

**TOYOTA**



Worldwide  
Olympic Partner



Worldwide  
Paralympic Partner



**TOYOTA SOUTH AFRICA**

# SUSTAINABILITY

REPORT 2020/21

CHALLENGE  
2050



# 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 2020 – 31 March 2021. The report covers Toyota South Africa's Southern African operations.

## APPROACH TO REPORTING

Toyota South Africa is a well-governed company 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.

There were no significant changes during the 2020/21 financial year

in terms of the size, structure or ownership of TSA and its subsidiaries.

All performance data is reported to allow for comparability with previous reports. However, given the impact of the Covid-19 pandemic on the South African and export automobile markets, and a consequent lack of accurate visibility into predicted market conditions during the year in review, sales target figures were omitted in TSA's report for 2020/21 but are once again included in this report.

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](http://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@tsb.toyota.co.za](mailto:creddy3@tsb.toyota.co.za)

## Alignment with United Nations Sustainable Development Goals (SDGs)

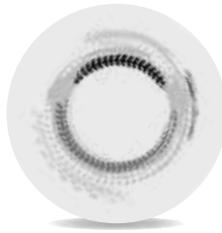
TSA aligns itself with the following SDGs through its operational and corporate social responsibility projects. Refer to page 39 for further details on our corporate social investment and community impact initiatives.



## 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.

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“2020 was a year in which the self-reliance of TSAM and its value chain was severely tested by dramatic changes to our operating environment.”

**Andrew Kirby**  
President and CEO  
Toyota South Africa Motors



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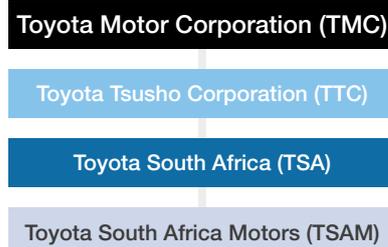
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# About TOYOTA SOUTH AFRICA

## STRUCTURE

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 & FOOTPRINT

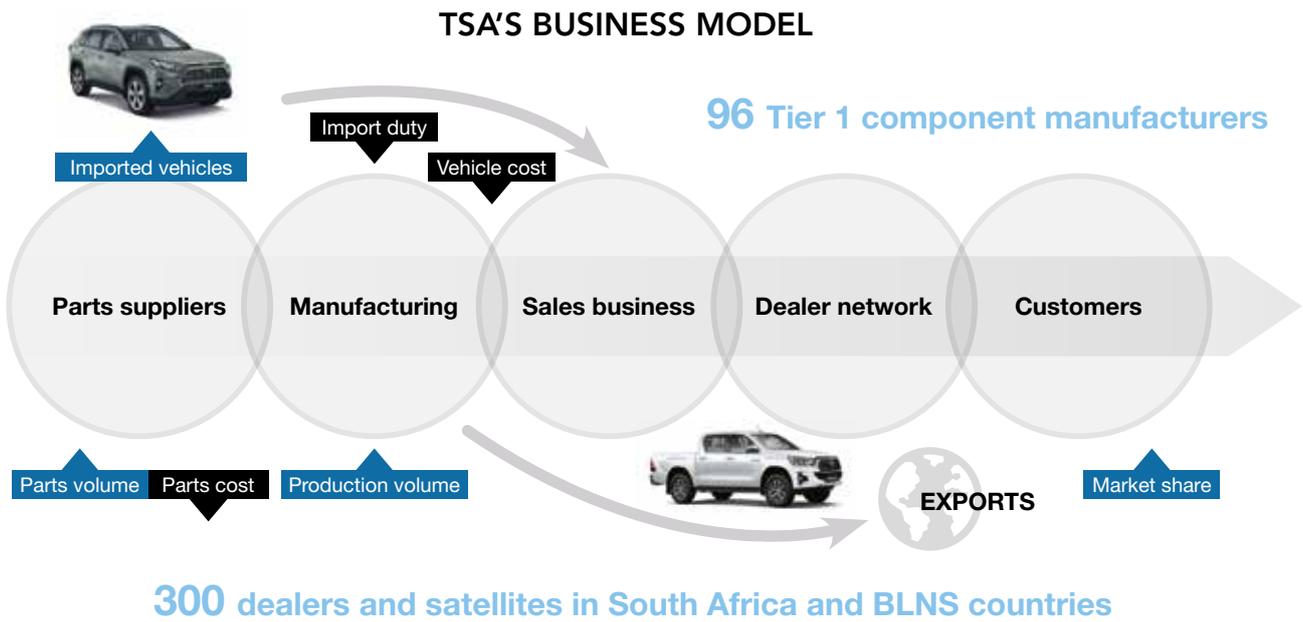
Through TSAM, TSA is a key component of South Africa's automotive manufacturing sector. We play a pivotal role in driving economic growth and creating employment.

More than  
**6 388**  
employees

LOCATION	Designation	Function
Sandton, Johannesburg	Head Office	Marketing and sales
Boksburg, Johannesburg	NPDC	Distribution of after-sales parts
Prospecton Plant, Durban	Manufacturing and assembly operations	<b>Toyota Hino</b> Hilux, Fortuner, Ses'fikile, Corolla Quest Dyna, Hino 300, 500 and 700-series
Imports	We import an additional 17 models from our 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
<b>Toyota</b>	Full dealers	174	6	12	1	2
	Automark satellites	4				
	Parts, Service and Automark satellites	3				
	Parts and Service satellites	3	1	1	1	
<b>Hino</b>	Full dealers	44	3	2		1
	Parts and Service satellites	10	1	3		1
<b>Lexus</b>	Full dealers	19	1	1		
	Parts and Service satellites	5			1	
<b>TOTAL</b>		<b>262</b>	<b>12</b>	<b>19</b>	<b>3</b>	<b>4</b>



## BOARD OF DIRECTORS

<b>Chairman</b>	Johannes Jacobus van Zyl <sup>^</sup>
<b>Non-Executive Directors</b>	Toshimitsu Imai* Kazhihiro Tomita* Toshiaki Ueshima* (Alternate)
<b>Independent Non-Executive Directors</b>	Noluthando Dorian Bahedile Orleyn Sipho Cyprian Ngidi Sindisiwe Ntombenhle Mabaso-Koyane
<b>Executive Directors</b>	Andrew Philip Kirby Bronwyn Kilpatrick Nigel Graham Ward Dave Stephen Finch (Appointed 1 January 2021) Keisuke Tsuru* (Appointed 1 January 2021)

<sup>^</sup> Deceased 2021

\* Japanese

### Directors of TSAM Pty (Ltd)

Dr JJ van Zyl (Chairman), Mr AP Kirby (President and CEO), Mr D Fernandes (Resigned: 2020/12/31), Mr DS Finch (Appointed: 2021/01/01) (Alt: S Kanada\*), Mr L Theron, (Alt: Mr K Nakamura\*), Mr Y Miyabe\* (Resigned: 2020/12/31), K Tsuru\* (Appointed: 2021/01/01), Ms B Kilpatrick, Mr H Kosaka\*, Mr SS Moodley (Alt: T Ueshima), Mr NG Ward, Mr K Tomita\*

\* Japanese

Our non-executive directors play an important role in providing objective judgement independent of management on issues facing the company, including strategy, performance, sustainability, resources, transformation, diversity, employment equity, standards of conduct and evaluation of performance.

### Secretary and auditors

**Company Secretary:** Ms PC Reddy

**Auditors:** PricewaterhouseCoopers Inc.

## KEY COMPETITIVE ADVANTAGES

TSAM benefits from state-of-the-art assembly operations and its associated value chain. We believe that 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.



# CEO's MESSAGE

2020 was a year in which the self-reliance of TSAM and its value chain was severely tested by dramatic changes to our operating environment. That we experienced minimal days of downtime due to Covid-19 infections and met all our key project milestones during the year is testament to our long-standing drive to build the company's capacity.

## CARING FOR OUR PEOPLE

As a business we needed to respond quickly and effectively to the challenges posed by the pandemic. TSA's response to the pandemic was to build capacity to take care of the health and welfare of employees and use that as an opportunity to build unity within the company. Outside of periods of hard lockdown restrictions, once our employees were able to return to work, we created a safe working environment by ensuring that we complied with all relevant Covid-19 protocols. In addition, we spent time educating our staff on why following the protocols both inside and outside the company was so important. We needed our health services team, management team and all our employees to create a safe working space that kept our employees healthy and strengthened our corporate culture.

Empathy, awareness, support and unity among our employees cannot be underestimated in ensuring the long-term sustainability of a business. That TMC's update to our global philosophy, vision, mission and values coincided with our response to the pandemic has helped us further strengthen and refine our engagement with employees.

The new philosophy is built on the Toyota Way, but has brought in new ways of thinking about how we work together and look after one another. See page 8 for further details on our global vision, mission philosophy and values. This is an exciting opportunity and platform to begin in-depth discussions aimed at revitalising our corporate culture within TSA.

We also focused on social responsibility to take care of those around us and securing the ecosystem in which we operate. During 2020 TSA spent more than R12 million on supplying the taxi industry with face masks, sanitiser equipment and awareness campaigns for commuters. See page 39 for further details of our community outreach initiatives during lockdowns.

As a result of swift and decisive action to implement Covid-19 measures and protocols, our employees felt safe at work and our low levels of absenteeism allowed us to meet all our major project timelines in a heavily affected year. Furthermore, all our dealers emerged from the pandemic and were ready to resume business when restrictions were eased. This has allowed us to execute on our strategy and put the business in a strong position, which is both pleasing and remarkable given the circumstances.

**"TMC's update to our global philosophy, vision, mission and values coincided with our response to the pandemic and has helped us further strengthen and refine our engagement with employees."**

## MARKET AND PERFORMANCE OVERVIEW

When we entered Level 5 lockdown at the end of March 2020, no manufacturing or selling activity could take place due to restrictions on the movement of goods and people – returning to 50% manufacturing activity in May, still without retail activity. This was an unprecedented event for the auto retail industry in South Africa, which experienced its worst two months on record.

Just as we focused on the health and safety of our employees, we made the decision that all staff would be paid in full through the lockdown periods. We simultaneously monitored dealers and suppliers to secure our ecosystem for the recovery.

After the initial setback, pent-up demand and a temporary surge in sales moderated to a gradual improvement by the end of the calendar year, partly driven by a low interest rate environment and partly bolstered by the Hilux facelift, whose timing could not have been better. The Hilux is our most successful model range domestically and our largest export and allowed us to introduce the product Europe wanted, with serendipitous timing.

On a going rate basis, we ended just 11% behind sales for 2019, though 30% down on our overall plan for the year. 2021 has brought with it a faster recovery than anticipated, which is encouraging, given the supply of vehicles manufactured locally and globally has been restricted by various shortages related to the pandemic – most recently the global shortage of semiconductors for vehicle safety system components.

## CONSTANTLY IMPROVING COMPETITIVENESS

The Covid-19 pandemic required TSA's leadership to make critical decisions on our cost structures and operating environment to ensure that we did not fall behind in our key milestone projects. We used this period to review and develop our strategies to compete in the future – rescheduling or cancelling non-essential projects and setting fairly aggressive operating cost targets, while ensuring we retained enough operational expenditure to support our key projects, such as the introduction of a new hybrid passenger vehicle.

During 2020 we optimised remote working arrangements, finding the right balance between digitalisation and physical co-operation, where possible. We met our deadlines for introducing a major upgrade to our Hilux and Fortuner ranges in October, without the usual hands-on support we would usually receive from TMC or other affiliates. Key to our self-reliance was our long-standing international skills exchange programme, which has built key skills and experience to position TSAM as it heads into the new phase of manufacturing.

This represents another unique situation, where we are unable to meet market demand. Europe's recovery from the pandemic and associated demand through export orders remains encouraging, while the recovery in African markets will be more protracted. However, in 2021 demand in the African markets we service is already ahead of the same point in 2019 and we anticipate a good trajectory for our exports into the continent during the current year.

Our focus on key fundamentals of the business – chief among them cash flow and costs – helped us to respond to rapidly recovering demand from our major export customer in Europe, which helped Toyota regain market share after their lockdown restrictions. We also export 1.6 million catalytic converters per year, which has improved our balance of trade and proved crucial to the business.

### A FIRST FOR SOUTH AFRICA

Without delivering on our milestone projects in the last year we would not be in a position to be the first African manufacturer of a hybrid passenger car in 2021. The current year is extremely important to the future and sustainability of TSA because it marks a major inflection point in the move to greener automotive technology.

As the media news cycle has demonstrated, 2020 was the year in which developed markets began to get serious about alternative drivetrains as they reduce their reliance on fossil fuels. South Africa cannot afford to be left behind – either as manufacturers or consumers of these new technologies.

The Corolla Cross, due to be introduced in South Africa in October 2021, represents a pivotal moment for TSA and the local auto industry. Meeting this deadline and

ensuring a positive reception among our market is vital to the future of our company, for several reasons.

First, our manufacturing plant will be utilising new technologies in the construction of a new-age hybrid vehicle. For much of 2020, around our scheduled output, we have been working hard at gearing up to produce the Corolla Cross and upskilling TSA employees across our value chain – including suppliers and dealers – to deal with the changes in requirements. See page 35 for a case study of our skills exchange programme.

Second, it is no secret that the necessary and inevitable introduction of alternative drivetrains will change the way we do business. Whether hybrid, battery electric or hydrogen fuel cell, the new alternative drivetrains employed in vehicles of the future will reduce profitability for manufacturers and retailers because of their inherent price premium to manufacture while also eliminating many of the traditional customer interaction points, such as regular services.

This will require partnership and alignment with government to meet carbon emissions reduction targets. This will require appropriate subsidies to be put in place to increase price competitiveness of these products so that the market accepts them, but will also require us as a manufacturer and retailer to not only retain customers but conquest as many new customers as possible to ensure the long-term sustainability of the company.

Toyota has been South Africa's market leader for 41 years, which puts us in a great position to benefit from early-mover advantage in the market, but we need to ensure that we execute our strategy effectively in order to not only survive but thrive through this change. Our brands – Toyota, Lexus



and Hino – consistently achieve gold ratings in customer experience surveys, which is an extremely positive indicator of the brand love that will carry us into the future. The Corolla Cross will also be backed by a radical change in the way we market and sell vehicles in South Africa.

Our target for hybrid, plug-in hybrid and battery electric vehicles is to achieve a 40% sales mix by 2025. Our success with the Corolla Cross is critical to our future growth, when viewed through this lens, and underscores the radical change in the way we market and sell vehicles in South Africa from 2021 onward.

See pages 17 to 19 and 24 to learn more about how we intend to excite our customers through our product offering and retain customers through highly customised service based on our proprietary systems. We are encouraged by the highly successful product introductions of the Starlet and Agya during 2020, which proved our strategy of bolstering our offering in the small car segment was correct.

The Corolla Cross will accelerate our strategy to move towards carbon neutrality, our electrification roadmap and the way we respond to higher levels of demand for connected services in our vehicles and greater safety in autonomous driving. At a wider level, the greater use of alternative drivetrains will also intensify South Africa's need to move toward cleaner fuels, which will drive further changes across our industry.

2021 will also see TSAM delivering a volume increase of the Hiace Ses'fikile and the completion of the Toyota Africa Parts Centre which will underpin our growth in exports to Africa.

## TSA CONTINUES TO TRANSFORM

Transformation within TSA and in our value chain continues to be a focus area for our management team. Though challenged by circumstances related to the Covid-19 pandemic, our projects and tactics to transform our supply base and dealer network continued through 2020. Global supply chain interruptions have also opened up several new opportunities for local suppliers to step into the gaps.

We have concluded our investments through the Equity Equivalent Investment Programme (EEIP) and are now contributing toward the Automotive Industry Transformation Fund (AITF) and moving toward Level 4 contributor status, which is a significant step for TSA. We continue to work with the AITF to find and grow black-owned businesses upstream, downstream and sidestream to further transform our value chain.

Within the company in the last year we have also been working hard to improve our employment profile. We have implemented new initiatives in 2021 that will further accelerate our transformation within our management structures and employee base.

In our dealer network our goal is to continue growing the number of black-owned dealers. Finding the right partners is critical and we continue to develop relationships to this end.

**“Transformation within TSA and in our value chain continues to be a focus area for our management team.”**

## ACKNOWLEDGEMENTS

TSA's relationship with Toyota Tsusho Corporation (TTC) and TMC has only strengthened during this testing year. Together, we have become very good at responding to changes and crises while finding opportunities for improving our relationship. Communications, though exclusively in the virtual domain, were of a consistently high level and we have been well supported by the broader Toyota family through the pandemic.

I would like to thank the entire team at TSA for their flexibility, co-operation and thoughtfulness as we continue to adapt to a challenging operating environment. Our people have worked hard and gone the extra mile to ensure we are positioned for future profitability.

