



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 to 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 providing financing to the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 11: Sustainable Cities and Communities.



PROJECT EVALUATION / SELECTION TMCC has established an Eligibility Criteria to finance new retail loan and lease contracts for current and future Toyota and Lexus vehicles, model year 2020 or later. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS TMCC will deposit green bond proceeds into one or more segregated accounts which will be managed by its Treasury Team. Pending allocation, proceeds may be invested in money market instruments. This is in line with market practice.



REPORTING TMCC intends to publish monthly reports on the allocation of proceeds 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 approximately one 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 May 26, 2021¹

Issuer Location Plano, Texas,
United States

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¹ In May 2021, TMCC made changes to their 2020 Green Bond Framework. The scope of Sustainalytics' update consists of assessing a revised list of eligible vehicles that meet the Eligibility Criteria, and to confirm that the changes remain compliant with the intentions of the original Framework and green bond market practice.

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 voluntary vehicle and payment protection products and services to authorized Toyota and Lexus dealers or dealer groups, private label dealers or dealer groups, and to a lesser extent, other domestic and import franchise dealers and their customers in the U.S. (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 current and future Toyota and Lexus vehicles that meet the “Eligibility Criteria” (as described below) outlined in the Framework (a list of eligible models, as of April 2021, is provided in Appendix 1).

TMCC engaged Sustainalytics to review the TMCC Green Bond Framework, dated May 2021,² and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (“GBP”).³ This Framework has been published in a separate document.⁴

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁵ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.8, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

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 the Framework. TMCC representatives have confirmed (1) they understand it is the sole responsibility of TMCC to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

² This is an update to TMCC’s Green Bond Framework dated January 2020, for which Sustainalytics provided a Second-Party Opinion, available at: <https://www.sustainalytics.com/corporate-solutions/sustainable-finance-and-lending/published-projects/project/toyota-motor-credit-corporation/toyota-motor-credit-corporation-green-bond-framework-second-party-opinion/toyota-motor-credit-corporation-green-bond-second-party-opinion-pdf>

³ 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/>

⁴ The TMCC Green Bond Framework is available on TMCC’s website at: https://www.toyotafinancial.com/us/en/investor_relations/green-bond-programs.html

⁵ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and TMCC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that TMCC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

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

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

- Use of Proceeds:
 - The eligible category, Clean Transportation, is aligned with those recognized by the GBP.
 - TMCC has designed an Eligibility Criteria for new retail loan and lease contracts for current, and future, Toyota and Lexus vehicle models where all three components must be met (the "Eligible Models").
 - Eligible Models must comply with the following Eligibility Criteria: (i) Eligible Models should be hybrid electric vehicles (HEVs), plug-in hybrid electric vehicles (PHEV), fuel cell electric vehicles (FCEVs), or battery electric vehicles (BEVs); (ii) the base trim model has a maximum tailpipe CO₂ emission of 110 g/km (approximately 177 grams per mile); and (iii) Eligible Models should have a United States Environmental Protection Agency ("EPA") Smog Rating of seven or better (where 10 is the cleanest).⁶ A list of Eligible Models that satisfy the Eligibility Criteria (as of April 2021) has been included in Appendix 1.
 - Sustainalytics considers a carbon emissions threshold of 75 gCO₂/km or less to be in line with market expectations for low-carbon light-duty passenger vehicles (LDVs), while noting that best practice is to achieve a threshold of 50 gCO₂/km.⁷ These thresholds reflect the need to shift LDV powertrain technologies to battery-electric, hydrogen fuel cell, and plug-in hybrids – technologies that are necessary for the deep decarbonization of passenger transportation.
 - TMCC's Framework allows for the financing of certain HEVs for which the base trim model has maximum tailpipe CO₂ emissions of 110 g/km.⁸ Sustainalytics considers the financing of such HEV vehicles to be a deviation from market expectations and a limitation of the Framework.

