

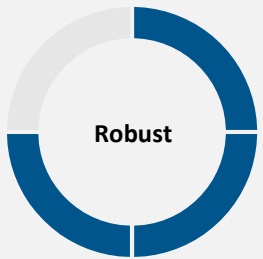
SECOND PARTY OPINION

on the sustainability of Toyota Motor Corporation's Woven Planet Bond Framework (Sustainability Bond Framework)

V.E is of the opinion that Toyota Motor Corporation's Woven Planet Bond Framework is aligned with the four core components of the Green Bond Principles 2018 ("GBP"), Social Bond Principles 2020 ("SBP") and Sustainability Bond Guidelines 2018 ("SBG").

Framework

Contribution to Sustainability:



☐ Advanced
 ☐ Limited
 ☒ Robust
 ☐ Weak

	Weak	Limited	Robust	Advanced
Expected impacts				
ESG risks management				

SDG Mapping



Characteristics of the Framework

Green and Social Project Categories	⇒ Safety Technology ⇒ Vehicles for the elderly and people with disabilities ⇒ Clean Transportation ⇒ Renewable Energy
Project locations	204 countries and regions
Target population	Global (Toyota customers, drivers, passengers and pedestrians)
Existence of framework	Yes
Share of refinancing	Reporting provided on fiscal year basis
Look back period	36 months

Issuer

Controversies

Number of controversies	- Toyota Motor Corporation or its consolidated companies have 9 controversies - Toyota Motor Corporation's affiliated companies have 7 controversies*. Toyota Motor Corporation does not have direct management or controlling relationship either formally or substantively over these companies.
Frequency	Frequent
Severity	Critical
Responsiveness	Reactive

* V.E controversies screening includes companies with at least 20% voting or equity rights stake.

Controversial Activities

The Issuer appears to be involved in 7 of the 17 controversial activities screened under our methodology:

- | | | | | |
|--|---|---|--|---|
| <input checked="" type="checkbox"/> Alcohol | <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Coal | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input checked="" type="checkbox"/> Animal welfare | <input type="checkbox"/> Civilian firearms | <input type="checkbox"/> Gambling | <input checked="" type="checkbox"/> Human embryonic stem cells | <input checked="" type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input checked="" type="checkbox"/> Fossil fuels industry | <input checked="" type="checkbox"/> Genetic engineering | <input checked="" type="checkbox"/> Military | <input type="checkbox"/> Unconventional oil and gas |
| | | | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Tobacco |

Coherence

Coherent
Partially coherent
Not coherent

We are of the opinion that the Framework is coherent with Toyota Motor Corporation's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Keys findings

V.E is of the opinion that Toyota Motor Corporation's Framework is **aligned** with the four core components of the GBP and SBP.

Use of Proceeds –aligned with GBP and SBP

- Eligible categories are clearly defined. The issuer has communicated the nature of the expenditures, the eligibility criteria, the target population for social projects and the location of Eligible Projects.
- Environmental and Social Objectives are clearly defined, these are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear, which are considered relevant, measurable for nearly all Eligible categories, and will be quantified for nearly all the Eligible categories in the reporting.
- The Issuer has not provided /disclosed information on the estimated share of financing vs. refinancing as allocation will be reported on a fiscal year basis. The look-back period for refinanced eligible categories will be equal or less than 36 months from the issuance date, in line with the market practices.

Evaluation and Selection - aligned with GBP and SBP

- The process for Project Evaluation and Selection Process has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- Eligibility Criteria (selection) for project have been clearly defined and detailed by the Issuer and applies for a majority of eligible categories.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all projects (see detailed analysis on pages 18 - 21).

Management of Proceeds –aligned with GBP and SBP

- The Process for the Management and Allocation of Proceeds is clear and is publicly available in the Framework.
- The allocation period will be 24 months or less.
- The Issuer has reported that net proceeds of the Bond will be placed in its General Treasury and can be used for other corporate needs
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects/categories/assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case a project is no longer eligible and it has committed to reallocate proceeds to projects that are compliant with the bond framework.

Reporting - aligned with GBP and SBP

- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Projects will be disclosed publicly (though format and links are not yet confirmed).
- Tracking and allocation of funds to Eligible projects, and indicators used to report on environmental and social benefits of the eligible projects, will be verified only internally by the Issuer.

Contact

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SCOPE

V.E was commissioned to provide an independent opinion (thereafter “Second Party Opinion” or “SPO”) on the sustainability credentials and management of the Woven Planet Bonds¹ (“Bonds”) to be issued by Toyota Motor Corporation (the “Issuer”) in compliance with the Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the ICMA’s Green Bond Principles (“GBP”) - edited in June 2018 - Social Bond Principles (“SBP”) - edited in June 2020 - Sustainability Bond Guidelines (“SBG”) - edited in June 2018 - voluntary guidelines (referred together as the “GBP & SBP & SBG”).

Our opinion is built on the review of the following components:

- Issuance: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Bonds’ potential contribution to sustainability and its alignment with the four core components of the GBP & SBP 2018.
- Issuer²: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from December 7th, 2020 to February 8th, 2021. We consider that we were provided with access to all the appropriate documents and interviewees we solicited. To this purpose we used our reasonable efforts to verify such data accuracy.

Scope of External Reviews

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Woven Planet Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Woven Planet Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

² Toyota Motor Corporation is part of V.E rating universe - the last ESG rating was performed in 2020. In agreement with the Issuer, this Second Party Opinion does not include the 2020 assessment of its ESG performance.

³ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

We are of the opinion that the Framework is coherent with Toyota Motor Corporation's strategic sustainability priorities and sector issues and contribute to achieving the Issuer's sustainability commitments.

