Environment & Social Report 2006

TOYOTA KIRLOSKAR MOTORS PVT. LTD.

This is our third Environmental report publishing to share our environmental activities with the general public & stake holders. From this year onwards we are including our social & community development activities besides environment performance in this report.

Year 2005 is an important year for us as we have established our five year environment action plan with the support from Toyota Motor Corporation. The five year environment action plan is a milestone for us to plan & realize our environmental goals.

As per Five year Environment action plan we are initiating an activity to measure emission of CO_2 in our logistic activities from year 2006. Through this we would like to know our CO_2 emission levels and make short term & long term activity plan to reduce the emissions.

We have successfully upgraded our ISO 14001(EMS) from 1996 to 2004 version during Apr 2006. We are recertified by AJA (Anglo Japanese American) Registrars against revised standards on June 2006.

We thank our environment friendly suppliers & dealers who have successfully implemented Environment management systems & obtained ISO 14001 certification. As of March 2006, 82 % of our suppliers & 69 % of the dealers are certified for ISO 14001. Further we are strengthening dealer EMS through Dealer Environmental Risk Audit Programme (DERAP). The main purpose is to ensure better environmental performance & to achieve 100% compliance to legal requirements.

We have tried our best to furnish most of the environment related information in this report. We look forward for your valuable suggestions for improving the environment performance.

A.Toyoshima
Managing Director

Toyota Earth Charter

BASIC POLICY

- Contribution toward a prosperous 21st century by setting a challenge to achieve zero emissions throughout all areas of business activities.
- Pursuit of new technologies to enable the environment and economy to coexist harmoniously.
- Development of a voluntary improvement plan, based on thorough preventive measures and compliance with laws.
- Working in cooperation with society for environmental preservation.

COMPANY'S VISION

To Contribute to Indian Industry & economy through sustainable development of society by providing high-quality and innovative products with services, and strive to develop, establish and promote technologies enabling the environment and economy to co-exist harmoniously.

SCOPE OF THE REPORT

TKM is a joint venture between the Toyota Motor Corporation (TMC), Japan and Kirloskar Group, India for manufacturing and sales of automobiles, which is located at BIDADI, with a production capacity of 60,000 vehicles per annum. This report mainly reflects the TKM's operations and activities during financial year April 2005 ~ March 2006.

ACTION GUIDELINES

- Always being concerned about the environment by promoting business that contributes toward environmental improvement.
- Business partners are partners in creating a better environment
- Active participation in social activities as a member of society
- Activity information & disclosure, to promote environmental awareness

TKM ENVIRONMENTAL POLICY

The company has well-articulated "Environmental Policies" in all its locations in context to the nature of its operations. All employees have pledged their commitment to the policy, in thought and deed.

As a good corporate citizen, Toyota Kirloskar Motor Pvt. Ltd., Bidadi, an automobile manufacturing facility is committed towards protection of the Environment by minimizing our impact on the Environment through pollution prevention, conservation of natural resources and continual improvement.

To support this commitment, it is our policy to:

- **Proactively promote environmental awareness and knowledge among Team Members through continual education and job specific training.**
- **Ensure compliance with legal as well as other requirements to which our company subscribes.**
- **Establish and review environmental objectives and target annually to ensure better environmental performance through proactive continual improvement activities.**
- **We shall establish programs and conserve energy natural resources, flora, fauna and build a GREEN ENVIRONMENT, within and surroundings as a part of our policy.**

We recognize the importance of continual improvement in environment performance while creating economic growth and maintaining competitive advantage. We are committed to this philosophy and it is our hope that, you, our Team Members, suppliers, customers, dealers and neighborhood share our commitment in preserving a very valuable resource.....OUR ENVIRONMENT

1. ENVIRONMENT MANAGEMENT SYSTEM

Environment Management System (EMS) is "a tool for managing the impacts of an organization's activities on the environment". EMS provides a structured approach to planning and implementing environment protection measures. An EMS integrates environmental management into a company's daily operations, long term planning and other quality management systems.

The Environmental Management System is not only non-material for this process due to increased employee motivation or a better image, but also a system of savings through reduced consumption of resources.

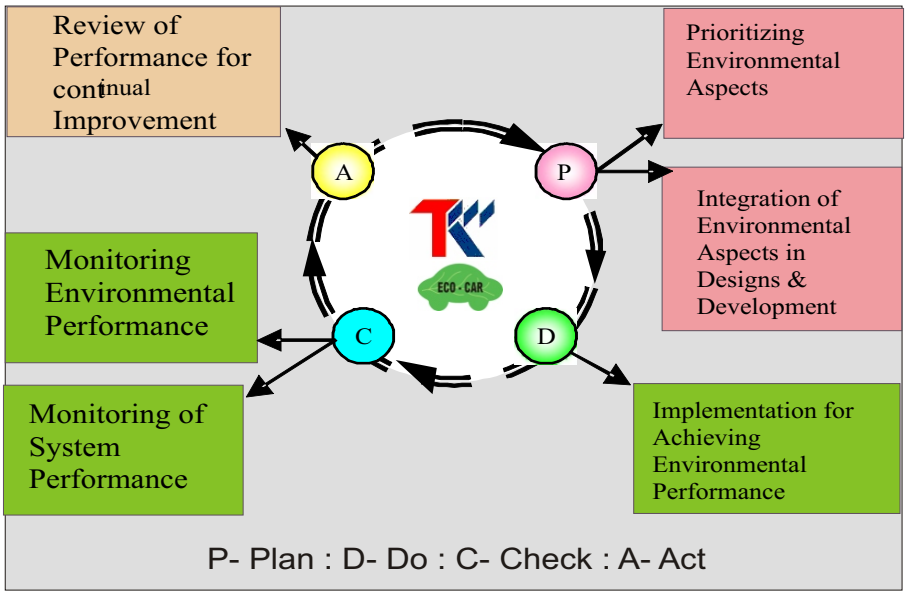


Fig:1 **EMS at TKM**

1.1 Upgradation of ISO 14001

During the FY 2005, an activity was taken to upgrade our EMS from 1996 to 2004 version. For upgrading the EMS, special training program was organized for our internal auditors to make them clear about the changes and upgradation required in the system.

