

# TOYOTA SUSTAINABILITY REPORT/2017





## SCOPE OF THIS REPORT

This is Toyota Motor Corporation Australia Limited's (Toyota Australia or TMCA) eleventh sustainability report. It details our performance for the 12 months from 1 April 2016 to 31 March 2017, corresponding with the Japanese financial year.

It covers the activities and performance of Toyota Australia, as detailed in the section of this report titled 'About Toyota Australia'. Lexus Australia is a division of Toyota Australia.

The operations of our dealerships are not covered in the report, nor are the operations of Toyota Financial Services Australia or Toyota Technical Centre Australia (which closed in June 2016).

There were no significant changes to our size, structure, ownership or supply chain during the reporting period. Senior management changes at Toyota Australia and Lexus Australia are detailed on *page 14* of this report.

We have restated annual community contributions from the 2015/16 report. There are no other restatements.

We released our previous sustainability report in November 2016, for the period 1 April 2015 to 31 March 2016. Copies of previous reports are available on our website and questions can be directed to [sustainability@toyota.com.au](mailto:sustainability@toyota.com.au).



TOYOTA

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2017 marks a critically important year for Toyota Australia – it will be our last year of automotive manufacturing.

This year is the culmination of four years of company-wide transition as we prepare to become a sales and distribution organisation.

Throughout this process, our aim has always been to provide support to all our employees – whether they are transitioning to new roles, continuing their existing roles or training and preparing for new careers and prospects outside of Toyota Australia.

Although this year will undoubtedly be an emotional one for all our employees, I cannot help but feel incredibly buoyed by our achievements.

For the 14th consecutive year we finished 2016 as the top selling automotive company in Australia, with HiLux and Corolla taking out the number one and two sales positions, respectively. Lexus also hit a new record, selling more vehicles in 2016 than ever before.

In addition to this, we achieved all our local manufacturing targets, including production, shipping quality and safety measures. We also posted a solid after-tax profit on the back of our excellent 2016 sales results.

I cannot express enough how proud I am of what our employees have contributed across all areas of our company. Despite the closure of our manufacturing operations, the achievements of our employees will ensure that Toyota Australia continues to hold an incredibly strong position in the Australian market.

As we look towards our future as a sales and distribution organisation, our operations and guest offerings will continue to evolve.

In February 2017, we launched our game-changing C-HR SUV. This vehicle is our first foray into the sub-compact SUV market, ensuring we appeal to a new demographic in Australia. It is also the first SUV in Australia to feature the Toyota New Generation Architecture.

In March 2017, we introduced our new Future Direction to our senior leaders. This longer-term vision will help guide future business decisions for the company.

The final months of 2017 will understandably be bittersweet, but I am confident that by the end of the year the new team will be in place and ready to take the company to new levels of success, while those leaving the company will leave their own, very personal and proud legacy.

**Dave Buttner**  
President







## About Toyota Australia

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

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

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

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

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



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

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

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

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

## Our commitment to sustainability

### Global commitment

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

The principles are to:

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

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

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

### Australian commitment

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

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

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

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



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

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

## Our approach to sustainability reporting

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

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

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



## Key sustainability issues

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

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

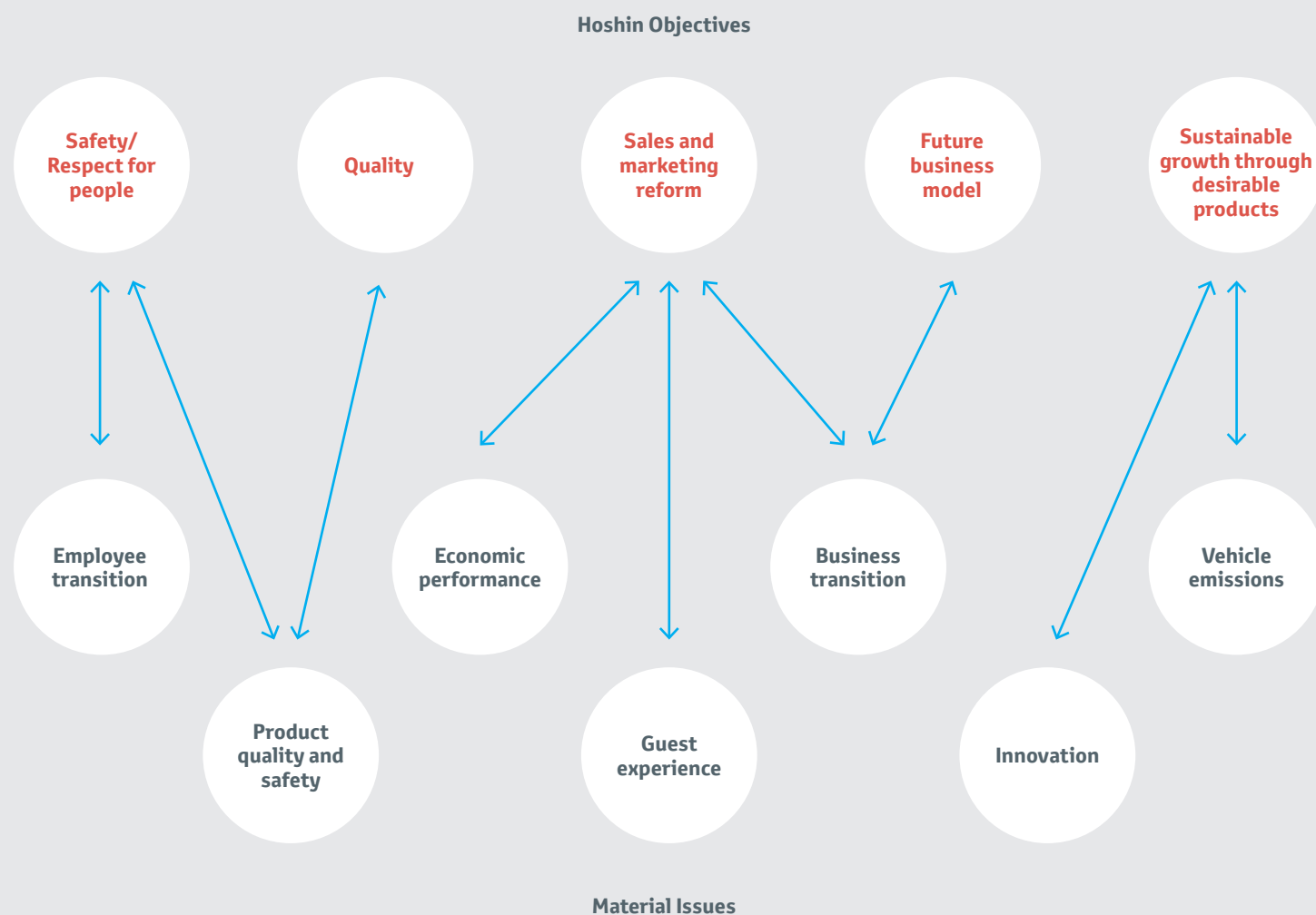
Issues are identified through desktop research and stakeholder engagement. In 2016/17, internal inputs included Toyota Australia's risk register, policies and procedures, the Corporate Hoshin, the President's Address and employee publications. External inputs included peer benchmarking, media reviews,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

