

Toyota South Africa
SUSTAINABILITY
REPORT 21/22



OUR FUTURE TOWARDS **CARBON NEUTRAL**

CHALLENGE
2050



- 1 IFC Reporting framework
- 2 About Toyota South Africa
- 4 CEO's message
- 10 TSA's place in Toyota's Global Vision
- 12 Our strategy
- 13 Material matters

14



PERFORMANCE

- 14 Performance at a glance
- 18 Our brands
 - 19 Toyota
 - 20 Lexus
 - 21 Hino
 - 23 Kinto
 - 24 Automark
 - 25 Toyota Financial Services
 - 26 Cataler

28



SOCIETY

- 29 Creating a prosperous society
- 34 Collaboration with business partners
- 39 Employees
- 48 Prioritising quality for our customers
- 53 Social contribution

60



ENVIRONMENT

- 60 Our fundamental approach to the environment
- 66 2030 milestones and 7th Environmental Action Plan
- 68 7th Environmental Action Plan
- 70 Emissions reduction
- 76 Resource efficiency
- 78 Society in harmony with nature

80



GOVERNANCE

- 80 Our approach and structures
- 83 Compliance
- 84 Ethics
- 85 Risk management
- 86 Stakeholder engagement

Reporting FRAMEWORK

This report aims to provide our stakeholders with a transparent view of our social, environmental and governance performance for the period 1 April 2021 to 31 March 2022. The report covers Toyota South Africa's Southern African operations.



APPROACH TO REPORTING

Toyota South Africa is a company committed to strong governance that sets out to ensure the sustainability and upliftment of the communities in which it operates, while providing robust environmental stewardship. The performance of our brands during the year, our key engagements and activities relating to internal and external stakeholders, and our approach to environmental sustainability are detailed in this report. All performance data is reported to allow for comparability with previous reports.

There were no significant changes during the 2021/22 financial year in terms of the size, structure or ownership of TSA and its subsidiaries.

We are committed to improving the report's quality and accessibility for all readers and stakeholders. The report will be available in full on the Toyota South Africa website at www.toyota.co.za.

We value feedback on this report from all stakeholders. Any questions or feedback regarding this report can be directed to:

Charmaine Reddy
Company Secretary and Legal Adviser
creddy3@toyota.co.za

FRAMEWORKS FOLLOWED

We have aligned this report's disclosure standards and content with TMC's Sustainable Management Report and international best practices as set out by the Global Reporting Initiative (GRI). While we are under no obligation to adhere to the King IV™ Codes for Corporate Governance, Toyota South Africa voluntarily aligns itself as closely as possible with the principles contained therein.

Alignment with United Nations Sustainable Development Goals

TSA aligns itself with the following Sustainable Development Goals (SDG) through its operational and corporate social responsibility projects. Refer to page 29 for further details on our corporate social investment and community impact initiatives.



About TOYOTA SOUTH AFRICA

Toyota South Africa (Pty) Ltd (TSA) is a wholly owned subsidiary of Toyota Motor Corporation (TMC) and owns 100% of Toyota South Africa Motors (Pty) Ltd (TSAM).

Toyota Tsusho Corporation is the trading arm of the Toyota Group and functions as the supply chain specialist within the group to optimise service and delivery output to our customers.

We are therefore guided by the vision and strategy of TMC. Further information about Toyota's global approach to sustainability can be found at TMC's website: <http://www.toyota-global.com/sustainability/report/sr/>.

FACTS, FIGURES AND FOOTPRINT

Through TSAM, TSA is a key component of South Africa's automotive manufacturing sector. We play a pivotal role in driving economic growth and creating employment.

Sandton, Johannesburg (head office)

- Marketing and sales

Boksburg, Johannesburg (TAPC)

- Distribution and after-sales parts

Prospecton plant, Durban (Manufacturing and assembly operations)

- **Toyota** Hilux, Fortuner, Ses'fikile, Corolla Quest, Corolla Cross
- **Hino** Dyna, Hino 300, 500 and 700-series

Imports

All imports are from global Toyota affiliates. All Lexus models are imported from manufacturing plants in Japan.

Exports

We also export vehicles to 72 countries throughout Africa, Europe and Latin America.

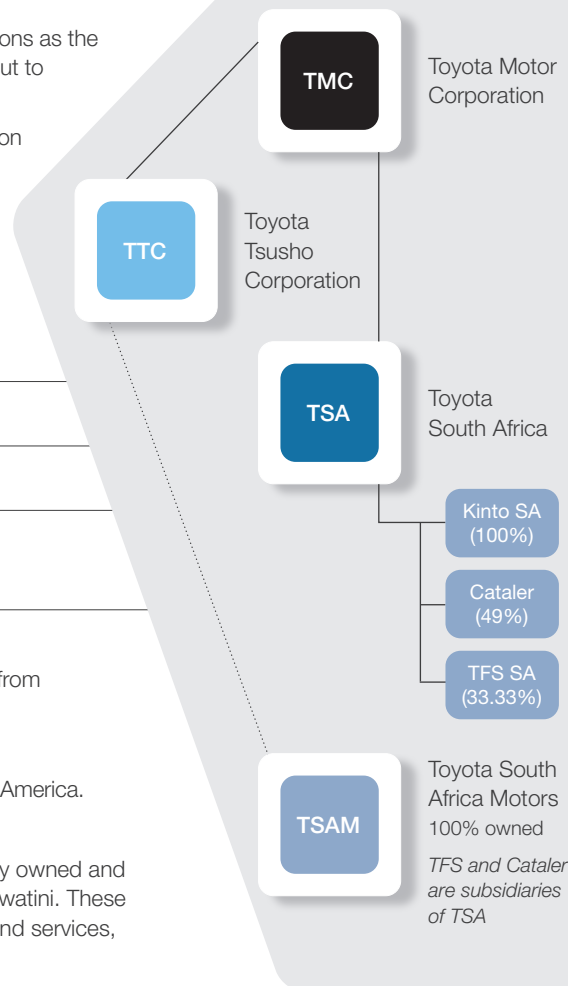
Dealer network

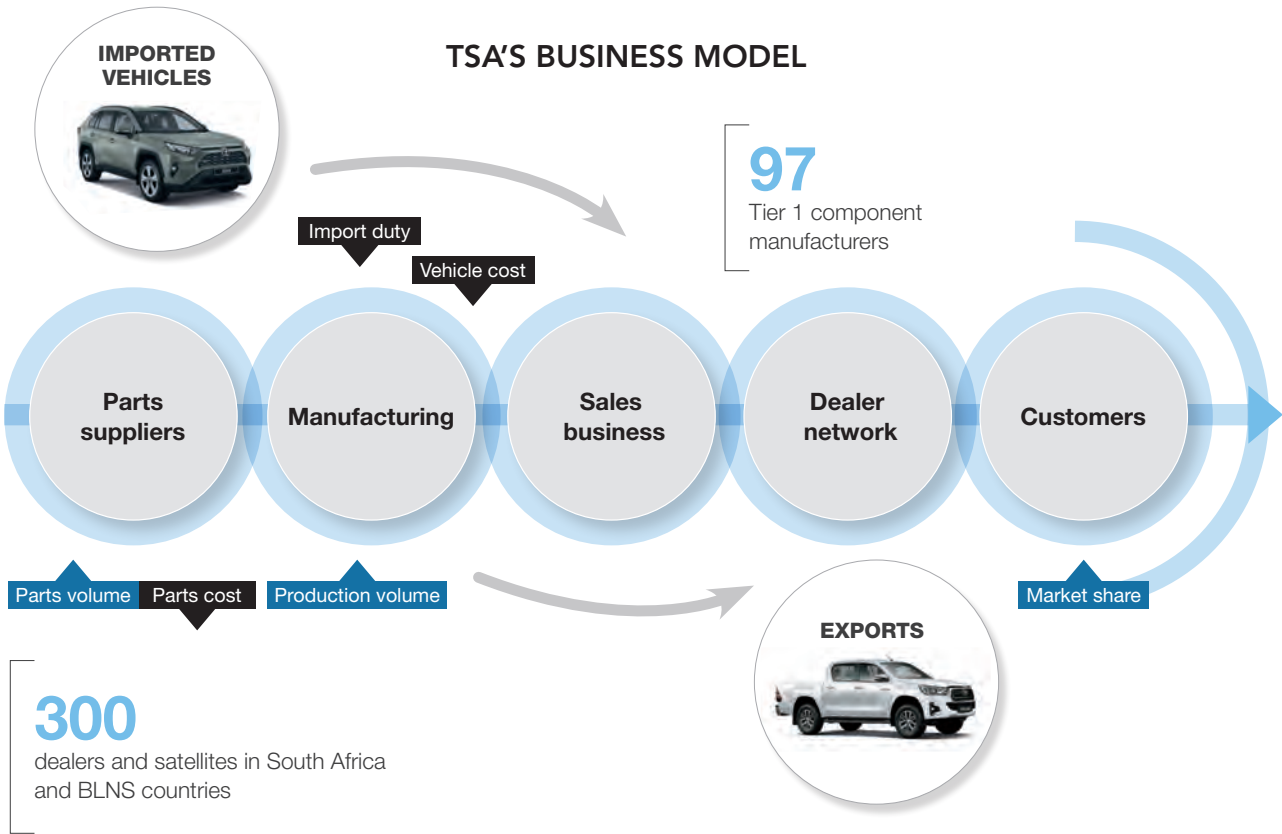
Our vehicles are distributed regionally through our network of independently owned and operated dealerships in South Africa, Botswana, Lesotho, Namibia and eSwatini. These include full dealerships, and parts and service satellites, which offer parts and services, with some satellites also offering Automark.

Retail points in southern Africa

		South Africa	Botswana	Namibia	Lesotho	eSwatini
Toyota	Full dealers	175	7	12	1	2
	Automark satellites	2				
	Parts, service and Automark satellites	5		1	1	
Hino	Full dealers	44	3	2		1
	Parts and service satellites	12		2		1
Lexus	Full dealers	19	1	1		
	Parts and service satellites	6				
Total		263	12	18	3	4

STRUCTURE





KEY COMPETITIVE ADVANTAGES

The core idea behind the business configuration of TSA is to serve our customers. TSAM benefits from state-of-the-art assembly operations and its associated value chain. We believe a large part of our success is attributed to the way our value chain collaborates and engages to form an integrated ecosystem; from parts suppliers to manufacturing, sales, our dealer network and our valued customers. Through the combination of these elements we strive to deliver the best customer value proposition.

TSA'S BOARD OF DIRECTORS

Chairman
 Dr JJ van Zyl (Chairman) (Deceased: 30 July 2021), Mr AP Kirby (Appointed as Chairman: 31 August 2021)

Non-executive directors
 T Imai*, (Alt: T Ueshima*)

Independent non-executive directors
 Ms SN Mabaso-Koyana (Resigned: 2021/06/08, Mr SC Ngidi, Ms NDB Orleyn, Ms TM Matshoba Ramuedzisi (Appointed: 2021/08/04)

Executive directors
 D Finch, Mr K Tsuru*, Mr NG Ward, Mr K Tsuru*, M D Sano (Appointed: 2022/02/22)

Directors of TSAM Pty (Ltd)
 Dr JJ van Zyl (Chairman) (Deceased: 30 July 2021), Mr AP Kirby (Appointed as Chairman: 31 August 2021), Mr DS Finch, (Alt: Mr S Kanada*), Mr L Theron, (Alt: Mr K Nakamura*), Mr K Tsuru*, Ms B Kilpatrick, Mr H Kosaka* (Resigned: 31 December 2021), Mr SS Moodley (Alt: Mr T Ueshima*), Mr NG Ward, Mr K Tomita* (Resigned: 31 December 2021), Mr D Sano* (Appointed: 22 February 2022)

* Japanese

SECRETARY AND AUDITORS

Company Secretary: PC Reddy **Auditors:** PricewaterhouseCoopers Inc.



CEO's MESSAGE

CELEBRATING HOW FAR WE'VE COME

2021 saw the business achieve 60 years of Toyota sales in South Africa and 50 years of the Hino brand's presence in the country.

These are tremendous milestones for TSA, which has been through many phases and challenges as an organisation and we do not take such incredible achievements for granted.

We are pleased to keep moving from strength to strength and in 2021, celebrated 43 years as market leader. We continue to see ourselves as a locally relevant and proudly South African company.

Andrew Kirby

*President and CEO
Toyota South Africa Motors*



THE COROLLA CROSS BREAKS THE MOULD

The successful launch of the Corolla Cross required a company-wide approach – from production to sales and marketing, technical, parts, dealers, sales and training. Across all functions, the preparations for the launch required new and radical thinking.

Ultimately, the response of our customers has been better than was hoped for. The launch event, with South Africa's President Cyril Ramaphosa in attendance, heralded a breakthrough for TSA that has brought recognition not only in the form of high demand for the Corolla Cross, but the 2022 Car of the Year accolade.

An allied major theme for the business during FY21 was an accelerated push towards carbon neutrality, because TMC wholeheartedly supports the Paris Agreement and accepts the challenge to achieve carbon neutrality by 2050.

Customer demand for the hybrid drivetrain version of the Corolla Cross exceeded our expectations significantly, confirming that our transition to new energy vehicles (NEV) is a future that will arrive sooner than predicted. Our approach to carbon neutrality encompasses product, manufacturing and corporate citizenship, as this report will show.

During FY21, the Corolla Cross may have spearheaded our shift to the future, but we successfully leveraged our product offensive – especially in the small-car segments – to gain market share as the leader in South Africa.

From a leadership perspective, I believe we should take a proactive approach to the expected post-pandemic market recovery. Our market growth forecasts were both more bullish and accurate than those of our competitors, which allowed us to be prepared to cater to demand more comprehensively, contributing to gains in market share.

Our business planning and market intelligence functions have been crucial to a strong 2021 and Q1 of 2022. The market now has a stronger outlook than in 2019 pre-pandemic, and I am satisfied TSA has leveraged a disruptive environment to make the changes required to delight our customers during the recovery.

The loss of an industry titan

Though we marked several celebratory milestones during 2021, TSA also suffered the loss of our inspirational former leader, Dr Johan van Zyl, who succumbed to Covid-19 on 30 July.

This was a tremendous shock to all of us. His leadership and influence on the company and industry have been enormous for a long period. Dr van Zyl and I enjoyed a great working relationship for the 17 years in which I reported to The Doc, and even though he left to take up a position as CEO of Toyota in Europe in 2015 and was no longer operationally involved at TSA, he remained our chairman and was supportive, providing guidance and advice that will be sorely missed.

Dr Van Zyl joined Toyota South Africa Motors in 1993 as a director in the sales and dealer network, being appointed to the CEO position a decade later. His tenure allowed him to build an incredible wealth of institutional knowledge that also saw him take up the position of National Association of Automotive Manufacturers of South Africa president from 2005–2013.

He has left an indelible mark on leadership in SA, the automotive industry and TSAM. I am incredibly honoured to be appointed as the chair of TSA, and will continue to build on his incredible legacy he left. Business continuity is important for TSA and my vision is to strengthen our position as a company and our manufacturing standards to become a stronger partner for Toyota Motor Corporation and Toyota Tsusho Corporation.



Dr Johan van Zyl

NEVER LET A CRISIS GO TO WASTE

The floods that occurred in KwaZulu-Natal in April 2022 were disastrous from any perspective for TSAM, our dealers and our customers. Livelihoods, infrastructure and businesses were destroyed. Though this took place immediately after the close of the year under review in this report, the event has significantly altered the forward-looking outlook of our company.

There have been many important elements that have contributed to an accelerated recovery and will continue to improve the business going forward. I must pay homage to TSA's and TSAM's employees, who have demonstrated incredible dedication in the face of adversity, our value chain of suppliers, who have come together to ensure our broader ecosystem is strengthened, and the various government agency stakeholders who have been instrumental in putting the socio-economic needs of our region first.

In line with the transformation of the automotive manufacturing industry around carbon neutrality, our leadership team has also set its sights on achieving global production standards that will strengthen our performance metrics. We had planned to replace ageing equipment, which has seen multiple model introductions and changes since its original design but was nearing end of life and impacting our overall efficiencies.

The dramatic and unforeseen flooding of the plant – the biggest single disaster in TSA's history, covering our entire 87ha site with 1.5m of muddy water and instantly removing 60% of our sales volume in South Africa – has given us the opportunity to accelerate the updating and replacement of machinery.

Owing to the nature of the extensive damage, recovery of mechanical, electrical, IT, logistics and other infrastructure was difficult. We ordered more than 100 000 equipment parts to replace damaged ones, refurbishing what we could before their arrival to bring forward the date of reopening the plant.

Our theme for the recovery is Rebuilding Better, Together, which speaks to our hand-in-hand recovery with our dealer network and customers, continuous improvement (kaizen) and upgrades of manufacturing processes so that we can recover lost production by the close of 2022. We have also embarked on the building of stronger and closer collaborative relationships with the city and government agencies around the necessary repairs and flood mitigation elements. When we re-emerge from this temporary setback, TSA will have a much stronger manufacturing base.



OUR PEOPLE COME FIRST

The riots and unrest of July 2021, followed by the floods of April 2022, occurred either side of a fifth wave of Covid-19 in South Africa. During the year, we continued to focus on the protocols and systems we had put in place to support and manage the health and wellness of our employees and business partners.

Our risk management framework – which had been updated and strengthened in great detail in response to the impact of Covid-19 on the business – once again allowed us to put our people first in ensuring the sustainability of the business. This business has always been about its people first, followed by our value chain and then our operations. This approach has yielded demonstrable positive results in the recovery of TSAM from such disastrous circumstances.

As you will see on page 40, TSA provided significant support to the communities around our operations during these times of crisis. These events created long-term impacts on many local businesses, and the rebuilding of business and consumer confidence will require much work to address.

SALES AND MARKET PERFORMANCE REVIEW

We had forecast a significant move toward sport utility vehicles (SUV), which included the Corolla Cross and Urban Cruiser. Though our predictions were bullish, market trends surpassed our expectations. At the same time, a second trend saw many customers opt for smaller vehicles in the A and B segments, where penetration of Toyota vehicles was much better than anticipated. This was partly driven by strong growth in our fleet customers, which we regard as a positive sign for recovery of the overall market.

These trends drove a strong mix of sales, where our portfolio was able to capture a wide range of customers. Imports were again constrained as a result of component shortages and global logistics challenges, but these challenges are expected to subside in 2022.

In terms of market share, we achieved 25.3% for calendar 2021, growing to 30% in each of the three months of Q1 in 2022. We were grateful for such a strong start to the year and aim to make up any ground lost owing to the flooding and plant closure.



OUR STRATEGY IS EVOLVING

2021 marked the mid-term phase of our Rebuilding Our Business Ourselves by 2025 strategy, which was implemented in 2019. Given that it was developed and put in place pre-Covid-19, we have had to adapt to some global trends that accelerated during the pandemic. The most notable is the move towards carbon neutrality, which has emerged as a priority for our business, especially since we export products to Europe, where regulators will imminently introduce carbon-based taxation regimes across the manufacturing footprint.

In the words of Akio Toyoda, global president of TMC, carbon is the enemy of this planet, and as a manufacturer we take this responsibility seriously – we have put many credible action plans in place to mitigate our impact.

Since one of our largest customers for the Hilux model we produce is Europe, the pace at which we transition to carbon neutrality is key to the future sustainability of this business and must accelerate in line with their policy development – likely well beyond the pace at which the rest of South Africa reduces its carbon footprint. This is an imperative that will increasingly drive our strategic decisions. See page 12.

In South Africa, the road map for the acceleration of the introduction of NEVs remains a key industry discussion topic with government. We continue to collaborate with the Department of Trade, Industry and Competition (dtic) to secure support for NEV sales and local production.

We work with the African Automotive Association of Manufacturers to establish industrial policy in countries that can support the sale and manufacturing of vehicles. The African Continental Free Trade Agreement underpins the potential to introduce industrial policy, which will limit the dumping of used cars in Africa, increase vehicle sales and provide for the establishment of manufacturing bases that could substantially improve mobility on the continent, improve quality of life and uplift economic development.

ACKNOWLEDGEMENTS

2021 was a trying year for everyone at TSA. I have been impressed and encouraged by the way all our employees have collaborated and taken ownership of unforeseen challenges. While the business has experienced setbacks, there is now a far stronger sense of unity and purpose among us, and I am grateful to be part of the team within TSA.

I am also thankful to TMC, TTC and the global Toyota family for their assistance with our recovery from the floods, as well as supporting the introduction of the Corolla Cross and the construction of an appealing product offensive during the year.

TRANSFORMATION REMAINS TOP OF MIND

The amended Automotive Production and Development Programme regulations were released in July 2021, providing much-needed certainty around manufacturing sector policy to 2025. However, initial indications are that TSA needs to accelerate its transformation credentials across its value chain.

To achieve this, we have broadened our approach to transformation and established a steering committee that will provide more holistic oversight to all elements: progress in our scorecard, advancing leadership representation, transformation of our value chain partners and ensuring we establish a diverse and inclusive corporate culture. See page 42 for updates on our progress.

KINTO

KINTO AND THE FUTURE OF MOBILITY

In this year's report, we introduce the exciting Kinto brand. This concept, which will be managed by a new company launched in July 2022, will be available for both the consumer as well as businesses. Kinto will strengthen our value chain and aims to ensure that by aligning with the global trend to pay for usage instead of ownership, customers will remain within the Toyota family. See page 23 for more information.

LOOKING AHEAD

After the floods in early Q2 of 2022, our greatest priority is to stabilise our production and create a base for a steady, high-quality and efficient production environment. We will work hard to meet and exceed our customer demands.

While we deal with the crisis, we must not lose sight of our mid-term strategic goals in becoming a mobility company rather than a company that sells vehicles (see page 12).

We must also accelerate our transformation as a company; not only in terms of empowerment, but in becoming a mobility company that is future-proof and can respond to disruption in an agile fashion.