TKM conducted internal audit prior to an external audit keeping in foresight a scope, documentation, clarity, compatibility, and compliance as key changes for standardization and developing the internal auditors.

After extensive groundwork on the requirement as per the revised version of the ISO 14001, TKM under went the external audit for the certification against ISO 14001:2004 successfully complying to all the changes/requirements as per the revised version with an overall objective to promote environmental protection and the prevention of environmental stress in harmony with economic and social requirements.

TKM Environment Management System was confirmed to meet all the requirement of ISO 14001:2004 version, by AJA (Anglo-Japanese American), our external certifying agency and certified with ISO 14001 certificate on July 2006 (Fig.2).

Fig 2: ISO 14001: 2004 Certificate

1.2 Internal Auditors Training

An Internal Auditor training was imparted by the AJA (Anglo-Japanese American) Auditor to the core-group of Environment Management System (fig 3). The training was focused to develop the skill of internal auditors to check the effectiveness of system implementation & to identify improvement areas.

Fig 3: TKM Environment Core-Group

2. ENVIRONMENT ACTION PLAN

2.1 An Overview:

The Toyota Environment Action Plan seeks to achieve a balance between Toyota's growth and harmony with society and to contribute to the development of a sustainable society.

The Environmental Action Plan is a clear guideline of the activities that TKM must undertake in order to realize the corporate image.

In adopting the plan, Toyota Kirloskar Motors has addressed five main environmental areas:

1. Global Warming
2. Recycling of resources
3. Chemical Management - Substances of Concern
4. Atmospheric Quality.
5. Co-operation with Society

(1) CO_2 emissions management

With a clear sight of CO_2 emission reduction, TKM has developed its medium- to long-term plan for achieving CO_2 emission reduction.

A Plan is made for reduction of electricity consumption, reduction in fuel consumption & reduction of emission from logistic activities by promoting /sharing the best practices of Affiliate Company.

(2) Recycling of Resources:

Natural resources are to be carefully used & preserved for the future generations. These resources are free, but it has to be used judiciously as they are bound to be exhaustible. Due care and caution in use of natural resources is necessary. Conservation of natural resources is a key factor for sustainable development. By realizing this, TKM has made action plan for achieving reduction of water consumption and Waste generation. In order to achieve this, various activities through 5R (Reduce, Reuse, Refine, Retrieve Energy, Recycle) are planned.

(3) Chemical Management & Elimination of Substances of Concern:

TKM extends its commitment through elimination of usage of hazardous chemicals. TKM has prepared its consolidated list of banned chemicals by Indian law and TMC. All the raw materials and chemicals used at TKM are continuously monitored to ensure that they don't contain any banned chemicals.

Realizing towards the recycle based society TKM has started phase out activity for 4 substance of concern (Lead, Hexavalent Chromium, Mercury, and Cadmium) from all the vehicular parts/component which are directly or indirectly impregnated on Toyota Built Vehicle.

(4) Atmospheric Quality

Air is the life supporting important element of natural environment, sometimes becomes our bitter enemy, as and when it gets polluted, attempts are then made to reduce the emission of pollutants from the automobiles or factory by adopting mechanical means or adopting high rise chimneys for better dispersion. Thus, TKM has planned for engineered mechanisms for exhaust gas emissions through process enhancement. TKM, has also extended its commitment towards continual minimization of the emission of volatile organic compound during painting process and thus, reducing the harmful effects over an ambient environment.

(5) Co operation with society

TKM share its best practices and extends its commitment by publishing the Environmental Report and contribute to the development of a recycling based society. Also, organizing Environmental Awareness program at schools & Colleges, students visits to company facility to visualize the best practices.

2.2 Highlights - TKM's Five Year Environment Action Plan (FY 2006 ~ FY 2011)

Toyota Kirloskar Motors has prepared Five Year Environmental Action Plan (Table 1) based on the guidelines from the Toyota Motor Corporation.

Table 1:

Policy	Action Item	Area	Specific action items & Goals
CO_2 Emission Reduction	Reduce CO_2 emissions in production & logistics activities of each country & region.	Production	* Reduction in electricity consumption. (Purchased+generated)(kwh/veh) 20% based on Current year status
			* Reduction in LPG consumption. (kgs/veh) 20% based on Current year status
		Logistics	* Reduction in emission of CO2/unit 15% reduction based on 2006 values
Resource conservation	Promote the effective use of resources to further contribute to the realization of a recycling based society	Production	**Increase Yield ratio :** To reduce steel consumption by reuse & reduce activities.
			Waste reduction : Reduction in generation of Hazardous waste (kgs/veh). 20% based on Current year status. (Chemical sludge+Phosphate sludge+Paint sludge) Reduction in generation of Non Hazardous waste (Miscellaneous solid waste) by 20% based on Current year
		Logistic	* Reduction of packaging & wrapping materials
		Production & Domestic consumption.	* Reduction of water consumption by 10% based on current year status (m3/veh)
Substances of concern	Promote Management & further reductions in the use of Substances of Concern	Production	* Eliminate use of four SOCs (Lead, Mercury, Cadmium & Hexavalent Chromium)
Atmosphereic quality	Initiative activities to reduce air emissions.	Production	* Reduction of Volatile Organic compounds.
Co-operation with society	Improve disclosure of environmental information & two way communications.	Society	* Enhance the content of environmental reports * Enhance communication with local

3. ENVIRONMENT PERFORMANCE

The company is well aware and respects its obligations to the society and is committed to ensure a pollution free and healthy environment to its employees and the community at large. All TKM business decisions are integrated with environmental dimensions not only since inception but also during the continuous expansion phases.

A numerous variety of materials including metals such as steel, aluminum, as well as glass, rubber and chemical substances are used in automobile manufacturing processes, while energy such as electricity, natural gas, heavy oil and water are consumed as, natural resource being essential for any manufacturing industry.

Training of our team members is a key to achieve Environment performance that we strive-for. New team member's are trained for basic environmental awareness and with highlights of ISO 14001 and its requirement. The team members working in the environment significant areas are trained with respective significant aspects and the steps to be taken during environmental emergency. The team members are imparted On the Job training for conservation of natural resources and Waste reduction activity by Environment Group.