## Corporate Hoshin

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

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

## Linking Corporate Hoshin priorities with Toyota Australia's material issues





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

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

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

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

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

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

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

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

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

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

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

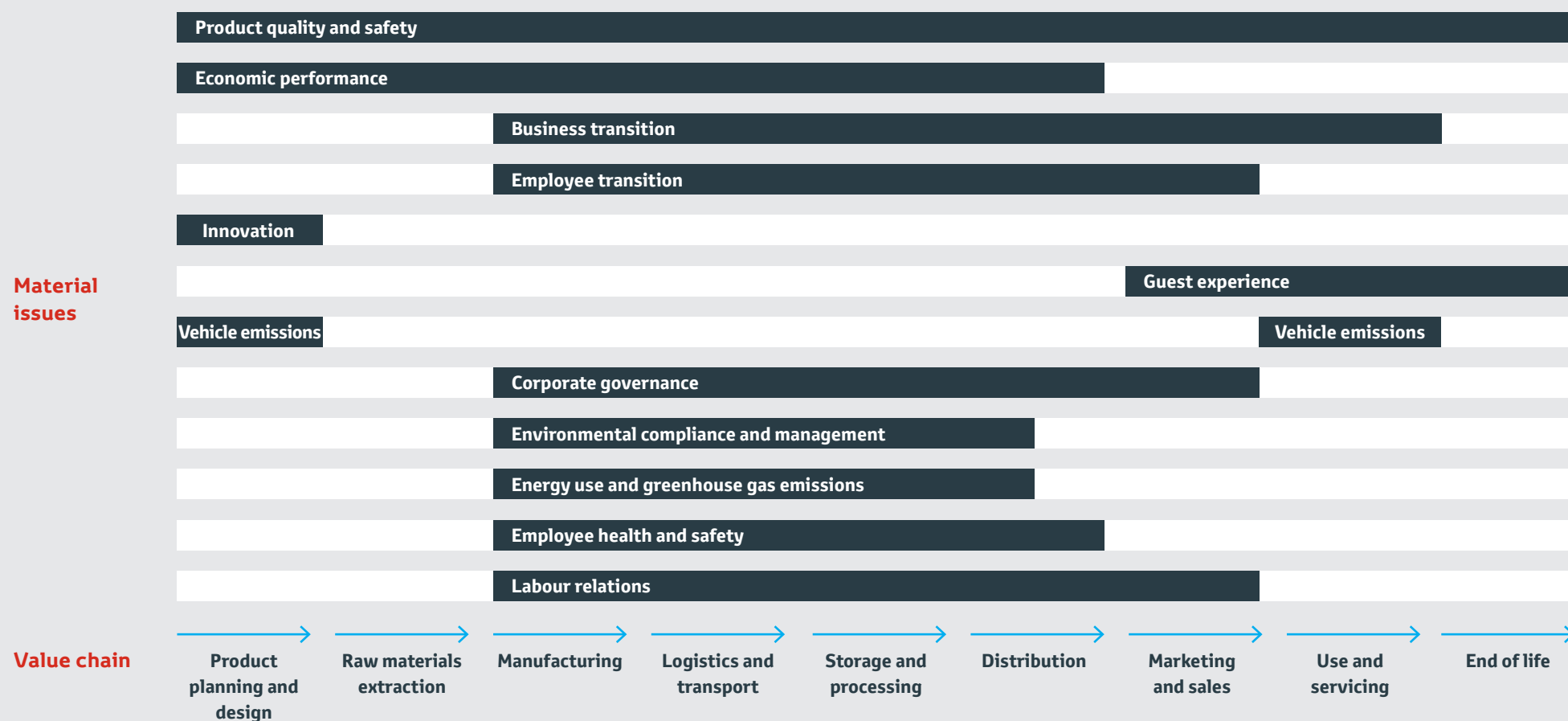
Our 2016/17 assessment also identified several emerging issues. These were driven predominantly by external stakeholder interest, and reflect changing consumer behaviour and priorities. Examples include the increased use of data analytics in sales and marketing; changing consumer behaviour, notably changing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

## Our material issues and issue boundaries

		Materiality to Toyota Australia (Change from previous year)	Toyota Motor Corporation	Guests	Dealers	Suppliers	Community	Government
Issue	Definition							
Issue boundaries								
Product quality and safety	Commitment to product quality, manufacturing excellence and safety of vehicles including new safety initiatives and managing counterfeit parts. Effective management of any product recalls	↑	●	●	●	●	●	●
Innovation	New technologies and innovations around hybrid, fuel cell and electric vehicles, and other environmental innovations relating to vehicles and R&D into automated vehicles and connected car technology	↑	●	●	●			●
Vehicle emissions	Meeting tailpipe CO <sub>2</sub> and NOx emission limits and responding to public sentiment and any regulatory changes	↓	●	●	●		●	●
Economic performance	Achieving financial targets and identifying and maintaining market share	↔	●		●	●		
Business transition	New business structure, the exit strategy and transition from manufacturing to sales and distribution	↔	●		●	●		●
Employee transition	Preparing employees for transition to new jobs, both internally in sales and marketing and also upskilling through the DRIVE program	New	●					●
Guest experience	Guest-focused organisation, improving the end to end experience of the guest	↔	●	●	●			



## Defining the value chain material issues



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

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

## Engaging with stakeholders on sustainability issues

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



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

## TOYOTA MOTOR CORPORATION

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

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

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

## EMPLOYEES

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

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

## GUESTS

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

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

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



## DEALERS

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

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

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

## SUPPLIERS

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

## COMMUNITY GROUPS

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

## GOVERNMENT

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

## INDUSTRY ASSOCIATIONS AND MEMBERSHIPS

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



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

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

## FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES

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







## Board of directors and board committees

Toyota Australia is underpinned by well-established corporate governance systems. Overall responsibility for corporate governance lies with the Toyota Australia Board of Directors, which oversees the company's day-to-day operations as well as its long-term strategy.

The Toyota Code of Ethics and Standards of Behaviour (outlined in Toyota Australia's Workplace Agreements) guide our understanding, promotion and practice of ethical business standards. Our established risk management framework helps us to understand the risks facing our business and plan accordingly. We take bribery and fraud very seriously and have robust controls in place to manage these.

During the reporting period, Max Yasuda continued his role as Chairman of Toyota Australia, a position he has held since 2007. David Buttner continued in his role as President of Toyota Australia.

One new director was appointed during the reporting period, with Matthew Callachor taking up the role of Vice President from 1 June 2016.

Three directors resigned during the reporting period. Max Gillard resigned as associate director on 8 September 2016. Shinya Kotera and his alternate Takuo Muto resigned on 31 March 2017.

Outside the reporting period, Yoichi Miyazaki was appointed as a director from 1 April 2017. Takuo Muto was appointed as alternate director for Yoichi Miyazaki on 1 April 2017.

The two non-resident directors have alternates to represent them when required.

The Board of Directors met 12 times during the reporting period.

### Toyota Australia board of directors as at 31 March 2017

Directors	Appointment
Masahide Yasuda	1 June 2007
David Causebrook Buttner	1 May 2002
Christopher Paul Harrod	1 January 2010
Anthony Lenard Wilson Cramb	1 January 2013
Michael Rausa	1 January 2013
Naoki Fujioka	1 January 2015
Tetsuo Mori	1 January 2016
Alistair Grant Davis (non-resident director)	1 July 2010
Hiroyoshi Ninoyu (non-resident director)	1 May 2015
Matthew John Callachor	1 June 2016
Alternate directors	
David Causebrook Buttner (alternate director for Alistair Davis)	1 May 2014
Kunihiko Wataishi (alternate director for Hiroyoshi Ninoyu)	1 May 2015

The Board of Toyota Australia has established board committees to assist it in discharging its responsibilities and to allow for detailed consideration of complex issues. There are three board committees:

> Corporate Compliance Committee

> Human Resources Committee

> Toyota Product Committee.

These 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 management

In May 2016, Matt Callachor was appointed to the board as Vice President, effective 1 June 2016. Mr Callachor has been with Toyota for almost 35 years, and brings a wealth of experience to the role. Prior to his appointment, Mr Callachor was General Manager, Planning at Lexus International in Japan, and held the role of Executive Director of Sales and Marketing for Toyota Australia from January 2010 to May 2013.

In his new role, Mr Callachor is responsible for overseeing Toyota Australia's non-

manufacturing operations, including Sales and Marketing, Product Planning and Development, Corporate Services and Finance. He reports to President Dave Buttner.

### Looking forward

On 31 March 2017, Toyota Australia announced that a new executive team will lead the company as it embarks on its new chapter as a sales, marketing and distribution company. We recognised the need to adopt a lean and efficient leadership structure to better suit the new operating environment.

Matt Callachor has been appointed President and CEO, and will be taking over from Dave Buttner. He will be supported by three Vice Presidents that will replace the current Director positions. These are Mike Rausa, Vice President of Product and Support; Sean Hanley, Vice President of National Operations; and Evan Tsirogiannis, Vice President of Regional Operations. These appointments are effective from 1 January 2018 to allow for a smooth handover period to support the company's transition.

### Compliance

Toyota Australia is subject to legislative and regulatory controls covering issues such as product safety and advertising standards, employee health and safety and environmental impacts. Compliance with health and safety and environmental impacts are detailed on [pages 36](#) and [50](#) respectively.

We aim to comply with all relevant laws and voluntary codes to which we are a signatory.

