



# **Toyota Leasing (Thailand) Company Limited**

## **Green Financing Framework**

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March 2021

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## Section 1 Introduction to Toyota Leasing (Thailand) Company Limited (“TLT”)

### 1.1 Company Overview

Toyota Motor Corporation (“TMC” or “Toyota”) was incorporated under the law of Japan and listed in several markets, i.e. Japan Stock Exchange, New York Stock Exchange and London Stock Exchange. Currently, TMC is the largest automobile manufacturer in Japan and one of the world’s leading automakers in terms of both vehicles produced and vehicles sold in more than 190 countries under the trademarks of Toyota, Lexus, Daihatsu, and Hino. In the fiscal year 2020, Toyota sold 8.958 million vehicles worldwide.

Toyota Financial Services Corporation (“TFS”) which was incorporated under the law of Japan, owns 87.3% shareholding stake in Toyota Leasing (Thailand) Company Limited (“TLT”) as of March 2021 and is responsible for overseeing TLT’s management and operations. TFS is a wholly-owned subsidiary of TMC.

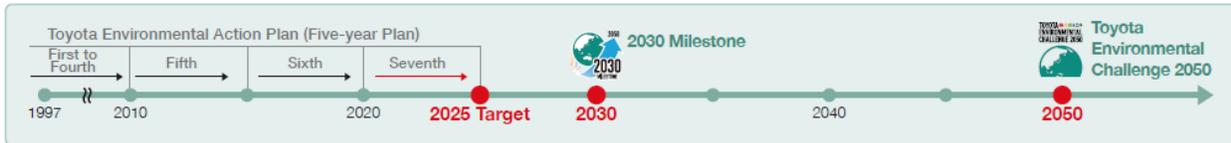
Shareholders (as of March 2021)	Nationality	% of Shares
Toyota Financial Services Corporation	Japanese	87.33%
Bangkok Bank Plc.	Thai	10.00%
Bank of Tokyo-Mitsubishi UFJ Ltd.	Japanese	1.51%
Sumitomo Mitsui Banking Corporation	Japanese	0.58%
BTMU Holding (Thailand) Co., Ltd.	Thai	0.21%
Toyota Auto Body Thailand, Co., Ltd.	Thai	0.20%
Toyota Motor Thailand Co., Ltd.	Japanese	0.06%
Bangkok MUFG Co., Ltd.	Thai	0.05%
Toyota Motor Finance (Netherlands) B.V.	Dutch	0.04%
SBCS Co., Ltd.	Thai	0.02%
		100.00%

TLT is a hire purchase and leasing company that was incorporated under the law of Thailand and registered with the Ministry of Commerce in October 1993. It is the first-ever local financial subsidiary established by Toyota in the Southeast Asia region outside Japan. TLT’s principal objective is to support Toyota’s local operations by providing a full range of automotive financial services to Toyota, Lexus and Hino retail customers and dealers in Thailand.

Since its incorporation until February 2021 TLT has expanded to include 10 regional branch offices, with permanent staffs of 1,231 (not including temporary staff) supporting 157 authorized Toyota and Lexus dealers and 54 authorized Hino dealers all over Thailand.

## 1.2 Sustainable Development Strategies and Approach

### Toyota's Path to a Low Carbon Future: Toyota Environmental Challenge 2050<sup>1</sup>



In 2015, Toyota formulated the Environmental Challenge 2050, a set of six long-term goals that will reduce the environmental burden of our products and activities. Toyota is also contributing to achieving the goals and targets of the SDGs through measures to realize the Toyota Environmental Challenge 2050.

Achieve Zero CO <sub>2</sub> Emissions	Achieve a net positive environmental impact
<p><b>New Vehicle Zero CO<sub>2</sub> Emissions Challenge</b></p> <p>Challenge</p> <p><b>CO<sub>2</sub> 0</b></p> <p>Reduce global* average CO<sub>2</sub> emissions (TtW<sup>2</sup>) from new vehicles by 90 percent compared to Toyota's 2010 levels by 2050</p> <p>Contribution to SDGs</p> <p>7 Climate Action, 13 Life Below Water</p>	<p><b>Challenge of Minimizing and Optimizing Water Usage</b></p> <p>Challenge</p> <p>Minimize water usage and implement water discharge management according to individual local conditions</p> <p>Contribution to SDGs</p> <p>6 Clean Water and Sanitation</p>
<p><b>Plant Zero CO<sub>2</sub> Emissions Challenge</b></p> <p>Challenge</p> <p><b>CO<sub>2</sub> 0</b></p> <p>Achieve zero CO<sub>2</sub> emissions at global plants by 2050</p> <p>Contribution to SDGs</p> <p>7 Climate Action, 9 Industry, Innovation and Infrastructure, 13 Life Below Water</p>	<p><b>Challenge of Establishing a Recycling-based Society and Systems</b></p> <p>Challenge</p> <p>Promote global deployment of End-of-life vehicle treatment and recycling technologies and systems developed in Japan</p> <p>Contribution to SDGs</p> <p>9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production</p>
<p><b>Life Cycle Zero CO<sub>2</sub> Emissions Challenge</b></p> <p>Challenge</p> <p><b>CO<sub>2</sub> 0</b></p> <p>Completely eliminate all CO<sub>2</sub> emissions throughout the entire vehicle life cycle</p> <p>Contribution to SDGs</p> <p>12 Responsible Consumption and Production, 13 Life Below Water</p>	<p><b>Challenge of Establishing a Future Society in Harmony with Nature</b></p> <p>Challenge</p> <p>Connect nature conservation activities beyond the Toyota Group and its business partners among communities, with the world, to the future</p> <p>Contribution to SDGs</p> <p>12 Responsible Consumption and Production, 15 Life on Land</p>

