

# SUSTAINABILITY REPORT

— 2021



**TOYOTA**

**TOYOTA**



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# Letters to stakeholders



The world of mobility is undergoing an unprecedented revolution, which is changing transport from a social and environmental point of view. More than twenty years have passed since the launch of the first generation of Toyota Prius, the world's first electrified series model, and Toyota's strategy for sustainable development has evolved deeply. The pioneering technology of its vehicles becomes a piece of a broader picture, which integrates the maximum attention for the customer, the maximum accessibility to new mobility solutions and the ambition to make its own concrete contribution to the creation of a better society.

Therefore, the publication of a Sustainability Report common to all Toyota Group companies in Italy represents an important signal in this direction: a strategy that pursues the same target, not only by selling vehicles with low environmental impact, but also through innovative financial, insurance and 360-degrees mobility solutions. In this perspective, Toyota companies in Italy are proud to communicate their commitment to sustainability, hoping that this document will be just the beginning of a constructive relationship with all their stakeholders.

# TOYOTA MOTOR ITALIA LETTER TO STAKEHOLDERS



This year Toyota Motor Italia has decided to renew and strengthen the transparent dialog with its stakeholders on its ESG commitment. However, for the first time, it is proud to do it together with other Toyota companies in Italy, a sign of the great collective effort necessary to achieve the ambitious goals that the brand has set in recent years. After the important achievements in the field of environmental, social and governance sustainability, Toyota now aims to go beyond zero impact, looking at the man, his deep needs and his aspirations, for a sustainable mobility that can involve everyone, by leaving no one behind.

While the commitment continues to grow through a vehicle offer with ever lower environmental impact both for Toyota and for Lexus, able to ensure a transition toward a zero impact mobility with different technological solutions, the company has long understood that this path cannot ignore innovative products that go beyond the production and sale of cars, such as the products of the WeHybrid

ecosystem, tools that also economically encourage our customers to adopt virtuous driving behaviors, or the mobility solutions of KINTO that rethink the concept of mobility itself in an inclusive and sustainable perspective.

At the same time, our commitment is reflected in the continuous effort to minimize the environmental impacts of our headquarters, common to all the Toyota companies in Italy, already able to zero the emissions related to electricity, now entirely obtained from a photovoltaic system covering the parts warehouse and from the purchase of electricity coming entirely from renewable sources. At the same time, the dealer network continues to stand out for its commitment to reducing its own emissions.

However, 2020 was marked by the difficulties associated with the Covid-19 pandemic and its impact on both the company and country, which Toyota Motor Italia has continued to support through diverse initiatives such as the support to the Italian Red Cross. On the operational level, the challenges placed by the emergency saw a rapid and effective response by the company and an accelerated digitalization of internal processes and communication with customers and dealers, such as the launch of digital showrooms.

TMI, in line with Toyota's global approach, is convinced that a 360-degrees commitment to build an ethical business that protects the environment and that is attentive to the needs of all represents the only way to achieve shared goals such as the Sustainable Development Goals of the United Nations Agenda 2030. With the "Beyond Zero" strategy Toyota decided to do it by setting the ambitious goal to go beyond zero emissions and deciding instead

to pursue a model of sustainable development based on four pillars: increasing leadership in the electrification of vehicles, making mobility accessible to all, taking care of the needs of its customers, and making their own decisive contribution to a better society.

*Luigi Ksawery Luca'*  
*Toyota Motor Italia CEO*



# TOYOTA FINANCIAL SERVICES ITALIA AND KINTO MOBILITY ITALIA LETTER TO STAKEHOLDERS



According to its history and values, Toyota Group has been involved in sustainability issues since its foundation in 1937. The attention to sustainability issues – from environmental issues to local communities which Toyota Group’s operations relate to globally, as well as those concerning corporate governance, have long been a consolidated and shared asset at global level. The whole history of the Toyota Group is a concrete, constant and continuous sign of such statement.

All of this has become even more relevant in recent years, when the several crises that have followed and, ultimately, the pandemic, have highlighted how the attention to the issues of sustainability represents an essential condition, not only for the development of the economic activity, but for the very future of the planet.

In this context we can place the contribution that Toyota Financial Services Italia and Kinto Mobility have made to

the drafting of the first Sustainability Report of Toyota Group companies in Italy this year.

Toyota has always worked together with its stakeholders to achieve the greatest ambition of the brand: the creation of a future society that can live in harmony with nature, through sustainable, safe and inclusive mobility.

Along the path of progressive electrification that it has already undertaken, Toyota has been able to combine technology with the human behavior, keeping its role and values at the center. Indeed, also the best and most sustainable technology is not enough to produce the expected benefits on its own. The role of our companies is to build a holistic system that sees the participation of all stakeholders, where the interest of the individual may generate a positive impact on the community, if combined with an appropriate use of technology. TFSI is also called upon to design new solutions to increasingly meet its customers' needs while encouraging sustainable behaviors in order to go "beyond zero emissions".

The Toyota easy and WeHybrid Credit – part of the WeHybrid ecosystem – products move in this direction. They have allowed us to establish a true Sustainability Pact with our customers. Users are stimulated to use our technology in a virtuous manner every day, because we are sure that only the democratization and widespread economic accessibility of the virtuous technologies can favor real progress for all.

Kinto is a Toyota global brand fully dedicated to the mobility services, which highlights the determination of the Group to turn itself from car company to mobility service provider. Born in 2019, the Kinto brand is the establishment of a value system that translates into a range of services for people. Thanks to Kinto, customers become responsible



protagonists for a common path to sustainable mobility. Kinto's vision provides for the creation of an open mobility ecosystem, meaning inclusive and reliable, simple and intuitive as well as sustainable, with the objective of allowing easy and fast moving for all, leaving no one behind. In fact, autonomy of movement is one of the most noble expressions of freedom. For companies like Toyota Financial Services and Kinto Mobility, where sustainability is an integral part of the business, the adoption of the Benefit Corporation model and ISO certification constitutes natural and direct evolution – at least potentially. In 2021, Toyota Financial Services and Kinto Mobility undertook an evaluation process aimed at obtaining the status of Benefit Corporation and environmental certification in order to consolidate their business model, towards a more inclusive, transparent and virtuous way, while creating a positive externality for the community and our country as well.

I am sure that this Sustainability Report is only the beginning of a constructive dialogue that allows us to improve and strengthen our contribution to the creation of a truly sustainable world, in its environmental, social and economic declinations.

*Mauro Caruccio  
Toyota Financial Services Italy CEO and  
KINTO Mobility Italia CEO and President*

# TOYOTA INSURANCE MANAGEMENT AND ANDIE LETTER TO STAKEHOLDERS



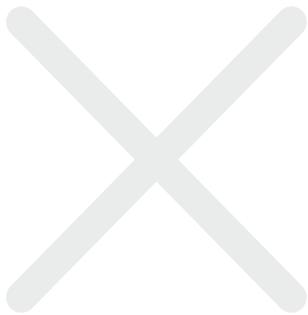
The Italian branches of Toyota Insurance Management and AIOI Nissay Dowa Insurance Company of Europe present their first Sustainability Report together with the other Toyota companies in Italy, starting the measurement and transparent reporting of their commitment to sustainability issues. The document plays a strategic role as it is an important step in building a dialogue on ESG issues with its stakeholders. They have actively contributed to the drafting of this report and will be increasingly involved in identifying the key guidelines for developing a strategic commitment on these issues.

The last few years have posed crucial challenges to the automotive industry and Toyota has always been able to react in an innovative and proactive way. Consumers are increasingly attentive to the socio-environmental results of the products and services they use, and companies can no longer ignore the impact of their choices on future generations. Therefore, collective action is necessary to change consumption and production patterns on a global scale.

Toyota has progressively transformed its approach as well, extending its commitment to a more sustainable society to all aspects of its business. WeHybrid products are an example of this evolution. In particular, TIM and ANDIE are proud to have contributed to the creation of this revolutionary ecosystem with WeHybrid Insurance, acknowledged as the “Best Digital Product for the Retail Market” at the first edition of the Italian Insurtech Summit 2020 organized by the Italian Insurtech Association (IIA), an instrument that aims to educate the consumer on a more sustainable behavior through economic incentives that will be returned to society as environmental benefits.

However, our ambitions go beyond. As part of the Toyota family, our goal is still to deliver a better society to the next generations and this Report is the opportunity to start a conscious path that will allow TIM and ANDIE to grow and evolve together with our stakeholders in order to keep fulfilling our customers while protecting the environment and the people, in real Toyota style.

*Mario La Femina*  
*Toyota insurance Management Italy and*  
*AIOI Nissay Dowa insurance Company CEO*



# Methodological note

— CHAPTER 1



This document aims to transparently communicate the sustainability strategies of Toyota Motor Italia, Toyota Financial Services Italia, KINTO Italia and the Italian branches of Toyota Insurance Management and AIOI Nissay Dowa Insurance Company of Europe, (throughout the document also referred to as “TMI”, “TFSI”, “KINTO”, “TIM” E “ANDIE”, or “Group Toyota in Italy” and “Toyota Italy” when all the companies are concerned), regarding environmental, social and governance sustainability. As for TMI, TFSI and KINTO, data refer to the period from 1 April 2020 to 31 March 2021 (throughout the document referred to as “fiscal year 21”), while for TIM and ANDIE the reference period is between 1 January 2020 and 31 December 2020. In order to allow comparability of data over time, a comparison with data for the period from 1 April 2019 to 31 March 2020 (in the document “fiscal year 20”) for TMI, TFSI and KINTO, and with the financial year 2019 (from 1 January 2019 to 31 December 2019) for TIM and ANDIE is 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 (in the document also “TMC”), which is contained in the Sustainability Data Book updated in September 2021 or on other communication channels.

This annual report has been prepared in accordance with the GRI Standards published by the Global Reporting Initiative (GRI): Core option. In particular, the content reported was selected according to the results of the Materiality analysis conducted in 2020 and updated in 2021, which enabled the identification of material aspects for Toyota companies in Italy and for its stakeholders, as described in the paragraph “Stakeholder mapping and materiality analysis” of this document.

The scope of the data and economic information reported for each company in the document is the same as that of the financial statements for the year. Toyota Motor Italia, Toyota Financial Services Italia, KINTO Italia and the Italian branches of Toyota Insurance Management and AIOI Nissay Dowa Insurance Company of Europe, headquartered at Kiichiro Toyoda, 2, Rome – Italy. In the case of data restatements relating to the previous reporting period or in the case of estimates, these are expressly indicated in the document.

During the reporting period, no significant changes in the size, ownership structure and supply chain of companies occurred. For further information and suggestions regarding the Sustainability Report of the Toyota Group in Italy, it is possible to contact [pr.tmi@toyota-europe.com](mailto:pr.tmi@toyota-europe.com). This document is also available on the website of Toyota Motor Italia [www.toyota.it](http://www.toyota.it) and on the Group companies' websites.





# Abstract

— CAPITOLO 2



# TOYOTA'S HISTORY AND VALUES

With over 80 years based on the aim to pave the way towards 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**.
- 70 years: Research on 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.
- 1999: establishment of **Toyota insurance Management**.
- 2000: establishment of **Toyota Financial Services Corporation**.
- 2014: the world's **first mass-produced hydrogen car** is launched on the market, the Toyota Mirai.
- 2010: AIOI Insurance and Nissay Dowa Insurance merge into **AIOI Nissay Dowa insurance**.
- 2015: TMC launches the **Toyota Environmental Challenge 2050**.
- 2021: From Toyota Fleet Mobility, **KINTO** is born, a brand dedicated to new mobility.

A strong and stable company based on solid values and principles, enclosed into the **Guiding Principles of Toyota** and into the **Toyota Way**: pillars of the Toyota culture that orient the behavior of each 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, by identifying and overcoming 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**.

- **Encouraging** circular economy.
- Realizing a society in **harmony with nature**.

The cornerstone and primary goal of Toyota's strategy is the commitment to **sustainable mobility** as the **creation of zero-impact vehicles**. Based on the action lines undertaken with the Environmental Challenge 2050, Toyota underpins its ambition beyond zero emissions with the Beyond Zero strategy which is divided into 4 pillars:

- Confirming leadership of electrification.
- Taking care of mobility for all.
- Creating a memorable customer experience.
- Contributing to a better society.

Such objectives confirm the concrete contribution that Toyota is offering to the spread of low-environmental impact technologies, not only at a global level but also in Italy.

## BEYOND ZERO EMISSIONS

The first challenge for Toyota is to **reduce the average CO<sub>2</sub> emissions per vehicle by 90%** by 2050 compared to 2010.

The **Full Hybrid technology** plays a key role in the energy transition. Indeed, while ensuring low environmental impacts without substantially changing driving habits compared to conventional vehicles, it is based on a basic architecture from which all the complementary electrified solutions can derive: besides the Full Hybrid, also Plug-in Hybrid, Battery Electric (BEV) and Hydrogen-powered Fuel Cell (FCEV).

More than 19 million electrified vehicles have been sold worldwide since 1997 and the Toyota Group expects to sell at least 8 million electrified vehicles globally by 2030, of which 2 million will be BEV and FCEV. Thanks to such sound leadership, Toyota has chosen to liberalize 24.000 of its property patents related to electrification up to 2030.

# THE SUSTAINABILITY OF TOYOTA'S FACILITIES IN ITALY

Despite the absence of production facilities in Italy, **Toyota companies in Italy have always been committed to constantly reduce their own energy consumption and the environmental impact of their own operations.** 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 Toyota 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 their 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.
- **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 bodies, **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 CO<sub>2</sub> per year.**
- Electricity from renewable sources for all supplies: **zero indirect CO<sub>2</sub> emissions.**
- **29% reduction** in fiscal year 21 total emissions as compared to the previous fiscal year.
- Launched Toyota's "Plastic Free" project to eliminate the little plastic still present.
- Reduced the **use of printed paper by more than 32%** compared to the previous fiscal year thanks to a process of digitization of the company.
- Contributing to a sustainable society, through several initiatives on the territory: **Green Month Campaign, awareness-raising activities with employees, dealers and suppliers, territory regeneration projects, partnership with Treedom.**
- **A commitment of the entire network:** 96% of the Toyota and Lexus dealers' Environmental Management Systems are certified ISO 14001:2015.

## NEW MOBILITY SOLUTIONS

**The evolution of the automotive** maker's concept from a car maker 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 (60,1% of the cars connected in April 2021), 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**.

Indeed, such goal represents one of the cornerstones of the new Beyond Zero strategy, which aims to take care of every aspect of the Toyota and Lexus' customer experience to "earn customers' smile", 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**.

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 26 for Lexus, for a total of 187 Toyota and 36 Lexus dealers operating throughout the country. Thanks to the great attention to the customer experience, Toyota companies have expanded and adapted their services and the relationships with the customer, through initiatives such as the "Remote Car Sales", which allows potential buyers to carry out all the evaluation and purchase phases on-line and safely, or through the interactive experience of the "Digital Showroom.

TFSI has also set up a dedicated task for the management of the moratorium of customers and dealers, by anticipating legal



obligations and by providing for extensions before the publication of the specific legislation for a group of beneficiaries far wider than that envisaged by the decree.

Finally, a great novelty of the fiscal year 21 is the launch of WeHybrid, a real “ecosystem” with diverse technologies and services and cross-cutting to all companies of the Toyota Group in Italy. It has the goal to promote a zero emissions sustainable mobility, where the customer is the protagonist: the more the customer travels in electric mode and the greater the benefits he can access to. Among the products, WeHybrid Insurance, WeHybrid Service, WeHybrid Challenge and WeHybrid Credit.

## TOYOTA'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, and employee development, encouraged through improved Performance Management, consolidation of job rotation and international and cross-company assignment. As evidence of this commitment, the Group companies have obtained certifications in the field of the management and development of human capital, as in the case of TMI which has obtained the Top Employer certification for the sixth consecutive year and TFSI which for the third consecutive year has obtained the Great place to Work certification. The obtainment of the latter is among the future goals for TIM and ANDIE.

The new job requirements have also enabled a greater investment in training through the launch of an innovative platform called “We Grow”, dedicated to the training and development of the employees of all the Group companies in Italy – a novelty at European level – characterized by the combination of artificial intelligence (AI) and social learning elements.

The cross-cutting commitment of the Toyota Academy keeps allowing Toyota companies in Italy to centralize part of the training, shaping their skills after the Toyota products. The Academy has also extended



the training programs to dealers, which include topics related to the financial, insurance and new mobility services worlds, to be associated to TFSI, KINTO, TIM and ANDIE respectively.

In terms of talent attraction, the Toyota Technical Education Program (T-TEP), which is a partnership between TMI and several schools aiming at providing technical and customer experience management skills to students, has had a great development. This program has a significant impact on the public education system and on the introduction of young people into the labor market. At the same time, all the Group companies continue to give priority to the issues of diversity and safety at work, founding values of Toyota.

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

The companies of the Toyota Group in Italy collaborate with the dealer network throughout the country for community support initiatives. In the emergency period caused by the spread of the Covid-19, Toyota and its dealers joined in an action of support to the Italian Red Cross, through the provision of 100 vehicles for home-based health care activities and for the delivery of medicines and essential goods.

At the same time, the Group has contributed to face the emergency through several other initiatives as well:

- Further financial donations to the Italian Red Cross to support assistance activities on the territory and to face the consequences of the health emergency
- The provision of masks to civil protection
- A donation to the Spallanzani Institute in Roma.

In addition, the Toyota and Lexus dealers on the territory have carried out several initiatives as well, for example by supporting the local health response through economic contributions, providing their own vehicles to health workers, hospitals, as well as to Italian Red Cross, and by supplying the tools necessary for the continuous sanitization of the vehicles, such as seat covers and sanitizers.



# The profile of the Toyota brand

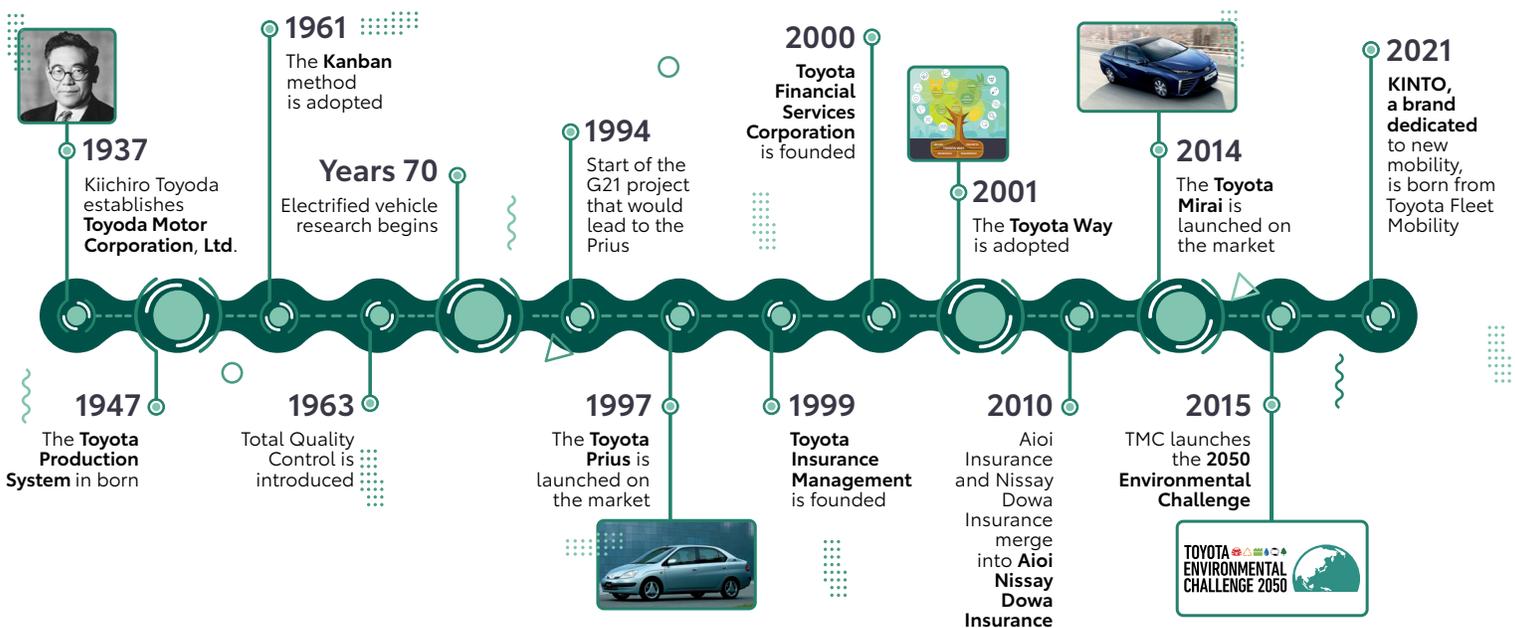
— CHAPTER 3



# 3.1. TOYOTA'S HISTORY AND VALUES

Toyota Motor Corporation, Ltd. was founded in 1937 by Kiichiro Toyoda. He immediately affirmed his original Production model, which would take the name of Toyota production System (TPS), or lean production system (Lean Manufacturing System), as the result of a continuous improvement of the processes. The model aimed to minimize the production waste and was based on the concepts of "Jidoka" and "just-in-Time", trying to limit defective products and inventories<sup>1</sup>.

Starting from the '80s, Toyota's business was joined by financial services. It established Toyota Financial's first local offices – until the establishment of Toyota Financial Services Corporation (TFSC) in 2000. In 1999, insurance services were added with the establishment of Toyota Insurance Management.



The creation of KINTO is more recent. The brand originates from the strategic need of keeping the activities related to the development of the medium and long term rental sector of vehicles separate, defined at Group level, to keep and the development of mobility systems and technologies, constituting a separate legal entity from the other companies of the Group.

<sup>1</sup> TMC, Toyota Production System, <https://global.toyota/en/company/vision-and-philosophy/production-system/>

## 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. However, at the same time, Toyota continued to invest in the future and innovation, starting in the '70s research on hybrid drive systems<sup>2</sup>, that would bring to the launch of the world's first mass-produced hybrid model – the Toyota Prius – in 1997, and in 2014, after the exploitation of hydrogen as energy carrier, to the launch of the world's first mass-produced hydrogen car, Mirai, a word that means "Future" in Japanese.<sup>3</sup>



TMI Spare Parts Logistics Warehouse:  
an example of TPS

### The words of the Toyota culture

**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.

<sup>2</sup> TMC, *75 Years of Toyota*, [https://www.toyota-global.com/company/history\\_of\\_toyota/75years](https://www.toyota-global.com/company/history_of_toyota/75years)

<sup>3</sup> TMC, *75 Years of Toyota*, [https://www.toyota-global.com/company/history\\_of\\_toyota/75years](https://www.toyota-global.com/company/history_of_toyota/75years)

## 3.1.2 Toyota's Vision and Values

*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 makers in the world, with sales volumes exceeding 9 million per year<sup>4</sup> which gives it a role of responsibility within society.

Toyota's vision 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 is why the company is looking for mobility solutions designed for people, which meet everyone's needs, respect the planet, are safe, reliable, innovative and go beyond customer expectations as the center of its activities.

### 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. In February 2021 Toyota inaugurated a project for the construction of a prototype of "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 houses 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. (source: Toyota Breaks ground for "woven City" — Woven Planet Holdings (woven-planet.global).

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

<sup>4</sup> In the fiscal year ended on March 31, 2020, the brand reported a decline in sales volumes which have reached almost 8 million vehicles. Source:TMC, FY2020 Fearly Rresults – Overview, financial summary FY2021 (global.toyota)



Figure 1

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

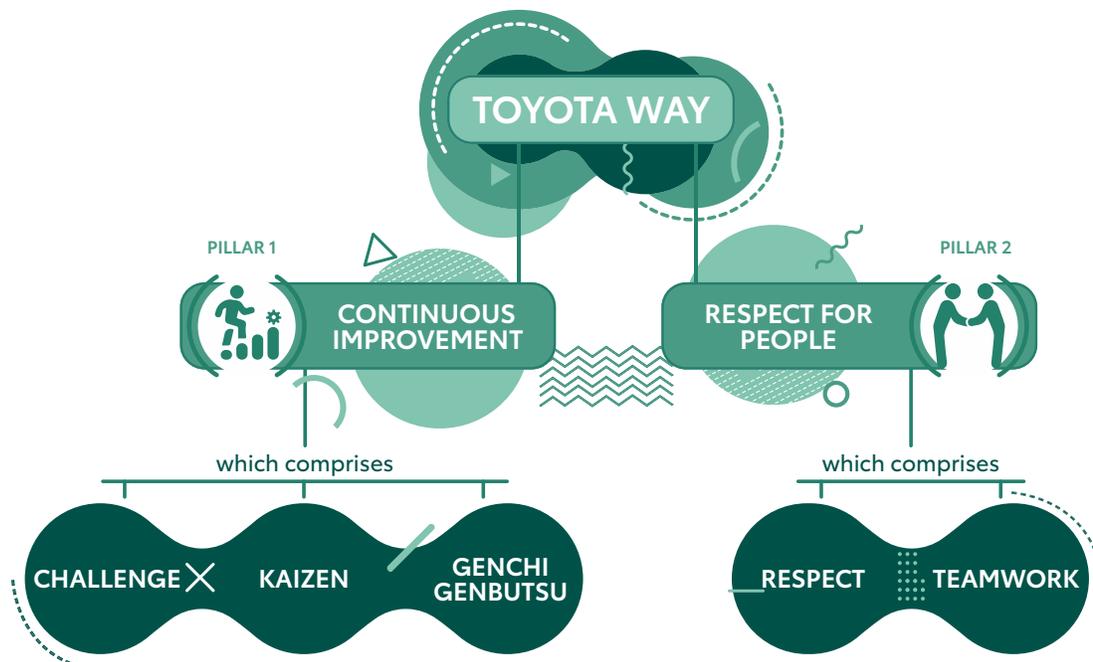
In this image, the brand values, including the five founding principles of Toyoda, the guiding principles of Toyota and the Toyota way<sup>5</sup>, constitute the roots of the tree, essential elements for the growth of a healthy and robust organization. In particular, in 2001 is defined the Toyota Way, updated in 2020, which, based on the concepts expressed by the guiding principles of 1997, aims to outline the values that in the years have marked the way of doing business of the company, determining its success, and that orients the behavior of every member of the organization.

<sup>5</sup> The five founding principles of Toyoda and the guiding principles of Toyota, issued respectively in 1935 and 1992 (with an update in 1997), celebrate the importance of values such as dedication, creativity, concreteness, gratitude, human relations, but also respect of different cultures, teamwork, collaboration with business partners for stable growth. At the same time, they outline the mission of the company, that is to offer safe and quality products that meet the needs of its customers, and to contribute to improve people's lives.

Figure 2

Toyota Way 2001 values.

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 concrete facts.



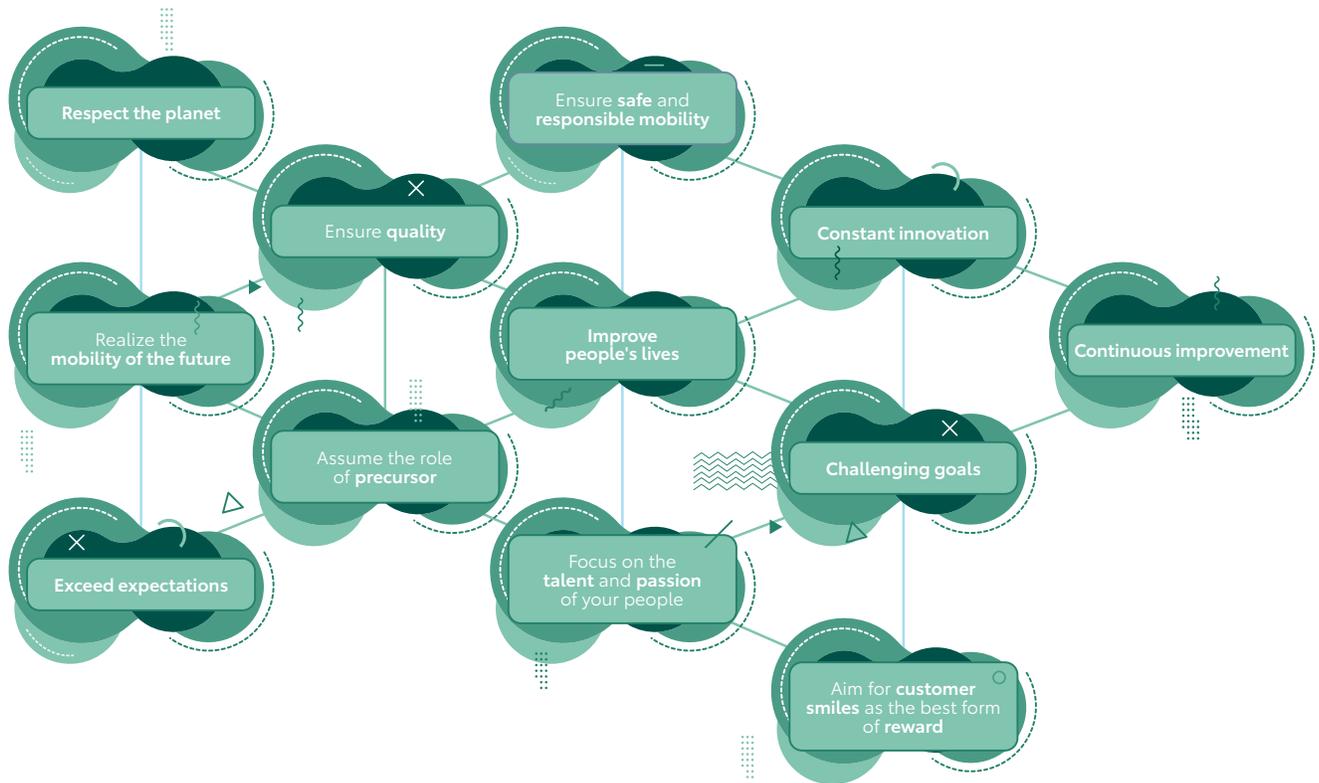
The second pillar is articulated in the value of Respect, understood as respect for others, mutual understanding and trust, and Teamwork, based on the promotion of personal and professional growth of all employees to maximize group performance<sup>6</sup>. All these principles represent the roots of the tree of the Toyota Global Vision, while the solidity of the company and its performance constitutes the trunk of the

<sup>6</sup> Toyota Motor Corporation, the Toyota Way 2001, p.3.

tree, the support and the only way towards the realization of the fruits, i.e. of the twelve objectives<sup>7</sup> that constitute Toyota's vision (Figure 3: The twelve objectives of the Toyota vision).

