

INDUS MOTOR COMPANY LTD.

2018 | SUSTAINABILITY REPORT



ABOUT THE REPORT

Indus Motor Company Limited (IMC) is proud to share the 3rd Sustainability Report, covering the period of the financial year 2018, starting from July 1, 2017 to June 30, 2018 (hereafter referred to as '2018'). A deep focus on sustainability is core to the way IMC does business. We measure success not only by our financial results, but also in terms of our impact and contribution to the sustainable development of our society and our Earth. This report is intended to be a transparent, candid and relevant summary of our social, environmental and governance performance during this period, detailing our successes and our challenges as well as our future targets, plans and ambitions.

In compiling this report, we have drawn on international best practices, the GRI Sustainability Reporting Standards and "Ten Principles" of UNGC. The reporting principles- for defining the report contents and ensuring the quality of disclosures- from GRI 101: Foundation (2016) have been applied. The detailed information about defining report contents, topic boundaries and list of material topics is available in the materiality analysis section of this report.

This report focuses on IMC's operations, covering the assembling of Passenger Cars (Corolla), Light Commercial Vehicle (Hilux) and SUV (Fortuner) of Toyota brand. Because the impact of our activities extends beyond our offices and production plants, we also discuss our relationships with key internal and external stakeholders, including our employees, dealers, suppliers and the communities in which we operate. There were no significant changes during the reporting period to the size, structure or ownership of IMC. This report is available in print and online at www.toyota-indus.com.

We have used the scientific measurement on actual basis for the data included in the report. However, where estimates are used, this has been clearly mentioned. The measurement techniques are applied consistently over the period. There were no changes in the reporting period, scope and boundary of material topics. Restatement/revisions have been made in the report to correct the calculation errors. These restatements/revisions are clearly mentioned in the relevant section where restatement/revision have been carried out. Last year's report was published on September 23, 2017.

This report has been prepared in accordance with the GRI Standards: Core option. The report is not externally reviewed. However, the SHE Committee – the highest decision-making forum on sustainability issues at IMC has reviewed the report for accuracy. We intend to pursue an external review of our Sustainability Report in future. The GRI content index is available on page 65.

We are committed to producing an annual Sustainability Report to share our sustainability initiatives, impact of our activities and our contributions towards the goal of sustainable development.

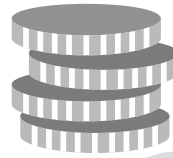


KEY PERFORMANCE HIGHLIGHTS



64,000
VEHICLES SOLD

SALES **INCREASED BY 5%**
OVER PREVIOUS YEAR.



NET SALES

IN BILLION RUPEES

140

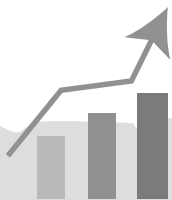
REVENUES **INCREASED BY 25%**
OVER PREVIOUS YEAR.



62,886

VEHICLES MANUFACTURED

PRODUCTION **INCREASED BY 5%** OVER
PREVIOUS YEAR.



15.8

**NET PROFIT
AFTER TAX**

IN BILLION RUPEES

NET PROFIT **INCREASED BY 21%**
OVER PREVIOUS YEAR.



**ENERGY
CONSUMPTION**

IN GJ

410,779

ENERGY CONSUMPTION
INCREASED BY 31% OVER
PREVIOUS YEAR.



458,488

WATER CONSUMPTION

IN M3/PER YEAR

WATER CONSUMPTION **INCREASED BY
23%** OVER PREVIOUS YEAR.



GHG EMISSIONS

IN METRIC TONS

21,866

GHG EMISSIONS **INCREASED BY
21%** OVER PREVIOUS YEAR.



**COMMUNITY
INVESTMENT**

192

IN MILLION RUPEES

COMMUNITY INVESTMENT **INCREASED
BY 10%** OVER PREVIOUS YEAR.

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OVERVIEW

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- ▶ ABOUT IMC
- ▶ OUR PRODUCTS



CHAIRMAN'S MESSAGE

Dear Stakeholders,

At Indus Motors, we subscribe to the vision of becoming Pakistan's most trusted mobility Company with an underlying belief that the freedom of movement drives human progress. This year we continued our investment in transformational programs that give people better access to basic needs, create opportunities, promote safe driving and enrich community life. Through the years we have implicitly enshrined the triple bottom-line approach by creating social, financial and environmental value for a broad category of our stakeholders. These principles have been further augmented by our adoption of the Sustainable Development Goals (SDGs) which provide us with the impetus to create broad-based and meaningful impacts through our business and socio-environmental interventions. This approach is strongly reflected by a 10% increase in our community and social investments in the year 2018 amounting to PKR 192 million spread across various flagship programs.

Together with our people, communities and partners, we continue to turn forward-thinking ideas into life-changing opportunities for men, women and children across Pakistan and beyond. Our teams now engage with various local businesses and community leaders to advance our mission of "Environmental Challenge 2050" – an initiative aimed at addressing rising environmental problems, including changing climate conditions; loss of biodiversity; and water scarcity as some of the key issues faced by the global community today. Under this signature program to create a better world for our future generations, Toyota-Indus, is adopting cleaner technologies and renewable energy sources to reduce the impact of our operations on the environment and deploying a more energy-efficient eco-system throughout our value chain.

In addition, to institute a broader implementation of sustainable practices we are working with our business & supply chain partners by deploying resources and trainings that enhance their capabilities and skill-set whilst increasing their orientation of sustainability.

We believe that the automotive industry in Pakistan is undergoing its most significant change in decades. Fundamental economic challenges such as a historic current account deficit, declining exports and depreciating currency continue to exert demand side pressures; however, through meticulous focus on linking sustainable business practices with optimal performance, we have forged ahead and achieved new benchmarks. Moreover, in 2018, we have recalibrated our plants and facilities for increased production and with new upgrades, we are confident that our resources are now being focused on sustaining profitability, strengthening our business performance; capitalizing on growth opportunities for the long term and providing safe and sustainable mobility solutions to our customers.

Innovating for the future requires new skillsets and new ways of thinking. Our diverse and inclusive team brings wide-ranging perspectives and experiences to solving the complex transportation challenges of today and tomorrow. As a Company committed to reinventing mobility for all, we want and need everyone to participate. Therefore, we are working for affirmative action to close the gender gap in engineering by investing in partnerships with academia whilst maintaining our focus on becoming an employer that enshrines diversity and inclusion for all including females and differently-abled persons. The organization fully supports employees who wish to positively impact the



Ali S. Habib
Chairman

“ Together with our people, communities and partners, we continue to turn forward-thinking ideas into life-changing opportunities for men, women and children across Pakistan & beyond. ”

communities around them and this year the employees contributed more than 3000 plus hours to volunteering and giving back to communities through various initiatives. We strongly believe in a shared value approach and through our CSR arm we have been at the forefront of giving back to people in the areas of Education, Health and Road Safety.

At IMC, our journey to a more sustainable and greener future is underway. We have the right approach to sustainability, an enterprising team, the right technology and the manufacturing scale to bring innovative solutions, solve societal challenges and create new social value for the people and the planet, more quickly than others. We are ready, leading, and we are working hard as one team, with integrity, to create a world that is safer, better and more sustainable for all.

CHIEF EXECUTIVE'S MESSAGE



Ali A. Jamali
Chief Executive Officer

Dear Stakeholders,

Emerging markets the world over are gaining share in the global trade and will be the drivers of economic growth going forward. Pakistan is projected to be the 20th largest economy by 2030. The political stability, improved law and order situation and the promise of better governance and business-friendly policies by the newly elected government augers well for the business environment and the country.

The automobile industry in Pakistan is one of the fastest growing sectors of the economy. During 2017-18, it posted a record domestic production sales volume of 258,632 units, an increase of 21% over the prior year despite the economic challenges of current account deficit and depreciating exchange rates.

The company has attained new milestones in vehicle sales, revenue and profitability in the year 2017-18. Sale of vehicles surpassed 60,000 mark for the third consecutive year depicting customers' confidence in our products. The net profit for the year was PKR 15.8 billion with an increase of 21% compared to the previous year. To meet growing demand of vehicles, a new paint shop facility was inaugurated during the year which will help to reduce vehicle delivery time and will enable us to

meet the ever increasing vehicle demand over the coming years. In line with Toyota's philosophy of "Kaizen" or continuous improvement, we are continuously making efforts to reducing the bottlenecks, increasing efficiency and production capacity. Together with our business partners, we strive to continue delivering best in class and safest vehicles to our customers.

As a responsible player in the automotive industry and in line with the global expectations on sustainability, we strive to conserve the environment and promote judicious use of natural resources at our plant site and throughout the supply chain. Reduction in energy consumption, GHG emissions, use of water and waste are the key focus areas in our operations and aligned with the "Toyota 2050 Environmental Challenge". The 5S Clean-up Drives carried out in Karachi city for creating awareness about the importance of clean environment and our new initiative to plant 1 million trees are evidence to our commitment to clean and green our environment. During the year, we encountered aberrations on account of new paint shop expansion and other operational upsets resulting in increases on these counts (energy 97,699 GJ, GHG emissions 3,803 Mt and fresh water 85,791 m³). However, we remain committed to taking appropriate counter measures and to reduce the impact of these levels of consumptions in the coming years.

Our people help us achieve our corporate goals, deliver exceptional performance and customer delight. We nurture our people continuously through extensive trainings to develop skills and knowledge required for meeting stakeholders' expectations. Health and safety of operations, our people and our customers is a top priority at IMC. We are dedicated to remain focused on health and safety aspects of our operations, our people and our customers while taking acumen from Toyota global experience.

Our business partners, including our dealers and suppliers help us meet customer expectations. We provide support to our business partners in shape of trainings and guidelines to make our supply chain sustainable. We are dedicated to collaborate with our partners for enhancing their experience with IMC and promoting sustainability practices in supply chain.

To enrich lives of our communities through our CSR program, we continued our interventions in the fields of education, healthcare, promotion of science and technology and road safety. Our CSR spending remained 1% of our pre-tax profit of preceding year showing our determination to bring change in the lives of unprivileged communities and promote technical education.

“

In line with the global expectations, we strive to conserve the environment and promote judicious use of natural resources at our plant and supply chain.

”

We pledge to support the "Ten Principles" of the United Nations Global Compact (UNGC) and the Sustainable Development Goals (SDGs) of United Nations. This report demonstrates our impact on economy, environment and society along with our contribution to the "Ten Principles" of the UNGC.

We thank our stakeholders for their continued trust in our brand and we invite you all for your valuable feedback.

IMC HISTORY



2000's

2010's

1997
OCTOBER
25,000th vehicle line-off

1996
APRIL
Launch of Corolla Diesel (2.0D)

1996
JANUARY
Launch of the first Toyota Hilux

1989
Incorporated as a joint venture company between the House of Habib of Pakistan, Toyota Motor Corporation and Toyota Tsusho Corporation of Japan.

1993
APRIL
Plant Inauguration

1993
MAY
Launch of the first Corolla (7th generation) with 30 local parts

1993
MAY
Mr. Eiji Toyoda (1913 – 2013), known as the legendary "Father" - of Modern Toyota and acknowledged as the architect of the world famous Toyota Production System, visited IMC production facilities.

1980's

2018
FEBRUARY
RO Plant Inauguration

2018
JANUARY
New Paint Shop Inauguration

2017
JANUARY
Launch of New Fortuner

2017
AUGUST
NCAT Machine Installed

2017
NOVEMBER
750,000th vehicle Line-off

2015
JANUARY
Celebrated the Silver Jubilee Event

2016
JUNE
Record highest, Production - 64,096 Sales - 64,586 units

2016
NOVEMBER
Launch of New Toyota Hilux Revo

2014
SEPTEMBER
Launch of the 11th generation Corolla with 777 local parts

2013
DECEMBER
Launch of Toyota Prius Hybrid (CBU)

2013
FEBRUARY
Line-off the 1st locally manufactured Fortuner

2012
JULY
Discontinuation of Daihatsu Cuore

2012
NOVEMBER
500,000th vehicle Line-off

ABOUT INDUS MOTOR COMPANY

Indus Motor Company Limited was incorporated in 1989 as a joint venture company between certain House of Habib Companies, Toyota Motor Corporation and Toyota Tsusho Corporation. The Company manufactures and markets Toyota brand vehicles in Pakistan. The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category, 'Hilux' in the light commercial vehicles segment and 'Fortuner' Sports Utility Vehicle. The Company also markets genuine parts, motor oil in addition to providing maintenance services through a network of dealers spread across the country.

The manufacturing facility and offices are located at a 105 acre site in Port Qasim, Karachi, while the product is delivered to end customers nationwide through a strong network of 45 independent 3S Dealerships spread across the country. Our customers include organizations, government departments, security agencies and private buyers. There were no significant changes in the ownership, structure of operations at IMC or its supply chain during the year.

The total number of workforce at the end of financial year 2018 was 3,266 employees. The net sales for the year 2018 were Rs. 140 billion, while the total capitalization was Rs. 81.9 billion. Further details about assets, beneficial ownership and sales breakdown are available on page 104, 131 and 132 respectively of our Annual Report 2018. The total number of vehicles sold during 2018 was 64,000 units.



OUR PRODUCTS

Toyota's Global Vision is to enrich lives through mobility, in the most responsible way. This guides our commitment to manufacture sustainable and safe products that delight our customers and help society to transition to a low carbon economy.

The Corolla with several variants is the top selling car in the passenger category and the Fortuner has been the best-selling model in SUV category. The Hilux is the leading selling vehicle in light commercial category. IMC also markets imported cars with warranty and

after-sales support through its widespread dealers' network. We are proud of our growing production operations. In November 2017, we celebrated the 750,000th vehicle to roll off our production line.