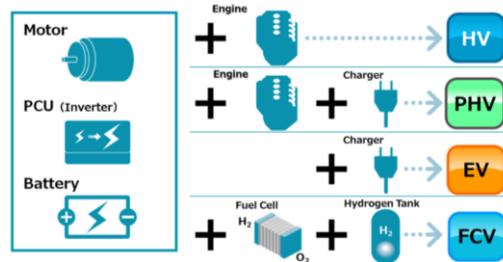
\* Japan, U.S., Europe, China, Canada, Brazil, Saudi Arabia, India, Australia, Taiwan, Thailand and Indonesia

<sup>2</sup> Tank to Wheel: CO<sub>2</sub> emissions during driving (CO<sub>2</sub> emissions during the production stage of the fuel is not included; TtW emissions are zero in the case of battery electric vehicles and fuel cell electric vehicles)

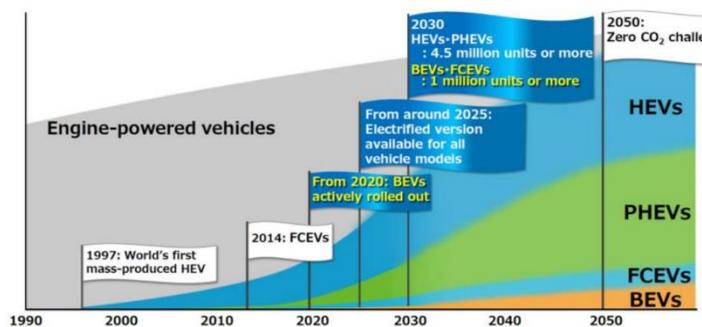
<sup>1</sup> [https://global.toyota/pages/global\\_toyota/sustainability/report/er/er20\\_en.pdf](https://global.toyota/pages/global_toyota/sustainability/report/er/er20_en.pdf)

One of these goals is to decrease carbon emission from new vehicles by 90% compared to 2010 levels via methods below, within 2050 time frame.

1. Continuing to develop technology that achieves better fuel efficiency, and
2. Accelerating the widespread adoption of next-generation alternative powertrain technology



Toyota has set quantifiable milestones for achieving this goal:



- By 2020: 15 million cumulative hybrid sales
- By 2025: dedicated electric or electrified option for all models
- By 2030: total electrified vehicle sales of 5.5 million+ units per year, including 1 million+ units of zero emission vehicles

*Electrified Vehicles (EV) consists of:*

- HEVs : Hybrid Electric Vehicles
- PHEVs : Plug-in Hybrid Electric Vehicles
- FCEVs : Fuel Cell Electric Vehicle
- BEVs : Battery Electric Vehicle

**Toyota’s Path to a Low Carbon Future: The Toyota hybrid system is the core of Toyota and Lexus alternative fuel vehicles**

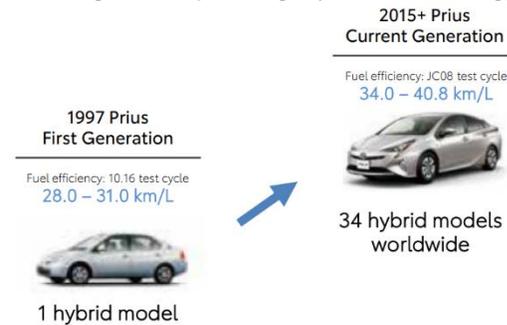
- Over 46 thousand hybrids sold in Thailand<sup>2</sup>, and over 15 million worldwide<sup>3</sup>
- Since 1997, Toyota hybrids have reduced CO<sub>2</sub> emissions by 118 million tons compared to comparable gasoline-powered vehicles<sup>4</sup>
- 26 hybrid models in Thailand<sup>2</sup> and 44 hybrid models worldwide
- Toyota continues to refine its core hybrid technology and expand its use while exploring different applications for pure electric and fuel cell powertrains:

