



 **TOYOTA**
Quality Revolution

Steering for better tomorrow

TOYOTA KIRLOSKAR MOTOR PVT. LTD
SUSTAINABILITY REPORT
2019

The Theme

Steering towards better tomorrow

Continuous improvement being a fundamental of Toyota Way, TKM always strives for excellence in the business that we do. In all the domains of sustainability, TKM is striving for continuous improvement and taking ownership to drive the change in the society with our efforts.

Being the leader in the sector, we aim to steer the industry in the direction of greater good and we intend to drive this inclusively. Our vision 2025 aims to "Grow India and Grow with India" which is our motto towards the sustainable growth.



About the report

Through this report we aim to showcase the company's fundamental values and our economic, environment and social performances in the year 2018-19. The previous report was published in September 2018.

The report is prepared in accordance with Global Reporting Initiative [GRI] Standards: In accordance Core criteria. The organization also considers UNGC principles and the performance against the processes is also demonstrated in the report. We work in consideration with the Global Context and have aligned our activities to United Nations Sustainable Development Goals. The detailed list of the GRI performance standards and their mapping is disclosed in the GRI index.

The report includes



Toyota Kirloskar Motor Bidadi operations
Toyota Kirloskar Motor 6 Regional offices
Toyota Kirloskar Motor Head office
Lexus Operations, India

The report excludes operations of Onsite Suppliers

This report is externally assured by **DNV·GL**

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Message from Managing Director

The automotive industry has entered an era of profound transformation, the likes of which come only once every hundred years. The industry is observing several new entrants and disruptive technologies that are changing the mobility landscape in the days to come. Our future competitors are no longer limited to automakers. The aim is not just on selling, but delivering on what our consumers want and what is good for them. Our aim is to transform as a mobility solution company rather than an automaker.

India is a highly competitive market. The needs are diversified state by state, city by city. We must carefully monitor and understand the needs of our customers. The future of India is its young people.

The regulatory scenarios are also changing dynamically, and India is emerging as a leader in eco-mobility regulations in Asia. At this stage, it is our responsibility to ensure that there is regular communication with regulators, so that we can invest on the right technology based on regulations, infrastructure and taxes.

We have collaborated with Suzuki in the reporting year and the partnership is not only for India; it will be leveraged at the global scale. At the moment, we are understanding each other. I also hope it will give us a good opportunity to participate in the future of India.

We understand the fact that social and environmental sustainability is equally important as the economic sustainability. The future generation is looking towards the organizations to address the critical environmental issues that the planet is facing today. It is time for everyone to adopt environmental consideration in business decisions. Being a responsible corporate, we have always considered environment as a top priority element. During 2015, Toyota had announced Environment Challenge 2050, our commitment towards conservation of environment.

We are sourcing 88% of the electricity requirements from the renewable energy sources and avoided the CO₂ emissions by 68,121 tons in the reporting year. We have met 89% of our water requirement from the harvested rainwater and recycled water and reduced our dependency on the freshwater.

We are continuously engaging with community in our activities aiming to address their needs and issues. We have developed "Ecozone", an experiential learning centre to enhance the eco-consciousness of all stakeholders. Through Ecozone we would like to promote behavioural changes among the citizens of the future.

As we move towards sustainability, we believe it is essential to embrace inclusivity across our operations and foster sustainable values among our stakeholders. Through this report we would like to communicate our sustainability performance and thank all our stakeholders for being our strength and support to progress towards our vision.

Masakazu Yoshimura

Message from Vice Chairman



The Financial Year 2018-19 was crucial for automakers in India. While the economy observed GDP growth over 7%, the auto sector appears to have slowed down. Fluctuating exchange rates, rising fuel costs and high interest rates have impacted the sales. The year also witnessed many new entrants into Indian automobile business.

The direction of regulatory policies are also bringing the uncertainty to the business to a greater extent. 'Environment', 'Energy security' and 'Job creation through Make-in-India' are the basic issues facing the country. On the auto sector, the country cannot have economic growth without mobility and cannot have mobility without economic growth. This scenario makes the automakers a key player in building the future society landscape.