Climate Change has deemed the most critical challenge for the sector as road transport is one of the main contributors to greenhouse gas emissions. According to the International Energy Agency (IEA), transportation is responsible for 24% of direct CO₂ emissions from fuel combustion, of which road vehicles account for nearly three-quarters of the transport CO₂ emissions.⁴ The materiality of the issue appears to increase in the future given emission regulations are tightening across the world. In this context, the electrification technology is considered to be indispensable for the improvement of the fuel efficiency of vehicles and the promotion of zero-emission vehicles.

In Japan (Toyota's home base), in October 2020, the government announced the country's commitment to decarbonize the society by 2050.⁵ Subsequently, another sector target is announced to achieve a total ban on all gasoline-engine cars sales by the 2035⁶, to be replaced by either EV or HEV. On December 22, the Ministry of Economy, Trade and Industry (METI) announced the outline of the subsidy for individuals to support purchasing electric vehicles (EV), plug-in hybrid vehicles (PHV) and fuel cell vehicles (FCV) with "charge / discharge equipment" and "external power supply with 100% renewable energy" as a set(excludes corporations). It was included in the third supplementary budget for FY 2020. The maximum amount of subsidy is JP¥ 600,000 for EV, JP¥ 300,000 for PHV, and JP¥ 2.5 million for FCV. In addition, on the premise of complying with the requirements of "100% renewable electricity procurement" and "monitoring system", the maximum amount of subsidy is JP¥ 800,000 for EV, JP¥ 400,000 for PHV, and JP¥ 2.5 million for FCV.

These ambitious plans are preceded by official standards set in 2019 by the METI and the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) requiring new fuel-efficiency standards for light duty vehicles (LDVs)⁷ to have a corporate average fuel efficiency of 25.4 kilometres per litre (km/L) by 2030. EVs and PHVs and their energy consumption efficiency is calculated from the perspective of Well to Wheel (WtW). Moreover, METI declared in 2018 to reduce GHG emissions per kilometre by 80% by 2050 across all vehicles produced by Japanese automakers on a WtW basis.⁸

Moreover, automobile safety is of utmost concern amongst consumers, governments and the industry, as evident from regulatory efforts and acceleration of innovations. For instance, the World Forum for Harmonization of Vehicle Regulations (WP.29) offers a unique framework to allow the market introduction of innovative vehicle technologies, whilst continuously improving global vehicle safety.⁹ EU revised its General Safety Regulation (GSR)¹⁰. One solution is the advanced driver-assistance systems (ADAS), which is reported to have the potential to reduce accidents by up to 25%.¹¹ Japan's METI has begun accepting requests for Subsidies for Safety Support Cars in March 2020, and aims to support elderly drivers aged 65 or above in purchasing safety support cars with a collision damage mitigation braking and acceleration suppression system caused by pedal error.¹²

The environment has been Toyota Motor management's highest priorities. At the group level, Toyota formulated the Toyota Earth Charter (established in 1992 and revised in 2000)¹³ as a policy for environmental initiatives based on the Guiding Principles at Toyota (established in 1992 and revised in 1997)¹⁴, aiming to contribute to sustainable development through its corporate activities. Since then, several key initiatives have been implemented to address issues such as energy conservation and fuel diversity.

Toyota Motor's Basic Policy covers four broad aspects: 1) Contribution toward a prosperous 21st century society; 2) Pursuit of environmental technologies; 3) Voluntary actions; and 4) Working in cooperation with society.

⁴ <https://www.iea.org/topics/transport>

⁵ Press Conference by Minister Kaiyama on 2050 Carbon-Neutral Green Growth Policy / METI Ministry of Economy, Trade and Industry

⁶ <https://www.reuters.com/article/us-japan-autos-gasoline-idUSKBN28D044>

⁷ Japan: Light-duty: Emissions | Transport Policy

⁸ Japan Promotes Electrified Vehicle (xEV) Strategy ahead of 2050 / METI Ministry of Economy, Trade and Industry

⁹ <https://unece.org/transport/vehicle-regulations/wp29-world-forum-harmonization-vehicle-regulations-wp29>

¹⁰ https://www.europarl.europa.eu/cmsdata/155060/PPT_General_Safety_Regulation.pdf

¹¹ <https://www.reuters.com/article/us-auto-selfdriving-insurance-focus-idUSKCN1UL165>

¹² Acceptance of Requests for Subsidies for Safety Support Cars Starts on March 9, 2020 (meti.go.jp)

¹³ https://www.toyota-global.com/company/history_of_toyota/75years/data/company_information/social_contribution/environmental/appointment.html

¹⁴ https://www.toyota-global.com/company/history_of_toyota/75years/data/conditions/philosophy/guiding_principles.html

In October 2015, Toyota Motor also established the "Toyota Environmental Challenge 2050". In order to achieve this challenge, Toyota established a mid to long term strategy which includes the "2030 Milestone" and the "7th Toyota Environmental Action Plan":

1. New Vehicle Zero CO₂ Emissions Challenge

2030: Annual global sales of more than 5.5 million electrified vehicles, including more than 1 million zero-emission vehicles (BEVs and FCEVs). Reduce global average CO₂ emissions in g-CO₂/km from new vehicles by 35% or more compared to 2010 levels (may vary depending on market conditions).

2050: Reduce global average CO₂ emissions during operation from new vehicles by 90% from Toyota's 2010 global level.

2. Life Cycle Zero CO₂ Emissions Challenges

2030: Reduce CO₂ emissions by 25% or more over the entire vehicle life cycle compared to 2013 levels by promoting activities for the milestones of challenges 1 and 3, and with support from stakeholders such as suppliers, energy providers, infrastructure developers, governments, and customers.

