



## About Toyota Australia

Since its foundation in 1937, Toyota has strived continuously to contribute to the sustainable development of society and the planet through its business operations.

Motor vehicles greatly expand the freedom of mobility, but we recognise that they also have an impact on society and the environment. With this in mind, we listen carefully to our stakeholders as we pursue a business that works towards harmony with people, society, and the global environment.

Toyota Motor Corporation Australia (Toyota Australia or TMCA) is a leading manufacturer, distributor and exporter of vehicles, operating under the Toyota and Lexus brands. After more than 50 years in Australia, Toyota has grown to be one of Australia's best loved automotive names.

We are a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan's largest vehicle manufacturer. Our Australian corporate headquarters is located in Port Melbourne, Victoria, and we have a manufacturing plant in Altona, Victoria.

Toyota Australia's sales and marketing operations are in the process of relocating from Woolooware Bay, New South Wales to Port Melbourne. We have regional offices in all mainland Australian states except Western Australia, where an independent company distributes Toyota-branded vehicles on our behalf. Toyota Australia distributes Lexus-branded vehicles in Western Australia.



Our operations are divided into four key operating arms: Sales and Marketing, Corporate Services, Product Planning and Development, and Manufacturing and Purchasing. Lexus Australia is managed under Sales and Marketing.

The vehicles we sell are either imported from Toyota plants overseas or manufactured at our Altona plant. Our customers include private buyers and private, rental and government fleets. We also export vehicles manufactured in Australia to countries in the Gulf Cooperation Council, Thailand, New Zealand and the South Pacific Islands.

Our guests (customers) are serviced by our extensive network of dealers, which are independently owned under franchise agreements.

Following our February 2014 announcement that we would stop manufacturing cars and engines in Australia by the end of 2017, our focus during the reporting period continued to be on managing our transition from an Australian automotive manufacturer to a national sales and distribution company.

## Our commitment to sustainability

### Global commitment

Toyota's seven guiding principles articulate our global commitment to sustainability. Established in 1992, the principles reflect a commitment to fairness in all corporate activities, the provision of clean, safe and innovative products, and respect for the environment and the culture of the communities in which we operate.

The principles are to:

- 1 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
- 2 Respect the culture and customs of every nation and contribute to the economic and social development through corporate activities in the community
- 3 Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all activities
- 4 Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide
- 5 Foster a corporate culture that enhances individual creativity and teamwork value, while honouring mutual trust and respect between labour and management
- 6 Pursue growth in harmony with the global community through innovative management
- 7 Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

The principles form the basis of TMC's global corporate social responsibility policy – contribution towards sustainable development. The policy commits Toyota and all its business partners to comply with local, national and international laws and regulations, as well as the spirit thereof, and conduct business operations with honesty and integrity. It also outlines the commitment to build and maintain sound relationships with stakeholders through open and fair communication.

The principles also provide the foundation for our global vision, adopted in 2011. The Toyota Way articulates the company's two foundation pillars: continuous improvement and respect for people. Together with the Toyota Code of Conduct, it details the values and behaviours expected of employees as they put the principles into practice. Additional information is available on the TMC website at [www.toyota-global.com/sustainability/csr/csr/index](http://www.toyota-global.com/sustainability/csr/csr/index)

### Australian commitment

Toyota's global vision and guiding principles set the standard for Toyota Australia's vision, mission and strategic direction, and provide the foundation for our business in Australia.

Our vision is to be the most respected and admired company, and our mission is to develop outstanding automotive products and services to our guests, and enrich our community, partners and the environment.

The President's Goals have been developed to support the Toyota Australia vision and mission and are key components of our Corporate Hoshin (direction) plan. Announced by Toyota Australia President Dave Buttner in February 2015, they encourage and support the mindset of continuous improvement (kaizen) and respect for people, the fundamental platforms of the Toyota Way.

- > **Zero harm** remains the key focus underlining the company's commitment to maintaining a safe working environment at all times.
- > A '**guest-centric mindset**' is a key principle of our Franchise of the Future initiative and the foundation stone of our company. We want to exceed guest expectations, ensuring guests are always top of mind and that we look at everything from their perspective.
- > During the shift away from manufacturing towards a sales, marketing and distribution model, our goal is to achieve a **respectful transition**, ensuring that employees are supported and their wellbeing prioritised.