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

### External codes and charters

In addition to our internal policies, codes and guidelines, we also recognise that charters and principles developed by external parties add value to our business and we strive to comply with these also. These include:

- > Occupational Health and Safety (OHS) National Audit Tool for OHS Management Systems
- > ISO 18001
- > Self-Insurance (VIC only)
- > Environmental Management System ISO 14001
- > The Global Reporting Initiative G4 Sustainability Reporting Guidelines
- > FCAI Voluntary Code of Practice for Motor Vehicle Advertising
- > FCAI Voluntary Code of Practice for Recalls
- > FCAI Voluntary Code of Practice for Access to Service and Repair Information for Motor Vehicles





## Vehicle innovation

Toyota is continuously innovating to develop vehicles that meet the needs of the market both now and into the future. Our research focuses on vehicles powered by a range of alternative fuels and vehicles with the potential for automated driving. Meanwhile we continue to work towards vehicles that are safe for everyone, and that maintain the standards of quality, durability and reliability that people expect from the Toyota brand.

Globally, Toyota is actively engaged in creating environmentally friendly, safe and intelligent vehicles that will enable mobility into the future.

As society moves away from fossil fuels, there are a number of alternative vehicle drivetrains being developed. Toyota is responding to this by investing in innovation across a range of vehicles including hybrid, electric and fuel cell.

At the same time, there is increasing interest in automated vehicles. Since the 1990s, Toyota has been engaged in research and development of automated driving technology, with the aims of eliminating traffic casualties and delivering freedom of mobility for everybody, including senior citizens and other people who require extra support. Our approach seeks to build a relationship between humans and cars where the fun of driving is combined with convenient and safe automated driving.

Our vehicle innovations also maintain a focus on core fundamentals such as safety, quality, durability and reliability.

These developments sit within a broader re-imagining of integrated, intelligent transport systems that will enable sustainable mobility into the future. In Australia, Toyota is contributing to the conversation with regulators and industry bodies helping to shape this future.



**The Toyota Concept-i**, launched in 2017 as a concept vehicle, leverages the power of artificial intelligence to anticipate people's needs, with a focus on building an immersive user experience. The vehicle learns with the driver to build a meaningful and human relationship. It offers a choice of automated or manual driving, seamlessly monitoring both road conditions and driver attention to help navigate dangerous driving conditions. The vehicle's interface uses light, sound and touch to communicate critical information with the driver and passengers when and where it is needed.





We were extremely excited to welcome three **Mirai fuel cell** vehicles to Australia in July 2016 for local trials and stakeholder engagement. Fuel cell vehicles are fuelled by hydrogen, an energy source that can be produced from both renewable and non-renewable sources. The motor is powered by electricity generated from a chemical reaction within a fuel cell between hydrogen and oxygen from the air, which leaves only water as a by-product. The vehicles offer comparable performance to fossil fuel-powered vehicles, but are quiet, can be refuelled in a few minutes, only emit water and produce no greenhouse gas emissions or other pollutants.

The three Mirai vehicles have been on display at various events, including the opening of the Centre for Hybrid Energy Systems at the Commonwealth Scientific and Industrial Research Organisation (CSIRO), the 2017 Macedon Ranges Sustainable Living Festival, and the 23rd Intelligent Transport Systems World Congress. Since Australia does not currently have the infrastructure to support fuel cell vehicles, these demonstration vehicles are supported by their own portable hydrogen refuelling station.

## Vehicle quality and safety

Vehicle quality and safety are of the highest importance to Toyota and our stakeholders. Our goal is to have vehicles that are safe for everyone, and we constantly look for ways to prevent accidents and to minimise damage in the event of an accident.

Our research and development focuses on understanding the most common causes of accidents and creating technologies to prevent or mitigate those accidents. By learning from actual accidents we continually raise vehicle safety standards. Extensive detail is provided on the Toyota global website at [www.toyota-global.com](http://www.toyota-global.com).

In Australia, automotive safety is measured by the Australasian New Car Assessment Program's (ANCAP) rating system. ANCAP is a subsidiary of the global New Car Assessment Program and has corresponding bodies across the world which implement its crash-testing program. Seven Toyota vehicles were tested during the reporting period, including the new sub-compact SUV, the C-HR. All achieved the maximum five stars, in line with our commitment to vehicle safety.

The ANCAP standard will be transitioning to align with European requirements by 2018. Toyota Australia is working closely with ANCAP to understand, and be ready to meet, the new test protocols.

Toyota Australia works with a range of stakeholders in Australia including the FCAI's technical committee (via fortnightly telephone meetings), the Department of Infrastructure and Regional Development (DIRD), and various state departments of transport, to ensure that all Toyota products comply with Australian Government safety requirements.

Information about Toyota and Lexus vehicles sold in Australia, including specifications and safety features, can be found on our website at [www.toyota.com.au](http://www.toyota.com.au) or [www.lexus.com.au](http://www.lexus.com.au).

Our guests want to know that their vehicles will be reliable as well as safe. In the 2016 Annual Auto Reliability Survey conducted by Consumer Reports, Lexus and Toyota retained the top two ranks for auto reliability, based on over 500,000 consumer surveys.

For those vehicles that we manufacture in Australia, we remain committed to producing vehicles of the highest quality and will continue to until the final day of production, so that our 'last car = best global car'.

## Recalls

When safety recalls are required, we follow the FCAI's code of practice. This comprehensive process includes dealer notifications, press advertisements, letters to impacted customers and government notification. We also publish recall information on our website.



During 2016/17, Toyota and Lexus vehicles were involved in 20 recall campaigns due to potentially faulty parts. In August 2016, nearly 15,000 Toyota 86 vehicles were recalled due to a potential loss in power steering assist, and in November, 12,000 HiAce vehicles were recalled due to automatic transmission operation. Repairs were offered free of charge to guests. Recalls resulting from faulty airbags produced by manufacturer Takata, continued to be a major issue in 2016/17 with Toyota Australia recalling an additional 119,000 Toyota Corolla, Yaris and Rukus vehicles in March 2017, the majority of which were Corollas.

Information on all Australian product recalls, by category and brands, can be found on the Australian Competition and Consumer Commission's recall site: [www.recalls.gov.au](http://www.recalls.gov.au).

### Counterfeit parts

Counterfeit parts are a significant issue in Australia, and can pose safety risks for our guests. In January 2017, over 500,000 counterfeit car parts bearing the logos of 15 car manufacturers including Toyota, were seized following a raid in the United Arab Emirates. Many of the parts were likely destined for Australia.

These counterfeit parts can be so close in appearance to the genuine parts that even professionals can have difficulty telling

them apart. However, they have not been tested by Toyota and may not meet our rigorous quality and safety standards. Toyota Australia's National Parts and Accessories division works to educate a range of different inspection agencies around the country on what to look for in detecting counterfeit Toyota parts and accessories at our borders.

The FCAI website, [www.genuineisbest.com.au](http://www.genuineisbest.com.au), provides information for consumers and encourages the purchase of parts from authorised genuine part dealers only.

### Vehicle emissions

We recognise that emissions from our vehicles contribute to climate change and air pollution, and that this is important to our customers and other stakeholders. Tailpipe emissions include hydrocarbons, particulate matter, carbon monoxide and nitrous oxides.

All of our vehicles meet or exceed the Australian Standard ADR 79/04 Emission Control for Light Vehicles. This standard, which requires manufacturers to comply with the European Union's Euro 5 Standard, has applied to all new models less than 3.5 tonnes since 1 November 2013 and to all models since 1 November 2016.

In Australia, we work actively with government and industry regarding standards and policy in the local context. During the reporting period, Toyota Australia was an active participant in the Australian Government's Ministerial Forum on Vehicle Emissions. Toyota Australia is committed to working with the government to introduce a mandatory emissions standard to deliver policy certainty to both consumers and industry.

We are also active in advocating the need for relevant infrastructure and complementary measures to encourage the uptake of low emission vehicle technology, consistent with international approaches.

