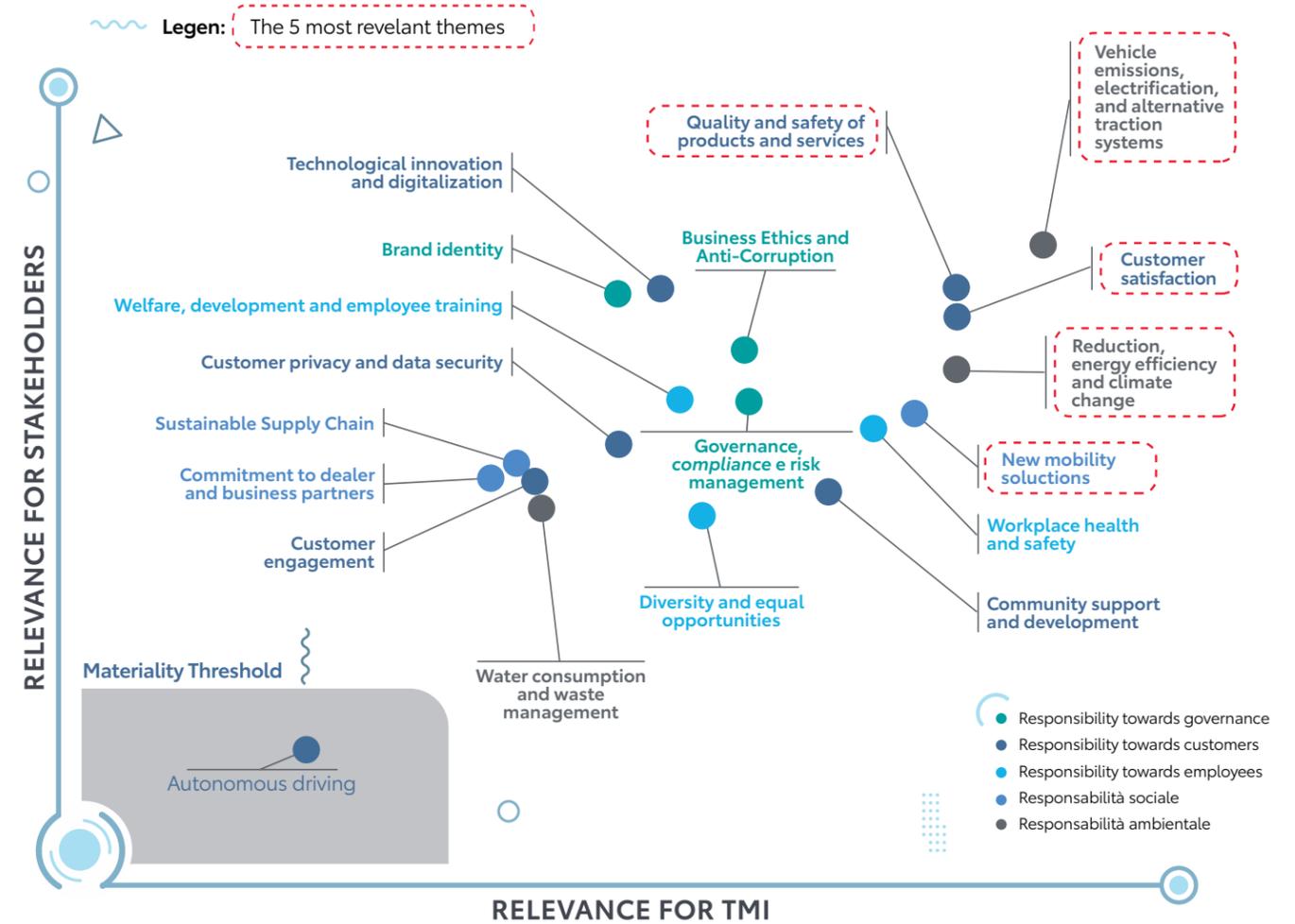
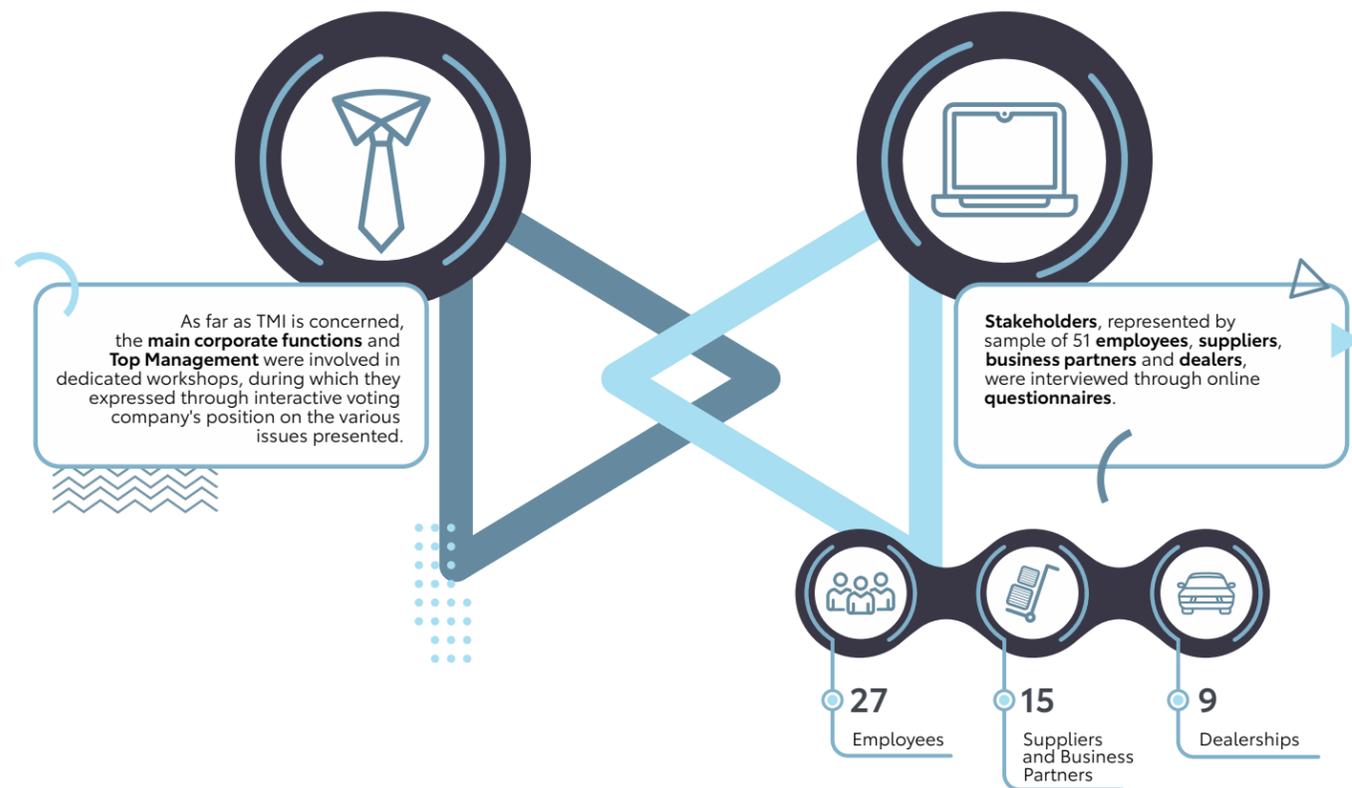
4.2. MATERIALITY ANALYSIS AND MATRIX

In accordance with the GRI Standards, the international standards for non-financial reporting issued by the Global Reporting Initiative, TMI's Sustainability Report aims to delve into **material themes**, i.e., those aspects that reflect TMI's significant economic, environmental, and social impacts and that may influence the assessments and decisions of its stakeholders.

The process of identifying these themes or issues, termed **materiality analysis**, consisted of 3 phases:

- 1. Identification of relevant issues:** the research has identified trends and best practices in the sector, firstly by identifying the most relevant issues for a sample of 50 companies in the transport sector, and then by carrying out an extensive benchmarking analysis of best practices in different business sectors.

Figure 6
How TMI and its stakeholders assess relevant issues.



- 2. Evaluation of the issues relevant to TMI:** the significant issues were submitted to the evaluation of the company through two dedicated workshops in which the operational lines of the various business functions were involved on the one hand and the Top Management on the other, who were able to assess the relevance of the various issues through an interactive vote and discussion of the results (Figure 6).
- 3. Evaluation of relevant issues for stakeholders:** at the same time, a significant sample of stakeholders, belonging to the categories of employees, suppliers and business partners and dealers, were able to express their position on the relevance of the issues addressed through online questionnaires, the results of which were subsequently collected and consolidated into an average value (Figure 7).

Figure 7
TMI's materiality matrix.

The votes thus obtained made it possible to draw up a matrix, known as the **materiality matrix**, which makes it possible to visualize the relevance of each issue both for TMI (x-axis) and for its stakeholders (y-axis).

The evaluations deriving from the two processes have made it possible to identify **18 issues** that are particularly relevant to TMI's business, represented in the materiality matrix.

The matrix shows a substantial alignment of the company with the main macro-trends of the sector, with reference, for example, to the importance that **new mobility solutions** assume for TMI's business, but it also and above all reflects the distinctive characteristics of Toyota's values and strategy. The issues assessed as most relevant by stakeholders and the company represent important pillars of the brand's business: the development of alternative drive systems and progress towards electrification, vehicle **quality** and **safety** and **customer care** are, in fact, fully reflected in Toyota's strategic priorities and values as well as in the history and success of the brand.



Toyota's environmental commitment

— CHAPTER 5.



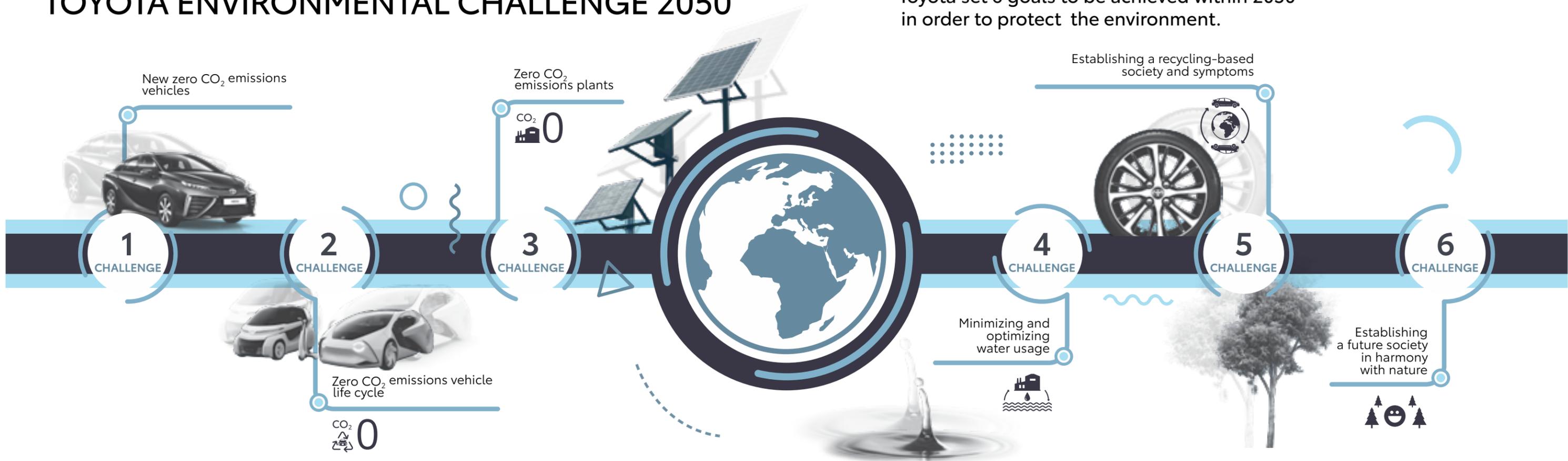
Environmental protection and the commitment to minimize the impacts of its activities are priorities for Toyota, present both in the Guiding Principles¹⁴ (Principle 3 "Dedicate our business to producing clean and safe products, improving the quality of life everywhere through our activities") and among the long-term objectives of the Toyota Global Vision ("Respecting the planet"). After decades of research and progress towards ever less polluting technologies, in 2015 the brand formalized, with the **Toyota Environmental Challenge 2050**, its environmental strategy to 2050, divided into **six challenges** and aimed at reducing the company's environmental impact, from production to vehicle use. The challenges - depicted in Figure 8 - aim to **minimise emissions from production and vehicles**, both during use

and throughout their life cycle, **minimise** and optimise the **use of water resources**, encourage a **circular economy**, and ultimately achieve a **society** that is in **harmony with nature**. They will concretely contribute, at the same time, to the progress of several SDGs. In order to verify the actual progress of the challenges, **Milestones 2030** were announced in 2018, i.e. intermediate qualitative and quantitative objectives that monitor the progress of the various targets¹⁵. TMI has also prepared a Plan for the continuous improvement of its environmental impact, the Environmental Leadership Plan, which allows for continuous monitoring of its performance in the various aspects of its business, from increasing sales of hybrid vehicles to reducing energy consumption and emissions from its buildings.

Figure 8

The six challenges of the Toyota Environmental Challenge 2050.

TOYOTA ENVIRONMENTAL CHALLENGE 2050



Toyota set 6 goals to be achieved within 2050 in order to protect the environment.

¹⁴ TMC, 75 Years of Toyota, https://www.toyota-global.com/company/history_of_toyota/75years/data/conditions/philosophy/guiding_principles.html.

¹⁵ TMC, Sustainability Data Book 2019, p. 51.

5.1. ELECTRIFICATION TOWARDS ZERO EMISSIONS

5.1.1 The transition to sustainable mobility

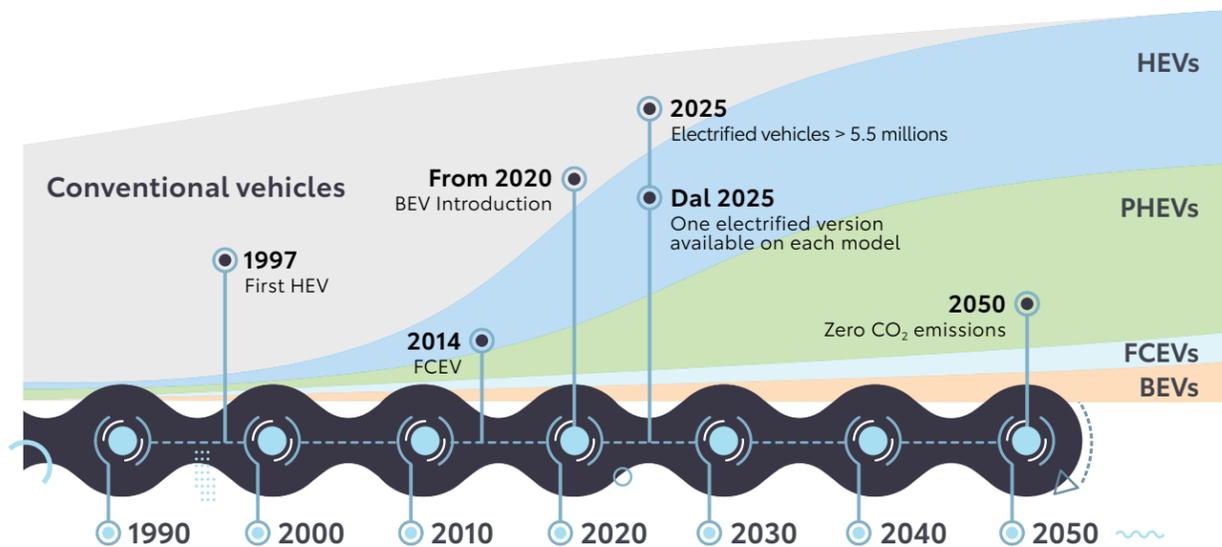
The first challenge of the Toyota Environmental Challenge 2050 aims to **reduce average CO₂ emissions per vehicle by 90% from 2010 levels by 2050**.

Starting from the idea that low environmental impact vehicles can only make a real contribution to society if they are used by an increasing number of people, Toyota aims to develop technologies that make the transition to cleaner mobility increasingly accessible to all. To this end, several global initiatives have been launched to accelerate the spread of electrified mobility.

In this context, in April 2019 Toyota announced the **liberalization** until 2030 of **approximately 24,000 patents** it owns related to vehicle electrification, helping governments and manufacturers develop the technologies needed to reduce the effects of climate change¹⁶.

Figure 9

The electrified vehicle deployment plan, updated by Toyota in June 2019.



¹⁶ Among the patents that have been liberalized, some of which are still in the approval phase, are advanced technologies found on electrified vehicles, particularly those equipped with hybrid-electric systems (HEV), which have enabled Toyota to improve performance, reduce the size and, above all, the cost of components. Specifically, the patents include those related to individual elements and systems such as electric motors, power control units (PCUs) and control systems, which are key technologies applicable to the development of various types of vehicles, including HEVs, plug-in vehicles (PHEVs) and fuel cell-powered vehicles (FCEVs).

Toyota's new plan for the **deployment of electrified vehicles** has brought forward its sales volume targets by five years, expecting to reach **5.5 million electrified vehicles sold annually by 2025**, a target previously set for 2030. This will be the consequence not only of a new consumer awareness but also of the company's commitment to make every model in the Toyota and Lexus range available exclusively or with at least one electrified variant within the same year, while respecting the criterion of **affordability**, with prices aligned with those of conventional cars¹⁷.

Since 1997, when its first hybrid car, the Toyota Prius, went on sale on a large scale, Toyota has sold more than **15 million** hybrid vehicles in more than 90 countries, offering a range of 44 hybrid models to date.

In **Italy**, about **300,000** people have chosen a Toyota hybrid vehicle, which, with a 52%¹⁸ share maintains a firm leadership in the electrification segment¹⁹, which is experiencing strong growth in the Italian market, accounting for 6.6% of total passenger car sales in 2019 (+ 1.8 percentage points compared to 2018)²⁰.

These results confirm the concrete contribution that Toyota is making to the spread of low environmental impact technologies, not only globally but also specifically in Italy. With over 70% of sales represented by hybrid vehicles - a percentage that continues to grow - and 12 models in the hybrid range, TMI confirms, in fact, the willingness and attitude of the brand to lead the transition to the mobility of the future on the basis of a clear and defined strategy.

From this perspective, in fact, the vision that Toyota has developed globally regarding the transition to zero-emission mobility attributes a key role to the thermal-electric hybrid technology that, in addition to ensuring an increase in energy efficiency without substantially changing the driving habits of a conventional vehicle, is based on a basic architecture from which all electrified solutions can derive.

Toyota aims to develop technologies that make the transition to cleaner mobility increasingly accessible to all.

¹⁷ Mauro Caruccio, *Il Gruppo Toyota dice grazie ai 15 milioni di clienti nel mondo, e ai 300.000 in Italia, che hanno scelto la tecnologia elettrificata di Toyota e Lexus*, Newsroom toyota.it, <https://newsroom.toyota.it/il-gruppo-toyota-dice-grazie-ai-15-milioni-di-clienti-nel-mondo-e-ai-300000-in-italia-che-hanno-scelto-la-tecnologia-elettrificata-di-toyota-e-lexus/>.

¹⁸ Data refer to Toyota and Lexus sales on the electrified marketplace in 2019.

Source: <https://newsroom.toyota.it/il-gruppo-toyota-in-italia-annuncia-i-risultati-del-2019/>.

¹⁹ Represented by: Electric (BEV), Hybrid Electric (HEV), Plug-in Hybrid Electric (PHEV). Source: Dataforce.

²⁰ TMI, *Il Gruppo Toyota in Italia annuncia i risultati del 2019*, <https://newsroom.toyota.it/il-gruppo-toyota-in-italia-annuncia-i-risultati-del-2019/>.