I would also like to thank our suppliers and dealers in South Africa, upon whom we rely at either end of our business, as well as our customers.

## LOOKING AHEAD

Our goals and objectives for 2021 are to build on the excellent precedent we established during 2020 – to increase the competitiveness of our manufacturing base so that we remain viable for future major projects as an affiliate; to use the recovering market to strengthen our service to customers; to ensure that we build loyalty and customer delight so that we can keep growing our market share; and to successfully introduce the new passenger car model as a milestone for TSAM.

**Andrew Kirby**  
President and CEO  
Toyota South Africa Motors

# TSA's place in Toyota's GLOBAL VISION

**TSA acts in accordance with TMC's Guiding Principles to produce reliable, high-quality vehicles and 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 of 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 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 earth through all business activities that we carry out in each country and region, based on our guiding principles. We comply with local, national and international laws and regulations as well as the spirit thereof, and conduct our business operations with honesty and integrity.

In order to contribute to sustainable development we believe that 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.

## BECOMING 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 around the world through 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.

### STRATEGIC BRAND ASSOCIATIONS

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

**Brand Trust**  
**Image/Lifestyle**  
**Environment**  
**Community Service**  
**Technology**



## THE TOYOTA WAY

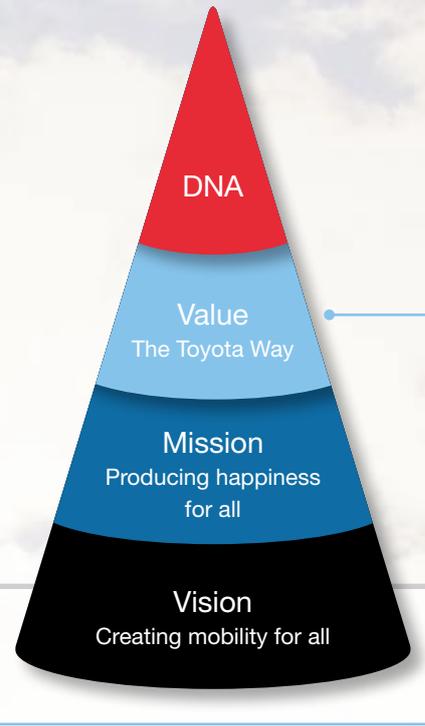
Our business operations are conducted according to methods and values that collectively create The Toyota Way. In 2020 TMC updated and refreshed its philosophy, mission, vision and values and we have already begun awareness and education campaigns throughout TSA and our dealer network.

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 that 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.



**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 VISION AND MISSION

are achieved through partnerships created by combining 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

The purpose of our values is to develop a unified culture.

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 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 that 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, the TSA of 2025 must have the following form and characteristics:

- 1 We want a team that has the capability to respond quickly to change.
- 2 We are striving to develop a workforce made up of highly engaged automotive professionals.
- 3 We want our brands to continue to make significant contributions to South African society.
- 4 We aim to be the continuous market leader in sub-Saharan Africa.
- 5 We need a profitable business that can continue to secure and fund new investments.

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.

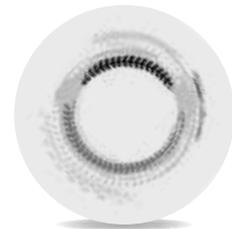
As the hub of this continental strategy, TSA is well positioned to remain in a sustainable position at the heart of Africa's next growth phase.

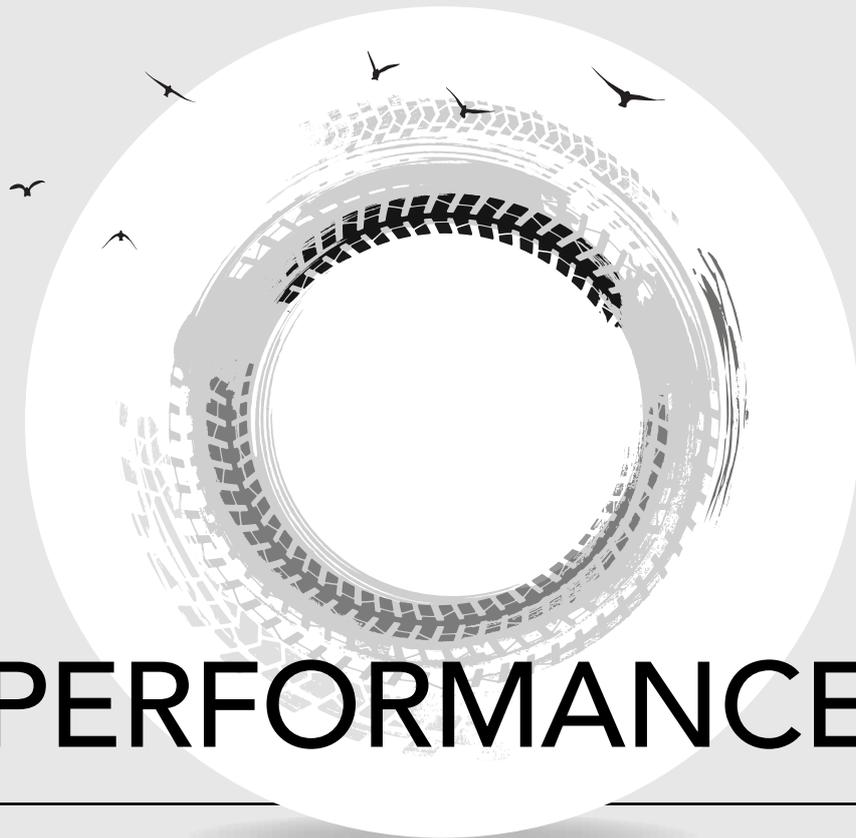
# Material MATTERS

**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 and governance.

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





# PERFORMANCE

## SALES AND EXPORT PERFORMANCE

	2020	2019	2018
Total domestic sales: Toyota, Lexus and Hino (units)	90 129	130 072	133 603
Passenger car sales: Toyota and Lexus (units)	40 910	63 641	70 170
Light commercial vehicle sales: Toyota (units)	46 253	63 427	60 231
Medium commercial vehicle sales: Hino (units)	1 123	1 647	1 711
Heavy commercial vehicle sales: Hino (units)	998	1 357	1 491
Automark used vehicle sales (units)	43 575	51 384	50 399
Export units: Toyota	41 785	48 376	52 528

### TOYOTA SALES (UNITS)

	2020 target	2020 actual	2019 actual	2018 actual
Production volume	83 715	80 212	83 419	126 463
Domestic sales	93 575	86 562	127 068	130 401
Light commercial vehicle sales (excluding Dyna)	48 611	46 253	63 427	60 231

### LEXUS SALES (UNITS)

	2020 target	2020 actual	2019 actual	2018 actual
Domestic sales	900	511	844	864



## HINO SALES (UNITS)

	2020 target	2020 actual	2019 actual	2018 actual
Production volume	2 352	2 334	4 140	4 489
Domestic sales	2 100	2 121	3 685	4 408
Light commercial vehicle sales (Dyna)	760	845	1 204	1 116
Medium commercial vehicle sales	1 130	1 123	1 554	1 734
Heavy commercial vehicle sales	970	998	1 253	1 495

## BUSINESS PARTNERS

### Suppliers

	2020	2019	2018
Number of ISO14001-certified suppliers	159	159	149

### Dealers

#### TOTAL DEALERSHIPS

	2020	2019	2018
Toyota <sup>1</sup>	195	195	194
Lexus <sup>1</sup>	21	21	19
Hino <sup>2</sup>	65	65	66
Automark	191	191	191

## EMPLOYEES

	2020	2019	2018
Headcount (full-time employees)	6 388	6 753	7 378
Fatalities	0	0	0
Total injury frequency rate	1.50	1.46	1.50

## SOCIAL CONTRIBUTION

	2020	2019	2018
Total social investment (Rm)	4	7.7	22.9
DTIC Broad-based Black Economic Empowerment (B-BBEE) contribution level	5	7	7

<sup>1</sup> Full dealers (South Africa, Botswana, Namibia, Lesotho, eSwatini)

<sup>2</sup> All dealers (South Africa, Botswana, Namibia, Lesotho, eSwatini)

## ENVIRONMENTAL STEWARDSHIP

	2020	2019	2018
Production emissions (kilotonnes CO <sub>2</sub> )	104	116.96	129.5
Carbon intensity (kg CO <sub>2</sub> /vehicle manufactured)	968	904.49	930.49
Water intensity (kl/vehicle manufactured)	4.01	4.32	4.73
Waste intensity (kg/vehicle manufactured)	21.65	19.48	20.04
Volatile organic compounds (VOCs) emitted (g/m <sup>2</sup> body paint applied)	17.74	18.92	18.44

**PERFORMANCE** (continued)

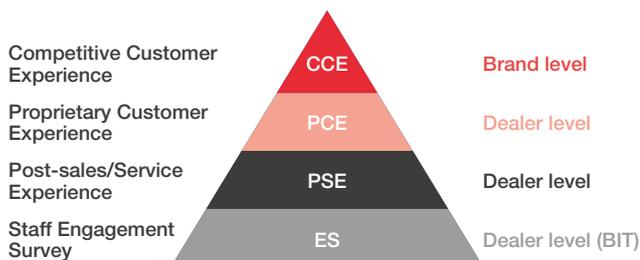
**COMPETITIVE CUSTOMER EXPERIENCE**

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 four years in a row.

**“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.”**

	2020	2019	2018
Toyota	91.9	91.8	93.6
Lexus	97.6	91.8	95.1
Market average	90.7	88.3	90.8



From the pyramid above, in our strategy, providing Customer Experience starts right 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 that the Proprietary Customer Experience scores (Satisfaction and Recommendation) and Competitive Customer Experience scores all align to ensure that 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.

**SA SALES VOLUMES**

	2020 target	2020 actual	2019 actual	2018 actual
CBU	30 843	28 165	42 800	39 196
CKD	63 397	58 998	83 064	82 822
Hino/Dyna	2 760	2 966	4 208	3 774
Total	97 000	90 129	130 072	125 792
Export volumes	50 450	41 785	48 376	46 307
Total sales	147 450	131 914	170 287	172 099
Total production	86 967	82 886		135 100

**TSA MARKET SHARE (%)**

	2020 target	2020 actual	2019 actual	2018 actual
Total domestic: Toyota, Lexus and Hino	26.2	23.6	24.2	24.2
Passenger cars: Toyota and Lexus	18.3	16.5	16.1	19.2
Light commercial vehicles: Toyota	47.6	41.7	35.0	32.2
Medium commercial vehicles: Hino	31.8	28.8	18.9	21.6
Heavy commercial vehicles: Hino	7.3	6.2	7.0	7.6



## SALES PERFORMANCE REVIEW

The 2020 calendar year brought an unprecedented halt of manufacturing and retail activity, creating the worst two months in South Africa's economic history. Once lockdown restrictions were eased and retail activity could resume, strong demand and market stimulation activities, such as our dealers' Unlock the Gates campaigns, saw dealers clearing accumulated stock.

The first quarter of 2021 saw the continuation of market recovery, with reduced requirements for market stimulus. Small business owners, who typically de-fleeted during 2020, were behind a strong recovery

in light commercial vehicle sales. Our continuing efforts to build strategic dealer relationships in the small-fleet sector, total cost of ownership, strong resale values and trusted brand reliability have paid dividends in a tough year.

In the passenger car market, which was hardest hit by economic fallout from the Covid-19 pandemic, the small car segment performed well in a cycle of customers downgrading from larger vehicles and upgrading from public transport. Toyota's introduction of the Starlet and Urban Cruiser was a highlight in a segment in which we aim to double our market share by 2025.

Innovation in our sales channels, such as purchasing vehicles online via our website, continues to drive the success of our sales strategy. Especially pleasing was a 65%:35% ratio

of new customers versus retained customers in the small car segment, demonstrating the effectiveness of our promotional activity and suitability of our product offering for younger customers, whom we view as critical to the sustainability of the Toyota brand. Affordable, smaller cars – such as the Ayga targeted at younger drivers and public transport commuters who desire greater mobility – provide us with an opportunity to leverage Toyota's incredible reputation for reliability and performance to grow our market share in the future.

Toward the close of the year our new-spec Hilux and Fortuner models created tremendous excitement and returned a sharp increase in demand due to new engines and new technology. While demand for our products remains strong into 2021, pressure on supply will require good inventory management by dealers and the resolution of global supply chain issues so that we can capitalise on the full recovery from Covid-19.



AWARDS RECEIVED	Award	
Hino Motors Japan	<b>International Award for Excellence in Parts &amp; Service</b>	Hino South Africa
2019 Consumer Awards	<b>Adventure SUV category: Fortuner 2.8 GD – 6 4x4 Auto</b>	Toyota South Africa
2019 NADA Dealer Satisfaction Index Awards	<b>Platinum Gold</b>	Toyota, Lexus Hino
2019 NAACAM	<b>Most Supportive Manufacturer</b>	Toyota South Africa
Car of the Year	<b>GR Supra: 2 Awards Corolla Hatch: 1 Award</b>	Toyota South Africa
Car Magazine	<b>Company of the Year</b>	Toyota South Africa
Cars.co.za Consumer Awards	<b>GR Supra: 1 Award Fortuner: 1 Award</b>	Toyota South Africa
2020 MOTY Awards	<b>Leasing Account Executive of the Year Technical Account Executive of the Year – Rental Leasing Silver Award: Rental Silver Award: FML Silver Award: Overall</b>	Toyota South Africa
Discovery Sports Awards	<b>Social Media Campaign of the Year: Toyota eSports Challenge</b>	Toyota South Africa

# Our BRANDS





Toyota's overall theme for the year revolved around reinforcing brand trust, with a focus on our core strategic and locally produced models.

Our goal was to increase the brand's relevance to future customers as well as strengthening the lifestyle and image appeal of Toyota. We also paid close attention to aligning with the global vision of 'Creating Mobility For All' through connectivity. This was a challenging year given the context of Covid-19, but we were innovative in using technology to reach our goals.

## HILUX & FORTUNER STILL FRONT AND CENTRE

Though the Corolla Cross was obviously top of mind, the year also included significant marketing campaigns for our Hilux and Fortuner ranges. Creating relatable campaigns during Covid-19 was a challenge, but the public's response has been extremely positive.

## ALL EYES ON THE COROLLA CROSS

Preparing for the launch of the new locally produced Corolla Cross started in 2020 with the launch of the brand campaign 'Corolla Has it All'. This campaign aimed to establish Corolla as a brand that offers many different products and body styles to support different customer needs and to move away from the perception of Corolla only being a 'conservative sedan'.

This included NG Corolla Sedan as the premium offering, Quest SD as the value offering, and Corolla Hatch as the sporty and stylish hatchback offering. This is the foundation for the announcement and introduction of Corolla Cross as the SUV of the Corolla range. 2020 saw a continuous presence of the Corolla brand campaign as build-up towards the Corolla Cross.



## STRENGTHENING OUR APPEAL TO FUTURE CUSTOMERS

The successful introduction of our new small car range, including strategic alliances with both Suzuki and Daihatsu, has boosted our appeal to younger customers. The Starlet, Agya and Urban Cruiser have established themselves as three new nameplates within the space of six months, using the common creative platforms of fun and vibrancy.

### Strategic shift towards esports

The growth of gaming and global esports was accelerated by Covid-19's lockdown restrictions, which gave Toyota the opportunity to engage with a younger, more dynamic audience. This market is a natural fit for our brand and we are excited to be a sponsorship pioneer in this space. Our overall strategy has been to align with motorsport, football and cycling, creating a common platform in the Toyota Esports Challenge.

2020 saw the execution of the highly successful FIFA 21 and WRC 9 Toyota esports Challenges, as well as Toyota South Africa becoming the Official Automotive Partner of the inaugural UCI Zwift E-Cycling World Championships. This strategy has proven successful and we will continue expanding in this arena.

### Continued focus on Toyota Gazoo Racing to create excitement

Our TGR Motorsport sponsorship properties remain at the pinnacle of our TGR strategy. Not only is this the

core endemic sponsorship for Toyota, but it also ties to strategic products in our line-up. This includes Dakar and SACCS (SA Cross Country Series), with Hilux as the strategic model, GTC (Global Touring Cars) with Corolla as the strategic model, and Rally (currently with Etios, but due to be changed over to Starlet).

### Sport and lifestyle sponsorships

Other sports sponsorships align to the top sports interests in SA. This includes rugby (Cheetahs), football (Kaizer Chiefs), running (Comrades) and cycling (Cyclelab, Pedal Power and Zwift UCI World Championships).

Lifestyle sponsorships includes activities in agriculture, music/arts and travel.