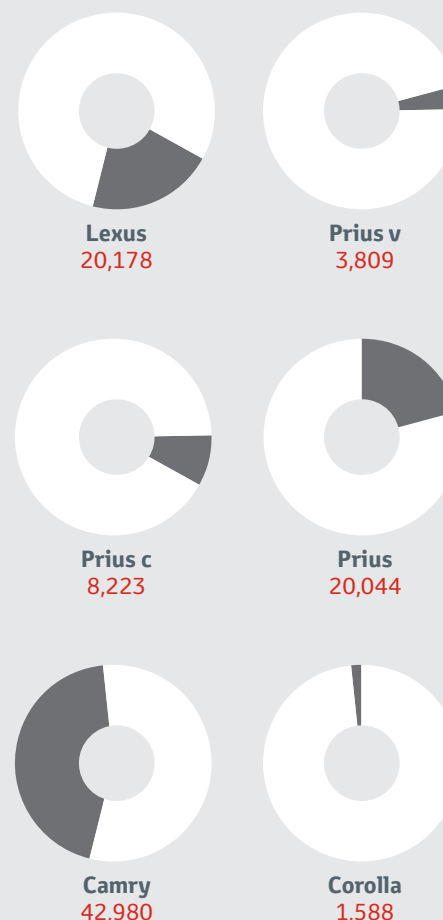
Globally, Toyota continues to innovate to reduce CO<sub>2</sub> emissions through improved vehicle fuel efficiency and the development of hybrid, electric, plug-in and fuel cell vehicles. Our commitment, as detailed in Toyota's Global Environment Challenge 2050 on [page 39](#), is to reduce vehicle CO<sub>2</sub> emissions by 90 per cent by 2050, in comparison with 2010 levels.

In 2017 Toyota sold its ten millionth hybrid car globally, including 96,822 Toyota and Lexus hybrid vehicles sold in Australia to date (as at 1 April 2017). The vehicles have each saved their owners substantial petrol use and together have averted millions of tonnes of CO<sub>2</sub> emissions.

### Cumulative hybrid sales in Australia

96,822

Total





## OUR BUSINESS PERFORMANCE/05





## Financial performance

At Toyota Australia, we recognise that our future success is dependent upon not only maintaining our market share, but ensuring a smooth transition towards a sales and distribution business. We are mindful of our wider economic impacts through community support programs, suppliers, capital and the payment of taxes.

Achieving financial targets is important for both Toyota Australia and our stakeholders. Toyota Australia posted an after tax profit of \$99 million in the 2016/17 financial year, a decrease of \$137 million on the previous period.

Increased costs attributable to the decision to stop manufacturing and consolidate corporate operations contributed to the decrease. Restructuring costs of \$131 million were incurred in 2016/17, an increase on \$81 million in 2015/16. Profits were also adversely affected by unfavourable foreign exchange rates in our key export markets compared with the previous year.

Sales across both Toyota and Lexus remained strong, with 209,995 vehicles sold locally (compared with 209,252 in 2016) and a further 55,445 vehicles exported (compared with 64,605 in 2016). Net sales fell slightly to \$8.7 billion, primarily due to reduced export revenue.



### Profit and sales

	Net profit after tax (\$ million)	Net sales (\$ billion)
<b>2016/17</b>	\$99	\$8.7
<b>2015/16</b>	\$236	\$8.8
<b>2014/15</b>	\$194	\$8.2
<b>2013/14</b>	-\$437	\$8.4
<b>2012/13</b>	\$144	\$8.9



## Market share

Maintaining and growing our market share throughout the transition away from manufacturing is key to our success. Our focus on delivering exceptional guest experience is manifested through our Franchise of the Future (FOF) strategy, underpinned by our Dealers of the Future. More information on FOF and our dealers can be found on [pages 39 and 40](#) respectively.

According to the Federal Chamber of Automotive Industries (FCAI), the 2016 calendar year was another record year for new car sales in Australia, with 1,178,133 new passenger cars, SUVs and commercial vehicles sold. This represents an increase of 2% on the 2015 record. Toyota maintained its position as the country's top-selling brand for the fourteenth consecutive year, capturing 17.8% of the market, and continued to be the best-selling brand in every state and territory.

For the first time in Australian automotive history, the top-selling vehicle in the 2016 calendar year was a commercial rather than passenger vehicle. The HiLux was named Australia's best-selling car, closely followed by the Corolla. The Camry continues to be Australia's best-selling mid-size car, a position it has held since 1994 with a market share of over 50% in the mid-size car segment.

Lexus continued to achieve record sales in 2016/17, selling over 9,000 vehicles for the first time ever. This record of 9,067 vehicles represents a small increase on the previous year.

## Vehicles manufactured

Toyota's Altona plant in Victoria manufactures the Camry, Camry Hybrid and Aurion vehicles. During 2016/17 our production levels decreased, with 87,466 vehicles manufactured at our Altona plant, compared with 95,204 vehicles in 2015/16. This was primarily due to reduced demand from countries in the Gulf Cooperation Council (GCC). Since mid-2015, GCC members have taken austerity measures in response to low oil prices.

### Number of Toyota and Lexus vehicles sold in Australia

2016 / 17	209,995
2015 / 16	216,270
2014 / 15	207,484
2013 / 14	219,045
2012 / 13	230,475

### Number of vehicles manufactured at Altona

2016 / 17	87,466
2015 / 16	95,204
2014 / 15	88,470
2013 / 14	102,590
2012 / 13	99,441

## Vehicles exported

The GCC, New Zealand, Thailand and South Pacific Islands are our primary export markets for the Camry, Camry Hybrid and Aurion vehicles manufactured in our Altona plant. During 2016/17, we exported 55,445 vehicles, compared with 64,605 vehicles last year. Our export vehicles account for approximately 70% of the total production volume at Altona.

The 'Big Minor Change' Camry – the last Camry to be built at the Altona plant – was awarded the Middle East Car of the Year award in the mid-size sedan category. The award ceremony was held in conjunction with the Abu Dhabi Motor Show, with awards presented by members of the Abu Dhabi Royal Family.

### Number of vehicles exported from Altona



2016 / 17	55,445
2015 / 16	64,605
2014 / 15	64,381
2013 / 14	67,056
2012 / 13	69,676

## Government funding

Toyota Australia continues to engage with government at all levels through our dedicated government affairs team. Toyota Australia received \$40.35 million in government funding in the 2016/17 reporting period.

Toyota Australia does not provide political contributions.

## Luxury car tax

In July 2016, Toyota Australia announced it would again pass on to guests the full benefits of a higher luxury car tax threshold. The move reflects and continues the similar position held by Toyota Australia in 2015.

Toyota Australia continues to oppose this tax, which affects thousands of new car owners. Since the tax applies only to vehicles and not to other high-end goods, we believe it is an unfair impost on motorists and the automotive industry.



## BUSINESS TRANSFORMATION/06





Since the announcement in 2014 that vehicle manufacturing operations would cease at our Altona plant, and sales and marketing functions would be consolidated to Melbourne, the focus has been on ensuring a respectful and smooth transition. The changes will have impacts on our staff, our suppliers and local communities. We have been working steadily over the past two years to put in place initiatives that support those affected through these changes, as well as planning for the future.

Our employees are the group most affected by these changes. We expect our workforce to decrease from over 4,000 staff to approximately 1,300 in 2017, with the majority of those affected in the Manufacturing and Purchasing operating arm. Our DRIVE program was established to support affected employees by offering one-to-one counselling, job centres and retraining. For more information on how we are supporting our employees through the transition, including DRIVE, please [see page 31](#).

During 2016/17 we have continued to implement Project ONE, our business transition program, as well as Project PACE and Franchise of the Future initiatives.

## Project ONE

Project ONE was established in 2014 to manage the company's transition and to achieve a smooth and orderly transition. 2017 marks the fourth year of Project ONE, with milestones achieved in the following focus areas:

**Selection and transition** – Internal selection for roles in the new structure has been concluded with the majority of roles filled. Manufacturing employees have been offered the opportunity to be part of the 2018 selection pool. Individual and divisional transition plans have been developed and implementation commenced.

**PROJECT  
ONE**

**Knowledge capture** – More than 1,200 sales and marketing processes have been documented and validated to ensure that tangible knowledge has been captured. Intangible knowledge, such as relationship-building, has been captured through “double teams” for up to three years, since the company's transition began. Achievement of this capture of tangible and intangible knowledge was important prior to consolidation of sales and marketing operations to secure business continuity and ensure smooth and orderly transition.

**Property** – The location of the new Sydney Toyota Parts Centre has been confirmed, and construction will begin by the end of 2017. The Eastern Regional Office will relocate to Mascot with Toyota Financial Services. The design process is underway for the Altona Centre of Excellence.

**Workstyle** – The Workstyle project team has continued the development of a number of initiatives designed to support a new way of working. These initiatives focus on technology solutions, HR policies, and developing work spaces for the future.



## Toyota Australia's Future Direction

Toyota Australia has a rich history in this country, manufacturing vehicles for more than fifty years. But as our manufacturing operations draw to a close and we commence our transition towards becoming a sales and distribution business, it is imperative we are able to respond to the rapid changes in the automotive industry.