BS-6, the new emission norm kicking in from April 2020 onwards and the changes needed to make vehicles 'cleaner' will further make automobiles more expensive. Companies will need to be more efficient and reduce costs. But while it's too early to say whether or not BS-6 will hit vehicle sales, it will surely affect the cost. As a global leader in green mobility solutions, Toyota has all the technologies to remain agile for any regulatory directions in the coming days. The auto sector needs a long-term policy, maybe more than 15 years (the tentative life of a drivetrain). The way we are going ahead, carbon is the sin, it's time to tax automobiles based on their emissions and this need not be only for cars, but for all industrial products.

After announcing most ambitious Environment Challenge 2050, we have made substantial progress in our journey towards the goal. The intermediate milestone targets for 2030 are developed to bring out more clarity on the phase-wise actions towards achieving the same.

Being a responsible corporate, TKM has taken up community development activities which address the key issues that the society is facing today. Our ABCD (A Behavioural Change through Demonstration) project initiative has been accepted for publication by Ivey Publishing and is made available on Harvard Business Review and Harvard Business School Publishing case collections.

We thank our business partners & all stakeholders with whom our collaborative efforts have yielded significant impact on the areas that we operate. We seek continued support in the days to come to pursue our vision of inclusive growth.

Vikram Kirloskar

Message from Vice Chairman



Currently India is the world's 4th largest manufacturer of cars. The Indian automobile industry contributes to 7.5% of India's GDP and a whopping 49% of manufacturing GDP with a large economic multiplier impact. As an automaker, we understand the huge responsibility we have towards our customers and community.

The years to come are going to be challenging for the mobility business due to various reasons. A major cause will be the plethora of regulations and policies related to the automobile industry. Various regulations on electrification, taxation, End-of-Life vehicles etc. are bringing new dimensions and challenges to the automakers. At this moment of disruption, it is necessary for automakers to gear themselves to face the upcoming changes.

Toyota globally strives to reduce vehicle CO₂ emissions by 90 per cent in comparison with 2010 levels by 2050. Toyota has the core electrification technologies that enable it to develop and introduce various types of electrified vehicles such as hybrid electric vehicles, plug-in hybrid electric vehicles, battery electric vehicles and fuel cell electric vehicles. The company is closely monitoring customer needs and regulation trends in order to devote all its efforts towards the development

of the most appropriate technologies. We believe that encouragement of self-charging Hybrid EVs will augur well for the pure EV sector given the commonality of parts.

We have always worked in harmony with nature both in the products that we make and in our operations. We have taken measures to reduce environmental impact of our operations by reducing our water and carbon footprint. We have gone beyond our boundary of operations to handhold our supply chain partners to enhance their environmental performance.

We have been working very closely with the communities to catalyze sustainable impact through system and behavioural change. Children are at the core of these interventions and act as change agents. With a commitment to integrity and quality, Toyota is looking to transform India – one community, one village, one district at a time. Toward this endeavour, our experiential learning centre Ecozone has been instrumental in training more than 1500 school children on environmental aspects in the reporting year. We aim to cover more than 6,500 children in the coming year.

As we move forward, many more growth opportunities are certain to emerge, and it is up to each of us to accept these challenges. I hereby request all our stakeholders to join hands in the collaborative effort towards establishing a society in harmony with nature.

Shekar Viswanathan

Editor's desk



I am happy to present you TKM's Sustainability Report 2018-19.

Creating value from what we draw from the society has always been the fundamental moto of Toyota operations since its inception. We have devised our business model with the stakeholder inclusiveness in its core to produce always better cars. Our vision 2025 aims at growing with India, a clear demonstration of our commitment to the nation building in the areas in which we operate.

In this report, we showcase our performance for this financial year in the social, environment and economic spheres. We have reported on the progress that we have made in line with each of the Toyota Environment Challenge 2050. Through the renewable energy sourcing, we have reduced the carbon dioxide emissions from our operations, and we have reduced our freshwater demand for the production through the rainwater harvesting and wastewater recycling. We are proud to announce the establishment of experiential learning centre "Ecozone" at our premise which is one of its kind in the country. We have established a demonstration centre at our premises where various green mobility solutions of Toyota are demonstrated.