- > Our **'last car = best global car'** mindset aims to ensure that we maintain our high quality standards right up until the final day of production. As part of Toyota's commitment to continuous improvement, we make every effort to achieve the highest safety, quality and plant efficiency standards so that we can deliver the very best cars to our domestic and export customers. Our aim is to make the last car we produce at Altona our best car.
- > We strive to deliver the most **desirable products** on the market through new and innovative vehicles.
- > Maintaining **market leadership** through growing market share is a key business priority as we transition towards a sales, marketing and distribution business.

Responsibility for sustainability lies with Toyota Australia's Board of Directors and executive team. Details of board and management responsibilities are provided on [page 15](#) of this report.

### Our approach to sustainability reporting

Sustainability reporting provides us with a platform to demonstrate to our stakeholders how we are managing our key economic, environmental and social issues. We believe that honest and transparent reporting helps build trust, motivate employees and demonstrate to our stakeholders that we are taking into consideration issues that are important to them. This greater understanding of Toyota Australia's key issues enables us to identify new opportunities for improvement, as detailed in TMC's guiding principles and articulated in the Toyota Way.

Our approach to sustainability reporting is guided by the Global Reporting Initiative's (GRI) G4 sustainability reporting guidelines. We report in accordance with GRI G4 core reporting requirements. An index detailing our response to the GRI indicators is located on [page 46](#).

We believe that independent external assurance gives confidence to all of our stakeholders that we are reporting our sustainability performance transparently and accurately. A statement from our external assurance provider is located on [page 45](#).



### Key sustainability issues

A key feature of the GRI G4 guidelines is an emphasis on identifying and reporting on those sustainability issues or opportunities that are material to the business and our stakeholders. Material issues are defined as those that could make a major difference to an organisation's performance as well as those that are considered important to stakeholders. Our approach to defining what issues are material is guided by the GRI framework.

We periodically undertake materiality assessments to ensure that previously identified material issues remain valid.