COMMON COMPONENTS TO ALL TECHNOLOGIES

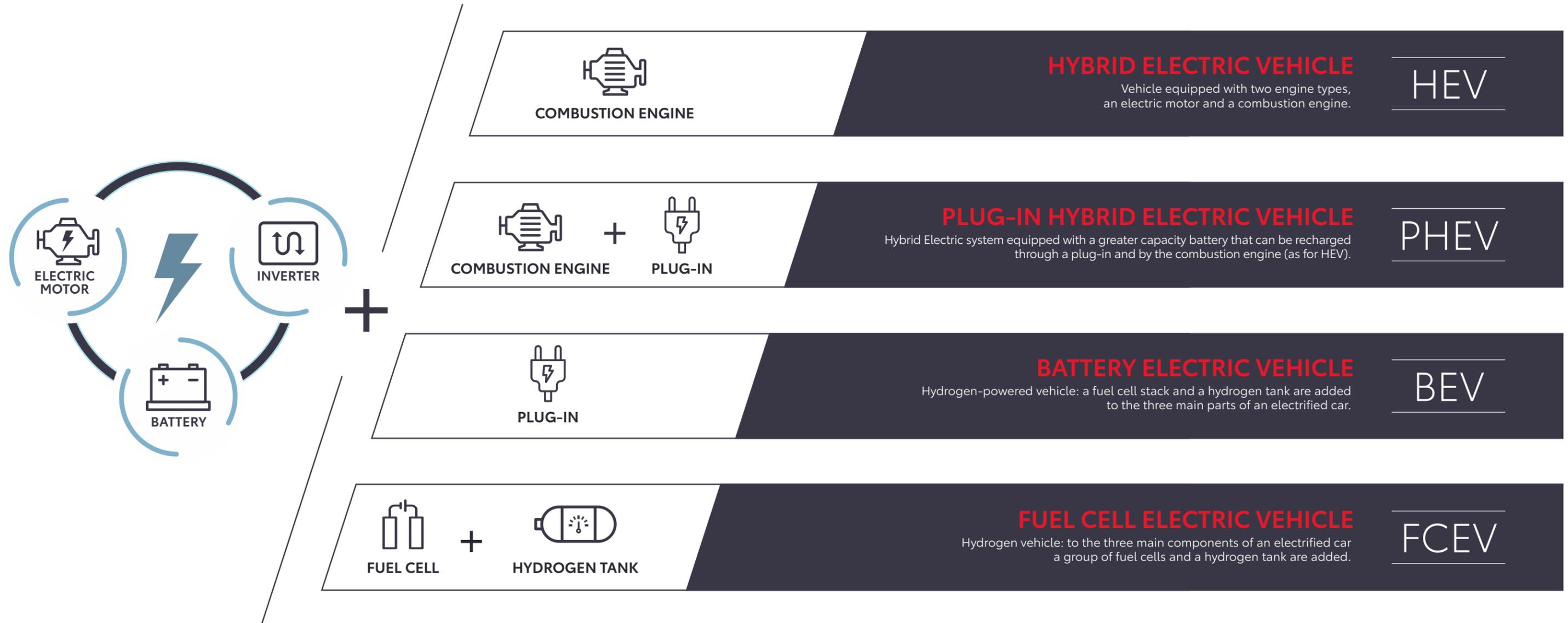


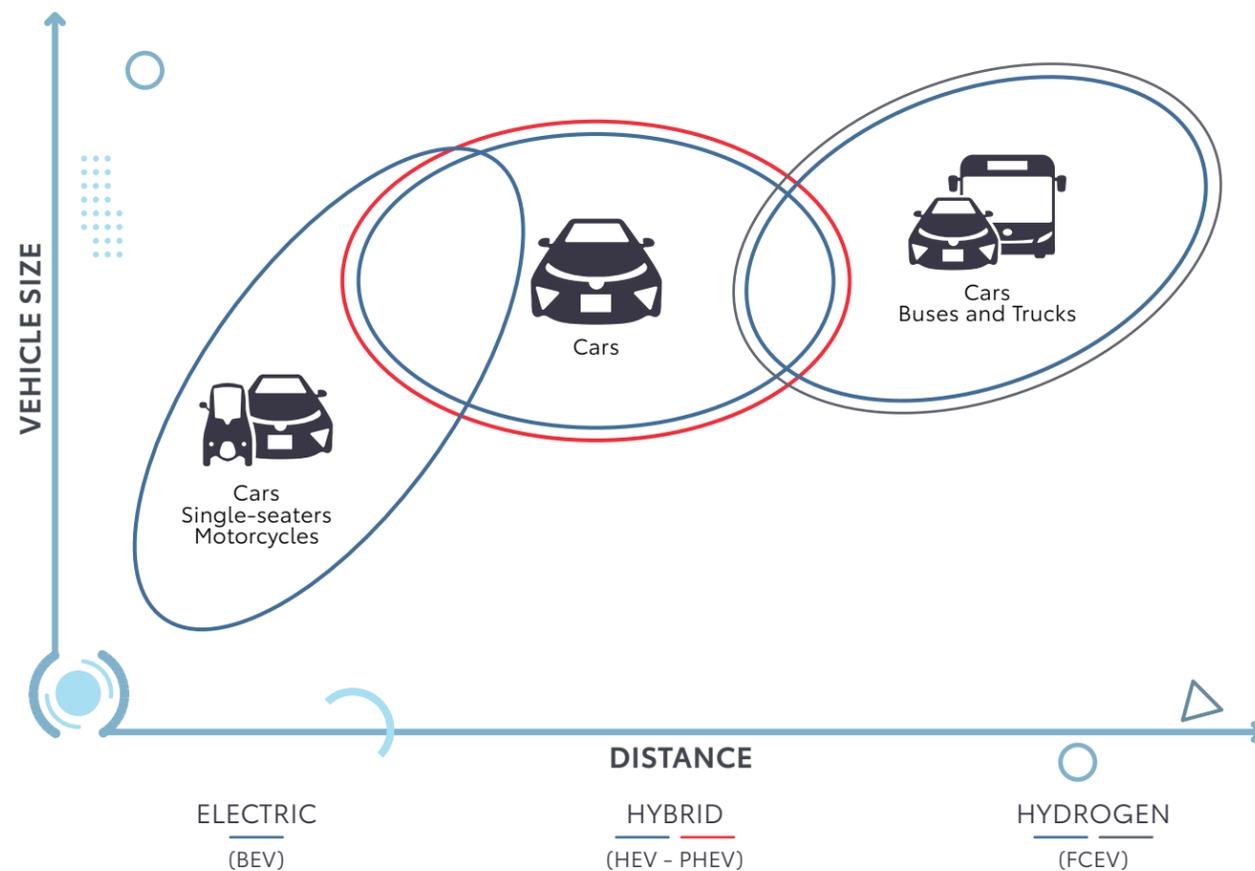
Figure 10
Toyota's electrified solutions.

In fact, all electrified propulsion systems available today have three basic elements in common:

- **One or more electric** motors one or more electric motors of varying size and power that contribute partially or entirely to traction.
- **A battery** that stores energy to power electric motors.
- **An inverter** that converts the current delivered by the battery from direct current to alternating current to power the electric motor and performs the reverse process during deceleration to recover energy.

By adding other components to these elements, the four currently available electrified technology solutions can be obtained, as described in Figure 10. Although among these only BEVs (Battery Electric Vehicle) and FCEVs (Fuel Cell Electric Vehicle) are zero emission vehicles, several factors will make the diffusion of these two solutions more or less rapid in different countries: the economic situation, the availability of suitable infrastructures, energy policy,

Figure 11
Toyota's map of electrified mobility.



the presence of more or less significant incentives, per capita income and many other variables. For this reason, the role of HEVs (Hybrid Electric Vehicle) and PHEVs (Plug-in Hybrid Electric Vehicle), which are much closer to conventional vehicles in terms of driving habits and refueling requirements, will be crucial in the coming years. In fact, according to Toyota, each of the electrified technologies currently available on the market will make its own contribution to the transition to a more sustainable future, responding to different mobility needs according to their own characteristics (Figure 11).

The European Green Deal

In December 2019, the European Commission unveiled the so-called **European Green Deal**, a roadmap aimed at making the EU economy sustainable through resource efficiency, circular economy, biodiversity protection and pollution reduction. Among the sectors covered by the plan, **sustainable mobility** plays an important role and places great emphasis on the issue of **Mobility as a Service** solutions, which are essential to reduce congestion and pollution especially in urban areas, the **development of sustainable alternative fuels**, supported by the enhancement of a recharging and refueling network for the growing population of low or zero emission vehicles, **and stricter technical standards for pollutant emissions from internal combustion vehicles**.

Toyota, thanks to its long experience in the field of electrification and its ability to anticipate the mobility trends of the future, is now in an **advantageous position** on all fronts affected by the European Green Deal. Toyota's leadership in the hybrid powertrain segment, its role as a pioneer of hydrogen technology, a range with emissions well below legal limits and a solid strategy to respond to the new challenges of mobility through the Kinto brand make Toyota's priorities perfectly in line with the objectives of the European plan, which is thus a great opportunity to accelerate the realization of its vision: **a zero-emission mobility of the future**.

For example, BEVs, which in the short-to-medium term will continue to be conditioned by various factors, such as autonomy and ease and speed of recharging, as well as affordability, will realistically be more widespread in urban environments, on small vehicles mainly intended for short distances. On the contrary, FCEVs, characterized by high autonomy - more than 500 km with a full tank - and recharging times comparable to those of a conventional vehicle, will lend themselves, in countries with an adequate recharging infrastructure, to the use for large vehicles intended for long distances, or for commercial, industrial and public transport vehicles. A fundamental step in the strategy for the diffusion of low environmental impact technologies is the communication of its benefits to institutions, encouraging the adoption of measures to encourage their use. Thanks in part to TMI's commitment, in Italy 75% of Regions and almost 50% of Provincial capitals have introduced incentives for low environmental impact vehicles, with particular attention to hybrid vehicles.

5.1.2 The Role of the Full Hybrid

Full Hybrid technology plays a key role in the energy transition as it is capable of ensuring low environmental impact without substantially changing the driving habits of users compared to conventional vehicles. In fact, despite the fact that a significant percentage of traction is carried out by electric components, refuelling takes place in the same way as internal combustion vehicles.

The energy efficiency of Toyota's Full Hybrid vehicles was the subject of **two scientific studies** conducted in 2016 and 2017, respectively. The studies, carried out in 2016 in collaboration with the **CARe Center** (Center for Automotive Research and Evolution) of the Guglielmo Marconi University of Rome, which was joined in 2017 by **ENEA** (National Agency for New Technologies, Energy and Sustainable Economic Development), monitored the energy behavior of two Toyota vehicles, respectively the Toyota Prius IV and the Toyota Yaris, in order to establish the percentage of zero-emission car mileage in different types of routes (urban, highway and mixed).



| | COMBINED ROUTE | URBAN ROUTE |
|------------------|----------------|-------------|
| ZEV - Time | 73.2% | 79.4% |
| ZEV - Space | 62.5% | 76.3% |
| EV - Time | 58.3% | 67.1% |
| EV - Space | 46.4% | 62.9% |
| Total efficiency | 46.3% | 34.9% |

The results showed that, out of 60 test drives carried out by 20 different drivers, the **Toyota Prius IV** travelled an average of **73.2% of the time in zero emissions mode** (or ZEV - Zero Emission Vehicle) - time in which the vehicle was in operation but with the internal combustion engine switched off - a percentage that rises to **79.4% in the urban stretch**, with the remarkable fact that **27.6% of the electricity used to recharge the battery was recovered from the kinetic energy of the wheels** during acceleration and deceleration, energy that would otherwise be dispersed in dust and heat.

| | COMBINED ROUTE | URBAN ROUTE |
|------------------|----------------|-------------|
| ZEV - Time | 67.6% | 75.4% |
| ZEV - Space | 40.4% | 65.4% |
| EV - Time | 40.0% | 49.8% |
| EV - Space | 27.7% | 49.9% |
| Total efficiency | 38.1% | 31.2% |

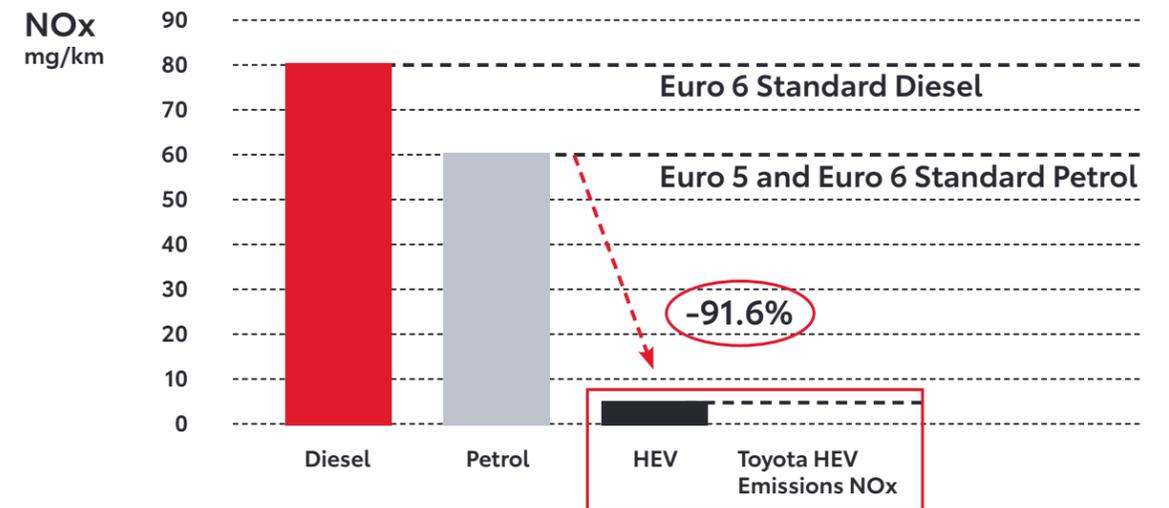


The **Toyota Yaris**, on the other hand, on a total of 42 test drives carried out by 14 different drivers, operated for **67.6% in ZEV mode**, a value that rises to **75.4% in the urban stretch**. In particular, the car was able to operate in **EV (Electric Vehicle) mode** - i.e. to ensure traction exclusively from the electric motor, thus disregarding the moments in which there was no traction from either motor - **for 40% of the time**, testifying to the effective power of the electric component.

Similar studies have also been conducted in **Paris** (France) and **Darmstadt** (Germany) in collaboration with prestigious academic institutes, leading to very similar results.

Figure 12

NOx emissions from Toyota's Full Hybrid compared to EU legal limits.



In terms of emissions, as shown in Figures 12 and 13, Toyota's Full Hybrid manages to deliver significantly lower levels of emissions than conventional engines, and well below the limits set by EU legislation, namely 95 g/km for **average CO₂ emissions** across the range of vehicles produced by each car manufacturer, and 80 mg/km for diesel and 60 mg/km for petrol cars in terms of average **emissions of NO_x**, factors harmful to human health. For the latter, Toyota Full Hybrid emissions are up to **96.5% lower** than legal limits.

| | Emissions CO ₂ g/km | CONSUMPTION | | |
|--------------|-----------------------------------|------------------|------------------------|---------------------|
| | | Urban l/100km | Extra-urban l/100km | Combined l/100km |
| YARIS HYBRID | 84 | 3.5 | 3.6 | 3.7 |
| YARIS 1.0 | 104 | 5.3 | 4.1 | 4.6 |
| YARIS 1.5 | 102 | 5.2 | 4.1 | 4.5 |
| C-HR HYBRID | 86 | 3.4 | 4.0 | 3.8 |
| C-HR 1.2 | 135 | 6.9 | 5.3 | 5.9 |

CO₂ emissions of Toyota's Full Hybrid compared to conventional engines.
Source: European type-approval data (correlated NEDC values).

The different types of hybrid in the automotive sector

HEV - Hybrid Electric Vehicles can be classified by performance or by mode of operation. The first classification distinguishes between:

- **Hybrid series:** traction is carried out by the electric motor only, while the thermal motor has the sole function of generator to recharge the vehicle battery.
- **Parallel hybrid:** both motors participate in the traction, with the electric motor assisting the thermal motor with a surplus of power when necessary.
- **Series/parallel hybr:** this is the system used by Toyota that takes advantage of both systems, with the heat engine operating by complementing the electric motor.

Toyota uses Full Hybrid and Hybrid Plug-in technologies for its vehicles, which are distinguished by a greater contribution of the electric component compared to other technologies, as can be seen in the following classification according to mode of operation:



MICRO HYBRID

Equipped with a simple Start&Stop device that turns off vehicle's engine when stationary and braking system recharging the battery.



MILD HYBRID

Equipped with an electric motor that cooperates with the combustion engine, but that cannot work autonomously.



FULL HYBRID ELECTRIC TOYOTA

Equipped with an electric motor that works both together with the combustion engine and completely autonomously: it is a very efficient system, that allows to run at **zero emissions for more than 50% of the time***.



HYBRID PLUG-IN TOYOTA

It is the Full Hybrid Electric version with a **plug-in to increase electric running range**.

A reliable index to measure the effective role of the electric motor in a hybrid system is the **degree of hybridization (Hr)**. It is expressed by the ratio between the maximum power of the electric motor and the sum of the maximum power of the heat and electric motors. Battery electric vehicles have an Hr = 1, while conventional engines have an Hr = 0. All thermal-electric hybrid vehicles have an Hr value between 0 and 1, depending on the weight of the electric component, and which makes it possible to distinguish **Micro or Mild Hybrid** (Hr ≤ 0.23) from **Strong or Full Hybrid** (> 0.23).**

* The zero-emission percentage refers to the fraction of time of the total time spent travelling the routes under examination. This percentage is derived from the results of studies on the energy behaviour of Toyota Hybrid vehicles carried out by CARE - Research Centre on Cars and their Evolution (Università degli Studi "Guglielmo Marconi", Roma) and by ENEA - National Agency for New Technologies, Energy and Sustainable Economic Development (Centro Ricerche Casaccia, Roma), and from those obtained with the "Truth Test Drive" based on data from the vehicle's diagnostic system.

**Chris Mi, M. Abul Masrur, Hybrid Electric Vehicles: Principles and Applications with Practical Perspectives, Ed. John Wiley & Sons, 2017, par. 1.4.7. David Crolla Behrooz Mashadi Vehicle Powertrain Systems Ed John Wiley & Sons 2011 par 7241/2/3

5.1.3 The role of hydrogen

For more than twenty years, Toyota's research has progressively focused on perfecting an electrified technology with great potential for sustainable mobility as envisioned by the brand: **FCEVs, or hydrogen fuel cell vehicles**.

The use of hydrogen as an energy vector is not a recent invention, but its application to the automotive sector is and will increasingly be an interesting prospect from several points of view.

Hydrogen is an **unlimited resource** present in an inexhaustible form in nature: it can be obtained from water through electrolysis using electricity produced from renewable sources, and can be obtained from a wide range of substances such as oil, gas, biofuels and many others.

Moreover, hydrogen allows the **storage**, in gaseous, liquid or solid form, of energy produced from renewable sources in a safe way and for a long time, allowing an easy transport.



Its **high energy density**, both by weight (about 2.9 times higher than gasoline and 160 times higher than lithium-ion batteries) and per unit volume (when compressed at 700 bar, 3.7 times higher than gasoline and 3.5 times higher than lithium-ion batteries), makes hydrogen comparable to traditional fuels in both bulk and refueling speed.

The **Toyota Mirai**, the world's first mass-produced hydrogen car and marketed since 2014, now in its second generation, is a symbol of Toyota's strategy to popularize this system as the most promising solution in terms of emissions - FCEVs are zero-emission vehicles - and driving habits, when looking at the high range and short refueling times. However, a variable in the diffusion of these vehicles is represented by the **degree of development of the necessary infrastructure**, i.e. hydrogen refueling stations, and by the support that institutions will be able to guarantee to this technology.

Japan, also thanks to the strong support of the Government, is one of the most advanced countries in this sense, with 91 active stations. Toyota, in a joint venture with Nissan, Honda and the French company Air Liquide, has formed the consortium "**Japan H2 Mobility**" for the further development of the network, envisaging 80 new stations in 4 years. In addition, for the Tokyo Olympics, postponed to summer 2021 as a result of the Covid-19 emergency and for which Toyota will be an official partner and provider of mobility services, only hydrogen vehicles will be provided, including **SORA the hydrogen bus** (acronym for Sky, Ocean, River and Air), of which the brand has announced mass production on the occasion of the Games.

In **Italy**, the transposition of Directive 2014/94/EU "DAFI" constituted an important step for the development of a refueling infrastructure for alternative fuels. In particular, the creation of a number of hydrogen refueling stations suitable to meet the minimum requirements for long-distance travel throughout the country by December 31, 2025 was envisaged. To this end, a network of at least 25 stations will be necessary to allow an initial diffusion of FCEVs in Italy.

At the moment, the only active station is located in **Bolzano** and represents an important stop along the green corridor between Germany and Italy planned within the Hyfive 2 project and which should connect Munich to Modena.

However, thanks to the **collaboration between Toyota and ENI** for the acceleration of the development of a suitable infrastructure for hydrogen, new stations will be built in **San Donato Milanese** (MI), and in the metropolitan area of Venice Toyota has made available its technological knowledge and a fleet of Mirai.

The Toyota Mirai is a symbol of Toyota's strategy to popularize this system as the most promising solution in terms of emissions - FCEVs are zero-emission vehicles - and driving habits.

5.2. EMISSIONS REDUCTION AND FACILITY MANAGEMENT

Toyota's challenge number 2 aims to achieve zero CO₂ emissions throughout the product life cycle: not only developing clean technologies, but also reducing the impacts of the processes.

The global challenges posed by climate change have encouraged growing awareness and debate over the past decade among both governments and businesses about the countermeasures needed to mitigate its effects. Challenges 2 and 3 of the Toyota Environmental Challenge 2050²¹ constitute, along with a commitment to the continued development of electrified drive systems, Toyota's response in this area. Reducing CO₂ emissions is a key element in curbing the rise in average temperature, as enshrined in the Paris Agreement in 2015; however, limiting in-use vehicle emissions through technologies with low environmental impact is just one of the tools needed to reduce the impact of the company's production activities.

In this regard, Toyota's challenge number 2 aims to achieve zero CO₂ emissions throughout the product life cycle. This means not only developing clean technologies, but also reducing the impacts of the processes involved in making these technologies, including the production and assembly of materials and components, and the disposal of products. To achieve these goals, Toyota has rethought the entire production process, starting with the choice of materials whose manufacture requires processes with low environmental impact, but also reducing the quantity of components per vehicle and increasing the use of recycled and recyclable materials²² of high performance in quality and safety. With challenge number 3, on the other hand, the brand is committed to reducing CO₂ emissions from production plants, a commitment that passes through technological innovation, process efficiency and the increasing use of renewable energy²³.

In Italy, despite the absence of production facilities, TMI has always been committed to the constant **reduction of its energy consumption and the environmental impact of its activities.**

A fundamental element of this commitment is the presence of a solid **Environmental Management System certified ISO 14001** since 2003 and applied effectively thanks to the work of a team of internal resources belonging to the areas with the greatest environmental impact and the support of external consultants who are experts in the field. The certification, which initially concerned only the Management Centre, was subsequently extended to the entire network of dealers throughout the country. TMI's head office is located in Rome and consists of four main buildings: the Office (which houses mainly executive offices), the Multipurpose (multifunctional space which houses, in addition to the company restaurant and gym, a multifunctional conference area with an auditorium with 300 seats and a bar), the Training Center (with theoretical classrooms and practical workshops for training personnel

of the Toyota network) and finally the Warehouse (which is the spare parts warehouse that, on a daily basis, makes shipments to the entire national network of dealers). Overall, the covered areas extend for about 18,000 square meters, making energy efficiency an essential element of TMI's environmental strategy.

The **environmental monitoring plan** provides for the detection of the trend of energy consumption of the entire complex in terms of use of electricity, gas for heating, gas for the canteen service, sanitary water, water for extinguishing fires and well water for irrigation.



The data are recorded by Facility Management, which periodically prepares reports that analyze consumption trends and highlight the most significant deviations from historical data, seasonality and the objectives defined by the company. These reports are also important evidence for the Audit activities within the ISO 14001 Environmental Management System.

The main purpose of the monitoring activity is the **continuous improvement of the company's energy performance**, which TMI has been pursuing for several years through a series of activities aimed at improving the sustainability of its premises. The Environmental Management System, as well as the Hoshin Kanri, both at corporate and individual area level, set annual targets in terms of energy consumption containment.

²¹ For a description of the Toyota Environmental Challenge 2050 and its challenges, see section 5. "Toyota's Environmental Commitment."

²² TMC, Sustainability Data Book 2019, p. 64.

²³ TMC, Sustainability Data Book 2019, p. 68.

These objectives take into account the investments made by the company to update the systems with the greatest impact on consumption and the implementation of new **energy efficiency measures**, but, at the same time, also the continuous evolution in the management of the spaces of the headquarters. Starting from 2014, in fact, a progressive and significant growth has been recorded both in the number of users who daily operate in the premises and in the number of guests who periodically pass through the site for events or training sessions, with a significant impact on energy and water consumption.

However, the energy efficiency measures carried out by TMI have mitigated the increase in consumption, which focused mainly on fuel consumption for the corporate fleet, also as a result of an expansion of the traveling staff and the fleet itself.

Table 1

GRI 302-1. Total energy consumption in gigajoules of TMI from April 1 through March 31 of the following year, by consumption type.

| Type of energy consumption (GJ) | Energy consumption by type ²⁴ (Gigajoule) | |
|---------------------------------|--|---------------|
| | 2019 | 2020 |
| Natural gas | 1,070 | 991 |
| Electricity | 8,079 | 8,318 |
| Petrol for transportation | 5,231 | 6,619 |
| Total | 15,010 | 15,927 |

Starting in 2017, Toyota has, in fact, allocated a significant budget for **investments aimed at updating the technology and systems of the headquarters**, with the aim not only to update but also to make the site's systems more efficient, taking a first step towards a building that aims, in perspective, **at energy self-sufficiency**.