2050: Reduce CO₂ emissions along the entire vehicle life cycle, from materials production and parts and vehicle manufacturing to driving and disposal

3. Plant Zero CO₂ Emissions Challenge

2030: Reduce CO₂ emissions from all plants by 35% compared to 2013 levels

2050: Promote both the development and introduction of low-CO₂ technologies and daily Kaizen and the utilization of renewable energy and use of hydrogen at all production plants. Achieve zero CO₂ emissions at global plants by 2050.

In April 2019, Toyota Motor also became a signatory to the Task Force on Climate-related Financial Disclosures (TCFD).¹⁵

In terms of automobile safety, since the 1990s, Toyota Motor has engaged in automated driving technology research and development with the primary goal of eliminating traffic casualties. Mobility Teammate advances this research through improved safety and by amplifying and enhancing the driver's capabilities, not replacing them, by providing seamless assistance to the driver when the driving task is approaching or beyond their capability.¹⁶ Through this system, Toyota plans to improve mobility for those, such as the elderly, that otherwise would not be able drive.

By creating a Woven Planet Bond Framework to finance or refinance Eligible Projects falling under the four social and green Eligible Categories, Toyota Motor coherently aligns with its sustainability strategy and commitments, and addresses the main issues of the sector in terms of sustainable development.

¹⁵ <https://www.fsb-tcfd.org/supporters/>

¹⁶ Annual Report 2019 [Interactive] (global.toyota)

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalized Woven Planet Bond Framework which covers the four core components of the GBP 2018 and SBP 2020 (the last updated version was provided to V.E on January 27th, 2021). The Issuer has committed to make this document publicly accessible on V.E's website¹⁷, in line with good market practices.

Alignment with the GBP 2018 and SBP 2020

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under four Project Categories ("Eligible Categories"), as indicated in Table 1.

- Eligible categories are clearly defined. The issuer has communicated the nature of the expenditures, the eligibility criteria, the target population for social projects and the location of Eligible Projects.
- Environmental and Social Objectives are clearly defined, these are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- The Expected Environmental and Social Benefits are clear, which are considered relevant, measurable for nearly all Eligible categories, and will be quantified for nearly all the Eligible categories in the reporting.
- The Issuer has not provided /disclosed information on the estimated share of financing vs. refinancing as allocation will be reported on a fiscal year basis. The look-back period for refinanced eligible categories will be equal or less than 36 months from the issuance date, in line with the market practices.

An area for improvement would be to provide the estimated share of refinancing for all categories or at bond level, at least for the first issuance.

BEST PRACTICES

⇒ Content, eligibility and exclusion criteria are clear and in line with international standards for all categories

¹⁷ <https://vigeo-eiris.com/>

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: R&D, manufacturing, investment, acquisition/purchasing
- Location of Eligible Projects/Assets: 204 countries and regions

ELIGIBLE CATEGORIES	Eligibility criteria	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
1. Realization of a safe mobility society and providing mobility opportunities for vulnerable groups in terms of mobility (Eligible Social Project Categories)				
Safety Technology	<p>Advanced Safety Technology¹⁸ and Advanced Driving Assistance Technology¹⁹</p> <p>Research & development and manufacturing cost for the development/manufacturing of "advanced safety technology¹⁸" and "advanced driving assistance technology¹⁹" towards realizing zero casualties from traffic accidents including the following:</p> <ul style="list-style-type: none"> • Pre-Collision System (PCS), which helps prevent collision or mitigate the damage to a preceding car or pedestrian • Lane Departure Alert (LDA), which contributes to the prevention of accidents caused by unintentional lane departures • Automatic High Beams (AHB), which help secure forward visibility at night 	Drivers / passengers / pedestrians (the general public including vulnerable groups in terms of mobility such as the elderly / children / people with disabilities)	<p>Improvement of road safety</p> <p>Avoidance of traffic accidents</p> <p>Improvement of mobility</p> <p>Providing means of transportation for the vulnerable population</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures and the eligibility criteria and the location of Eligible Projects.</p> <p>The target population is broadly defined and relevant for all the Eligible Projects.</p> <p>The Social Objective is clearly defined and are relevant for all the Eligible Projects.</p> <p>The Expected Social Benefit is clear and relevant, although is not always directly measurable in all the target countries and region, and will not be quantified for all the Eligible Projects in the reporting. Only the indicator related to the outcome of the Eligible Projects (i.e. Number of vehicles sold with advanced safety technologies or advanced driving assistance technologies) will be reported.</p>
Assisted Mobility Vehicles	<p>Assisted Mobility Vehicles</p> <p>Research & development and manufacturing cost for the development/manufacturing of Assisted</p>	Drivers / passengers (vulnerable groups in terms of mobility such as the elderly / people with disabilities)	<p>Improvement of mobility</p> <p>Providing means of transportation that is user friendly for the elderly</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures and the eligibility criteria and the location of Eligible Projects.</p>

¹⁸ Such as Toyota Safety Sense which has packaged functions considered effective in reducing serious traffic accidents causing death or injury.

¹⁹ Developed towards a society where everyone including the elderly and people with disabilities are able to drive safely, smoothly, and freely based on Toyota's original "Mobility Teammate Concept".