COROLLA



FORTUNER



HILUX REVO



HILUX SINGLE CABIN



Manufacture



Import



CAMRY



**LAND CRUISER
PRADO**



AVANZA



LAND CRUISER



PRIUS



HIACE



COASTER



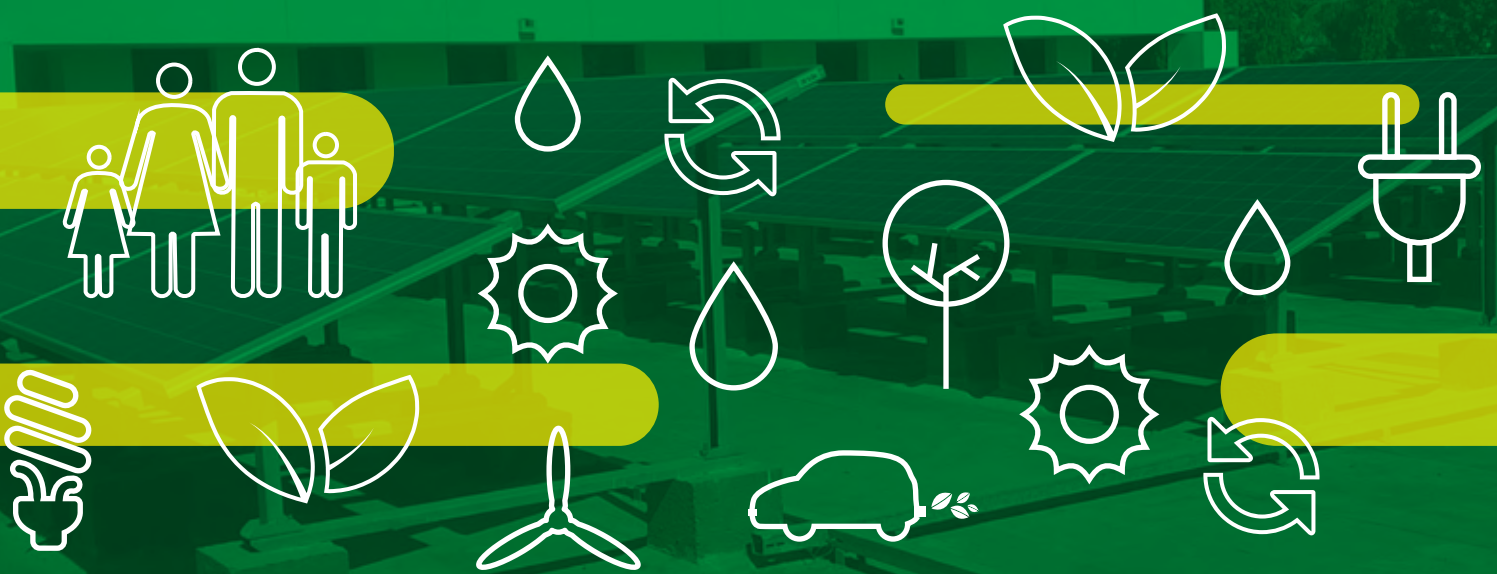
Manufacture



Import

- ▶ TOYOTA GLOBAL COMMITMENT
- ▶ OUR COMMITMENT
- ▶ STAKEHOLDER ENGAGEMENT
- ▶ MATERIALITY ANALYSIS

- ▶ TOYOTA GLOBAL COMMITMENT
- ▶ OUR COMMITMENT
- ▶ STAKEHOLDER ENGAGEMENT
- ▶ MATERIALITY ANALYSIS



SUSTAINABILITY AT IMC

We view sustainability – not just in our vehicles, but throughout the entire value chain – as a basic requirement for tomorrow’s individual mobility and ensuring its social acceptability. We believe the only way to achieve success in the long term is through sustainable action. Led by our company values “sustainable”, “innovative”, “excellence” and steered by the Toyota Global Commitment, our sustainability strategy provides the basis for long-term, profitable and sustained growth. “Concern Beyond Cars” demonstrates our aspiration to advance our sustainable practices beyond core operations and make a meaningful contribution towards the goal of sustainable development.

REUSE 
REDUCE
RECYCLE



TOYOTA GLOBAL COMMITMENT

Toyota global commitment to sustainability is demonstrated through Toyota's vision and seven guiding principles.



TOYOTA GLOBAL VISION



Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people.



Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile.



We will meet our challenging goals by engaging the talent and passion of people, who believe there is always a better way.

TOYOTA GUIDING PRINCIPLES

Toyota Guiding Principles are reflected in the commitment to fairness in all corporate activities, provision of clean, safe and innovative products, and respect for the environment and the culture of communities where Toyota operates.



TOYOTA GLOBAL CSR POLICY - Contribution Towards Sustainable Development

The business actions and the initiatives taken by Toyota Motor Corporation, subsidiaries and joint ventures to contribute towards the goal of sustainable development are based on Toyota Guiding Principles. Toyota Motor Corporation complies with local, national and international laws and regulations as well as the spirit thereof and conducts business operations with honesty and integrity and expects its business partners to do business accordingly.

THE TOYOTA ENVIRONMENTAL CHALLENGE 2050



AIMING TO ESTABLISH A FUTURE SOCIETY IN HARMONY WITH NATURE

Toyota Environmental Challenge is aimed at addressing rising environmental problems, including changing climate conditions leading to extreme weather, loss of biodiversity due to increased industrial activity and excessive waste being thrown in the rivers, and water scarcity due to excessive use and growing population. To play its part, in October 2015, Toyota formulated and announced the Toyota Environmental Challenge 2050. The ideal goal has grown higher from “Toyota’s presence will not impact the environment” to “Toyota’s presence will have a positive impact on the environment.” The challenge is composed of six individual challenges across three areas: ever-better cars, ever-better manufacturing and enriching lives of communities. The activities implemented to meet the Environmental Challenge are outlined in the sixth Toyota Environmental Action Plan, which can be found on the Toyota website at www.toyota-global.com/sustainability/environment/plan/sixth_plan/.

CHALLENGE # 1

New Vehicle Zero CO₂ Emissions Challenge



Reduce global average new vehicle CO₂ emissions by 90% from Toyota's 2010 global level

CHALLENGE # 2

Life Cycle Zero CO₂ Emissions Challenge



Completely eliminate all CO₂ emissions, Target including materials, parts and manufacturing from the vehicle life cycle

CHALLENGE # 3

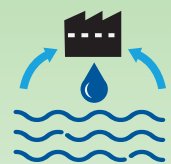
Plant Zero CO₂ Emissions Challenge



Achieve zero CO₂ emissions at all plants by 2050

CHALLENGE # 4

Challenge of Minimizing and Optimizing Water Usage



Enact effective wastewater management and minimize water consumption based on individual local situations

CHALLENGE # 5

Challenge of Establishing a Recycling-based Society & Systems



Promote global rollout of end-of life vehicle treatment and recycling technologies developed in Japan

CHALLENGE # 6

Challenge of Establishing a Future Society in Harmony with Nature



Promote global rollout of the nature conservation activities beyond the Toyota Group and its business partners

Toyota has promoted a wide range of environmental initiatives to address worsening global environmental issues. Toyota is committed to reduce the environmental impact of automobiles and the process of manufacturing them as close to zero as possible, and will roll out new initiatives towards a sustainable society to make a positive impact on the earth and society.

OUR COMMITMENT

Our commitment to sustainability is guided by Toyota's global vision and guiding principles. The "Toyota Way" sets the standards expected from the affiliates and is supported by our comprehensive corporate governance structure. The integrated management system policy, health and safety policy and code of conduct are the leading pillars of our commitment to be a responsible corporate citizen. These guiding documents set the principles for the business activities and conduct of our workforce.

The commitment is articulated through compliance with the requirements of our integrated management system. We strive for continuous improvement in order to manufacture high quality and safe products with reduced environmental impact, provide a creative and safe workplace, deliver service to society and maintain market leadership. Our commitment to environmental management of our operations is enunciated through our five years' environmental program based on Toyota Motor Corporation guidelines. Our 6th Environmental Action Plan (FY17- FY21) is being implemented in line with Toyota's global commitment to sustainability.

Our production operations are driven by two key principles of TPS – "Just-In-Time" and Jidoka. "Just-In-Time" requires that we make only what is needed, when it is needed and in the quantity it is needed, resulting in eliminating waste, including waste time and effort. Jidoka means 'automation with human touch'. It is based on corrective action. It requires that as soon as a problem is identified, production stops and action is immediately taken to resolve the issue.

We are aware that our impacts are not only limited to our operations but also include our supply chain. To better manage our impact in supply chain, we are encouraging and engaging our supply chain partners to undertake initiatives for better management of negative impact in the supply chain. In line with our commitment, the "Dealership Engagement" program was initiated to create awareness and to highlight the importance of sustainability practices among supply chain partners. In order to further strengthen the commitment and involvement of the dealers, sustainability is now being made part of TWSM (Toyota Way Sales Management) Scoring Criteria and is compulsory for all dealers.

Responsibility for sustainability lies with IMC's Board of Directors and management team. The Board has the responsibilities for defining sustainability initiatives and overseeing progress. The management team has the responsibility for delivery of the sustainability programs. Details of corporate governance structure are provided on page 26 of this report.



STAKEHOLDER ENGAGEMENT

The business environment throughout the globe is transforming as emerging markets are becoming new growth engines. A positive outcome in the country is obvious in the form of rising middle income group which hint at higher vehicle ownership. However, the increasing duties and taxes, along with falling exports, are making the business environment more challenging. We recognize the importance and effectiveness of a good relationship with our stakeholders to keep the growth momentum in the competitive marketplace. Therefore, we strive to take our stakeholders' opinions before all decisions, thereby ensuring inclusivity. Being an automobile manufacturing company, our primary stakeholders include Customers, Dealers, Suppliers, Employees, Community and the Government.

Stakeholders' participation in consultations and determination of the organization's major impact is important, being an integral partner to achieving our organizational goals and making a broader contribution to sustainable development. We envisage stakeholders as individuals, groups of individuals or organizations that are affected by our activities, products and services or whose actions and relationships can affect our ability to meet our corporate objectives.

Stakeholders are identified considering the aspects of dependence, involvement with IMC, responsibility, influence and diversity. We prioritize stakeholders for engagement based on the factors of knowledge, relationship with our organi-

zation, dependence, influence and willingness to engage. Stakeholder engagement at IMC is an ongoing practice. The relevant departments are responsible for day to day engagement and need-based engagement on different issues affecting our stakeholders or the Company. The engagement is carried out through surveys, focus groups and meetings.

In addition to regular stakeholder engagement, we carried out Sustainability Report specific engagement with our important stakeholder groups for the Sustainability Report 2018.



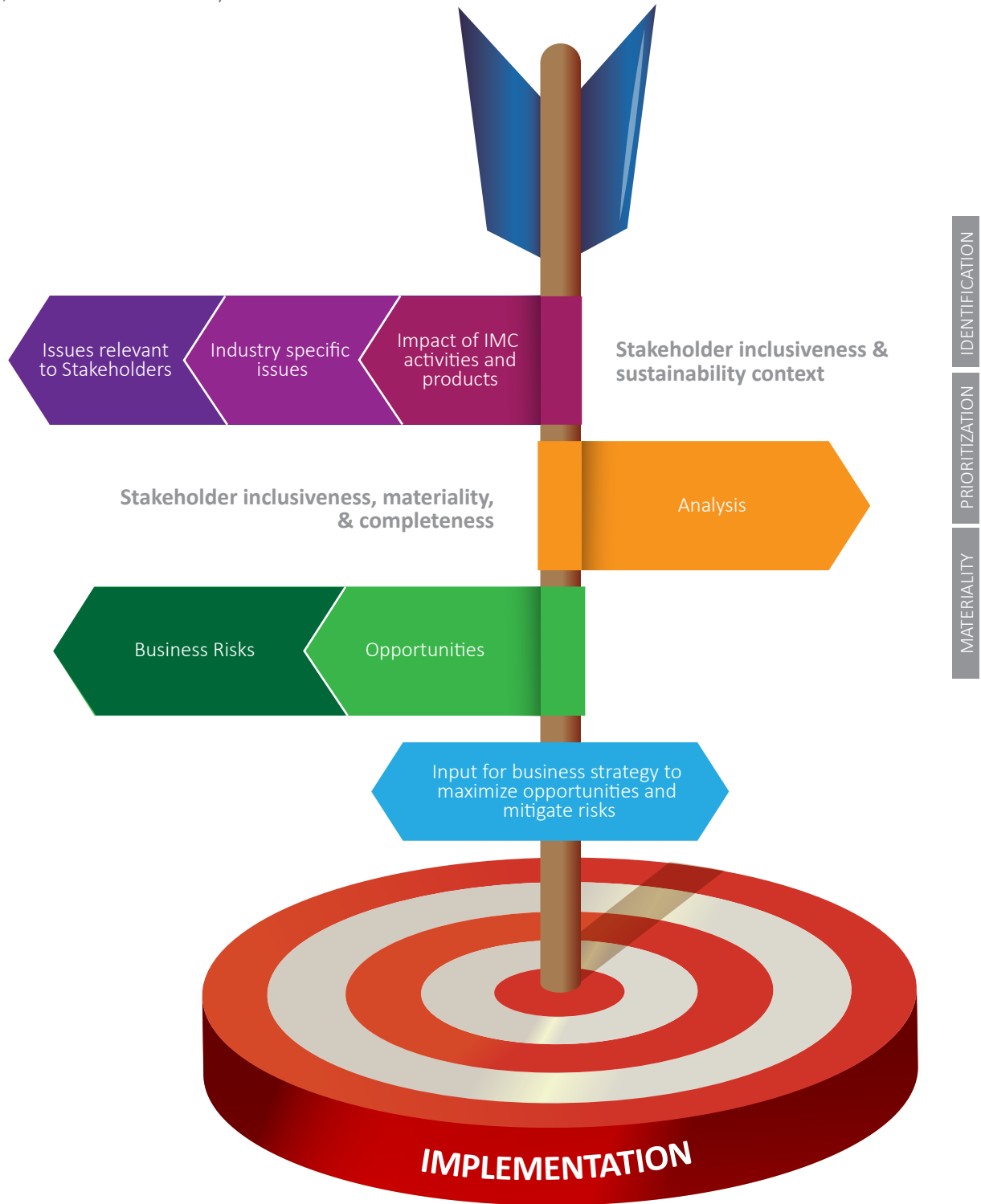
Stakeholder Group	Engagement Frequency	Mode of Consultation	Stakeholder Concerns	Our Response
Customers	Ongoing	Customers are engaged through Customer Relations department and customer surveys. Customers Assistance Center runs a toll free number to facilitate customers. Alternatively customers can send emails to a dedicated email address for customer response.	Product availability, product & services quality, customer safety, cost and delivery time.	IMC is committed to providing quality products at competitive prices focusing on customer safety and comfort.
Toyota Motor Corporation	Ongoing	Review meetings, involvement in IMC management and operations, Toyota global initiatives and forums.	Compliance with globally shared metrics, including health and safety, environment and community.	Compliance with Toyota Motor Corporation metrics and continuous learning from international network.
Dealers	Ongoing	Dealers are engaged through dealer surveys, focus groups, frequent meetings and conferences.	Product delivery mechanism, compliance with IMC requirements, and dealer training and support.	IMC is committed to extending full support and training on compliance requirements and product attributes for improving customer experience at its dealerships, leading to increased returns for dealers and the Company.
Suppliers	Ongoing	Suppliers are engaged through meetings, quarterly workshops and supplier surveys. Suppliers are also encouraged to share their concerns/feedback in annual supplier conferences.	Technical support, supplier site quality checks, product safety.	IMC is dedicated to extending technical support to its supply chain partners to improve the quality of parts and reduce rejection at supplier end, leading to economic benefits to suppliers and production of safe vehicles.
Shareholders and providers of capital	Annual / Quarterly	Shareholders and providers of capital are engaged by corporate and secretarial practices department. The mode of engagement is Annual General Meeting (AGM) and Extra-Ordinary General Meeting (EOGM).	Sustained economic returns and business growth.	Continuous focus on provision of sustained economic returns and innovation in products and services to grow market share.