Table 2 : Summary of Key Environmental Performance Index

Policy	Objectives & Targets for Year 2005	Activity Results	Objectives & Targets for Year 2006
Training & Awareness	*To modify TKMs training methodology in line with TMC and impart training to achieve level three	*Revision of the TKM Training methodology to incorporate feedback & reflection system(OJT) Completed	To achieve level 4 to 50% of TL & GL on OCPs Train all members on waste management to achive 100% Waste Segregation
	*Internal Auditors Retraining (Target 20 nos with 90% efficiency)	*Internal Auditors(26 N0s) Training was given imparted by an External Agency	To develop alternate core members & internal auditors for all divisions *Core member Retraining (Target 15 nos with 80% efficiency
Legal Compliance & TMC requirements	Ensuring of 100% Legal Compliance & Zero complaints & TMC Requirements	Comply with all applicable legal and other requirement during the FY2005	Ensuring of 100% Legal Compliance & Zero complaints & TMC Requirements
Chemical Management	*Implementation of chemical management system at Suppliers & Dealers(who are ISO 14001certified) *Continuously monitor new Chemicals to ensure the non-presence of TMC Banned chemicals	*Training Suppliers & Dealers on TMC banned Chemical list was carried out. *Contiuously checking the MSDS of new chemicals at TKM	* Implementation of chemical management system at Suppliers & Dealers(who are ISO 14001certified) * Continuously monitor new Chemicals to ensure the non-presence of TMC Banned chemicals. * Elimination of SOCs in all local parts of Innova & Corolla by Dec 2006

Policy	Objectives & Targets for Year 2005	Activity Results	Objectives & Targets for Year 2006
Conservation of Energy & Natural Resources	Steel Reuse and Reduction Activity Steel reuse = 34.68 Kg/Vehicle Steel Reduce = 22.06 Kg/Vehicle Yield Ratio = 68%	*Master sheet & blank size reduction *Offal Utilization Yield Ratio Achieved = 74%	Steel Reuse and Reduction Activity Steel Reuse of 35.7 kg/Veh Steel reduce of 22.7 kg/Veh Yield ratio of 70%
	Electricity Consumption Reduction *Implement measures to Electricity Consumption Reduction	*Improvement of power factor is completed. PF=0.99 * Electricity Consumption: 674 KWH/Veh (due to Lower Production Volume)	Electricity Consumption Reduction *Implement measures to target consumption of electricity : 570.8 Kwh/Vehicle
	LPG Consumption Reduction *Implement measures to LPG consumption reduction	*Process Optimization is ongoing activity in Paint Shop * LPG Conusmption: 35.07 Kgs/Veh	LPG Consumption Reduction *Implement measures to target LPG consumption as 28.64 Kg/Vehicle
	Water Consumption Reduction *Implement measures to water consumption reduction	*Water reduction by intro of ACFC for all DGs is completed Water Conusmption: 5.6 m3/Veh	Water Consumption Reduction *Implement measures to target consumption of water: 4.47m3/vehicle
Green Belt Develpoment	To promote natural resource conservation and Greenary build up 30% of the land	*Development & Maintenance of Greenary and promote the concept in TKM+outside * Plantation of 200 Saplings at the boundary	To promote natural resource conservation and Greenery build up 30% of the land
Supplier's & Dealer's Support	*Support 08 Suppliers for ISO 14001 certification by Dec 2005	*Facilitate design,development of EMS *Conduct group trainings and evaluate & record	*Support 03 Suppliers for ISO 14001 certification by March 2007
	*Support 06 Dealers for ISO 14001 certification by Dec 2005	*Dealers CM training(Basics+Internal Audit) A system is established to monitor Environment performance at dealer's point	*Support 10 Dealers for ISO 14001 certification by March 2007

4. RESOURCE CONSERVATION

Specific Goals:

- Reduce usage of primary raw materials through *Master sheet & blank size reduction" and *Offal Utilization"
- Limit usage of Oils through recycle of waste oils

4.1 Steel Reuse and Reduction Activity:

Resource Conservation and/or its efficient usage for maximum benefits are a key issue for any industry to enhance the better environmental performance.

To ensure the effective utilization of resources such as iron and steel. TKM has implemented various measures to reduce resource loss, such as improving the yield in stamping process, reducing the number of defective pieces, and utilization of offal's for service parts manufacturing. TKM with its efforts towards resource conservation continues to be prominent achiever in steel yield ratio among all global Toyota affiliate. Scrap parts are being utilized to produce smaller components. The yearly trend of Reuse of steel scrap and Reduction of Steel usage outlines good yield ratio of 74%.

4.2 Waste Management:

All the employees and contract workers have been trained on waste segregation at source(Fig 4). The segregated waste is being disposed to the value yard, where all these waste are being stored separately and disposed through TKM approved contractors for recycling. In 2005, various activities were carried out for the reduction of non-hazardous waste through effective implementation of 3R (Reuse, Recycle, Reduce) concept during Environment Month. The Non-Hazardous waste generated during 2005 was accounted to be 21.3 Kgs/Veh.

Fig 4 : Segregation at source

Waste Minimization Activity

- Wastes like used waste oil from the press shop is recycled in-house, and life span of an oil has increased and thus reducing the hazardous waste quantity.
- Recovery of used thinner is done in paint shop and utilization of the same for the process, thus leading to the reduction of Volatile Organic Compound emission
- Other house hold waste, metal scrap & plastic waste components are being sold to TKM approved outside vendors for recycling.
- The hazardous waste quantity generation has reduced drastically due to the natural drying of paint process waste. Also, wastewater sludge containing higher percentage of moisture content is dewatered through Decanting process thus ultimately reducing the generation of hazardous waste in FY 2005

Hazardous waste management (HWM):

MS/HDPE Barrel for storage of hazardous waste. Labeling of hazardous waste is carried as per legal requirement. The hazardous waste is stored over Impervious flooring to protect from the land contamination in case of eventualities. shelter to protect against the weather conditions. Spill kit is provided for handling any leakages/ Spillages from the Containers

The TMC waste management cell (Fig 5) had visited TKM to ensure and witness the hazardous waste management system. They audited the entire hazardous waste storage area and appreciated hazardous waste management system followed in TKM.

