



TOYOTA

2015 Sustainability Report



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TOYOTA

About Toyota Australia

A photograph of a modern building with a glass and metal facade. The building features a prominent triangular glass structure at the top. The word "TOYOTA" is displayed in large, red, three-dimensional letters on the building's facade. The sky is a clear, solid blue.

TOYOTA



Toyota Motor Corporation Australia Limited (Toyota Australia) is a leading manufacturer, distributor and exporter of vehicles, operating under the Toyota and Lexus brands.

Toyota Australia is a wholly-owned subsidiary of Japan's Toyota Motor Corporation (TMC), with our Australian corporate headquarters located in Port Melbourne, Victoria and manufacturing plant in Altona, Victoria. Sales and marketing operations are managed from our Woolooware Bay, New South Wales headquarters, with regional offices in all mainland Australian states, with the exception of Western Australia where an independent company distributes Toyota branded vehicles on our behalf. Toyota Australia distributes Lexus branded vehicles in Western Australia.

We have four key operating arms in Australia: sales and marketing, product planning and development, corporate services, and manufacturing and purchasing, with Lexus managed under Toyota Australia's sales and marketing arm.

Toyota Australia sells cars that are either imported or manufactured in Australia, to both private buyers and to private and government fleets.

Our customers across the country are serviced by our extensive dealer network.

As of the end of March 2015, all Toyota and Lexus dealers were independently owned. This followed Toyota Australia's decision to sell the Sydney City Toyota and Sydney City Lexus dealerships, with the new owners commencing operations in March 2015. Our decision to sell had been well-considered, with the prevailing view that retailing is not one of our core business areas. Sydney City Toyota Pty Ltd, which owned both dealerships, remains a wholly owned subsidiary of Toyota Australia. The dealerships will continue to use the trading names Sydney City Toyota and Sydney City Lexus, as agreed with Toyota Australia.

We began our export program in 1986 with exports to New Zealand. The program expanded to the Middle East ten years later and we now ship Australian made vehicles to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates and Yemen, in addition to New Zealand and the South Pacific Islands. In 2015 we started exporting to Thailand and Iraq.

This report covers the activities and performance of all divisions and dealerships owned by Toyota Australia as described above.



7th

7TH TIME WORLD'S
MOST VALUABLE
AUTOMOTIVE BRAND

9th

9TH TIME
MOST TRUSTED
AUTOMOTIVE BRAND

Awards and recognition

In 2014 Toyota was again named the world's most valuable automotive brand by Interbrand's Best Global Brands Report. Overall Toyota was ranked eighth, moving up two places from tenth position in the 2013 rankings.

For the seventh time in nine years we were also named the world's most valuable automotive brand in BrandZ™ *Top 100 Most Valuable Brands 2014 report*.

For the ninth consecutive year Toyota was named the most trusted automotive brand in Australia, in a survey conducted by Reader's Digest.

The Australian-built Toyota Camry Hybrid was named the country's Best Green Car 2014 in the carsales.com.au Car of the Year awards.

In October 2014 Toyota Australia was announced the winner of the large business category at the 2014 Victorian Premier's sustainability awards which are held annually to recognise businesses and community groups that have continually demonstrated excellence in achieving sustainability outcomes.

Just outside of the reporting period in April 2015, Toyota was named Australia's most reputable company by the annual corporate reputation index. The index is part of an annual global study conducted by research consultants AMR in conjunction with the Reputation Institute, in which Toyota was ranked fourth in Australia in 2014 and first in 2013.

A man in a dark suit, white shirt, and red and blue striped tie stands next to a white car. He is looking directly at the camera with a slight smile. The car is a modern sedan, and the background shows a building with large windows and some greenery.

TOYOTA

President's Message

There is no doubt that the past 12 months have been challenging for Toyota Australia.

The decision to stop manufacturing by the end of 2017 was one of the saddest days, not only in our history, but also for Toyota globally.

This led immediately to a company-wide review of the functions, structure and location of our business beyond 2017. During this review we had to carefully balance our business needs versus the impact on our employees.

In December 2014 we announced the outcome of this review, which was to consolidate our corporate functions to Melbourne and significantly reduce the size of our business once we stop manufacturing.

While these decisions are necessary for our future business model, we understand that they will have a significant impact on our 3,900 employees. That is why we are committed to doing everything that we can to support them during the transition period. Our people are our number one priority and we want to make this transition as smooth as possible for them.

Despite these announcements, however, it has been pleasing to see the ongoing commitment of our employees.

During the 2014/15 reporting period we achieved some exceptional results. We successfully prepared for the release of our last locally built vehicle - the new-look Camry - which went on sale in May. This was the culmination of almost four years' hard work and is the biggest mid-cycle update we've ever undertaken.

Toyota also retained its overall market leadership for the twelfth consecutive year and our Corolla topped the national sales chart for the second year running.

To achieve these results during such a significant period of change is testament to our employees and their passion for our company.

It is this level of commitment that will be vital to the company during the next few years. Not only do we need to prepare for the exit of manufacturing and consolidation of our business, but we also need to manage our daily operations and other key projects.

It's certainly a challenging time ahead of us, but I am confident that we will continue to achieve our goals and Toyota Australia will emerge as an even stronger company in the future.

Dave Buttner
President, Toyota Australia





TOYOTA

About This Report

The importance of reporting

Sustainability reporting provides us with the opportunity to disclose to our stakeholders how we are managing our key economic, environmental and social issues. We believe that honest and transparent reporting helps build trust, motivates employees and gives us the opportunity to show that we understand the issues of interest and concern to all our stakeholders.

Sustainability reporting provides us with a platform to demonstrate Toyota's commitment to measuring, monitoring and continually looking for improvement opportunities, as detailed in Toyota's global guiding principles and articulated in the Toyota Way.

This is our ninth sustainability report. It details our performance for the 12 months from 1 April 2014 to 31 March 2015, corresponding with the Japanese financial year. It covers the activities and performance of all divisions and dealerships owned by Toyota Australia as detailed in the section of this report titled *about Toyota Australia*.

There are two restatements of information provided in previous sustainability reports. One restatement relates to absentee hours for 2013/14. This can be found in the section of this report titled *our employees*. The other relates to incorrect naming of charts detailing greenhouse emissions in the 2014 report. This can be found in the section of this report titled *managing environmental impacts*.

While there were no significant changes to our size, structure, ownership or supply chain during the reporting period, we have been focused on our transition to becoming a national sales and distribution company, following our announcement in February 2014 that we would stop manufacturing cars and engines in Australia by the end of 2017.

The most recent previous report was released in September 2014 for the period 1 April 2013 to 31 March 2014. Copies of previous reports are available on our website. Any questions can be directed to sustainability@toyota.com.au.

How we report

Our approach to managing and reporting on sustainability performance reflects the principles of inclusivity, materiality and responsiveness as defined in the AA1000 Assurance Standard (2008).

Our approach is also guided by the Global Reporting Initiative (GRI) G4 reporting guidelines which were released in 2013. We report in accordance with GRI G4 core reporting requirements.

A crucial feature of the G4 guidelines is an emphasis on identifying and reporting on those issues or concerns that are material to the business and our stakeholders.

Defining our material issues

Defining material sustainability issues is critical to ensuring an organisation understands its significant economic, environmental and social impacts. Material issues are defined as those that could make a major difference to an organisation's performance as well as those that are considered important to stakeholders. Reporting on these matters enables stakeholders and management to make sound judgements and take decisive actions.

While the GRI G4 does not provide a prescriptive approach to materiality assessments, it does provide guidance on the factors that should be considered in order to determine if an issue is material to an organisation. Our materiality assessment process was consistent with G4 guidance and therefore reflective of best practice.

Reporting on our material issues

Based on the findings from the materiality assessment and associated stakeholder engagement, we generated a set of material issues, prioritised according to their importance to stakeholders and their importance to Toyota Australia.

To report in accordance with GRI G4 core criteria, we have responded to all those issues rated highly material. This includes commentary on why the issue is important, how it is being managed as well as performance information. Our GRI G4 index provides references as to where in this report this information can be found.

For each of the priority material issues we have assessed where its impact occurs. Impacts occurring within Toyota Australia are those that affect our company and our employees. Impacts occurring outside of Toyota Australia may affect one or more of our stakeholder groups. These impacts are illustrated in the following table detailing our material issues.

Boundaries of each material issue						
Issue	Definitions	Toyota Australia	Customers	Dealers	Suppliers	Community groups
Economic performance	Achieving financial targets and identifying and maintaining market share.	✓		✓	✓	
Engaging customers	Engaging customers in the future business model.	✓	✓	✓		
Employee health and safety	Managing health and safety risks, and employee wellbeing.	✓				
Product safety	Safety of vehicles including new safety initiatives. Effective management of any product recalls.	✓	✓	✓		✓
Business transition	Importance of managing the business transition including new business strategy and structure, employee transition, and knowledge capture and management.	✓		✓	✓	
Workforce engagement	Programs to effect employee engagement including internal communications plans and strategies.	✓				
Supplier support	Supplier development programs and programs to support the viability of the supply chain.	✓			✓	
Innovation	New innovations and innovations around hybrid and electric vehicles, and other environmental innovations relating to vehicles.	✓	✓	✓		
Training and development	Building the capability of the current workforce and managing the loss of employees (and their knowledge and expertise) following the decision to stop manufacturing.	✓				
Compliance obligations	Legislative and regulatory compliance.	✓	✓	✓	✓	
Labour relations	Ability and importance of managing labour relations and potential for disputes.	✓	✓	✓	✓	
Community partnership	Programs to support the community including sponsorships and partnerships, particularly in view of the decision to stop manufacturing.	✓	✓	✓		✓

It should be noted that the issues identified as most material to us will change over time as they mature, as industry and organisational capability improves, and as the external and internal operating environment evolves.

Our 2015 materiality assessment identified the following new issues as highly material:

- > **Engaging customers** – Our business model is changing. Engaging with customers and ensuring we meet our customers' expectations was highlighted by Toyota Australia and by our stakeholders as being highly material.
- > **Product safety** – Managing the safety of our products has always been a high priority for Toyota Australia. During this year's materiality process, product safety was identified as being highly material to our external stakeholder groups and to our business.
- > **Business transition** – This issue is an adaptation of employee transition which was a highly material issue in 2014. The issue evolved to encompass the changes in Toyota Australia's business structure, employee transition and knowledge management due to the decision to stop manufacturing by the end of 2017.
- > **Workforce engagement** – In October 2014 we conducted a survey of our employees which found they believed workforce engagement and communication to be a highly important issue. This opinion was mirrored by other stakeholders during the materiality assessment.

Just as new material issues are identified, issues from previous years may no longer be rated as highly material. For many of the issues rated as medium we have continued to include commentary, and in some cases performance data, because of their importance to the company. Examples include advocacy and lobbying, as well as environmental management, greenhouse emissions and resource use.

External assurance

We believe external and independent assurance gives stakeholders confidence that we are reporting our sustainability performance transparently and accurately. A statement from our external assurance provider can be found on page 50.





TOYOTA

Our Stakeholders

Our stakeholders are those groups that are impacted by or have the potential to impact on Toyota Australia. Our stakeholders have been identified as:

Our shareholder – Toyota Motor Corporation

Employees

Customers

Dealers

Suppliers

Community groups

Government

Stakeholder engagement

Depending on the issue, we engage stakeholders in a variety of formal and informal ways. Our code of ethics, which includes our code of conduct, provides a statement of duty specific to each group, which also outlines expected behaviours.

1. TOYOTA MOTOR CORPORATION

Toyota Australia is a wholly owned subsidiary of Toyota Motor Corporation (TMC). The extremely close relationship between Toyota Australia and our parent company is illustrated by the high level of interaction between the two organisations at all levels.

TMC is represented on our Board of Directors and this provides a channel for both formal and informal discussion. There is also interaction across the companies especially in the context of knowledge sharing and performance improvement, both integral to Toyota's operations.

2. EMPLOYEES

Our workforce is located across Australia, with most of our employees situated at our manufacturing site in Altona, Victoria.

We engage with employees through both formal and informal mechanisms.

From a corporate perspective, engagement ranges from a company-wide annual presentation by our President, to quarterly directors' briefings and follow up focus group sessions. There are also divisional meetings and regular team meetings.

We also place significant emphasis on employee engagement at our Altona manufacturing facility. The Altona plant is made up of seven shops which run two shifts daily. Before each shift there is a pre-start production meeting. Each month, employees from each shop attend a more detailed briefing session.

Every quarter, production employees attend a director's address between shifts. These are followed by employee focus groups, established to ensure the intended message has been understood effectively.


Engagement across the business is complemented by frequent formal communication including employee bulletins and newsletters.