To tackle this challenge, the '2025 Working Group' was formed in August 2016. Led by Vice-President Matt Callachor, this group comprised Toyota Australia senior management as well as representatives from Toyota Australia's finance and insurance arm, Toyota Finance Australia. This cross-business representation allowed for diverse perspectives and knowledge bases. Together, Working Group members collaborated to establish a 2025 direction for Toyota Australia.

To help realise direction for the future, our company will need to leverage its existing strengths in order to remain competitive in the unique Australian automotive market. From our guest-focused mindset and extensive model range to our strong brand reputation and extensive dealer network, Toyota Australia is well placed to remain an indispensable company in this country.

## Project PACE

Project PACE, which stands for Parts Centre Evolution, was launched in February 2015 to improve the competitiveness of Toyota's parts warehouses. Challenges for our parts and distribution business include the rise of cheap, non-genuine imports, parallel parts (parts not intended for the Australian market), reduced market growth and a decline in market share as a result of increased competition. Project PACE is focused on achieving significant improvements in safety, quality, lead time and productivity, aligning with global performance benchmarks set by Toyota.

Year two of Project PACE saw significant progress made, with some Toyota Parts Centres (TPCs) achieving their year two and even year three targets ahead of schedule. Our TPCs continue to work to ensure that the right part is in the right place, at the right time.



### Collecting and documenting our manufacturing history

As well as looking forward to the future, it is important to reflect on our past achievements and ensure that our manufacturing legacy is preserved. The Toyota Australia Heritage Project has to date collected and catalogued over 1,000 Toyota artefacts, ranging from concept vehicles to past marketing campaigns and soft toy mascots.

One such item is the TG Man suit. TG Man – Toyota Australia's very own superhero – was central to the brand's sales and marketing campaigns from 1996 to 2006. TG Man's mission was to educate Toyota owners on the importance of using Toyota Genuine parts. The TG Man suit was loaned to dealers for marketing events, and he even had his own anthem which was played when he made a promotional appearance.

## Toyota Technical Centre Australia

The Toyota Technical Centre Australia (TTC-Au), a research and development centre based in Notting Hill, Melbourne, was established by Toyota in 2003. As a result of our decision to cease local vehicle manufacturing operations in Australia, TTC-Au closed its operations in June 2016.

While the majority of TTC-Au functions have ceased, three functions have been transferred to Toyota Australia:

- > multimedia development will join the Product Development division
- > customer quality engineering will join the National Service division
- > vehicle evaluation will join the Product Development division.

We were pleased to welcome a number of new employees as a result of this transition.

## Our suppliers

Our automotive suppliers play a critical role in providing parts to support vehicle production. We recognise that they will be affected by the decision to cease manufacturing at our Altona site, and we are committed to helping them identify future opportunities for diversification to other industries to maintain viability.

Toyota Australia categorises its supply chain into three main groups:

- > indirect purchasing: 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: Locally procured components and raw materials required for the manufacture of locally built vehicles
- > service parts and accessories: Locally procured service parts and accessories to support aftermarket sales.

No new suppliers were added during the reporting period.

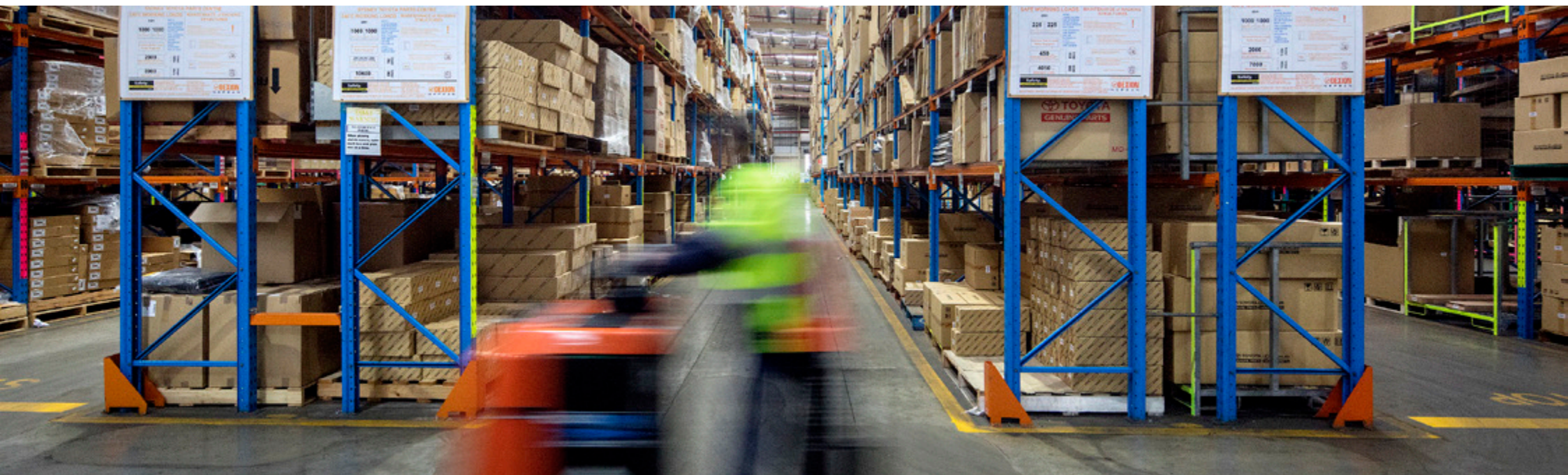
### Value of buy (\$ billion)

	Indirect purchase	Direct purchase	Service parts and accessories
<b>2016/17</b>	0.9	0.9	0.3
<b>2015/16</b>	0.8	1.3	0.3
<b>2014/15</b>	0.8	0.9	0.3
<b>2013/14</b>	1.3	0.9	0.2
<b>2012/13</b>	1.2	1.0	0.3

### Number of suppliers

	Indirect purchase	Direct purchase	Service parts and accessories
<b>2016/17</b>	1513	49	100
<b>2015/16</b>	1483	53	109
<b>2014/15</b>	1527	59	119
<b>2013/14</b>	1464	62	98
<b>2012/13</b>	1299	67	101





## Supplier support

Toyota Australia has set up a \$15 million five-year Supplier Productivity and Capability Program to assist automotive suppliers with the transition towards other industries. The federal government contributed \$5 million to this program, which was announced in 2013. Over 50 companies participate in the program to different degrees.

The funding supports a team of some 20 experts in the Toyota Production System, which focuses on continuous improvement, or kaizen. The team works closely with suppliers, coaching them on safety, quality, productivity and environment, and human resource development, which in turn has positive impacts on their costs. During the reporting period Toyota Australia additionally held twelve training events and three forums for suppliers. The forums

facilitated connections at senior levels among suppliers and with other industries such as defence, mining and medical. Toyota Australia's aim is to develop a self-sustaining, independent, and driven network of Australian automotive suppliers who frequently communicate and collaborate.

Open and transparent communication is vital to ensure a smooth transition and minimum interruptions during the final

months of production. In February 2017, a supplier forum was held where our President, Dave Buttner, thanked delegates for their ongoing support to Toyota Australia and their efforts towards the 'last car = best global car' commitment. It was announced that the final day of production would be 3 October 2017 and a detailed production timeline was given, allowing suppliers to plan their own operations accordingly.



OUR EMPLOYEES/07





## Overview of workforce

### Our employees

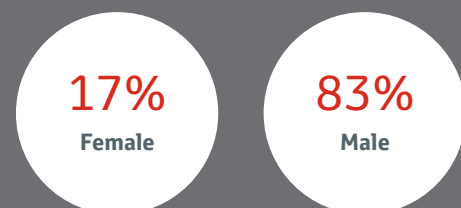


### Permanent/ fixed-term/ contract (FTE)\*



**\*Note** these figures do not include 133 (FTE) employees who are on leave of longer than eight weeks, apprentices, tour guides, expatriates and inpatriates.

### Gender (percentage of actual headcount not including contractors)



### Employees by location (FTE not including contractors)



**Headcount:** The headcount covers all Toyota Australia employees including full-time employees, part-time employees, employees on fixed-term contracts, and casual and temporary employees. It also includes employees on leave of more than eight weeks, apprentices, casual tour guides, expatriates (Toyota Australia employees who are working overseas at affiliate Toyota locations), inpatriates (employees from Toyota affiliates working at our locations) and TMC subsidised employees.

