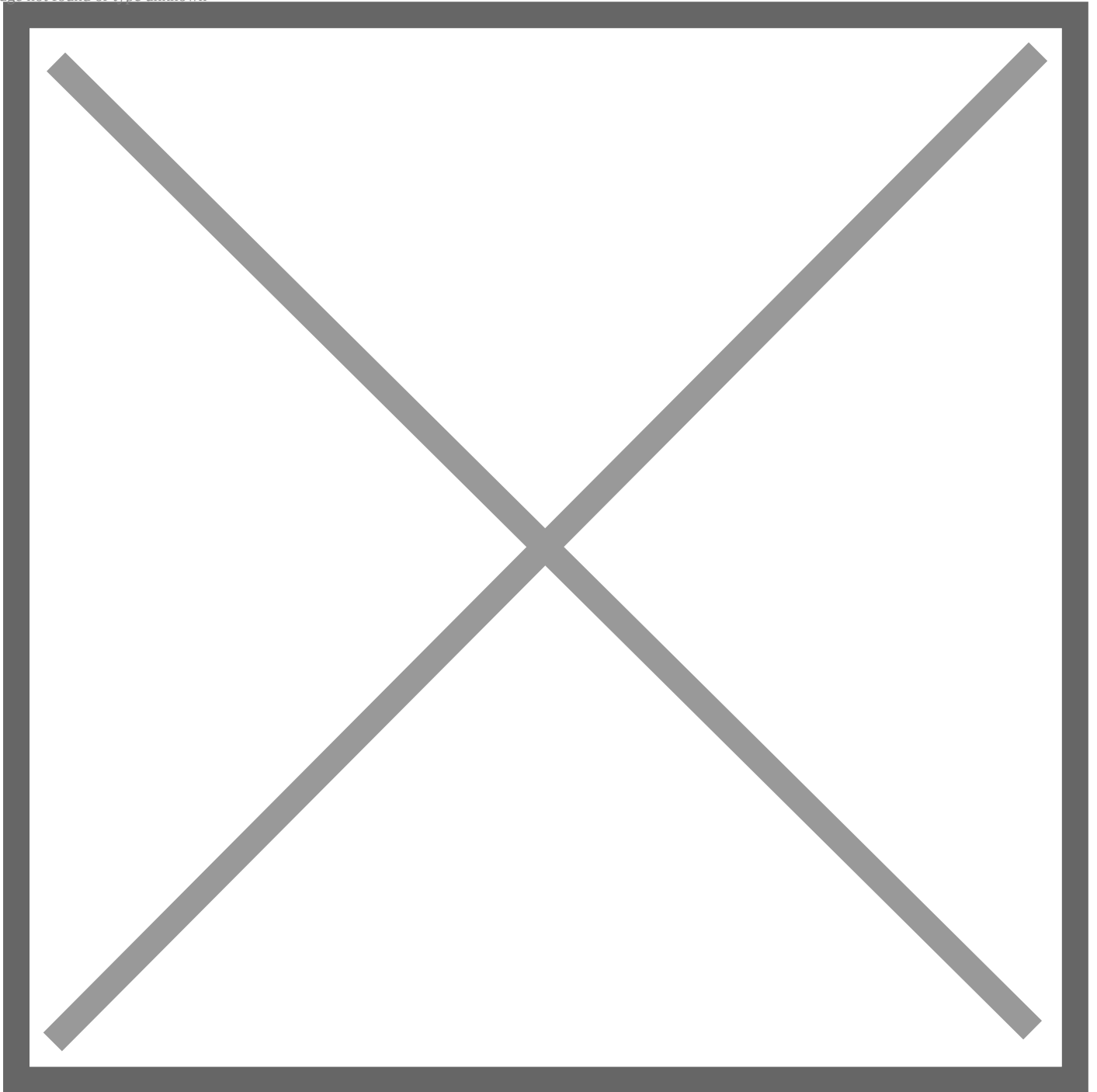


Turning Pledges into Actions: Toyota Collaborates with Suppliers to Tackle Environmental Challenges

October 26, 2021

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Climate change is one of the most pressing issues of our time.