	Mobility Vehicles designed to accommodate the elderly and people with disabilities (Welcab).		and handicapped in order to enable better mobility	<p>The target population is clearly defined and relevant for all the Eligible Projects.</p> <p>The Social Objective is clearly defined and are relevant for all the Eligible Projects.</p> <p>The Expected Social Benefit is clear, which are relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
2. Reduction of vehicle CO2 emissions during driving (Eligible Green Project Category)				
Clean Transportation	<p>Zero-Emission Vehicles²⁰;</p> <p>Research & development, investments in PP&E and manufacturing cost for the development/manufacturing of vehicle, battery and other components for “Battery Electric Vehicle (BEV)”</p> <p>Research & development, investments in PP&E and manufacturing cost for the development/manufacturing of vehicle, FC stack and other components for “Fuel Cell Vehicle (FCV)”</p>	N/A	<p>Climate change mitigation</p> <p>Reduction of CO₂ emission</p> <p>Reduction of air emissions from vehicles</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures and the eligibility criteria and the location of Eligible Projects.</p> <p>The Environmental Objective is clearly defined and is relevant for all the Eligible Projects and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, which are considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
3. Reduction of CO2 emission from factories and offices (Eligible Green Project Category)				
Renewable Energy	<p>Increase Use of Renewable Energy</p> <ul style="list-style-type: none"> Investment in Property Plant and Equipment (PP&E) towards renewable energy generation such as solar and wind Expenditures related to the purchase of renewable energy power (including 	N/A	<p>Climate change mitigation</p> <p>Avoidance of CO₂ emission</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures and the eligibility criteria and the location of Eligible Projects.</p> <p>The Environmental Objectives are clearly defined and are relevant for all the Eligible Projects and set</p>






²⁰ For the research & development cost where the ZEV (zero-emission vehicles) is developed in the same project as a vehicle equipped with an internal combustion engine including HV, and property plant and equipment (PP&E) investments where ZEV is produced in the same factory as a vehicle equipped with an internal combustion engine including HV, the allocation amount will be calculated in proportion to the number of ZEVs.

	<p>expenditures for the purchase of renewable energy through PPA / VPPA ²¹)</p> <ul style="list-style-type: none"> Investment for the purchase of renewable energy power supply, businesses which generate renewable energy and funds which invest in renewable energy businesses 			<p>in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, which are considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
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²¹ Power Purchase Agreement / Virtual Power Purchase Agreement

SDG Contribution

The Eligible Categories are likely to contribute to 5 of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Safety Technology		3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents
Vehicles for the elderly and people with disabilities		
Renewable Energy		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Safety Technology		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Vehicles for the elderly and people with disabilities		
Clean Transportation		
Safety Technology		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Vehicles for the elderly and people with disabilities		
Clean Transportation		
Clean Transportation		13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Renewable Energy		

Evaluation and Selection of Eligible Projects



- The process for Project Evaluation and Selection Process has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process will be publicly disclosed in the Framework.
- Eligibility Criteria (selection) for project have been clearly defined and detailed by the Issuer and applies for a majority of eligible categories.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process.
- The process applied to identify and manage potentially material E&S risks associated with the projects is publicly disclosed in the herewith SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all projects (see detailed analysis on pages 18 - 21).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, relevant departments will liaise to carry out key decisions. This Committee is composed of representatives of:
 - Capital Strategy Department
 - Finance Division
 - Sustainability Management Department
 - Environmental Affairs Division
 - R&D and Engineering Management Division
 - Production Engineering Planning Division
- These departments are responsible for:
 - Evaluating the compliance of proposed projects with the eligibility criteria throughout the life of the bonds (with the policy of making only projects with positive long-term effects on the environment/society to be deemed Eligible Projects)
 - Ensuring that the portfolio of Eligible Projects is aligned with the categories and eligibility criteria as specified in the "Use of Proceeds" section
 - Replacing projects that no longer meet the eligibility criteria
 - Confirming the content of the Framework, and reflecting/updating the relevant changes in Toyota's business strategy, technology and market developments
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - Monitoring and continued compliance of proposed assets is carried out throughout the life of the bond and ensures that the portfolio of Eligible Assets is aligned with the categories and criteria as specified in the Use of Proceeds section. In case of non-compliance to the criteria, the assets will be replaced by those that align.
 - The Issuer reports that it will monitor potential ESG controversies associated with the projects and has provided details on frequency and content. The Risk Management approach in Toyota's Sustainability Databook²² explains that the Chief Risk Officer (CRO) under the Deputy CRO (DCRO) manages the global ESG risks and are responsible for monitoring them in each region. In-house risk managers and persons in charge are appointed for each function, product and risk report, reviews and measures are implemented throughout the year.

²² https://global.toyota/pages/global_toyota/sustainability/report/sdb/sdb20_en.pdf

In addition, every year, global risk management is carried out by grasping risks based on changes in the environment in each region and discussing important risks that require prompt response by the CRO / DCRO at the Board of Directors and other management meetings.

- The decision-making process will be traceable through internal approval documents.

Eligibility Criteria Selection

The process relies on explicit eligibility criteria, relevant to the environmental objectives defined for the Eligible Categories.

- The selection criteria are based on eligibility criteria of Eligible Categories defined Table 1 in the Use of Proceeds section.
- For “Renewable Energy” projects, the Framework explicitly excludes investments in businesses/funds engaged in renewable energy projects that are deemed controversial due to potentially material environmental and/or social risks/invest in energy other than renewables (fossil fuels), which is relevant to the overall environmental objectives of the Eligible Categories.

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility criteria specified in the Framework throughout the life of the bond and has provided details on procedure adopted in case of non-compliance

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clear and is publicly available in the Framework.
- The allocation period will be 24 months or less.
- The Issuer has reported that net proceeds of the Bond will be placed in its General Treasury and can be used for other corporate needs
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that as long as the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to eligible projects/categories/assets made during that period.
- The Issuer has provided information on the procedure that will be applied in case a project is no longer eligible and it has committed to reallocate proceeds to projects that are compliant with the bond framework.

Management Process

- The committee will allocate and manage the proceeds from the issuance of the Woven Planet Bonds to Eligible Projects.
- Finance Division will also track and monitor an amount equal to the net proceeds from the issuance of the Woven Planet Bonds based on the Framework to applicable Eligible Projects.
- At the end of each fiscal year, the Finance Division will ensure that the allocated proceeds equates to the Woven Planet Bonds' proceeds.
- Any pending allocation will be invested temporarily in cash and cash equivalents.