We measure the success of employee engagement through our annual engagement and enablement survey.

One of the key issues for employees during the reporting period was our transition to a non-manufacturing future.

In February 2015 Toyota Australia's President Dave Buttner announced the formation of a Future Business Model Action Learning Team, charged with consulting with employees to provide them with a voice to help shape the future of our company. The team engaged with employees to understand their perspective on what needed to occur to achieve our future vision.

Employees have also been involved in specific projects such as Project PACE – PARTs Centre Evolution - a key element of our transformation strategy aimed at revolutionising our Toyota parts centres to meet Toyota best practice.



24k

TWITTER FOLLOWERS

220k

LIKES ON FACEBOOK

Parts centre employees play a key role in the program by contributing ideas and suggestions on where and how improvements can be made. Special Hot PACE Boards have been set up allowing team members to ask questions and receive responses from management.

The system for suggestions has already paid off with the planned introduction of new scanners. Following the suggestion from Melbourne parts centre employees, Toyota Australia has committed one million dollars to invest in new scanner technology to improve productivity.

More information about our engagement with employees can be found in the section of this report titled *our employees*.

3. CUSTOMERS

Customers are a key stakeholder which we mainly engage through our network of dealers around Australia. They are supported by Toyota's customer experience centre and the Lexus customer assistance centre which provide a platform for communication with customers on issues ranging from new vehicle launches to vehicle recalls.

Our focus on customers is illustrated by our new Franchise of the Future (FOF) project that involves a series of initiatives designed to further transition the company towards a customer-centric culture. This is a total business transformation strategy aimed at changing the culture and operations of Toyota Australia, Toyota Finance Australia and the dealer network.

We also interact with our broader customer base through our marketing and advertising presence, messaging activities, as well as through social media. At the time of reporting Toyota Australia had over 24,000 Twitter followers and more than 220,000 "likes" on Facebook.

We aim to comply with all relevant laws and voluntary codes including the Competition and Consumer Act 2010 and the Federal Chamber of Automotive Industries' (FCAI) Voluntary Code of Practice for Motor Vehicle Advertising.

We measure customer satisfaction through a range of metrics including via a customer satisfaction program which surveys customers who either purchased or serviced their vehicles at a Toyota dealership.

4. DEALERS

While independently owned, our dealer network is integral to our success, providing an interface between the company and our customers.

Across Australia there are 210 Toyota dealers, with a total of 278 outlets, and 19 Lexus dealers, with a total of 24 outlets. The dealer network employs more than 13,000 people.

The FOF program involves extensive engagement between Toyota Australia, our dealers and their employees. While in the past Toyota dealers were mainly rewarded for achieving monthly sales targets, in January 2015 we introduced a new dealer incentive which focuses on customers and customer experience.

In 2014 we launched Toyota Source, a new communication portal designed to provide Toyota dealers with a single point of reference for bulletins, news and other information. All bulletins are categorised according to priority, ensuring that dealers are always up to date with the most important information.

5. SUPPLIERS

It is essential that we continue to support our suppliers and maintain the viability of the supply chain. We have an extensive supplier development program and also regularly interact with suppliers on a range of issues. Other examples of formal engagement include our annual supplier conference and supplier awards. More information on our work with suppliers can be found in the section of this report titled *transitioning to a non-manufacturing future*.

6. COMMUNITY

The Toyota Community Foundation (TCF) provides the basis for our partnership and engagement with the community. Through the TCF we support a range of community organisations and also encourage employee involvement. More information on our community engagement can be found in the section of this report titled *partnering with the community*.

7. GOVERNMENT

Toyota Australia has a government affairs department which has regular discussions with federal and state governments on a wide range of public policy issues. Our approach is

to either engage with government directly or through our industry association – the FCAI. The intention of our approach is to ensure issues specific to Toyota Australia and to the automotive industry are considered in public policy decisions.

Regular updates are provided to the board with more detailed briefings as required. The government affairs team also provides a fortnightly briefing to Toyota Australia's President. Information regarding the key issues of interest during the reporting period can be found in the section of this report titled *strategy and governance*.

We are also members of the:

- > Australian Industry Group
- > Centre for Corporate Public Affairs
- > Committee for Economic Development of Australia
- > Federal Chamber of Automotive Industries
- > Victorian Employers' Chamber of Commerce and Industry
- > Melbourne Chamber of Commerce
- > National Governance Committee (Growth Fund)
- > Victorian Leadership Group



210
TOYOTA DEALERS

278
TOYOTA OUTLETS

19
LEXUS DEALERS

24
LEXUS OUTLETS

13,000
EMPLOYEES IN THE
DEALER NETWORK

The image shows the upper portion of a modern building with a glass curtain wall. The Toyota logo, in large red 3D letters, is mounted on the white facade above the glass. The glass panels reflect the sky and surrounding environment.

TOYOTA

TOYOTA

Strategy and Governance

Fundamental to Toyota Motor Corporation is a set of seven guiding principles which were adopted in 1992, defining the company's mission and underpinning Toyota's global operations.



The guiding principles are supported by the Toyota Way which was introduced in 2001 to articulate the long standing values of the company and the behaviours expected from all Toyota employees. Central to the Toyota Way are two platforms: continuous improvement and respect for people.

We are further guided by the Toyota global vision which outlines our aspirations as a company. Developed in 2011, it details the values and actions required to unite Toyota for future prosperity.

Our global vision is reflected in the diagram of a tree. Its roots, the foundation of the company, are the Toyota values as articulated in the guiding principles and the Toyota Way. The trunk provides a stable base of business, and the resulting fruits are constantly better cars and enriched communities. All of this exists within a structure of sustainable growth.

Details of the guiding principles, the Toyota Way and the global vision can be found on the Toyota global website at www.toyota-global.com.

TOYOTA AUSTRALIA'S PRESIDENT'S GOALS

Toyota Australia's vision, mission and strategic direction reflect our parent company's global vision and guiding principles. They provide the foundation for our business.

The President's goals are Toyota Australia's aspirational goals. They encourage and support a mindset of continuous improvement and respect for people, which are the fundamental platforms of the Toyota Way.

In February 2015 Toyota Australia President, Dave Buttner, revised the President's goals to reflect the current business environment.

'Zero harm' remains the key focus underlining the company's commitment to maintaining a safe working environment at all times.

'Respectful transition' was added as a key goal with the company making it a priority to ensure the support and wellbeing of all employees during the transition period.

Two other new goals include 'customer centric mindset' and 'last car = best global car'.

A 'customer centric mindset' is a key principle of our Franchise of the Future initiative and the foundation stone of our company. We want to exceed customer expectations, ensuring customers are always top of mind and that we look at everything from their perspective.

The next focus is 'last car = best global car'. We need to maintain our high standards right up until the last car that we build. The pride and passion that we have always displayed must continue so that we can deliver the very best cars to our domestic and export customers.

In addition, 'product desirability' and 'market leadership' continue to be key priority areas.

VISION MOST RESPECTED AND ADMIRED COMPANY

MISSION WE DELIVER OUTSTANDING AUTOMOTIVE PRODUCTS AND SERVICES TO OUR CUSTOMERS, AND ENRICH OUR COMMUNITY, PARTNERS AND ENVIRONMENT.

PRESIDENT'S GOALS

0

**ZERO HARM
ZERO QUALITY DEFECTS**

#1

**RESPECTFUL TRANSITION
LAST CAR = BEST GLOBAL CAR
CUSTOMER CENTRIC MINDSET
PRODUCT DESIRABILITY
MARKET LEADERSHIP**

STRATEGIC DIRECTION – PROJECT ONE

Our President's goals are supported by long and short term business strategies and plans.

In early 2015 President Dave Buttner announced to all employees the overall strategic plan for the company. Known as Project ONE, it reflects Toyota's aspiration to share one vision, one culture, one dream and to ultimately maintain our position as the number one car company.

Project ONE is made up of five work streams that will guide the company through the next phase of the transition. Each work stream is led by a Toyota Australia director, and key developments and outcomes are communicated with all employees.

In making the announcement Mr. Buttner reinforced that while the transitional activities are vital for the future, continued focus is required to support day to day business plans and operations.

**PROJECT
ONE**

Corporate governance

Toyota Australia has well-established governance structures and systems in place including risk management frameworks, fraud and corruption controls, and a comprehensive code of ethics which includes a code of conduct.

Overall accountability for corporate governance rests with Toyota Australia's board of directors.

The board is responsible for Toyota Australia's short and long term performance, with a focus on enhancing the interests of the company's stakeholders including our shareholder, Toyota Motor Corporation.

TOYOTA AUSTRALIA BOARD OF DIRECTORS

In April 2014 Toyota Australia announced that Max Yasuda had been appointed to the newly created role of Chairman of the Board, effective 1 May 2014. Mr. Yasuda started his career at Toyota Motor Corporation Japan in 1972 and was appointed President and CEO of Toyota Australia in August 2007.

As a result of Mr. Yasuda's appointment, Toyota Australia's Executive Vice President and Chief Operating Officer Dave Buttner was promoted to President of Toyota Australia, also effective 1 May 2014. Since joining Toyota Australia in 1987, Mr. Buttner has held numerous positions across the business, including in manufacturing, production control, and sales and marketing.

The board members as at 31 March 2015 are listed in the following table.

Directors	Appointment
Masahide (Max) Yasuda	01/06/07
David Buttner (Director and Alternate for A. Davis)	01/05/02
Christopher Harrod	01/01/10
Anthony Cramb	01/01/13
Michael Rausa	01/01/13
Shigehito Watanabe	01/01/13
Naoki Fujioka	01/01/15
Alistair Davis (Non-resident Director)	01/07/10
Toshiro Hidaka (Non-resident Director)	01/07/13
Yoshihiro Uozumi (Non-resident Director)	01/07/13
Atsushi Fukuda (Alternate for T. Hidaka)	01/05/14
Kunihiko Wataishi (Alternate for Y. Uozumi)	01/07/13
Max Gillard (Associate Director)	01/07/13

Hideo Egashira resigned as an alternate for Toshiro Hidaka in April 2014 and was appointed a Director in May 2014. He then resigned as a Director in December 2014 and is no longer on the board as at 31 March 2015. Naoki Fujioka replaced Mr. Egashira. Additionally, Atsushi Fukuda resigned as an alternate for Alistair Davis in April 2014 and was appointed an alternate for Toshiro Hidaka in May 2014.



BOARD COMMITTEES

To assist in the execution of the board's duties, Toyota Australia has established a number of board committees to allow for detailed consideration of complex issues.

There are three board committees – the Corporate Compliance Committee, Human Resource Committee and Toyota Product Committee. Board committees are supported by a range of management sub-committees such as the Environment Committee which reports to the Corporate Compliance Committee.

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

TOYOTA GLOBAL PRESIDENT VISIT

In November 2014 we were honoured to welcome Toyota Motor Corporation President and CEO Akio Toyoda to Australia. In addition to receiving an update on our transition activities and meeting some of our employees, Mr. Toyoda also participated in our 'Oh What a Feeling! Discovery Tour'.

CODE OF ETHICS AND CODE OF CONDUCT

Toyota Australia has a code of ethics which supports our guiding principles and the Toyota Way.

The code of ethics contains our code of conduct and defines Toyota Australia's position in addition to providing guidelines regarding the understanding, promotion and practice of ethical business standards by our employees. The code was updated in June 2015 with the key changes being the inclusion of social media in regard to public comments about the company made by employees, updating a legislative reference and updating the front cover to align with Toyota branding requirements.

The code is consistent with the teamwork charter that was developed as part of the 2002 workplace agreement, as well as with subsequent agreements.

In terms of ethical conduct, our teamwork charter is the principle document for award-based employees. All non-award employees refer to the code of ethics as the principle document, which can be read in conjunction with the teamwork charter.

Both the code and the charter are made available to employees at their induction and can also be found on the company intranet.

EXTERNAL CHARTERS

In addition to internal codes and charters, we also acknowledge externally developed charters, principles and other initiatives including:

- > Environmental Management System ISO 14001
- > Occupational Health and Safety (OHS) National Audit Tool for OHS Management Systems
- > OHS ISO 18001
- > The Global Reporting Initiative G4 Sustainability Reporting Guidelines
- > Federal Chamber of Automotive Industries (FCAI) Voluntary Code of Practice for Recalls
- > FCAI Voluntary Code of Practice for Motor Vehicle Advertising

Advocacy and lobbying

Government policy and government relations are important areas of attention as the Australian automotive industry undergoes fundamental changes.

Our approach is to either engage directly with the government through our government affairs department or through our industry association, the FCAI. Regular updates are provided to the board with more detailed meetings as required. Toyota Australia's President also receives fortnightly briefings from our government affairs team.