The first efficiency boosting operation was the **LED relamping** of the entire headquarters, which involved the replacement of almost 2,700 lighting fixtures and is still in progress as regards external lighting. This intervention has resulted in an **annual savings of 49% on specific lighting consumption** and approximately 15% on the total electricity

consumption of the headquarters. In the second half of fiscal year 2019, on the other hand, the revamping of the air conditioning system of the Office-Multipurpose buildings was finalized, with the installation of two high-efficiency multipurpose heat pump units, which have produced benefits in terms of optimizing gas consumption, reduced by more than 50% compared to 2018, and electricity, with savings of approximately 40 MWh per year due to the greater efficiency of the machines²⁵.

In the fiscal year 2020 the **renewal of the waterproofing** of the spare parts warehouse was completed, through the installation of a synthetic polyolefin membrane and the insertion of an EPS insulating panel, which ensured the energy efficiency of the building. This activity was later joined by the construction of a **photovoltaic system** of about 450 kW peak, which, with an **estimated saving of about 254 tons of CO₂ for year**, is a further piece in the Energy Self Reliant Building project that Toyota Italy has decided to pursue in order to reduce the environmental impact of the site in terms of greenhouse gas emissions.

Finally, as of January 2019, the new electricity supply contract signed by TMI required the supplier to certify that all supplies come from renewable sources. This measure has made it possible to reduce the company's indirect CO₂ emissions to zero²⁶, helping to reduce total emissions by more than 50 percent compared to fiscal year 2019.

Table 2

GRI 305-1. Total direct and indirect GHG emissions in kg of TMI from April 1 to March 31.

| CO ₂ footprint | CO ₂ ²⁷ emissions (Kilograms) | |
|---------------------------------------|---|------------------|
| | 2019 | 2020 |
| Scope 1 ²⁸ | 443,477 | 540,795 |
| Scope 2 ²⁹ | 868,513 | 829,514 |
| Total CO₂ footprint | 1,311,990 | 1,370,309 |

²⁴ The source used for conversion factors to GJ is the "2019 National Standard Parameters Table - Ministry of the Environment". In particular:
 - natural gas = 0,035303 GJ/smc - electricity = 0,0036 GJ/kWh - gasoline for transport = 0,042817 GJ/kg

²⁵ Changes are calculated from the calendar year prior to installation of the systems.

²⁶ Zeroed emissions according to the "Market-based" calculation method, which bases emission factors on the actual mode of energy generation certified by the existing contractual instruments between the organization and the energy supplier.

²⁷ CO₂ emissions calculated using the location-based method. However, both methodologies under the GRI Sustainability Reporting Standards were used to calculate Scope 2 CO₂ emissions. With reference to the "Market-based method", the total Scope 2 emissions amounted to 1,178,177 kg of CO₂ equivalent for 2019 and 0 kg for 2020.

The source used for the emission factors used to calculate scope 2 Location-based emissions is "Terna (2017) - Table of International Comparisons", and for Market-based "AIB_Residual Mix 2018 v.1.2".

²⁸ Scope 1 includes emissions related to the consumption of natural gas and petrol, as shown in Table 2.

²⁹ Scope 2 includes emissions related to electricity consumption, as shown in Table 2.

5.3. WATER MINIMIZATION AND OPTIMIZATION

Population growth and increasing pressure on freshwater sources will lead to a gradual reduction in water resources globally, as well as a deterioration in their quality. This is why Toyota's environmental strategy considers optimizing water use a key element in protecting the environment and the land. Toyota's commitment in this area is based on the dual action of reducing the amount of water used in production processes and purifying the water returned to the aquifer.

Not being used in production activities, at TMI water is withdrawn and used mainly for sanitary water, firefighting and irrigation and car wash activities. In fiscal year 2020, the company has initiated a **process to improve the monitoring of water consumption** aimed at optimizing and making efficient the management of the water network through the increase in the number of meters, increased from one to five. This operation, providing for a more punctual monitoring of the consumption of the site, allows to identify potential deterioration of the pipeline and any leaks. The definition of a detailed baseline of consumption was thus the first step in a process of analysis that led to the study for the laying of a new pipeline. The new system will have a greater number of interceptions that will make it easier to inspect in the event of a fault, guaranteeing a reduction in consumption at the site. At the same time, more reliable monitoring will make it possible to define a performance target linked to the company's population more precisely and to identify areas for improvement more effectively.

Table 3

GRI 303-3. Total water withdrawals in megaliters of TMI from April 1 through March 31, by withdrawal source.

| Source of withdrawal | Water withdrawal by source of withdrawal ³⁰ (Megaliters) | | | |
|----------------------|---|--|-------------|------------------------------------|
| | 2019 | | 2020 | |
| | All areas | Of which from water stressed areas ³¹ | All areas | Of which from water stressed areas |
| Surface water | 1.38 | 1.38 | 1.55 | 1.55 |
| Groundwater | 0.02 | 0.02 | 0.02 | 0.02 |
| Total | 1.40 | 1.40 | 1.57 | 1.57 |

³⁰ All water withdrawals are for freshwater (1,000 mg/L total dissolved solids).

³¹ Water stress areas are those areas where the ratio of total annual water withdrawal to total available annual renewable water supply (baseline water stress) is high (40-80%) or extremely high (>80%) according to data reported by the World Resources Institute's Aqueduct Water Risk Atlas.

5.4. WASTE MANAGEMENT AND CIRCULAR ECONOMY

The growing consumption of resources due to global population growth makes it increasingly necessary to prevent waste and promote the recycling and recovery of materials. To limit the biggest impact of its business in this area, namely that related to the end of life of vehicles, Toyota has launched challenge number 5³², or the creation of systems and companies based on recycling. One of the key projects promoted by the company is the Toyota Global 100 Dismantlers Project, which establishes the proper treatment of products at the end-of-life stage. Areas covered by the project include the use of materials with low environmental impact, extending the useful life of components, developing recycling technologies, and reusing vehicles or parts of vehicles in the production of new cars.

Lifecycle Management of Toyota Full Hybrid Models

European Directive 2000/53 requires vehicles to be 85% recyclable and 95% recoverable. Toyota has always been committed to this, since the 1970s adopting a vehicle design that is attentive to the recycling phases they will undergo at the end of their useful life, well before the legislation made it compulsory, facilitating the removal of components and signing partnerships with specialised players in the sector to improve the life cycle management of vehicles. Among the initiatives promoted globally by the brand, **battery-to-battery** projects have been launched in Japan and the United States to promote the recovery of the materials that make up hybrid batteries, which are then used to make new batteries or, in the case of devices no longer suitable for traction, converted for other purposes, such as, for example, energy storage for stationary use.

In Italy, this commitment translates into careful waste management, with the aim of reducing the waste that is most under TMI's control. In fact, the types of waste produced at the company's headquarters are divided into 3 types:

- **Special waste that can be assimilated to urban waste (USW - Urban Solid Waste).**
- **Special non-hazardous waste.**
- **Special hazardous waste.**

The first type derives from office and catering activities. This waste is delivered to AMA, Rome's municipal company for environmental services, which manages its disposal. For this type of waste, TMI has **finalized initiatives** aimed primarily at reducing the **production of plastic and paper**.

³² For a description of the Toyota Environmental Challenge 2050 and its challenges, see section 5. "Toyota's Environmental Commitment".

In particular, PET³³ present in the company has been significantly reduced thanks to the introduction, in 2019, of water dispensers connected to the water network that have allowed to reduce the consumption of water bottles by more than 50%. With regard to paper, in addition to the use, carried on for over 10 years, of only recycled paper or paper from certified forests, starting in the second half of fiscal year 2019 and throughout fiscal year 2020, a process of digitization of the company has been finalized which, thanks to new IT tools and the presence of the latest generation of audio and video equipment in all meeting rooms, has **reduced the use of printed paper by over 20% compared to fiscal year 2019**. In addition, TMI, with the support of its partner Sodexo, launched a project in June 2020 that will enable it to consider itself "**Plastic Free**", effectively eliminating the little plastic still present in the company. Finally, the preliminary stages of a study are underway, carried out in collaboration with Sodexo, for the introduction of a composting plant which, in addition to eliminating the volumes of wet waste coming from the canteen and currently delivered to the AMA, could be used for the production of gas from biomass.

Table 4

GRI 306-2. Total weight in tons of special waste generated and disposed of by TMI from January 1 to December 31, by type and disposal method.

| Recovery or disposal method | Waste by type and disposal method (Tons) | | | | | |
|-------------------------------------|--|---------------|--------------|------------|---------------|-------------|
| | 2018 | | | 2019 | | |
| | Hazardous | Non hazardous | Total | Hazardous | Non hazardous | Total |
| Recovery, including energy recovery | 2.7 | 152.7 | 155.4 | 0.5 | 90.8 | 91.3 |
| Landfill | 0.1 | 4.2 | 4.3 | 0.1 | 3.9 | 4.0 |
| Total | 2.8 | 156.9 | 159.7 | 0.6 | 94.7 | 95.3 |

TMI has, on the other hand, categorized the other two categories of waste with the relative CER codes, also thanks to the work of the ISO 14001 Environmental Management System team. The waste conferred by the various users in the temporary warehouses present in various points of the company and are managed by a partner of the company that provides for their collection at the headquarters and their subsequent transfer to the recovery and disposal centers. This waste is **monitored in detail**, with a focus on hazardous waste such as, for example, the **batteries** of hybrid vehicles which, in accordance with current legislation, are safely managed by the COBAT consortium.

³³ A synthetic material belonging to the polyester family made from petroleum, natural gas or vegetable raw materials.

In general, most of the special waste managed by the company comes from the spare parts warehouse and is proportional to the volumes of spare parts handled. However, as seen from the data in Table 4, the percentage of special hazardous waste is very low, while almost all (over 96%) of special waste, hazardous and non-hazardous, is sent for recovery in authorized collection centers.

5.4.1 TMI spare parts logistics: a European *best practice*

TMI's spare parts logistics area today represents a best practice not only for the efficiency of its processes, but also and above all for the reduction of waste generated by its activities. This objective is pursued through two paths based on as many pillars of the circular economy: **reuse** and **reduction** of materials used .

Over the last few years, TMI's Logistics Department has launched a project to reduce the purchase of packaging material. Among the initiatives studied and carried out in this regard, the reuse of packaging cardboard occupies a prominent position. Reusable packages are in fact deposited in a dedicated area of the warehouse, where, also thanks to the use of a special machine, they are readapted for subsequent shipments. In addition, where the volume of products shipped allows, TMI provides for the use of returnable containers, which can be used for many operations. At the same time, TMI's collaboration with its logistics supplier, Susa, with whom solutions to optimize shipments and the use of materials are constantly being studied, is decisive. For this reason, metal cages have been designed to maximize shipping loads, thus allowing a reduction in shipments and consequent CO₂ emissions, as well as the maximum filling of each container.

On the reduction side, TMI's Spare Parts Logistics is an exemplary case of application of Toyota's characteristic principles, namely the Toyota Production System and Just-in-Time. This is a pull-type production (and, in this case, distribution) model, i.e. driven by end-user demand. After estimating the volumes of product needed for the business, in fact, the system proceeds to purchase only the quantities sold on a daily basis. Such model allows therefore to reduce remarkably the warehouse stocks,

5.5. REALIZING A SOCIETY IN HARMONY WITH NATURE

limiting himself/herself/themselves to assure the availability of the products effectively demanded and of a small supply of safety. In this way it is possible a great reduction of the management costs, of the risk of accidents and of obsolescence of the products, preventing that these turn into waste. Today TMI is able to manage the distribution of spare parts to the entire dealer network with a stock of just over two weeks, a remarkable result considering the average of the sector and the capillarity of the network.

In order to make the entire distribution chain more efficient, TMI has undertaken the DPOK (Dealer Parts Operations Kaizen) project, which has already been implemented on 9 dealers considered particularly critical and is continuing with the rest of the Network, to which the DPOK intends to transmit Toyota's principles and processes in warehouse and purchasing management. The project is divided into three areas ³⁴:

- **Physical management of the warehouse** according to Toyota principles and based on order, cleanliness and standardization. Of the sampled dealers, some of which started in February 2020 from a very low level of implementation of these principles (up to 16% of the standard set by Toyota), there is currently an average implementation of 87%.
- **Managing operations** with the radio frequency system, which, through the use of handhelds, encourages the reduction of paper documents. This system is now correctly used by 78% of the sample, up from 11% in February 2020.
- **Inventory management** according to the TPS and Just-in-Time method. The main objective of the project is to progressively reduce inventories, thereby reducing costs and warehouse risks. Also in this case the results have been encouraging, leading in most cases to a reduction in stocks. The reference indicator, which represents the value of average stocks in relation to the volume of monthly sales, shows that 67% of the sampled dealers have a value lower than 0.62 (just over two weeks), with excellences up to 0.38, that is, stocks for about 11 days of activity, a sign of great agility and organizational capacity.

The ultimate goal of Toyota's environmental strategy, sealed by the Toyota Environmental Challenge 2050, is to contribute to the realization of a society that can promote the peaceful coexistence of people and nature. In addition to the other five challenges, Toyota pursues this goal through constant awareness-raising activities on the subject and various projects for the protection of the environment and the redevelopment of the territory.

TMI applies this philosophy also in Italy, ensuring its support to activities aimed at environmental conservation and education. The main opportunity to focus attention on environmental issues is Green Month, a month, traditionally promoted in June, entirely dedicated to raising awareness of environmental sustainability issues. The "**Green Month campaign**", introduced by Toyota globally in 1937, is launched annually to coincide with the United Nations' International Environment Day and aims to highlight the importance of an ongoing commitment to creating a sustainable society.

Among the various initiatives of the fiscal year 2020, raising awareness among the company's employees, dealers and suppliers was the starting point of the project, especially through the **Sustainable Mobility Workshop**, training on Toyota's innovative electrified solutions, a key tool for the realization of a sustainable society based on mobility that respects the planet. However, TMI's commitment went further. With the **Green Kids** initiative, the company wanted to involve the children of its employees, the new generations, through an entire day dedicated to the environment and the dissemination of Toyota values on sustainable mobility and respect for nature.

Alongside its awareness-raising activities, the company also promoted environmental and territorial protection projects. The most important initiative of the fiscal year 2020 was represented by the **redevelopment of the Villa Gregoriana Park in Tivoli**, promoted as part of the partnership started in the same year with FAI (Fondo Ambiente Italiano), which has been committed since 1975 to the protection and enhancement of the national historical, artistic and natural heritage. The activity involved a group of company employees, who assisted the foundation in the maintenance and cleaning of certain areas of the park. Beyond Green Month, however, TMI has established or strengthened several collaborations with partners of excellence such as **Treedom**: since 2018 the company has given a tree to each employee on their birthday, supporting the planting of a total of 906 trees in the "Toyota Forest" in Kenya, contributing to the absorption of about 280,000 kg of CO₂.

³⁴ Data as at October 2020.

5.6.

DEALERS' ENVIRONMENTAL COMMITMENT



Launch of a "Plastic Free" project and 20% reduction of paper use as compared to the previous year.

With regard to sustainable mobility, in addition to the aforementioned collaboration with ENI for the development of the infrastructure network for refueling hydrogen vehicles, the following projects have been undertaken³⁵. In January 2020, TMI signed an agreement with **Edison** for the installation of more than **300 electric charging infrastructures**, powered by renewable sources, at all points of sale and service points of the Toyota and Lexus network in Italy.

The initiative, which will also be accompanied by the availability of a service for the installation of domestic wallboxes to Toyota and Lexus customers, is a fundamental step in the strategy of Toyota and, at the national level, of TMI for the spread of sustainable mobility, contributing concretely to build the society of the future: a society able to ensure freedom of movement and protection of the planet.

TMi's commitment is supported and amplified by the great synergy with the dealers of the Toyota and Lexus network, through projects and initiatives carried out every year in the environmental field.

This commitment is evidenced primarily by the quality of environmental management systems, **certified ISO 14001:2015 for 96% of Toyota and Lexus dealers**.

But the network's contribution also extends to active participation in protecting the territory through the promotion of dedicated initiatives and projects concerning the use of renewable energy, projects to compensate for environmental impacts and support for local events to protect the environment, as shown, through some examples, in Figure 13. Initiatives of the Toyota and Lexus dealer network to protect the environment.

The energy efficiency of facilities, especially through the **installation of systems for self-generation of energy** from renewable sources, as in the case of photovoltaic systems, has involved several dealers, leading to a considerable reduction in consumption. In some cases, the reduction has been accompanied by **projects to offset their own emissions** or those of vehicles sold, through the financing of initiatives to protect the environment or the direct planting of plants and trees.

Dealers are also playing an increasingly decisive role in **promoting sustainable mobility**, helping to develop a widespread network of charging infrastructures for electric or electrified vehicles, encouraging the spread of low-impact vehicles such as PHEVs and BEVs.

³⁵ For further details please refer to paragraph 5.1.3 "The role of hydrogen" of this document.

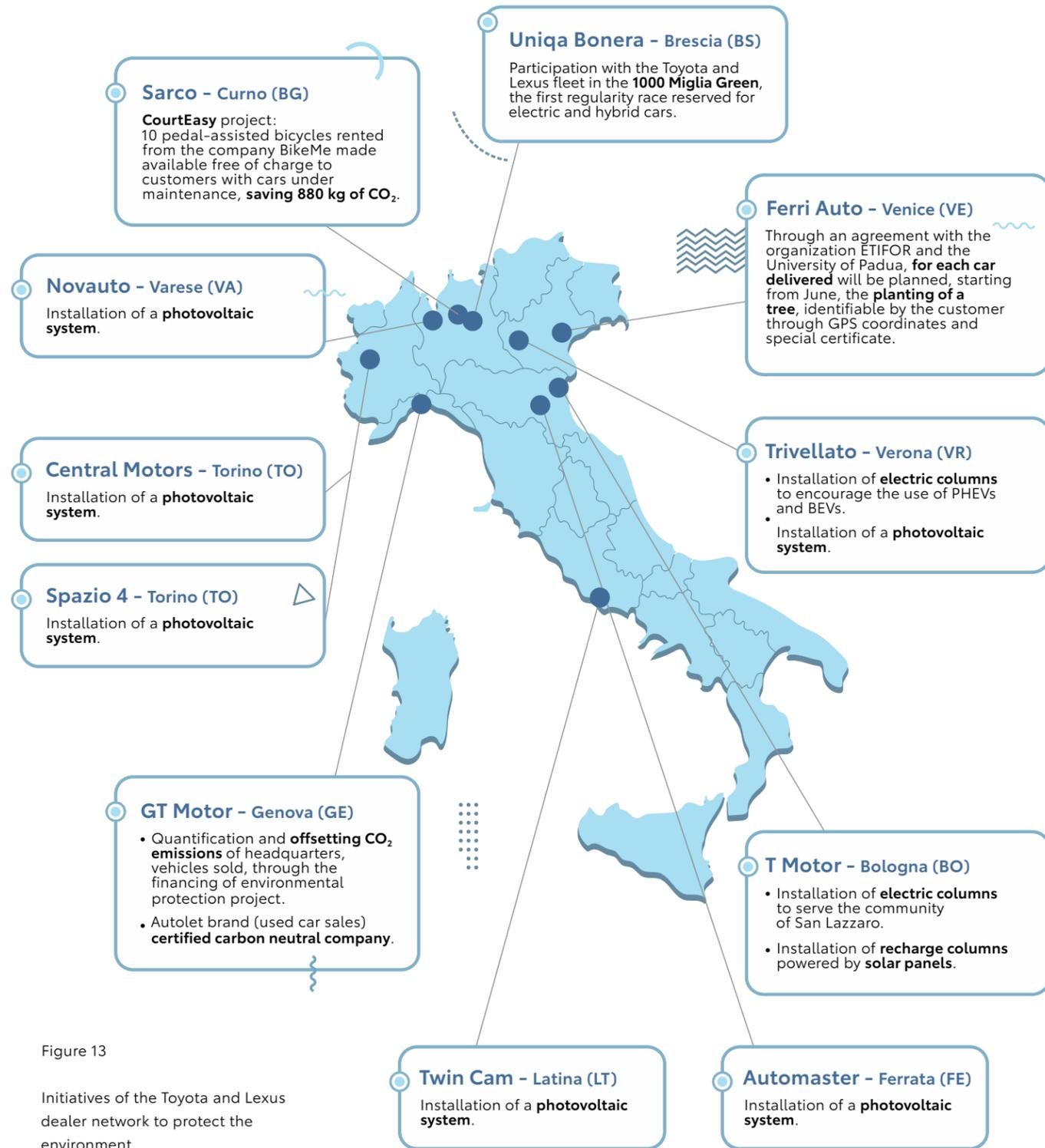


Figure 13
Initiatives of the Toyota and Lexus dealer network to protect the environment.

Mobility at the service of the community

— CHAPTER 6.



The automotive sector and, more generally, the mobility sector, is facing a real revolution driven by several macro-trends such as digitization, automation, electrification and new consumer needs, increasingly oriented to on-demand and personalized service that is gradually focusing the attention of all transport operators on services rather than mobility *vehicles*.

Toyota has begun to rethink its concept of mobility, seeking to identify the best possible offer based on consumer needs. By always putting people at the center, the philosophy behind Toyota's mobility revolution is identifiable in the concept of "**Mobility for All**": a mobility that is truly at the service of all, supporting the rapid transformation of demand, and taking advantage of the evolution of technology to better meet the mobility needs of people with disabilities or reduced mobility. Toyota's global commitment to disability should be interpreted in this light, a commitment associated with the concept of challenging and overcoming one's limits, a founding value of the brand's culture.

The "**Start Your Impossible**" communication campaign is a tangible example of this commitment. Thanks to "impossible stories" from some Paralympic and Olympic athletes, who have restarted after difficult times, and from many people with disabilities, who tell how they daily overcome their limits, Toyota wants to vehicle an encouraging message to never give up in front of the obstacles, but to strive to overcome them even when they seem to be unbeatable.

In recent years, TMI has given concrete form at national level to the brand's commitment to an inclusive society through numerous projects, which can be divided into two main areas.

The promotion of **sports disciplines for athletes with disabilities** is one of the pillars of this commitment. In addition to the creation of Toyota Team Italia, which brings together champions from various Paralympic and non-Paralympic disciplines, such as Bebe Vio, Ivan Zaytsev, Arianna Fontana, Andrea Pusateri, Gabriele Detti, Ilaria Naef, Ivan Federico, Vanessa Ferrari and Simona Quadarella, the company has sponsored, in collaboration with the Italian Paralympic Committee, various events dedicated to inclusive sports.

Dealer network's commitment to an inclusive society

Lucar TM: sponsorship of the ONLUS "Lucca Senza Barriere", committed to the application of current legislation on the accessibility of businesses and public facilities to people with disabilities.

F.lli Andreazzoli: supply of equipment and modular products, such as lifting platforms and stairways, to ensure full accessibility to people with reduced mobility.

SefCar: sponsorship of the event "Gita Fuori Porta - Don Gnocchi", which enabled disabled people from the Don Gnocchi institute to spend a day on a trip to the Le Cornelle Wildlife Park.