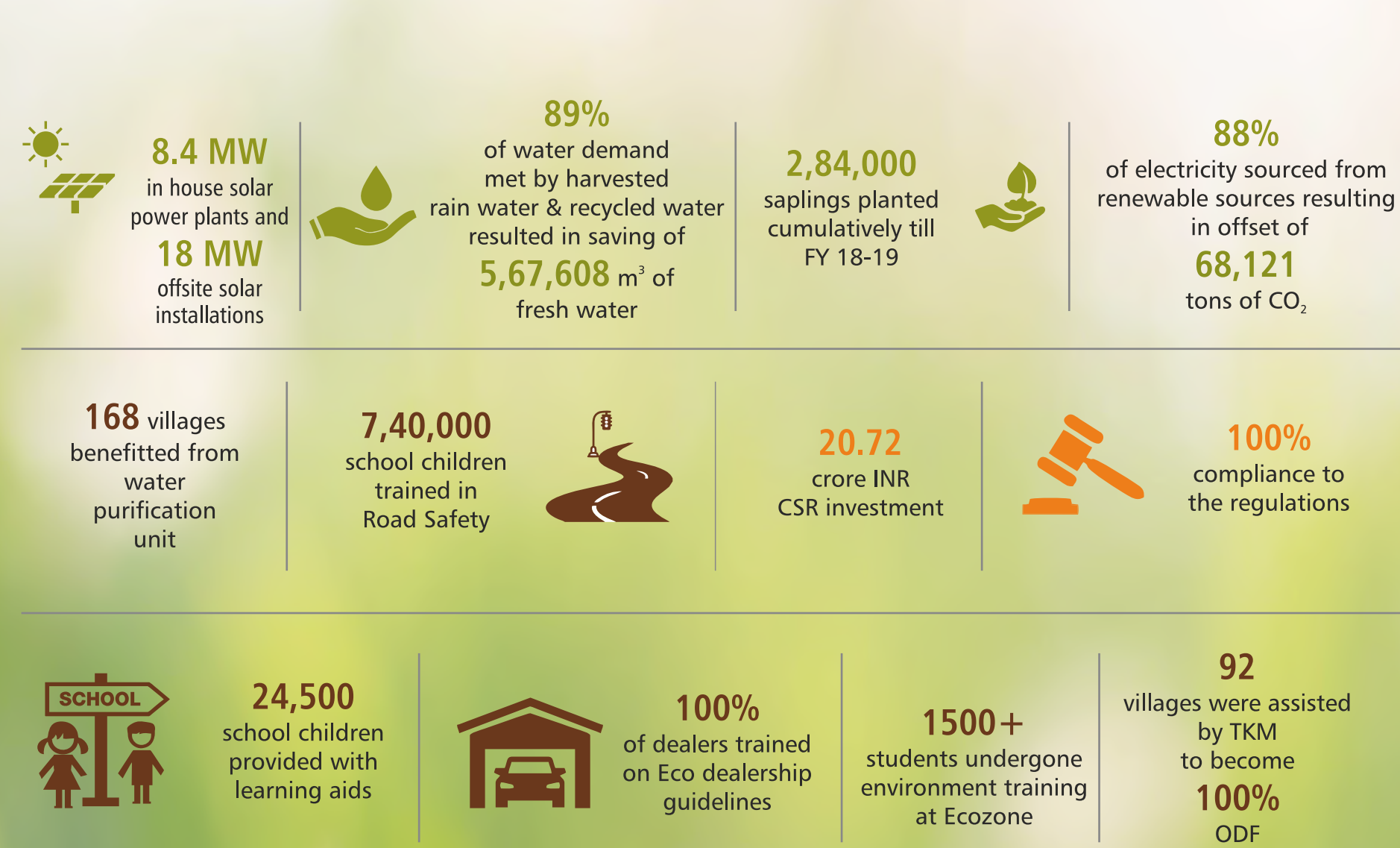
We believe in growing inclusively and in this regard, we work with our supply chain partners to enhance the environmental performance throughout the life cycle. We have outlined the guidelines for improving the environmental performance in our supplier operations and dealership operations and we share our best practices to them to assist them in idea development. Through these activities, we go beyond our operations and we continuously try to reduce our environmental footprint throughout life cycle.