Figure 3

Twelve objectives of the Toyota vision.



In order to face the transformation into a Mobility Company and the new business needs, in 2020 the values of the Toyota Way evolved into the "5 C", thus facilitating the communication and simplifying the understanding and measurability within and outside Toyota, giving priority to the behaviors rather than to the actions.

<sup>7</sup> Toyota Motor Europe, *Toyota Global Vision*, <https://www.toyota-europe.com/world-of-toyota/this-is-toyota/toyota-global-vision>

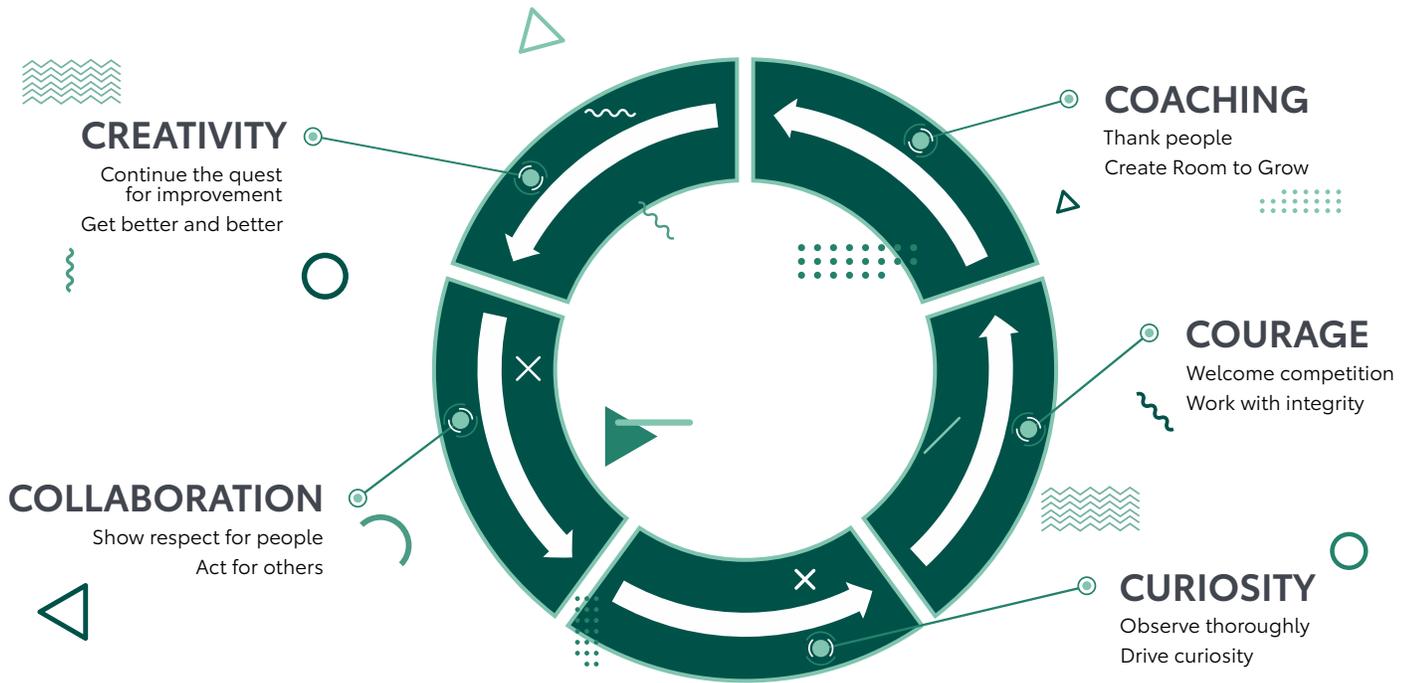


Figure 4

The new 5 C values  
guiding Toyota Way.

Therefore, the 5 C represent the values Toyota wants to focus on for the transition towards Mobility Company, with the aim of achieving the European goal of creating happiness for all. 2001 Toyota way's roots do not change but transform:

- Through **Creativity** Toyota performs the "Start Your Impossible" with new possibilities and solutions. (Toyota Way 2001 value: Kaizen).
- Through **Coaching**, by promoting individual efforts. (Toyota Way 2001 value: Respect).
- With **Courage**, by abandoning the known path and opening up to new challenges. (Toyota Way 2001 value: Challenge).
- Maintaining the **Curiosity** that favors imagination and the point of view of others. (Toyota Way 2001 value: Genchi Genbutsu).
- Through the **Collaboration**, by working as one team. (Toyota Way 2001 value: Teamwork & Nemawashi).

Therefore, the 2020 new Toyota Way aims at implementing Toyota's mission and vision.

## 3.2.

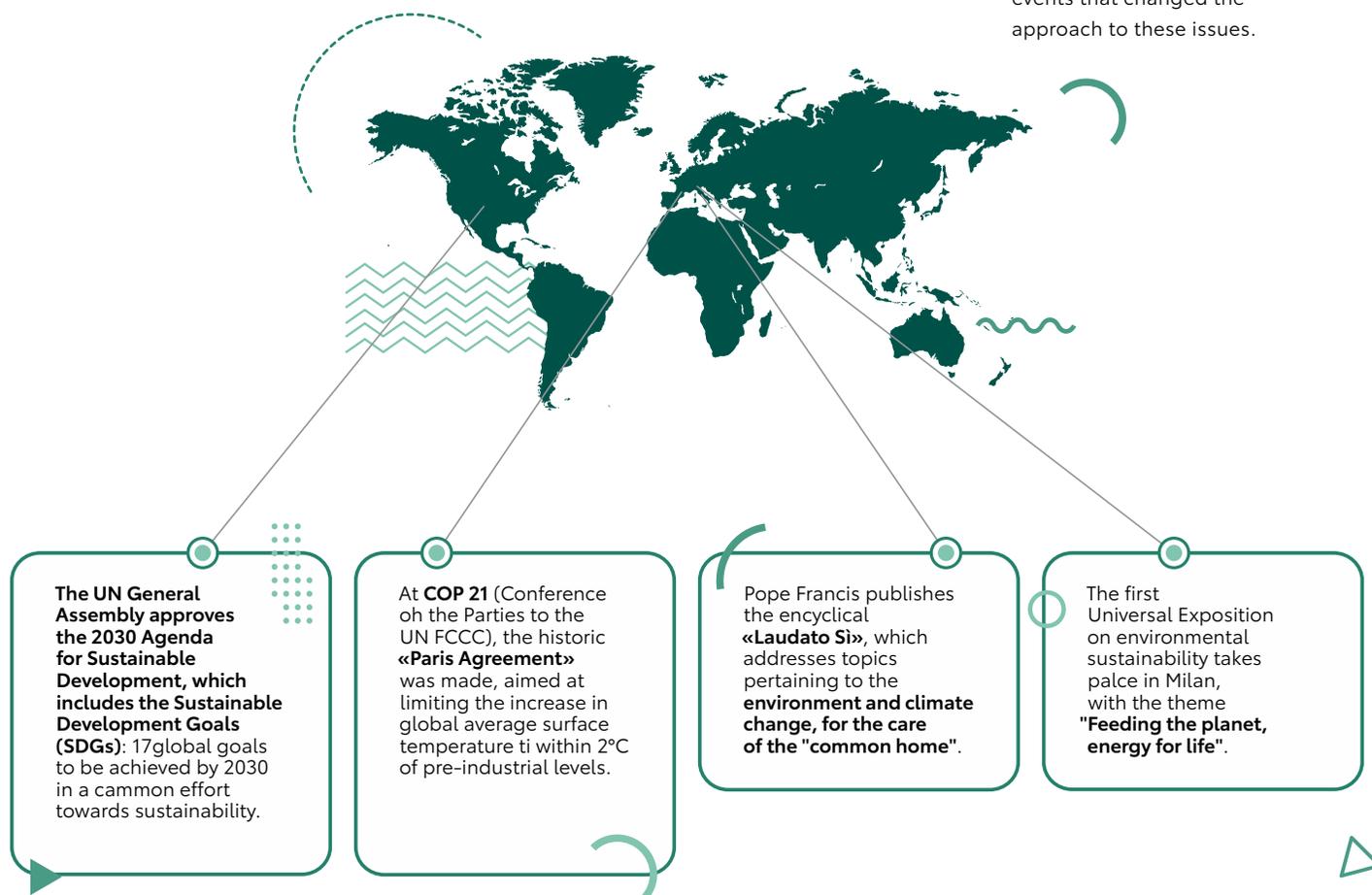
## TOYOTA'S GLOBAL SUSTAINABILITY STRATEGY

TM'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 the light of Toyota's relations and interactions with its stakeholders. In the preamble to the statement, the company pledges to contribute to the harmonious and sustainable development of society and the Earth, based on the Toyota Guiding Principles. At the same time, Toyota announced its long-term environmental sustainability strategy, launching the aforementioned Toyota Environmental Challenge 2050, a holistic action plan to ensure a concrete commitment to environmental protection and sustainable mobility<sup>8</sup>. The strategy's six objectives aim to minimize business

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

Figure 5

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



<sup>8</sup> TMI, Booklet "Beyond Zero", p. 106, Toyota. Let's go beyond zero. Zero is not enough.

impacts on the environment by monitoring and acting across 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 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.

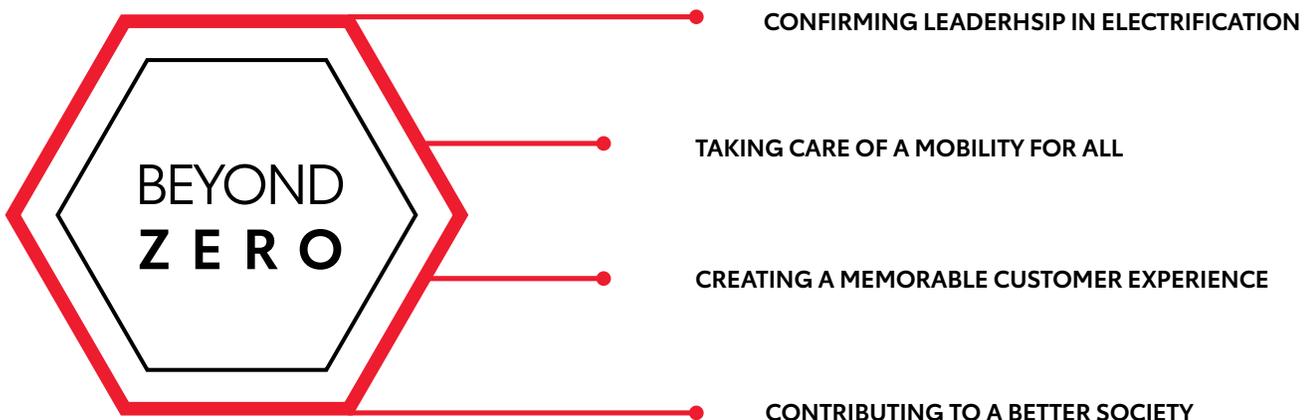
## Toyota and Lexus brand reputation in Italy

The Toyota and Lexus brands pay particular attention to the **reputational value** associated not only with the service offered, but more generally with the brands themselves. In this context, this year the brands continue their commitment focused on the outside perception of Toyota and Lexus, through the international methodology of "Rep Track", an international company focused on the corporate brand reputation. Despite the pandemic situation, Toyota and Lexus have confirmed (and often improved) high scores for 2020, maintaining the band "strong" in each of the "rational dimensions", that are the thematic areas which the analysis is focused on: Product & Services, Innovation, Workplace, Governance, Citizenship, Leadership and Performance.

In particular, the Citizenship area, which corresponds to the company's commitment to ESG, recorded the highest increase. These results demonstrate how, despite the Covid-19 pandemic, the indicators related to the **social role** has increased visibility and appreciation outside: the contents regarding to Society, Communities and Employees have reported the best results in terms of growth in perception compared to 2019. Specifically, Toyota and Lexus brand reputation goes far beyond product and innovation, characterizing the business physiologically. To this end, it is essential to maintain attention to the "new" expectations and to the **human aspect of the company**, that is its social role and its impact on the community and the environment.

In the current context of deep transformation, Toyota has also strengthened its vision to support the achievement of a mobility where efforts to zero negative impacts are only an intermediate stage. Toyota aims to go “beyond zero”, through vehicles that will only emit water and help improve air quality.

This strategy is divided into 4 pillars and is based on the action lines already undertaken by Toyota along the path that will lead it to the final transformation from *Automotive Company* to *Mobility Company*.



In support of a greater awareness by its stakeholders of the importance of this challenge, the Toyota Group in Italy formalized this commitment through the publication of a position paper in February 2021, presenting the brand strategy for achieving this new ambitious objective. Its pillars will be explored in detail in paragraphs “Electrification beyond zero emissions”, “Mobility at the service of the community”, “Mobility that places the customer at the center” and “Community support”.

## 3.3. THE LEXUS BRAND

### 3.3.1 The history of a brand that changed the car and luxury rules

Lexus was born in 1983, from the need to create a brand that represented the **technological excellence of Toyota**, but with a new car and image able to meet customers with new values. In order to reach this goal, considerable resources were devoted: 60 designers, 24 design teams, 1,400 engineers, 2,300 internal technicians and 220 support technicians for the realization of 450 prototypes. The design and the new brand were officially presented at the 1988 Los Angeles Motor Show.

Since its launch, Lexus has been characterized by the **quality, reliability** and characteristics of its **sales** and **service network**. Among the innovative models produced, the RX in 2004 was Lexus' first hybrid vehicle, starting the **electrification process** well ahead of its competitors, and that would soon have affected all models in the range.

The signature of "**the Lexus Covenant**" was a milestone in Lexus' history. It was the pact between Lexus and those who created and those who sold them, sharing the same values, the same dedication, the same ambitions.

This pact was based on values such as the **centrality of man** and on an authentic **culture of the quality** of both product and service. The Lexus Covenant consisted of 90 words and stated that the new brand was based on Toyota's solid roots, that Lexus would create the best cars and that the Lexus dealers would provide the best service by welcoming the customer as a guest at home. The Covenant expressed the two founding values of Lexus: the superior quality of its products and the importance of **Omotenashi**, that is Japanese hospitality, understood as the art of anticipating the needs of the guests/customers and the ability to surprise them.

It implicitly stated that customer satisfaction is an activity of continuous improvement and is also the most robust and effective communication medium.



### 3.3.2

## Brand's founding principles

Lexus has adopted the concept of **Kaizen**, one of the cornerstones of Japanese and Toyota culture. Another foundation of Lexus is the **Yet philosophy**, along with the human-centric and pioneering approach. This philosophy is the fruit of the Japanese culture, which the stimulus to continuous improvement (Kaizen) and to overcome any existing compromise comes from, finding new harmonies between contrasting aspects and reaching new goals. Challenges to be faced with the same **Naokatsu** spirit (no compromises ever) that has animated Lexus since its foundation to create the best and what had not been created yet.

As mentioned above, **Omotenashi** indicates the complex of actions that the host performs in order to anticipate the needs of his own guests before they manifest them, in order to pamper and surprise them. Welcoming the customer into the showroom as if it was home is one of the brand's strengths since its foundation, a principle established in the Lexus Covenant that involves people working in Lexus who are all animated by a mission and passion expressed through refined attention and detail. A tangible example of how Lexus philosophy applies the value of Omotenashi to the territory is represented by the partnership between Lexus and Camp Zero, the Active Luxury Resort in Champoluc, Valle d'Aosta built with environmentally friendly materials, which in summer 2021 gave life to "**Casa Lexus**", an experience of tourism and hospitality capable of making guests live the values of Japanese hospitality in an ideal context for bringing the values of a Lexus experience to life.

A less tangible, but not less real quality that remains anchored to traditional references for Lexus is **environmental awareness**. In fact, the quality and respect for the planet are the prerequisite for living true luxury in a peaceful, responsible and sustainable way. This is how Lexus puts man at the center by expressing values that cannot be measured, but that are the true soul of the brand.

### 3.3.3

## Hybrid: the top expression of Lexus technology

Starting from the quality and technology of the products and the excellence of the service, Lexus has extended its range by introducing state-of-the-art technologies, found its own stylistic identity and broadened its horizons. Today it is present in more than 90 countries with 13 models, 7 of which are available in Italy and all with Full-Hybrid Electric propulsion. The **Lexus Electrified** strategy, which is strongly focused on the concrete commitment to zero-emission sustainable mobility, has led to a cumulative reduction in CO<sub>2</sub> emissions of around 19 million tons since 2005. Such result has been achieved thanks to the renewed leadership in the development of electrified solutions with low environmental impact through the sale of approximately 2 million hybrid electric cars in the premium market distributed in 90 countries worldwide.

As a sign of the brand's environmental commitment, Lexus pledges to offer electrified versions of all its models by 2025, when it expects electrified vehicles to account for more than a half of its global sales. In particular, 99% of Lexus sold in Europe is hybrid and, since 2013, Lexus in Italy has decided to have only Full Hybrid Electric versions of its models on the list.

With more than 2 million electrified cars sold globally<sup>9</sup>, Lexus is still the world's most electrified luxury brand.

Lexus has also arranged a recovery plan for nickel-metal hydride batteries to obtain neodymium and dysprosium, reusable for electric motor magnets, and tungsten carbide, useful for manufacturing tools.

Lexus aims to achieve **carbon neutrality** throughout the life cycle of all its models by 2050, including material production, vehicle parts and logistics, disposal and recycling. In addition to a careful selection of the materials used in its vehicles, Lexus will also consider the environmental impact of how these materials are produced.

<sup>9</sup> Data as of 31 May 2021.

## Lexus beyond automotive

**Cinematography** is among the key areas Lexus has mostly committed to for years, which culture, change and future values are promoted through. There has always been a profound harmony between Lexus and the film industry, which allows to bring the brand's values together with those of the seventh art. In addition to participating in the major world events of cinema, including the Red Carpet in Venice and the Rome Film Festival, in the delicate historical moment that the cinema has been going through recently, Lexus is engaged in charitable initiatives in favor of the film sector, among the most affected ones by the pandemic. The project includes a tour of eight Italian cities, where for each ticket purchased, Lexus will purchase a second one, doubling the contribution to the cinemas and supporting the restart of the sector.

Another area which Lexus has always been actively involved in is design, through the direct contribution to events such as the **Milano Design Week**, which in 2005 Lexus was the first automotive brand to participate in, and with events promoted directly by the brand, as with the **Lexus Design Award 2021**, a global competition to support the next generation of creators. The finalists were selected from nominations from 66 countries, using Lexus's three key design principles: Anticipating, Innovating and Engaging as evaluation criteria.

With the launch of the collaboration with **WeWorld Onlus**, an independent Italian organization active in 27 countries including Italy with development cooperation and humanitarian aid projects to guarantee the rights of the most vulnerable communities such as women, girls and children, Lexus also reiterates its commitment to the fight against inequality. In particular, fiscal year 22 will see the realization of diverse fundraising activities and events to support the organization.

## 3.4.

# GOVERNANCE OF TOYOTA IN ITALY

With reference to Toyota Motor Italia S.p.A. (TMI), Toyota Financial Services Italia S.p.A. (TFSI) and KINTO Italia (KINTO), the companies are governed by a Board of Directors composed of three members in TMI, a **Chairman of the Board of Directors**, a Chief Executive Officer and a Councilman<sup>10</sup>, by three members in TFSI<sup>11</sup> and by five members in KINTO<sup>12</sup>, all chosen among managers of the Toyota Group. These bodies have broad powers of ordinary and extraordinary management – except for the acts reserved by law to the shareholders’ meeting – and the legal representation of their respective companies is the responsibility of the Presidents and CEOs. The members of the Board of Directors are elected every three years by the respective Shareholders’ meetings.

As a controlling body, the **Board of Statutory Auditors**, which is present for both TMI, TFSI and KINTO Italia, is composed of three statutory auditors and two alternates. It is appointed by the shareholders’ meeting as well with a three-year mandate and supervises the compliance with the law and the statutes, the respect of the principles of sound administration and, in particular, the adequacy of the organizational, administrative and accounting structure adopted by the company and its concrete functioning.

The Italian branches of AIOI Nissay Dowa Insurance Company of Europe SE – ANDIE and Toyota Insurance Management SE – TIM are branches of foreign companies, with registered offices in Luxembourg and Germany respectively, eligible to exercise their insurance and insurance distribution business in Italy under the principle of mutual recognition.

From an internal **governance point** of view, they are both represented in Italy by a Representative who has the active and passive representation and who is assisted by employees, part of whom has also signing powers according to a precise system of delegations (so-called “POD”) and to the Organization and Function Charts, which are subject to periodic reviews and modifications. TIM and ANDIE, as secondary offices, do not have a Board of Statutory Auditors in Italy and the control system is entrusted to internal functions in close coordination with the Parent Company’s (Risk & Compliance) and external (Legal Auditor and Group Auditors) appropriate functions. Both branches have a single Managing Director and a single DPO – Data Protection Officer.

<sup>10</sup> As far as the composition by gender and age is concerned, the Board of Directors of TMI is now composed of three men, two of whom belong to the category between 30 and 50 years and one belonging to the over 50 years of age category.

<sup>11</sup> As far as the composition by gender and age is concerned, the Board of Directors of TFSI is now composed of three men, all belonging to the over 50 years of age category.

<sup>12</sup> As far as the composition by gender and age is concerned, the Board of Directors of KINTO is now composed of five men, two of whom belong to the category between 30 and 50 years and three belonging to the over 50 years of age category.

In order to allow the correct information flow and the decision-making process, the companies have equipped themselves with a periodic appointment with management purposes called "Management meeting" which the Chief Executive Officer, the Representatives and the managers of the various functions of both branches take part in.

With regard to **TMI's** internal governance – in line with the indications provided by TME (Toyota Motor Europe) – a structure of **committees** to approve and monitor projects and business activity in the relevant sectors is envisaged. The system provides for a decision-making process consisting of progressive authorization levels before final authorization by the Top Management.

The main body of approval is the Steering Committee, made up of the entire Top Management.

All approval flows are started and tracked through the Take Every Decision (TED), a new application that manages the governance of all corporate decisions, including those taken by the Steering Committee.

As regards the *corporate governance* structure of **TFSI**, at the time of its establishment in July 2018 and on the basis of the operational, dimensional and captive nature of the Toyota Group in Italy, it was deemed preferable to adopt the traditional administration and control model, allowing a clear distinction between the activities assigned to the Board of Directors (responsible for the strategic supervision, which cannot be delegated to other corporate bodies) and the control and supervision ones assigned to the Board of Statutory Auditors.

Since its establishment in July 2019 under the original company name of Toyota Fleet Mobility Italia, **KINTO Italia's** internal governance structure reflects the traditional administration and control system as well, with the separation between the Board of Directors' administrative and management functions and the supervisory and control function of the Board of Statutory Auditors.

## 3.5.

# INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM

Toyota companies in Italy manage compliance systems in an integrated manner according to international standards of quality, environment and safety at work in accordance with their voluntary standards. In this regard, TMI has obtained the renewal of the relevant certifications (ISO:9001 – ISO:14001 and ISO:45001) by the certification body TUV. **The quality management system** is based on **three fundamental pillars**: context analysis, determination of stakeholders and their influence on business processes, and risk management.

### 3.5.1 Internal Audit

Each Toyota company in Italy has defined a monitoring system to keep the main business processes and the respect of service levels under control, bearing in mind that for TIM and ANDIE the function of Internal Audit is not present locally but is managed by the respective parent companies as secondary offices of foreign companies.

At different levels of the organization, there are various tools for planning, programming, monitoring and measuring performance, including, for TMI:

- Company **Hoshin Kanri** (Company Hoshin) and Department Hoshin Kanri, formal documents indicating the vision and mission of the company and department, derived from the European one.
- The application of **Toyota Motor Europe Group's Toyota Global Risk Management Standards (TGRS)**<sup>13</sup> as an internal risk control and governance system, applied in a systematic, structured, timely and documented manner, and periodically verified to ensure that the process as a whole meets the company's objectives, and the application of Policies & Procedures and Guidelines issued globally by the TFSC **Credit Risk Management Committee** for TFSI and KINTO.
- a **M.B.O. system (Management by objectives)**, that are performance objectives that the company management defines for each organizational position consistent with TME's development strategies and with management system policies and whose achievement is linked to a performance bonus. For the other companies of the Group, a similar system is being designed and formalized.

<sup>13</sup> For more details about Toyota Global Risk Management Standards, please refer to 2020 Sustainability Report.

For **KINTO** Italia, Internal Audit activities are carried out through Toyota Financial Services Italy S.p.A. Internal Audit function, in execution of a service agreement. Specific corrective actions are defined and planned on the basis of the internal audit plan, which management uses to support the effectiveness and operational efficiency of business activities.

## 3.5.2 Risk Management

The **risk management system** defined for TMI follows the guidelines of the parent company TME and provides a governance system that ensures control over internal escalation processes and periodic reporting to the parent company of the risks relevant to TMI, as mentioned above. In this respect, the **Integrated Management Systems Committee** has joined the Internal Control and Risk Management Committee (ICRM), which represents the contact point of the internal control system with the management of the company, as a moment of timely reporting of risk management and compliance issues.

TMI's risk management process envisages:

- a **Risk Committee**, in which the most important aspects of management are brought to the attention of the management.
- **Department managers** whose objective is to implement and develop the risk management program, as well as to supervise and monitor the identification and analysis of risks on the basis of the TGRS methodology and the Risk Map.

Sarbanes Oxley 404 (SOX) Compliance Control activities are an integral part of the enterprise risk management, which enabled TMI to issue a **SOX Compliance Certification** for fiscal year 2019. With regard to **TFSI**, given its financial nature, risk management is primarily based on the principle of sound and prudent management of the intermediary, which translates into a culture of respect for rules and awareness of risks. With specific reference to credit risk, the function ensures that the credit process complies with the principle of segregation of duties (and on the related "four eyes principle"). This principle postulates the need for the

*The ethical conduction of business is one of the founding principles of Toyota's strategy.*



evaluation and credit granting phases to be carried out and finalized with the support of two separate parties who carry out complementary tasks and who double-check the regularity of the action.

From an organizational point of view, the Risk Management function – second level control function – is responsible for identification, measurement, assessment and monitoring of company risks and is responsible for adapting organizational and information processes to the guidelines issued by the competent authorities and to Group policies on corporate risk management.

With regard to risk management, **KINTO** Italia refers to the Board of Directors, which, among its various tasks and powers, deals with the approval and review of strategic approaches and guidelines on risk management, and with the policy for their application and supervision.

For **KINTO** Italia, Risk Management activities are carried out through the Risk Management function of Toyota Financial Services Italia S.p.A., in execution of a service agreement.

As mentioned above, for TIM and ANDIE, as secondary offices of foreign companies, the system of controls is instead entrusted to internal functions in close coordination with the parent companies (Risk & Compliance) and external (Legal Auditor and Group Auditors) appropriate functions.

## BUSINESS ETHIC, COMPLIANCE AND ANTICORRUPTION

The Toyota Group in Italy regards conducting business in an ethical manner as one of the essential principles of its strategy since the birth of the brand.

The most obvious demonstration and formalization of this principle is Toyota's Guiding Principles, which have been laid down in the **Code of Conduct** adopted by TMI, as well as in the **Codes of Ethics** of TIM, ANDIE, KINTO and TFSI's **Code of Ethics** and **Conduct**, published on the company intranets and in extract on the site. Compliance with these principles is required of all parties entering into agreements with Toyota Group companies in Italy through a specific clause in the contract text.

All the companies have also adopted and subsequently updated the **Organization and Management Model pursuant to Legislative Decree 231/2001**, in order to realize a structured and organic system of procedures and control activities aimed to prevent the commission of crimes relevant to the Decree and to raise awareness of all those who work on behalf of the Group on the related cases of crime.

The only exception is represented by **KINTO** Italia, for which it is noted that the company has not yet adopted a model of organization, management and control pursuant to Legislative Decree 231/2001, due to the limited scope of its activity. However, the possible adoption of the above model also for KINTO Italia has already been considered by the corporate bodies, in view of the future development of its activities and volumes.

With particular reference to **anti-corruption**, all companies recall the correct principles to be respected in their Codes. In addition, **TMI** has adopted and published an Anti-Corruption Policy, which is referred to in the corporate Code of Conduct, which provides the necessary rules for the proper prevention of corruption incidents. The principles of this policy are also applied to TMI's trading partners by means of appropriate references and guarantees within the relevant contracts. The company has also adopted a comprehensive business **compliance** program, both with regard to personal data processing and with regard to fair competition. For the implementation and monitoring of these programs, special funds have been set up. In addition, the privacy and competition law risks have been included in the company's risk register and monitored by ICRM. Management has identified the Legal & Compliance Department as **TMI's internal Compliance Officer**, to align business to regulations and laws.

**TIM** and **ANDIE**, as branches of foreign companies, transpose the policies of their parent companies at local level, including the presence of an **Anti-Corruption Policy**, as well as, for example, Anti-fraud, Conflict of Interest and Internal Audit Policies.

With regard to **TFSI**, due to its nature of financial intermediary, it is required to observe specific rules relating to anti-money laundering provided for by the Italian law and issued by the Bank of Italy and the Financial Information Unit in addition to the information on **anticorruption**. In accordance with these regulatory provisions, TFSI has a specific control function (the anti-money laundering function) and a policy and procedure in this field, which govern, among other things, compliance with AML (Anti Money Laundering) obligations by the various business structures concerned. The degree of exposure of TFSI to the recycling risk, and terrorism financing, and the robustness and effectiveness of the system of controls in this area are subject to a self-assessment process ("AML self-assessment") on an annual basis, the outcome of which is communicated to the Bank of Italy.

