

WATER

Toyota Motor North America Position Statement



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“WATER” is one of Toyota’s four environmental focus areas in North America. We have developed an approach to water stewardship that conserves water, protects water resources and shares our know-how with others. Every living thing needs water to survive. What we do today to protect this precious resource creates lasting value and builds a better tomorrow for us and the planet.

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TMNA'S WATER POSITION

Ensuring the availability and sustainable management of water for all is a shared challenge that requires a shared response. By finding ways to improve water quality, increase water-use efficiency and protect water-related ecosystems, we are helping to build a more sustainable future for society, business and the planet.

TMNA Environmental Sustainability's WATER focus area relates to Challenge 4 of Toyota's Environmental Challenge 2050, which addresses conserving and protecting water resources by reducing the amount of water we need for vehicle painting and other activities, treating the water we've already used so that it can be reused again and again, and purifying water we return to the environment. In support of Challenge 4, TMNA will reduce environmental impacts, help protect the natural world and share its know-how with others, to help create net positive value for the benefit of our company and society. Toyota aims to create net positive value for WATER by engaging in and supporting efforts that conserve water. We recognize water issues present an urgent threat and we must be part of the solution. By 2050, we will strive to:

1. Eliminate water withdrawals from operations.
2. Establish closed loop systems with 100 percent recycled/reused water.
3. Engage with communities and nonprofit organizations to conserve water.
4. Assist our major suppliers and dealers with adopting these same goals.

Zero Impact	+	100% Protection	+	Share Know-	=	Net Positive Value
Zero Water Withdrawal at Our Sites	+	100% Closed Loop Systems at Our Sites	+	Increase Availability of Fresh Water	=	Conserving more water than we use

The table above represents our aspirational goals. TMNA will adopt policies and develop action plans and procedures that aim to achieve these goals in all aspects of our operations. We will consider water issues throughout the vehicle life cycle (including water use in the production of alternative fuels).

TMNA's Approach to Water Stewardship

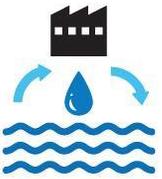
As the availability of clean water becomes more and more important to Toyota communities in drought-stressed regions of North America, we will continue to manage and preserve this critical resource. In North America, our approach to conquering this challenge involves three action areas:

1. **Zero impact by conserving water** at all of our sites with a goal of becoming a net zero fresh water user (meaning we do not withdraw fresh water for non-potable uses at any of our major sites without replenishing or reducing that volume somewhere). We will continue to make auto manufacturing more efficient so that we use less water for every vehicle we produce, and we will continue to explore options for reusing and recycling water so that we withdraw less from fresh water sources.
2. **100 percent protection by protecting water resources** to minimize the negative impacts our activities can have on the environment. Whenever we discharge wastewater, whether to a publicly owned treatment works or to the environment, it must be high quality. And we must be proactive to help ensure that sufficient water is available to all stakeholders, including other businesses, individuals, and plants and animals.
3. **Sharing our know-how** and engaging in outreach with stakeholders to scale up progress to the point of creating positive change. We will support efforts to conserve more water than we use. Key to our engagement is working with local communities to protect water-related ecosystems and assisting suppliers and dealers with developing water stewardship plans.

TMNA's Approach to Water Stewardship

Our WATER focus area relates to Challenge 4 of Toyota's Environmental Challenge 2050.

This challenge recognizes water as a global issue that must be managed locally. As the availability of clean water becomes more and more important to Toyota communities in drought-stressed regions of North America, we will continue to manage and preserve this critical resource. In North America, our approach to conquering this challenge involves three actions:

TOYOTA ENVIRONMENTAL CHALLENGE 2050 	 WATER
CHALLENGE 4 Ensure all Toyota facilities and processes conserve and protect water resources 	Conserving Water: <ul style="list-style-type: none">• Use less water• Recycle more water Protecting Water Resources: <ul style="list-style-type: none">• Discharge high quality water• Ensure availability for all users Sharing Know-How: <p>Conserve more water than we use by engaging with:</p> <ul style="list-style-type: none">• Local communities• Major suppliers• Dealers

NA Mechanisms to Address Water Issues

We will take a systems approach that considers linkages among the four environmental focus areas (Carbon, Water, Materials and Biodiversity). These are intertwined issues (for example, climate change impacts include risks to water quality and availability, and large quantities of water are used in the production of energy) and should not be addressed in isolation.

We will consider the following mechanisms to address water risks and opportunities and help us create net positive value for water:

Products	Sites and Operations	Stakeholders
<ul style="list-style-type: none"> • Design for environment 	<ul style="list-style-type: none"> • Water reductions/efficiency improvements • Closed loop systems/ Zero discharge/ Zero withdrawal 	<ul style="list-style-type: none"> • Water offsets • Supply chain water reductions • Outreach, including watershed restoration/ aquifer regeneration

GLOBAL SOCIETAL CONTEXT

Water is at the heart of every aspect of human development. We need water for health, food, energy, the environment and economic growth.

Globally, threats to water availability and water quality are increasing. According to a United Nations report¹, demand for fresh water has increased by a factor of six over the past 100 years and continues to grow steadily at a rate of about 1 percent per year. By 2050, global water demand will be 30 percent higher than today and up to 3 billion people could be living in potentially severely water-scarce areas.