Our social initiatives are devised around our key focus areas to address the local need and aligned to the national priorities and Sustainable Development Goals.

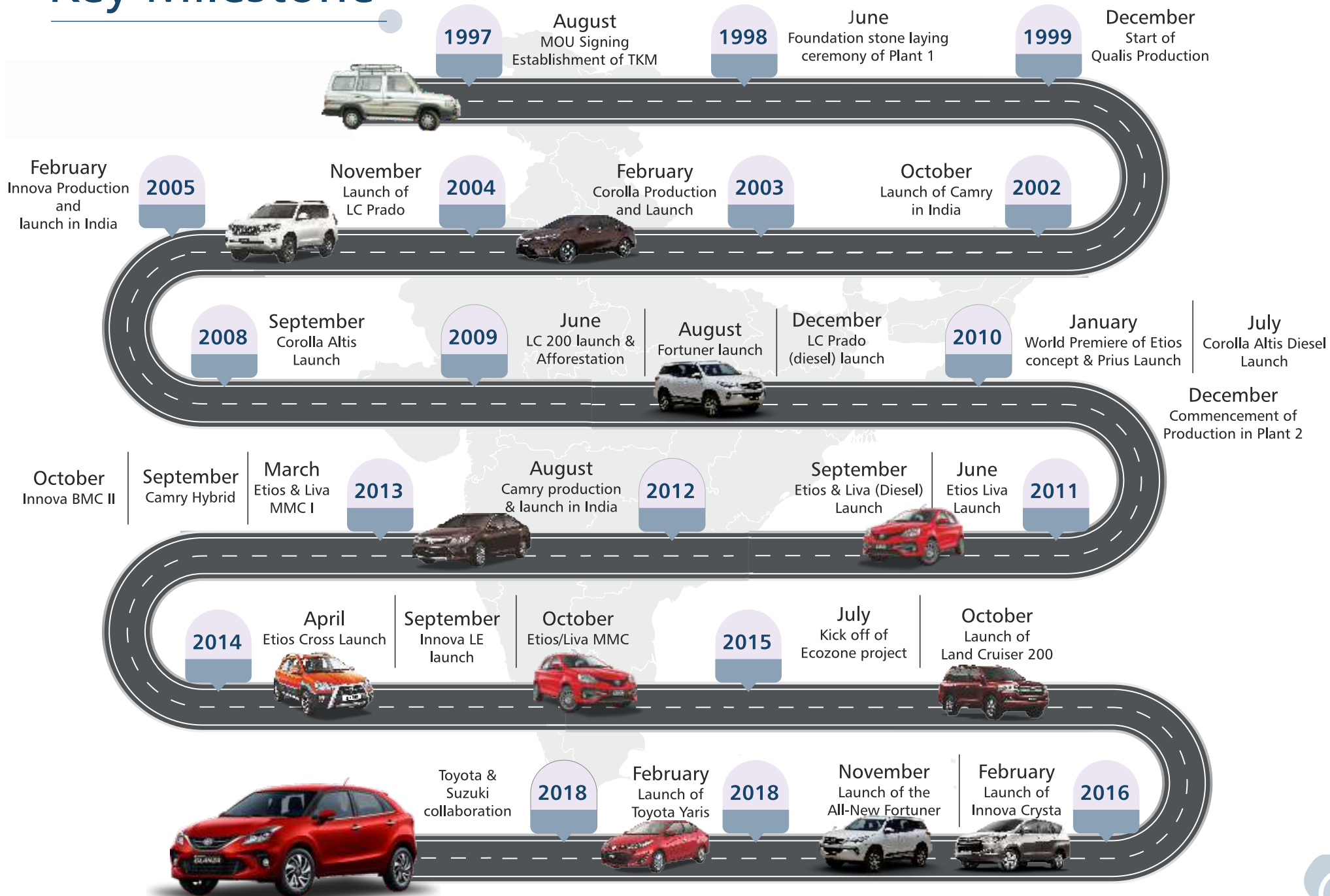
I would like to thank all our stakeholders for being our strength and support to progress towards our set targets. We welcome your feedback/suggestions on the report at Sustainability@toyota-kirloskar.co.in