Rivauto: support for the association "Amici di Cernobbio" for the purchase of a merry-go-round for disabled people for the Besana inclusive playground in Cernobbio.

Uniqa Bonera: partner of the 7th edition of the Camozzi Open International Wheelchair Tennis Tournament; collaboration with the Non Solo Sport association for the organization of the Camillo Bussolati Memorial for the enhancement of people with intellectual disabilities involved in sport.

R. Motors: support, in collaboration with TMI and Lega Navale Italiana, for the first Italian sailing championship for disabled youngsters on specially designed boats.

The second pillar, on the other hand, consists of **support for projects or organizations committed in various ways to the social inclusion of people with disabilities**. An example of this is offered by the sponsorship of the **Hackability4Mobility** project, a design marathon in which people with disabilities collaborated with designers, manufacturers and artisans in the search for new or

improved solutions for their mobility. At the same time, the company has strongly supported the inclusion in the fleet of its **car sharing** service in Venice of a vehicle, the Proace Verso, with special equipment suitable for carrying a passenger in a wheelchair and his family.

In both areas, TMI was, as always, supported by the efforts of the dealers in its network, who amplified the mission and values of the brand at a local level, relaunching the challenge for mobility that is accessible to all.

6.1. THE NEW MOBILITY SOLUTIONS

The evolution of the concept of automaker from car manufacturer to mobility service provider is a path that Toyota has decided to formalize through a new brand: in January 2020 Toyota Motor Europe announced, in fact, the continental launch of the new brand **KINTO**, dedicated to the offer of mobility services. This initiative is a key step in the transformation of Toyota into a **mobility company**, with the aim of offering, alongside the traditional supply of vehicles and services to individuals and fleets, all types of services related to the transport of people.

The company's strategy is based on **four pillars**:

- The use of a **dedicated and distinctive brand name**.
- The development of a specific **long-term rental service** an 'all-inclusive' offer.
- The use of vehicle **connectivity** for services such as *car sharing*, *car pooling* or *subscription*.
- The integration of future advances in **automated driving**, such as the *e-Palette concept* being developed globally.

To address the new and increasingly specific needs of consumers and effectively design its response, Toyota has established two new entities: **Toyota Fleet Mobility** (TFM), focused on long-term rental services, and **Toyota Connected Europe**, dedicated to the development of Toyota's connectivity systems and digital data management.

KINTO provides **six mobility solutions** aimed at covering all user needs, from prolonged possession to temporary use of vehicles.



While some of these, notably KINTO Join and KINTO Ride, are being piloted, all other services have already been launched in several European markets and, in the case of KINTO One's long-term rental, car sharing and of the multimodal KINTO Go app, are already active in Italy as well. For KINTO One, KINTO Share and the experimental phase of KINTO Join, which will be analysed in the following paragraphs, TMI has been identified as a "center of excellence" at European level, with the task of monitoring the testing and implementation phase of the services and sharing the relative results for their optimisation at continental level.

KINTO Flex and KINTO Ride

KINTO Flex and KINTO Ride are two services that have not yet been introduced on the Italian market and that cover aspects of owning and using KINTO vehicles respectively.

The **Flex** product, which is being tested, proposes to offer, in fact, a subscription rental service in which the customer can use various models in the range by periodically changing vehicle. As in the case of KINTO One, the monthly rate is inclusive of ordinary and extraordinary maintenance, insurance, roadside assistance, tire change and other mobility services.

With **KINTO Ride**, Toyota offers a chauffeur-driven car service. The project is currently active in Paris, carried out in collaboration with Hype and Air Liquide, and counts on a **100% hydrogen fleet of 38 Mirai**, which will be expanded to 500 cars in 2021 with the introduction of the second generation of Toyota's FCEV sedan.



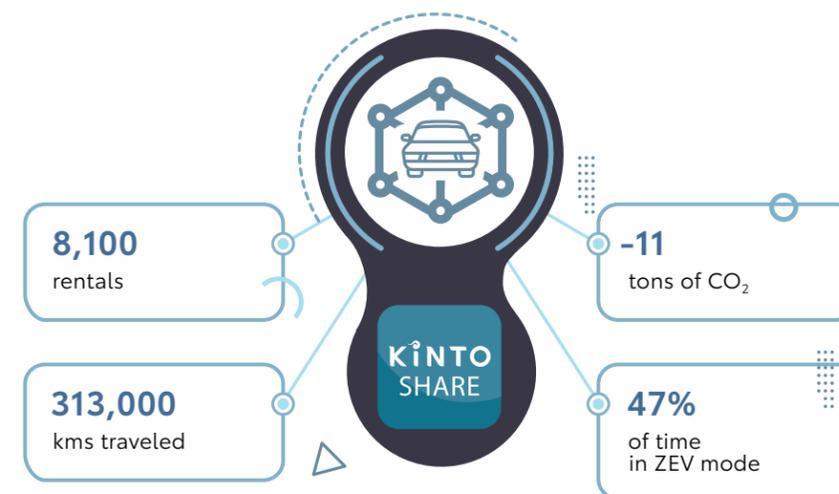
6.1.1 KINTO One: Toyota's long term rental

KINTO One presents itself as the closest solution to car ownership, offering long-term rental of sustainable vehicles from the Toyota and Lexus range designed for customers sensitive to reducing emissions. The service is aimed at business customers such as companies, small and medium enterprises and professionals. In fact, against the payment of a defined monthly fee, the customer has access to an 'all-inclusive' formula. The process is also managed entirely through the Toyota and Lexus dealer network, with dedicated and carefully trained personnel with twenty years of experience in the distribution of electrified vehicles.

6.1.2 KINTO Share: Toyota's car sharing

Toyota's experience in the field of sharing services in Italy began in December 2016 with the experimentation of the project in Forlì. However, a big step forward was taken in June 2018, when TMI was exclusively entrusted, under the brand **YUKŌ with Toyota**, with the management of car sharing in Venice and Mestre, an important challenge within a complex and diversified transport system.

YUKŌ represented the first service in the sector to offer a fully **Full Hybrid Electric fleet**, consisting to date of 40 *station-based* cars³⁶, including a Proace Verso with specific equipment to ensure its use also to people with reduced mobility, and 5 *free-floating* cars³⁷.



In two years of operation, it has contributed significantly to reducing air quality impacts compared to an equivalent service with conventional vehicles: thanks to the energy efficiency of the Toyota fleet, 11 tonnes of CO₂ emissions have been avoided.

³⁶ Way that allows you to start and end the rental in predefined parking lots.

³⁷ Way that allows you to start and end the rental at any point in the areas where the car sharing service is active.

This was possible thanks to the ability of the Toyota Full Hybrid to ensure an **average mileage in ZEV³⁸ mode of 47%**, a figure that can be monitored at the end of each rental by the users themselves, contributing to their awareness of the issue of emissions. YUKŌ's positive results in Venice are an important starting point for Toyota's new strategy related to sharing services.

The ultimate goal of the brand is, in fact, to offer a complementary and flexible mobility service that can meet the changing daily needs of consumers not yet ready to commit to the long term.

However, a significant impact of the project will only be possible thanks to its diffusion on the national territory, for which the support of the widespread network of Toyota and Lexus dealers will be fundamental. Within the end of 2020, Venice car *sharing* service YUKŌ with Toyota is going to change its name and become **KINTO Share**. Furthermore, KINTO Share service will be active in the cities of Milan, Bologna and Cesena with a *station-based* formula: vehicles can be booked through the dedicated app and available at Toyota and Lexus dealers.

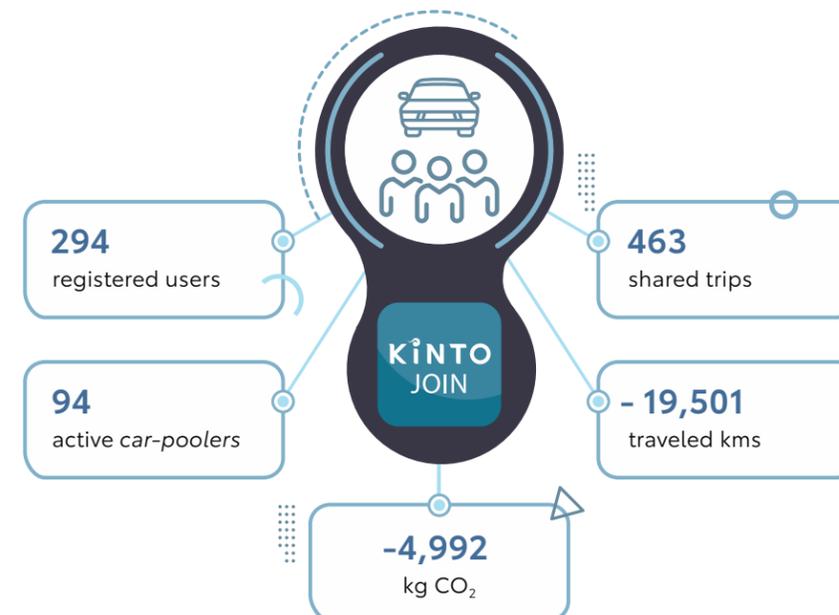
The health emergency caused by Covid-19 has made it necessary to intervene in order to relaunch the service through innovation and safety: for example, the **timely sanitization of vehicles** after each rental is foreseen.

6.1.3 KINTO Join: Toyota's corporate car pooling

Among the eco-friendly mobility services promoted by Toyota, **corporate carpooling** launched by the company in December 2019, called **KINTO Join**, has become one of the main assets of the new KINTO mobility brand.

The first phase of the project involved internal piloting, with which TMI tested the service in its Rome office, through the use of an application created by Faxi Ltd, a British startup previously acquired by Toyota Group companies as proof of their attention to innovative sustainable mobility solutions.

KINTO Join allows Toyota employees to view from their smartphones the closest colleagues with whom they can share home-work journeys, contributing to the achievement of numerous benefits in environmental, economic and psycho-social terms.



³⁸ Time in which the vehicle has been running but with the internal combustion engine turned off.

The app's functions also include displaying and promoting the most sustainable means of transport for the required journey, such as cycling or walking. The sensitization of employees to the use of car-pooling has been supported both by a dedicated internal communication campaign and by an incentive plan that has allowed car-poolers to benefit from KINTO gadgets, reserved parking spaces adjacent to the entrance of the company and a free breakfast for each shared trip made.

After just 5 months of experimentation, the Toyota community, with 294 registered and 94 active car-poolers, has not only actively contributed to testing the new KINTO mobility service, but has also generated positive **environmental impacts with 4,992 kg of CO₂ saved and 19,501 km traveled less thanks to 463 shared trips**³⁹.



6.1.4 KINTO Go: the multimodal app

The needs of consumers, the starting point of the Mobility-as-a-Service concept itself, are increasingly oriented towards tailored and on-demand mobility services that may require, and often involve, the **integration of different means of transport**. KINTO Go, on the other hand, presents itself as an app capable of covering, with a single account, the various aspects of a "multi-modal" journey:

- The planning of the route from point A to point B through the indication of the most suitable transport modes.
- The purchase of tickets for the means of transport to be used along the route, with flexible payment methods so as to offer an integrated payment tool for the entire route.
- Booking taxis.
- Paying for parking.
- Purchase of tickets for events, in order to integrate not only the means of transport but also the destination of the trip (functionality available soon).

The app, developed in Italy, was released on stores on March 31, 2020 offering services in more than **5,000 cities** and covering **70% of the national territory**.

³⁹ Data as of June 12, 2020..



6.2. INNOVATION AND TECHNOLOGY

The Toyota brand has always been characterized by an innovative spirit that has led it to revolutionize not only the automotive industry through its cutting-edge technologies, but the entire corporate world through new cultural and organizational models. Innovation takes on, in fact, different meanings for Toyota: the evolution of its vehicles, the improvement of its processes, the cultivation of a new idea ready to open up new paths are all aspects of the same attitude - pursuing kaizen and anticipating the future. In this sense, there are many fields in which the brand has proposed itself as a vanguard in the transition to new models, starting with alternative traction systems and ending with the development of autonomous driving vehicles and robotics as tools for a more inclusive society.

TMI is a virtuous example of Toyota's values of innovation, demonstrating them in three distinct areas: the growing importance of connectivity for its cars, the digital transformation of its organization and the attention dedicated to open innovation.

6.2.1 Connectivity

Ever since the introduction in 2018 of the first models factory-equipped with **DCM (Data Communication Module)**, i.e. technically prepared to send data remotely - connected car - Toyota Motor Italia has strongly believed in the potential of this solution for the optimization and personalization of the driving experience. To this end, it has, in fact, anticipated its own product development plans, which envisaged the gradual introduction of DCM on all new models, coming to offer the market a **range of '100% connected cars'** from mid-2019. This choice stems from the desire to enhance the value of the data coming from the cars - collected in full compliance with GDPR regulations and subject to the approval of the customer or user - and build a series of services to be able to offer the customer. On the one hand, these services enrich the customer's experience of owning a car, for example through complete control of the information provided by the vehicle with the specific MyT app for Toyota and LexusLink for Lexus, and on the other hand they represent a new element of loyalty in the after-sales service, thus also favouring the customer's relationship with the dealer network.

The fields of use of the data are many and constantly developing. For example, driving data in EV mode⁴⁰ are useful not only to enhance product performance but also to reward virtuous driving behaviour (as in the case of Full Hybrid Insurance) or offer interesting ideas for regulating mobility flows. The opportunities offered by an increasing number of connected cars has pushed the company to set itself ambitious but challenging objectives, which allow the improvement of existing services and the development of new tools for the constant improvement of the driving experience. Thanks to the efforts of the company and its dealer network, **TMI has connected more than half of its cars, reaching 55.3% as of June 2020.**

⁴⁰ Time in which the traction of the vehicle has been ensured exclusively by the electric motor, therefore without considering the moments in which there has been no traction from either motor.

6.2.2 Digitalisation of processes

In response to the rapid evolution of the characteristics of demand and related professional needs, in 2019 TMI launched a digitization process articulated in two macro-areas: the digitization of the company's internal processes, developed through the "Digital Workplace" project, and of commercial relations with the dealer network.

The "**Digital Workplace**" represents the implementation of a project launched at continental level by TME and based on the simplification of work processes through the adoption of Microsoft's O365 Suite.

In addition to the large technological investment, the project was characterized by a strong component of **Change Management**, aimed at modifying certain behaviors and replacing the established use of some obsolete and inadequate tools with software and processes that were completely new for the majority of employees, centered on Microsoft Teams as a virtual collaborative workspace, with the consequent reduction of e-mails and live meetings.

For this reason, the governance and implementation of the project was entrusted to a transversal working group, composed not only of the IT department, but also of Human Resources and the Toyota Academy, which accompanied the staff during the different phases of the project with several dedicated training courses.

The technological component has naturally provided the infrastructure and tools necessary for the proper functioning of the new organization. In particular, all employees were assigned a portable PC, while the fixed telephone, previously present at each workstation, was replaced by the introduction of VOIP telephony systems. The shared digital archive was gradually phased out in favor of SharePoint. The increasing use of these tools allowed the company to be ready when, due to the health emergency, it was forced to massively implement the new work processes, making it possible **for 100% of employees to work remotely** from

*Remote working
for 100% of
employees from
the first day
of lockdown.*

*Encouraging
innovation
in all its forms.*

the first day of *lockdown*, without operational blocks and with the full satisfaction of all staff. However, with a view to kaizen, TMI has responded to requests for greater operational support for the use of its staff's tools through the creation of a weekly online appointment between technicians and employees dedicated to the resolution of problems encountered and an ad hoc working group on Teams for constant support to workers in difficulty.

The new working conditions imposed by the Covid-19 emergency also accelerated the transformation, already begun in previous months, of **communications and collaboration between the company and the dealers and between these and the clients**. In this case, the tools of the Microsoft O365 suite already in the network's possession were used extensively, declining them according to the needs of the lockdown and leading to a strong acceleration in the digitization of processes.

In particular, the setting up of Teams with the various dealers has facilitated easy virtual communication with the company and the immediate sharing of an archive of documents, procedures, videos and other useful materials that have drastically reduced the need for face-to-face meetings, with significant impacts on the number of trips made by TMI personnel, on the relative emissions of pollutants and on organizational efficiency. Greater confidence with these tools has also made possible a new sales and assistance process, which now often finds in the video call a mode much requested by customers and more flexible, supported by digital materials that can be shared during the video call.

6.2.3 Open innovation

The need to encourage innovation in all its forms is the basis of Toyota's project to create a **Toyota Innovation Hub** able to stimulate innovation through the involvement of resources from inside and outside the company. Open Innovation in Toyota is based on the development of a network of relationships with universities, student communities, research centers, technology partners, and startups, but also on the nurturing of a fertile

ecosystem for collaboration and development of ideas through workshops, competitions and events that encourage the transmission of skills and the exchange of knowledge.

The WiseAir project

The product that led Toyota to choose WiseAir as one of the three finalists was **Arianna**, an IoT pot designed to house an air quality sensor capable of detecting PM2.5 and PM10 (the two most harmful pollutants to health), a photovoltaic panel that makes the pot completely autonomous, and the ability to send collected data to the home wireless network. The WiseAir team defines the project as "**the first pot that unites citizens in the fight against pollution**". The idea was born, in fact, from the small number of detection stations that, currently, does not allow a detailed and constant mapping of air particulate concentrations. The goal of the team was, therefore, to allow everyone to have their own monitoring station.

The information collected goes to create detailed and real-time maps of air quality thanks to the dense network of sensors distributed in the urban fabric and the data can be consulted at any time through the specific app developed by the team.

Through social networks and an active community of Pioneers (the first ones who supported the project) and Ambassadors (those who intend to buy the Arianna to place them on their balconies), the sharing and dissemination phase of the project is already underway, crucial to increase its effectiveness, which has been accompanied by a crowdfunding operation that will allow the further development of the product.

In line with the Environmental Challenge 2050, there has been an ongoing dialogue through which Toyota has intercepted product or process technology innovations that support sustainability. With this in mind, Toyota participated as a main partner in the **Urban Tech WorkLab** project, promoted by the startup accelerator LVenture Group, in partnership with the Lazio Region, Linkem and Sara Assicurazioni, which supported, through non-participation contributions and direct mentoring by partner companies **10 innovative projects** of emerging startups with the aim of encouraging and facilitating the technological evolution in cities (from new services for city mobility to the development of electric mobility, from the measurement of air quality to the safety of buildings up to new clean tech processes for waste disposal), thus encouraging the transition towards *smart cities*.

In December 2019, each of the three partner companies selected a startup by supporting it in the development of a Proof of Concept and allowing it to test the product in the market over the next 4 months. Toyota chose to support a project called **WiseAir**, in which it recognized the "*green*" aims and innovative spirit characteristic of the brand.

6.3. COMMUNITY OUTREACH

The relationship with the territory and local communities plays a central role in Toyota's culture and strategy. As formalized in the brand's Guiding Principles, **Toyota "contributes, through its activities, to the economic and social development of the communities in which it operates"**. Through the 'Community' of its dealers, who - as 'Best Retailer in Town' (BRIT) - can make a difference in individual local communities and amplify the vision and values of the brand, the company intends to support local communities through an ongoing exchange and as part of a process of 'cultivation' of common values and active citizenship.

An important element of this path is represented by the support that the company guarantees to institutions and bodies through its vehicles.



In particular, **collaboration with local and national institutions** is a fundamental way to strengthen awareness of the advantages of the Toyota Group's hybrid technology and spread the message of sustainable and inclusive mobility. With this objective in April 2019 Toyota Motor Italia together with Leaseplan Italia delivered to the **Carabinieri Corps** a fleet of

250 Yaris Full Hybrid Electric, in the official livery. In addition, to give full support to the Arma, from November 2018 and until January 2019 Toyota organized ten training sessions in the Commands of 10 cities, including Rome, in which it covered the topics of product, Toyota's Full Hybrid Electric technology and its benefits, touching also on the company's strategy and future developments of electrification.

At the end of this training course, 250 Carabinieri from the Legion Commands involved were appointed 'Hybrid Ambassadors', a sign of recognition of their preparation and ability to communicate the advantages of hybrid technology to all their colleagues in the department.

TMI made a different use of its fleet during the **Covid-19 emergency** that hit Italy in February 2020. On this occasion, in fact, the Toyota Group has given its contribution - thanks to the support of the Toyota and Lexus dealer network throughout the country - to the country through the provision of a fleet of about 100 vehicles made available to the Italian Red Cross (CRI) for some home health care activities and for the delivery of medicines and essential goods.

At the same time, the company has also contributed to the emergency with various other initiatives: a financial donation to the CRI to support the response to the health emergency, thanks also to the contribution of all the Group's customers who rely on the Authorised Network to sanitise their vehicles; the supply of masks to the Civil Defence, donated by Toyota Motor Corporation; a donation to the Spallanzani Institute in Rome - engaged in treatment and research against the Coronavirus - also thanks to the contribution of all the Group's employees, who donated the economic equivalent of a few hours' work.

In addition, there have been **numerous initiatives** undertaken by Toyota and Lexus dealers in the area, who have supported the local health response through economic contributions, making their vehicles available to individual health workers, hospitals and the Italian Red Cross, and providing tools necessary for the continuous sanitation of vehicles, such as seat covers and sanitizers.



TMI's commitment to local communities does not stop with the supply of vehicles and the institutional world. Indeed, sport has always played a relevant role in the brand's culture. In line with the global initiative launched in 2017 '**Start Your Impossible**', **Toyota embraces and supports the values of sport**, which find in facing new challenges and overcoming their limits their *raison d'être*.

The network's commitment to sports

Oliviero: sponsor of several **running and cycling competitions** including the Ultrabericus terrain race, the #piufortidelvento Toyota Oliviero Running & Bike Park Piana di Marcesina organized following the Vaia storm that hit the northeastern regions, the Sandrigo Bike and the GS Veloce Bassano. The dealer is also sponsor of the GSA Gruppo Sportivo Alpini di Vicenza team together with the newly formed Oliviero Bike.

Zerocento: sponsor and supplier of **10 hybrid vehicles** to Virtus Roma Basket.

Vadalà: main sponsor of the "**Coppa Prima Vela Event Italian Youth Single Championship**", organized by the Italian Sailing Federation.

TD Car: main sponsor of the **basketball club** Virtus Eirene Ragusa, which was also supplied with a Proace Verso for regional transfers.

During 2019, which should have been the year of approach to the Tokyo Olympic Games for which the brand will be the official partner for mobility services, the company wanted to strengthen its involvement in competitions and competitive events particularly representative of the value of challenge and overcoming obstacles.

In addition to the long-standing partnership with the Italian National Olympic Committee (CONI) and the Italian Paralympic Committee (CIP), Toyota cars equipped with the latest generation Full Hybrid Electric technology have been for 2019 and for 2020 **the official cars of the Giro d'Italia**. For the 102nd edition, the fleet of RAV4 Hybrids and Corolla Touring Sports Hybrids used in the various stages and the presence of the Mirai at the final stage have thus contributed to reducing pollutant emissions during the race, traveling in **ZEV⁴¹ mode more than 50% of the time**.