⁶ EPA, "Smog Rating", at: <https://www.epa.gov/greenvehicles/smog-rating>

⁷ The threshold of 50 gCO₂/km is included in the EU Taxonomy Climate Delegated Act (at: https://ec.europa.eu/finance/docs/level-2-measures/taxonomy-regulation-delegated-act-2021-2800-annex-1_en.pdf) and has been adopted in the latest version of the Climate Bond Initiatives standards for the Land Transport Criteria. At: https://www.climatebonds.net/files/files/CBI%20Transport%20Criteria%20document_Apr2021.pdf

⁸ Sustainalytics notes that the emissions intensity of vehicle models above the base trim model may be up to about 15 gCO₂/km higher than the intensity of the base trim model. The most carbon-intense models to be financed through the bond is the Camry Hybrid, for which the intensity ranges from 106 gCO₂/km (the base trim model) to 121 gCO₂/km.

- Project Evaluation and Selection:
 - TMCC has established Eligibility Criteria, as per the above, for the vehicles that will qualify for financing a new lease or a retail loan for current and future Toyota and Lexus vehicles. TMCC's Treasury team will use its origination records to release an equivalent amount of funds used to finance Eligible Models from the segregated accounts (described below). In addition, TMCC has included a list of Eligible Models that satisfy the Eligibility Criteria as of April 2021 (see Appendix 1).
 - Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - TMCC's green bond proceeds will be initially deposited into one or more segregated accounts, and proceeds will be managed by TMCC's Treasury team. TMCC estimates that it may take up to a year to fully allocate the bond proceeds. Pending allocation, proceeds may be invested in money market instruments until applied to new originations of Eligible Models. Investment income on amounts on deposit in the accounts will be distributed to TMCC.
 - Based on TMCC's tracking process and the disclosure around the management of unallocated proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - TMCC will publish a monthly Green Bond Use of Proceeds report on its Investor Relations website. This allocation reporting will include the number and dollar amount of both leases and loans of Eligible Models financed by model; estimated CO₂ (g/km) emissions and EPA Smog Ratings of the Eligible Models; the amount of any unallocated proceeds in the segregated account(s); and a confirmation that proceeds have been used in accordance with the use of proceeds section of the Framework and noted above.
 - TMCC intends to engage an independent accounting firm to verify the use of proceeds reports, which Sustainalytics considers to be market best practice.
 - TMCC also intends to prepare a one-time impact report, approximately one year following the settlement of the bond, at which point TMCC expects all bond proceeds to be allocated. This report, which will be publicly available on TMCC's Investor Relations website, will include a quantitative estimate of the lifetime reduction in CO₂ emissions achieved by the Eligible Models financed by the Green Bond proceeds.
 - Based on the commitment to report allocations on a monthly basis, and on the impact report to be provided one year 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 the TMCC Green Bond Framework aligns to the four core components of the GBP. For detailed information, please refer to Appendix 2: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of TMCC

Contribution of framework to TMCC's sustainability strategy

As an operating company under Toyota, TMCC's sustainability strategy is aligned with Toyota's corporate sustainability strategy. Toyota demonstrates a commitment to sustainability within its operations and supply chain, as outlined in its Environmental Report 2020⁹ and its Sustainability Data Book 2020,¹⁰ which further supports the goals laid out in the "Toyota Environmental Challenge 2050."¹¹ The Toyota Environmental Challenge 2050 lists six environmental "challenges" identified as part of a material evaluation of its environmental impact and which Toyota intends to be in alignment with the Sustainable Development Goals (SDGs).

Toyota Motor North America, Inc. ("TMNA"), Toyota's marketing, sales, engineering, and manufacturing arms in North America, has developed a regional environmental sustainability strategy aligned with Toyota's

⁹ Toyota, "Environmental Report 2020", at: <https://global.toyota/en/sustainability/report/er/>

¹⁰ Toyota, "Sustainability Data Book 2020", at: <https://global.toyota/en/sustainability/report/sdb/>