With reference to anticorruption, despite the absence of a 231 model, **KINTO Italia** mentions and regulates the subject in the Code of Ethics, further evidence of the importance that every company of the Toyota Group in Italy attributes to the phenomenon, prohibiting any behavior even only abstractly attributable to corruption.

In order to make the implementation of these rules and policies effective, including compliance with the Organization and Management Model pursuant to Legislative Decree 231/2001, a **whistleblowing** policy has been adopted for all companies, with a dedicated e-mail address and a special system for reporting any crime that can guarantee the confidentiality of the reports when requested. Specific internal investigations are subsequently initiated as a result of the report. Reports on their status of whistleblowing procedures are periodically drawn up. For the fiscal year 21 (for TMI, TFSI and KINTO) and for 2020 (for TIM and ANDIE) **no report has been received**.

## 3.7.

# PRIVACY AND INFORMATION SECURITY

Compliance in the field of protection of personal data is a priority for Toyota companies in Italy. In this respect, companies have taken all the necessary measures to transpose the existing European legislation, EU Regulation 2016/679, known as **General Data Protection Regulation (GDPR)**.

Toyota companies in Italy **deal with different types of data** for different stakeholder categories, including customers, employees, and suppliers, using manual tools (collection via paper forms) and computer tools.

As the data controller, **TMI** has defined an internal governance structure for the management, implementation and monitoring of the state of compliance with this legislation and adopted a complex set of procedures and policies that decline and implement in daily activity the principles of correctness, accuracy, lawfulness, transparency, minimization of data, limitation of purpose, limitation of retention period, and security. For a correct application of these rules, the company ensures, through specific contractual clauses, that the suppliers also fulfill the requirements of the "Regulation" during the processing, access or use of the personal data of the employees, customers and potential customers of TMI. The management of the entire process of data processing and of their security involves all interested parties within the organization, covering ICT and Legal & Compliance departments in particular.

In accordance with the applicable law, the company has also appointed the Data Privacy Officer ("DPO"), represented by an external professional, who is responsible for overseeing the conformity of the process of the personal data management together with the DPO Committee and the Legal & Compliance Department, and for reporting it together with the designated internal data processors and the appropriate bodies (ICRM, Supervisory Body and Board of Statutory Auditors).

There are many activities and continuous training tools available to staff and dealer network.

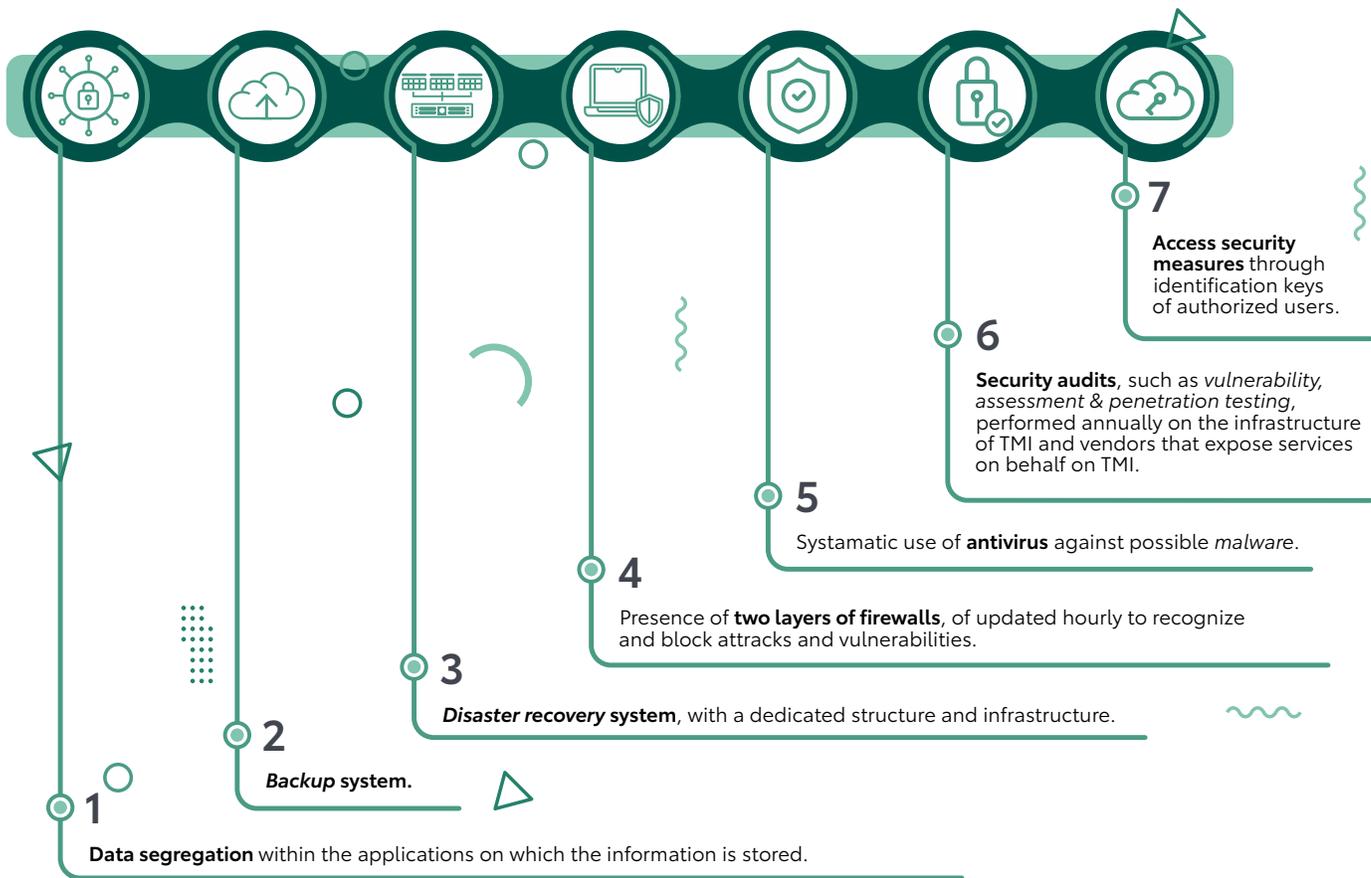
The attention of TMI to the correct management of the data of employees, suppliers and customers, has led the company to place the privacy scope among the major business risks that are the subject of periodic monitoring in the aforementioned ICRM, as well as among the areas subject to periodical both internal and external audits.

TMI has also defined and structured processes, procedures and controls to ensure the required level of continuity for information security, which is equally important in ensuring the proper management and retention of data. In particular, the company has adopted a **security model from its parent company Toyota Motor Corporation**, on which Toyota Motor Europe has started auditing since July 2020.

Figure 6

Major security measures adopted by TMI in information management

**TFSI** and **KINTO**, as adopting a “customer centric” approach, also pay particular attention to the collection and study of data related to their customers, in order to focus their individual needs and propose more tailored services.



Compliance control of privacy rules is part of the direct perimeter of the Compliance function, which ensures the correct application of company policies and processes also with regard to the personal data of TFSI employees, collaborators, suppliers and external customers.

**TFSI** and **KINTO** have also adopted the Policy Privacy by Design and Privacy by Default process which defines rules, modalities and principles relating to Data Protection Impact Assessment (“DPIA”). For a correct application of these rules, the company ensures that the suppliers also fulfill the requirements of the “Regulation” during the processing, access or use of the personal data of employees, customers and potential customers through specific contractual clauses.

The data privacy is guaranteed by the computer systems implemented within the system, which are based on the principle of the need for access, which aims to limit access to data to operators which actually need to, preventing a general right to access.

In accordance with the applicable law, the companies have also appointed their own Data Privacy Officer (DPO) and have provided a specific organization chart for the management of the privacy, in order to observe, evaluate and organize the management of the processing and protection of personal data, so that they are treated in full compliance with European and national privacy regulations. They have four levels:

1. A DPO – Data Protection Officer – as required by current legislation and in line with all Toyota companies in Italy.
2. Privacy Officers, corresponding to Legal & Compliance and IT Managers for TFSI and IT and Operation Managers for KINTO.
3. Privacy Managers, identified with department managers.
4. Persons in charge of processing, i.e. staff members who come into direct contact with customer data and information.

The need to raise awareness among employees, the dealer network and external contractors of the value of personal data and the importance of compliance with laws has determined the opportunity to provide for specific and periodic training, while the Internal Audit included specific verification activities on the confidentiality and security of data in its annual plan.



**The security of corporate data** is realized through a series of protocols and rules of behavior in the use of IT systems both in TFSI and KINTO. IT is responsible for monitoring the proper use of access to corporate and third-party information systems and preventing unauthorized access, while the Electronic Data Processing (EDP) manager plays a role in planning and developing security activities and IT system.

In compliance with applicable law, companies have implemented business continuity and disaster recovery systems to help prevent data loss caused by external and unpredictable events, including hacker attacks. These provisions consist of a series of technical measures adopted in line with the overall crisis management policy of Toyota Financial Services Corporation (TFSC) and are subject to specific effectiveness tests carried out in collaboration with Group's IT structures.

Moreover, the IT function carries out a series of tests in collaboration with external experts, also in compliance with the obligations imposed by the supervisory regulations, aimed at quantifying the IT risk and the illicit treatment of data, such as:

1. *vulnerability assessment*
2. *penetration test*
3. *IT risk assessment*
4. *IT KRI (Anti-Virus Compliance and Network Incident Verification)*

Results are shared with the Risk Management function.

Finally, as mentioned in the previous paragraphs, **TIM** and **ANDIE**, as branches of foreign companies, have the management of their IT systems under the control of the respective parent company. However, it should be noted that both companies have provided a specific organization chart for the management of Privacy, in order to observe, evaluate and organize the management of the processing of personal data and the protection of personal data, so that they are treated in full compliance with European and national privacy regulations. They provide four levels locally:

1. A Local DPO – Data Protection Officer – reporting to the Group DPO (in Germany) as required by current legislation and in line with all Toyota companies in Italy.
2. Privacy Officers, in support of Local DPO, identified within the Legal, Risk and IT areas.
3. Privacy Coordinators, in support of the Privacy Officers, acting as liaisons between the latter and the Business Units;
4. Data processors, i.e. staff members who come into direct contact with customer data and information.





# Stakeholder mapping and materiality analysis

— CHAPTER 4



## 4.1. STAKEHOLDER MAPPING

*Identifying stakeholder categories and appropriate dialogue channels for their engagement is an important step for the shared value creation.*

As explained in TMC's Sustainability Data Book<sup>14</sup>, Identifying stakeholder categories and appropriate dialogue channels for their engagement is an important step for a sustainable development and a transparent relationship.

During 2020, TMI completed, within its Sustainability Report, the first mapping of its stakeholders, that is the identification of individuals or groups of individuals who can influence or be influenced by its activities. In the implementation of this process, the macro-categories considered globally by TMC, i.e. Customers, Employees, Business Partners, Shareholders, Local Communities/Global Society, constituted a primary reference that TMI has then adapted to its business and to the European and Italian context, identifying twelve categories of major stakeholders, represented in Figure 7. Finally, the Toyota Group in Italy reviewed and validated this mapping for the 2021 Sustainability Report.

Over the last two years, Toyota has also started the activities of engagement of some of the categories identified, making them active parts of the company's commitment to sustainability through the assessment of the most important issues for the Group, as described in the following paragraph. These activities are part of a path that aims to identify and institutionalize specific channels of dialogue that can lead the company to involve its stakeholders more and more in the definition of its sustainability activities and strategy.

<sup>14</sup> Toyota Motor Corporation, *Sustainability Data Book*, p.7.

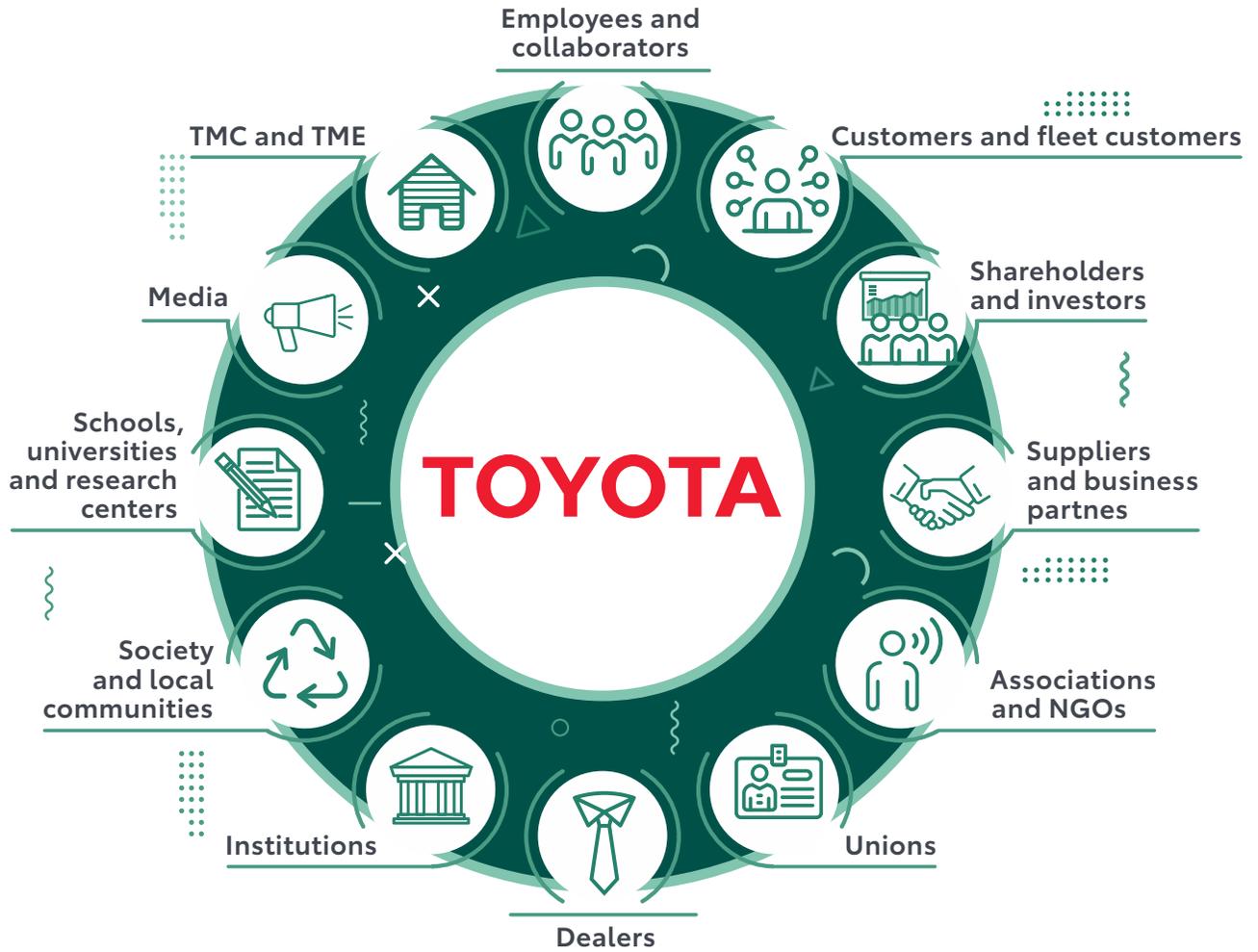


Figure 7

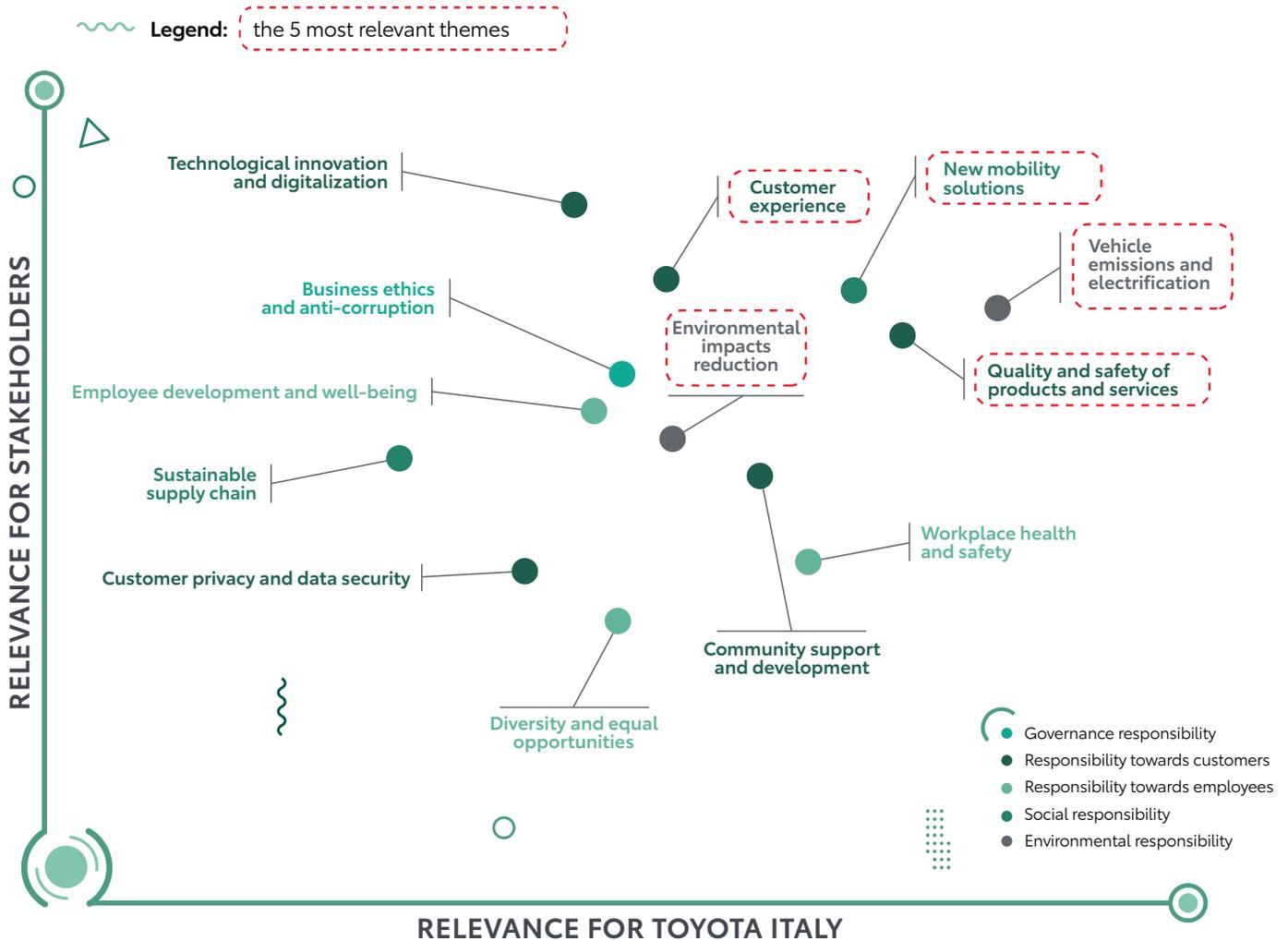
Toyota's stakeholder mapping.

# 4.2. ANALYSIS AND MATERIALITY MATRIX

In accordance with GRI Standards, the international standards for non-financial reporting issued by the Global Reporting Initiative, this Sustainability Report aims to deepen the material issues, i.e. aspects that reflect economic, environmental and social issues that are significant for the Toyota Group in Italy and that can influence the assessments and decisions of its stakeholders. The process of identifying and updating these issues was conducted for the first time for the drafting of TMI's first Sustainability Report TMI and has been divided into three phases: benchmarking analysis, topic

Figure 8

Materiality Matrix of Toyota Group in Italy.



assessment by the Top Management and topic assessment by a significant sample of TMI stakeholders belonging to the employee, supplier and dealer categories.

For the 2021 Sustainability Report, in the light of the inclusion into the reporting boundaries of TIM, ANDIE, TFSI and KINTO Italia and of the Covid-19 pandemic's impact, the Group updated the materiality analysis, adapting the topics to the new context and involving a sample of **28 employees** of the different companies in the voting of their relevance in two dedicated workshops.

The votes thus obtained allowed the updating of the Materiality Matrix. The matrix allows to visualize the relevance of each topic both for the Toyota Group in Italy (abscissa axis) and for its stakeholders (ordinate axis). The updating of the matrix has made it possible to identify 13 issues that have been particularly relevant for the Group's business and shows a substantial alignment with the major macro-trends in the industry, with reference, for example, to the importance that new mobility solutions assume for the business, but it reflects the distinctive features of Toyota's values and strategy as well. The issues evaluated as being more relevant by stakeholders and companies represent important pillars of the brand business: the development of alternative powertrains and the progress toward electrification, the quality and safety of vehicles and the attention to the customer are fully reflected into Toyota's strategic and value priorities as well as into the brand's history and success.





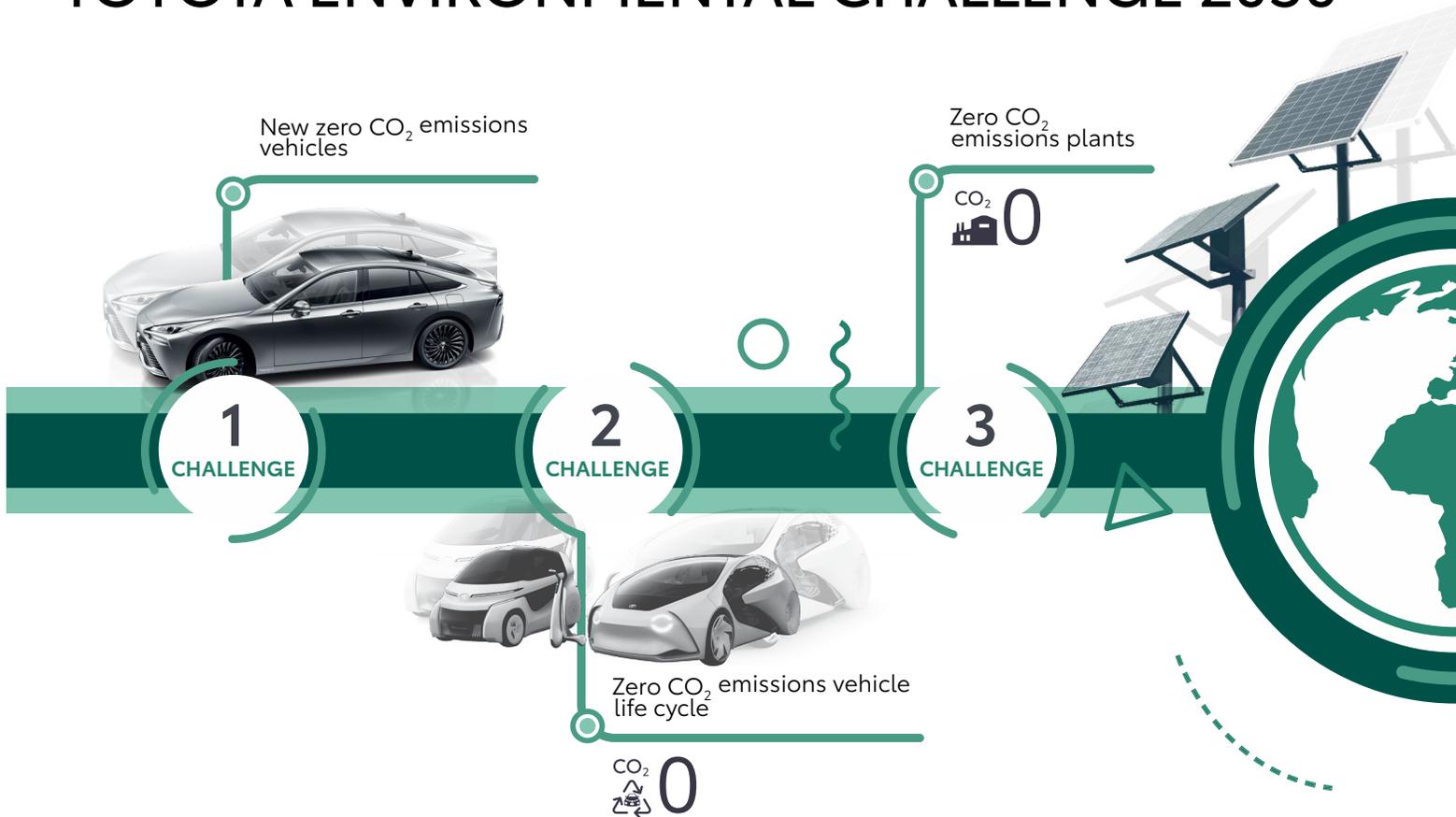
# Toyota's environmental commitment

— CHAPTER 5



The protection of the environment and the commitment to minimize the impacts of its activities are priority elements for Toyota, present both in the Guiding Principles<sup>15</sup> (principle 3 “Dedicating our business to the realization of clean and safe products, improving the quality of life through our activities everywhere”) and among the long-term goals of Toyota Global Vision (“Respecting the Planet”). After decades of research and progress toward less polluting technologies, in 2015 the brand formalized its environmental strategy to 2050 through the **Toyota Environmental Challenge 2050**, articulated into six challenges and aimed at reducing its environmental impact, from production to the use of the vehicle.

## TOYOTA ENVIRONMENTAL CHALLENGE 2050



<sup>15</sup> TMC, 75 Years of Toyota, [https://www.toyota-global.com/company/history\\_of\\_toyota/75years/data/conditions/philosophy/guiding\\_principles.html](https://www.toyota-global.com/company/history_of_toyota/75years/data/conditions/philosophy/guiding_principles.html)

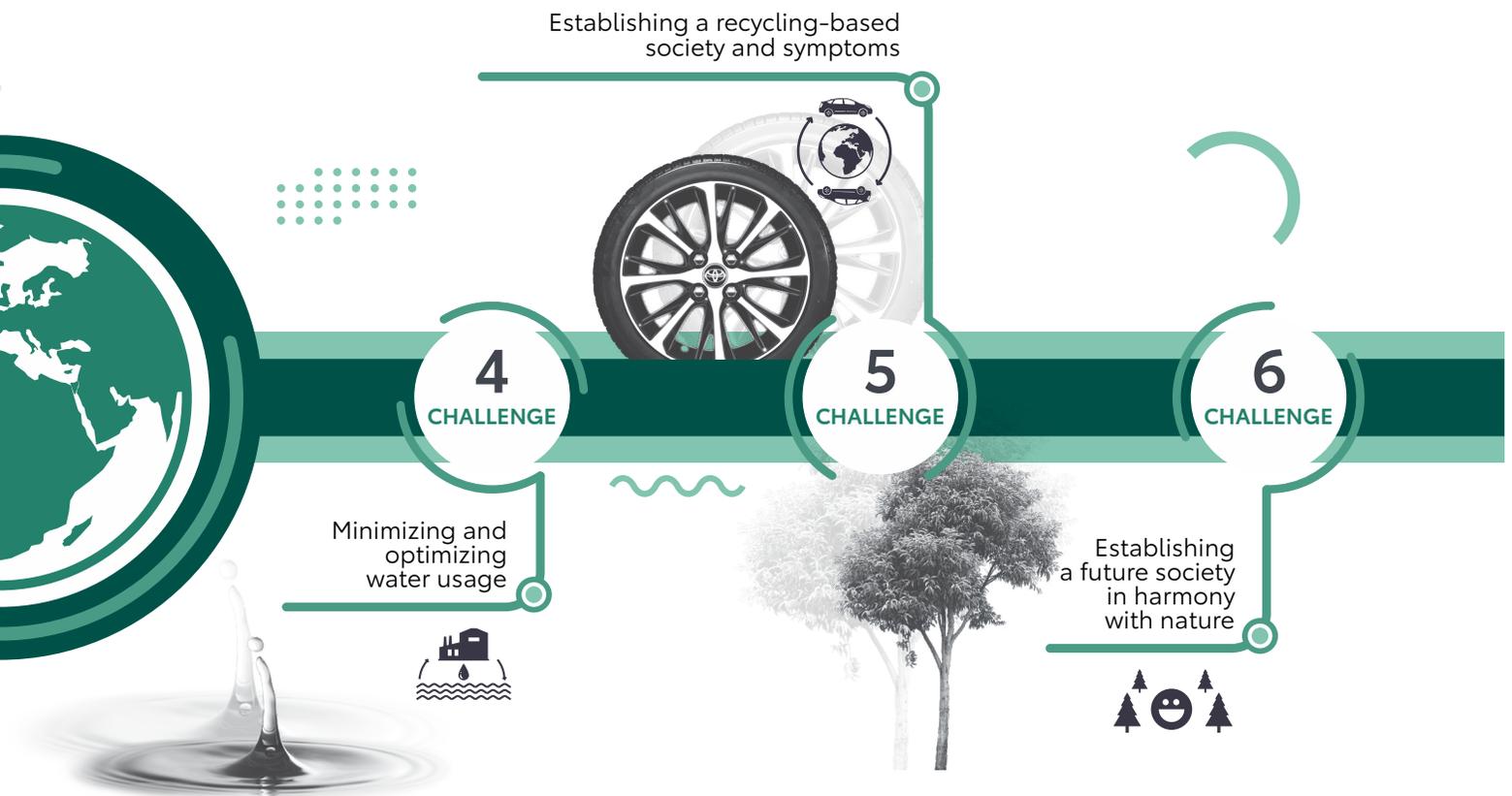
The challenges – shown in Figure 9 – aim to minimize emissions from production and vehicles, both during their use and throughout their life cycle, minimize and optimize the use of water resources, encourage the circular economy, and finally build a society that is in harmony with nature.

At the same time, they will also contribute concretely to the progress of several **SDGs**. TMI has also prepared a plan for the continuous improvement of its environmental impact, the Environmental Leadership Plan, which allows continuous monitoring of its performance in the various aspects of its business, from the increase in sales of electrified vehicles to the reduction of energy consumption and emissions of its buildings.