Raju B Ketkale
Director & SVP

Sustainability Highlights 2018-19

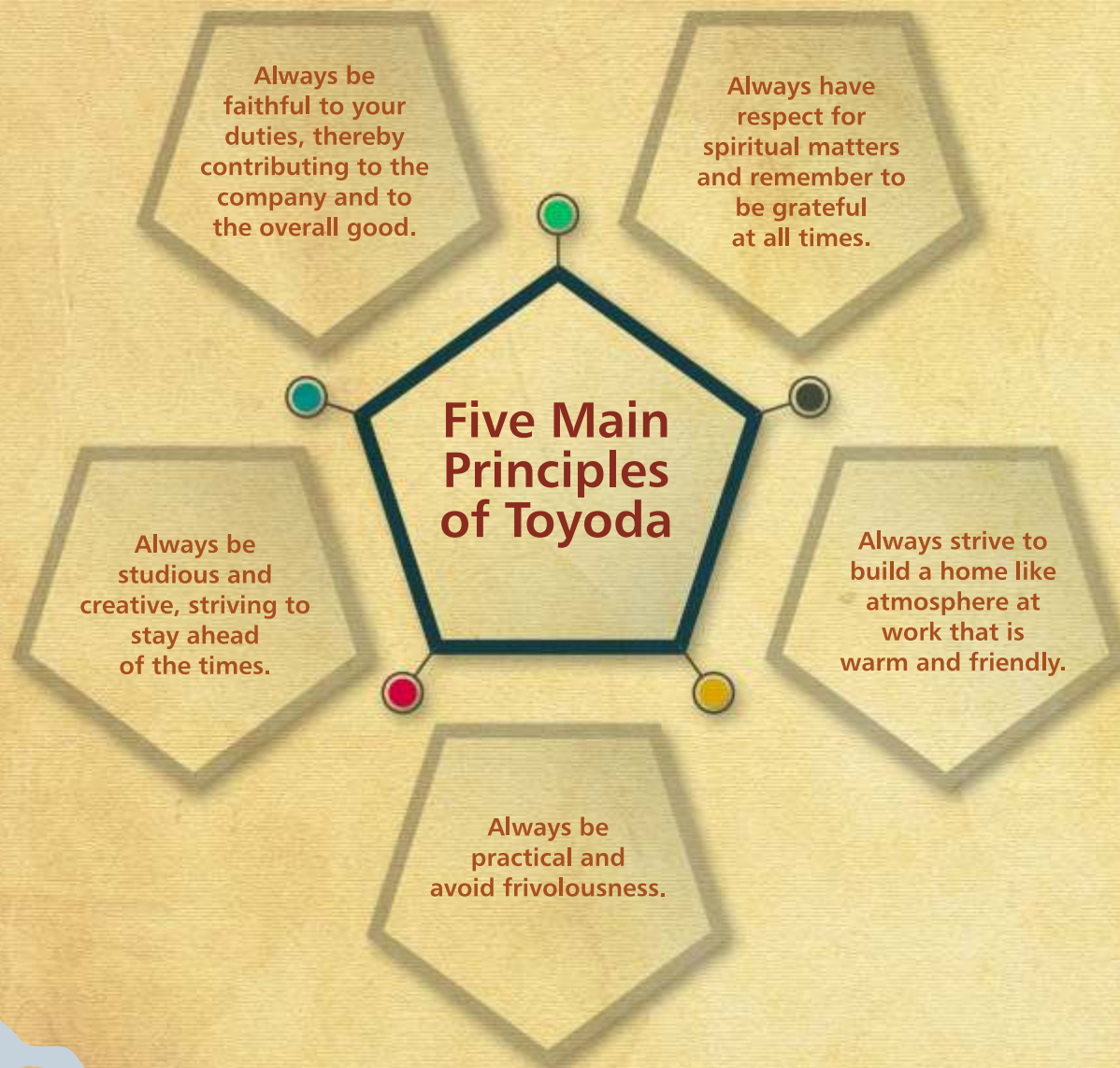


Key Milestone



Company Overview

Fundamental Principles



Sakichi Toyoda
Founder of Toyota

Overview of the company

Equity participation	Toyota Motor Corporation: 89% Kirloskar Group: 11%
Company Address	Bidadi Industrial Area, Ramanagara District
Year of Establishment	6th Oct 1997
Total Installed Production capacity	3,10,000 units per annum
Markets	India, South Africa, Mauritius, Bhutan, Nepal and Brunei

Team TOYOTA Vision 2025 GROW INDIA & GROW WITH INDIA

Toyota India will contribute to enrich the quality of life in India and help solve the societal problems by establishing high standards of Safety, Technology, Quality and Corporate Social Responsibility



With a spirit to constantly Learn, Teach, Improve and Innovate, all our stakeholders and families will collaborate to help make India a better place



We will strive for excellence in sustainability ensuring we are eco friendly in our products, services and customer experience



Products - Toyota



Manufactured



Imported

**Yaris**

All Sense, All Sedan

**Platinum Etios**The Most
Dependable Sedan**Fortuner**

True SUV, True Style

**Innova Crysta**

Luxury meets Power

**Camry Hybrid**A New Kind of Luxury,
Ahead of its Time**Prius**The Planet's Favorite
Hybrid**Prado**

All Terrain Luxury

**Etios Liva**Designed Stylish,
Built Safe**Etios Cross**

Born with Attitude

**Innova Touring Sport**Designed to
Distinguish**Corolla Altis**

The New Benchmark

**Land Cruiser 200**

The Pride of the World

Products - Lexus



ES 300H

Mid-size Sedan



LS 500H

Full-size Sedan



NX 300H Luxury

Compact Luxury SUV



NX 300H F Sport

Compact Luxury SUV



RX 450H Luxury

Mid-size Luxury Crossover



LX 570

Full-size Luxury SUV

Toyota Kirloskar Motor is one of the leading companies in the automotive industry. The Company's business activities comprise of the Automotive Manufacturing and Services divisions. The business activities focus on