Employees	Ongoing	Employees are engaged through staff meetings, annual get-togethers, consultation with employees' representative groups and employee satisfaction surveys.	Training & education, and health & safety.	Continuous investment in training and education of workforce and maintaining excellent health and safety standards.
Community	Ongoing / Annual	Community is engaged through on site visits, surveys, and focus group meetings.	Education, health, & skill development for community uplift.	Commitment to keep contributing 1% pretax profit of preceding year for education, health and skill development for community uplift.
Government and industry groups	Ongoing / Need basis	Government and industry groups are engaged through meetings and focus groups.	Sustainable automobile sector and compliance of laws and regulations.	Compliance with applicable laws and regulations and consultation with industry groups for a sustainable automobile sector.
Media	Ongoing / Need basis	Media is engaged through interviews, briefings and press releases.	Wider range of issues concerning different stakeholders.	Dissemination of information on developments relating to business and automobile industry.



MATERIALITY ANALYSIS

Materiality analysis helps in making sense of the sustainability landscape of the organization and builds a powerful mandate for focusing and acting on issues that are of the highest priority. The process involves identification, prioritization and validation of key sustainability topics showing major impact of the organization on the economy, environment and society.

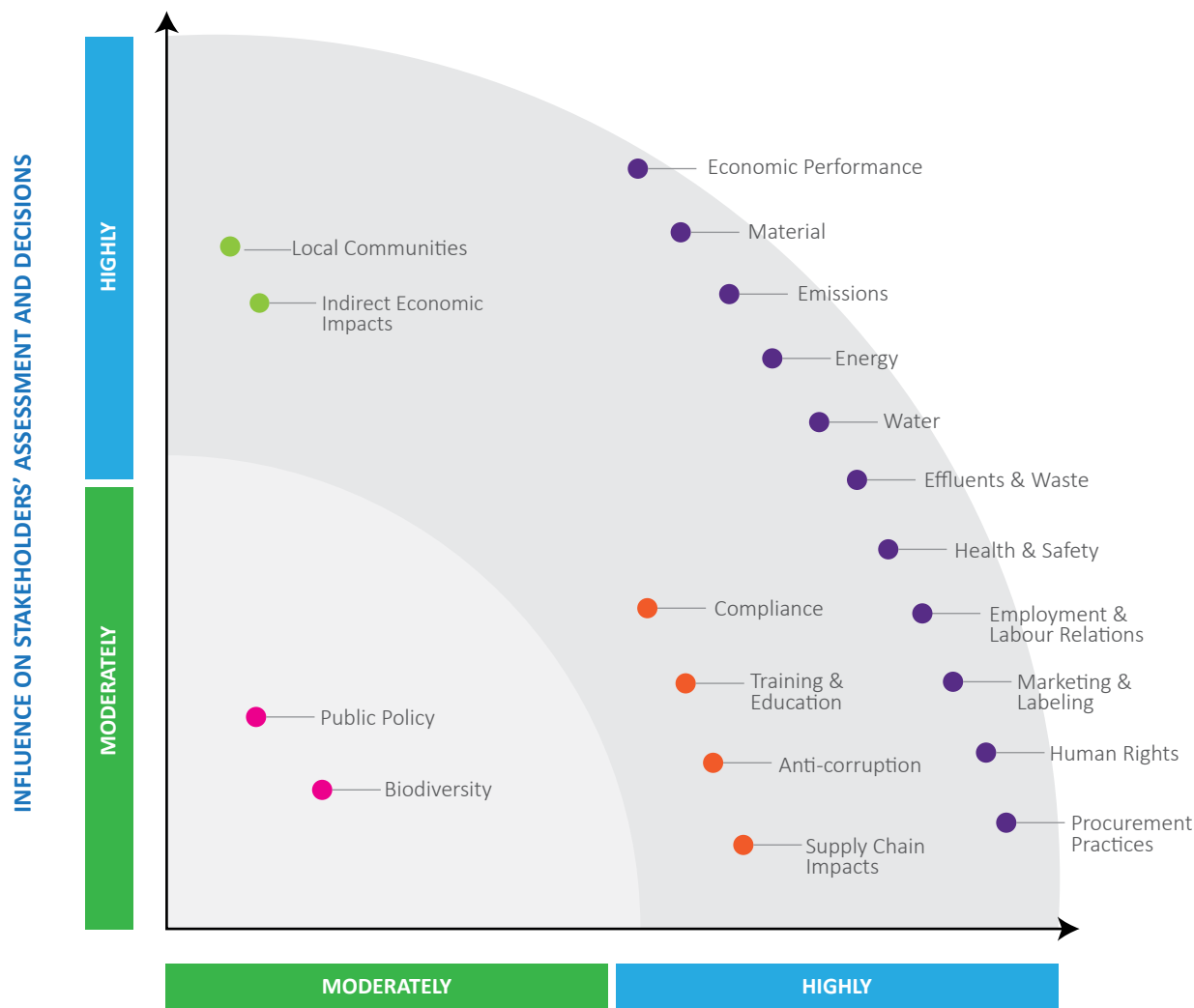


The process of identifying material topics for the report started with mapping of our activities and their impact, industry specific issues, the inputs received during regular stakeholder engagements and report specific engagement with important stakeholders. The identified topics were prioritized and reviewed in the context of relevance to stakeholders, severity of the impact, industry position on the topic and relevance with our corporate objectives and strategy.

Our materiality determination process was guided by GRI 101: Foundation (2016). We applied the principles of defining the report content i.e. stakeholder inclusiveness, sustainability context, materiality and completeness at various degrees during the process. The materiality analysis informed us about the most critical sustainability topics which represent the major impact of our activities on the economy, environment and society and has been ranked as important by stakeholders in their decision-making.

The results of the materiality determination exercise are summarized in the materiality matrix. The matrix presents the topics in order of importance to stakeholders and the impact of our activities. The content and scope of the report is guided by the matrix. The report only covers the impact of the Indus Motor Company Limited's operations and does not include any impact of associates, subsidiaries or supply chain partners.

MATERIALITY MATRIX



SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT OF IMC ACTIVITIES

BOUNDARY OF MATERIAL TOPICS

Material Topics	Why Material?	Topic Boundary
Economic performance	Important for providing sustained returns, making contribution to economy, payment to workforce and suppliers and well-being of society through CSR.	IMC
Material	Important component in product and its impact on depleting finite materials.	IMC
Energy	Impact on depleting finite resources and environmental impact of use of nonrenewable resources.	IMC
Emissions	Negative environmental impact of greenhouse gases emitted due to our activities and use of products.	IMC, our customers, our suppliers
Water	Water is a scarce resource and usage of fresh water leading to water scarcity in the country.	IMC
Effluents and Waste	Negative environmental impact of waste handling, incineration, dumping and transporting of hazardous and non-hazardous waste.	IMC
Health & Safety	Directly relate to health and safety of workforce and customers. Impact the brand in the marketplace.	IMC
Employment and Labour Relations	Diversified workforce for better productivity and compliance with laws, international charters and conventions.	IMC
Marketing & Labeling	Provision of customer centric product information and compliance with laws and regulations.	IMC
Human Rights	Compliance with laws, international charters and conventions.	IMC, our customers, our suppliers
Procurement Practices	Opportunities for direct and indirect economic contribution through localization.	IMC
Compliance	Avoid noncompliance of laws and regulations.	IMC
Training & Education	Capacity building, enhancing creative potential of workforce for increasing productivity and succession planning.	IMC
Anti-corruption	Reducing risks of economic imbalance and compliance with laws, international charters and conventions.	IMC, our customers, our suppliers
Supply Chain Impacts	Impact of suppliers activities on environment and society.	IMC, our customers, our suppliers
Local Communities	Socio-economic development of communities and provision of healthcare, education and food to needy communities.	IMC
Indirect Economic Impacts	Community uplift through infrastructure investments, skill development and jobs in supply chain.	IMC

OUR GOVERNANCE

- ▶ VISION, MISSION & CORE VALUES
- ▶ BOARD & BOARD COMMITTEES
- ▶ RISK & COMPLIANCE
- ▶ COMMITMENTS & EXTERNAL INITIATIVES



VISION, MISSION & CORE VALUES

Action, Commitment and Teamwork to become
#1 in Pakistan

A Step Towards Sustainable Pakistan



VISION

“

To be the most respected and successful enterprise, delighting customers with a wide range of products and solutions in the automobile industry with the best people and the best technology.

”



MISSION

IMC's Mission is reflected in the Company's slogan Action, Commitment and Teamwork to become **#1 in Pakistan.**

ACT#1
Action,
Commitment &
Teamwork

- Respect & Corporate Image
- Customer Satisfaction
- Production & Sales
- Quality & Safety
- Best Employer
- Profitability



CORE VALUES

- World class production quality
- Achieving the ultimate goal of complete customer satisfaction
- Being seen as the best employer
- Fostering the spirit of teamwork
- Inculcating ethical and honest practices

BOARD & BOARD COMMITTEES

We recognize that a good corporate governance structure is vital for business success in the competitive and challenging external environment. IMC promotes a culture of high ethical standards, integrity, transparency, accountability and compliance with the applicable laws and regulations in all business transactions. Our governance structure is guided by applicable laws, regulations, code of corporate governance and Toyota Guiding Principles. These elements underpin the tone of our corporate governance. We have a well-established governance structure and system in place comprising an integrated management system and a code of conduct. Extensive information on the code of conduct is available in the corporate section of our website www.toyota-indus.com.

Board of Directors

The Board of Directors consists of ten directors, out of which four directors represent Toyota Motor Corporation and Toyota Tsusho Corporation of Japan. Six directors are non-executive directors, three are executive directors and one is an independent director. IMC has qualified, competent and committed personnel on its board with vast experience and expertise to deliver exceptional performance in line with the corporate objectives. The directors have eminent backgrounds in engineering, business, management, finance and economics. The directors are elected every three years while any casual vacancy is filled by the Board of Directors as per applicable laws and regulations. For more details about the profile of the Board of Directors, refer to page 18 of Annual Report 2018.

Board Committees

The overall accountability of corporate governance rests with the IMC Board of Directors which is responsible for the short-term and long-term performance of the company. The Board has established various board committees to assist in discharging its responsibilities and effectively focusing on issues requiring detailed consideration. The board committees meet as required to oversee the business in specific areas. The board committees have their own mandate, objectives and responsibilities. The committees report their activities to the Board of Directors and prepare the board meeting agenda for their respective areas.

The board committees are audit committee, human resource and remuneration committee and ethics committee. The management committees comprise investment committee, marketing committee, technical co-ordination committee, ACT#1 management committee and Safety, Health and Environment (SHE) committee. The board committees are supported by the executive level committees which report to the board committees and assist in discharging their obligations.



Sustainability Management

The sustainability impact of activities and products are discussed at the Board level while the execution and control has been delegated to the SHE committee. The committee is headed by the Chief Executive. The committee formulates the overall policies and SHE framework for the company. The committee meets on monthly basis to discuss, evaluate and guide the sustainability efforts within the organization and supply chain partners. Performance is reviewed on a continuous basis and corrective actions are taken on need basis via efficient and swift decision-making.

RISK & COMPLIANCE

We are exposed to a wide range of risks and opportunities as a result of the complexity of our operations and the forces that continue to transform our business environment. Our risk management system assesses risks and opportunities in the context of the broader political and macroeconomic environment faced by IMC. These risks span strategic, regulatory, financial, operational, reputational and sustainability risks related to IMC business activities. Identified risks are reviewed in Audit Committees and Board Meetings along with departmental objectives, targets and performance. Appropriate strategies are developed and implemented to minimize the impact of the identified risks.

A strong internal compliance culture from Toyota covers our corporate activities and our relationship with supply chain partners i.e. auto part suppliers and dealers. Guiding principles of Toyota are followed to comply with Toyota requirements, local laws and regulations, exhibit good corporate ethics and meet the expectations of our stakeholders.

At the beginning of 2016, IMC took the decision to align its approach to risk management with TMC's Toyota Global Risk Management Standards (TGRS). TGRS defines risk as the effect of uncertainties in meeting the expectations of stakeholders while heading towards achievement of the corporate vision. We have successfully implemented our new risk management structure. As we finalize the alignment process, we have already benefited from the effective global system. Risk management roles and responsibilities have been better defined and communicated to respective process owners and risks are addressed at operational as well as strategic levels. We are also confident that our risk reporting structures and systems have been improved.