A timeline: 60 YEARS OF TOYOTA, 50 YEARS OF MANUFACTURING AND 50 YEARS OF HINO IN SOUTH AFRICA

1961

Dr Albert Wessels is granted a permit to import 10 Toyota Stout pickups

1962

Motor Assemblies begins manufacturing the Toyopet Stout

1966

The Toyota Corona rolls off the production line

1967

Toyota's first foray into local motorsport sees **Jan Hettema** win the South African Rally Driving Championship

1971

The **Prospecton** plant opens and the first Hino trucks are sold in South Africa



1997

TSAM produces its millionth passenger vehicle and 500 000th Hilux

1994

Lexus arrives in South Africa, with the launch of the LS 400

1998

Nelson Mandela celebrates his 80th birthday with Toyota South Africa

1995

TSAM's new paint shop produces a range of new metallic finishes

1990

R52 million investment into Tool & Die Manufacturing, which hires 90 new apprentices

2001

TSAM's first robot spot-welding and body sealer machines begin work

2006

Toyota Academy of Learning (TALA) opens

2012

Toyota's national parts centre opens

2001

TSA begins exporting and **Cataler SA** opens



2005

R1 billion water-based paint shop and new stamping plant open

2008

TSAM becomes a wholly owned subsidiary of TMC



2014

The **MyToyota app** is launched



1974
The **new dedicated truck plant** at the Prospecton site is opened

1975
The **Corolla** becomes **South Africa's best-selling car**

1979
Toyota tops sales in the South African market – a position it has never relinquished

1989
TMC announces **R1 billion investment in TSAM**

1983
R200 million investment in a new paint shop boosts capacity by 25%

1981
Motor Assemblies becomes Toyota South Africa

1986
Corolla TwinCam 16V wins the very first **Car of the Year** award

1982
100 000th Corolla built



2015
Ses'fikile is now made in South Africa at the Quantum Manufacturing Facility

2019
In the first **Executive Exchange Programme**, TSAM's Dave Finch becomes President of Toyota Motor Manufacturing Alabama



2016
The all-new **Hilux and Fortuner** are now made in **South Africa**, thanks to a **R6.1 billion** investment

2021
TSAM produces South Africa's first locally made hybrid, the **Corolla Cross**



TSA's place in Toyota's GLOBAL VISION

TSA acts in accordance with TMC's Guiding Principles to sustainably develop the society in which we operate through ongoing innovation and the provision of leading products and services.

TMC and its consolidated subsidiaries hope to contribute to sustainable development through its corporate activities, based on understanding and sharing these guiding principles. Our guiding principles reflect the kind of company TSA seeks to be, in light of our unique management philosophy, values and business methods that the company has embraced since its foundation.

TSA and all other TMC subsidiaries strive to contribute to the harmonious and sustainable development of society and the planet through all business activities that we carry out in each

country and region, based on our guiding principles. We comply with local, national and international laws and regulations as well as the spirit thereof and conduct our business operations with honesty and integrity. In order to contribute to sustainable development, we believe management interacting with stakeholders is of considerable importance, and we will endeavour to build and maintain sound relationships with all our stakeholders through open and fair communication. We expect our business partners to support this approach and act in accordance with it.

TOYOTA SOUTH AFRICA AS A MOBILITY COMPANY

Toyota embraces the disruption of traditional transport concepts by striving to lead the way to the future of mobility by providing a range of mobility solutions. Mobility is broader than vehicle ownership; it encompasses the joy and freedom of movement for all people. Our aim is to enrich lives across the world by providing the safest and most responsible means of moving people.

Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. By combining quality and reliable products with an engaged workforce, TSA is positioned to help meet Toyota's global mobility goals of always finding a better way to meet challenges.

OUR STRATEGIC BRAND ASSOCIATIONS

Our approach to creating products and services is aimed at strengthening five brand associations:

- Brand trust
- Environment
- Technology
- Image/lifestyle
- Community service



THE TOYOTA WAY

Combining software, hardware and partnerships to create unique value that comes from The Toyota Way.

Software

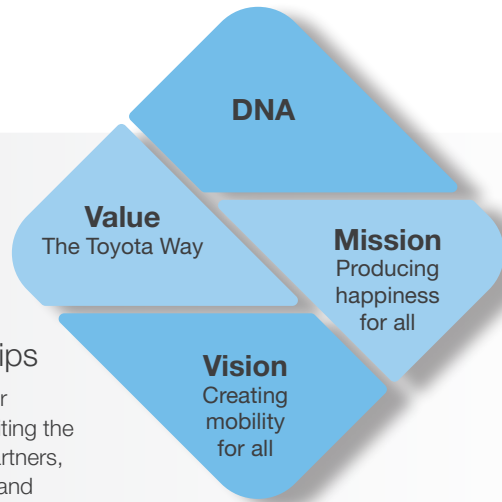
Applying imagination to improving society through a people-first design philosophy. Practising *Genchi Genbutsu* to understand operations at their essence.

Hardware

Creating a physical platform to enable the mobility of people and things. A flexible system that changes with the software.

Partnerships

Expanding our abilities by uniting the strength of partners, communities and employees to produce mobility and happiness for all.



OUR VALUES, VISION AND MISSION

Our vision and mission – to produce happiness for all – are achieved through creating partnerships that combine hardware and software. This is where we create and add value. This is The Toyota Way. The culmination is our corporate DNA: the best of technology and the human touch. That is where our superpower resides.

Values	Communication	Respect	Ownership and responsibility	Integrity
New value set	Thank people	Show respect for people	Create room to grow	Work with integrity
Values	Quality	Social involvement	Guest	
New value set	Continue the quest for improvement	Act for others	Welcome competition	
New value set	Drive curiosity	Observe thoroughly	Get better and better	

Our business operations are conducted according to methods and values that collectively create The Toyota Way. In 2020, TMC updated and refreshed its philosophy, mission, vision and values, and we have already begun awareness and education campaigns throughout TSA and our dealer network.

We take our values seriously because they are the cornerstone of our business and key to our sustainability.

This is our new business model, which is designed to ensure we remain relevant and can meet and exceed our customers' expectations.

At the base of the cone is our vision: we want to be part of a business that can add value by providing freedom of movement to people, thereby creating opportunities for work, experiences and enhanced quality of life. Mobility refers to more than cars; we refer to all aspects of life and the fulfilment of dreams.

Our mission is to produce happiness for all. We want to improve the lives and well-being of others by making technology accessible to all. We produce happiness by exceeding customer expectations, building on a solid foundation of our values and philosophy, which helps us look forward, not backward.

We believe the impossible is possible, which is why we embrace the kaizen mindset: adapting to change and making continual, progressive improvements to stay relevant.

Our STRATEGY

In 2019, we developed a five-year business plan called ROBO25, which stands for Reinventing Our Business Ourselves by 2025. The goal of this five-year strategy is to improve our levels of manufacturing competitiveness and customer retention.

ROBO25 contains a set of clear visions and critical themes, outlined in eight objectives we must meet as a business to position ourselves for a sustainable future.

- 1 Establish a strong appeal for future customers
- 2 Ensure we don't fall behind in the race towards CASE (connected cars, autonomous/automated driving, shared and electric vehicles) mobility
- 3 To be a globally competitive manufacturer in terms of safety, quality, productivity and cost
- 4 To enhance export volumes of vehicles and parts
- 5 To achieve our environmental targets
- 6 To strengthen localisation of manufacturing content to 45% true local content
- 7 To enhance transformation across our value chain
- 8 Accelerate our adoption of digitalisation

Like all automotive manufacturers, we face increasing pressure from disruption in our business model, which must be met with innovation and cost structures that preserve competitiveness in order to survive.

To meet these objectives, by 2025, TSA must demonstrate the following form and characteristics:

We want a team that has the capability to respond quickly to change.

1

We are striving to develop a workforce made up of highly engaged automotive professionals.

2

We want our brands to continue to make significant contributions to South African society.

3

We aim to be the continuous market leader in sub-Saharan Africa.

4

We need a profitable business that can continue to secure and fund new investments.

5

Our sustainability as a business is enhanced by our growing status as Toyota's hub for Africa, including being the mother plant for the continent. Toyota Tsusho Corporation, established as a regional co-ordinating body for sales and distribution across the continent, views TSA as the hub of Toyota's participation in Africa's industrialisation in the auto industry,

providing TSA with the opportunity to expand sales and volumes into more African territories.

TSA is one of Toyota's oldest distributors outside of Japan, and our long history within the group provides us with an advantage in the African automotive sector, given our intimate understanding of African market dynamics.

We are progressively assuming responsibility for the supply of parts and export units into Africa, to improve lead times, quality and efficiencies in servicing Toyota customers on the continent. As the hub of this continental strategy, TSA is well positioned to remain in a sustainable position at the heart of Africa's next growth phase.

Material MATTERS

Our material matters are aligned with TMC’s global approach to sustainability but are consistently updated and reviewed by senior TSA management to remain relevant to our local operating context. We periodically conduct reviews of all key documentation, detailed assessments based on surveys, as well as one-on-one discussions with internal and external stakeholders.



The material themes and their respective issues affecting TSA are addressed in this report according to our sustainable business model’s **three non-financial drivers:**



SOCIETY



ENVIRONMENT



GOVERNANCE

Stakeholder group	Material matters	Report section
Customers	<ul style="list-style-type: none"> Ensuring customer satisfaction Service excellence Resolving issues Ensuring quality 	<ul style="list-style-type: none"> CEO’s message Our strategy Our performance
Employees	<ul style="list-style-type: none"> Performance management Training and development Diversity and inclusion Safety Health and well-being Respect for human rights 	<ul style="list-style-type: none"> CEO’s message Our strategy Our performance Society Environment
Suppliers	<ul style="list-style-type: none"> Supplier and enterprise development Safety Health and well-being 	<ul style="list-style-type: none"> CEO’s message Our strategy Our performance Society Environment
Unions	<ul style="list-style-type: none"> Sustainable job creation Safety Health and well-being Respect for human rights 	<ul style="list-style-type: none"> Our performance
Government and industry regulators	<ul style="list-style-type: none"> Sustainable job creation Transformation Supplier and enterprise development 	<ul style="list-style-type: none"> CEO’s message Our strategy Our performance
Society	<ul style="list-style-type: none"> Sustainable job creation Transformation Health and well-being Respect for human rights 	<ul style="list-style-type: none"> Society
Environment	<ul style="list-style-type: none"> Emissions reduction Resource efficiency Society in harmony with nature 	<ul style="list-style-type: none"> Environment

2021/22 Performance AT A GLANCE

Sales and export performance (units)	FY21	FY20	FY19
Total domestic sales: Toyota, Lexus and Hino	117 659	90 129	130 072
Passenger car sales: Toyota and Lexus	58 521	40 910	63 641
Light commercial vehicle sales: Toyota and Dyna	56 605	46 253	63 427
Medium commercial vehicle sales: Hino	1 421	1 123	1 647
Heavy commercial vehicle sales: Hino	1 082	998	1 357
Automark used vehicle sales	47 297	43 575	51 384
Export units: Toyota	*	41 785	48 376

* Information not available at time of print.



Toyota sales (units)	FY21 actual	FY20	FY19
Production volume	*	80 212	83 419
Domestic sales	*	86 562	127 068
Light commercial vehicle sales (excluding Hino 200)	*	46 253	63 427

* Information not available at time of print.



Lexus sales (units)	FY21 target	FY21 actual	FY20	FY19
Domestic sales	660	601	511	844



Hino sales (units)	FY21 target	FY21 actual	FY20	FY19
Production volume (incl. Dyna)	3 354	3 232	2 334	4 208
Domestic sales (incl. Dyna/200)	3 200	3 046	2 966	3 685
Light commercial vehicle sales (Hino 200)	500	543	845	1 204
Medium commercial vehicle sales	1 470	1 421	1 123	1 647
Heavy commercial vehicle sales	1 230	1 082	998	1 357

Total dealerships

197¹

2020: 195 2019: 195

21¹

2020: 21 2019: 21

65²

2020: 65 2019: 65

195

2020: 191 2019: 191

1. Full dealers (South Africa, Botswana, Namibia, Lesotho, eSwatini)

2. All dealers (South Africa, Botswana, Namibia, Lesotho, eSwatini)



Employees	FY21	FY20	FY19
Headcount (full-time employees)	*	6 388	6 753
Fatalities	0	0	0
Total injury frequency rate	0.81	1.50	1.46



Social contribution	FY21	FY20	FY19
Total social investment (Rm)	*	4	7.7
DTIC Broad-based Black Economic Empowerment (B-BBEE) contribution level	3	5	7

* Information not available at time of print.

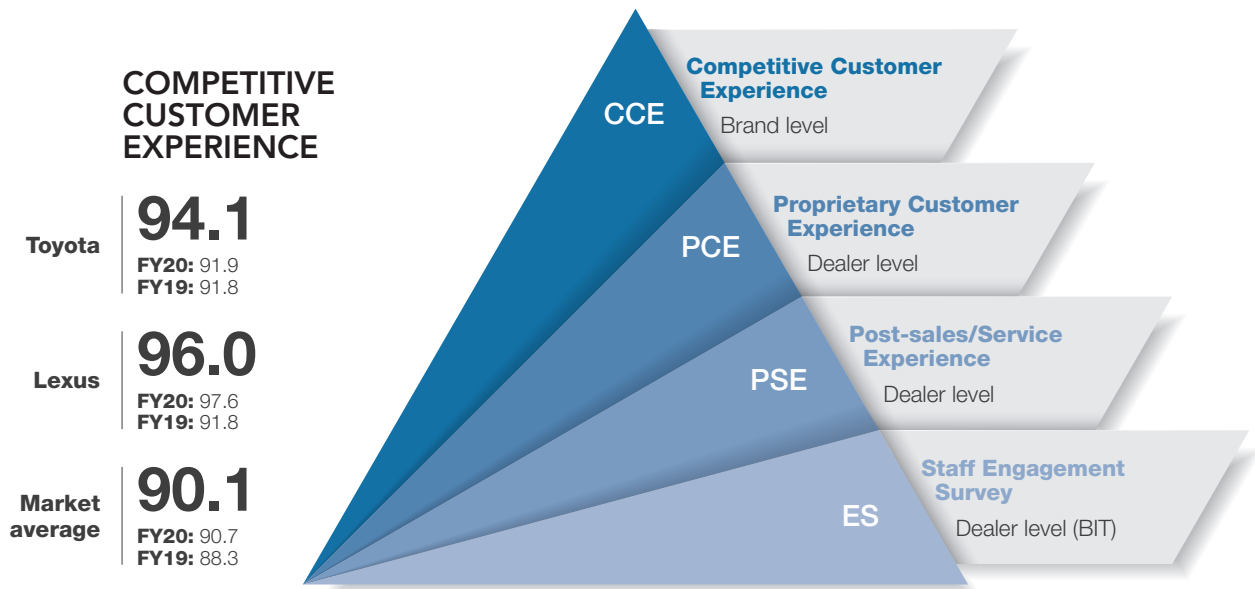
Environmental stewardship	FY21	FY20	FY19
Production emissions (kilotons CO ₂)	119	104	116.96
Carbon intensity (kg CO ₂ /vehicle manufactured)	860	968	904.49
Water intensity (kl/vehicle manufactured)	3.36	4.01	4.32
Waste intensity (kg/vehicle manufactured)	17.23	21.65	19.48
Volatile organic compounds (VOCs) emitted (g/m ² body paint applied)	17.60	17.74	18.92



SA sales volumes	FY21 target	FY21 actual	FY20	FY19
CBU	34 700	42 011	28 165	42 800
CKD	70 900	75 648	58 998	83 064
Hino/Dyna	3 060	3 046	2 966	4 208
Total	105 600	117 659	90 129	130 072
Export volumes	*	*	41 785	48 376
Total sales	*	*	131 914	170 287
Total production	*	131 511	82 886	N/A

* Information not available at time of print.

TSA market share (%)	FY21 actual	FY20	FY19
Total domestic: Toyota, Lexus and Hino	25.3	23.6	24.2
Passenger cars: Toyota and Lexus	19.2	16.5	16.1
Light commercial vehicles: Toyota and Dyna	42.5	41.7	35.0
Medium commercial vehicles: Hino	18.9	28.8	18.9
Heavy commercial vehicles: Hino	5.7	6.2	7.0



The objective of the Competitive Customer Experience study is to determine how the Toyota and Lexus brands compare during purchase and service experience with our other main competitor brands in South Africa. The brands that show significant achievement greater than the market average are categorised into Gold, with the remaining brands falling in either Silver or Bronze categories. Toyota and Lexus have achieved overall Gold status five years in a row.

From the pyramid above, in our strategy, providing Customer Experience starts at the bottom, with engaged staff delivering exceptional customer experiences, on both the sales and service fronts of the business. This is followed up through our unique Post-sales/Service Experience dealer system to identify concerns early on at a dealer level to ensure the Proprietary Customer Experience scores (Satisfaction and Recommendation) and Competitive Customer Experience scores all align

to ensure Toyota and Lexus achieve our Gold status year on year. Our vehicle brands – Toyota, Lexus and Hino – are designed to meet the needs of any customer, from entry-level passenger cars to extra-heavy commercial vehicles. Through Automark, we provide quality, reliable used cars so that more customers can benefit from the ownership life cycle while our financing division, TFS, helps structure deals to enable more customers to be mobile.

AWARDS RECEIVED

Awarding entity	Awards received
Cars.co.za	<ul style="list-style-type: none"> Hilux 2.8 GD-6 4x4 Legend (Leisure Double Cab category) Fortuner 2.8 GD-6 4x4 VX (Adventure SUV category) RAV4 2.0 AWD GX-R (Family car category) C-HR 1.2T Luxury (Crossover category) Starlet 1.4 XR (Budget Car category)
SA Guild of Motoring Journalists – Car of the Year	<ul style="list-style-type: none"> Corolla Cross (Overall Winner 2022) Starlet (Budget classification 2021) Land Cruiser Prado (Adventure SUV category 2021) Hilux (Double Cab of the Year 2021)
Car Magazine – Top 12 Best Buys	<ul style="list-style-type: none"> Corolla Quest (Best Midsize Car)
Hino Motors Japan	<ul style="list-style-type: none"> Service and Parts Distributor of the Year 2021
Orchid Awards	<ul style="list-style-type: none"> Dakar 2022 Campaign
NADA Awards 2021	<ul style="list-style-type: none"> Toyota (Gold), Lexus (Gold) Hino (Platinum & Overall Winner)



SALES PERFORMANCE REVIEW

2021 exceeded our expectations, with a forecast total market size of 460 000 vehicles and an actual figure of 464 469 for the year. Despite the lingering effects of Covid-19 on society, business and the broader economy, we were bullish on prospects given the return of tourism, rentals and private purchases and made stock available accordingly.

This was to prove a good strategic move, as the market rebounded strongly and tested the limits of our production capacity in the face of numerous challenges, including semiconductor shortages, supply chain constraints, Durban port delays of up to 48 days and socio-political events such as the riots and unrest that struck KwaZulu-Natal and Gauteng in July. We were successful in various initiatives to reduce internal lead times to improve deliveries to customers as much as we could.

Given the precarious situation in which we were forced to operate for much of the year, the end result was strong momentum and much ground gained after pandemic-related lockdowns and heading into 2022.

Cross selling

The successful launch of the Corolla Cross in Q4 of 2021 was definitely the highlight of our year, followed closely by the arrival of the Urban Cruiser and strong demand for Hilux in Africa and Europe. Corolla Cross represented several firsts for TSA, including being a locally produced hybrid as a New Generation Architecture vehicle. Backed up by novel marketing campaigns for the South African market, leveraging digital channels and the pre-order concept for the first time, Corolla Cross was launched on time despite all challenges, and sales demand was immediately strong, almost doubling our sales forecast for Q4.

Demand for the hybrid variant – as opposed to an internal combustion engine – also exceeded expectations, from a predicted 15% portion of production to 50% of orders. This excitement around hybrid engines, at a time when fuel costs and inflation are rising steadily, remains firm and bodes well for our progression towards new energy vehicles (NEV).

Specification changes on both Hilux and Fortuner were also well received, with a conquest (new customers to the brand) level of above 50%. Corolla Cross's conquest rate of above 60%

underpinned the strong sales year we enjoyed in 2021.

Our small car strategy also paid dividends, boosting our aggregate market share (including Lexus and Dyna) to 24.8% for the year, up from 19.5% the prior year. We launched our small car strategy in 2020, with Starlet, Agya and Urban Cruiser through the Suzuki Global Alliance. This offering was perfectly timed in the economic cycle and has grown our segmental share from 11% in 2020 to 17.9% in 2021. We anticipate continued strong growth in the small-car market segment, given our expanding catalogue.

Aligned with this segment, our dealer network rose to the challenge with an outstanding achievement of 19 909 fleet sales, at 103% of target.

The future is leased

A new generation of thinkers is changing the dynamics within the car market, and Kinto (see page 23) will cater to both small businesses and private customers who see no reason to own their vehicles. We anticipate Kinto will make great headway in the small car segment and attract more new customers to our brand as we introduce market-leading products.

LOOKING AHEAD

The first quarter of 2022 saw record sales figures for the group (15 000 vehicles in March alone in a market 30% smaller than pre-Covid-19 levels), with our market share reaching 30%. The floods that occurred in April 2022 (see page 40) will have a significant impact on our original estimate of a 540 000 vehicle market and our market share for the year. However, our intention is to maintain our plan of 150 000 sales for 2022, ramping up production carefully and consistently to meet customer demand.

We continue to contend with challenges such as volatile exchange rates, which affect our purchasing and exports, as well as global supply chain issues and rapidly evolving regulations. The African Continental Free Trade Agreement holds great promise for the creation of policies and pacts that will promote continental manufacturing and distribution to the benefit of all economies.



Our BRANDS



TOYOTA



LEAD THE WAY **TOYOTA**



FROM LAUNCH TO SA CAR OF THE YEAR IN SIX MONTHS

The successful launch of the Corolla Cross was a collaborative, company-wide approach. Given the importance of Cross as South Africa's first locally produced hybrid vehicle and the carbon-neutral future it represents, we needed to be on top of our game with innovative marketing and sales strategies.

The line-off ceremony, which involved South Africa's President Cyril Ramaphosa, brought to fruition years of planning and technical development within TSA that will lay the platform for future NEVs. Validation of our efforts in the form of the Car of the Year accolade in 2022 was immensely rewarding.

Sales of Corolla Cross have exceeded even our lofty goals, demonstrating innovative marketing and sales initiatives that ensure awareness and demand. From the South African market selling 400 NEVs a year, demand for Corolla Cross hybrid engine cars now exceeds 500 a month.

COROLLA CROSS USHERS IN A NEW ERA

The introduction of the Corolla Cross heralded the implementation of our move toward carbon neutrality in earnest.

The first phase of this strategy will expand on our hybrid product line-up, as this is the most practical solution for South Africa's market. New products launched include Corolla sedan hybrid, RAV4 hybrid as well as Corolla Cross hybrid.

An in-depth marketing campaign was launched to ensure the technology is understood and accepted as a mainstream alternative.

Future activities will include messaging around a rapidly diversifying lineup of vehicle solutions (including battery electric, hybrid and plug-in hybrid options) to meet customer needs, while we continue to work on exciting new technologies such as hydrogen-powered engines through motorsport activity. Watch this space!

SMALL IS BIG

While the Corolla Cross may have stolen the limelight for 2021, our small car strategy which aims to appeal to future customers who are just beginning their vehicle ownership journey, was another major theme for the year. We faced a challenge in introducing three new nameplates in the small car market in the space of just six months. The solution was to leverage the same cast members and music in our campaigns. Based on a common creative platform of FUN across the small car range, sales of Urban Cruiser, Starlet and Rumion performed extremely well. At the performance end of this segment, our Gazoo Racing (GR) brand has gained tremendous traction through 2021, with a big push behind flair products like the GR Yaris and new projects such as the GR Cup and GR Junior Academy, which were launched in Q1 of 2022.

