

**TOYOTA**

Supplier **CSR** Guidelines

**TOYOTA**

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**TOYOTA MOTOR CORPORATION**

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## I. Introduction

Since its establishment in 1937, Toyota Motor Corporation has continuously strived to work with its subsidiaries and affiliated companies to contribute to the sustainable development of the society and the earth by providing high-quality and innovative products and services.

In the midst of changing social trends over the years, Toyota has faced various difficulties but in response, based on the recognition "Solid policies are important to find the way to proceed especially when the environment surrounding us is drastically changing ", Toyota has summarized its management philosophy, values and methods that have been developed since its establishment into what is known as the "Guiding Principles at Toyota " (originally issued in 1992, revised in 1997).

The concepts stated in the "Guiding Principles at Toyota" was summarized with regard to social responsibilities to our stakeholders and "Toyota CSR Policy" was published in August 2008.

The preface of "Toyota CSR Policy" explicitly refers to our expectations for our business partners to support its initiative and to act in accordance with it. We have relied on implicit knowledge and a tacit understanding regarding some matters based on our relationship of mutual trust. The "Supplier CSR guideline" was published in February 2009 to hand its heart and mind down to the following generations even in an environment that may be significantly different in the future.

However, since today the expectations toward global companies for the enhancement of CSR activities is increasing, especially in the area of approaches for the prevention and the correction of human rights and labor issues in the supply chain, we decided to revise this "Supplier CSR guideline" to show our Purchasing Policies for CSR that has been working with our supplies.

To support our suppliers we have provided these guidelines and we respectfully ask for their full support to obtain a deep and comprehensive understanding of the contents, to comply with the letter and spirit of applicable laws and regulations and to engage in regular initiatives to develop their own policies and guidelines regarding their suppliers.



**Yasumori Ihara**

Director, Senior Managing Officer  
Chief Officer, Purchasing Group

## II. Guiding Principles at Toyota / Toyota CSR Policy

### Guiding Principles at Toyota

1. Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.
3. Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
5. Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.
6. Pursue growth in harmony with the global community through innovative management.
7. Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

(Originally issued in 1992, revised in 1997)

### Toyota CSR Policy

#### Contribution towards Sustainable Development (Revised/ Issued August, 2008)

We, TOYOTA MOTOR CORPORATION and our subsidiaries, take initiative to contribute to harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, based on our Guiding Principles.

We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity.

In order to contribute to sustainable development, we believe that management interacting with its stakeholders as described below is of considerable importance, and we will endeavor to build and maintain sound relationships with our stakeholders through open and fair communication.

We expect our business partners to support this initiative and act in accordance with it.

#### <Customers>

■Based on our philosophy of "Customer First", we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the world. (Guiding Principles 3 and 4)

■We will endeavor to protect the personal information of customers and everyone else we are engaged in business with, in accordance with the letter and spirit of each country's privacy laws. (Guiding Principles 1)

#### <Employees>

■We respect our employees and believe that the success of our business is led by each individual's creativity and good teamwork. We stimulate personal growth for our employees. (Guiding Principles 5)

■We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them. (Guiding Principles 5)

■We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. (Guiding Principles 5)

■We respect and honor the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced or child labor. (Guiding Principles 5)

■Through communication and dialogue with our employees, we build and share the value "Mutual Trust and Mutual Responsibility" and work together for the success of our employees and the company.

We recognize our employees' right to freely associate, or not to associate, complying with the laws of the countries in which we operate.(Guiding Principles 5)

■Management of each company takes leadership in fostering a corporate culture, and implementing policies, that promote ethical behavior. (Guiding Principles 1 and 5)

#### <Business Partners >

■We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust. (Guiding Principles 7)

■Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths. (Guiding Principles 7)

■We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws. (Guiding Principles 1 and 7)

#### <Shareholders>

■We strive to enhance corporate value while achieving a stable and long-term growth for the benefit of our shareholders. (Guiding Principles 6)

■We provide our shareholders and investors with timely and fair disclosure on our operating results and financial condition. (Guiding Principles 1 and 6)

#### <Global Society/Local Communities>

##### Environment

■We aim for growth that is in harmony with the environment by seeking to minimize the environmental impact of our business operations, such as by working to reduce the effect of our vehicles and operations on climate change and biodiversity. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously, and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. (Guiding Principles 3)

##### Community

■We implement our philosophy of "respect for people" by honoring the culture, customs, history and laws of each country. (Guiding Principles 2)

■We constantly search for safer, cleaner and superior technology that satisfy the evolving needs of society for sustainable mobility. (Guiding Principles 3 and 4)

■We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities. (Guiding Principles 1)

##### Social Contribution

■Wherever we do business, we actively promote and engage, both individually and with partners, in social contribution activities that help strengthen communities and contribute to the enrichment of society. (Guiding Principles 2)

## III. Basic Policies at Toyota Purchasing

All Purchasing at Toyota is oriented toward creating vehicles that will earn the satisfaction of customers. It takes place in accordance with the following three policies:

### 1. Fair competition based on an open-door policy

Toyota is open to any and all suppliers, regardless of nationality, size, or whether they have done business with us before. Our choice of suppliers is purely on the basis of business considerations. We evaluate the overall strengths of prospective suppliers, including their quality, technological capabilities, and reliability in delivering the required quantities on time.