AUTOMOTIVE TRANSFORMATION SCHEME

During the reporting period, in October 2014, Toyota Australia made a submission to the Senate Economic Legislation Committee's inquiry into the Automotive Transformation Scheme.

The committee was reviewing proposed changes to the scheme which would reduce funding to vehicle and component manufacturers. The scheme was established in 2011 to support the automotive industry. Last year the Australian Government argued that the support was no longer needed and that it would look to reduce the level of funding available between 2015 and 2017, and also bring forward the scheme's closure from 2021 to 2018.

We argued against the proposed changes in our submission. In March 2015 the Australian Government announced its proposed changes would not go ahead.

REVIEW OF MOTOR VEHICLES STANDARDS ACT 1989

In early 2014 the Australian Government began a review of the Motor Vehicles Standards Act 1989 to consider opportunities to reduce the regulatory burden on business and enhance productivity without compromising the Act's objectives.

The review also considered grey imports, which are defined as new or used vehicles that are not imported by vehicle manufacturers and distributors but via other channels.

Toyota Australia is cautious about the expansion of the current vehicle import scheme to include grey imports. Our key concerns are around support of warranties, issues with parts and services, and unclear consumer benefits. There is also potential for increased safety risks and negative environmental impacts if cars are not built for local conditions.

An announcement regarding the outcomes of the review is expected in late 2015.

OUTCOME OF THE PRODUCTIVITY COMMISSION REVIEW

In the previous reporting period Toyota Australia provided a submission to the Australian Government's Productivity Commission Review into the Australian automotive industry. The review assessed the costs and benefits of industry-specific assistance to the automotive manufacturing industry in light of structural changes from major manufacturing plant closures. The commission's report was released in August 2014 and recommended against providing industry-specific assistance to automotive manufacturers.

FREE TRADE AGREEMENTS

Toyota Australia supports free trade and the introduction of free trade arrangements that facilitate it. This is particularly the case where a level playing field is restored with other trade nations. In 2014 Australia signed significant trade agreements with both Japan and Korea.

The Japan-Australia Economic Partnership Agreement (JAPEA) was signed on 8 July 2014 and came into effect on 15 January 2015. The agreement will see more than 97 per cent of Australia's exports to Japan receive preferential access or enter duty-free.

The Korea-Australia Free Trade Agreement (KAFTA) was signed on 8 April 2014 and entered into force on 12 December 2014. KAFTA gives Australian exporters significantly improved market access in goods and services by eliminating very high tariffs on a wide range of Australian exports.

Australia already has in place a broad range of trade agreements with countries including Thailand, the USA, Malaysia and the Association of South East Asian Nations (ASEAN) region (Brunei, Myanmar, Cambodia, Laos, Malaysia, the Philippines, Singapore, Thailand and Vietnam).

We utilise the tariff benefits of many of these agreements for the import and export of vehicles and components.

VEHICLE EMISSIONS

Toyota Australia continues to implement new technologies and develop vehicles which deliver reduced CO₂ emissions. More details on these initiatives can be found in the section of this report titled *our vehicles – innovation and safety*.

The National Transport Commission publishes an annual report on CO₂ emissions from new car sales which can be found at www.ntc.gov.au.

Political support

The company's position on political contributions is detailed in our code of ethics and states that no employee shall make a political contribution on behalf of Toyota Australia unless permitted by law and as approved, in writing, by Toyota Australia's President. The term "contributions" includes giving of company funds, services or assets. Toyota Australia did not make any political contributions in the reporting period.

NO SMOKING

MAX.LOAD : 1470KN
MAX.AXLE.LOAD : 539KN
CLEAR

(H)5.0Mx(B)13.5M

(H)3.4Mx(B)13.5M

(H)2.8Mx(B)13.5M

TOYOTA

Economic Impacts



Economic impact was highlighted as an important concern for Toyota Australia in the assessment of our most crucial issues. This included both Toyota Australia's own financial performance and the importance of maintaining market share.

Toyota Australia's long term and annual business plans provide strategic details as to how we achieve our financial performance. Internal indicators and targets are established and reviewed regularly by the board and senior management team.

We recognise the importance of maintaining our market share. Our Franchise of the Future program is focused on building customer relationships in order to retain our position as the top selling automotive brand in Australia.

We also acknowledged that our parts centres need to be reformed in order to be competitive and cost effective.

In addition to our direct economic impacts, as a major employer in the automotive industry we also have broader economic impacts through our community support programs, investment in suppliers, capital, manufacturing and export programs, and through the payments of taxes.

Financial performance

(1 April 2014 to 31 March 2015)

Toyota Australia reported an after tax profit of \$194 million for the year ending 31 March 2015 due in large part to strong local and export vehicle sales.

The company incurred \$66 million in restructuring costs during the reporting period due to the decision to stop manufacturing operations by the end of 2017. It is expected that impairments relating to asset write-downs and provisions for redundancy payments will continue until the end of 2017.

Total revenue was \$8.2 billion which was down from \$8.4 billion in 2013/14.

Provisions for restructuring costs were calculated on the data available as at 31 March 2015. As further information becomes available over the course of time we may need to increase or decrease the estimates to reflect latest available information.

Full details of Toyota Australia's financial results for the period ending 31 March 2015 can be found on the Australian Securities and Investments Commission's website. Toyota Australia's consolidated financial statements are for Toyota Australia Limited and Sydney City Toyota Pty Ltd.

Net profit

	Net profit after tax (\$M)	Net sales (\$B)
14/15	\$194	\$8.2
13/14	-\$437	\$8.4
12/13	\$144	\$8.9
11/12	-\$32.6	\$7.2
10/11	-\$13.2	\$8.2

Vehicles manufactured

Local production of Camry, Camry Hybrid and Aurion vehicles was down slightly with 88,470 vehicles built during the period 1 April 2014 to 31 March 2015 compared with 102,590 the previous year.

Toyota Australia has made a significant investment in the new-look Camry and Hybrid Camry models. Investment in the new-look Camry totalled \$108 million, which includes \$23.6 million from the Australian Government and a contribution from the Victorian Government. Both cars will be in production until the company stops manufacturing by the end of 2017.

Vehicles sold

Total domestic retail volume for both Toyota and Lexus combined was 264,947 vehicles for the Toyota financial year (1 April 2014 – 31 March 2015), the strongest sales performance in five years. The strong sales were in part due to healthy demand for Corolla which has been Australia's top selling car for the past two years.

Australians bought 1,113,224 cars in the 2014 calendar year with the most popular choice once again being the Corolla with 43,735 sales (3.9 per cent of the market). The HiLux and Camry were also in the top ten. The HiLux was at number three with 38,126 new vehicles sales and the Camry at number eight with 22,044 vehicles sold.

Toyota was the top selling brand for the 12th year (2014 calendar year) in a row with 18.2 per cent of the market or 203,501 sales. In February 2015 we also celebrated our six-millionth vehicle sold in Australia.

VEHICLES MANUFACTURED

14/15	88,470
13/14	102,590
12/13	99,441
11/12	92,880
10/11	113,332

VEHICLES SOLD

14/15	264,947
13/14	221,771
12/13	225,599
11/12	187,521
10/11	217,465

Vehicles exported

Our export program plays a significant role in our overall business, with 64,381 vehicles exported to the Middle East, New Zealand and South Pacific Islands during the period 1 April 2014 to 31 March 2015. Toyota Australia also began exporting to Thailand and Iraq for the first time with the new-look Camry being shipped to this market in 2015.

Exports account for approximately 70 per cent of Toyota Australia's production.

Government funding

Government funding of the automotive industry has been an issue of public debate in recent years, particularly around the level of funding to vehicle manufacturers. Discussion has continued around the amount and type of assistance to be provided until the end of manufacturing in 2017, as well as government assistance for programs to support suppliers and employees likely to be impacted by the closure of the industry.

In 2014/15 Toyota Australia received \$7.8 million from state and federal governments through manufacturing co-investments, the supplier productivity and capability program (SPCP) and clean investment technology program (CTIP). This compares with \$71 million in 2013/14 and \$72 million in 2012/13.

Both Toyota and the Australian Government have contributed to a Growth Fund designed to support the workers, businesses and regions impacted by the decisions. More details can be found in the section of this report titled *our employees*.

We also received a research and development tax credit of almost \$770,000 from the eligible research and development expenditure of \$7.7 million.



A young woman with reddish-brown hair, wearing a green Toyota work uniform and a matching cap, is smiling at the camera. She is standing next to a silver car on an assembly line. The background shows other cars and industrial equipment, slightly out of focus.

TOYOTA

Transitioning to a Non-manufacturing Future

Early in 2014 we announced our decision to stop manufacturing in Australia by the end of 2017 and to transition to a national sales and distribution company. The decision was not based on any single factor but driven by a range of external influences.

Following the announcement we have focused on making the transition to the future as successful as possible with the value of 'respect for people' underpinning all work in this area. This includes respect for our employees, respect for our customers and respect for supply chain.

During the reporting period there were a number of significant announcements with implications for our employees.

The most significant was in December 2014, when we announced that all corporate functions would be consolidated to Melbourne, impacting current operations in Sydney. We also announced a significant overall reduction of corporate support roles and that the four Toyota parts centres located around the country will undergo major reforms to improve global competitiveness.

After we close our manufacturing plant by the end of 2017, we expect that our workforce will reduce from around 3,900 people to approximately 1,300. Details of our programs to support employees can be found in the section of this report titled *our employees*.

Project ONE is the key program aimed at supporting our transition to a national sales and distribution company. Our future business model will be strengthened by two other key programs – Franchise of the Future (FOF) and Project PACE.



Project ONE

Project ONE was established to manage the transition and set the overall strategy for Toyota Australia into the future. It focuses on:

- > New business functions
- > Structure and selection
- > Property and infrastructure
- > Knowledge and capture
- > Future business model

Detailed planning around each of these areas will be supported by internal key performance indicators and targets.

Project ONE reflects the company's aspiration to be one Toyota;

- > To share the one vision
- > To share the one culture
- > To share the one dream
- > To ultimately maintain our position as the number one car company

While Project ONE provides the platform for our transition, two other key programs have been developed to support and strengthen our future business model – Franchise of the Future and Project PACE.



Franchise of the future

Toyota Australia's Franchise of the Future (FOF) is one of the largest projects our company has ever embarked on, designed to fundamentally change the culture and operations of Toyota Australia, Toyota Finance Australia and the dealer network.

FOF aims to put customers at the forefront of everything we do, building Toyota advocates for life. In line with this goal we now consider customers as our guests, requiring that all employees make them feel welcome and treat them with genuine respect. This guest-centric approach means that as an organisation we will move away from a purely sales target model to one where the core is guest satisfaction.

FOF is more than just a project, it is a new way of doing business. It is inspired by a number of changes in the marketplace, principally pressure on guest satisfaction, declining market share, reduced brand awareness and diminishing customer loyalty.

To meet these challenges, FOF includes both operational and cultural initiatives with the goals of building guest loyalty, increasing repeat sales and creating fans of Toyota. The six initiatives include:

- > Targets, incentives and motivations, transition to a sales and order planning culture
- > Advertising alignment, in the creation of seamless and consistent strategies
- > Franchise infrastructure, to develop and operate shared network services

- > Digital marketplace, making the Toyota website the main point of purchase for guests
- > Role of regions, to create true business partners
- > Toyota for Life standards, in ensuring high quality standards for a great guest experience

Toyota Australia and the dealer network will transition away from a targets culture towards a customer-centric culture, with success determined by guest experience and satisfaction. These outcomes will be measured through our guest satisfaction index (GSI), net promoter score (NPS) and monthly sales.

FOF was introduced in January 2015 and within the first quarter there were successful results including an increase in the number of dealers focusing on NPS, more test drive offerings and net expectations exceeded.



Evolving our parts centres

Project PACE – PArts Centre Evolution - was launched in February 2015 to support our new business model.

It is aimed at improving the competitiveness of the Toyota parts centres (TPCs) which are under threat from a variety of factors including the parallel imports of genuine and non-genuine parts, as well as counterfeit parts.

Across the world Toyota sets performance benchmarks for key operational areas including parts centres. Project PACE is focused on achieving those global benchmark levels in four key areas: safety, quality, productivity and operational lead time.

Underpinning this is a vision to maximise customer loyalty and satisfaction by ensuring they have the right part, in the right place and at the right time.

Small groups have been formed in each of the TPCs focusing on the key performance areas and yearly targets that have been set.

The project is of such significance that its steering committee consists of all the board members and ten function leaders who are each responsible for safety, productivity, quality, customer service, logistics cost, storage maintenance, systems and procurement, equipment design, employee relations, communications and engagement.