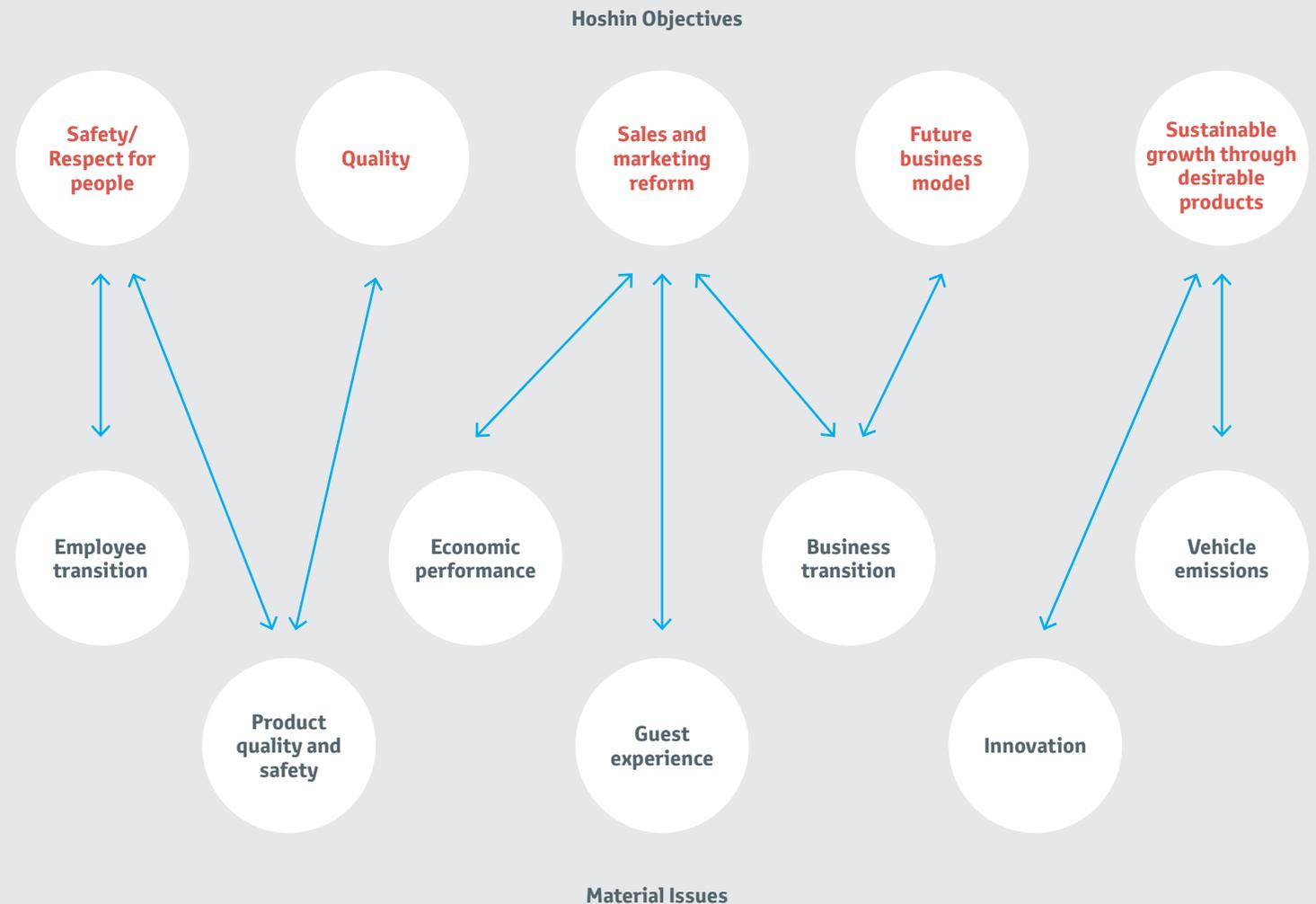
Issues are identified through desktop research and stakeholder engagement. In 2016/17, internal inputs included Toyota Australia's risk register, policies and procedures, the Corporate Hoshin, the President's Address and employee publications. External inputs included peer benchmarking, media reviews, industry publications and communications responding to supplier concerns. Inputs were weighted according to their relative importance to Toyota Australia and our external stakeholders, and the subsequent material issues prioritised. This materiality review confirmed our priority focus areas and enabled us to identify issues that might gain importance in the future, as well as those that might be becoming less relevant.

**Corporate Hoshin** Toyota Australia's

Corporate Hoshin is a strategic plan designed to ensure that our vision, mission and objectives are communicated throughout the organisation, and implemented by all employees from management to frontline staff. This process is guided by the TMC Global Hoshin, regional direction and Toyota Australia's President's Goals. The Corporate Hoshin identifies Toyota Australia's key business challenges and supports the development of objectives and targets. Work plans are then developed to achieve these targets, including KPIs to monitor performance.

Our material sustainability issues are strongly reflected in the Corporate Hoshin, demonstrating that for Toyota Australia, sustainability issues are integrated into the business, and the principles of sustainability embedded into our corporate culture and strategy.

Linking Corporate Hoshin priorities with Toyota Australia's material issues



This report covers all issues that were identified as being material and certain metrics that were identified as important to one or more groups of stakeholders. Below, we have explained why each issue is important, and provided information on how it is being managed. We have also provided performance information where applicable. Additionally, we have identified the boundaries of each material issue, where it impacts our value chain and its importance to specific stakeholder groups. Impacts that occur within Toyota Australia are those that affect our company or our staff. Those that occur outside Toyota Australia may affect one or more of our key stakeholders.

**Product quality and safety** was once again rated as the highest priority issue, due to both internal and external factors including:

- > The recall of airbags manufactured by Takata that occurred in 2015 grew in importance in 2016/17 due to the large number of global vehicle recalls.
- > During the company's final year of manufacturing operations, Toyota Australia has maintained its commitment to 'last car = best global car'. This encapsulates our collective promise to maintaining the highest standards of product quality, safety and efficiency until the last car is finalised from the production line. *See page 18.*