As a steward of the environment, Toyota is dedicated to being a part of the solution to the world's climate challenges. Pushing toward a net-positive impact from its operations, the automaker developed the Toyota Environmental Challenge 2050, an ambitious set of six challenges that will move the company toward a more sustainable future over the next 30 years — and beyond.

To drive meaningful change across North America, Toyota established the 7th Environmental Action Plan, a five-year road map toward the Environmental Challenge 2050's global goals. Achieving these targets will require collaboration and hard work from the entire Toyota network.

In its seventh iteration, the Environmental Action Plan includes the Green Supplier Requirements, a new set of criteria for suppliers to help Toyota meet its environmental goals throughout its supply chain.

The [Green Supplier Requirements](#) outline environmental actions in the areas of:

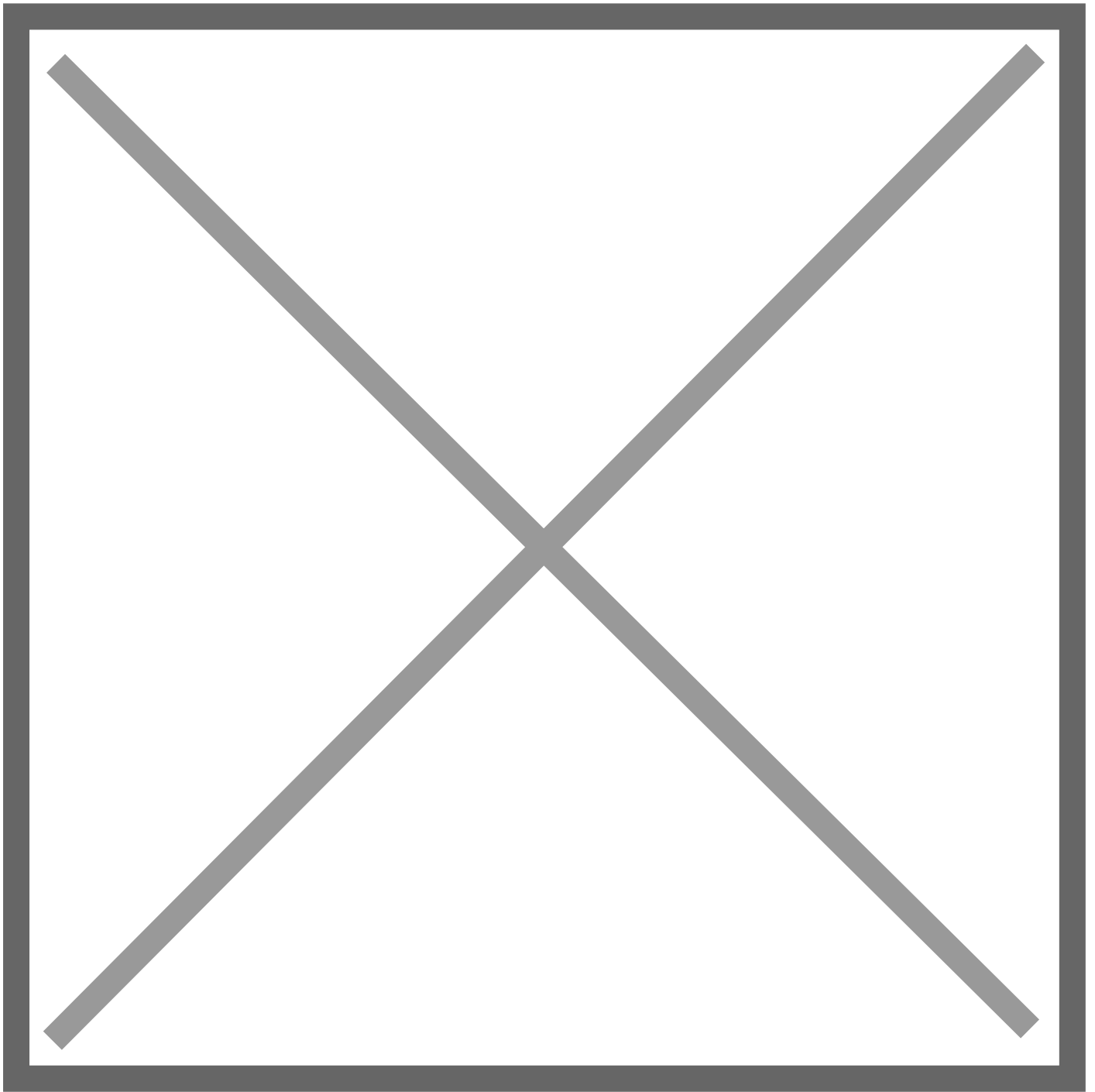
- Environmental Compliance
- Environmental Management Systems
- CO₂ Emissions from Supplier Facility Operations
- CO₂ Emissions from Logistics Supplier Activities (Trucking, Rail, Air, Marine)
- Chemical Management