Fig 5 : TMC Auditing HWM to TKM

5. LEGAL COMPLIANCE:

Toyota Kirloskar Motors is committed to achieve 100% compliance with respect to all applicable legal requirements. To ensure this, internal standards which are more stringent are fixed for all the legal requirements. This initiate countermeasure in case of any abnormality, thus complying to the legal requirement.

System has been established to evaluate the status of legal compliance every month to confirm the compliance status

5.1 Wastewater Management

A well equipped Environmental Management system is in operation to oversee environmental activities and is supported by full fledged sophisticated control laboratories that have been set up to help to constantly monitor the quality of treated effluent. TKM has well operated wastewater treatment Plant (WWTP)(fig 6) with sophisticated laboratory facility. The Wastewater both domestic and industrial is treated in the Wastewater treatment plant.

Fig 6 : TKM Wastewater Treatment Plant

The discharged water analysis (Fig7)is carried out daily for COD, BOD, pH, TDS, Oil & Grease, Total Suspended Solids. Heavy metals are analyzed regularly. The analysis results are used by the Environmental dept to review the efficiency. In case of any abnormality, suitable countermeasure will be initiated and the treated wastewater will be recycled.

Fig 7 : A Lab chemist with daily analysis work

The system is established to carryout regular checks to avoid abnormality.

The tabulation below gives the actual value met after the wastewater treatment with respect to Internal and Legal standards. If the incoming waste water exceeds the design limit then suitable countermeasures are initiated to treat it to bring within the design limit like dosing of chemicals or homogenizing the effluent (pre-treatment).The final treated tabulation gives the treatment efficiency level.

Waste water treatment (Conforming to The Water (Prevention and Control of Pollution) Act)					
Parameter	Standards		Actual Measurement		
	Legal	Internal	Maximum	Minimum	Average
pH	6.5-8.5	5.8-8.6	7.2	6.4	6.8
COD mg/L (max)	250	200	30	17	23
BOD mg/L (max)	30	25	10.4	3.3	5.8
SS mg/L (max)	100	80	12	4.5	9.7
Oil & Grease mg/L (max)	10	7	0	0	0
Heavy Metals like Lead, Arsenic are negligible and undetectable					

Fig 8:Fish Pond for Bioassay

In case there is abnormality then the treated wastewater is recycled back and then re-treated for meeting Legal limit. A bioassay test (fig 8) is carried out to confirm the quality of treated wastewater

The visualization is done through graphical representation and monitoring the trend of process to initiate suitable countermeasures. These graphs help in prior identification of normal & abnormal conditions by any person. Thus, prevent in exceeding of legal discharge standards.

5.2 Air Quality Management

Stack monitoring and ambient air quality(Fig 9) monitoring are carried out once a month & results are shown below. The legal reporting is done to KSPCB, as per the requirements

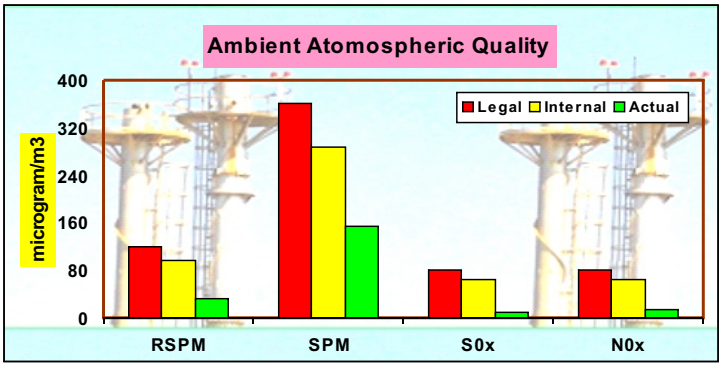


Fig 9 : Air Quality Details

6. SUBSTANCE OF CONCERN (SOC) ELIMINATION

In 2005-06, TKM under the guidance of TMC initiated an effort to explore the use of environmental burden substance in the products and elimination of those substances, thus facilitating green engineered products in India.

The problem of "risk" and "hazard" terminology has bedeviled discussions relating to the safe use of chemicals, because there have been different usages, although a consensus is emerging. We come into contact with many substances, unknowingly. Some may have the potential to cause adverse health effects, but how do we know if we are at risk of becoming ill from exposure to these substances?

Many chemicals are added to bring in the component of an automobile. Some of these chemical substances have metallic property and also toxic or poisonous in nature at lower concentrations also, Such type of substances is considered to be of concern as they have significant impact over the Environment and Human health. The elements such as lead (Pb), Cadmium (Cd), Mercury (Hg) and Hexavalent Chromium (Cr6+) are considered as SOC by the TKM. Battery, fuel tank, sealer, fuse, Nickel-Cadmium Battery, KID Lamps etc., are some of the automobile components wherein these SOCs can be trace out.

These SOC's can enter a water supply by industrial and consumer waste leading to dreadful effects over the ecosystem. TKM has an objective towards eliminating these substances of concern from the Toyota built product. We have been continuously working on reduction/ elimination on the usage of substances of environmental concern, which are used in automobile parts in order to obtain certain characteristics, which goes on/in the Toyota built vehicle that will reach to the customer

TKM has tracking through the supply chain upto the raw material suppliers of each parts and investigate which portion contains SOC. TKM works to meet this requirement by.

- Designing products that reduce or eliminate these substances
- Developing alternatives that may suit customer needs

The TKM has established the laboratory (Fig 10) for analyzing the presence of the Substances that are concerned to the environment in auto-components.

Fig 10: System Monitoring for SOC

The components used for automobile manufacturing is sent to the laboratory for analyzing the substances of environmental concern before they are impregnated and built as a complete unit.

