

## SUSTAINABILITY REPORT 2007





## SCOPE OF THE REPORT

Welcome to the inaugural Toyota Motor Corporation Australia Limited (Toyota Australia) 2007 Sustainability Report. Although this is the first Toyota Australia Sustainability Report, it follows the publication of six annual Environment and Community Reports, detailing progress against a range of indicators. This Sustainability Report broadens the scope of previous reports to include a wider range of sustainability indicators that are considered to be relevant and material to Toyota Australia and its stakeholders.

This online full report is designed to provide detailed information on key sustainability challenges, and progress and performance in responding to them. A printable summary report has also been produced. This can be found on the website at:

[www.toyota.com.au/environment](http://www.toyota.com.au/environment)

Together the reports have been prepared using the Global Reporting Initiative G3 Guidelines. A GRI Index is located on page 50.

Except where stated, all information contained in the report is based on the fiscal year ending 31 March 2007. Data has been collected and reported for all Toyota Australia sites including the manufacturing plant in Altona, the sales and marketing office in Sydney and the corporate headquarters in Port Melbourne.

Deni Greene Consulting Services has undertaken an external, independent review of the information presented in the report. A Verification Statement is located on the inside back cover.

Feedback on this report is welcomed. Please email [environment@toyota.com.au](mailto:environment@toyota.com.au)

## CONTENTS

President's Message	1
About Toyota Australia	2
Sustainability at Toyota Australia	6
Economic Sustainability	10
Environmental Sustainability	12
Workplace Sustainability	30
Marketplace Sustainability	38
Social Sustainability	44
GRI Index	50
Verification Statement	51

## PRESIDENT'S MESSAGE

At Toyota Australia we are fully aware that stakeholder expectations are not limited simply to product performance.

We know that communities and governments expect organisations to perform in ways that support the environment and society.

Toyota aims to contribute to society through its corporate activities based on understanding and sharing of its Guiding Principles and the Global Earth Charter.

I expect all Toyota Australia employees to work with enthusiasm, enjoyment and energy to put the Guiding Principles at Toyota into practice in their day-to-day work, and to always strive to act in accordance with social, financial and environmental expectations.

In recognition of this broad responsibility, Toyota Australia has produced its first Sustainability Report and builds on our previous Environment and Community Reports.

Toyota Australia is focused on continual improvement in environmental performance, which includes activities that minimise resource consumption, with particular effort in the areas of water and energy use.

We will continue to abide by our environmental plan, which contains quantitative targets for environmental reductions at all sites on a five-year and one-year planning horizon.

In addition, as part of our dedication to environmental preservation and corporate social responsibility, we have developed strong partnerships with local and national community organisations. Under the banner of Toyota Community Spirit we continue to provide support to our local communities, especially in the areas of volunteering, skills development, environment and the arts.



Toyota Australia is also making an effort to create a safe and energetic work environment, based on the fundamental policy that 'placing safety first is everyone's responsibility, from senior executives to every employee at the workplace'. We have undertaken a number of projects looking at safety and will continue to improve our company safety performance.

Our success in Australia has been built on the supply of diverse products that meet our customers' needs, sound financial management that allows us to make a lasting contribution to the Australian economy, and a growing involvement and engagement in environmental management and the communities where we work and live.

We are aware of the responsibility we have to work with the environment and community to create a better place to live and work.

We look forward to continuing our journey.

**Max Yasuda**

President and CEO, Toyota Australia



# ABOUT TOYOTA AUSTRALIA

2



## ABOUT TOYOTA AUSTRALIA

Toyota Australia is one of Toyota Motor Corporation's global manufacturing centres and is a 100% wholly-owned subsidiary of Toyota Motor Corporation.

Toyota Australia's head office is located in Port Melbourne. All of the Company's manufacturing operations are now located in Altona, Victoria, after the final relocation of processes from Port Melbourne in May 2006. Sales and marketing headquarters are located in Woollooware Bay, Sydney. Additionally, Toyota has sales and distribution operations in all mainland Australian states, except Western Australia, where an independent company distributes Toyota vehicles. Toyota Australia employs 4,717 people, and thousands more are employed in its supplier and retail networks.

As well as its locally built Camry and Aurion, Toyota Australia imports a wide range of passenger, 4WD and commercial vehicles, including Kluger, Yaris, Corolla, Tarago, RAV4, LandCruiser, Prado, HiLux, HiAce, and the hybrid-model Prius. In addition, Toyota Australia distributes and sells the luxury Lexus brand of vehicles.

Toyota is Australia's largest vehicle exporter and in the year ending 31 March 2007 exported 81,326 cars to more than 20 different markets, supplying Camry and Aurion vehicles to the Middle East, New Zealand, South Africa and Oceania.



## TOYOTA AUSTRALIA HISTORICAL FACTS

1958	First 13 Landcruisers imported for use on Snowy Mountains Scheme ( <b>image A</b> )	
1962	Toyota passenger vehicle franchise acquired by Australian Motor Industries (AMI)	
	Thiess (Sales) appointed to distribute Toyota commercial vehicles	
1963	Tiara assembly begins at AMI Port Melbourne plant	
1964	Corona assembly begins at Port Melbourne	
1967	Crown assembly begins at Port Melbourne	
1968	Corolla assembly begins at Port Melbourne ( <b>image B</b> )	
	Toyota acquires 51% of AMI and 40% of Thiess (Sales) and changes name to Thiess Toyota	
1978	First engines built at Altona	
1980	Toyota acquires 100% of Thiess Toyota	
1985	First Corona wagons exported to New Zealand	
1987	Camry replaces Corona at Port Melbourne	
	Toyota acquires 100% of AMI and York Motors	
1988	Toyota Motor Corporation Australia formed	
1990	Lexus LS400 launched in Australia ( <b>image C</b> )	
1991	Toyota Australia becomes overall Australian market leader	
1992	One millionth locally built Toyota produced	
1995	Altona assembly plant officially opened	
	Camry enters production at Altona ( <b>image D</b> )	
1998	Altona plant achieves ISO 14001 Environmental Management System certification	
2001	Launch of Prius hybrid petrol/electric vehicle onto the Australian market	
2003	Toyota Australia overall Australian market leader with industry record sales of 186,370 vehicles	
2004	Toyota Australia overall Australian market leader with industry record sales of 201,737 vehicles	
2005	Toyota Australia overall Australian market leader with industry record sales of 202,817 vehicles	
2006	Toyota Australia overall market leader with Australian industry record sales of 221,009 vehicles	
	New model manufactured - 4 cylinder Camry	
	New model manufactured - 6 cylinder Aurion	



## PERFORMANCE AND HIGHLIGHTS 2006/07

### MARKETPLACE SUSTAINABILITY

Local vehicle sales*	221,009
Exported vehicles	81,326
Toyotas in the top ten selling vehicles in 2006	4
Increase in Prius sales in 2006	96%
Toyota dealers	295
Awarded the 'Triple Crown': Number 1 in overall sales, passenger cars and commercial vehicles	
Continued as the naming rights sponsor of the Australian Football League Premiership Season	
Toyota are the official car of the National Rugby League and sponsor of the forthcoming Under 20 competition	
Principal sponsor of the Toyota National Country Music Muster	
Continued to sponsor the Toyota Fraser Island Fishing Expo	
* 31 December 2006	

### ECONOMIC SUSTAINABILITY

Vehicles manufactured	117,839
Component suppliers	68
Purchase value	\$1.6 billion
Net profit	\$184.3 million
Net sales	\$8.3 billion
Community investments	\$0.7 million

### WORKPLACE SUSTAINABILITY

Employees	4,717
Nationalities represented	60
Workforce age range	18 - 80
Female workforce	12%
Annual decrease in the lost workday case frequency rate	45%
Employee satisfaction	78%

### ENVIRONMENTAL SUSTAINABILITY

#### Product stewardship

Models certified to the Euro 4+ standard for air emissions	16
Models certified to the Euro 4 standard for air emissions	12
Number of vehicles in the top 12 of the Green Vehicle Guide	4
Decrease in gCO <sub>2</sub> /km for all Toyota and Lexus vehicles sold in 2006/07	5%

#### Process stewardship

Decrease in water usage	9%
Increase in energy usage	6%
Increase in greenhouse gas emissions	2%
Waste recycled	96%
Local model parts free from substances of concern	80%

#### Suppliers and dealers

Dealers compliant with Dealer Environment Risk Audit Program (DERAP)	143
Developed Environmental Purchasing Policy	
Implemented Supplier Environmental Management Policy	

### SOCIAL SUSTAINABILITY

Corporate Responsibility Index	97.5%
Reputation Quotient	No 1 in Australia
Continued partnerships with the Hobsons Bay and Port Philip City Councils	
Maintained community support through the Community Liaison Committee in Altona	
<b>Toyota Community Spirit Program:</b>	
Continued partnership with Conservation Volunteers Australia	
Continued partnership with Australian Business Arts Foundation	
Community Spirit Gallery	
<b>Continued to sponsor:</b>	
National Tree Day	
Toyota Good for Footy Program	
Australian Paralympics Committee	
Phillip Island Nature Parks	

## SUSTAINABILITY AT TOYOTA AUSTRALIA

### GUIDING PRINCIPLES

As a wholly-owned affiliate of Toyota Motor Corporation, Toyota Australia adopts seven Guiding Principles that serve as the fundamental management policy. Under Toyota's Guiding Principles, the company practices openness and fairness in all corporate activities, strives for cleaner and safer vehicle manufacture, and works to make the earth a better place to live.

- 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 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 fulfill the needs of customers worldwide.
- 5 Foster a corporate culture that enhances individual creativity and teamwork, 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 TOYOTA WAY

The Guiding Principles are supported by The Toyota Way, which defines how employees should perform and behave. The Toyota Way is supported by two main pillars: continuous improvement and respect for people.

#### CONTINUOUS IMPROVEMENT

##### Challenge

Form a long-term vision, meeting challenges with courage and creativity to realise our dreams.

##### Kaizen

We improve our business operations continuously, always driving for innovation and evolution.

##### Genchi Genbutsu

Practice Genchi Genbutsu. Go to the source to find the facts to make correct decisions, build consensus and achieve goals at our best speed.

#### RESPECT FOR PEOPLE

##### Respect

Respect others, make every effort to understand each other, take responsibility and do our best to build mutual trust.

##### Teamwork

Stimulate personal and professional growth, share opportunities of development and maximise individual and team performance.



## CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

In January 2005, Toyota Motor Corporation prepared the 'Contribution towards Sustainable Development' to convey Toyota's commitment to contributing to sustainable development in harmony with society and the global environment, with an emphasis on all stakeholders. In order to contribute towards sustainable development, the Company believes that management interaction with its stakeholders, as described below, is of considerable importance.

<b>Customers</b>	<p>Based on our philosophy of Customer First, we develop and provide innovative, safe and outstanding high-quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the world.</p> <p>We will endeavour to protect the personal information of customers in accordance with the letter and spirit of each country's privacy laws.</p>
<b>Employees</b>	<p>We respect our employees and believe that the success of our business is led by each individual's creativity and good teamwork. We stimulate personal growth for our employees.</p> <p>We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them.</p> <p>We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees.</p> <p>We respect and honour the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced or child labour.</p> <p>Through communication and dialogue with our employees, we build and share the value "Mutual Trust and Mutual Responsibility" and work together for the success of our employees and the company.</p> <p>Management of each company takes leadership in fostering a corporate culture, and implementing policies that promote ethical behaviour.</p>
<b>Business Partners</b>	<p>We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realise mutual growth based on mutual trust.</p> <p>Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths.</p> <p>We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws.</p>
<b>Shareholders</b>	<p>We strive to enhance corporate value while achieving a stable and long-term growth for the benefit of our shareholders.</p> <p>We provide our shareholders and investors with timely and fair disclosure of our operating results and financial condition.</p>
<b>Global Society/ Local Communities</b>	<p><b>Environment</b></p> <p>We aim for growth that is in harmony with the environment throughout all areas of business activities. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously and to build close and cooperative relationships with a wide spectrum of individuals and organisations involved in environmental preservation.</p> <p><b>Community</b></p> <p>We implement our philosophy of "Respect for People" by honouring the culture, customs, history and laws of each country.</p> <p>We constantly search for safer, cleaner and superior technology to develop products that satisfy the evolving needs of society for sustainable mobility.</p> <p>We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agencies and public authorities.</p> <p><b>Philanthropy</b></p> <p>Wherever we do business, we actively promote and engage, both individually and with partners, in philanthropic activities that help strengthen communities and contribute to the enrichment of society.</p>

## GOVERNANCE

### THE TOYOTA AUSTRALIA BOARD

Toyota Australia has a Board of 10 directors, all of whom are employed by either Toyota Australia or Toyota Motor Corporation. Board members are appointed by Toyota Australia but can only be endorsed by Toyota Motor Corporation as the sole shareholder. There are processes in place to ensure conflicts of interest are avoided at Board level, including a detailed questionnaire that Board members must fill out at the time of their appointment. This questionnaire is also completed annually by Board members. The President and Toyota Motor Corporation review the performance of directors and the Board as a whole against annual objectives and key performance indicators under the Toyota Global Assessment Performance framework.

The Toyota Australia Board has designated Board Sub-Committees. These are the Corporate Compliance Committee, the Human Resources Committee and the Information Technology Review Committee. Toyota Australia also has an Environment Committee that assists the Board to identify and manage Toyota Australia's environmental performance.

#### Corporate Compliance Committee

The Corporate Compliance Committee (CCC) is a sub-committee of the Board of Directors and assists the directors in discharging the Board's responsibilities of oversight and corporate governance.

The main objectives of the CCC are:

1. Overseeing the implementation of a framework of risk management and reviewing effectiveness of controls/compliance processes in relation to the Company's risk management activities;
2. Providing a formal forum for communication between the Board and senior management in relation to risk management, compliance activities, privacy requirements and ethical conduct requirements; and
3. Assisting the Board of Directors to discharge its responsibility to exercise due care, diligence and skill in relation to the Company's financial affairs, and compliance with applicable laws and regulations.

#### Human Resources Committee

The Human Resources Committee (HRC) is a sub-committee of the Board of Directors and assists the directors in discharging the Board's responsibilities in relation to human resource issues.

The main objectives of the HRC are:

1. Providing director-level focus to a vision and strategies for enhancing people relationships;
2. Being a forum through which top management can promote a corporate and consistent approach to key human resource issues across all divisions; and
3. Promoting a collaborative approach to career planning and development across operating arms and divisions.

#### Environment Committee

The Environment Committee assists the directors in discharging the Board's responsibilities in relation to environmental issues. It meets quarterly and members include the President, Executive Vice Presidents, directors and senior managers from each area of the business.

The main objectives of the Environment Committee are:

1. Ensuring senior management leadership and involvement in environmental matters;
2. Developing strategy and sharing information across the organisation; and
3. Overseeing management of the 2006 - 2010 Environment Plan.



### Information Technology Review Committee

The Information Technology Review Committee (ITRC) assists the directors in discharging the Board's responsibilities towards effective, efficient, and acceptable investment in, and the use of, IT in Toyota Australia.

The main objectives of the ITRC are:

1. To ensure that IT plans, policies and procedures are implemented and followed;
2. To evaluate IT proposals to ensure they align with Toyota Australia's objectives and funding constraints;
3. To monitor the performance of approved proposals to ensure achievement of intended benefits; and
4. To monitor the manner in which Toyota Australia is reviewing IT compliance and conformance.