developing, producing and selling passenger cars. The product portfolio of the Passenger Cars Business Area ranges from fuel-efficient small cars and luxury vehicles.

Economic performance

The economic performance of a company is often considered as a measure of its success. We regularly analyze our financial soundness and ensure we remain economically stable, to create and share more value to all our stakeholders. Financial Year 2018-19 was a year of profits for us. Our strength lies in our responsible business practices, keeping 'customer satisfaction' as the focal point of our business operations.

Economic Performance

Values in Crores

Economic value generated, distributed and retained

	2018-19	2017-18
Revenue (through core business segments)	19,633.38	18,998.09
Other Income (through other sources)	370.41	267.89
Total	20,003.79	19,265.98
Other Expenses	18,297.51	16,735.14
Personnel Expenses (wages + benefits)	1,015.67	988.86
Interest Charges	31.43	31.65
Community development / CSR Investments	20.72	18.29

Contribution to Benefit Plan

	2018-19	2017-18
Contribution to Provident and other funds	63.84	62.16
Staff Welfare expenses	106.62	106.91

Significant financial assistance received from Government

	2018-19	2017-18
IT exemption	0.00	0.00
Land provided at subsidised rate	0.00	0.00
Incentive - Sales Tax deferral	0.00	126.82
Custom, excise duties waived	0.00	0.00
Others	0.00	0.00

Financial Impact of Climate Change

As climate change may cause environmental, social, political and economic implications, it is important for businesses to recognize the need to adapt and consider climate change implications in their business risk management. This will not only aid the company's competitiveness in the long run but may also present financial opportunities through the process and product improvements. Hence, we have aligned ourselves with Toyota Global Challenge 2050. The six challenges are directly and indirectly aligned with the Sustainable Development Goals [SDGs].