## LOOKING AHEAD

### Corolla Cross introduction

Corolla Cross will be introduced, with an extensive marketing campaign continuing from the platform created in 2020. This will involve a phased approach including a pre-selling ('Reserve now') campaign.

### Hybrid

Introduction of hybrid models is another step on the road to carbon neutrality. This will be led by the introduction of the RAV4 and Corolla SD, and the much-anticipated and locally produced Corolla Cross hybrid.

### TGR Focus

Expansion of the GR product line-up (including LC300 and Yaris GR) will further enhance our TGR strategy.

# LEXUS



## Despite a challenging economic landscape, the relevance and appeal of Lexus as a premium brand stood firm.

Covid-19's impact was to further pressurise a weak domestic economy, and a 32% decline in the premium auto brand market was the result. However, Lexus turned in a strong performance under the circumstances – especially at the top end of our model ranges.

### OUR NETWORK REMAINS STRONG

The Lexus dealer network adapted quickly to the unpredictable regulatory environment and leveraged digital channels when dealer floor walk-ins were a challenge. Returning to normal showroom traffic later in the year, through our Amazing is Still Here campaign, Lexus saw a strong improvement in late 2020 and a continued recovery into the first quarter of 2021.

Through the year we maintained our market share and the Lexus brand achieved very strong customer experience performance with gold status for sales and after-sales service in the industry syndicate survey. Lexus was the top performer across all brands in both the premium and other categories. For the last two quarters Lexus received a rating of 100%. This is especially pleasing, since the Lexus brand has been built around highly tailored individual service to go beyond customer expectations with the Experience Amazing concept.

### TOWARD A GREENER TOMORROW

In line with our shift toward emissions reduction and a greener future, Lexus more than doubled its hybrid sales as a proportion of total sales from 8% to 20% during the year. During 2020 we also committed to planting Spekboom plants that will neutralise the carbon emissions for every hybrid vehicle purchased per year. A single Spekboom plant removes 4 000 g of CO<sub>2</sub> from the atmosphere every year. In partnership with the Owl Rescue Centre, Lexus planted more than 8 000 Spekboom plants during the year.

### LOOKING AHEAD

The challenge for Lexus will be to maintain volumes in the face of global supply shortages linked to vehicle safety components, but provided supply is normalised we anticipate a strong end to 2021 as several all-new models – including the LX and NX – are introduced to South Africa.

Premium car manufacturing is more affected by global microchip and semiconductor shortages on account of their more advanced safety systems, but we will do our best to meet strong demand for our top models through the current year. We are undergoing a process of realignment with changing market conditions, building upon our sound dealer network and footprint to better utilise our showroom space and further evolve our unique and market-leading customer service.





**Hino's total support philosophy was an important component of keeping essential services mobile during critical lockdown periods. This only served to strengthen our customer relationships.**

With 80% – 90% of all goods transported across South Africa being carried by road, the sustainability and viability of the Hino network during this challenging year were critical to the essential services sector.

First, we secured the welfare and safety of our staff and customers. Then, we ensured that our customers had access to a dedicated fleet service to facilitate everything from large and complex transactions to utilising our new Service and Maintenance Plans during the year. The Hino brand saw the rewards of this activity in support from customers. As a result, Hino met its revised targets for the year.

## EXTRAORDINARY RECOVERY

The economic recovery following hard lockdown was relatively strong but also required a change in product offerings, with smaller to medium-sized trucks leading the way at first. We were able to meet demand through good sales from our Dyna and Hino 300 series ranges.

In the main, Hino's strategy through 2020 was to ensure that the total cost of ownership for our customers was highly competitive. Our new service and maintenance plans were launched during the year, as the culmination of a three-year strategy. We have analysed parts pricing and are looking to source locally produced parts to further reduce the cost of ownership.

## CONNECTED AS PART OF OUR CUSTOMERS' BUSINESS

Our ultimate aim is to become a more integral business partner for our customers. HINO-CONNECT is a full fleet management system which is installed in all our vehicles to facilitate the recording and transmission of full vehicle performance data: positional data (including a recovery service) to allow for route planning, location and geofences; vehicle performance data, such as real-time consumption, driver

behaviour and electronic control unit (ECU) data; and diagnostic trouble code (DTC) fault code reporting.

HINO-CONNECT allows customers, dealers and Hino to pinpoint faults and diagnostics even before the truck reaches a dealer. This means we can be ready with the right parts and technicians to minimise downtime, as part of our total support offering. A three-year subscription is included in the cost of the vehicle and is fitted to 100% of Hino and Dyna vehicles. See page 25 for further information on how TSA is innovating with technology through Future Toyota to assist vehicle owners.

As part of our total support concept we also developed and launched a Supply Chain Management course to turn our dealer and Hino SA staff into trusted supply chain and logistics advisers for our clients. We now approach all customer interactions with a supply chain management mindset.

As a result we retained our number 1 position in our Competitive Customer Service evaluation and Hino South Africa won the after-sales international parts and service award from Hino Motors Limited.



## LOOKING AHEAD

In the coming years we will introduce standard features such as daytime running lights, Bluetooth connectivity, airbags and hill-start assist across our ranges. These innovations will bring significant safety and performance advantages to drivers. We are also introducing changes to our 300 range, such as automatic models, which the market has been asking for, and a major change to our 700 series trucks, expanding our extra-heavy commercial vehicle offering.



# 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.

- 1 CREATING A PROSPEROUS SOCIETY**
- 2 CUSTOMER AND QUALITY FIRST**
- 3 EMPLOYEES**
- 4 SOCIAL CONTRIBUTION**

# C

## 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 created with the vision of intervening strategically in our value chain to create and support business opportunities for black-owned new entrants to the industry – and as suppliers to TSAM.

TSA is the main sponsor of the trust, through a non-interest-bearing loan of R43 million with no fixed repayment terms, with a mandate provided by TSAM to create a portfolio of trust initiatives that will ultimately be self-sustaining and profitable.

TET's method of operating is to deploy venture capital in promising businesses in areas which would be most impactful for TSAM's value chain. Currently all initiatives run under the Inqubeko brand name – the isiZulu word for progress. So far, five projects have been identified and are in various stages of maturity from feasibility stage to post-revenue.

The Inqubeko Training Academy (ITA) has two projects under way, with a mandate to develop the skills base of artisans and other automotive professionals. Given the rapid advancements in technology as TSAM heads toward an alternative drivetrain future, the maths and science skills base of many students has fallen short of requirements for entry into the industry.

ITA therefore bridges the gap by producing artisans with more sophisticated skills. Its current training cohort numbers 50 full-time learners completing maths and science curricula over digital platforms, using more than 4 000 instructional videos. The academy will soon extend its programme into feeder schools of TSAM, to ensure a strong pipeline of candidates.

The Inqubeko Access Portal (IAP) began with the objective of creating visibility of all black-owned auto industry entrants to facilitate inclusive procurement. Its e-procurement database will serve this purpose through allowing listed suppliers to communicate their B-BBEE status to TSAM by uploading certificates which are verified. Procurement professionals will then be able to assess the current status of all suppliers, which serves a simultaneous compliance function for TSAM.

The portal also provides suppliers with facilities to maintain their own compliance and conformance for applications for Department of Trade, Industry and Competition (DTIC) grants. The aim of the IAP is to expand to become the single database used by the DTIC for the industry to facilitate more inclusive procurement and enterprise development for all manufacturers in the auto industry.



Among the projects undertaken by TET was a R5.2 million medium-term loan provided to Imvusa Trim – a Tier 1 automotive component manufacturer of interior trim. The 51% black-owned (and 30% black women-owned) company was jointly established by Imvusa Trading and Judith Serafim.

Based in Prospecton, Durban, Imvusa Trim has successfully secured a contract from TSAM to supply loose mats and moulded carpets for the Corolla, Hilux, Fortuner and Hiace vehicle models. The localisation finance was used to co-fund the purchase of a press line machine.

TET has also engaged in strategic technical projects through Inqubeko Platform Technology, such as assisting smaller suppliers (Tier 2 and below) with gaining access to enterprise resource planning (ERP) systems through a subscription model. The use of ERP systems has the potential to revolutionise suppliers' management of complex inventory, cash positions and timelines.

**“Currently all initiatives run under the Inqubeko brand name – the isiZulu word for progress. So far, five projects have been identified and are in various stages of maturity from feasibility stage to post-revenue.”**

## COLLABORATION WITH BUSINESS PARTNERS

The challenges posed by Covid-19 affected our supplier base negatively, but collaboration with TSAM and effective adaptation allowed us to be in the surprisingly positive position of even bringing on board new suppliers during the year.

Our strategy to increase localisation and transformation in our supply chain received an unexpected boost through global logistics stoppages due to lockdown restrictions.

The development of new suppliers, such as Imvusa Trim, has allowed us to reduce delays in sourcing components, improve availability and achieve many of our broader social objectives.

As a result, by sourcing local components, we were able to meet our major project milestones and improve our competitiveness. Another Durban-based company we were able to assist was Sealtron, a black-owned supplier which has manufactured face shields on our behalf for our entire supplier base.

We also continue to assist our supplier base in improving their internal and external logistics, in line with The Toyota Way and toward the goal of carbon neutrality, as well as the development of young graduates in learning Toyota's methodologies, through our Supplier *Genba* Leadership programme.

Currently eight suppliers are enrolled for the first programme, with 24 candidates entering the second round.

## 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. TSAM is currently at level 7.

### PREFERENTIAL PROCUREMENT SCORECARD

	2020 target	2020 actual	2019 target	2019 actual
B-BBEE spend as a measure against total spent	5	4.31	5	4.63
Spend with QSE	3	0.97	3	0.82
Spend with EME	4	0.39	4	0.81
Spend with >51% black-owned suppliers	11	8.00	11	8.11
Spend with >30% black female-owned suppliers	4	3.00	4	3.88
<b>Bonus:</b> Spend with designated groups >51% black-owned	2	1.32	2	0.94
<b>TOTAL</b>	<b>20</b>	<b>17.99</b>	<b>16.5</b>	<b>19.19</b>

### TSAM SUPPLIERS BY CONTRIBUTION LEVEL

	2020	2019
Number of suppliers	2 024	2 290
Level 1	15.56%	13.54%
Level 2	12.20%	13.14%
Level 3	4.35%	4.89%
Level 4	19.12%	20.57%
Level 5	2.17%	1.31%
Level 6	1.09%	0.74%
Level 7	1.19%	1.31%
Level 8	5.04%	5.20%
No certification	37.60%	34.15%
Non-compliant	1.68%	5.15%

## ENTERPRISE DEVELOPMENT

Our enterprise development initiatives are aimed at transformation and skills transfer to both our dealer network and small, medium and micro enterprises (SMMEs). 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.



# C

## Customer and quality first

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.



## 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.

During 2020 the roll-out of a completely revamped dealer business system – e-Toyota ONE – was a key success factor in upgrading our dealers' transactional platforms. e-Toyota ONE has become a web-based solution which now handles 100% of all transactions and day-to-day dealer operations – whether new or used cars, stocking or completing service job cards. This platform has greatly advanced our readiness for an e-commerce future, being fully interoperable with our other systems.

On the customer interaction front, the MyToyota app has gained acceptance by 80% of our customers, who have logged in and used its functionality, including managing their in-car wi-fi data purchases and more. In addition, 1 220 licences were renewed and delivered through in-app renewal functionality during 2020. This indicates that our customers see the value in this enhancement of their journey.



## SERVICE, SERVICE, SERVICE

Our investments in technical improvements to customer service in 2020 included more than R10 million in improving our Toyota Centre of Technical Excellence (TCOTE) facility, equipment and training for our technicians. The TCOTE handles all our difficult-to-diagnose and expedited vehicle repairs. Alongside this investment, our call centre resolution time targets remain as low as possible. We challenge ourselves to handle and resolve all queries and issues as quickly as possible, including the goal of responding to all electronic queries within 24 hours.

This was a challenging year to maintain such targets, given the impact of Covid-19 and reliance on non-physical channels of interaction, but we were decimal points behind our tough targets for the year – including a 92% rate of total resolution within a 30-day period.

## OUR NPDC EVOLVES TO BECOME THE TAPC

We are engaged in a phased approach to supply parts to the African continent, which was the rationale behind the doubling of capacity of our National Parts Distribution Centre (NPDC) to 80 000 m<sup>2</sup>. This new facility will be fully operational in February 2022 and will become the Toyota Africa Parts Centre (TAPC).

This significant investment – of R365 million – will increase our parts and revenue turnover with an expected turnover of R6.1 billion in the 2021 financial year. The facility will become 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 due to its remote location from our other sites.

Read more about the TAPC's environmental management activities on page 58.

We currently provide parts to 18 countries in Africa, as well as exports to Europe, Australia and Asia. Our goal is to sell 5 million units annually on the African continent by 2025, from our current base of just more than 3 million per annum.

The TAPC will accommodate the new high-tech components and parts required by tomorrow's vehicles – as well as our expanding product partnership with Suzuki and regular introductions of new models – and will improve parts availability to have a direct impact on the customer experience. Our commitment is to hold parts for out-of-production vehicles for a further 15 years. We will stock parts even for grey-market models in Africa.

We will also stock a greater range of lifestyle and leisure accessories such as bull bars to further enhance the customer experience.



## SNAPSHOTS OF OUR QUALITY

Covid-19 provided the impetus to redesign our quality control processes at the TSAM plant in Durban as a result of social distancing and other workplace protocols. We were able to meet these challenges through the implementation of technology, including the use of sophisticated cameras for inspection and observation. During 2020 we set up processes to eliminate manual inspection and allow for concurrent checks to improve efficiency.

An added benefit of implementing such technology is the further development of our internal skills complement, which we are using to improve our ergonomics, efficiency and accuracy. We have been able to improve our production cycle times and fail-safe processes. Though this was an unplanned cost, the benefits have already begun to accrue.

For the Factory of the Future – the direction TSAM is taking – we are in the process of creating a centralised department with specialised engineers

who will drive our quality processes through internally developed platforms. We have so far installed ten cameras in the plant in the first phase of the roll-out.

This technology will also allow us to identify and deal with quality issues more quickly and the storage and analysis of data will be significantly improved.

Our quality performance through the year remained at a high standard, and

early trials of the Corolla Cross bode well for highly successful production in the coming year. 2020 was a year in which the self-reliance of TSAM came to the fore. We have been pleased with how our employees have risen to the challenge and become more accountable for their work. Training and preparation for production of the country's first locally manufactured hybrid are ongoing and excitement is building.

## THE TAKATA RECALL

We continued to address the Takata airbag recall during 2020, though lockdown restrictions created a challenging environment for attracting vehicle owners to dealers for this purpose. We completed more than 48 000 Takata replacements, which is remarkable given the circumstances. In 2021 we will continue with several initiatives to reach the owners and drivers of the outstanding vehicles, including partnering with the Road Traffic Management Corporation to contact owners of older vehicles that are no longer under service plans. We continue to use all available channels to maintain progress with replacements.



## CATALER

Cataler South Africa is a manufacturer of automotive catalyst technology components for exhaust system emission reduction, with a strong focus on export markets. Cataler remained profitable through 2020/21 amid challenges of local currency volatility and the coronavirus (Covid-19) pandemic. We successfully completed projects ranging from the introduction of new products to changing plant layout and installing new equipment to improve business capacity, as well as to achieve even greater efficiencies. For the first time in the history of our plant we carried out equipment installation without physical support from our colleagues and vendors from Japan, due to Covid-19 travel restrictions. We implemented various measures to minimise the impact of pandemic-related risks on our business operations. Thanks to an emphasis on employee testing, not just screening and isolation, the business maintained zero production stoppages despite the risk of absenteeism. In addition, strong inventory management, increasing stockholding of high-volume items (raw material and finished product) enabled the business to meet customer orders (including exports). Cataler continued to maintain its accreditations for ISO14001, IATF16949, VDA 6.3 and ISO22301. Projects planned for 2021/22 range from new product introductions and information technology systems improvements to further equipment rearrangement to improve production efficiencies. Cataler is also working hard to further its transformation initiatives to ensure business continuity and uninterrupted supply to our customers.



## AUTOMARK

Automark's relaunched brand image and signage incorporating the Toyota logo have coincided with an improved value proposition of a complimentary 1 Year/50 000 km warranty – still the only one of its kind in South Africa. The result was excellent sales performance during a difficult year.

A number of technological innovations helped to boost Automark's performance, including the ONEPlus evaluation tool which now allows dealers to access information from the e-Toyota ONE system to calculate a vehicle's value in seven short steps. This process has made it easier for sales executives to provide a trade-in price to customers while providing peace of mind to customers through its transparency.

Automark Online is our dealer-facing tool which facilitates used car evaluations and assessments for the customer and sends this information directly into e-Toyota ONE. This internal bidding platform, launched in December 2020, has improved back-end efficiency in serving our customers by allowing for easy trading of stock to suit regional clientele.



