



Joint Report
*Fighting Against Forced Labour and Child Labour
in Supply Chains Act* for:

TOYOTA BOSHOKU AMERICA, INC.
TOYOTA BOSHOKU CANADA, INC.
TOYOTA BOSHOKU INDIANA, LLC

MAY 17, 2024

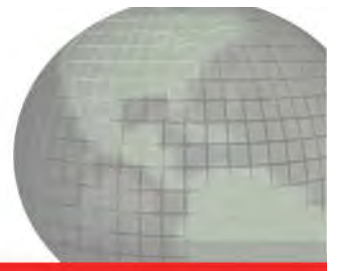


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IDENTIFYING INFORMATION

In respect of the provisions provided in subsection 11(1) of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") this joint report sets out the steps that the Toyota Boshoku America Group Companies ("TBAGC") has undertaken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entities or goods imported into Canada by the entities.

Entities and Locations

This joint report has been prepared for the following entities:

1. Toyota Boshoku America, Inc. ("TBA") – Business Number: 849799762 and located at 1360 Dolwick Drive, Suite 125, Erlanger, Kentucky, 41018.
2. Toyota Boshoku Canada, Inc ("TBCA") – Business Number: 850793365 with two locations at (i) 230 Universal Rd, Woodstock, ON, N4S 7W3; and (ii) 45 Southfield Drive, Elmira, ON, N3B 3L6.
3. Toyota Boshoku Indiana, LLC ("TBIN") – Business Number: 802448258 with two locations at (i) 1698 S. 100 West, Princeton, IN, 47670; and (ii) 733 W 150th South, Princeton, IN, 447670.

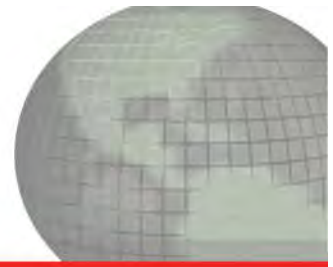
Business Structure and Activities

TBA is the parent company of both TBCA and TBIN (collectively, the Toyota Boshoku America Group Companies "TBAGC"). TBAGC are importers of goods into Canada and regarded as entities as provided in section 2 of the Act under the definition of "entity".

TBAGC is one of the world's premium interior systems suppliers and filter manufacturers, develops and produces interior, filtration, and powertrain components. TBAGC and its affiliates employ over 11,000 Team Members in 21 locations throughout the United States, Canada, Mexico, Brazil, and Argentina. TBAGC is a premier manufacturer of automotive interior systems, which include seat, door trim, headliner, substrate, and carpet in addition to air and oil filters for a variety of customers such as Toyota, BMW, and Subaru.¹

TBAGC is globally part of Toyota Boshoku Corporation (located in Japan, commonly known as TBJ). TBJ has extensive manufacturing operations in Japan, Asia, Europe and the Americas.

¹ From TBA's webpage at: <https://www.toyota-boshoku.com/us>



Assessing Risk in Supply Chains

TBAGC has mapped out its supply chain for activities and assessment of risk. TBAGC has Tier 1 sustainability guidelines and is continuously evolving to meet current compliance requirements for the entire group of companies.²

Tier 1 suppliers that have been vetted by TBA for risk of forced labour and child labour.³ All Tier 1 suppliers need to meet the same set of standards to be a supplier to TBAGC. TBAGC incorporates the use of its Supply Chain Risk Assessment (SCRA) processes which collect supply chain information on the supplier. This information is entered into a risk monitoring system to determine areas of various types of risk (e.g. compliance, legislative, non-compliance with environmental, social and governance standards (ESG), etc.).⁴ Globally, TBAGC carries out risk assessments to reduce risks including management risk, operational risk, risk associated with disasters and accidents, risk arising from the external environment, risks relating to corruption (such as bribery, cartels (agreements upon bids, prices, allocating the supplier and any item to avoid competition among its competitors), embezzlement, and conflicts of interest), and social reputation risk.

Consequently, TBAGC has access to and use of robust risk management procedures and processes for supply chains and sustainability guidelines to assess risk of forced labour and child labour in its supply chain.

In 2024, TBAGC will be replacing its Sphera risk monitoring system with Resilinc Eventwatch⁵ which is an AI-driven risk monitoring system.⁶

Assessing Risk and Implementation of Procedures

TBAGC is developing programs to improve its processes using the Hoshin Kanri⁷ method to reduce the risk of child labour and forced labour in its supply chain.⁸

TBAGC's current risk management, governance and sustainability programs are created for its North American operations. The program, as it evolves, will require the suppliers of TBAGC to be proactive in implementing measures to establish safeguards to remediate the use of forced labour or child labour in its supply chain. TBAGC will use GAP analysis to identify gaps in company policy and operations. This will also allow TBAGC to map out and apply the sustainability guidelines and measure against expected results

² For TBA's CSR and Sustainability programs see: <https://www.toyota-boshoku.com/us/>

³ Tier 1 suppliers are direct suppliers of the product; Tier 2 suppliers are subcontractors for the Tier 1 suppliers.