Employees are making a key contribution to Project PACE and information about employee involvement can be found in the section titled *our stakeholders* in this report. Health and safety is also a key focus area of the project. More information can be found in the section of this report titled *our employees*.

Supplier support

Another key aspect of our transition program is focused on suppliers. Suppliers are vital to the successful production of vehicles at our Altona manufacturing plant. It is essential that we work to maintain the supplier base in order to keep building vehicles and engines until the end of 2017. We are also committed to helping suppliers transition to a future in which Toyota, and other major automotive companies, no longer manufacture vehicles in Australia.

We are continuing to work closely with suppliers to help them improve their business processes and profitability. This culture of kaizen, or continuous improvement, is driven by the Toyota Production System (TPS) through our Supplier Productivity and Capability Program implemented by our supplier development group.

The supplier development team is made of 20 employees working with suppliers to support operational improvement activities, improve cost competitiveness and, importantly in the current environment, to help with diversification activities. The supplier development team also helps organisations in the wider community, as illustrated by the case study on St Vincent's hospital in section titled *partnering with the community* of this report.

Toyota Australia's \$15 million five year supplier development fund runs from 2013 to 2018, and includes a federal government contribution of \$5 million which was announced in 2013.

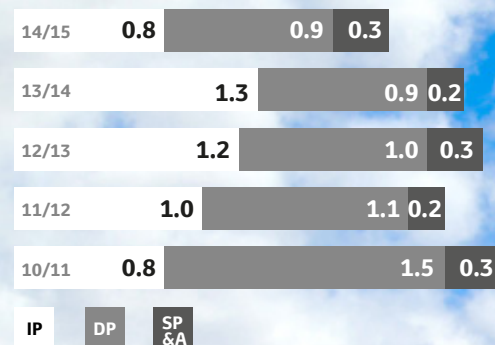
We have set a number of key performance indicators and targets including safety, quality, productivity and supply cost to measure our success in this area for both Toyota Australia and our suppliers.

SUPPLIER PROFILE

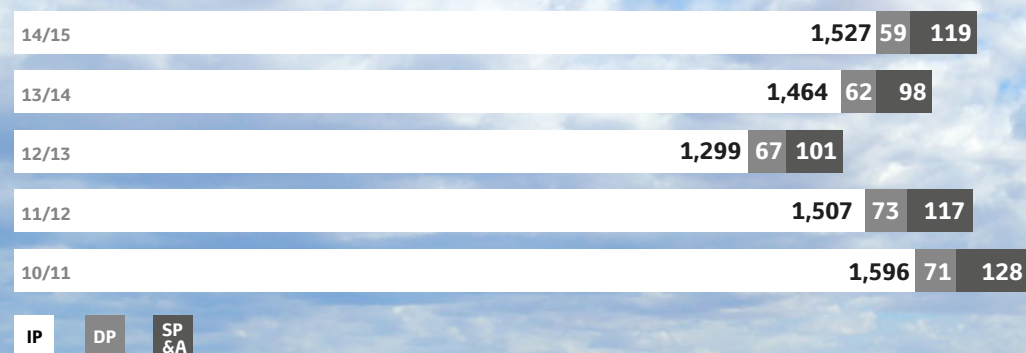
Toyota Australia categorises supply chain into three main groups:

- > Indirect purchasing (IP): Indirect purchases of goods and/or services to support the operation and maintenance of all buildings, plant and equipment in addition to all corporate services.
- > Direct purchasing (DP): Locally procured components and raw materials required for the manufacture of locally-built vehicles.
- > Service Parts and Accessories (SP&A): Locally procured service parts and accessories to support aftermarket sales.

VALUE OF BUY (\$BILLION)



NUMBER OF SUPPLIERS



There were no new suppliers engaged during the reporting period.





TOYOTA

Our Vehicles – Innovation and Safety

Toyota Australia has been manufacturing vehicles in Australia since 1963. While we are now transitioning to a non-manufacturing future, we are still firm in our support of Toyota's global mission to be leaders in the development of safe and sustainable means of transport.

Our parent company has a global innovation vision to apply pioneering technologies in a way that will benefit society. Toyota Motor Corporation's (TMC) global mission for technologies aims to provide world-class safety features to protect the lives of customers while optimising the energy and infrastructure of local communities.

Our safety technology program has been working towards a society with no traffic accidents, while our environmental technology program designs automobiles for tomorrow's eco-friendly driving using cutting-edge hybrid, electric and fuel cell technology.

The Toyota global website www.toyota-global.com details the latest developments in environmental technology, safety technology, intelligent transport systems and smart grids as well as the latest development in vehicles powered by hydrogen fuel cells.

Focus on the future- manufacturing in Victoria to 2017

In April 2015 we unveiled our new-look Camry and Camry Hybrid vehicles. Total investment was \$108 million, including \$23.6 million from the federal government, in addition to a contribution from the Victorian government.

Along with the facelift Aurion, the new-look Camry and Camry Hybrid will be in production until the company stops manufacturing at the end of 2017.

Toyota Australia plans to build 90,000 vehicles this year, with approximately 70 per cent exported overseas to the Middle East, New Zealand and South Pacific Islands, and for the first time to Thailand and Iraq.

Having built more than 3.2 million Toyota vehicles locally since 1963, the launch of the new-look Camry and Camry Hybrid marked the end of an era in the Australian automotive industry.

Launching the car was the culmination of nearly four years work and the biggest mid-cycle vehicle update that the company has ever embarked on. The efforts of all employees were recognised in ensuring the successful launch with the emphasis now on realising the President's goal and focus of 'last car = best global car'.

Earlier this year Toyota Australia's President Dave Buttner announced his revised goals with 'last car = best global car' focusing on the need to maintain high standards until the last car comes off the production line, enabling the delivery of the very best cars to domestic and export customers.

Product safety

Vehicle safety is a key issue for our stakeholders, Toyota Australia and Toyota globally. Customers want the comfort of knowing that they are driving vehicles designed with safety as the top priority.

Toyota strives to provide the safest vehicles possible for the Australian automotive market. Our focus is to prevent or mitigate the likelihood of accidents, while reducing potential impacts if an accident does occur.

Toyota globally invests billions of dollars in the latest safety innovations. Extensive detail is provided on the Toyota global website at www.toyota-global.com and on the Australian website www.toyota.com.au.

OH WHAT A FEELING! DISCOVERY TOUR

In September 2014 TMC selected Australia as the first location for an innovative driving and training project designed to help Toyota plan for future generations of vehicles.

Over ten weeks more than 30 TMC employees and executives drove approximately 20,000km around Australia in Toyota 4WD and passenger vehicles, including Camry, Corolla, LandCruiser and HiLux. Thousands of Toyota Australia employees were involved through the drive, live events, competitions, as well as the opening and closing ceremonies. Among the participants was Toyota's global President Akio Toyoda, who drove a specially prepared Toyota 86 rally car along the roads near Coffs Harbour in New South Wales.

The project took participants through a series of diverse driving conditions, from busy city streets to the tough trails of the outback. The experience was designed to give the participants a deeper understanding of the world's roads and to strengthen their intuition when developing the next generation of Toyota vehicles.

All Toyota products sold in Australia are tested for safety compliance. We have processes in place to ensure all vehicles supplied to the market have received the required Australian Government compliance approvals. To do this we work with a range of stakeholders including the Federal Chamber of Automotive Industries' (FCAI) technical committee, in addition to federal and state departments of transport.

We recognise the Australasian New Car Assessment Program's (ANCAP) rating system as providing an effective measure for automotive safety. ANCAP is a subsidiary of the global New Car Assessment Program and has corresponding bodies across the world which implements its crash testing program. ANCAP works on a five star rating system, where ratings depend on various test results. Toyota Australia is committed to having all new model Toyota and Lexus vehicles sold in Australia capable of achieving five stars.

Information about Toyota and Lexus branded vehicles sold in Australia, including specifications and safety features, can be found on our website at www.toyota.com.au or www.lexus.com.au.

VEHICLE RECALLS

During the 2014/15 reporting period, Toyota Australia recalled a number of vehicles; the largest number as a result of faulty airbags produced by manufacturer Takata. Recalls associated with the faulty airbags have continued in 2015/16 and are part of a global recall campaign that has affected over 30 million vehicles produced by multiple major vehicle manufacturers.

Toyota Australia follows the FCAIs' code of practice for safety recalls. This is a comprehensive process that includes notification to dealers, press advertisements, letters to impacted customers and government notification.

The Australian Government and the Australian Competition and Consumer Commission provide information on all product recalls across Australia. This information can be found at www.recalls.gov.au.

New technologies

Our commitment to reducing the environmental impact of our vehicles takes many forms, from the introduction of new technologies to increasing fuel efficiency and reducing tail-pipe emissions.

FUEL CELL SEDAN

In June 2014 TMC unveiled the Toyota Mirai, an all-new hydrogen fuel-cell sedan. The Mirai offers the convenience and driving experience of a regular car, while emitting no CO₂ from the tailpipe.

The four-door sedan has the cruising range of a conventional car, about 500km, and can be refuelled in less than five minutes as a result of the innovative Toyota Fuel-Cell System (TFCS), which enables the Mirai to produce its own electricity, and emitting only water vapour from the reaction between hydrogen and oxygen.

TMC's commitment to environmentally friendly vehicles is based on three basic principles: embracing diverse energy sources; developing efficient, low-emission vehicles; and driving environmental change by popularising these vehicles.

Hydrogen can be produced from a variety of primary sources including solar and wind power, and is a promising alternative fuel. While there are plans to sell hydrogen fuel cell vehicles in Japan, the US and UK in 2015, there are currently no plans to offer the car in Australia ahead of the development of appropriate refuelling infrastructure.



TOYOTA SAFETY SENSE

Toyota Safety Sense is the next stage of Toyota's active safety technology aimed at eliminating traffic injuries and fatalities. Safety sense is a new dimension of comprehensive integrated safety which sees the inclusion of a vast package of safety features in our products.

These features include a pre-collision system for supporting collision avoidance or mitigating damage, a lane departure alert and automatic high-beams to enhance visibility at night.

Each Toyota safety sense package comes with either the laser radar and single-lens camera sensor combination, or the millimetre-wave radar and single-lens camera combination. More information about all of Toyota's safety initiatives can be found on Toyota's global website at www.toyota-global.com.

HYBRID EFFICIENCY

A number of recent technological developments have seen great enhancements to TMC's hybrid vehicles.

In Japan TMC announced a new generation of computer chips with the potential to boost the fuel efficiency of hybrid vehicles by 10 per cent, while Toyota's racing division in Germany has been experimenting with harvesting braking energy that can be stored and used under acceleration.

The new generation of silicon carbide computer chips are substantially more efficient than today's silicon only chips, and are designed to be used in the central processing unit of hybrid vehicles such as the Prius and Camry. The chips will allow Toyota to improve fuel efficiency by up to 10 per cent.

CLOUD-BASED TELEMATICS

Toyota globally is partnering with Panasonic on a cloud-based in-car system to monitor and operate home appliances. The cloud-based telematics service is designed to make life easier for customers by allowing them to operate their home appliances from the wheel of their car.

We are working to increase the value cars can add to people's lives by supporting the creation of new smart homes that are environmentally efficient and network-connected to support modern lifestyles.

Fuel efficiency and emissions

Tailpipe emissions include methane-based and non-methane-based hydrocarbons, particulate matter and carbon monoxide. These emissions can be reduced through improved vehicle fuel efficiency and the use of alternative fuel sources. Our approach is to work with government and industry regarding standards and policy in the Australian context.

AIR POLLUTANTS

All of our vehicles meet or exceed Australian design rules (ADR) as part of our commitment to reducing air pollution emissions.

The European Union has developed a set of Euro Standards designed to limit emissions of pollutants such as carbon monoxide and oxides of nitrogen from motor vehicles. ADR 79/04 Emission Control for Light Vehicles is the latest Australian standard and requires manufacturers to comply with the Euro 5 Standard. The Euro 5 emissions standard was introduced on 1 November 2013 for new vehicles and 1 November 2016 for all models.

CARBON EMISSIONS

Toyota Australia supports a mandatory vehicle carbon emissions standard suitable for the Australian market.

The National Transport Commission publishes an annual report on CO₂ emissions from new car sales. This information can be accessed at www.ntc.gov.au.

GREEN VEHICLE GUIDE

The federal government produces a green vehicle guide which provides customers with information regarding the fuel efficiency and CO₂ emissions of all new vehicles in Australia. The guide can be accessed at www.greenvehicleguide.gov.au.