GR is a strategic and exciting new brand for us to grow, targeting the youth and creating brand aspiration while also catering for enthusiasts who welcome a more niched approach from our brand. We also held highly successful brand activations.

BY 2022, ONE IN EVERY THREE CARS SOLD WAS A TSA PRODUCT

Our product strategy has clearly been a good fit with customer demand. In Q1 of 2022, we achieved a market share of 30%, three years ahead of schedule. Our main challenge in the coming year is to meet the strong desire in the market to own a Toyota. Despite a supply interruption as a result of the April 2022 floods in

KwaZulu-Natal, we have raised our level of communications with customers to maintain brand resilience, loyalty and patience.

We have built strong relationships with customers through our sales teams, dealers and marketing by living our philosophy of dependability. Forty percent of our dealer customers are fleet customers, and they are loyal to the Toyota brand and reputation.

OUR SPONSORSHIPS BACK UP OUR VALUES

Everything we do is to the best standard possible. This consistency is evident in our interactions with communities and society at large. Despite challenging operating conditions, we expanded our sponsorship portfolio under the brand credo of: 'An image I can identify with'.

During 2021, we renewed our Cheetahs rugby sponsorship contract, expanded our Kaizer Chiefs partnership to include shirt sleeve branding, we entered equestrian sports as a sponsor for the first time, and we expanded our cycling portfolio to include the Toyota Specialised Team. We also continue to invest in e-Sports by engaging more meaningfully with gamers and placing the Toyota Gaming engine as the content platform at the centre of our strategy to build and amplify our presence in e-Sports, arts and culture events (including Woodfees), and sporting events (including the SASAPD National Championships).

However, probably the most high-profile sponsorship development of the year was our vehicle sponsorship of Springbok rugby, which brings together two of the country's most popular brands.

LOOKING AHEAD

Our goals in 2022 are to retain our number 1 brand position and number 1 customer experience ranking, even as we continue to recover from the floods of 2021.

We will also ramp up our new-energy vehicle communication strategy to educate and prepare the market for the changes that will accelerate in the South African vehicle market. Despite rising inflation and interest rates, we remain optimistic about the overall market and believe we have the product portfolio to keep delivering on our 'fun' promise in the small car segment, such as with the new Starlet. Our small car strategy remains one of our priorities in reaching new and future customers so that we enjoy lifelong relationships with brand supporters.

Finally, we will continue to expand our GR brand messaging and presence as we create new products and experiences for true Toyota fans.





LEXUS



The global semiconductor and component shortage was most keenly felt in the premium car market, given the uniformly high levels of technical sophistication in their specifications.

This made 2021 a challenging year from a supply perspective, but our focus on a shift towards carbon neutrality uncovers several opportunities to position us for growth in 2022.

STABLE PERFORMANCE IS STRONG PERFORMANCE IN A TOUGH YEAR

Lexus maintained its sales figures and market share, keeping pace with an overall market that did not expand during 2021 and remains nearly 50% off its peak. What made our performance even more positive was that the year completed the run-out of our two volume models: NX and LX.

According to market research, Lexus has increased its brand awareness among potential buyers, moving the brand up the consideration scale in a stagnant market.

NEW ENERGY VEHICLES PLAY TO LEXUS'S STRENGTHS

On the back of a successful Corolla Cross introduction, both corporate fleet and private customers have approached Lexus about hybrid vehicles, which is a strength of the brand's product line-up and gives us a strong opportunity to transition to the age of NEVs and new customers.

Toyota globally is on a journey to carbon neutrality, but Lexus will do so with even more immediacy, offering just NEVs by 2030. We are ready to embrace this challenge in the South African market. To prepare, we will be investing in facilities to not only service NEVs but charge them at our dealer premises and provide support for every facet of ownership as the market gets to grips with this exciting new age in motoring.

Our commitment is to ensure any charging stations and infrastructure distribute power from clean energy sources. In South Africa, Lexus has led the hybrid vehicle segment, and we will strive to retain a leadership position as we diversify to plug-in electric, plug-in hybrid and beyond.

LOOKING AHEAD

Fortunately, Lexus was not seriously impacted by the April 2022 flood, losing only two units to water damage. Though supply of our mainstream models remains constrained by global component shortages, we are currently tracking ahead of our 2022 forecast, and our dealers have improved their profitability through strong cost management.

Lexus remains at the top of the premium segment CCE rankings with Gold, and we will continue to refresh and reinvent the customer experience to maintain our 'wow factor'.



2021 saw several exciting developments for Hino in South Africa, despite the parts supply and shipping logistics challenges experienced by all vehicle brands. We exceeded our sales plan and over-achieved on our service and parts targets.

We launched our 200 and 300 series trucks, with the 200 replacing the Dyna model and a minor change and introduction of an automatic model for the 300 line-up. Our 300 series Road Show was very successful. A remarkable market response to these vehicles allowed Hino to regain leadership in the medium commercial vehicle market.

Hino also enjoyed a strong return to the top of the CCE rankings as a result of our agile changes in stock-holding to accommodate for greater shipping lead times. This had a significant impact on customer satisfaction levels in a market segment where customers lose vital revenue through any downtime. Parts supply remains one of Hino's strengths, and we will look to build on this achievement in 2022.

A NEW AGE OF FLEET MANAGEMENT

HinoConnect, introduced in April 2021 in conjunction with CarTrack, provides customers with a full fleet management system, integrated with every truck's electronic control unit. Our customers can use this tool on any handheld device to track the vehicle and monitor driver behaviour, allowing for look-backs at incidents and the recreation of scenarios.

This platform has created value even for smaller fleets, enabling them to increase their service levels to their customers. HinoConnect forms a critical link with our service and maintenance plans, which were relaunched during the year to ensure our customers could benefit from controlling costs.

NEVs ARE THE FUTURE FOR TRUCKS TOO

We are preparing for the test introduction of our 300 series hybrid models, which will likely debut in the market in 2023. Specifically for smaller trucks and buses covering shorter distances, hybrid and electric vehicles have a strong use case, while hydrogen fuel cell technology will ultimately power long hauls and big trucks in the future. We are excited about the market response to our first hybrid offering.

SHOOTING OUT THE LIGHTS

As a result of our parts and service strategy to mitigate global constraints, Hino ranked number 1 in all CCE categories for the year, as well as winning a Platinum award in the NAADA dealer satisfaction index survey for the third year in succession. Hino is the only truck manufacturer to win this award to date.

Recognition from Hino Motors Limited was especially pleasing, as we earned the titles of Service Department of the Year, Parts Department of the Year and the Triple Crown for parts, service and sales. This was a special award created for Hino South Africa because of our sterling CCE scores.

TOTAL SUPPORT

Our Total Support philosophy requires us to become a business partner for our customers. From recommending the Best Fit product for our customer's purposes to providing buybacks and used trucks via the Autemark platform, Hino is positioning itself as the truck of choice for South Africa.



LOOKING AHEAD

Our buyback programme will be key to expanding our market share in the extra-heavy commercial market. This programme will be ready for the launch of our 272 model, which is already generating excitement among customers.





KINTO

KiNTO

Officially launched in July 2022 as a 100%-owned subsidiary of TSA, Kinto is an entirely new way of doing business with our brands for fleet and private customers.

The pioneering business model, which comes from the Japanese term for a magical and friendly cloud that suddenly appears and takes you where you want to go, is part of our evolution from a product-led company to a mobility company.

WHAT IS KINTO?

As the translation implies, Kinto is an alternative mobility offering that is intended to provide a seamless guest experience: an all-inclusive pay-for-use product specifically tailored to the customer's needs.

Kinto customers will be able to drive off with their vehicle of choice, including financing and depreciation costs, all scheduled services and maintenance included for the contract period, connected car capability (Wi-Fi and telematics), licensing and registration taken care of, Kinto Protect limited liability cover – all in one transparent monthly premium.

A NEW GENERATION OF MOBILITY

Kinto neatly anticipates the growing global trend away from vehicle ownership. Many small business owners do not have the capital to fund the purchase of an entire fleet, and many millennial private customers do not think about vehicle ownership in the same way previous generations did. Rapid urbanisation and the integration of public transport networks have permanently changed the rationale for outright vehicle ownership.

In this model, Kinto retains ownership of the car and takes care of all the pain points for drivers – including services, parts, maintenance and insurance – while providing all the mobility benefits. When the contract is over, the driver simply returns the vehicle to Kinto at the local dealer and selects another vehicle.

PREMIUMS BASED ON USAGE

Kinto allows drivers to tailor their options to their needs, based on monthly kilometres covered and the model they select. Kinto options range from six months to 60 months, and up to 200 000 km, with many variables in between.

All vehicles available through Kinto are new cars, from Toyota or Lexus, and users have the option of selecting any model they fancy. Kinto will be able to recommend the most affordable and suitable product for the customer's intended usage and other requirements. All transactions will be efficiently handled through the eToyotaONE platform, which allows customers to manage their administration seamlessly via the app.

Though global supply chain issues and component shortages affected mainly new car sales, the used car market experienced a great deal of turmoil as a knock-on effect of restricted trade-in activity. Demand for used cars remained strong, pushing prices upward and causing many complexities in sales and consumer behaviour.

The main result was elevated competition for used stock. Despite the competitive pressure, Automark managed to grow sales year on year thanks to more aggressive sourcing activity by our dealers.

Where we had anticipated the market normalising in 2022, the floods in April only exacerbated the problem. As a

result, we have paid close attention to our kaizen (continuous improvement) activity to strengthen our processes and increase collaboration with our dealers.

Automark has been able to maintain its competitive position but achieving our growth targets has been delayed owing to the abnormal circumstances.



AUTOMARK

LOOKING AHEAD

Supply remains our most significant constraint, but our rebranding and point-of-sale campaigns in 2021 were successful in raising awareness of the brand and our value proposition, and we anticipate a strong showing in 2022.



TOYOTA FINANCIAL SERVICES (TFS)

Toyota Financial Services started 2021 with new management changes, with the appointment of Thabo Manaka as the Chief Executive Officer.

The assignment for the new CEO was to bolster and formulate a new management team, refine all the structures and turnaround the business, following prolonged years of risk management challenges and the continuation of the Covid-19 impact.

As a business that supports and care for the dealer network and its customers, TFSSA had introduced several relief programs to dealers and customers to alleviate the impact of Covid-19. Some of the initiatives to the dealers included extended payment relief on floorplan facilities, and in the case of customers, moratorium on the payment for a specified period. Customers who met the qualification criteria were contacted and offered the relief. In the taxi space, a different criterion was applied.

During the year, the company was successful in bolstering the management team in the sales & marketing, risk management, compliance and pricing. Since the addition of the new members, and the restructure of some departments, the performance of the business continues a good performance, measured against all key performance indicators.

Toyota Financial Services also prides itself in making a difference to the various communities. During the year under review, employees donated blankets, sanitary towels and food parcels to various deserving institutions in Klerksdorp and Hammanskraal area.

In addition to the many activities undertaken, we remain committed to assisting our customers with bespoke financial services products that best suit the customer needs. To this end, we were also available for assistance to those customers that were impacted by the July riots in the KwaZulu Natal area.

OUR STARS

We cannot underestimate the effort put in by our employees during 2021, which allowed us to compete effectively and give rise to a V-shaped recovery for TFS. We have invested significantly in our people, attracting experienced and skilled talent – from sales and marketing to pricing and risk management – that has helped us turn the business around.

A CHALLENGE AWAITS

We continued the recovery momentum through the review and introduction of new retail commission structures at point of sale. We will entrench our efficiencies through the use of technology in our processes. At the same time, we will continue to drive our FutureDrive value proposition toward achieving our optimum market penetration.



CATALER

Cataler South Africa (CSA) is a manufacturer of automotive catalyst technology components for exhaust system emission reduction and is a major contributor to TSAM's component export business.

In 2021/2022, CSA component production volume for exports (via TSAM) was 96% with the remaining 4% supporting local vehicle production.

CSA remained profitable through 2021/22 despite the challenges of local currency volatility, global logistics constraints, semiconductor shortages, Covid-19 and South Africa's socio-political challenges. We maintained 100% uninterrupted supply to customers (including exports to international markets) owing to business continuity measures introduced in the previous financial period, which included strategic stockholding of key raw materials and finished goods.

We successfully completed all new product introduction projects in 2021/22 and maintained all relevant accreditations during the year. Although not severely impacted by the recent KwaZulu-Natal floods, CSA lost two weeks of production mainly owing to municipal damaged infrastructure for the supply of utilities to the Prospecton business area,

as well as some raw materials and finished goods stored in the two warehouses, which were flooded. CSA resumed production soon after the two-week clean-up operation, taking contingency measures, including the installation of temporary water supply and the establishment of cloud-based IT network connectivity to ensure quick recovery of IT services.

Future challenges for CSA range from the changing South African business regulatory environment to local currency volatility, industry security costs, global warming and carbon-neutral requirements, as well as potential product demand decline as a result of the shift within the automotive manufacturing industry towards electric vehicles. CSA is working closely with Cataler Japan and TMC, to establish mitigating strategies to ensure business continuity and uninterrupted supply to customers.

DESTINATION OF CSA PRODUCTS





94% Europe
(TMUK, TMMT, TMMF, TMMR)

United Kingdom
(TMUK)



Corolla Sport

Russia
(TMMR)



Camry



RAV4

France
(TMMF)



Yaris

Turkey
(TMMT)



Corolla



C-HR

2% Japan
(TMC)



Noah



Voxy



Esquire

4% South Africa
(TSAM)



Corolla



Hilux



Corolla Cross

SOCIETY



At Toyota we do everything in our power to contribute to the creation of prosperous towns and societies, to put a smile on the faces of as many people as possible.

In order to enrich the lives of communities, we are first of all contributing to society through car manufacturing; we are also engaged in a variety of activities aimed at realising a society in which all people can value one another and find happiness.

29 CREATING A PROSPEROUS SOCIETY

34 COLLABORATION WITH BUSINESS PARTNERS

39 EMPLOYEES

48 PRIORITISING QUALITY FOR OUR CUSTOMERS

53 SOCIAL CONTRIBUTION





CREATING A PROSPEROUS SOCIETY

We align ourselves with TMC's Global Vision of contributing to the sustainable advancement of the societies in which we operate.

We commit time and resources to developing all South Africans by empowering and uplifting local communities through transformation and enterprise development in our value chain, enhancing the lives of the customers who use our products, and impactful and measurable social programmes.



TOYOTA EMPOWERMENT TRUST

The Toyota Empowerment Trust (TET) is a commercially driven organisation, founded and fully capitalised by TSA, with three focus areas:

- **Incoming talent management** for technical and engineering trades through holistic high school life, mathematics and science coaching and selection programs in surrounding communities to TSA; as well as supporting alignment of tertiary trade qualifications provided by the Industry under the new QCTO standards.
- **Localisation support** and supplier data management through provision of a supplier database and an e-RFQ parts supermarket, which ultimately is building towards a dynamic supplier capability management system.
- **Enhancing minibus taxi commuter experience** through commercialisation of revolutionary ultraviolet air-treatment device in minibus taxis which removes 99.9% of airborne diseases circulating and which will ultimately serve as a telemetry platform for further applications enhancing commuter experience.

These three focus areas have been translated into six sub-projects which run under the Inqubeko brand name, the isiZulu word for progress



6 projects have been identified

and are in various stages of maturity from feasibility stage to post-revenue:

- 1 Inqubeko **Training**
- 2 Inqubeko **Access**
- 3 Inqubeko **Hybrid Education**
- 4 Inqubeko **Commuter Experience**
- 5 Inqubeko **Platform Technology**
- 6 Inqubeko **Advisors**

2021 update

Our Inqubeko Training Academy (ITA) focused on the development of core maths and science skills of high school learners to prepare future leaders for the workplace.

ITA also continued running the **Leadership and Technical Foundations programme** (LTFP) within TSAM's maintenance division during FY22 where 35 artisans (including group leaders) were being trained in maths, science and management skills.

We launched the **Future of Manufacturing** (FOM) programme in partnership with TSAM and the Albert Wessels Trust – which develops high school learners holistically – incorporating both technical skills (maths and science) as well as important life skills (mentorship, life coaching, emotional intelligence course). Sixty candidates were recruited and, after using the digital app with artificial intelligence capability to learn and guide each student's competencies, all students improved their maths scores by more than 15% and the number of distinctions achieved rose by 30% on the app test scores. We have had excellent feedback on the programme's success. (See page 32 for the case study.)

The **Inqubeko Access Portal** launched officially at the beginning of the year and currently has more than 540 suppliers registered. The portal gives the TSA procurement team access to these registered suppliers as well as 110 000 companies in South Africa on the broader database.

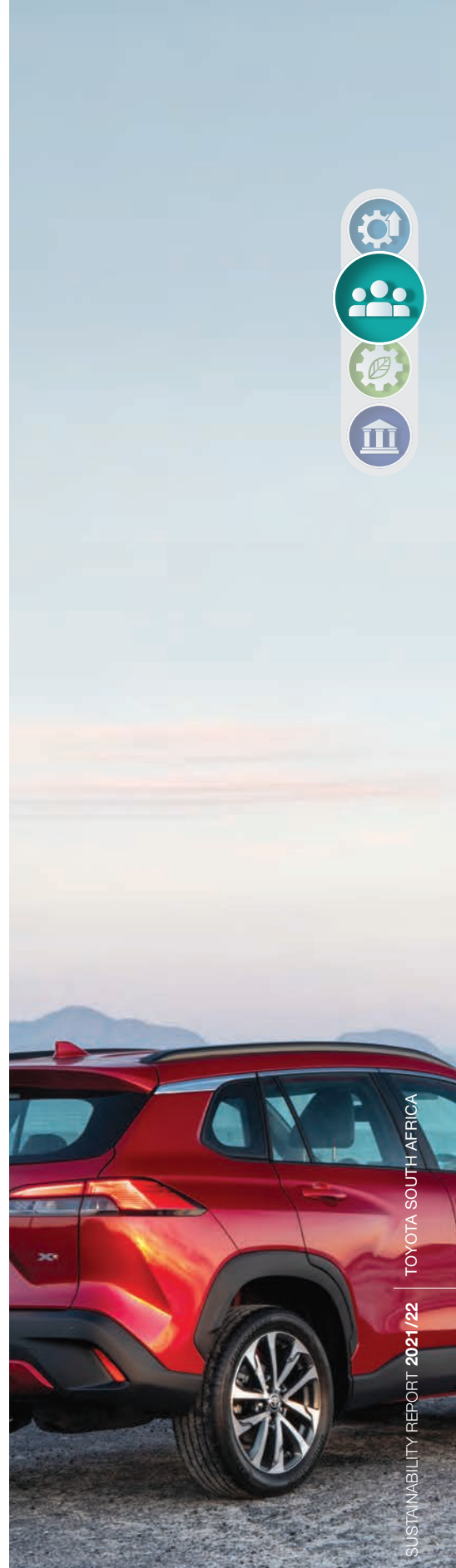
The ultimate goal for the Access Portal is to be a localisation parts supermarket, which will link auto manufacturers with local suppliers who are interested in bidding for production contracts. We have great ambitions for the portal as a key driver of the localisation that is critical to the future of the local auto manufacturing industry.

Our **hybrid education company** is pioneering the design of the industry's first blended (remote and physical) technical learnership in collaboration with TSA, under the new QCTO training standards.

Inqubeko Commuter Experience, in collaboration with the African Potential Foundation, developed a device that eliminates airborne pathogens inside public transport vehicles, including Covid-19, tuberculosis and seasonal influenza. During the year, testing was conducted inside minibus taxi environments to confirm its effectiveness and the results were satisfactory. The device is already being used in ambulances and TB clinics. To date we have received several letters of interest from corporates interested in fitting the device to their staff transport vehicles.

Our **Platform Technology company's** goal is to help SMEs select and implement business automation software to help them manage the complexity that comes with expansion. During the year, we conducted a pilot project with one of TSAM's Tier 2 suppliers, to propose an alternative scalable solution to Excel, and both parties took valuable learnings from the pilot that will help us refine our advisory work for other suppliers.

Inqubeko Advisors was established in December 2021 and aims to assist in the localisation drive of the auto manufacturing industry. We are currently working alongside TSAM in various potential deals where we can play a corporate financing and structuring role.



Inqubeko Training Future of Manufacturing programme

Inqubeko Training Academy seeks to address a critical skills and competence shortage within the South African automotive sector. Inqubeko focuses on a future-based approach to facilitate skills development in the South African Automotive Sector.

During 2021/22, we focused on **2** training programmes:

The Leadership and Technical Foundations Programme (LTFP)

where 35 artisans (including group leaders) were trained in maths, science and management skills.

The Future of Manufacturing (FOM) programme for the holistic development of high school learners, including components aimed at developing learners in the areas of mathematics and science, career pathing, mentorship, life coaching and important life skills.

Many high school learners, with the potential of becoming innovative leaders in business and science, lack mentorship and access to good quality education, especially in maths and science. This permanently impacts their development unless they are afforded opportunities to fix the missing building blocks in their educational foundation.

Maths and science are important contributors to the literacy of the next generation. It helps in preparing for evolving industries and careers and has the power to change the trajectory of underprivileged communities. The Future of Manufacturing programme was designed to address three core challenges experienced by high school learners in historically disadvantaged communities: foundations competence, missing mentors and career path chaos.

One OEM training manager shared that in 2020 he received 4 950 apprentice applications, of which only 1% (49) met their minimum standard for 65% in mathematics and science.

The Future of Manufacturing Project is a programme specifically designed to lift achievement in maths and science, mentor learners in successful values

and habits and set them up for career path success and employability within the automotive sector. This is intended to build a strong and sustainable technical candidate pipeline for the auto manufacturing sector.

Learners attended weekly interactive mentoring sessions via Zoom and were mentored in a variety of life skills, including values, productive habits, dealing with conflict, and communicating effectively. They watched short daily videos to reinforce the session material and they also attended monthly life coaching sessions. All learners had the opportunity to interact with the Inqubeko training manager on an individual basis as well.

Learners completed an NQF5-accredited course in emotional intelligence (EQ) in January 2022. Emotional intelligence is the single most important indicator in producing people who are able to work effectively in organisations at the highest levels. Long-term sustainability requires that people go beyond IQ and develop their full EQ. This course is an invitation to go on a journey of self-awareness and develop effective and professional

interpersonal skills. Furthermore, the course helps you understand and manage your negative emotions and increase your resilience.