Full-time equivalent (FTE): Part-time and casual employees are counted according to the proportion of full-time hours they work. For example, if an employee works four days a week they are considered 0.8 FTE.



## Employee transition

Our aim is to make our transition to a sales and marketing business as smooth and respectful as possible for our people. We are working to maintain the engagement and motivation of all our employees, and continue to focus on safety with a goal of zero harm for employees and stakeholders.

In January 2017, we announced that our last day of vehicle production will be Tuesday 3 October 2017. The relocation of our sales and marketing operations from Sydney to Melbourne will also be complete by the start of 2018. Since we first made the decision to stop manufacturing in Australia, we have been committed to a respectful and smooth transition for all of our employees. This year will be an emotional time for our employees, and difficult for some, but we have made every effort to maintain momentum internally by focusing on our theme of 'last car = best global car', and to make sure those employees who are leaving us feel confident and well prepared for their future.

We would like Toyota Australia employees who are leaving us to be the first choice for future employers. Towards that end, while they remain with Toyota, we are acting to challenge and support those employees to be flexible, exercise personal responsibility, develop the skills to deal with potential future redundancies, and build a realistic view of life outside Toyota.

### DRIVE

To support our departing employees across the business with comprehensive career development, we established DRIVE.

The DRIVE program provides employees with information, resources, and access to training and further education. It also provides job-seeking and preparation support for employment post-October 2017, as well as information for employees considering starting a small business or considering retirement.

We have DRIVE Centres at Altona and Port Melbourne in Victoria, and Woollooware Bay in New South Wales. Case Management Consultants at the DRIVE Centres are available to meet with employees on a one-on-one basis to research and discuss future options, and develop individual career plans.

DRIVE has established key performance indicators that are reported to the board, senior management, DRIVE steering committee and other stakeholders.

### 2027 employees registered

By 31 March 2017 DRIVE had:

2,027

employees  
registered

1,005

active individual  
career plans either  
developed or  
approved

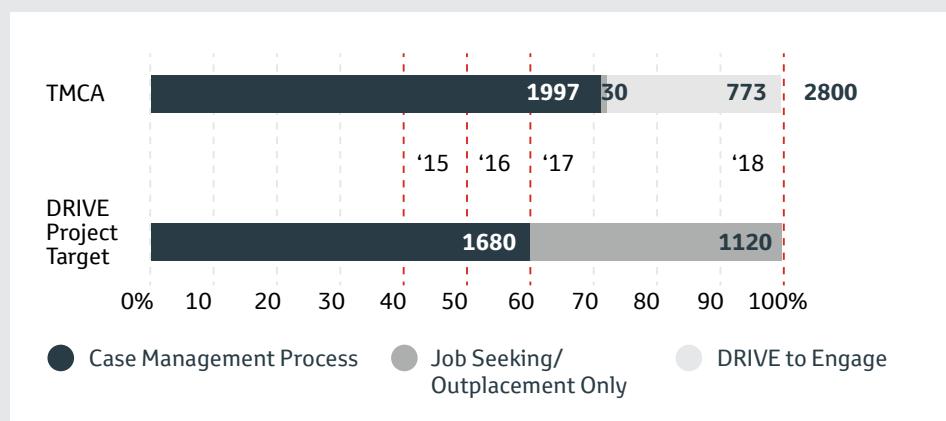
245

seminars  
delivered

9,195

total one-to-  
one interviews  
conducted

We have exceeded our target for the number of employees registered with the case management process, (at 72.4% compared with a target of 60%). However, we had still not reached 773 employees (27.6%) that we hoped to assist with job seeking opportunities. We will be working to engage with these employees by the end of October 2017.

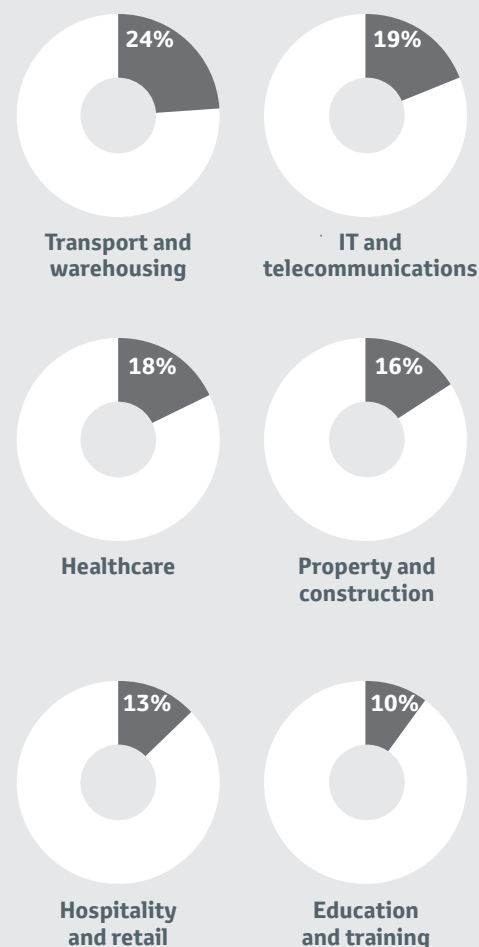


We communicate with employees through face-to-face information sessions, an online DRIVE portal, and a regular DRIVE newsletter. We regularly collate employee questions on DRIVE together with our responses, and make them available to all employees on the intranet along with questions about other parts of the organisation. As well as presenting information on a wide variety of career options, including salary expectations, we have sought to keep employees up to date on relevant financial management topics.

Employees can access formal training, as well as more than 700 online courses covering areas such as project management, communication skills and software programs. Other programs focus on language, literacy, numeracy and computer skills.

The career interests of our employees are varied. We are pleased that many DRIVE clients are taking the opportunity to start their own small business, in areas as varied as nutrition, landscaping, brewing, and photography.

### DRIVE customer career choices



For employees aged 55 or over as at 30 June 2017 who are choosing to retire, DRIVE also offers a comprehensive retirement preparation program covering a range of topics including financial planning.

Healthcare has been a popular choice of industry for future employment. 23 DRIVE-registered employees undertook Certificate III in Non-Emergency Patient Transport, aiming to become drivers in this area.

Learning alongside Toyota Australia colleagues has proved a bonus, with one participant commenting: 'It's so good to have the support of my workmates. If there's a time that one of us is confused or just needs something clarified, it's comforting that there's always a fellow student to help put you back on the right track.'

As we move closer to the last day of manufacturing, the DRIVE program has shifted its focus from information services and career planning towards a job centre offering structured job-seeking support. The Job Seeking Skills program comprises four workshops on creating resumes, first impressions, job searching and interview techniques, aimed at giving employees the capability and confidence to present themselves in the best possible manner. Attendees at workshops held to date have been active participants, asking questions, and reporting that they find the workshops valuable.





In October 2016, we surveyed manufacturing employees about their intentions and found that 9% were not yet feeling positive about their future after Toyota, 42% were unsure, and 49% of employees were positive or very positive about their future. Over the coming months we will work hard to support more of our employees to feel positive about their future.

Employees will be able to access the DRIVE Centres well after we stop manufacturing, through to June 2018.



Sentiment	Percentage
I am really not positive about my future after Toyota	4.36%
I am not positive about my future after Toyota	4.53%
I am unsure how I feel about my future after Toyota	42.04%
I feel positive about my future after Toyota	26.27%
I feel very positive about my future after Toyota	22.80%

## Employee engagement and motivation

We recognise the importance of engaging and motivating all our staff, both those that will be leaving us when we cease manufacturing and those that will be continuing with Toyota Australia.

We want our manufacturing employees to be remembered as the team that built the highest quality vehicles right until the final day of production, and to take pride in the vital part they have played in our rich manufacturing history.

Our Manufacturing Community Spirit Team led various initiatives during the reporting period focused on engagement and motivation. 'Food for Thought' lunches, held throughout the year at our Altona Plant, provided an informal opportunity for employees to sit together with managers and ask questions about the topics that matter most to them. Nearly 1,000 manufacturing employees have now attended these lunches. Other initiatives included a workplace talent contest and the Toyota Open Day (*see page 30*).

To ensure that we continue to attract and retain employees, we have been working to modernise our human resources policies and processes and embed our cultural framework in them. Areas of focus have included onboarding, performance management, flexible working arrangements and a structured leadership development framework. We have also invested in AKARi, a technology platform designed to integrate new and existing software applications to enable seamless cooperation across the business.

