

**Toyota Canada 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 report to be filed by Toyota Canada Inc. (“**TCI**”) 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 TCI is committed to supporting.

This report reflects TCI’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 TCI’s plans to develop a robust forced and child labour compliance program, and places that initiative within the broader context of the actions taken by Toyota Motor Corporation and its production sites, both in Japan and North America, to prevent human rights abuses within our businesses and supply chains.

II. Operational Structure

**(a) Structure & Activities**

For nearly 60 years, TCI has been the exclusive distributor of ‘Toyota’ and ‘Lexus’ vehicles and genuine parts in Canada. TCI is a subsidiary of Toyota Motor Corporation (“**TMC**”), a publicly listed automotive company based in Toyota City, Japan. TMC owns 51% of TCI.

TCI purchases vehicles and genuine parts from TMC and certain of its wholly owned North American subsidiaries. TCI then wholesales these vehicles and genuine parts to a network of 287 independently owned and operated franchised dealerships located across Canada.

In addition to distributing vehicles and genuine parts to our network of independent dealers, TCI is also responsible for marketing and promoting the ‘Toyota’ and ‘Lexus’ brands in Canada.

Toyota Motor Manufacturing Canada, Inc. (“**TMMC**”) is a vehicle assembly operation in Ontario. TMMC has three separate production lines: two in Cambridge, Ontario and one in Woodstock, Ontario. The 5.4 million square foot facility employs over 8,500 team members and has produced over 10 million vehicles. Vehicles assembled at TMMC are sold throughout North America. TMMC is a wholly owned subsidiary of TMC and currently produces the Toyota RAV4 and RAV4 Hybrid, the Lexus NX and NX Hybrid, and the Lexus RX and RX Hybrid.

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

### **(b) Supply Chains**

TCI is the national sales, marketing, and distribution company for 'Toyota' and 'Lexus' in Canada, focused on distributing vehicles and genuine parts, managing the franchise retail network, supporting customers, and the promotion of the 'Toyota' and 'Lexus' brands. As such, the vast majority of TCI's annual spending is focused on buying 'Toyota' and 'Lexus' vehicles and genuine parts from TMC and certain of its wholly owned North American subsidiaries. For example, in the fiscal year ended March 31, 2023, 85% of TCI's total spending was in respect of purchases of vehicles and parts from TMC and its North American subsidiaries. As of the date of this report a comparable percentage for the fiscal year ended March 31, 2024 is not yet available, but for the 10 months ended January 31, 2024, the corresponding percentage is 84%. Accordingly, Part III of this report, below, addresses actions taken by TMC and its North American subsidiaries to prevent and reduce the risk that forced and child labour are used in our supply chains.

TCI also has a separate supply chain that we manage directly. This supply chain relates to activities typically taken by a local automotive distributor, and consists largely of marketing and advertising agencies, information technology services, transportation services, automotive accessories, and professional services. This TCI-specific supply chain accounts for a relatively small portion of TCI's total annual spending. A summary of actions taken by TCI 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.

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

The Toyota and Lexus vehicles and genuine parts that are distributed by TCI are the product of a corporate culture dedicated to protecting and improving the human rights of Toyota's employees, customers, other stakeholders. TCI acquires vehicles and most genuine parts from TMC and its wholly-owned North American subsidiaries.

TMC and its North American subsidiaries have a number of measures in place to prevent and lessen the risk of forced & child labour in their supply chains. For the purposes of this portion of this Report, the term "Toyota" refers to TMC and its production facilities in Japan and North America. 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 them to their own supply chain.

- (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 an agreement 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 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](https://global.toyota/pages/global_toyota/sustainability/human-rights/statement_on_the_modern_slavery_acts_en.pdf)

During the fiscal year ended March 31, 2024, TCI 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:** TCI's Procurement Department has created a list of all current suppliers to TCI. We have identified approximately 860 suppliers.
2. **Updated Vendor Agreement for Accessories Suppliers:** The template Vendor Agreement for use with suppliers of automotive accessories has been updated with contractual language that requires vendors to take steps to prevent and reduce the risk that forced labour or child labour is used in their supply chains.
3. **Updated Vendor Code of Conduct:** TCI's Procurement Department requires TCI's vendors to comply with a Vendor Code of Conduct. TCI has updated the Vendor Code of Conduct to require vendors to take steps to prevent and reduce the risk that forced labour and child labour is used in their supply chains.
4. **Associate Training:** TCI has scheduled training regarding forced labour and child labour for TCI associates in our procurement, accessories, and service marketing departments, which we have assessed as the departments most likely to be impacted by risk of forced and child labour. The training is scheduled to take place by April 30, 2024.
5. **Initiate Planning for Further Actions:** TCI 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.

#### IV. Risk Assessment

TCI can reasonably be considered at low risk for forced labour & child labour. This is largely because the majority of the activities carried out by TCI are in the nature of professional and administrative services. However, there are some aspects of TCI's business that carry some risk of forced labour or child labour, primarily among third-party suppliers of manufactured goods such as automotive accessories, automotive service parts, and promotional marketing goods procured directly by TCI (as opposed to our global affiliates), and service providers that provide physical services to TCI such as catering services and janitorial services. These risks will be addressed in TCI's forced and child labour compliance plan as described above in Part III of this report.

TCI acquires vehicles and most parts from TMC and certain of its wholly owned North American subsidiaries. Toyota recognizes that automotive supply chains have a risk of forced labour and child labour. A description of efforts undertaken by TMC and its production facilities in Japan and North America 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.

#### V. Risk Management and Mitigation

TCI's compliance plan is 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 TCI has not 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 will have greater visibility into these issues and any remediation measures they may necessitate.

VI. Assessing the Effectiveness of our Actions

TCI is committed to ensuring that actions that 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.

VII. Collaboration with our Affiliates

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

VIII. Approval

This report has been approved by the board of directors of TCI.

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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 the entity or entities listed above. Based on my knowledge, and having exercised reasonable diligence, I attest 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.

Signed: Larry Hutchinson  
Title: President & CEO  
Date: April 19, 2024

*I have the authority to bind Toyota Canada Inc.*