## TOYOTA FINANCIAL SERVICES (TFS)

Toyota Financial Services' operations were impacted in the same way as all other operations locally. Following the lockdown restrictions, TFS introduced temporary relief measures to its dealers and customers at large. The dealer relief introduced interest deferrals while the customer relief concentrated on payment moratoriums to qualifying customers in the retail, corporate and taxi segments. The relief programmes were a measure to soften the Covid-19 impact on our customers. In addition to the relief, TFS also donated sanitisers and personal protective equipment to the taxi industry. We strive to protect the welfare of our employees, our customers and the broader communities in which we operate, as part of our nation-building strategy and the spirit of ubuntu.

Despite the operating challenges, TFS remains in a position to navigate through the storms and introduce products and services that best suit its customers. We have relaunched *FutureDrive*, supported better pricing and residual values to customers across a range of vehicles, excluding commercial vehicles and taxis. TFS continues to be a key component of TSA's strategy to bring mobility to more South Africans through improving affordability for our customers. The year ahead looks promising and management is working toward plans for a post-Covid-19 environment.



# E Employees

The health and safety of our employees were our top priorities through the year. In alignment with The Toyota Way, this ethos spread to our value chain and the communities around us. The incredible way in which our employees rose to the challenges of the pandemic has moved our production facility to another level of efficiency and resilience. TSAM's practice of seconding employees to foreign affiliates and TMC in order to upskill themselves paid dividends when our self-reliance was put to the test.

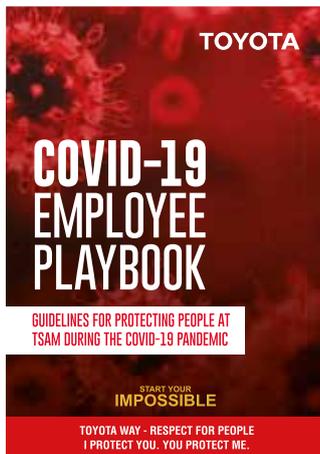


## PEOPLE FIRST

Our investments in workplace technology during the year have allowed us to catch up to other affiliates in our human-technology collaboration, allowing our team members to focus on the value-added components of assembly. In retrospect, the year in review was extremely positive for the plant and our employees' capabilities. Through 2021 we will continue to incorporate the Internet of Things and predictive maintenance as we move toward the Factory of the Future.

This progression has required a great deal of training and upskilling among our employees, developing our culture of readiness for the future of automobiles. That we export 55% of our manufactured vehicles and parts – with that proportion rising annually – speaks volumes of our success in increasing competitiveness.

Maintaining and growing our production allocation against competing affiliates depended heavily on how we managed the pandemic through 2020. Our first action was to create a Covid-19 playbook to outline protocols and facilities to be put in place so that the health and safety of our employees were never compromised in the workplace.

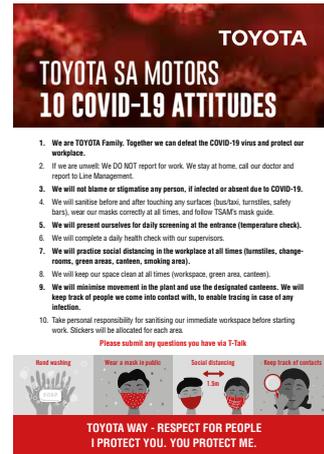


Our response to the pandemic, in conjunction with labour unions, was instrumental in demonstrating that TSA values its people and sees them as its most important asset.

Through our Covid-19 Command Centre our executive management was able to make accelerated decisions as circumstances changed constantly. We made the decision to pay all employees 100% of their pay during lockdown periods, elected to close certain production lines when absenteeism reached 15%, focused on the most strategic projects and cycled our employees in shifts to remain compliant with government regulations while bringing in absentee cover for employees who were isolating. We continuously monitored infection rate curves nationally and locally and took adaptive action to ensure that our employees were cared for.

TSA distributed face masks, sanitisers and vitamins to all employees and their families, maintained all protocols including daily health questionnaires and screening at the triage site. Medical teams conducted testing with no financial burden for employees, including medication and follow-up through our health services department. We used our proprietary communications platform T-Talk extensively, as well as public address systems and liquid crystal display (LCD) screens to share information as quickly as possible.

We also had in excess of 30 employees in various locations overseas during the pandemic and worked tirelessly to bring them all home, monitoring regulatory changes in each territory in order to find windows for expatriating our colleagues – all of whom returned safely.



While we did identify opportunities to freeze certain positions vacated through retirements or resignations, we were simultaneously able to employ new team members as absentee cover – many of whom have become permanent employees on our production lines. During the pandemic we created 300 new jobs.

We have commenced preparation to introduce Hay® method job grading in order to reduce career stagnation, which was flagged as the leading cause of attrition at TSA. Our Long-Term Executive Retention Scheme for senior managers continues while, in terms of benefits, we continued to offer discounts on vehicle purchases, provided normal salary increases even during the pandemic and security of income in the form of 100% pay.

In the current financial year our main goals and targets are to increase cost competitiveness through cost reduction and continued right-sizing; the roll-out of the new Toyota Philosophy; transformation, diversity and inclusion; technical talent development in preparation for the Factory of the Future; and further employee engagement initiatives.



## EMPLOYEES (continued)

	2020/21	2019/20
Permanent employees (total)	6 439	6 753
Temporary employees	1 162	963
Permanent employees (hourly paid)	4 561	5 599
Permanent employees (salaried)	1 878	2 117
% Permanent employees based at Prospecton Plant (Durban)	5 594 (87%)	6 795
% Permanent employees based at parts warehouse in Johannesburg	434 (7%)	482
% Permanent employees based at head office in Sandton	430 (7%)	439

### TRADE UNION REPRESENTATION

		2020/21
NUMSA	Hourly	4 535
	Salaried	380
	Total	4 915
UASA	Hourly	–
	Salaried	444
	Total	444

### WE STAYED ON TRACK

A shining example of our ability to meet project deadlines despite the pandemic was the significant role played by our TEP plant – the cornerstone of our component export business. TEP produces around 7 000 exhausts per day for export, a significant revenue stream for TSAM. This adds up to 1.6 million exhausts annually for export to the world, including to the Yaris plant in France, which produces 300 000 units per year. They were able to depend on us as a result of our flexibility and adaptation to the circumstances.

## TRAINING REMAINED TOP OF MIND

TSAM runs more than 500 learnerships every year, which provides the pipeline for future talent recruitment. During 2020 we went a step further as we sought absentee cover and consulted with technical and vocational education and training (TVET) colleges and universities.

As a complementary step, with assistance from the Embassy of Japan in South Africa and the United Nations, TSAM established the Toyota School, in collaboration with the KZN Coastal TVET college, to offer students from disadvantaged backgrounds a two-year programme of classroom training and hands-on training to give them skills required by the Factory of the Future.

Qualifying students can then become part of TSAM's feeder schemes, depending on their aptitudes – graduate programme, apprentice programme, team member programme and more. Approvals are currently under way and our intention is to begin with a cohort of 20 students as early as January 2022.

Our onboarding from feeder programmes results were as follows:

APRIL 2020 TO MARCH 2021	Absorbed into TSAM position	Male	Female
Learners	38	20	18
Apprentices	2	1	1
Graduates	27	12	15



Nine previous bursary candidates were absorbed into our graduate feeder programme during the year.

Training for our employees continued via our corporate training division, Toyota Academy for Learning (TALA), which even set up weekend catch-up sessions for those who had been in quarantine. All training from environmental and fraud awareness training to technical upskilling continued via global content over digital platforms.

During the year we added executive short courses for leadership development via the Toyota Wessels Institute for Manufacturing Studies (TWIMS), with 50 delegates attending. On the technical skills side we trained 19 qualified artisans and technicians to bring them up to speed with increasing automation in the plant, for the Factory of the Future, such as robotics and other specialised training.

We have now also made provision for persons with disabilities via the training academy, with tailored

modules and training programmes available. TSA's skills audit to meet the requirements of our ROBO25 strategy is ongoing, in support of this training.

Within our dealer network, TALA adapted to virtual and remote training methods and made the most of downtime during lockdowns to deliver as much training as possible. By the first week of June TALA was delivering training sessions via Microsoft Teams, which was a remarkable achievement.

During the year our career pathways development programme for dealers began with dealer principals, with 14 delegates embarking on this new initiative aimed at developing talent for the future and furthering our transformation agenda. The two-year programme is currently in its second year and recruiting for a new intake.

We were also able to provide recruitment support to our dealers, including psychometric assessment reports, to ensure that dealer group directors can appoint the most suitable and qualified dealer principals.

**“All training from environmental and fraud awareness training to technical upskilling continued via global content over digital platforms.”**

REMOTE AND CLASSROOM TRAINING: JUNE 2020 TO MARCH 2021		June to December 2020		January to March 2021		Total	
		Courses	Delegates	Courses	Delegates	Courses	Delegates
After-sales	Remote	163	975	48	503	211	1 478
	Class	57	291	28	196	85	487
Sales	Remote	99	820	34	307	133	1 127
<b>Total remote</b>						<b>344</b>	<b>2 605</b>
<b>Total class</b>						<b>85</b>	<b>487</b>
<b>Total</b>						<b>429</b>	<b>3 092</b>
Classroom/remote mix	Remote					<b>80%</b>	<b>84%</b>
	Classroom					<b>20%</b>	<b>16%</b>



Pumeza



Odwa



Jash



Yolanda

## CASE STUDY: WOMEN IN ENGINEERING AT TSAM

Pumeza Mbekeni, Odwa Songqishe, Jash Singh and Yolanda Ntuli are principal engineers in various production departments at TSAM in Durban. All four have completed an inter-company transfer (ICT) to other affiliates within the Toyota global group and have brought back valuable experience to their teams. What sets their experiences apart, however, is the relative rarity of being female principal engineers.

All four women were strong at maths and science subjects at school, with medical, mathematical and chemistry fields all potential routes for further studies; one way or another they were channelled toward engineering and the rest is history.

“While studying mechanical engineering in Cape Town, we were visited by Toyota in their search for graduate talent. I applied and was called to interviews, after which I was accepted into the graduate programme. I was placed in various engineering projects since then and was given an opportunity to go to Japan for my ICT,” says Mbekeni.

“When I arrived I met up with a mentor who had been a co-ordinator from TMC at TSAM for three years, so he had a good understanding of our business and where we should be focusing our efficiency improvement activity. When I returned I was assigned to the Quantum localisation project and that is where I was able to showcase what I had learned. It gave us good practice for dealing with the Covid-19 environment where we had to be more self-reliant and do without hands-on overseas support,” she says.

Songqishe says she fell in love with design while studying mechanical engineering, and despite a lack of opportunity to directly apply design concepts from the ground up, she has found ways to apply this passion in her industrial engineering roles at TSAM.

“I love my role. I did my ICT in India and have returned to focus on supplier development, teaching our supplier base to implement our systems and improve their production line processes,” she says.

Sent to the UK on a support role during a shortage of engineers, Singh says she was

exposed to many new technologies and their potential benefits to TSAM. “We have now implemented several of these, which also helped us become more self-reliant.”

Ntuli had intended to pursue chemistry studies but chance led her to study industrial engineering. “I loved making improvements to processes and efficiency. When I heard about the graduate programme opportunity at TSAM, their systems and the opportunity to learn further as an industrial engineer I joined in the weld shop plant. I was subsequently sent to Turkey for my ICT, also as a support engineer on a Corolla Sedan project. I was also able to learn about the different technology they used,” she says.

In all four cases, being a female engineer was a novelty for their host affiliate teams. “At first it was challenging and I felt excluded. I also found that people were reluctant to let me tackle my share of the work. At TSAM we don’t experience that. Ultimately, my mentor and co-ordinator saw what was happening and he brought everyone together to address the issue of underestimating my capability. After that, everything changed and I felt like I belonged,” says Mbekeni.

All four women believe a blend of cultural and corporate cultures have contributed to TSAM promoting women through the ranks of engineers. “What we experience here is that the work environment is shared. There is a lot of confidence in us and we are expected to deliver in any project – our gender is irrelevant in the allocation of work and we are given every opportunity to perform. However, there are still some challenges. In any team which has been dominated by males for some time, it can take a period of adjustment,” says Singh.

Their advice to girls who are considering a career in engineering or the automotive industry is to remain confident in their abilities and to command presence. “We can stand up for ourselves. Just be confident, though it can be hard to speak up in a room full of men – especially your seniors. As you gain experience and speak up more often your voice will be heard,” says Ntuli.

“Believe in yourself because there’s nothing you can’t do or become,” says Mbekeni.

## SAFETY

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

TSAM's Safety strategy focuses on:

**People:** This focuses on development of employee safety through continuous campaigns at all levels. It spotlights development and training on risk assessment for standardised work.

TSAM has activities to sharpen member's eyes to identify safety and ergonomics risks in their processes and managers have a KPI to improve and close all concerns raised in the workplace.

**Management:** TSAM embraces comprehensive risk management and sustained safety improvement through a deep understanding of employee safety and ergonomic concerns. Management addresses all issues as swiftly and accurately as possible. Management is responsible for the safety of employees, and through comprehensive management of risks, systems are in place to improve TSAM's safety performance.

**Workplace:** A workplace that contributes to safe operations is very important in our Safety strategy. This is attained by continuous clean and bright workplace activity on risk control initiatives.

We have a comprehensive motorised equipment safety improvement system where we focus on man-machine separation, training of motorised equipment operators and member rule compliance. We also have clean and bright activities that create a conducive environment and makes it easy to identify abnormal conditions.

TSAM strives to attain high Health and Safety standards in line with global standards. Unfortunately TSAM did not achieve its set targets but continued

with strategies to reduce injuries and endeavours to archive the targets of zero injuries in the workplace. It is heartening to note that TSAM is on a positive trend towards achieving our targets for total reportable injuries and global injury rate. TSAM recorded two STOP-6 injuries during the year.

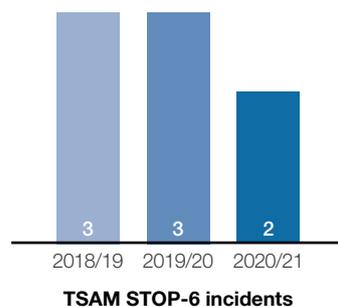
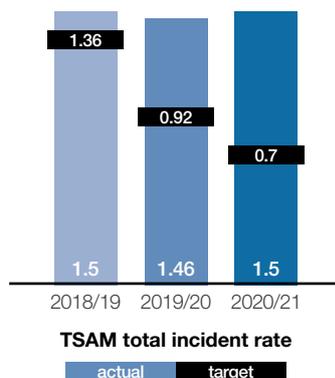
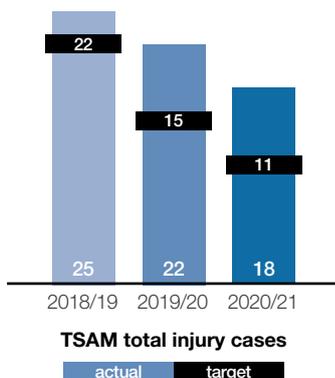
Areas that TSAM will address in its quest for an injury-free workplace are behavioural safety and closer co-operation between management and employees.

During 2021 TSAM will undertake initiatives to improve understanding of employee's safety and ergonomics concerns; address, improve and review them – this is called *Yorisoi* in Japanese.

### HR PLATFORMS UPGRADED

During 2020 we continued our implementation of SAP SuccessFactors to provide TSA with new modules to improve our recruitment, learning management, succession planning and performance management processes. More modules will be rolled out in 2021.

We have initiated accelerated management development programmes targeting middle management, and registered good progress in succession planning. During 2020 we developed a new organisational structure which will inform our appointments and HR strategy in the coming financial year. The new structures are designed to facilitate career progression within TSA.



## EMPLOYEES (continued)

### EMPLOYEE SATISFACTION AT A RECORD LEVEL

Using digital and other platforms to reach our employees, despite the pandemic and associated restrictions, we achieved our best-ever participation in the survey for both salaried and hourly employees. The results were also our best to date, for both categories of employees. We regard this as an acknowledgement of our caring and transparent approach to employee welfare during a testing year.

EMPLOYEE SATISFACTION SURVEY		2020/21	2019/20
Hourly	Engaged	48.3	33.4
	Neutral	32.2	31.6
	Disengaged	19.5	35.0
	Valid participants	2 968	1 394
Salaried	Engaged	61.4	53.8
	Neutral	25.8	26.2
	Disengaged	12.8	20.0
	Valid participants	1 475	1 539

### TRANSFORMATION

We achieved a level 5 B-BBEE rating for 2020/21. The year posed several unique challenges to our transformation progress as a result of Covid-19, such as delaying potential investment by black-owned dealer groups due to economic uncertainty. We nonetheless continued to drive transformation initiatives such as supplier development through the TET (see page 22).