Although their usage cannot be eliminated yet, TKM is working according to the plans with continual efforts to reduce their usage. The flow of information/decisions towards the elimination of SOCs at the supplier can be visualized as in below (Fig 11)

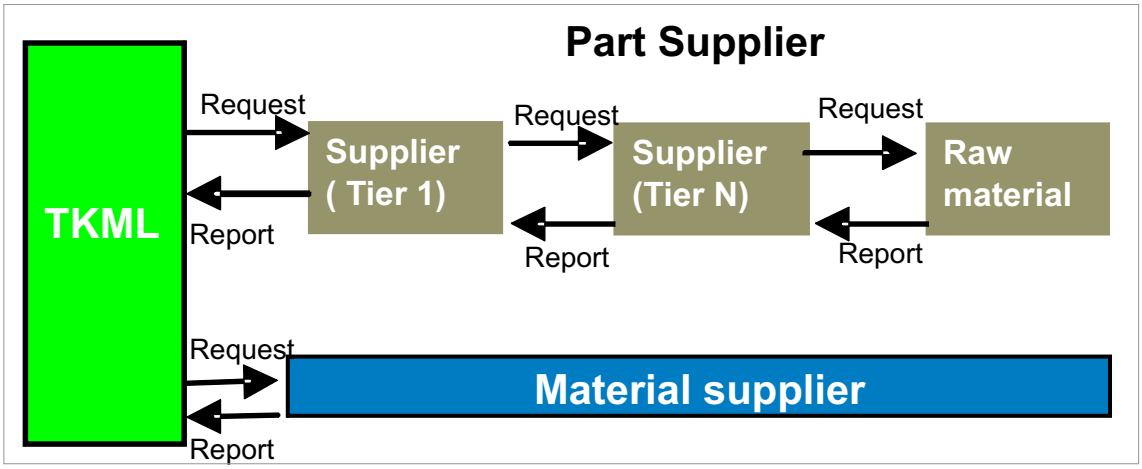


Fig:11 Information flow for SOC Elimination

The suppliers are requested to submit the material data per vehicle models. The received International Material Data system (IMDS) are consolidated and screened completely for existence of SOCs. In case, the SOCs are found in the component, the suppliers are requested to start the SOC elimination activity in their company and appoint exclusive personnel for SOC activity as per the guidelines and support from TKM

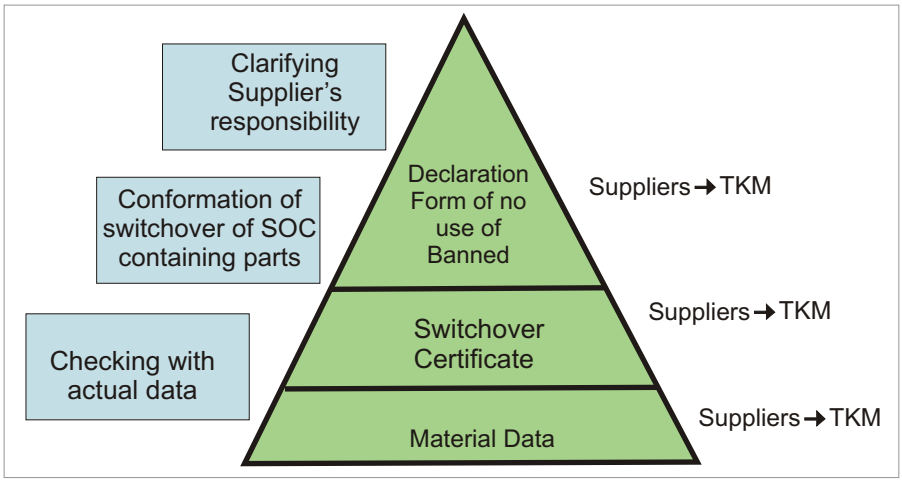


Fig:12 Activity flow for SOC Elimination

Compliance verification for SOC Management from TKML to Supplier.

Most of automobile components are manufactured at ex-situ, and a wide range of direct raw materials and indirect raw materials are procured for use in automobile parts, materials and plants.

Under these circumstances, suppliers being an apex source to manufacture products with concern for the environment in order to reduce the environmental impact of overall automobile manufacture and particularly to promote management of substances of environmental concern and recycling, TKM has Guidelines for suppliers. And hence, the suppliers are requested to submit a report on the composition of materials to be delivered as well as material safety data sheets.

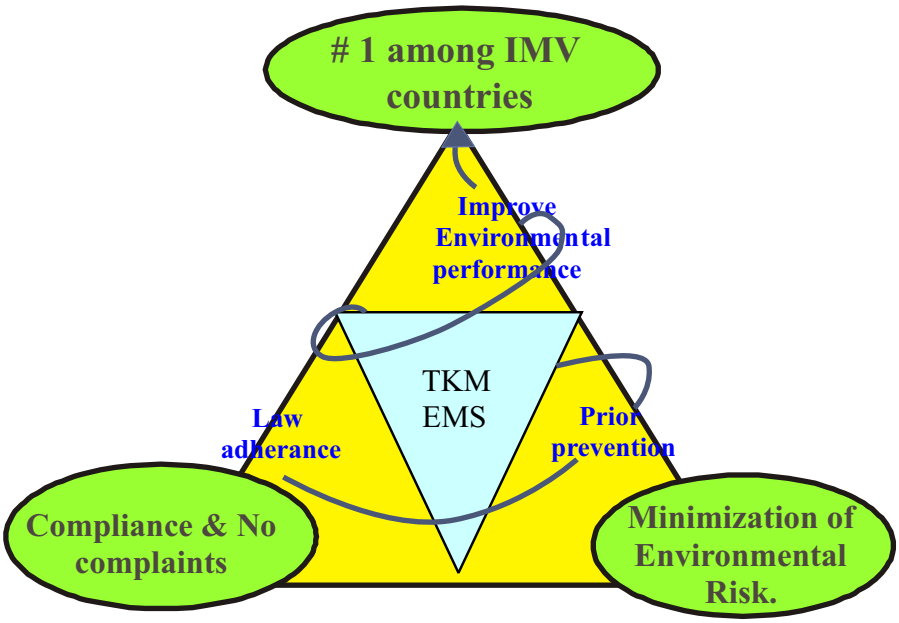
Furthermore, in promoting management of substances of environmental concern, requiring suppliers to submit the types and the volume of substances of environmental concern used in parts and materials supplied, not only encourages promotion of voluntary actions by suppliers, but also becomes an efficient route to tackle and manage the substances of environmental concern used throughout the vehicle and leads to controlling environmental risks.