Toyota's Principle "Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world" is the guiding pillar of our risk and compliance mechanism.

We are subject to regulatory controls encompassing a wide range of issues relating to employment practices, employee health and safety, environmental impact, product safety and marketing communication standards. Our approach to risk management and compliance is preventive, leading to compliance with applicable laws, regulations and voluntary codes and initiatives. Our approach is also subject to internal and external review in the form of audits and certification of our management systems. Appropriate adjustments are made in the risk management approach based on the results of the external reviews of our management systems.

We did not record any significant fines or non-monetary sanctions for non-compliance with the laws and regulations during the reporting period.



COMMITMENTS & EXTERNAL INITIATIVES

We support and commit to various external international initiatives, charters and principles listed below, in addition to our internal charter, code of conduct and guidelines.



We are aware of precautionary principle of Article 15 of Rio Declaration on Environment and Development and are committed to fulfill our responsibility towards risk management in business planning and product development. We apply precautionary approach to reduce the environmental impact of our operations and products through research and development, modernization and adoption of cleaner technologies.

These SDGs are supported through our governance practices, risk management and compliance. Linkage of our activities and SDGs can be found on page 73.



IMC holds membership of various industry associations, including:

- ▶ Karachi Chamber of Commerce and Industry (KCCI)
- ▶ Federation of Pakistan Chambers of Commerce and Industry (FPCCI)
- ▶ Overseas Investment Chamber of Commerce and Industry (OICCI)
- ▶ Pakistan Auto Manufacturers Association (PAMA)
- ▶ Pakistan Business Council
- ▶ INJAZ Pakistan
- ▶ Pakistan Innovation Foundation
- ▶ Habib University Foundation
- ▶ Bin Qasim Association of Trade and Industry
- ▶ Landhi Association of Trade and Industry

Awards & Accolades received during 2017-18

We are passionate about the work we do and thankful for the recognitions as a testimony we have received, which not only add to our motivation, but also to the pride of IMC stakeholders. Highlighted below is a selection of recent accolades that Indus Motor has earned:

** (Awards received in the past have been mentioned in our Sustainability Report 2017)*

- ▶ Corporate Excellence Award 2017 (1st Position in the overall Industrial Category by the Management Association of Pakistan).
- ▶ Business Sustainability Award 2017 in recognition of its best practices in embracing SDGs and integrating the “Ten Principles” of UNGC (1st Position in Multinational company category by United Nations Global Compact, Network Pakistan).
- ▶ Consumer Choice Award- Corolla GLi 2017 and Hilux 2017 by the Consumer Association of Pakistan as a grand tribute in cognizance of consumer product/corporate quality and features benefiting the consumers and the general public.
- ▶ CEO of the Year Award 2017 by the Consumer Association of Pakistan for demonstrating exemplary vision, business acumen and success in delivering sustained performance.
- ▶ Award of Top 25 Companies for the year 2016 (received in Dec 17) by Pakistan Stock Exchange on the basis of Dividend Payout, Capital Efficiency, Free-Float of Shares, Transparency, Corporate Governance & Investors Relations and compliance with Listing of Companies & Securities Regulations.
- ▶ PAS Award 2018
- ▶ 15th Annual Environmental Excellence Award 2018
- ▶ 4 medals, at “Asia Pacific Skill Contest 2018” in Thailand, defeating others.

ECONOMIC PERFORMANCE

- ▶ ECONOMIC PERFORMANCE
- ▶ OUR DEALERS
- ▶ OUR CUSTOMERS
- ▶ OUR SUPPLIERS
- ▶ AUTOMOTIVE MARKET AND TOYOTA BRAND



ECONOMIC PERFORMANCE

Changing climate conditions throughout the world requires business to manage impact on their employees, the environment and the society while pursuing economic interests. Financial performance is the key driver of business success, brings in economic stability and help a business to survive in a competitive world. Strong and sustained financial performance over the years enables the organization to pursue sustainability aggressively in its operations.

At IMC, we have delivered exceptional economic performance and maintained our market leadership position on a year-on-year basis while taking guidance from our vision, mission, integrated management system, company objectives and policies. Retaining our competitive advantage, providing healthy and sustained returns to investors through manufacturing and marketing quality and safe vehicles, we are also informed by Toyota Guiding Principles, guidelines and Kaizen techniques for continuous improvement. Our operations have significant direct and indirect impact on economic front. Our major direct impact are dividends to shareholders, interest payments to providers of finances, taxes and duties payment to national exchequers, salaries and benefits to our people, local purchasing, local hiring and interventions in the form of health and education and infrastructure development for the benefit of our communities. Our indirect impact are mainly linked to our localization policy in shape of local procurement of parts. As a result, indirect economic impact are technology transfer to local auto parts suppliers, increase in skills set and availability of more skilled manpower and creation of jobs in supply chain.

To effectively manage the risks of corruption, well-defined policies and procedures have been defined and implemented at IMC. The code of conduct prohibits corrupt practices and corruption risks are regularly checked through the internal audit department. The internal audit department regularly conducts audits and the findings are communicated to the Board audit committee for necessary action. During the year all operations were assessed for risks related to corruption. Regular training is provided to employees to refresh their knowledge about corruption policies. More information on training is available on page 53.

The Chief Executive is responsible for managing the economic impact of our operations. The economic objectives, targets and related policies are approved by the Board of Directors. The implementation of the policies and management of day to day affairs is carried out by the Chief Executive. The performance is reviewed on quarterly basis by the Board of Directors and decisions are taken as per need.

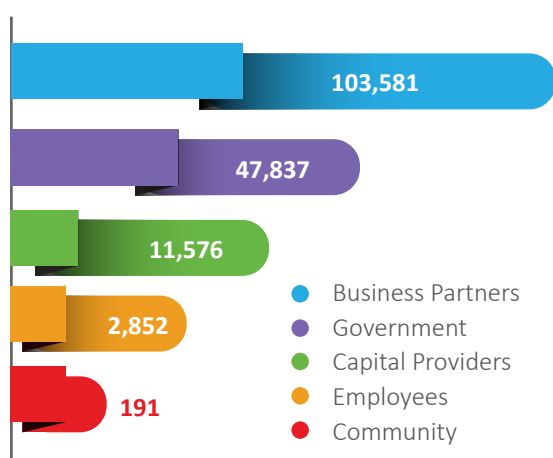
The Company's financial performance for the year 2018 shows a significant increase in revenues and net profits due to positive customer demand and a booming economy. The revenue increased by 25% to Rs 140 billion from Rs 112 billion compared to the previous year ended June 2017, while profit after tax grew by 21% to Rs 15.8 billion from Rs 13 billion posted for the same period last year. The Company has achieved new targets in sales and earnings which are in line with the company performance targets. For detailed information on financial performance for the year 2018, refer to Director's Report section of the Annual Report 2018 on page 64.



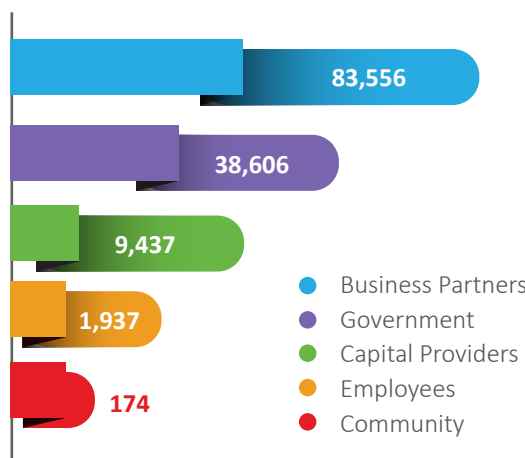
ECONOMIC VALUE GENERATED & DISTRIBUTED

	2018 (Rs. In Millions)	2017 (Rs. In Millions)	2016 (Rs. In Millions)
Direct Economic Value Generated			
Revenues	172,728	139,275	134,212
	172,728	139,275	134,212
Economic Value Distributed			
Business Partners	103,581	83,556	82,869
Employees	2,852	1,937	1,626
Capital Provider	11,576	9,437	7,937
Government	47,837	38,606	36,478
Community	191	174	141
	166,037	133,710	129,051
Economic Value Retained	6,691	5,565	5,161

Economic Value Distribution 2018



Economic Value Distribution 2017



IMC is governed under the Government's Auto-Development Policy 2016-21, under which different incentives are available to the auto industry in Pakistan. However, during the year, IMC did not receive any financial assistance from the government.

ORGANIZATION'S DEFINED **BENEFITS**



We offer various defined benefits for our workforce including provident fund and pension fund. 10% of the basic salary is contributed by employees and the same proportionate amount is contributed by IMC on a monthly basis in the Provident Fund. IMC contributes 9% of the basic salary of employees to the Pension Fund. A separate Pension Fund is maintained to meet the liabilities of pension. 79% of plan liabilities are expected to be met by the Pension Fund Assets based on the actuarial assumption made in June, 2018. The Provident Fund balance is paid when the employee leaves the organization. During the year, IMC spent Rs 170 million on defined benefit plans compared to Rs 149 million spent in 2017.

During the year, IMC spent
Rs 170 million on defined
benefit plans compared to
Rs 149 million spent
in 2017.

OUR DEALERS

Our dealers are a vital part of our success. They represent IMC in front of public and provide employment, tax support, leadership and customer service in our communities. To improve quality of service and create a trustworthy relationship with dealers, we work closely with our dealers to improve customer experience at our dealerships.

At the end of 2018, we had 45 Toyota 3S dealerships nationwide which are independently owned and operated. Our products and services such as new cars, spare parts and service (maintenance) are available at all our 3S dealerships. A recent addition to this flourishing business is T-Sure or Toyota Sure where our customers can buy or sell their Toyota vehicle with complete peace of mind. During the year, 6 more dealers have been added to the existing network of Toyota Sure dealers making a total of 31 Toyota Sure dealers.

We recognize the hard work and dedication of the dealers through our annual Dealers Conference. The conference demonstrates our commitment to those who go above and beyond to excel their outstanding performance every year. We're very proud of the contributions made by those nominated and selected as honorees since the inception of Indus Motor.

We, being the principal organization, equip our dealers with rigorous training, workshops, certifications and Kaizen projects to cope with changing market dynamics. These trainings ensure Toyota's excellent standards of service and enhance customers' dealership experience. To ensure Toyota's customer first philosophy, a survey of 3S dealers is carried out by a third party auditor and based on the results, a comprehensive plan is formulated to bridge the gap if any.

Toyota's dealership network also plays an important part in betterment of the local population by executing versatile CSR activities. Dealers are encouraged to participate in social causes such as blood donation camps as well as donations to charitable organizations.

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TEAM 21

Toyota TEAM 21 (Toyota Technical Education for Automotive Master 21st century) is a comprehensive technical training program for Toyota dealers' technicians to deliver No.1 quality after sales service as per Toyota's standards. It is composed of 4 training categories; Toyota Technician, Professional Technician, Diagnostic Technician (Engine, Chassis & Electrical), and Diagnostic Master Technician (Engine, Electrical+MPX & NVH). Currently, our dealerships have 94% Toyota certified technicians.

Our dealers regularly hold different events like the Dream Car Art Contest for children and loyalty program for customers.

Our dealerships have
94%
Toyota certified technicians



THE 12TH TOYOTA DREAM CAR ART CONTEST

During the contest almost 38,000 artworks received from across Pakistan from over 1,140 schools, improving Pakistan's worldwide position from 6th in 2015 to the 3rd this year.

Organized annually by Toyota Motor Corporation, the Contest, which is open to kids under 16 years, is intended to define the future of mobility by encouraging their creative expression. From its humble beginning in 2015 and two World Winners, the Toyota Dream Car Art Contest has evolved to become Pakistan's biggest drawing competitions for children. This year marked an over 70% increase in the number of artworks

received compared to the previous year speaking volumes of its magnitude and reach to children from all over the country.

One of the special features of the Local Contest is the active participation of children who are differently-abled. The Company has created the Royal category to encourage them, which as a result of the relentless efforts of the Dealership Customer Relations teams saw a 50% increase over the previous year in terms of the number of drawings received. The artwork of Tasmia Akram from Toyota Lyallpur Motors won the CEO Award for her dream car concept

"The Ambulance is passing through a narrow road". Tasmia Akram from Toyota Lyallpur Motors receiving CEO award for her dream car concept.

The six member independent jury comprising of educators, painters, curator and visual artists selected the regional and national winners and the Top 9 artworks from Pakistan to enter the World Contest in Japan. The Company celebrated the 38 winners who came from twenty-five Dealerships across the country, awarding those certificates and medals at the grand Award Ceremony in Lahore. The grand prize that awaits the top 30 winners of the World Contest get a five day, all expenses paid trip to Japan with their parents. Exposure to the Japanese culture and its world renowned hospitality plus the opportunity to make new friends, has far reaching results on their mental development.

In 2017-18, Pakistan was the 3rd nation in the world to have received the highest number of artwork submissions.



PROMOTION OF ENVIRONMENTAL MANAGEMENT AT DEALERSHIPS

To manage the impact of operations and promote CSR practices at dealers, we interact with them to guide them in adopting best practices relating to health and safety, environmental protection and social contribution. This not only results in efficient operations at dealerships but also helps in managing the supply chain impact.

Dealer Environmental Risk Assessment Program (DERAP)

Our commitment to environmental management goes beyond our operations to service workshops at dealers. Toyota Motor Corporation's environmental standard for environmental risk management augments in achieving environmental compliance at our dealership. A total of 42 (about 93%) of our dealerships are DERAP-certified while the remaining are under the certification process.

In line with our approach to manage our environmental impact in the supply chain, our dealers have implemented waste management system to treat hazardous waste and waste water in their operations. CFC/HFC recovery equipment for the recycling and recovery of air conditioning gas for the protection of the environment and the ozone layer have also been deployed by the dealers.