ELEMENT		Weighting	2016	2017	2018	2019	2020	2021
Ownership		25.00	0.00	0.00	0.00	0.00	0.00	15.00
Management and control	Board/Exco	9.00	1.62	2.95	2.85	3.39	3.33	3.45
	Employment equity	10.00	4.69	5.51	5.84	6.02	6.11	6.21
Skills development		25.00	19.89	22.77	23.11	20.56	14.30	15.59
Enterprise and supplier development	Preferential procurement	27.00	10.10	10.31	11.23	14.98	19.19	17.99
	Supplier development	10.00	8.75	10.00	10.00	10.00	10.00	8.94
	Enterprise development	7.00	6.00	7.00	7.00	7.00	7.00	7.00
Socio-economic development		5.00	5.00	5.00	5.00	5.00	5.00	5.00
TOTAL		118.00	56.05	63.54	65.03	66.95	67.93	79.18

Our spend and grants received from Merseta for training during the year were as follows:

THE MERSETA GRANTS AWARDED – APRIL 2020 TO MARCH 2021	R
Discretionary grant	9 333 562.75
Mandatory grant	5 198 556.27
Total funding for FY21	14 532 119.02

SD SPEND BREAKDOWN	R
Skills expenditure spend on black people	95 769 850.21
Bursary expenditure on black people	16 622 974.94
Disabled expenditure on black disabled people	20 568 691.71

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.



Taahir



Ntobeko

## CASE STUDY: SKILLS EXCHANGE FOR SELF-RELIANCE

Principal engineer Taahir Cassim and projects team leader Ntobeko Khanyile participated in Toyota's global skills exchange programmes, with Cassim on an inter-company transfer (ICT) and Khanyile on a global skill-up transfer (GST). Both were sent to TMC's Tahara plant in Japan and benefited from being positioned at the forefront of Toyota's global move toward being a mobility company and the Factory of the Future.

"Ironically, it was because of Toyota's focus on mobility that their resources allocated to manufacturing were less than previously, which meant there was an opportunity for me to be involved in the front-loading of the Corolla Cross project which would become so important to TSAM," says Cassim.

"I took over leading the project from Japan's side and that was an eye-opener. At TSAM, we often join projects only once the development, costing and investment studies have been largely completed, but I was able to join the global collaboration in charge of the project from the outset. At Tahara they deal with model changes regularly, while at TSAM we do that every four or five years. The knowledge I gained in running through many full-model changes in my two years in Japan was invaluable. I was then able to help upskill our TSAM engineers even over distance using virtual communication platforms during lockdown," he says.

The most important outcome of the ICT, says Cassim, was a real two-way exchange of skills and ideas. "What I noticed when Thailand sent ICT engineers to Japan was that they took the knowledge and adapted it to their environment. This is the mindset we need to make progress, because as much as we live the Toyota Way inside our plant, we have to acknowledge that we operate in a South African environment. By the same token, when the world was thrown into turmoil during Covid-19, I was able to help TMC adapt to departures from their regular processes because at TSAM we frequently deal with unexpected operating conditions and have become highly flexible in our approach."

Back in South Africa, Cassim says improvements are incremental and are brought to bear in new projects, such as the Corolla Cross. "My challenge is to get our engineers to handle

any item or project. Front-loading of projects globally is occurring much more dynamically now and requirements for manufacturing allocations will continue to grow more challenging.

"Without the budgets of some of the larger global affiliates, we at TSAM have to do what we can to learn skills and adopt technology so that we can adapt it for our use and remain as competitive as possible. Already we are doing things differently and we have been able to achieve some key milestones earlier because of it. We are getting better and quicker at each new project, which is great preparation for a key project like the Corolla Cross," he adds.

Khanyile says he was selected as a GST team leader in 2018. "I was chosen to work on functional processes, which was a challenge for me and well out of my comfort zone after 10 years in the paint shop. I joined a group of affiliate members from around the world and we trained together at Tahara in safety and key quality points on Fortuner, Lexus and Urban Cruiser models, checking functional driver appearance processes. The biggest adjustment came when confronting Tahara's line speed and the language barrier but, once I was comfortable, I was able to make *kaizens* on the line," he says.

"There was also a difference in the types and nature of defects on Tahara's line. Their continuous checks on team members and low number of defects due to individual accountability were key learnings in how to handle our line back at TSAM. I also shadowed my team leader at Tahara and learned a great deal about containment and countermeasures for defects," he says.

Back at TSAM, Khanyile's task has been to share his experience and learnings while becoming a champion for Section B of the plant – helping to improve efficiency and accuracy at all points on the line. "Then I was tasked with doing the same for Section A, where I had to become close with the team members and help them. It is all about a shift in mindset and it has been successful. We have seen a significant improvement after I shared my learnings. It also serves as inspiration for other team members – small improvements add up and already others are working hard to be sent on the next GST."



## CASE STUDY: WATERSHED CHANGE AT TSAM'S HINO PLANT AS SAMANTHA VISAGIE TAKES OVER



In a global first for the Toyota group, Samantha Visagie has become the first woman to head a Hino manufacturing facility, having taken over from Jerry Naidoo in July 2021.

Visagie joined TSAM as a graduate trainee in 2011, after completing a diploma in mechanical engineering. Showing immense promise, she was placed in the Quantum plant, where she spent four years reaching the level of principal engineer before being promoted to engineering manager.

“I completed a BTech in mechanical engineering as well as a postgraduate diploma in business management during this time,” she says. “After completing a senior management development programme I was promoted again to become senior manager in human resource development, where my role was later expanded to include talent management. I did an MBA focused on manufacturing while I was in this role, before being offered the opportunity at the Hino plant.”

While quick to acknowledge the rather surprising journey that has led to this point – via the HR department – Visagie is following in the footsteps of Naidoo, who joined TSAM in March 1975 and has also filled many roles within TSAM, earning invaluable institutional knowledge in the process.

“I joined 46 years ago as a process engineering technician in the days when we were assembling Renaults. I later moved to the industrial engineering division, which was my passion at the time, and earned a few diplomas during the process. I spent another 39 years in the assembly plant as a process engineer, process engineering manager and senior manager, leading many projects before assisting Hino with a project. Though I moved into other divisions for a while, I rejoined Hino to support another project and our biggest achievement has been launching projects without external support,” he says.

Naidoo says TSAM employees who gain experience at the plant are highly sought after by other organisations because of the company’s strong ethos of training and development. “Not only senior management but right

down to shop floor level – there is always some sort of ongoing training and development that forms a great training ground for many. TSAM does a fantastic job in developing especially younger talent.”

Visagie and Naidoo worked together previously in the Quantum plant, where Naidoo was senior manager. “I understand his method of management, his way of thinking, which has positioned me well to learn from him. I began by observing how he manages the area and then we switched where I was managing and Jerry was providing feedback and input. This is how we’ve approached the handover,” she says.

It wasn’t always easy. “Mine has been an interesting and different journey. I was destined for the exhaust plant but the Quantum management team had been impressed by what I did in my time there as a trainee, so they requested that I come back. I was always thrown into the deep end, expected to meet requirements of large projects while also studying late nights for qualifications, but I always received support from management. While I had expected my gender to be the greatest issue as I advanced, it was actually my young age and lack of experience that encountered resistance. However, I was always able to win people over with the work I did,” she says.

Visagie envisages nothing easy about the Hino plant’s future – there is much still to achieve. “Having worked at Quantum and being responsible for the project and engineering side, you can observe what happens but you don’t necessarily have any influence over how things should change. In my current position I now have the ability to apply my skills and experience to influence how things are done, which is exciting.”

For his part, Naidoo intends taking a brief break before returning in a consultant capacity to help TSAM and its supplier base continue to *kaizen* toward greater competitiveness.

# Social contribution

TSA'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.

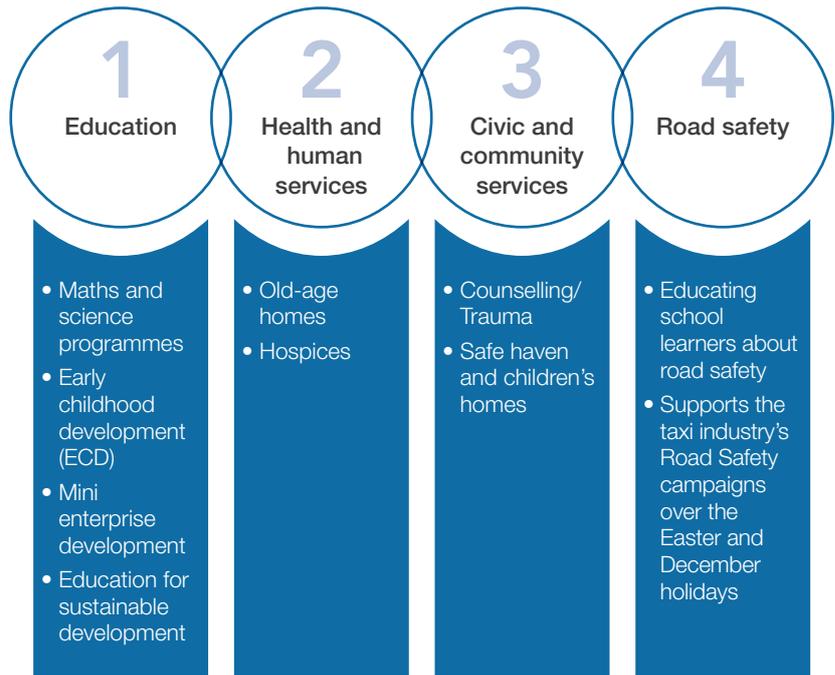




Food parcels distributed to the local communities

## OUR APPROACH

We participate in socio-economic development initiatives which are focused on:



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.



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.

Through service learning, citizens participate in projects to help or serve the needs of other people.

## COMMUNITY SUPPORT

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

- 1 Empower rural and local communities
- 2 Enhance the commitment of TSA to a sustainable community
- 3 Contribute to development through a uniform approach to CSR
- 4 Ensure TSA can measure a return on investment from social investment programmes

TSAM's 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 TSA. We are committed to building a better future for our children, communities and country.

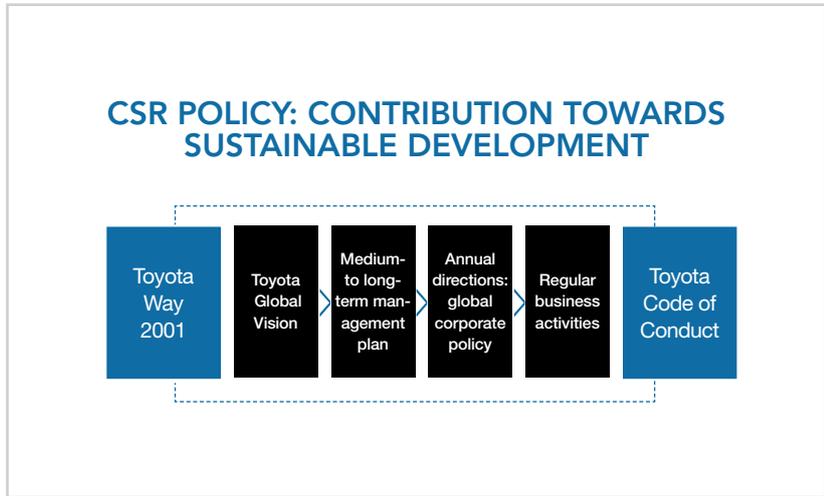
TSA runs a range of upliftment projects in communities through a blend of the TSA Foundation, our CSR department, employee involvement and in-kind donations. We prioritise communities that are within a 50 km radius of our operations. This ensures localised, focused and impactful initiatives are addressed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

Our dedicated CSR team works closely with non-profit organisations (NPOs) and non-governmental organisations (NGOs) to better understand and liaise with communities on challenges that are aligned with our CSR objectives. Our employees also get involved in social contribution activities through donations and specific initiatives. In addition, TSA 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; and health and human service. The following are some of the highlights of our CSR activities during the year.



Food parcels distributed to the local communities to sustain a family of four for four weeks



## SOCIAL CONTRIBUTION (continued)

### ToyotaReach

The sudden outbreak of the Covid-19 pandemic affected all segments of the population and was particularly detrimental to members of those social groups in the most vulnerable situations – some of which were near to our operations. As part of our efforts to minimise the impact of Covid-19 on these communities, TSA and some of its business partners put together a multi-million-rand package called ToyotaReach, geared to supporting the KwaZulu-Natal (KZN) Department of Health and the eThekweni Metropolitan Municipality.

Toyota pledged R15 million to the provision of Covid-19 testing equipment, hospital facility support, 10 Hilux models for contact tracing as well as 50 000 face shields in the region. A mobile testing laboratory was established, boosting local testing capacity by 5 000 tests. We also refurbished and upgraded the pharmacy at Clairwood Hospital in Mobeni. This facility was recently upgraded to accommodate more beds

and its pharmacy was in urgent need of an upgrade to support the extra capacity.

We also provided our Toyota Production Systems expertise to improve the facility's process flows and optimise efficiencies and service levels within the hospital. This infrastructure will remain a sustainable part of the facility in the future.

As the leading auto manufacturer in the region, it was also fitting that ToyotaReach provided 10 Hilux 2.4 DG6 SRX 4x4 double cabs for nine months to help the KZN Department of Health conduct testing and tracing activity in rural areas.

Our donation of 50 000 face shields to provincial health institutions and 13 000 face shields – manufactured at our Prospecton Plant in Durban – to local institutions such as the Prince Mshiyeni Hospital, Inkosi Albert Luthuli Central Hospital, Addington Hospital and King Edward Hospital assisted regional facilities in their fight against Covid-19.

TSAM also donated more than 65 000 litres of sanitiser and thousands of face masks to the South African taxi industry, which carries more than 6 million commuters daily, while 1 500 food parcels (each containing groceries to sustain a family of four for a month) were distributed to communities around the Prospecton Plant in Durban. In addition, TSAM supported more than 270 schools in KZN with readiness packs – including face shields for all the educators, sanitisers, educational posters and infrared (IR) thermometers.

Within our Safe to School Safe to Home campaign, which focuses on the safety of schoolchildren from 24 schools in the Durban South region travelling to school and back home in minibus taxis, ToyotaReach also provided operators and drivers of learner transports with sanitisers, decanting bottles and shared educational material on Covid-19 prevention protocols.



KZN Premier Sihle Zikalala receiving the 10 Toyota Hiluxes for Covid-19 contact tracing



### Highway Hospice

Out of necessity during lockdown, the hospice discharged patients into the care of their families, closing the unit temporarily to ensure its longer-term sustainability. Toyota partnered with the hospice to provide food parcels in the communities of Umlazi, Inanda, Phoenix and Chesterville to assist with home-based care.

As part of our community support and upliftment activity during 2020/21 we also donated six vehicles to NPOs to reach out to more communities affected by the pandemic.

Vehicle donations 2020/21	
Read Education Trust	Fortuner
Childline Gauteng	Fortuner
City Hill Trust	Hilux
Ubuntu Community Chest	Hilux
Joint Aid Management	Hilux
Phumula Children's Care Village	Hilux



### Hino supports farmers in need

Hino SA and Hino East Rand played a vital role in assisting farmers in need in the Vanwyksvlei region of the Northern Cape during the year. This area has not had rain for eight years and at least 13 farms had been abandoned due to the worst drought in 50 years. Many of the people living in this region are emerging farmers without the resources to keep farming during long periods of drought, so were grateful for fodder Hino delivered to their region.

Two of Hino SA's driver trainers, Zenzele Mafokate and Joseph Peme, took turns to drive the Hino 700 2845 link combination with 56-ton gross vehicle mass (GVM). Each of the four trips to Vanwyksvlei took 18 hours, via Kimberley.



**SOCIAL CONTRIBUTION** (continued)

**EDUCATION**

Aside from our ongoing projects below, we engaged with the Department of Education to provide a list of schools in the Umlazi district, Alexandra and Tembisa. Using this list, and in conjunction with the department, TSA was able to provide 276 schools with PPE to combat the spread of Covid-19.



**Gwadu-Zenex Primary**  
Before and after painting and print-rich



**Lamula Primary**  
Before and after painting and print-rich

**Toyota Teach**

In 2020 the Toyota Teach project began working with a new cycle of five schools in the Molweni circuit, situated in the Valley of a Thousand Hills, just inland of Durban. When lockdown restrictions were implemented at the end of the first quarter, Toyota Teach was able to achieve the following remotely:

- provided PPE for all five schools (face shields for all educators, IR thermometers, Covid-19 posters, foot pumps with 5 litre sanitiser liquid and washbasins);
- held virtual meetings with the various stakeholders including the school management teams and Department of Education;
- devised a new intervention programme to accommodate the new reality of operating during lockdowns;
- this included upskilling of mentors to prepare them to assist the schools with curricula and other challenges that they might experience when they return to schools; and
- mentors developed and designed changed lesson plans.