7. ENVIRONMENT MONTH - MARCH 2006

Environment Month was celebrated in TKM during March 2006 with a main focus on waste minimization through 5R Implementation. The objective of Environment Month Celebration was

"To make the TKM #1 Environmental Friendly Company among IMV Countries by 2010"

The TKM EMS Concept is



"Standardization of Waste Management Activities & Reduction of Waste generation"

&

"Upgradation of TKM EMS to global Level", are the major themes set forth for the Fy2006.

Various promotional activities were organized upto team member level for achieving the goal of standardization of waste management system.

7.1 Waste Reduction Activities:

The word "Recycling" is generally interpreted to mean all activities involved in effectively utilizing resources. Within the concept of Environmental sustainability greater importance is given towards the notion "3R" which combines "Recycle" (reutilization of resources) with "Reduce" (Process modifications & production methods that minimize the generation of waste) and "Reuse" (Usage of Parts & Products without further processing). It is duly applicable for any firm, that we must fully recognize the reality, that society will be monitoring waste discharge with a keen vigilance than ever before.

The conceptual Approach for Waste Reduction:

TKM believes that, “If it cannot be quantified, it cannot be controlled”. Thus, TKM promoted various quantifiable techniques for grasping present trend of waste generation at various level i.e., line-side, department-wide, company-wide successively .

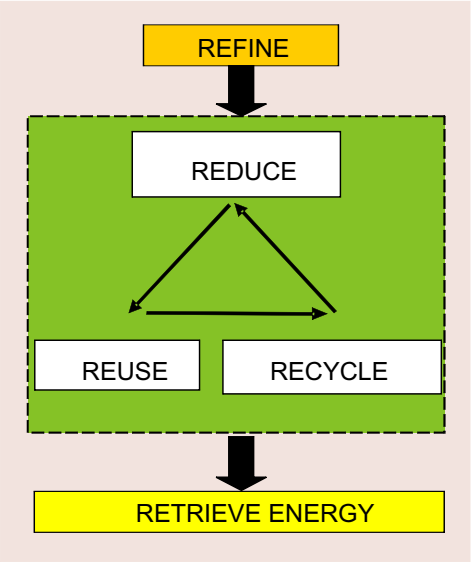


Fig 13 : 5R Concept

7.2 Motivational Activity

Motivational Activities for team members were organized mainly to bring their innovative thinking in line with TKM's environmental Policies & approach for conservation of natural resources and effective waste management.

For Team Members,

i) Poster Competition;
ii) Environmental Kaizens;
Iii) Corporate Citizen Awards;

Fig 14 : Team member receiving
“ Best Corporate Citizen Award ”

Fig 15 : Team member receiving
“ Best Environment Kaizen Award ”

For Departments,

i) Best Waste Management Dept.

ii) Best Environment maintained Dept.

Fig 16 : Assembly shop receiving
" Best Waste management Dept. Award "

Fig 17 : Weld shop receiving
" Best Environment maintained Dept. Award "

The basic idea behind these activities was to discover the hidden capabilities inside team members towards protecting the valuable resource…. "OUR ENVIRONMENT"

TKM strongly believes that "Continual Improvement" and "Respect for People" are the two main pillars and always working towards improving our environment systems by providing our ideas and best efforts. An On-the-Job Training was imparted to all contractors and apprentices by the respective shops with a thinking way of achieving the best in upgrading the Waste Management System.

Developing comprehensive environmentally responsible Actions from "manufacturing to customer relations" and "recycling" has therefore become one of the most important tasks for Toyota Kirloskar Motor.

7.3 Tree Plantation:

Greenery being the major sinks for Carbon dioxide emitted during Industrial Activities, the TKM witnessed the successive plantation of saplings (fig18) during Environment Month. Nearly, 200 saplings were planted surrounding the boundary, wherein it will heighten the TKM's efforts towards reducing the greenhouse effect.

Fig 18 : Tree plantation Ceremony

There is no horizon for the commitment towards the protection of the Environment, thus we had initiated an activity to make our members corporate citizens by contributing towards improving the Environment of the society. Many team members participated in this activity & carried out environment improvement activities outside TKM Premises.

In addition to these, TKM conducted the poster competition for the family member to create awareness about the ENVIRONMENT…

8. ENVIRONMENTAL INITIATIVES FOR SUPPLIERS & DEALERS :

As a joint venture between Kirloskar Group and Toyota Motor Corporation, Toyota Kirloskar Motor (TKM) aims to play a major role in the development of the automotive industry and the creation of employment opportunities. TKM, along with its dedicated dealers and suppliers, has adopted the "Growing Together" philosophy of its parent company TMC to create a long-term business growth.

8.1 Suppliers support:

TKM Environmental Green Supplier Guidelines constitutes mainly with merits of acquiring ISO 14001 certification. Also, proudly share the commitment of TKM towards pollution prevention, resource conservation and continual improvement. One of the important Action Policy in the TKML Five year action plan is "Promote Implementation of best practices at our supplier's end".

Firstly, ISO 14001 possesses an extremely effective mechanism for promoting improvement in environmental performance with reduced environmental impact. Secondly, ISO 14001 makes organized, systematic, and continuous actions easier to take. In otherwords, the voluntary actions of suppliers will lead to reinforcement of TKM's basement and result in a model for stronger environmental protection activities joined by TKM along with Suppliers.(Fig 19)

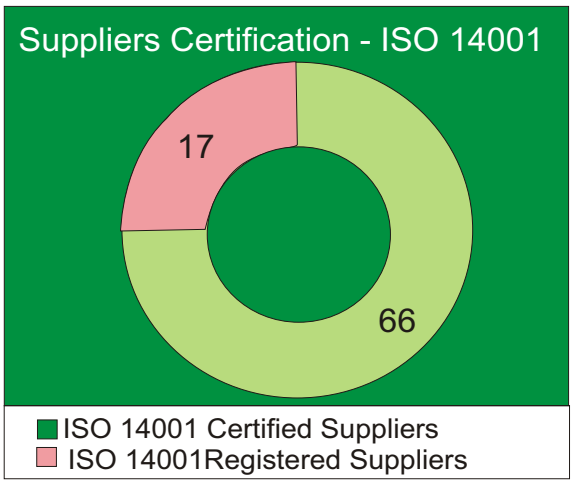


Fig 19 : Supplier ISO 14001 Certification status

TKM views on the principles of independence and responsibility, which emphasizes local capital, and made every effort towards establishment of the system of mutual trust (Fig20). It also believes that it is important to acquire greatest overall efficiency by respecting the independence of its dealers and enabling them to realize their strength towards better Environmental Performance.