Figure 9

Toyota Environmental Challenge's six challenges.

Toyota set 6 goals to improve the environment, to be achieved by 2050.



# 5.1.

## ELECTRIFICATION BEYOND ZERO EMISSIONS

**T**he first challenge of the Toyota Environmental Challenge 2050 is to reduce average CO<sub>2</sub> emissions per vehicle by 90% compared to 2010 levels by 2050.

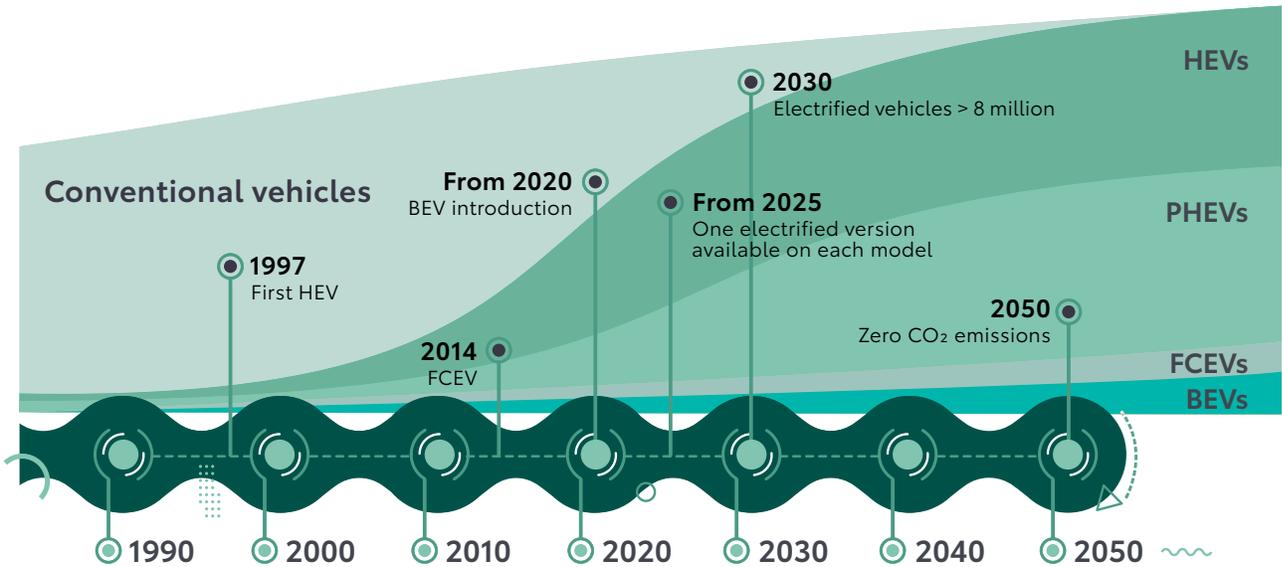
Based on the idea that environmental-friendly vehicles can only make a real contribution to society when used by a growing number of people, Toyota is focused on developing technologies that make the transition to cleaner mobility more accessible to all. This is why several initiatives have been launched at global level aiming precisely at accelerating the spread of electrified mobility. In this context, in April 2019 Toyota announced that it would **liberalize around 24.000 of its own patents on electrification of vehicles until 2030**, helping governments and manufacturers develop the technologies needed to reduce the effects of climate change<sup>16</sup>.

Since the '90s, Toyota has developed a strategy that covers all forms of electrification. The more than 19 million electrified vehicles sold since 1997, more than 4 million of which in Europe<sup>17</sup>, constitute an extremely valuable heritage of experience for the future development of all other electrified solutions on the three fundamental components: The electric motor, the battery and the inverter. By 2030, Toyota expects to sell at least 8 million electrified vehicles annually globally, of which 2 million are BEV and FCEV.

In Italy, more than 70% of Toyota Group registrations are electrified cars.

<sup>16</sup> Liberalized patents, some of which are still undergoing the approval path, include advanced technologies found on electrified vehicles, particularly those equipped with hybrid-electric systems (HEV), which have enabled Toyota to improve performance, reduce size and, above all, reduce component costs. In particular, among the patents are those relating to individual elements and systems such as electric motors, "Power Control Units" (PCU) and control systems, or key technologies applicable to the development of different types of vehicles, including HEV, Plug-in vehicles (PHEV) and fuel cell (FCEV) powered vehicles.

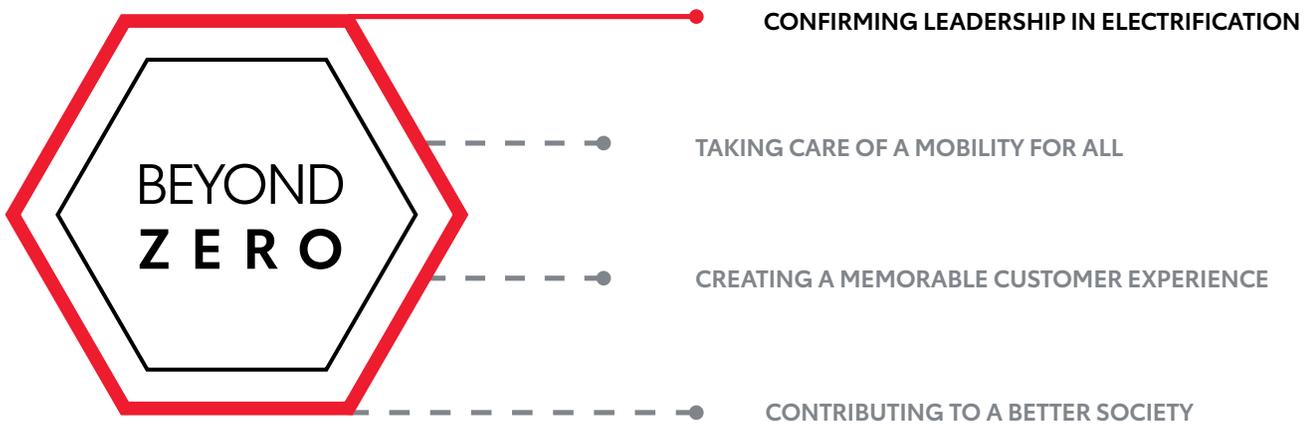
<sup>17</sup> Data as of November 2021.



In this general framework, one of Toyota's greatest ambitions is to realize the mobility of the future, capable of achieving important objectives, including "zero emissions" and "zero accidents". However, Toyota aims to go **"BEYOND ZERO"** with a four-pillar strategy, the first of which is to **"confirm leadership in electrification"**.

Figure 10

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



# COMMON COMPONENTS TO ALL TECHNOLOGIES

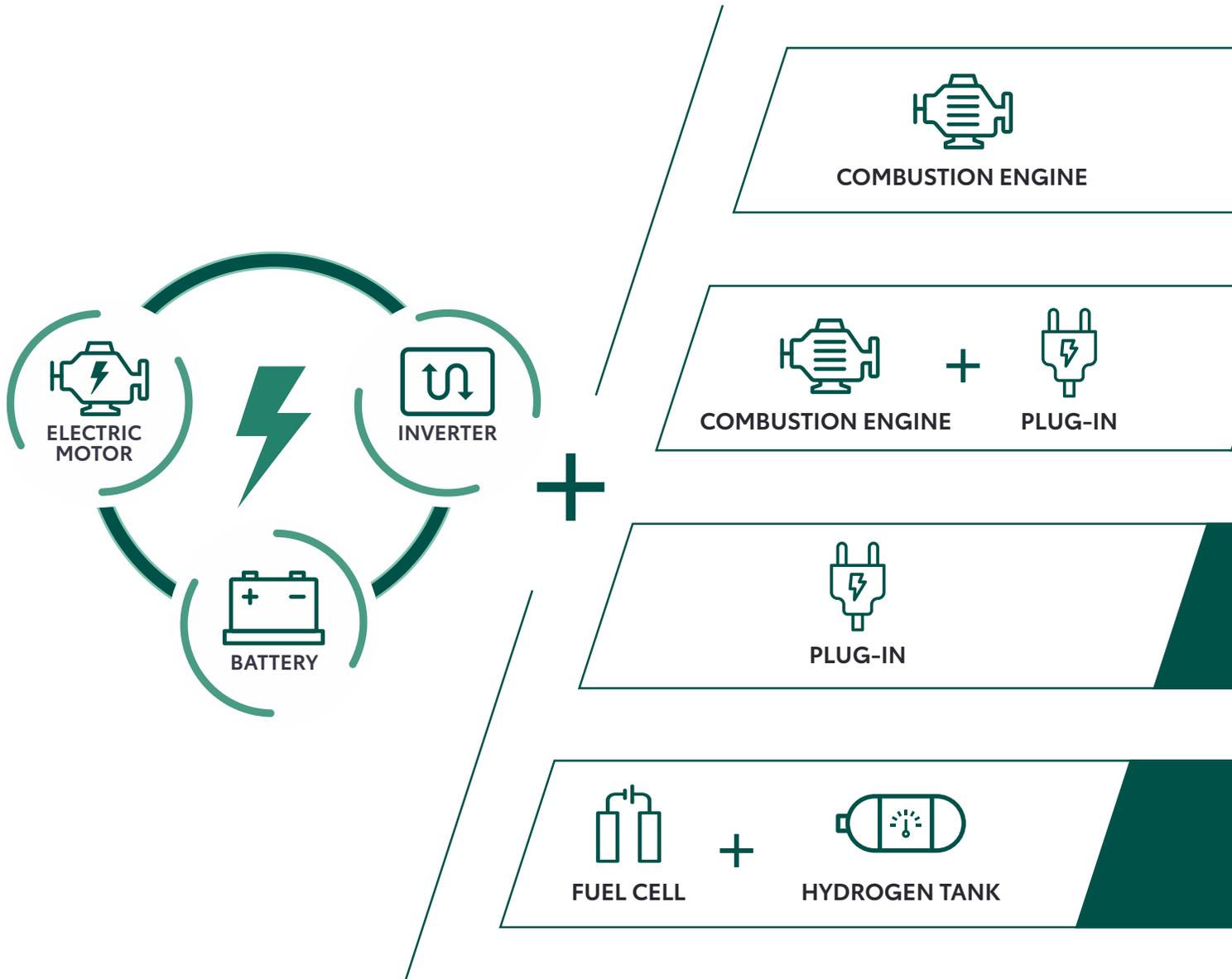


Figure 11

Toyota's electrified solutions.

## HYBRID ELECTRIC VEHICLE

Vehicle equipped with two engine types, an electric motor and a combustion engine.

HEV

## PLUG-IN HYBRID ELECTRIC VEHICLE

Hybrid Electric system equipped with a greater capacity battery that can be recharged through a plug-in and by the combustion engine (as for HEV).

PHEV

## BATTERY ELECTRIC VEHICLE

Hydrogen-powered vehicle: a fuel cell stack and a hydrogen tank are added to the three main parts of an electrified car.

BEV

## FUEL CELL ELECTRIC VEHICLE

Hydrogen vehicle: to the three main components of an electrified car a group of fuel cells and a hydrogen tank are added.

FCEV

Therefore, Beyond Zero is based on the lines of action already undertaken by Toyota with the formalization, of the Toyota Environmental Challenge 2050 in 2015, that is its environmental strategy to 2050, articulated in six challenges and aimed at reducing the environmental impact of the company, from production to the use of the vehicle.

These goals confirm the concrete contribution that Toyota has been making to the spread of technologies with reduced environmental impact, not only globally but also specifically in Italy. Bearing this in mind, Toyota's global vision of the transition to zero-emission mobility attributes a key role to hybrid thermal-electric technology, which, besides increasing energy efficiency without substantially altering the driving habits of a conventional vehicle, is based on a basic architecture from which all electrified solutions can derive.

## 5.1.1 The role of Full Hybrid

Full Hybrid technology plays a key role in the energy transition as it ensures low environmental impacts without substantially changing user driving habits as compared to conventional vehicles. In fact, despite a considerable percentage of the traction being carried out by electrical components, the refueling takes place in the same way as internal combustion vehicles. The energy efficiency of Toyota's Full Hybrid vehicles was the subject of three scientific studies carried out in 2016, 2017 and 2020 respectively. The studies, which were carried out in collaboration with the Care Center (Center for Automotive Research and Evolution) of the Guglielmo Marconi University of Rome in 2016, and with the ENEA (National Agency for New Technologies, Energy and Sustainable Economic Development) in 2017 and 2020, monitored the energy behavior of two Toyota vehicles, the **Toyota Prius IV** and the two different generations of **Toyota Yaris** respectively, in order to establish the distance percentage of cars at zero emissions in different types of routes (urban, motorway 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%

Table 1

Results of 2016 study on Toyota Prius IV model.

The results showed that, out of 60 test drives by 20 different drivers, the **Toyota Prius IV** averaged **73,2%** of the time at zero emissions (or in ZEV - Zero Emission vehicle mode) – time during which the vehicle has been running but with the internal combustion engine off – a percentage that rises to **79,4%** in the urban section, with the relevant data that **27,6%** of the electricity used to recharge the battery has been recovered from the kinetic energy of the wheels during acceleration and deceleration, energy otherwise dispersed in dust and heat.

	COMBINED ROUTE	URBAN ROUTE
ZEV - Time	67,6%	75,4%
EV - Space	40,4%	65,4%
ZEV - Time	40,0%	49,8%
EV - Space	27,7%	49,9%
Total Efficiency	38,1%	31,2%

Table 2

Results of 2016 study on First generation Toyota Yaris model.

**Toyota Yaris**, out of a total of 42 test drives by 14 different drivers, has operated **67,6%** in ZEV mode, which rises to **75,4%** in the urban section. In particular, the car was able to operate in EV (electric vehicle) mode – that is to ensure traction exclusively through the electric motor, without therefore considering the moments when there was no traction from either of the two engines – for **40%** of the time, a sign of the actual power of the electrical component.

	URBAN	EXTRA-URBAN	TOTAL TEST
ZEV - Time	82,6%	75,7%	78,0%
ZEV - Space	76,1%	64,5%	66,3%
Consumptions [l/100km]	3.81	2.93	3.07
Total system efficiency	34,0%	43,3%	41,5%

Table 3

Results of 2020 study  
on the new Toyota Yaris model.

The third study saw as protagonist the **new Yaris**, equipped with the fourth-generation Full Hybrid technology and, again, has involved 20 drivers, each of whom has completed the route three times. The new Yaris has significantly improved the result of the previous model, traveling on the expected route with an average functioning of more than **78%** of the time at zero emissions (reaching **82.6%** on urban sections) and of **66,6%** of the exclusively electric traction space.

From an emission perspective, Toyota is in line with the CO<sub>2</sub> targets set by the European Union and which provide for fleet emissions of no more than 95 g/km by 2021. This was achieved through an early introduction of electrification across the entire range, allowing the wide spread of efficient vehicles with high safety standards. Aygo, Yaris, C-HR, Corolla and Prius report CO<sub>2</sub> emissions below the 95 g/km CO<sub>2</sub> threshold for all in-range versions. The introduction of the new Yaris Hybrid (64 g/km), the RAV4 PHEV (22 g/km), the new hydrogen Mirai and the electric Lexus UX 300e crossover will allow the start of the journey to cut the CO<sub>2</sub> by a further 15% by 2025, as required by the regulations. As an approach, Toyota expects to reduce its CO<sub>2</sub> emissions by 10% by 2021 compared to 2019 levels.

## The different types of hybrid in the automotive industry

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 hybrid:** 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** ( $Hr \leq 0.23$ ) 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 behavior of Toyota Hybrid vehicles carried out by CARE - Research Centre on Cars and their Evolution (Guglielmo Marconi University of Rome) and by ENEA - National Agency for New Technologies, Energy and Sustainable Economic Development (Casaccia Research Center, 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.

## 5.1.2 The role of Hydrogen

For more than 20 years, Toyota's research has progressively focused on perfecting electrified technology with great potential for sustainable mobility, as the brand imagined it: FCEV vehicles – hydrogen fuel cells. Hydrogen is an unlimited resource present in an inexhaustible form in nature, which allows the storage, in gaseous, liquid or solid form, of energy produced from renewable sources in a safe and long way, allowing an easy transport thereof.

Its high energy density both by weight (approximately 2,9 times higher than petrol and 160 times higher than lithium-ion batteries) and by volume unit (when compressed at 700 bar, 3,7 times higher than petrol and 3,5 times higher than lithium-ion batteries) makes hydrogen comparable to conventional fuels both in terms of bulk and in terms of refueling speed.



The **Toyota Mirai**, the world's first mass-produced hydrogen car, sold since 2014, is now at its second generation. It is the symbol of Toyota's strategy to spread this system as the most promising solution in terms of emissions – the FCEV are zero-emission vehicles – and driving habits, when looking at the high autonomy and the small refueling time. However, one variable in the spread of these vehicles is the degree of development of the necessary infrastructure, namely hydrogen refueling stations, and the support that the institutions will be able to provide for this technology. Japan, also thanks to the strong support of the government, is one of the most advanced countries in this respect, with 91 active stations. Toyota, in joint venture with Nissan, Honda and the French company Air Liquide, formed the "Japan H2 Mobility", a consortium for the further development of the network, with 80 new stations in 4 years. In Italy, the transposition of the Directive 2014/94/EU "DAFI" was an important step in the development of a supply infrastructure for alternative fuels. In particular, the creation of a number of hydrogen refueling stations suitable to meet minimum long distance travel requirements throughout the national territory by 31 December 2025 was envisaged. At the moment, thanks to the collaboration between Toyota and ENI for the acceleration of the development of an adequate infrastructure for hydrogen, new stations will be located in San Donato Milanese (MI) and in the metropolitan area of Venice, where Toyota has made its technological knowledge and a fleet of Mirai available.

Finally, starting from 2020, Toyota has expected to increase fuel cell production by ten, from 3.000 to 30.000 per year after 2020. Toyota's hydrogen fuel cell technology can be used in a variety of areas. That is why Toyota has decided to share its technology on fuel cells and hydrogen propulsion systems with other industrial partners, through collaborations, supplies and liberalization of its patents. To this end, in order to develop new partnerships on the European market, Toyota Motor Europe has established the Fuel Cell Business Group, a business unit based in Brussels specifically dedicated to promoting the development of a hydrogen society on our continent, by introducing hydrogen into all the economic sectors and all fields of social life.

## 5.2. ENVIRONMENTAL IMPACT REDUCTION AND RESOURCES MANAGEMENT

### EMISSIONS REDUCTION AND FACILITY MANAGEMENT

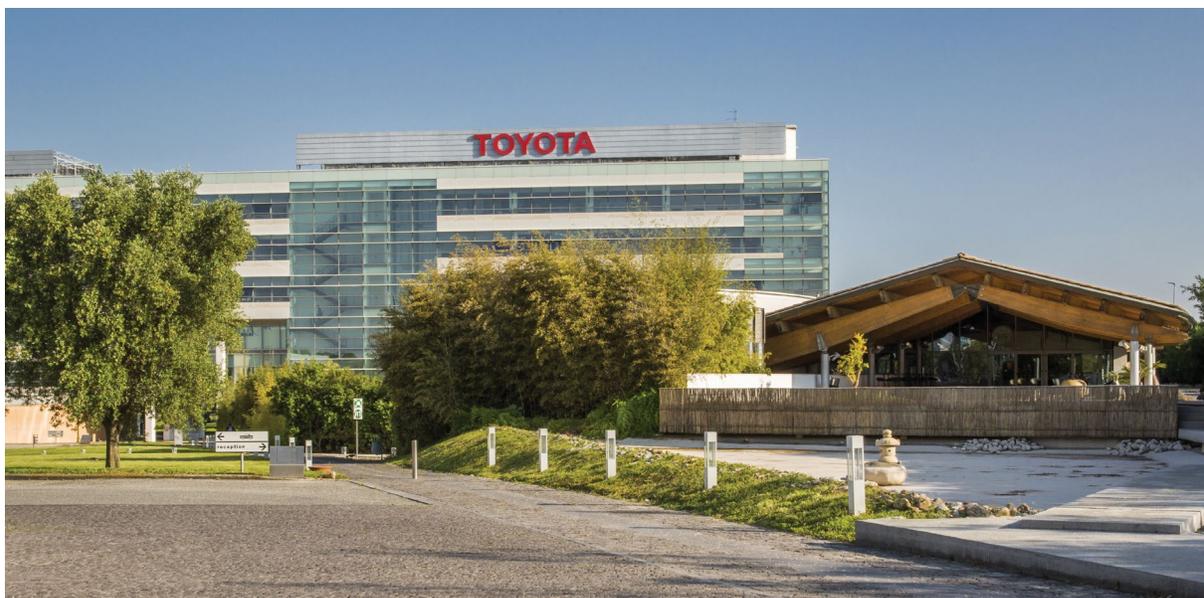
The global challenges posed by climate change have spurred a growing awareness and heated debate, both by institutions and by companies, over the last decade about the countermeasures needed to mitigate its effects. In this regard, Toyota's **challenge number 2** aims to zero CO<sub>2</sub> emissions throughout the product's life cycle through materials whose production requires processes with low environmental impact but also by reducing the amount of components per vehicle and increasing the use of recycled and recyclable materials with the highest performance in quality and safety.

With **challenge number 3**, instead, the brand is committed to reducing CO<sub>2</sub> emissions from production plants, a commitment that passes through technological innovation, process efficiency and the growing use of renewable energy.

Despite the absence of production facilities, the Toyota Group in Italy 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 sound **Environmental Management System certified ISO 14001** since 2003 and effectively applied. The certification applies to the headquarter and the national dealer network.

Toyota Italia's headquarter is located in Rome and consists of 4 main buildings, including the spare parts warehouse. Overall, the covered areas extend for about 18.000 square meters, making energy efficiency an essential element of its environmental strategy. The **environmental monitoring plan** provides for the recording of the energy consumption trends of the whole complex in terms of the use of electricity, gas for heating, gas for the canteen service, sanitary water, fire-fighting water and irrigation well water.



The data are recorded and processed by the Facility Management both for the purposes of audit activities within the ISO 14001 Environmental Management System and, above all, for the **continuous improvement of the company's energy performance**. The Environmental Management System, as well as the Hoshin Kanri, both at the corporate level and in the individual business function, set annual targets in terms of energy consumption reduction. These objectives take into account the investments set by the company for the facilities updating with the greatest impact on consumption and the realization of new **interventions of energy efficiency**, but at the same time the continuous evolution in the management of the spaces due to the increasing number of users.

Table 4

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

Type of energy consumption (GJ)	Energy consumption by type <sup>18</sup> (Gigajoule)	
	2021	2020
Natural gas	1.402	991
Electricity	7.241	8.318
Petrol for transportation	4.549	6.619
<b>Total</b>	<b>13.192</b>	<b>15.928</b>

<sup>18</sup> The source used for conversion factors to GJ is the "2020 National Standard Parameters Table - Ministry of the Environment". In particular:  
 - natural gas = 0,035281 GJ/smc  
 - electricity = 0,0036 GJ/kWh  
 - petrol for transportation = 0,042817 GJ/kg

Starting from 2017, Toyota has defined an **investment plan aimed at the technological and facilities updating of the headquarters**, taking a first step toward a building that, in perspective, aims at **energy self-reliance**.

The three-year period 2017–2019 marked the beginning of an important phase of plant renewal with a series of interventions of considerable impact in terms of investments among which the **LED relamping** of about 2.700 lighting bodies in the entire headquarter (-15% of electric consumption vs. 2017), the **revamping of the air-conditioning system** of the offices (-50% of gas consumption vs. 2018) and the **renewal of the waterproofing of the spare parts warehouse** aimed at the energy efficiency of the building.

2020 marked the beginning of the **Energy Self Reliant** project of the Toyota Building, which saw as its main activity the commissioning, in December, of a **photovoltaic plant** with a peak of about 450 kW, **able to cover more than 20% of the energy needs of the entire site**, with an **estimated saving of around 254 tons of CO<sub>2</sub> per year**. The construction of this plant, on the cover of the spare parts warehouse, is to be considered as the first step of a plan for the realization of photovoltaic panels in the site that, in the next three years, will lead to the design and installation of additional plants that will cover the Office and Training Center buildings.

Still in the FY21 it is necessary to underline the realization of about **25 charging points** (mainly wall-boxes) for electric vehicles and plug-ins. Electrification of nearly 50% of garage parking spaces has become necessary to support the launch and communication activities of the new products that Toyota will introduce in the next few years in its car line. This implementation has therefore a double value: on the one hand it supports the launch strategy of Toyota's new electric vehicles and on the other hand it will contribute to a progressive electrification of the company fleet of Toyota Italy, with indirect advantages in terms of reducing the consumption of traditional fossil fuels for traction with a proportional increase in internal absorption of electricity.

This transition of the fleet from traditional traction to electric one will have a positive impact on the corporate carbon footprint since, starting from January 2019, the electricity supply contract signed by TMI provides that the supplier will certify **the source from renewable sources for all supplies**.

Table 5

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

CO <sub>2</sub> Emissions	CO <sub>2</sub> Emissions <sup>19</sup> (kg)	
	2021	2020 <sup>20</sup>
Scope 1 <sup>21</sup>	412.436	540.795
Scope 2	491.809	731.081
Total CO <sub>2</sub> emissions	904.245	1.271.876

## WATER MINIMIZATION AND OPTIMIZATION

Toyota's environmental strategy considers the optimization of water use a key element for the protection of the environment and the territory, and has made it the objective of **challenge 4**.

At Toyota's headquarters in Italy, as there are not production activities, water is withdrawn and used mainly for water-sanitary, fire-fighting and for irrigation and car wash activities.

Since 2020, the company has started to **improve the monitoring of water consumption aimed** at optimizing and enhancing the management of the water network by increasing the number of meters, from one to five. The definition of a monitoring and a detailed consumption baseline has thus been the first step of an analysis path that will lead to the study for the laying of a new pipe that will allow a more accurate monitoring and facilitate interventions of efficiency.

<sup>19</sup> CO<sub>2</sub> emissions calculated using the location-based method. However, both methodologies under the GRI Sustainability Reporting Standards were used to calculate Scope 2 CO<sub>2</sub> emissions. With reference to the "Market-based method", the total Scope 2 emissions are equal to 0 both for FY 20 and FY 21 as all the electricity sources renewable. The source used for the emission factors used to calculate Scope 2 Location-based emissions is "ISPRA 2020 - Atmospheric emission factors of greenhouse gases in the national electricity industry and in the main European countries".

<sup>20</sup> FY 20 CO<sub>2</sub> emissions di CO<sub>2</sub> have been restates due to the update of emission factors. In particular, for Scope 2 emissions the source used is "ISPRA 2019 - Atmospheric emission factors of greenhouse gases in the national electricity industry and in the main European countries".

<sup>21</sup> The source used for the emission factors used to calculate Scope 1 emissions is "National standards parameters table 2020 - Ministry of the Environment". In particular:  
 - petrol = 3,14 kgCO<sub>2</sub>/kg  
 - natural gas = 1,984 kgCO<sub>2</sub>/smc

The emergency period characterizing the whole year did not allow to follow up the activities of partial remaking of the main supply pipe to the buildings. During the year Toyota Italy only tried to limit the waste of water resources with interventions aimed at the remaking of the terminal branches of the water system serving some users, such as those of the kitchen in the Multipurpose area, which had been affected by sudden breaks due to the heavy fall in the underground pipes.

In response to this restoration work, **the average monthly consumption of the site has been reduced by about 300 mc.** Despite this, such breaks have led to an overall increase in the consumption of the site, even in a year characterized by a lower staff presence at the headquarters as compared to the years before the start of the pandemic.

Table 6

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

Withdrawal source	Water withdrawal by source of withdrawal <sup>22</sup> (Megaliters)			
	From 1 April 2020 to 31 March 2021		From 1 April 2019 to 31 March 2020	
	All areas	Of which water stress areas <sup>23</sup>	All areas	Of which water stress areas
Surface water	1,73	1,73	1,55	1,55
Groundwater	0,01	0,01	0,02	0,02
<b>Total</b>	<b>1,74</b>	<b>1,74</b>	<b>1,57</b>	<b>1,57</b>

<sup>22</sup> All water withdrawals are for freshwater (1,000 mg/L total dissolved solids).

<sup>23</sup> Water stress areas are those areas where the ratio of total annual water withdrawal to total available annual renewable water supply (baseline waterstress) is high (40-80%) or extremely high (>80%) according to data reported by the World Resources Institute's Aqueduct Water Risk Atlas.

## WASTE MANAGEMENT AND CIRCULAR ECONOMY

In order to limit the biggest impact of its business in the field of waste production – the end-of-life impact of vehicles – Toyota has launched **challenge number 5**: the construction of recycling-based systems and society. One of the key projects promoted by the company is the **Toyota Global 100 Dismantlers Project** that provides for the correct treatment of products in the final phase of the life cycle. The areas involved in the project are the use of materials with low environmental impact, the extension of component life, the development of recycling technologies, and the re-use of vehicles or parts of vehicles in the production of new cars.

### Life cycle management of Toyota Full Hybrid models

The European Directive 2000/53 requires vehicles to be 85% recyclable and 95% recoverable. Toyota has always been committed to this, by adopting a vehicle design that pays attention to the stages of recycling that they will encounter once their useful life is over since the '70s, well before legislation made it mandatory. It has done it by facilitating component removal and partnering with industry-specific actors to improve vehicle life-cycle management. Among the initiatives promoted globally by the brand, so-called “battery-to-battery” projects have been launched in Japan and the United States, which promote the recovery of the materials that make up hybrid batteries, which are subsequently used for the manufacture of new batteries, or, in the case of devices no longer suitable for traction, converted to other purposes, such as, for example, the accumulation of the energy for stationary usage.

In Italy, this commitment translates into careful waste management, with the aim of reducing those most controllable by the Group. For the reduction of waste comparable to urban waste, Toyota Italia has finalized **initiatives aimed mainly at reducing the production of plastic and paper**.

In particular, the PET present in the site has been significantly reduced thanks to the introduction of water dispensers connected to the water network which have allowed to reduce the consumption of water bottles by more than 50%. Moreover, the Toyota Italy Group, with the support of its partner Sodexo, has completed the current FY project “**Plastic Free**” eliminating, in fact, the little plastic still present on site.