When the schools reopened in August 2020, learners attended school on a rotational basis to accommodate protocols for social distancing. Toyota Teach provided all five schools with paint to clean up their schools and to enhance the learning and teaching environment. The clean-up exercise has improved the morale of the school communities.

SCHOOL	State-paid teachers	Assistant teachers	General assistants	No. of learners
Gwadu Zenex	24	12	7	916
Lamula	14	13	3	469
Phoshane	5	5	3	187
Umngeni	6	5	3	166
Vusumuzi	14	12	5	587

**Protec Umlazi**

This institution teaches maths and science to learners and required a rapid rethink of its delivery strategy, ultimately opting to use online classrooms using the WhatsApp platform. In addition, Protec provided worksheets and past papers and arranged access to tutors for assistance.

Data availability was an issue for many students. Protec provided learners with data and achieved a 100% pass rate for maths in 2020.

The institution will soon embark on a fully digital learning route, utilising iCloud and the Dropbox app.

## Rally to Read

Rally to Read is an organisation assisting communities with teaching aids such as worksheets and organised activities to stimulate children to read. Learning materials were provided digitally, along with additional support provided to teachers and principals to phase learners back into school environments. TSAM donated toward the funding required by Rally to Read in the Eastern Cape, covering eight primary schools.

Rally to Read remains an important programme in raising the baseline of reading, self-study and comprehension as the foundation of improved education in South Africa.



Learner transport drivers ensuring the safety of our children while transporting them from home to school and from school to home

## Safe to School Safe to Home

This project aims to reduce deaths and injuries resulting from road accidents involving children travelling to and from school. Its other objectives are to educate drivers about road safety and enhance their driving performance; to improve the quality of scholar transport; and to set a safety example to all school transport operators.

The programme addresses the following main issues regarding scholar transport:

- driver fitness;
- driver behaviour;
- vehicle fitness;
- passenger behaviour;
- school, parent and community involvement; and
- compliance with policies and regulations.

The programme is culturally sensitive and designed to be: Realistic, Replicable, Sustainable and Effective.

The project is being implemented in schools around Durban, KZN. It is a three-year, R3 million project which

is set to reach an estimated 120 taxi drivers, 2 000 passengers and approximately 10 000 learners.

During the year 171 learner transport drivers were trained in theory and in the simulator. The third phase of the project consists of monitoring behaviour and compliance. After lockdown impacted the implementation of the project, it was extended by eight months. This phase will involve driver monitoring via telematics units, similar to those used for vehicle tracking and fleet management.



## One Voice SA (OVSA)

This organisation hosted classes via WhatsApp groups, Google Classroom and Facebook through 2020. OVSA reached 521 learners through digital platforms from April to September, and currently supports 2 552 learners in its life skills project and 1 683 learners in its enterprise project. Fourteen learners completed their project and launched small businesses.





## OUR FUNDAMENTAL APPROACH TOWARD THE ENVIRONMENT

Toyota continually works on initiatives that contribute to the sustainable development of society and the world through all its business activities, in co-operation with global society. Toyota's aim is to build a corporate group that is admired and trusted by society through ensuring that 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).

# ENVIRONMENT

## THE TOYOTA EARTH CHARTER

### Basic policy

1. **Contribution toward a prosperous 21st century**  
Society contributes toward a prosperous 21st-century society. Aim for growth that is in harmony with the environment and set as a challenge the achievement of zero emissions throughout all areas of business activities.
2. **Pursuit of environmental technologies**  
Pursue all possible environmental technologies, developing and establishing new technologies to enable the environment and economy to coexist harmoniously.
3. **Voluntary actions**  
Develop a voluntary improvement plan, based on thorough preventive measures and compliance with laws, which addresses environmental issues on the global, national and regional scales and undertake continuous implementation.
4. **Working in co-operation with society**  
Build close and co-operative relationships with a wide spectrum of individuals and organisations involved in environmental preservation, including governments, local municipalities, affiliated companies and industries.

### Action guidelines

1. Always be concerned about the environment: Take on the challenge of achieving zero emissions at all stages, i.e. 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 toward environmental improvement
2. Business partners are partners in creating a better environment: Co-operate with affiliated companies.
3. 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
4. Toward 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.

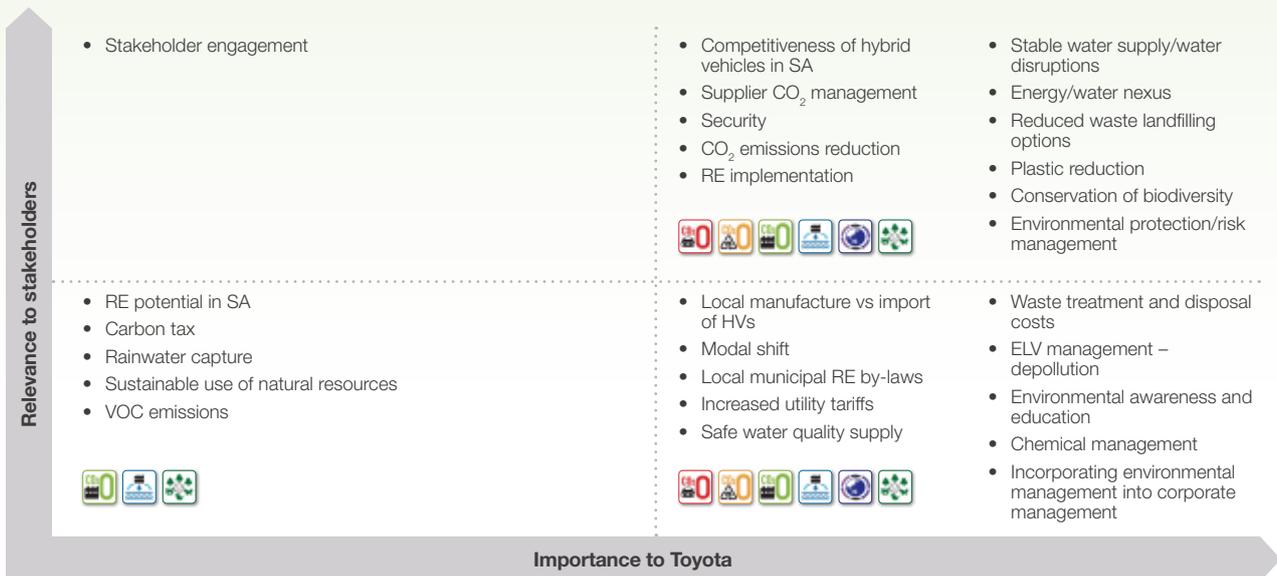
## Analysis process



## 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

**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.**

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 set the 2025 Target in 2020. We will 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.

**TOYOTA ENVIRONMENTAL CHALLENGE 2050**

**CHALLENGE 1**  
New Vehicle Zero CO<sub>2</sub> Emissions Challenge

**CHALLENGE 2**  
Life Cycle Zero CO<sub>2</sub> Emissions Challenge

**CHALLENGE 3**  
Plant Zero CO<sub>2</sub> 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 CO<sub>2</sub>** × **Net Positive Impact Challenge**



# 2030 Milestones and 7th Environmental Action Plan

The 2030 Milestones announced in September 2018 set out our environmental challenges for 2030. Steady progress toward 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. We are embarking on our 7th EAP in the coming year.

Toyota Environmental Challenge 2050	Toyota Global 2030 Milestones	TSA 7th EAP (2021 – 2025) and targets
 <p>New vehicle zero CO<sub>2</sub> emissions challenge</p>	<p>Make annual global sales of more than 5.5 million electrified vehicles, including more than 1 million battery electric vehicles (BEVs) and fuel cell electric vehicles (FCEVs). The estimate of global* average CO<sub>2</sub> emissions reduction (T<sup>W</sup> g/km) from new vehicles will be 35% or more, which may vary depending on market conditions, compared to 2010 levels.</p> <p>* Japan, US, Europe, China, Canada, Saudi Arabia, India, Australia, Taiwan, Thailand and Indonesia ^ Tank to Wheel CO<sub>2</sub> emissions during driving (CO<sub>2</sub> emissions during the production stage of the fuel is not included; T<sup>W</sup> emissions are zero in the case of battery electric vehicles and fuel cell electric vehicles)</p>	<ul style="list-style-type: none"> <li>• Increase hybrid vehicle sales to more than 10 000 units per annum by 2025 to reduce average CO<sub>2</sub> emissions per vehicle.</li> <li>• Commence local manufacturing of hybrid vehicles.</li> </ul>
 <p>Life cycle zero CO<sub>2</sub> emissions challenge</p>	<p>Reduce CO<sub>2</sub> emissions by 25% or more throughout the entire vehicle life cycle compared to 2013 levels by promoting activities for the milestones of New Vehicle Zero CO<sub>2</sub> Emissions Challenge and Plant Zero CO<sub>2</sub> Emissions Challenge, and with support from stakeholders such as suppliers, energy providers, infrastructure developers, governments and customers.</p>	<ul style="list-style-type: none"> <li>• Reduce CO<sub>2</sub> emissions in all logistics activities by 1.2% per annum compared to business-as-usual projections.</li> <li>• Promote business partner CO<sub>2</sub> emissions reporting and reduction activities.</li> </ul>
 <p>Plant zero CO<sub>2</sub> emissions challenge</p>	<p>Reduce CO<sub>2</sub> emissions from global plants by 35% compared to 2013 levels.</p>	<ul style="list-style-type: none"> <li>• Reduce total CO<sub>2</sub> emissions by 35% from 2013 levels.</li> <li>• Increase renewable energy ratio to 13% by 2025.</li> </ul>
 <p>Minimising and optimising water usage</p>	<p>Implement measures, on a priority basis, in the regions where the water environment is considered to have a large impact.</p> <p>&lt;Water quantity&gt; Complete measures at the four Challenge-focused plants in North America, Asia and Southern Africa &lt;Water quality&gt; Complete impact assessments and measures at all of the 22 plants where used water is discharged directly to rivers in North America, Asia and Europe</p> <p>Disclose information appropriately and communicate actively with local communities and suppliers.</p>	<ul style="list-style-type: none"> <li>• Reduce water consumption per vehicle by 3% from 2013 level.</li> <li>• Manage used water thoroughly with criteria stricter than regulations.</li> </ul>
 <p>Establishing a recycling-based society and systems</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>• Complete and fully implement hybrid vehicle battery recovery and recycling systems.</li> <li>• Pursue zero waste to landfill in all operations.</li> </ul>
 <p>Establishing a future society in harmony with nature</p>	<p>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.</p> <p>Contribute to biodiversity conservation activities in collaboration with NGOs and others.</p> <p>Expand initiatives both in-house and outside to foster environmentally conscious people who take responsibility for the future.</p>	<ul style="list-style-type: none"> <li>• Plan and prepare the establishment of a TSAM biotope.</li> <li>• Develop partnerships with approved NGOs with special focus on threatened species protection.</li> </ul>

### Consolidated EMS

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



# 6th Environmental Action Plan: FY2016 – FY2020: FY20 Progress

Objective	FY20 outcome
<p>Promote continued CO<sub>2</sub> emission reduction through planned activities that are measurable, confirmed and sustained.</p>	<ul style="list-style-type: none"> <li>• Introduced low CO<sub>2</sub> technology in the form of fan controls in paint spray booths and steam reduction in a water-heating process.</li> <li>• Continuously reduced energy wastage in all operations and maintained effective control systems to support continued improvement (plant LED lighting roll-out and cooling tower fan optimisation).</li> <li>• Achieved a 15.6% reduction in CO<sub>2</sub> emissions during this five-year period.</li> <li>• Challenged energy efficiency during new projects.</li> </ul>
<p>Active pursuit of renewable energy options towards future zero CO<sub>2</sub> plants.</p>	<ul style="list-style-type: none"> <li>• Increased the use of renewable energy solutions through the installation of rooftop solar photovoltaic (PV) to 4 MWp capacity, thereby increasing the renewable energy electricity ratio to 5%.</li> <li>• Addressed renewable energy opportunities during plant upgrades or expansions.</li> </ul>
<p>CO<sub>2</sub> emissions reduction in logistics activities through transport and fuel efficiency/ usage improvement activities.</p>	<ul style="list-style-type: none"> <li>• Maintained <i>kaizen</i> activity in all logistics operations.</li> <li>• Implemented feasible improvements across operations such as load optimisation, reduced distances travelled and modal shifts.</li> <li>• Achieved 10% reduction in logistics CO<sub>2</sub> during this five-year period.</li> </ul>
<p>Reduce waste disposal through avoidance at source and planned <i>kaizen</i> activities in all facilities that are measurable, confirmed and sustainable.</p>	<ul style="list-style-type: none"> <li>• Regular auditing of waste segregation practices to identify further waste segregation opportunities.</li> <li>• Promoted reuse of discarded materials.</li> <li>• Investigated waste treatment technologies as an alternative to landfill disposal.</li> <li>• Implemented waste avoidance practices where feasible.</li> </ul>
<p>Promote continuous improvement activities to reduce water consumption.</p>	<ul style="list-style-type: none"> <li>• Further introduction of in-process water reuse and rainwater harvesting.</li> <li>• Reduced water consumption by 30.6% during the five-year period.</li> </ul>
<p>Reduce water losses/wastage.</p>	<ul style="list-style-type: none"> <li>• Improved water monitoring systems.</li> <li>• Implemented control systems to reduce non-value-added water usage.</li> </ul>
<p>Implement new innovative water technologies and optimise opportunities during plant upgrades/expansion.</p>	<ul style="list-style-type: none"> <li>• Addressed water usage minimisation during plant upgrades/expansion projects.</li> </ul>



Objective	FY20 outcome
<p>Reduce packaging and wrapping materials used in logistics operations (challenge zero usage) through planned <i>kaizen</i> activities that are measurable, confirmed and sustainable.</p>	<ul style="list-style-type: none"> <li>• <i>Kaizens</i> implemented to reduce packaging usage included cardboard box harvesting, packaging standardisation, improvement activities to reduce repacking, and redesign of packaging (e.g. bumper boxes). Usage of returnable containers, where practicable, was also ongoing during this period.</li> <li>• Packaging reuse (primarily cardboard boxes) saved 86 tons/annum in FY2020.</li> </ul>
<p>Roll-out of Toyota Green Wave activities: Expand greenbelt (plant greening) to habitats surrounding operations in co-operation with regional companies and local government.</p>	<ul style="list-style-type: none"> <li>• 215 indigenous trees planted (Durban Plant, Atlas Warehouse and Sandton head office).</li> <li>• Ongoing invasive vegetation removals taking place (including Atlas Wetland).</li> <li>• Increased virtual launch activity contributing to event greening.</li> </ul>
<p>Promote compliance by suppliers.</p>	<ul style="list-style-type: none"> <li>• Promoted supplier CO<sub>2</sub> reporting and best-practice sharing.</li> </ul>
<p>Provide and strengthen environmental initiatives at Toyota dealers.</p>	<ul style="list-style-type: none"> <li>• New dealer environmental certification level (ECO 3 Advanced) promoted to strengthen alignment to guidelines.</li> <li>• Dealer environmental performance indicator (EPI) reporting platform updated to strengthen focus on dealer CO<sub>2</sub> reporting, and to align with the guidelines. Full reporting levels achieved during this period. Documented environmental performance improvement plans were introduced at those 32 dealerships that achieved the ECO 3 Advanced Standard.</li> </ul> <p>Dealer social environmental initiatives were promoted via the Dealer ECO certification programme, to strengthen customer experience.</p>
<p>Review and rebuild environmental education programmes for TSA.</p>	<ul style="list-style-type: none"> <li>• Environmental Management Training Module 1 rolled out to senior management: 75% trained.</li> <li>• Environmental communications to staff included Arbor Month, World Wetlands Day, Earth Hour.</li> </ul>

During the year we received a Silver Global Eco Award for our on-site CO<sub>2</sub> reduction initiatives implemented the previous year. We obtained a Bronze Global Eco Award in the FY20 Global Eco Awards for our chassis paint plant water reduction activity.

**CHALLENGE 1**

**New vehicle zero CO<sub>2</sub> emissions challenge**

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

**Emissions reduction**

**G CO<sub>2</sub>/KM**

	2020	2019
Weighted average CO <sub>2</sub> per vehicles sold nationally (Toyota and Lexus)	204	198

During 2020 we continued to promote and make available a variety of vehicle models to sustain improvements in average CO<sub>2</sub> per vehicle sold, despite the challenges and delays in introductions posed by the Covid-19 pandemic. Our Lexus IS launch has been postponed to March 2021, while the LS launch has been postponed to the 2022 financial year. We have set ourselves aggressive targets of 1 130 hybrid vehicle sales for 2021 and 191.6 g CO<sub>2</sub>/km, depending on allocations and pricing through the year.