Each learner received a mobile device with the MathU maths and science app and sufficient data. This AI-assisted app provides access to over 3 000 exercises per grade, with written answers and video explanations, and creates a unique learning pathway for all learners based on their app results. It also digitally connects learners with tutors to clarify any questions. The learners attended six in-person workshops to prepare for the maths and science senior certificate examinations, run by experienced teachers.





All selected learners had the opportunity to apply for acceptance into an exclusive two-year automotive programme with Toyota South Africa Motors, focused on a strong and healthy mind and body, technical skills, work ethic, leadership development, on-the-job training, international exposure and teamwork.

A subset of the FOM group was selected for enrolment in a two-year blended programme with TSAM's TVET school, which incorporates an academic technical qualification as well as work-integrated learning.



Key features of the programme include:

An opportunity to acquire and apply advanced manufacturing and leadership skills.

Learning facilitation by highly experienced Global Skills trainers.

International exposure and travel.

Supported by global partners and designed to change the trajectory of historically disadvantaged communities by investing in education and holistic development. Successfully completing the two-year curriculum will perfectly position the learner for employment opportunities with TSAM and other partners in the industry.

The results were clear to see: **mathematics marks improved by 15%** in all areas and the number of distinctions in **science grew by 30%**.

One of the 2021 learners, **Mhlangi Shange**, was one of KZN's top achievers. He wrote the following to the Inqubeko Training Manager:

"Thank you so much MathU and Inqubeko. You did an amazing and remarkable job on us. The results can fully support my claim."

Another 2021 learner, **Sbonelo Gama**, was the top achiever in technical mathematics in KwaZulu-Natal.

Learner **Mawande Dube** improved her science trial exams result by 24% to reach a distinction in science on her final certificate. Mawande wrote to Inqubeko:

"I could have never got the results I have if it wasn't for your dedication and your believing in us. A thousand words could never express the amount of gratitude I have. Keep doing what you do!"

COLLABORATION WITH BUSINESS PARTNERS

The two major themes of the year in terms of collaborating with suppliers were the revised Automotive Production and Development Programme (APDP) incentive scheme, which we're challenged with implementing, and our ongoing objective of transforming our supply chain.

The stipulation that TSAM must achieve Level 4 B-BBEE status in 2022 to qualify for incentives under the APDP II and our suppliers in 2023 has created some uncertainty in our supply chain, given that some suppliers may not be able to comply. Though this is a challenge for our supplier base, it opens opportunities to develop new suppliers and increase localised content in our value chain.

While our suppliers faced similar shipping and logistics constraints, with average vessel delays of 41 days during 2021, our business partners kept to their commitments and were instrumental in the successful launch of the Corolla Cross in October. In the lead-up to the launch, our suppliers achieved strategic quality improvements that boosted TSAM's credibility for future projects and for this we are thankful.

In terms of localisation, we are moving into Phase 4 of our localisation programme, introducing three new suppliers during the year. Our diligent enterprise and supplier development is translating to our scorecard as validation of our training and support through the supply chain.

We have outsourced some non-core activities to suppliers, which has yielded good results as we become a leaner manufacturing operation. We continue to work with suppliers in The Toyota Way, developing their competitiveness before new models hit our production line.

A special commendation must go to our KwaZulu-Natal suppliers, of whom 16 out of 20 were affected by the flooding in April 2022. Without their business continuity strategies being incredibly effective and their offers of support in clean-up, our return to operation at the Prospecton plant would have taken months longer.

CASE STUDY

Automotive Industry Transformation Fund (AITF) backing transformation in our supply chain

The AITF was set up on behalf of OEMs to successfully implement the EEIP, with the aim of continuing to improve industry transformation in line with the vision of SAAM 2035.

The AITF's mandate is to assist the sector to increase localisation and drive transformation in the value chain through provision of developmental funding, creating market access and focus on the development of beneficiary pipeline.

TSAM participates in the AITF through an annual cash contribution as well as providing suppliers with access to market. TSAM has one approved project, which is a body panel press company which was able to support a resource of parts after the multinational company closed down. They had set themselves up strategically to benefit from such opportunities. While this opportunity is in progress and is above TSAM's access-to-market target (R125m vs target of R86m per year) for 2022, TSAM is continuously assessing other opportunities that are aligned with SAAM 2035.



Number of ISO1400-certified suppliers

	2022 target	2021 target	2021 actual	2020	2019
Number of ISO14001-certified suppliers	180	177	177	173	159



CASE STUDY

Supplier Genba Leader programme

Faced with inadequate manufacturing preparation and production planning in our value chain due to a variety of supplier challenges, we developed the Supplier Genba Leader programme as an aggressive shopfloor development programme that would focus on aligning supplier shopfloor leaders with TSAM's methods and fundamental principles.

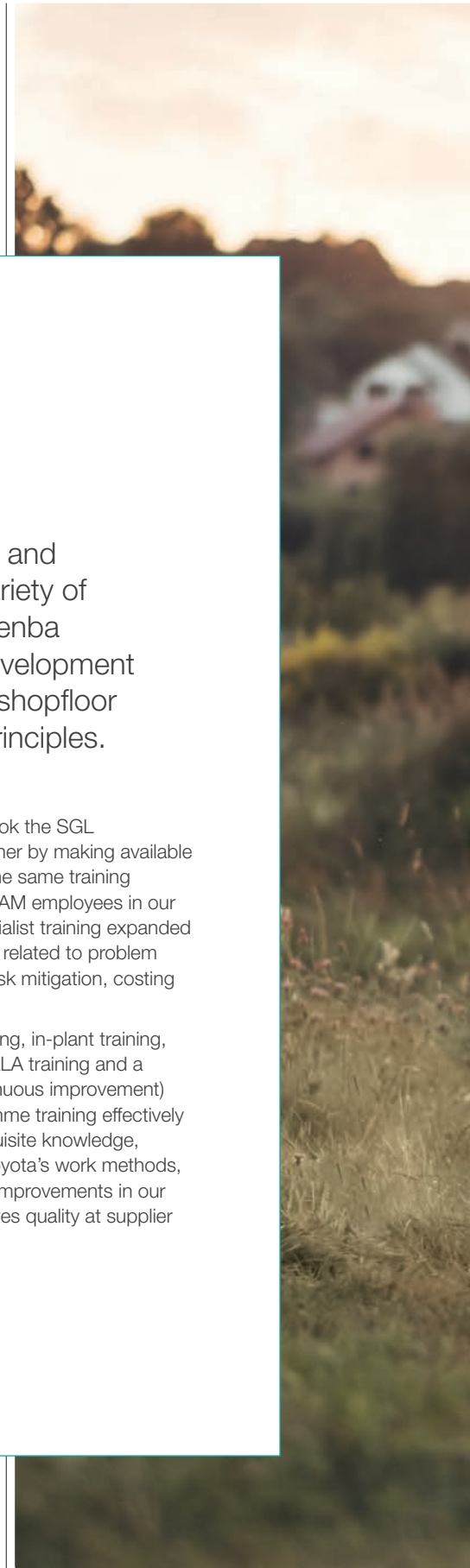
The ultimate goal is to create a competitive, sustainable manufacturing supplier base for TSAM, recognising that most supply problems emanate from gaps in suppliers' manufacturing skills, knowledge and production systems.

Recognising that few institutions offer courses and programmes in this knowledge, the SGL programme provides supplier shopfloor leaders with skills in safety, quality, planning, production, maintenance, logistics and human resource development in line with The Toyota Way.

The SGL programme was initiated in 2018, using TSAM specialists for shopfloor training. Keen interest from suppliers looking to develop their workforce saw the development of the Supplier Inter-Company Transfer programme, with ten companies participating the following year.

The ICT programme took the SGL programme a step further by making available to supplier members the same training usually reserved for TSAM employees in our plant. In addition, specialist training expanded to cover broader areas related to problem solving, supply chain risk mitigation, costing and more.

Leveraging online training, in-plant training, TSAM dojo training, TALA training and a variety of kaizen (continuous improvement) activities, SGL programme training effectively addresses gaps in requisite knowledge, aligns suppliers with Toyota's work methods, implements shopfloor improvements in our value chain and improves quality at supplier companies.





PREFERENTIAL PROCUREMENT

TSA embraces the spirit of transformation, in line with South Africa's B-BBEE legislation. We are committed to uplifting black-owned businesses and suppliers to achieve at least a level 4 rating.

Preferential procurement scorecard	FY21 target	FY21 actual	FY20 target	FY20 actual
B-BBEE spend as a measure against total spent	5	4.72	5	4.31
Spend with QSE	3	0.81	3	0.97
Spend with EME	4	0.42	4	0.39
Spend with >51% black-owned suppliers	11	8.41	11	8.00
Spend with >30% black female-owned suppliers	4	3.26	4	3.00
Bonus: Spend with designated groups >51% black-owned	2	1.66	2	1.32
Total	20	19.28	20	17.99

TSAM suppliers by contribution level	FY21	FY20
Number of suppliers	2 312	2 024
Level 1	13.41%	15.56%
Level 2	9.56%	12.20%
Level 3	4.50%	4.35%
Level 4	16.65%	19.12%
Level 5	2.42%	2.17%
Level 6	1.69%	1.09%
Level 7	0.91%	1.19%
Level 8	4.89%	5.04%
No certification	41.83%	37.60%
Non-compliant	4.15%	1.68%



EMPLOYEES

PEOPLE FIRST

Covid-19 continued to affect the business during 2021, as South Africa moved through the Delta and Omicron strains. Heightened levels of engagement with staff to maintain health, safety and morale were key initiatives during the year. We also began the initial phases of our diversity and inclusion strategy.

The implementation of Success Factors has assisted us in improving efficiency of employee engagement, while ensuring engagements are transparent and authentic. Within the Prospecton plant, Green Area engagements between team leaders, group leaders, employees and management were revitalised to ensure issues could be raised freely and without prejudice. Feedback has been that our employees have seen that workplace issues are being addressed promptly, which is reflected in an improvement in our employee engagement survey score.

ENTERPRISE DEVELOPMENT

Our enterprise development initiatives are aimed at transformation and skills transfer to both our dealer network and small, medium and micro enterprises (SMME). The TET engages in supplier and enterprise development. Our long-term goal is to support the establishment of SMMEs to offer specialised services to TSA and other automotive manufacturers.

Employee satisfaction survey		FY21	FY20
Hourly	Engaged	55.3	48.3
	Neutral	27.5	32.2
	Disengaged	17.1	19.5
	Valid participants	2 757	2 968
Salaried	Engaged	63.2	61.4
	Neutral	23.5	25.8
	Disengaged	13.3	12.8
	Valid participants	1 534	1 475

A focus on the increased regularity of engagements and more involvement of leadership has de-risked the organisation significantly, successfully resolving issues such as complaints over workwear quality and canteen processes, improving morale. The My Toyota, My Future survey (our employee satisfaction survey) has made line managers responsible for addressing workplace issues, both hard and soft.

In a similar spirit of openness and transparency, we have held several preparatory meetings with our unions ahead of the National Bargaining Forum, which will set wage increases across the industry in 2022.

During 2021, we made significant progress in talent and career management, giving exposure to young professionals through our Millennial Executive Committee, which helps to refresh the organisation's thinking and strengthen internal promotion and succession planning.

Aligned with our diversity and inclusion strategy that kicked off in 2021, we have also focused on targeted employee equity recruitment.

CASE STUDY

The devastating floods of April 2022

NIGEL WARD, EXECUTIVE VICE PRESIDENT: MANUFACTURING AND SUPPORT

12 April will go down as a tremendously significant day for TSAM; not only for the devastation it caused for residents of KwaZulu-Natal and businesses that were affected, but for the way it changed our thinking about climate change and resilience.

The floods showed us that we had not considered climate resilience beyond the borders of our facility. In reality, we need to play a role in addressing infrastructure around us to become climate-resilient.

We have been developing a climate change strategy in line with our push toward carbon neutrality, including many countermeasures and mitigations for blue water flooding since 2017. The floods of 2021 have also elevated our thinking around brown water risk events. We are now using this event as an opportunity to accelerate the upgrade and replacement of equipment – advancing our technology and automation – during the rebuilding. If we can do this in a planned and targeted manner, TSAM can advance its productivity levels to improve our competitiveness, which is critical to our sustainability as an affiliate in the global Toyota family.

In our plans to recover and use the opportunity to rebuild stronger, our shareholder has gone to incredible lengths to ensure that we succeeded. The priority of both TSAM and TMC has always been the 100 000 livelihoods directly at risk, as well as the broader supply chains and the livelihoods they support. What I have

seen since the floods in April has made me proud of TSAM's spirit of adaptability, resilience and teamwork in facing catastrophic external pressures.

By the end of 2022, we aim to stabilise the plant to within global parameters of safety, quality and productivity that TMC expects of us. To show our gratitude for the incredible support we have received from TMC and all global affiliates – who have all made our recovery their number one priority this year – we must demonstrate that our environment is world-class and worthy of being allocated future production.

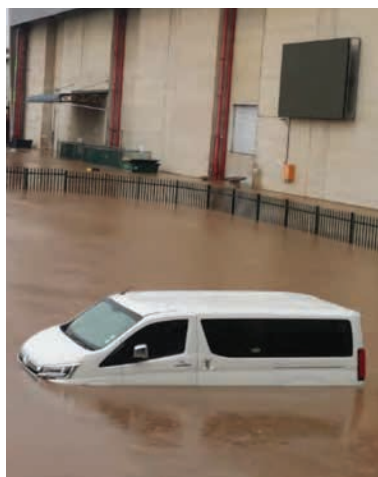
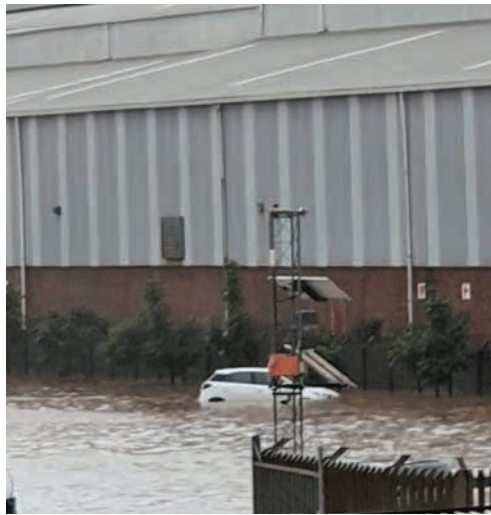
Time and time again we use crises as opportunities to become stronger, more efficient and increasingly competitive. Where many businesses would have given up in the face of three such devastating challenges, TSAM has emerged even more resilient.

In 2020, we prepared a detailed plan for alternative power generation, water management and usage, in anticipation of the launch of Corolla Cross. We will use the opportunity provided by the floods to further accelerate our renewable energy plans, as well as water reticulation and management.

We have to rebuild a plant capable of achieving higher volumes – up to 200 000 cars a year – and we must do it more efficiently, using less of our resources and producing less waste. New technologies will help, but we can also take learnings from fellow affiliates in developed markets that have already adapted to stringent environmental regulations. TSAM will simply need to move ahead of South Africa's regulatory curve to prepare for the future.

We cannot ignore the rate at which the environment and climate are changing. As a business we need to be agile and flexible to plan to deal with many possible crisis events that may occur, and respond to them according to a robust risk management framework.

TSA's response continues to be one of collaboration: with our value chain, with other corporates in the region and with government structures. It is clear that public-private partnerships (PPP) are the only way to direct reinvestment into the South Durban Basin, which is South Africa's second most important manufacturing node but has suffered a consistent decline of infrastructure maintenance for decades.



TSA has signed onto a security policing forum for businesses in the province, along with 16 other corporates, the City and provincial government and it's already bearing fruit. PPPs will spark economic revival in the province, driving the changes business needs to remain sustainable in KZN.

Alongside social challenges, what our region needs is a significant upgrade of water and sanitation infrastructure. Companies will need to play a bigger role in this process if we want to keep doing business in the region.

For the immediate future, recovery will demand a safe, slow and steady start-up and return to production. We have used time between shifts and on weekends to conduct maintenance, and I believe the recovery time has been the best training our team members have ever had. We all know more about this plant than we did before the flood, and that experience is invaluable as we prepare for greater efficiency. We have seen new leaders emerge under pressure, which is exciting for our succession planning.

CASE STUDY

Diversity and inclusion at TSA

During 2021, the board and management of TSA set in motion a diversity and inclusion strategy and implementation programme, including the creation of a new Transformation Committee to drive change management through the organisation.

In alignment with the new Toyota Philosophy, our aspirations and desired corporate culture beyond mere compliance and targets were defined as we begin our journey to becoming a more inclusive organisation. We believe that creating a more inclusive corporate culture will underpin our transition to a mobility company that is more people-centric and less product-centric.

Research highlights that most diverse and inclusive companies are more likely to innovate, anticipate change and meet or exceed financial targets.

Other benefits include:

- Improved employee engagement
- Better customer service
- Enhanced creativity
- Increased problem-solving
- Improved international relations

A well-executed D&I strategy will support our development of a diverse, highly skilled and engaged world-class automotive workforce in line with our ROBO25 goals.

Our first task was to **define focus areas:**

A workplace where everyone's dignity is respected and protected, and which becomes an environment encouraging collaboration, contribution and psychological safety.



Leadership that actively seeks a variety of opinions and is comfortable engaging with a diverse workforce.

An inclusive approach to stakeholders and TSA's impact on their lives.

Talent management systems and processes that encourage fair and open access to career opportunities.

TSA's approach will be structured across three pillars: Foundation, Hearts & Minds, and Construction.

The Foundation phase will establish the foundation of a culture change as we embark on our change management journey. We sought input from diversity and inclusion experts to structure the workplace interventions that will support our transition.

Based on their advice, we have put in place a 10-step journey that will begin with conversations to learn what is in our employees' Hearts & Minds. These conversations will sensitise the organisation to change and ensure we are all talking the same language about diversity and inclusion. Our CEO, first-line management, senior vice presidents, vice presidents and general managers have all concluded their conversations and, in 2022, these will continue to create buy-in from the rest of our employees.

We have installed Change Champions throughout the business, as influencers of change, and in the coming year we will continue to hold focus groups, inclusive leadership assessments and an organisation-wide culture survey that will provide the feedback for us to take the next step in our transformation.



TRAINING

TSAM runs learnerships every year, which provide the pipeline for future talent recruitment.

During 2021, our global skills training for team leaders and group members, as well as our intra-company transfers, were postponed as a result of border closures owing to Covid-19. However, we were still able to deliver classroom learning and adaptive, hybrid learning, sometimes outsourcing learnerships to accredited providers to complete training for which we did not have capacity, given social distancing regulations. This allowed us to meet all our internal training outcomes for the year.

The good news is that our global skills training will resume in 2022. Eleven individuals have left for

inter-company transfers since the close of the financial year, with a further 28 team members being sent to Japan to hone their skills for six months. Returnees from overseas assignments are typically tasked with leading new projects at TSAM, so this training is vital to our sustainability as a competitive affiliate.

Highlights for the year include the progress made in our Persons with Disability Learnership, which has progressed beyond NQF Level 1, as well as forging ahead with our Factory of the Future preparations, including recruitment for a specialist graduate programme for maintenance of NEVs.

In 2021, TSAM took in 64 apprentices and 673 learners to develop a talent pipeline for the industry.

CASE STUDY

The Toyota Manufacturing Academy

For the first time, we have partnered with the United Nations, the Japanese Embassy and the Department of Higher Education and Training to develop a two-year learnership programme.



The intention was to bring the Technical Vocational Education and Training curriculum up to speed to match requirements for the Factory of the Future, carbon neutrality and high-tech equipment.

This support has benefited the Coastal KZN College automotive training through a provision of mechanical, electronics, electrical workshop and ICT equipment. TSAM established the TMA to broaden and strengthen its training capacity and to work towards further empowering youth to become future leaders in a reindustrialised South Africa. UNDP and the Government of Japan provided the workshop equipment for TMA, supporting 24 young people through the academy.

The learners have completed the first phase of STEM subject programmes and are into the second quarter of their academic programme that will include on-the-job development and even overseas training. These TVET college students will be studying a curriculum created by TSA to close the gap between rapidly evolving industry requirements and the TVET college syllabus.

Graduates will be team leaders of the Factory of the Future at TSAM and other manufacturers. We continue to adapt and improve the programme to ensure its sustainability and repeatability.

Feeder programme onboarding FY21


Learners

Absorbed into TSAM

105

Male 59
Female 46


Apprentices

9

Male 5
Female 4


Remote and classroom training in FY21


Learners - Classroom

Remote/ Classroom

200

Male 101
Female 99


Learners - Remote

395

Male 167
Female 228


Apprentices

68

Male 50
Female 18



2021 saw a significant increase in internal training delivered via TALA, our corporate training division. We were catching up with the backlog caused by lockdown restrictions, as well as rolling out new training on products such as hybrid and GR models.

Wherever possible, we seek to meet internal training needs with credit-bearing or NQF-aligned offerings.

We felt it was important to ensure our dealer staff have sufficient skills to drive GR products to meet their design specifications. In the spirit of developing credit-bearing training, we created a fully accredited qualification for advanced driving and made that available to our dealers.

Similarly, with the **launch of the Corolla Cross** and the intended increase in hybrid vehicles being made available, we have set about improving our customer-facing employees' understanding of the products, and their ability to converse and to sell hybrids. Dealers nominated three hybrid specialists per dealership: sales executives, service advisers and technicians.



During 2021, we invested heavily in systems, facilities and courseware to train independent service providers, which will commence in July 2022 in line with the Competition Commission's code of conduct for the auto industry.

We also worked hard to develop a dealer staff skills contest that is no longer individual but based on a team effort in any theme that will improve customer retention. This was highly successful, concluding in November and was won by Team Shelly Beach Toyota.

Dealer training delivered in FY21

Total courses	673
Total delegates	5 863

In another highlight, our **Automark inspector** and evaluator training and certification programme is a first in the domestic motor industry.

SAFETY

TSAM has developed a corporate Health and Safety strategy to achieve a global level safety performance through an interdependent safety culture.

During 2021, TSAM reduced the number of reportable safety cases from 18 to 12, while maintaining our Stop 6 case performance. These statistics represent significant improvements in safety over the prior year, based on the three intervention pillars of Man, Management and Workplace.

We have promoted the concept of yorisoi (management addressing process concerns/difficulties raised by members) so that team members can easily raise issues for faster response times in an interdependent culture. Our team members are more aware of the areas in which they work and are more able to identify safety issues and dangers by themselves – thereby taking responsibility for their operating environment.

During 2021, we stepped up the intensity of shop-floor visits by our executives, in addition to holding our monthly safety meetings. This structured approach is aimed at further improving our safety performance. We have also looked after the well-being and safety of our contractors, running specific initiatives through the year that have brought down the rate of incidents.