Table 7

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

Waste is **monitored in detail**, with a focus on hazardous waste such as, for example, **batteries** from electrified vehicles, which are safely managed by the COBAT consortium, in accordance with current legislation.

In general, the majority of the special waste managed by the company comes from the spare parts warehouse and is proportional to the volumes of spare parts handled.

Recovery or disposal method	Waste by type and disposal method (Tons)					
	From 1 January 2020 to 31 December 2020			From 1 January 2019 to 31 December 2019		
	Hazardous	Non hazardous	Total	Hazardous	Non hazardous	Total
Recovery or disposal method	0,5	95,5	96,0	0,5	90,8	91,3
Landfill	0,7	3,0	3,7	0,1	3,9	4,0
Total	1,2	98,5	99,7	0,6	94,7	95,3

However, as it is evident from the data reported in Table 7, the percentage of hazardous special waste is found to be very low, while almost all (over 96%) of the hazardous and non-hazardous special waste is destined for recovery in authorized collection centers.

## 5.2.1

### TMI parts logistics: a best practice in Europe

TMI's 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 CO<sub>2</sub> 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, limiting management costs, 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 industry and the capillarity of the network.

Another important initiative in the context of actions aimed at reducing the environmental impact is related to the process of **transporting spare parts**. For the supply of spare parts from TME (Belgium) to the Italian warehouse, TMI, in agreement with TME, has realized a system of transport by rail from Belgium to Verona and by road for the remaining route, with a considerable reduction in fuel consumption and CO<sub>2</sub> emissions. For the distribution of spare parts from the warehouse to the dealer network and service centers, TMI shares with SUSA programs of service efficiency and reduction of environmental impact based on the progressive replacement of low-class vehicles and the **routes optimization**.

In order to make the entire distribution chain more efficient, TMI has undertaken the **DPOK (Dealer Parts Operations Kaizen)** project, coaching program for the dealer network aimed to convey Toyota principles and processes into inventory and purchasing management. As of 31 March 2021, the project has already been implemented in **17 dealers** and **25 locations** considered to be particularly critical and has been continuing with the rest of the network. The project is divided into three areas:

- **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 7% in April 2020.
- **Inventory Management** according to the TPS and just-in-time method. The main objective of the project is to progressively reduce inventory, thus reducing costs and risks of the warehouse. Again, the results have been encouraging, leading in most cases to a reduction in stocks. The reference indicator, which represents the value of the average stock in relation to the volume of monthly sales, shows that the dealers on whom the DPOK coaching intervention was carried out in FY 21 recorded a 21% reduction in the stock.

In addition to the issues closely linked to logistics, the program also provides for the sharing of pills related to health and safety at work in exposed environments such as the warehouse, focusing on particularly significant aspects such as the correct and safe handling of material. As the health emergency spread, the DPOK project has evolved, benefiting from the rapid digitization of processes and the relationship between TMI and the dealer network. In fact, through platforms such as teams, the coaching, which was previously carried out in presence, has been able to extend to a greater number of locations, providing a constant dialogue between the company and the dealers. To further support the dealers, TMI has provided for the assignment of a logistic operator of its warehouse as tutor for each site involved in the project, in order to offer timely support in case of doubts or problems related to the management of the warehouse.

## 5.3. REALIZING A SOCIETY IN HARMONY WITH NATURE

The ultimate goal of Toyota's environmental strategy, sealed by the Toyota Environmental Challenge 2050, is to contribute to the creation of a society that can foster the peaceful coexistence of men and nature (**challenge number 6**). In addition to the other five challenges, Toyota pursues this objective through a constant awareness-raising activity on the subject and several projects for the protection of the environment and the development of the territory.

The Toyota Group also applies this philosophy in Italy, ensuring its support for activities aimed at conservation and environmental education. The main occasion to focus attention on environmental issues is the Green Month, that is a month – traditionally promoted in June – entirely dedicated to raising awareness on environmental sustainability issues. The “Green month Campaign”, introduced by Toyota in 1937 globally, is launched annually in conjunction with the United Nations Environment International Day and aims to underline the importance of a constant commitment to the creation of a sustainable society. Among the various initiatives of the fiscal year 21, the awareness of employees, dealers and

suppliers of the company represented the starting point of the project, aimed at actively involving Toyota's employees and companies in close contact with it regarding the environmental challenges of the Environmental Challenge 2050. Alongside awareness-raising activities, the company has also promoted **environmental protection and requalification of the territory projects**. The initiatives included employees involved in actions of environmental requalification, tree planting (also thanks to the valuable partnership with Treadom) and initiatives aimed at optimizing water consumption and CO<sub>2</sub> emissions.

## 5.4. DEALERS' ENVIRONMENTAL COMMITMENT

The commitment of Toyota Italy is complemented and amplified by the great synergy with the Toyota and Lexus dealers network, through projects and initiatives carried out every year in the environmental field. This commitment is borne out primarily by the quality of the environmental management systems, **certified ISO 14001:2015 for the 96% of Toyota and Lexus dealers**.

But the contribution of the network also extends to active participation in the protection of the territory through the promotion of dedicated initiatives and projects, concerning the use of renewable energies, projects to compensate for environmental impacts and support for local events to protect the environment, as shown in Figure 12 through some examples. The energy efficiency works of the plants are continuing, mainly through the **installation and extension of systems for energy self-production from renewable sources**, as in the case of photovoltaic plants, which involve various dealers and which led to a significant reduction in fuel consumption. In some cases, the reduction was accompanied by **projects to compensate its operational or sold vehicles' emissions**, through the financing of environmental initiatives or the direct planting of plants and trees.

Figure 12

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

Retailers are also playing an increasingly important role in **promoting sustainable mobility**, helping develop a comprehensive network of charging infrastructure for electric or electrified vehicles and encouraging the spread of low impact vehicles such as PHEV and BEV.



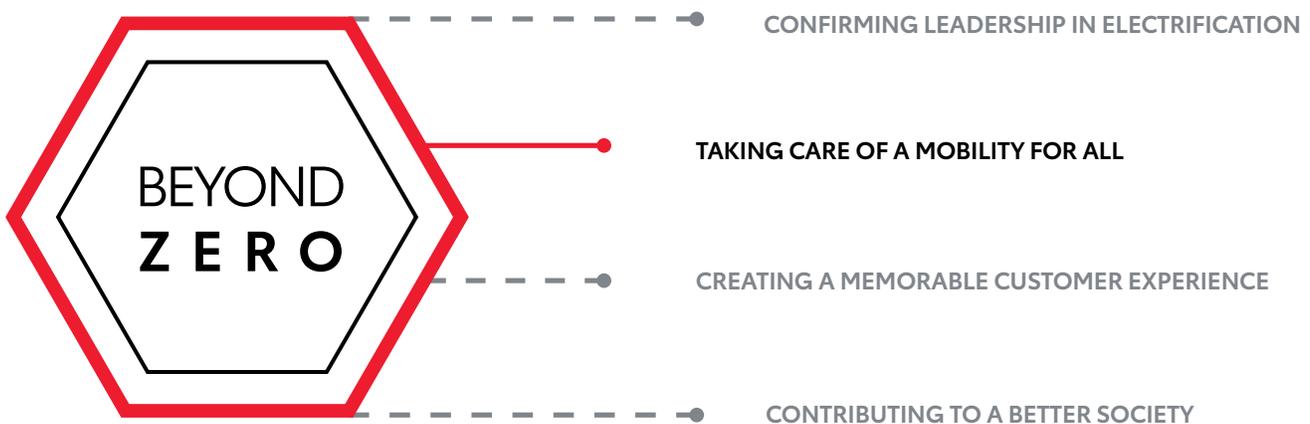


# Mobility at the service of the community

— CHAPTER 6



Toyota continues to revolutionize the concept of mobility, in favour of increasingly sustainable solutions, thanks to its determination to pursue goals that are considered “impossible.” This determination is consolidated in one of the pillars of the new **Beyond Zero** strategy, that is the principle which Toyota is committed to taking care of mobility for all through.



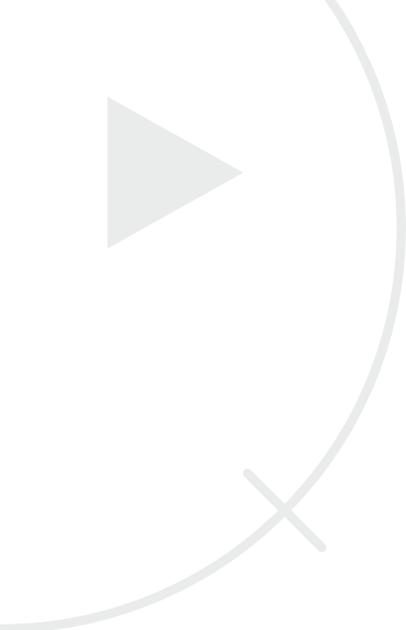
The automotive and, more generally, the mobility sector is facing a deep revolution driven by various macro-trends such as digitization, automation, electrification, and new consumer needs which are increasingly oriented to a customized, on-demand service that is gradually focusing the attention of all transport operators on services rather than on mobility vehicles. To this end, Toyota has identified the pillars that will increasingly guide the mobility of the future and which will always have the man at the center in the **CHASE** acronym:

- **CONNECTED**, thanks to the progress of communication technologies, the car will no longer be a separate element, but will be able to interact with the surrounding environment, to communicate with other cars and with the infrastructure, to transmit and receive data (for the safety of the driver and for his own interests).

- **HUMAN**, as center and hub of Toyota's services ecosystem.
- **AUTOMATED**, that is, capable of driving alone, in more or less autonomous mode depending on your needs.
- **SHARED**, it will increasingly look not so much at cars as a physical object but more at mobility services.
- **ELECTRIFIED**, facing challenges through the diverse complementary forms of electrification (hybrid, plug-in hybrid, electric and hydrogen). This is part of the Toyota Group's transformation from a car maker to a "Mobility Company".

The Toyota Group has therefore re-thought its concept of mobility, enhancing the concept of "**Mobility for all**": a mobility that is truly at the service of all and that will support the rapid transformation of demand by leveraging technological evolution to better meet the mobility needs of people with disabilities or with reduced mobility. Toyota's global commitment to disability, a commitment associated with the concept of challenge and exceeding our own limits, as in the case of the "**Start Your Impossible**" global communication campaign, follows this path. In recent years, Toyota in Italy has implemented at national level the commitment of the brand toward an inclusive society through the **promotion of sports disciplines for athletes with disabilities** (for example, with the creation of the Toyota Team Italy that brings together champions of different 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, and through the sponsorship of various events dedicated to inclusive sports disciplines and the support to projects or organizations involved in the social inclusion of people with disabilities, thanks to the collaboration with the Italian Paralympic

*"Toyota will open up new horizons for mobility, enriching the lives of individuals around the world by building secure and responsible transportation systems. We will achieve the most unthinkable goals thanks to the talent and passion of all those people who believe that improvement is possible, always and anyway."*  
Akio Toyoda



Committee. At the same time, the company strongly wanted to include in its car sharing service fleet in Venice the Proace Verso, a vehicle with special equipment suitable to carry a passenger in wheelchairs and his family.

As always, in both areas Toyota has been accompanied by the efforts of its dealer network, which has amplified the mission and values of the brand at local level, re-launching the challenge for mobility accessible to all.

## 6.1. NEW MOBILITY SOLUTIONS

In January 2020, Toyota Motor Europe announced the continental launch of the new **KINTO** brand, dedicated to mobility services. This initiative constitutes a fundamental step in the transformation of Toyota into a **Mobility Company**, with the aim of providing all types of services related to the transport of people, alongside the traditional supply of vehicles and services to private and corporate customers. The strategy of both the company and the Group is based on four pillars:

- the use of a **dedicated and distinctive brand**.
- the development of a specific **long-term rental** service with an “all-inclusive” offer.
- the use of vehicle **connectivity** for services such as car sharing, car pooling or subscription service.
- the integration of future progress into **automated driving**, such as the e-Palette concept, which is in its development phase globally.

In order to meet the new and increasingly specific needs of consumers and to plan their response effectively, the Toyota Group has set up two new entities: **KINTO Europe GmbH** (and KINTO Italia for the Italian market), focused on mobility services and long-term rental, and **Toyota Connected Europe**, dedicated to the development of Toyota’s connectivity systems and digital data management. The KINTO brand provides six mobility solutions aimed at covering all user needs, from long possession to temporary use of vehicles.

Figure 13

KINTO services.



While some of these, such as KINTO Ride, are in their designing phase, all other services have already been launched on several European markets and are already active in Italy, as in the case of the long-term rental of KINTO one, the car sharing of KINTO Share, the car-pooling of KINTO Join and the multi-modal App of KINTO Go. For these services and especially for KINTO Share, which will be analyzed in the following paragraphs, Toyota Italia has been identified as a “center of excellence” at European level, monitoring the testing and implementation of the services and sharing their results for optimization on a continental level.

## KINTO Flex e KINTO Ride

**KINTO Flex** and **KINTO Ride** are the two services not yet introduced on the Italian market and cover aspects relating respectively to the possession and use of KINTO vehicles. The **Flex** product, in its testing phase, aims to offer a short-to-medium term rental service in subscription in which the customer can take advantage of different models of the range switching car according to his needs. With **KINTO Ride** Toyota will offer a car service with driver. The project is currently active in Paris, realized in collaboration with Hype and Air Liquide, and has a **100% hydrogen fleet**.



### 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.

## 6.1.2 KINTO Share: Toyota's car sharing

Toyota car sharing in Italy was born, under the **YUKŌ with Toyota** brand, in 2018 in Venice and Mestre, an important challenge in a complex and diversified transport system.

In 2020, the YUKŌ brand changed its name into KINTO Share and renewed its fleet with the new Yaris Hybrid, with particularly low fuel consumption and emissions (up to 35,7 km/l and starting from 64 g/km CO<sub>2</sub><sup>24</sup>), helping to make the KINTO SHARE service more environmentally friendly. The New Yaris Hybrid is equipped with advanced active safety systems, ensuring a safer and more sustainable driving experience.



Over three years of operation, the service has significantly contributed to reducing the impact on air quality compared to an equivalent service with conventional vehicles: since its introduction in 2018, the YUKŌ with Toyota service has been successful and growing, reaching more than 4.000 registered customers and 20.607 rentals. In addition, Toyota's Full Hybrid Electric technology has saved around 25 tons of CO<sub>2</sub>, with a total of 730.144 km of total traveled<sup>25</sup>.

<sup>24</sup> NEDC consumptions and emissions (Correlated New European Driving Cycle – pursuant to EU Regulation 2017/1151).

<sup>25</sup> Cumulative data from the service launch in 2018 until 31 March 2021.

This was possible thanks to the capability of the Full Hybrid Toyota to ensure an **average distance in ZEV mode of 49,6%**, which can be monitored at the end of each rental by the users themselves, contributing to its awareness on the emissions topic.

KINTO Share is now also active in Lombardy, Piedmont, Emilia-Romagna and Sardinia in the provinces of Milan, Varese, Pavia, Novara, Bologna, Cesena-Forlì, Cagliari and Olbia. The service is active with a “station-based” formula: the cars can be booked through the dedicated App and are available at the Toyota and Lexus dealers. KINTO Share offers rental solutions from 1 minute up to a month with all the flexibility and accessibility typical of the car sharing service.

The good results of the service, re-branded at the end of 2020, constitute an important starting point for Toyota's new strategy, which entails spreading to the national territory through the support of the Toyota and Lexus dealer network. To date, in fact, there are 5 active dealers (covering the aforementioned 4 regions) for a total of 21 pick-up points offering a local car sharing service through a shared fleet of approximately 80 Full Hybrid Electric vehicles. This allows them to complement the offer of sales and service to their customers and to distinguish themselves from their direct competitors. The growth plan for the current year is confirmed and will see an increasing coverage of the territory with the involvement of further partners in the territory.

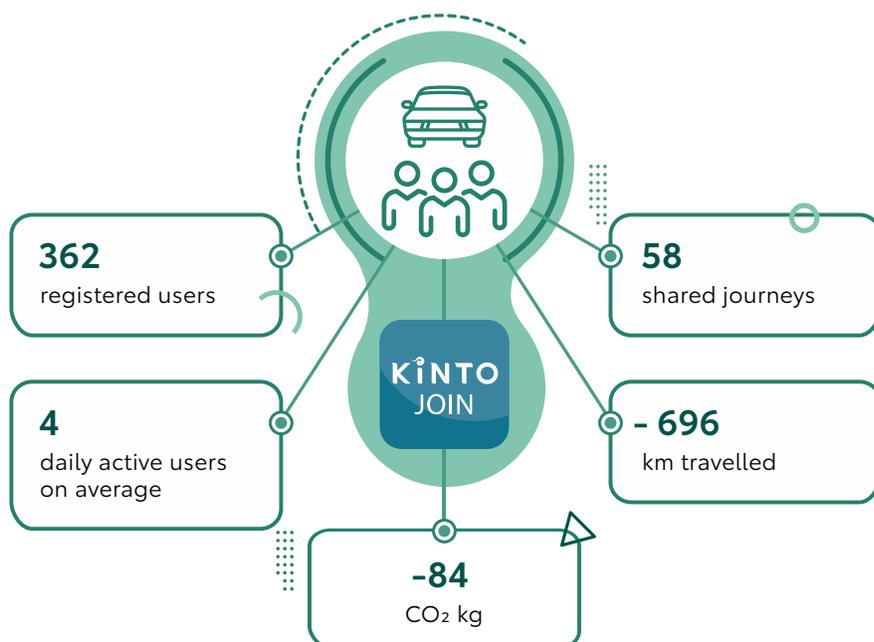
Moreover, thanks to the development of some specific functionalities on the technological platform, this year it will be possible to offer the Corporate Car Sharing for companies who want to equip themselves with this efficient and flexible form of mobility.

The safety procedures for the sanitization of vehicles related to the Covid-19 emergency remain active on all the listed types of services.

## 6.1.3 KINTO Join: Toyota's corporate *car-pooling*

Among the eco-sustainable mobility services promoted by Toyota, the **KINTO Join company car-pooling**, tested by the company in December 2019 and subsequently launched on the Italian market in 2020, has become one of the major resources of the new KINTO mobility brand. The first phase of the project provided for an internal pilot which TMI has experimented the service in its headquarters in Rome through, thanks to the use of an application created by KINTO Join Ltd, an English startup previously acquired by the Toyota Group companies as a sign of the attention to innovative solutions of sustainable mobility.

KINTO Join allows Toyota employees to view their most compatible colleagues through their smartphone, based on habits and times, with whom to share home-work travel, helping achieve several environmental, economic, and psycho-social benefits.



The visualization and promotion of the most sustainable means of transportation for the required route, such as cycling or walking, is among the features of the App as well. Employee awareness on the use of car-pooling has been supported by both a dedicated internal communication campaign and by an incentive plan that has allowed car poolers to use KINTO gadgets, reserved parking spaces adjacent to the company entrance and a free breakfast for each shared trip. Just one year after its launch and during a period dominated by smart working, the Toyota community not only has actively contributed to testing the new KINTO mobility service, but it also generated positive environmental impacts with 362 registered users, 4 daily active car-poolers on average, **84,32 kg of CO<sub>2</sub> and 30,73 g of NO<sub>x</sub> saved and 696 km less traveled thanks to 58 shared journeys<sup>26</sup>.**



## 6.1.4 KINTO Go: the multimodal App

Consumer needs have been the starting point of the concept of Mobility-as-a-Service itself and are increasingly oriented toward tailored and on-demand mobility services that may – and often do – involve the integration of different means of transport. KINTO Go presents itself as an App able to cover the different aspects of a “multimodal” journey with a single account:

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

<sup>26</sup> Data from 1 April 2020 to 31 March 2021.

The App was developed in Italy and was released on stores on March 31, 2020, offering services in more than 5.000 cities and covering 70% of the national territory. An interface update is planned to provide a better user experience. Almost two years after launch, the KINTO Go App has reached and exceeded the 100.000 downloads target and is still growing. The target is to integrate new mobility services into the platform and to increase coverage on national territory, so as to reach an ever increasing number of users who use mobility services.



## 6.2.

## INNOVATION AND TECHNOLOGY

Toyota and Lexus brands have always been characterized by an innovative spirit that has led them to revolutionize not only the automotive sector through state-of-the-art technologies, but the entire business world thanks to new cultural and organizational models. Innovation has different meanings: the evolution of its vehicles, the improvement of its processes, the cultivation of a new idea ready to open new roads are all aspects of the same attitude – pursuing Kaizen and anticipating the future.

The Toyota Group in Italy is a virtuous example of Toyota's innovation values, demonstrating them in three distinct areas: the growing importance of connectivity for its cars, digital transformation and the focus on open innovation.

### 6.2.1 Connectivity

With the introduction in 2018 of the first models equipped with a **DCM (Data Communication Module)** module, i.e. technically prepared for data exchange – connected car – Toyota Italy has anticipated its product development plans, that envisaged the gradual introduction of DCM on all new models, bringing a range of “**100% connected cars**” to the market by mid-2019. This choice derives from the will to value the data coming from the cars – collected in full respect of the GDPR and after the approval of the customer or user – and to build a series of services to be provided to the customer. The fields of data use are multiple and are constantly developing. For example, driving data in EV<sup>27</sup> mode is useful for enhancing product performance, and for rewarding virtuous driving behaviours (such as for the WeHybrid ecosystem), or for providing interesting insights for mobility regulation.

Thanks to the efforts of the companies and the dealer network, **Toyota and Lexus Italia have connected more than a half of their cars**, reaching 60,1% in April 2021.

<sup>27</sup> 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 Digitization of processes

In response to the rapid evolution of demand features and related professional needs, in 2020 TMI continued the digitization process divided into two macro-areas: the digitization of the internal corporate processes, developed through the “Digital Workplace” project, and of the commercial relations with the dealer network.

The “**Digital Workplace**” is the implementation of a project launched at the continental level by TME, characterized by a strong element of **Change Management**, aimed at modifying certain behaviors and introducing the use of entirely new software and processes for the majority of employees, focused on Microsoft Teams as a virtual collaborative workspace.

Of course, the technological component has provided the infrastructure and tools necessary for the proper functioning of the new organization. In particular, all employees were provided with the technological tools necessary to carry out their work, and the shared digital archive was gradually phased out in favor of SharePoint. The growing use of these tools has enabled the company to be ready when it has been forced to implement new work processes massively due to the health emergency, making it possible to **work remotely for 100% of its employees** since the first day of lockdown, without operational stops and with the full satisfaction of the whole staff.

The other Group companies have also anticipated and promptly reacted to the new working conditions by providing, for example, portable devices to their employees, such as PCs and business phones.

*Encouraging  
innovation  
in all its forms.*

The new working conditions imposed by the Covid-19 emergency have also accelerated the transformation of **communications and collaboration between the company and the dealers** and between them and the customers, a process already begun in the previous months. In this case, the network has extensively used the Microsoft 365 Suite tools according to the requirements of lockdown and leading to a strong acceleration in the digitization of processes.

In particular, setting up teams with the dealers has facilitated easy virtual communication with the company and the immediate sharing of a file, procedures, videos and other useful materials archive which has drastically reduced the need for meetings between the company and the dealers. This has had a significant impact on the number of staff journeys, both between the dealers and the customers.

Among the main initiatives launched in the fiscal year 21, there is the **"Remote Car Sales"** program, aimed at digitizing the car sales process, allowing potential buyers to carry out all the evaluation and purchase phases on-line and safely, including the ability to perform virtual test drives. In particular, the interactive experience of the **Digital Showroom**, through the support of a Digital Customer Advisor, makes it possible to "visit" the models remotely, receiving all the necessary documentation through different digital channels, such as Teams. To date, more than 20% of website-generated leads require an appointment for the digital showroom.

Two further initiatives contributed to effectively support the digital communication between Toyota and Lexus dealers and Toyota in the fiscal year 21: the **Digital Field** and the new **AKITA** projects.

1. The first project refers to the support provided for the digitization of key communication processes between field Toyota/Lexus personnel and their respective dealerships. The field departments were reorganized in fiscal year 21 in line with the new organizational model. In this regard, the new processes that have emerged and the natural optimization of existing ones have made it necessary to implement two new tools to support them:
  - the **Digital Field Platform** has enabled the creation of a single new environment, based on the Microsoft Dynamics platform, in order to share among field staff all the business documentation in digital format and all the on-line and off-line appointments relating to the individual dealers and authorized service centers;
  - the **Dealer Contact Center** aims to establish a new digital communication channel between dealers and TMI through the use of the Service Now digital platform. Through the use of this platform, dealers have access to direct assistance with the individual TMI business departments, which have the ability to manage and monitor all requests through real-time dashboards and simple indicators, without the need for less structured and obsolete channels.
2. The second project, AKITA – Billing and Logistics Assistant, is intended to provide dealers with a fast and reliable tool for checking all the main billing and logistics information for each vehicle ordered and managed by a dealer. Through the new features introduced in AKITA, dealers can see and know every step of a vehicle's journey at any time and in real time: from its order to its delivery to the dealership, from the billing status to the final customer.

Finally, the initiative “**Drop&Go**”, the new service that allows you to book the appointment in one of the Toyota online service centers, receive all the necessary documentation by e-mail, leave the car in the workshop at the chosen time and agree the details of the work online, with the possibility to carry out on-line inspections of the vehicle. This system helps to avoid any acceptance queues and digitize the process. By the end of 2021, **100% of the dealers** will offer this service.

### 6.2.3 Open Innovation

The need to encourage **innovation** in all its forms underpins Toyota’s plan to build a Toyota Innovation Hub that can stimulate innovation through the involvement of internal and external resources.

Toyota’s Open Innovation is based on the development of a network of relationships with universities, student communities, research centers, technology partners, and startups, but also on the power of a fertile ecosystem to collaborate and develop ideas through workshops, tests and events that promote the transmission of skills and the knowledge exchange. With this in mind, Toyota has participated as main partner in the **Urban Tech WorkLab** project, promoted by the Startup Accelerator LVenture Group, in partnership with Regione Lazio, Linkem and Sara Assicurazioni, which has supported **10 innovative startup projects** emerging with the aim of facilitating technological evolution in cities (from new urban mobility services to the development of electrical mobility, from measuring air quality to building safety, to new clean-tech waste-disposal processes), thereby encouraging the transition to smart cities.

Since December 2019, Toyota has chosen to support the project known as WiseAir, in which it has recognized the “green” aims and innovative spirit characteristic of the brand. Toyota supported it in the development of a proof of concept and enabling it to test the product on the market.

## 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 that can detect PM2.5 and PM10 (the two most harmful pollutants to health) – currently further developments are planned for the integration of an additional sensor that also monitors nitrogen oxides (NOx) – a photovoltaic panel that makes the pot fully autonomous and the ability to send the collected data to the home wireless network. The information collected creates detailed, real-time maps of the air quality thanks to the dense network of sensors distributed in the urban area and the data can be consulted at any time through the specific App developed by the team. Through social media and an active user community, the phase of sharing and spreading of the project is already underway, which is crucial to increasing its effectiveness, and a crowdfunding operation has been added to further develop the product.

The Toyota and Lexus dealer network is also involved in the project, with a first pilot test started in June 2020, which saw the installation of the Arianna IoT pot in 3 Milan dealerships. In February 2021, Toyota and Wiseair launched the “Roma Clean Air” project, involving Roman citizens in the creation of a community to monitor air quality in the capital. To this end, 20 citizens were selected, among the more than 500 candidates, as Wiseair “Ambassadors” in Rome, receiving the innovative “Arianna” pots donated by Toyota, which, thanks to precise and accurate data, allow them to know the quality of the air in their neighborhood through an App, while stimulating the birth of a network of conscious citizens.

Another initiative dedicated to innovation is the **Student Community**, with which from May 2020 to March 2021 Toyota has involved more than 400 university students from different Italian universities for a total of **10 lessons dedicated to mobility in a sustainable key**. In addition, students from the master courses of LUMSA, La Sapienza and Rome Business School universities have been supported in the development of a project work on mobility of the future. Two Mobility Contests organized, 32 students involved, 9 projects presented. At the end of each contest Toyota has rewarded the most complete project through a gift voucher and giving the winning Team the chance to present their idea in Toyota.

Among Toyota's ambitious initiatives is the birth of the **Sustainable Mobility Master**, which began in November 2021. The course is a II-level master (recognized by MIUR) entirely dedicated to sustainable mobility, designed for managers and professionals, born from the vision of KINTO Italia, the new Mobility Services company of the Toyota Group, in partnership with LUISS Business School, an organization of international excellence. The goal is to support the transition to sustainable mobility in our country through a high-level training plan aimed at providing participants with the knowledge and operational tools to cover emerging professions and new careers in mobility design and management, as well as for the specific role of "Mobility Manager", thereby contributing in a concrete way to revolutionizing the current mobility paradigm into a sustainable key.

The course will deepen the evolution of mobility by offering a comprehensive overview of key and evolving topics such as new technologies, the most innovative forms of electrification, digital platforms supporting mobility, new business models, issues of local regulation and relations with local institutions and administrations. KINTO contributes both through a didactic plan co-design action and by teaching, but also through the provision of **10 open scholarships** to deserving students with 75% coverage.

## 6.3. SUPPORT TO COMMUNITY

**T**he 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".

Toyota's commitment to the community has also been included in the pillar of the new Beyond Zero strategy, as an expression of the willingness to contribute to a better society, also through visionary projects such as Woven City.



An important element of this path is the support that the company guarantees to institutions and organizations through its own cars.

In particular, **collaboration with local and national institutions** is a key way to strengthen awareness of the benefits of Toyota's hybrid technology and to spread the message of sustainable and inclusive mobility. With this objective, in addition to the continuous activities of presentation of the Full Hybrid cars, since the first months of 2021 Toyota Italy has presented the new generation of Mirai, in days dedicated to institutional personalities, among which the Vice President of the Piedmont Region, the Councilor for the Environment, Energy, Innovation and Research, the President of the Autonomous Province of Bolzano and of the Trentino-Alto Adige Region and the Vice President and Councilor for Mobility of the Autonomous Province of Bolzano.