A photograph of two male Toyota employees in a factory setting. They are both wearing blue hard hats and red and black work uniforms. The employee on the left is wearing glasses and yellow gloves. The employee on the right is wearing safety glasses. They are both smiling at the camera. The background shows industrial machinery and equipment.

TOYOTA

Our Employees

Toyota Australia has a large and diverse workforce. As of 31 March 2015 we had 3,982 employees including 79 contractors located across the country. The majority of our employees are based at our manufacturing plant in Altona, Victoria. 15 per cent of our employees are female and 85 per cent are male.

Our decision to stop manufacturing in Australia by the end of 2017 has had and will continue to have a significant impact on our employees.

After we close our manufacturing plant by the end of 2017 we expect our workforce to reduce from around 3,900 people to approximately 1,300. This will include the loss of both manufacturing and corporate jobs as well as the creation of some new roles.

During the reporting period we also made a number of significant announcements that have had an impact on our employees. The most significant was in December 2014 when we announced that all corporate functions would be consolidated to Melbourne, affecting current operations in Sydney. We also announced a significant overall reduction of corporate support roles and that the four Toyota parts centres located around the country will undergo major reforms to improve global competitiveness.

A significant part of the Altona manufacturing site will be retained for use by the company's product planning and development, and national service functions.

Our overarching emphasis is on a respectful transition. We are committed to working with our impacted employees to help them transition to new roles within Toyota Australia, help others find new roles elsewhere and assist others to move to new work locations. We also remain focused on supporting current business operations and the continuing workforce.

We have several key programs in place to manage the transition, including our DRIVE (dedicated, ready, individualised, vocational and energised) and knowledge transfer programs. We will measure success through internal measures and key performance indicators including our annual employee engagement and enablement survey. In 2014 we moved away from the Employee Satisfaction Index (ESi), which was unique to Toyota Australia, to measuring both employee engagement and enablement in a way that can be benchmarked against other Australian and global high performing companies.

EMPLOYEES

Actual headcount 3,903 + 79 contractors = **3,982**

Full time equivalent 3,876 + 77.6 contractors = **3,954**

Actual headcount – Refers to the actual number of people regardless of the hours worked.

GENDER

(actual headcount not including contractors)

Female **585** (15% of the workforce)

Male **3,318** (85% of the workforce)

FULL TIME/ PART TIME

(full time equivalent not including contractors, impatriates or casuals)

Full time **3,795** (female 501.4/ male 3,284.6)

Part time **54.4** (female 52.3/ male 2.1)

*Note these figures do not include 169 (FTE) employees who are on leave of longer than eight weeks, apprentices, tour guides, expatriates and impatriates.

** We do not report on the gender breakdown for contractors.

PERMANENT/ FIXED TERM/ CONTRACT (FULL TIME EQUIVALENT)*

Permanent **3,340** (female 425 / male 2,914.6)

Fixed term **367** (female 104.3 / male 263.1)

Contract** **77.6**

EMPLOYEES BY LOCATION

(full time equivalent not including contractors)

New South Wales **504.5** (female 162.2/ male 342.3)

Northern Territory **6** (female 0/ male 6)

Queensland **110** (female 11/ male 99)

South Australia **24.6** (female 3.6/ male 21)

Victoria **3,203.9** (female 381.9/ male 2,822)

ACT **1** (female 0/ male 1)

Expatriates **27** (female 6/ male 21)

Workforce profile

EMPLOYEES

The Toyota Australia headcount covers all Toyota Australia employees. This includes full time employees, part time employees, employees on fixed term contracts, casual, temporary employees, contractors, expatriates, impatriates and TMC subsidised employees. The term expatriate refers to Toyota Australia employees who are working overseas at affiliate Toyota locations and impatriates are employees from Toyota affiliates working at our locations.

Full time equivalent - all full time and fixed term employees are allocated a headcount value of one. Part time employees are allocated a headcount value that is equivalent to their work schedule, for example if an employee works four days a week they would be considered 0.8. Casual employees are treated in a similar way to part time employees and are counted as per the number of hours worked.

Training and development

Employee training and development has been made a priority in light of the decision to stop manufacturing. A key focus of training and development is to help those employees transitioning to new jobs outside Toyota Australia, while supporting the current business operations.

Toyota Australia's approach to training and development can be divided into two key areas – our ongoing development policy and activities aimed at continually developing the skills of our employees, and activities designed to 're-skill' employees to help them in their new roles after the manufacturing closure.

DRIVE PROGRAM

Helping employees plan for the future has become a critical priority for Toyota Australia since our decision to stop manufacturing.

In light of this, the DRIVE (dedicated, ready, individualised, vocational and energised) program was established to support employees across the business with comprehensive career development services provided.

DRIVE centres have been set up at Altona and Port Melbourne in Victoria, and at Woolooware Bay in New South Wales. They provide support through the review of personal and career goals and aspirations, identification of relevant training opportunities, job interview skills, superannuation information and financial tools.

The philosophy behind the program is that employees will be successful in their transition when they take responsibility for their future and are supported by the company with information, advice and guidance. Employees have the opportunity to access one-on-one appointments with case management consultants who can assist with career development services, including drafting individual career plans and applications for external training. Future assistance will include outplacement services, preparation for interviews and resume development.

In July 2014 employees in manufacturing and purchasing, finance and accounting, and corporate services were invited to take part in a survey to determine if and how they would use DRIVE. 2,128 employees participated and their responses were used to guide the services provided by the DRIVE Centres.

The DRIVE Centres will provide employee transition services over the next two years, continuing to operate until six months after manufacturing closes.

KNOWLEDGE TRANSFER

One of the five key focus areas of Project ONE (which is detailed in the section of this report titled *transitioning to a non-manufacturing future*) is centred on knowledge capture. This revolves around ensuring we understand and retain our corporate knowledge that could be at risk as a result of down-sizing our business following the end of manufacturing by the end of 2017.

One of the highest risk areas relates to sales and marketing. In moving the sales and marketing function from Sydney to Melbourne, we understand that many employees will elect not to relocate. We need to establish systems and processes to capture their knowledge. This will be a key focus for the next two years.

GOVERNMENT TRAINING

In response to the closure of the local automotive manufacturing industry, the Australian Government announced a \$155 million Growth Fund designed to support the workers, businesses and regions impacted by the decisions. The fund will support the transition of industry employees and components suppliers as well as creating new jobs in the manufacturing and non-manufacturing sectors.

A key component of the Growth Fund is a \$30 million skills and training program aimed at assisting automotive employees while they are still employed. In April 2014 Toyota Australia committed to contribute \$15 million to this aspect of the program, which will be directed mainly towards career advice and retraining for our employees.

Other aspects of the fund related to the automotive industry include the Automotive Industry Structural Adjustment Program that will provide career advice and related services to employees after they are made redundant. More information on the fund can be found online at www.business.gov.au.

ON-GOING TRAINING AND DEVELOPMENT

The management of our training and development activities is divided into four key areas:

- > Delivery of global Toyota programs including the history, foundation and application of the Toyota Way to ensure that company values and methods are understood and practiced worldwide
- > Manager and leadership training
- > Training specific to operations, including manufacturing operations at our Altona plant and operations at national warehouses
- > Training for dealer and service providers

Additionally, we also support job-specific training, often involving on-the-job training, short courses and seminars, or further education.

We provide a program of promotions and rotations (P&R) across the business which allows employees to undertake development opportunities by aligning business needs with employees who possess the required skills and abilities. P&R also provides the company an effective career-management system, allowing for progression and development opportunities for employees.

The company supports regular performance and career development reviews for all award and non-award employees in professional, technical and supervisory roles, where their strengths and opportunities for improvement are assessed.

In 2013 the company introduced annual team member assessments for award employees in the non-trades, apprentice and trades classifications including manufacturing, parts centres and company fleet. The assessments provide an opportunity for employees to receive feedback, understand their strengths and identify on-the-job development opportunities.

Industrial relations

Industrial relations is a key issue especially in industries which have highly unionised workforces. It was raised as a key issue in our assessment of material issues in the context of the planned closure of the Altona manufacturing plant and the impact this will have on the workforce.

With 73 per cent of our employees (or 2,860 full time equivalent employees) covered by an award it is vital that we continue to apply a considered and systematic approach to managing our relationship with the unions that represent our employees.

For most of the reporting period employees were covered by the 2011 Toyota Australia Workplace Agreement, however in April 2015 a new workplace agreement came into effect. 92.48 per cent of employees at Altona who took part in the confidential vote supported the new award, along with 98.62 per cent of participating employees from Port Melbourne, Sydney and the regions.

REDUNDANCY PACKAGES

Following the announcement of the decision to stop manufacturing by the end of 2017, a consultation period was undertaken between Toyota Australia, employees, the Australian Manufacturing Workers' Union and other unions that represent our employees.

Our general workplace agreement for award employees specifies the redundancy package that was announced in May 2014 and a minimum notice period of between two to four weeks depending on years of service.

PERFORMANCE BONUSES

In the reporting period Toyota Australia disbursed a number of performance bonuses in recognition of our employee's hard work and great outcomes in the face of challenging

operating conditions. In July 2014 all award employees were paid a bonus in accordance with agreed performance criteria, while all non-award employees were awarded bonuses based on individual and company performance.

Health and Safety

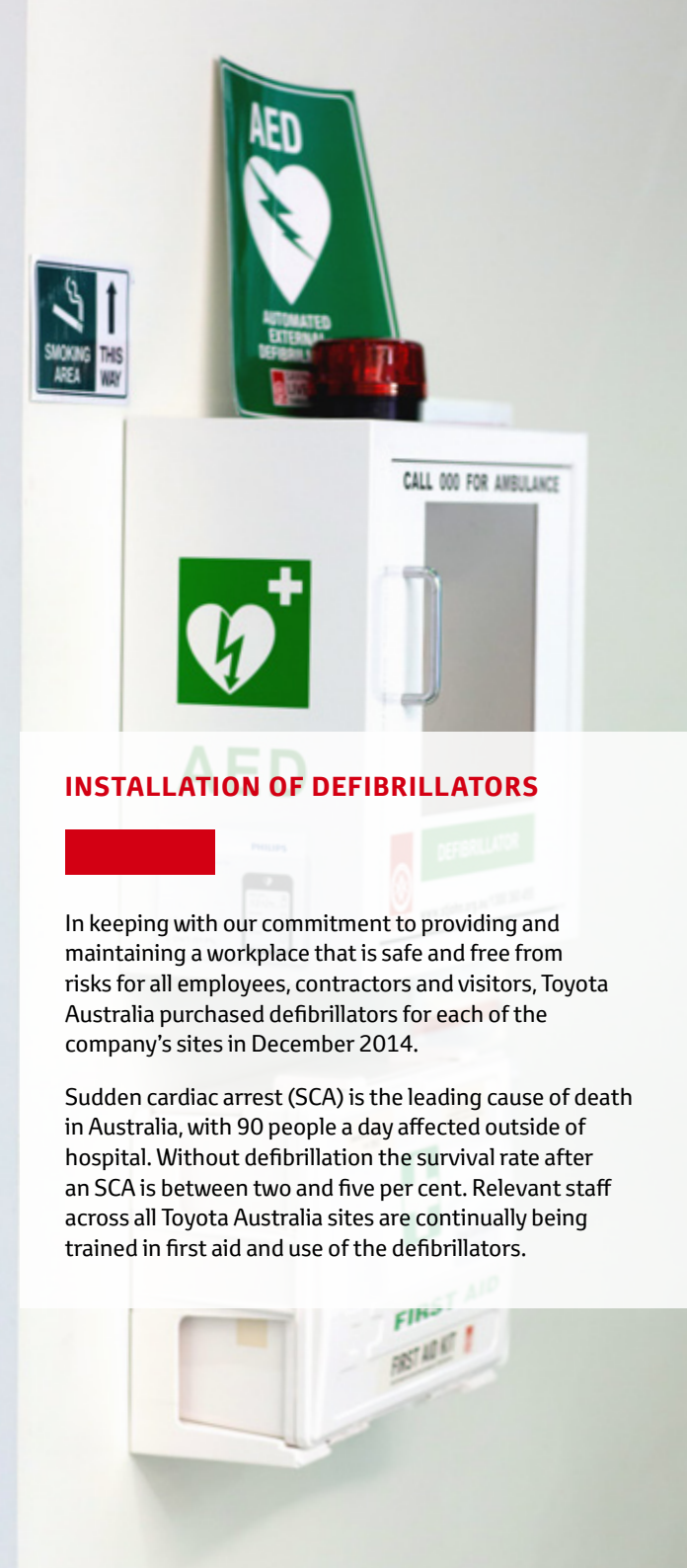
We recognise our responsibility for managing the health, safety and welfare of all our employees, contractors and visitors. We are committed to ensuring a safe and healthy working environment free from work related injuries and illnesses as highlighted by our President's goal of 'zero harm'.