Toyota also shares best practices through guidelines in the areas of:

- Water Conservation
- Packaging and Wrapping Materials
- Waste Minimization and Recycling
- Biodiversity

As part of these requirements, Toyota is asking suppliers to report CO₂ emissions on an annual basis and commit to an annual carbon reduction of at least 2%, in addition to other environmental initiatives that focus on carbon, water, materials and biodiversity.

To aid suppliers in the effort, Toyota has partnered with Manufacture 2030 (M2030), a platform that supports the tracking and forecasting of corporate sustainability performance indicators and helps suppliers share best practices across the industry.



At the helm of these efforts are Greg Laskey, vice president of Purchasing at Toyota Motor North America (TMNA), and Kevin Butt, TMNA's senior director of Environmental Sustainability. Butt's team is tasked with all things sustainability at TMNA, including renewables, while Laskey runs the Supplier Performance Management Team and works directly with suppliers to help them reduce carbon.

As part of Toyota's commitment to a transparent approach, the pair sat down with Ken Jaycox, senior vice president and chief commercial officer of United States Steel Corporation — one of Toyota's longtime Tier 1 suppliers — to discuss the Green Supplier Requirements and how the automotive industry is prioritizing partnerships to address one of the world's most critical issues.

Can you tell us about some of the initiatives in place to support Toyota's 7th Environmental Action Plan? How does this five-year plan tie into the vision for Toyota's Environmental Challenge 2050?

Kevin Butt: This is the 7th Environmental Action Plan, right? Meaning we've been at this for some time and have had a number of great years of progress. There are some initiatives that we're working on around renewable energy and our ability to offset brown energy throughout the grid and offset our own footprint. We've set a goal to be at 44% renewable energy by 2025, and 100% renewable by 2035.

We're doing something really exciting, which is engaging with our suppliers in the quest to move toward carbon neutrality.