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



At the same time, the Group continues to contribute to the emergency with several other initiatives: further financial donations to CRI, to support local assistance activities and to face the consequences of the health emergency, also thanks to the contribution of all Group customers who rely on the authorized network for the sanitizing of their vehicles; the supply of masks to Civil Protection, donated by Toyota Motor Corporation; a donation to the Spallanzani Institute in Rome – engaged in the treatment and research against the Coronavirus – also thanks to the contribution of all the employees of the Group, who have donated the economic equivalent of some working hours.

In addition to these, there have been other **numerous initiatives undertaken by Toyota and Lexus dealers** in the territory, which 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 sanitization of the means, as seat covers and sanitizers. Toyota Italy's commitment to local communities does not stop with the supply of vehicles and the institutional relations. Sport has always played an important role in the brand culture. In line with the '**Start Your Impossible**' global initiative launched in 2017, **Toyota embraces and supports the Sport values**, characterized by facing new challenges and overcoming limits.

## Network's commitment to sport

### **Oliviero:**

- The Toyota Oliviero **Running & Bike Park** project continues, aimed at re-developing through bicycle routes the Marcesina plain, devastated by the Vaia storm.
- Sports sponsorship such as Sandrigo Bike and GS Fast Bassano, youth cycling teams and the GSA, the Alpine Sports Group.
- Main sponsor of the Municipality of Marola (VI) association for the organization of summertime sporting and social events.

### **Fuji Auto:**

- Free loan for use of a Toyota Hilux for events with the Amico Sport association, dedicated to the inclusiveness of disabled children in the world of sports.

### **Essegi Auto:**

- Donation to **Valle d'Aosta Motorsport**, an association of civil protection alongside the Italian Red Cross, by the Aosta headquarters.

In addition to the multi-year partnership with the Italian National Olympic Committee (CONI) and the Italian Paralympic Committee (CIP), Toyota cars equipped with the latest generation of Full Hybrid Electric technology were the official cars of the Giro d'Italia for 2020 and 2021. For the 103rd edition, the fleet of RAV4 Hybrid and Corolla Touring Sports Hybrid used for the stages and the presence of the Mirai at the final stage have thus helped reduce emissions of pollutants during the race, traveling in ZEV mode for over 50% of the time. The new Yaris Hybrid was added to the fleet this year.

Furthermore, TMI sponsored **Giro E**, a non-competitive race characterized by the use of e-bikes, and the **Deejay Ten**, non-competitive races organized by Radio Deejay that bring together riders from all categories and different Italian cities. Finally, Toyota was the official car of the **Milan Marathon**, a collaboration in line with Toyota's vision and confirming the Group's commitment to ensuring the widest possible freedom of movement and contributing to the improvement of society and people's living conditions, in harmony with the environment.



## 6.4. DEALERS' SOCIAL COMMITMENT

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

The impact of the Toyota brand on the territory and the society does not stop at the initiatives promoted by the company but is fueled by the constant commitment that the Toyota and Lexus dealer network make at local level, as shown by the examples of Figure 16 on the following page.

In addition to the numerous environmental initiatives, in support of people with disabilities and in the sport field as described in the previous paragraphs, the relationship between dealers and local communities entails a series of projects ranging from support to hospital departments for the renovation of buildings or the provision of medical equipment, to donations to non-profit organizations and associations to support the poor or other disadvantaged groups, or the educational support, at local and international level.

Figure 14

Toyota and Lexus dealer network's social initiatives.

### Dealers' commitment to new generations

#### **Rivauto:**

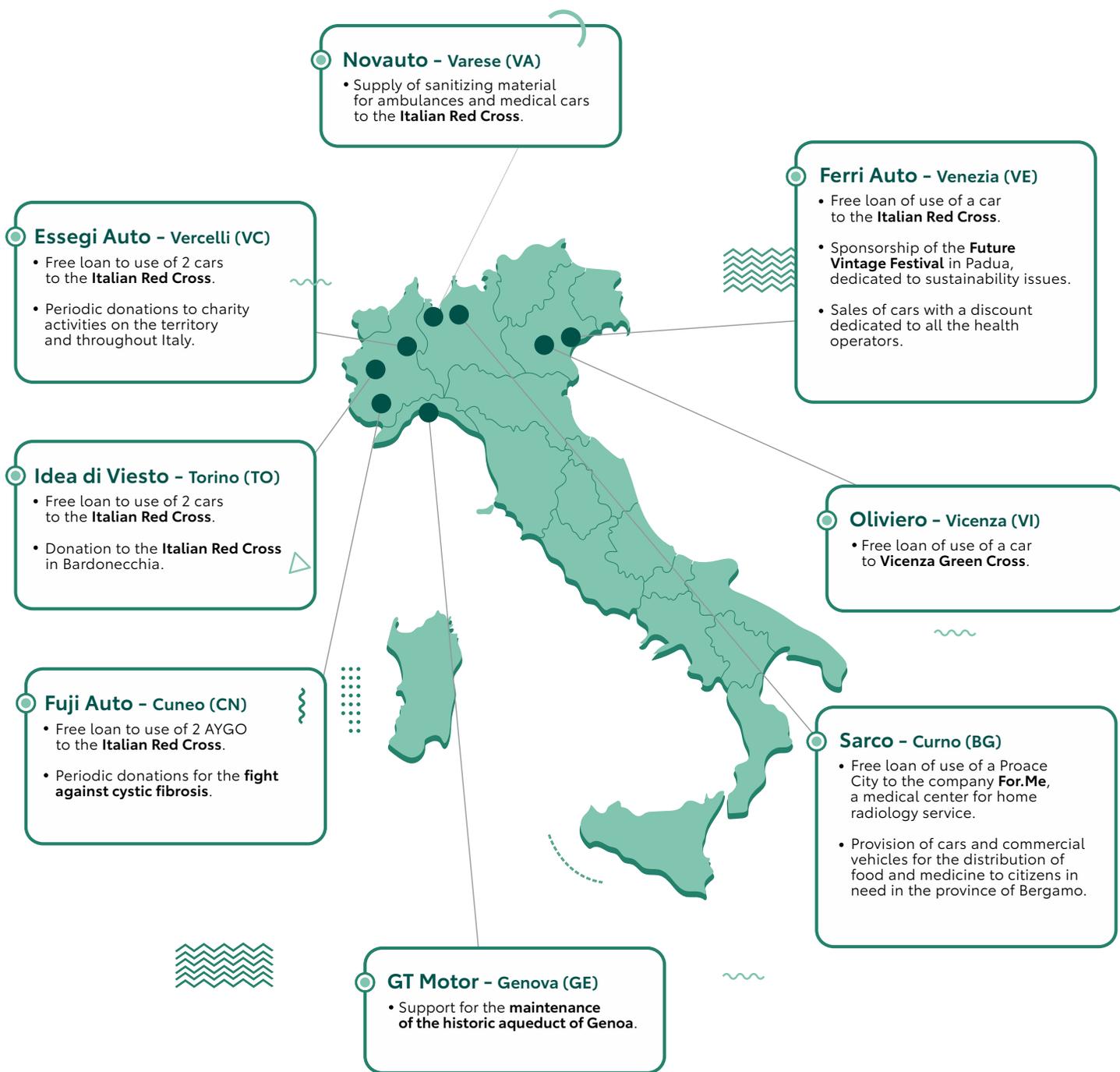
- Sponsorship of the "Avanti tutta" project, against cyber-bullying and for the correct use of the Internet by children
- Collaboration with the Albate CFP Institute for the insertion into the world of the work of children with integration problems
- Donation of workshop materials for educational purposes.

#### **GT Motors:**

- a training project on hybrid technology for the students of the Don Bosco Institute in Genoa, through the intervention of the dealership technicians and the free loan to use of a hybrid car for educational purposes
- contribution to the construction of a school and a hospital in Senegal and start of a project in Chad through the ONLUS "School for Life".

#### **City Motors:**

- Economic support and loans to use of vehicles to «**Comitato Maria Letizia Verga**» to assists **children with leukemia**.



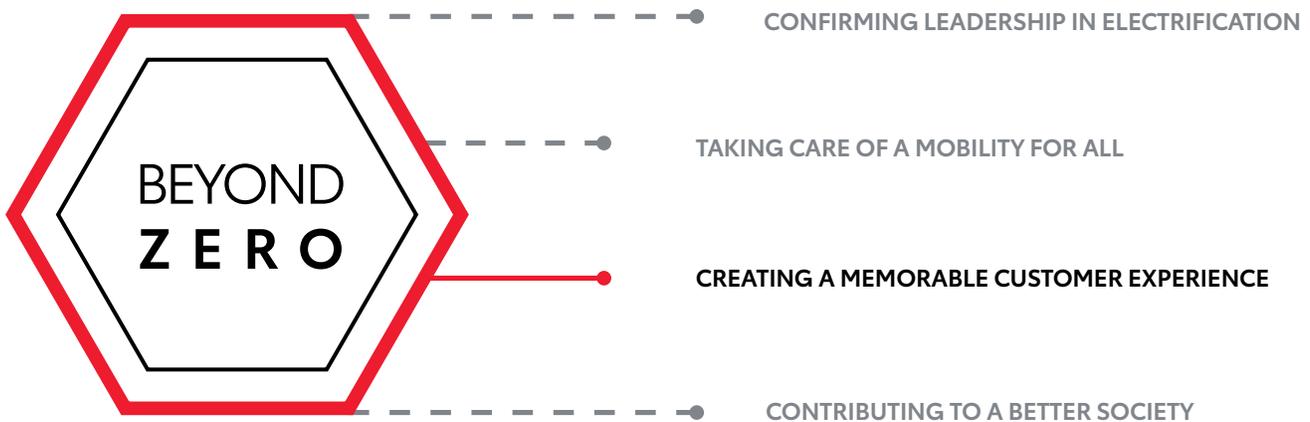


# Mobility that places people at the center

— CHAPTER 7

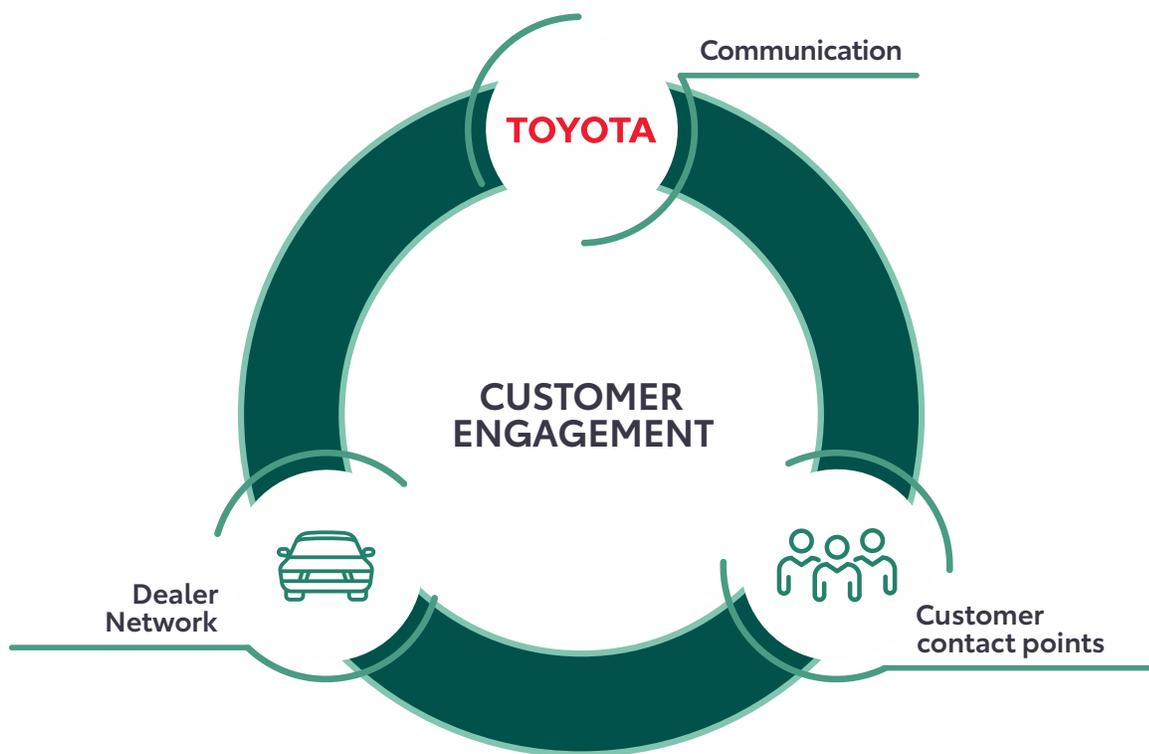


With **Customer First** and **Quality First** concepts, the brands and its affiliates business development strategy is focused on the centrality and full satisfaction of the people who choose Toyota and Lexus for their mobility solutions. As mentioned above, this objective is one of the cornerstones of the new Beyond Zero strategy, which aims to take care of every aspect of the Toyota and Lexus customer experience to “earn the customer’s smile”, a goal expressed in the Toyota Global Vision.



In this sense, the relationship with customers is fundamental to Toyota Italy and the dealer network is the main touch point with the consumer, a strategic element useful to transmit its values, learn the customer's point of view, and prompting a constant improvement of its services.

Toyota Italy's attention to its customers is the result of a holistic involvement that is based on three main pillars: an extreme attention to customer experience, a consolidated product **communication strategy** based on quality, reliability and respect for the environment, and a **strong involvement of the dealer and service network** that is summarized in the concept of Best Retailer in Town (BRiT), i.e. becoming the best dealer in the local community.



# 7.1.

## CUSTOMER EXPERIENCE

*Respond to a changing market with rapidly changing needs oriented toward new mobility services and increasingly digital interaction channels.*

Today, particular attention is paid to the continuous improvement of the network's capacity to offer a high-quality service through the rigorous implementation of Toyota standard processes, which are adapted to the local realities. In order to promote this approach, Toyota Italy has decided to question the organizational model of the dealers, through the development and release to network of the **TOM – Target Organization Model project**, through which the company supports dealers in reviewing their organization in order to make it more dynamic and able to respond to a changing market toward new mobility services and increasingly digital interaction channels.

To this end, each role in the dealership has been revised by providing for each of them a punctual job description and a dedicated training plan with relative skill certification, structured and delivered by the Toyota Academy. In fiscal year 21, **further 8 dealers** have been involved, for a **total amount of 36**.

In the same fiscal year, a plan was also put forward to **modernize the processes and tools to support the dealers**. In December, the after-sales module of the Toshiko platform was released, which provided for the review of the processes at each service point. Specific training courses and tutoring activities have been provided at each service point, allowing the acquisition of the **Toyota Service Management (TSM)** certification for 85% of the network, that is the certification that the processes are in line with the after-sales standards; this result is still the best ever recorded by Toyota Italy.

Another important aspect linked to the release of the Toshiko platform is the centralization of customer data. This allows the company to access, in real time, to all the information on customers and events involving the Toyota and Lexus cars, useful to improve the customer experience with a more personalized individual communication and a mobility offer tailored on customers' needs. During the fiscal year 21, the platform was enriched with the possibility to sign digitally, saving paper documents and helping to better preserve and store customer data and information.

In order to support this process of communication customization, in the fiscal year 21 the development of an omni-channel communication system continued, using a marketing automation platform. All customers receive communications regarding new products, services and accessories consistent with the age and history of their vehicle and their behavior on the company's digital and physical contact channels. In the fiscal year 2021 the migration to a European ecosystem took place as well in order to improve this function, with a consequent increase in the potential of the Toshiko and Marketing Automation platforms, such as the integration of the online reservation service and the innovative Service Remind System 2.0, aimed at improving the customer experience.

As far as **Lexus** is concerned, the constant application of the principles and values of the brand is ensured through “**mystery shopping**” and “**mystery call**” activities, essential tools for monitoring the experience of a hypothetical “mystery shopper” during contact moments in stores or through e-mail and telephone calls with one of the Lexus dealers. These instruments allow to monitor and reward dealers’ virtuous behavior, for example through the “**Kiwami Awards**”, which reached the fifth edition in 2021. They represent an acknowledgement given to the top 10 European dealers on the basis of their respect for the brand's core values. This award takes into account the requests and visits of mystery shoppers that evaluated every aspect of the customer's experience, including strict compliance with the safety measures dictated by the Covid-19 this year. Beyond these elements, the monitoring of the courtesy, timeliness and completeness of the response, quality of the structures and services provided is considered as well. “Mystery shopping” activities, combined with structural audits assessing the compliance of quality and communication standards at the showrooms, allow each dealer to be rated from 0 to 5<sup>28</sup> stars, to which economic incentives for the dealer are linked. In the fiscal year 21, **97%** of dealers scored at least 4 stars, with more than a half of them achieving the excellence – the 5 stars in the Lexus experience.

<sup>28</sup> The stars are awarded on the basis of the percentage of “elements” positively assessed by the auditor/mystery shopper out of the total of the elements evaluated. The highest scores (4 and 5 stars) correspond to the percentage range between 75% and 90% and more than 90% of the positive elements, respectively. Each cycle of audits is distributed across 3 months on average for each dealer and evaluates over 160 “items”.

Finally, among the actions undertaken in response to the pandemic situation since the beginning of the Covid-19, Toyota, through **TFSI**, continues to offer its customers and prospects a solution that meets the changing economic needs of end users, as well as the dealer network. In particular, for end-users, financing and purchasing solutions are characterized by maximum **flexibility and customization** today, made possible also by the optimization of existing services such as the **Toyota Easy**<sup>29</sup> family products: in addition to guaranteeing the minimum purchase value for the whole duration of the plan, it now allows to choose the amount of each installment, to cancel a payment and to reduce or extend the duration of the financing, by favouring the full autonomy in adapting to the contingencies of this period.

Moreover, the **management of moratoria** was an important physiological consequence of the pandemic situation both for the final customers and for the dealer network. In this case, TFSI, in addition to setting up a dedicated task force, provided for extensions for its customers and dealers, even anticipating the legal obligations and for a group of beneficiaries that is far more extensive than those provided for in the issued decrees (more than 40% relate to voluntary TFSI initiatives).

In particular, as an example, end-users have been given the possibility to suspend the payments of the financing without any kind of interest charge or with a facilitated rate. TFSI has made a large number of resources available for handling these requests while managing to maintain high satisfaction rates. However, for the dealer network around 12.000 moratoria have been managed for which several activities have been carried out, including:

- extending the time to finance invoices at zero or reduced cost
- a half-point reduction in the cost of financing the cars in stock
- suspension of the payments of existing loans for a longer period than that provided for in the decree
- advance by TFSI of the fee that dealers would have accrued upon the resumption of their activities.

<sup>29</sup> Starting from July 2021, "Pay Per Drive" service has been renamed as "Toyota Easy".

Finally, TFSI has handled the financing requests received by final customers during the period of the moratoria, the lay-off schemes and the blocking of redundancies through investigations aimed at predicting future income capacity beyond the contingent situation. Such analysis facilitated access to credit for final customers, aiming at ensuring economic sustainability for both the customers and TFSI.

## 7.1.1

### The smile of our customers as a reward

The importance of the customer's centrality makes the measurement of customer satisfaction an essential element for Toyota Italia's business. Since 2014, the Net Promoter System has been introduced to replace the Customer Satisfaction Index to measure customer perception regarding the experience with the brand at two key moments: delivery of the new car (NPS Sales) and repair/maintenance of the car (NPS Service)<sup>30</sup>.

Immediately after the event each customer receives an e-mail or, alternatively, a phone call aimed at collecting his/her feedback, focused on the willingness to recommend the dealer to friends and acquaintances on a scale from 1 to 10. The result of this survey is shared daily with the network via a website available on DES, the main communication platform with dealers, in order to assess the implementation of improvement actions to avoid a recurrence of negative experiences.

<sup>30</sup> Both indicators refer to TMI as in charge of sales and after-sales service on Toyota e Lexus vehicles.



The performance of each individual dealer is monitored centrally by the Business Processes Development department. In the event of a critical dealer, the Network Operations Field personnel is involved to evaluate action plans. In addition, they are assigned to a company tutor who takes responsibility for coordinating the improvement plan.

In the fiscal year 21, despite efforts and attention from both TMI and the dealer network, the **NPS Sales and Service indices did not reach their target values** both for Toyota and Lexus, with a general decrease compared to the previous year, in which all the targets had been met. Of course, this decrease is due to the pandemic situation, which has affected both the sales, with delays in delivery times, and the assistance, especially with the reopening of the workshops, forced to concentrate the operations of 4 months in 2 months, June and July. In particular, the NPS assistance fell by about 3 pp for Lexus (81,2 in the fiscal year 20 compared to 78,3 in the fiscal year 21) and rose by 1 pp for Toyota (from 79,5 in the fiscal year 20 to 80,5 in the fiscal year 21), while for the sales, Toyota's NPS fell by 2,8 pp (from 77,6 in the fiscal year 20 to 74,8 in the fiscal year 21), while Lexus recorded an increase from 80,6 of fiscal year 20 to 82,2 of fiscal year 21.

National NPS data with a focus on critical dealers is presented and discussed every month during the **Customer First Committee** with the 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 reaffirm the centrality of the subject to the network.

## 7.1.2 WeHybrid

Sustainability is an integral part of Toyota, of its products and services, and of manufacturing and marketing practices. To this end, WeHybrid represents a real “ecosystem” complete with technologies and services from different companies of the Group in Italy, that has the goal of favouring a sustainable zero-emission mobility, where the protagonist is the car user: the more the customers travels in electrical mode, the greater the benefits they can access.

Customers can view their electric driving time and kilometers directly on their smartphone devices, through the “Hybrid Coach” feature of MyT App, giving valuable guidance to improve their driving style, make them more sustainable and responsible, and maximize the benefits they can achieve. This system began with the new Toyota Yaris and provides:

- **WeHybrid Insurance:** a complete RC insurance free for the kilometers covered in electric mode. In fact, the 4-cent cost per kilometer applies only to the mileage traveled with the thermal engine running. Therefore, this insurance is a real commitment to the environment, allowing considerable economic savings during the year for all customers who will choose sustainable mobility solutions, committing themselves to changing their driving habits in accordance with the efficient use of their vehicle. **WeHybrid Insurance** has won the ‘Best Digital Product for the retail market’ award at the **first edition of the Italian Insurtech Summit 2020 organized by the Italian Insurtech Association (IIA)**<sup>31</sup>. Since the launch of these services in September 2020, approximately 6.000 customers have joined, covering approximately 15 million km, of which 48% in electric mode, with a share of 7,5 million free for insurance purposes.

<sup>31</sup> A non-profit entity set up at the beginning of 2020 by entities representing all the components of the insurance market chain, under the patronage of the Agency for Digital Italy (AgID).

- **WeHybrid Service:** a maintenance service thanks to which the more kilometers are driven in electric mode, the lower the cost of the maintenance, encouraging a responsible driving. Electric driving reduces wear on many vehicle components, decreasing maintenance costs, an important expense in managing a car. The service also offers the opportunity to access a system of exclusive discounts based on electric mode mileage data, for which the higher the percentage of average distance traveled in electric mode, the higher the percentage of discount on maintenance. In particular, at the moment the following discounts are provided:
  - a **10% discount on car service** if the percentage of electric driving is **greater than or equal to 50%**;
  - a **20% discount on car service** if the percentage of electric driving is **greater than or equal to 60%**.
  
- **WeHybrid Challenge:** a real prize-winning operation dedicated to the first Yaris Hybrid customers who had reserved the online car. It has the same goal, that is to maximize the electric distance. By optimizing the electric driving, customers have been able to accumulate **Toyota Green Credits** convertible into digital vouchers to be used through the KINTO Go App for the mobility services offered by the platform, such as metro tickets, buses, taxis, parking and events. The prizes, combined with the percentage of distance in electric that can be monitored through the MyT application, ranged from 150 green credits (equivalent to **75€ vouchers** on KINTO Go) for journeys in electric over 50% up to 300 green credits (equivalent to **150€ vouchers** on KINTO Go) for electric journeys of more than 60%.
  
- **WeHybrid Credit:** starting from the fiscal year 22, Pay Per Drive customers (renamed as **Toyota Easy**<sup>32</sup> from July 2021) can get 1 cent for every kilometer traveled in electric, feeding a credit that can be transferred to the App KINTO Go – the App dedicated to sustainable mobility services. Customers can then use their electric mileage-based “**cash back**” for the services offered by KINTO Go, such as booking taxis, purchasing tickets for events and transport, and parking payment. Alternatively, customers can use their credit as a discount when renewing their car contract.

<sup>32</sup> Tailored financing offered by TFSI.

## 7.2.

# TOYOTA'S COMMUNICATION CHANNELS

Toyota believes that communication is an essential element of the customer engagement and loyalty process. Several aspects are taken into account in the structuring of an effective communication that can transmit not only the features of the brand's mobility offer but also its values.

Among these, there are three main levers of Toyota's communication strategy: Sustainability, Challenge and Emotion (Figure 15).



1. Toyota's sustainable strategy is now enclosed in the concept of going further, "Beyond Zero," and is divided into four main action areas:

- Confirming **leadership in electrification**, pursuing a commitment to sustainable mobility not only as the creation of **zero-impact** vehicles, but moving "beyond" to the ambitious long-term goal of improving the lives of all the world's inhabitants through safe and responsible **electrified mobility solutions**, with a progressive transition to a **more sustainable future**.
- Taking care of a **mobility for all**, realizing the social dimension of sustainability in which everyone can benefit from mobility systems that are not limited to cars and that allow to move freely and **without social or physical obstacles**, providing responses that are environmentally

Figure 15

The major values communicated by TMI.

sustainable and conscious of **everyone's mobility needs**. This is possible through **new forms of mobility** and Toyota's evolution toward new solutions such as sharing and pooling, under the umbrella of the KINTO world, a complete mobility offer, integrated with the dealer network.

- Creating a **memorable customer experience**, also through the "WeHybrid" ecosystem offering and guaranteeing the core values of Toyota and Lexus world philosophy such as Omotenashi, putting the customer at the center, anticipating their needs and **exceeding their expectations**.
  - Contributing to a **better society, in harmony with the environment, the planet** and to promote the economic, material and spiritual well-being of people.
2. **Start Your Impossible** concept is based on the "*challenge*" value, developing along two paths:
    - The theme of the **challenge**, that is overcoming the limits, and the vision of an **advanced and accessible mobility for all**, overcoming every barrier, that finds full representation in the partnership with the Olympic and Paralympic Committees and the events promoted by them.
  3. The value of emotion finds its own maximum representation in the **Toyota Gazoo Racing** as the third communication lever and is built upon a major pillar:
    - The **Gazoo Racing** platform is used to communicate world and local events and to demonstrate Toyota's credibility in combining technological innovation and reliability with more passionate aspects typical of the sports world. Following the spirit of Toyota's commitment to motor sports, the concept behind communication in this area is "Push limits for better" – the valuable role of competitions as a test of technology, reliability, and continuous improvement. Moreover, since July 2021, the new GR Yaris has been the protagonist of the first single-brand championship of Toyota Gazoo Racing Italy, the GR Yaris Rally Cup, presented at the Rally Italia Sardinia in Olbia.

## 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 getting involved in the motorsport world should be interpreted.

## 7.3. QUALITY AND SAFETY OF PRODUCTS AND SERVICES

**A**lthough quality is a cross-cutting concept for Toyota's entire business, the spirit of constant verification and continuous improvement is of particular importance for the brand's products in order to achieve two important goals of its vision: ensuring quality and ensuring safe and responsible mobility.

The excellent safety tools fitted to Toyota and Lexus vehicles, and which have repeatedly ensured the 5-star Euro NCAP<sup>33</sup> for brand models, the highest recognition in the field of safety in the automotive sector, are only one of the aspects that contribute to ensuring effective quality and safety. Toyota ensures that local subsidiaries play a decisive role in this regard in the intermediate life of the product.

Through its Technical Services Department, Toyota Motor Italia constantly monitors and checks faults reported by the customers or the network, analyzes the nature of these faults and determines whether this is a fault with a potential safety impact, related to elements no longer compliant with the current homologation legislation or related to aspects not directly impacting vehicle's

<sup>33</sup> A 5-star rating means "excellent overall impact protection and a well-equipped vehicle with comprehensive and robust collision technology" (Source: <https://www.euroncap.com/it/info-su-euro-ncap/come-leggere-le-stelle/>).

safety but with a significant impact on its performance. These analyzes are subsequently formalized into a report that is sent directly to the European Head Quarter. On the basis of both quantitative and qualitative data, TMC can therefore launch a so-called **recall campaign**, bringing in all vehicles affected by the defect found, working promptly to resolve it and thus preventing any consequences. These campaigns are a peculiarity of the brand's great attention to the quality and safety aspects of its products.

The reporting process described does not necessarily end with a recall. However, the continuous feedback provided by the subsidiaries allows TMC to include in subsequent productions and designs improvements aimed at progressively increasing the quality and safety of its products, in a Kaizen perspective. And it is also thanks to the capillarity of these analyzes that for the fiscal year 21 TMI has confirmed the **absence of cases of non-compliance** with the current legislation on vehicle safety.