### Ethics and Risk Management

Toyota Australia has its own corporate governance procedures, policies and practices that underpin the way it works, including the Code of Ethics. In 2007, Toyota Australia launched its Toyota Ethics Line, Tel-Toyota. Tel-Toyota is managed by the Legal and Secretarial Division. The service of answering calls, feedback to callers and reporting to Toyota Australia is run by The STOPline Pty Ltd.

In 2006/07, Toyota Australia implemented a program to comply with Toyota Motor Corporation's Sarbanes-Oxley (SOX) requirements. SOX is an annual requirement for companies listed on the US Stock Exchange to ensure that there are strong processes and controls in place to ensure the accuracy and reliability of corporate financial statements. The implementation of these processes and procedures ensured Toyota Australia complied with the SOX requirements, in the process reinforcing business focus on risk management.

By implementing strict corporate governance and compliance procedures the Company continually ensures it is in compliance with laws and regulations. The Company did not receive any fines for significant non-compliances in 2006/07.



The Boardroom at Toyota Australia's Corporate Headquarters in Port Melbourne.

# ECONOMIC SUSTAINABILITY



10

The Lexus RX400h hybrid vehicle.



Toyota Australia's financial objective is to deliver superior performance to its shareholder, Toyota Motor Corporation, but it also acknowledges a responsibility for delivering economic benefits to a broader range of stakeholders, and that by fulfilling these obligations it is contributing to longer-term economic sustainability.

Toyota Australia has reported a net profit after tax of \$184.3 million for the period 1 April 2006 to 31 March 2007. Sales revenue for the period was \$8.3 billion.

The result compares to a net profit after tax of \$54.5 million and sales revenue of \$7.6 billion during 2005/06.

Capital expenditure was \$241.8 million for 2006/07, compared with \$420.6 million in 2005/06. This expenditure included costs primarily related to the consolidation of manufacturing operations from Port Melbourne to the Altona plant and major development projects relating to the preparations for the production of a new Camry model in June 2006 and six-cylinder Aurion later in 2006. These works included the upgrade of the press plant operations, a new global body line, new bumper bar and resin operations and the development of a logistics centre.

During the financial year, manufacturing operations in Altona produced 117,839 Camry and Aurion vehicles for domestic and export markets, compared with 113,316 the previous year. Toyota forecasts production volumes will increase to more than 140,000 cars in 2007 on the back of strong demand in domestic and export markets.

Domestic retail sales volume during the financial period was a record 228,355 vehicles (including Lexus models). During the calendar year of 2006, domestic sales in Australia reached 221,009 (including Lexus), representing a market share of 22.9%. It was the third consecutive year that Toyota Australia exceeded the 200,000 sales figure.

Toyota Australia achieved the 'Triple Crown' in sales for the first time (number one passenger share, number one commercial and number one overall). Not since 1978 has an automotive manufacturer achieved 'Triple Crown'. The company was Australian sales leader every month and set new sales records in eight months. On a models basis, sales records were set by Corolla, Prius, HiLux, HiAce and RAV4.

The new V6 Aurion large car, introduced late in 2006, had a strong sales start as well as winning two major awards: Australia's Best Large Car from the motoring clubs and Large Car of the Year from the Fairfax Drive awards.

Export volumes for the financial year reached a record 81,326, compared with 71,748 for the previous year. Toyota Australia also celebrated the shipment of its 500,000th Camry export vehicle to the Gulf Co-Operation Council (GCC) countries in the Middle East.

The Camry, which is the only four-cylinder car built in Australia, is shipped to more than 20 countries, including the Middle East, New Zealand, and the Pacific Islands.

Item	Amount
Vehicles manufactured	117,839 (Year ending 31 March 07)
Domestic vehicle sales	221,009 (Year ending 31 Dec 06)
Vehicles exported	81,326 (Year ending 31 March 07)
Net profit	AUD \$184.3 million
Net sales	AUD \$8.3 billion
Community investments	AUD \$0.7 million

## Downsizing Trend Pushes Toyota Sales Up

A continued shift by buyers towards smaller motor vehicles resulted in record sales for a couple of key Toyota models in 2006.

In particular, combined sales in the light car category of Toyota Yaris and Corolla increased by 50% from 18,832 at 31 December 2005 to 28,295 at 31 December 2006.

Sales of the new RAV4 also increased significantly with a 25% increase in the same period from 11,881 to 14,834.



# TMCA ENVIRONMENT PLAN

## TO YEAR 2010/11

## ENDORSED BY:



Environment Officer  
Mike Harvie, Director,  
Manufacturing



Environment Officer  
Dave Buttner, Director,  
Sales and Marketing



Environment Officer  
Alan McGarrigle, Director,  
Corporate Services

## TMCA 5-YEAR ENVIRONMENT PLAN

## TMCA TARGETS

POLICY	TMC ACTION ITEM	PRODUCTION	NON-PRODUCTION
<b>Our environmental Commitment</b> What has been endorsed The fourth Toyota Environmental Action Plan is a statement of the activities that Toyota must undertake in order to realise the corporate objective it is striving to achieve – to become a leader and driving force in global regeneration by implementing the most advanced environmental technologies and processes.  This is in response to TMC's Guiding Principle No 6: To pursue growth in harmony with the global community through innovative management. It also contributes to sustainable development by aiming for this harmony throughout all areas of business activities, to enable the environment and economy to co-exist harmoniously and to build close and co-operative relationships with a wide spectrum of individuals and organisations involved in environmental preservation	<b>Energy/ Global Warming</b> <b>1.</b>	Reduce CO2 emissions	<b>Offices:</b> <ul style="list-style-type: none"><li>•Establish 5 year energy reduction targets in 2006/07</li><li>•Meet 5 year energy reduction targets by 2010/11</li><li>•Each office site to implement energy saving initiatives as part of facilities upgrades</li></ul>
		Promote the development of technologies to achieve the fuel efficiency performance in each country and region	<ul style="list-style-type: none"><li>•Complete review of environmental product and brand strategies by 2006/07</li><li>•Implement environmental product and brand strategies by 2010/11</li></ul>
		Develop technologies to respond to the diversification of energy and fuel sources	•see item 2
		Promote initiatives to improve traffic flows using a variety of networking technologies	•see item 2
		Reduce CO2 emissions in production and logistics activities	<ul style="list-style-type: none"><li>•Achieve 13% reduction in CO2 per unit from 2001 actual through</li><li>•Incinerator replacement (2008/09)</li><li>•Turning sealer oven off (2007/08)</li><li>•Other kaizen activities (2006/11)</li></ul> <b>Logistics and PDCs:</b> <ul style="list-style-type: none"><li>•Complete inventory of CO2 data and develop action plan by 2007</li><li>•Meet targets for logistics CO2 reductions (as per plan)</li><li>•Meet 5 year energy reduction targets for PDCs</li></ul>
<b>TMCA Environmental Program Objectives</b> The implementation of the Environmental Action Plan will support the achievement of the following objectives: •Reducing the environmental impact of our operations •Reducing the cost of process waste •Meeting stakeholders' expectation of TMCA to improve environmental performance; •Complying with legislation and other community standards •Contributing to the reputation of the Company and the brand These objectives will support the achievement of #1 mindset of the President's Goals and allow TMCA to demonstrate performance as a leading TMC affiliate.	<b>Recycling of Resources</b> <b>2.</b>	Promote effective use of resources to contribute to the realization of a recycling-based society	<b>Logistics and PDCs:</b> <ul style="list-style-type: none"><li>•All delivery modules returnable</li><li>•Meet targets for reduction in waste to landfill from each PDC</li></ul> <b>Offices:</b> <ul style="list-style-type: none"><li>•100% of recyclables recycled</li><li>•Facilitate the achievement of zero waste to landfill targets</li><li>•Implement Eco-Buy action plan</li></ul>
		Reduce water consumption	<ul style="list-style-type: none"><li>•Achieve 25% reduction in water consumption per vehicle based on 2005/06 actual through</li><li>•UV Filtration (2007/08)</li><li>•Water harvesting (2006/11)</li><li>•Cooling tower and HVAC focus (2007/08)</li></ul> <b>Logistics and PDCs:</b> <ul style="list-style-type: none"><li>•Establish 5 year water reduction targets in 2006/07</li><li>•Meet 5-year water reduction targets in 2010/11</li><li>•All PDC's to install a leak detector program, water saving devices for landscaping, dual flush toilets, water efficient valves for taps, low flow shower heads</li></ul> <b>Offices:</b> <ul style="list-style-type: none"><li>•Establish 5 year water reduction targets in 2006/07</li><li>•Meet 5-year water reduction targets in 2010/11</li><li>•Rainwater harvested for car washing at CHQ Company Fleet</li><li>•Finalise options with Local and State Government over the Kurnell wastewater treatment and complete investigations of other sites</li><li>•All sites to install implement a leak detector program, water saving devices for landscaping, dual flush toilets, water efficient valves for taps, low flow shower heads</li></ul>
		Promote management and further reductions in the use of substances of concern (SOC). Eliminate use of four SOCs (lead, mercury, cadmium and hexavalent chromium) globally	•Eliminate all SOCs as per schedule agreed with TMC – accessories and service parts
		Reduce emissions to improve air quality in urban areas in all countries and regions	•see item 2
		<b>TMCA Environmental Policy</b>  •Pollution prevention •Waste minimisation •Compliance with legislation •Continuous improvement  These four key aspects of TMCA's Environmental Policy guide every stage of TMCA's activities in achieving the objectives of the Environmental Action Plan.	<b>Substances of Concern</b> <b>3.</b>
Further promotion of environmental management at business partners	<b>Dealers:</b> <ul style="list-style-type: none"><li>•All dealers (excluding flyweights) compliant with DERAP through TSM certification</li><li>•Establish EPI reporting across business partners</li><li>•Determine the feasibility of environmental performance management through TSM</li></ul>		
Enhance environmental education	•Actively promote and support initiatives as part of the Toyota Green Office Program		
Contribute to the development of a recycling-based society	•Continue to develop partnerships through Toyota Community Spirit.		
<b>Environmental Management</b> <b>5.</b>	Improve disclosures of environmental information and two-way communications		

OUR CHALLENGE: Everyone of us can become the centre of the ripple effect, at work, at home and in our community.

Toyota Australia recognises its responsibility to reduce the environmental impacts of its products and operations. With significant environmental issues such as water scarcity and climate change becoming more pronounced, the Company is applying innovative technologies and modifying business practices to reduce impacts and support the long-term sustainability of the business.

For Toyota Motor Corporation, this means that it will continue to create, adapt and develop advanced environmental technologies in its vehicles. It is already making significant strides in this area, with its hybrid vehicle ranges, increased fuel efficiency, reducing CO<sub>2</sub> emissions and expanding alternative fuel options.

Toyota Australia is also working to reduce the ecological footprint of the Company's operations with water and energy reduction initiatives, implementing improved waste management and air quality programs, and working with suppliers and dealers to share environmental standards and expectations with them.

An overview of the initiatives and progress the Company is making in product and process stewardship activities is detailed below.

## TOYOTA AUSTRALIA ENVIRONMENT PLAN

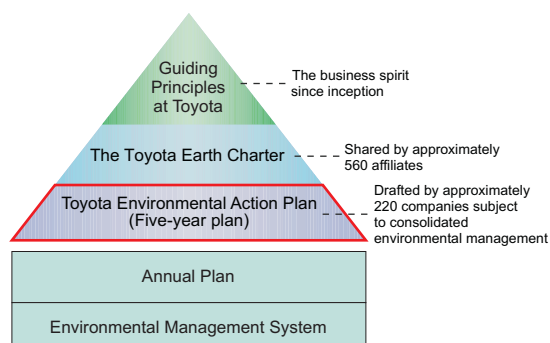
The Toyota Australia Environment Plan is a statement of activities that Toyota Australia is undertaking in order to realise its corporate objectives in the area of environmental sustainability. The plan focuses on the following areas:

- Energy/global warming;
- Resource recycling;
- Substances of concern;
- Atmospheric quality; and
- Environmental management.

This plan is managed using Toyota Australia's company-wide strategy management system called Hoshin Kanri. This system translates long-term corporate goals into specific annual commitments, which then cascade to divisions, departments and individual employees.

Performance monitoring is facilitated by web-based reporting using the Plan-Do-Check-Act cycle. Performance against 2006/07 targets is detailed on pages 20-29.

## Conceptual Diagram of the Global Toyota Environmental Action Plan



## ENVIRONMENTAL RISK MANAGEMENT

Environmental risk management is an integral part of the Toyota Environmental Management System (TEMS). As part of risk management the Company looks at all aspects of the manufacturing operation and tries to determine the magnitude and likelihood of potential negative environmental impacts. This information is captured in an aspects and impacts database. This database looks at normal operating conditions, and also looks at potential abnormal operating conditions or emergencies with a view to minimising their impact. Where potential impacts are considered significant, they are addressed through the EMS by a variety of control measures following the standard risk management hierarchy.

In the established EMS at the Altona manufacturing site, compliance was maintained to ISO 14001 following a surveillance audit in April 2007. The Company received zero non-conformances in its audit results and is undertaking a rollout of the EMS across the remainder of Company sites, including the ISO certification of all parts distribution centres.

In addition to the external ISO 14001 audits, Toyota Australia conducts a number of internal audits of the EMS each year. The internal audits are conducted using ISO 14001 audit protocols by the internal auditing team, overseen by the Production Engineering Environment Group. Twenty-seven internal audits were conducted in 2006.

## TRAINING AND AWARENESS

Toyota Australia is striving to develop a culture that recognises the importance of environmentally responsible behaviour and the need to continuously improve business operations, always driving innovation and evolution. Training courses and awareness programs have been implemented to communicate with employees on relevant environmental issues.

These include:

- Broadcast emails on environmental issues and activities;
- Articles in internal publications;
- National Tree Day activities;
- Activities to mark World Environment Day;
- An annual Employee Environment Survey;
- Staff volunteer days on environmental projects; and
- Environment awareness training for all aspects of operations.

## ORGANISATIONAL STRUCTURE

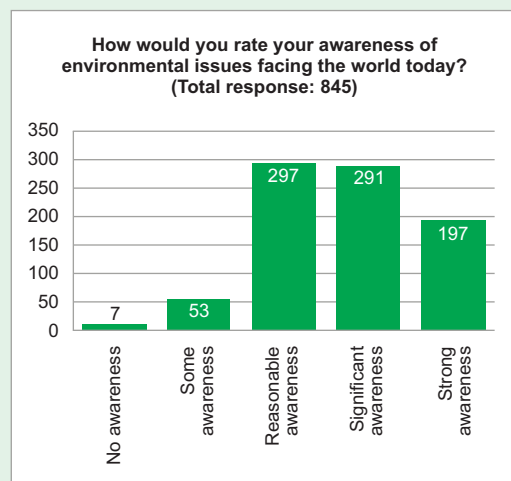
In addition to the Toyota Australia Environment Committee, additional committees have been established to respond to environmental management challenges in the sales and marketing, and manufacturing operating arms. They consist of representatives from selected departments within each division. These cross-functional groups are supported by teams of environmental professionals focused on corporate, manufacturing, sales and parts distribution processes.

## EMPLOYEE ENVIRONMENT SURVEY

Since 2005, Toyota Australia has conducted a company-wide employee environment survey to measure environmental awareness within the organisation and to determine the Company's perceived performance on environmental issues. Each year the survey is conducted using an online questionnaire for office-based employees. Hard copies are distributed to manufacturing and engineering employees at communication sessions.