We are steadily closing the safety performance gap on other global affiliates, and 2021 was a milestone year as our injury rate dropped below 1 (see graph below). Our ultimate target by 2025 is a rate of 0.4.

TAKATA RECALL

TSA initiated a recall campaign to replace Takata-produced front airbag inflators after certain types of these inflators were found to have a potential for moisture intrusion over time. Depending on the circumstances, this could create excessive internal pressure when the airbag is deployed and cause the inflator to rupture. In the event of an inflator rupture, metal fragments could pass through the airbag cushion material, striking and possibly injuring the occupants in the event of an accident.

Though no injuries or fatalities caused by this condition have been reported locally, we continue to do our best to contact current owners of affected vehicles to encourage them to visit a dealer to have the units replaced.

Most newer vehicles with these units – manufactured from 2009 to 2016 – have been completed, but older vehicles are simply less likely to remain within our dealer service ecosystem as cars are sold on to other buyers.

In 2021, we spent R7 million obtaining data on 136 000 owners and recent owners of affected vehicles, with 60% of these contacted during the year.

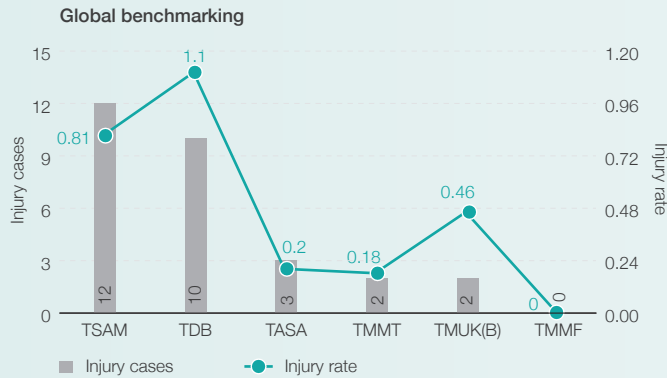
Takata recall replacements completed

FY21

40 788

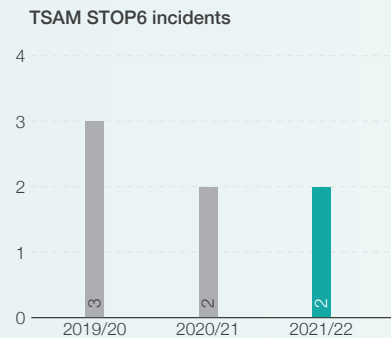
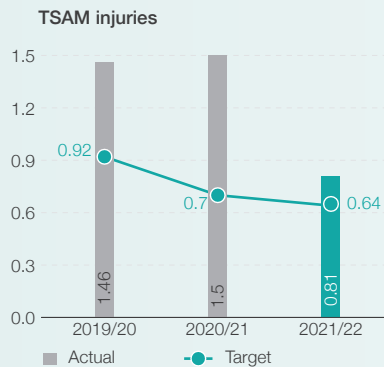
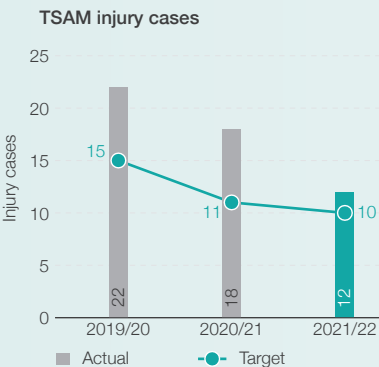
FY20

48 000



To reward our team members for working safely, our awards for **Clean and Bright safety issues** raised saw 12 vouchers worth a total of R33 000 given to 36 employees.

Going forward, Danger Prediction is our new theme and will be expanded to include our logistics teams.





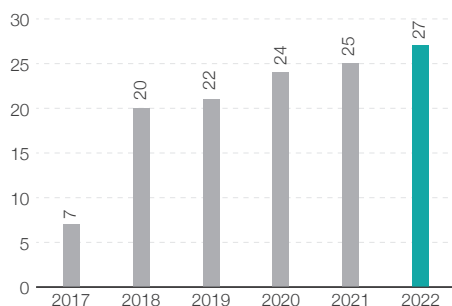
TRANSFORMATION

We achieved a level 5 B-BBEE rating for 2021/22.

The new Automotive Industry Transformation Fund brings new opportunities and dynamics to the auto industry. We have plans in place to use AITF funding to drive transformation in our dealer network.

Transformation		Weighting	FY22	FY21	FY20	FY19	FY18	FY17
Ownership		25.00	15.00	15.00	0.00	0.00	0.00	0.00
Management and control	Board/Exco	9.00	3.39	3.45	3.33	3.39	2.85	2.95
	Employment equity	10.00	6.54	6.21	6.11	6.02	5.84	5.51
Skills development		25.00	15.29	15.59	14.30	20.56	23.11	22.77
Enterprise and supplier development	Preferential procurement	27.00	19.28	17.99	19.19	14.98	11.23	10.31
	Supplier development	10.00	7.05	8.94	10.00	10.00	10.00	10.00
	Enterprise development	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Socio-economic development		5.00	3.74	5.00	5.00	5.00	5.00	5.00
Total		118.00	77.29	79.18	67.93	66.95	65.03	63.54

Our dealer transformation strategy – where we encourage 51% ownership from previously disadvantaged groupings – continues to gain traction. TSA added another three black-owned dealers to its network during the year, bringing the total of black-owned network dealers to 27.



Merseta grants

Merseta grants awarded FY22	Value
Discretionary grants	R20 million
Mandatory grants	R7.8 million
Total funding	R27.8 million

Supplier development

SD spend breakdown	R
Skills expenditure spend on black people	146 828 998.31
Bursary expenditure on black people	25 104 799.24
Disabled expenditure on black people with disabilities	13 174 065.95

PRIORITISING QUALITY FOR OUR CUSTOMERS

Our strategy to connect with our customers is critical to our future as a mobility company. Tomorrow's vehicles with alternative drivetrains require fewer replaced parts and consumables, which means traditional services will become obsolete. Customer retention, excellent customer service – what we call the **+Alpha customer experience** – and data analytics are therefore important components of our future strategy.

DEALERS

Dealers are the point of connection between our primary stakeholders – our customers – and TSA, as well as being critical contributors to our long-term sustainability. In 2021, despite numerous challenges ranging from Covid-19 to violent unrest in KwaZulu-Natal and Gauteng, our dealers remained operationally strong and financially healthy. We grew our network by two retail points during the year, from 195 to 197 dealers.

2021 saw a restructuring of our dealer support operations to increase personal engagement between TSA representatives and dealer groups. This has reduced the spread of dealers each district manager must cover and is working well to put in place our desired high-touch relationship approach.

As we shift towards carbon neutrality and NEVs, we will continue to provide support to our dealer network to help it transition to an era in which after-sales revenue wanes and multiple new revenue streams must be created. We will begin rolling out this strategy from late 2022.

The floods in April 2022 demonstrated the closeness of our relationships with our dealers, as well as our people-centric approach to employees and communities. We put in place several mitigation interventions to support 13 affected dealers, two of which (Durban South Toyota and McCarthy Edwin Swales) suffered extensive damage and losses.

Once we were satisfied dealership employees and surrounding communities were provided with necessary food and 40 000 litres of water donated by other dealers in our network during the recovery, we re-allocated stock to affected dealers to ensure cash flow could be maintained. Durban South Toyota had lost 102 new vehicles and 90 Automark vehicles to water damage and McCarthy Edwin Swales lost 55 used cars.

On the dealers' behalf, we negotiated with insurers to prevent vehicles being repossessed and making their way onto the used car market. TSA paid salvage costs of R27 million to ensure the vehicles would be crushed to protect against any potential brand and reputational damage arising from significant defects caused by water damage.

FUTURE TOYOTA

TSA's Future Toyota department is tasked with tackling the Connected element of CASE mobility as we head into the future of mobility. Future Toyota has increased and diversified resources to become an agile team rolling out technological platforms and services to meet the ever-changing needs of our customers.

A significant achievement during the year was supporting Automark in reaching two milestones: the roll-out of an **evaluation model for certification**, as well as the **Automark Online bidding platform** that will allow the business to move to the next level of its used car sales strategy.

We have also continued upgrading the capabilities of our data science centre of our data science centre, improving TSA's use of data and embedding the analytics we need to make better, faster business decisions.

KINTO

In support of the launch of **Kinto One in 2022**, the Future Toyota team integrated the Kinto sales platform into the eToyotaONE system as we continue our evolution to a mobility company. eToyotaONE is expanding with new products and services as we constantly upgrade with new products and services as we continually upgrade its functionality. The platform is a key part of maintaining a seamless business and transactional platform for dealers and their customers.

In 2022, we will roll out the **OneTrust universal consent database** that will allow customers to set granulated consent levels within their MyToyota app, rather than being forced to accept general consent. Customer functionality like this helps to create loyalty to the brand. In line with the Toyota philosophy, we strive to make the software we put in place as high quality in its service delivery as the hardware (products) our customers use.

During 2021, we supported not only customer-facing innovation, but the roll-out of the Toyota philosophy, vision and mission to our dealer network via our Toyota Touch communications platform. We were also active in assisting with strategy and regulatory response pertaining to the Protection of Personal Information Act (POPIA).

A highlight of our year was the introduction of a **Future Mobility Award**, which supports TSA's business initiatives towards CASE mobility. This award recognises and rewards innovation through the adoption of the new digital platforms being introduced to our businesses that will drive a consistent guest experience and support sustainability into the future.

All dealers were eligible to participate, and the overall winner was

Rola Toyota Bredasdorp, for its outstanding efforts in digital adoption by integrating the most TSAM digital tools and showing outstanding initiatives to provide the ultimate customer experience.



TSA supports the protection of the critically endangered rhino, both black and white. The poaching of these animals has been ongoing and fueled by demand globally and its impact is felt both in the private sector and the parks nationally under government control. The most effective support we can provide is reliable mobility and low cost of ownership. The donation of vehicles and the supply of service plans to 200 000km by TSA is a key focus area.

The dehorning and notching (ear marking to identify rhino) activities, which are necessary to protect South African rhinos from being poached to extinction, require specialist services of a wildlife veterinarian and helicopters, as well as the unfortunate necessity of constant rhino protection and orphanages because their horns grow back. These activities also come at a cost. During 2019 and 2020 many fund-raising activities with partners and dealers were done to successfully complete almost 20 notchings. Going forward, notching will be done simultaneously with dehorning. During this process DNA sampling of both the horn and skin samples are taken, this is to aid in prosecution of poachers.

The fallout of poaching activities is sadly that the responsibility for looking after young rhinos who have to be removed – as well as the cost pressure – is placed on orphanages.

Our role during the year was to provide reliable and safe mobility in support of the activities of rhino protection units, including genuine service plans and extended warranties delivered by our dealers. While TSA supports a range of activities linked to rhino protection in various parks including the Kruger National Park and in KwaZulu-Natal, notably we donated a Hilux double-cab vehicle to the rhino protection unit in the Pilanesberg National Park, with a complimentary 200 000km service plan.

TSA also facilitated a rhino dehorning initiative in the Pilanesberg Nature Reserve. Over the last seven years, the park's rhino population has been plagued by poaching (as was the case across the continent). During this period, more than 120 rhinos were lost in the reserve as a consequence of poaching. This resulted in a steady decline in the rhino population, which nudged the North-West Parks Board and private enterprises to take drastic intervention measures to save their rhino populations.

The decision was taken to trim the horns of all the rhinos in the reserve with the help of veterinary services experts. The team started working through the park, trimming the horns of all white and black rhinos, males and females, and calves. This included treating any wounds or old gunshot wounds found on the animals. Both species have adapted extremely well in the reserve and the excess from both species has been used to re-establish new populations across southern Africa.

With Conservation SA, we focused on sustainable communal livestock farming, while holding the Young Farmer/New Harvester of the year virtual event in November.

Our Education for Sustainable Development initiative saw TSA share both our own and global environmental initiatives and information with employees, dealers and the media, including Earth Hour, the 2050 Challenge, Wetlands day and other regular internal communications on environmental topics.



THE TOYOTA AFRICA PARTS CENTRE (TAPC)

As part of our strategy to supply parts to the African continent, TSA doubled the capacity of our existing National Parts Distribution Centre (NPDC) to 80 000 m² to become the TAPC. This new facility became fully operational in February 2022.

This significant investment – of R365 million – increased our parts and revenue turnover from the facility, becoming the largest warehouse in the southern hemisphere with a number of state-of-the-art technical and environmental features, bringing the TAPC to the forefront of modern storage facilities.

Its segregated inbound and outbound operations will significantly improve efficiency, reducing lead times to customers. The facility will consolidate our warehouse storage functions from three sites and will also play host to an IT fallout centre thanks to its remote location from our other sites.

The TAPC's mission is to expand availability of parts in line with TSA's continental ambitions as the continental hub for Toyota. In the financial year we concluded parts transfer and the installation of equipment and infrastructure. The TAPC is now fully operational.

The official handover event in April was significant, followed by a media launch on 28 July.

In line with Toyota's global push to carbon neutrality, our plan is to take the TAPC entirely off grid, expanding our solar roll-out and harvesting water for reuse in our gardens and other facilities. We have already installed 475 kWh of solar power. We have also implemented several eco-friendly operational initiatives such as deploying reusable plastic containers for internal transport and the recycling of label backings to reduce the facility's environmental footprint.

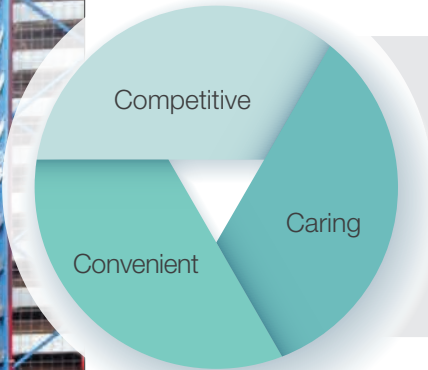
Our Dealer Parts Operation Kaizen (DPOK) programme, in which dealers can become DPOK-certified in strengthening their parts supply management, inventory and storage operations, continued in 2021. Implementation of DPOK has resulted in a reduction of wastage, running leaner operations and reduced emergency airfreight of parts, ultimately contributing to cost savings, improved customer service and reduced CO₂ emissions.

We have 55 DPOK-certified dealers in our network and are well on our way to increasing this number in 2022 despite the highly abnormal operating environment.



SERVICE

Customer service through our dealers is driven by the **three Cs**:



Each C has a number of key performance indicators associated with it.

These imperatives form the backbone of our customer service and retention philosophy.

We strive to meet a 96% allocation fill rate, which measures our ability to supply required parts as they are needed. Global logistics challenges put us under pressure to achieve our parts and service goals, but we were able to mitigate these issues through adjusting stocking parameters and holding higher stock inventories. We were still able to achieve a healthy net promoter score despite all the challenges we faced during 2021.

To support our dealers as we transition to NEVs with lower after-sales service and maintenance requirements, our aim is to transform service centres into one-stop shops that cater to all customer needs. We continue to expand our service and product portfolio to assist customers throughout their vehicle ownership.

As one example, we introduced a tyre offering at the beginning of the year and have grown this category to more than 700 tyres sold per month. The Corolla Cross represented an ideal opportunity to provide digital and lifestyle accessories beyond the norm, as well as body kits. In conjunction with innovative marketing tools, such as website configurators and social media, these accessories provide us with new sales catalysts that enhance dealers' businesses. Further product, service and accessory offerings are planned for 2022.

Convenience and service times are crucial to customer loyalty, which is why we have introduced various grades of express services to help dealers step up their game. While previously we offered a single express service type – which involved a fairly dramatic leap in operations – dealers can now move through a series of upgrades to impress customers as they progress. If dealers master the While-You-Wait service (currently available at 64 dealers), they may move to Express Service Lite (nine dealers), which requires some enhancement of their overall operations. The final level of achievement is the Full Express Service (eight dealers).

Customer bookings for all these service types remain seamless and easy via the MyToyota app.

TOYOTA CENTRE OF TECHNICAL EXCELLENCE (TCOTE)

The TCOTE provides repair support for all complex and difficult-to-diagnose problems across our Southern African dealer footprint. We currently have a network of 16 repair support dealers throughout the region, including Namibia and Botswana.

In 2021, TSA was appointed by Toyota Tsusho Corporation as the repair support hub for Africa in acknowledgement for our innovation in safety support and the investigation of serious accidents and other complex issues.

Our goal is to increase this to 25, which will be sufficient to meet the predicted number of difficult repair issues. Though the investment per dealer can be significant to upgrade – up to R2.5 million per dealer – complexity in NEVs will continue to escalate, raising baseline requirements for diagnosis and creating challenges we must counter through continued technical innovation and training.

QUALITY

The rapid increase of production volumes to meet growing demand in South Africa, Africa and Europe post-Covid-19 created various challenges for our Quality team. The introduction of a Saturday night shift allowed us to keep pace with throughput – particularly on the Hilux IMV line – which successfully reduced pressure on the system.

The use of sophisticated camera technology to diagnose extremely minor quality defects before line-off allowed us to reduce issues to almost zero during 2021, which was an outstanding achievement given the ramp-up in production volume.

The high-quality standards set in the production of Corolla Cross have boosted TMC's confidence in TSA, which stands us in good stead for the award of future new models.





Toyota means Taxi

The South African minibus taxi industry remains a vital mode of transport for workers, with **more than 80% of the country's commuters relying upon these vehicles** to get them from home to work and other destinations.

Toyota dominates the sector, with a 97% overall market share and nearly 100% excluding larger midi-bus vehicles where we do not have an offering.

As a customer base, the taxi industry is historically a resilient performer during tough economic conditions, given low barriers to entry and a never-ending demand for public transport. Sales have therefore remained consistent, but our engagement with the sector remains extremely close as we maintain an open-door relationship with owners.

To meet the industry's financing needs, Toyota Financial Services in 2021 established a specialised unit to focus on taxi customers, which has been well received.

Aside from supplying quality, safe products for public transport, TSA also supports the taxi industry through training. From 2016 to 2018, we funded training for 600 delegates in a two-year Advanced Leadership Development Programme through the University of Pretoria as well as the Ses'fikile Programme in Management Principles and Practices. The 2019 cycle saw 640 delegates complete training in 2021.

The next training cycle will begin in 2023. The Ses'fikile Programme in Management Principles and Practices has been designed to equip delegates with business, financial and people management skills while the Ses'fikile Office Management Programme focuses on mastering administrative tasks such as business communication, report writing and project management.



SOCIAL CONTRIBUTION

TSAM's social contribution activities align with TMC's Global Vision of contributing to the sustainable advancement of the societies in which it operates. We commit time and resources to developing all South Africans by empowering and uplifting local communities through impactful and measurable social programmes.

OUR APPROACH

We participate in socio-economic development initiatives that are focused on the following:

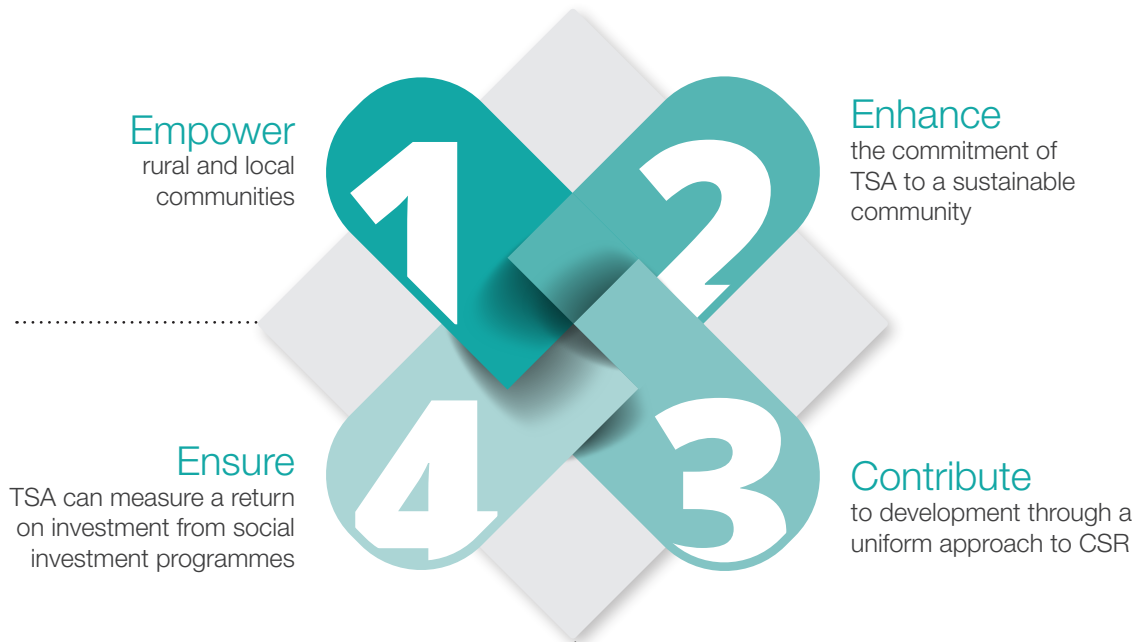


Investing in the care and education of children in their early years improves their well-being and their chances to learn and escape poverty.	Our community involvement through financial support to organisations and community activities helps to create a thriving community.	Through service learning, citizens participate in projects to help or serve the needs of other people.	Aims at generating awareness around road safety and wearing of seatbelts. It teaches learners the fundamentals of safe road practices and supports the taxi industry's road safety campaigns.
Maths and science programmes	Old-age homes	Counselling/trauma	Educating school learners about road safety
Early childhood development (ECD)	Hospices	Safe haven and children's homes	Supports the taxi industry's road safety campaigns over the Easter and December holidays
Mini enterprise development			
Education for sustainable development			

TSAM's corporate social responsibility (CSR) function was established in 1972 by Dr Albert Wessels with a primary focus on offering training and support to communities closest to our production plant and offices. As we have evolved, CSR continues to play an integral part in TSAM. **We are committed to building a better future for our children, communities and country.**

COMMUNITY SUPPORT

We are committed to social development programmes that uplift and empower local communities. All our CSR initiatives and expenditure are co-ordinated and managed to achieve the best advantage of our CSR investment strategy, which has **four key objectives**:



TSAM runs a range of upliftment projects in communities through a blend of the TSA Foundation, our CSR department, employee involvement and in-kind donations. We prioritise communities that are within a 50 km radius of our operations. This ensures localised, focused and impactful initiatives are addressed to target specific needs of the societies in which we operate.



Our specialist CSR partners are:

Non-profit organisations (NPO)

Non-governmental organisations (NGO)



Our employees also get involved in social contribution activities through donations and specific initiatives. In addition, TSAM supports environmental and road safety programmes through smaller campaigns and ad hoc contributions by various departments and divisions.

Our strategy to be a reliable corporate citizen **focuses on four CSR pillars:**

Education

Road safety

Civic and community service

Health and human service.