¹¹ Toyota, "Environmental Challenge 2050", at: <https://global.toyota/en/sustainability/esg/challenge2050/>

sustainability priorities that focuses on four key environmental areas: carbon,¹² water,¹³ materials,¹⁴ and biodiversity.¹⁵ Each focus area has a position statement, setting out relevant long-term goals to be achieved by 2050. Some examples of sustainability progress and initiatives, as outlined in TMNA's 2020 North American Environmental Report¹⁶, include:

- Carbon
 - In FY2020, TMNA achieved a 9% reduction in Scope 1 and 2 greenhouse gas (GHG) emissions compared to FY2019 and a 14% reduction compared to the FY2016 baseline. Its plants and other facilities implemented measures such as improving compressed air system efficiency, reducing equipment operation during non-production times, converting to LED lighting, reducing natural gas consumption, installing variable frequency drives on equipment and optimizing building performance.
 - As of December 2020, just over 3% of TMNA's power consumption was from renewable sources. TMNA expects to increase its share of renewable energy to 40% in the future. TMNA intends to achieve this goal by signing virtual power purchase agreements (VPPAs) to help accelerate the company's shift to renewable energy sources.
 - In addition, TMNA is supporting the EPA's Green Power Partnership and has been a member of the Renewable Energy Buyers Alliance (REBA) since 2020.
- Water
 - In FY2020, Toyota achieved a 2.3% reduction in water consumption compared to FY2019, withdrawing approximately 1.77 billion gallons of water at 102 North American facilities, of which 35% was recycled or reused in its North American manufacturing plants.
 - Toyota's assembly plant in Mississippi reduced its vehicle water use rate following the installment of an ElectroCell system, a water treatment technology using low voltage electricity to produce electrocoagulation in the cooling tower water.
- Materials:
 - TMNA is developing and commercializing technologies that enable the use of sustainable materials throughout a vehicles' life cycle, such as bio-based plastics for seat cushions (included in the Toyota Prius, Corolla, and RAV4) and post-industrial garment clippings made of cotton and synthetic fibers in door panel insulation, floor silencer, and floor mats.
 - Toyota is looking for alternatives to rare earth metals needed for electric vehicles. TMC has developed a magnet used in electric vehicle motors that replaces up to 50% of the neodymium, a rare earth metal, with more abundant and cheaper lanthanum and cerium. Toyota expects the magnets to be used in electric vehicles and other applications by 2025.
 - In 2019, TMNA expanded the recycling program to include lithium-ion batteries (now covered by 10-year/150,000-mile warranty for 2020 and beyond vehicles compared to an 8-year/100,000-mile warranty). In addition, TMC is working with the recycling industry and researchers to develop advanced recycling techniques to recover key materials from lithium-ion batteries, and TMNA is exploring how to incorporate these methods into North America to facilitate battery-to-battery recycling.
- Biodiversity
 - As of December 2020, programs at 13 Toyota sites have achieved Wildlife Habitat Council (WHC) Conservation Certifications. WHC supports TMNA to evaluate animal species on their sites and identify appropriate habitat development projects.

Based on the above, Sustainalytics is of the opinion that the TMCC Green Bond Framework is aligned with Toyota's overall sustainability strategy and initiatives and will further contribute to reach the goals outlined in the Toyota Environmental Challenge 2050.

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

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are expected to have positive environmental impact, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks associated with the eligible assets include social and environmental impacts across vehicle and component (including batteries) supply chains and end-of-life management, health and safety risks related to vehicle operations, and financial risks for the offering entity as well as risks to the borrower.

¹² TMNA, "Carbon Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/CARBON_Position_updated.pdf

¹³ TMNA, "Water Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/WATER_Position_updated.pdf

¹⁴ TMNA, "Materials Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/MATERIALS_Position_updated.pdf

¹⁵ TMNA, "Biodiversity Position Statement", at: https://www.toyota.com/usa/environmentreport/downloads/BIODIVERSITY_Position_updated.pdf

¹⁶ TMNA, "North American Environmental Report 2020", at: https://www.toyota.com/usa/environmentreport/downloads/2020_NAER_final.pdf

Sustainalytics is of the opinion that TMCC is able to manage and/or mitigate potential risks through the implementation of the following:

- The Toyota Supplier CSR Guidelines,¹⁷ based on the UN Guiding Principles on Business and Human Rights and the Universal Declaration of Human Rights, addresses issues touching upon “growth in harmony with the environment and aim for zero-emissions” in business activities; the inclusion of an 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.
- TMNA had a dedicated Environmental Sustainability department that 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. Toyota complies with the state of California, vehicle emissions programs and met the requirements for each model year. In addition, the membership with the EPA’s Suppliers Partnerships for the Environment and the Renewable Energy Buyers Alliance (REBA) allows for automobile manufacturers, suppliers, and renewable energy stakeholders to work together and share environmental best practices.
- 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.
- 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.”¹⁸ Furthermore, TMCC is committed to adhering to applicable fair lending laws and regulations and expects to treat all credit applicants and customers equitably in their lending and servicing practices.¹⁹

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. Toyota has a recovery network through which it collects hybrid electric vehicle (HEV) batteries to be recycled and intends to establish a global battery recycling system by 2030.²⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that TMCC has implemented adequate measures and is well-positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

The use of proceeds category is aligned with those recognized 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 EPA, the transport sector is the highest contributor of GHG emissions in the U.S., contributing 28% of all GHG emissions of which light-duty vehicles account for 59%.²¹ Despite a 15% decrease in energy-related CO₂ emissions in the transportation sector in 2020 – largely due to less travel as a result of the COVID-19 pandemic restrictions – passenger travel is expected to increase across all transportation modes in the U.S. through

¹⁷ Toyota, “Supplier CSR Guidelines”, at: https://global.toyota/pages/global_toyota/sustainability/esg/supplier_csr_en.pdf

¹⁸ AFSA, “About AFSA”, at: <https://www.afsaonline.org/About/About-AFSA>

¹⁹ Toyota, “Dedicated to Service Excellence”, at: https://www.toyotafinancial.com/us/en/about_us/company_overview.html

²⁰ Toyota, “Annual Report 2020”, at: https://global.toyota/pages/global_toyota/sustainability/report/er/er20_en.pdf

²¹ EPA, “Fast Facts on Transportation Greenhouse Gas Emissions”, at: <https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions>

2050 (22% increase for LDVs miles traveled). However, estimates point to an overall decrease in energy intensity across most transportation modes with increases in fuel efficiency.²²

HEVs can contribute to a low carbon transition due to their higher levels of fuel efficiency, lower GHG emissions, air quality improvements, and reduction of noise compared to conventional combustion engines. Coupled with the rise of renewable energy and decarbonizing electricity grids in many U.S. states, HEVs and 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.

Energy efficiencies for light-duty vehicles are affected by current federal fuel economy and GHG emissions standards. In March 2020, the National Highway Traffic Safety Administration (NHTSA) and the EPA issued the Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule,²³ setting out fuel economy and carbon dioxide standards that increase 1.5% in stringency each year from model years 2021 through 2026. Furthermore, the U.S. officially rejoined the Paris Agreement in February 2021 and pledged, in April 2021, to cut in half its GHG emissions from its 2005 levels by 2030 and to reduce carbon pollution from the transportation sector by reducing tailpipe emissions and boosting the efficiency of cars.²⁴

Considering the importance of the transport sector regarding GHG emissions in the U.S., there is a need to shift LDV powertrain technologies to battery-electric, hydrogen fuel cell, and plug-in hybrids to achieve the current federal GHG emission reduction targets and the commitments of the Paris Agreement. 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.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) issued under the TMCC Green Bond Framework advances the following SDG 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 may issue one or more green bonds and use the proceeds to finance, in whole or in part, new retail loan and lease contracts for current and future Toyota and Lexus vehicles that meet the Eligibility Criteria outlined in the Framework. Sustainalytics considers that the assets funded by the green bond proceeds are expected to provide a positive environmental impact.