Because of the risks inherently associated with manufacturing operations, health and safety is a significant issue in any manufacturing environment. Toyota Australia takes a holistic approach to all aspects of safety management, from increasing employees' safety sense through hazard identification and near miss reporting, to communicating and implementing safety management systems.

Health and safety management

Health and safety is managed through our company-wide health and safety management system which is certified to the standard OHSAS 18001.

Toyota Australia is audited by an external auditor every nine months to maintain certification. Our Victorian work sites also comply with the national audit tool (NAT). As we are a self-insurer in Victoria we are audited by the Victoria WorkCover Authority every three years. Toyota Australia also manages an internal audit program which includes undertaking internal audits annually. In addition to the NAT auditing system, the manufacturing team also participates in Toyota's global safety management system known as plant management requirement simplified (PMRs).



INSTALLATION OF DEFIBRILLATORS

In keeping with our commitment to providing and maintaining a workplace that is safe and free from risks for all employees, contractors and visitors, Toyota Australia purchased defibrillators for each of the company's sites in December 2014.

Sudden cardiac arrest (SCA) is the leading cause of death in Australia, with 90 people a day affected outside of hospital. Without defibrillation the survival rate after an SCA is between two and five per cent. Relevant staff across all Toyota Australia sites are continually being trained in first aid and use of the defibrillators.

PARTS CENTRES FOCUS ON SAFETY

Project PACE is looking to transform the operations of Toyota's parts centres, with health and safety a key focus area.

As part of our goal to achieve global Toyota safety standards, safety dojos, or training centres, are being established at the Toyota parts centres in Melbourne, Sydney and Brisbane.

The dojos provide training to employees and all aspects of health and safety are covered, with a particular focus on muscular injuries.

In setting up the safety dojo, there was significant emphasis on understanding where injuries were occurring and putting measures in place to address this.

In undertaking this assessment, safety specialists looked at machines, manual handling, walking areas and personal protective equipment. They were also asked to visualise the right and wrong ways to perform tasks, engage in ergonomic testing, as well as evaluate the floor space and equipment to ensure all the core areas of basic safety were being addressed. The review resulted in the rewriting of some standard operating procedures for the parts centres.

During the reporting period we reviewed our existing occupational health and safety management system and updated our existing policy statements. While no significant changes were made to existing policies, the review updated key information including the new President's signature, certain definitions, in addition to refining the language used.

Our approach to health and safety also reflects the principles of the Toyota Production System (TPS) which aims to eliminate waste and the potential for overload, in addition to promoting consistency. As part of the manufacturing team, members are involved in focus groups or quality circles, and participate in a safety suggestion scheme as well as jishuken which involves identifying areas requiring ongoing focus to help stimulate kaizen (improvement).

A manufacturing safety dojo, or training centre, operates at our Altona manufacturing plant. The dojo assists the manufacturing areas to establish and maintain the systems necessary for compliance and support safety training, including modules on risk assessment, occupational health and safety law, accident investigation and job safety analysis. We are also establishing safety dojos at our parts centres in Melbourne, Sydney and Brisbane.

Key manufacturing health and safety indicators include a reduction in the number of injuries and the use of ergonomics to improve health and safety in the manufacturing and materials handling processes. These performance indicators are discussed with team members in regular meetings.

HEALTH AND SAFETY COMMITTEES

One hundred per cent of our workforce is represented by health and safety committees which operate at all of our sites. Committees are made up of elected health and safety

representatives and management representatives, and provide a mechanism for employees to raise and discuss issues directly with management. They play a vital role in developing and implementing local policy and procedures. At a minimum the committees meet quarterly but most meet monthly. 5.7 per cent of our workforce or 224 employees (based on actual headcount) participate in the committees.

EMPLOYEE ASSISTANCE PROGRAM

Toyota Australia has systems in place to provide a range of professional services to help employees and their families deal with work and life issues. These services include advice on health, nutrition, work/life balance and other wellbeing topics. There is also short-term counselling support for personal, financial or work related issues through a range of coaching strategies. All services are provided at no cost to the employee for a limited number of consultations and are voluntary, independent and confidential.

Health and safety performance

LOST TIME INJURIES

A lost time injury (LTI) is defined as any work injury, occupational illness or musculoskeletal disease to an employee, which results in the inability to work for at least one rostered working day or shift after an 'incident'. This definition includes muscle, tendon and other soft tissue disorders, eye disorders, hernias and deafness. The lost time injury frequency rate (LTFIR) measures the number of injuries/ lost time for each one million hours worked.

In addition to being guided by Toyota's global practices for recording and reporting incidents, we also adhere to the Australian workplace injury and disease reporting standard 1885.1.



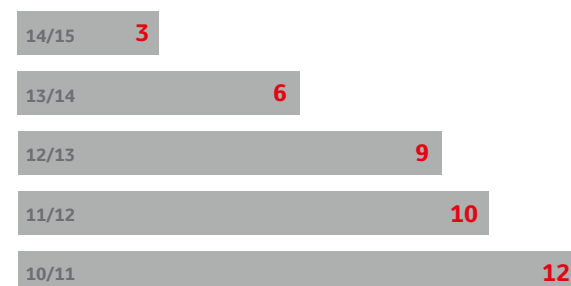
In 2014/15 the LTIFR rate continued to decline following the trend in recent years. The LTIFR for 2014/15 was three compared with six the previous year and 12 in 2010/11.

In recent years we have introduced several activities aimed at reducing injuries, all of which we believe have contributed to our improved results. These activities include the Toyota ergonomic burden assessment and early symptom reporting.

The burden assessment tool looks at each of the manufacturing processes and classifies them as red, yellow or green. All processes assessed as red are given priority focus with countermeasures developed and implemented to reduce the burden of the task. The process is then re-assessed after the countermeasures have been implemented to ensure that the risk has been reduced from red, to yellow or green. The same procedure applies to the processes in the yellow category, although priority is given to red.

Employees are also encouraged to report any injury symptoms as early as possible to their group leader. This allows for the employee to access early intervention treatment via our medical centre, as well as enabling the group leader to be involved, and manage the situation, from the beginning.

Lost time injury frequency rate



There were no workplace fatalities involving Toyota Australia employees in the reporting period. However on 6 September 2014 a contractor for Toyota Australia's maintenance department collapsed from a non-work related condition in the press shop at the Altona manufacturing site during routine weekend maintenance work. Internal medical assistance including on-site nurses and first aiders provided care before emergency services attended, however with great sadness, the man passed away on 7 September 2014. Employees, contractors and the family of the deceased were provided with access to the Employee Assistance Program.

ABSENTEEISM

Total absentee hours for the reporting period were 295,259 or 76 hours per employee. This data is based on the FTE headcount of 3,876 employees as at 31 March 2015 and does not include contractors. It represents unmanaged absence hours including both paid and unpaid sick leave and carers' leave. This was a decrease compared with 2013/14 results of 353,134 total hours or 91.83 hours per employee. The 2013/14 data is a restatement of the information included in the 2014 sustainability report which referenced 316,137 hours or 82 hours per employee.

A man in a black t-shirt and dark pants, wearing green patterned gloves, is using a long-handled tool to pull weeds in a grassy field. A young girl in a colorful floral dress and patterned gloves is standing next to him, also engaged in the activity. In the background, other people are visible, some sitting on the grass and others standing, suggesting a community event. The sky is bright and clear.

TOYOTA

Partnering with the Community

Toyota Australia has a long tradition of supporting the community at both local and national levels. Toyota globally views the community as a key stakeholder, and community investment and support play a crucial role in our social license to operate.

We endeavour to live up to expectations that large companies will support and enrich the broader community through partnerships that reflect the values of the organisation and the communities in which it operates.

TOYOTA'S LEGACY – CONTRIBUTING TO HOBSONS BAY AND THE WIDER COMMUNITY

Toyota's association with the Hobsons Bay community began in 1977 when construction of our manufacturing plant at Altona commenced.

Since then we have been involved in many local activities including a community training program, equipment grants for community groups and through participation in public forums. With our manufacturing plant located adjacent to Kororoit Creek, we continue to support the Friends of Lower Kororoit Creek, particularly through Planet Ark's annual National Tree Day, of which we are a key partner.

While Toyota Australia will continue to maintain a presence at our Altona site, we acknowledge that the decision to stop manufacturing will impact both employees and the wider community.

During the reporting period we were very focused on looking for ways to demonstrate our on-going support for the local community and to acknowledge our long association.

After significant consideration and the review of a number of opportunities, we announced our decision to contribute \$1.8 million towards the immediate construction of approximately two kilometres of a proposed 7.5km shared trail for pedestrians and cyclists. The project, which is also supported by Hobsons Bay Council, will connect the Coastal Trail at Cherry Lake, Altona, with the Federation Trail in Brooklyn.

The announcement was made on Sunday 26 July 2015 to coincide with Planet Ark's annual National Tree Day.



Managing our community contributions - the Toyota Community Foundation

Our community partnerships and investments are managed through the framework of the Toyota Community Foundation (TCF). In 2014/15 we contributed \$1.9 million to the community through TCF.

Toyota Australia's community investments

14/15	\$1.9m
13/14	\$1.9m
12/13	\$2.44m
11/12	\$2.48m
10/11	\$3.3m

We use the London Benchmarking Group to measure our community contributions and have aligned our community investment reporting with its methodology and definitions.

TCF consists of two key pillars. The first represents community sponsorships and promotions, and is managed by our sales and marketing division. The second involves three funds – the local community fund, the workplace giving fund, and the social development fund. It is managed by corporate affairs with the support of a foundation endorsement panel as well as 12 employee champions appointed from across the company for a three year term. This allows all employees the opportunity to play a key role in our community support programs and to make recommendations regarding programs and activities to be supported by the foundation.



OUR EMPLOYEE CHAMPIONS LEAD THE WAY

More than 550 kilograms of food, or enough for 1,100 meals, was donated to Foodbank Victoria thanks to the combined efforts of three of the TCF's employee champions.

They established a food drive to help the non-profit organisation located in Yarraville. Foodbank Victoria provides food to charities and community groups and operates with a staff of approximately 90 employees and more than 3,000 volunteers.

Toyota Australia employees led the initiative from our Altona site, receiving support from weld, paint, resin and powertrain employees.



COMMUNITY SPONSORSHIP AND PROMOTIONS

We support a wide range of iconic Australian activities through our community sponsorship and promotions program. These include the Australian Football League, where we have been the premier partner since 2004, as well as Cricket Australia, the Australian Paralympic Committee, cycling, triathlon, surfing and snow sports. We are also a key partner of the Tamworth Country Music Festival, in addition to being the major sponsor of Planet Ark's National Tree Day. In 2014 Toyota Australia employees took part in National Tree Day events in Melbourne, with the Friends of Lower Kororoit Creek, and in Sydney with Planet Ark.

LOCAL COMMUNITY AND EMPLOYEE FUND

Toyota Australia's local community and employee fund provides grants to each of the three local councils where we have significant operations. These are the City of Port Phillip in Victoria, where Toyota Australia's Port Melbourne headquarters is based, Sutherland Shire in New South Wales, where our Woollooware Bay headquarters is located, and the Hobsons Bay City Council, where our Altona manufacturing plant is located. These community grants support environmental groups, business mentoring programs and training for community organisations.

We also support the Toyota community spirit gallery (TCSG) through the local community and employee fund. This significant program is aimed at building the capacity of the arts and cultural sector in the Hobsons Bay City Council and City of Port Phillip, and supports two exhibitions a year featuring local and emerging artists. In 2014/15 we hosted The Great Mandala, a sculpture exhibition featuring over sixty artists, and madART, an exhibition featuring art and creative practice from Melbourne automotive designers.

In 2014 we celebrated the second year of our employee community grants fund, where employees are recognised and rewarded for their contribution to local community groups. Forty Toyota employees were selected to receive a grant of \$1,000 for their local community group. The fund provides grants for non-profit organisations in the areas of arts and culture, health, disability, sport and recreation, education, valuing cultural diversity, environment and general fundraising appeals.

EMPLOYEE WORKPLACE GIVING FUND

The workplace giving fund is focused on two key areas – disaster relief and the workplace giving program.

In the area of disaster relief, assistance usually involves both a corporate response as well as an employee giving program, where donations from employees are matched by a company contribution.

Toyota Australia also provides a system of workplace giving where employees can donate from their pre-tax salary to charities through the payroll system. The company covers the administration costs of the program so that the employee's entire donation goes directly to the charities they have selected.