Among trends identified in 2006/07 was an increase in staff awareness of the environmental issues facing Toyota Australia and the broader environmental issues facing society. The survey results also revealed that while there was a strong belief that the Company was a leader in addressing environmental issues, there was an equally strong perception that the Company needs to do more, particularly in the area of waste reduction.

The results from the survey will be used to help determine whether current environmental plans, programs and initiatives are effective, and will provide input to future environmental strategies.







## INCREASED SUPPLY OF TOYOTA PRIUS FOR AUSTRALIA

Local sales of the hybrid-powered Prius are set to grow in 2007 following increased supply allocation to Australia. Since making its market debut in 1997, Toyota has sold 639,422 units globally. This included a record 185,589 sales in 2006 alone.

Prius is the top-selling hybrid vehicle in Australia. Local sales of Prius in Australia in 2006 reached 1,974 units, a 39% increase on the previous year. Over 5,000 Prius have been sold in Australia since its launch at the 2001 Sydney Motor Show. Second-generation Prius was launched in November 2003 and was followed by an upgrade in November 2005.

Global increases in Toyota's hybrid production now mean that local supply of Prius will be increased. Toyota Australia sold 195 Prius in January 2007, a 96% increase on the same month in 2006.



## PRODUCT STEWARDSHIP

As a leading car manufacturer, Toyota Australia realises that automobiles contribute to environmental issues such as global warming, resource depletion, accumulation of wastes and atmospheric pollution. It is estimated that the number of cars on roads around the world will increase from approximately 750 million today to over 1 billion by 2025 (United Nations Environment Program, Global Environment Outlook, 2000).

Toyota Australia's challenge is to find a way to balance the growing demand for vehicle ownership with the need to manage the environmental impact by developing new technologies and improving existing product designs. This involves pursuing technologies that will lower fuel consumption and reduce carbon dioxide and other emissions, and encourage the development of alternative fuels such as hydrogen and electric power.

An overview of initiatives in place to reduce vehicle emissions, improve fuel efficiency and promote alternative fuels is outlined below.

### VEHICLE EMISSIONS

There are two major issues associated with car exhaust emissions:

- emissions such as hydrocarbons, carbon monoxide and oxides of nitrogen that contribute to urban air pollution; and
- emissions of greenhouse gases that contribute to global warming, which can result in climate change.

#### Hydrocarbons, Carbon Monoxide, Oxides of Nitrogen

Air pollutants such as carbon monoxide, oxides of nitrogen, particulate matter, volatile organic compounds, and benzene are emitted into the environment by motor vehicles. These air pollutants can contribute to urban air quality problems, for example, photochemical smog, and adversely affect human and ecological health.

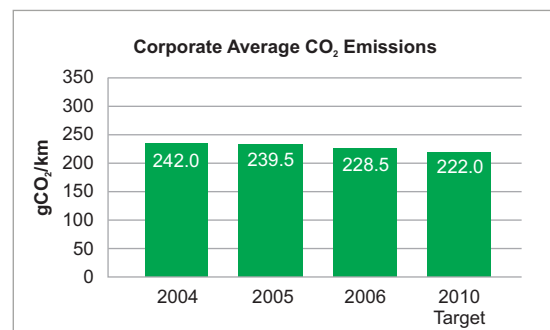
The United Nations has developed an international standard for the emissions of these air pollutants called the Euro standards. The current Australian standard, ADR79/01 Emissions Control for Light Vehicles, requires Australian manufacturers to comply with the Euro 3 standard. Toyota Australia is progressively working towards the certification of a number of its vehicles to the more stringent Euro 4 standard and, beyond this, to the Euro 4+ standard, set by the Federal Government at 65% below Euro 4 emission limits.

In 2006/07, a further nine Toyota and Lexus models were certified to the Euro 4+ standard, bringing the total in this category to 16. One additional model was certified to the Euro 4 standard, bringing the number of vehicles certified in this category to 12. The locally manufactured Camry (manual) and Aurion are both certified to Euro 4+. The Company will continue to ensure that vehicles exceed Australian design standards in an effort to reduce air pollution emissions.

### CO<sub>2</sub> Emissions

In Australia in 2005, cars contributed 44 million tonnes of carbon dioxide or equivalent greenhouse gases, which was 8% of total national emissions (National Greenhouse Gas Inventory, 2005). In an effort to reduce the greenhouse gas emitted from cars, in 2005, the Australian motor industry agreed to an emissions target of 222gCO<sub>2</sub>/km by 2010 for all light vehicles sold in Australia.

Toyota Australia's sales weighted average of CO<sub>2</sub> emissions of all Toyota and Lexus light vehicles in the year ending 31 December 2006 was 228.5gCO<sub>2</sub>/km, a 5% decrease from the 2005 result of 239.5gCO<sub>2</sub>/km. This year-on-year decrease in CO<sub>2</sub>/km emissions is a result of the improvements made in the design of new model vehicles and an increase in the number of smaller vehicles sold.



## GREEN VEHICLE GUIDE

Toyota Australia's efforts to develop greener vehicles have been recognised in the federal government's Green Vehicle Guide (GVG). The GVG provides information about the environmental performance of new light vehicles (up to 3.5 tonnes gross vehicle mass) sold in Australia and is designed to help consumers wishing to choose a more environmentally friendly vehicle. The information includes:

- Fuel consumption (in L/100 km) to identify the most fuel-efficient vehicle;
- Greenhouse rating (based on CO<sub>2</sub> emissions) to compare a vehicle's contribution to the greenhouse effect and climate change;
- Air pollution rating (based on emission standards) to compare a vehicle's contribution to urban air pollution and its associated effects on the environment, human health and amenity; and
- An overall 'star' rating, to identify vehicles that emit a lower level of overall emissions. The greenhouse rating and air pollution rating are combined to determine this overall rating.

As at 31 March 2007, two Toyota vehicles were ranked among the top performers of all vehicles in the GVG. These were the Toyota Prius, with the highest possible five-star rating in first spot, and the Toyota Corolla, with a four-and-a-half star rating in ninth place. Two Lexus vehicles, the GS450h and RX400h hybrids, also made the list of Top GVG Performers, coming in at eleventh and twelfth positions respectively.

Toyota Australia will continue to support the Green Vehicle Guide and will seek to improve product performance via the implementation of environmental technology across the entire vehicle range.

[www.greenvehicleguide.gov.au](http://www.greenvehicleguide.gov.au)

## ALTERNATIVE FUEL

In 2005, agreement was reached among Australian manufacturers and the federal government to provide vehicle labelling on locally manufactured models to declare their suitability with fuel containing up to 10% ethanol (E10). Both locally made models, Camry and Aurion, now carry labels on the fuel tank that identify them as suitable for E10 fuel.

In addition, all overseas-manufactured Toyota vehicles arriving in Australia are suitable for this fuel type. As these vehicles arrive from their source locations, fuel labels are updated to identify that E10 is a suitable fuel for the engine. It is intended that these measures will help improve consumer and public confidence in the use of appropriate ethanol-blended petrol, in order to lower reliance on fossil-fuel supplies.

## FUEL EFFICIENCY

As CO<sub>2</sub> emissions are directly related to fuel use the design improvements that have resulted in reductions in CO<sub>2</sub> emissions are also reflected in fuel efficiency improvements. This is another way in which Toyota Australia is helping its customers improve their environmental performance.

The table below demonstrates the improved fuel economies of new model vehicles across the range.

Vehicle	Old Model (Fuel consumption measured in L/100 km*)	New Model (Fuel consumption measured in L/100 km*)	Decrease in Fuel Consumption
Lexus RX330-RX350	12.3	11.2	9%
Prado Wagon (diesel)	12.6	9.3	26%
Aurion	11.2 (Avalon)	9.9	12%
Landcruiser 78 70	13.1	11.5	12%

\* Measured in accordance with ADR81/01



## MATERIALS USE AND PRODUCT RECYCLABILITY

### Materials Use

Toyota Australia is mindful of its responsibility to conserve resources in the manufacture of its vehicles. The material balance diagram outlines the major material flows associated with vehicle manufacture at the Altona site in 2006/07. It does not include energy or material flows associated with the consumption of utilities (such as waste water or CO<sub>2</sub>) and does not include material flows associated with maintenance or infrastructure on the site. Similarly, the system boundary is drawn around the manufacturing operations only and therefore does not include the material efficiency of suppliers who supply finished components to Altona but who have waste streams at their own sites.

### Product Recyclability

Toyota Motor Corporation technology and expertise is relied upon to enhance the recyclability of Toyota vehicles around the world. Since 1990, when the Toyota Motor Corporation Environmental Management Committee was formed, the Company has been working to make vehicles that are easy to recycle, considering the entire vehicle lifecycle, from development to disposal.

In the development stage Toyota Motor Corporation has been taking easy-to-recycle materials and dismantling designs into consideration, while developing and introducing various recycling technologies in the production stage.

### Material Balance 2006/07





## PRODUCT RECYCLING

Toyota Australia has implemented a pilot scheme to recycle waste bumper bars from dealerships in the Melbourne metropolitan area. The program collects bumper bars that are removed by dealerships when aftermarket bull bars or nudge bars are fitted, recycling them into various plastic products, including PVC chairs. Historically, these left-over bumper bars have been stockpiled and sent to landfill with 4,680 bumpers being disposed of annually in Victoria alone.

Under the scheme, the bumpers are collected free of charge by recycling company SIMS Plastics, saving dealerships the \$70 per tonne waste disposal charge they would normally incur.

Stage two of the scheme will see the program expanded nationally. The final stage of the program will aim to have 'virgin-grade' or unpainted bumpers returned to the manufacturing plant in Altona to be re-used on the production line.

In addition, Toyota Australia's manufacturing operations are focusing on the recycling of a number of vehicle parts that are made of plastic, including bumper bars, dashboards and door trims.

The process involves the collection of damaged plastic material from the Assembly Shop in Altona and damaged plastic bumper bars and resin from dealer sites. In 2006/07, this initiative recovered 59 tonnes of plastic that otherwise would be sent to landfill. This was a 436% increase on the 2005/06 figure of 11 tonnes, mainly due to the inclusion of damaged plastic from Altona that was previously not collected.

As a result of this initiative, Toyota Australia was nominated as a finalist for the Banksia Environmental Foundation Awards in the Eco Innovation category. This category recognises outstanding projects, practices and programs that result in significant increases in the efficiency of energy and materials usage, or significant reduction in resource use, or significant reduction in waste generated, from a lifecycle perspective.

[www.banksiafdn.com](http://www.banksiafdn.com)



Team member Maria Ribiero applies some finishing touches to a new bumper bar.

## PROCESS STEWARDSHIP - RESOURCE EFFICIENCY

The five-year Environment Plan outlines the goals and action items for reducing the ecological footprint of Toyota Australia's operations. The Altona manufacturing plant has had specific reduction targets set annually since 1998. A significant achievement in 2006/07 was the determination of targets for all other non-production sites. These targets were endorsed by the Board and will now form the basis for future reporting and improvement activities. An overview of targets and current performance in key areas such as water, energy, waste and air quality follows. Historical performance data for the Altona manufacturing plant can be found in last year's Environment and Community Report.

### WATER

Most Toyota Australia operations, including the manufacturing plant, regional offices and dealerships, are currently facing severe drought conditions. The Company aims to reduce water usage, not only in manufacturing where approximately 85% of total water is consumed, but right across the business. Most of Toyota Australia's water is sourced from municipal or city water supplies, but there is an increasing number of rainwater harvesting projects being implemented, including a 360-kilolitre rainwater harvesting system at the Company's corporate headquarters in Port Melbourne.

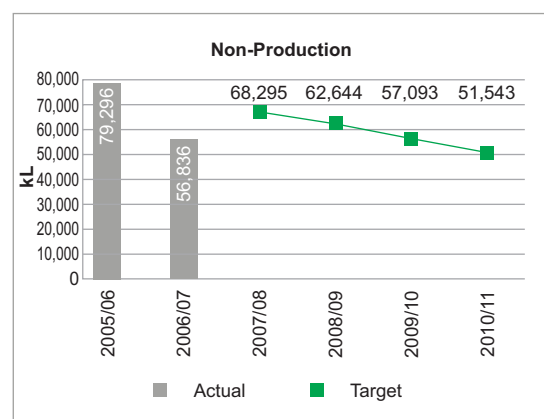
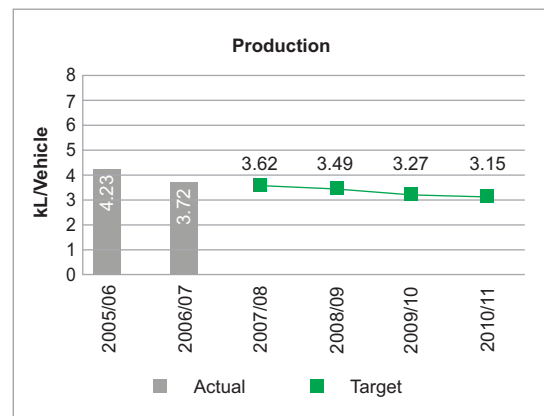
#### TARGETS AND PERFORMANCE

In 2006/07, total water consumption was 506,687 kilolitres. This is a 9% decrease against 2005/06 consumption of 558,335 kilolitres.

#### INITIATIVES

To achieve its targets, Toyota Australia is implementing a range of initiatives across all sites. In 2006/07, these included:

- Optimisation of the Unit Parts Paint line at the Altona manufacturing plant has resulted in annual potable water savings of approximately 9,900 kilolitres. Approximately 8,700 kilolitres has been saved by collecting the reverse osmosis membrane backwash, which was previously discharged to the sewer as trade waste. This backwash water is now redirected to make up a rinse stage in the process. The remaining 1,200 kilolitres of potable water has been saved by extending the bath life of the rinsing tanks by transferring the cleaner rinsing stages to the dirtier rinsing stages on a weekly basis;
- The implementation of real-time water usage data software to better monitor and measure water usage in Sydney and Port Melbourne facilities, in order to prioritise water savings initiatives;
- Aqualoc flow restrictors have been installed in all taps in Sydney; and
- Waterless urinals have been installed as part of a trial in male toilets at offices in Sydney and Port Melbourne.



# WATER SAVINGS AT WOOLLOOWARE BAY

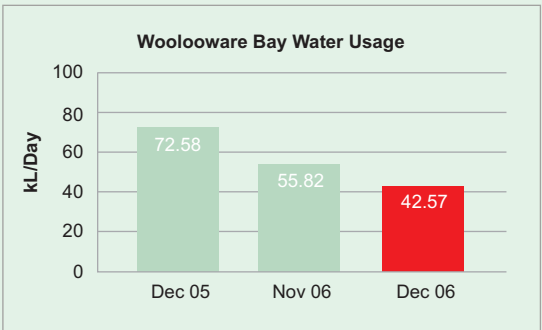
Toyota Australia is in the second year of a five-year environment plan that seeks to significantly reduce on-site water usage. One of the targets for the sales and marketing operation in Sydney, is a 50% reduction in water use by 2010/11 based on 2005/06 consumption. To better understand water usage across the site, Toyota Australia acquired software that measures real-time water usage data. Installation of this system has also been undertaken at the Company's corporate headquarters in Port Melbourne, in preparation for the implementation of water savings initiatives.