BEST PRACTICES

⇒ The allocation period is 24 months or less

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, until Bond maturity. The report will be publicly available until bond maturity.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Projects will be disclosed publicly (though format and links are not yet confirmed).
- Tracking and allocation of funds to Eligible projects, and indicators used to report on environmental and social benefits of the eligible projects, will be verified only internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Project level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear and relevant.

REPORTING INDICATORS
<p>⇒ A list of allocated Eligible Green/Social Projects at category level and the aggregated amount of allocation for each project;</p> <p>⇒ The sum of net proceeds allocated to Eligible Projects on a Fiscal Year basis (FY ending in March);</p> <p>⇒ The balance of any unallocated proceeds and information on how unallocated proceeds, if any, have been held in line with the guideline set forth in the "Management of the Proceeds".</p>

An area for improvement is to also report on the proportion of financing vs refinancing (%).

- Environmental and social benefits: The indicators selected by the Issuer to report on the environmental and social benefits are clear and relevant although not exhaustive.

CATEGORY THEMES	ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS	
		OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Realization of a safe mobility society and providing mobility opportunities for vulnerable groups in terms of mobility	Safety Technology	<ul style="list-style-type: none"> • Number of vehicles sold with advanced safety technologies • Number of vehicles sold with advanced driving assistance technologies 	N/A
	Vehicles for the elderly and people with disabilities	<ul style="list-style-type: none"> • Number of assisted mobility vehicles for the elderly and people with disabilities (Welcab)²³ sold 	N/A

²³ <https://toyota.jp/welcab/index.html>

Reduction of vehicle CO2 emissions during driving	Clean transportation	<ul style="list-style-type: none"> Number of zero-emission vehicles (BEV / FCV) sold 	<ul style="list-style-type: none"> Environmental impact such as CO2 emissions reduced by zero-emission vehicles (BEV / FCV) (comparison of emission (t-CO2) between the conventional model and zero-emission vehicles (BEV / FCV))
Reduction of CO2 emission from factories and offices	Renewable Energy	<ul style="list-style-type: none"> Annual amount of renewable energy consumed (GJ) Renewable energy use rate in electricity usage 	<ul style="list-style-type: none"> Environmental impact such as the achieved reduction in CO2 emissions (reduction in total emissions (t-CO2) or reduction amount per production unit (t-CO2/unit) for Scope 1/Scope 2)

An area for improvement is to commit to an external verification of the tracking and allocation of funds to Eligible Projects, as well as of the indicators used to report on environmental and social benefits of the Eligible Projects.

BEST PRACTICES

- ⇒ The Issuer will report on the Use of Proceeds until bond maturity.
- ⇒ The issuer report will be publicly available.
- ⇒ The issuer will report on allocation of proceeds and on environmental/social benefits at project level.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Safety Technology	ROBUST	<p>The Eligible Projects will bring overall positive impacts to the countries in which Toyota Motor operates by research & development and manufacturing of “advanced safety technology” and “advanced driving assistance technology” that have been and/or will be deployed in Toyota cars sold globally.</p> <p>Road traffic injuries are major public health challenge and are the leading cause of death for children and young adults between 5 and 29 years old, and 90 per cent of victims live in low and middle-income countries.²⁴ The causes of road accidents are often complex and vary across different countries. Active safety measures, such as the ones offered in Toyota Safety Sense (TSS) package (including PCS/LDA/AHB), are considered to offer potential to further improve road safety by avoiding emergency situations altogether, or at least by actively helping the driver to manage them properly.²⁵ According to Toyota’s own estimation, rear-end collisions involving vehicles equipped with TSS could be reduced by approximately 70 percent, although information on controlling conditions of this estimation is unclear.²⁶ However, the direct measurement of the benefits from TSS globally will be difficult due to the multiple factors at play and diverse road conditions across the globe.</p> <p>Toyota’s main markets by vehicle sales are Japan, North America, Europe and China.²⁷ In these markets, according to information provided by the Issuer, the deployment rates of TSS have reached at least 70% as of November 2020. In other smaller markets such as rest of Asia, Central America, Middle East and Africa, the deployment rates of TSS are still quite low. One main concern is the affordability and future coverage of TSS in these less developed regions. The Issuer clarified that part of the proceeds will be used in R&D to develop systems tailored for emerging markets, by adapting to specific road conditions (e.g. roads without lanes). The Issuer reports that the current ratio of proceeds dedicated to R&D is around 30%. The Issuer also hopes to bring down costs through economy of scale by first focusing on its main markets in more developed countries.</p> <p>For “advanced driving assistance technology”, the Issuer clarified that its aim is “towards a society where everyone including the elderly and people with disabilities are able to drive safely, smoothly, and freely”. However, details of the Eligible Projects are still lacking, and given the early stage of the technology, it is not fully clear with regards to the future affordability and reach for majority of the target population, as well as the magnitude of the expected impact of promoting mobility. In addition, there is still safety concern around driving assistance technologies in general that needs to be addressed.^{28,29,30}</p> <p>Overall, based on the available information, we consider the potential social impact of this category to be robust, whilst acknowledging the areas for improvement of the Issuer to form a more visible plan/strategy to promote the coverage of TSS in countries where the current deployment rates are still low, and also to provide more details in the criteria for driving assistance in the Framework.</p>
Vehicles for the elderly and people with disabilities	ROBUST	<p>The Eligible Projects will bring overall positive impacts to the countries in which Toyota Motor operates by development/manufacturing of vehicles designed to accommodate the elderly and people with disabilities (Welcab).</p> <p>Mobility has always been a challenge for the elderly and people with disabilities. A WHO study concluded that “If good quality door-to-door public transport is not available for the elderly, then the use of private cars remains their safest option for getting around”.³¹ The Eligible</p>

²⁴ https://www.who.int/health-topics/road-safety#tab=tab_1

²⁵ <https://roadsafetyfacts.eu/why-should-we-focus-on-active-safety-in-the-future/>

