

Toyota Industries Corporation

Supplier Sustainability Guidelines

May 2023

Toyota Industries Corporation

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

(1) Share Basic Management Philosophy

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

■ Creation of Work Environment based on Respect for our Employees

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

■ Monozukuri based on Genchi-Genbutsu

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

■ Relentless Kaizen Efforts

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

■ Two-way Communication

Manufacturing at Toyota Industries is a joint endeavor with suppliers and Toyota Industries.

To succeed in that endeavor, we and our suppliers need to work together.

We must maintain close communication, exchanging ideas frankly and coming to terms with each other on all matters of importance, while facing each other's concerns about environmental changes.

(2) Toyota Industries' Expectations of Suppliers for providing "Products and Services"

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

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

Therefore, our five main expectations are as follows:

Safety

Please produce and provide products and services that meet the safety laws and regulations stipulated in each country and region.

Quality

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

Delivery and Production

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

Cost

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

Technological Capabilities

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

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

We expect suppliers to comply with the following items to undertake sustainability activities.

1) Legal Compliance

<Compliance with Laws and the Spirit thereof>

- Respect the culture, customs, and histories of each country and region, and comply with applicable laws and regulations as well as the spirit thereof.
- Establish and implement policies, structures, and mechanisms for ensuring and verifying legal compliance including a code of conduct, confidential compliance hotline, training, and audits.

<Management and Protection of Confidential Information>

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

<Protection of Intellectual Property>

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

<Compliance with the Competition Laws>

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

<Export Controls>

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

<Anticorruption Measures>

- Comply with applicable laws and regulations concerning political donations or contributions and strive to build transparent and fair relationships with political parties or administrative bodies.
- Comply with domestic and international anti-bribery laws and maintain honest and fair relationships not only in politics and administration but also with business partners.
- Do not engage in acts (conflicts of interest) that unfairly serve the interests of yourself, your acquaintances, business partners, or third parties.
- Do not conduct off-the-book, fictitious or otherwise falsified transactions, or any other similar acts prone to be misconstrued as such, and shall make and keep books, records and accounts (ledger sheets and account ledgers, etc.), which, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets.

2) Labor and Human Rights

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

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

- Respect internationally recognized human rights as stipulated in the "International Bill of Human Rights". In addition, support the United Nations "Guiding Principles on Business and Human Rights", and promote initiatives to respect human rights based on them.
- Establish and continuously implement a Human Rights Due Diligence system in order to fulfill the responsibility to respect human rights.
- Strive to disclose the actions taken for respecting human rights, together with the appropriate measures.
- Develop and operate a practical remediation mechanism or expand the function of existing grievance mechanisms within Japan and other regions.

<No Discrimination, Diversity & Inclusion>

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

<Harassment>

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

<Child Labor>

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

<Migrant Labor, Forced Labor>

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

<Wages and Benefits>

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

<Working Hours>

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

<Freedom of Association>

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

<Safe and Healthy Working Environment>

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

3) Environment

< Promoting Environmental Management >

- Establish an environmental management system to realize a sustainable society which enables the harmonious coexistence of nature with our daily lives, comply with environment-related laws and regulations, and improve environmental performance from the development stage throughout the lifecycle of products.

< Establishing a Carbon Neutral Society >

- Develop products and services with low Greenhouse Gas (GHG) emissions throughout their lifecycles, and reduce GHG emissions through energy conservation activities and utilization of clean energy in all business activities.

< Establishing a Recycling-based Society >

- Design products with consideration for the reduction of raw material usage and recyclability, in product development.
- Minimize consumption of resources, and reduce waste generation as much as possible, while promote effective use of generated waste through recycling in production activities.

< Reducing Environmental Risk>

- Comply with environment-related laws and regulations in terms of products.
- Prevent environmental pollution by reducing the use and emission of substances that may affect the environment and by assessing environmental risks at the planning stage of business activities in terms of production.

< Establishing a Society in Harmony with Nature >

- Assess the impact of business activities on biodiversity and work to conserve it.

4) Risk Management

- Analyze risks related to corporate business activities and build and operate a company-wide management system.
- Formulate a business continuity plan (BCP) for early recovery in response to disasters and accidents.
- Take measures against the threat of cyberattacks, prevent problems such as production stoppages, and prevent the spread of damage to our company and others.

5) Responsible Material Procurement

- Obtain materials with full deliberation and care to avoid the procurement or usage of materials which are unlawful or which are obtained through unethical or otherwise unacceptable means (such as conflicts minerals, cobalt, natural rubber) .
- Understand and support and strive to implement "Policy for Measures for Responsible Mineral Procurement" established by Toyota Industries in response to the recent increase in concerns regarding mineral procurement, and strive to implement it.

Policies and Approaches to Responsible Mineral Sourcing

Toyota Industries Corporation and its subsidiaries promote acquisition of materials with full deliberation and care to avoid the procurement or usage of materials which are unlawful or which are obtained through unethical or otherwise unacceptable means. We recognize that the situation surrounding conflict minerals originating in Covered Countries is a significant social issues in supply chains. We pursue procurement and usage that are free from conflict minerals originating in Covered Countries and relating to illegal conduct including human rights infringement. We also recognize that human rights abuses such as child labor in the procurement of cobalt, etc. are a serious social problem, and we pursue procurement activities that do not include minerals that are suspected of being involved in such abuses. To achieve such procurement and usage, we conduct inquiries tracing back through our supply chains and confirm if such minerals are used. In addition, we take appropriate steps to discontinue procurement of materials that can cause social problems such as human rights violations or financing of armed groups, if such usage is detected. Based on mutually beneficial relationships, we ask our suppliers to understand our policies and approaches and to conduct responsible material procurement.

6) Local/Global Community

<Social Contribution>

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

<Disclosure of Information to Stakeholders>

- Strive to disclose to stakeholders such information as is pertinent to them, including management,

financial condition, environmental preservation, community and social contribution, in a timely and fair manner and to build and maintain positive relationships with stakeholders through open and fair communication.

4. Developing and Deploying Policies and Guidelines for Business Partners

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

5. Compliance with Sustainability Guidelines

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

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