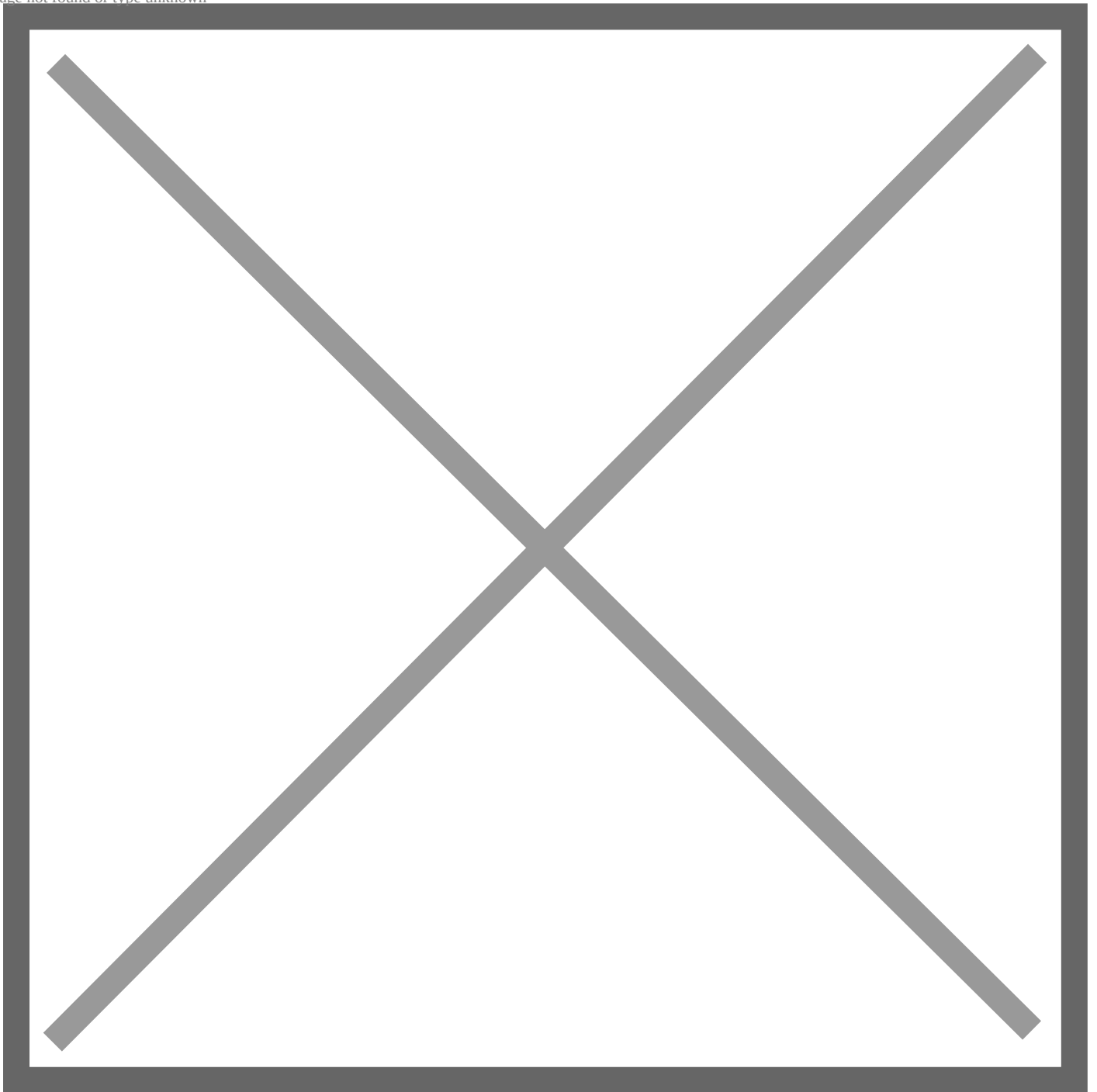
– Kevin Butt

The 7th Environmental Action Plan is our regional effort to work toward the global initiative, the Toyota Environmental Challenge 2050. These global goals are very specific, and while carbon neutrality is a big one, it's more than that. There are other sustainability concerns we're working on, like water quality, recycling and biodiversity.

How do Toyota's pillars of "Respect for People" and "Continuous Improvement" play a role in the company's culture and impact the environmental goals?

Butt: I think the very premise of what we do in sustainability shows that we have respect for people, not just our team members, but the communities in which we do business. We want to show leadership in this space, but we also need to involve the community in our process to make the environment a better place to live. To me, providing a sustainable workplace and the economic value it brings to the community, that's respect for people.