Green Dealer

Green Dealer Program has been introduced for DERAP-certified workshops to provide solutions for Toyota dealerships in Pakistan towards achieving environmental standards. The focus of the Program is to improve the environmental standards at Toyota dealerships in Pakistan, provide dealerships an optimal solution for EMS (Environmental Management System) after implementation of DERAP and improve motivation of dealers' staff towards personnel safety. A total of 35 (about 78%) of our dealers are certified under the Green Dealer Program while the remaining are under the process of certification.

Toyota's dealership network also plays an important part in betterment of the local population by executing versatile CSR activities. Dealers are encouraged to participate in social causes such as blood donation camps as well as donations to charitable organizations.

► Clean Energy Drive

Our dealers have installed solar panels at their location to generate energy from sustainable environment-friendly source and reduce GHG emissions.



OUR CUSTOMERS

A positive customer experience is pivotal to our success, our dealerships and our brand reputation. We engage with our customers to understand their concerns and are committed to enhancing customers' experience of our products and services.

A positive customer experience is pivotal to our success, our dealerships and our brand reputation. We engage with our customers to understand their concerns and are committed to enhancing customers' experience of our products and services.

Toyota customers expect high-quality products and exceptional experience that make their lives better. Our culture of collaboration and continuous improvement means that we can deliver great experience as well as address any quality and satisfaction concerns quickly and effectively. Our customer satisfaction approach is governed by Toyota's global vision and Toyota's global CR standards which are implemented at IMC and at all dealerships. Customer feedback is an important element in evaluating our performance. The feedback is recorded and circulated throughout the organization to improve the products, services and overall customer experience.

GENESIS, an integrated technology platform, has been implanted across IMC and dealerships to handle customer grievances, improve customers' experience with IMC and focus on the most relevant service aspects. Customers can contact IMC through dealerships or calling the customer relations function at 0800 11123. The dedicated customer relations team handles customer queries/complaints swiftly to enhance customers' experience.

Customers are provided a complete and reliable ownership experience through the Customer First department which combines the Parts and After Sales Services. The availability of genuine spare parts at our dealerships and selected retail outlets coupled with quality Toyota services leads to superior customer experience and enhances trust in our brand.

Diverse climate conditions, rough roads, and driving habits of the masses are the prime concerns for vehicle safety, safety of our customers and the general public. IMC regularly runs campaigns for customers on aspects of product safety and offers inspection of parts vulnerable to climate conditions for better vehicle management.



Our success as a business is primarily dependent on Customer Satisfaction, and we value their unwavering support through the decades that Toyota has been marketed in Pakistan. An annual customers' satisfaction index research is conducted to collect data that assesses our performance in handling and serving customers at Toyota dealerships and identifying areas of improvement.

Customers' Satisfaction Index



Sales Satisfaction Index



WE MAKE SURE TO KEEP YOU SECURE

Always wear seatbelts and ensure all passengers are wearing seatbelts too.

SRS airbags inflate when the vehicle is subjected to certain types of severe impacts that may cause significant injury to occupants.

It is recommended that children sit in the rear seats to avoid any accidental contact.

Toyota strongly urges the use of ISOFIX Child Seat for children aged 1 to 4 years.

TOYOTA COROLLA

is equipped with modern safety features that ensure a safe and sound drive for its customers. The Best-In-Class in terms of safety standards.

EQUIPPED IN ALL COROLLA VARIANTS

Front Seat Belts 3-Point ELR with Pretensioner and Force Limiter

Dual SRS Airbags

Child ISOFIX Seat Anchors

GOA Body with Reinforcement

BE SAFETY LEADERS

FOR MORE INFORMATION SMS *SPECIAL* TO 8328

Toll Free: 0000 11123

IMC is the first automotive company in Pakistan to have brought an international marketing agency such as JD Power that conducted the Sales Satisfaction Index (SSI) Survey of major local automotive manufacturers. The study concluded with areas of improvement for the respective OEMs as well as gauged performance of areas which are already up to par.

Attribute	Status
Appropriateness of updates regarding your vehicle delivery status	✓
Demonstration of vehicle	Need Improvement
Enthusiasm of staff in making the delivery process enjoyable	Need Improvement
Condition of vehicle	✓
Timeliness of completing the final paperwork process	✓
Appearance of facility	✓

OUR SUPPLIERS

Sustainability is a core component of Toyota's culture. Our commitment to sustainability manifested through our values and guidelines reflect our work towards a clean and green future. We believe that the company cannot be sustainable without taking along its supply chain. Our suppliers play an important role in meeting our targets of vehicle production and it is vital to have a committed supplier base.

Our procurement is mainly categorized into:

- ▶ Sourcing of CKD and CBU from Toyota Motor Corporation and parts from abroad;
- ▶ Direct and indirect purchasing of locally manufactured parts and material to produce vehicles;
- ▶ Locally procured service parts and accessories to support after sales service; and
- ▶ Indirect purchasing of goods and/or services to support the operations, maintenance services and corporate services.

Our product specific local suppliers are OEM level automotive part suppliers in the major categories of resin, rubber, electrical, sheet metal, assembly, and others. We have 45 Tier-1 part suppliers and 7 consumable suppliers spread across Sindh, Punjab and Balochistan. The suppliers range between mid and high levels of labour intensive work as the majority of suppliers rely on manual to semi-automated production lines. The annual payments made to suppliers of products and services in 2018 were Rs 103,581 million, which were 24% higher as compared to the year 2017.

To promote industrial development, increase in skilled workforce, employment generation and contribution to the economy through foreign exchange savings, IMC has been pursuing a challenging localization program by substituting imports with locally manufactured parts meeting the highest standards of safety and quality.

Our ambition to localize maximum components and our strong relationship with our supply chain partners has urged our suppliers to enhance their production facilities consisting of assembly and manufacturing lines that are fully dedicated to our products and high-tech parts.

The new Toyota Corolla comprises 691 parts and components manufactured locally. During the year, 42% procurement was made from local suppliers compared to 48% in 2017.



To make supply chains responsive towards the ever-changing economic, environmental and social environment, remodelling/upgradation of the supply chain is vital. New technologies, frameworks and training can make the supply chain more reliable and responsive to required changes. Our supply chain department continuously works with suppliers to help meet Toyota's stringent quality standards, our sustainability guidelines, just in time techniques and Kaizen culture to reduce parts rejection and bring improvement in business processes and profitability. The Kaizen (continuous improvement) culture is a key principle of the Toyota Production System (TPS) which supports supplier productivity and capacity development.

IMC maintains close coordination with its suppliers through its supply chain department which helps IMC to connect with its supply chain partners on multiple fronts and promote sustainable practices in the supply chain.

Promotion of Environmental Management at Suppliers

Toyota Green Purchasing Guidelines (GPG)

The guidelines are shared with the suppliers to encourage them to establish an environment management system, reduce green-house gases emissions, reduce impact on water, manage chemical substances, promote resource recycling and establish the society in harmony with nature. We are working on eliminating the packaging material from the supply chain by shifting to returnable trolleys for transporting parts from suppliers to IMC. Our green purchasing guidelines prohibit following substances for packaging materials according to the Toyota Technical Standards TSZ0001G "management, practice latest edition of the environmental load material".

- Lead
- Cadmium
- Mercury
- Hexavalent Chromium
- PBDE (Polybrominated biphenyls)
- PBDE (Polybrominated diphenyl ethers)
- Deca BDE (Decabromo diphenyl ether)
- HBCD (Hexabromocyclododecane)
- PFOS (Perfluorooctane sulfonates)
- Asbestos
- DMF (Dimethylfumarate)



33 of our suppliers are ISO 14001 certified. Currently, we do not have in place a criterion for supplier social assessment. However, we have environmental assessment criteria for selection and monitoring of our suppliers.



AUTOMOTIVE MARKET & TOYOTA BRAND



Let's make
SAFETY
our #1 Priority



Our brand reputation has been integral to our success of achieving 29 years of successful business. Our ambition to connect with our customers while respecting applicable laws and voluntary codes guides our marketing and advertisement activities. We abide by the applicable marketing communication and advertisement laws and voluntary codes. The compliance is reviewed through an internal review process to ensure that accurate information on product features, services and our practices is shared with our customers and stakeholders.

Our promise of making ever-better cars has gone beyond the traditional business model of selling cars. We strive to offer peace of mind and a unique buying experience to complement the joy and comfort of owning and driving a Toyota vehicle. Our focus is to develop a lasting relationship with our customers through the Customer First approach, taking care of the community through our **"Concerns Beyond Cars"**, enhancing skill sets and technological development through localization and promotion of technology among youth through technology centric competitions.

This has strengthened our brand over the years. We are committed to keeping our association with our stakeholders as the preferred choice of our customers. We monitor our brand strength through surveys across our dealerships, industry and wider business.

We provide detailed information to our customers on product attributes, safe use, environmental impact and disposal of the products. An owner's manual is provided to the customers at the time of sale of vehicles, which contains the information about the vehicle, driver and passenger safety, vehicle features, maintenance and technical information. In addition to owner's manual, each customer is provided with a safety video underlining the use of safety features. The same material is embedded in the infotainment system of the Corolla Altis 1.8 and Corolla Grande. During the year, in order to ensure communication of safety features, we conducted ATL and BTL Safety Campaigns to promote awareness about vehicle safety among customers. Dealership branding/marketing collaterals consisting of Safety features information, provided by IMC, were discussed. Our Toyota Safety mascot "THUMS (Total Human Model for Safety)" was promoted through the campaign.

The information about source, safe use and disposal of the product is also provided for Toyota genuine parts and Toyota genuine motor oil. In addition to applicable laws and Toyota guidelines, vehicle specifications in Corolla are as per ASEAN NCAP (New Car Assessment Program). Toyota Genuine Motor Oil is blended as per TMC's guidelines which is benchmarked on American Petroleum Institute (API) and the Society of Automotive Engineers (SAE) international

standards. All our products are subject to compliance with the law and voluntary guidelines. Compliance is assessed on a regular basis.

During the year, there were no incidents of noncompliance with regulations and voluntary codes concerning product and service information, marketing communications, including advertising, promotion, and sponsorship. Moreover, no complaints of breach of customer privacy were reported during the year.

These SDGs are supported by IMC through provision of sustained economic returns to stakeholders, meeting customers' expectations and working with dealers and suppliers. Linkage of our activities and SDGs can be found on page 73.



ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL PERFORMANCE

The Pakistan automobile industry constantly strives to improve its performance. Automotive production processes are the perfect example of where improved efficiency can reduce cost, increase competitiveness and minimize the impact on the environment. Further implementation of digital manufacturing and automation will most likely further improve the overall efficiency and the resource efficiency of automotive production process.

We are aware that industrial operations and products have significant impact on the environment and we are committed to reducing the environmental impact of our operations and products. We have identified material environmental impact of our operations based on interaction of our business activities with the external environment, severity of impact and stakeholder engagement. The material topics are listed on page 23 which also shows the reason these topics have been categorized as material.

We are guided by Toyota's philosophy and policies on the environment which is based on Toyota Guiding Principles as detailed on page 15 of this report. "The Toyota Global Environmental Challenge 2050" which has been shared among all Toyota affiliates also communicates our policies and initiatives for environmental management. We also have an environmental policy and plan which is implemented through our environmental management system. This combines the requirement of Toyota Guiding Principles and other best practices in environmental management. The policy serves as a guidance document for new investment in technologies and upgrading of existing operations.

The responsibility for environmental management rests with the Safety, Health and Environment committee headed by the Chief Executive. The committee is responsible for formulating guidelines, reviewing the environmental performance, taking decisions and fixing responsibility for environment, health and safety-related issues. IMC's management approach is proactive in nature to reduce the environmental burden through efficient management of finite resources and reduce emissions, waste and effluents.

The Manager SHE is responsible for performance and monitoring compliance with IMC policies and applicable environmental laws and regulations. IMC's production plant is ISO-14001 certified. These management systems help IMC in identification of risks and opportunities for bringing improvements and building stakeholder confidence. We are committed to working with our suppliers and vendors to take appropriate measures for a similar level of commitment to reduce the impact of their operations. IMC regularly conducts training of its staff on health, safety and environmental topics relevant to operations in order to equip the staff with the latest knowledge on the subject.

The management approach is evaluated through external certification and Toyota Global Environmental Management System Audits, internal performance reviews against targets and compliance with applicable laws. Corrective action is taken, based on the assessment, where required.

Our strong commitment towards environmental management in the shape of keeping our targets 20% below legal requirements and continuous environmental expenditure to manage, mitigate and prevent the environmental impact has resulted in zero non-compliance with environmental laws and regulations during the year. We spent Rs. 442 million on remediation, prevention and environmental management in 2018 compared to Rs. 54 million in the year 2017.



ENVIRONMENT MONTH

We celebrated Environment Month in June'18 with the renewed and strengthened conviction to care for the land we live on, the air we breathe and the water which gives us life. The month-long celebration is dedicated to carrying different activities such as training, audits, competitions and class room sessions and discussions on environmental issues. The key activities were signing of the environment board, training of ISO-14001:2015, internal audit of GEMS, spill management training, eco write contest, use of trash wisely, eco Kaizan contest, promotion of eco-driving, environment workshop of suppliers and dealers and environmental video screening.



MATERIAL USAGE

Vehicles are made-up of different materials and chemical substances. The major categories of materials used in vehicles are metals, plastics, elastomers, textiles and natural materials, fuels and consumable liquids, electronics, ceramics, glass and other compounds and non-dimensional materials.

We understand that calculation of weight of materials used in the production of vehicles involves enormous work, keeping in view the number of materials and the complex nature of materials. However, we are committed to identifying and sharing the weight of different materials used in the production of our products.

Our focus on materials is to use more sustainable materials including recycled materials, where permissible, renewable and recyclable materials. However, during the year, no recycled material was used.



ENERGY USAGE & GREENHOUSE GAS EMISSIONS

ENERGY USAGE

Natural gas and electricity used at our plant are the main energy sources and the largest contributor to greenhouse gas emissions. The energy consumption during the year increased by 97,699 GJ compared to the previous year. The energy consumption increased due to overall plant expansion activities i.e. paint shop extension, cogen extension, addition of cooling towers, construction work, extension of press shop, logistics and increase in man power. The energy used per manufactured vehicle also increased to 6.53 GJ/per unit compared to 5.22 GJ/per unit in the year 2017.