## 7.4. OUR VALUE CHAIN

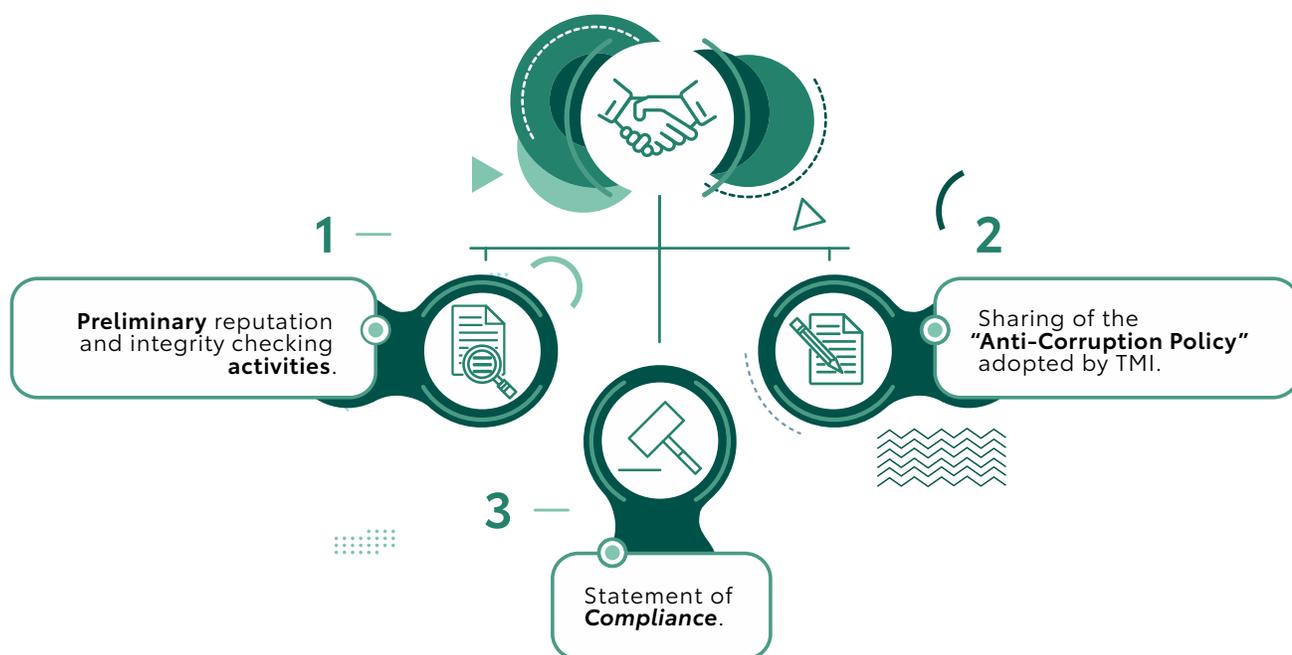
### 7.4.1 Our value chain: suppliers

**P**rocurement turns out to be an important aspect of the business of Toyota Italy companies, as it is highly impacting on the economic sustainability of the organization and its value chain. To this end, each company has provided for a set of criteria – including overall competitiveness, determined by technological capacity, prices, reliability of delivery, quality, economic and financial stability – and monitoring tools that also enable business partners to assess their commitment to sustainability issues and to the values of the company both

during the selection phase and the execution of the business relationship. No form of discrimination is permitted. Conflicts of interest and corruption are particularly relevant in the selection and conduct of the relationship with suppliers. As confirmed by the adopted Codes, Toyota Italy companies pledge to extend their commitment against active and passive corruption also to business partners through appropriate contractual clauses and a triple effort, as described below.

Figure 16

Suppliers preliminary control procedure adopted by Toyota Italy for anticorruption.



With reference to **TMI**, when subscribing the contract, suppliers are also required to confirm to operate in compliance with the law and – for the majority of suppliers – with environmental legislation, operating with honesty, avoiding conflicts of interest, complying with the Code for the Protection of Personal Data (D. Lgs. No. 196/2003) and ensuring the integrity of staff and a healthy working environment. In addition, Toyota companies in Italy are committed to actively promote local supply and production, in order to contribute to the economic development of the country and the community in which it operates. As regards socio-environmental aspects, TMI maps its business partners on the basis of their commitment and compliance for quality,

environment and safety at work through the consultation of the Accredia databases, by checking the presence of the relevant **ISO 9001** (Quality), **ISO 14001** (Environment) and **OHSAS 18001** (Workplace Health and Safety) certifications.

The company has also implemented a **tool to monitor** 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, identifying the **risk** level – in terms of security and strategic perspective for the companies’ business – **reliability, impact on the operational continuity** and possible certifications in terms of quality, environment and safety at work.

**TFSI** and **KINTO Italia** procedures also require that all agreements/relations with suppliers be established only after a successful in-depth control activity on their reputation and integrity, and after obtaining adequate evidence of their compliant business conduct. All suppliers must comply with the guidelines set out by the Antitrust regulation and the Code of Ethics. In addition, each new entity subject to the qualification process of the KINTO Italia or TFSI register has to be evaluated by the department that applies for its registration, by classifying the possible supplier subject according to the rationale described below:

- **Strategic suppliers:** based on an economic assessment, that is the volume of business guaranteed by the contract, and the business risk, reputational risk and risk related to personal data processing.
- **Consultancy providers:** those who have been qualified as subject experts and provide advice or assist in the implementation of a business project.
- **FOI suppliers:** only applicable to TFSI, due to the peculiarity of its business, represent the suppliers to which an important operational function has been outsourced according to the definition provided by circular BIT n. 288/2015 and in compliance with the principles of the policy externalization of business functions.
- **Other:** this category includes all suppliers which are otherwise not classifiable according to previous categories.

Through the process described, Toyota companies in Italy assess the impact that a single supplier could have on business continuity, which is crucial to monitor the economic sustainability of the supply chain.

## 7.4.2

### Our value chain: Dealers

The dealer network plays a major role as it represents the local implementation of Toyota's business strategies and vision. In fact, it is the last stage of the company's value chain, in direct contact with the customers.

The importance of the network for local realities and for the final customers is represented by the regular dealer engagement initiatives and, above all, by 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.

#### The BRiT Committees

The BRiT Committees are strategic committees organized on a six-monthly basis with a small group of dealers representing the entire network. During these meetings, in which round tables are set up to discuss on vision, strategies, commercial policies and market actions of the brand, dealers participate proactively, expressing their point of view and suggesting to the company any actions to be taken on the basis of local experiences. In many cases, the implementation of specific projects arise precisely from the request of the dealers and is put in practice through working groups which a group of dealers actively participates in by providing local best practices, together with Toyota's departments.

The current dealer network, which operates under the 2018 Franchise Contract renewal and that expires in 2023, consists of **68 partners** for **Toyota**, and **26** for **Lexus**, for a total of **187 Toyota** (sales and service) and **36 Lexus** dealer sites, operating throughout the country.

Therefore, dealers' performance is monitored and evaluated by Toyota, which has set up an award system for the most deserving dealers, called the **BRiT Award**. It is a monthly monitoring system for the major indicators relating to different business areas, with a focus on both results and process structuring. The indicators mainly take into account the **People** area, which focuses on training and staff growth, the **Customer Centricity** area, which focuses on customers, the **Toyota Way** area, which concerns the application of Toyota principles and processes in carrying out its activities, and an area of **Business Sustainability**, which includes both commercial performance and dealers' attention to value chain and asset strength. A **BRiT Readiness Index** is defined by the combination of these indicators. At the end of the program, the 12 dealers with the highest BRiT Index are rewarded by participating in a trip with Toyota and Lexus Top Management.

In order to monitor the satisfaction of the network towards the brand, reference has historically been made to the Dealer Stat survey carried out by the company Quintegia, which publishes its results annually. In June 2020, **Toyota won the first place in the overall satisfaction ranking of Italian dealers, earning three positions as compared to 2019.**

In addition, for 2020, dealers were asked to evaluate the network support measures that the brands implemented during the **Covid-19 emergency**, a topic for which **Toyota and Lexus brands were first and second for their timeliness and effectiveness** respectively. In addition to this channel, since January 2019, TMI has released an application to its Toyota and Lexus network called "**ONEToyota**". It is a smartphone App that constantly measures the level of network satisfaction and opens a fast, direct communication channel between Toyota Italy and the dealer network.

# Toyota's people: the engine of the future

— CHAPTER 8



For Toyota, people are one of the key pillars of the business success. The values of **Teamwork** and **Respect** between colleagues are both in the Guiding Principles<sup>34</sup> and the Toyota Way and are important aspects of the broader concept of **Respect for People**, which is achieved by creating the best possible conditions for expressing the potential of each employee.

For this reason, Toyota has developed an **Employee Experience**, which is in the implementation phase for all the Group Companies and which allows to promote the development of employees in terms of skills while increasing their motivation through the development of the following 3 main pillars of Employee Journey:



<sup>34</sup> Guiding principle 5 "Encouraging a corporate culture that fosters individual creativity and the value of teamwork while observing the values of trust and respect between workers and management".  
TMC, Toyota Guiding Principles, <https://global.toyota/en/company/vision-and-philosophy/driving-principles/>.

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

In particular, the organizational change that is being defined aims to maximize the synergies and integration of the entire group of companies operating for Toyota in Italy (TMI, TFSI, KINTO, TIM and ANDIE) through **cross-cutting experiences** among the companies in Italy and international exchanges with the European Head Quarter or other sales & marketing subsidiaries in Europe.

The new organizational structure will also allow the employees to acquire completely new skills and mindsets by covering roles in the area of the **New Mobility**, managed with the KINTO brand, in order to respond to the best specifications of the future business model. As a sign of the constant commitment to improving the management of their human resources, the Group companies have obtained various certifications as best practices relating to the management and development of people and the working environment. For example, **TMI has obtained the Top Employer certification for the sixth consecutive year** while **TFSI has been acknowledged the Great Place to Work certification for the third consecutive year**. Finally, the achievement of the latter is one of the future targets for TIM and ANDIE.

# 8.1.

## THE CHARACTERISTICS OF TOYOTA'S WORKFORCE

Table 8

GRI 102-8: Total number of employees by contract type, geographical and gender.

The current organizational model of Toyota companies is a Customer Centric model, thus aimed at creating the best possible customer experience, which presents a Lean Organization, characterized by a lean structure oriented to process efficiency, with a maximum of four levels within the organization.

Contract type	Total number of employees by contract type, geographical and gender					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
<b>TMI<sup>35</sup></b>	151	61	212	153	55	208
Permanent employment	147	59	206	144	53	197
Fixed-term employment	3	2	5	6	2	8
Apprenticeship	1	0	1	3	0	3
<b>TFSI and KINTO</b>	67	60	127	62	56	118
Permanent employment	66	59	125	59	55	114
Fixed-term employment	1	1	2	2	1	3
Apprenticeship	0	0	0	1	0	1

Contract type	Total number of employees by contract type and gender					
	On 31 December 2020			On 31 December 2019		
	Men	Women	Total	Men	Women	Total
<b>TIM and ANDIE</b>	27	19	46	27	18	45
Permanent employment	26	19	45	26	18	44
Fixed-term employment	0	0	0	0	0	0
Apprenticeship	1	0	1	1	0	1

<sup>35</sup> Following a process to improve the reporting system and to guarantee the comparability of data, data related to TMI's staff in fiscal year 20 have been restated compared to those published in the previous Sustainability Report. For previously published data, please refer to the 2020 Sustainability Report.

With reference to the data of the Group's companies as of March 31, 2021, TMI has a workforce of **212 employees**, of which about 97% are permanent. **5,2% of employees**, exclusively women, benefit from **part-time** employment. TFSI and KINTO have a workforce of **127 employees**, of which more than 98% are permanent. Finally, with regard to TIM and ANDIE, whose figures refer to 31 December 2020, the company's workforce is composed of **46 employees**, with 98% permanent as well. Leased staff and interns, through which the Group provides training and development opportunities and promotes contamination between generations, cover about 10% of the total workforce. As of March 31, 2021 for TMI, TFSI and KINTO and as of December 31, 2020 for TIM and ANDIE, 100% of employees were covered by collective bargaining.

## 8.2. TALENT ATTRACTION AND SELECTION

From April 2020 to March 2021 the number of hires has slightly increased as compared to the previous year. In fact, TMI hired **9 new employees** and guaranteed training to **4 new interns**, while TFSI and KINTO recorded **16 hires** with **5 interns**. In the period between January and December 2020, TIM and ANDIE hired **4 resources**.

Table 9

GRI 401-1 Number of hires.

Number of hires	Hires							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
<b>TMI</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>9</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>8</b>
Men	3	0	0	3	3	3	0	6
Women	2	4	0	6	0	2	0	2
<b>TFSI and KINTO</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
Men	0	1	4	5	0	1	0	1
Women	0	2	0	2	0	3	0	3

	Hires							
	On 31 December 2020				On 31 December 2019			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
<b>TIM and ANDIE</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
Men	0	3	0	3	0	3	0	3
Women	0	1	0	1	0	1	0	1

The new resources are selected through a rigorous process aimed at identifying potential women and men who have an appropriate profile and in line with business values and the skills required by the vacancy.

Since 2020, the Group has supported the **Diversity** strategy during the selection phase as well, to ensure that more women join the company, with the aim of ensuring a rebalancing in the number of women's population and thus supporting corporate growth. As for turnover, also for the fiscal year 21 very low values are confirmed, a sign of an excellent ability of the company to retain its talents, element that reduces the need to introduce new resources.

Number of terminations	Turnover							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
<b>TMI</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>5</b>	<b>1</b>	<b>6</b>
Men	1	1	1	3	0	3	1	4
Women	1	1	0	2	0	2	0	2
<b>TFSI and KINTO</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>4</b>
Men	0	1	4	5	0	1	0	1
Women	0	2	0	2	0	3	0	3

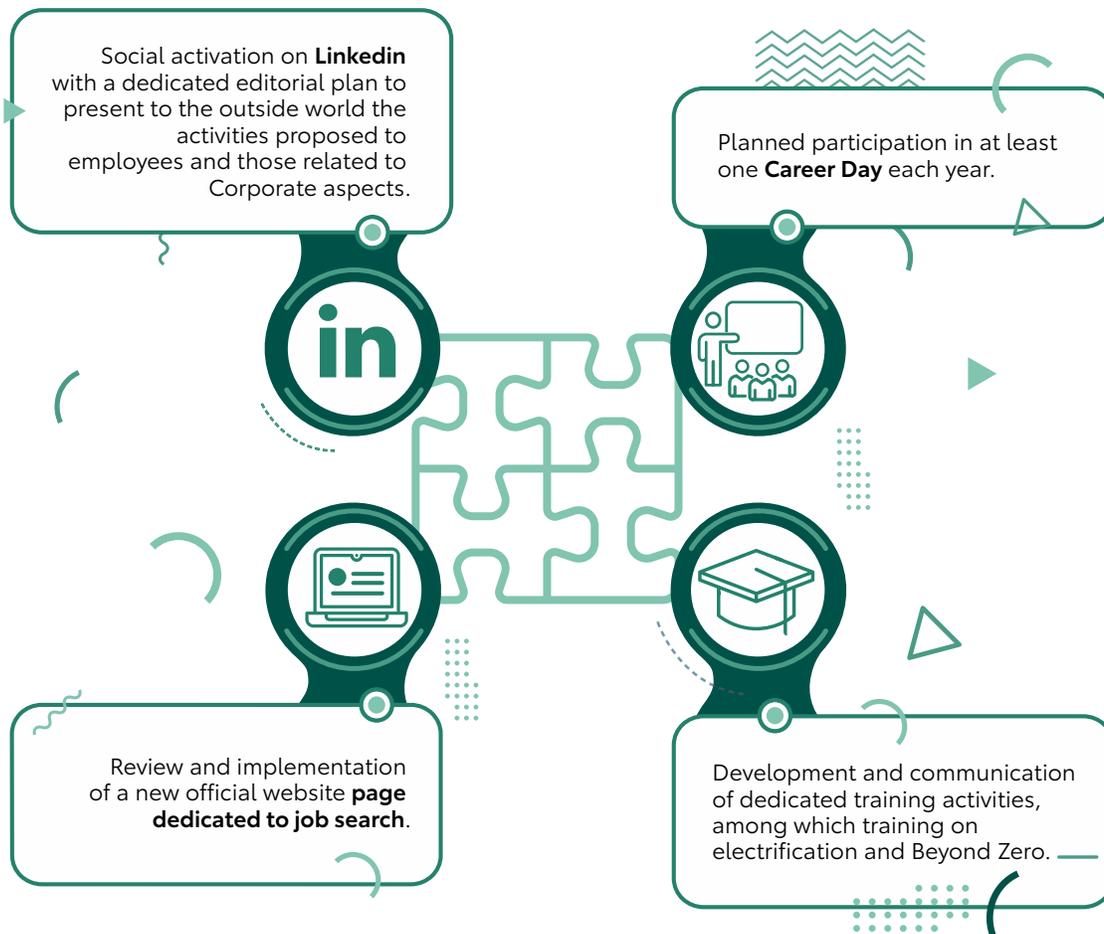
Number of terminations	Turnover							
	On 31 December 2020				On 31 December 2019			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
<b>TIM and ANDIE</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Men	0	3	0	3	0	0	0	0
Women	0	0	0	0	0	0	0	0

Despite this, in recent years Toyota Italy has implemented several actions aimed at improving the process of researching and attracting talent into its organization, including participation in **Career Days**, interventions at university **masters**, organization of **open days** at the company's headquarter and the activation of searches on **LinkedIn**.

Moreover, as regards TMI, during the fiscal year 20 it became necessary to structure the activities of Employer Branding into a strategic plan that was implemented in the fiscal year 21, in agreement with Corporate Communication and Marketing departments, also as a consequence of what emerged from the Brand Reputation analysis carried out since 2019. The plan consists of 4 main activities, as shown in Figure 17.

Figure 17

TMI's Employer Branding plan activities.



## 8.3. EMPLOYEE DEVELOPMENT

### 8.3.1 Development methods

As a strategic resource for the company, the Toyota Group in Italy pays great attention to the development of its people, favored through various initiatives that stimulate an expansion of the skills and a greater knowledge of Toyota's activities. The most effective and used development methods include:

1. **Job rotations** between different departments of the company for the expansion and development of knowledge and skills. In fiscal year 21, TMI managed **78 job rotations**, representing about 38% of the workforce. For TFSI, **4 job rotations** were managed, corresponding to about 3% of the workforce, while **two** involved ANDIE between 1 January and 31 December 2020.
2. **International Assignments** at TME, the European Headquarter based in Brussels, or other Group companies, such as KINTO GmbH and ANDIE Luxembourg, which can last from 1 to 5 years. In the fiscal year 21, there were 6 incoming and outgoing international assessments for TMI, 1 for TFSI, 1 for KINTO still in progress, and 1 for ANDIE, which enabled employees to better understand the strategic direction of the brand in Europe, while developing soft skills favoured by an international work environment.
3. **Cross-company assignments** among the companies of the group in Italy, with the aim of make employees' knowledge of the Toyota world cross-cutting. In the fiscal year 21, 6 inter-company assignments were managed in TMI, 15 in TFSI, 3 in TIM and 2 in ANDIE, some of which subsequently ended in direct hiring.
4. **Training**: the Toyota Italy Group continues to invest in the training of its employees, focusing both on the training of soft skills and on the professional training linked to the role. The Group has been increasingly maximizing inter-company training thanks to the Toyota Academy, adapting its training offer to the new business model, the progressive digitization of contents and the integration of activities between the companies of the Group, which still manage a large part of the training independently through dedicated functions.

## 8.3.2 The performance evaluation system

The Toyota Italy Group is equipped with an evaluation system involving all employees (Table 8), based on two pillars, the Competency and the Performance Appraisal. The former is aimed to assess whether the behavior of a certain period is in line with the expectations of the role and the organization and has a focus on medium-to-long term development. The second evaluates the results achieved in a given time and is focused on the short period.

Table 10

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.

%	Total percentage of employees who received a periodic performance and professional development evaluation, by gender and job category					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
<b>TMI</b>	99,3%	100%	99,5%	98%	100%	98,6%
Executives	100%	-	100%	100%	-	100%
Managers	100%	100%	100%	100%	100%	100%
Employees	99,1%	100%	99,4%	97,30%	100%	98,1%
<b>TFSI and KINTO</b>	100%	100%	100%	100%	100%	100%
Executives	100%	100%	100%	100%	100%	100%
Managers	100%	100%	100%	100%	100%	100%
Employees	100%	100%	100%	100%	100%	100%

%	Total percentage of employees who received a periodic performance and professional development evaluation, by gender and job category					
	On 31 December 2020			On 31 December 2019		
	Men	Women	Total	Men	Women	Total
<b>TIM and ANDIE</b>	100%	100%	100%	100%	100%	100%
<b>Executives</b>	100%	100%	100%	100%	100%	100%
<b>Managers</b>	100%	100%	100%	100%	100%	100%
<b>Employees</b>	100%	100%	100%	100%	100%	100%

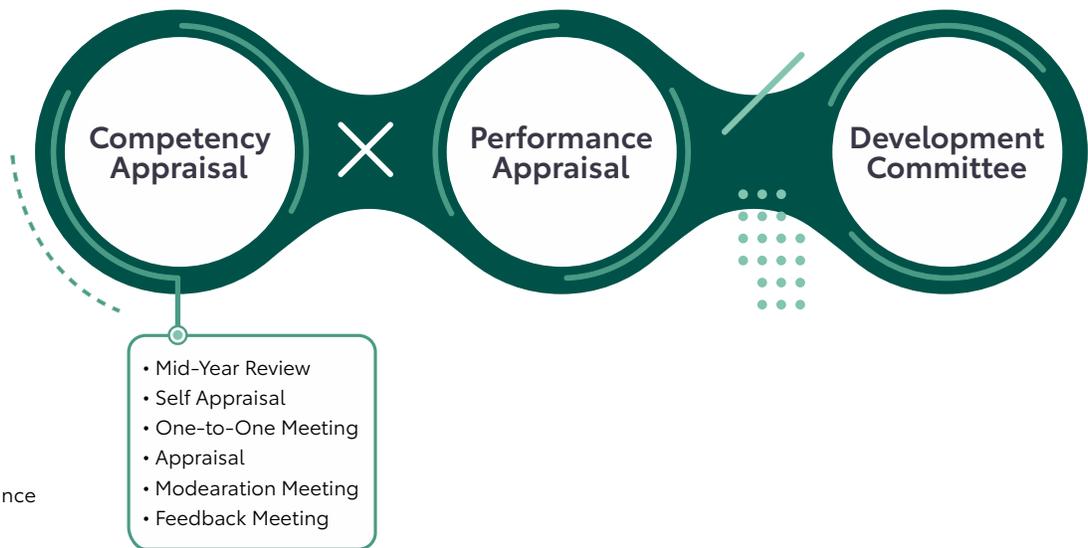


Figure 18  
Toyota Italy's performance evaluation system.

## 8.4. TRAINING

For Toyota, training is a decisive tool for the organic and sustainable development of its business.

That is why in 2018 **TMI** established a structure exclusively dedicated to the design and implementation of the inter-company training strategy: the **Toyota Academy**, responsible not only for the training of employees, but also for the training of the network and the external stakeholders. The cross-cutting role of the Academy allows Toyota companies in Italy to manage part of the training in a centralized way, by aligning their skills with Toyota products. The Academy has also extended the training programs to dealers, which include topics related to the financial, insurance and new mobility services worlds, to be associated to TFSI, KINTO, TIM and ANDIE respectively.

However, apart from the aforementioned areas, each Group company carries out and manages training on its own, according to their business needs.

In line with the evolution of the automotive industry, the Toyota Academy's training offering is undergoing a **radical transformation** as the business model changes – from car sales to Mobility as a Service – and as a consequence of digital transformation, increasingly oriented towards **blended solutions**, that is a combination of in-presence and remote classes, also to support a smooth resumption of business partners' activities after the health emergency from Covid-19. In June 2021, an innovative platform called "**We grow**" was launched, a sign of the concrete commitment to an increasingly cross-cutting training offering to companies. It is a platform dedicated to the training and development of the employees of all the Group companies in Italy – a novelty at European level – characterized by the combination of artificial intelligence (AI) and social learning elements.

Table 11

GRI 404-1 Average hours of training per capita provided to employees, by occupational category and gender.



Hours of training	Average hours of training per capita provided to employees, by occupational category and gender		
	From 1 April 2020 to 31 March 2021		
	Men	Women	Total
<b>TMI</b>	141,4	144,8	138,6
Executives and managers	118,5	105,0	105,0
Employees	149,3	148,0	148,0
<b>TFSI e KINTO</b>	20,0	20,2	20,1
Executives and managers	18,8	18,8	18,8
Employees	20,4	20,4	20,4

Hours of training	Average hours of training per capita provided to employees, by occupational category and gender		
	From 1 January 2020 to 31 December 2020		
	Men	Women	Total
<b>TIM and ANDIE<sup>36</sup></b>	40,0	40,0	40,0
Executives and managers	40,0	40,0	40,0
Employees	40,0	40,0	40,0

Hours of training	Average hours of training per capita provided to employees, by occupational category and gender		
	From 1 April 2019 to 31 March 2020		
	Men	Women	Total
<b>TMI</b>	25,2	24,0	24,9
Executives and managers	28,7	28,8	28,7
Employees	23,6	23,6	23,6
<b>TFSI and KINTO</b>	22,6	22,1	22,4
Executives and managers	19,4	20,6	19,8
Employees	23,9	22,4	23,1

<sup>36</sup> As a structured monitoring system was set up in 2020, 2019 data could not be reported.

Fiscal year 21 data clearly show the exponential increase in training hours provided to employees, due to the pandemic situation that has allowed training to be expanded through online tools.

An important part of the **training activity** structured and offered by the Academy concerns **business partners**, who can access the training financed through registration to the **Fon. Ter** interprofessional fund, whose membership entitles to a reimbursement of 70% of the attendance costs. In the fiscal year 21, the **training offering to dealers decreased by 65%** compared to 2020, mainly due to the pandemic situation that reduced in-presence training opportunities, particularly useful for operational training activities. However, there are important new developments in the training offering, with the integration of activities dedicated to the **KINTO Commercial Manager**<sup>37</sup>. In order to ensure a constant alignment of the Academy's activities with the expectations of the participants and with the quality standards that the training strategy itself aims to achieve, the organization uses two main monitoring indicators: the **training participants' approval index (NPS)** and the **learning delta**, calculated through appropriate tests submitted to those attending the training, at the beginning and the end of the classes, whose systematic monitoring will be extended to the whole training offering starting from the fiscal year 22.

Finally, among the new initiatives is the launch of multiple training activities related to the **Beyond Zero**<sup>38</sup> strategy, in order to allow its widespread diffusion, not only towards the network but also within the Group companies, through the innovative use of **virtual classrooms**.

Table 12

GRI 404-1 Average hours of training per capita provided to employees, by occupational category and gender.

<sup>37</sup> For the description of the project please refer to par. 7.1 "Customer experience".

<sup>38</sup> For the description of the Beyond Zero strategy please refer to par. 3.2 "Toyota global sustainability strategy" and 5.1 "Electrification beyond zero emissions".

Hours of training	Hours of training provided to Toyota and Lexus dealer network personnel, by type of training	
	2021	2020
New/ Used/Fleet Sales Training (Sales Advisor; Customer Advisor; Contact Advisor)	8.908	25.696
New Models Training (Sales Advisor; Service Advisor; Workshop Master Technician)	15.496	11.424
After-sales Training (Technical; Parts & Service; Others)	8.619	21.760
Management Training (First Line Management Program; Customer Development Manager; Environmental Manager)	9.496	1.264
<b>Total</b>	<b>42.519</b>	<b>60.144</b>

Table 13

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

A further dialogue channel with the education world and that is a peculiarity of Toyota is the **Toyota Technical Education Program**, a program that involves a collaboration between the brand and several schools, mainly professional and industrial technicians ones, focused on providing technical and customer experience management skills to students, and constantly updating teachers and educational equipment of the institute. Through this initiative, Toyota aims to make its concrete contribution to the public education system of every country in which it operates, while offering the dealer network a pool of trained talents to draw on for the professional needs of the network. In Italy, T-TEP was launched with a memorandum of understanding between TMI and the Ministry of Education in 1995 and has since then involved 20 partner schools and thousands of students, often offering them the opportunity to gain experience in the Toyota world. The new version of the initiative, called T-TEP 2.0, represents the evolution of this project, and is based on the definition of a new training path for students, on the updating of the teachers' skills by the Toyota Academy, as well as on the adaptation of the didactic equipment, always in line with the latest technological developments: T-TEP schools have modern diagnostic instruments, laboratories equipped with simulators and cars equipped with full hybrid system supplied by Toyota for training purposes. In addition, the training now also includes the enhancement of customer relationship management and sales processes skills, and the collaboration has been extended to ELIS, which has been working for years to integrate young people into the labor market and into training paths. An agreement has

been launched with the aim of supporting vocational training courses according to defined skill profiles. However, a key feature of the T-TEP's new approach is its role as a channel of attraction for young talent and an important resource for the qualitative growth of the Toyota sales and service network, in line with the needs of a rapidly changing industry.

## T-TEP project social impact

Besides the role of talent attraction channel, the T-TEP project is a great opportunity for society as a whole. This impact is realized through two main goals of the project: coordination of job demand and supply, and training of skills in line with the new market needs. For the first point, the **"Your Future"** platform is an important step forward for the system. The optimization of the search for qualified young profiles through the new platform is, in fact, a valuable tool for aligning the demand and supply of jobs in the automotive industry. This contribution is of considerable importance if it is seen in the difficult market situation for young people in Italy, especially as regards entry into the labor market: only 41,6% of young people between 15 and 34 years old are employed in Italy, compared to 58,7% of the EU average, while 18,3% are unemployed (9,5% in the EU). However, the T-TEP is also an opportunity to renew and update the professional skills of the automotive industry that is in the midst of a revolution. The continuing training of young students and the direct dialogue with a brand that is the protagonist of this transition is an opportunity to encourage the creation of a class of competent workers with the right mindset and skills required by the new market.

## 8.5. DIVERSITY AND EQUAL OPPORTUNITIES

Enhancing individual diversity is one of the founding values for Toyota companies in Italy, part of the “**Respect**” pillar from Toyota Values, whose concrete application is monitored through objectives included in the Human Resources department’s Hoshin Kanri of all Toyota companies in Italy and, for TMI, through a **dedicated section** within the European Motivation Survey (EMS). To date, the proportion of women out of total employees for the 3 companies has grown from the previous fiscal year, up to **29%** for TMI, **47%** for TFSI and KINTO, and **41%** for TIM and ANDIE.

Table 14

GRI 405-1 Number of employees by professional category, gender and age group.