### 2016 engagement and enablement survey results

		Engagement	Target	Enablement	Target
Toyota Australia	2016	74	72	64	63
	2015	72		61	
Benchmarks	Australia companies	72		66	
	Global automotive companies	74		63	
	Global high performing companies	77		72	

Each year we run a comprehensive **annual employee engagement and enablement survey**, which provides valuable information regarding employee sentiment about Toyota Australia and allows us to understand our performance relative to other companies.

The survey took place in October 2016, with results showing that employee engagement and enablement had improved compared with the previous year and that we exceeded our target for each area. Engagement refers to employees' motivation and emotional ties to the company, while enablement captures whether employees are supported with the rights skills and tools to perform their work. The 2016 survey took place in October, with results showing that employee engagement and enablement had improved compared with the previous year and that we had exceeded our target for each area.



## Absenteeism

There was a total of 346,537 absentee hours for the reporting period, or 86.38 hours per employee. This is based on the headcount of 4,012 employees as at 31 March 2017 and does not include contractors. It represents unmanaged absence hours including both paid and unpaid sick leave and carers' leave.

### Absentee rates

<b>2016/17</b>	86.38
<b>2015/16</b>	66.41
<b>2014/15</b>	76.00
<b>2013/14</b>	91.83
<b>2012/13</b>	75.00

This was an increase compared with 260,848 total absentee hours, or 66.41 hours per employee, in 2015/16. However, it is not an anomaly in the context of the previous five years of data.



**Open Day** In November 2016, we hosted our final Open Day, welcoming more than 20,000 Toyota Australia employees, friends, family members, suppliers and the general public to the Altona plant.

The free event included food and drinks, kids' rides, photo booths, vehicle displays, 4X4 adventure drives, 86 Racing Series driving experience, and art displays. Special guests including performers such as Anthony Callea and sporting personalities such as Adam Goodes.

Employees were particularly proud to showcase their workplace to their friends, families, and members of the community for one last time. Over 430 volunteers gave up their time to help make the event a success.

## Ongoing training and development

People development is one of Toyota's key competitive advantages. It is every manager's role to develop their team through creating on-job-development opportunities, assigning challenging work, daily coaching and actively providing support through off-the-job training activities.

We divide training and development into four key areas:

- > delivery of global Toyota programs to enable the understanding and practice of company values and methods worldwide
- > manager and leadership training
- > training specific to operations
- > training for dealers and service providers.

Even as our manufacturing plant at Altona approaches closure, we continue to provide employment opportunities through apprenticeships, with 17 in place as at March 2017.

Regular performance and career development reviews are conducted for all award and non-award employees in professional, technical and supervisory roles. We also have annual team member assessments for award employees in the non-trades, apprentice and trades classifications, including manufacturing, parts centres and company fleet.

## Employee health and safety

Our President's goal of 'zero harm' reflects our commitment to managing the health, safety and wellbeing of our employees, contractors and visitors.

### Health and safety management and training

Toyota Australia's company-wide framework for health and safety management is certified to the standard OHSAS 18001. In Victoria, our work sites also comply with the National Audit Tool (NAT). An external assessor audits us against the NAT every nine months. As a self-insurer in Victoria, we are also audited by Victoria's WorkCover Authority every three years.

The manufacturing team participates in Toyota's global safety management system, known as Plant Management Requirement Simplified (PMRS). The manufacturing safety dojo (training centre) at Altona helps to establish and maintain the systems necessary for compliance and to support safety training.

The Toyota Production System (TPS) aims to eliminate waste across every process and improve productivity. Our approach to health and safety also reflects these principles. Employees from each shop at the

Altona manufacturing plant participate in regular quality circles (focus groups) which promote jishuken (identification of areas requiring ongoing focus) to help stimulate kaizen (continuous improvement).

All managers (grade levels one to four) are required to complete annual online health and safety management training. This is to help managers understand their roles and responsibilities, including those of a legal nature, with regard to occupational health and safety. Completion of the training also enables compliance with the NAT requirements.

We encourage reporting of all injuries, incidents and near misses to support our analysis and yokoten (sharing of information) process. Early reporting also allows for early intervention treatment via our medical centre, and enables the group leader to be involved and manage the situation from the outset.

As part of our commitment to provide all employees with a safe workplace free from inappropriate or unwelcome behaviours, we have a standard of behaviour that all employees are expected to adhere to at all times.



### Health and safety committees

Health and safety committees provide a mechanism for employees to raise and discuss issues directly with management. Committees comprise elected employee representatives and management representatives, and operate at every Toyota Australia site except Darwin, whose manager attends Brisbane committee meetings.

Approximately five percent of our workforce, or around 200 employees (based on actual headcount), participate in the committees. Committees meet quarterly as a minimum requirement; however, most meet monthly.



## Health and safety performance

Lost time injury frequency rate	
2016/17	1.25
2015/16	3
2014/15	3
2013/14	6
2012/13	9

A lost time injury is defined as any work injury, occupational illness or musculoskeletal disease resulting in the inability to work for at least one rostered working day or shift after an incident. This includes muscle, tendon and other soft tissue disorders, eye disorders, hernias and hearing loss. The lost time injury frequency rate measures the number of lost time injuries for every one million hours worked. Our lost time injury frequency rate continued to fall this year.

There were no workplace fatalities involving Toyota Australia employees in the reporting period.

We were proud that our Altona press shop won the Safety Kaizen award at TMC's 2016 Global Safety Awards. The award was presented by TMC Senior Managing Officer, Mr Hirofumi Muta, in recognition of our Press Crane Safety Management system, which achieved zero crane incidents.

## Support for wellbeing and mental health

In a challenging time for our employees, we have expanded our focus on health and wellbeing. All employees were eligible for a free 30-minute health consultation during company time, including key measurements such as blood pressure and cholesterol, a health and lifestyle questionnaire and health coaching. We provided mental health awareness sessions for managers and supervisors, and accredited Mental Health First Aiders have been provided within the shops to support the supervisors.

Where further assistance is needed, Toyota Australia's Employee Assistance Program provides free access to professional counselling support for a limited number of consultations, to discuss personal, financial or work-related issues. Services are voluntary, independent and confidential.

## Industrial relations

Industrial relations is important to Toyota Australia and we have a highly unionised workforce.

Sixty-six per cent of our employees (2,747 employees) are covered by the 2015 Toyota Australia Workplace Agreement, which came into effect in April 2015.

## Redundancy program

As we move towards the closure of the Altona manufacturing plant in October 2017, many of our employees will be eligible for redundancy packages. These packages were announced in May 2014 and are detailed in our general workplace agreement.

In January 2016, we commenced a voluntary redundancy program for permanent direct employees. Forty-one employees took up this offer during the reporting period.

## Bonus payment

A \$250 bonus payment was made to eligible award employees in recognition of their efforts during 2016/17. This was based on the company achieving its financial target. An additional bonus of up to \$750 was available based on certain targets and on employees' participation in programs such as quality control circles.

Non-award employees were given bonuses based on a combination of individual and company performance.





## Guest experience

We are committed to putting our guests at the centre of everything we do, and creating Toyota fans for life. We are working with our dealers to develop ongoing relationships with guests that extend far beyond the purchase decision to the whole vehicle ownership cycle.

### Franchise of the Future

We have begun shifting our culture away from a purely sales target model towards one where our guests are at the forefront of everything we do, and where guest satisfaction is a core measure of success. This process began in 2015/16, when Toyota Australia began referring to our customers as 'guests'. We aim to deliver quality at every single guest touch point.

Franchise of the Future is our program to support dealers through this transition, which is a response to challenges facing Toyota Australia in the market, including pressure on guest satisfaction, declining market share (since peaking in 2008 at 23.6%, our market share had dropped to 17.8% by 2015), reduced brand awareness and diminishing guest loyalty.

Our dealers already provided an excellent guest experience; in 2015 a record two-thirds of dealers were awarded the maximum five-star customer rating. However, Toyota is now raising the bar by focusing not just on guest experience, but on guests' loyalty and advocacy. It is vital that we listen carefully to our guests and improve the overall purchase and ownership experience. Dealer standards have been revamped to include specific initiatives to improve the interaction with guests. These may include the appointment of a guest experience manager in each dealership to enhance guest loyalty.



**Showroom 360** is an engaging and interactive vehicle configuration and discovery tool that provides guests with the opportunity to browse over 78,000 vehicle and accessory combinations in real-time, allowing them to virtually build and personalise their own Toyota vehicle. The technology, developed in partnership with Rotor Studios, was installed in all Australian dealerships by the end of 2015.

