

Second-Party Opinion

Toyota Motor Credit Corporation

Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Toyota Motor Credit Corporation Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible category for the use of proceeds, clean transportation, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that financing Eligible Vehicles will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically goal 11 – Sustainable Cities and Communities.



PROJECT EVALUATION / SELECTION TMCC has pre-selected Eligible Vehicles belonging to model year 2019 or later, which will be financed by new retail loan or lease contracts from the green bond proceeds. This is in line with market practice.



MANAGEMENT OF PROCEEDS TMCC will deposit funds into one or more segregated accounts which will be managed by its Treasury team. Unallocated amounts may be invested in money market instruments. This is in line with market practice.



REPORTING TMCC intends to report on the allocation of proceeds on a monthly basis and until full allocation. In addition, TMCC will engage an independent accounting firm to review the Use of Proceeds reports, and TMCC will publish a one-time impact report a year following the bond settlement providing a quantitative estimate of the lifetime reduction in carbon emissions achieved by the Green Bond proceeds. Sustainalytics views TMCC's allocation and impact reporting as aligned with market practice.

Evaluation date	January 21, 2020
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Issuer Location	Texas, USA
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Introduction

Toyota Motor Credit Corporation (“TMCC”), a California corporation, is an indirect wholly-owned subsidiary of Toyota Motor Corporation (“TMC”) and is marketed under the brands of Toyota Financial Services and Lexus Financial Services. TMCC provides a variety of finance and insurance products to authorised Toyota and Lexus dealers or dealer groups, and to a lesser extent other domestic and import franchise dealers and their customers in the United States (excluding Hawaii) and Puerto Rico. TMC designs, manufactures, assembles, and sells passenger vehicles, minivans and commercial vehicles, and related parts and accessories through its subsidiaries and affiliated companies (TMC, together with its consolidated subsidiaries “Toyota”). Toyota operates in Japan, North America, Europe, Asia, Central and South America, Oceania, Africa and the Middle East. Toyota commenced operations in 1933 as the automobile division of Toyota Industries Corporation and became a separate company in 1937. Toyota is headquartered in Toyota City, Japan.

TMCC has developed the TMCC Green Bond Framework (the “Framework”) under which it intends to issue one or more green bonds and use the proceeds to finance, in whole or in part, new retail loan and lease contracts for Toyota and Lexus vehicles that meet the eligibility criteria outlined in the Framework (a list of eligible models is provided in Appendix 1).

TMCC engaged Sustainalytics to review the TMCC Green Bond Framework, dated January 2020 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (“GBP 2018”).¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of TMCC’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of TMCC’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the TMCC Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The TMCC Green Bond Framework is available on TMCC’s website at: https://www.toyotafinancial.com/us/en/investor_relations/green-bond-programs.html

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the TMCC Green Bond Framework

Summary

Sustainalytics is of the opinion that the TMCC Green Bond Framework is credible and impactful and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of TMCC's Green Bond Framework:

- Use of Proceeds:
 - The use of proceeds category, clean transportation, is recognized as impactful by the GBP 2018. Refer to Section 3 for further discussion of the impact of low-emissions passenger vehicles reducing GHG emissions from the transport sector.
 - Sustainalytics views positively the financing of new retail loan and lease contracts for low-emission passenger vehicles, and that these vehicles will contribute to lowering the carbon emissions from the transportation sector.
 - TMCC has defined eligible vehicles ("Eligible Vehicles") as passenger vehicles from model year 2019 or later, which meet all three of the following eligibility criteria:
 - (i) Gasoline-electric hybrids or alternative fuel powertrain vehicles;
 - (ii) Minimum highway and city miles per gallon (MPG or MPG equivalent) of 40; and
 - (iii) United States Environmental Protection Agency ("EPA") smog rating ("Smog Rating") of 7 or better (where 10 is the cleanest), as determined by the EPA for the purchase of a vehicle in California.
 - Sustainalytics considers an emissions threshold of 75 grams of CO₂ per passenger-kilometre (gCO₂/p-km) to be aligned with international trajectories for low-carbon transportation. Sustainalytics has estimated that TMCC's Eligible Vehicles emit between 0 and 125 gCO₂/km.³ Given U.S. vehicle occupancy statistics of 1.5 passengers per car,⁴ the Eligible Vehicles emit between 0 and 84 gCO₂/p-km and five of the seven Eligible Vehicles include trim versions which emit less than 75 gCO₂/p-km. While some Eligible Vehicles may emit slightly higher emissions than the current international trajectory, Sustainalytics notes that the emissions of the Eligible Vehicles are only slightly higher than the 75 gCO₂/p-km threshold..
- Project Evaluation and Selection:
 - As outlined in the Use of Proceeds section, TMCC has identified and pre-selected Eligible Vehicles from model year 2019 or later based on their powertrain type, MPG, and Smog Rating. Only new Eligible Vehicles will be financed from the Bond Use of Proceeds.
 - Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
 - The net proceeds from the TMCC Green Bond will be initially deposited by TMCC into one or more segregated accounts and will be managed by TMCC's Treasury team. Pending allocation, proceeds may be invested in money market instruments until applied to new originations of Eligible Vehicles.
 - Sustainalytics considers this to be in line with market practice.
- Reporting:
 - TMCC will publish a monthly Green Bond Use of Proceeds report on its website. This allocation reporting will include the number and dollar amount of both leases and loans of Eligible Vehicles originated by model; estimated mileage and smog ratings of the qualifying models; the amount of any unallocated proceeds in the segregated account(s); and the proceeds that have been used in accordance with the use of proceeds of the TMCC Green Bond Framework noted above.
 - TMCC will engage an independent accounting firm to verify the use of proceeds reports, which Sustainalytics considers to be market best practice.
 - On impact reporting, TMCC intends to prepare a one-time impact report, one year following the settlement of the bond, at which point TMCC expects all bond proceeds to be allocated. This

³ Emission per kilometer of eligible vehicles are estimated using EPA Fuel Economy figures (<https://www.fueleconomy.gov/feg/findacar.shtml>), the emission factors for gasoline of 8,887 grams CO₂/gallon (<https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100U8YT.pdf>) and converting to kilometers.

⁴ U.S. Department of Energy "Transportation Energy Data Book", Figure 8.1, at: https://tedb.ornl.gov/wp-content/uploads/2019/03/TEDB_37-2.pdf.

report, which will be publicly available on TMCC's website, will include the quantitative estimate of the lifetime reduction in CO₂ emissions achieved by the Eligible Vehicles financed compared to emissions from the average car in the U.S.

- Based on the commitment to report allocations on a monthly basis, and on the impact report to be elaborated after the settlement of the bond, Sustainalytics considers this to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that TMCC's Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of the Issuer

Contribution of framework to issuer's sustainability strategy

Toyota has formulated corporate strategies to carry out its sustainability goals as outlined in its Environmental Report 2019⁵ and in its Sustainability Data Book 2019.⁶ Toyota is now pursuing the "Toyota Environmental Challenge 2050" which sets out six environmental challenges in relation to their material evaluation for a more sustainable future and which are also meant to support the UN Sustainable Development Goals ("SDGs"). The challenges to be achieved are to (i) reduce global average CO₂ emissions during the operation from new vehicles by 90% from Toyota's 2010 global level; (ii) completely eliminate all CO₂ emissions from the entire vehicle life cycle; (iii) achieve zero CO₂ emissions at all plants worldwide by 2050; (iv) minimize water usage and implement water discharge management based on individual local conditions; (v) promote global deployment of end-of-life vehicle treatment and recycling technologies and systems developed in Japan; and (vi) connect nature conservation activities beyond the Toyota group and its business partners among communities, with the world, to the future.

Toyota Motor North America, Inc. ("TMNA") has developed a regional environmental sustainability strategy aligned with TMC's corporate vision its "Environmental Challenge 2050".⁷ It has identified four focus areas: water, carbon, materials and biodiversity, each with a five-year action plans which it will follow, and promote implementation by all major suppliers. Each focus area also has a position statement, setting out relevant long-term goals to be achieved by 2050:

- Water:⁸
 - Position Statement: By 2050, strive to eliminate water withdrawal from operations and establish closed loop systems with 100% recycled/reused water. TMNA plans to engage with suppliers to get them to adopt similar goals and to engage with communities and non-profit organizations to conserve water and reduce water stress.
 - Progress in current Action Plan: TMNA has mapped its major facilities and prioritized 15 sites in areas of high-water stress for water conservation.
- Carbon:⁹
 - Position Statement: By 2050, strive to eliminate GHG emissions from operations; eliminate dependence on fossil fuels by switching to renewable energy sources; reduce new vehicle CO₂ emissions by 90% from a 2010 baseline through increased fuel efficiency and increasing offering of vehicles with alternative powertrains. TMNA also plans to engage with communities and non-profit organizations to advance their energy security and switch to renewable energy sources.
 - Progress in current Action Plan: TMNA has so far reduced 6% of absolute GHG emissions compared to FY2016 and it is supporting hydrogen fuelling infrastructure deployment and has committed to offering an electrified version of each Toyota and Lexus vehicle by 2025.
- Materials:¹⁰

⁵ Toyota, "Environmental Report 2019", at: <https://global.toyota/en/sustainability/report/er/>.

⁶ Toyota, "Sustainability Data Book 2019", at: <https://global.toyota/en/sustainability/report/sdb/>.

⁷ Toyota Motor North America, "North American Environmental Report", at: <https://www.toyota.com/usa/environmentreport/index.html>.

⁸ TMNA, "Water Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/WATER_Position_updated.pdf.

⁹ TMNA, "Carbon Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/CARBON_Position_updated.pdf.

¹⁰ TMNA, "Materials Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/MATERIALS_Position_updated.pdf

- Position Statement: By 2050, strive to achieve nearly zero waste to landfill, incineration or environment; reduce the use of non-renewable or non-recycled raw material use; and partner with third-party waste reduction and recycling experts and achieve high standards for program certification at major facilities.
 - Progress in current Action Plan: TMNA is using plastic scrap from its manufacturing plant in Cambridge, Ontario for outdoor wood grain-embossed deck furniture.
- Biodiversity:¹¹
 - Position Statement: By 2050, strive to conserve natural habitat in North America, protect threatened and endangered species living on or near Toyota's sites and support wildlife corridors, and engage with people in projects that protect biodiversity.
 - Progress in current Action Plan: TMNA now has 17 sites with gardens to provide monarch butterflies with food and shelter along their migration path and at various stages of their life cycle.

Based on Toyota's commitments and strategies that seek to lower negative environmental and social impacts, Sustainalytics considers that the proceeds from the TMCC green bond will contribute to reach the goals set forth in the Environmental Challenge 2050 and that TMCC is well positioned to issue a green bond.

Well positioned to address common environmental and social risks associated with the projects

While the eligible category is recognized as impactful by the GBP 2018, Sustainalytics also recognizes that as with any large initiative this program may be exposed to environmental and social risks. For the deployment of hybrid or alternative powertrain vehicles the most relevant risks include the environmental and social impacts of electrical vehicle supply chains, including batteries, and health and safety risks related to vehicle operations. Additionally, consumer lending involves financial risks for the offering entity as well as risks to the borrower.

Toyota is aware of these risks and thus has developed programs and policies to address them. Toyota has developed the Toyota Supplier CSR Guidelines,¹² which is based on the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights. The policy addresses issues touching upon "growth in harmony with the environment and aim for zero-emissions" in business activities, the inclusion of Environmental Management Systems (EMS) to safeguard the environment, a responsible material procurement section to avoid usage of materials derived through unethical or otherwise unacceptable means, and human rights and labor protections. In FY2016, Toyota introduced the CDP Supply Chain Program to support continuous environmental initiatives conducted with suppliers. Toyota also uses this program to assess environmental risks and opportunities across the supply chain.⁵

TMNA is also a member of the U.S. EPA's Suppliers Partnerships for the Environment. A partnership for automobile manufacturers and suppliers to work together and share environmental best practices.¹³ TMNA had a dedicated Environmental Sustainability department which reports to the North American Executive Environmental Committee (NAEEC). Each region has an environmental committee charged with the promotion of environmental initiatives and to enhance its global response. Environmental committees along with TMC Environmental Affairs Division, and other relevant divisions hold Environment Meetings /Environmental Strategy Meetings to discuss global issues that affect multiple regions.⁵

In addition, Toyota maintains 100% certification in ISO 14001 (Environmental Management) for all domestic and overseas production affiliates. Toyota is also a signatory of the Task Force on Climate-Related Financial Disclosures (TCFD), established by the Financial Stability Board, to conduct appropriate information disclosures and through which it intends to analyze the risks and opportunities resulting from climate change.