Another part of the plan is the use of Aqualoc, a specially designed tap valve that saves water and eliminates tap washer maintenance. Aqualoc's design provides a controlled even flow, delivering savings on water costs of up to 45% and savings on energy costs of up to 60%. These valves replace conventional washers and quarter turn ceramic cartridges in tapware. Aqualoc tap valves have been installed in all taps on the Woollooware Bay site and will be rolled out to all sites in the coming year.

Another innovation is waterless urinals. This involves a simple alteration to the drain and a change to the cleaning process to maintain amenity with minimal water use. Individual urinals can use more than 65,000 litres of water per year. The trial has been completed successfully, and it is expected that this system will also be rolled out to other sites as soon as possible.

These three simple measures have yielded some spectacular results. Daily usage has dropped from 72.58 kilolitres per day to 42.57 kilolitres per day since implementation.

Toyota Australia is also represented on the Sutherland Shire Council's recycled grey water scheme. Through this scheme, it is envisaged that recycled water will be made available to the Sydney site in 2008.



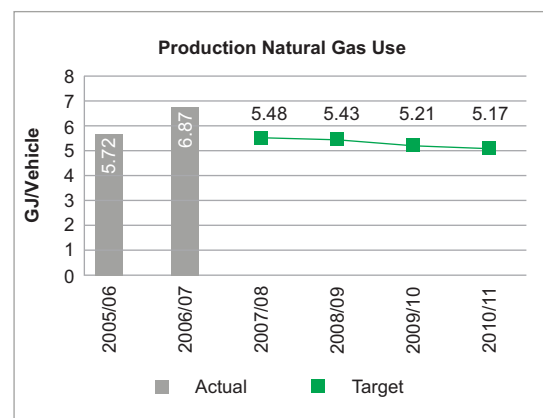
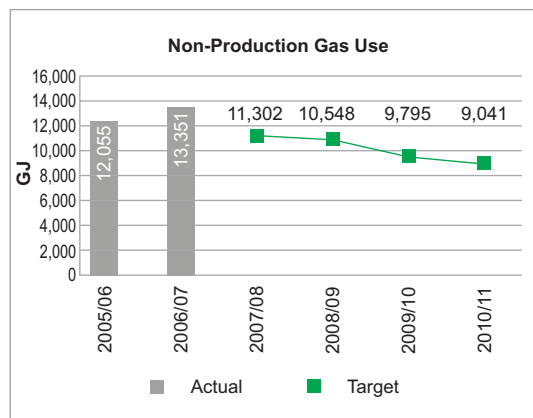
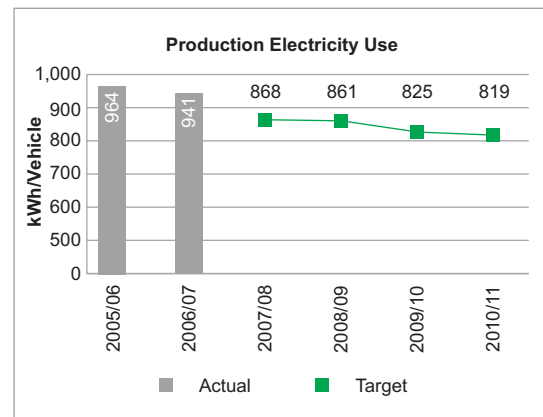
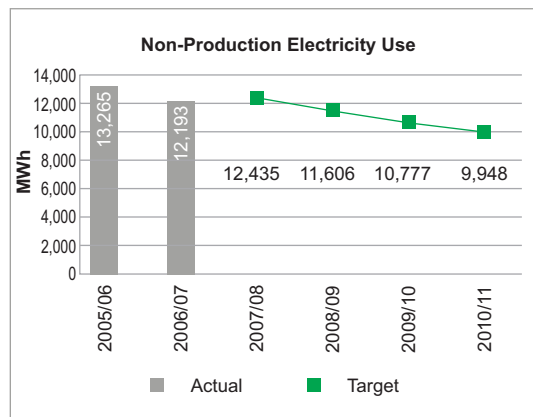
## ELECTRICITY, GAS AND CARBON DIOXIDE EMISSIONS

Toyota Australia is committed to reducing energy usage and CO<sub>2</sub> emissions from all operations and has set targets to achieve this in the five-year Environment Plan. Whilst approximately 98% of energy usage and 91% of CO<sub>2</sub> emissions occur at the manufacturing plant in Altona, these impacts are being managed across all sites. An overview of targets, performance and initiatives under way at each of the operating sites is outlined below.

### TARGETS AND PERFORMANCE

#### ELECTRICITY AND GAS

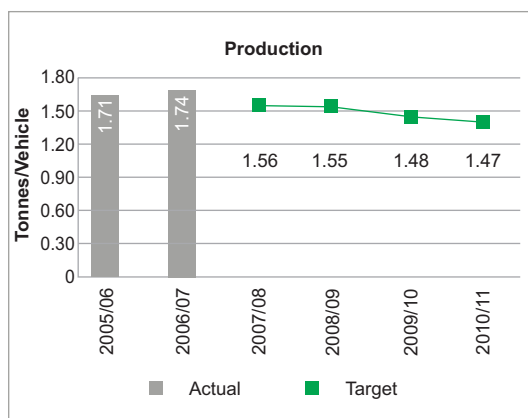
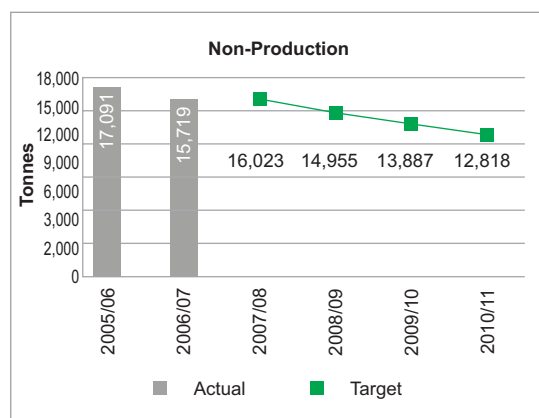
Toyota Australia sources its energy primarily from electricity and natural gas. In 2006/07, total energy consumption was 1.167 million GJ. This was a 6% increase against 2005/06 consumption of 1.1 million GJ. This increase was primarily due to the energy required for the new bumper bar facility at Altona. This manufacturing process was previously outsourced to an external supplier.





## CARBON DIOXIDE EMISSIONS

The energy usage figures corresponded to a total CO<sub>2</sub> equivalent emissions output of 215,659 tonnes in 2006/07. This is a 2% increase against the 2005/06 emissions of 210,491 tonnes.



## INITIATIVES

The Company has implemented a number of initiatives to achieve its energy and greenhouse emission reduction targets. These include:

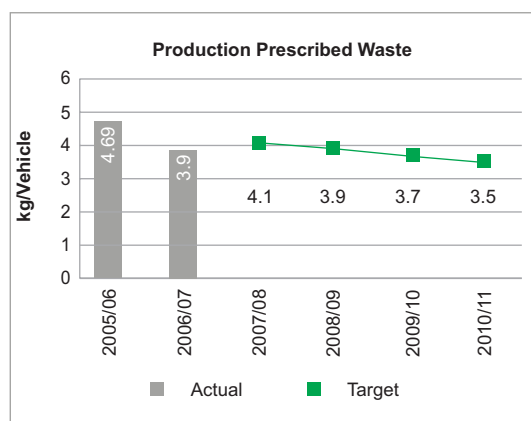
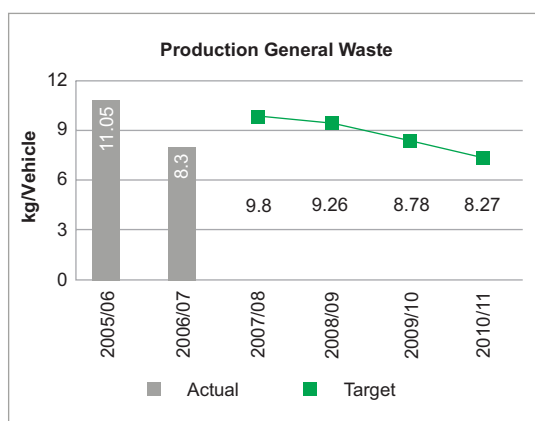
- Working with Toyota Motor Corporation's Energy Services Company (ESCO) to conduct energy audits and implement energy reduction activities across the Australian operations. The three-stage process involved an initial visit by the ESCO team in November 2006 to the manufacturing plant to identify energy reduction activities, followed by training in Japan for Toyota Australia employees to learn the process of implementing energy reduction activities. Finally, a follow-up five-week visit by ESCO was conducted to train and support Toyota Australia in the identification and implementation of energy-saving opportunities. This process is ongoing, with monthly reporting to Toyota Motor Corporation. To date, 27 improvement opportunities have been identified and these projects will be scoped further in 2007/08;
- The CoolBiz program was implemented in October 2006. Building cooling systems in Sydney and Port Melbourne were adjusted to reduce the amount of energy required to cool the buildings over summer months. CoolBiz encourages employees to wear less formal clothing to offset the effect of higher temperatures, and approximately 20 tonnes of CO<sub>2</sub> were saved each month during the program;
- The Sydney Parts Distribution Centre (PDC) commenced its implementation of an EMS, identifying a number of energy-related environmental impacts;
- The Brisbane PDC installed a number of 'Energise' units that balance out power fluctuations and assist in the start-up of equipment and lighting; and
- Building Management Systems have been implemented in Sydney and Port Melbourne to manage energy demand more efficiently.

## WASTE

The responsible management and disposal of waste, including recycling, is an important objective in Toyota Australia's Environment Plan. The Company is working with a number of suppliers and waste management contractors to develop innovative processes to reduce waste volumes to landfill, and increase opportunities to recycle and reuse products where available. An overview of performance against targets, and initiatives in place to drive improvements in waste management practices, is outlined below.

### TARGETS AND PERFORMANCE

At the manufacturing plant in Altona, where most of the Company's waste is generated, there are a number of waste streams, including waste to landfill, recycled packaging waste, recycled process waste, and waste sent to prescribed landfills. Ninety-six percent of waste (weight in kilograms) was recycled in 2006/07. Total waste by type and disposal method is detailed in the table below:



### INITIATIVES

A number of initiatives have been implemented at the manufacturing plant in Altona to assist in meeting these targets, including:

- A cans and bottle recycling program, expected to result in 3,423 kilograms of waste being diverted from landfill, will be implemented in non-production areas;
- An external waste audit was conducted in February 2007 at Altona to identify further waste management and reduction opportunities. The site's general waste stream was monitored and measured over a 24-hour period and a review of the recycling and prescribed waste streams was also carried out. The audit found there is a potential to further reduce the volume of general waste to landfill, through improved segregation of recyclable materials such as cardboard, plastic, metals, and the recycling and laundering of cotton gloves. By improving the segregation of recyclables, an additional 228 tonnes of material can be diverted from landfill per year. Following the final report due in July 2007, an action plan will be developed to address concerns and areas for improvement;

- A program to improve the recycling of fluorescent lights has been implemented allowing for a more systematic approach site-wide;
- Spot audits are conducted on a regular basis by waste management contractors to ensure that the waste management processes are being implemented across the plant; and
- Working with suppliers to identify areas where packaging waste can be minimised.

Non-production sites have a target of zero waste to landfill by 2010/11. To achieve this the following tasks will be undertaken in 2007/08:

- Rolling out a new waste reporting system to all suppliers;
- Conducting awareness campaigns for staff;
- Conducting waste audits nationally; and
- Providing support to suppliers to comply with waste reporting requirements.

## THE PULPMASTER

In 2006/07, Toyota Australia continued its partnership with Pulpmaster Australia to reduce organic waste generated from the on-site catering facilities at the Company's sales and marketing operations in Woollooware Bay, Sydney.

The Australian designed and manufactured Pulpmaster recycling system converts all types of food waste into a pulp slurry, then pumps it into a holding tank. Pulp slurry taken from Pulpmaster is turned into renewable electricity at a biogas-digester and this power is sold into the electricity grid for distribution to end users in the domestic, commercial and industrial sectors.

Since its implementation in 2005, this initiative has produced multiple environmental benefits including:

- 115 tonnes of food waste has been recycled and diverted from landfill;
- 413 homes have been powered for a month by green electricity;
- 349 tonnes of greenhouse gas emissions have been prevented by the use of green electricity instead of conventional coal (equivalent to taking 101 cars off the road for a year); and
- 24,000 black plastic bags have been diverted from landfill.

In addition, Toyota Australia has implemented comingled recycling for cardboard, plastic, aluminium and glass at its Sydney operations. Since 2005, over 7,000 kilograms of these materials have been recycled.

Both of these waste recycling programs are being rolled out nationally across Toyota Australia sites in 2007.



## VOLATILE ORGANIC COMPOUNDS

Volatile Organic Compounds (VOCs) are organic chemical compounds that can contribute to reducing air quality by vaporising and entering the atmosphere. Many of the products and processes that go into the development of a vehicle contain VOCs, with solvents the most significant contributors in the vehicle manufacturing process.

### TARGETS AND PERFORMANCE

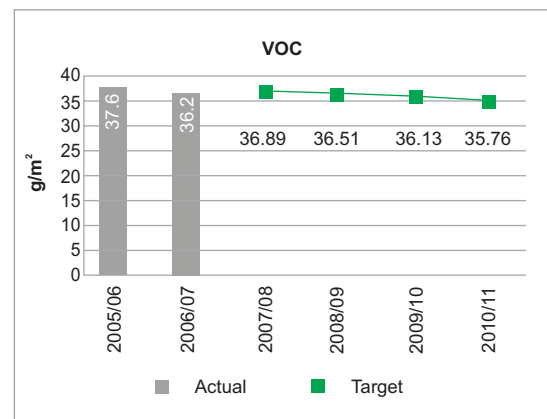
Toyota Australia has set a VOC target of 35.76 g/m<sup>2</sup> by 2010/11. This is a 5% reduction against 2005/06 actual results.

Commissioning of the new bumper bar plant in Altona was reported in the 2006 Environment and Community Report. This plant has achieved significant improvements in all key environmental performance indicators as measured and monitored through TEMS. The amount of VOCs in g/m<sup>2</sup> emitted by the new waterborne process has been reduced by 50% over the first 12 months of operation as compared to the old Port Melbourne facility.

### INITIATIVES

To meet its target a number of programs have been implemented including:

- The elimination of blackout painting of door frames and wheel arches;
- Reduction of sealer applied to the underbody of vehicles;
- The installation of two additional hoppers to improve solvent recovery; and
- The introduction of new solvent for the electrocoat painting process.





## Welcome to Toyota Australia

We have introduced Coolbiz in this building.

By increasing the summer operating temperature in our offices to 26°C, we expect to save approximately 20 tonnes of CO<sub>2</sub> emissions per month across the Company.

Please feel free to remove your tie and join us in helping to take this small step to contribute to a more sustainable future.

## PROCESS STEWARDSHIP

### SUPPLIER AND DEALER NETWORKS

#### SUPPLIERS

Toyota Australia works with many suppliers in the development and production of vehicles and support services. It looks to engage suppliers in the pursuit of good environmental management, because the Company recognises that these upstream and downstream environmental impacts can be just as significant as on-site performance. Of particular significance are the greenhouse gas emissions from its main vehicle distribution supplier, responsible for the transportation of vehicles throughout Australia. Toyota Australia is working with a number of its suppliers to share environmental goals and expectations. An overview of performance and initiatives in this area is outlined below.