SOCIAL DEVELOPMENT FUND

The social development fund focuses on initiatives in the areas of traffic safety, environment and education where we work with national non-for-profit organisations. During the reporting period our most significant partnership was with Road Safety Education Limited which works with secondary school students around road safety information.



HOSPITAL PATIENTS TO BENEFIT FROM TOYOTA EXPERTISE

As part of our engagement with the community, we believe that it is important to share our knowledge and expertise with community partners. We recently identified the health care sector as an area that could benefit from Toyota's expert knowledge in running efficient production lines.

In 2014 Toyota Australia began a partnership with St. Vincent's Hospital Melbourne to streamline the patient experience when they attended hospital to receive chemotherapy. With the large number of steps and clinical decisions involved in the treatment of cancer, patients can wait up to an hour between various tests, results and treatments.

Toyota Australia has previously worked with St. Vincent's Pharmacy department to improve the way the hospital prepares pre-packaged medication for around 1,000 patients every week.

By applying concepts from the Toyota Production System and streamlining the process, Toyota Australia and St. Vincent's aim to reduce the patient's appointment waiting time to 15 minutes, and the time between doctor's consult and commencement of chemotherapy treatment to 30 minutes.

Two Toyota Australia employees spend one day a week at the hospital dedicated to making this project a success.



TOYOTA

Managing Environmental Impacts

Effective environmental management is a crucial issue for all manufacturing based industries, particularly the automotive sector, due to its reliance on key resources and potential to impact its surroundings.

Toyota's approach is to make a positive contribution to the community and minimise our environmental impacts, a philosophy that is reflected in our global vision and principles, the Toyota Earth Charter and statement of environmental responsibility which can all be found on Toyota's global website at www.toyota-global.com.

Our most significant environmental impacts are at our Altona manufacturing site which covers 76 hectares next to Kororoit Creek.

Environmental management and compliance

Toyota Australia has a solid framework for environmental management, which provides a basis for continual improvement and innovation, particularly at our Altona manufacturing plant.

Toyota's global approach to environmental management focuses on three pillars:

- > Compliance
- > Environmental risk minimisation
- > Best practice

Environmental management is also driven by the two key principles of the Toyota Production System (TPS) – 'just in time' and jidoka. The TPS principle of 'just in time' means making only what is needed, when it is needed, and in the amount that is needed, thus eliminating waste, including wasted time and effort. Jidoka refers to 'automation with a human touch' and is based on corrective action – as soon as a problem is identified, production can stop and action taken immediately. Both these principles are applied across all three pillars of environmental management at our manufacturing plant, creating a framework for monitoring, measuring and correcting any imbalance.

Toyota Australia also has a corporate environment committee which monitors overall company performance, as well as a dedicated environmental team on site at the Altona manufacturing plant.

COMPLIANCE

Like most companies, Toyota Australia would rather resolve issues through consultation and cooperation than through additional regulation. Our emphasis on compliance is therefore on prevention, with a key element involving the establishment of good relationships with the communities in which we operate.

While Toyota Australia's environmental plan is guided by Toyota Motor Corporation's global vision and environmental action plan, we also have our own environmental policy and plan which are implemented through the Toyota Australia environmental management system (TEMS).

TEMS is used to manage our environmental risks, ensure legal compliance and promote continuous improvement.

The system is certified to the international environmental management standard ISO 14001 at four key sites:

- > our manufacturing plant and company fleet and vehicle servicing garage at Altona, Victoria
- > corporate headquarters in Port Melbourne, Victoria
- > parts centre in Woollooware Bay, New South Wales
- > corporate office in Woollooware Bay, New South Wales

An external provider conducted a surveillance audit at our Altona, Port Melbourne and Woollooware Bay sites during the reporting period.

Our manufacturing plant in Altona has an accredited environmental licence, issued to Toyota Australia by Victoria's Environmental Protection Authority (EPA) in 2004. The license requires us to meet key criteria across five key areas: general conditions, discharge to air, discharge to water, discharge to land and amenity (odour, noise and waste).

Based on Toyota Australia's classification of environmental risks there were no significant incidents in 2014/15 requiring the EPA to be notified.

We are also compliant with the National Pollutant Inventory (NPI) and National Greenhouse and Energy Reporting Scheme (NGERS). Details of information contained in our NGERS report can be found below and our NPI report can be accessed at www.npi.gov.au. Previously we also responded to the federal government's Energy Efficiency Opportunities (EEO) program and the EPA's Environment and Resource Efficiency Plans program. Whilst both of these programs have now ceased, we continue to implement energy and resource reduction objectives and targets through our five year action plan.

RISK MINIMISATION

Our second key focus area is around risk minimisation, specifically in the areas of chemical control, and ground water and soil contamination.

Toyota Australia's risk mitigation approach reflects the precautionary principles as detailed in the United Nation's Rio Declaration on Environment and Development Principle 15, which states that where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

In terms of chemical control, the Altona plant goes beyond Australian legal requirements to comply with European recycling standards making sure that chemicals used in parts for locally built vehicles meet strict overseas criteria. The Altona site's list of banned chemicals has been developed from European and Japanese environmental protection standards.

Ground water is monitored through 17 wells at our Altona site, with testing undertaken annually. There are extensive controls and monitoring in place for soil and groundwater contamination prevention.

BEST PRACTICE RESOURCE USE

The third pillar of environmental management is centred on resource use with specific references to energy, waste, water and volatile organic compounds (VOCs). Most of our resource consumption occurs at our Altona manufacturing site. We are able to reduce our use of resources through the daily monitoring of equipment, leading to timely identification of issues and quick repair or modifications.

Our response to climate change is best demonstrated under this third pillar. We understand that climate change is an issue of concern and importance to stakeholders and has a particularly high profile. We are able to mitigate against climate change impacts through our identification and management of best practice resource use including reducing water consumption, waste and energy.

Resource use

Our most significant resource use occurs at our Altona manufacturing plant. The following section details our energy (electricity and gas) and water use for the reporting period at the Altona site. This includes resources used in vehicle production and in the Altona site offices but does not include resources used at the parts and accessories, or garage facilities located at Altona.

We also report on resources used per vehicle manufactured. This is based on 88,416 vehicles manufactured at our Altona site from April 2014 to March 2015.



PREMIER'S SUSTAINABILITY AWARD

In October 2014 Toyota Australia was announced the winner of the large business category in the 2014 Victorian Premier's sustainability awards. The Premier's sustainability awards are held annually to recognise the businesses and community groups that have continually demonstrated excellence in achieving sustainability outcomes.

Toyota Australia's nomination was based on the extensive sustainability activities undertaken at our Altona manufacturing plant over the last 12 months. During that period we undertook a number of initiatives including the installation of the 500 kilowatt solar PV which is one of the largest installations in Australia, the installation of a world first biological treatment process in the paint shop leading to a 45 per cent reduction in water waste, the ongoing rejuvenation of the Kororoit Creek plant boundary, as well as numerous other projects undertaken by our employees in keeping with our focus on continuous improvement and maintenance of our environmental management system.

Water

The majority of the water used at our manufacturing plant in Altona is sourced from municipal or city water suppliers. We also collect water in seven rainwater tanks and use it for sanitary facilities, on-site water gardens, in addition to clearing and topping up the sludge pool.

TOTAL PRODUCTION WATER USE – KL

14/15	312,103
13/14	353,784
12/13	377,165
11/12	355,611
10/11	392,163

ELECTRICITY PRODUCTION ELECTRICITY USE – MWH

14/15	80,182
13/14	86,851
12/13	83,188
11/12	82,924
10/11	94,104

NATURAL GAS PRODUCTION GAS USE – GJ

14/15	490,019
13/14	531,252
12/13	534,900
11/12	502,540
10/11	593,880

TOTAL PRODUCTION WATER USE/ VEHICLE MANUFACTURED

14/15	3.5
13/14	3.5
12/13	3.8
11/12	3.8
10/11	3.5

PRODUCTION ELECTRICITY USE – KWH/ VEHICLE

14/15	907
13/14	847
12/13	837
11/12	891
10/11	830

PRODUCTION GAS USE – GJ/ VEHICLE

14/15	5.5
13/14	5.2
12/13	5.4
11/12	5.4
10/11	5.3



ENERGY TREASURE HUNT

In October 2014, 20 manufacturing employees from five shops – press, weld, powertrain, assembly and unit parts – took part in the energy treasure hunt workshop, an initiative aimed at identifying and reducing day-to-day energy wastage at our Altona manufacturing site. Following the introductory training session, the workshop saw participants engaged in three days of on-site observation, before developing and testing strategies for improvement.

The energy treasure hunt is part of a wider energy program aimed at increasing understanding of Toyota's global standard energy management systems, benchmarking global Toyota affiliates on energy performance and efficiency, and identifying strategies to reduce energy consumption.

The main areas of focus were machinery, lighting, compressed air use and heating, ventilation and air conditioning.

The initiative identified a total of 332 opportunities for improvement in electricity usage, with estimated savings of 958 MWh/year, representing an annual cost reduction of \$95,657.

This number differs slightly from the figure of 88,470 reported in the section of this report titled *economic impacts*. 88,416 refers to *line-off* which is the number of cars that have been built and come off the production line. This differs slightly from *final-finish* which is the number of cars that have come off the production line but also includes cars stored in the buffer for testing and checking. Even if a car is *lined off* it may not be ready for delivery to the customer as it many still require fine-tuning before it is customer ready. There are usually close to 60 vehicles in the buffer. Our corporate reports refer to final-finish where as our manufacturing plant uses *line off* to calculate resource use per vehicle.

Electricity, natural gas and water consumption at Altona were all lower than in previous years due to reduced production volumes.

Electricity usage was also lower as a result of the installation of a solar panel system that was commissioned in June 2014. The solar panel system covers approximately 10,000 m² of roof space and consists of 2,000 individual solar panels. From June 2014 to 31 March 2015 it produced 627 MWh of electricity.

Water use was also down as a result of the introduction of new bio treatment technology in the paint shop which has resulted in reduced water consumption.

GREENHOUSE GAS EMISSIONS

Electricity and natural gas used at the Altona manufacturing site are our two main energy sources, and the largest contributors to our greenhouse gas emissions. Due to our high energy use we were previously a liable entity under the carbon pricing mechanism, which ceased on 30 June 2014.



ENVIRONMENT KAIZEN – BRIQUETTE MACHINE REFURBISHMENT

In keeping with Toyota Australia's commitment to the principle of kaizen, or continuous improvement, our briquette machine was identified as an area for potential improvement.

The briquette machine caused excessive waste, producing low returns on aluminium swarf remains and failing to reclaim excess coolant. Swarf and coolant contamination was disposed into a bin and emptied three times a day, contributing unnecessary environmental waste.

The briquette machine kaizen project aimed to restore or replace the original machine to achieve a positive return on aluminium swarf in briquette form, in addition to responsibly recycling excess coolant.

The machine was eventually replaced with a ruff briquette machine which has a smaller environmental impact. The new machine allows coolant to be squeezed from the swarf to form briquettes, to be cleaned and recycled, and reduces the level of aluminium waste.

We now require fewer bin collections, and there has been a reduction in labour of approximately 0.3 hours per shift.

In terms of financial savings, the new machine represents \$607,733 per year, of which \$431,533 is from recycled briquettes and \$150,000 comes from coolant recycling. While the total cost of implementation was about \$200,000, we expect to recover this expense in less than six months.

TOTAL TMCA TCO₂-E

13/14	144,416
12/13	153,270
11/12	147,070*
10/11	164,722*
9/10	170,261*

*Data does not include Sydney City Lexus Waterloo, Sydney City Lexus Darlinghurst, Sydney City Toyota and the Sydney City pre delivery centre. For comparison in 2013/14 combined emissions from these sites were 3,125 tCO₂-e, with all emissions from electricity use.

GAS TCO₂-E

13/14	24,970
12/13	27,866
11/12	26,463
10/11	30,534
9/10	30,858

TRANSPORT TCO₂-E

13/14	4,189
12/13	4,290
11/12	5,237
10/11	6,591
9/10	6,692

ELECTRICITY TCO₂-E

13/14	112,315
12/13	117,238
11/12	112,343
10/11	124,339
9/10	128,132

ENGINE TESTING TCO₂-E

13/14	1,809
12/13	2,118
11/12	2,063
10/11	2,247
9/10	3,676

VOC TCO₂-E

13/14	1,133
12/13	1,740
11/12	963
10/11	1,011
9/10	902

Volatile organic compounds (VOCs) are released in processes using solvents, paints, sealers or hydrocarbon-based chemicals. The largest source of VOCs at Toyota is from paint used in vehicle production at Altona.