In regards to its lending practices, TMCC is a member of the American Financial Services Association (AFSA) whose mission is to promote "safe, ethical lending to responsible, informed borrowers and to improve and protect consumers' access to credit."¹⁴ Furthermore, TMCC has developed a Fair Lending Policy,¹⁵ which sets out its commitment "to treating all individuals fairly and equitably in its lending and servicing practices".

Sustainalytics recognizes that some risks related to the use of cars cannot be mitigated by TMCC, and are instead dependent on customers and other third parties; these include road safety and vehicle end of life management for which Toyota has its own recovery network through which it collects hybrid electric vehicle

¹¹ TMNA, "Biodiversity Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/BIODIVERSITY_Position_updated.pdf.

¹² Toyota, "Supplier CSR Guidelines", at: https://global.toyota/pages/global_toyota/sustainability/esg/supplier_csr_en.pdf.

¹³ TMNA, "Toyota: North American Environmental Report 2019", at: <https://www.toyota.com/usa/environmentreport/downloads/NAER2019-full.pdf>.

¹⁴ AFSA, "About AFSA", at: <https://www.afsaonline.org/About/About-AFSA>.

¹⁵ TFS, "Fair Lending Policy", at: <http://www.tfsfairlending.org/fair-lending-policy/policy/>.

(HEV) batteries to be recycled.¹⁶ Overall, Sustainalytics is of the opinion that TMCC is well positioned to address common environmental and social risks associated with its green bond.

Section 3: Impact of Use of Proceeds

The use of proceeds category, clean transportation, is recognized as impactful by the GBP 2018. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

Importance of low carbon transportation to reduce GHG emissions

The transportation industry is one of the major contributors to climate change and urban air pollution – two prominent global sustainability challenges regarding human health and the environment. According to the U.S. EPA, the transport sector is now the highest greenhouse gas (GHG) contributing sector in the U.S., accounting for 29% of all GHG emissions, of which light duty vehicles account for 59%.¹⁷ Moreover, it was the only consumption sector where CO₂ emissions increased.¹⁸ Even though passenger travel is expected to increase across all transportation modes in the US through 2050 (20% increase for light-duty vehicles miles traveled), estimates point to an overall decrease in energy intensity across most transportation modes with increases in fuel efficiency.¹⁹

Given the necessity of decarbonizing transportation to meet global climate targets, HEVs can play a role in this process due to their higher levels of fuel efficiency, lower GHG emissions, air quality improvements, and reduction of noise compared to conventional combustion engines.²⁰ Coupled with the rise of renewable energy and decarbonizing electricity grids in many U.S. states, HEVs and plug-in hybrid electric vehicles (PHEVs) can help significantly reduce transportation-related emissions. According to the EPA, the energy use per passenger-mile of travel in light-duty vehicles could decline nearly 40% by 2050 through more fuel-efficient vehicles entering the market.¹⁹

Considering the importance of the transport sector in regard to GHG emissions in the U.S., Sustainalytics is of the opinion that TMCC's financing of new loans and leases of HEVs and alternative fuel powertrain vehicles can contribute to the reduction of GHG emissions from the sector and thus contribute to the transition to a low-carbon economy.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goal and target:

Use of Proceeds Category	SDG	SDG target
Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

Conclusion

TMCC has developed the TMCC Green Bond Framework under which it will issue green bonds to finance new retail loan and lease contracts for Toyota and Lexus passenger vehicles models that meet the eligibility criteria outlined in the Framework. Sustainalytics believes that providing easy access to loans and lease contracts which finance low-emission passenger vehicles in the U.S will aid in its transition to a low-carbon economy.

¹⁶ Toyota, FAQs: Can the hybrid battery be recycled?", at: <http://toyota.custhelp.com/app/>

¹⁷ EPA, "Fast Facts on Transportation Greenhouse Gas Emissions", at: <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>.

¹⁸ EPA, "U.S. energy-related CO₂ emissions fell 1.7% in 2016", at: <https://www.eia.gov/todayinenergy/detail.php?id=30712>.

¹⁹ EIA, "Annual Energy Outlook 2019: with projections to 2050", at: <https://www.eia.gov/outlooks/aeo/pdf/aeo2019.pdf>.

²⁰ EECA, "Benefits and considerations of electric vehicles", at: <https://www.eecabusiness.govt.nz/technologies/electric-vehicles/benefits-and-considerations/>

The TMCC Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the TMCC Green Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds will contribute to the advancement of the UN SDG goal of Sustainable Cities and Communities. Additionally, Sustainalytics is of the opinion that TMCC has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with financing retail loans and lease contracts for passenger vehicles.