Among the other sporting events sponsored by TMI, the Giro E, a non-competitive race featuring the use of e-bikes, and the **Deejay Ten**, non-competitive races organized by radio Deejay that for years have brought together runners of all categories from different Italian cities, were further demonstrations of Toyota's commitment in this area.

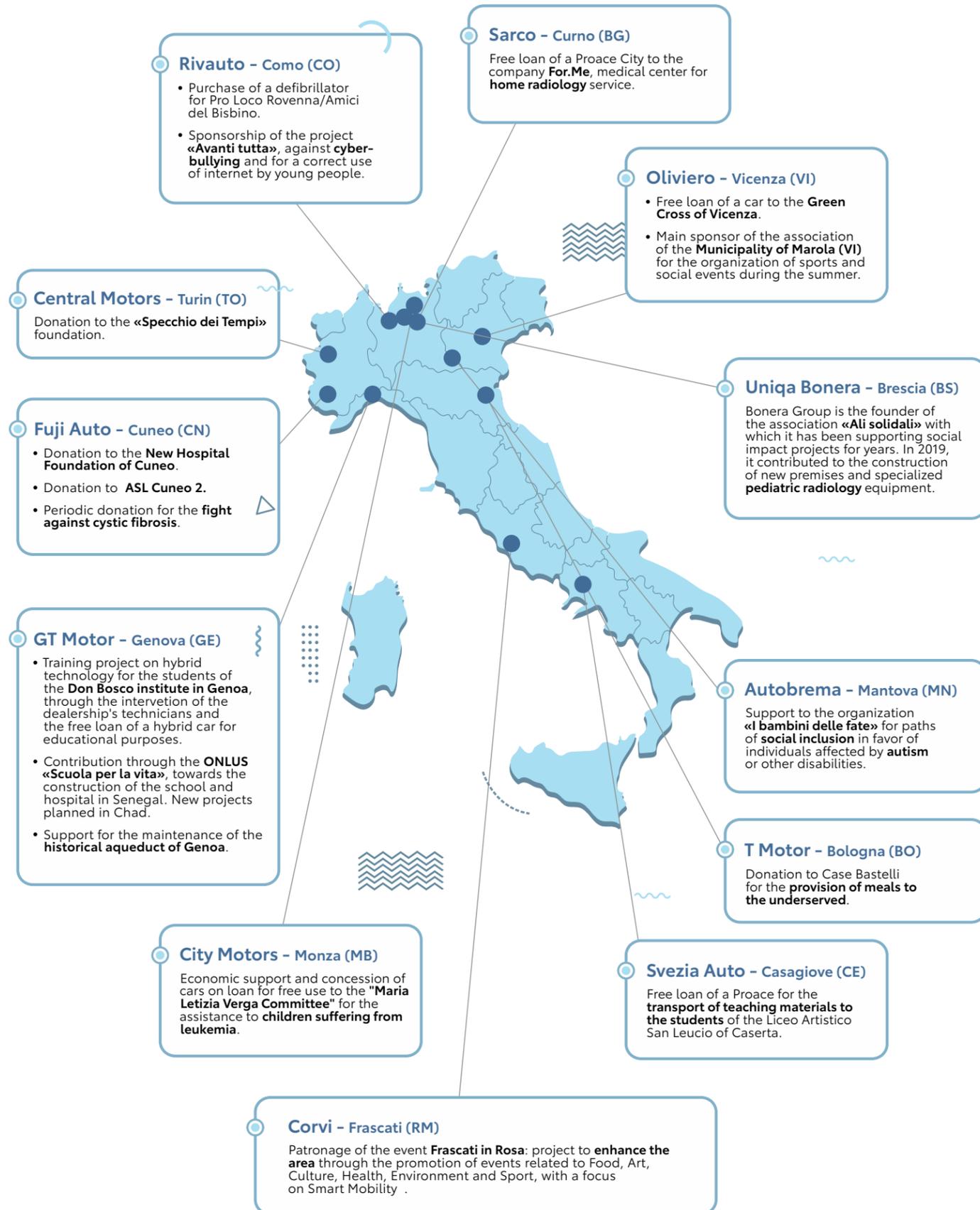
The impact of the Toyota brand on the territory and society does not stop with the initiatives promoted by the company, but is fueled by the constant commitment that the dealers of the Toyota and Lexus network make at the local level, in collaboration with TMI or independently, as shown by the examples in next page.

In addition to the numerous initiatives to protect the environment, support people with disabilities and in the sports sector, described in the preceding paragraphs, the relationship between dealers and local communities is articulated in a series of projects that **range from support for hospital departments** for the renovation of premises or the supply of medical equipment, to **donations to associations and non-profit organizations** to support the less well-off or other disadvantaged categories, as well as **support for education**, both locally and internationally. The **link with the territory** is a key element for the success of the brand and is a concept fully assimilated and put into practice by the dealers, often protagonists, through sponsorships and partnerships, of major local events. It is through these initiatives that the Toyota and Lexus network shares with society the value it contributes to generating, strengthening the sense of community of which the brand and its network are an integral part.

6.4. DEALERS' SOCIAL COMMITMENT

The link with the territory is a key element for the success of Toyota brand and is a concept fully assimilated and put into practice by the dealers.

⁴¹ Time in which the vehicle has been running but with the internal combustion engine turned off.



Mobility that puts people at the center

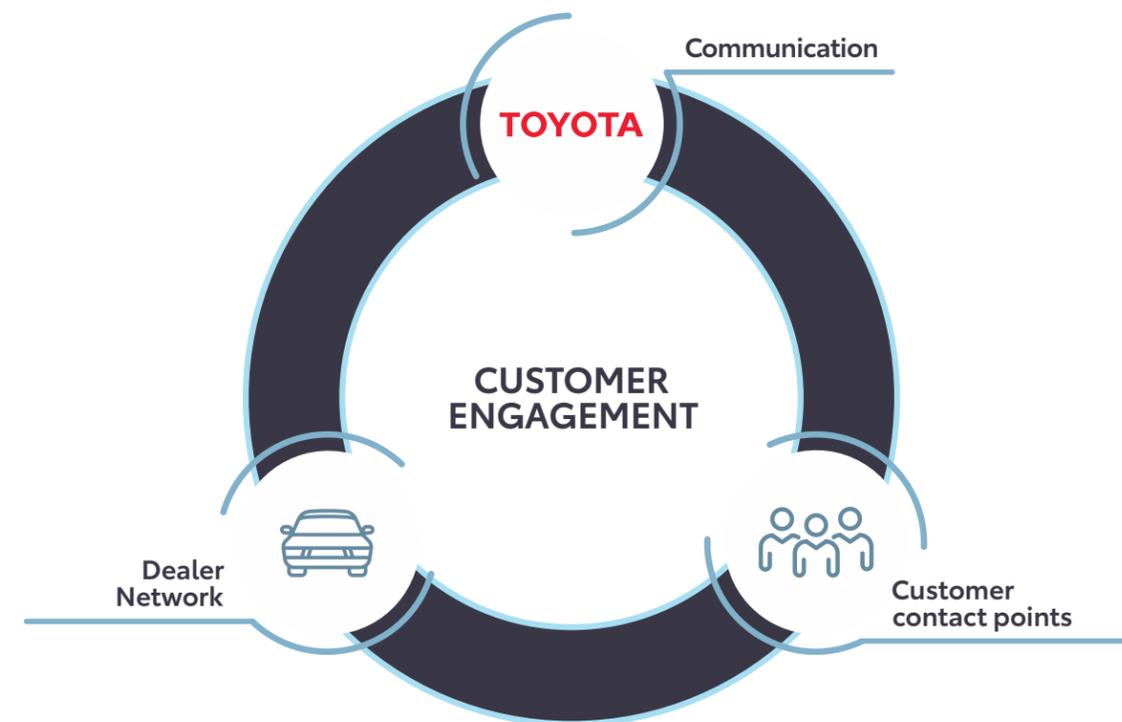
— CHAPTER 7.



The centrality of people for Toyota is expressed through two fundamental concepts: **Customer First** and **Quality First**. Both are reflected in Sakichi Toyoda's Five Fundamental Principles and in the philosophy of constant control and improvement of production processes promoted by his son Kiichiro, founder of TMC. They are in fact two aspects of the same element: the **creation of products of excellence** in terms of safety, quality and environmental performance that manage to "earn the smile of the customer" and users of the brand's services more generally, one of the twelve objectives of the Toyota Global Vision.

Therefore, the business development strategy of the brand and its affiliates is oriented towards the full satisfaction of the people who choose Toyota for their mobility solutions. In this sense, the relationship with customers, in the different meanings of communication and involvement, satisfaction and experience, is fundamental for TMI and sees in the dealer network, the main point of contact with the consumer, a strategic element through which to transmit its values and learn the customer's point of view, a valuable tool for continuous improvement of its services.

The attention that TMI pays to its customers is the result of a holistic involvement action that is based on three main pillars: extreme attention to the processes that govern **the points of contact with customers**, a consolidated product **communication strategy** based on quality, reliability and respect for the environment, and a **strong involvement of the network of dealers and service points** that is summarized in the concept of Best Retailer in Town (BRiT), i.e. becoming the best dealer in the local community.



7.1. THE DEVELOPMENT OF CONTACT POINTS

Responding to an evolving market, characterized by rapidly changing needs oriented towards new mobility services and increasingly digital channels of interaction.

Particular attention is now paid to the **continuous improvement of the network's ability to offer a high quality service**, through the rigorous implementation of Toyota's standard processes, adapted to local realities. To facilitate this approach, TMI has decided to question the organizational model of the dealer, through the development and online release of the **TOM project, Target Organization Model**, through which the company supports dealers in revising their organization in order to make it more dynamic and able to respond to an evolving market, characterized by rapidly changing needs oriented towards new mobility services and increasingly digital channels of interaction. As part of this project, coordination and integration between the various departments were also improved in order to increase the efficiency of the dealer.

Each role in the dealer has been reviewed to promote proper customer management and an optimized distribution of activities, providing for each of them a precise *job description* and a dedicated training plan with related skills certification, structured and delivered by the Toyota Academy. An additional 16 dealers were involved in the 2020 fiscal year, thus exceeding 50% of the network involved in the TOM project, whose start-up phase is expected to be completed by 2021.

In the same fiscal year, a plan to **modernize processes and tools to support dealers was carried out**. In December the After-Sales module of the Toshiko platform was released, which provided for the revision of processes for the management of spare parts, workshop appointments, acceptance, repair and return of the vehicle at each service point. Training courses were provided for all the resources involved and three days of tutoring at each service point, followed by follow-up days to support the most critical locations. This has enabled 80% of the network to obtain Toyota Service Management (TSM) certification, i.e. certification that processes are in line with after-sales standards; this result is still the best figure ever recorded for TMI.

Another important aspect, linked to the release of the Toshiko platform, is the **centralization of customer data**. This allows TMI to have available, in real time, all the information on customers and events involving our vehicles, useful to improve the *customer experience* with an increasingly personalized communication. This element is of crucial importance and fully consistent with the company's commitment to meet the needs of its customers and to model its mobility offer on them.

To support this process of communication personalization, in the fiscal year 2020 the development of an omni-channel communication system continued, with the use of a *marketing automation* platform. All TMI customers receive communications about new products, services and accessories consistent with the age and history of their vehicle and their behavior on the company's contact channels, both digital and at dealers. To enhance this function, a migration to a European ecosystem is planned for fiscal year 2021, with an expected increase in the capabilities of the Toshiko and *Marketing Automation* platforms.

7.1.1 The smile of our clients as a reward

The importance of customer centricity makes the measurement of customer satisfaction an essential element of TMI's business. Since 2014, the **Net Promoter System** has been introduced to replace the Customer Satisfaction index in order to measure customer perception in relation to their experience with the brand. The NPS or Net Promoter Score measures the quality perceived by the customer when interacting with dealers in the two key moments: delivery of the new car (**NPS Sales**) and **repair/maintenance of the car (NPS Service)**.

Immediately after the event, each customer receives an email or, alternatively, a phone call aimed at gathering their feedback, focused on their willingness to recommend the dealer to friends and acquaintances on a scale of 1 to 10. Ratings from 1 to 6 are considered negative (Detractor), 7 and 8 neutral, 9 and 10 positive (Promoter). The NPS index is equal to the percentage of

TMI COMMUNICATION CHANNELS

Promoters minus the percentage of Detractors. The result of this survey, both at the overall evaluation level and at the individual customer feedback level, including the respondent's data, the mode of interaction (email/phone) and the detail of each individual evaluation with related customer comment, is shared daily with the network via a website available on DES, the main platform for communication with dealers. In this way, the dealers have the possibility to keep under control the total NPS value, the one per single location and per single operator and, if necessary, to recover the relationship with the most dissatisfied customers (*Detractor*), also evaluating the implementation of improvement actions to avoid the repetition of negative experiences.

The performance of each individual dealer is monitored centrally by the Business Processes Development department, both in terms of overall assessment and in terms of contacting the Detractors within 24 hours. In the case of particularly critical dealers, the Network Operations Field is involved to evaluate intervention plans. In addition, they are assigned to a Tutor (General Manager, Senior Manager, Manager of Sales Operations and Business Processes as well as the Operations and Processes Field) who takes responsibility for coordinating the improvement plan.

In 2019, thanks to the continued commitment and focus of TMI and its network, **all Sales and Service NPS indices** for both Toyota and Lexus **reached their targets**, in most cases showing an improvement over the previous year: the Service NPS rose 3 pp for Lexus (81.2 in fiscal year 2020 vs. 78.2 in fiscal year 2019) and 1.1 pp for Toyota (from 78.4 in fiscal year 2019 to 79.5 in fiscal year 2020), while for Sales, Toyota's NPS grew by as much as 6.7 pp (from 70.9 in fiscal year 2019 to 77.6 in fiscal year 2020), while Lexus declined slightly from 81.1 in fiscal year 2019 to 80.6 in fiscal year 2020.

National NPS data with a focus on critical dealers are presented and discussed monthly during the **Customer First Committee** with all Top Management, as well as being one of the topics of the annual **Dealer Meetings**, strategic meetings with the entire Toyota and Lexus dealer network, in order to formally reiterate to the network the centrality of the topic.

In addition to the quality of its products and services and the attention paid to the customer's experience in the various phases of interaction with the brand, TMI considers communication an essential element in the process of customer involvement and loyalty. Various aspects are taken into consideration when structuring effective communication that manages to convey not only the characteristics of the brand's mobility offer but also its values.

Among these, three constitute the main levers of TMI's communication strategy: the **desirability** of the brand, its **ambition** and its **passion** (Figure 15).



1. **Desirability** involves two main areas of focus:

- Communication of the **Toyota Hybrid** as a 360° experience, not only by presenting the main services related to the Hybrid range, but above all by enhancing the credibility, reliability and experience of the Toyota brand with regard to electrification and the resulting benefits in terms of vehicle performance and technology. At the same time, TMI seeks to concretely **spread awareness of hybrid technology** through a direct presence on the territory, even at a local level. This mode of interaction allows the brand to more clearly convey the values that guide its strategy: continuous improvement, innovation, ambition for a sustainable and zero-impact future. The numerous sports and urban requalification initiatives supported by the company should be interpreted from this perspective.

Figure 15

The main values communicated by TMI.

- **Hydrogen technology** and the **Mirai** represent the second pillar of Toyota's commitment to fostering the perception of the brand as innovative and focused on accelerating the technology transition by generating real benefits for people and the environment.

Fleet Customer Engagement

Companies and organisations that choose Toyota or Lexus vehicles for their fleets constitute a category of customer that is in many ways different from the individual buyer, and for whose involvement TMI envisages a different approach. The **transmission of its values and vision** remains a key element for Toyota, necessary to make the customer fully aware of and participating in the company's long-term strategy and the concrete contribution made by the diffusion of its vehicles.

Not being based on experience at dealers and other points of contact designed for the individual customer, the relationship between TMI and corporate customers leverages on a direct involvement of these stakeholders in product or corporate events in order to give direct demonstration of the Toyota spirit and culture. Through the participation of customers **in events such as the Giro d'Italia**, of which TMI was the main sponsor in 2019, or the events promoted by partners CONI and CIP - Comitato Italiano Paralimpico - the company is thus able to convey the founding values of its culture, such as the commitment to continuous improvement and the importance of challenge, not tying the brand to exclusively product aspects.

Even in the context of events dedicated to the product, however, even before delving into the commercial theme, TMI reserves a space for the **illustration of the brand's corporate strategy**, with particular attention to the **Environmental Challenge 2050** and its vision of **sustainable mobility**, retracing the main stages of its history of innovation, from the first Prius to the fourth generation hybrid, to hydrogen and the prospects for the mobility of the future. **Appointments dedicated** to raising awareness of Toyota's key partners about the brand's values and vision are held twice a year. They focus on the benefits of Toyota's electrified solutions, explaining the **10 Truths of Hybrid** and the brand's long-term strategy first in the classroom and then with test drives aimed at directly showing the environmental and technical performance of Toyota products to TMI partners and potential partners.

2. The value of **ambition** is developed along two lines:

- The theme of **challenge**, overcoming limits and the vision of an evolved and accessible mobility for all, with the overcoming of all barriers, which is fully represented in the partnership with the **Olympic and Paralympic Committees** and the events promoted by them.
- The **new forms of mobility** and the evolution of TMI towards new solutions such as *sharing* and *pooling*, telling the new Toyota strategy and the reality of KINTO, under the umbrella of a complete and integrated offer with the dealer network.



3. **Passion** is the third communication lever and is based on a main pillar:

- The **Gazoo Racing** platform is used to communicate world (Rally d'Italia) and local (GT Cup, JCM) events and demonstrate Toyota's credibility in combining technological innovation and reliability with the more passionate aspects typical of the world of sport. Following the spirit of Toyota's commitment to motor sports, the concept on which the communication in this area is based is the **"Push limits for better"**, or the valuable role of competitive racing as a test bed for technology, reliability and continuous improvement.

Toyota Gazoo Racing

Toyota Gazoo Racing is the brand name used by Toyota in motorsports, in which the brand has competed for over 60 years. Toyota's investment in **motorsport** is based on the Kaizen philosophy. The extreme conditions to which vehicles are subjected during competitive racing serve as a test bed for the technological solutions of Toyota products before they are used in the production of mass-produced cars, testing reliability, safety and performance. It is therefore with a view to "Making better and better vehicles" that Toyota's commitment to **"going beyond its limits"** and putting itself on the line in the world of motorsport should be interpreted.

7.3. ROLE OF THE DEALERS

In this context, the Dealer network plays a role of primary importance as it represents the local declination of TMI's commercial strategies and vision. It is, in fact, the last link in the company's value chain, in direct contact with the customer.

The importance of the network for local realities and the end customer finds its fulfillment in the **BRiT (Best Retailer in Town) project**. The Best Retailer in Town is the dealer who best embodies Toyota's principles and values by spreading and transmitting them locally.

BRiT Committees

The **BRiT Committees** are Strategic Committees organized every six months with a restricted group of dealers representing the entire network. During these meetings, in which tables of discussion and comparison on vision, strategies, commercial policies and market actions of the brand are opened, the dealers participate proactively, expressing their point of view and suggesting to the company possible actions to undertake on the basis of local experiences.

The realization of specific projects, which are often the result of this discussion and which in many cases arise from the request of the dealers, takes the form of working groups in which, in addition to the TMI departments concerned, a group of dealers actively participate, contributing local best practices.

This is why TMI believes that the effective involvement of the Network in the Group's culture and strategy is fundamental. During the year, in addition to the national dealer meetings, where Toyota and Lexus strategies are presented, TMI provides for several moments of involvement and discussion with the network, such as the **BRiT Committees**, which help the company to convey its values and objectives to dealers and to know their perspectives and needs.

The current dealer network, which operates under the renewal of the Franchise Agreement that took place in 2018 and expires in 2023, consists of **68 partners** as far as **Toyota** is concerned, and **27** as far as **Lexus** is concerned, for a total of **167 Toyota** and **34 Lexus dealer locations** active throughout the country.

As a key point of contact with the customer for the Toyota brand, the Franchise relationship provides dealers with **standards** in terms of **structure** (aesthetics of the locations in line with the TMI Corporate), display (furniture and technological equipment of the salons and workshops according to the Retail Concept standards set by the company), sales and **after-sales processes**, but also **image** in the broadest sense (for example, following the guidelines of TMI in terms of communication).

The performance of dealers is, therefore, monitored and assessed by TMI, which has set up an award system for the most deserving dealers, called **BRiT Award**. This is a monthly monitoring system of the main indicators relating to different business areas, with a focus both on results and on the structuring of processes. The indicators mainly take into account the **People** area, relating to the attention paid to staff training and growth, the **Customer Centricity** area, i.e. the attention paid to the Customer, the **Toyota Way** area, relating to the application of Toyota's principles and processes in carrying out its activities, and finally an area of **business sustainability**, which includes both commercial performance and the dealer's attention to the value chain and financial strength.

From the combination of these indicators, a **BRiT Readiness index** is defined. At the end of the program, which lasts one year, the 12 dealers with the highest BRiT index are rewarded by participating in a trip with Toyota and Lexus top management.

Of course, also the dealer network has the opportunity to assess its relationship with TMI, offering valuable feedback and suggestions for improvement to the company. To monitor the Network's satisfaction with TMI, reference is historically made to the **Dealer Stat** survey carried out by Quintegia, which every year conducts an independent survey on the degree of satisfaction of the dealer networks of all car manufacturers, publishing the **results annually**. **In June 2020, Toyota** took first place in the **overall satisfaction ranking of Italian dealers**, gaining three positions compared to 2019.

In June 2020, Toyota took first place in the overall satisfaction ranking of Italian dealers.

For this year's voting, dealers were also asked to evaluate the network support measures that the manufacturers provided during the **Covid-19 emergency**, an issue for which the **Toyota and Lexus brands ranked first and second, respectively, for timeliness and effectiveness.**

To complement this channel, starting in January 2019, TMI released an application to its Toyota and Lexus network called **Retailer Communication Channel**, which is a smartphone app that constantly measures the level of satisfaction of the network and opens a direct and fast communication channel between the parent company and the dealer network.

7.4. QUALITY AND SAFETY OF PRODUCTS AND SERVICES

Although quality is a cross-cutting concept throughout Toyota's business, from production and corporate processes to sales and after-sales service, the spirit of constant verification and continuous improvement is particularly relevant to the brand's products. Attention to detail and the pursuit of perfection in Toyota vehicles is a fundamental aspect of achieving two important objectives of its vision: ensuring quality and ensuring safe and responsible mobility.

The excellent safety equipment that equips Toyota and Lexus vehicles, and that have ensured several times to the models of the brand 5 stars Euro NCAP, the highest recognition in the field of automotive safety, are just one of the aspects that contribute to ensure effective quality and safety. Local affiliates, and TMI among them, play a decisive role in this regard in the intermediate product life phase.