The Spekboom campaign in support of Lexus hybrid vehicle sales (see page 18) was highly successful.



## SUPPLIERS

Working in close collaboration with our suppliers, Toyota aims to reduce CO<sub>2</sub> emissions from the parts and materials used to produce Toyota vehicles. During 2020/21 a new reporting template was issued to our supplier base focused on improving data accuracy. Sixty percent of our parts suppliers now report on their CO<sub>2</sub> emissions. Additionally, we included 14 new Tier 2 suppliers on our list of ISO14001-certified suppliers. Our goal for 2021/22 is to continue to promote CO<sub>2</sub> consumption monitoring and accurate data reporting of our supplier base.

SUPPLIERS	2021 target	2020 target	2020 actual	2019 actual	2018 actual
Number of ISO14001-certified suppliers	177	173	173	159	149

## CHALLENGE 2

### Life cycle zero CO<sub>2</sub> emissions challenge

We are working towards promoting CO<sub>2</sub> emissions reduction among our value chain partners and pursuing increased transport efficiency while reducing CO<sub>2</sub> emissions in logistics activities.

## 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 200 dealers compliant with ECO 3. Thirty-two of our dealers currently meet the requirements of ECO 3+ certification. We narrowly missed our target of 40 dealers for the year on account of delays attributable to Covid-19.

Key EMS activities at our dealers for the year included the roll-out of light-emitting diode (LED) lighting, installation of solar panels, recycling of grey water and minimising waste sent to landfill sites. These activities and monitoring information are now all logged on our network-wide e-Toyota ONE system, which has reduced manual administration for dealers significantly.

Our ECO 3+ 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.

As an example, the winning dealer for 2020, Halfway Honeydew, has achieved the following:

- Monitoring electricity usage since 2009.
- Replacement of all lighting with energy-saving LEDs in 2013, reducing monthly cost and electricity usage. The dealer premises also makes use of solar-powered lighting.
- 264 solar panels installed on the roof of the dealer premises, at a rental cost of R1 600 per month, which has further increased energy cost savings.
- A partnership with Eco Solutions to give back to nature by raising owl chicks.
- The creation of an indigenous garden, with all plants on site identified and named by a garden service provider and Indigi Grow.
- A herb garden and potato-growing project. Eight bags of potatoes were harvested from the garden, which used one set of tyres as infrastructure.
- The dealer generates its own compost.
- The herb garden is watered and fertilised by a Supazorb water recycling system which was installed to recycle grey water at the wash bay.
- Employees practise waste segregation.
- Halfway Honeydew Toyota supports honeybees by providing hive sites.
- All employees at the dealer undergo mandatory safety, health and environmental management training to work toward common environmental goals. The pass rate was 80%.

We also issued 14 regular environmental bulletins to our dealer network to remind them of their environmental, health and safety commitments.

DEALERS	2021 target	2020 target	2020 actual
<b>ECO 3-certified dealers</b>			
Toyota	206	206	200
Lexus*	-	-	-
Hino	56	50	47
<b>ECO 3 Advanced-certified dealers</b>			
Toyota/Lexus	65	40	32
Hino	17	15	12

\* As of FY2020/21 Toyota and Lexus have been combined to avoid double reporting of data from dealers sharing facilities

At our dealers, a global dealer *hoshin* will be implemented to change 25% of all lighting to LEDs, while rolling out the ECO 3+ standard to 65 dealers.



## EMISSIONS REDUCTION (continued)

### LOGISTICS

Our logistics network transports vehicles and components to and from our business partners, generating CO<sub>2</sub> emissions in the process. Through *kaizen* activities we are continually implementing measures to further reduce these emissions. For this year, our CO<sub>2</sub> reduction activities included an increase of rail exports, milk run expansions, transport sharing and improved load efficiencies. For 2021/22 our focus is to improve modal shifts, increase shared transport and investigate the use of new technology.

LOGISTICS	2021 target	2020 target	2020 actual	2019 actual	2018 actual
Logistics emissions: logistics control division (kilotonnes CO <sub>2</sub> )	6.80	5.80	5.40	5.90	6.60
Logistics emissions: vehicle logistics division (kilotonnes CO <sub>2</sub> )	54.90	45.40	44.00	48.90	47.80
Service parts (kilotonnes CO <sub>2</sub> ) <sup>1</sup>	12.82	10.20	10.56	11.01	11.18

<sup>1</sup>. 2017 – 2021 values exclude air transport

Our *kaizen* activities to reduce emissions during the year included an increase of exports sent by rail, expansion of milk runs and transport sharing, and expansion of our truck-on-truck *kaizens*.

Our targets for 2021/22 include issuing further tools for the reporting of CO<sub>2</sub> data, improved modal shift in our logistics network, such as increasing usage of rail and marine transport, as well as sharing transport and investigating new technology.



### CHALLENGE 3

#### Plant CO<sub>2</sub> emissions challenge

The Manufacturing Environmental Working Group oversees the implementation of TSA's response to Challenge 3. We focus on CO<sub>2</sub> emissions reduction in our production activities.

Note: Due to increased integration of Lexus and Toyota dealers, from 2020 Toyota and Lexus dealers are tracked jointly.

PLANT	2021 target	2020 target	2020 actual	2019 actual	2018 actual
Production emissions (kilotonnes CO <sub>2</sub> )	125.00	110.00	104.00	116.96	129.50
Production units ('000)	137	113	108	129	139
Carbon intensity (kg CO <sub>2</sub> per vehicle manufactured)	918.00	979.00	968.00	904.49	930.49

The reduction of CO<sub>2</sub> emissions in manufacturing is achieved through efficiency improvement projects, implementation of low-CO<sub>2</sub> technology and installation of renewable energy on-site.

Energy-efficiency improvement projects contributed a total of 1.7 kilotonnes of CO<sub>2</sub> savings in 2020. The bulk of the savings were realised from the roll-out of LED lighting in both manufacturing and office areas as well as cooling tower fan blade replacements, where lighter fan blade materials were used in order to reduce energy consumption by the fan motors.

Low-CO<sub>2</sub> technology implemented in the paint plant included fan control in the spray booths as well as the elimination of steam usage in a water-heating process. Compressed air usage was also reduced in the plastics plant, resulting in overall CO<sub>2</sub> savings of 0.8 kilotonnes.

Rooftop solar installations were completed at the Hino plant and the fleet management building, rendering both areas carbon neutral. The 650 kWp of solar on these two roofs contribute 729 tonnes of CO<sub>2</sub> savings per year, taking the total solar installed on-site to just under 5 MWp. A 1.9 MWp carpark solar project commenced at the B-Yard parking and is expected to be completed in 2021. A total of 16 MWp is envisaged to be installed on-site by 2025.

The coming year will see us continue our plant-wide roll-out of LED lighting, implementation of low-CO<sub>2</sub> technology and further solar installations at our B-Yard carpark and the Canal Gate area, while preparing the Hino, Hiace and chassis plants for rooftop solar installations.

# 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 purification.



WATER USAGE	2021 target	2020 target	2020 actual	2019 actual	2018 actual
Water consumption (kl)	698 000	574 000	433 000*	559 136	657 810
Water intensity (kl/vehicle manufactured)	5.12	5.09	4.01	4.32	4.73

\* Normalised to 490

Key *kaizen* activities under way through the year included the implementation of the second phase of our online water metering project, which was successfully implemented but had delays due to the Covid-19 pandemic which increased lead times for some components from Germany.

Toyota's Environmental Challenge 4, "Minimising and Optimising Water Usage", is focused on minimising water supply risk and improving water use efficiency.

TSAM's water supply risk is based on the volume of water consumed and the risk to the stability of production operations should municipal water supply interruptions occur. Water risk is addressed by substituting municipal water usage with alternate sources such as rainwater. At TSAM, rainwater harvesting systems are installed plant-wide where feasible, to supply water to ablution facilities and some production processes. In 2020 a rainwater harvesting system was installed at the chassis paint plant, saving 204 kl of water per annum.



## RESOURCE EFFICIENCY (continued)

To improve water use efficiency, production processes are studied in detail and water use is optimised through the execution of sustainable water *kaizens*. These *kaizens* aim to reduce water intake into production processes and to reuse water within the process as much as possible. Processes that require water to be topped up are automated and controlled to ensure that there is no wastage and that water quality criteria are met.

TSAM received a bronze award for its water reduction efforts at the Toyota Global Eco Awards for the chassis paint plant water reduction activity, which saves 19 200 kl of water per annum.

The coming year will see us implement further water intake reduction and reuse *kaizens* at our plastics, Hiace and chassis paint plants, with an estimated combined saving of 4 500 kl of water per annum.

Planned activities for 2021/22 include the collection of AMU (air make-up unit) condensate for reuse in the cooling tower of our plastics plant (estimated 1 200 kl/year water saving) and Hiace plant (estimated 1 800 kl/year water saving), collection of spray ring water for reuse in our chassis paint plant (estimated 1 200 kl/year saving) and reducing water in spray rings also at the Hiace plant (estimated 360 kl/year saving).

### 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.

	2021 target	2020 target	2020 actual	2019 actual	2018 actual
<b>WASTE</b>					
Waste to landfill (tons)	2 845	2 806	<b>2 337</b>	2 519	2 885
Waste intensity (kg/vehicle manufactured)	20.89	24.88	<b>21.65</b>	19.48	20.73

The waste principles of waste avoidance, promoting reuse of discarded materials and enhancing recycling activities guide Toyota's waste management activities. Using these principles, TSA was successful in achieving a recycling-to-landfill ratio of 54% during the year.

In the upcoming year the investigation and establishment of a recycling system for hybrid vehicle batteries is a key planned activity. The activity is in line with requirements of recently promulgated environmental legislation and global automotive trends. Further waste activities include pursuing and implementing plastic and packaging waste reduction activities across all operations.

Our performance in terms of volatile organic compounds (VOC) was as follows:

	2021 target	2020 target	2020 actual
Body paint	17.92	18.78	<b>17.74</b>
Hiace paint	26.29	26.58	<b>27.50</b>
Bumper paint	154.00	158.09	<b>152.01</b>

We added 149 further banned chemical substances to the TSAM Banned Chemical Substances List in 2020, bringing the total to 1 411.

*Kaizen* activity to reduce VOC emissions during the year included reductions in the use of E-coat paint, basecoat and clearcoat paints, and solvent in body painting applications; improvements in paint transfer efficiencies when applying bumper paint; and a reduction in solvent usage at the Hiace paint plant. In the coming year we intend to introduce a more efficient clearcoat product for body painting, and to further reduce paint usage in the plastics and Hiace plants.

## CHALLENGE 6

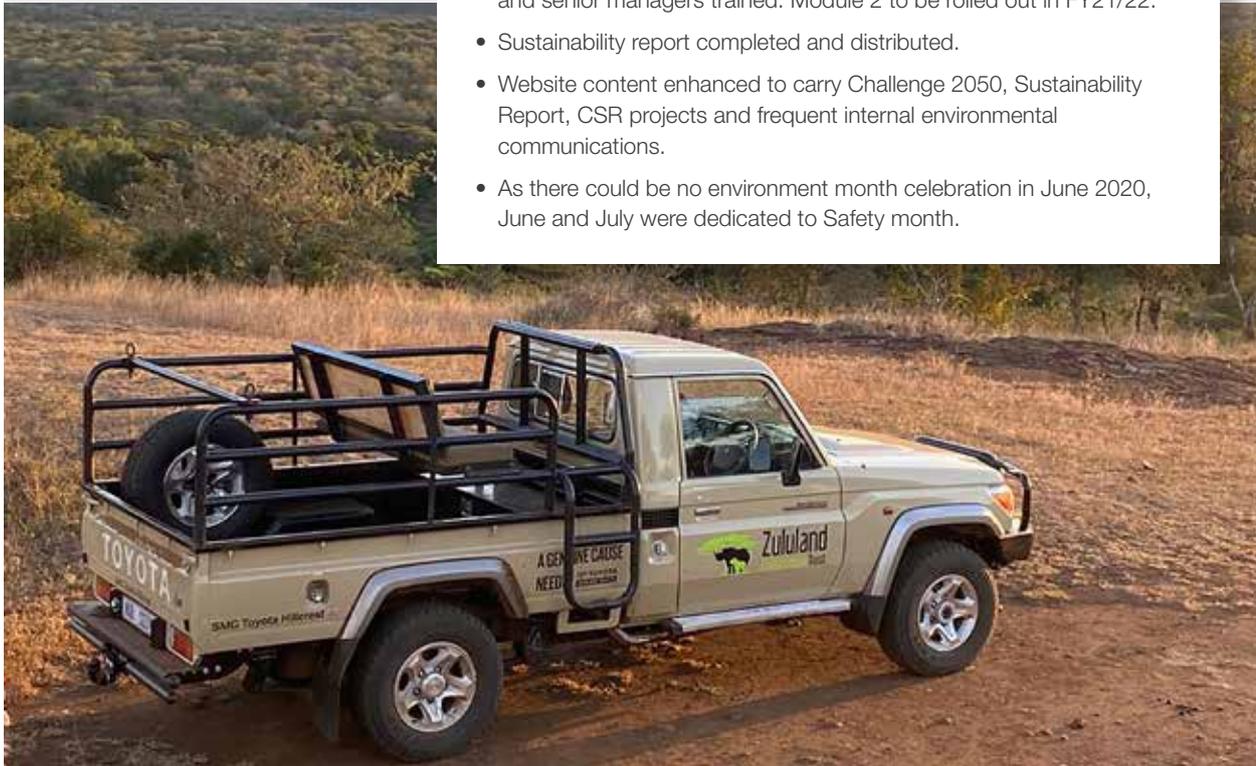
### Establishing a future society in harmony with nature

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

# Society in harmony with nature

The year posed some challenging circumstances in which to continue with our activities in response to this challenge, but we still managed some notable achievements:

- Indigenous trees planted: 100 at our Prospecton Plant, 15 at our TAPC and 100 at our Sandton head office.
- Ongoing invasive vegetation removals (including the wetland around our TAPC).
- Communications around 2050 Challenge awareness and Arbor Month (see below).
- Increased virtual launch activity contributing to event greening.
- Staff environmental training module 1 with up to 75% of managers and senior managers trained. Module 2 to be rolled out in FY21/22.
- Sustainability report completed and distributed.
- Website content enhanced to carry Challenge 2050, Sustainability Report, CSR projects and frequent internal environmental communications.
- As there could be no environment month celebration in June 2020, June and July were dedicated to Safety month.



## TODAY FOR TOMORROW

### BirdLife SA

TSA has been a fantastic supporter of BirdLife South Africa's (BirdLife SA) education work surrounding the Flufftail Festival and the *Small is BIG Waxi the Hero* puppet show, highlighting the conservation of water, wetlands, waterbirds and the critically endangered White-winged Flufftail species over the past two years.

The Covid-19 global pandemic forced BirdLife SA to become innovative and create new ways of bringing the conservation message, upskilling initiatives and employment opportunities to youth and communities.

The Flufftail Festival is an annual event usually held in Gauteng in February

and hosted by BirdLife SA and partners. The aim of this event is to raise awareness of a critical resource (water), a threatened habitat (wetlands) and waterbirds (with the critically endangered White-winged Flufftail being the focus species for the event).

For those over the age of 18, BirdLife SA, Rand Water and Johannesburg City Parks and the Zoo presented a live webinar on the importance of water and wetland conservation, which had more than 600 live viewers across Zoom, Facebook Live and other platforms.

TSA's sustainability practices throughout its South African operations were also highlighted in

an article in African Birdlife magazine, including detailing our support of the Flufftail Festival and BirdLife SA's work in general.

During Covid-19 lockdown, BirdLife SA successfully established a weekly webinar series called Conservation Conversations, attracting up to 1 500 viewers per week, as a platform to share progress on its conservation work.

BirdLife SA also provided TSA with logistical input in sourcing four camera traps for the Parkhaven Pan wetland at our TAPC. TSA procured and deployed camera traps for ongoing monitoring of the ecological development of the wetland.



