

May 23, 2024

Toyota Motor Manufacturing Canada Inc.**&****Toyota Motor Engineering & Manufacturing North America, Inc.****Report on Efforts to Prevent & Reduce the Risk of Forced & Child Labour in Supply Chains***For the financial year ended March 31, 2024*

I. Introduction

This is the first joint report to be filed by Toyota Motor Manufacturing Canada Inc. (“**TMMC**”) and Toyota Motor Engineering & Manufacturing North America, Inc. (“**TEMA**”) under Canada’s *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”). The Act came into force in Canada on January 1, 2024. Its goal is to implement Canada’s international commitment to contribute to the fight against forced labour and child labour through the imposition of reporting obligations on entities producing goods in Canada or elsewhere or importing goods produced outside Canada. The Act is part of a broader global effort to prevent and combat forced and child labour, an effort that TMMC and TEMA are committed to supporting.

This report reflects TMMC and TEMA’s commitment to implementing and endorsing responsible business practices to prevent and reduce the risk of forced labour or child labour in our supply chains. This report sets out TMMC and TEMA’s plans to maintain and further develop a robust forced and child labour compliance program to prevent human rights abuses within our businesses and supply chains.

II. Operational Structure

(a) Structure & Activities

TMMC is Toyota’s vehicle assembly operation in Ontario. TMMC has three separate production lines: two in Cambridge, Ontario and one in Woodstock, Ontario. With more than 5.4 million square feet across the facilities, TMMC employs over 8,500 team members and has produced more than 10 million vehicles. TMMC currently produces the Toyota RAV4 and RAV4 Hybrid, the Lexus NX and NX Hybrid, and the Lexus RX and RX Hybrid.

TMMC is a corporation incorporated under the Canada Business Corporations Act (Corporation Number 201602-28) and is a wholly owned subsidiary of Toyota Motor Corporation (“**TMC**”), a publicly listed automotive company based in Toyota City, Japan and one of the largest automobile manufacturers globally. TMMC’s Business Number is 105336598RC0001 and its financial reporting year is April 1 to March 31. TMMC exceeds all three of the size-related thresholds in the definition of entity in section 2 of the Act.

Toyota’s operations in North America, encompassing manufacturing, parts supply, sales, marketing, research and development, and corporate operations, are overseen by Toyota Motor North America Inc. (“**TMNA**”). TMNA is also a subsidiary of TMC.

Vehicles assembled at TMMC are sold and shipped to two sales companies, Toyota Canada Inc. (“**TCI**”), the exclusive distributor of Toyota and Lexus vehicles in Canada, and Toyota Motor Sales U.S.A. Inc. (“**TMS**”), the sales, marketing, distribution, and customer service arm for Toyota in the continental United States.

TEMA is the corporate entity with responsibility for, among other things, the procurement of production parts, machinery and equipment used in the assembly of vehicles and administration of Toyota’s North American production operations.

TMMC (which focuses on vehicle assembly) and TCI (which focuses on sales and distribution) are generally run as separate businesses. Accordingly, TCI will be filing its own report under the Act.

(b) Supply Chains

TMMC acquires parts from TMC and other Toyota group companies that are wholly owned, directly or indirectly, by TMC. In particular, TMC’s primary subsidiary in the United States is TMNA. TMNA indirectly owns all of Toyota’s assembly plants in the United States and Mexico.

TMMC has approximately 680 direct vendors who provide products that are used for vehicle production and approximately 2800 indirect vendors who provide products and services that are used in the company’s operations. The vast majority of TMMC’s annual procurement is focused on parts from direct vendors. For the fiscal year ended March 31, 2024, 88.5% of spending was for direct vendor parts procurement.

Sourcing and purchasing agreements for direct vendors are facilitated through TMNA. Accordingly, Part III of this report, below, addresses actions taken by Toyota companies at a global level to prevent and reduce the risk that forced labour and child labour are used in our supply chains.

TMMC is responsible for the proactive inventory and supplier management from indirect vendors. This includes raw materials, machinery and equipment, spare parts, and various miscellaneous items that are required to support both the manufacturing of current vehicles and the development of future models.

This TMMC-specific supply chain accounts for a relatively small portion of TMMC’s total annual spending. A summary of actions taken by TMMC to prevent and reduce the risk that forced labour and child labour are used in this supply chain is set out below in Part III of this report.