Euro NCAP tests

The safety rating created by Euro NCAP goes through a series of **tests that represent collision scenarios** that could result in injury or even death to vehicle occupants or other road users.

The number of stars reflects the vehicle's performance in Euro NCAP tests, but is also influenced by the safety equipment the manufacturer offers in each market.

Thus, a high number of stars demonstrates not only a good test result, but also that the safety equipment on the tested model is available to all consumers in Europe.

A 5-star rating indicates an "**excellent overall crash protection and well-equipped vehicle with comprehensive and robust collision avoidance technology**". (Source: <https://www.euroncap.com/it/info-su-euro-ncap/come-leggere-le-stelle/>)

Through its **technical department**, Toyota Motor Italia constantly verifies and monitors faults reported by customers or the network, and analyses their nature to determine whether they are faults with a potential impact on safety, elements no longer in line with current homologation regulations or aspects not related to vehicle safety but with a significant impact on its performance. These analyses are then formalized in a report that is sent directly to the parent company for evaluation. On the basis of the extent, both quantitative and qualitative, of the findings, TMC can then launch a so-called **recall campaign**, recalling all vehicles affected by the defect found, working promptly to resolve it and thus preventing any consequences. These campaigns represent a peculiarity of the great attention that the brand pays to the quality and safety aspects of its products.

The reporting process described, which has its roots in the culture of control and improvement of founder Kiichiro Toyoda, does not necessarily end with a recall campaign. However, the continuous feedback provided by the affiliates allows TMC to include in its subsequent productions and designs improvement interventions aimed at progressively increasing the quality and safety of its products, in full kaizen perspective. And it is also thanks to the capillarity of these analyses that for the fiscal year 2020 TMI has **confirmed the absence of cases of non-compliance** with current legislation on vehicle safety.

7.5. OUR BUSINESS PARTNERS

The commitment of Toyota and, in particular, of TMI to ensure the sustainability of its business is not limited to the activities carried out directly by the company, but necessarily takes into account its entire value chain. As evidence of this, business partners are among the primary stakeholders identified by TMC's CSR policy and referred to in TMI's Code of Conduct.

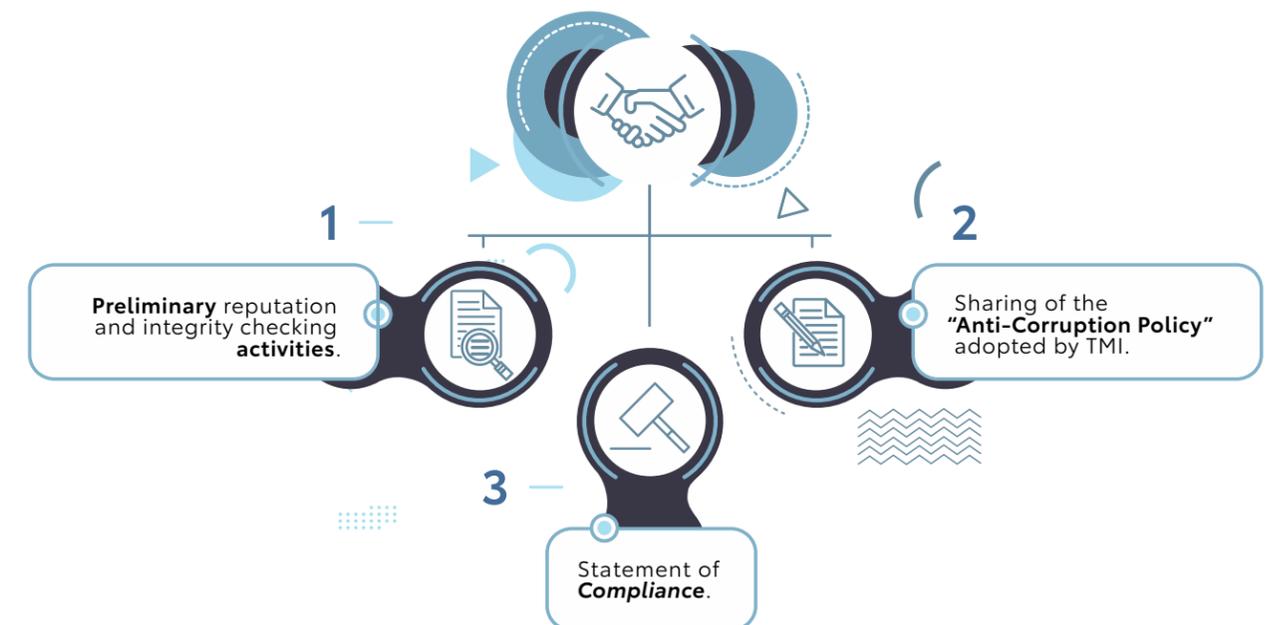
Procurement is, in fact, an important aspect of TMI's business, as it has a high impact on the economic sustainability of the organization and its value chain. To this end, the company has provided a set of principles and control tools that allow, through the monitoring of certifications in the environmental, social and safety at work fields and the formal sharing of integrity principles, to assess the commitment of business partners with regard to sustainability issues and the company's values both during the selection and execution of the business relationship.

The founding principle of business partnerships, enshrined in TMI's Code of Conduct, which is in turn based on Toyota's Guiding Principles, is the value of **respect for people** by business partners and the establishment of **long-term relationships** aimed at achieving mutual growth. The key selection criterion is overall competitiveness, determined by technological capability, pricing, delivery reliability, quality, economic and financial stability. Furthermore, no form of discrimination is allowed.

A particularly important aspect in the selection and conduct of relations with suppliers concerns **conflicts of interest and corruption**. As reiterated by the Code of Conduct, TMI is committed to extending its commitment against active and passive corruption also to its business partners through a twofold effort, as described below.

The standards set forth in the policy are submitted to partners through appropriate **contractual references**, by acceptance of which they guarantee compliance with the anti-corruption guidelines provided by TMI or any other guidelines referring to appropriate laws or regulations.

With a view to promoting the adoption of proper management practices in line with its values and principles, TMI also requires suppliers to confirm, when signing contracts, that they operate in compliance with the law and environmental regulations, operating honestly, avoiding conflicts of interest, complying with the Code for the Protection of Personal Data (Legislative Decree no. 196/2003) and ensuring the integrity of personnel and a healthy working environment. Furthermore, TMI is committed to actively promoting local sourcing and production in order to contribute to the economic development of the country and community in which it operates.



The company also has a **tool for monitoring** the sustainability of its supply chain, with reference to economic, environmental and social variables. Every year the company carries out an in-depth mapping of the so-called "*strategic*" suppliers, i.e. those partners who, due to the economic value of the supplies or the type of goods/services provided, are included in this category.

The monitoring of these suppliers takes the form of identifying the level of **risk** - in terms of safety and in a strategic perspective for TMI business - **reliability**, impact on **operational continuity** and any **certifications** in terms of quality, environment and safety at work. As far as risk is concerned, this refers both to security risks, assessed on the basis of the type of activity carried out by the supplier - whether carried out at or outside TMI's premises and the relative degree of danger - and to the risk deriving from the strategic importance that the supplier in question holds for the company, depending on the annual turnover with TMI and the type of service or good supplied.

Economic and financial reliability is measured by consulting the databases made available by Cerved Group, which assesses, among other things, the solvency of companies and their creditworthiness.

Building a sustainable supply chain together: the collaboration between TMI and Susa

The collaboration between TMI and its logistics partner Susa represents an example of cooperation for the development of sustainable solutions. In fact, the two companies are working together to promote the recovery of various packaging materials. For example, the cardboard of TME supplies, as well as envelopes or other undamaged packaging, are collected in special areas of the TMI warehouse, recovered and reused by the transporter.

Based on the elements described, TMI then assesses the impact that the individual supplier could have on the continuity of TMI's business, a key element in monitoring the economic sustainability of the supply chain. As far as socio-environmental aspects are concerned, the company, by consulting Accredia databases, maps its business partners according to their commitment and compliance for quality, environment and safety at work, checking the presence of the relevant **ISO 9001** (Quality), **ISO 14001** (Environment) and **OHSAS 18001** (Health and Safety at Work) certifications.

TMI's supply chain is divided into two major product categories:

- **The supply of vehicles and spare parts/accessories**, which covers around 90% of purchases of goods and in which TME is the main partner as the sole supplier of so-called *Genuine* vehicles, spare parts and accessories.

- The supply of **business support services**, of which the two main expenditure items relate to:
 - **Media/advertising**, which takes on particular weight as an important tool to support TMI's business, oriented towards the sale of products and services and, in the Toyota spirit, the communication of the values and culture that characterise the brand.
 - **Vehicle recall campaigns**, (*representing around 10% of the total costs for services*) which represent Toyota's ongoing commitment to guaranteeing its customers the highest standards of safety and quality on vehicles placed on the market.

Table 5

GRI 204-1 Percentage of procurement budget spent by TMI on local suppliers from April 1 through March 31, by commodity category.

| Product or service category | Proportion of spending on suppliers, by product or service category and geographical area ⁴² | | | | | |
|--|---|------------------------------|-------------------------|------------------------------|----------------------|------------------------------|
| | 2019 | | | | | |
| | Italy | | Abroad (European Union) | | Total | |
| | Spending (€) | Percentage on total spending | Spending (€) | Percentage on total spending | Spending (€) | Percentage on total spending |
| Purchase new vehicles, accessories and genuine spare parts | 0 | - | 1,487,353,294 | 80.9% | 1,487,353,294 | 80.9% |
| Media and publicity | 38,364,631 | 2.1% | 0 | - | 38,364,631 | 2.1% |
| Vehicle recall campaigns | 29,219,963 | 1.6% | 0 | - | 29,219,963 | 1.6% |
| Total | 67,584,594 | 3.7% | 1,487,353,294 | 80.9% | 1,554,937,888 | 84.6% |

| Product or service category | Proportion of spending on suppliers, by product or service category and geographical area | | | | | |
|--|---|------------------------------|-------------------------|------------------------------|----------------------|------------------------------|
| | 2020 | | | | | |
| | Italy | | Abroad (European Union) | | Total | |
| | Spending (€) | Percentage on total spending | Spending (€) | Percentage on total spending | Spending (€) | Percentage on total spending |
| Purchase new vehicles, accessories and genuine spare parts | 0 | - | 1,545,692,745 | 82.4% | 1,545,692,745 | 82.4% |
| Media and publicity | 37,323,711 | 2.0% | 0 | - | 37,323,711 | 2.0% |
| Vehicle recall campaigns | 14,950,965 | 0.8% | 0 | - | 14,950,965 | 0.8% |
| Total | 52,274,676 | 2.8% | 1,545,692,745 | 82.4% | 1,597,967,421 | 85.2% |

⁴² Purchasing data includes the three largest spending categories, which collectively cover 84.6 percent of total purchases in 2019 and 85.1 percent in 2020.

TMI's people: the engine of the future

— CHAPTER 8.



Toyota was awarded Top Employer certification for the fifth consecutive year.

For Toyota, people constitute one of the fundamental pillars of corporate success. The values of **Teamwork** and **Respect** among colleagues are included both in the Guiding Principles⁴³ and in the Toyota Way, and are key elements of the broader concept of **Respect for People**. This principle is realized by creating the best possible conditions for each employee to fulfil his or her potential, and at the same time identifies the development of its **people** as an essential foundation for the company's growth and prosperity.

This principle represents not only the value basis of Toyota's culture, but is also one of the objectives set by the Toyota Global Vision: engaging and stimulating the **talent and passion** of its employees is a necessary ambition to improve the very quality of the final product. As acknowledged by the global CSR policy, employees are a key stakeholder in Toyota's success and the basis of ultimate customer satisfaction. This logic is exemplified by the statement "**Employee first for Customer First**".

Thoroughly sharing the brand's global cultural approach, TMI considers its people a crucial resource.

For this reason, it has developed an **Employee Experience** to encourage the development of employees' skills and motivation through active engagement. Several contact points have thus been identified on which TMI is implementing targeted actions for a complete valorization of the Employee Experience, particularly focusing on the following **three key pillars of the Employee Journey**:



From an organizational point of view, the company has initiated a process to adapt its structure and processes to Vision 2025, focused on the transition **from Automotive Company to Mobility Company**.

The goal is to reform the traditional organization to better adapt to new customer needs and to the challenges posed by a changing mobility industry. In particular, the organizational change being defined, aims to maximize synergies and integration of the entire group of companies operating for Toyota in Italy (Toyota Motor Italia, Toyota Financial Services, Toyota Fleet Mobility, Toyota Insurance Management-Andie). This shift will allow our people to have **more opportunities for cross-cutting experience** with other companies in Italy within the Toyota Group, as well as opportunities to consolidate experience and skills

⁴³ Guiding Principle 5 "Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honoring mutual trust and respect between labor and management". TMC, *Guiding Principles at Toyota*, <https://global.toyota/en/company/vision-and-philosophy/guiding-principles/>.

in international exchanges with Toyota Motor Europe or other Sales & Marketing affiliates in Europe.

The new organisational set-up will also allow the company's employees to acquire new skills and mindsets by taking on roles in the **New Mobility** area, which Toyota has decided to manage under the KINTO brand, in order to best meet the specifications of the future business model.

As evidence of its ongoing commitment to improving its human resource management, in February 2020 the company was awarded Top Employer certification for the fifth consecutive year, which certifies the best organizations in the process of managing and developing people and the work environment.

8.1. THE CHARACTERISTICS OF TMI'S WORKFORCE

TMI's current **organizational model** is a **Customer Centric** model with five main organisational groups - Sales Operations, Customer First & Innovation, Marketing Strategy & Communication, Business Support, Communication & External Affairs, HR-Corporate Planning & Facilities - linked by a cross-functional collaborative relationship geared toward achieving common business goals. The model presents a **Lean Organization** with up to four levels within the organization.

The distribution of personnel between Management and Staff in terms of units is 25%-75%, a value that rises to 20%-80% when comparing staff assigned to business support functions and those specific of the company's business. This is evidence of the company's will to focus on its **Core Business**.

| Contract type | Total number of employees by contract type and gender | | | | | |
|----------------------|---|-----------|------------|----------------------|-----------|------------|
| | As of March 31, 2019 | | | As of March 31, 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Permanent employment | 140 | 49 | 189 | 144 | 55 | 199 |
| Temporary employment | 8 | 7 | 15 | 6 | 2 | 8 |
| Apprenticeship | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 148 | 56 | 204 | 150 | 57 | 207 |

| Type of employment | Total number of employees by type of employment and gender | | | | | |
|--------------------|--|-----------|------------|----------------------|-----------|------------|
| | As of March 31, 2019 | | | As of March 31, 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Full-time | 148 | 44 | 192 | 150 | 43 | 193 |
| Part-time | 0 | 12 | 12 | 0 | 14 | 14 |
| Total | 148 | 56 | 204 | 150 | 57 | 207 |

TMI has a workforce of 207 employees as of March 31, 2020, of which approximately 95% are permanent employees, a figure unchanged from the previous year. 6.8% of employees, who are exclusively women, benefit from part-time employment.

At the same time, opportunities for international experience and knowledge sharing have increased: in the same period of time, in fact, TMI managed **8 international assignments**, **4 local assignments** and **33 job rotations** within the organization.

Despite the fact that temporary staff and trainees cover a low percentage of the company's activities (about 2.8% of the total workforce), through these placements TMI aims not only to encourage interaction and renewal of the collective mindset, but also to offer opportunities for personal training and development, and to identify potential new resources that meet the values, skills and experience required by the organization.

As of March 31, 2020, 100% of employees are covered by collective bargaining agreements.

Table 6

GRI 102-8 a. Total number of TMI employees by contract type as of March 31 and GRI 102-8 c. Total number of TMI employees by employment type as of March 31.

8.2. TALENT ATTRACTION AND SELECTION

Despite a reduction in the number of hires compared to the previous year, from April 2019 to March 2020, TMI hired 8 new employees and provided training to 8 new interns with an average age of 28 years, once again recording the highest hiring rates in the under-30 age group. This has allowed the organization to be intertwined with more "Millennials", an element that has contributed to renewing the skills and mindset of the workforce and thus preparing it to face the organizational challenges of the new business model.

| Number of hires | Hires | | | | | | | |
|-----------------|----------------------|-------|------|-------|----------------------|-------|------|-------|
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Total | < 30 | 30-50 | > 50 | Total |
| Men | 9 | 5 | 2 | 16 | 3 | 3 | 0 | 6 |
| Women | 5 | 4 | 0 | 9 | 0 | 2 | 0 | 2 |
| Total | 14 | 9 | 2 | 25 | 3 | 5 | 0 | 8 |

| | Hiring rate | | | | | | | |
|-------|----------------------|-------|------|-------|----------------------|-------|------|-------|
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Total | < 30 | 30-50 | > 50 | Total |
| Men | 69% | 5% | 6% | 11% | 21% | 3% | - | 4% |
| Women | 83% | 10% | - | 16% | - | 5% | - | 4% |
| Total | 74% | 6% | 5% | 12% | 16% | 3% | - | 4% |

New resources are selected through a rigorous process aimed at identifying women and men of potential who have an appropriate profile in line with the company values and the skills required by the vacant positions.

This process is structured according to the following steps:

1. Need analysis

- Department request.
- Analysis of the request.
- Start of the selection process.

2. Selection process

- Employer Branding activation.
- CV screening.
- Phone interview.
- Online assessment.
- Assessment analysis.
- Interview with the HR department.
- Interview with the management line.

Monitoring the quality of the selection process and of the new hires' performance, has been formalized by means of a performance evaluation of the management line prior to the end of the new hires' probationary period..

Already in 2019, TMI has been focusing on supporting the **Diversity** strategy, even in the selection phase. This to ensure that more women join the company, with the aim of achieving a rebalance in the number of the female workforce and thus supporting company growth and a more innovative mindset. As far as turnover is concerned, also for the fiscal year 2020 TMI confirmed very low figures - standing at 0% for the youngest resources - testifying to the company's excellent ability to retain its own talents, an element that mitigates the need to introduce new resources into the company.

Table 7

GRI 401-1 b. Total number and rate of terminations as of March 31.

| Number of terminations | Terminations | | | | | | | |
|------------------------|----------------------|-------|------|-------|----------------------|-------|------|-------|
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Total | < 30 | 30-50 | > 50 | Total |
| Men | 0 | 3 | 1 | 4 | 0 | 3 | 1 | 4 |
| Women | 1 | 3 | 0 | 4 | 0 | 2 | 0 | 2 |
| Total | 1 | 6 | 1 | 8 | 0 | 5 | 1 | 6 |

| | Turnover | | | | | | | |
|-------|----------------------|-------|------|--------|----------------------|-------|------|--------|
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Totale | < 30 | 30-50 | > 50 | Totale |
| Men | - | 3% | 3% | 3% | - | 3% | 3% | 3% |
| Women | 17% | 8% | - | 7% | - | 5% | - | 4% |
| Total | 5% | 4% | 2% | 4% | -3% | 2% | 3% | - |

Despite this, TMI has implemented several actions in recent years aimed at improving the process of finding and attracting talent to its organization. Among the various initiatives, the company has strengthened its relationships with universities through different channels:

- Participation in **Career Days**, during which it was able to present its organization and interview potential candidates at the same time. One example is the collaboration with LUISS Guido Carli in Rome.
- **Master interventions**, as was the case with the Master promoted by CONI, through which the company is introduced and its mission and main activities are described, also thanks to the participation of the technical departments involved.
- **Open day** at TMI's headquarters for groups of university students, as was the case for the students of the Faculty of Engineering of Roma Tre. They were able to learn more about TMI, its products and its organization in general.

The social impact of the T-TEP project

In addition to its role as a channel for attracting talent, which is fundamental to the company's growth, the T-TEP project represents a great opportunity for the company as a whole. This impact is realized through two main purposes of the project: **the coordination of labor supply and demand and the training of skills in line with new market needs.** With regard to the first point, the "Your Future" platform is an important step forward for the system. Partner schools have always been able to count on a consolidated channel of collaboration with Toyota and its Network, thus being able to guarantee their students the fundamental activities of alternating school-work and, in general, concrete possibilities of integration. However, the optimization of the search for young qualified profiles through the new platform represents a valuable tool for **aligning supply and demand for work in the automotive sector.** This contribution assumes considerable relevance if interpreted in the context of the difficulties to enter the labor market for young people in Italy: only 41.6% of young people between the ages of 15 and 34 are employed in Italy, compared with 58.7% of the EU average, while 18.3% are unemployed (9.5% in the EU). However, T-TEP also represents an opportunity to **renew and update the professional skills of the automotive sector,** in full swing. The continuous training of young students and the direct dialogue with a brand that is a protagonist of this transition is an opportunity to encourage the formation of a class of competent workers with the right mindset and the skills required by the new market.

Furthermore, TMI also activated searches on **LinkedIn**, mainly related to internship opportunities. Another channel of dialogue with the world of education, which is a distinctive feature of Toyota, is the **Toyota Technical Education Program**, a programme that involves collaboration



between the brand and various schools, mainly professional and industrial technical institutes. It is aimed at providing students with technical and customer experience management skills, providing continuous updating of the institute's teachers and teaching equipment. Through this initiative, Toyota aims to make a concrete contribution to the public education system of each country in which it operates, while offering the dealer network a pool of trained talents to draw on for the network's professional needs.

In Italy, T-TEP was launched with a memorandum of understanding between TMI and the Ministry of Education in 1995, and since then has involved 20 partner schools and thousands of students, often offering them the opportunity to gain experience in the Toyota world. The new course of the initiative, called T-TEP 2.0, is the evolution of this project, and is based on the definition of a new training path for students, the

Figure 16

TMI's Employer Branding plan activities.

8.3. EMPLOYEE DEVELOPMENT

updating of teachers' skills through the Toyota Academy, as well as the adaptation of teaching equipment, always in step with the latest technological developments. T-TEP schools have, in fact, modern diagnostic equipment, laboratories equipped with simulators and cars equipped with hybrid drive systems provided by Toyota for training purposes. Moreover, training now includes enhancing customer relationship management and sales process skills. The collaboration has been extended to the ELIS Institute of Higher Education.

A crucial feature of T-TEP's new approach, however, is its role as a **channel for attracting young talent**, an important resource for qualitative growth of the Toyota sales service network, in line with the needs of a rapidly changing industry. Precisely for this reason, in July 2020, TMI launched a new digital platform for talent search and selection for the Toyota and Lexus Dealer Network called "**Your Future**". The channel aims to support the dealers' selection process by facilitating the search and placement of qualified young people within their network, drawing on the T-TEP and ELIS' privileged candidate pool. One of the strengths of the programme is the solid preparation received by the participating students, which **Toyota certifies to graduates** at the end of the training course, both for traditional profiles such as workshop technician and for innovative roles such as customer contact point manager. At the end of the selection process, the Toyota Academy supports new resources with a training programme that accelerates their professional integration. The importance that Toyota places on the programme for the growth of its network is demonstrated by the **inclusion of indicators** on the use of the platform within the KPIs monitored for **BRiT**, confirming the fact that the relationship between the dealer and the territory cannot disregard a constructive interaction with young people and a qualitative growth of its staff.