<sup>2</sup> As of December 2020

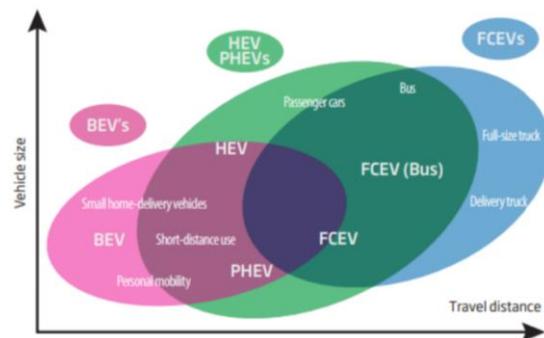
<sup>3</sup> As of January 2020

<sup>4</sup> As of April 2020, calculated by: number of registered vehicles x distance travelled x fuel efficiency (actual fuel efficiency in each country of sale) x CO<sub>2</sub> conversion

### Refining and Expanding Hybrid Technology



### Applying Pure Electric and Fuel Cell Technologies



### TLT's Contribution to a Low Carbon Future

On the environment front, TLT plays a key role in supporting the dissemination of electrified vehicles advocated by Toyota through its hire purchase business. Besides, Toyota established a promotion structure based on its environmental policies and have been undertaking various concrete efforts for many years.

In Thailand, the sales of Toyota's hybrid vehicles have grown significantly with CAGR of over 22% between 2018 – 2020 while the proportion of hybrid vehicles sold versus total unit sold have grown from 4.1% in 2018 to 7.9% in 2020. TLT's financing of hybrid vehicles has also experienced significant growth with the growth of 96.6% from 2019 to 2020 in terms of hybrid vehicle unit financed while the proportion of hybrid vehicles financed versus total unit financed have grown from 2.0% in 2019 to 4.9% in 2020.

## Section 2 Green Financing Framework

TLT's Green Financing Framework (the "Framework") is established in accordance with the Green Bond Principles, 2018 ("GBP")<sup>5</sup>, issued by the International Capital Markets Association ("ICMA"), and the Green Loan Principles, 2020 ("GLP")<sup>6</sup> issued by the Loan Market Association ("LMA").

In alignment with the GBP, and GLP, the Framework is presented through the following key pillars:

1. Use of proceeds
2. Process for project evaluation and selection
3. Management of Proceeds
4. Reporting

TLT will aim to adhere to best practices in the market and will review the Framework's alignment to updated versions of the Green Bond Principles, Green Bond Standards, and Green Loan Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 ("Amendments to this Framework") below.

<sup>5</sup> <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>6</sup> <https://www.lsta.org/content/green-loan-principles/>

## 2.1 Use of Proceeds

An amount equal to the net proceeds of TLT green debt-like instruments, including, but not limited to, bonds and loans, in Thai baht or other currencies issued from time to time will be used to finance and/or refinance new and/or existing loans or leases for the eligible car models as defined in the Eligible Criteria section that were originated within a two-year look-back period before the settlement of the TLT green financing instruments. The portion of the respective issuance that is not yet allocated to Eligible Criteria at such time will be disclosed separately.

### 2.1.1 Eligibility Criteria

Financing and/or refinancing of selected pools of loans and leases to Toyota vehicle models that are funded, in whole or in part, by TLT and that meet the following Eligibility Criteria

- Vehicles that are gasoline-electric hybrids or alternative fuel powertrain vehicles;
- The amount of CO<sub>2</sub> emitted per kilometer per passenger not exceeding 100g CO<sub>2</sub> per kilometer per passenger;
- Maximum highway and city L/100 km of not more than (5.88 L/100 km) or minimum highway and city MPG of (40 MPG); and
- Satisfying Thai Industrial Standard (TIS) 2540-2554<sup>7</sup>.

### Exclusion

Vehicles which do not meet the definition of Eligible Criteria will be automatically excluded from the portfolio of assets available to allocate against the net proceeds of TLT green financing instruments.

For the avoidance of doubt, vehicles with the following powertrains are excluded:

- Conventional Internal Combustion Engines (ICEs)
- Liquefied Petroleum Gas (LPG)
- Compressed Natural Gas (CNG)
- Ethanol
- Biofuels

### 2.1.2 Alignment with and contribution to the United Nations Sustainable Development Goals (UN SDGs)

It is anticipated that the Framework will support the achievement of certain United Nations Sustainable Development Goals. The Framework directly advanced “Good Health and Well-Being” (SDG 3, Target 3.9), “Sustainable Cities and Communities” (SDG 11, Target 11.2), “Responsible Consumption and Production” (SDG 12, Target 12.6), and “Take urgent action to combat climate change and its impacts” (SDG 13, Target 13.1)<sup>8</sup>. By incentivizing consumers to choose ‘clean’ vehicles, TLT’s Green Financing Framework contributes to the achievement of the below targets of the SDGs.