In 2021, we began the evolution of TSAM's CSR strategy towards corporate citizenship. Though we have always been a socially responsible organisation, investing in social upliftment and community development, we are beginning to partner with more agencies and organisations that are like-minded and focused on the delivery of impact.

By the beginning of 2023, we aim to have a fully fledged corporate citizenship framework and ESG strategy in place. By pulling together all the elements of corporate citizenship through an over-arching framework, TSAM will be in a better position to co-ordinate impact through our network of specialist delivery agencies.



Here are some highlights from our **CSR activities in 2021**

Safe 2 School Safe 2 Home Scholar Transport Project

This project is sponsored by Toyota and supported by the Road Safety Partnership South Africa, Netstar and eThekweni Municipality Transport Authority. Our target was to train 120 drivers, but we over-achieved by training 195 drivers from the south and west of Durban in theory and simulation.

The **course content** included:

- Road safety orientation
- Roadworthiness and safety of vehicles
- Major risk factors to consider and manage while driving
 - Drinking and driving
 - Speeding
 - Seatbelt wearing
 - Overloading
- Incident management
- Firefighting
- Save a Life First Aid training

Netstar sponsored the telematics that were installed on the learner transport drivers' vehicles to monitor their driving behaviour.

The drivers were scored according to the number of transgressions the tracking devices detected during their drives to school and then during the trip home. The transgressions included speeding, harsh acceleration, and harsh braking. During the monitoring phase, the drivers were rewarded with fuel vouchers in each period for the least transgressions per kilometre.

The **desired outcomes** of the project are as follows:

- A **reduction in death and injury from road crashes** of children travelling to and from school.
- Educated and courteous drivers** ensuring the safety of their passengers.
- Scholars, principles and parents with an **increased awareness of safe behaviour of passengers and drivers.**
- High quality safe transport** available to children travelling to and from school.
- A model of safe scholar transport** to be used by all drivers transporting schoolchildren.
- A collaboration of relevant role players** ensuring the safety of schoolchildren travelling to and from school.
- A database of **crash and injury indicators.**
- An **incentive-based programme** encouraging drivers transporting scholars to drive safely and courteously.



In the project, we ended up with eight finalists who were eligible to win a new Hiace. An awards ceremony event was held and an African female learner transport driver was awarded the vehicle through an electronic lucky draw. The remaining seven finalists each received a cheque of R10 000.



Toyota Reach: Food hampers

In response to the riots and unrest of July 2021, TSAM supported staff and external communities with food hampers. We assisted the orphan and vulnerable children (OVC) activities in two schools: Gwadu-Zenex and Vusumuzi Primary School. We also provided hampers to NPOs such as Bobby Bear, Dennis Hurley, Khalipha Creche, Faith and Hope Organisation and Issy Geshen Old Aged Home.

Cotlands

This is an Early Childhood Development (ECD) programme that provides educational toys for ECD centres and home visiting, playgroups and parenting programmes.

Play Groups

This is a range of play-based early learning activities that are offered to focus on promoting children's social, emotional and physical development, while ensuring solid language and mathematics foundations. Home language learning is strengthened to ensure children are grounded in the language they will be using when entering school.

TSAM supported:

- **KZN Toy library project:** serviced 29 ECDs and 435 children
- **Gauteng Early Learning Play Groups:** serviced 99 children and their parents

One Voice SA (OVSA): Swelihle High School

Impacting 162 Learners in Grades 8 & 9

Life Skills and Enterprise projects interventions were implemented at Swelihle High School, providing a range of skills from personal development to understanding of human rights, financial literacy, disease prevention and treatment.

Protec Maths & Science Programme

Protec held classes at Umgijimi Primary School, providing extra tuition for Grade 10 students as a consequence of the disruption of Covid-19 and the riots. TSAM also supported 20 learners in the maths and science programme in Umlazi. The project was successful for 2021 as the students received a 100% pass rate.

Rally to Read

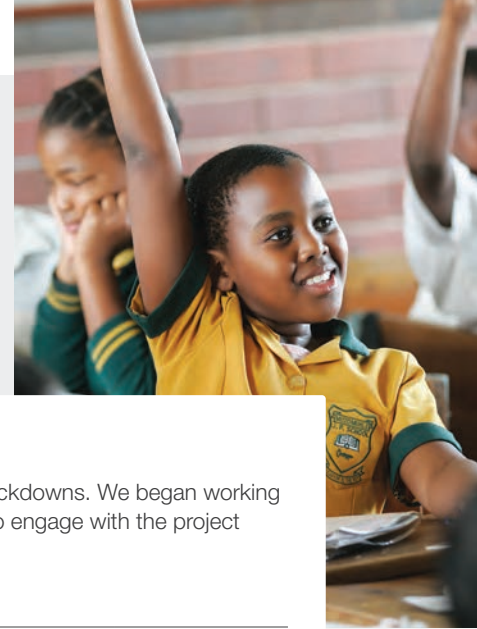
Rally to Read assists 12 rural primary schools in a three-year cycle with educational resources, sports equipment and library books. It also provides teacher training to improve the reading and writing skills delivered to learners.

TSAM supported this initiative and observed a day rally that took place in the Drakensberg during November 2021.



Junior Achievers SA

The Mini Enterprise Development Programme that was launched and implemented on 25 March 2021 at Masiqhakaze High School in Tembisa reached a total of 104 learners. This gave learners an opportunity to conduct research, learn business concepts, adopt accounting and marketing skills while making a product.



Toyota Teach

This project was affected by the closure of schools in 2020 and 2021, owing to Covid-19 lockdowns. We began working with schools virtually, providing all TT schools with Wi-Fi connections that enable teachers to engage with the project virtually.

Wi-Fi connections installed at:

#	School	No. of teachers	No. of non-teaching staff	No. of assistant teachers	No. of learners
1.	Gwadu-Zenex Primary	25	07	19	837
2.	Lamula Primary	14	06	16	465
3.	Umgeni Primary	05	03	08	159
4.	Phoshane Primary	06	03	08	207
5.	Vusumuzi Primary	17	10	19	631



Though some demonstrations and lessons were cancelled, TT did succeed in implementing a **print-rich classroom concept**.

The project also implemented a **Kibooks pilot project** for learners to read books online while at home from Gwadu-Zenex. This project was successful in demonstrating that learners read books even while on holiday. It has since been implemented at all other TT schools.

All TT classrooms are now print-rich, neat and conducive to teaching and learning.



Issy Geshen Old Aged Home

This facility looks after 69 frail care patients in Lamontville, Umlazi. The unrest and looting that took place caused much distress to the elders and staff. Social workers and the staff managed to contain this by speaking to and counselling all elders. TSAM supported this initiative through a financial donation.

Pillsbury Child Care

This organisation looks after 32 disabled children with different physical challenges such as mental and physical disadvantages; profound intellectual; severe intellectual; dialogism; deafness; cerebral palsy and partial deafness. TSAM supports this initiative by donating financially to the NPO.



Abraham Kriel Skills Development EDP

This was a sewing programme that commenced on 17 April 2021. Fifteen youths were enrolled in the programme and learnt basic sewing to start their own businesses.

Gift of the Givers

TSAM partnered with Gift of the Givers during the riots and unrest. Initial distributions focused on supplying urgent aid, such as bottled water, food hampers, mattresses, masks and blankets to affected communities, where many people had been displaced and were moved to other shelters.

Isipingo Beach

160 food hampers, 10 kg rice, 10 kg maize, 750 ml oil, mattresses, blankets and water

Dakota Informal Beach

300 food hampers, 10 kg rice, 10 kg maize, 750 ml oil, blankets, water and masks

Wentworth

40 food hampers, 10 kg rice, 10 kg maize, 750 ml oil, mattresses, blankets and water

Malukazi

150 food hampers, 10 kg rice, 10 kg maize, 750 ml oil and blankets

Lotus park

150 food hampers, 10 kg rice, 10 kg maize, 750 ml oil and blankets

An additional donation of masks and clothing to the value of R1.1 million was handed over to the Gift of the Givers for the victims who had been affected by the floods.



ENVIRONMENT



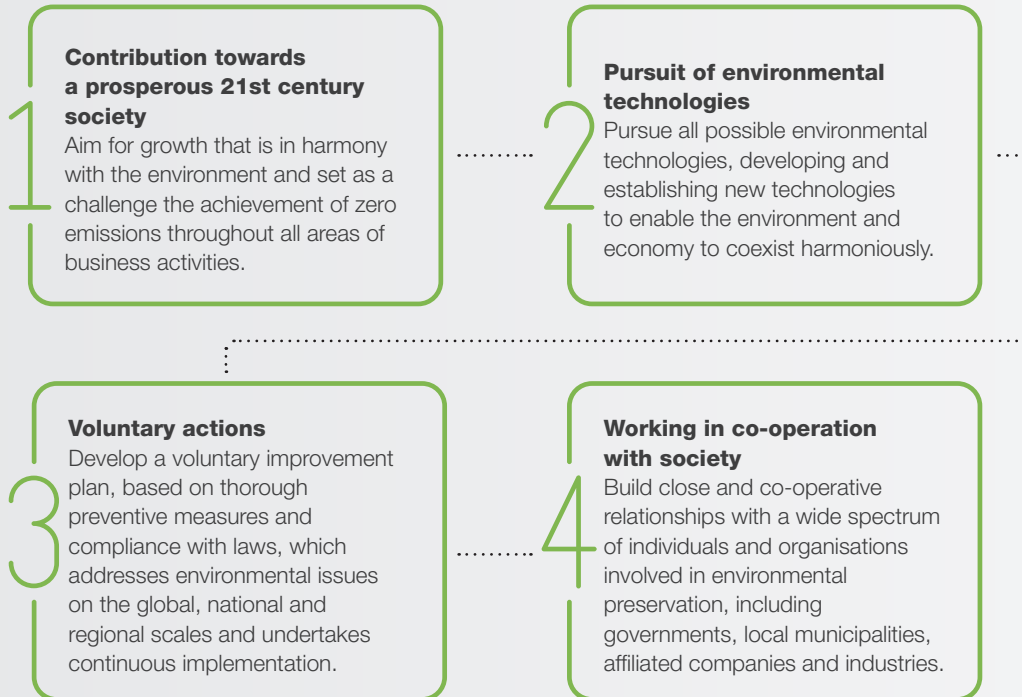
OUR FUNDAMENTAL APPROACH TO THE ENVIRONMENT

Toyota continually works on initiatives that contribute to the sustainable development of society and the world through all its business activities, in cooperation with global society. Toyota's aim is to build a corporate group that is admired and trusted by society through ensuring all employees, including those at consolidated subsidiaries, recognise and act on our sustainability policy.

In the area of environment, we advance specific initiatives, including the Toyota Environmental Challenge 2050, based on the Toyota Earth Charter (established in 1992 and revised in 2000).

THE TOYOTA EARTH CHARTER

Basic policy





Action guidelines

01

Always be concerned about the environment

Take on the challenge of achieving zero emissions at all stages, ie production, utilisation and disposal.

- (1) Develop and provide products with top-level environmental performance.
- (2) Pursue production activities that do not generate waste.
- (3) Implement thorough preventive measures.
- (4) Promote businesses that contribute towards environmental improvement.

02

Business partners are partners in creating a better environment

Cooperate with affiliated companies.

03

As a member of society: Actively participate in social actions.

- (1) Participate in the creation of a recycling-based society.
- (2) Support governmental environmental policies.
- (3) Contribute to non-profit activities.

04

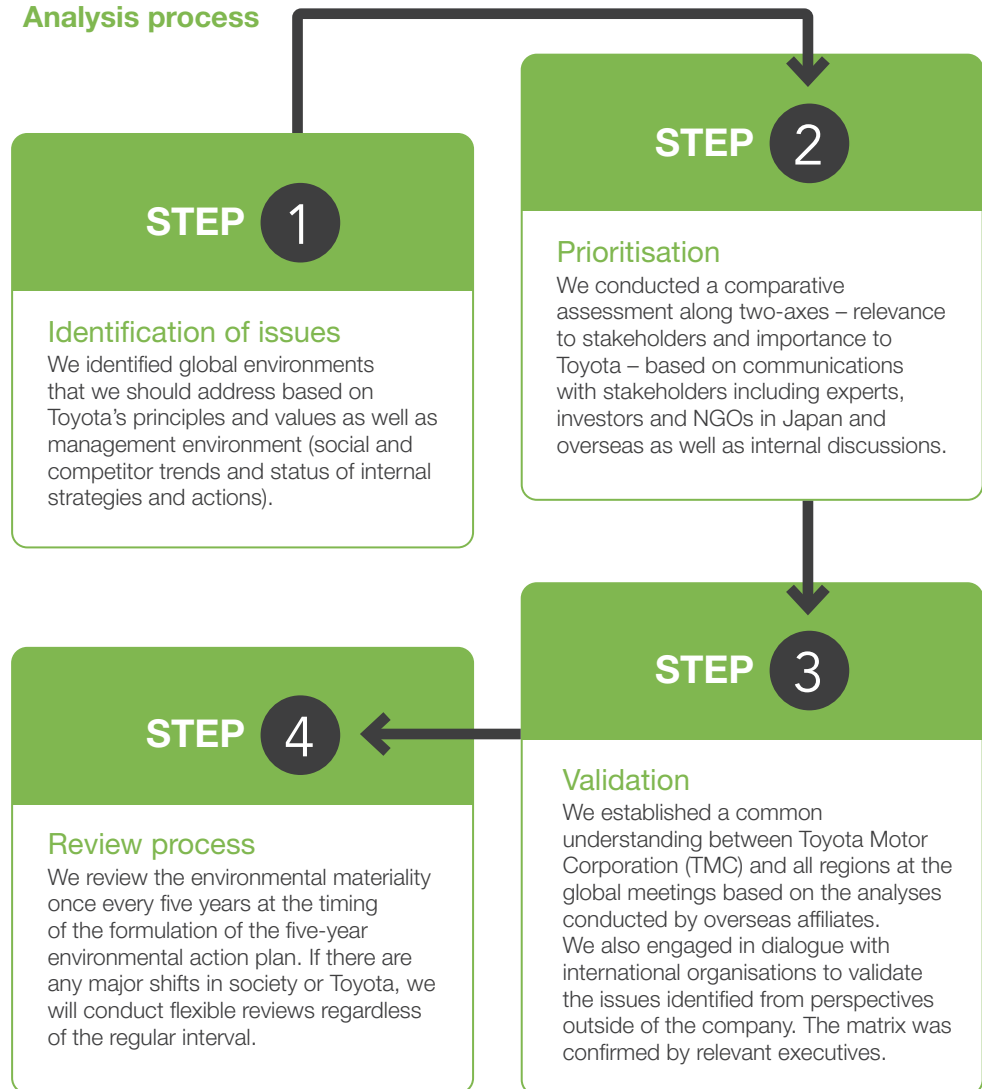
Towards better understanding

Actively disclose information and promote environmental awareness.

ENVIRONMENTAL MATERIALITY ANALYSIS

Environmental issues may entail both business risks and opportunities. It is therefore essential to identify key issues from both risk and opportunity perspectives when formulating environmental strategies. In order to grasp the potential risks and opportunities, Toyota has identified and assessed global environmental issues from the standpoints of relevance to stakeholders and importance to our business.

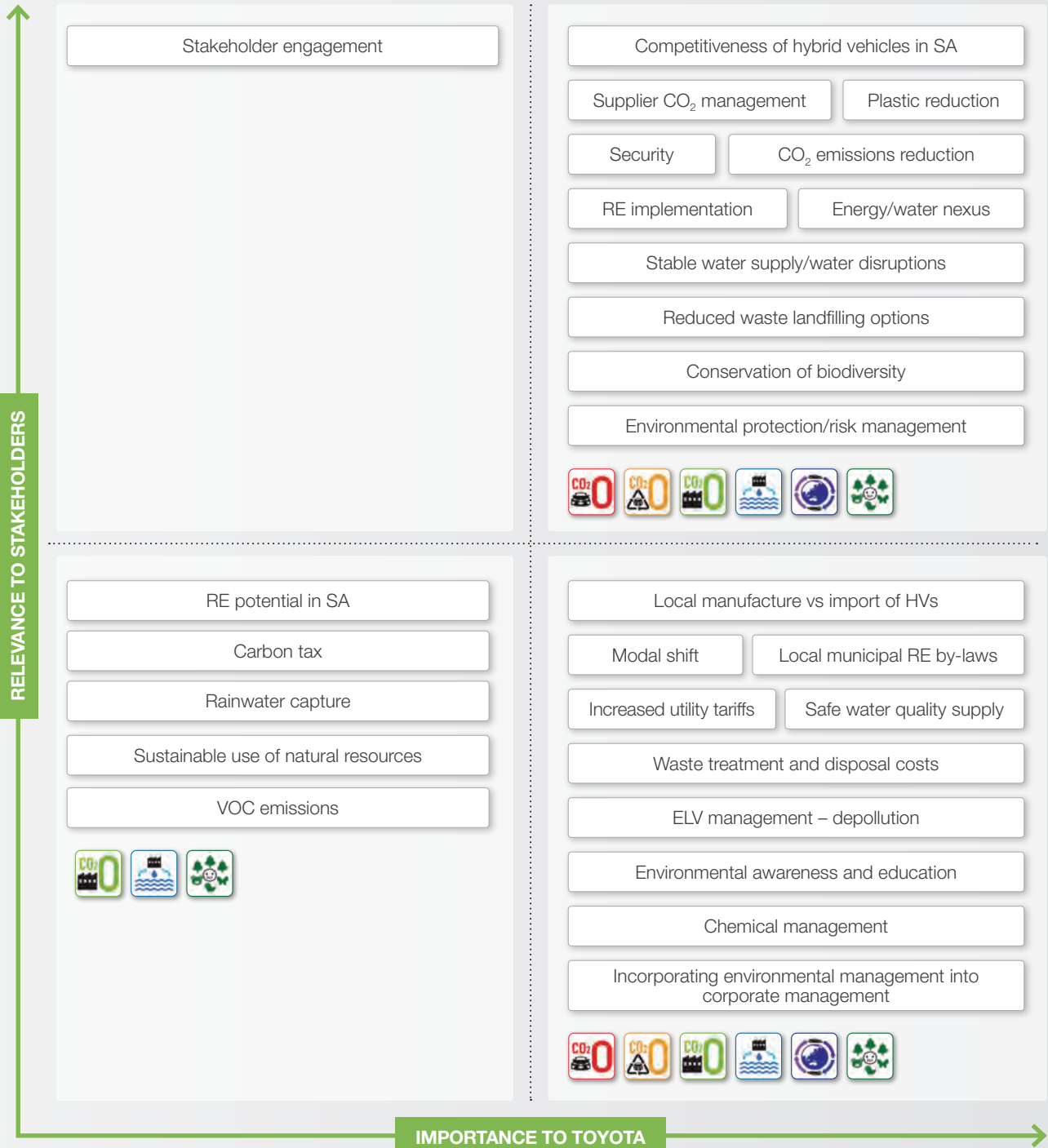
Analysis process



Principles and Values

Toyota philosophy | Toyota Global Vision | Guiding Principles at Toyota | Toyota Earth Charter

Environmental materiality matrix



2025 Target
(Global and six regions)

Action plan

Medium- to long-term strategies

Toyota Environmental Challenge 2050
2030 Milestones



TOYOTA ENVIRONMENTAL CHALLENGE 2050

CO₂ 0
CHALLENGE 1
 New Vehicle Zero CO₂ Emissions Challenge

CO₂ 0
CHALLENGE 2
 Life Cycle Zero CO₂ Emissions Challenge

CO₂ 0
CHALLENGE 3
 Plant Zero CO₂ Emissions Challenge

CHALLENGE 4
 Challenge of Minimizing and Optimizing Water Usage

CHALLENGE 5
 Challenge of Establishing a Recycling-based Society and Systems

CHALLENGE 6
 Challenge of Establishing a Future Society in Harmony with Nature

Challenge of Achieving Zero CO₂ Net Positive Impact Challenge



TOYOTA ENVIRONMENTAL CHALLENGE 2050

TMC announced the Toyota Environmental Challenge 2050 in October 2015 so that each one of us can face these issues and continue to tackle challenges from a long-term perspective of the world 20 and 30 years ahead. In order to achieve the Toyota Environmental Challenge 2050, in 2018, TMC set the 2030 Milestones and the 2025 Target in 2020.

Toyota continuously follows public opinions and trends in considering which issues should be addressed, working to meet environmental challenges with new ideas and technologies in anticipation of future issues. However, there are still many global environmental issues to be

addressed, including climate change, water shortages, resource depletion and loss of biodiversity.

We take concrete action under these short- to medium-term measures, contributing to the realisation of a sustainable society. Toyota is contributing to achieving the goals

and targets of the United Nations Sustainable Development Goals through measures to realise the Toyota Environmental Challenge 2050. Our contributions to the SDGs as well as the targets and progress of the 2025 Target for achieving the SDGs are described in our responses to each challenge.

2030 MILESTONES AND THE 7TH ENVIRONMENTAL ACTION PLAN

The 2030 Milestones announced in September 2018 set out our environmental challenges for 2030. Steady progress towards these milestones is guided and assessed each year by the Toyota Environmental Action Plan (EAP) that sets the specific action plans and targets for every five-year period. The year under review was the second year of our 7th EAP.

During 2021, TMC announced that manufacturing affiliates should be fully carbon neutral by 2035, bringing forward our goal by 15 years. This has presented us with several exciting challenges, including accelerating our solar PV rollout, introducing low-CO₂ technology in the plant and potentially making use of carbon credits to offset emissions.





Toyota Environmental Challenge 2050



Minimising and optimising water usage

Toyota Global 2030 Milestones

Implement measures, on a priority basis, in the regions where the water environment is considered to have a large impact. Complete measures at the four Challenge-focused plants in North America, Asia and Southern Africa. Complete impact assessments and measures at all of the 22 plants where used water is discharged directly into rivers in North America, Asia and Europe. Disclose information appropriately and communicate actively with local communities and suppliers.

TSA 7th EAP (2021 – 2025) and targets

- Reduce water consumption per vehicle by 3% from 2013 level.
- Manage used water thoroughly with criteria stricter than regulations.

Toyota Environmental Challenge 2050



Establishing a recycling-based society and systems

Toyota Global 2030 Milestones

Complete the establishment of battery collection and recycling systems globally. Complete set-up of 30 model facilities for appropriate treatment and recycling of end-of-life vehicles.

TSA 7th EAP (2021 – 2025) and targets

- Complete and fully implement hybrid vehicle battery recovery and recycling systems.
- Pursue zero waste to landfill in all operations.