## Conservation South Africa

For the rural communities in the uMzimvubu Catchment area where Conservation South Africa (CSA) works, the rangelands are an important source of food for livestock and play a critical role in sustaining these communities through the ecosystem services they provide. Through partnership between CSA and Toyota, rural livestock farmers in communal grazing associations have been able to boost their management capacity and respond to changing climate conditions. Over the past year, CSA has delivered three sets of trainings on the following topics:

- Animal identification
- Financial literacy
- Sustainable livestock management
- Sustainable veld and resource management
- Animal health
- Livestock improvement
- Shearing management
- Wool sorting

These trainings capacitated 21 grazing associations, which we estimate benefit 2 320 people across three target villages. By training and capacitating more farmers and grazing associations, who meet regularly and discuss their rotational grazing and livestock well-being plans, this effective conservation agreement model for rangeland management boosts the capacity not only of the communal livestock farmers but of the rangelands to adapt to changing climate conditions by improving their ability to store water and manage extreme weather events.

Additionally, through support from Toyota, CSA was able to facilitate access to market for livestock farmers in grazing associations that implemented the good management practice they had learned. The farmers received fair prices for their livestock through mobile auctions during the pandemic, which was a true lifeline! The ongoing partnership between CSA and Toyota has a lasting impact on this rural, former homeland of the Eastern Cape – for people and for nature.



## Pilanesberg Wildlife Trust

TSA supports the protection of the critically endangered rhino, both black and white. The poaching of these animals continues, fuelled by global demand. The impact is felt both in the private sector and the national parks under government control. The biggest contribution we can make is to provide reliable mobility at reduced cost of ownership. The donation of vehicles and the supply of service plans to 200 000 km by TSA are key focus areas.

The dehorning and notching (ear marking to identify rhinos) activities that 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 come at a cost. During 2019 and 2020 many fundraising activities with partners and dealers were successfully completed to facilitate 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.

During the year we provided reliable and safe mobility in support of the activities of rhino protection units, in the form of a donated Hilux double-cab vehicle for use in the Pilanesberg National Park by the rhino protection unit, with a complimentary 200 000 km service plan.



CASE STUDY:

## TAPC WAREHOUSE ENVIRONMENTAL INITIATIVES

Our environmental management plan for this property was approved during the zoning phase, which ensured that before, during and post-construction we had an action plan to restore the surrounding wetland to its original condition.

The first major mitigation measure was the construction of an attenuation channel along the 1 km length of the TAPC's perimeter fence, which was then placed ten metres inside the actual property perimeter. The intention was that stormwater would run into the attenuation channel and leach back into the wetland.

Successful attenuation of water flow into what was originally marshland has led to the return of birdlife to the area and the maintenance of a pristine wetland ecology. We have commissioned independent reports on the condition of the surrounding wetland since 2011 to ensure that our intervention and ongoing maintenance of the site are fully evidence-based.

Our site was also the subject of a joint study led by the University of Stellenbosch, which indicated that ours is the only one of four pans in the area that support wetland in pristine, original condition. The study, focused on sustainable urban drainage systems, highlighted the TAPC as an example of good environmental practice.

Vegetation on the property is all governed by our environmental management plan, including carefully selected indigenous trees and grasses such as yellowwoods, acacias and wild pears. We have created a range of biomes in order to attract birds, animals and other biodiversity to the area.

At the TAPC itself, during construction of phase one we installed a water harvesting system which filters water from the front of the building through biofilter channels into a 170 000 litre underground water tank to support irrigation. In phase two of construction we added a 2 million litre tank and a purification system which can potentially provide water of drinking quality for the entire facility for up to 100 days.

We also installed 175 kW of solar panels in a two-phased approach which, in conjunction with peak demand management activities and building design for optimised energy usage – including LED lighting operated by sensors, has significantly reduced our electricity requirements from the grid.

While we are investigating the feasibility of moving completely to renewable energy, this study is still in its early stages.

In terms of our carbon footprint and waste reduction at the TAPC, we have a five-year action plan in line with that of TSA as a whole, which, in addition to facility-related resource and waste targets, also considers logistics management aspects such as route optimisation, fuel efficiency, network design, and packaging reduction and reuse.

During the year we were challenged by the pandemic's effect on our logistics network, which skewed our performance of CO<sub>2</sub> per tonne carried, but we managed to save 86 tons of combined packaging in wood and boxes, which was reused – a key contributor to our savings. We continue to investigate potential *kaizen* activity such as reducing damaged parts packaging, promoting returnable and reusable containers, optimising parts repackaging and overall cardboard usage reduction.





# GOVERNANCE

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

## 2020/21 GOVERNANCE REVIEW

TSA’s main areas of focus from a governance perspective included the creation of a Covid-19 Command Council as part of our reporting structure, comprising members of the executive committee and first-line management; policy changes to adapt to the need for a remote working environment; as well as preparing for the implementation of the Protection of Personal Information Act (POPIA) in July 2021.

Our assessment of the composition and effectiveness of the TSA board, our Audit, Corporate Compliance and Social and Ethics Committee Charter and leadership capability, the political environment, domestic and exports markets, and our group governance framework is ongoing and continues to underpin our developing corporate governance maturity.

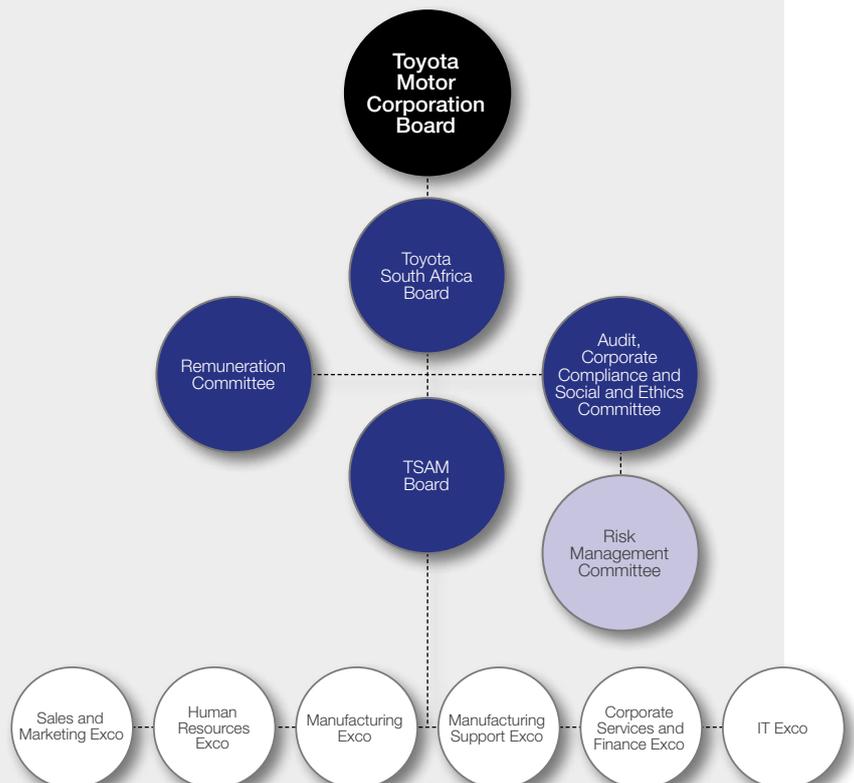
We are confident that our overall governance performance is in line with our benchmarks and meets global expectations set by TMC for all affiliates.

# 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 in order to ensure that 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 on par with corporate compliance. Our approval frameworks draw together both our shareholder, TMC, and the TSA board.



## THE TSA BOARD

<b>Role of the board</b>	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.
<b>Board composition and balance of authority</b>	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.
<b>Diversity</b>	TSA aims to maintain a board which reflects an appropriate balance of knowledge, skills, experience and diversity from both a demographic and skills perspective. In particular we aim to improve representation of black and female directors on the board and annually evaluate its composition to ensure an appropriate mix of skills and experience.
<b>Strategy formulation</b>	The TSA board is accountable for the company's strategy formulation process and its operationalisation.
<b>Board training</b>	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.
<b>Ethical leadership</b>	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.
<b>Compliance</b>	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.
<b>Internal controls</b>	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.

## TSA board committees

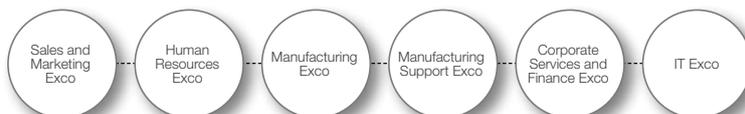
The board delegates certain functions to board sub-committees.

### 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 that 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.





# C

# 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 ensuring compliance to all relevant legislation pertaining to business conduct (such as the Companies Act and guidance on good corporate governance as contained in the King IV™ codes); labour rights, safety and health of our employees (including the Basic Conditions of Employment Act and the Occupational Health and Safety Act); protection of information and governance of IT (in line with the Protection of Personal Information Act); protecting the rights of our customers (Consumer Protection Act); and supporting South Africa's transformation imperative (Employment Equity Act and the Broad-Based Black Economic Empowerment Act).



The past financial year represented the third 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

TSA has been engaged in a two-year project to be compliant at the point of implementation of the Protection of Personal Information Act on 1 July 2021. Our approach was to classify data areas and identify data types, owners and personal information trust crews to ensure that all personal information is suitably secure and processed in alignment with the Act. We have mapped and addressed all key risks in preparation for the implementation of POPIA, with strong support from executive management, TMC and our broader value chain.

TSA's approach to POPIA is informed by The Toyota Way and how we treat our customers and stakeholders. We have also engaged with a leading privacy law firm and NAAMSA to assist the organisation in putting together a code of conduct on protection of personal information for the industry.

We are driving our approach and code of conduct through our suppliers, dealers and the industry at large to ensure that appropriate security is fundamentally built into all processes.

We have also established a full-time data protection office which will be responsible for compliance going forward.

On the cybersecurity front, part of our approach to POPIA compliance is a technical solution, where manual management is not feasible. We have subscribed to OneTrust as our privacy solution, managing all assets through this platform.

Where we previously did not focus on third-party security for our dealers and business partners, we have implemented a two-year programme driven by TMC to ensure end-to-end cybersecurity and advise on self-protection. This programme is ultimately aimed at ensuring that our customers' information is safe and secure.

### **TSA'S STATEMENT ON THE SA COMPETITION COMMISSION'S GUIDELINES FOR COMPETITION IN THE SOUTH AFRICAN AUTOMOTIVE AFTERMARKET**

The true strength of a brand lies in its ability to be agile, evolving with its workforce and customers, while also adapting to all the operational changes in the sector.

Toyota does, in principle, support the guidelines of the Competition Commission as we believe it is a necessary intervention to commit to an appropriate redress in the industry. We therefore support the initiative and have – in fact – proactively set up a number of strategic plans in place to address transformation in the industry.

As Toyota, we do not believe that the guidelines should affect us in a negative way; rather, we see a lot of positives in them. We are committed to supporting the industry in the best way we can and we are therefore looking forward to the implementation phase.

We have strategies in place to support the aftermarket and encourage the use of Toyota Genuine Parts in the repair and service of all Toyota vehicles.

Our standard complimentary service plans will not be affected by the new guidelines and we will continue to offer Toyota Genuine Extended Service and Maintenance Plans as well as our Genuine Extended Warranty to our customers to ensure that the total cost of ownership is kept under control. We will continue to offer world-class service and expertise, including the convenience of our one-hour express service, as well as the peace of mind that comes with the warranty of all parts fitted by a Toyota Dealer.





# E 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.

During 2020/21 there were no incidents to report. Our anti-fraud training for senior management and above continued over virtual platforms and will continue to further strata of the organisation in the current year.



## 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 that 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 also be submitted via phone, fax and 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 also able to use our call centre to raise issues.



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# Stakeholder engagement



**The year in review featured unprecedented levels of collaboration with internal and external stakeholders as a result of novel and unique operating circumstances brought about by the Covid-19 pandemic.**

A willingness to co-operate and find solutions to challenges associated with Covid-19, tolerance, support and trust pervaded all interactions with our stakeholders. While we have traditionally engaged at a national level on policy fairly well, 2020/21 saw TSA change its approach to reach out to more immediate stakeholders surrounding our business in an effort to ensure that our local communities were cared for.

Some of our key stakeholder engagements through the year were:

- 1 Local government and businesses on a forum with the KZN government and Durban Chamber of Commerce to source offers of assistance for communities and businesses in distress.

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- 2 Local ward councillors, social leaders and indunas to co-ordinate the distribution of food parcels and to offer service contracts to local suppliers. This included a local councillor summit, attended by 18 ward councillors, to outline our business purpose and address municipal service delivery issues which affect the business and our employees. The next step is to expand the summit to include local, regional and national government.

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- 3 Weekly check-ins with our suppliers and dealers to assess the impact of the pandemic on their businesses and any critical issues that would affect production and retail.

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- 4 Regular employee communications via our T-Talk platform, which facilitated multi-directional communication rather than linear messaging. During the year we extended the capability of this platform with T-Tube as a videoconferencing platform. We were able to monitor all business departments and teams for any signs of distress or challenges in order to take swift remedial or supportive action.

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- 5 We engaged with the Department of Health to develop shared-value projects to benefit the communities around our operations, such as mobile clinics using Toyota vehicles. Shared-value projects not only provide benefits for communities by bringing vital services nearer, but allow us to demonstrate Toyota's values to the communities around us – above and beyond public perceptions of our products.

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- 6 Our annual strategic meeting with the eThekweni executive mayor and management team identifies projects through which we can partner. During 2020 we focused on the city's township auto hub programme, which is bringing economic activity into townships such as Mlazi by setting up infrastructure for auto repair technicians. Two auto hubs have opened, with more planned for roll-out in the present year. TSA has prepared a proposal to train technicians and provide tools for the auto hubs.

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- 7 In 2021 TSA will continue to engage with the DTIC regarding the auto supplier park to be based at the old Durban International Airport site, south of the city. Since most suppliers that will relocate to the park will be suppliers to TSAM, we continue to engage with the DTIC to align our efforts at achieving cost competitiveness and sustainability to create jobs. Construction is anticipated to begin in the current year and to be completed in 2023.

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- 8 The African Continental Free Trade Agreement will ultimately be a significant document that will have wide-reaching ramifications for the continent's industrialisation roadmap. In 2020/21, following the implementation of the African Continental Free Trade Area (AfCFTA), our first major milestone was to track finalisation of the rules of origin which will guide the Agreement. TSA has put forward a proposal for the auto industry.





# 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.

The events of 2020/21 brought with them a heightened level of risk for the business, which required a flexible and adaptive approach to managing outcomes. Our quarterly strategic risk meeting reviewed all strategic and operational risks and countermeasures, as well as an environmental scan for potential impact.

Through the establishment of the Covid-19 Command Council (CCC), we were able to deal with novel risks which were not envisaged by our conventional risk structures. The CCC provided oversight of compliance with all government regulations and managed risk to the TSAM plant, Covid-19-related monitoring, policy changes, on-site medical care and mitigation measures. We benefited from a clear support system and structure, which allowed the business to recover quickly after the easing of lockdown restrictions.

## OUR STRATEGIC RISK REGISTER

STRATEGIC RISKS		Strategic response
1	Inability to secure future investments	Strengthening our global competitiveness and improving environmental impact will assist in securing future investments.
2	Securing future-generation export markets	Securing our product to match future country regulations combined with a reducing carbon footprint to match the life cycle assessment of our product from procurement to delivery of product to the export market.
3	Successful localisation plans implemented to secure our future	The volatility of the rand will support our localisation plans, which will improve our cost competitiveness while supporting the South African industry's long-term objectives (South African Automotive Master Plan 2035).
4	Successful advocacy-based engagement with labour unions/employees and community	Relationship building is critical to our sustainable future as an organisation.
5	Covid-19 impact	Compliance with national government regulations is critical to our success in managing the virus. Strong education, execution and compliance with rules as well as monitoring our situation and responding accordingly.
6	Cybersecurity	Maintaining our cybersecurity and protecting TSA's systems and information are critical to our success as a company.
7	Achieving Level 4 B-BBEE status cost-effectively	Develop and achieve plans to meet the required Level 4 in order to participate in the Automotive Production and Development Programme (APDP) benefits afforded to the manufacturers in South Africa. Our participation in the Equity Equivalent Investment Programme has been confirmed and the Department of Trade, Industry and Competition has awarded us with said certificate.
8	Succession planning, attracting and retaining talent	Develop leadership pipeline, develop skills and capacity, address transformation in management levels.
9	Non-compliance with Protection of Personal Information Act	Ensuring our protection of personal information risk mitigation plan and system are in place and on time to protect our customers, employees, business partners and brand.
10	Changing regulatory environment	Regulatory changes and scrutiny may heighten, affecting the way products or services will be delivered.



### LOOKING AHEAD

Covid-19 continues to affect our business, value chain, customers and South Africa at large, which will require ongoing monitoring and mitigation measures. Our governance activities through 2021/22 will be oriented to protect our brands in a challenging market, protecting our employees' health and safety, and protecting the interests of our stakeholders as we manage the impact of the pandemic.

**TOYOTA SOUTH AFRICA**

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