**Economic performance** continues to be an important issue for both external and internal stakeholders. *See page 20.*

**Innovation** has risen significantly in importance, especially to external stakeholders. There is a strong focus and interest in the media, and among Toyota Australia's peers, around autonomous vehicles and alternative drivetrains. The unveiling in Australia of three Toyota Mirai fuel cell vehicles in July 2016 was widely publicised in the media. *See page 18.*

**Guest experience** remains a key issue for Toyota Australia, and will only increase in importance as Toyota Australia looks to differentiate itself against other brands through initiatives like Franchise of the Future. *See page 39.*

**Vehicle emissions** declined in materiality from 2016, but given the current Australian vehicle emissions review and expected government legislation, focus has in fact increased for Toyota Australia (as well as for other brands that did not have any issues with emissions controls). In the aftermath of several high profile emissions scandals in 2016, the reduction of emissions continues to be prioritised by customers and governments. Toyota Australia is anticipating the introduction of mandatory emissions standards, and supports

an effective vehicle emissions regime that balances the needs of consumers, environment and industry. *See page 19.*

**Business transition** remains important to both external and internal stakeholders. In January 2017, we announced our last day of manufacturing would be in October 2017. The relocation of our sales and marketing functions will also be completed by the start of 2018. *See page 24.*

**Employee transition** was this year identified as a material issue independent from the broader business transition. Many Toyota Australia employees are shifting roles internally and externally, and we expect our total workforce to decrease from over 4,000 staff to approximately 1,300. *See page 31.*

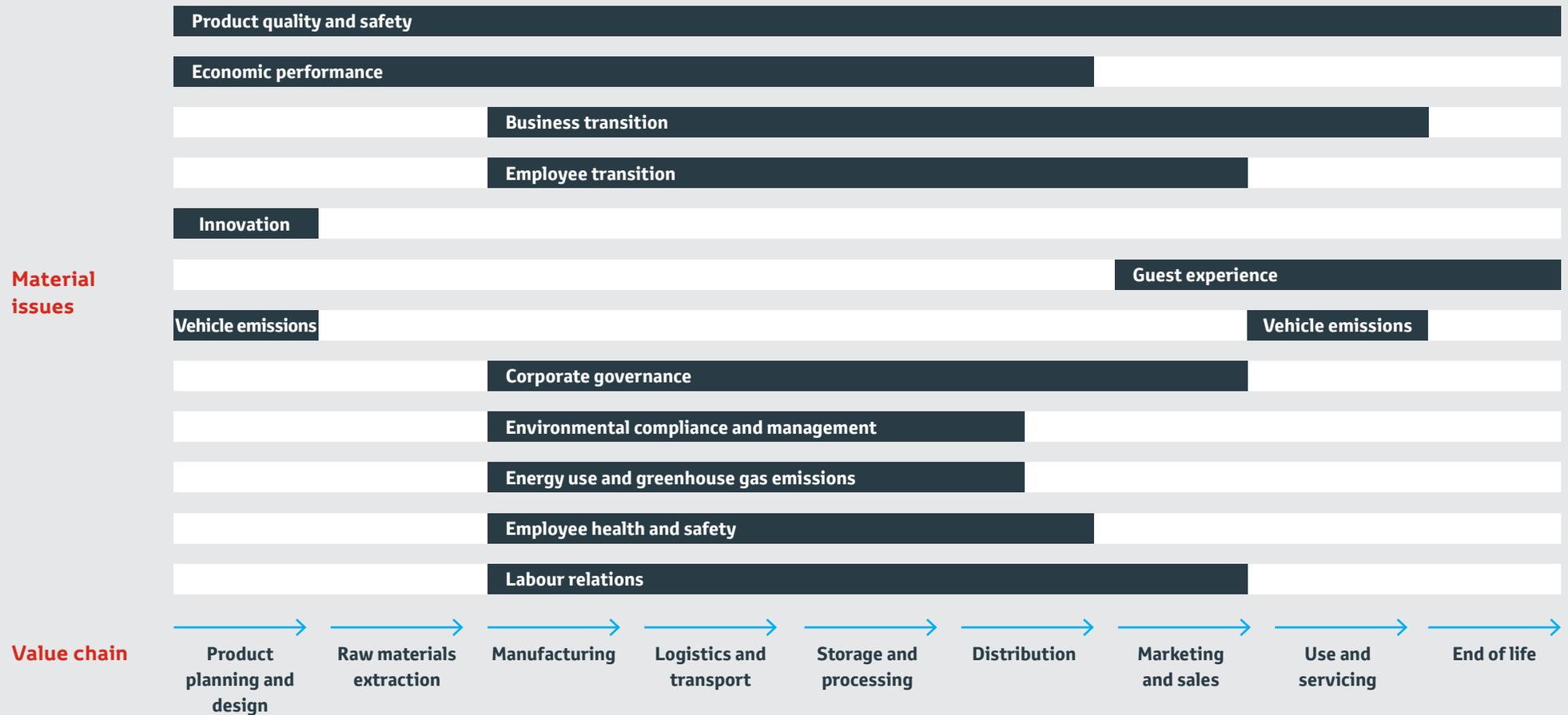
Material issues may vary from year to year depending on a range of internal and external pressures. Issues that have previously been considered material include employee health and safety, environmental management and compliance and labour relations. These issues continue to be important to us and are covered within this report. We have also included in this report commentary on several issues which did not rank as material, but were identified as particularly important to one or more stakeholder groups, such as community relations.