Toyota Environmental Challenge 2050



Establishing a future society in harmony with nature

Toyota Global 2030 Milestones

Realise 'Plant in Harmony with Nature' – 12 in Japan and seven overseas – as well as implement activities promoting harmony with nature in all regions where Toyota is based, in collaboration with local communities and companies. Contribute to biodiversity conservation activities in collaboration with NGOs and others. Expand initiatives both in-house and outside to foster environmentally conscious people who take responsibility for the future.

TSA 7th EAP (2021 – 2025) and targets

- Plan and prepare the establishment of a TSAM biotope.
- Develop partnerships with approved NGOs with special focus on threatened species protection.

Integrate environmental management into corporate management. | **Reduce VOC emissions from painting operations.** | **Strengthen chemical management systems to comply with laws and regulations.**

* Japan, US, Europe, China, Canada, Saudi Arabia, India, Australia, Taiwan, Thailand and Indonesia

^ Tank to Wheel CO₂ emissions during driving (CO₂ emissions during the production stage of the fuel are not included; TtW emissions are zero in the case of battery electric vehicles and fuel cell electric vehicles)

7TH ENVIRONMENTAL ACTION PLAN:

2021 – 2025: FY21 PROGRESS

Objective

Promote continued CO₂ emission reduction through planned activities that are measurable, confirmed and sustained.

2021/22 outcome

Successful new hybrid model introduction:

- Rav 4 (Aug 2021)
- Corolla (Sep 2021)
- Corolla Cross (locally manufactured from Sep 2021)
- Lexus LS (Nov 2021)

Recommendations to advance South Africa's New Energy Vehicle Market and Domestic Supply Chain report prepared for SA Government by National Automobile Association of SA (naamsa).

Objective

Active pursuit of renewable energy options towards future zero CO₂ plants.

2021/22 outcome

Further increased rooftop solar capacity to 7 MWp through solar PV installations at B-Yard carpark, weld service block and assembly service block (2 988 tons CO₂ saving/yr).

Plant LED lighting (1 000 tons CO₂ saving/yr). Compressed air reduction (798 tons CO₂ saving/yr). VSD installations (490 tons CO₂ saving/yr). TSP hydraulic power pack kaizen (8.7 tons CO₂ saving/yr). Johannesburg aircon timer controls optimised. Sandton head office and Atlas Warehouse LED roll-out. Replaced selected forklift trucks with pallet stackers.

Objective

CO₂ emissions reduction in logistics activities through transport and fuel efficiency/usage improvement activities.

2021/22 outcome

Truck on Truck kaizen (93 tons CO₂ saving/yr). Empty return km on reverse logistic routes reduced (Bosal, Lumen, Maxi and suppliers) Truck fill rates ex-Durban Service Parts Distribution Centre improved (new stillages for bumpers): 38.8 tons CO₂ saving/yr. Milk-run (supplier collections) expanded further. Increased rail usage (118 tons CO₂ saving/yr).

Objective

Reduce waste disposal through avoidance at source and planned kaizen activities in all facilities that are measurable, confirmed and sustainable.

2021/22 outcome

Successfully diverted 247 tons of previously landfilled wastes (paint and WWTP sludge) to a waste-to-energy facility (1.70 kg/u savings per yr).

Implemented recycling of previously landfilled wastes (plastic protective caps, canteen cutlery and polystyrene cups (0.002 kg/u savings per yr).



Objective

Promote continuous improvement activities to reduce water consumption. Reduce water losses/wastage. Implement new innovative water technologies and optimise opportunities during plant upgrades/expansion.

2021/22 outcome

Paint Plant ED Holding tank flushing water reduction (1 200 kl saving/yr). Hiace Plant cooling tower water reduction (5 900 kl saving/yr). Hiace Plant AMU condensate recovery for reuse in cooling towers (1 800 kl saving/yr). Plastics Plant: AMU condensate recovery for reuse in cooling towers (1 998kl saving/yr).

Objective

Reduce packaging and wrapping materials used in logistics operations (challenge zero usage) through planned kaizen activities that are measurable, confirmed and sustainable.

2021/22 outcome

Implemented recycling of label backings. Packaging waste reduction: 131 tons packaging reused in process in Service Parts Logistics.

Objective

Roll-out of Toyota Green Wave activities: expand greenbelt (plant greening) to habitats surrounding operations in co-operation with regional companies and local government.

2021/22 outcome

PLANT GREENING: 100 indigenous trees planted at Durban Plant, 15 at Atlas Warehouse (Jhb) and 100 at Sandton head office (Jhb). Ongoing invasive vegetation removals (including Atlas Wetland).

TSAM BIOTOPE (Durban Plant): Indicator species identified and concept design completed.

Objective

Review and rebuild environmental education programmes for TSA.

ENVIRONMENTAL COMMUNICATIONS:

Awareness Communications issued/displayed: TSAM Environmental Policy, ISO14001 EMS, Toyota Environment Month, World Environment Day, Earth Day, Earth Hour, Biodiversity Day, World Wetland Day, World Water Day, Carbon Neutrality, Hino Plant CN, COP 26, Saving Energy, Saving Water, Arbor Week, National Invasive Species Week, Feral Cat Management, and Vervet Monkey awareness.

SUSTAINABILITY REPORT: 2020/2021 TSAM Sustainability Report published and distributed.

EMPLOYEE ENVIRONMENTAL EDUCATION:

Environmental Training Module 1 rolled-out to TSAM SMs and managers (92% management completed Module 1 training).

CSR ENVIRONMENTAL PROGRAMMES: Planning commenced for voluntary employee beach clean-ups near Durban Plant.

BIRDLIFE SA PARTNERSHIP: Wetland Ecology BSC Honours bursary awarded to Wits University student 'Insect Hotel'. Project initiated for schools near Durban Plant.

CONSERVATION SA PARTNERSHIP: Focused on sustainable communal livestock farming. Young Farmer/New Harvester of the Year (YFOTY/NHOTY) virtual event completed in November.

Objective

Provide and strengthen environmental initiatives at Toyota dealers.

2021/22 outcome

ECO-3+ roll-out target achieved: 66 dealers now on ECO-3+ (advanced) system. Monthly reporting onto EPI platform – expanded to include LED roll-out %. Monthly awareness bulletins issued to dealers on CO₂ reduction initiatives (best practice kaizens shared). LED roll-out at dealers currently on 29%. Further progress made on addition of CO₂ and water reduction activities into Toyota and Lexus dealer facility standards.

EMISSIONS REDUCTION



CHALLENGE 1

New vehicle zero CO₂ emissions challenge

The Sales and Marketing Working Group oversees the implementation of TSA's response to Challenge 1 by promoting the sale of fuel-efficient and hybrid vehicles

Our five-year plan is to increase hybrid vehicle sales to more than 10 000 units per annum by 2025. In support of this plan, we commenced local manufacturing of hybrid vehicles with the Corolla Cross, while we

provide a hybrid vehicle derivative option across all line-ups, where possible, and we have implemented marketing strategies to drive more sales of hybrid vehicles.

We continue to lobby the government through naamsa to obtain customer price benefits for buying hybrid vehicles.

G CO₂/KM	FY21	FY20
Weighted average CO ₂ per vehicles sold nationally (Toyota and Lexus)	196	204



Life cycle zero CO₂ emissions challenge

We are working towards promoting CO₂ emissions reduction among our value chain partners and pursuing increased transport efficiency while reducing CO₂ emissions in logistics activities.

This year, we achieved our logistics CO₂ emissions target through kaizen activity related to route distance, fuel usage efficiencies and packing efficiencies.

Suppliers

Working in close collaboration with our suppliers, TSA aims to reduce CO₂ emissions from the parts and materials used to produce Toyota vehicles. During 2021/22, we received monthly CO₂ emissions reports from 70% of our suppliers, using templates we created to assist them. Sixty percent of TSAM's suppliers have submitted signed Commitment Letters to reduce their life cycle CO₂ emissions.



	FY22 target	FY21 target	FY21 actual	FY20	FY19
Number of ISO14001-certified suppliers	180	177	177	173	159

Dealers

TSA supplies all dealers with the tools they require to achieve and monitor performance against key environmental milestones. These milestones are met through three environmental management system (EMS) levels: the DERAP (ECO 1) system of five core components, our ECO 3 certification and the ECO 3 Advanced certification.

Currently, all 206 of our dealers meet the full requirements of our basic DERAP system, with 205 dealers compliant with ECO 3. Sixty six dealers currently meet the requirements of ECO 3 Advanced certification, with our intention that 100% of dealers will be Advanced-certified by the end of 2022.

In further moves to shift our dealer network off-grid, 52 dealers are now fully on LED lighting, with a target of all dealers using LED lighting by the end of 2023. Twenty-three dealers have installed solar panels. All 206 dealers have trained environmental officers on site.

For our 60-year anniversary, we gave our dealers a 60-minute challenge to deliver social impact projects for communities, such as providing food, clothes, planting trees, road repairs, blood donation, cleaning, essentials, and providing school lunches. Our dealer network stepped up in outstanding fashion, donating luxuries, school supplies, toys, care for the elderly and homeless, providing for old age homes and animals in need.

	FY22 target	FY21 target	FY21 actual
ECO 3-certified dealers			
Toyota	206	206	206
Lexus	1	1	1
Hino	No longer tracked Focus is on ECO 3 Advanced	56	50
ECO 3 Advanced-certified dealers			
Toyota/Lexus	100	65	66
Hino	20	17	13

Our ECO 3 Advanced certification includes projects with an uplifting social impact component. As part of our annual Dealer of the Year competition, dealers must submit evidence of their positive contribution to their surrounding environment and community.

Dealer environmental initiatives

The 2021 winning Dealer of the Year, **Nic Bottari Toyota in Nigel**, Gauteng, has implemented impressive initiatives to reduce the dealership's environmental footprint and contribute to surrounding communities.

During 2017, a total of 195 solar panels were installed on the dealership roof with a generation capacity of 62 kWp. The installed solar system produces approximately 300 kWh daily and 9 000 kWh monthly, with an average annual output of 108 000 kWh. The energy generated and consumed is reported daily to identify any abnormal usage and, from this, future improvements are planned. The total cost of the installation was R486 000 and, through monthly savings on bills, has paid for itself in 38 months.

In 2020, all the fluorescent and mercury vapor lights at the dealership were replaced with LED lights at a cost of R28 126, which resulted in a cost saving of R1 952. This investment was justified to create a safer business environment for the guests and staff and promote energy saving.

The dealership also makes use of natural lighting. This is a technique that efficiently brings natural light into the workshop using exterior glazing (windows, skylights, etc.) Natural lighting has been proven to increase health and comfort levels for employees and customers.

All offices are equipped with motion sensors to automatically switch off the lights when nobody is present in the office.

In 2021, the dealership added a new section to its workshop for tyre fitment and wheel alignment. In the planning phase their main objective was to lessen the impact on the environment:

Single phase lifts were installed to reduce energy.

Single phase airstream compressor was installed to reduce energy (40% saving) and noise pollution.

LED lights were installed and natural light provided by roller shutter doors.

Nic Bottari Toyota has a three-stage water system that consists of three 2 000-litre tanks with a filter system (Clear-Flo™ PBD Plastic Body Disc Filter – MBSP) that is filled by a borehole.

This water is used for:

Dealership gardens
(sprinkler systems)

Wash bay

All ablution facilities

Municipal water is used only in the kitchens. To drive water awareness, posters with water saving tips are displayed throughout the dealership to educate staff to save water. Environmentally friendly hand sanitisers were installed in staff and guest bathrooms to save water consumption.

In terms of a recycling culture, waste is separated at source in the workshop in dedicated bins, then stored safely and securely. All scrap metal generated in the workshop and expired warranty parts are destroyed and recycled on a weekly basis. Paper, cardboard and plastics are separated at source to ensure no cross-contamination takes place and then donated to an organisation to assist the unemployed in our community (approximate monthly value R2 650).

Oil and wash bay mud are disposed of in line with controls and legislation, with all service providers legally compliant and accredited.

In 2021, the dealership contracted a landscaper to create an indigenous garden to restore local biodiversity.



Going forward, Nic Bottari Toyota is currently in the process of further reducing the dealership's carbon footprint through the following initiatives:

Replace
11 aircons
with a **central air-conditioning unit** (saving of 1 000 kWh a month)

Expanding solar system to
60 kWh
and adding two **120 kWh batteries to store excess power generated for use 24 hours a day.**

Building a **three-layer worm pod** (compost machine) to **reduce kitchen and garden waste.**

Changing paper towels in the workshop to **rags.**

A **planter wall** will be built in our guest lounge next to our **environmental wall** where all our **environmental activities will be shared** with our guests and staff for education and **promoting environmental activities.**

The dealership also made several social contributions to local communities during the year, including the donation of recycling material, painting the Sikhulasonke Day Care and fundraising for childhood cancer NGO CHOC.

Logistics

Our logistics network transports vehicles and components to and from our business partners, generating CO₂ emissions in the process. Through kaizen activities, we are continually implementing measures to further reduce these emissions.

Through kaizen activities focusing on shifting goods to rail, increasing load capacity, milk run expansion, route optimisation and transport sharing, we have achieved total CO₂ savings of 231.1 tons in 2021.

	FY22 target	FY21 target	FY21 actual	FY20	FY19
Logistics emissions:					
logistics control division (kilotons CO ₂)	5.3	6.8	7.42	5.40	5.90
Logistics emissions:					
vehicle logistics division (kilotons CO ₂)	54.7	54.90	46.88	44.00	48.90
Service parts (kilotons CO ₂) ¹	13.3	12.82	12.42	10.56	11.01

1. Values exclude air transport.



CHALLENGE 3

Plant CO₂ emissions challenge

The Manufacturing Environmental Working Group oversees the implementation of TSA's response to Challenge 3. We focus on CO₂ emissions reduction in our production activities.

In 2021, we completed substantial solar PV installations including the B-yard car park, service blocks, the weld plant and assembly plant. This brought online 1.9 MW of rooftop solar power, bringing our total solar capacity to 7 MW.

Two of our plants are completely carbon-neutral: the Hino plant and the TSA fleet building.

Our total emissions were higher than in the previous year's, though this was owing to significant increases in production volumes, from 107 959 vehicles in 2020 to 145 161 units in 2021. This forced our emissions to leap from 104.5 kt to 119 kt.



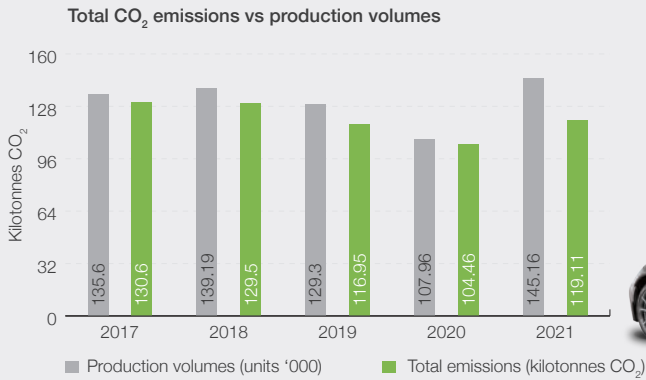
During the reporting period, energy reduction activities focused on LED lighting and compressed air with the implementation of the following improvement activities:

Plant	Energy reduction activity	Savings/yr
Plant-wide	<ul style="list-style-type: none"> Replaced fluorescent tubes with LED lighting 	1 180 tons CO₂
Chassis plant	<ul style="list-style-type: none"> Reduced compressed air Installed variable speed drive on extractor fans 	168 tons CO₂ 63 tons CO₂
Paint plant	<ul style="list-style-type: none"> Replaced compressed air with air knife and electric blower system 	180 tons CO₂
Suspension plant	<ul style="list-style-type: none"> Hydraulic power pack 	89 tons CO₂
Vehicle logistics	<ul style="list-style-type: none"> Upgraded compressor to variable speed drive 	180 tons CO₂
Paint plant	<ul style="list-style-type: none"> Low CO₂ technology 	329 tons CO₂

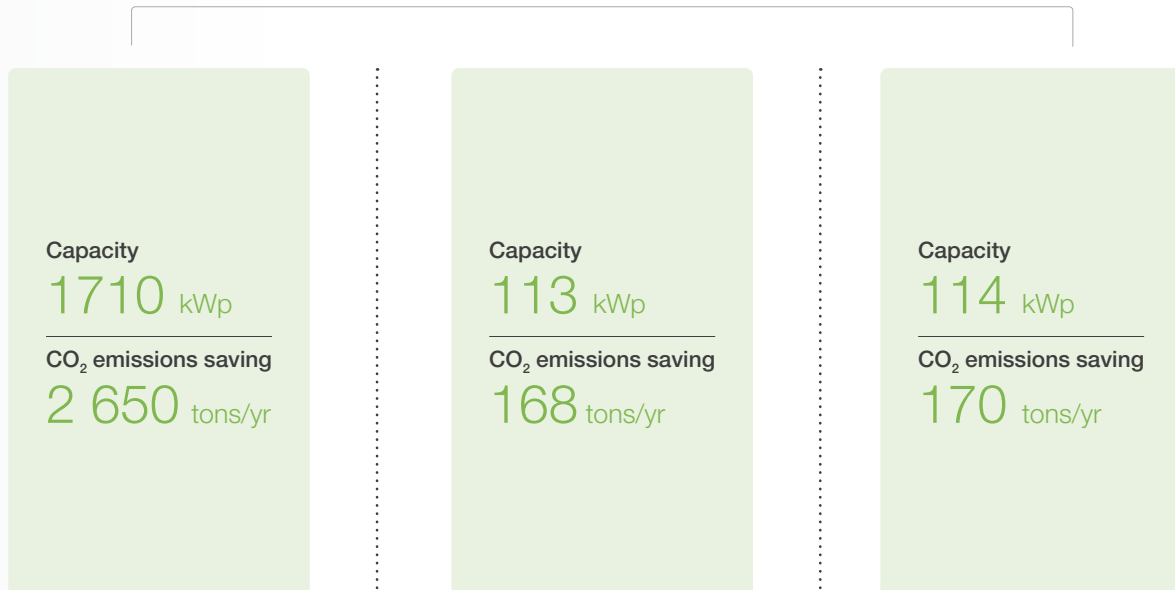





Plant	FY22 target	FY21 target	FY21 actual	FY20	FY19
Production emissions (kilotons CO ₂)	140	125	119	104.00	116.96
Production units ('000)	199	137	145	108	129
Carbon intensity (kg CO ₂ per vehicle manufactured)	703.61	918.37	890.12	968.00	904.49



2021 TSAM solar PV installation summary



RESOURCE EFFICIENCY



CHALLENGE 4

Minimising and optimising our usage of water

The Manufacturing Environmental Working Group oversees the implementation of these activities, working towards implementing water usage reduction initiative functions and comprehensive water treatment.

Water consumption during the reporting period was impacted on by the Covid-19 pandemic (reduced production, ablution showers were switched off), the unrest situation and parts shortages. Water reduction activities during the reporting period focused on reducing water wastage and the re-use of low contaminated waste water.

The following water reduction activities were implemented during the reporting period.

Plant	Water reduction activity	Savings/yr
Paint plant	<ul style="list-style-type: none"> ED holding tank flushing water reduction 	1 200 kl
Hiace plant	<ul style="list-style-type: none"> Cooling tower water reduction HVAC condensate recovery for re-use in cooling towers 	5 900 kl 1 800 kl
Plastics plant	<ul style="list-style-type: none"> HVAC condensate recovery for re-use in cooling towers 	1 998 kl

Under Challenge 4, we achieved very good savings during 2021 despite being identified as a high-water-risk affiliate.

Plant ablution showers were kept off for much of the year, HVAC condensate recover was successfully implemented at the Hiace and plastic plants for reuse at the respective cooling towers. At the Hiace plant cooling tower water optimisation was also successfully implemented. At the paint plant, pipe modification of the ED holding tank resulted in good water saving for tank flushing.

Water usage	FY22 target	FY21 target	FY21 actual	FY20	FY19
Water consumption (kl)	555 000	697 848	524 585 (521 143 towns water + 3 442 rainwater harvested)	432 898	559 136
Water intensity (kl/vehicle manufactured)	2.74	5.12	3.59	4.01	4.32

Note: 2022 targets reflected as set pre-flood condition



CHALLENGE 5

Establishing a recycling-based society and systems

This challenge is centred on promoting the use of renewable resources, extending the use of automotive parts, developing recycling technologies and end-of-life vehicle recycling.

We have a good story to tell about this challenge in 2021. Successful diversion of a portion of our landfill waste (247 tons) to a blending platform has seen this waste used as alternative fuel at a cement kiln. We also recycled polystyrene cutlery and cups that were previously landfilled, and the plastic protective caps on assembly parts are now being diverted to a local recycling facility,

where they are ground and reprocessed into plastic waste bins. During clean-up after the floods in April 2022 we were able to divert a significant proportion of waste.

In 2021, we also sourced a recycler for hybrid vehicle batteries, for which we are awaiting permits before the first shipment of batteries leaves for France.

Waste

The waste principles of waste avoidance, promoting reuse of discarded materials and enhancing recycling activities guide Toyota's waste management activities.

Waste	FY22 target	FY21 target	FY21 actual	FY20	FY19
Waste to landfill (tons)	3 474	2 845	2 500	2 337	2 519
Waste intensity (kg/vehicle manufactured)	17.39	20.89	17.23	21.65	19.48

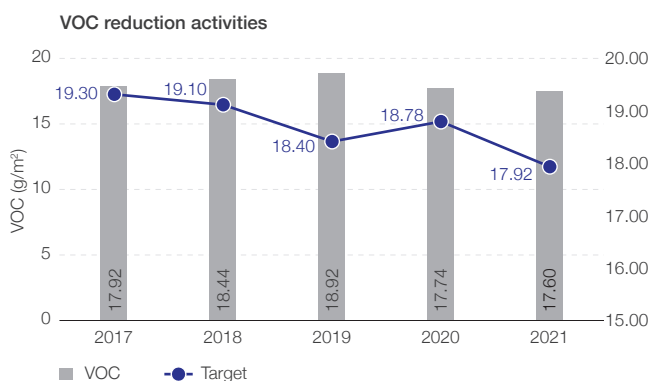
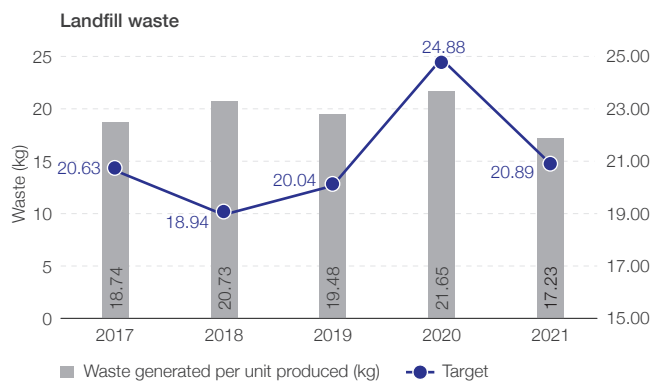
Note: 2022 targets reflected as set pre-flood condition

During the reporting period, TSAM increased its banned chemical substances list from 1 414 substances to 4 004 substances based on the Global Toyota List of Prohibited Substances. Maintenance of TSAM's internal chemical substance pre-approval and verification process resulted in zero use of banned chemical substances and ensured legal compliance in terms of chemical management requirements.