(c) TEMA Activity at TMMC

TEMA is a Kentucky corporation (Organization Number 0422100) that has certain responsibility for Toyota’s North American vehicle production facilities. In this capacity, TEMA supports the manufacturing operations of TMMC through the provision of production engineering services and assistance in the procurement and installation of machinery and equipment at TMMC. The production engineering services at TMMC are performed largely through members who are directly employed by TMMC but who fit within the reporting structure of TEMA. In addition, TEMA acts as a non-resident importer into Canada for certain parts containers that are brought into Canada on a temporary basis, again, in support of TMMC production operations.

Although TEMA’s operations, supply chain, and services within Canada are extremely small compared to the whole of TMMC’s operations in Canada, as a taxpayer in Canada and given that it acts as non-resident importer in Canada, TEMA understands that it may trigger the reporting requirements under the Act. In the absence of clear guidance confirming that it is not required to report under the Act,

TEMA considers it prudent to file this joint report alongside TMMC and to describe its own measures to prevent child and forced labor in its supply chain.

III. Policies and Due Diligence Processes in Relation to Forced and Child Labour

a. Toyota Group-Wide Measures

For the purposes of this section of this Report, the term “Toyota” refers to TMC and its various wholly owned direct and indirect subsidiaries (including without limitation TMMC, TEMA and TMNA).

At the core of Toyota’s corporate culture is a dedication to protecting and improving the human rights of Toyota’s employees, customers and other stakeholders. Toyota has a number of measures in place to prevent and lessen the risk of forced and child labour in our supply chains. Such measures include the following:

- (a) **United Nations Guiding Principles on Business and Human Rights:** Toyota refers to and respects the United Nations Guiding Principles on Business and Human Rights (UNGP), and promotes activities related to human rights based on these guidelines.
- (b) **Human Rights Policy:** Toyota’s Human Rights Policy applies to all executives and employees at Toyota and its subsidiaries. Toyota also expects its business partners, including its suppliers, to understand and support this policy, and to work with Toyota to ensure that their business operations respect this policy. A copy of the Human Rights Policy can be found here: <https://global.toyota/en/sustainability/>
- (c) **Supplier Sustainability Guidelines:** Toyota has implemented Supplier Sustainability Guidelines that set out Toyota’s sustainability expectations of its suppliers in the areas of business ethics, legal compliance, labour and human rights, and environmental sustainability. The Supplier Sustainability Guidelines are cascaded to first tier suppliers, and Toyota expects such suppliers to embed the Supplier Sustainability Guidelines in their own operations and to disseminate the guidelines and requirements to their own supply chains.
- (d) **Human Rights Due Diligence:** Toyota continuously identifies and assesses risks related to human rights impacts on stakeholders, while ensuring mitigation and preventative measures are implemented. Toyota conducts continuous risk monitoring operations, which include business partner collaboration, affected stakeholder consultations, and Human Rights risk research. Toyota develops risk mitigation plans through collaboration with the affected stakeholders while also being guided by specialist external bodies.
- (e) **Initiatives for Migrant Labour / Forced Labour:** As part of its due diligence activities, TMC has been working with non-governmental organizations (NGOs) to ensure fair working conditions for migrant workers within its affiliates and suppliers, both inside and outside Japan. TMC has developed guidelines to help eliminate possible exploitation by unscrupulous employment agencies charging high recruitment fees, and to ensure

freedom of movement, fair treatment, and proper employment contracts for migrant workers. A task force was assembled to conduct surveys on matters such as numbers of migrant workers, countries of migration, and possible issues in the recruitment and/or repatriation process.

- (f) **JP-MIRAI:** TMC is a founding member in the establishment of the “Japan Platform for Migrant Workers toward a Responsible and Inclusive Society (JP-MIRAI)” which has now grown to be a multi-stakeholder framework for resolving issues faced by migrant workers in Japan. In May 2023, JP-MIRAI officially started operating a grievance mechanism for migrant workers after a one-year pilot program. TMC supports and cooperates with this mechanism that aims to resolve issues in an appropriate and timely manner.
- (g) **Prevention of Child Labour:** Toyota has undertaken an initiative to enhance due diligence activity in the high-risk sector of child labour in our business operations and supply chain.