#### TARGETS AND PERFORMANCE

##### Supplier Environmental Management Policy

Toyota Australia has developed a Supplier Environmental Management Policy which outlines the key requirements of selected suppliers in relation to conducting certain environmental activities and initiatives. All first tier and raw materials suppliers, service suppliers and key logistics providers are expected to conform to the policy. The policy is focused on three areas:

1. The development of an ISO14001-certified environmental management system;
2. The elimination of Substances of Concern (SOC) by the end of 2007; and
3. The requirement for suppliers to maintain close communication with Toyota Australia with respect to their compliance with the Environmental Management Policy.

Monitoring and follow-up of suppliers' compliance with the policy is conducted on the Toyota Australia Supplier Website and through established working groups which communicate regularly with suppliers on the SOC elimination project.

In addition, suppliers are recognised for good environmental performance through annual recognition at the Toyota Australia supplier conference.

##### Substances of Concern

As part of a global Toyota Motor Corporation program, four substances of concern (SOC), lead, mercury, cadmium and hexavalent chromium, are being eliminated from all vehicles, parts and accessories supplied to Australian and overseas markets.

By the end of 2006/07, 80% of local model parts were confirmed as SOC-free, and the Company is on track to meet the target of eliminating all SOC by December 2007.

##### Environmental Purchasing Policy

In 2005, Toyota Australia became a founding member of ECO-Buy, a Victorian Government program that promotes the purchase of environmentally friendly services and products, and provides tools, resources and support to improve current purchasing practices.

In 2006/07, Toyota Australia expanded its commitment to ECO-Buy through the development of an Environmental Purchasing Policy. The policy sets out the following guidelines for purchasing and using products and services:

- Minimise waste by eliminating unnecessary purchases, maximising efficiency, extending the product life, and maximising the adoption of recycled and recyclable materials;
- Purchase products and services that reduce the consumption of energy or are energy-efficient;
- Purchase renewable energy and reduce the purchase of energy generated from fossil fuels;
- Purchase paper and wood products obtained from recycled, plantation, salvaged or renewable sources;
- Purchase products that will not release toxic substances at any stage of their life cycle; and
- Purchase products that conserve water or use water in an efficient way.

A pilot program to track and monitor purchases against the policy is being implemented in 2007.



## THE DEALER NETWORK

With 295 dealership sites in Australia, Toyota Australia acknowledges its responsibility in working with the dealer network to assist them in managing their local environmental impacts. Of most significance for dealers are the environmental impacts arising from showrooms and after-sales servicing departments, including environmental compliance, materials use and disposal, and energy and water use.

## TARGETS AND PERFORMANCE

As part of the Toyota Australia Environment Plan, a Dealer Environment Strategy was revised in 2006/07 outlining targets to enhance the environmental credentials and abilities of the dealers. A core component of this strategy is the use of the Toyota Customer Service Marketing Program (TSM) to meet Environment Plan targets and Toyota Motor Corporation expectations.

A full explanation of TSM is provided in the Customer Relationship Management section of this report.

A significant element of the Dealer Environment Strategy is the Dealer Environmental Risk Audit Program (DERAP). This program is made up of six basic environmental requirements that dealers must achieve in order to be DERAP compliant.

By the end of March 2007, 143 dealer sites were compliant with the DERAP.

The strategy is being rolled out across the dealer network, and dealers are being provided with improved resources to successfully meet the requirements of the strategy.

These resources include a website with best practice guidelines and procedures, self-audit kits, training courses and regular two-way communication between dealers and Toyota Australia.

Dealers are also encouraged to develop their own environmental initiatives in line with the Toyota practice of 'Kaizen' meaning 'continuous improvement'. One such initiative has been the development of a carbon offset scheme by a Toyota dealer in Adelaide.

### DERAP Compliance Checklist

Person in charge of environmental promotion	✓
Dealer complies with laws regarding the environment	✓
Hazardous wastes are properly stored and disposed of	✓
Waste water treatment equipment is in proper operation	✓
Dealer complies with ozone protection legislation	✓
Dealer has completed 'Environmental Guidelines for Dealers' self-assessment	✓

## DEALER OFFSETTING CARBON EMISSIONS

In early 2007, a Toyota dealer (CMI Toyota) in Adelaide launched a carbon offset scheme for new cars. Through the program, Toyota customers can offset their car's emissions by including in the purchase the cost of planting trees to absorb emissions the car will emit. The dealer has teamed up with two conservation groups, the Canopy Project and Greening Australia South Australia, which have selected a site for the first CMI Forest in the lower Murray Darling Basin. It will feature native trees that will be legally registered on the land title.

In accordance with Greening Australia guidelines, the CMI Forest planting will link up with uncleared woodland and help to repair landscape, promote biodiversity and address salinity. The Canopy Project has estimated the first CMI Forest will absorb 1,375 tonnes of CO<sub>2</sub> per hectare.

Using a formula developed by the Australian Greenhouse Office (AGO), it is possible to calculate the typical emissions for different cars, and the number of trees required to be planted to offset emissions. CMI customer contributions for a small car, which uses 6.7 litres of fuel per 100 kilometres, has been set at \$134, enough to cover the cost of trees to absorb 6.7 tonnes of CO<sub>2</sub>. A medium-sized car (using 10 litres per 100 kilometres) will cost around \$198, and a large car or four-wheel drive (using 16.1 litres per 100 kilometres) will cost \$322. Based on the AGO calculations, each donation will ensure that the car will be carbon neutral for 40,000 kilometres. The donation can be claimed as a tax deduction.





## WORKPLACE SUSTAINABILITY

Team member Kamal Dykstra performs a quality inspection on a new Toyota Camry.



Toyota Australia's workforce is its most important asset, and the Company strives to foster a culture that enhances continuous improvement through individual creativity and teamwork. Its fundamental belief is that in order to be a successful organisation, it needs to develop a relationship of mutual trust and respect with all employees. This means that Toyota Australia is committed to providing resources and guidance, treating people fairly, continuously improving working conditions and encouraging individual development and continuous improvements through involvement.

Toyota Australia employs 4,717 employees at a number of locations throughout Australia. The majority of employees are based in the manufacturing plant in Altona, and the remaining are based at the corporate headquarters in Port Melbourne, sales and marketing operations in Sydney and regional operations in Brisbane, Townsville, Darwin and Adelaide.

There is a dynamic mix of cultures, ages, religions and beliefs represented amongst the workforce, which is comprised of approximately 60 nationalities, with ages ranging from 18 to 80. The workforce is 12% female and 88% male, the average length of service is 9.6 years, and the longest length of service is 51 years.

In its pursuit to be a successful and admired workplace, the Company recognises the importance of managing key workplace issues such as health and safety, workplace relations and talent attraction and retention. An overview of performance and strategies in place to achieve goals in these key areas is outlined below.

## TOYOTA APPRENTICES ROLL UP THEIR SLEEVES

Over the past two years, Toyota Australia's Technical Training Centre has welcomed 17 new maintenance apprentices to its team, creating a new generation of Toyota Australia employees.

Established in 2005 to provide technical skill and Toyota specific development for all maintenance and technical staff, the Technical Training Centre leads the Toyota Australia Apprentice Development Program, focusing on providing opportunities for both recent external school leavers and internal adult apprentices.

This development program is launched with two months of maintenance fundamental skills training as well as understanding Toyota's values through the Toyota Way Foundations program, fundamental occupational health and safety, and environmental policy.

Ablly supported by their supervisor and a nominated mentor, apprentices are also inducted into their sponsor departments to commence their on-job development. This includes using manufacturing robots, repair and preventative maintenance, and problem solving to achieve a Zero Breakdown Plant.

The apprentices also complete a weekly learning and reflection diary, which records experiences in both their on-job development and complementary three-year TAFE Certificate III training in their relevant trade.

In addition to the recent inductees, Toyota Australia is committed to continuing to build upon its apprentice team over the next two years.



Front Row: Divisional Manager, Manufacturing #2 Mark Dobson, Executive Vice President Manufacturing & Purchasing Mike Harvie, Ross Campbell, Ibrahim Hablas, Michael Vernon, Daniel Skinner, Leo Rinaldi, Nick Trimboli, James Carland, David Kwiatowski.

Back Row: Technical Services Manager, Manufacturing #1 Eugene Stasiliunas, David Wookey, Michael Primiano, Selvan Selvanathan.

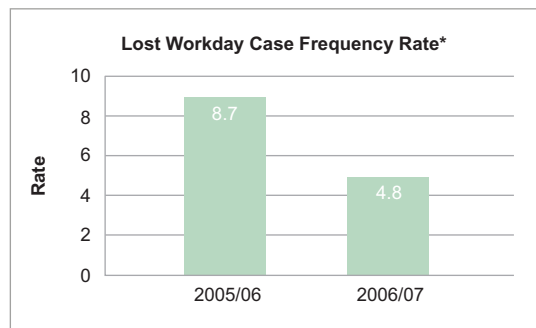
## HEALTH AND SAFETY

Toyota Australia is committed to ensuring a safe and healthy working environment for all personnel through the prevention and management of work-related injuries and illness. With the majority of the workforce employed in the manufacturing plant in Altona, many of the health and safety risks lie within this area of the business.

### PERFORMANCE

Manufacturing operations in Altona have achieved a dramatic reduction in injury frequency rates. The lost workday case frequency rate decreased from 8.7 in 2005/06 to 4.8 in 2006/07, representing a 45% decrease. This was the result of a strengthened focus on safety that included an improved case management approach, enhanced medical facilities, improved reporting processes and earlier engagement with rehabilitation service providers.

Toyota Australia in Victoria achieved re-accreditation to the Safety Management Achievement Program (SafetyMap) in 2006 following a thorough audit. SafetyMap is an auditing tool designed by the Victorian WorkCover Authority to assist organisations improve their management of health and safety and implement a cycle of continuous improvement. This measure of safety compliance was supported through monthly audits in the manufacturing division and warehouse operations.



\* Per million work hours.

## SAFETY - I CAN'T WORK WITHOUT YOU

Toyota Australia reinforced its commitment to safety on 1 March 2007 through company-wide meetings where all Toyota Australia employees simultaneously ceased work and underwent hazard identification training. Each area across Toyota Australia has visualised the critical risks in their work areas, to eliminate risks of death or serious injury. Additionally employees were invited to participate in safety-related activities, and contribute ideas to a safety slogan. The winner was 'Safety - I can't work without you'.



## INITIATIVES

A number of programs focused on safety and the elimination of injuries have been implemented across Toyota Australia. These include the Stop 6 + alpha program, KIJ Jiritsuka and the President's Safety Shield. In addition, the Company has implemented a Dealer Safety Program.

### Stop 6 + alpha

Stop 6 + alpha is a campaign to eliminate accidents in the workplace that result in serious injury, disability or death. Six of the most common types of circumstances that lead to serious injury have been identified, and, in 2006/07, Toyota Australia managers and supervisors undertook a review of Stop 6 + alpha hazards at the manufacturing plant in Altona. Where Stop 6 + alpha hazards were identified, short-term and long-term countermeasures were developed to address the risks. All other areas are now undertaking similar hazard identification programs.

#### What are the Stop 6 incident types?



Stop 1	Pinch/caught by machines
Stop 2	Contact with heavy objects
Stop 3	Contact with vehicle
Stop 4	Falling
Stop 5	Electric shock
Stop 6	Contact with heated objects
+ alpha	Poisoning
	Oxygen deficiency

### KIJ Jiritsuka

KIJ Jiritsuka focuses on the review of operations to ensure safety systems are self-sustainable. This includes regular safety inspections by different managers that identify safety risks, and consider corrective actions by applying fresh eyes to the hazards in the workplace.

### President's Safety Shield

The Toyota Australia President's Safety Shield was introduced to manufacturing and warehouse operations in Victoria in 2001, and since then has evolved into a national program that has increased awareness of health and safety and encouraged enhancements to safety systems. The objectives of the President's Safety Shield are:

- To measure the performance of key health and safety systems;
- To implement a cycle of continuous improvement and activity; and
- To recognise achievements of health and safety standards Company-wide.

To be eligible to receive the award a department must demonstrate the following:

- Report, investigate and effectively countermeasure every accident or incident occurring for that month, including near-miss incidents;
- Support and facilitate the successful rehabilitation of any injured team member as a result of an accident in that month;
- Share accident report details with other departments to prevent a repeat of the accident;
- Update and maintain accurate visual control boards (these display inspection results, manager audit results, hazard identification and countermeasures); and
- Display near-miss reports on a visual control board.

Recipients of the award are presented with a trophy quarterly, with a major prize being awarded annually to a department for the achievement of outstanding health and safety performance.

### Dealer Safety Program

Toyota Australia assists the dealer network in implementing safety management practices and procedures. The Company has developed the Dealer Safety Manual which provides a selection of checklists, best practice guidelines and self-audit tools to assist with the effective management of occupational health and safety. Topics covered in the manual include safety legislation, hazard alerts, a safety helpline, safety inspections and audits, work injury management, emergency procedures and incident reporting. The manual, which is updated annually, is also accompanied by monthly newsletters aimed at sharing information, ideas and experiences from the dealer network.





## HEALTH AND WELLBEING

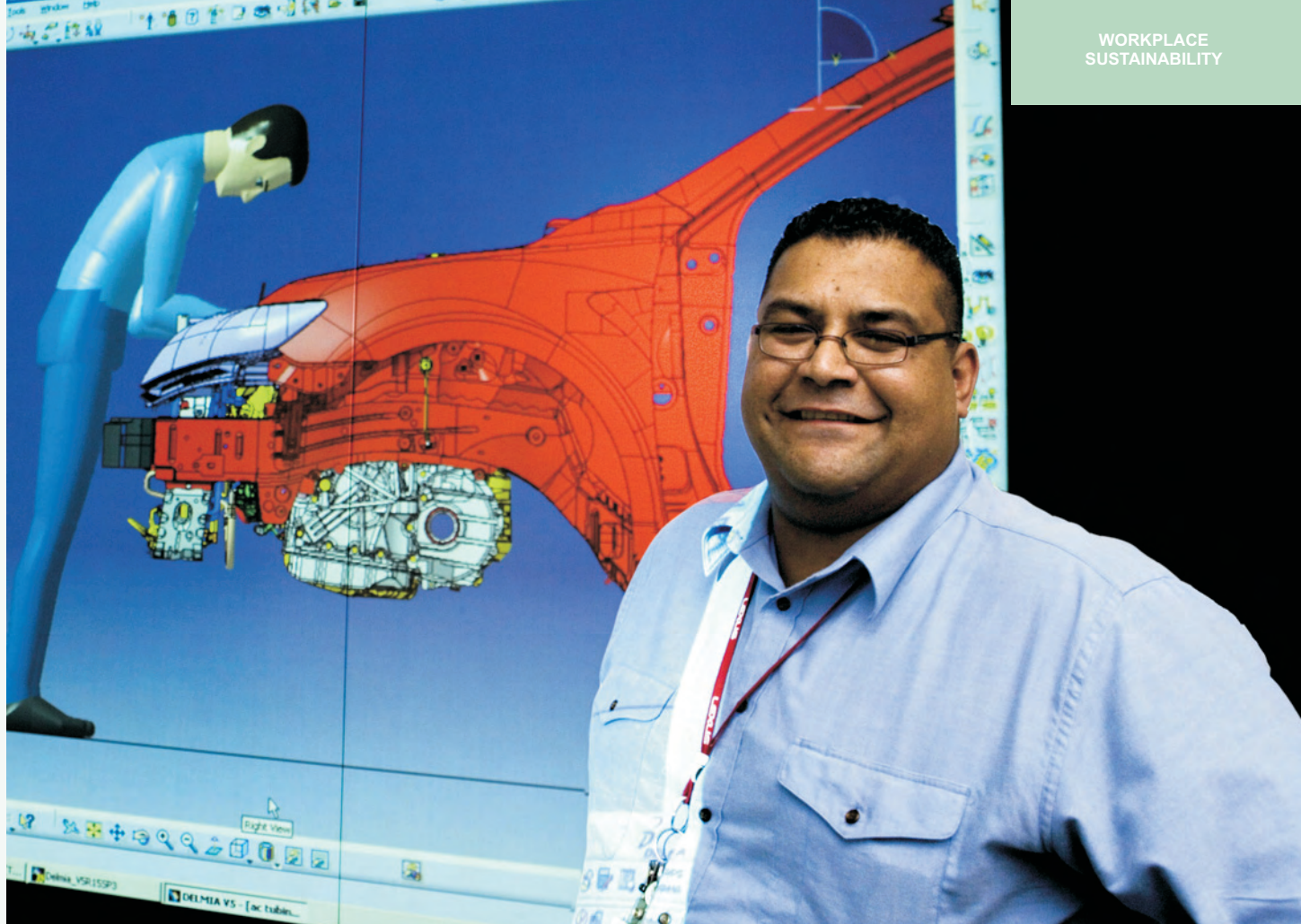
Toyota Australia offers its employees preventative health care programs to support their overall health and wellbeing. Initiatives include an Employee Assistance Program, which offers confidential counselling for employees and family members, an on-site counselling service for employee support, and the provision of an on-site physiotherapist and medical centre at the manufacturing plant.