Our 2016/17 assessment also identified several emerging issues. These were driven predominantly by external stakeholder interest, and reflect changing consumer behaviour and priorities. Examples include the increased use of data analytics in sales and marketing; changing consumer behaviour, notably changing patterns in car ownership; increased scrutiny of human rights in the supply chain, and increased transparency of reporting around conflict minerals in the supply chain. These issues are not covered in this report, but we will continue to monitor their significance.

## Our material issues and issue boundaries

Issue	Definition	Materiality to Toyota Australia (Change from previous year)	Toyota Motor Corporation	Guests	Dealers	Suppliers	Community	Government	Issue boundaries									
<b>Product quality and safety</b>	Commitment to product quality, manufacturing excellence and safety of vehicles including new safety initiatives and managing counterfeit parts. Effective management of any product recalls	↑	●	●	●	●	●	●	●									
<b>Innovation</b>	New technologies and innovations around hybrid, fuel cell and electric vehicles, and other environmental innovations relating to vehicles and R&D into automated vehicles and connected car technology	↑	●	●	●				●									
<b>Vehicle emissions</b>	Meeting tailpipe CO <sub>2</sub> and NO <sub>x</sub> emission limits and responding to public sentiment and any regulatory changes	↓	●	●	●				●	●								
<b>Economic performance</b>	Achieving financial targets and identifying and maintaining market share	↔	●				●	●										
<b>Business transition</b>	New business structure, the exit strategy and transition from manufacturing to sales and distribution	↔	●				●	●										
<b>Employee transition</b>	Preparing employees for transition to new jobs, both internally in sales and marketing and also upskilling through the DRIVE program	New	●							●								
<b>Guest experience</b>	Guest-focused organisation, improving the end to end experience of the guest	↔	●	●	●													

Defining the value chain material issues



Understanding where material impacts lie within our value chain is imperative to managing them effectively. In 2016/17, we mapped our material issues to our value chain to enable us to better represent the impact of high material issues. For example, our commitment to product quality and safety extends across our entire value chain from the planning and design stage,

through manufacturing and sales to end of life. Other material issues are confined to specific areas of our value chain, such as vehicle emissions which have an impact during product planning and design, as well as during use and servicing.

## Engaging with stakeholders on sustainability issues

We seek to understand the priorities and expectations of our stakeholders so that we can address the issues that they consider important. Our board of directors and management consider our key stakeholders to be:



Our Code of Ethics provides a statement of duty towards each of these groups, and details the behaviours expected when engaging with each stakeholder group.

## TOYOTA MOTOR CORPORATION

Toyota Motor Corporation (TMC) is an active stakeholder across all departments and management levels at Toyota Australia.

In addition to TMC representation on our board, Toyota Australia works with TMC and affiliates across the globe in areas of policy development, strategy and action planning, and sharing best practice in order to achieve continuous improvement.