For more information on these and other TMC initiatives, the full text of Toyota’s Human Rights Policy, Toyota’s Supplier Sustainability Guidelines, and Toyota’s Sustainability Data Book can be found here:

<https://global.toyota/en/sustainability/>

In addition, a report on Toyota’s Action Taken for Forced Labour of Migrant Workers (Statement on Modern Slavery Acts) can be found here:

https://global.toyota/pages/global_toyota/sustainability/human-rights/statement_on_the_modern_slavery_acts_en.pdf

TMC’s subsidiary in Australia has also filed reports under Australia’s Modern Slavery Act 2018 (No. 153, 2018). The latest of these reports is available here:

<https://www.toyotamaterialhandling.com.au/media/3lol4new/modern-slavery-statement-fy23.pdf>.

b. TMMC-Specific Measures

During the fiscal year ended March 31, 2024, TMMC has taken the following actions to prevent and reduce the risk that forced labour or child labour is used in our supply chains:

1. **List of Current Suppliers:** TMMC’s Purchasing Department has created a list of all current suppliers to TMMC. We have identified more than 2800 indirect vendors.
2. **Forced and Child Labour Policy Creation:** Created a Forced and Child Labour Policy, reiterating TMMC’s commitment to the elimination of modern slavery and emphasizing TMMC’s expectation of its business partners. This policy was communicated across our organization and posted on the TMMC’s internal website.
3. **Vendor Terms and Conditions Confirmation:** Ensured that the Terms and Conditions utilized for both direct and indirect TMMC vendors and suppliers include contractual language prohibiting the use of forced labour or child labour in the manufacture, production, performance, acquisition, delivery, or supply of goods and services to TMMC or other Toyota affiliates.

4. **Associate Training Development:** TMMC scheduled training regarding forced labour and child labour for TMMC associates in our purchasing department, which we have assessed as the department most likely to be impacted by the risk of forced and child labour. The training took place on April 25, 2024.
5. **Initiate Planning for Further Actions:** TMC has initiated development of a strategy to further prevent and reduce the risk that forced labour or child labour is used in our supply chains. In the coming fiscal years, we will focus on further refining and implementing our strategy.

c. TEMA-Specific Measures

In addition to the above Toyota Group-Wide Measures, TEMA has also implemented processes and programs that are specific to its supply chain and supplier relationships. These include:

- (1) **Supplier Sustainability Guidelines** – TEMA has established Supplier Sustainability Guidelines that cover a wide range of supply chain sustainability principles and expectations including ethics, environmental sustainability and forced labor. These guidelines and requirements are communicated to suppliers and posted to a publicly-accessible website dedicated to procurement matters ([Supplier Guides \(toyotasupplier.com\)](https://toyotasupplier.com)).
- (2) **Supplier Contractual Terms & Conditions** – TEMA maintains terms and conditions with its suppliers of parts, equipment, components, machinery and other goods. These contractual documents prohibit the use of child and forced labor by our suppliers. These requirements also flow down to subsuppliers and contractors.
- (3) **Supplier Communication, Investigation & Mapping** – TEMA has engaged its parts and components suppliers consistently over the course of several years on issues of supply chain sustainability and risk management. This has included communications requests for information, support in mapping the entire parts supply chain and other matters. TEMA continues to work with parts suppliers to establish a thorough mapping of the parts supply chain to ensure sustainability and risk management. In addition, in 2023, TEMA conducted a review of all of its direct suppliers to verify that they have systems in place intended to comply with their applicable age-based employment laws.”
- (4) **Supplier Training** – TEMA has conducted training for suppliers on topics of sustainability and has specifically educated suppliers on matters of forced and child labor and supply chain mapping.
- (5) **Employee Training** – TEMA has educated key staff members and stakeholders on the laws and regulations surrounding relevant and applicable labor laws related to supply chains. This has been in the form of reading laws, regulations, government-issued guidelines, non-governmental organization reports, receiving advice and counsel from legal experts, attending seminars or meetings to learn about the tools and methods used in supply chain due diligence, among other measures. TEMA and TMNA also maintains policies and educational materials made available to all employees on the topics of ethical conduct of business and child labor issues. Importantly, TEMA and TMNA also maintains a Speak Up Line which allows employees and contractors to raise issues and concerns anonymously on any topic of ethical or legal compliance or otherwise.
- (6) **Review & Monitoring of Reports and Data** – To aid in its investigation and monitoring of its own supply chain, TEMA also monitors reports and data published by the government agencies and nongovernment organizations covering topics related to forced and child labor.