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 green use of proceeds category will contribute to the advancement of the UN Sustainable Development Goal 11: Sustainable Cities and Communities. Additionally, Sustainalytics is of the opinion that TMCC has adequate measures to identify, manage and

²² EIA, "Annual Energy Outlook 2021: with projections to 2050" (2021), at: https://www.eia.gov/outlooks/aeo/pdf/AEO_Narrative_2021.pdf

²³ NHTSA, "NHTSA and EPA finalize CAFE and carbon dioxide emissions standards for model years 2021-2026" (2020), at: [https://www.nhtsa.gov/corporate-average-fuel-economy/safe#:~:text=Aug.&text=The%20Safer%20Affordable%20Fuel%2DEfficient%20\(SAFE\)%20Vehicles%20Rule%20proposed,model%20years%202021%20through%202026](https://www.nhtsa.gov/corporate-average-fuel-economy/safe#:~:text=Aug.&text=The%20Safer%20Affordable%20Fuel%2DEfficient%20(SAFE)%20Vehicles%20Rule%20proposed,model%20years%202021%20through%202026)

²⁴ The White House, "FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target Aimed at Creating Good-Paying Union Jobs and Securing U.S. Leadership on Clean Energy Technologies" (2021), at: <https://www.whitehouse.gov/briefing-room/statements-releases/2021/04/22/fact-sheet-president-biden-sets-2030-greenhouse-gas-pollution-reduction-target-aimed-at-creating-good-paying-union-jobs-and-securing-u-s-leadership-on-clean-energy-technologies/>

mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

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

Appendices

Appendix 1: List of Eligible Models (as of April 2021)

Make	Model	Vehicle Type	CO ₂ (g/km)	EPA Smog Rating	MPG ²⁵
Toyota	Camry Hybrid ²⁶	HEV	106-121	7	49
Toyota	Corolla Hybrid	HEV	106	7	52
Toyota	Prius ²⁷	HEV	98-110	7	52
Toyota	Prius Prime	PHEV	48	7	52 / 133 ⁽²⁸⁾
Toyota	RAV4 Prime	PHEV	45	7	38 / 94 ⁽²⁸⁾
Toyota	Mirai	FCEV	0	10	70 ⁽²⁹⁾

²⁵ City/highway combined miles per gallon ("MPG") or MPG equivalent ("MPGe") averaged across all trims.

²⁶ Includes Camry Hybrid LE (base trim with 106 gCO₂/km) and Camry Hybrid SE/XLE/XSE (121 gCO₂/km).

²⁷ Includes Prius (105 gCO₂/km), Prius Eco (98 gCO₂/km), and Prius AWD (110 gCO₂/km).

²⁸ 1st figure represents MPG in hybrid mode, and the 2nd figure represents MPG in electric mode.

²⁹ Represents the average of the Mirai Limited and the Mirai XLE. Figures are miles per gallon equivalent. One kilogram of hydrogen is approximately equal to a gallon of gasoline (https://www.fueleconomy.gov/feg/fcv_sbs.shtml)

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

Section 1. Basic Information

Issuer name: Toyota Motor Credit Corporation

Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: TMCC Green Bond Framework

Review provider's name: Sustainalytics

Completion date of this form: May 26, 2021

Publication date of review publication:

Section 2. Review overview

SCOPE OF REVIEW

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

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

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <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 (<i>please specify</i>): | |

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 providing financing to the eligible category will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 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 GBP | <input type="checkbox"/> Other (<i>please specify</i>): |

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

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

TMCC has established an Eligibility Criteria to finance new retail loan and lease contracts for current and future Toyota and Lexus vehicles, model year 2020 or later. Sustainalytics considers the project selection process 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 checked="" 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 green bond proceeds into one or more segregated accounts which will be managed by its Treasury Team. Pending allocation, proceeds 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 publish monthly reports on the allocation of proceeds 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 approximately one 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):

Information reported (expected or ex-post):

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

Frequency

- ☐ Annual ☐ Semi-annual
- ☒ Other (please specify): One time impact report to be published approximately one year after bond settlement

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.)

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 recognized 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 specialized 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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