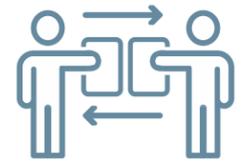
Furthermore, also in relation to what emerged from the Brand Reputation analysis that TMI is carrying out, during the fiscal year 2020 it became necessary to structure **Employer Branding** activities in a strategic plan. This is currently being approved with subsequent immediate implementation, in agreement with the Corporate Communication and Marketing departments. The plan will include 4 main activities, as illustrated in Figure 16.

8.3.1 Development modes

As the company's core strategic resource, TMI pays great attention to the development of its people, fostered through various initiatives that stimulate a broadening of skills and greater knowledge of Toyota's activities.

Of the various development methods provided by TMI, the following are the most effective tools used by the company:

- 1. Job Rotation:** TMI promotes periodic staff rotation between different departments of the company, so as to allow horizontal and/or vertical growth of resources through the expansion of their knowledge and development of their skills. In fiscal year 2019, TMI managed 78 job rotations, corresponding to approximately 38% of the workforce, a figure that stood at 33 (16% of the workforce) during fiscal year 2020.
- 2. International Assignment:** this solution provides the opportunity to carry out professional experience at Toyota Motor Europe, the European headquarters based in Brussels, ranging in duration from 1 to 5 years. In 2020, there were 8 international assignments, in continuity with the 9 in 2019, which allowed TMI employees to better understand the strategic guidelines of the brand in Europe, while developing the soft skills favored by an international work environment.
- 3. Cross-company Assignment:** temporary assignments at other Group companies in Italy, such as Toyota Financial Services (TFSI), Toyota Insurance Management (TIM) and Toyota Fleet Mobility (TFM), have, similarly to job rotations, the objective of enhancing employees' knowledge of the Toyota world. The objective is to encourage the acquisition of new technical skills. Four inter-company assignments were managed in 2020 (3 in 2019).
- 4. Training:** Between 2019 and 2020, TMI has invested around €500,000 in the training of its employees, focusing on both soft skills training and professionalizing role training, with around 80% of the company's workforce participating in training initiatives.



TOYOTA



The development of this area is geared towards increasingly blended training, i.e., integrating traditional face-to-face training with the use of digital platforms that allow for greater accessibility of training content by the user at any time. The company, thanks to the Toyota Academy, is also working on various aspects to adapt its training offerings to the new business model and the progressive digitalization of content.

8.3.2 The performance evaluation system

A vital element of employee development and growth is the receipt of feedback and related suggestions for improvement in relation to their performance. TMI has an evaluation system, described in Figure 17, which involves all employees (Table 8), based on two pillars, **Competency** and **Performance** Appraisal. The first aims to assess whether the behaviors implemented in a defined period are in line with the expectations of the role, of the organization and focuses on medium-long term development. The second is aimed at assessing the results achieved in a given period and focuses on the short term.

Table 8

GRI 404-3. Total percentage of employees who received a periodic performance and professional development evaluation, by gender and job category as of March 31.

| % | Percentage of employees who received a periodic performance and professional development evaluation, by gender and job category | | | | | |
|------------|---|-------|--------|----------------------|-------|--------|
| | As of March 31, 2019 | | | As of March 31, 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | 100% | - | 100% | 100% | - | 100% |
| Managers | 100% | 100% | 100% | 100% | 100% | 100% |
| Employees | 97.30% | 100% | 98.16% | 97.30% | 100% | 98.15% |
| Total | 98.01% | 100% | 98.55% | 98.04% | 100% | 98.56% |

Both are fundamental evaluation moments for the career development of Toyota Motor Italia employees. The assessment systems are in line with those of Toyota in Europe in terms of process, timing and management system.

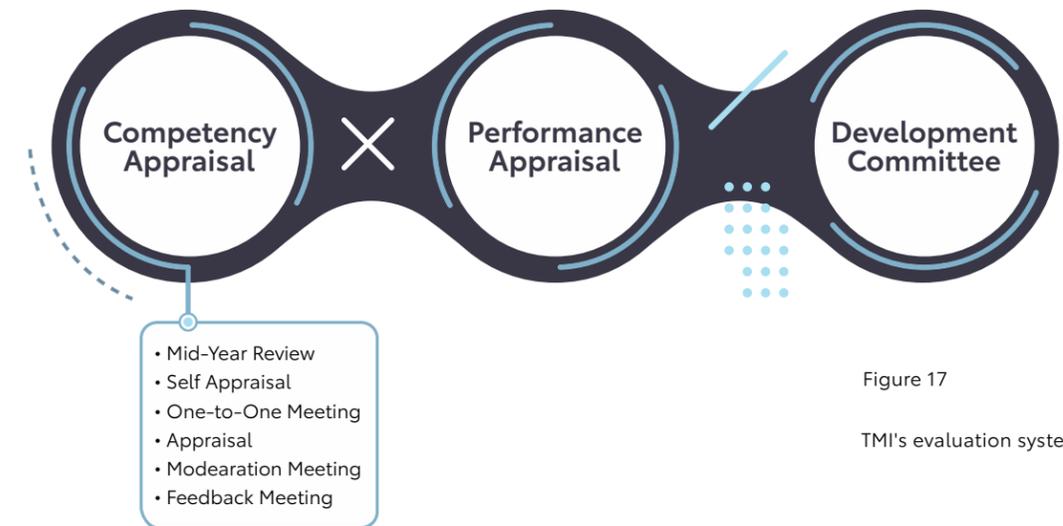


Figure 17
TMI's evaluation system.

8.4. DIVERSITY AND EQUAL OPPORTUNITIES

Valuing individual diversity is one of the company's founding principles, underpinning one of the pillars of Toyota's Values, **Respect**, whose actual application is monitored through a **dedicated section** of the biannual European Employee Motivation Survey (EMS).

TMI considers Diversity as a necessary element for the realization of an innovative and open mindset for the whole company. For this reason, objectives and actions related to diversity are included in the Hoshin Kanri⁴⁴ of the Human Resources department.

To date, the percentage of women out of the total number of employees stands at **26%**. TMI considers it particularly important to continue working to try to increase the presence of women in its workforce, as detailed below. In relation to young people, the

⁴⁴ The Hoshin Kanri is the formal document indicating the vision and mission of the department. It derives from the corporate one which, in turn, is based on the European one.

| Number of employees | Number of employees by professional category, gender and age group | | | | | | | |
|---------------------|--|-------|------|--------|----------------------|-------|------|--------|
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Totale | < 30 | 30-50 | > 50 | Totale |
| Executives | 0 | 6 | 7 | 13 | 0 | 7 | 7 | 14 |
| Men | 0 | 6 | 7 | 13 | 0 | 7 | 7 | 14 |
| Women | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Managers | 0 | 25 | 6 | 31 | 0 | 25 | 6 | 31 |
| Men | 0 | 22 | 5 | 27 | 0 | 23 | 5 | 28 |
| Women | 0 | 3 | 1 | 4 | 0 | 2 | 1 | 3 |
| Employees | 19 | 114 | 27 | 160 | 22 | 111 | 29 | 162 |
| Men | 13 | 78 | 17 | 108 | 17 | 75 | 19 | 111 |
| Women | 6 | 36 | 10 | 52 | 5 | 36 | 10 | 51 |
| Total | 19 | 145 | 40 | 204 | 22 | 143 | 42 | 207 |
| Men | 13 | 106 | 29 | 148 | 17 | 105 | 31 | 153 |
| Women | 6 | 39 | 11 | 56 | 5 | 38 | 11 | 54 |

number of employees under 30 years of age has increased by 2 percentage points, an element that the company aims to increase in the coming years also thanks to the renewed Employer Branding strategy and the new channels for attracting talent described in paragraph 8.2 "Talent attraction and selection".

When developing a **Diversity & Inclusion culture**, TMI first focused on **growing gender diversity**, embarking in fiscal year 2019 on a path of improvement alongside a partner of excellence, **Valore D**, the first association of companies that promotes gender balance and an inclusive culture in organizations and the country more generally. In this regard, in March 2019 TMI signed the **Manifesto for Women's Employment**, publicly and formally assuming its commitment to the development of a D&I culture. The structured strategic plan is aimed at increasing the presence of women in the company, their enhancement and presence also in managerial functions.

Additionally, in order to widen the scope of Diversity to include **cultural** diversity as well, the launch of an internship project for immigrants has been planned, with the aim of facilitating integration into society for young immigrants.

Finally, another important aspect for TMI, not only in terms of the diversity of its workforce but also in terms of the company's mission, is the **inclusion of people with disabilities**, who, together with other protected categories, make up 6.3% of staff.

Table 9

GRI 405-1 b. Number of employees in protected categories, by gender and age group as of March 31.

TMI for women

During fiscal year 2020, several strategic actions have been implemented. For example, the revision of the selection process was implemented in order to increase the number of women joining the organization, always giving priority to the quality of the resource. In addition, the Unconscious Bias training course was delivered to Top Management and the **MAAM (Maternity as a Master)** online Master's course was introduced to enhance the soft skills acquired through parenthood. At the same time, a number of actions aimed at improving the *work-life balance* have been completed and, finally, a **Maternity Come Back** process has been structured to facilitate the return of mothers to headquarters following a long period of absence, in a delicate phase of life.

Further actions are already planned for the fiscal year 2021, namely the provision of training on **Unconscious Bias** for all Management and the **Mentorship** program for women.

| Number of employees | Total number of employees in protected categories, by gender and age | | | | | |
|---------------------|--|-------|-------|--------------------|-------|-------|
| | As of March 31, 2019 | | | As of March 31, 20 | | |
| | Men | Women | Total | Men | Women | Total |
| < 30 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30-50 | 1 | 0 | 1 | 1 | 0 | 1 |
| > 50 | 9 | 3 | 12 | 9 | 3 | 12 |
| Total | 10 | 3 | 13 | 10 | 3 | 13 |

8.5. WELFARE

Welfare activities offered by TMI are developed with the aim of supporting the employee through benefits that can be used at 360°. Welfare is taking on an increasingly important role in the company's HR policies, so much so that it is the subject of the **Total Reward Statement project**, a project aimed at quantifying the remuneration package that includes the benefits provided.

These are made up of a **wide range of services** that the company makes available to its employees directly on the premises or through agreements with third parties. Among the services made available at the headquarters are a free canteen for TMI personnel, a gym where it is possible to consult an instructor, sports activities supervised by professional coaches, a company shuttle with connections to the nearest train and subway stations, the possibility to meet with a nutritionist and a doctor on site and possibly get a flu shot, support to stop smoking, daily availability of fresh fruit in the break areas of all floors, a laundry service, a bar-restaurant, a massage service, an ATM and a delivery service of medicines in the company.

In addition, the company provides a modular company car program based on the employee's contract level, as well as health insurance and Christmas Gifts, currently consisting of Amazon vouchers worth €300 per employee. Among other benefits, the company makes available to its employees discounts on company products and services, an online English course, the possibility to use company cars at weddings or commercial vehicles when needed, the availability of replacement company cars in case of failure of their private cars.

Smart working, as discussed in paragraph 6.2.2 "Digitalisation of processes", is becoming increasingly important as a tool for improving *work-life balance* and the well-being of employees, with the exception of warehouse and workshop operators for whom physical presence is essential for carrying out work activities. Thanks in part to the initiatives just described, TMI confirmed excellent results in 2019 in terms of employee satisfaction.

Employee satisfaction is monitored in two ways: through a biennial European survey, called the Employee Motivation Survey, and daily through the **Beaconforce App**, dedicated to constantly monitoring the motivation and engagement of all Toyota team members.

The introduction of Beaconforce, which took place in 2019 consistently with the company's path of digitalization of HR processes, was strongly desired by TMI with a view to measuring employee satisfaction with a continuous monitoring tool. As of October 2020, **registered users on the app are 91% of employees** (up 9 percentage points from the launch period), with 81% of them using it on a regular basis. Monthly interactions continue to grow (63,000 as of October 2020), and show a high degree of employee satisfaction, expressed through the employee's "**mood**" or state of mind, which **for 82% of users in TMI is positive**.

The results of the last pan-European climate survey, carried out in 2018⁴⁵, showed a high level of Engagement, equal to 90%. However, the corporate philosophy of Kaizen, continuous improvement, has led to the identification of 3 areas of potential improvement: training, with particular regard to *job rotation* and handovers, **IT tools for human resources management and work-life balance**, on which TMI has acted with a dedicated action plan. The action plan was drawn up by involving employees in **dedicated focus groups**, followed by the implementation of solutions in all three areas.

⁴⁵ Reiteration of the survey and the development of a new action plan were planned for September 2020 but have been postponed to summer 2021 due to Covid-19 emergency.

8.6. HEALTH AND SAFETY

8.6.1 The Integrated Management System

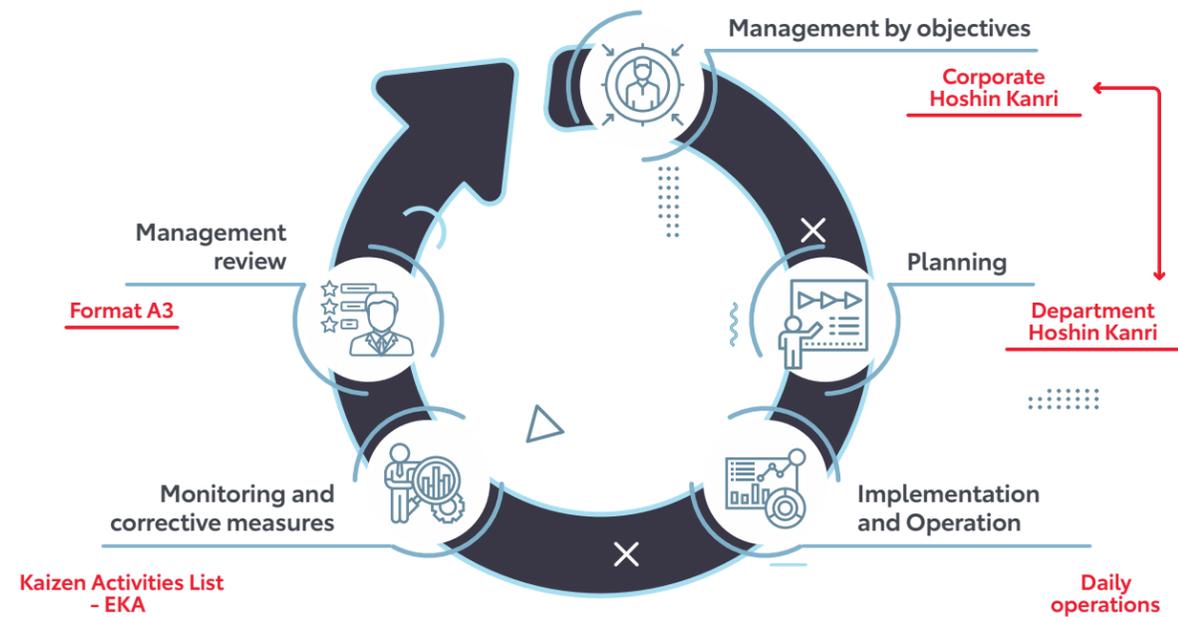
Fundamental declaration of the value pillar of Respect for People, is the attention that the company pays to the issues of health and safety of its people and all its stakeholders. In this sense, in addition to compliance with legislation (D. Lgs. 81/08), occupational safety is one of the main elements of the integrated management system Quality, Environment and Safety, certified according to international standards **ISO 45001:2018, ISO 14001:2015, ISO 9001:2018**.

The Integrated Management System refers to Quality, Information Security, Business Continuity, SOX Compliance, Workplace Safety, Environment, Privacy and compliance with Legislative Decree 231/2001.

The underlying approach behind the Integrated Management System is the sharing of common tools and operating practices. These avoid disconnection between the practices that characterize individual management systems and ensure maximum organizational efficiency. The following (**Figure 18**) shows the rationale and operating methods that unite the individual management systems and ensure their integration.

Figure 18

Integrated management system integration logic.



Safety risks identified by the **Toyota Global Risk Management Standards (TGRS)**⁴⁶ and their reduction measures are measured, analysed and defined by job in the Risk Assessment Document in compliance with Legislative Decree 81/08.

However, TMI not only assesses and maps the risks affecting its own employees, but also pays close attention to workers in the Toyota and Lexus sales and service network.

In this regard, it defines, plans and implements actions that can help dealers improve their management of the health and safety aspects of their staff. For example, a self-assessment *checklist* on important health and safety aspects has recently been prepared, to which TMI has added a direct assessment service on a sample of dealers.

With regard to the recent **COVID-19 emergency** and its proper management, guidelines have been drawn up and distributed to dealers and service centers in the Toyota and Lexus networks.

The creation of a safety culture is not limited to training activities: the company promotes the spread of the values of prevention and protection through continuous promotional activities.

8.6.2 Safety culture

For the correct application of high safety standards, TMI considers staff **training** on this subject to be of primary importance; covering various aspects, which are not limited to those required by law. In addition to compulsory training, TMI provides additional training focused on different topics, as in the case of the safe driving course given to travelling personnel.

In addition, within the framework of Management Systems, initiatives are periodically carried out to raise awareness of issues relating to the management of risks and opportunities, including those relating to safety within the company.

The creation of a safety culture is not limited, however, to training activities. In fact, the company promotes the spread of the values

⁴⁶ As described in paragraph 3.4.2 "Risk Management".

of prevention and protection through continuous promotional activities, including:

- **Safety Month** (during the month of October) during which the company promotes significant practices and actions in reference to aspects related to health and safety.
- **Safety Award**, through which TMI rewards each year those who have distinguished themselves in specific health and safety activities.

Besides, within the Hoshin Kanri document, targets for health and safety improvement are included, which must then be identified in concrete actions within the Hoshin Kanri of each single department, in a perspective of continuous improvement - Kaizen.

8.6.3 Security monitoring

TMI conducts **internal audits** at planned intervals to determine whether the integrated Quality, Environment and Safety Management System complies with what has been planned. For the health and safety component of the management system, audits include evaluating the most significant aspects and concerning:

- The updating status of the Risk Assessment Document (DVR) and of the Emergency Plan.
- The exhaustiveness of the identified risks and the adequacy of the measures for their reduction.
- The correct implementation of the health and safety measures defined in the DVR and in the associated documentation.
- The scheduling and implementation of emergency testing and its follow-up.
- The planning and specific mandatory training and the status of health surveillance.
- The relationship with suppliers with reference to safety with emphasis on risks linked to possible interference (Interference Risk Assessment Document).
- records of accidents and "near miss" and the related follow-up.
- The status of indicators (frequency index and severity index), in compliance with INAIL requirements.

Results of audits are analyzed by the person in charge of the company's management system together with the managers involved and directly involved from time to time in order to define, plan and implement appropriate corrective and improvement actions, whose effectiveness is subsequently assessed. The effectiveness is understood as the ability to have removed the prevailing causes that may determine future deficiencies.

On specific aspects relating to health and safety, the periodic safety test makes it possible to test the effectiveness of the emergency procedure and to put in place actions to promote prevention and protection, as well as improvement actions with the aim of reducing the risk of accidents.

In this regard, the **Parts Logistics Warehouse** of our infrastructure documents through standard European **reporting** and *checklists* analyses of incidents and near misses. This analysis and sharing practice is defined within the European Parts Logistics Warehouse group with the aim of sharing ideas and solutions to avoid further risk situations at any site in Europe.

The Safety Patrol

The TMI warehouse, an excellence and *best practice* at European level regarding safety in the workplace, adopts several procedures aimed at constantly improving the safety conditions of its workers. Among these, the Safety Patrol invites all warehouse operators to carry out 15-minute inspections in specific areas of the premises in order to identify any dangers or potential dangers for the health and safety of workers, mainly concerning ergonomics and material handling. In a *Kaizen* perspective, the report is then followed by the proposal and discussion of a solution.

As of this year, with the same principle of analysis and sharing, our Warehouse staff has set itself the objective of sharing with the Toyota and Lexus dealer network *best practices* on health and safety in the management of their warehouses.

With reference to the procedures for reporting risks and dangers by workers, an effective and structured channel is represented by the **Near Miss** procedure, described in the box on the below.

Near Miss procedure

Toyota, we are always concerned about the health and safety of our employees and of all those involved in our core business processes or in support of our core business, and we have developed a system for reporting near misses, i.e., those near misses that do not require any recording or reporting; these are events that cause minor injuries that do not result in absence from work or accidents that could have caused, but did not.

The **reporting, recording and analysis** of near misses has the dual objective of preventing the occurrence of injuries that could have a more serious outcome and allowing for more reliable refinement of health and safety risk indicators and a form of learning with little effort. As a response to the above considerations, any near miss must be reported. All personnel are responsible for submitting "near miss" reports using tools made available by IT services to be used from their workstations or from their cell phones. The report must include the date, time and place of the event and any useful indications for subsequent analysis and identification of the causes.

For reporting via cell phone, staff have an **App** and **QR codes** displayed widely in workplaces. In the event of a report, the person who intends to report goes to the vicinity of a QR code, scans it to open an email that is addressed to predefined recipients: the manager and the staff of the Prevention and Protection Service and the manager of the management system for health and safety at work. The recipients assess the risk situation and, if deemed appropriate, define and initiate appropriate improvement actions aimed at removing the causes of the near miss and thus reduce future risks to the health and safety of workers.

The reports feed a database that is periodically reviewed to identify any recurrences and take any necessary measures to contain them. Although there are strong mechanisms in place to protect workers who report such incidents, the company also provides for the possibility of anonymous reporting.



In the event of accidents at work, TMI has the possibility to investigate using the tools offered by the Organization, Management and Control Model ex Legislative Decree 231/2001, as described in paragraph 3.5 "Business ethics, compliance and anti-corruption" and control activities carried out periodically by the Supervisory Body.

| Number of injuries | Work-related injuries ⁴⁷ | |
|--|--------------------------------------|--------------------------------------|
| | April 1, 2018 through March 31, 2019 | April 1, 2019 through March 31, 2020 |
| Number of fatalities as a result of work-related injuries | 0 | 0 |
| Number of high- consequence work-related injuries (excluding fatalities) | 0 | 0 |
| Number of recordable work-related injuries | 5 | 0 |

The suitability of TMI's occupational health and safety management system and related prevention and reporting mechanisms, is reflected in the excellent results in terms of the number of accidents recorded during the year. In the fiscal year 2020, in fact, the company managed to improve on the already remarkable result of the previous year, bringing to **zero accidents at work** for both employees and external workers.

| | Types of injuries | |
|--------------------------------|--------------------------------------|--------------------------------------|
| | April 1, 2018 through March 31, 2019 | April 1, 2019 through March 31, 2020 |
| Bone fracture | 2 | 0 |
| Trauma of the cervical rachide | 2 | 0 |
| Blow injury | 1 | 0 |

Evidence of the diffusion of a solid safety culture and the effective implementation of its management system is also shown by the consistently positive results of the emergency tests carried out on a regular basis. However, the Kaizen culture imposes a continuous effort towards process improvement which, also in the field of health and safety, uses the company's monitoring and assessment tools to intervene with corrective and improvement actions on specific management aspects.