Fig 20 : ISO-14001 Certified Supplier honoring Ceremony

TKM seeks to contribute to society by providing customers with the eco-friendly products in the timeliest manner.

8.1.1 Green Supplier Guideline (2006~2010):

TKM requests that it's suppliers acquire ISO 14001 Certification and take measures to reduce substances of concern (SOC) so they can engage in systematic environmental preservation activities jointly with TKM. Considering the trend in Global Environment changes, & Guidelines from TMC, TKM is preparing its new green supplier guidelines which will be implemented during 2006 ~ 2011.

Fig 21 : Green supplier guidelines Communication by TMC

The clear guidelines are provided to specify which suppliers may be required to comply with one or more of the Environmental initiatives outlined. We encourage all of our suppliers to take a proactive approach towards environmental protection.

8.2 Dealer Support

TKM has effectively imbibed The Toyota way in all possible areas. The salient one being the ECO initiatives to make all its business associates to operate in an ECO friendly

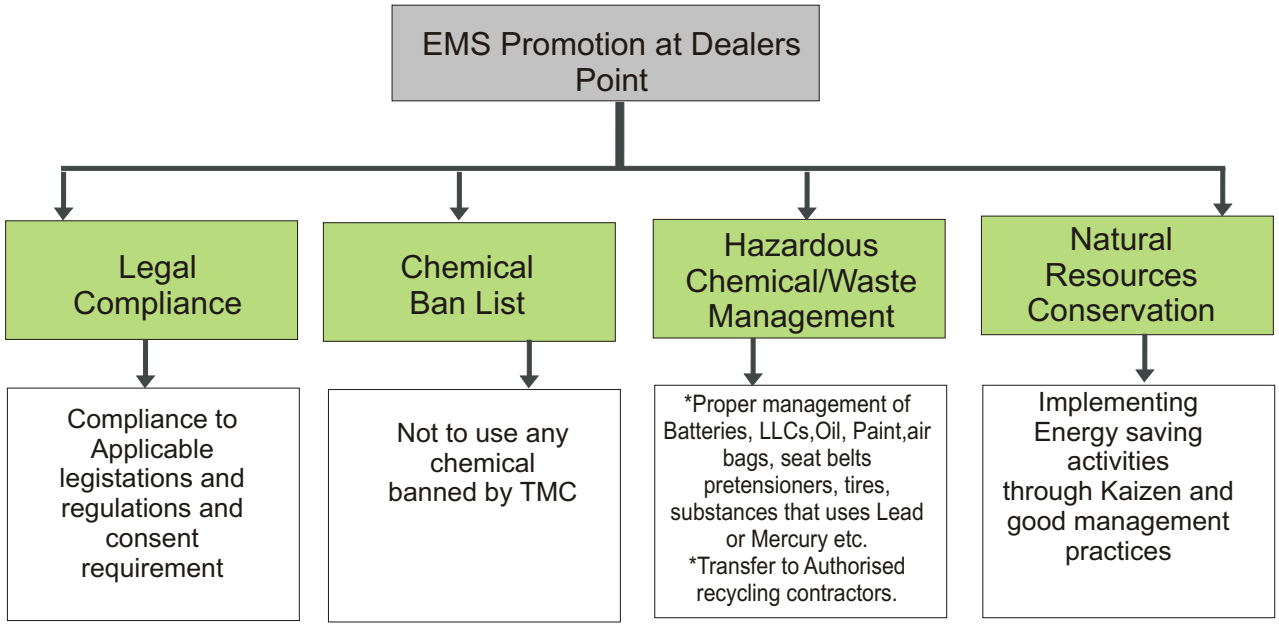
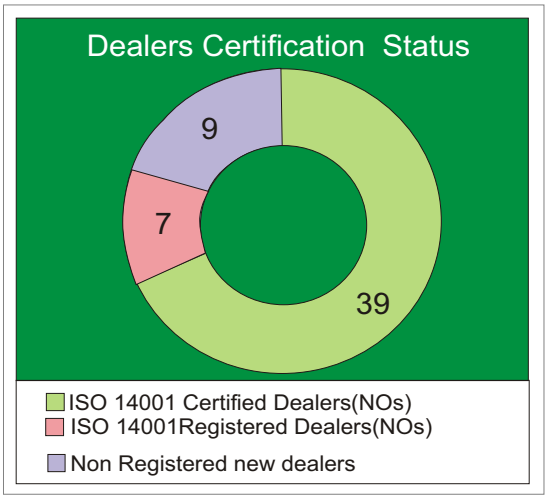


Fig 22 : A Guideline for effective EMS Implementation at Dealers Point

ISO 14001 Program Implementation:



For creating awareness & committment towards environment, we are recommending all our dealers to obtain ISO 14001 certification. For this process TKM is supporting them through training based on request. We have recieved good response from our dealers & 69% of our dealers already certified for ISO 14001. This is the highest percentage of dealers certified,(Fig23) compared to dealers of any other automobile companies in India.

Fig 23 : Dealers Certification Status

8.2.1 Dealer Environment promotion Campaign (DEPC)

The main objective of DEPC is to "Minimize Environmental Risk". As a part of DEPC, campaign Tools like Environmental Posters and Manuals are distributed to all the dealers.