Number of employees TMI <sup>39</sup>	Employees by professional category, gender and age group							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Totale	< 30	30-50	> 50	Totale
Executives	0	9	2	11	0	7	7	14
<i>Men</i>	0	9	2	11	0	7	7	14
<i>Women</i>	0	0	0	0	0	0	0	0
Managers	0	27	6	33	1	25	6	32
<i>Men</i>	0	23	5	28	0	23	5	28
<i>Women</i>	0	4	1	5	1	2	1	4
Employees	18	121	29	168	22	111	29	162
<i>Men</i>	12	81	19	112	17	75	19	111
<i>Women</i>	6	40	10	56	5	36	10	51
Total	18	157	37	212	23	143	42	208
<i>Men</i>	12	113	26	151	17	105	31	153
<i>Women</i>	6	44	11	61	6	38	11	55

<sup>39</sup> Following a process to improve the reporting system and to guarantee the comparability of data, data related to TMI's staff in fiscal year 20 have been restated compared to those published in the previous Sustainability Report. For previously published data, please refer to the 2020 Sustainability Report.

Number of employees TFSI and KINTO	Employees by professional category, gender and age group							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Totale	< 30	30-50	> 50	Totale
Executives	0	2	4	6	0	2	4	6
<i>Men</i>	0	1	4	5	0	1	4	5
<i>Women</i>	0	1	0	1	0	1	0	1
Managers	0	14	5	19	0	14	6	20
<i>Men</i>	0	10	2	12	0	10	3	13
<i>Women</i>	0	4	3	7	0	4	3	7
Employees	9	86	7	102	6	78	8	92
<i>Men</i>	5	44	1	50	4	38	2	44
<i>Women</i>	4	42	6	52	2	40	6	48
Total	9	102	16	127	6	94	18	118
<i>Men</i>	5	55	7	67	4	49	9	62
<i>Women</i>	4	47	9	60	2	45	9	56

Number of employees TIM and ANDIE	Employees by professional category, gender and age group							
	On 31 December 2020				On 31 December 2019			
	< 30	30-50	> 50	Totale	< 30	30-50	> 50	Totale
Executives	0	1	2	3	0	0	1	1
<i>Men</i>	0	1	1	2	0	0	1	1
<i>Women</i>	0	0	1	1	0	0	0	0
Managers	0	4	1	5	0	4	2	6
<i>Men</i>	0	4	0	4	0	4	0	4
<i>Women</i>	0	0	1	1	0	0	2	2
Employees	0	35	3	38	1	36	1	38
<i>Men</i>	0	21	0	21	0	22	0	22
<i>Women</i>	0	14	3	17	1	14	1	16
Total	0	40	6	46	1	40	4	45
<i>Men</i>	0	26	1	27	0	26	1	27
<i>Women</i>	0	14	5	19	1	14	3	18

As regards young people, the number of under 30 employees for TFSI and KINTO has increased, while it has slightly reduced for TMI, TIM and ANDIE. This is something that the Group is committed to increase in the coming years, also thanks to the new talent attraction channels described in paragraph 8.2 "Talent attraction and selection".

In the development of a **Diversity & Inclusion culture**, the Toyota Italy Group first focused on the **growth of gender diversity**, undertaking an improvement journey alongside an excellence partner in the fiscal year 18: **Valore D**<sup>40</sup>. Toyota signed with it the **Manifesto for women employment** aimed at the development of a D&I culture.

Furthermore, another important aspect for the Group's mission is the inclusion of people with disabilities, who, together with the other protected categories, represent **6%** of the staff for TMI, **7%** for TFSI and KINTO, and **2%** for TIM and ANDIE.

## The Toyota Italy Group for women

During the fiscal year 2021, the implementation of the diversity strategy continued. It had already started in the fiscal year 20 with several activities including the Unconscious Bias training course to the Top Management, the introduction of the online master **MAAM (Maternity as a Master)** for the enhancement of soft skills acquired through parenting and the creation of a **Maternity Come Back** to facilitate the return of new mothers to the office. Among the activities of the new fiscal year are the extension of the training on Unconscious Bias to all the Management and the entire workforce and the **Mentorship** program, which is addressed to a group of women during the pilot phase, and to be evaluated for future extension to the whole company population.

<sup>40</sup> The first association of companies that promotes gender balance and an inclusive culture in organizations and the country more in general.

## 8.6. WELFARE

**W**elfare has been playing an increasingly important role in the company's HR policies. Indeed, it is the object of the **Total Reward Statement** project, aimed at quantifying the remuneration package that includes the benefits provided. This project is already in place for TMI and under construction for the other Group companies.

Benefits are represented by a wide range of services and facilities that the company makes available to its employees directly on site or through agreements with third parties, including a company gym, availability of a nutritionist and a doctor on site, a bar, a massage service, an ATM and a drug delivery service. In addition, the company provides a modular business car program based on the employee's contract level, as well as health insurance, Christmas Gifts, discounts on company products and services, and an online English course.

Finally, as described in paragraph 6.2.2 "Digitization of processes", smart working has become increasingly important as a new way of working. During the pandemic period, the entire company population worked remotely, excluding warehouse workers and workshop operators for whom physical presence is essential for the purpose of the job. At the moment, the Group is defining the guidelines to be used in the "new normal" situation, continuing to encourage remote work in "hybrid" mode, leaving employees the autonomy to choose the number of working days in smart working, according to their needs and always respecting national regulations. **Employee satisfaction** is monitored on a daily basis through the **Beaconforce App**, introduced in 2019, which is dedicated to constantly monitoring the motivation and involvement of all members of the Toyota team, and through a two-year European survey, called the Employee Motivation Survey for TMI. As of March 2021, **users registered on the Beaconforce App account for about 90% of employees**. Kaizen's corporate philosophy, that is continuous improvement, has led to the identification of 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 the Group has acted with a dedicated action plan, built through the engagement of employees in dedicated focus groups followed by the adoption of solutions in all three areas.

## 8.7. HEALTH AND SAFETY

### 8.7.1 The integrated management system

The fundamental implementation of the “Respect for people” value pillar is the attention that Toyota Italy puts on the health and safety issues of its people and of all its stakeholders. In this regard, in addition to compliance with the regulations (D. 81/08), safety at work is one of the axes of the **integrated management Quality, Environment and Security system**<sup>41</sup>, certified according to the international standards **ISO 45001:2018, ISO 14001:2015, ISO 9001:2018**. The adequacy of the Integrated Quality, Environment and Safety Management System is verified through a dedicated Audit Plan carried out periodically by TMI, the results of which are aimed at planning improvement actions. The Integrated Management System covers quality, information security, business continuity, SOX compliance, workplace safety, environment, privacy and Legislative Decree 231/2001. Each company in the Group analyzes, measures and defines risks and related mitigation measures for each job position in the Risk Assessment Documents of the individual companies in compliance with Legislative Decree 81/08. For TMI safety risks are identified by the **Toyota Global Risk Management Standards** (TGRS).

With regard to the Covid-19 emergency and its proper management, guidelines for dealers and service centers in the Toyota and Lexus network were drawn up and distributed. This effort has also been recognized by the entire network, which has evaluated Toyota as the best brand in the management of the Covid crisis at the 2020 DealerStat.

Several initiatives have been implemented to protect the health and safety of employees, such as frequent sanitizing of the working environments, distance of the working stations, constant mapping of possible infections, provision of PPE to employees and encouraging smart working, even by deploying mobile devices to all staff. From an organizational point of view, the Group RSPP (Person in charge of the prevention and protection service) together with the human resources representatives and the RLS of the various companies have set up a Control Committee, as required by the legislation, which meets periodically to discuss countermeasures and possible legislative changes. In addition, the group carries out weekly surveys to verify the effective and correct implementation of the countermeasures adopted. The Committee has also drawn up and updated the anti-contagion protocols, which have been the subject of communications and dedicated training courses. Thanks to the

<sup>41</sup> For more details please refer to Sustainability Report 2020.

adoption of these measures, it was possible to allow **30% of the company's staff to work at the office in rotation, without any contagion in the workplace**, guaranteeing full business continuity and the satisfaction of the entire workforce.

## 8.7.2 Safety culture

For the correct application of high safety standards, the Toyota Italy Group deems training staff in this area to be of primary importance. In addition to compulsory training, additional training is provided, focusing on different topics, such as the course on safe driving provided to the traveling staff and suggestions for best living the work remotely. However, the creation of a safety culture is not limited to training activities. The company favors the spread of the prevention and protection values through activities of continuous promotion among which:

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

In addition, TMI includes health and safety improvement targets into the company Hoshin Kanri, which are reflected in concrete improvement actions.

## 8.7.3 Safety monitoring

Toyota Italy constantly monitors its health and safety procedures and performance through regular audits and tests. Among the major improvement tools, sharing the collected information is a successful practice. For example, the Spare Parts Warehouse shares its own accident monitoring and Near-Misses with all Toyota warehouses in Europe, aiming at extending this practice to the warehouses of the Toyota and Lexus dealer network too.

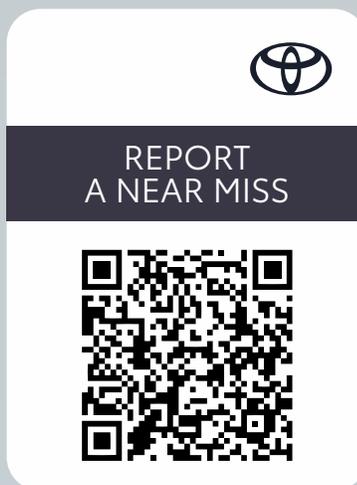
### **TMI's Spare Parts Warehouse Safety Patrol**

TMI warehouse, European excellence and best practice in the field of workplace safety, uses various procedures to constantly improve the safety conditions of its workers. Among these, the Safety Patrol invites all warehouse operators to carry out 15-minute visits to specific areas of the room in order to identify any possible hazards or potential risks to the health and safety of workers, mainly concerning the ergonomics and the handling of materials. In a Kaizen perspective, the suggestion and the discussion of a solution follow up.

With reference to worker hazard and risk reporting procedures, an effective and structured channel is the Near-Miss procedure, described in the box below.

## Near-Miss procedure

“Near Miss” are events that cause minor injuries that do not result in work absence or accidents but that could have caused injuries and for which for which no registration and reporting obligation is required. **Reporting, recording and analysis** of “Near Miss” has the dual objective of preventing the occurrence of accidents that could have a more serious outcome and allowing a more reliable refinement of health and safety risk indicators. In view of the above considerations, all the staff is responsible for forwarding “Near Miss” reports through tools provided by IT services to be used from their workstation or mobile phone. The report must indicate the date, time and place of the event, with any useful indications for the subsequent analysis and the identification of the causes. For mobile reporting, the staff can use an App and QR codes that are widely exposed in workplaces and that generate an e-mail (even anonymous) addressed to predefined recipients: the person in charge of the Prevention and Protection Service and the person in charge of the Occupational Health and Safety Management System. The recipients shall assess the risk situation and, if deemed appropriate, shall define and initiate appropriate improvement actions aimed at removing the root causes of the “Near Miss”. The reports are the inputs of a database that is periodically reviewed to catch recurrences and take containment measures.



In the event of accidents at work, Toyota has the opportunity to investigate through the tools offered by the Organization Management and Control Model pursuant to Legislative Decree 231/2001, as described in paragraph 3.6 “Business Ethics, Compliance and Anti-Corruption” and the control activities carried out by the Supervisory Body periodically.

Table 15

GRI 403-9 Number of work-related injuries.

Number of injuries	Work-related injuries <sup>42</sup>	
	On 31 March 2021	On 31 March 2020
TMI	0	0
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	0	0

<sup>42</sup> Injury data exclusively refer to injuries recorded in the workplace, thus excluding commuting injuries.

Number of injuries	Work-related injuries	
	On 31 March 2021	On 31 March 2020
TFSI and KINTO	0	0
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	0	0

Number of injuries	Work-related injuries	
	On 31 December 2020	On 31 December 2019
TIM and ANDIE	0	1
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	0	1

The adequacy of Toyota Italy's occupational health and safety management system and related prevention and reporting mechanisms is evidenced by the excellent results in terms of the number of accidents recorded during the year. Indeed, in the fiscal year 21, the company was able to achieve the remarkable result of zero accidents at work for all the companies of the Group, both for employees and for external workers.

Table 16

GRI 403-9 Rate of work-related injuries.

Injury rates	Rate of work-related injuries <sup>43</sup>	
	On 31 March 2021	On 31 March 2020
TMI	0	0
Rate of fatalities as a result of work-related injuries	0	0
Rate of high - consequence work - related injuries (excluding fatalities)	0	0
Rate of recordable work-related injuries	0	0
TFSI and KINTO	0	0
Rate of fatalities as a result of work-related injuries	0	0
Rate of high - consequence work - related injuries (excluding fatalities)	0	0
Rate of recordable work-related injuries	0	0

Injury rates	Rate of work-related injuries	
	On 31 December 2020	On 31 December 2019
TIM and ANDIE	0	13,04
Rate of fatalities as a result of work-related injuries	0	0
Rate of high - consequence work - related injuries (excluding fatalities)	0	0
Rate of recordable work-related injuries	0	13,04

<sup>43</sup> Injury rates are calculated by multiplying the ratio of number of injuries to worked hours by 1.000.000.

Table 17

GRI 403-9 Number of worked hours.

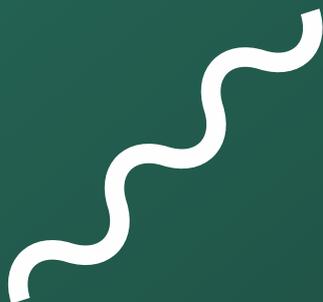
Number of worked hours	Worked hours	
	On 31 March 2021	On 31 March 2020
TMI	401.184	387.072
TFSI and KINTO	226.407	202.629

Number of worked hours	Worked hours	
	On 31 December 2020	On 31 December 2019
TIM and ANDIE	84.480	76.715



# Attachments

— CHAPTER 9



GRI 102-8 Information on employees and other workers						
Contract type	Total number of external workers by contract type, geographical area and gender					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
TMI	3	1	4	4	2	6
Leased staff	0	0	0	0	0	0
Internship	3	1	4	4	2	6
Other collaborators	0	0	0	0	0	0
TFSI and KINTO	20	15	35	21	11	32
Leased staff	6	8	14	2	5	7
Internship	1	4	5	2	4	6
Other collaborators	13	3	16	17	2	19
	On 31 December 2020			On 31 December 2019		
TIM and ANDIE	3	3	6	1	3	4
Leased staff	1	1	2	0	3	3
Internship	0	0	0	0	0	0
Other collaborators	2	2	4	1	0	1

GRI 102-8 Information on employees and other workers						
Part-time/ Full-time	Total number of employees by part-time/ full-time, and gender					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
TMI	151	61	212	153	55	208
Full-time	151	50	201	153	42	195
Part-time	0	11	11	0	13	13
TFSI and KINTO	67	60	127	62	56	118
Full-time	67	55	122	62	50	112
Part-time	0	5	5	0	6	6
	On 31 December 2020			On 31 December 2019		
TIM and ANDIE	27	19	46	27	18	45
Full-time	27	15	42	27	15	42
Part-time	0	4	4	0	3	3

Product/Service category	GRI 204-1 Proportion of spending on local suppliers					
	Proportion of spending on local suppliers by product/service category <sup>44</sup>					
	From 1 April 2020 to 31 March 2021					
	Italy		Abroad		Total	
	Spending	%	Spending	%	Spending	%
TMI	46.148.801	3%	1.455.961.078	93%	1.502.109.879	96%
<i>Purchase of new vehicles, accessories and genuine spare parts</i>	-	0%	1.455.961.078	93%	1.455.961.078	93%
<i>Media and advertising</i>	36.791.459	2%	-	0%	36.791.459	2%
<i>Vehicle recall campaigns</i>	9.357.342	1%	-	0%	9.357.342	1%
TFSI and KINTO	38.672.103	95%	1.486.050	4%	40.555.582	98%
<i>Financial commissions vs. dealer network</i>	24.184.510	59%	-	0%	24.581.938	59%
<i>Operational costs (including Staff Costs, Travel &amp; Communication, Research and Consulting, Other)</i>	6.674.863	16%	980.272	2%	7.655.135	19%
<i>IT Expenses</i>	4.750.012	11%	505.778	1%	5.255.791	13%
<i>Sales &amp; Marketing</i>	3.062.718	7%	0	0%	3.062.718	7%
From 1 January 2020 to 31 December 2020						
TIM and ANDIE	31.589.752	60%	1.923.239	4%	33.512.991	64%
<i>Accidents</i>	18.158.409	35%	-	0%	18.158.409	35%
<i>Commissions</i>	4.609.781	9%	-	0%	-	0%
<i>Administrative costs</i>	6.599.319	12%	1.923.239	4%	8.522.558	16%
<i>Staff costs</i>	1.585.243	3%	-	0%	-	0%
<i>Fees</i>	637.000	1%	-	0%	637.000	1%

<sup>44</sup> For all Toyota companies in Italy the residual percentage of purchases is mainly due to intragroup purchases and to residual purchase categories which are not significant in relation to the total amount. The accounting principle used for the reporting of costs is the principle of economic competence, so that only the costs that relate to and have produced effect in the reporting period, irrespective of the cash flow, were taken into account in calculating the data in the table. With reference to the figures of TIM and ANDIE, the amounts include VAT as it is totally non-deductible.

Product/Service category	GRI 204-1 Proportion of spending on local suppliers					
	Proportion of spending on local suppliers by product/service category					
	From 1 April 2019 to 31 March 2020					
	Italy		Abroad		Total	
	Spending	%	Spending	%	Spending	%
TMI	52.274.676	3%	1.545.692.745	82%	1.597.967.421	85%
<i>Purchase of new vehicles, accessories and genuine spare parts</i>	-	0%	1.545.692.745	82%	1.545.692.745	82%
<i>Media and advertising</i>	37.323.711	2%	-	0%	37.323.711	2%
<i>Vehicle recall campaigns</i>	14.950.965	1%	-	0%	14.950.965	1%
TFSI and KINTO	38.643.582	90%	1.082.677	3%	39.726.259	92%
<i>Financial fees vs. dealer network</i>	23.450.972	55%	-	0%	23.450.972	55%
<i>Operational costs (including Staff Costs, Travel &amp; Communication, Research and Consulting, Other)</i>	6.091.220	14%	953.143	2%	7.044.363	16%
<i>IT Expenses</i>	4.484.235	10%	88.653	0,2%	4.572.888	10%
<i>Sales &amp; Marketing</i>	4.617.155	11%	40.881	0,1%	4.658.037	11%
From 1 January 2019 to 31 December 2019						
TIM and ANDIE	34.814.492	64%	1.623.212	3%	36.437.704	67%
<i>Accidents</i>	22.514.000	41%	-	0%	22.514.000	41%
<i>Commissions</i>	4.194.527	8%	-	0%	4.194.527	8%
<i>Administrative costs</i>	6.024.048	11%	1.623.212	3%	7.647.260	14%
<i>Staff costs</i>	1.205.781	2%	-	0%	1.205.781	2%
<i>Fees</i>	876.135	2%	-	0%	876.135	2%

GRI 401-1 New hires and turnover								
Hiring rate	Hires							
	From 1 April 2020 to 31 March 2021				From 1 April 2019 to 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
<b>TMI</b>	28%	3%	0%	4%	16%	3%	0%	4%
<i>Men</i>	25%	0%	0%	2%	21%	3%	0%	4%
<i>Women</i>	33%	9%	0%	10%	0%	5%	0%	4%
<b>TFSI e KINTO</b>	33%	10%	18%	13%	100%	7%	0%	11%
<i>Men</i>	20%	11%	38%	15%	75%	10%	0%	13%
<i>Women</i>	50%	9%	0%	10%	150%	4%	0%	9%
	From 1 January 2020 to 31 December 2020				From 1 January 2019 to 31 December 2019			
<b>TIM e ANDIE</b>	0%	10%	0%	9%	0%	10%	0%	9%
<i>Men</i>	0%	12%	0%	11%	0%	12%	0%	11%
<i>Women</i>	0%	7%	0%	5%	0%	8%	0%	6%

GRI 401-1 New hires and turnover								
Turnover rate	Turnover							
	From 1 April 2020 to 31 March 2021				From 1 April 2019 to 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
TMI	11%	1%	3%	2%	0%	3%	2%	3%
<i>Men</i>	8%	1%	4%	2%	0%	3%	3%	3%
<i>Women</i>	17%	2%	0%	3%	0%	5%	0%	4%
TFSI and KINTO	0%	3%	24%	6%	0%	4%	0%	3%
<i>Men</i>	0%	2%	50%	7%	0%	2%	0%	2%
<i>Women</i>	0%	4%	0%	3%	0%	7%	0%	5%
From 1 January 2020 to 31 December 2020				From 1 January 2019 to 31 December 2019				
TIM and ANDIE	0%	8%	0%	7%	0%	0%	0%	0%
<i>Men</i>	0%	12%	0%	11%	0%	0%	0%	0%
<i>Women</i>	0%	0%	0%	0%	0%	0%	0%	0%

GRI 405-1 Diversity in the governing bodies and in the workforce								
Percentage of TMI employees	Percentage of employees by professional category, gender and age group							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
Executives	0%	4%	1%	5%	0%	3%	3%	7%
<i>Men</i>	0%	4%	1%	5%	0%	3%	3%	7%
<i>Women</i>	0%	0%	0%	0%	0%	0%	0%	0%
Managers	0%	13%	3%	16%	0%	12%	3%	15%
<i>Men</i>	0%	11%	2%	13%	0%	11%	2%	13%
<i>Women</i>	0%	2%	0%	2%	0%	1%	0%	2%
Employees	8%	57%	14%	79%	11%	53%	14%	78%
<i>Men</i>	6%	38%	9%	53%	8%	36%	9%	53%
<i>Women</i>	3%	19%	5%	26%	2%	17%	5%	25%
Total	8%	74%	17%	100%	11%	69%	20%	100%
<i>Men</i>	6%	53%	12%	71%	8%	50%	15%	74%
<i>Women</i>	3%	21%	5%	29%	3%	18%	5%	26%

Percentage of TFSI and KINTO employees	GRI 405-1 Diversity in the governing bodies and in the workforce							
	Percentage of employees by professional category, gender and age group							
	On 31 March 2021				On 31 March 2020			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
Executives	0%	2%	3%	5%	0%	2%	3%	5%
Men	0%	1%	3%	4%	0%	1%	3%	4%
Women	0%	1%	0%	1%	0%	1%	0%	1%
Managers	0%	11%	4%	15%	0%	12%	5%	17%
Men	0%	8%	2%	9%	0%	8%	3%	11%
Women	0%	3%	2%	6%	0%	3%	3%	6%
Employees	7%	68%	6%	80%	5%	66%	7%	78%
Men	4%	35%	1%	39%	3%	32%	2%	37%
Women	3%	33%	5%	41%	2%	34%	5%	41%
Total	7%	80%	13%	100%	5%	80%	15%	100%
Men	4%	43%	6%	53%	3%	42%	8%	53%
Women	3%	37%	7%	47%	2%	38%	8%	47%

Percentage of TIM and ANDIE employees	GRI 405-1 Diversity in the governing bodies and in the workforce							
	Percentage of employees by professional category, gender and age group							
	On 31 December 2020				On 31 December 2019			
	< 30	30-50	> 50	Total	< 30	30-50	> 50	Total
Executives	0%	2%	4%	7%	0%	0%	2%	2%
Men	0%	2%	2%	4%	0%	0%	2%	2%
Women	0%	0%	2%	2%	0%	0%	0%	0%
Managers	0%	9%	2%	11%	0%	9%	4%	13%
Men	0%	9%	0%	9%	0%	9%	0%	9%
Women	0%	0%	2%	2%	0%	0%	4%	4%
Employees	0%	76%	7%	83%	2%	80%	2%	84%
Men	0%	46%	0%	46%	0%	49%	0%	49%
Women	0%	30%	7%	37%	2%	31%	2%	36%
Total	0%	87%	13%	100%	2%	89%	9%	100%
Men	0%	57%	2%	59%	0%	58%	2%	60%
Women	0%	30%	11%	41%	2%	31%	7%	40%

Number of employees	GRI 405-1 Diversity in the governing bodies and in the workforce					
	Employees belonging to vulnerable groups					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
TMI	9	4	13	10	3	13
Executives	0	0	0	0	0	0
Managers	1	0	1	1	0	1
Employees	8	4	12	9	3	12
TFSI and KINTO	3	6	9	3	6	9
Executives	0	0	0	0	0	0
Managers	0	0	0	0	0	0
Employees	3	6	9	3	6	9
	On 31 December 2020			On 31 December 2019		
TIM and ANDIE	1	0	1	1	0	1
Executives	0	0	0	0	0	0
Managers	0	0	0	0	0	0
Employees	1	0	1	1	0	1

Percentage of employees	GRI 405-1 Diversity in the governing bodies and in the workforce					
	Employees belonging to vulnerable groups					
	On 31 March 2021			On 31 March 2020		
	Men	Women	Total	Men	Women	Total
TMI	4%	2%	6%	5%	1%	6%
Executives	0%	0%	0%	0%	0%	0%
Managers	0%	0%	0%	0%	0%	0%
Employees	4%	2%	6%	4%	1%	6%
TFSI and KINTO	2%	5%	7%	3%	5%	8%
Executives	0%	0%	0%	0%	0%	0%
Managers	0%	0%	0%	0%	0%	0%
Employees	2%	5%	7%	3%	5%	8%
	On 31 December 2020			On 31 December 2019		
TIM and ANDIE	2%	0%	2%	2%	0%	2%
Executives	0%	0%	0%	0%	0%	0%
Managers	0%	0%	0%	0%	0%	0%
Employees	2%	0%	2%	2%	0%	2%

# Materiality – GRI Comparative Table

— CHAPTER 10



		BOUNDARY	
Material topic	GRI Standard	Impact boundary	Toyota Group in Italy involvement
Vehicle emissions and electrification	N/A	Toyota Motor Italia	Caused by TMI
Quality and safety of products and services	Customers health and safety (GRI 416)	Toyota Motor Italia and dealer network	Caused by TMI and directly connected through a business relationship
Customer experience	N/A	Toyota Motor Italia and dealer network	Caused by TMI and directly connected through a business relationship
Environmental impact reduction	Energy (GRI 302); Water and effluents (GRI 303); Emissions (GRI 305); Effluents and waste (GRI 306); Environmental compliance (GRI 307)	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 anticorruption	Anticorruption (GRI 205); Anti-competitive behavior (GRI 206); Socio-economic compliance (GRI 419)	Toyota Motor Italia	Caused by TMI
Community support and development	N/A	Toyota Motor Italia and local communities	Caused by TMI
Employee development and well-being	Employment (GRI 401); Training and education (GRI 404)	Employees and collaborators of Toyota Motor Italia	Caused by TMI
Diversity and equal opportunities	Diversity and equal opportunities 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
Sustainable supply chain	Procurement practices (GRI 204)	Toyota Motor Italy and suppliers	Caused by TMI and directly connected through a business relationship
Innovation and digitalization	N/A	Toyota Motor Italia	Caused by TMI

# GRI Content Index

— CHAPTER 11



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<b>GRI-103: Management Approach (2016)</b>			
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<b>GRI 205: Anticorruption (2016)</b>			
205-3	Confirmed incidents of corruption and actions taken	There were no confirmed cases of corruption during the fiscal year 2021	
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<b>GRI-103: Management Approach (2016)</b>			
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103-2	The management approach and its components	47-48	
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<b>GRI 206: Anti-competitive behaviour (2016)</b>			
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 2021	

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<b>Topic: Effluents and Waste</b>			
<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
103-2	The management approach and its components	62-63; 79-80	
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<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
103-2	The management approach and its components	47-48; 74-77	
103-3	Evaluation of the management approach	170	
<b>GRI 307: Environmental Compliance (2016)</b>			
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 2021	

GRI Standard	Information	Page number/ notes	Omission
<b>400 – SOCIAL SERIES (2016)</b>			
<b>Topic: Employment</b>			
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<b>Topic: Training</b>			
<b>GRI-103: Management Approach (2016)</b>			
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<b>GRI-103: Management Approach (2016)</b>			
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<b>GRI-103: Management Approach (2016)</b>			
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103-2	The management approach and its components	144-146	
103-3	Evaluation of the management approach	144-146; 173	
<b>GRI 406: Non-discrimination (2016)</b>			
406-1	Incidents of discrimination and corrective actions taken	There were no incidents of discrimination during the fiscal year 2021	
<b>Topic: Customer Privacy</b>			
<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
103-2	The management approach and its components	49-53	
103-3	Evaluation of the management approach	49-53	
<b>Topic: Customer health and safety</b>			
<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
103-2	The management approach and its components	123-124	
103-3	Evaluation of the management approach	123-124; 173	
<b>GRI 416: Customer health and safety (2016)</b>			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	During fiscal year 2021, there were no instances of noncompliance regarding health and safety impacts of products and services.	

GRI Standard	Information	Page number/ notes	Omission
<b>Topic: Socioeconomic Compliance</b>			
<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
103-2	The management approach and its components	47-48	
103-3	Evaluation of the management approach	174	
<b>GRI 419: Socioeconomic Compliance (2016)</b>			
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 2021	
<b>Topic: Vehicle emissions and electrification</b>			
<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
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<b>GRI-103: Management Approach (2016)</b>			
103-1	Explanation of the material topic and its Boundary	58-59; 164	
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<b>GRI-103: Management Approach (2016)</b>			
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<b>Topic: New Mobility Solutions</b>			
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<b>Topic: Community Support and Development</b>			
<b>GRI-103: Management Approach (2016)</b>			
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103-2	The management approach and its components	104-109	
103-3	Evaluation of the management approach	104-109	
<b>Topic: Innovation and digitalization</b>			
<b>GRI-103: Management Approach (2016)</b>			
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103-2	The management approach and its components	98-104	
103-3	Evaluation of the management approach	98-104	



"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**