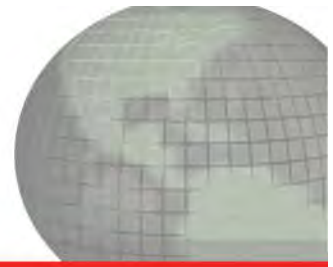
⁴ For further information regarding Toyota Boshoku's SCRA guidelines see: <https://www.toyota-boshoku.com/global/company/procurement/guideline/>

⁵ For further information regarding Resilinc Eventwatch please refer to: <https://www.resilinc.com/solutions/eventwatchai/>

⁶ For further information regarding Sphera please refer to: <https://sphera.com/>

⁷ For article on Hoshin Kanri see: <https://flevy.com/topic/hoshin/question/leveraging-hoshin-kanri-esg-goal-alignment-strategy-success>

⁸ Hoshin Kanri (Policy Deployment), is a methodological approach to Strategic Planning and Management that enables organizations to align their functions and activities with overarching strategic objectives. In the context of increasing emphasis on sustainability, Hoshin Kanri provides a structured framework to integrate ESG objectives into the core strategic goals of an organization.



for suppliers. TBAGC will obtain information from immediate (Tier 1) suppliers and where possible have access to information for suppliers further down the supply chain (i.e. Tier 2 suppliers).⁹

The GAP analysis is a risk assessment measure that will provide TBAGC with information regarding parts of the supply chain that are comparatively more risky than other parts of the supply chain. Where needed, processes can be put in place for recognizing risk-based behaviour, screening of suppliers and service providers and the implementation of further controls to mitigate and manage risk of forced labour and child labour in the supply chain. Lack of access and the inability to evaluate information from Tier 2 suppliers is a concern for TBAGC assessment of its supply chain. The GAP analysis and robust information gathering processes from its Tier 1 (immediate) suppliers will allow the TBAGC to mitigate the risk in its supply chain from Tier 2 suppliers.

TBAGC has initiated “denied party screening” processes for its Tier 1 suppliers to filter suppliers that may be named on restricted or denied lists, and is expanding the program this fiscal year.¹⁰ Denied party screening refers to the process by which a company checks a potential customer or business partner against one or more of the dozens of restricted party lists to ensure it is not about to do business with a restricted party.

TBAGC’s affiliated companies in Mexico supply the TBAGC in the United States and Canada with custom material. The affiliated companies in Mexico have undergone labor voting procedures, as well as adhered to regulations to support the labor rights provisions enshrined in Chapter 23 of the USMCA. For this reason, the TBA Group of Companies’ affiliated companies (suppliers) in Mexico adopted the measures set forth in Annex 23-A. Annex 23-A of the USMCA, is titled *Worker Representation in Collective Bargaining in Mexico*. Annex 23-A recognizes labor’s right to collective bargaining, the right to unionize, dispute resolution processes and independent bodies to issue sanctions against those who violate the authority of the legislation. Consequently, the provisions of Chapter 23 of the USMCA for labor laws protect workers and reduce the risk of use of forced labour and child labour in North American supply chains.

Training and Effectiveness

The TBAGC engages with civil society groups, experts and other stakeholders’ on issues such as forced labour and/or child labour in supply chains. The TBAGC’ purchasing personnel attended Toyota Motor North America’s Sustainability Conference in 2023. During the conference, the TBAGC’ employees were able to have access to feedback from customers, Tier 1 suppliers and sustainability practices to benchmark and understand current best practices and the implications of new legislation.

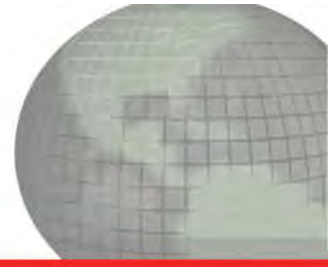
The TBAGC currently requires automated employment law training for its managers. The training is beneficial in identifying employment risks that may be associated with supply chains and areas where employment laws are minimally administered and implemented.

The TBAGC processes to filter supply chain risk has not identified forced labour or child labour in its supply chain. For this reason, the TBAGC has not identified any loss of income to vulnerable families.

The TBAGC risk assessment measures are conducted through its sustainability and SCRA programs. The TBAGC works with its Tier 1 suppliers to have suppliers self-assess sustainability and risk across the supply chain. The TBAGC will be working with its suppliers to further strengthen the assessment processes to identify risk of forced labour and child labour in its supply chain.

⁹ Tier 1 suppliers are direct suppliers of the product. Tier 2 suppliers are subcontractors for the company’s tier 1 suppliers.

¹⁰ To see the United States’ Denied Parties List please see:
<https://www.bis.doc.gov/index.php/policy-guidance/lists-of-parties-of-concern/denied-persons-list>



CONCLUSION

TBAGC administers sustainability programs and continues to implement best practices and assess risk across its supply chain for its own needs. These ESG programs are being constantly updated and improved through better practices, as well use of better resources (e.g. adoption of Resilinc Eventwatch, etc.).

TBAGC has prioritized the improvement of its ESG programs and performance analysis. Tier 1 suppliers are audited through sustainability surveys, self-assessment programs, overview of supplier's ESG programs, as well as denied party screening.

TBAGC is educating its workforce to identify, report and resolve issues relating to supply chain security. Forced labour and child labour has been identified as a security risk as well as a regulatory risk. As a priority issue, TBAGC will be working with its suppliers, stakeholders and government bodies to further strengthen methods for mitigating the security, compliance and regulatory risk of forced labour and child labour in its supply chain.