Also, we evaluate their potential strengths, as evidenced in such ways as their amenability to continuing, kaizen improvements. In addition, we evaluate suppliers' commitment to addressing social expectations, especially in regard to environmental issues.

### 2. Mutual benefit based on mutual trust

We believe in developing mutually beneficial, long-term relationships based on mutual trust. To foster that trust, we pursue close and wide-ranging communication with suppliers.

### 3. Contributing to local economic vitality through localization: good corporate citizenship

Our production outside Japan is increasing rapidly as we globalize our operations. We work to make an economic and industrial contribution that is fully commensurate with our market presence in each region. That includes purchasing parts, materials, tools, equipments and others from local suppliers.

## IV. Supplier CSR Guidelines

At Toyota, 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

Automobile manufacturing at Toyota is a joint endeavor with suppliers and Toyota. To succeed in that endeavor, we and our suppliers need to work together as a single company. We must maintain close communication, exchanging ideas frankly and coming to terms with each other on all matters of importance.

## **(2) Toyota's 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 that address the customers' needs and wants of today and tomorrow. Therefore, our five main expectations are as follows:

### **Safety**

Manufacturing is carried out by people, so it is most important to secure a safe environment for people to carry out manufacturing without worry. In a safe working environment, workers can concentrate their efforts on manufacturing, and make products of good quality.

### **Quality**

Our highest priority at Toyota 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 vehicle quality. We appreciate suppliers' understanding that quality is an absolute prerequisite for our business, and we assume that all Toyota suppliers will devote themselves to quality in development and production.

### **Delivery and Production**

We at Toyota 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 dramatic cost reduction.

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

We expect suppliers to comply with the following items to undertake CSR activities. We also expect suppliers to deepen and expand CSR initiatives with business partners by developing and deploying individual CSR policies and guidelines incorporating the following items:

### **1) Legal Compliance**

#### **<Compliance with Laws and the Spirit thereof>**

- Comply with applicable laws and regulations of each country and region as well as the spirit thereof.
- Establish and implement policies, structure and mechanisms for ensuring and verifying legal compliance including a code of conduct, confidential compliance hotline and training.

#### **<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.

#### **<Protection of Intellectual Property>**

- Continually monitor and protect all intellectual property of the company against any infringement by others.
- Do not infringe the intellectual property (such as patents, utilities, designs and trademarks) of others, illegally use such intellectual property 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.
- Do not engage in giving or receiving presents, entertainment or money with customers, suppliers and other business partners in order to acquire or maintain unjust interest or wrongful preferential treatment.

## 2) Human Rights/Labor

### <Non-Discrimination>

- Do not discriminate on the basis of personal characteristics protected by local applicable laws and regulations, such as race, ethnic and national origin, religion, age, gender, etc.-with regards to all aspects of employment, including application process, hiring, promotion, compensation, access to training, job assignment, wages, benefits, discipline, termination and/or retirement.

### <Respect and Dignity – Harassment>

- Do not tolerate any form of harassment in the workplace based upon the personal characteristics protected by local applicable laws and regulations, such as race, ethnic and national origin, religion, age, gender, etc.
- 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 use child labor.
- 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.
- Do not use employee under 18 years of age for hazardous work.
- Bona fide job training or apprenticeship programs permitted under the local applicable laws and regulations may be allowed.

### <Forced Labor>

- Do not use forced labor.
- Ensure that all work is voluntary and employees are free to leave work or terminate their employment.
- Do not require employees, who must work in a legal status, to surrender passports, government-issued identifications, or work permits as a condition of employment.

### <Wages and Benefits>

- Pay wages in compliance with local applicable laws and regulations, including those relating to minimum wages, overtime hours, deduction 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 governing employees' working hours, including overtime work.

### <Freedom of Association>

- Recognize employees' right to freely associate, or not to associate, complying with local applicable laws and regulations in which we operate.
- Ensure employees 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) Local/Global Community

### <Environment>

- Pursue growth in harmony with the environment and aim for zero-emissions in your business activities.
- Establish an Environmental Management System(EMS) that can promote environmental preservation activities and continuously improve them, in addition to comply with applicable environmental laws and regulations in each country.
- Promote proper management for environmental substances of concern as well as improving environmental performance.  
(Refer to the Green Purchasing Guidelines of each region/country)

### <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\*) . We expect suppliers to take appropriate steps to discontinue procurement of these materials if usage is detected.  
\*Minerals originating from the DRC and neighboring countries that have directly or indirectly contributed to the financing of armed groups.

### <Social Contribution>

- Strive to pay attention to the societal 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.

### **Developing and Deploying Policies and Guidelines for Business Partners**

- Strive to deepen and expand CSR initiatives with business partners (e.g., tier 2 level) by developing and deploying individual CSR 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.