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Greg Laskey: At Toyota, we're a group of problem solvers. If we aim our pillars, "Continuous Improvement" and "Respect for People," at a problem, Toyota and our supplier partners have a very strong track record of effectiveness in creating and evolving change.

Challenge 2 of Toyota's Environment Challenge 2050 calls out partnering with Toyota suppliers to help eliminate carbon from these operations. Why is that important?

Laskey: For me, sustainability is an issue of magnitude and collaboration. If you think about the parts, components and materials it takes to manufacture a vehicle, about 70 to 75% of that value-add of a new vehicle comes from our supplier partners. If you want to talk about the magnitude of what we're able to achieve by linking arms and creating a partnership toward carbon reduction, you can start to understand that sustainability can't be just a Toyota in-house issue. No company by themselves will be able to achieve the best results they can unless they collaborate with others.

For Toyota and its suppliers, is there a sense of urgency to meet these carbon neutrality commitments? What will it take to get there?

Ken Jaycox: Net-zero greenhouse gas emissions is an incredibly important subject for us. Globally, the steel industry ranks in the top five of producers of carbon dioxide. There are four things we're currently watching that are helping to guide our work and development for U. S. Steel:

- Changing customer requirements around greenhouse gas emissions, like Toyota's supplier requirements;
- the growing demand for carbon-friendly steel products across the industries we serve;
- increasing regulations around greenhouse gas emissions; and
- rapidly increasing investor and public interest in sustainability.

To get there, we're focused on reducing greenhouse gas emissions, exploring the use of alternative energy sources, and collaborating on the development of technologies for carbon capture and storage — to name a few.

The reality of it is there's one very important constituent in this conversation and that's planet Earth. We're committed to doing our part to create a more sustainable future, being good stewards of the environment and by building on the strong communities in which we live and work.

In fall 2020, Toyota rolled out a pilot environmental program to 150 of its top suppliers to strengthen and influence action. How was the initial rollout received? Can you share preliminary commitments made to date?

Butt: As part of the 7th Environmental Action Plan, we're doing something really exciting, which is engaging with our suppliers in the quest to move toward carbon neutrality. We've asked them to commit to a 2% CO₂ reduction per year, but I have a feeling some of our suppliers are going to do a lot better than that.

Laskey: In 2020, we started to formalize the transition from the Green Supplier Guidelines to the Green Supplier Requirements. Just by the words, you can understand the assertive nature of what we're trying to do here. And true to Toyota form, we went out to our supplier partners to seek input before we went all in. It gives the M2030 platform an environment that we can all rally around, and it provides a tracking system that is common to each of our suppliers in the network. Early commitments have been great so far — our suppliers are on board.