IMC's assembly plant is designed to maximize natural light and LED energy-efficient bulbs are installed throughout the plant to reduce energy usage. The plant has a combined Heat & Power System (CHP) installed which reuses the heat produced by the energy production.



	Unit	2018	2017	2016
Energy consumed within organization - Non renewable	GJ	409,384	313,080	396,029
Energy consumed within organization - Renewable	GJ	1,395	-	-
Total Energy Consumption	GJ	410,779	313,080	396,029
Energy used per vehicle produced	GJ/per Unit	6.53	5.22	6.17
Energy saving per year	GJ	22,320	17,307	12,498

TDEM guidelines were used in calculation of energy figures. Energy consumption per vehicle includes both renewable and non-renewable energy consumption. Energy saving figures includes electricity saved by using solar panels installed on IMC plant, replacing conventional lights with LED lights and installing absorption chillers in the plant. The figures for energy saving for the year 2017 has been restated to correct the calculation mistake.

SOLAR AND FUEL CELLS



we have invested in on site photo voltaic and fuel cell systems that allowed us to generate 388 MWh of energy in 2018.

Indus Motor's manufacturing plant leads the way with a variety of renewable and low carbon energy options. To reduce demand on the grid, we have invested in onsite photovoltaic and fuel cell systems that allowed us to generate 388 MWh of energy in 2018, which represented about 1.1% of IMC's total electricity consumption. Using renewable energy instead of conventional power will greatly reduce greenhouse gas emissions.

GREENHOUSE GAS EMISSIONS

Greenhouse Gas Emissions (GHG) are one of the major causes of climate change. We are aware that climate change has resulted in increasing temperatures and has created severe weather patterns affecting production and consumption of resources and deteriorating the quality of life. We are committed to reducing our GHG emissions through adoption of cleaner technologies and improvements in the existing systems. The emissions are reduced over the years as a result of Kaizen (continuous improvement) activities of route optimization to reduce CO₂ and truck trip cost, improving the devanning process by eliminating top lift working of container and improved processes to reduce CO₂ emissions.

Natural gas and electricity usage in production activities are the major contributors to our greenhouse gas emissions. The emissions of employees commuting to work, business travelling and transportation of materials to plant and products to dealers through supply chain partners are not measured during the year.

During the year, we established Plan 2050 Zero CO₂ strategy to reduce emissions in the long run. The other initiatives to reduce usage of electricity and associated CO₂ were installation of rooftop Solar PV and conversion of fluorescent bulbs to LED lighting which resulted in 18% reduction in electricity use and CO₂ emission alike in 2018.

Other significant emissions are release of volatile organic compound (VOCs) in processes using solvents, paints, sealers or hydrocarbon-based chemicals. The emissions were reduced over the year as a result of Kaizen (continuous improvement) activities of cartridge reduction for low share colour, introducing new chemicals to replace washing thinner for overall cleaning, reducing robot gun distance and adjusting on/off spray for robot paint loss reduction.

	Unit	2018	2017	2016
Greenhouse gas emissions (Scope I)	Mt	21,866	18,063	21,202
Emissions per vehicle produced	Mt/per unit	0.34	0.301	0.331
Reduction in emission	Mt	7,850	1,798	961
Emission of ODS	Mt	Nil	Nil	Nil
NOx, SOx and other significant air emissions	Mt	NOx, SOx and other significant air emissions within SEQS limits.		
There were no biogenic emissions during the year. Emission reduction figures includes only CO2 emissions. The emissions reduced due to replacement of Fluorescent lights. TDEM and SEQS guidelines were used for emission calculations.				

MANGROVE REHABILITATION WITH WWF-PAKISTAN

Mangroves produce huge amount of oxygen and prevent heavy storms by acting as wind breakers. Mangrove forests also play an important role in maintaining commercial fisheries by providing nursery habitat and refuge from predators for important species of fish and shrimp. Unfortunately, the trees were being threatened as local communities were cutting them for fuel wood. IMC supported WWF-Pakistan to carry out a Mangrove trees rehabilitation drive to conserve the ecological significant plants. IMC's employees from CS&RA, SHE and Assembly Shop attended the activity on May 3, 2018 and planted 200 Mangrove saplings at the Wetland Centre of WWF-Pakistan at Sandspit Beach in Karachi's Hawksbay area.

WATER

In automobile manufacturing, a lot of water is used in painting and other processes which places an obligation on us to use water resources responsibly. We continue to set rigorous targets and measures designed to reduce the water consumed in the production of vehicles.

The water used at our plant is sourced from the canal extracted from Hub Dam which has capacity of 650 MGD. IMC has an agreement with the Irrigation Department for extracting water which is measured by flow meters installed at the point of extraction. The water source is not declared as a protected source and the water extracted does not significantly affect the canal flow. A total of twenty four mammalian species were recorded belonging to 5 orders and 10 families; out of these, 8 species are less common, 2 species are rare, while 14 species are common in Hub Dam area.

The water recycling decreased to 10% of the total water withdrawal during the year compared to 11% during 2017. Water consumption during the year was higher by 23% compared to the previous year on account of inauguration of the new paint shop and higher production and expansion activities carried out during the year.

	Unit	2018	2017	2016
Water withdrawal	m ³	458,488	372,697	359,002
Water recycled and reused	m ³	45,805	40,730	71,110

Water withdrawal and recycling are recorded with the help of flow meters. SEPA and Toyota standards are used for measurement of water consumption.



EFFLUENT AND WASTE

The waste generated through operations is strictly handled with our environmental policy. We stringently comply with the applicable legal requirements for waste handling and do not ship hazardous waste internationally. The waste water and waste thinner are treated and recycled. All of the waste water is used for horticulture purposes within the plant. Other waste is handled, stored in an environmental-friendly manner and disposed of to government-approved contractors. Regular trainings for the shop members is carried out for reducing waste and ensuring efficient working of the system. During the year, there were no significant spills in the reporting period.

Waste by disposal method	Unit	2018	2017	2016
Hazardous and Non-hazardous waste				
Reuse/reprocess (Used oil, batteries)	Ton	9	9	9
Recovery	Ton	N/A	N/A	N/A
Incineration (Paint sludge, phosphate sludge, chemical sludge, caustic sludge, waste water sludge, chemical solvent)	Ton	213	236	244
Landfill	Ton	1	1	1
On site storage (waste water)	m ³	166	166	166
Landfill	Ton	N/A	N/A	N/A
None of the waste material is reused. The landfill and on site storage is not carried out and waste is disposed of through SEPA approved contractor. The hazardous waste is being disposed of through approved contractors on daily basis. The figures for reuse/reprocess, landfill and on site storage are on estimated basis.				

ENVIRONMENTAL CONSERVATION – 5S CLEAN-UP DRIVE 2018

To create awareness about cleanliness embedded with 5S principles of Toyota and to perform clean drives IMC under-took a cleanliness drive in collaboration with an NGO, 'I-AM-KARACHI' at 15 selected locations, which included 7 sports academies, 5 educational institutes, 2 parks and 1 beach, involving residents and community leaders to generate ownership among those communities for their neighborhoods.



7 SPORTS
ACADEMIES



2 PARKS



5 EDUCATIONAL
INSTITUTES



1 BEACH

5S CLEAN-UP DRIVE 2018 – KARACHI CITY



5S CLEAN-UP DRIVE 2018 – NATIONAL STADIUM

IMC undertook the '5S Clean-Up Drive at Karachi National Stadium' embracing Employees Volunteering arrangement to promote environmental awareness and ownership towards building a sustainable society and inspiring individuals and corporate entities to own the cities of Pakistan. Around 150 employees from cross-functional departments of IMC joined the 5S Clean-Up Drive in the National Stadium. The Drive was undertaken on the following morning of a T20 International Cricket Match between Pakistan and West Indies.



ENVIRONMENTAL CONSERVATION AWARENESS ACTIVITY



They devastate our unique natural environment, they take more than 1000 years to break down, and they kill our wild life and much more....

Indus Motor Company always endeavours for nature conservation through various social awareness programs. Negative effects of plastic bags in the environment result in massive pollution as plastic bags are not biodegradable; hence they remain intact even after many years. In collaboration with WWF-Pakistan, this year again we have undertaken a social awareness campaign "Say No to Plastic Bags" with involvement of dealerships nationwide through preparing 125,000 paper bags duly branded.

These SDGs are supported by IMC through efficient environmental management of its operations and supporting environmental management practices in supply chain. Linkage of our activities and SDGs can be found on page 73.



OUR PEOPLE & COMMUNITIES



OUR PEOPLE

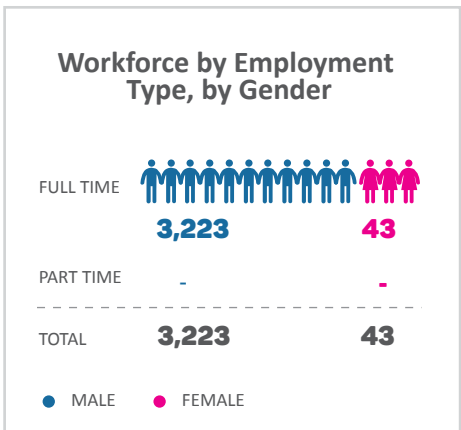
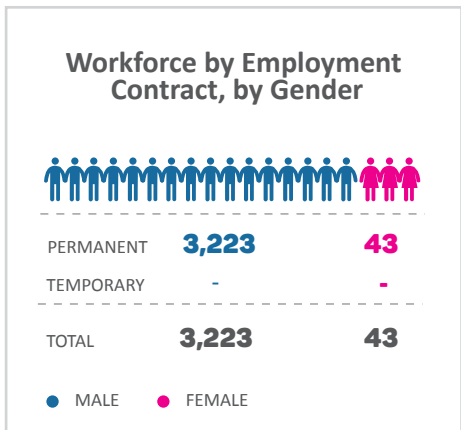
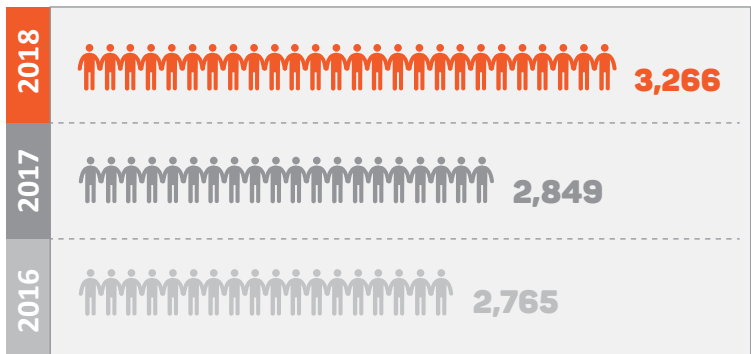
Our constant growth over the years in a challenging environment is linked to the commitment and innovation of our workforce. We recognize the fact that our success depends on having a great place to work and a motivated and skilled workforce that meets the changing needs and expectations of our prospective customers. Attracting the right people ensures a healthy talent pipeline and providing effective training and development opportunities helps them to achieve their potential. We remain dedicated to ensuring that our business activities and decisions follow, protect and respect labour standards, human rights laws, declarations and international conventions. The material topics are identified on the basis of stakeholder engagement and impact of our operations and are listed on page 23 which also shows the reason these topics have been categorized as material.

The complex nature of our operations involves integration of labour as well as technology. The total number of workers on June 30, 2018 were 3,266. The responsibility for implementing policies and reviewing performance on labour practices and human rights rests with the General Manager HR. The Safety, Health and Environment function monitors health and safety aspects ensuring safe working conditions. The policies, practices and performance of labour practices, human rights and health and safety are regularly reviewed through meetings at unit level, function level, department level and company level. Our health and safety policies and procedures are externally reviewed through safety audits and certification of systems. Appropriate measures are taken on need basis.

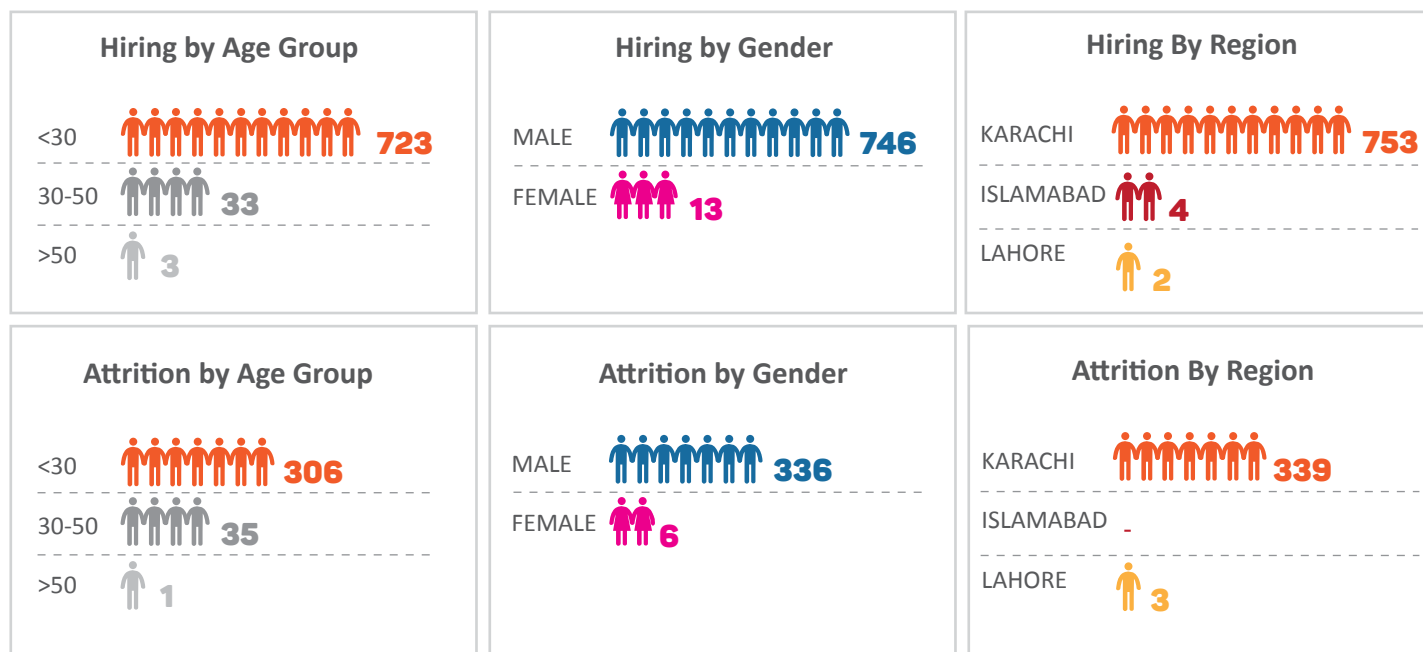
Kaizen, a commitment to continuous improvement towards business growth – which requires every team member to join the team and to be trained to practice the Toyota Way-guides our human resource development initiatives to develop our workforce capacity, knowledge and skills. We remain committed to the health and safety of our people and to advancing diversity and inclusion in our operations.