<sup>7</sup> Source : <http://car.go.th/> The Office of Industrial Economics

<sup>8</sup> <https://sdgs.un.org/goals>

Eligible Green Categories	Alignment with ICMA GBP	Eligible Projects Description & Environmental Benefit	Alignment with UN SDGs
Clean Transportation	Clean Transportation	Finance and/or refinance new and/or existing loans or leases for the eligible car models (as defined in Eligible Criteria part) which will <ul style="list-style-type: none"> <li>• contribute transitioning the world towards a low-carbon future as a result of reduction in CO<sub>2</sub> emission</li> <li>• contribute to climate change mitigation by increasing clean or climate neutral mobility</li> </ul>	   

## 2.2 Process of Project Evaluation and Selection

Eligible models are selected by TLT’s Treasury Division based on the Eligible Criteria above. The Treasury Division will meet on an annual basis, including on an ad hoc basis when amendments are required to the Eligible Criteria portfolio.

The Treasury Division is responsible for:

- Proposing the Eligible Criteria to the Treasury Division and TLT Management to review and approve
- Undertaking regular monitoring of the asset pool to ensure the eligibility criteria, whilst replacing any ineligible criteria with new green assets
- Verifying compliance of the green criteria with TLT’s policy and internal environmental and social standards
- Ensuring that the allocation of proceeds is aligned with the eligibility criteria
- Facilitating regular reporting on any green financing instruments in alignment with the section 2.4 on ‘Reporting’ including but not limited to reporting all finance and/or refinance new and/or existing for which the underlying assets are eligible models.
- Managing any future updates to the Framework

## 2.3 Management of Proceeds

The net proceeds to TLT from the TLT green financing instruments will initially be deposited by TLT into general account, which will be managed by TLT's Treasury Division. The relevant information regarding the net proceeds will be tracked, monitored, and documented by using TLT's internal reporting system.

The balance of the net proceeds will be tracked and adjusted to match allocations to eligible models which satisfy Eligible Criteria until the bond proceeds are fully allocated.

If for any reason some vehicle models are no longer eligible, TLT will use its best efforts to substitute such underlying assets as soon as is practical, once an appropriate substitution has been identified by the Treasury Division.

The time required for full allocation of proceeds will depend largely on existing loans or leases for the eligible vehicle models and/or the sales rate of eligible vehicle models and TLT's financing market share of those sales.

Pending allocation, proceeds will be invested in liquid marketable or money market instruments until applied to new originations of loans or leases. TLT aims to be fully allocated to green financing instruments within 2 years of issue date.

## 2.4 Reporting

### 2.4.1 Allocation Report

Until the proceeds are fully allocated, TLT will prepare TLT Green Financing Allocation report certifying information where feasible such as:

- the THB amount of both leases and loans of eligible vehicle models originated by eligible vehicle type (Allocated Proceeds);
- the amount of any remaining unused proceeds in the segregated account(s) (Unallocated Proceeds); and
- the proportion of financing and/or refinancing new and/or existing loans and leases

The report will be made available annually and published on TLT's website: <https://www.tlt.co.th/index.php>.

### 2.4.2 Impact report

TLT intends to report on the impact created by the selected electrified vehicles portfolio financed and/or refinanced by the green financing proceeds on one-time basis. TLT will also, subject to data availability, report on the relevant environmental impact metrics and disclose measurement methodology for quantitative indicators. The table below shows the examples of impact indicators that may be reported.

The report will be published on TLT's website: <https://www.tlt.co.th/index.php> approximately one year following the settlement of green financing instruments.

Eligible Green Categories	Examples of impact indicators
Clean Transportation	<ul style="list-style-type: none"> <li>• Number of electrified vehicles financed and/or refinanced by the green financing proceeds</li> <li>• Percentage reduction in CO<sub>2</sub> emissions from electrified vehicles financed and/or refinanced by the green financing proceeds</li> </ul>

### Section 3 External Review

The Framework will be assessed by Second Party Opinion (SPO), namely Sustainalytics, in order to make the alignment of the allocation of funds with Framework’s criteria until the full allocation of the proceeds. Moreover, SPO will ensure that the Framework is aligned with global benchmarks as defined by the Green Bond Principles 2018, the Green Loan Principles 2021, and market best practices.

The verification report will be made available for investors on TLT website for the information transparency and publicity purposes.

### Section 4 Amendments to this Framework

Treasury Division will review this Framework on a regular basis, including its alignment to updated versions of the GBP and GLP as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior internal approval of TLT. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on TLT website and will replace this Framework.