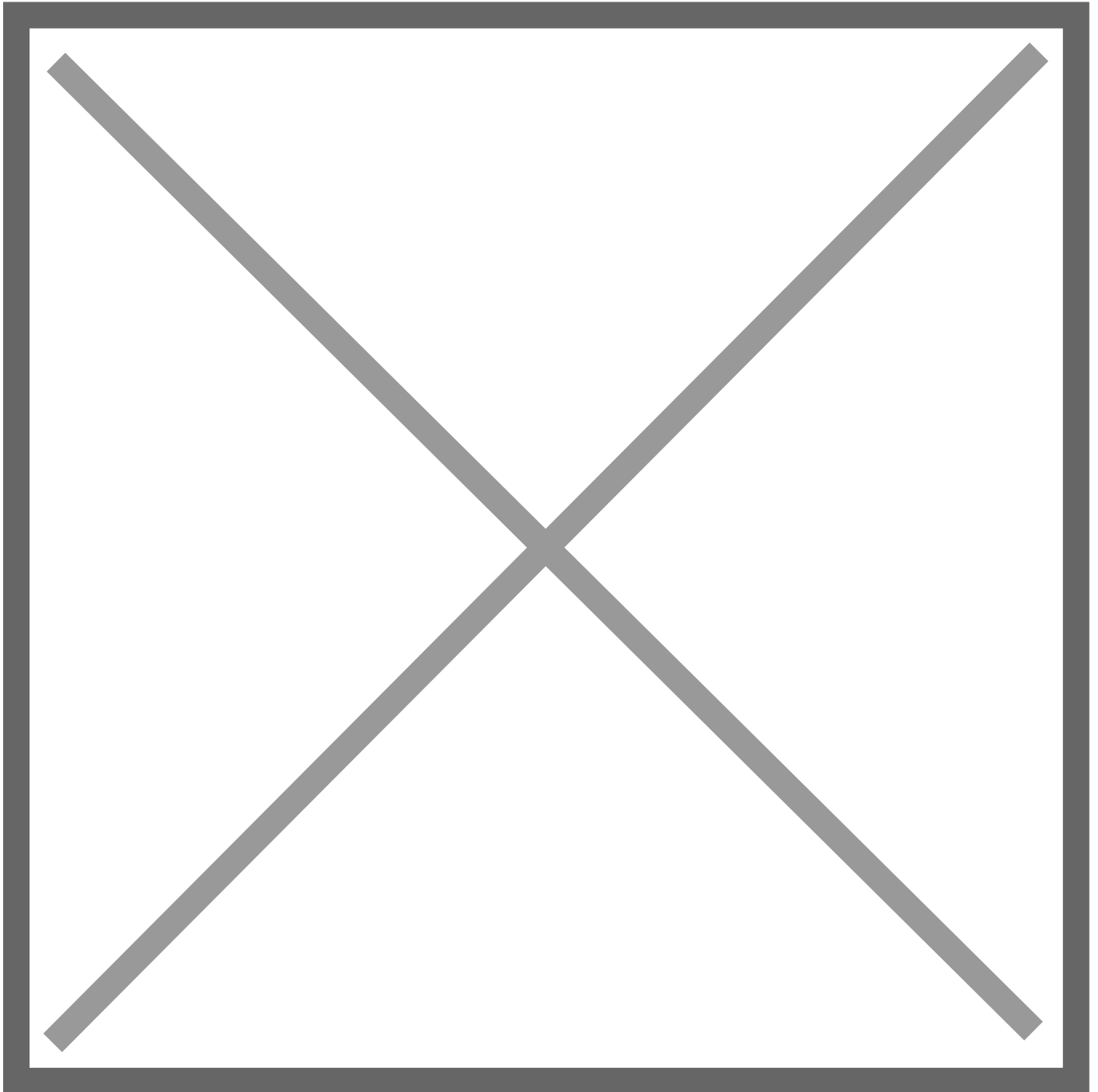
Make it a corporate imperative, with people, suppliers and stakeholders understanding its importance. Pledges are not enough. We must turn pledges into action.

— Ken Jaycox

Butt: That's right, Greg. Now that we have the platform, I am excited to look at those annual reporting numbers and see, as a collective, where we currently are within our own supply base and as an automotive industry. The public will be able to see that we are committed and moving in a direction that will help improve the environment. It's going to take a lot more than just us to get that done, but I think this will help show our vision and that we are engaged and moving forward.

For companies that haven't previously allocated resources in support of carbon neutrality efforts, how can they make strides to drive positive change?

Laskey: I think our supply base is well aware that this is a priority. We're highly encouraging, recommending, endorsing the M2030 platform across our supplier partners so that we can have that collective success. I think what will be revealed through this collaboration is that when you're doing the right thing in carbon reduction, it's actually going to impact your bottom line.



Butt: The only thing I would add to that is there are suppliers that are venturing into this space for the first time. They've always been about environmental compliance, but now we're talking something that goes a little further than that. This platform will allow them to learn and share ideas, meaning no one is starting from scratch. They will see change and profitability quickly, which is critical.

As a supplier who has already started this process, what advice would you give to suppliers who are early in this journey?