WORKFORCE PROFILE

We are committed to equal opportunity in all aspects of our business. We also recognize that a diverse workforce is a valuable asset, and we strive to provide an inclusive work environment where different ideas, perspectives and beliefs are respected and encouraged. The workforce figures are for the year ended June 30, 2018.



HIRING AND ATTRITION



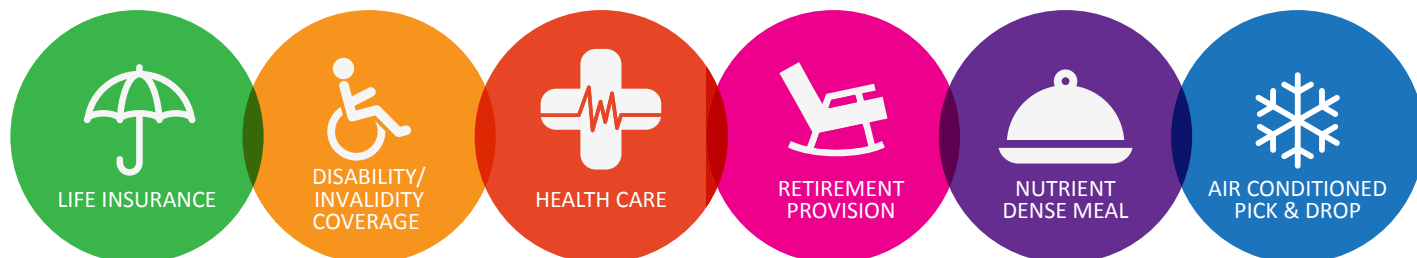
The figures for hiring and attrition relate to the financial year 2018. The hiring and attrition ratios are in accordance with industry ratios. The hiring and turnover rates were 23% and 10% compared to hiring and turnover rate of 15% and 6% in the previous year.

We regularly engage our workforce through surveys to gauge their satisfaction level and to identify areas of improvement. An employee satisfaction survey was carried out through an external survey agency last year which showed the satisfaction level at 76.8%. As a result of the survey, further actions were taken to improve working conditions and employee engagement through recreation activities.

Our employment practices are strictly compliant with applicable laws, regulations and international charters. IMC recognizes the employees' right to be represented by the association and promotes the practices in its supply chain. We are not aware of any supplier in our supply chain where the freedom of association and collective bargaining right is at risk. 34% of our workforce is covered by the collective bargaining agreement. Notices about operational changes are communicated to employees well in time. However, the notice period is not mentioned in the collective bargaining agreement. There is no child labour and forced or compulsory labour at our plant sites and we are not aware of any such incident at our supply chain partners.

We provide competitive salaries and benefits to our employees to keep them motivated and deliver exceptional performance. The ratio of basic salary and remuneration of women to men is 1:1. The salary is based on merit only. IMC does not discriminate between workers on the basis of gender, religion and association and no incident of discrimination was reported during the year.

Following benefits are provided to full-time employees including management and staff.



TRAINING & EDUCATION

A continued upskilling of its workforce enables the industry to stay competitive and prepare for future challenges. Our training programs are broadly classified based on the employee categories i.e. management, office staff and plant staff. Training programs are designed to enhance knowledge, skill and attitude of the workforce. Equal opportunities are provided to all employees. Job rotation is a continuous process at IMC to equip employees with cross-functional skills. Role-based and skill-based training is provided to employees at the time of rotation and promotion. The training is focused in the following key areas of learning and development to communicate Toyota programs, understand and practice company values and methods, develop and promote the Customer First approach in every interaction with customers and the growing talent of our workforce to build exceptional teams. The training and development activity also includes refresher courses for employees regarding the code of conduct. The code of conduct, which contains anti-corruption policies and procedures, is communicated to the management and employees and is part of the orientation session for new workers. During the year, no training was carried out on anti-corruption policies and procedures.

The average training man-hours for 2018 were 95 man-hours. This included management and non-management employees.

Trainee Apprentices under the ATM program for youth is conducted through regular induction of students for transforming them into talented technicians via hands-on experience and classroom lectures. Succession planning is an important element of our human resource policy and through training and development, future leaders are developed. We regularly track the value of training and development through reviews which enable us to check our performance against targets and identify areas of improvement. During the year, all employees received regular performance and career development reviews.

The average training man-hours for 2018 were 95 man-hours. This included management and non-management employees. During the year, various sessions were organized. These included understanding MSDS, handling and storage of hazardous chemicals, environmental awareness, spill control and spill kit management, eco-driving, waste management, eco-tips based on waste reduction, energy conservation, water conservation and CO₂ reduction. This was done to equip staff with the latest knowledge and skills for improved operational management.



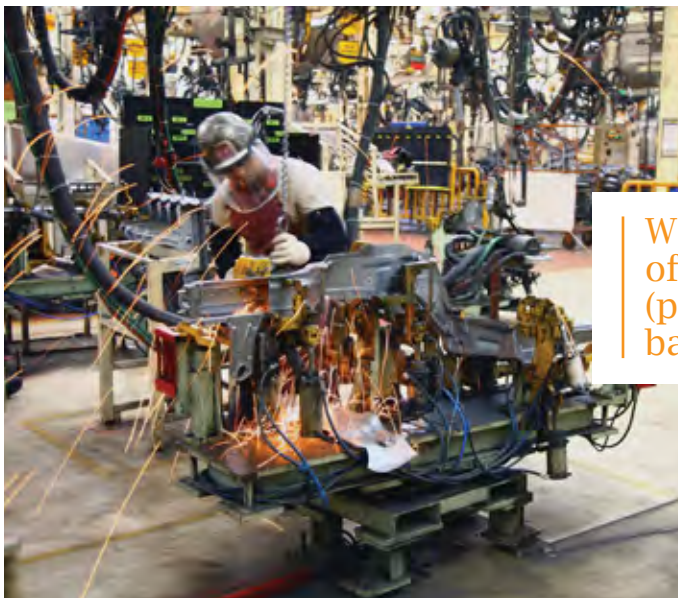
HEALTH & SAFETY

Health and safety is a prime concern for us being a leading manufacturer of vehicles. The protection of health and safety is a company-wide responsibility of everyone at IMC. We recognize the need for a strong safety culture including rules, procedures and communication within the organization that will infiltrate to form a greater awareness of safety practices at the workplace and beyond. Our health and safety management system is based on internationally accepted safety standards along with Toyota guidelines. At IMC, we are fully dedicated to maintaining product and service quality while ensuring that no harm is caused to people and no damage is done to the environment. Our strong safety culture relies on effective communication and reinforcement through a variety of channels, engaging all employees and contractors in understanding and adhering to safety programs and policies. All our products and services are regularly reviewed for their health and safety impact during design, production, delivery of services and use of the product by customers. There were no incidents of non-compliance with health and safety impact of products or services.

Our approach to health and safety reflects the principles of the Toyota Production System. The employees from each shop at our plant take part in regular safety circles (focus groups). The quality circles promote Jishuken (identification of areas requiring ongoing focus) which helps to stimulate Kaizen (continuous improvement). Our efforts in health and safety management are focused towards zero fatalities and injuries. Workers also take part in group-based activities like HIRA (Hazard Identification and Risk Assessment) to explore safety hazards which are not apparent in routine activities. The winners of the activity with the best theme are awarded while the best theme is publicized for greater awareness.

REINFORCING OUR STRONG SAFETY CULTURE

Our safety vision is to achieve no fatalities or serious injuries. Our strong safety culture relies on effective communication and reinforcement through a variety of channels, engaging all employees and contractors in understanding and adhering to safety programs and policies. April is celebrated as the Safety Month and various activities- safety walks, safety audit and training, including fire fighting training, fire simulation evacuation drills, screening of safety videos and awareness sessions- are organized to reinforce the commitment to safety. Special safety audits are carried out during the month to check compliance with policies and procedures to enforce the safety system.



We have improved the concept of 5S and have developed 5S PMRs (plant management requirements) based on five steps.

To further ensure a safe workplace, compliance with safety regulations and to enhance productivity, we have in place a 5S system. All employees, including the top management, take part in this activity. We have improved the concept of 5S and have developed 5S PMRs (plant management requirements) based on five steps. The functionality of the system is ensured through detailed audits and periodic management audit walks.

HEALTH AND SAFETY COMMITTEES

To tackle the key concern of health and safety of workers, we have a safety, health and environment committee. All our employees are represented by safety, health and environment committees. The committees consist of health and safety representatives from employees and management. Committee meetings are held monthly at various levels where issues related to health and safety are discussed and actions to improve health and safety of the employees are undertaken. The agreements with the labour union covers topics of health and safety of the workforce.

As a result of our continuous focus and effective management no Lost Work Day (LWD) injury occurred during the year. Minor Non-Lost Time Injuries (NLTi) occurred during the year. All non-loss work day injuries occurred in non-production areas. IMC does not record loss work day injury and non-loss work day injury for contractors.

	2018	2017	2016
LTIR	0.0	0.2	0.0
NLTIR	0.8	0.6	1.5

We are committed to reducing the safety risks and strictly complying with the health and safety policy and applicable rules and regulations.



OUR COMMUNITIES

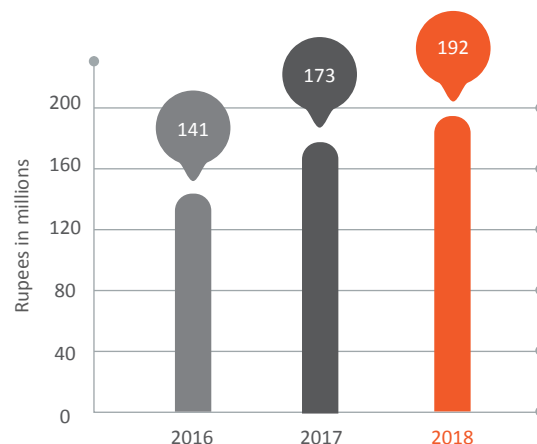
Our manufacturing plant is located amongst the local communities and we believe in a shared value approach. Corporate Social Responsibility (CSR) has always been at the forefront of our operating philosophy and has made significant progress over the years in the fields of Education, Health, Philanthropy and Road Safety.

We recognize that a strong collaboration is required between business and society for long-term success. We commit to play a productive role in the development and uplift of our communities. Our CSR policy is aligned with Toyota's Global Vision for 2020 **'Seeking Harmony between People, Society and the Global Environment, and Sustainable Development of Society through Manufacturing'**. We have well-defined policies and procedures for CSR investments and have defined priority areas based on need assessment to effectively benefit the communities. The responsibility of the CSR function lies with the Sr. Director who is supported by the CSR team for program design, implementation and sustainability as per community needs in defined areas. The program results are internally circulated and reviewed against defined parameters and as a result, our management approach is adjusted accordingly. IMC annually contributes 1% pretax profit of the preceding year for community investments which shows our interest in catering to plant site community needs in the areas of education, health and socio-economic development.

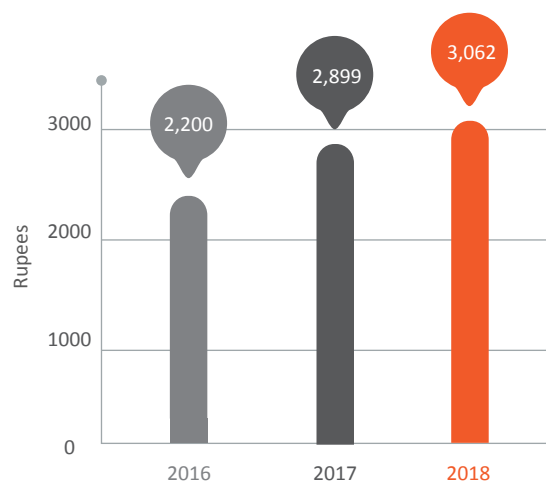
Regular meetings are conducted with the plant site community to understand their requirements and structuring community development programs in the defined areas. On identifying the needs and developing programs, the CSR function seeks administrative support to ensure smooth implementation of the community engagement initiatives. Our investments in communities benefit communities. There was no significant actual or potential negative impact of our operations on local communities around the plant site.



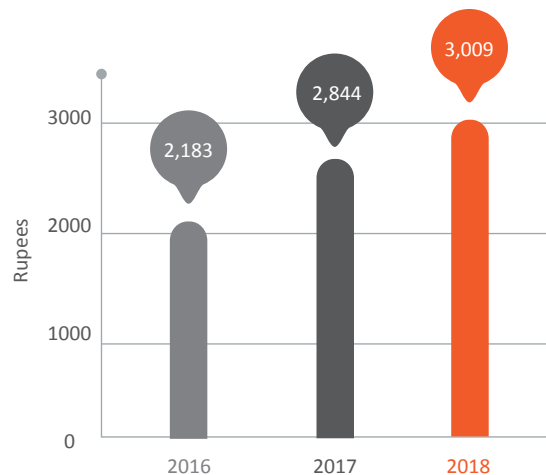
CSR Spending



CSR Spending Per Unit Produced



CSR Spending Per Unit Sold



EMPLOYEE VOLUNTEERISM

We believe that involvement of employees in CSR activities not only benefits in strengthening corporate reputation and relationship with stakeholders but also results in strengthening employees' satisfaction leading to higher productivity. We encourage and support volunteer activities of our employees for the benefit of the larger community in line with our strategic objectives.