- (7) **Assessment of Effectiveness** – Lastly, TEMA cooperates closely with TMMC and our other affiliates to ensure these principles are adopted across the enterprise and to assess the effectiveness of our measures. Our tools in measuring the success of our compliance systems include feedback from our suppliers, feedback from experts through benchmarking activities, engaging with industry and government officials, among several other measures.

IV. Risk Assessment

TMMC and TEMA recognize that the automotive supply chains have a risk of forced labour and child labour. Parts sourcing and supply agreements for direct suppliers, which account for 88.5% of TMMC procurement value, is administered by TMNA. A description of efforts undertaken at a global level by TMC and its subsidiaries to prevent and reduce the risk that forced labour or child labour is used in their respective supply chains is set out above in Part III of this report.

The supply chains for indirect vendors can reasonably be considered at low risk for forced labour and child labour. In addition to accounting for a small percentage of TMMC's annual expenditure, these vendors largely supply goods and services to support the professional and administrative functions of the organization. However, there are some indirect vendors that carry some risk of forced labour or child labour, namely those that supply raw materials, machinery, or equipment, or spare parts, and service providers that provide physical services to TMMC such as catering services and janitorial services. These risks will be addressed in TMMC's forced and child labour compliance plan as described above in Part III(b) of this report (*TMMC-Specific Measures*). The geographical reach of TMMC and TEMA's supply chain is global and highly dependent on specific product and service categories. Accordingly, TMMC and TEMA are focusing efforts based on a risk-based approach as recommended by government agencies that administer the relevant labor and supply chain laws.

The foregoing largely applies to TEMA as well in that parts procurement flows through TMNA, TEMA's corporate parent. The TEMA-specific measures described above include close supplier engagement and prioritization of risk in supply chain sustainability and management.

V. Risk Management and Mitigation

Both TEMA and TMMC's compliance plans are being designed to allow us to identify those activities and supply chain elements that carry a risk of forced or child labour, and to specify the appropriate steps to assess and manage those risks. To date, neither TEMA nor TMMC have identified any instances of forced or child labour in our supply chains, and so we have not undertaken any measures to remediate any forced or child labour, nor have we undertaken any measures to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced or child labour in our supply chains. As we continue to develop and implement our compliance plan, we expect to have greater visibility into these issues and any remediation measures they may necessitate.

VI. Assessing the Effectiveness of Our Actions

TMMC and TEMA are committed to ensuring that actions we take to prevent and reduce the risk of forced and child labour in our supply chains are effective. In the coming fiscal year, we will closely

monitor the development and implementation of our compliance strategy. In addition to the assessment measures mentioned above, this will be done through the continued reflection of and updating to our materials and other efforts described herein. TMMC and TEMA have dedicated staff and job functions that incorporate the consistent monitoring of laws, regulations, media reports and other materials which, in turn, aid in our continued understanding of our own compliance effectiveness. We also receive feedback from experts, legal counsel and others on the trends and best practices industry wide. In addition to the measures described here and above, we are committed to exploring and identifying additional measures of assessing the effectiveness of our programs.

VII. Collaboration with Our Affiliates


TMMC will continue to collaborate with other Toyota companies, in Canada (TCI), in North America (TMNA and TEMA), and worldwide, to identify best practices to prevent and reduce the risk of forced and child labour in our supply chains.

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ATTESTATIONS

Toyota Motor Manufacturing Canada Inc.

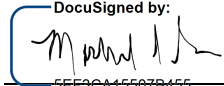
In accordance with the requirements of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Toyota Motor Manufacturing Canada Inc. Based on my knowledge, and having exercised reasonable diligence, I attest that the report has been approved by the board of directors and that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Signature: 
Name: Frank Voss
Title: President & Director
Date: 5/24/2024

I have the authority to bind Toyota Motor Manufacturing Canada Inc.

Toyota Motor Engineering & Manufacturing North America, Inc.

In accordance with the requirements of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for Toyota Motor Engineering & Manufacturing North America, Inc. Based on my knowledge, and having exercised reasonable diligence, I attest that the report has been approved by the board of directors and that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Signature: 
Name: Mike Sweers
Title: Executive Vice President & Director
Date: 5/24/2024

I have the authority to bind Toyota Motor Engineering & Manufacturing North America, Inc.