While we measure energy use and associated greenhouse gas emissions at the Altona plant for the Toyota financial year (1 April to 31 March) for comparison with other Toyota manufacturing plants and to measure performance against set targets, the greenhouse information contained in this sustainability report is for the period 1 July 2013 to 30 June 2014. This is to ensure consistency with the federal government requirement to report according to the National Greenhouse and Energy Reporting Scheme (NGERS). NGERS reports cover the period 1 July to 30 June with data required to be submitted by 31 October every year.

While the greenhouse information provided in the text of the 2014 sustainability report was correct, there was an error in the labelling of the tables in relation to the year. For example the results for 2012/13 were incorrectly labelled as being for 2013/14.

Petrol is also used to test engines at our Altona manufacturing plant.

WASTE AND RECYCLING

The majority of the company's waste is generated at our manufacturing plant in Altona. The two major waste streams at the plant are general waste and prescribed waste.

We recycle where possible with recycled materials including steel, cardboard, plastic film, solvent, windscreen glass, sand, plastic damaged motor trim, bumper bars, cans and bottles.

Materiality Counts Independent Assurance Report to Toyota Australia

SCOPE OF WORK

Materiality Counts was engaged by Toyota Australia to provide independent Type 2 moderate assurance of its 2015 Sustainability Report (the Report). This assurance report was prepared for Toyota Australia and its stakeholders. The Report covers Toyota Australia's operations from 1 April 2014 to 31 March 2015, unless stated otherwise in the text. This work was performed using Materiality Counts' assurance methodology to AA1000AS (2008), AccountAbility's Assurance Standard. To do this, Materiality Counts interviewed a number of personnel and reviewed relevant information at Toyota Australia's offices in Port Melbourne and the Altona manufacturing plant. Data collation processes were reviewed, including sighting a sample of original records, interrogating spreadsheets and re-performing some calculations. The following subject matter was evaluated against criteria defined in Assurance Principles Standard AA1000APS (2008) and Guidance for AA1000AS (2008) Assurance Providers:

- > Adherence to the AA1000AS (2008) principles of materiality, inclusivity and responsiveness.
- > Reliability of performance information for material issues (ranked high): engaging customers, business transition, workforce engagement, labour relations, compliance obligations and community partnerships. As a result, over the past three years, material issues ranked highly in 2015 have been included in the limited assurance scope.

MATERIALITY COUNTS' INDEPENDENCE

Toyota Australia was responsible for preparing the Report. Materiality Counts was responsible for expressing assurance conclusions in line with the scope of work agreed with Toyota Australia. During the reporting period, Materiality Counts did not work with Toyota Australia on other consulting work. Materiality Counts is an independent consultancy specialising in Sustainability and Integrated Report development and assurance, materiality determination, stakeholder partnerships and strategy development.

OUR CONCLUSION

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, Toyota Australia's 2015 Sustainability Report adheres to the AA1000AS (2008) principles of inclusivity, materiality and responsiveness and reports reliable performance information, based on the limitations outlined above, for 1 April 2014 to 31 March 2015. In addition, Materiality Counts has provided a management report to Toyota Australia.

KEY OBSERVATIONS

Based on the scope of work, and without affecting our assurance conclusion, Materiality Counts makes the following observations:

GOOD PRACTICE:

- > *Materiality principle:* Material issues ranked highly by stakeholders are mapped against the value chain, identifying their applicability within or outside of Toyota Australia.
- > *Inclusivity principle:* There is a focus on employee engagement through engagement and enablement surveys and career development services through the DRIVE Centres.
- > *Responsiveness principle:* Those material issues ranked highly by stakeholders continue to form the basis of the Report, as in 2014.
- > *Performance information:* Data collation on engaging customers and business transition are both comprehensive and accurate. Data owners continue to demonstrate a high level of awareness, responsiveness and openness in sharing information during the assurance process, as in 2014.

AREAS FOR IMPROVEMENT:

- > *Materiality principle:* Include a more representative sample of both internal and external stakeholders for the materiality survey.
- > *Inclusivity principle:* Interview a more representative sample of internal and external stakeholders for the materiality process. The number of interviews decreased this year.
- > *Responsiveness principle:* Achieve a higher stakeholder response rate to the materiality survey. Less than 50% responsiveness was achieved this year.
- > *Performance information:* For transparency, consider reporting the employee engagement and enablement scores against relevant benchmarks. Report what occurred in the reporting period with future statements clearly identified. Include up-to-date references to legislation.

Materiality Counts congratulates Toyota Australia on its continued commitment to sustainability reporting.



Jo Cain, Executive Director, Materiality Counts, 25 August 2015, Melbourne, Australia

Materiality Counts has prepared this statement for Toyota Australia in accordance with the standard practised by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Materiality Counts as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Materiality Counts will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Materiality Counts' express written permission.

INDICATOR	DESCRIPTION	SECTION OF REPORT
General Standard Disclosures		
STRATEGY AND ANALYSIS		
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	<i>President's message</i>
ORGANISATIONAL PROFILE		
G4-3	Report the name of the organisation	<i>About Toyota Australia</i>
G4-4	Report the primary brands, products, and services	<i>About Toyota Australia</i>
G4-5	Report the location of the organisation's headquarters	<i>About Toyota Australia</i>
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	<i>About Toyota Australia</i>
G4-7	Report the nature of ownership and legal form	<i>About Toyota Australia</i>
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	<i>About Toyota Australia</i> <i>Economic impacts</i>
G4-9	Report the scale of the organisation	<i>Our employees</i> <i>Economic impacts</i>
G4-10	Total number of employees	<i>Our employees</i>
G4-11	Report the percentage of total employees covered by collective bargaining agreements	<i>Our employees</i>
G4-12	Describe the organisation's supply chain	<i>Our stakeholders</i> <i>Transitioning to a non-manufacturing future</i>
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	<i>About Toyota Australia</i>
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	<i>Managing environmental impacts</i>
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	<i>Our employees</i> <i>Managing environmental impacts</i>
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	<i>Our stakeholders</i>
MATERIAL ASPECTS AND BOUNDARIES		
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents	<i>Economic impacts</i>

G4-18	Explain the process for defining the report content and the aspect boundaries	About this report
G4-19	List all the material aspects identified in the process for defining report content.	About this report
G4-20	For each material aspect, report the aspect boundary within the organisation	About this report
G4-21	For each material aspect, report the aspect boundary outside the organisation	About this report
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	About this report Managing environmental impacts Our employees
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	About this report

STAKEHOLDER ENGAGEMENT

G4-24	Provide a list of stakeholder groups engaged by the organisation	Our stakeholders
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Our stakeholders
G4-26	Report the organisation's approach to stakeholder engagement.	Our stakeholders
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	Our stakeholders

REPORT PROFILE

G4-28	Reporting period (such as fiscal or calendar year) for information provided	About this report
G4-29	Date of most recent previous report (if any)	About this report
G4-30	Reporting cycle (such as annual, biennial)	About this report
G4-31	Provide the contact point for questions regarding the report or its contents	About this report
G4-32	Report the 'in accordance' option the organisation has chosen	About this report
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report	About this report

GOVERNANCE

G4-34	Governance structure of the organisation including committees of the highest governance body	Strategy and governance
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ETHICS AND INTEGRITY

G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Strategy and governance
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Specific standard disclosures

DISCLOSURES ON MANAGEMENT APPROACH

G4.DMA	Report on why an Aspects is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	
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CATEGORY: ECONOMIC**Aspect: Economic performance**

G4-DMA		<i>Economic impacts</i>
G4-EC1	Direct economic value generated and distributed	<i>Economic impacts (Operating costs, employee wages and payment to providers of capital are not included in the report)</i>
G4- EC4	Financial assistance received from government	<i>Economic impacts</i>

Aspect: Indirect economic impacts

G4-DMA		<i>Transitioning to a non manufacturing future</i>
G4-EC8	Significant indirect economic impacts, including the extent of impacts	<i>Transitioning to a non manufacturing future Partnering with the community</i>

CATEGORY: ENVIRONMENT**Aspect: Energy**

G4-DMA		<i>Managing environmental impacts</i>
G4-EN3	Energy consumed within the organisation	<i>Managing environmental impacts</i>

Aspect: Water

G4-DMA		<i>Managing environmental impacts</i>
G4-EN8	Total water withdrawal by source	<i>Managing environmental impacts</i>

Aspect: Emissions

G4-DMA		<i>Managing environmental impacts</i>
G4-EN15	Direct GHG emissions	<i>Managing environmental impacts</i>

Aspect: Compliance

G4-DMA		<i>Managing environmental impacts</i>
G4-EN29	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with environmental laws and regulations	<i>Managing environmental impacts</i>

CATEGORY: SOCIAL**SUB CATEGORY: LABOR PRACTICES AND DECENT WORK****Aspect: Labor/ management relations**

G4-DMA		<i>Our employees</i>
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective bargaining agreements	<i>Our employees</i>

Aspect: Occupational health and safety

G4-DMA		<i>Our employees</i>
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G4-LA 5	Percentage of total workforce represented in formal joint management-worker health and safety committees	<i>Our employees</i>
G4- LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities, by region and by gender	<i>Our employees</i>
Aspect: Training and education		
G4-DMA		<i>Transitioning to a non manufacturing future Our employees</i>
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing careers endings	<i>Transitioning to a non manufacturing future Our employees</i>
G4-LA11	Percentage of employees receiving regular performance and career development reviews	<i>Our employees</i>
SUB CATEGORY: SOCIETY		
Aspect: Local communities		
G4-DMA		<i>Partnering with the community Transitioning to a non manufacturing future Managing environmental impacts Our employees</i>
G4-S02	Operations with significant actual or potential negative impacts on local communities	<i>Partnering with the community Transitioning to a non manufacturing future Managing environmental impacts Our employees</i>
SUB CATEGORY: PRODUCT RESPONSIBILITY		
Aspect: Customer health and safety		
G4-DMA		<i>Our vehicles – innovation and safety</i>
G4-PR1	Percentage of significant products and service categories for which health and safety impacts are assessed for improvement	<i>Our vehicles – innovation and safety</i>
Aspect: Product and service labelling		
G4-DMA		<i>Transitioning to a non manufacturing future Our stakeholders</i>
G4 - PR5	Results of survey's measuring customer satisfaction	<i>Transitioning to a non manufacturing future (New metrics were established in early 2015 and results will be reported in more detail in future reports.)</i>

Glossary

JAPANESE REFERENCES

Dojo	Training centre
Genchi Genbutsu	Going to the source to find out the facts to make decisions; building a consensus to achieve goals with speed.
Jidoka	“Automation with a human touch”; the productive interaction between human employees and automated manufacturing processes.
Jishuken	Management driven kaizen activity where management members identify areas in need of continuous improvement and spread information through the organization to stimulate kaizen activity.
Kaizen	The continuous improvement of business operations; always driving for innovation and evolution with purpose.

GENERAL REFERENCES IN THE REPORT

tCO₂-e	Tonnes of carbon dioxide equivalent
FCAI	Federal Chamber of Automotive Industries
FOF	Franchise of the Future. Toyota Australia's business transformation strategy aimed at changing the culture and operations of Toyota Australia, Toyota Finance Australia and the dealer network.
Project ONE	Project ONE is Toyota Australia's strategic plan, reflecting our aspiration to share one vision, one culture, one dream, and to ultimately maintain our position as the number one car company.
Project PACE	PArts Centre Evolution. A key element of our transformation strategy aimed at revolutionising our Toyota parts centres to meet Toyota best practice.
TMCA	Toyota Motor Corporation Australia
TMC	Toyota Motor Corporation
Toyota Guiding Principles	The seven Guiding Principles, which were adopted in 1992, define the company's mission, values and behaviours, and underpin Toyota operations around the world.
TPC	Toyota Parts Centre
TPS	Toyota Production System. TPS is a world renowned method of manufacturing that has underpinned Toyota's continued success as an automotive manufacturer in Japan and around the world. TPS methodologies have also been adopted by other industries including health, finance and defence.
The Toyota Way	The Toyota Way was introduced globally in 2001 to articulate the long standing values of the company. It is based on Toyota's seven guiding principles which define the values and behaviours expected from Toyota employees. Central to the Toyota Way are two platforms – continuous improvement and respect for people.



Contact and Feedback

TOYOTA

COPIES OF THE REPORT

The 2015 sustainability report and supporting documentation can be viewed online at toyota.com.au/toyota/sustainability.

FEEDBACK

Please provide us with your feedback so we can continue to improve on our approach to sustainability and reporting. If you have any comments, ideas or questions, please visit toyota.com.au/toyota/sustainability or email sustainability@toyota.com.au to provide feedback.

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