²⁶ <https://global.toyota/en/newsroom/corporate/25505352.html>

²⁷ <https://global.toyota/en/ir/finance/>

²⁸ <https://unece.org/DAM/trans/doc/2020/wp29grva/GRVA-05-48e.pdf>

²⁹ <https://tc.canada.ca/en/corporate-services/consultations/background-advanced-driver-assistance-systems>

³⁰ <https://www.reuters.com/article/us-autos-selfdriving-safety/modern-driver-assistance-technology-far-from-reliable-aaa-study-idUSKCN2521DM>

³¹ [World report on road traffic injury prevention \(who.int\)](#)

		<p>Projects under this category project can facilitate the use both as a passenger (with wheelchair) and a driver, enabling safe mobility for those with limited physical capabilities.</p> <p>Although such vehicles may include those running on fossil fuels, and there will be negative environmental impacts such as air and GHG emissions, the potential positive impacts on the target population in terms of improved mobility cannot be overlooked.</p>
Clean transportation	ADVANCED	<p>The Eligible Projects will bring overall positive impacts to the countries in which Toyota Motor operates by manufacturing ZEV (zero emission vehicles). This project contributes to the relevant SDG targets, EU's goal to have 30 million EVs on the road by 2030 as well as Toyota's 2050 Environmental Challenge which targets 90% reduction of CO2 emission vs 2010. The level of impact will depend on the number of the ZEV that will be produced and the life cycle emission as well as Toyota's overall emission remains a challenge.</p>
Renewable Energy	ROBUST	<p>The Eligible Projects will bring overall positive impacts to the countries in which Toyota Motor operates by either investing in renewable energy facility such as wind and solar or purchasing electricity generated from renewable energy sources to meet its energy needs in car manufacturing. In addition, Eligible Projects could also include investment into pure player renewal energy funds, which can help promote the development of renewable energies.</p>
OVERALL ASSESSMENT	ROBUST	

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust³².

	SAFETY TECHNOLOGY	VEHICLES FOR THE ELDERLY AND PEOPLE WITH DISABILITIES	CLEAN TRANSPORTATION	RENEWABLE ENERGY
Environmental Management System and Environmental Impact Assessment	X	X	X	X
Eco-design and end-of-life impacts	X	X	X	X
Energy use and GHG emission reduction	X	X	X	N/A
Pollution Prevention and Control and waste management	X	X	X	X
Integration of environmental and social factors in supply chain	X	X	X	X
Fundamental Human and Labour Rights	X	X	X	X
Health and Safety of workers and users/customers	X	X	X	X
Responsible Customer Relation	X	X	X	N/A
Business Ethics	X	X	X	X
OVERALL ASSESSMENT	Robust	Robust	Advanced	Robust

³² The "X" indicates the E&S risks that have been activated for each Eligible Category.

Environmental Risks

Environmental Management System and Environmental Impact Assessment

At the group level, Toyota Motor formulated the Toyota Earth Charter (established in 1992 and revised in 2000) as a policy for environmental initiatives based on the Guiding Principles at Toyota (established in 1992 and revised in 1997). Based on Toyota Environmental Management System, it reports that all its 130 production companies globally have obtained ISO 14001 certification.

In accordance with its internal environment action plans, Toyota Motor has set clear guidelines regarding compliance with environmental laws and regulations in each country and region and to prevent environmental risks. Specifically, it means that each factory is required to establish legal compliance and respond to local complaints and abnormalities in its environmental management system.

Across its operations, including those related to the Eligible Projects, Toyota Motor carries out internal scenario analysis, through the following three steps including: 1) Set Future Images Assuming Climate Change Effects; 2) Consider the Impacts on Toyota; and 3) Respond to Toyota's Strategies.

Eco-design and end-of-life impacts

Although there is no dedicated eco-design principles and guidelines for the Eligible Projects or at the group level, consideration of life cycle impacts is evident in Toyota Motor's internal environmental policies on resources utilisation, lifecycle CO₂ emissions and waste management. At the group level, Toyota Motor has also set specific 2030 and 2050 environmental targets, as discussed in the Coherence section of this SPO.

Energy use and GHG emission reduction

Toyota Motor recognises the importance of addressing energy use and its GHG emissions. As the first step of its internal scenario analysis based on the risk and opportunities related to climate change, Toyota reports to set future scenarios of climate change effects based on IEA's scenario, focusing on the 2°C scenario (2DS), and assess the possibility of not achieving the climate change measures as well as the cases where climate change measures progress.

The goal of energy efficiency alone is to halve the amount of energy used per production volume at the new plant in 2020, and after that, it will be consolidated into the CO₂ reduction target including the use of renewable energy. The CO₂ reduction targets are set in the "Toyota Environmental Challenge 2050," "2030 Milestone," and "seventh Toyota environment action plan," and the results are disclosed in the environmental report every year.

At least two Eligible Categories, "clean transportation" and "renewable energy", will help alleviate the overall impacts of the all the Eligible Projects on the climate and contribute to Toyota's long-term decarbonisation targets. However, for the categories besides the "clean transportation", since the Eligible Projects will apply to all types of cars including those using fossil-fuels, there will be negative lock-in impact due to cars that emit CO₂ when driving, at least in the short term, before Toyota reaching its long-term decarbonisation targets.

Pollution prevention and control and waste management

Toyota Motor has set the following 2025 target and relevant measures for its environmental management system, which is integrated into its business operations, including those related to the Eligible Projects:

- Chemical substances: Implement thorough management by carefully considering legal trends in each country and region;
- Air quality: Product: Steadily introduce low-emission vehicles and boost further improvement by introducing and increasing zero emission vehicles (ZEVs) Production: Continue volatile organic compound (VOC) emissions reduction activities and maintain industry-leading level;
- Waste: Promote activities to thoroughly reduce waste globally and aim to minimize the volume of resource input and waste, with the environment and economy in balance;
- Logistics packaging: Implement initiatives to reduce and recycle plastics used in packaging and recycle them;
- Risk management: Thoroughly comply with environmental laws and regulations and strengthen proactive prevention activities for environmental risks in each country and region.