In addition, the Company partners with a health care agency to promote key health topics each month. Recent topics have included eating habits, cholesterol, organ donation, asthma, diabetes and mental health.

Toyota Australia also supports informal participation activities including 'Around the Bay in a Day' Bike Ride, and the BRW Triathlon. Its key employee participation activity is the Ekiden Festival, which incorporates family days and a running festival, culminating in successful team members representing Toyota Australia in the global festival hosted by Toyota Motor Corporation in Japan.







Toyota Australia's Patrick Moorjee demonstrates the operation of the Ergo Man 3D virtual assembly system at the company's manufacturing plant in Altona, Victoria.

## TOYOTA ERGO MAN TAKES THE STRAIN OUT OF CAMRY AND AURION ASSEMBLY

Toyota Australia is using a 'virtual person' to help reduce the physical loads on assembly workers involved in building Camry and Aurion at its Altona manufacturing plant.

The 'Ergo Man' was used as part of an innovative 3D virtual assembly operation that digitally replicated the entire assembly production process. Virtual assembly of the new Camry first took place in Japan in February 2004, more than a year before the first prototype car was built. For the first time, this process involved representatives from each line at Altona's assembly plant, as well as OH&S officers. Toyota Australia's engineers were able to optimise the assembly operation position of a worker's body through design changes, thereby reducing potential OH&S issues before production commenced.

The sophisticated computer software of Ergo Man was used to understand and ultimately reduce the risk of injuries by assessing human movements for each part of the body for any given assembly task. Ergo Man also allowed Toyota Australia engineers to gauge the ability to assemble the car by people of various sizes, weights and strengths.

As part of the Toyota Way philosophy, Toyota Australia is constantly looking to improve the welfare of team members as well as the quality of the vehicles. Using virtual technology like Ergo Man has helped to reduce the number of aches, sprains and strains resulting from the assembly process.

## WORKPLACE RELATIONS

Toyota Australia seeks to create an environment of mutual trust and respect for all employees and ensure the prosperity of the Company, and hence stabilise employees' lives by maintaining and improving working conditions. The Company's approach to labour management is to provide a sense of security to employees by providing a working environment that is safe, healthy and free from harassment and discrimination. These principles are supported through the Code of Ethics and Teamwork Charter. The current 2005 Toyota Australia Workplace Agreement (WPA) is the key tool for ensuring consistency and fairness of workplace conditions, and outlines the processes, policies and systems in place for achieving its aims.

### PERFORMANCE

In 2006, a significant workplace issue for Toyota Australia was the final relocation of manufacturing operations from Port Melbourne to the Altona manufacturing plant. All Port Melbourne manufacturing employees were offered redeployment opportunities at Altona. Case management, job skills workshops and financial planning advice were offered to assist employees with the transition. The Port Melbourne closure was phased over three years and more than 900 employees were affected. Considerable negotiation was undertaken with employee representatives to address employee issues.

### INITIATIVES

#### Toyota Workplace Agreement

The Toyota Australia 2005 WPA was certified in the Australian Industrial Relations Commission in July 2005. All Toyota Australia award employees are covered by a Toyota Workplace Agreement. This agreement is binding for a period of three years, with an option for a fourth year. The overall purpose of the WPA is to express the commitment of the parties towards Toyota Australia achieving sustainable success in a global company. This agreement also assists Toyota Australia in business planning, maintaining competitiveness on a local and global scale, and in ensuring consistency and fairness of work conditions.

#### Senior Consultative Group

Toyota Australia maintains a Senior Consultative Group (SCG), and its purpose is to create a workplace that encourages communication between the company and its employees. It is made up of senior representatives from Toyota Australia, including the President and directors and senior employee representatives. The SCG meets every month to discuss topics including:

- Work environment and employment conditions;
- Toyota business plans;
- Toyota sales and operating performance;
- Toyota operating efficiencies;
- Toyota Australia policy initiatives;
- Training and development;
- Team member facilities and services; and
- Social and community involvement.

# TALENT ATTRACTION AND RETENTION

A key challenge in relation to workplace sustainability is the attraction and retention of a quality workforce. With the current labour market shortages, Toyota Australia experiences the same challenges as other organisations. An overview of the Company's performance and initiatives in place to recruit and maintain a quality workforce is outlined below.

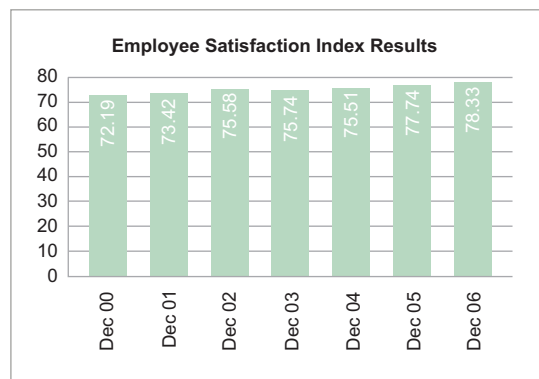
## PERFORMANCE

Toyota Australia continues to demonstrate lower than industry-average turnover rates. In 2006/07, turnover rates were 5.74% for non-award and 6.74% for award employees respectively, compared to an overall industry average of approximately 15%.

## INITIATIVES

### Employee Satisfaction Index (ESI)

To better understand the needs of the workforce, an Employee Satisfaction Survey is conducted each year. All employees are surveyed annually and results are communicated throughout the Company. As well as an overall result, figures are provided for each division so that local action plans can be implemented to address issues. Initiatives to address outcomes of the ESI are incorporated into the Performance Management System ensuring individuals are accountable for addressing ESI topics. The ESI results in 2006 showed a small increase in satisfaction from 2005.



### Training

Toyota Australia prides itself on being a learning organisation. The Company seeks to promote and develop people from within. Career and development opportunities are managed through a number of tools. These include the Performance Management System, Learning and Growth Planning, 360-degree Feedback and a Career Development Planning process. These enable regular feedback for employees linked to established organisational competencies. Toyota Australia also offers employees training, and learning and development opportunities through the Open Learning Centre and Toyota Institute.

### Open Learning Centre (OLC)

To facilitate training and further education of its workforce, Toyota Australia provides an Open Learning Centre at its Altona manufacturing plant. The OLC's services are available to employees company-wide to support individual learning and career development. The OLC provides support for all employees across a range of development areas including:

- Support for team leader and team member learning;
- Career development advice;
- Literacy support;
- Educational course advice; and
- Library resource borrowing.

### Toyota Institute

The Toyota Institute, established by Toyota Motor Corporation in January 2002, is an internal organisation that promotes the expansion of the Toyota Way to overseas affiliates. In 2005, the Toyota Institute Australia (TIA) was created to facilitate the transfer of knowledge and fulfil the global objectives of the Toyota Institute within the Australian business. Toyota Australia has adopted an integrated approach to training and development by extending the TIA not only to the Toyota Australia workforce, but also to its supplier and dealership networks. Training and development courses are being conducted throughout Australia on a number of topics, including:

- Safety;
- Customer satisfaction training;
- People management;
- Trades, post-trades, technical engineering skills; and
- Toyota Way in planning, finance and problem solving.







Toyota Australia has responsibilities to its customers and the marketplace. Issues in this area extend not only to providing vehicles of the highest quality and safety standards, but also to the ways in which the company markets and advertises its products, dealership network practices, and post-sales customer relationship management processes and performance.

The Toyota Australia Code of Ethics includes a Statement of Duty from the Company to its customers which contains the following commitments:

- Providing quality products and services;
- Maintaining and promoting the highest industry ethical business standards;
- Supporting our product and distribution network;
- Honouring our commitments;
- Communicating clearly and effectively;
- Investigating and responding promptly to customer enquiries and complaints; and
- Acting honestly and obeying the law.

An overview of the strategies and procedures being implemented to fulfil these duties, and key performance against relevant marketplace responsibility indicators, are outlined below.

## AURION WINS DRIVE CAR OF THE YEAR AWARD

Toyota Australia vehicles are designed and manufactured to the highest quality standards, integrating technologically advanced systems to deliver superior vehicles to customers. In 2006/07, this commitment to these design principles was acknowledged when Toyota Australia's Aurion was named Australia's best large car in the 2006 Drive Car of the Year Awards.

Toyota Australia's Senior Executive Director Sales and Marketing, David Buttner, said Aurion's win was a credit to the designers, engineers and more than 3,000 Australians who build the vehicle at the Company's Altona manufacturing plant in Melbourne.

The Drive Car of the Year Awards were presented by motoring editors and writers from *The Sydney Morning Herald*, *The Age* and **drive.com.au**.

Pictured is the Aurion AT-X.



## CUSTOMER SERVICE

Superior customer service and customer relationship management are important to Toyota Australia's long-term sustainability in the marketplace. The majority of Toyota Australia's customer interaction occurs during vehicle sales and servicing activities at dealership sites. While the dealerships that make up the Toyota Australia network are separate entities to Toyota Australia, the Company works with them to ensure that in transactions and communications with customers, product responsibility and service commitments are supported and maintained. An overview of the Company's performance in customer services and initiatives in place to support the dealership network is outlined below.

### PERFORMANCE

The Customer First department acts as the voice of the customer within Toyota Australia. It is responsible for obtaining and receiving feedback so that the Company can better meet its customers' needs. In the year ending 31 December 2006, more than 155,000 customers made contact with, or were contacted by, the Customer First department. All customer contact is measured and broken down into categories, including information requests, complaints and compliments.

The company also measures customer satisfaction with Customer Satisfaction Surveys. In the year ending 31 December 2006, approximately 110,000 Customer Satisfaction Surveys were returned from the private and fleet customer base. The feedback gained from the Customer Satisfaction Survey is fed directly to the dealer network through an online reporting tool.

### INITIATIVES

Toyota Australia has implemented rigorous sales and customer service training, guidelines and processes to support the dealer network in its customer service and relationship management. In particular, the Company has implemented two initiatives, the Toyota Way in Retail Sales, and Toyota Customer Service Marketing.

#### Toyota Way in Retail Sales (TWRS)

TWRS is an operating guideline that is being implemented across the dealer network to embed the Toyota Way principles of Continuous Improvement and Respect for People into dealers' business operations. TWRS focuses on varying customer 'touch-points' ranging from the initial meeting with customers to maintaining a relationship during after-sales care and maintenance. The aim of the guideline is to improve customer service processes at each of the dealerships to increase customer satisfaction.

#### Toyota Customer Service Marketing (TSM)

A major component of working with the dealer network is the implementation of the TSM principles, designed to improve the success of each dealership, through a number of initiatives. TSM is focused on embracing the concept of 'Kaizen' creating a culture of continuous improvement.

The TSM program consists of two modules, TSM level 1 and TSM level 2. Dealers must satisfy performance criteria through the two modules and can be certified as a TSM Level 1 or 2 dealer. The certification levels give the dealers access to a range of incentives. The modules focus on key areas of the dealer's business, including sales, parts and service, environmental management, operations management, marketing and new vehicle delivery.



## CUSTOMER SERVICE AWARDS FOR EXCELLENCE

The Customer Service Awards for Excellence are designed to identify and reward the best customer service dealers in Australia. The awards focus on four key areas of a dealership. These are customer, profitability, business development and sustainability, with points allocated to different criteria under each category. Assessment criteria include topics such as customer satisfaction, staff training, environmental compliance and stock management.

The program awards points depending upon the performance of the dealership, with a total of 10,000 points available. The awards are broken down into gold, silver and bronze award categories, and are presented to winning dealerships at presentations conducted across each state.

The 2006 gold excellence award winners as pictured above were Narelle Berger, Damien Berger (Frankston Toyota), Deb Jacobs and Warren Jacobs (Frankston Toyota).

Also pictured are Matthew Callachor (Divisional Manager, Customer Service Division, Toyota Australia) and Gary Nettle (Corporate Manager, Customer Service Division, Toyota Australia).



## PRODUCT SAFETY

Toyota Australia continually monitors and manages the product safety of all Toyota, Lexus and Daihatsu vehicles sold in Australia to ensure they meet relevant Australian and international standards. All products sold by Toyota Australia are reviewed and tested prior to sale to ensure compliance, and any non-conformity in a model is rectified prior to placing it on the market. Processes are in place to ensure that no vehicles are supplied to the market before all required compliance approvals are received from the federal government.

## PERFORMANCE

Toyota Australia is focused on ensuring its compliance with laws and regulations concerning the provision and use of its products. In 2006/07, no penalties or fines were received by the company for non-compliance issues. In 2006/07, eight recall campaigns were initiated by Toyota Australia impacting approximately 165,000 vehicles sold in Australia over the last nine years.

## INITIATIVES

Review of issues and trends in product safety is the role of Toyota Australia's Technical Service Operations. Current developments in industry-related research are monitored and reviewed in areas such as vehicle crashworthiness. The Company is a member of the Australian National Crash In-Depth Study conducted by Monash University Accident Research Centre. This study investigates the performance of vehicle safety systems in actual crashes. For further information:

[www.monash.edu.au/muarc/projects/ancis.html](http://www.monash.edu.au/muarc/projects/ancis.html)

Toyota Australia is also an active participant in the Federal Chamber of Automotive Industries (FCAI) product safety committee and maintains strong links with the federal and state Departments of Transport and motoring bodies.

In instances of non-compliance of a product's performance with relevant safety standards, the Toyota Australia Product Evaluation and Review Committee (PERC) process is in place to proactively resolve matters. The role of this committee is to review any potential recall situations and make a recommendation as to the required course of action to ensure compliance with regulations and to meet the Company's obligations to its customers.

All recall processes are conducted in line with the FCAI Voluntary Code of Practice and the Company reports to government on a regular basis regarding recalls. Once a decision to instigate a recall is made, an implementation plan is put in place that details and monitors the process for communicating with customers impacted.