Jaycox: I'd certainly encourage all of Toyota's supplier partners to examine what they can do to make a difference. Now is the time to act. Both U. S. Steel and Toyota are driving a global effort to save our planet. All of us must work together in ways they've never worked before. Reach out to others and look for help and support.

So how do you start? Make it a corporate imperative, with people, suppliers and stakeholders understanding its importance. Pledges are not enough. We must turn pledges into action. As of August 1st, we've shared our baseline data via the M2030 platform with Toyota as part of those Green Supplier Requirements. It's an incredible opportunity to share information, to learn from one another and really to connect on kind of a joint sustainability plan as we think about going forward.

How do you think Toyota's initiative will affect other members of the supply chain that maybe aren't your direct suppliers down the line?

Laskey: At Toyota, we're leading by example. When we prioritize an initiative, we work collectively with our Tier 1 supplier partners. I hope it becomes a natural progression for that partner to then instill that same approach with their sub-tier suppliers. It's living by example and being transparent and sharing so that we can make sure everyone who is on board can have the resources to succeed.

Butt: I'll add to that just briefly. To me, it's not about Toyota showing or beating our chest as a leader in this space, it's about providing an environment where others can also show leadership collectively as a body. There's a lot of leadership that comes from this. The exciting part is if Toyota wants to lead in creating that opportunity. There will be other leaders that join us and create a great space for others to follow us.

If we aim our pillars, "Continuous Improvement" and "Respect for People," at a problem, Toyota and our supplier partners have a very strong track record of effectiveness in creating and evolving change.

– Greg Laskey

Jaycox: The headline here is we're dealing with an incredible challenge, and it's going to require more than a binary supplier-customer relationship. We're working with scientists and governments and external third parties, all different types of people coming together to work toward meeting these challenges. That's the way that we as an organization have thought about it, and I am hearing that same theme from Toyota. We can do this by bringing together a community of people who are motivated and focused on common aspirations. By working together, we can both meet and overcome the climate challenge.

Do you think Toyota's strong collaborative track record with suppliers is enough to drive change in what's considered the most pressing issue of our time?

Laskey: Resounding yes. I think we have a proven track record because of the approach that we take. We have a philosophy of mutual benefit and mutual success with our partners. When you delve into any priority with that

background, with trust and transparency, you get more out of it. Our collective approach allows us to accelerate and achieve more.

Jaycox: Greg, I'll jump in here and say the foundation of our success in this space is the trust that exists between Toyota and U. S. Steel. With this strong foundation, we believe we can achieve amazing things to meet the climate challenge. And we are just getting started. I'm confident that our foundation is going to help us really deliver upon our collective sustainability goals and our aspirations for where we want to take both of our organizations.

What do you envision this space will look like 10 years from now?

Jaycox: For consumers, having products that are sustainable is going to become table stakes over the next 10 years. Consumers are going to demand that products and companies, manufacturers and supply chains live up to the principles that we're aspiring to today. For U. S. Steel, that means developing and commercializing the plans, the products, the capabilities to get to a lower carbon steel production environment and to support the other environmental initiatives. At U. S. Steel we've already created some of the most advanced high strength steels available anywhere and we can do this at one quarter the carbon intensity previously required. Ten years from now we'll know that our early leadership was just the start.

Laskey: At Toyota, when you jump over the bar three times, you raise the bar. This is where consumers and investors are going. When you look out 10 years with the urgency that we're putting on it today, that creates a very significant timeline. The industry will look dramatically different, and we will lose those who don't understand today and act.

Butt: I want to thank Ken and United States Steel Corporation for your commitment. I can't wait until one year from now, two years from now, even three years to watch the numbers come in and see where we've gone collectively.

That means 10 years from now, it's going to be a completely different environment than we're in right now. Those that aren't playing hard in this space and making change are going to be put in a whole different light. At Toyota, we continue to raise the bar, and we'll continue to be in a leadership position of moving this thing forward.