Most of the demand for water is from agriculture—more than 70 percent of water is used in food production—with competing demand from water-intensive sectors such as energy and manufacturing. Only 10 percent is used for domestic purposes, and the proportion used for drinking water is less than 1 percent. Today, 2.1 billion people lack access to safely managed drinking water services.

The deterioration of water quality is expected to escalate over the next few decades, increasing threats to human health and the environment. Over 80 percent of the wastewater generated by society globally flows back into the environment without being treated or reused.

Water is a finite resource, and global population growth – expected to increase from 7.7 billion to between 9.4 and 10.2 billion people by 2050 – puts a strain on this already stressed resource. Rising demand for water threatens the safety and health of people and impacts the balance of nature.

¹All statistics on this page come from the 2018 World Water Day Factsheet (http://worldwaterday.org/app/uploads/2018/02/fact_sheet_WWD2017_EN_2.pdf) and The United Nations World Water Development Report 2018: Nature-Based Solutions for Water (<http://unesdoc.unesco.org/images/0026/002614/261424e.pdf>)

SUSTAINABLE DEVELOPMENT GOALS

In September 2015, the United Nations (UN) announced its 2030 Agenda for Sustainable Development, a plan of action for people, planet and prosperity that establishes 17 [Sustainable Development Goals \(SDGs\)](#) and 169 targets. These goals and targets, agreed to by 193 countries, will stimulate action through 2030 in areas of critical importance for humanity and the planet. Businesses are expected to play a significant role in achieving the bold and transformative steps urgently needed to shift the world onto a sustainable and resilient path.

The UN SDGs recognize water issues as an area of critical importance.



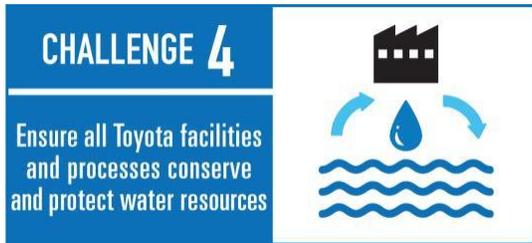
UN Sustainable Development Goal 6: Clean Water and Sanitation

Targets on access to safe drinking water and sanitation, improving water quality, increasing water-use efficiency, integrated water resources management, protecting water-related ecosystems

Toyota's 4th Global Challenge aligns with the UN's 6th Sustainable Development Goal.

TOYOTA'S GLOBAL POSITION

Toyota Environmental Challenge 2050: CONSERVE & PROTECT WATER RESOURCES



Through Challenge 4 of the Toyota Environmental Challenge 2050, Toyota recognizes water as a global issue that must be addressed regionally and intends to roll out a range of measures globally to reduce the amount of water used in operations and improve water quality.

Through our commitment to respect for the planet, we aim to meet our 2050 goals by engaging the talent and passion of our people, who believe there is always a better way. Toyota will lead the way to the future of mobility and enrich lives around the world by implementing steady initiatives to attain sustainable development. Toyota will go beyond zero environmental impact to help create net positive value for society.

TMNA CONTEXT

Risks & Opportunities in North America

Toyota recognizes a number of **risks** related to water that may impact our operations in North America:

- Toyota may be adversely affected by natural calamities... or interruptions in social infrastructure including energy and fuel supply, transportation systems, gas, water or communication systems. Should the major markets that supply materials, parts and components for the manufacture of Toyota products or in which Toyota's products are produced, distributed or sold be affected by any of these events, it may result in disruptions and delays in the operations of Toyota's business. Should significant or prolonged disruptions or delays related to Toyota's business operations occur, it may adversely affect Toyota's financial condition and results of operations.²
- Laws and regulations related to water access, water withdrawal and wastewater discharge currently affect our operations. New laws or changes to existing laws may subject Toyota to additional expenses, which may adversely affect Toyota's financial condition.
- Toyota needs access to water to manufacture vehicles, regardless of cost. Toyota Motor North America (TMNA) expects water costs to continue to rise.
- Toyota needs a reliable source of process water. Water scarcity and risks to water sources could impact our vehicle manufacturing.

By offering solutions to water issues, Toyota can become the automotive leader in water stewardship.

Opportunities related to water include:

- Cost savings from purchasing and/or treating less water.
- Enhanced reputation, which can lead to increased market share and better relationships with stakeholders, including NGOs and local communities.
- Positive impacts to our ability to hire and retain qualified team members. Proactively addressing water and other environmental issues may make Toyota a more attractive employment choice.

² http://www.toyota-global.com/pages/contents/investors/ir_library/sec/pdf/20-F_201703_final.pdf

North American Perspective

The following factors place TMNA in a key position to lead Toyota to achieve the 4th 2050 Global Environmental Challenge:

- North America (U.S., Canada, Mexico) is one of the world's largest auto markets and the second largest auto producing region.
- North America is Toyota's largest sales market by volume and Toyota's second largest production region. Toyota Motor Manufacturing, Kentucky (TMMK) is currently Toyota's largest plant in the world in terms of production.
- The U.S. has one of the most sophisticated clean water regulatory frameworks in the world.

In the U.S. and Canada, the most significant water-related issue is supply/availability. In Mexico, supply/availability as well as sanitation and water quality are concerns.

TMNA recognizes that water is mainly an operations issue (unlike carbon, where the use of our products has a significant impact).