## MARKETING AND ADVERTISING

Toyota Australia recognises that successful marketing and advertising campaigns are critical for maintaining and growing market share and sales figures. It also understands that it must adhere to laws, standards and codes of practice in the delivery of socially responsible advertising campaigns. Relevant legislation and self-regulating codes include the Trade Practices Act (TPA) and the Federal Chamber of Automotive Industries Voluntary Code of Practice for Motor Vehicle Advertising. The TPA regulates fair selling practices in advertising campaigns, and the voluntary code provides guidelines specific to automotive advertising including ensuring that advertisements do not depict, encourage or condone dangerous, illegal, aggressive or reckless driving. For further information:

[www.austlii.edu.au/au/legis/cth/consol\\_act/tpa1974149/](http://www.austlii.edu.au/au/legis/cth/consol_act/tpa1974149/)

[www.fcai.com.au/advertising](http://www.fcai.com.au/advertising)

### PERFORMANCE

Toyota Australia is focused on ensuring its compliance with laws and regulations concerning marketing communications, including advertising, promotion, and sponsorship, and, in 2006/07, no penalties or fines were received by the Company for non-compliance issues.

### INITIATIVES

The Toyota Australia sales and marketing operating arm has primary responsibility for marketing communications.

The VALID System is an internal review process to ensure the accuracy of marketing, promotional and advertising information with a specific focus on matters relating to compliance and governance, industry codes of practice and trade practices legislation. It is the means to ensure that materials are not released without compliance standards being met.

To assist in the internal review process, an online-interactive work-group called 'Toyota Communities' has been developed. This provides an online forum for designated employees from different areas within Toyota Australia to discuss a promotional campaign in real time. By allowing simultaneous discussion from all areas of the business, perceived problems are identified and resolved before moving on to the next stage of the campaign development process. This facilitates a faster and smoother process and eradicates bottlenecks arising at later stages of a campaign's development.

## APPRENTICE OF THE YEAR

Kirk Watkinson won the title of Toyota Australia's Apprentice of the Year in 2006 after beating apprentices from across the country at Toyota's National Skills Contest.

The Penrith Toyota apprentice displayed his skill and knowledge of Toyota vehicles as he and the other four finalists undertook five different practical and technical tasks at workstations. Each workstation was designed to simulate real situations and problems that technicians face on a day-to-day basis.

In addition to his title, Watkinson won \$4,000 worth of Beta tools for his efforts.

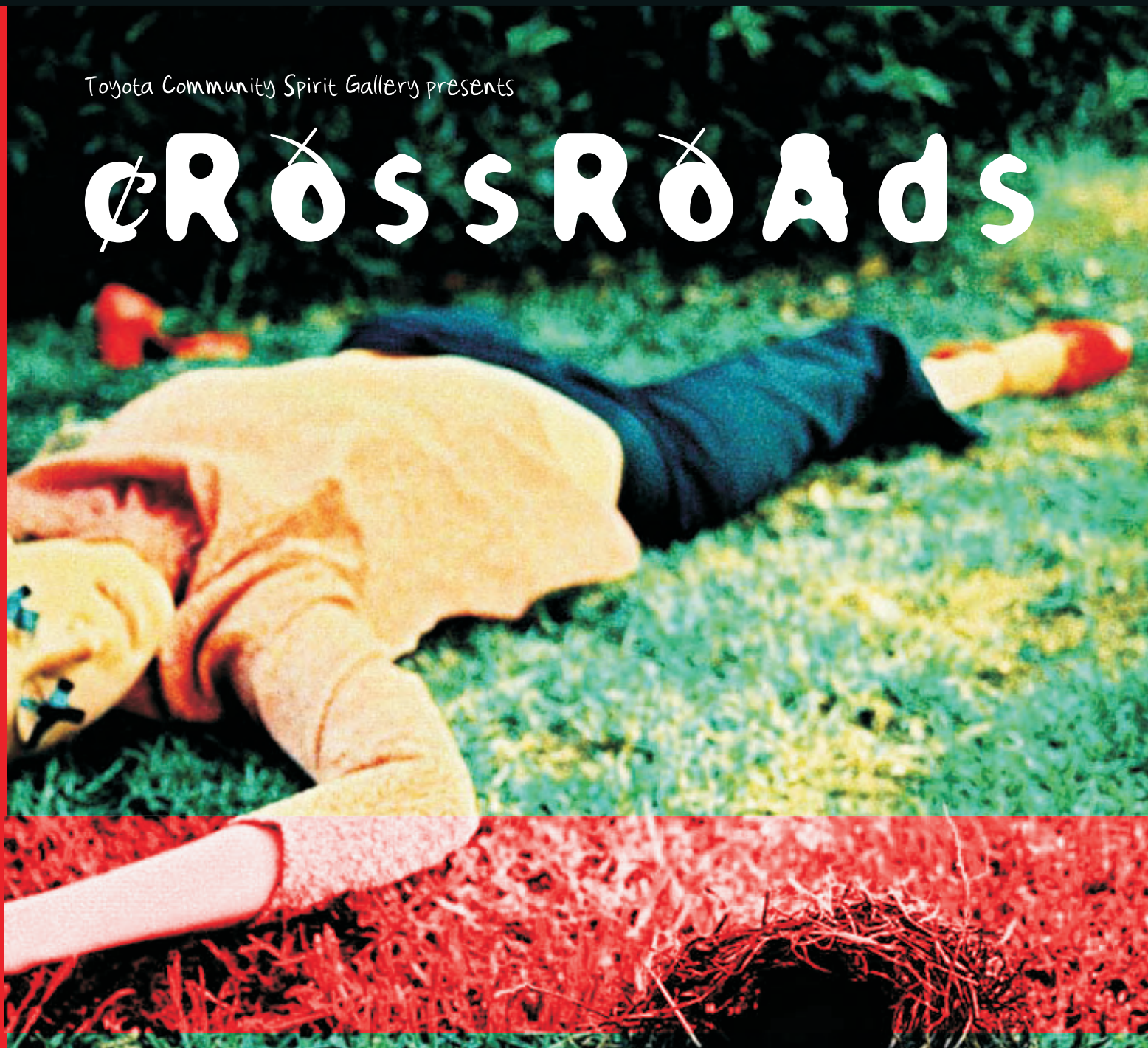
The 21-year-old is a T3 apprentice, a program that allows school students to begin working in a dealership as an apprentice. He is planning to continue as a technician at Penrith Toyota once his apprenticeship is finished.

The Toyota National Skills Contest is significant in the Australian auto industry in that it recognises the individual expertise of both metropolitan and regional Toyota dealership staff. The contest is specifically designed to encourage and reward excellence by providing the opportunity for participants to test their skills and knowledge.

# SOCIAL SUSTAINABILITY

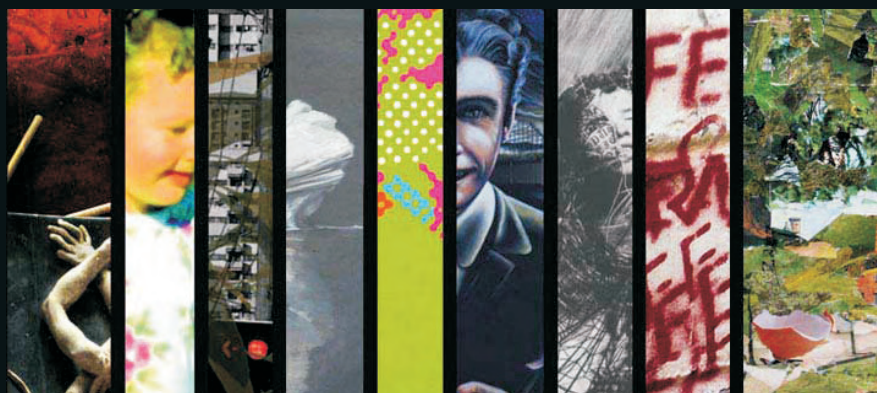
Toyota Community Spirit Gallery presents

# cRòssRòAds



44

an exhibition  
exploring crisis  
+ the need  
for change in  
the modern world





Since its establishment, Toyota Motor Corporation has contributed to furthering people's lifestyles and society through providing vehicles for transportation purposes. In line with the parent company, Toyota Australia seeks to develop as a Company that is widely trusted and respected within society in the delivery of this core product.

In addition to fulfilling this role, the Company is also committed to contributing positively to the development of the social and economic structures in which it operates. This means developing and managing relationships with local communities and relevant community groups affected by its operations, and also establishing partnerships that share Toyota Australia's skills, networks, expertise and other resources to benefit the wider community.

An overview of the Company's engagement activities and performance in fulfilling its role as a good corporate citizen is outlined below.

## LOCAL COMMUNITY

Toyota Australia's manufacturing site in Altona, corporate headquarters in Port Melbourne and sales and marketing operations in Woollooware Bay have significant presence within their local communities. This includes impacts on local environment, local infrastructure, economies, demographics, employment and suppliers. The Company engages with relevant councils and community groups within each of these locations to manage and deliver programs that support its role as an accepted member of the community. Partnerships have been developed with each of the local councils at the main Melbourne sites, and a Community Liaison Committee has also been established at the manufacturing operations in Altona.

### Hobsons Bay City Council

Toyota Australia has developed a strategic alliance with the Hobsons Bay City Council, which is the council for the area in which the manufacturing plant in Altona is based. The alliance sets out five key commitments for Toyota Australia and Hobsons Bay City Council:

- Undertake to contribute financial and/or other resources to mutually agreed community capacity building initiatives;
- Seek to maximise the benefits of this alliance for both parties and the Hobsons Bay community;
- Strengthen the community and industry links for the benefit of the Hobsons Bay community;
- Maintain and grow the partnership in an environment of continuous improvement; and
- Promote the implementation of initiatives as best practice models through joint publicity or other means.

One of the major projects under the alliance has been the development of the Hobsons Bay Community Training Program, which provides training for people involved in not-for-profit groups. Over 1,000 people have attended training programs on topics such as business skills development, public speaking and funding applications writing.

### Port Philip City Council

Port Philip City Council is the council area in which the corporate headquarters in Port Melbourne is located. With the council's support Toyota Australia has developed the Community Spirit Gallery to provide space for artists to show their work.

The Toyota Community Spirit gallery opened in July 2004 and runs a continuous program of exhibitions. The program is focused on local artists but also includes works by regional and interstate artists. Currently the works of more than 140 artists have been exhibited. The space is provided free of charge to exhibiting artists, no commission is charged on sales and Toyota Australia provides an exhibition launch and develops a catalogue for each exhibition. For further information please visit:

[www.toyota.com.au/toyota/events](http://www.toyota.com.au/toyota/events)

### The Community Liaison Committee (CLC)

Formed in 2001, the CLC meets bimonthly to discuss relevant issues of concern with regard to the manufacturing plant in Altona. The CLC consists of members from the Victorian Environmental Protection Authority, City West Water, Hobsons Bay City Council, local community residents, industry neighbours and the Toyota Australia Production Engineering Environment Group. In 2006, Toyota Australia developed its second Environment Improvement Plan and the CLC was involved in its development. The Plan was formally signed off by the CLC prior to its implementation, demonstrating that local community stakeholders supported the Company's strategy for managing its environmental impacts.

## TOYOTA COMMUNITY SPIRIT



Toyota Community Spirit is Toyota Australia's corporate citizenship program. It provides opportunities for Toyota Australia to work with the Australian community to address national or state-wide issues that are of mutual interest to the Company and the Australian community. The program provides financial and in-kind support for partnerships and programs, as well as engaging employees from Toyota Australia dealers and direct employees of Toyota Australia.

In 2004/05, the program established three-year national partnerships with two organisations, Conservation Volunteers Australia (CVA) and the Australian Business Arts Foundation (AbaF). An overview of the program, its targets and the Company's performance in meeting these goals is provided below.

### Conservation Volunteers Australia

CVA is Australia's leading practical volunteer conservation organisation, whose mission is to attract and manage a force of volunteers in the delivery of more than 2,000 conservation projects across Australia each year. CVA works with local project partners such as environmental groups, councils and community groups to identify environmental projects that are a priority for the community. All projects are part of national, state or local management plans, ensuring that project work is managed and maintained on an ongoing basis.

[www.conservationvolunteers.com.au](http://www.conservationvolunteers.com.au)

Toyota Australia's partnership with CVA aims to increase the number of Australians participating in local environmental projects by making volunteering more accessible. It also aims to recognise the skills gained by volunteers on CVA projects. Toyota Australia invests \$450,000 annually in the CVA partnership.

Two key elements of the partnership are:

- Conservation Connect: An online registration and booking facility for volunteers, whereby volunteers can register for environmental projects online through the CVA website, and be automatically confirmed for volunteering activities; and
- Certificate 1 in Active Volunteering: A formal qualification that details the competencies volunteers achieve through the hours spent on CVA projects. Through the partnership with Toyota Australia, CVA is the first organisation in Australia to offer a Certificate 1 in Active Volunteering to participants.

An overview of key goals and performance against these targets is summarised in the table below.

Objectives	Activity	Evaluation Criteria	Outcomes
Establish volunteer referral service to match volunteers with conservation projects in local communities across Australia.	Develop and maintain Conservation Connect online matching service for volunteers.	Number of online registrations: Target 4,000 annually	8,586 online registrations 5,272 online bookings
Recognise the skills gained by volunteers when working on Conservation Volunteers projects.	Develop and deliver Certificate 1 in Active Volunteering to volunteers. Develop a logbook to support certificate delivery and update as required.	Number of Certificates in Active Volunteering delivered: Target 500	502 volunteers enrolled in the Certificate In Active Volunteering Logbook updated in July 2006
Encourage dealer participation in partnership activities.	Develop and implement plan to increase dealer awareness of opportunities to participate in partnership activities. Support dealers to participate in partnership activities.	Number of dealers participating in partnership activities: Target 50 dealers by March 2007	70 dealers since 2005 have actively participated in partnership activities



### Australian Business Arts Foundation (AbaF)

AbaF is an organisation established by the federal government to develop private sector support for the arts. It works to connect the arts and the private sector through three main programs - Partnering, Volunteering and Giving - for the benefit of business, the arts and communities.

In November 2002, Toyota Australia became an AbaF Councillor Company, and through the Toyota Community Spirit program is fostering new partnerships between local arts organisations and local businesses across Australia. Toyota Australia invests \$100,000 annually in the AbaF partnership.

[www.abaf.org.au](http://www.abaf.org.au)

The partnership focuses on two main activities:

- A training program to assist local councils foster partnerships between local businesses and local arts organisations, as well as to encourage giving to the arts; and
- Encouraging Toyota Australia employees to participate in the AbaF volunteering programs, adviceBank and boardBank. adviceBank provides pro bono volunteering opportunities with arts organisations nationally. boardBank connects volunteers who are interested in gaining Board experience with arts organisations requiring Board members.

An overview of key goals and performance against these targets is summarised in the table below.