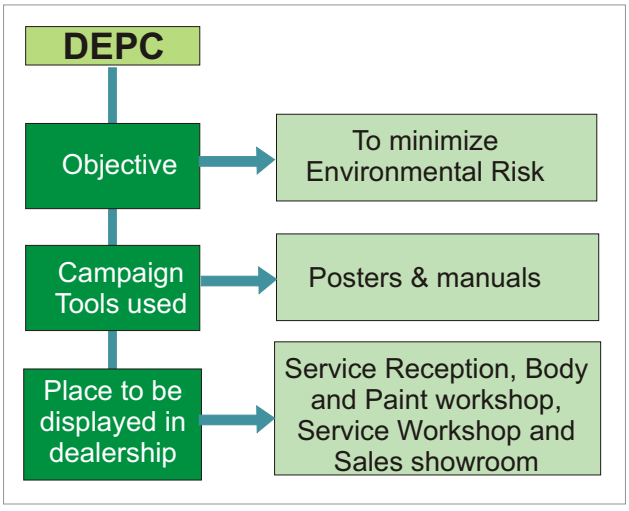


Fig 24 : DEPC Flow Chart

8.2.2 Dealer Environmental Risk Audit Program (DERAP)

The main objective of DERAP program is to upgrade all TKM dealers to TMC level of EMS implementation. In this program the dealer takes guidance of TKM in checking various parameters at his dealership, (Fig 25).

The program was started in year 2004 and the same is supposed to conclude by December 2006, by which all the 36 enrolled dealers will comply 100% with all the above said parameters.

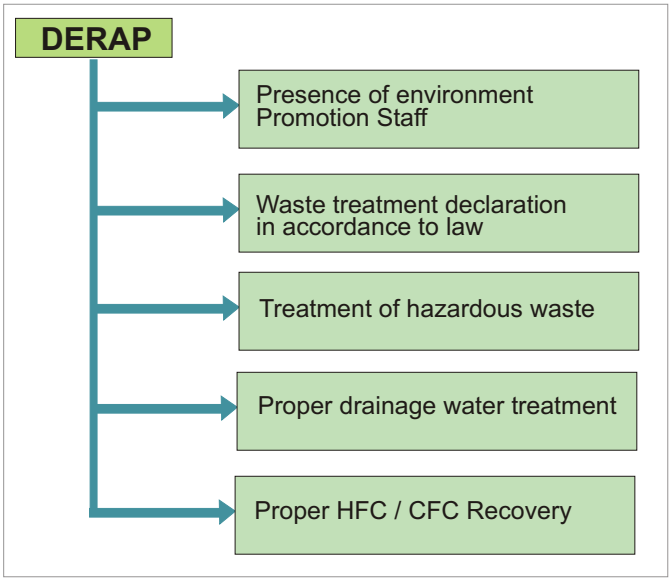


Fig 25 : DERAP Flow Chart

EPI Analysis at Dealers Outsets:

As a part of creating awareness and educating the dealers, TKM collects the key data related to Environmental activities across all the dealerships through Key Performance Indicator.

9. SOCIAL CONTRIBUTION ACTIVITIES AT TKM

Working towards perfection - An Overview

As a joint venture between Kirloskar Group and Toyota Motor Corporation, Toyota Kirloskar Motor Private Limited (TKM) aims to play a major role in the development of the automotive industry and the creation of employment opportunities. TKM, along with its dedicated dealers and suppliers, has adopted the "Growing Together" philosophy of its parent company TMC to create long-term business growth.

In this way, TKM aims to further contribute to progress in the Indian automotive industry, realise greater employment opportunities for local citizens, improve the quality of life of the team members and promote robust economic activity in India.

9.1 Local Community Development

At TKM, every effort is made to contribute to society. Toyota believes in helping people improve the quality of life in their communities. Keeping in line with objectives of our parent company, Toyota Motor Corporation, TKM partners with organizations, schools, universities and other businesses to support community development programs.

9.2 Environment Education

Education plays an important role in shaping our future. Toyota's goal is to electrify the minds of people by supporting educational institutes and promoting literacy. A residential school at Bidadi, reconstructed by Toyota, now houses 75 students, mainly belonging to backward communities. Partnering with local schools at Bidadi, TKM has contributed textbooks, bags, computers, chairs, writing pads and other educational material for school children.

Fig 26 : Contribution of Environment Encyclopaedia to local schools

At Toyota, the commitment to the environment extends beyond our products. Whether planting trees or organizing seminars on rainwater harvesting for local panchayats, TKM is working to make the local community a better place. As part of the Eco Spirit Campaign, environmental awareness has been brought about in school children through painting and quiz competitions

Fig 27 : Drawing competition organised for school children

9.3 Support for Natural Calamities

TKM contributed 2.5mn to the Prime Ministers Relief Fund towards relief and rehabilitation for Tsunami affected victims. In the aftermath of the tragic earthquake in Gujarat, TKM and its dealers played a major role in distributing food, clothing and relief in remote affected area.

9.4 Promotion of Japanese Language

Toyota Kirloskar Motor (TKM) has signed a Memorandum of Understanding (MoU) with the Bangalore University whereby it will provide assistance in the development of the languages section of the University. As per the MoU, TKM will financially assist the Japanese language section for the period 2004-07. The funds would be utilized for the upgradation and promotion of Japanese language courses and Japanese language in Bangalore. It would also include sponsorship of one Japanese Professor and study materials and computer peripherals for the course.

9.5 Rebuilding of Local Police Station

Extending its support to the State Police department, TKM rebuilt the Kengeri police station keeping the format simple, yet elegant and public friendly. The upgradation involved a better construction layout, new furniture and other utilities. The earlier facility had a total built up area of 600 sq ft with three rooms including one lock up room. Keeping in mind the growth envisaged for Kengeri by the State Government, TKM has expanded the facility to offer a total built up area of 5200sqft. The new police station has a ground and first floor with seating for space to accommodate approximately 40 police personnel with separate cells for women and men. And has enough space for record room and storage facility. The law and order division and the traffic division are accommodated in the same premises.

We have not inherited the EARTH from our ancestors,
We have only borrowed it from our CHILDREN

It is our social responsibility & commitment to protect
our “ENVIRONMENT” through continuous improvement
.....” OUR KAIZEN NEVER STOP ”

Contact Details:
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Plant Administration Division
Toyota Kirloskar Motors Pvt. Ltd.,
Ph: 080 - 66292376/2382