In 2021, the paint plant also reduced volatile organic compound (VOC) emissions by improving the efficiency of the E-coat painting process using a high-throw-power paint product (throw-power is the ability to plate a uniform thickness over an irregularly shaped object). This improvement activity resulted in a VOC reduction of 0.31g/m². The paint plant continues to maintain its VOC emissions well below the set target.

VOCs	FY22 target	FY21 target	FY21 actual
Body paint	17.49	17.92	17.60
Hiace paint	25.23	26.29	25.16
Bumper paint	154	154	173

Note: 2022 targets reflected as set pre-flood condition



SOCIETY IN HARMONY WITH NATURE



CHALLENGE 6

Establishing a future society in harmony with nature

The Sales and Marketing Working Group oversees the implementation of our response to Challenge 6.

Under our Green Wave banner for the year, we planted indigenous trees around our facilities

100

at our Durban plant

15

at the TAPC

100

at our Sandton head office

Ongoing invasive vegetation removals were conducted at the TAPC and in Sandton. We also promoted green activities to employees during our Arbor Month activation, including holding an awareness competition and spekboom giveaway.



NGO partnerships

Our partnership with BirdLife South Africa supported the following initiatives this year:

Through a **strategic partnership with TSA and the University of the Witwatersrand, BirdLife South Africa** successfully recruited a third-year BSc Honours student to take up a TSA-funded bursary focused on urban wetland ecology at the Parkhaven Pan, Boksburg.

Insect Hotel Project – selection of schools near Prospecton plant in progress.

Flufftail Festival – wetland educational material (in partnership with Pick 'n Pay School Club).

With the restrictions in place since 2020, the event has been held virtually. In 2021, it adapted to a downloadable activity booklet hosted online, reaching 4 600 learners at 30 schools in person with physical copies.

CASE STUDY

Lexus and the Owl Rescue Centre team up to reach shared environmental goals

During the year Lexus and the Owl Rescue Centre, based in Bokfontein in the North West province, collaborated to plant 20 000 spekboom plants on the Owl Rescue Centre's site in the shape of the Lexus logo.

The logo is visible on Google Earth and serves as a proud symbol of the brand's commitment to reducing the world's carbon emissions.

The average CO₂ emitted by Lexus hybrid vehicles per year is 111g/km. Based on an average mileage travelled of 15 000km per year, we calculated that every Lexus vehicle produces 1 655 000g of CO₂ per year.

The spekboom is nature's carbon absorption sponge, removing 4 000g of CO₂ in a year. According to our calculations, we needed to plant 8 560 spekboom plants to sequester the CO₂ produced by all Lexus vehicles sold in a year, but we went a step further and planted 20 000 at the Owl Rescue Centre, to a value of more than R840 000.

Over a seven-year project period, the Owl Rescue Centre will benefit from the proceeds, which will be directly applied to conservation, rescue and rehabilitation of approximately 1500 owls each year. The project will also remove invasive and non-indigenous plants from the planting area.

Lexus is giving spekboom plants as gifts to every new customer, helping to neutralise the carbon footprint of our vehicles and more. Together with the Owl Rescue Centre, Lexus is contributing to environmental consciousness and wildlife preservation that will benefit the public.



TSA is proud to be part of the preservation of our natural wildlife.

In 2022 we will be supporting the conservation of the endangered African wild dog population living in the Waterberg, Limpopo by providing a 2021 Toyota Hilux DC 4x4 and operational funding to the Waterberg Wild Dog Initiative (WWDI) for the next year.

The funding and Hilux will be used by the WWDI team to monitor the Waterberg Wild Dog population in the field and meet with community members to spread awareness, provide education, and further the understanding about the wild dogs and the human-wildlife conflict that occurs.



GOVERNANCE



Our formal governance structures provide oversight of TSA's ethical performance in line with various codes, policies and processes.

OUR APPROACH AND STRUCTURES

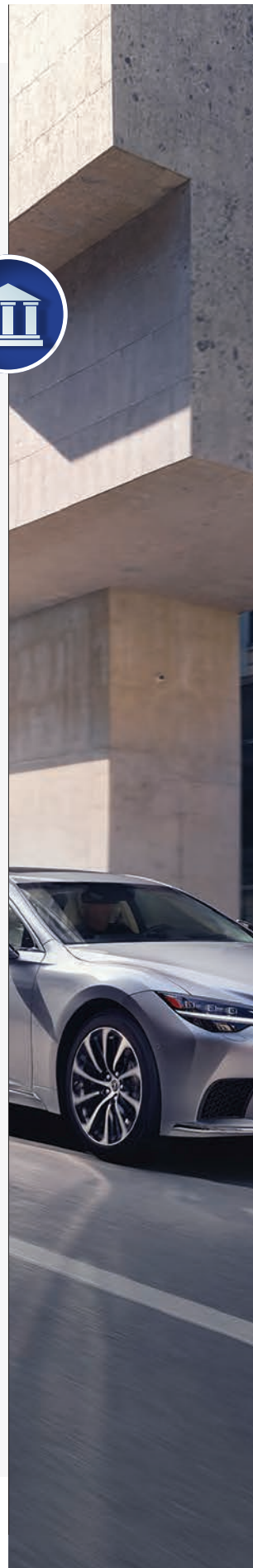
We adopt TMC's values and principles in dealing with governance, ethics and risk management and apply them in a manner relevant to the South African context. TMC representatives on the TSA board share information, expertise and global perspectives to ensure The Toyota Way and the group's values and guiding principles are robustly implemented.

TSA is committed to the highest ethical standards, values and accountability in all business dealings and we uphold the long-term interests of all stakeholders, while acting to safeguard the environment and uplifting the communities in which we operate.

From a corporate governance perspective, during the year, TSA undertook various assessments and ongoing improvements in achieving internal targets and aligning more closely with frameworks such as King IV principles.

While we have no regulatory obligation to comply with King IV, in the interest of being a good corporate citizen in South Africa, we constantly monitor our governance frameworks and performance to identify areas for improvement in line with both the spirit of the King IV principles and other reporting frameworks, where considered appropriate for our organisation, so that we can remain aligned with corporate governance and compliance.

Our approval frameworks draw together both our shareholder, TMC and the TSA board.





TSA board

Role of the board

The TSA board provides leadership, oversight and strategic direction to the organisation. The board directs and controls the company's business and aims to ensure its long-term economic, social and environmental sustainability. The board also drives ethical and effective leadership throughout the company by implementing a compliance framework and the TSA Code of Conduct.

Board composition and balance of authority

The board's composition ensures a balance of authority that restricts any one director from exercising unfettered powers of decision-making. The board is made up of high-calibre individuals with a varying range of expertise and experience who work collaboratively to ensure independent judgement and broad deliberations in the decision-making process.

Diversity

TSA aims to maintain a board that reflects an appropriate balance of knowledge, skills, experience and diversity from both a demographic and skills perspective. In particular, we aim to improve the representation of black and female directors on the board and annually evaluate its composition to ensure an appropriate mix of skills and experience.

Strategy formulation

The TSA board is accountable for the company's strategy formulation process and its operationalisation.

Board training

We regard sustainable growth and a stable, long-term enhancement of corporate values as essential management priorities. As such, we require our TSA directors to participate in regular training provided by the Institute of Directors. Training covers responsibilities, liabilities and specifications of their fiduciary duty, including ethical responsibilities. This training is especially helpful for TMC board representatives who may be less familiar with the intricacies of South African legislation.

Ethical leadership

As a responsible corporate citizen, we conduct business in an ethical manner and set out to meet the needs of all our stakeholders. This requires a culture of compliance, accountability and ownership, as well as effective governance structures, performance standards and internal controls that guide the decisions we make and the actions we take at every level of our company.

Compliance

TSA's governance and compliance frameworks are founded on the principles of accountability, transparency, ethical management and fairness. We constantly monitor regulatory changes and implement adaptive measures to align with best practice.

Internal controls

The TSA board is the final arbiter of the company's internal financial controls, which are designed to provide reasonable assurance that financial statements are reliable, assets are accounted for, and misstatements and losses are detected and prevented. The board is satisfied that the systems and processes functioned adequately during the year.



Board committees

The board delegates certain functions to board sub-committees.

Remuneration Committee

The Remuneration Committee reports to the TSA board and consists of representatives from both TSA and TMC. The committee is mandated to ensure remuneration policies and frameworks attract and retain critical skills, align with the company's strategy and drive performance. The committee meets as and when required and is supported by the Succession Planning Committee in building a strong talent pipeline through incentivisation and development.

Audit, Corporate Compliance and Social and Ethics Committee

In line with the Companies Act, TSA has extended the mandate of the Audit and Corporate Compliance Committee to include oversight of social and ethical issues. In addition to its previous responsibilities, the committee oversees social and economic development, corporate citizenship, environmental stewardship, consumer relationships, labour and employment, health and public safety.

Committee members are selected for their experience and knowledge and are kept informed by representatives from various areas of the business who provide information on strategic issues. The committee also retains its focus on issues related to social responsibility, employment equity, skills development and health services. Our executive committees are responsible for overseeing the operations of TSA's various divisions and functions.



2021/22 GOVERNANCE ACTIVITY REVIEW

There were no significant changes to frameworks or policies during the year, though the catastrophic events of 2021 and 2022, following the Covid-19 pandemic, have caused TSA to look more closely at its ESG strategy and countermeasures against external environmental and socio-political risks.

The only structural change to the business during the year was the creation of Kinto as a 100%-owned subsidiary as of January 2022.

There were no ethical incidents to report during the year. Regular fraud awareness training was conducted in 2021 for senior managers and above.

During 2021/22, the board's main focus areas were employee health and well-being, skills retention and the impact of the floods on the business.

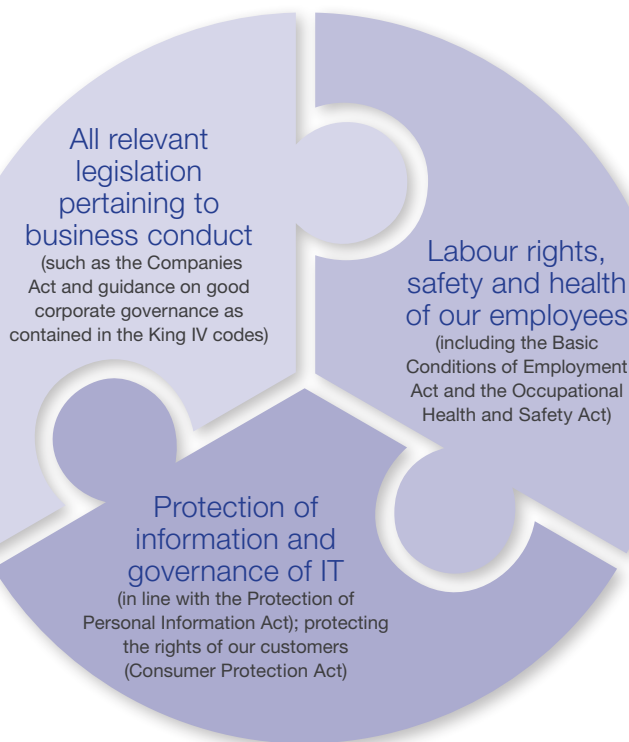
From a regulatory perspective, the Right to Repair guidelines came into effect in July 2021. We responded to the call for training and have built training facilities and an apprentice workshop at our Academy centre in Sandton. We remain fully compliant with the principles and the social imperative within the industry.

COMPLIANCE

TMC's guiding principles state that we at TSA shall honour the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.



We are committed to entrenching these principles throughout our operations by supporting South Africa's transformation imperative (Employment Equity Act and the Broad-Based Black Economic Empowerment Act) as well as ensuring compliance with:



The past financial year represented the fourth year of a five-year internal audit plan to map out our strategy as an organisation from a control environment maturity perspective. This audit plan reflects TSA's journey from basic stages to a more evolved and effective control environment. This plan has seen us roll out control self-assessments and data analytics to assess our maturity.

POPIA AND CYBERSECURITY

1 July 2021 was a significant date for the implementation of POPIA. TSA was audited by EY and received a firm acknowledgement of our mature environment. The OneTrust solution implemented to manage privacy compliance demonstrates the conscientious work we have undertaken in the management of our security and cyber risks.

Our focus has been on cyber-resilience, expanding this programme to dealers and vendors. We have begun engaging with both parties, setting requirements for our business partners to become compliant. Since we are dependent on our suppliers and third parties who hold significant personal information from a privacy perspective, our approach – informed by The Toyota Way – is to ensure compliance across our entire value chain of interdependent systems.

In 2021, we continued to build a robust privacy and security environment, buying 20 000 licences and conducting training both inside and outside TSA to protect the organisation. Being part of the Toyota family allows us to use global resources to define standards, provide best practice in implementation and achieve our goals.

The floods in April 2022 have forced us to relook at our infrastructure strategy to mitigate future risks and to become less reliant on certain services and systems. Using this as a positive opportunity, we will leverage cloud solutions and hybrid cloud solutions where possible, to offset risk.

ETHICS

TSA's board is ultimately responsible for governance of the organisation and has oversight of compliance with all relevant South African and international legislation, regulations and standards, as well as non-binding codes and rules the company has adopted in striving for comprehensive compliance.

Our approach is to build compliance and ethical consciousness into our business conduct, including our codes, policies, systems and processes. All TSA's operations are subjected to external reviews and monitoring to ensure compliance to national legislation and ethical conduct. Our business conduct is underpinned by an ethical consciousness that fosters the trust of our stakeholders.

We are committed to a policy of fair dealing and integrity. This commitment, actively endorsed by the TSA board of directors, is outlined in the Code of Conduct for our employees, and we also require all value chain partners to comply with it.

Our Code of Conduct is aligned with the TMC Global Code of Conduct and serves as a moral compass for our organisation. This code outlines our intention to achieve a harmonious and enriching work environment based on mutual trust and mutual responsibility. It applies to our daily business operations through general management, procurement, sales, production and distribution, and promotes compliance with all relevant laws and regulations.

The Code of Conduct outlines the use and management of assets, as well as confidential matters, avoiding insider trading, ensuring a safe work environment and environmental preservation. It also stipulates our conduct in terms of crime prevention activities, road safety initiatives, corporate communications and shareholder, religious, political, government, philanthropic and community relations.

All new employees are required to acknowledge receipt of the code and it is included in employee, contractor and graduate induction. We disseminate and ensure adherence to TSA's ethical standards via our dealer network and supplier agreements and standards.





TSA has in place anti-bribery and anti-corruption policies, as well as procedures for reporting breaches of policies and the law. We continually raise awareness among employees on the mitigation, reporting and addressing of bribery and corruption issues.

WHISTLE-BLOWING

We provide all employees with the necessary channels to report breaches of our ethics policies. Employees may report issues through their line managers, as well as through the whistle-blowing guidelines policy. This policy outlines procedures for reporting suspected instances of corruption and ensures employees are not unfairly penalised for reporting.

We also subscribe to Tip-offs Anonymous, an independent whistle-blowing service that enables employees to report illegal actions and ethical misconduct. Tip-offs can be submitted via phone, fax or e-mail. All reports are investigated, followed up and resolved by our Senior Manager: Security and Investigations, who is responsible for allocating matters for investigation where appropriate. Our customers are able to use our call centre to raise issues.

Whistle-blowing statistics

	Tip-Offs	Q1: 0 Q2: 0 Q3: 0 Q4: 0		Financial Fraud closed	Q1: 0 Q2: 0 Q3: 0 Q4: 0
	Tip-Offs Other	Q1: 2 Q2: 7 Q3: 7 Q4: 1		Other closed	Q1: 2 Q2: 7 Q3: 7 Q4: 1

RISK MANAGEMENT

Risk management is a key enabler for our decision-making. We identify and respond to risks through a combination of vigilance and robust management processes.

TSA's risk exposure spans political, economic, technological and environmental factors and requires us to continuously transform and adapt to our environment. Our risk management approach is aligned with TMC's Toyota Global Risk Management Standards (TGRS). Our risk management structure ensures effective integration between different business functions and streamlines governance, risk and compliance initiatives.



OUR STRATEGIC RISK REGISTER FOR 2021/22

Risk ranking	Risk name	TSA response
1	Securing future generation export markets	We are working closely with Global Partners and experts to secure our product to match future country regulations, pertaining to carbon emissions. These include a reduction in our carbon footprint to match the life cycle assessment of our product from procurement to delivery to the export market.
2	Challenging Carbon Neutral goals to positively impact a climate change	Working closely with Global Partners to ensure alignment of activity towards Global Carbon Neutral Aspirations and fulfilment of Toyota Aspirations of a net positive impact to the environment. We are also focusing on implementing plans to ensure that our sites are becoming more climate resilient.
3	Successful localisation plans	In line with the South African industry's long-term objectives (South African Automotive Master Plan 2035), we are continuously assessing different commodities for localisation, to grow the technical capabilities and employment, within the auto-manufacturing industry.
4	Inability to secure future investments	Strengthening both our domestic as well as global competitiveness and improving our environmental impact will assist in securing future investments.
5	Cybersecurity	Actively maintaining our cybersecurity and protecting TSA's systems and information is critical to our success as a company.
6	BBBEE	We are committed to transformation within the automotive industry and within our company. We have many plans in place including our participation in the Equity Equivalent Programme, development of BBBEE suppliers. Our transformation effort is assessed on many different levels, including but not limited to skills development, socio-economic development as well as enterprise and supplier development.
7	POPI	The Company has implemented systems, policies, procedures and culture to comply with the comprehensive personal protection requirements of POPI.
8	Succession planning – future leadership	Developing our future leadership pipeline, by building skills and capacity, whilst addressing transformation within different management levels of the company.
9	Successfully responding to changing regulatory environment	TSAM's governance and compliance framework is founded on the principles of accountability, transparency, ethical management and fairness. We constantly monitor regulatory changes, to reflect and align to best practice.

STAKEHOLDER ENGAGEMENT

As a continuation of our strategy through the Covid-19 pandemic, we continue to broaden the scope of our stakeholder engagements with a view to long-term sustainability.

FY21/22 saw an acceleration in global efforts to reach net-zero carbon emissions by 2050 and limiting global warming to 1.5 degrees above pre-industrial levels. As a result, stakeholder engagement has been positioned towards supporting TSAM to become an influential role player in the decarbonisation of the South African automotive industry.

Here is a **summary of our key external engagements** during the year.

Stakeholder groups	Key 2021/2022 engagements
Businesses in the South Durban Basin region; NGOs; security clusters: City of Durban; KZN provincial government; community forums	<p>We have played an instrumental role in pulling together various role players in security clusters and PPPs as a means of pooling crime intelligence and exchanging information.</p> <p>This has boosted protection of business, community and municipal interests through quick and effective assessment of the credibility of information. More proactive and collaborative security intelligence gathering and response are now possible in the region.</p>
Businesses in the South Durban Basin region; NGOs; security clusters: City of Durban; community forums	<p>TSA, together with public and private sector partners, has initiated an urban improvement precinct to upgrade infrastructure, lighting, pavements and environmental zones in the region. TSA and partner corporates are now sharing and coordinating CSR initiatives to achieve maximum impact.</p>
South African National Defence Force	<p>During the riots and unrest in July 2021, TSAM hosted units of the SANDF on our premises and provided vehicles to support capacitation of response measures. Our engagement with the SANDF continues as part of prevention and mitigation measures in future.</p>
Surrounding informal and formal communities	<p>A key learning from supporting communities during the riots and unrest as well as the floods was that we historically have favoured relief measures in informal communities while potentially neglecting formal communities that were under similar pressure.</p> <p>In 2021, we began identifying and meeting with more community leaders, structures and forums to ensure support is channelled more effectively to areas in need.</p>
Surrounding rural and informal communities	<p>We continue to address health disparities in rural areas. During the year, we initiated a project to convert a Hilux vehicle into a mobile health outreach vehicle to visit rural communities and meet the need for medical services and dispensing of medicines.</p> <p>This concept has had a very positive response from both communities and provincial health departments. We have put together a formal proposal to take this project national.</p>



LOOKING AHEAD

Major objectives for 2022 involve returning the Prospecton plant to full operation and a careful ramp-up of production volumes. This will also include a pulling-forward of our investment plans for end-of-life equipment replacement.

Our focus on our ROBO25 strategy and commitment to our environmental goals will continue into the new year.

Stakeholder groups	Key 2021/2022 engagements
Employees	We made every attempt to keep our employees engaged and involved during times of plant or business closure. Engagement surveys have shown that this activity was successful and we are encouraged to take further steps to increase employee engagement and morale.
Unions	<p>We have maintained a high level of communication and transparency with union leaders, shop stewards and employees regarding business challenges, strategy, issues and changes to allow for direct airing of concerns.</p> <p>We have also held numerous engagements with national and regional union structures on key industry issues. Our relationship with organised labour remains positive and productive.</p>
Customers	A standout interaction with the Chair of Toyota's Dealer Council revealed that our CCE scores, market share and sales are reflected most positively in customer feedback and loyalty.
Suppliers	Bilateral support between TSAM and suppliers during crises in the last three years has created a high level of trust and collaboration that has benefited all parties.
Government	<p>TSAM continues to engage with the provincial KZN government about the development of an automotive supplier park in the South Durban Basin.</p> <p>We met with the Deputy Minister of Finance to receive clarity on Operation Vulindlela objectives and guidelines.</p> <p>The President of South Africa, Cyril Ramaphosa, attended the Corolla Cross line-off ceremony.</p> <p>Annual strategic meeting with the eThekweni mayor: two task teams were created to discuss stable infrastructure, renewable energy, ASP incentives and operational issues.</p> <p>We engaged with the newly appointed Presidential Climate Commission Secretariat to discuss its role in developing the Just Transition framework.</p> <p>We also met with the Green Economy division of the Gauteng Department of Economic Development to share timelines and plans around energy sector acceleration.</p>



TOYOTA COMPACT SUV

TOYOTA SMALL CROSSOVER

LEXUS





FACEBOOK

www.facebook.com/ToyotaSouthAfrica



TWITTER

[@ToyotaSA](https://twitter.com/ToyotaSA)



INSTAGRAM

[Toyota_sa](https://www.instagram.com/Toyota_sa)



TOYOTA

TOYOTA SOUTH AFRICA

Toyota Building, Stand 1, Wesco Park, Sandton, 2146

www.toyota.co.za