During the year, employees volunteered 3000 hours for various CSR activities covering Mangrove rehabilitation with WWF-Pakistan, ration distribution for neighbor community well-being, provision of medical and educational assistance and road safety.



HEALTH INITIATIVES

The economic prosperity of a community depends on a healthy and productive population. Our health initiatives are focused towards disadvantaged communities for providing health care facilities at their doorstep and support SDG 3 **"Good Health and Well-being"** which seeks to ensure healthy lives and promote well-being for all at all ages. We regularly donate to hospitals, blood banks and other healthcare institutions which provide life-care and health-care services to underprivileged communities.

Provision of Basic Health Care Treatment

Medical camps were organized at Razzaqabad, Kohi Goth and Saleh Muhammad Goth located around the plant site where around 23,000 patients were treated for Respiratory Tract Infection (RTI), Gastroenteritis and other general health problems arising from lack of immunity. The medicines were distributed free of cost.



Medical camps were organized around plant site where about **23,000 patients** were treated.

Bolstering Mental Health Care

To actively promote good mental health, IMC in collaboration with the Basic Needs Pakistan (an NGO) organize bi-monthly Psychiatric Medical Camps with the aim of curing and preventing mental health from occurring and recurring. Through the camps, we provide full support through counseling, engaging local volunteers and medicines.



Last year, around **200 patients** were treated months long, out of 28 patients were cured and are serving as bread-earner for their families.

EDUCATION

Education plays a vital role in uplifting under-privileged communities and has a transformative power in solving socio-economic challenges. Our education initiatives are mainly focused towards uplifting education in the country, especially for underprivileged children. We provide support to educational institutions in the shape of construction of schools, offering scholarships to meritorious students and financial support. Our intervention in the field of education supports SDG 4 “Quality Education” which seeks to ensure inclusive and equitable quality education and promote life long opportunities for all.

Partnering with The Citizen Foundation (TCF)



All the campuses, being supported by IMC, are in under-privileged communities and impart quality education to around 1,119 children.

► IMC has built and supported two schools with The Citizens Foundation (TCF) – a reputable NGO working in the disadvantaged outskirt area for imparting quality education – the IMC Campus-I at Baseera, Muzaffargarh (in 2004) and IMC Campus-II at Hyderabad (in 2006). Initially the Campus-I commenced its Morning-shift for primary education in 2004 to accommodate 186 students, while after two years the Afternoon-shift was put operational to accommodate an additional 186 students. Currently, this

Campus is operating at full capacity of 372 students for primary education. Correspondingly, the Campus-II embarked its Morning-shift in 2006, currently 340 students are being accommodated for primary education. These campuses have also generated employment for the local people to earn a decent living. Both the Campuses are being supported annually by IMC towards operational expenses with a cost of Rs 5.2 million during the year.

Besides, IMC has so far contributed overall Rs 44 million to TCF as Endowment Fund for its Saker M Habib Campus that includes Rs 22 million during 2017-18. Operating two shifts, this Campus accommodated 407 students for their primary education. All the campuses, being supported by IMC, are in under-privileged communities and impart quality education to around 1,119 children.

Promoting Education for Differently-abled Children

Differently-abled children from Family Education Service Foundation – a non-profit educational organization working for enhancing the quality of life, especially underprivileged deaf children- were invited by the Customer First Department to the Grand Finale of 3rd CS Kaizen Evolution 2018, held at Movenpick Hotel on May 03, for performing the National Anthem in sign language. Approximately 150 people attended the Grand Finale which included TMAP delegates, IMC management, Dealer CEOs and Dealer Kaizen Teams.



Toyota Goth Education Program

For the uplifting of neighboring community, IMC initiated Toyota Goth Education Program (TGEP) in 2008 with an aim of spreading literacy and encourage a positive social and mental upbringing to give every child a chance to transform his or her life through education. Around 250 students, mostly girls, are enrolled in this program and getting their primary and secondary educations in their nearby eight campuses of TCF (The Citizens Foundation). For this modest objective, IMC provides full financial support including School Bags, Stationeries, etc. to all the students enrolled. The first passing batch of three TGEP students recorded shinning victory in their Matric Science group examination 2018 by winning two positions in A-one grade and one position in A grade. Subsequently, the second batch of 15 students appeared for Board exam (IX) waiting for their results. We believe that education is the only tool that can take the community in an entirely new dimension that leads the true definition of prosperity and welfare.



Class-X students of Toyota Goth Education Program

STIMULATING TECHNICAL EDUCATION

Shell Eco-Marathon Asia 2018



An energy efficiency festival is held annually at three countries for over 30 years. The 2018 Asia-Pacific edition held at the Changi Exhibition Centre in Singapore had participation of over 120 teams from engineering and technology institutes of 18 countries, including 10 teams from Pakistan. Students are invited to design, build and test-drive their own built vehicles in terms of fuel efficiency. With the objective to support technical education in Pakistan by linking the creativity of young people, encourage students in gaining knowledge and skills to be successful motors ports engineers in the automotive and racing world and to establish a positive relationship with engineering universities and students, IMC provided support to "Team Toyota NUSTAG" of NUST-EME, Rawalpindi for competing in Urban Concept Gasoline. The Team Toyota NUSTAG was the first team which cleared technical inspection in the first attempt. The team secured 11th position in the Gasoline category, and 15th position in Urban Concept.

Support for Indigenous Paper Recycling Plant

Indus Motor always endeavors towards nature conservation through various social activities including an awareness program. Indus Motor contributed in the final year project of a group of engineering students of the industrial manufacturing faculty from NED University. This involved fabrication of an indigenous paper recycling plant. Fabrication work and trial production of recycled paper has been completed during the year. Expansion and Automation is to be undertaken in due course once the quality of the product is improved.

At IMC, we understand that our responsibility towards our communities extends beyond donations and involves activities for community well-being through creation of livelihood opportunities, sponsoring sports and provision of food for healthy and productive lives. IMC has a long-standing history of actively supporting people affected by natural calamities and we are committed to be at the forefront whenever natural disaster or calamities occur.



Toyota – Technical Education Program (T-TEP)

To develop skills and expertise of younger generation in the field of automotive engineering, IMC, with the support of Toyota Motor Corporation, has been offering three-year certification under Toyota – Technical Education Program (T-TEP). This program is conducted through four institutes in three major cities. It offers students a chance to strive for a successful career and live up to their true potential, ensuring a better standard of living for their families and coming generations. Toyota philosophy and methods are the cornerstone of this program. Every year, 600 graduates are enrolled, who get employment opportunities both within Pakistan and abroad. So far, IMC has trained 56 instructors who in turn have taught 4,397 students. T-TEP has resulted in the availability of skilled workforce for the industry and has succeeded in creating social and economic value for the society.

Safer Roads – Better Lives

IMC takes pride for its work towards creating safe driving habits and awareness through researches, organizing conferences, awareness sessions and spreading safety concepts among students through triggering their creative skills in the shape of model designs on road safety.

Keeping to our commitment of the safety of our customers and masses and moving from automobile manufacturing to Mobility Solution Company, IMC sponsored Urban Transport Conference 2017, organized by IRSTEP, Lahore. Urban transport is the key sector for Socio Economic Growth, supporting the mobility, accessibility and well-being of people. People of all ages use transport in their daily lives for work, for leisure, for school/college for fulfilling personal needs and for business requirements. The conference made recommendations for short-term and long-term traffic reforms for the urban transport sub-sector in accordance with the National Transport Policy for government consideration.



Weekly Food Distribution

Availability of good nutrition is paramount for healthier and productive societies. IMC activities of providing food and ration support the SDG 2 “Zero Hunger” which seeks sustainable solutions to end hunger in all its forms and ensure that everyone everywhere has enough good-quality food to lead a healthy life. IMC has been playing its role since inception through provision of nutritious meals on a weekly basis to the neighboring communities at their door-step and distributing ration during the holy month of Ramazan. The average outreach is around 20,000 community members.

These SDGs are supported by IMC through provision of employment opportunities, taking care of health and safety of its workforce, respecting human rights and investment in communities. Linkage of our activities and SDGs can be found at page 73.



THE WAY FORWARD



THE WAY FORWARD

The way forward provides us an opportunity to rethink and realign our future activities to support our commitment of creating shared value, reducing environmental burden of our operations and enriching lives of our communities. Toyota Vision, Guiding Principles and other best practices in sustainability management will enlighten our policies and actions on the path of delivering sustainable growth.

Positive economic outlook along with growing demand for vehicles are providing opportunities for the automobile sector. We aim to fully tap the growing demand of our products through continuous investment on upgrading and expanding our plant and facilities. A strong and sustainable economic position is important to pursue sustainability and deliver safe products with reduced environmental impact, have a satisfied workforce, expand sustainability in supply chain and our work in communities. We remain committed to produce high quality products meeting customer needs along with adding new safety features in our vehicles. In line with “Toyota Environmental Challenge 2050” we aim to continuously make investments on clean energy resources, efficient energy management, reducing GHG emissions of our operations and supply chain partners, increased water recycling and better waste management.

Our people are the backbone for delivering exceptional performance and continuous growth over the years. We aim to hire quality workforce, develop their skills and knowledge through trainings and education, provide them competitive remuneration and benefits and safe and productive workplace. Our business partners support us to meet our targets and deliver customer delight. We aim to support our business partners through trainings and guidelines for improving their economic returns, reduce their impact on the environment and play a productive role for their communities. We are aware that creating and maintaining trust among IMC and its stakeholders is vital for our success. We remain committed to further improve our sustainability practices and abide by applicable laws and regulations. Moreover, we aim to continue taking input from our stakeholders to make informed decisions.

We are committed to continuing our support for social responsibility initiatives in our communities and commit to follow and support:

- “Ten Principles” of United Nations Global Compact
- Corporate Social Responsibility Voluntary Guidelines 2013
- Sustainable Development Goals



ANNEXURES

- ▶ GRI CONTENT INDEX
- ▶ UNGC - COP
- ▶ SDGS INDEX
- ▶ FEEDBACK FORM
- ▶ GLOSSARY & ACRONYMS



GRI CONTENT INDEX

The GRI content index serves as navigation tool to locate the content within the report. The GRI Standards together with the related disclosures are listed and each disclosure is referred to the relevant page in this sustainability report or other publicly available source.

KEY

SR = 2018 Sustainability Report

AR = Annual Report 2018



Fully disclosed



Partially disclosed



Not disclosed

GRI 101: FOUNDATION 2016 GRI 101 contains no disclosures.

GENERAL DISCLOSURES

GRI 102: GENERAL DISCLOSURES 2016

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Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	56-61,39	413-1, 414-1
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	52	102-41, 402-1, 407-1
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	51	409-1
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SUSTAINABLE DEVELOPMENT GOALS

SDGs		Page No.	GRI Standards Disclosure
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	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	31, 56-61	201-1, 203-1, 413-2
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	Promote inclusive and sustainable economic growth, employment and decent work for all	31, 39, 43, 44, 46, 50, 51, 52, 53, 55	102-8, 102-41, 201-1, 301-1, 301-2, 302-1, 302-3, 302-4, 303-3, 401-1, 401-2, 402-1, 403-1, 403-2, 403-4, 404-1, 404-3, 405-2, 407-1, 408-1, 409-1, 414-1
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	Make cities inclusive, safe, resilient and sustainable	56-61	203-1

	<p>Ensure sustainable consumption and production patterns</p>	<p>38, 40, 43, 44, 45, 46</p>	<p>204-1, 301-1, 301-2, 302-1, 302-3, 302-4, 303-3, 305-1, 305-6, 305-7, 306-2, 306-3, 306-4, 417-1</p>
	<p>Take urgent action to combat climate change and its impacts</p>	<p>44, 45</p>	<p>302-1, 302-3, 302-4, 305-1, 305-4</p>
	<p>Conserve and sustainably use the oceans, seas and marine resources</p>	<p>45, 46</p>	<p>305-1, 305-4, 305-5, 305-7, 306-3</p>
	<p>Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss</p>	<p>45, 46</p>	<p>305-1, 305-4, 305-5, 305-7, 306-3</p>
	<p>Promote just, peaceful and inclusive societies</p>	<p>25, 26, 27, 30, 39, 40, 42, 51, 52, 54</p>	<p>102-16, 102-22, 205-1, 205-2, 307-1, 414-1, 406-1, 408-1, 416-2, 417-2, 417-3, 419-1</p>

GLOSSARY & ACRONYMS

ASEAN	Association of Southeast Asian Nations
ATM	Apprenticeship Team Member
CBA	Collective Bargaining Agent
CBU	Complete Built Unit
CFCs	Chlorofluorocarbons
CKD	Completely Knocked Down
COP	Communication on progress
CSR	Corporate Social Responsibility
GHG	Green House Gases
GRI	Global Reporting Initiative
GEMS	Global Environment Management System
GJ	Giga Joule
HFCs	Hydrofluorocarbons
HSE	Health Safety and Environment
ISO	International Standards Organization
LTIR	Lost Time Injury Rate
MAP	Management Association of Pakistan
MPX	Multiplex communication system
MW	Mega watt
NFEH	National Forum for Environment and Health
NGO	Non-Government Organization
NLTIR	Non-loss Time Injury Rate
NVH	Noise, Vibration and Harshness
OEMs	Original Equipment Manufacturers
SEQS	Sindh Environmental Quality Standards
SEPA	Sindh Environmental Protection Agency
TDEM	Toyota Daihatsu Engineering & Manufacturing
UNGC	United Nations Global Compact

FEEDBACK FORM

Sustainability Report 2018

Information provided on material topics covered in the report.

☐ Comprehensive ☐ Adequate ☐ Not adequate

Clarity of the information provided in the report.

☐ High ☐ Medium ☐ Low

The quality of design and layout of the report.

☐ Excellent ☐ Good ☐ Average

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