Amongst the Eligible Categories, other than "clean transportation", the other categories will involve all types of cars including those using fossil-fuels. As a result, Eligible Projects under those categories could have negative impacts from air emissions, at least in the short term.

Social Risks

Fundamental Human Rights and Labour Rights

At the group level, Toyota Motor has issued a commitment to protect human rights in its sustainability policy, guided by both internal policies and principles, as well as the UN Guiding Principles on Business and Human Rights. It reports that it has established a regular due diligence process to grasp human rights-related concerns and has established "Speak Up Line" both internally and externally.

The Eligible Projects related to manufacturing different types of vehicles require Toyota Motor's close collaboration with its suppliers. It reports that trainings are conducted for its employees and Tier 1 suppliers in relation to anti-discrimination, open and honest dialogue, as well as human rights related matters. For affiliates that require concentrated initiatives, associates from the Toyota Motor are dispatched to review policies and activities, and work with the affiliate in question to enhance communication with and training for employees regarding Toyota's policies concerning freedom of association and legal compliance.

Toyota Motor also reports that it has identified Migrant Workers, Responsible Sourcing of Cobalt as prioritized topics for FY2020 due diligence, and has been partnering and consulting with external stakeholders to fully understand and align with societal expectations, while also maintaining legal compliance in all of its operations and within its supply chain.

Integration of environmental and social factors in supply chain

When selecting a supplier, in addition to capabilities such as quality, cost, technology, and delivery time, the management attitude and system for continuous improvement and efforts for social responsibility such as environmental problems are comprehensively taken into consideration.

At the group level, Toyota Motor has established the "TOYOTA Supplier CSR Guideline" which includes provisions on ESG factors such as compliance, human rights, labour rights and business ethics (e.g. anti-corruption, protection of intellectual property, and compliance with competition law), and serve as criteria for selecting suppliers. Toyota Motor has also established the separate "TOYOTA Green Procurement Guidelines", which stipulates environmental requirements in detail. Toyota Motor reports that it audits suppliers based on green procurement guidelines and collecting supplier data using CDP supply chain program.³³ In addition, Toyota Motor also reports that it conducts "Sustainability Information Exchange Seminar" to share latest sustainability trends to its group companies.

Specifically related to Eligible Projects that involve use of minerals, Toyota Motor has formalised its policy for responsible mineral sourcing, including reasonable country of origin inquiry and collaboration with suppliers in implementing the Supplier CSR Guideline.

Health and safety of the workers and customers

Toyota Motor positions ensuring the health and safety of its employees as one of its most important longstanding business activities. Each year, the safety and health function policy is formulated by the company safety and health supervising manager in view of technological innovations and environmental changes, and is deployed globally. Based on this policy, efforts are made at all workplaces in all regions to improve their safety and health activities through repeated assessments and improvements, and the progress of the activities is shared with the management.

Toyota regional headquarters take the lead in promoting safety and health measures in each region. Toyota Motor reports that it is currently working to develop an occupational safety and health management system (OSHMS) that considers regional needs and is implemented globally and has established requirements that are shared throughout global Toyota based on ISO 45001. Toyota Motor also reports to provide both mandatory and optional trainings, such as Self-care Training and Line Care Training, with the aim of preventing mental health problems from either occurring or recurring.

In addition, Toyota Motor reports that it provides several trainings and workshop in line with employee's job grade or life stage for their own career path, and implements measures to ensure the ideal working condition based on the result of the "Employee Satisfaction Survey". Toyota has also introduced the teleworking system since 2016, and expanded the shortened working hours system for employees who are not eligible for teleworking.

For suppliers, affiliated companies, in-plant contractors and other business partners, Toyota also promotes activities based on the relevant policy to ensure that they work in a safe and healthy environment. Toyota sets up opportunities for communication to listen to employees' troubles, and works together with them to create a worker-friendly environment.

³³ <https://www.cdp.net/en/supply-chain>

Responsible customer relation

Toyota Motor reports that customer safety is embedded in its founding philosophy of "customer first," "quality first," and "quality is built in the process". Toyota Motor reports that it has set up a customer consultation desk and accept inquiries and consultations 365 days a year, and has a system in place to respond to complaints such as defects.

By distributing instruction manuals to customers, Toyota Motor provides information on precautions and risks in use. Quality policies and important issues are discussed and decided during Toyota Motor's Quality Function Conference in the presence of each president and officers of related headquarters. In the unlikely event that a quality defect occurs, Toyota Motor commits to not only comply with the law, but also decide on recall based on consideration of the quality defect from the customer's safety and security perspective.

Business ethics

At the group level, Toyota Motor reports to provide education on business ethics such as anti-corruption (seminar, e-learning, individual education), and have set up a "Speak Up Line" where employees can accuse and consult with lawyers. Toyota Motor commits to take appropriate actions in accordance with domestic and foreign laws and regulations. The Toyota Code of Conduct, which applies across its operations including the Eligible Projects, stipulates the protection of intellectual property and the maintenance of sound and transparent relationships with government agencies. Toyota Motor commits to share its expertise and values with governments, and exchange opinions and have dialogues with the government and industry in order to resolve social issues.

ISSUER

Toyota Motor Corp. engages in the manufacture and sale of motor vehicles and parts. The Company was founded by Kiichiro Toyoda on August 28, 1937 and is headquartered in Toyota, Japan. In 2019, Toyota Motor Corporation and Subaru Corporation, which engages in the manufacture and sale of automobiles, aircraft, engine parts, and industrial machines, agreed on a new business and capital alliance with the aim of further developing and strengthening their long-term partnership.