Table 10

GRI 403-9 a. Number and rate of employee work-related injuries by severity and type from April 1 through March 31.

| Rate of injuries | Rates of work-related injuries ⁴⁸ | |
|--|--|------------------------------------|
| | Dal 1 aprile 2018 al 31 marzo 2019 | Dal 1 aprile 2019 al 31 marzo 2020 |
| Rate of fatalities as a result of work-related injuries | - | - |
| Rate of high- consequence work-related injuries (excluding fatalities) | - | - |
| Rate of recordable work-related injuries | 12.9 | - |

⁴⁷ Injury data refer exclusively to injuries recorded in the workplace, thus excluding commuting accidents.

⁴⁸ Injury rates are calculated by multiplying the ratio of number of injuries to worked hours by 1,000,000.

8.7. TRAINING

For Toyota, training is a crucial tool for the organic and sustainable development of its business. Stimulating and nurturing the talent of its people, developing their technical and attitudinal skills, is one of the value pillars of the brand culture and an important step to ensure high quality standards.

This is the reason why TMI established in 2018 a structure dedicated exclusively to the design and implementation of the company's training strategy: the **Toyota Academy**. The Academy is responsible not only for employee training, but also for training the distribution channel and external stakeholders.

In line with the evolution of the automotive sector, the Toyota Academy's own training offering is undergoing a **radical transformation** as a function of changes in the business model - from car sales to Mobility as a Service - and digital transformation, becoming increasingly *smart*. In particular, training activities are increasingly moving towards **blended solutions**, i.e. involving a combination of face-to-face and remote courses, also with a view to supporting a smooth resumption of partners' business activities after the Covid-19 health emergency.

The new training offer focuses on the development of the new skills expected both within the commercial partners' organizations, especially the dealer network, and in the Toyota Group companies, with particular attention to the innovations brought about by the Digital Company project, which will lead to a strong digitalization of business processes.

Table 11

GRI 404-1 Average hours of training per capita provided to employees from April 1 to March 31, by occupational category.

| Hours of training | Average hours of training per employee, by professional category | | | | | |
|-------------------------|--|-------|-------|------|-------|-------|
| | 2019 | | | 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives and managers | 39.0 | 38.8 | 39.0 | 28.7 | 28.7 | 28.7 |
| Employees | 29.1 | 55.8 | 37.8 | 23.6 | 23.6 | 23.6 |
| Total | 32.1 | 54.6 | 38.1 | 25.2 | 24.0 | 24.9 |

The training strategy transition has led to a reduction in the number of training hours provided to employees in the fiscal year 2020, which, however, confirms a priority focus on the development of managerial skills for optimal and efficient management of the Toyota business and team.

The need for continuous improvement of skills does not stop at the organization, however. An important part of the **structured training activities** offered by the Academy concerns business partners, who can access **Financial Training** through enrolment in the interprofessional fund **Fon.Ter**, where Toyota Academy accredits its Training Catalogue. Membership of the fund allows you to obtain a refund of 70% of the costs of participation in training incurred.

In fiscal year 2020, **training offerings towards dealers increased by 12% compared to 2019**, mainly as a result of a strong increase in training for **Sales, Customer and Contact Advisor** figures in the field of new and used model sales and the fleet channel (from around 9,000 hours in 2019 to over 25,000 in 2020). Being able to convey the attention that the brand places on the quality of its services and products to the players who interact directly with the customer is in fact one of the key elements of the success of the Toyota customer experience and customer loyalty. To ensure that the Academy's

Table 12

Total hours of training provided to Toyota and Lexus dealer network personnel from April 1 to March 31, by type of training.

| Hours of training | Hours of training provided to Toyota and Lexus dealer network personnel, by type of training | |
|--|--|--------|
| | 2019 | 2020 |
| New/ Used/Fleet Sales Training (Sales Advisor; Customer Advisor; Contact Advisor) | 9,120 | 25,696 |
| New Models Training (Sales Advisor; Service Advisor; Workshop Master Technician) | 26,352 | 11,424 |
| After-sales Training (Technical; Parts and Assistance; Other) | 16,096 | 21,760 |
| Management Training (First-line Management Program; Head of Customer Development; Head of Environment) | 2,096 | 1,264 |
| Total | 53,664 | 60,144 |

activities are constantly aligned with participants' expectations and the quality standards that the training strategy itself aims to achieve, the organisation uses two main monitoring indicators: the **satisfaction index of participants in training activities (NPS)** and the **learning delta**, calculated through special tests given to those taking part in the training at the entrance and exit of the respective courses.

Attachments

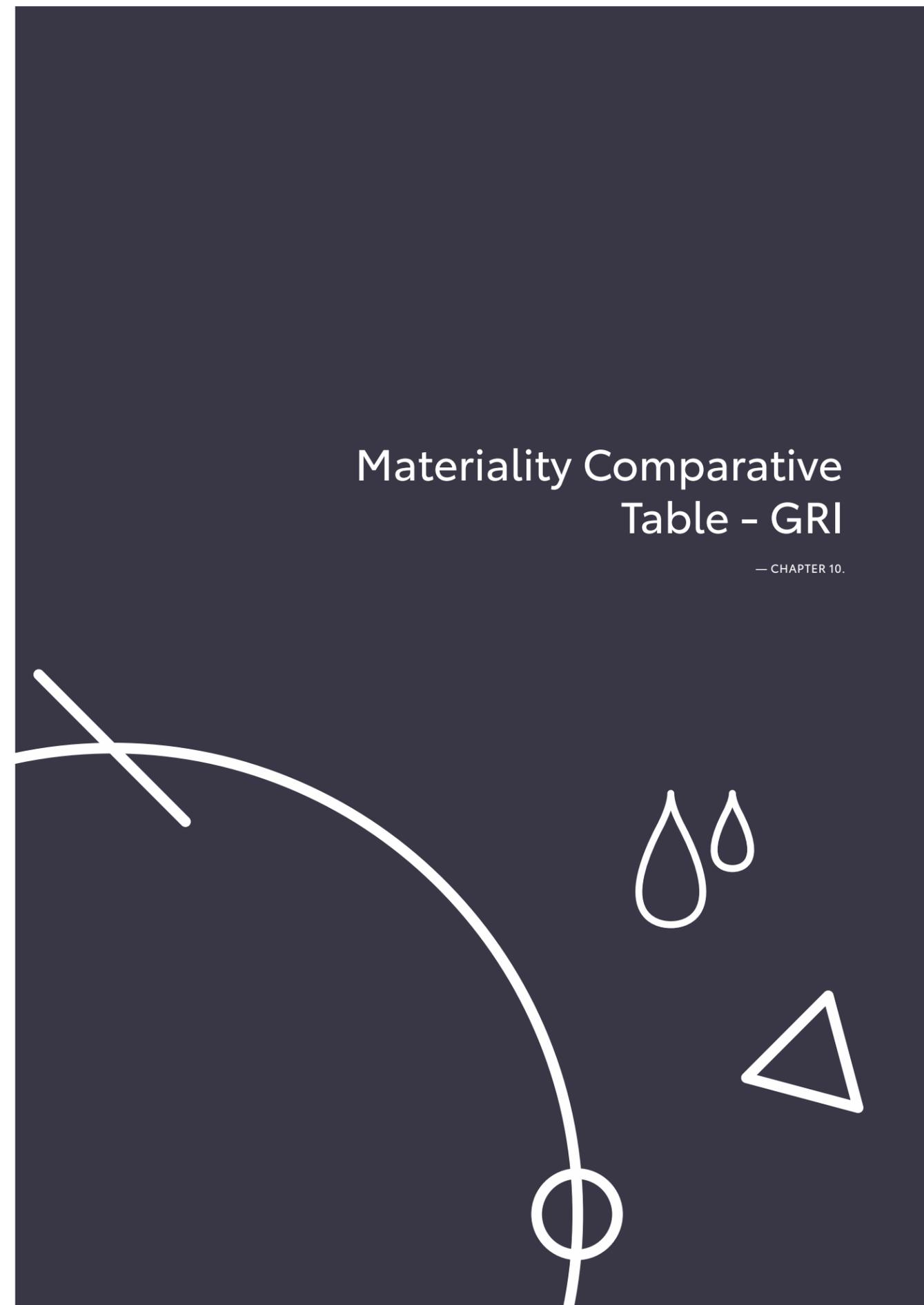
— CHAPTER 9.



| GRI 102-8 Information on employees and other workers | | | | | | |
|--|---|----------|----------|----------------------|----------|----------|
| Type of employment | Total number of external workers by type of employment and gender | | | | | |
| | As of March 31, 2019 | | | As of March 31, 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Internship | 5 | 0 | 5 | 4 | 2 | 6 |
| Total | 5 | 0 | 5 | 4 | 2 | 6 |

| GRI 405-1 Diversity and equal opportunity | | | | | | | | |
|---|--|------------|------------|-------------|----------------------|------------|------------|-------------|
| Number of employees | Number of employees by professional category, gender and age group | | | | | | | |
| | As of March 31, 2019 | | | | As of March 31, 2020 | | | |
| | < 30 | 30-50 | > 50 | Totale | < 30 | 30-50 | > 50 | Totale |
| Executives | - | 3% | 3% | 6% | - | 3% | 3% | 7% |
| <i>Men</i> | - | 3% | 3% | 6% | - | 3% | 3% | 7% |
| <i>Women</i> | - | - | - | - | - | - | - | - |
| Managers | - | 12% | 3% | 15% | - | 12% | 3% | 15% |
| <i>Men</i> | - | 11% | 2% | 13% | - | 11% | 2% | 13% |
| <i>Women</i> | - | 1% | - | 2% | - | 1% | - | 2% |
| Employees | 6% | 55% | 14% | 79% | 11% | 53% | 14% | 78% |
| <i>Men</i> | 3% | 38% | 10% | 54% | 8% | 36% | 9% | 53% |
| <i>Women</i> | - | 17% | 5% | 25% | 2% | 17% | 5% | 25% |
| Total | 9% | 70% | 21% | 100% | 11% | 69% | 20% | 100% |
| <i>Men</i> | 6% | 51% | 15% | 73% | 8% | 50% | 15% | 74% |
| <i>Women</i> | 3% | 19% | 5% | 27% | 3% | 18% | 5% | 26% |

| GRI 405-1 Diversity and equal opportunity | | | | | | |
|---|---|-----------|-----------|----------------------|-----------|------------|
| Number of employees | Total number of employees belonging to vulnerable groups, by gender and professional category | | | | | |
| | As of March 31, 2019 | | | As of March 31, 2020 | | |
| | Men | Women | Total | Men | Women | Total |
| Executives | - | - | - | - | - | - |
| Managers | 4% | - | 3% | - | - | 3% |
| Employees | 8% | 6% | 7% | 6% | 6% | 7% |
| Total | 7% | 5% | 6% | 7% | 5% | 12% |



Materiality Comparative Table - GRI

— CHAPTER 10.

| Material topic | GRI Standard | PERIMETER | |
|--|---|--|--|
| | | Impact boundary | Type of impact |
| Vehicle emissions, electrification, and alternative traction systems | N/A | Toyota Motor Italia | Caused by TMI |
| Quality and safety of products and services | Customer health and safety (GRI 416) | Toyota Motor Italia and dealer network | Caused by TMI and directly connected through a business relationship |
| Customer satisfaction | N/A | Toyota Motor Italia and dealer network | Caused by TMI and directly connected through a business relationship |
| Reduction, energy efficiency and climate change | Energy (GRI 302); Emissions (GRI 305) | Toyota Motor Italia and electricity suppliers | Caused by TMI and directly connected through a business relationship |
| New mobility solutions | N/A | Toyota Motor Italia | Caused by TMI |
| Workplace Health and Safety | Occupational health and safety (GRI 403) | Employees and collaborators of Toyota Motor Italia | Caused by TMI and directly connected through a business relationship |
| Business Ethics and Anti-Corruption | Anti-corruption (GRI 205); Anti-competitive behavior (GRI 206) | Toyota Motor Italia | Caused by TMI |
| Governance, compliance and risk management | Environmental compliance (GRI 307); Customer health and safety (GRI 416); Socioeconomic compliance (GRI 419); Diversity and equal opportunity (GRI 405) | Toyota Motor Italia | Caused by TMI |
| Community Support and Development | N/A | Toyota Motor Italia and local communities | Caused by TMI |
| Welfare, development and employee training | Employment (GRI 401); Training and Education (GRI 404) | Toyota Motor Italia employees and collaborators | Caused by TMI |

| Material topic | GRI Standard | PERIMETER | |
|---|---|--|--|
| | | Impact boundary | Type of impact |
| Diversity and Equal Opportunities | Diversity and equal opportunity (GRI 405); Non-discrimination (GRI 406) | Toyota Motor Italia | Caused by TMI |
| Customer privacy and data security | Customer privacy (GRI 418) | Toyota Motor Italia | Caused by TMI |
| Customer Engagement | N/A | Toyota Motor Italia and dealer network | Caused by TMI and directly connected through a business relationship |
| Sustainable Supply Chain | Procurement practices (GRI 204) | Toyota Motor Italy and suppliers | Caused by TMI and directly connected through a business relationship |
| Water consumption and waste management | Water and wastewater (GRI 303); Water discharges and waste (GRI 306) | Toyota Motor Italia | Caused by TMI |
| Commitment to dealers and business partners | N/A | Toyota Motor Italia and dealer network | Caused by TMI and directly connected through a business relationship |

GRI content index

— CHAPTER 11.



| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|---|-----------|
| GRI 102 - General disclosures (2016) | | | |
| ORGANIZATIONAL PROFILE | | | |
| 102-1 | Name of the organization | 12 | |
| 102-2 | Activities, brands, products, and services | 54-65; 82-89; 107 | |
| 102-3 | Location of headquarters | 13 | |
| 102-4 | Location of operations | 55 | |
| 102-5 | Ownership and legal form | 12; 32 | |
| 102-6 | Markets served | 55 | |
| 102-7 | Scale of the organization | 108; 121 | |
| 102-8 | Information on employees and other workers | 121; 144 | |
| 102-9 | Supply chain | 112-115 | |
| 102-10 | Significant changes to the organization and its supply chain | 13 | |
| 102-11 | Precautionary Principle or approach | 12-13 | |
| 102-12 | External initiatives | Please refer to Toyota Motor Italia website www.toyota.it and to its newsroom newsroom.toyota.it | |
| 102-13 | Membership of associations | Please refer to Toyota Motor Italia website www.toyota.it and to its newsroom newsroom.toyota.it | |
| Strategy | | | |
| 102-14 | Statement from senior decision-maker | 6-9 | |
| Ethics and integrity | | | |
| 102-16 | Values, principles, standards, and norms of behavior | 24-29; 39-40 | |
| Governance | | | |
| 102-18 | Governance structure | 32-34 | |
| Stakeholder engagement | | | |
| 102-40 | List of Stakeholder groups | 46-47 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|--|-----------|
| 102-41 | Collective bargaining agreement | 121 | |
| 102-42 | Identifying and selecting Stakeholders | 46-47 | |
| 102-43 | Approach to Stakeholder engagement | 48-49 | |
| 102-44 | Key topics and concerns raised | 48-50 | |
| Reporting prac | | | |
| 102-45 | Entities included in the consolidated financial statements | 13 | |
| 102-46 | Defining report content and topic Boundaries | 48-50; 146-147 | |
| 102-47 | List of material topics | 49-50; 146-147 | |
| 102-48 | Restatements of information | This document is the first TMI Sustainability Report | |
| 102-49 | Changes in reporting | No changes in reporting as this is TMI's first Sustainability Report | |
| 102-50 | Reporting period | 12 | |
| 102-51 | Date of most recent report | This document is the first TMI Sustainability Report | |
| 102-52 | Reporting cycle | 12 | |
| 102-53 | Contact point for questions regarding the report | 13 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | 12 | |
| 102-55 | GRI content index | 150-159 | |
| TOPIC-SPECIFIC STANDARDS | | | |
| GRI 200 - ECONOMIC SERIES (2016) | | | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|---|-----------|
| Topic: Procurement practices | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its boundary | 48-50; 146-147 | |
| 103-2 | The management method and its components | 112-115 | |
| 103-3 | Assessment of management methods | 115 | |
| GRI 204: Procurement Practices (2016) | | | |
| 204-1 | Proportion of spending on local suppliers | 115 | |
| Topic: Anti-corruption | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 39-40 | |
| 103-3 | Evaluation of the management approach | 39; 152 | |
| GRI 205: Anti-corruption (2016) | | | |
| 205-3 | Confirmed incidents of corruption and actions taken | There were no confirmed cases of corruption during the fiscal year 2020 | |
| Topic: Anti-competitive behaviour | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 39-40 | |
| 103-3 | Evaluation of the management approach | 39; 152 | |
| GRI 206: Anti-competitive behaviour (2016) | | | |
| 206-1 | Legal actions for anti-competitive behavior, anti-trust and monopoly practices | There were no legal actions for anticompetitive behavior, antitrust or monopolistic practices during fiscal year 2020 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|--|--|----------------|-----------|
| 300 – ENVIRONMENTAL SERIES (2016) | | | |
| Topic: Energy | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 52-69 | |
| 103-3 | Evaluation of the management approach | 68-69 | |
| GRI 302: Energy (2016) | | | |
| 302-1 | Energy consumption within the organization | 68 | |
| Topic: Water | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 52-53; 70 | |
| 103-3 | Evaluation of the management approach | 70 | |
| GRI 303: Water and Effluents (2018) | | | |
| 303-3 | Water withdrawal | 70 | |
| Topic: Emissions | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 52-69 | |
| 103-3 | Evaluation of the management approach | 68-69 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|--|-----------|
| GRI 305: Emissions (2016) | | | |
| 305-1 | Direct (Scope 1) GHG emissions | 69 | |
| 305-2 | Energy indirect (Scope 2) GHG emissions | 69 | |
| Topic: Effluents and Waste | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 52-53; 71-74 | |
| 103-3 | Evaluation of the management approach | 72-74 | |
| GRI 306: Effluents and Waste (2016) | | | |
| 306-2 | Waste by type and disposal method | 72-73 | |
| Topic: Environmental Compliance | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 39-40; 66-68 | |
| 103-3 | Evaluation of the management approach | 154 | |
| GRI 307: Environmental Compliance (2016) | | | |
| 307-1 | Non-compliance with environmental laws and regulations | No fines or non-monetary penalties for noncompliance with environmental laws and regulations were recorded in fiscal year 2020 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|---|------------------|-----------|
| 400 – SOCIAL SERIES (2016) | | | |
| Topic: Employment | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 118-126; 132-133 | |
| 103-3 | Evaluation of the management approach | 120-126; 132-133 | |
| GRI 401: Employment (2016) | | | |
| 402-1 | New employee hires and employee turnover | 122-123 | |
| 402-2 | Employees benefits | 132-133 | |
| Topic: Occupational Health and Safety | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 118-120; 134-139 | |
| 103-3 | Evaluation of the management approach | 139 | |
| GRI 403: Occupational Health and Safety (2018) | | | |
| 403-1 | Occupational health and safety management systems | 134-135 | |
| 403-2 | Hazard identification, risk assessment, and incident investigation | 134-138 | |
| 403-3 | Occupational health services | 132; 135-136 | |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | 134-138 | |
| 403-5 | Worker training on occupational health and safety | 135-136 | |
| 403-6 | Promotion of worker health | 132; 135-136 | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 134-138 | |
| 403-9 | Work-related injuries | 139 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|--|--|---------------------------|-----------|
| Topic: Training | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 118-120; 127-129; 140-141 | |
| 103-3 | Evaluation of the management approach | 128; 140-141 | |
| GRI 404: Training and Education (2016) | | | |
| 404-1 | Average hours of training per year per employee | 140-141 | |
| 404-3 | Percentage of employees receiving regular performance and career development evaluations | 128 | |
| Topic: Diversity and Equal Opportunities | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 118-120; 129-131 | |
| 103-3 | Evaluation of the management approach | 32; 130-131; 144 | |
| GRI 405: Diversity and Equal Opportunities (2016) | | | |
| 405-1 | Diversity of governance bodies and employees | 32; 130-131; 144 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|---|-----------|
| Topic: Non-discrimination | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 118-120; 129-131 | |
| 103-3 | Evaluation of the management approach | 129-131; 157 | |
| GRI 406: Non-discrimination (2016) | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | There were no incidents of discrimination during the fiscal year 2020 | |
| Topic: Customer Privacy | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 40-43 | |
| 103-3 | Evaluation of the management approach | 157 | |
| Topic: Customer health and safety | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 110-111 | |
| 103-3 | Evaluation of the management approach | 110-111; 157 | |
| GRI 416: Customer health and safety (2016) | | | |
| 416-1 | Significant product/service categories for which customer health and safety impacts are assessed | For 100% of the significant products and services customer health and safety impacts are assessed | |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | During fiscal year 2020, there were no instances of non-compliance regarding health and safety impacts of products and services | |

| GRI Standard | Disclosure | Note and page | Omissions |
|--|--|---|-----------|
| Topic: Socioeconomic Compliance | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 39-40 | |
| 103-3 | Evaluation of the management approach | 158 | |
| GRI 419: Socioeconomic Compliance (2016) | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | There were no instances of non-compliance with social and economic laws and regulations during the fiscal year 2020 | |
| Topic: Vehicle emissions, electrification, and alternative traction systems | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 52-65 | |
| 103-3 | Evaluation of the management approach | 52-65 | |
| Topic: Quality and Safety of Products and Services | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 110-111 | |
| 103-3 | Evaluation of the management approach | 110-111; 157 | |
| Topic: Customer satisfaction | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its component | 100-104 | |
| 103-3 | Evaluation of the management approach | 103-104 | |

| GRI Standard | Disclosure | Note and page | Omissions |
|---|--|----------------|-----------|
| Topic: New Mobility Solutions | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 80-89 | |
| 103-3 | Evaluation of the management approach | 80-89 | |
| Topic: Community Support and Development | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 94-98 | |
| 103-3 | Evaluation of the management approach | 94-98 | |
| Topic: Technological innovation and digitalization | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 89-93 | |
| 103-3 | Evaluation of the management approach | 89-93 | |
| Topic: Customer Engagement | | | |
| GRI-103: Management Approach (2016) | | | |
| 103-1 | Explanation of the material topic and its Boundary | 48-50; 146-147 | |
| 103-2 | The management approach and its components | 105-110 | |
| 103-3 | Evaluation of the management approach | 105-110 | |

"WE BELIEVE
THAT THE MOST
IMPORTANT
THING WE CAN DO
AS A COMPANY
IS NOT ONLY
IMPROVING
OUR VEHICLES,
BUT ALSO THE LIFE
OF OUR CUSTOMERS,
EVERY DAY,
IN EVERY WAY."

AKIO TOYODA