

Toyota is 'Japan Inc'

The first climate related shareholder proposal ever filed with Toyota Motor Corp

May 2023

Summary prepared by: APG Asset Management
Global Responsible Investment & Governance APAC



Motivation for proposed resolution

To reduce reputational and business performance risks associated with climate change impact & to foster business transition

The new provision in the Articles of Incorporation was proposed to ensure the transparent disclosure of:

- Lobbying activities of Toyota Motor to regulators and associations
- How these activities are aligned with the Paris Agreement goals
- Identifying any cases of material misalignment and the underlying analysis

The influential role of lobbying

- Toyota joined TCFD in April 2019
- Committed to net zero by 2050 in April 2021
- Positive top-line messaging on climate change



Toyota's Views on Climate Public Policies 2022

CONTENTS

Main changes from last year

- Added a section that describes Toyota's stance on individual policies from Japan, the US, and Europe
- Updated our climate-related public policy activities
- Increased the number of associations reviewed, and updated our review methodology

Introduction

Toyota's Perspective on Public Policy

Our Stance on Climate-Related Policies

Our Stance on Individual Policies

Our Climate-Related Public Policy Activities

Review of Toyota's Industry Associations

List of our Industry Association Memberships

VS.

REUTERS® World Business Markets Sustainability Legal Breakingviews Technology Inv

Autos & Transportation

3 minute read · May 10, 2021 6:04 PM GMT+8 · Last Updated 2 years ago

Investors chide Toyota's Toyoda for questioning combustion car ban

By Aaron Sheldrick




[1/2] Akio Toyoda, president of Toyota Motor Corporation, speaks at a news conference, where he announced Toyota's plans to build a prototype city of the future on a 175-acre site at the base of Mt. Fuji...
[Read more](#)

< 1 2 >

TOKYO, May 10 (Reuters) - Some Toyota Motor (7203.T) shareholders have criticized its President Akio Toyoda for questioning Japan's plans to ban conventional cars only days after the firm said it was reviewing its climate lobbying and aimed for carbon neutrality by 2050.

Sources: Toyota Motor Corp, Reuters

Lobbying activities



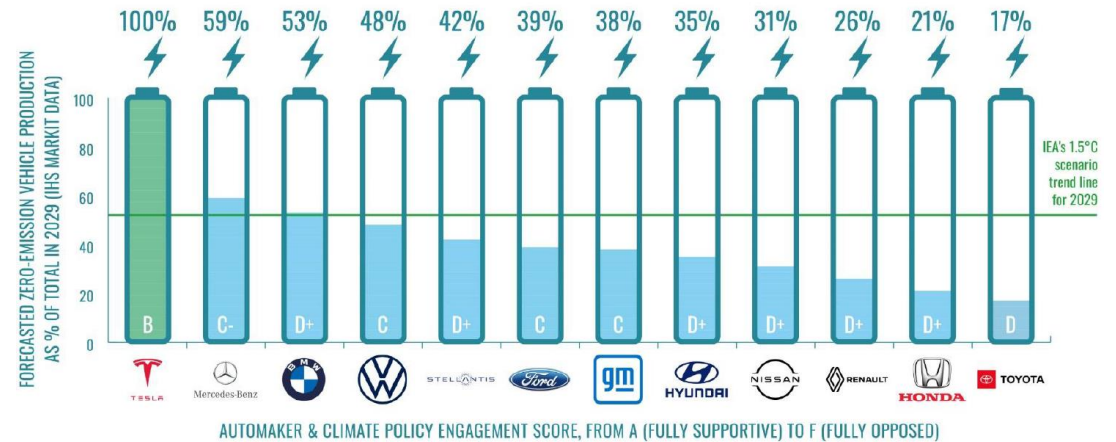
The Toyota Files: Stalling on Climate Change

water down any emissions standards

Top 3 companies blocking climate action ¹

1. **ExxonMobil**
2. **Chevron**
3. **TOYOTA**


AUTOMAKERS' 2029 ZERO-EMISSION VEHICLE FORECASTS AND CLIMATE POLICY ENGAGEMENT SCORES
Update with independent analysis of October 2022 S&P Global data



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Global Influence: Toyota's lobbying track record

Global Influence: Toyota's track record



Australia

- Toyota is the largest and most influential member of the Federal Chamber of Automotive Industries, whose 'secret plan' to slow the electric vehicle transition in Australia was exposed in August 2022 in a Sydney Morning Herald article.
- Toyota Australia advocated for North American style legislation that allows higher emissions and fuel consumption instead of best practice EU standards

European Union

- After the EU announced their 2035 phase-out date for ICE vehicles, Toyota CEO Akio Toyoda reportedly asked French President, Emmanuel Macron, to try to prolong the use of hybrid vehicles in a private meeting.

United States

- Toyota spent \$6.2 million USD on a lobby blitz in Washington to influence policy
- Southern District of Florida - class action lawsuit filed against Hino Motors and its parent Toyota Motor Corp accusing them of historical misconduct linked to falsified emissions data between 2003-2021.
- Supported the removal of California's Clean Air Act

Global Influence: Toyota's track record (cont.)