Based on the above, Sustainalytics is confident that TMCC is well-positioned to issue green bonds and that that the TMCC Green Bond Framework is robust, transparent, and in alignment with the four core components of the GBP 2018.

Appendices

Appendix 1: Eligible Models that satisfy all three eligibility criteria (as of January 2020)

Make	Model	City MPG ⁽¹⁾	Highway MPG ⁽¹⁾	EPA Smog Rating
Toyota	Avalon Hybrid	43	43	7
Toyota	Camry Hybrid ⁽²⁾	44-51	47-53	7
Toyota	Corolla Hybrid	53	52	7
Toyota	Mirai	67 ⁽³⁾	67 ⁽³⁾	10
Toyota	Prius	48-58	43-53	7
Toyota	Prius Prime	54/133 ⁽⁴⁾	54/133 ⁽⁴⁾	7
Lexus	ES 300h	43	44	7

References:²¹

- 1) Miles per gallon ("MPG") or MPG equivalent ("MPGe"), represent the number of miles a vehicle can go using a quantity of fuel with the same energy content as a gallon of gasoline.
- 2) Varies by model: Includes Camry Hybrid LE and Camry Hybrid XLE/SE.
- 3) Figures are miles per kilogram of hydrogen. One kilogram of hydrogen is approximately equal to a gallon of gasoline (https://www.fueleconomy.gov/feg/fcv_sbs.shtml)
- 4) 55 city / 53 highway MPG in hybrid mode. 133 MPGe in electric mode.

²¹ Toyota Motor Credit Corporation, "TMCC Green Bond Program" (January 2020).

Appendix 2: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Toyota Motor Credit Corporation ("TMCC")
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	TMCC Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	January 21, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarize the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (please specify): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (if applicable)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible category for the use of proceeds, clean transportation, is aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that financing Eligible Vehicles will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically goal 11 – Sustainable Cities and Communities.

Use of proceeds categories as per GBP:

- | | |
|--|--|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

TMCC has pre-selected Eligible Vehicles belonging to model year 2019 or later, which will be financed by new retail loan or lease contracts from the Green Bond proceeds. This is in line with market practice

Evaluation and selection

- | | |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification
- ☒ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

TMCC will deposit funds into one or more segregated accounts which will be managed by its Treasury team. Unallocated amounts may be invested in money market instruments. This is in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☒ Allocations to future investments only
- ☐ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements
- ☐ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds
- ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

TMCC intends to report on the allocation of proceeds on a monthly basis and until full allocation. In addition, TMCC will engage an independent accounting firm to review the Use of Proceeds reports, and TMCC will publish a one-time impact report a year following the bond settlement providing a quantitative estimate of the lifetime reduction in carbon emissions achieved by the Green Bond proceeds. Sustainalytics views TMCC's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- ☒ Project-by-project
- ☐ On a project portfolio basis
- ☐ Linkage to individual bond(s)
- ☐ Other (please specify):

Information reported:

- ☒ Allocated amounts ☐ Green Bond financed share of total investment

☐ Other (please specify):

Frequency:

- ☐ Annual ☐ Semi-annual
☒ Other (please specify): Monthly

Impact reporting:

- ☒ Project-by-project ☐ On a project portfolio basis
☐ Linkage to individual bond(s) ☐ Other (please specify):

Frequency:

- ☐ Annual ☐ Semi-annual
☒ Other (please specify): One-time report, to be published one year following the settlement of the bond

Information reported (expected or ex-post):

- ☒ GHG Emissions / Savings ☐ Energy Savings
☐ Decrease in water use ☐ Other ESG indicators (please specify):

Means of Disclosure

- ☐ Information published in financial report ☐ Information published in sustainability report
☐ Information published in ad hoc documents ☒ Other (please specify): TMCC Investor Relations website
☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

TMCC Green Bond Framework: https://www.toyotafinancial.com/us/en/investor_relations/green-bond-programs.html
 TMCC Investor Relations Website:
https://www.toyotafinancial.com/us/en/investor_relations/unsecured_term_debt.html

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- ☒ Consultancy (incl. 2nd opinion) ☐ Certification
☒ Verification / Audit ☐ Rating
☐ Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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