We are fortunate to have received a number of TMC executives in 2016/17, including Toyota Motor Corporation's sixth President and Honorary Chairman, Dr Shoichiro Toyoda. Dr Toyoda visited our Altona plant to meet manufacturing employees and learn about their experiences and career journeys at Toyota Australia. He also visited the Intelligent Transport System (ITS) World Congress 2016 in Melbourne to preview Toyota's exhibition showcasing the Mirai fuel cell technology.

## EMPLOYEES

Toyota Australia has over 4,000 employees across our manufacturing, distribution, sales and marketing and corporate functions. We engage with employees through many different channels depending on their function and management level. Our employee newsletter, ONE Toyota, and intranet site, The Engine Room, contain

information on the latest news regarding the business transition including employee assistance programs and DRIVE (Dedicated, Ready, Individual, Vocational and Energised), and information on product launches and events. Our President delivers a company-wide annual address, and we hold regular directors' briefings and follow-up focus group sessions. There are also divisional meetings and regular team meetings. *See page 29.*

## GUESTS

Our Franchise of the Future (FOF) strategy, launched in 2015, aims to transform Toyota Australia and our dealers towards a more guest-centric culture.

One of the first changes we made as part of this strategy was to replace the word 'customer' with 'guest'; we want our dealers to treat each customer as if they were a guest in their own home. Becoming a guest-focused organisation is the most important step to sustaining Toyota Australia's success – it will give us the ability to differentiate ourselves from our competitors. We want guests to feel that the Toyota brand, including our products and services, is an indispensable part of their lives.

We measure guest satisfaction through a range of metrics, including via a guest satisfaction program that surveys guests who either purchased or serviced their vehicles at a Toyota dealership. *See page 38.*

## DEALERS

Our network of independently owned dealers is integral to our success. Dealers are supported by Toyota's Guest Experience Centre and the Lexus customer assistance centre, which provide a platform for communication with guests on issues ranging from new vehicle launches to vehicle recalls.

The Franchise of the Future (FOF) strategy involves extensive engagement between Toyota Australia, our dealers and their employees. Dealers are rewarded for their focus on guests and for creating the best guest experience.

We engage with dealers through our annual National Business Meeting, and regular communication bulletins and newsletters. *See page 40.*

## SUPPLIERS

Our suppliers play a critical role in vehicle production. We recognise that they will be affected by the decision to cease manufacturing at our Altona site, and we are committed to helping them identify opportunities for diversification to other industries to maintain viability. We have an extensive supplier development program and regularly consult with suppliers on a range of issues. *See page 27.*

## COMMUNITY GROUPS

The Toyota Community Foundation (TCF) provides the basis for our partnership and engagement with the community. Through the TCF, we support community organisations and encourage employee involvement in their local community. With more Toyota and Lexus vehicles on the road in Australia than any other brand, community support is crucial to maintaining our social licence to operate. *See page 41.*

## GOVERNMENT

Establishing and maintaining open and constructive dialogue with local, state and federal government, is vital to maintaining support for Toyota Australia during the transition phase. Our President, Dave Buttner, regularly travels to Canberra to update ministers and provide valuable input on a range of key topics relevant to both our business and the automotive industry more broadly. *See page 23.*

## INDUSTRY ASSOCIATIONS AND MEMBERSHIPS

At Toyota Australia we believe that we exert more influence if we partner with organisations that share similar values which align with our vision. In 2016/17, we were members of the following industry associations and groups:



- > Australian Industry Group (Ai Group)
- > Centre for Corporate Public Affairs
- > Committee for Economic Development of Australia (CEDA)
- > Federal Chamber of Automotive Industries (FCAI)
- > Victorian Chamber of Commerce and Industry
- > Victorian Automotive Transition Taskforce (Victorian Government)
- > ITS Australia
- > The Melbourne Chamber of Commerce
- > Green Building Council of Australia (GBCA)

- > Growth Fund: National Governance Committee (Federal Government)
- > Western Local Automotive Transition Taskforce (Victorian Government)

## FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

The FCAI is the peak body for the automotive industry in Australia. Toyota Australia's President, Dave Buttner, was elected President of the FCAI in May 2015. He had served on the FCAI Board for the previous two years. Andrew Willis, Toyota Australia's Manager for Government Affairs, Trade and Environment Policy (for the 2016/17 financial year), is a Director of the FCAI.