United Kingdom



- Toyota threatened to leave the UK if the government banned hybrids in 2030 as part of the country's new zero plans.

Norway



- Norway banned Toyota's 'self-charging' hybrid greenwashing, deeming it to be false advertising.

COP26



- At COP26 in Glasgow, Toyota refused to join Ford, Volvo, and Mercedes-Benz in signing a global pledge to phase out ICE-powered vehicles in leading markets by 2035

India



- Toyota India lobbied against a 2030 phase out of internal combustion engines.

Global Influence: Toyota's track record (cont.)

Mexico



- Toyota and the Mexican car lobby sued the Mexican government to try to block proposed regulations to align fuel efficiency standards with the United States to cut greenhouse gas emissions.

New Zealand



- In response to New Zealand's Climate Action Plan consultation, Toyota opposed strong CO2 emissions standards, advocating for significantly weaker targets.

Japan



- Toyota subsidiary Hino found to have falsified emissions data since at least 2003
- Team Japan collaboration with Subaru, Mazda, Kawasaki and Yamaha set up delay the introduction of cleaner cars and keep the internal combustion engine alive.

Little progress 25 years after Kyoto Protocol



VS.



Why now?

Need to restore trust through transparent disclosures aligned with Paris Agreement



AUTOMOBILES

Hino Motors to brief on emissions data; shares fall more than 7%

Japan truckmaker's falsification of data may be larger than expected: report



Hino Motors' Hybrid Profia truck in July 2018. The company has admitted to falsifying data related to emissions and fuel performance of four engines. © Reuters

August 2, 2022 11:39 JST



Another Toyota group company admits falsifying exhaust test data

THE ASAHI SHIMBUN
March 18, 2023 at 18:11 JST



Akira Onishi, right, president of Toyota Industries Corp., and another executive apologize at a March 17 news conference in Nagoya. (Takeshi Narabe)

Sources: Nikkei Asia, The Asahi Shimbun

Other risks: 1bn\$ Class-action Lawsuit

\$1 billion class-action lawsuit launched on Toyota over vehicle emissions

A beloved car brand has been hit with a massive class action lawsuit that could be “one of the biggest” in Australian legal history.

Hamish Spence

🕒 2 min read October 19, 2022 - 1:27PM

NCA NewsWire

ACCC asks businesses suspected of ‘greenwashing’ to substantiate claims

March 2, 2023 10:52
by [KALILA WELCH](#)



The ACCC will investigate a number of business suspected of making misleading environmental and sustainability marketing claims, following an internet sweep conducted late last year.

The sweep reviewed 247 companies, with 57% found to have made concerning claims about their environmental credentials, of which will be subject to further scrutiny from the ACCC.



Toyota class action on DPFs: Everything you need to know

The Toyota class action involves a landmark decision by the Federal Court, over \$1 billion in compensation, and more than 250,000 vehicles affected.



Sam Purcell

12:29 11 April 2023

💬 2 comments ➦ 46 shares



2018 Toyota HiLux Rugged X

Global auto market undergoing rapid transition

Rapidly shrinking
traditional ICE
penetration outlook

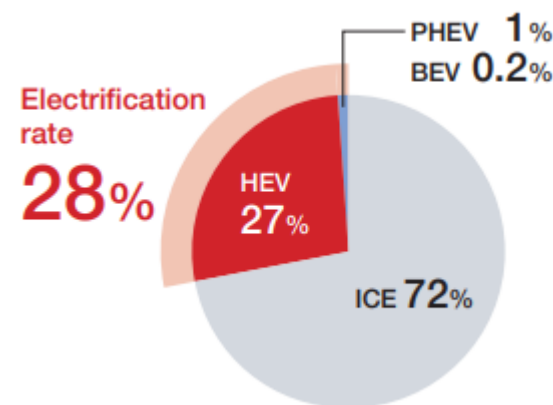
VS.

ICE comprises 72%
of Toyota's vehicle units

Fig 2 Global electric vehicle penetration

| ('000 units) | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Global light vehicle sales | 89,165 | 93,990 | 94,404 | 93,825 | 89,803 | 77,511 | 80,865 | 80,363 | 82,114 | 85,738 | 88,309 |
| YoY growth (%) | 2.1% | 5.4% | 0.4% | -0.6% | -4.3% | -13.7% | 4.3% | -1.0% | 2.2% | 4.4% | 3.0% |
| BEV | 325 | 469 | 778 | 1,280 | 1,685 | 2,275 | 4,513 | 7,570 | 9,636 | 12,259 | 15,226 |
| PHEV | 227 | 298 | 429 | 631 | 587 | 1,062 | 1,949 | 2,744 | 4,014 | 4,954 | 5,767 |
| HEV | 1,705 | 1,751 | 1,989 | 2,240 | 2,494 | 3,004 | 3,620 | 4,389 | 5,209 | 6,159 | 6,909 |
| MHEV (48V) | 0 | 0 | 4 | 130 | 1,113 | 2,494 | 4,226 | 6,002 | 7,634 | 9,189 | 11,222 |
| ICEV | 86,908 | 91,472 | 91,204 | 89,544 | 83,924 | 68,676 | 66,558 | 59,658 | 55,621 | 53,176 | 49,185 |
| (% penetration) | | | | | | | | | | | |
| BEV | 0.4% | 0.5% | 0.8% | 1.4% | 1.9% | 2.9% | 5.6% | 9.4% | 11.7% | 14.3% | 17.2% |
| PHEV | 0.3% | 0.3% | 0.5% | 0.7% | 0.7% | 1.4% | 2.4% | 3.4% | 4.9% | 5.8% | 6.5% |
| HEV | 1.9% | 1.9% | 2.1% | 2.4% | 2.8% | 3.9% | 4.5% | 5.5% | 6.3% | 7.2% | 7.8% |
| MHEV (48V) | 0.0% | 0.0% | 0.0% | 0.1% | 1.2% | 3.2% | 5.2% | 7.5% | 9.3% | 10.7% | 12.7% |
| ICEV | 97.5% | 97.3% | 96.6% | 95.4% | 93.5% | 88.6% | 82.3% | 74.2% | 67.7% | 62.0% | 55.7% |