Objectives	Activity	Evaluation Criteria	Outcomes
<b>Arts Connecting Communities Program</b>  To enable councils or local agencies to develop the capacity to facilitate business arts partnerships  To encourage and equip local artists and businesses to develop successful partnerships	Development and management of program	Successfully deliver program with up to 10 Local Government Authorities (LGAs) per year	10 LGAs involved in program in 2006/07
<b>Employee Participation</b>  Increased employee and dealer participation in Toyota Community Spirit	Employee participation in adviceBank and boardBank		AdviceBank: one Toyota Australia employee participated  BoardBank: one Toyota Australia employee participated  Community Spirit Gallery: Toyota Community Spirit Artist Travel Award presented by Ted Okada on 6 September  Publication of 'Arts and Business Partnerships', and launch of Artist Business workshops on business skills at Hobsons Bay City Council designed to strengthen business skills of individual visual artists
<b>AbaF Awards</b>  To strengthen Toyota Australia's status as an AbaF Councillor  To demonstrate Toyota Australia's commitment to the arts  To increase awareness from target audiences that Toyota Australia is the National Principal Partner of the ACC program	National AbaF Awards	Promotion of support in AbaF's material  Presentation of award by Toyota employees	Inaugural AbaF Awards at state level  Total number of attendees for all state events: 1,123  "Toyota Community Award" was presented in five states - Victoria, South Australia, Tasmania, Western Australia, Queensland

## OTHER SPONSORSHIPS

In addition to the two national partnerships with Conservation Volunteers Australia and AbaF, Toyota Australia has a number of local community programs in place designed to meet the individual needs of local communities. An overview of some of these is as follows:

### National Tree Day

National Tree Day, held on the last Sunday of July, is a day where people can plant native trees and shrubs at a Tree Day site in their local area. 2006 marked Toyota's seventh year of partnership with Planet Ark for National Tree Day. With 3,600 registered tree planting sites across Australia, 1.6 million trees were planted by 316,000 volunteers. One hundred and forty five Toyota dealers participated nationally in the event, supporting local communities.

[www.toyota.com.au](http://www.toyota.com.au)



### Australian Paralympics Committee (APC)

Toyota Australia has been a major sponsor of the APC for four years. One of the primary ways in which the Company supports the APC is in funding its Paralympic Talent Search Program. Since the program commenced in March 2005 more than 600 participants around Australia have been through the program, which incorporates general measurements and sport-specific testing under the assessment of coaches. To date, 62% of participants have been identified as having the potential to represent Australia at the Beijing 2008 and/or London 2012 Paralympic Games.

[www.paralympic.org.au](http://www.paralympic.org.au)



### Toyota Good for Footy Program

The Toyota Good for Footy program is a grassroots initiative run by Victorian Toyota dealers. Last year, Toyota Australia raised over \$230,000 for 101 local football clubs and hopes to contribute up to \$300,000 in 2007. In 2006, more than 50 Toyota dealers in Victoria and parts of southern New South Wales provided local football clubs with financial assistance to ensure the ongoing survival of many grassroots clubs. The aim of the Good for Footy program is to give back to local football in a meaningful way. The assistance that each dealer provides to local clubs ranges from equipment, medical supplies and club uniforms to support with club raffles.



### Philip Island Nature Parks

In this partnership Toyota Australia has been providing technical expertise, employee volunteers and funding to assist in the environmental protection activities at Philip Island since 2003. In 2006/07, approximately 280 Toyota employees, families and other volunteers assisted in the building of penguin boxes. Toyota Australia donates \$40,000 annually to the partnership, which assists in the development of education, conservation and research projects.

[www.penguins.org.au](http://www.penguins.org.au)



## CORPORATE SOCIAL RESPONSIBILITY

Each year, in an effort to benchmark and evaluate corporate responsibility performance and seek feedback on reputation, Toyota Australia participates in two external surveys: the St. James Ethics Centre Corporate Responsibility Index (CRI) and the Harris Interactive Australia Reputation Quotient (RQ). These valuable monitoring and feedback tools enable objective review of performance against other leading organisations on a range of sustainability-related criteria, and then identification of areas for improvement. Action plans are developed to address risks and opportunities identified by the research and a corporate reputation measure is included in key corporate performance indicators. This measure is reviewed quarterly. An overview of the two tools and performance in each is outlined below.

### Corporate Responsibility Index (CRI)

The CRI is a strategic management tool to enhance the capacity of businesses to develop, measure and communicate best practice in the field of corporate social responsibility. It does this through benchmarking corporate social responsibility strategy and implementation processes. The index is an initiative of the UK group Business In The Community, and is supported in Australia by the St. James Ethics Centre. For further information visit the website:

[www.corporate-responsibility.com.au](http://www.corporate-responsibility.com.au)

The CRI is a self-assessment tool consisting of four components that require participants to demonstrate how corporate responsibility practices are addressed through the different levels of their business. The four components are corporate strategy, integration, management, and performance and impact. Company responses are then verified by an independent auditor, Ernst and Young. In 2006, Toyota Australia achieved a result of 97.5%, improving upon the 2005 result of 95.7%. This result sees the Company again in the leadership group within the index in Australia.

### Reputation Quotient (RQ)

Toyota Australia participates in annual reputation research that asks stakeholders how well the Company lives up to its values. The RQ is used to benchmark Toyota Australia's reputation against competitors and wider Australian industry peers. In 2005 and 2006, Toyota Australia ranked first in Australia in the survey.



Pictured at Toyota Australia's Corporate Headquarters with the 2006 CRI trophy are Executive Director Corporate Services Bernie O'Connor and Public Affairs Manager Katarina Persic.



# GLOBAL REPORTING INITIATIVE INDEX

[www.globalreporting.org](http://www.globalreporting.org)

GRI INDICATOR	GRI DESCRIPTION	PAGE	GRI INDICATOR	GRI DESCRIPTION	PAGE
1.1	Chairman and CEO's Statement.	1	EN7	Reduction in indirect energy consumption.	-
1.2	Key impacts, risks and opportunities.	1	EN8	Total water withdrawal by source.	20
2.1	Name of the organisation.	3	EN9	Water sources significantly affected by withdrawal of water.	-
2.2	Primary brands, products and/or services.	3	EN10	Water recycled and reused.	20
2.3	Operational structure of the organisation.	-	EN11	Land in biodiversity habitats.	-
2.4	Location of organisations headquarters.	IFC	EN12	Impact on biodiversity rich areas.	-
2.5	Countries of operation.	-	EN13	Habitats protected or restored.	-
2.6	Nature of ownership and legal form	3	EN14	Managing impacts on biodiversity.	-
2.7	Markets served.	3	EN15	IUCN Red List species.	-
2.8	Scale of the reporting organisation.	3	EN16	Greenhouse gas emissions.	23
2.9	Significant changes during the reporting period.	-	EN17	Other indirect greenhouse gas emissions.	-
2.10	Awards received.	49	EN18	Reductions in greenhouse gas emissions.	23
3.1	Reporting period.	IFC	EN19	Ozone-depleting substances.	-
3.2	Date of most recent report.	IFC	EN20	NO, SO and other significant air emissions.	16, 29
3.3	Reporting cycle.	IFC	EN21	Total water discharge.	-
3.4	Contact point for the report.	IFC	EN22	Waste by type and destination.	24
3.5	Process for defining report content.	-	EN23	Significant spills.	-
3.6	Boundary of Report.	IFC	EN24	Hazardous waste.	24
3.7	Limitations on scope or boundary of report.	-	EN25	Biodiversity rich water bodies.	-
3.8	Reporting on other entities.	-	EN26	Impacts of products and services.	16, 17
3.9	Data measurement techniques.	-	EN27	Products sold that are reclaimed.	-
3.10	Explanation of re-statements.	-	EN28	Fines and sanctions.	-
3.11	Significant changes from previous reporting periods.	IFC	EN29	Impacts from transport.	-
3.12	Table on Standard Disclosures.	50	EN30	Total protection expenditures.	-
3.13	External assurance.	IBC	LA1	Workforce.	31
4.1	Governance structure of the organisation.	8, 9	LA2	Employee turnover.	37
4.2	The chair of the highest governance body is also an executive officer.	8	LA3	Benefits for full-time employees.	-
4.3	Independent and/or non-executive board members.	8	LA4	Employees covered by enterprise bargaining.	-
4.4	Mechanisms to provide recommendations or direction to highest governance body.	36	LA5	Notice period for operational changes.	-
4.5	Linkage between compensation and organisational performance.	-	LA6	Workforce represented in formal health and safety committees.	-
4.6	Conflicts of Interest.	8	LA7	Absentee rates and injuries.	32
4.7	Board selection process.	-	LA8	Programs for serious diseases.	-
4.8	Mission and values statement, codes of conduct and principles.	6, 7	LA9	Health and safety in formal trade union agreements.	-
4.9	Procedures for management of economic, social and environmental performance.	6, 7	LA10	Training per employee.	-
4.10	Processes for evaluating performance of highest governance body.	8	LA11	Career and skill development programs.	37
4.11	Explanation of whether/how precautionary principle is addressed.	12, 13	LA12	Percentage of employees receiving regular performance review.	-
4.12	Externally developed economic, environmental and social charters.	-	LA13	Workforce by diversity indicator.	31
4.13	Significant memberships in associations and/or advocacy organisations.	-	LA14	Salary ratio by gender.	-
4.14	List of stakeholders groups engaged by the organisation.	-	HR1	Investment agreements with human rights considerations.	-
4.15	Basis for identification and selection of stakeholders with whom to engage.	-	HR2	Supplier screening on human rights.	-
4.16	Stakeholder engagement.	45	HR3	Employee training on human rights.	-
4.17	Key stakeholder issues and concerns.	-	HR4	Incidents of discrimination and action taken.	-
EC1	Direct economic value generated and distributed.	11	HR5	Risk to freedom of association and collective bargaining.	-
EC2	Financial implications of climate change.	-	HR6	Risk of child labour.	-
EC3	Coverage of the organisation's defined benefit pension plan obligations.	-	HR7	Risk of forced or compulsory labour.	-
EC4	Significant financial assistance received from the government.	-	HR8	Security personnel trained in human rights.	-
EC5	Standard entry level wage compared to local minimum wage.	-	HR9	Incidents involving indigenous people.	-
EC6	Policies, practices and proportion of spending on locally-based suppliers.	-	SO1	Managing impacts on communities.	45
EC7	Procedures for local hiring.	-	SO2	Analysis on corruption.	9
EC8	Development and impact of infrastructure investments and services.	-	SO3	Employees trained on corruption.	-
EC9	Indirect economic impacts.	8	SO4	Actions in response to corruption.	-
EN1	Materials used by weight or volume.	18	SO5	Public policy positions and lobbying.	-
EN2	Materials used that are recycled input materials.	-	SO6	Political donations.	-
EN3	Direct energy consumption.	22	SO7	Anti-competitive behaviour, anti-trust and monopoly practices.	-
EN4	Indirect energy consumption.	-	SO8	Non-compliance with laws and regulations.	9
EN5	Energy saved due to conservation and efficiency improvements.	25	PR1	Health and safety in products and services.	42
EN6	Energy-efficient or renewable energy based products and services.	17	PR2	Non-compliance on health and safety impacts.	42
			PR3	Product and service information.	-
			PR4	Non-compliance with regulations and codes.	-
			PR5	Customer satisfaction.	40
			PR6	Laws, standards, and voluntary codes for marketing.	42
			PR7	Non-compliance with regulations and codes.	42
			PR8	Complaints on breaches of privacy.	-
			PR9	Fines for non-compliance.	-

## VERIFICATION STATEMENT

Deni Greene Consulting Services was engaged by Toyota Australia to provide independent assurance and verification of the Toyota Australia 2007 Sustainability Report (Report). This Statement describes what we did, what we found and presents some of our recommendations for future action by Toyota Australia.

### WHAT IS ASSURANCE AND VERIFICATION?

Assurance of a sustainability report is guided by the Assurance Standard AA1000, issued by the organisation AccountAbility. Three factors are considered in this assurance process:

**Materiality** - determining whether Toyota Australia has included information about its sustainability performance necessary for its stakeholders to be able to make informed judgements, decisions and actions;

**Completeness** - evaluating the extent to which Toyota Australia is able to identify and understand significant aspects of its sustainability performance; and

**Responsiveness** - evaluating whether Toyota Australia has responded to stakeholder concerns, policies and relevant standards and adequately communicated these responses in its Report.

**Verification** involves checking the accuracy of information and data in the sustainability report to determine whether the data have been properly collected, manipulated and interpreted and whether the statements made in the Report provide a true and fair picture of the activities of Toyota Australia.

### SCOPE OF THE ASSURANCE AND VERIFICATION

Our review covered the processes used to determine what information would be included in the Report, as well as reviewing every statement in the Report. It should be noted that although we verified the statement in the Report about Toyota Australia's annual financial statements to the Australian Securities and Investment Commission (ASIC), we did not review the financial statements themselves, as they had previously been independently audited. We also reviewed the Report's coverage of indicators identified in the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G3 issued in 2006.

#### What we did

**Assurance.** The assurance aspect of our review involved interviews with senior executives as well as with staff involved in collection and handling of data and in activities related to the preparation of the Report. These interviews covered Toyota Australia's:

- methods for identifying material sustainability issues, including assessment of risk;
- process for determining the information to be included in the 2007 Sustainability Report;
- approach to sustainability;
- engagement with stakeholders;
- structures and processes for corporate governance; and
- ways in which the issue of ethics is addressed in company activities.

To make our own independent assessment of material sustainability issues for Toyota Australia, we examined information about the activities of the company, toured key facilities, interviewed senior executives and reviewed relevant information about other companies in the same industry. The issues we identified as material were compared with those covered in the Toyota 2007 Sustainability Report.

**Verification.** We traced each statement in the Report back to its source, determining how the data underpinning it was gathered and handled to reach the conclusion or statement presented in the Report. This involved examination of relevant documents, inspection of online databases, and discussions with both staff and consultants involved in data collection and handling and in preparation of the Report.

### RESULTS OF THE ASSURANCE REVIEW

**Materiality.** As this is Toyota Australia's first sustainability report, it chose to focus its Report on issues for which meaningful information was available. The 2007 Sustainability Report addresses most of the material issues facing Toyota Australia, but there are certain topics, such as issues of concern to stakeholders and human rights performance of suppliers that Toyota Australia hopes to address in future reports. We believe this is an appropriate approach for an initial report.

**Completeness.** Our discussions with Toyota Australia executives and other staff showed that the company has a clear understanding of its materiality issues. It does not, however, have a formal documented process for its identification of material sustainability issues, relying instead on its normal management, governance and planning processes.

**Responsiveness.** Toyota Australia's activities demonstrate a high level of engagement with key stakeholders. This first Report responded to feedback from internal and external stakeholders on previous environment and community reports, rather than directly involve stakeholders in the preparation process for the Report. For future reports, Toyota Australia expects to explore the potential for greater stakeholder input to the scope and content of its Report. We consider Toyota Australia's approach appropriate for an initial sustainability report, but believe that there would be benefit in increasing stakeholder input in the future.

### RESULTS OF THE VERIFICATION PROCESS

Toyota Australia has in place robust systems for data collection and manipulation. We identified a few instances where it was unclear whether the interpretation of data in the Report was accurate. Toyota Australia made corrections to the Report where necessary. In future, the verification process could be simplified if all source data was identified and collected as the sustainability report is prepared.

### CONCLUSION

We believe that the Report presents a fair and balanced account of Toyota Australia's activities relevant to sustainability. Opportunities exist for building on the experience of this first Report to produce an enhanced version in future years, as described above.

### INDEPENDENCE

Deni Greene Consulting Services was engaged by Toyota Australia to undertake Assurance and Verification for its Report, to prepare this Statement for the Report, and to provide a more detailed report for Toyota Australia management. Beyond these activities, Deni Greene Consulting Services is entirely independent of Toyota Australia, and has not been engaged for any other activities, nor had any previous association with Toyota Australia.



**Deni Greene**

Director - Deni Greene Consulting Services  
10 July 2007



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