Management of ESG Controversies

As of today, according to the review conducted by V.E, Toyota Motor Corporation or its consolidated companies have 9 controversies and Toyota Motor Corporation's affiliated companies have 7 controversies*, linked to four of the six domains we analyse:

- Human Resources, in the criterion of "Health and Safety".
- Human Rights, in the criteria of "Fundamental human rights" and "Fundamental labour rights".
- Business Behaviour, in the criteria of "Product Safety", "Information to customers", "Responsible Customer Relations", "Social standards in the supply chain" and "Anti-competitive practices".
- Corporate Governance, in the criterion of "Audit & Internal Controls".

Frequency: On average, the controversies are considered frequent, more frequent than the sector average.

Severity: The overall severity of their impact on both the company and its stakeholders is considered critical, more severe than the sector average.

Responsiveness: Toyota Motor is overall reactive, in line with the sector average.

*Toyota Motor Corporation does not have direct management or controlling relationship either formally or substantively over these companies. V.E controversies screening includes companies with at least 20% voting or equity rights stake.

Involvement in Controversial Activities

Regarding the 17 controversial activities screened under our methodology, Toyota Motor appears to have minor involvements in 5 controversial activities (i.e., Alcohol, Fossil fuels industry, Genetic engineering, Human embryonic stem cells and Military), and major involvements in 2 controversial activities (i.e., Animal welfare and Reproductive medicine).

- **Alcohol:** Toyota Motor has an estimated turnover from alcoholic beverages which is below 5% of total turnover. This turnover is derived from Toyota Tsusho Foods Corporation, a wholly-owned subsidiary of the Company's associate, Toyota Tsusho (22% stake), involved in the sale of wines, primarily Burgundy and Champagne imported from France. In addition, Toyota Industries Corporation (24.9% owned), through its subsidiaries, Sun River and Shine, sell alcoholic beverages as part of its operations, which include restaurants and golf club's management, banquets & conference catering, etc.
- **Animal welfare:** Toyota Motor has an estimated turnover from the production of cosmetic products tested on animals and intensive farming operations which is less than 5% of total turnover. This turnover is derived from associate Toyota Tsusho (22% stake), which is involved in production of cosmetic products tested on animals, responsible animal testing for medical purposes, and intensive farming operations.
- **Fossil fuels industry:** Toyota Motor has an estimated turnover from fossil fuels which is less than 5% of total turnover. This turnover is derived from associate Toyota Tsusho (22% stake), whose Machinery, Energy & Project Division is involved in a range of upstream, midstream and generation activities centring on fossil fuels.
- **Genetic engineering:** Toyota Motor supplies food products potentially containing GMOs. Toyota Tsusho Foods Corporation, a wholly-owned subsidiary of the Company's associate, Toyota Tsusho (22% stake), is involved in import of animal feed and oilseeds, grains, processed foods, food ingredients, and other agricultural products, which may be assumed to potentially contain GMO ingredients. Toyota Tsusho Foods does not appear to have adopted a formal policy to avoid or to label products containing GMOs, but it makes clear that all soybeans it

imports from the U.S. are GM-free. No indication, however, is given with regards to other foods. In particular those manufactured in other countries (the Company has production sites in China, Thailand, and Vietnam).

- Human embryonic stem cells: Toyota Motor operates IVF clinics in India where HESC research is allowed. V.E reasonably assumes that through this business supernumerary embryos could be donated for stem cells research. Toyota Tsusho (22% stake) operates general hospitals in India (via Takshasila Hospitals Operating Pvt Ltd.). Sakra World Hospital in Bangalore (a joint venture between Toyota Tsusho and SECOM) offers a range of treatment options including in-vitro fertilisation (IVF) services, among other services.
- Military: Toyota Motor has an estimated turnover from military sales which is below 5% of total turnover. This turnover is derived from producing and selling logistic vehicles, such as the Toyota Land Cruiser jeep, to the Japanese Army and to other military customers worldwide - for instance, the U.S. Department of Defense. V.E classifies this involvement as 'other military parts or services'.
- Reproductive medicine: Toyota Motor is involved in abortion-related products and services, which include owning or operating health facilities which may potentially provide abortion or related services, and offering information relating to the provision of abortion. Toyota Tsusho (22% stake) operates general hospitals in India (via Takshasila Hospitals Operating Pvt Ltd.), where abortion is legal. Hospitals owned by the Company, e.g. the Sakra World Hospital in Bangalore (a joint venture between Toyota Tsusho and SECOM) have Obstetrics and Gynecology departments where family planning services are provided and where it is reasonable to assume that abortions may be performed.

The Issuer appears to be not involved in any of the other controversial activities, namely: Cannabis, Chemicals of concern, Civilian firearms, Coal, Unconventional oil and gas, Gambling, High interest rate lending, Nuclear Power, Pornography and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review, following three levels: first, the team in contact with the company; then the Executive Director in charge of Methods, Innovation & Quality; and finally, V.E's Scientific Council. All employees are signatories of V.E's Code of Conduct, and all consultants have also signed its add-on covering financial rules of confidentiality.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2018 ("GBP") and the Social Bond Principles - June 2020 ("SBP"), Sustainability Bond Guidelines - June 2018 ("SBG") and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;³⁴
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder-related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

³⁴ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

DISCLAIMER

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Toyota Motor. No established relation (financial or commercial) exists between V.E and the Issuer. V.E's conflict of interest policy is covered by its Code of Conduct, which can be found at <http://vigeo-eiris.com/wp-content/uploads/2018/07/Code-of-Conduct-Vigeo-Eiris-EN.pdf>.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

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