Source: Autodata, CAAM, KBA, CCFA, OFV, Macquarie Research, May 2023



Toyota Motor Corp is ‘Japan Inc.’

A word from Herman Slooijer, CIO at APG Asset Management:

Toyota Motor Corp is Japan Inc. Since [Toyota is the world’s largest car maker](#), accelerating the company’s EV transition is not only crucial for improving its business competitiveness, but also for giving a push to the decarbonization of the entire industry. Toyota plays a pivotal role in the Japanese automotive related industry, [which leads the country’s manufacturing and economy](#). We therefore believe that Toyota leading engagement with industry associations, regulators, and its supply chains is critical for decarbonizing the Japanese economy as well as for sustainable economic growth and job creation in Japan. We encourage Toyota to enhance and increase transparency of its sustainability disclosures based on our suggestions – especially considering recent emission misrepresentation issues at some of [its affiliates](#). This is important to restore investors’ confidence in Toyota’s carbon reduction commitment and strategy.

[APG co-files first shareholder resolution for Toyota Motor | Homepage - Asset Management](#)

[For the full details of our shareholder proposal, please read this.](#)

Engagement history

APG's engagement time-line

1 August 2022

APG selects Toyota as Japan Climate Focus 10 given its slow transition progress.

6 September 2022

APG shares concerns on its climate risk management and EV strategies with Toyota.

4 November 2022

APG and AkademikerPension share engagement progress. The published public policy engagement activities in 2021 was below our expectations.

11 November 2022

The investor group including APG shared the quality of the public policy engagement report is below investor expectations.

December 2022

The report “Toyota’s Views on Climate Public Policies 2022” was published. The report doesn’t explain whether the company’s lobbying activities aligned with Paris Agreement pathway.

Jan - March 2023

APG has in-person discussions at the Toyota headquarters and multiple discussions to address climate risk issue for its business sustainability.

April 2023

The investors together files a proposal for the 2023 AGM by asking for the support of the Toyota’s board of directors. For the full details of our shareholder proposal, please read this.

Co-filers’ engagement time-line

4 March 2021

AkademikerPension and Storebrand Asset Management commence dialogue with Toyota Motor along with investors AP7 and Church of England. AkademikerPension flags intention to file shareholder proposal on climate-related lobbying.

19 April 2021

AkademikerPension withdraws shareholder proposal based on assurances from Toyota that it will support the goals of the Paris Agreement and review its climate lobbying which it refers to as ‘public policy engagement activities’.

10 May 2021

Shareholders criticize Toyota’s then CEO Toyoda in Reuters as he makes negative public statements on climate-related regulation.

16 Nov 2021

The draft is shared in a meeting between Toyota and the investor group. Our views are shared with the company also followed up with an email particularly focusing on room for improvement.

28 Dec 2021

The report “Toyota’s Views on Climate Public Policies 2021” published.

Q1-Q2 2022

The investor group reconvenes to discuss the quality of the report and deem that it falls short of investor expectations. AkademikerPension prepares and files a shareholder proposal on 20 April 2022 which is rejected by Toyota as it arrived one day too late for an undisclosed deadline.

Sep 2022- Dec 2022

Engagement continues including at an in-person meeting in Denmark.

December 2022

The report “Toyota’s Views on Climate Public Policies 2022” published. Indented language throughout highlights the changes in text, including additional language on fossil fuels.

Jan-April 2023

Engagement continues including in-person meetings.

April 2023

The investors file a proposal for the 2023 AGM and ask for the support of the board of directors of Toyota. Engagement continues. For the full details of our shareholder proposal, please read this.

About APG

A responsible investor.

As the largest pension provider in the Netherlands APG looks after the pensions of 4.8 million participants. APG currently manages more than 550 billion euros in pension assets. (Visit www.apg.nl/en for more information.)

Being a longstanding capital market investor, investing globally including Japan, our firm belief is that good corporate governance, together with effective management of environmental and social matters, is crucial to the long-term success and economic value of the companies APG invests in. Therefore, we place a top priority on incorporating these issues into the investment process.