In June 2016, the platform won the 'best use of user experience' category in the Mumbrella Awards, which celebrate the best, bravest and brightest work across the media and marketing industries. The immersive digital solution collects detailed vehicle information and assists dealer sales staff within the showroom environment.



To reflect this shift, dealer success is now measured by a guest satisfaction index, Net Promoter Score® (NPS) and monthly sales targets. The NPS reflects the number of guests willing to refer family and friends to Toyota. These measures help our dealers to adopt a more guest-centric culture to complement the achievement of sales targets.

Our dealerships earned an average NPS of 85.2 over the reporting period. The overall guest satisfaction with the purchase experience was 94.9%.

Alongside dealers, our Guest Experience Centre is often a first point of contact for owners and buyers of Toyota vehicles. The Centre responds to guest enquiries via telephone, email and social media. In line with our focus on guest satisfaction, the Centre was brought in-house in October 2016. All Centre staff first undertook six weeks of intensive training including visits to a dealership and the Altona plant.

## Dealer support

As at 31 March 2017 there were 208 Toyota dealers, with 280 outlets, and 21 Lexus dealers, with 26 outlets. The Toyota dealer network employs 12,756 people and the Lexus dealer network 526.

### Dealers of the future

Adopting a guest-centric mindset across all of our dealerships is a crucial aspect of our Franchise of the Future strategy,

A focus during the reporting period has been on the owners of the 1.8 million Toyota vehicles currently on the road that were sold in the last eight years. We want to exceed the expectations of existing owners from servicing through to repurchase. By maintaining regular and relevant contact with our guests and providing value-added service offerings, we aim to drive higher loyalty and create Toyota fans for life.

This new focus was presented at our National Business Meeting in April 2016, which convened dealer principals to talk through the strategy and the priorities for the year ahead. It was also supported by a series of training workshops for our dealership and management teams. We provide our Toyota and Lexus dealers with face-to-face and online professional development through the Toyota Institute

Australia. We also share guest feedback, both positive and negative, in our monthly newsletter for employees and dealers.

The two-day National Dealer Meeting held in February celebrated the launch of the new C-HR, our first sub-compact SUV. It was also an opportunity to share with dealers the broader vision for Toyota's long-term future.

Dealership employees are crucial in delivering a superior guest experience, and contribute strongly to our brand and reputation. We conduct an annual survey to help identify the key issues faced by dealer employees. Addressing these areas helps us to improve engagement and retention.

We recognise dealer employees through the National Skills program and at our annual gold excellence awards dinner. National Skills is a global Toyota program that aims to develop and showcase the skills and knowledge of dealer staff to enable them to deliver an outstanding guest experience. In 2016, employees across six categories competed to test their knowledge, aim for continuous improvement and showcase their talents. Six dealer staff were crowned champions of their respective areas of expertise at the National Skills final in Sydney, and will be inducted into Toyota's International Assembly of Customer Service Champions in Japan.





## Toyota Australia's community investments

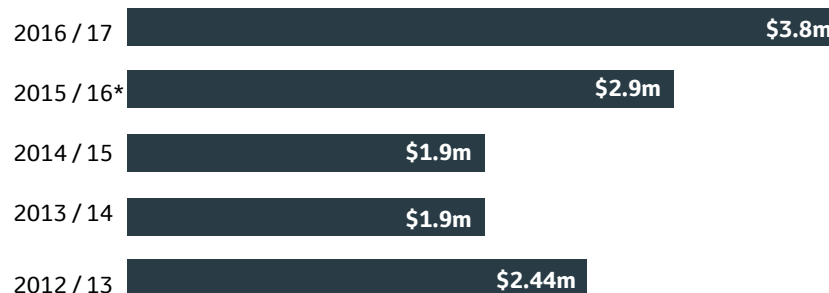
We also recognise the important role we play more broadly in society. With more Toyota and Lexus vehicles on the road in Australia than any other brand, the whole community is a key stakeholder for us, and crucial to our social license to operate. We seek to be active participants in and supporters of the community, in line with the values of our parent company, TMC. Toyota Australia has a long tradition of providing practical support to the community at both local and national levels. We also support local organisations by sharing our skills and knowledge.

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

In 2016/17, our total community contributions were \$3,845,006. The substantial increase compared with previous years' contributions was primarily due to our investment in our legacy projects.

In addition, we facilitated third party contributions of over \$1.3m through activities like the Good for Footy and Good for Cricket raffles, both of which are organised by Toyota Australia and supported by our dealers.

### Annual community contributions



\*We have restated this figure, which is verified by London Benchmarking Group. In the 2016 Sustainability Report it was mistakenly listed as \$2.0m.



'Toyota Way' – a 2km shared pedestrian and cycle path alongside Kororoit Creek, part of the legacy project relating to Altona manufacturing closure



## Community sponsorship and promotions

Toyota Australia supports a wide range of sporting, cultural and business activities in the community.

Our long-established relationship with the Australian Football League ranges from the support of local junior clubs through to the Toyota Grand Final. Since 2008, Toyota Australia and our dealerships have contributed over \$4 million to grassroots clubs around the country.

We also support Cricket Australia, the Australian Paralympic Committee, and a range of other sporting activities and organisations. We are a key partner of the Tamworth Country Music Festival, and support Business Chicks, a national organisation that brings people together to promote women in business.

Community sponsorships and promotions are managed by our National Marketing division.



Students at Endeavour Sports High School participating in a new STEM program



**Local community legacies** With manufacturing ending in Altona and our Sales and Marketing office closing in Sutherland Shire, we wanted to fund projects that would leave lasting legacies in those communities.

In Altona, Lower Kororoit Creek, running beside the Altona plant, has been a focus for Toyota Australia for many years.

As a legacy, Toyota funded a new shared pathway along the creek, wayfinding signage and site specific public art. 'Toyota Way' is dedicated to the many Toyota employees who have worked at Altona.

In the Sutherland Shire, Toyota has partnered with Schools Plus to provide school grants and scholarships for disadvantaged schools and students.

Five Sutherland Shire schools are receiving funding over the next four years for projects that meet their students' needs. The Toyota Australia Scholarship Program is offering financial scholarships for young people in Years 10 or 11 in the Sutherland Shire to help them achieve their potential.

## The Toyota Community Foundation

The Toyota Community Foundation (TCF) was established in 2011 to manage our community partnerships and investment. Its activities fall into three main areas: local community, employees and partnerships.

The TCF is supported by the Foundation Endorsement Panel and 12 Employee Champions from across the company. These champions meet bi-monthly to discuss and make recommendations on how Toyota Australia will support the community.

### Local community

The TCF provides \$20,000 grants annually to each of the three local councils in which we have significant operations. These are the City of Port Phillip in Victoria, where Toyota's Port Melbourne head office is based; Sutherland Shire in New South Wales, where our sales and marketing Woolooware Bay office is located; and the City of Hobsons Bay, where our Altona manufacturing plant is located.

The community grants provide equipment for grassroots community groups as well as mentoring and training for community organisations.

### Employees

#### EMPLOYEE GRANTS

Our employee grants program provides employees with the opportunity to nominate a community organisation they are involved with to receive a \$1,000 grant. In 2016/17, we received a record 116 grant applications from employees, from which 40 community organisations were randomly selected. Recipients included primary schools and kindergartens, sporting clubs, the Country Fire Authority and the Lost Dogs' Home.

Since the program began in 2013, we have received over 340 applications and awarded grants totalling \$135,000 to community groups across Australia.

#### MATCHED WORKPLACE GIVING

In recognition of Toyota employees who support their local community, matched workplace giving was introduced at Toyota in 2015. Through the program, we match every dollar an employee donates to an eligible charity, to a maximum of \$1,000 per employee per year or \$40,000 overall.

Since 2014, more than \$200,000 has been donated to charities supported by our employees.



#### EMPLOYEE VOLUNTEERING

During 2016, the TCF and the Manufacturing and Purchasing division piloted an employee volunteering program. The trial sent groups of approximately 10 employees from different areas of the operating arm to a volunteer day at a local not-for-profit organisation. Organisations assisted during the reporting period included the Salvation Army and FoodBank.

#### Partnerships

We are a major partner of Road Safety Education (RSE) Australia. This not-for-profit organisation is committed to reducing road trauma by delivering evidence-based road safety education programs. Toyota has been working with RSE since 2010.

RSE's flagship program is RYDA, which provided road safety education to 45,000 Australian and New Zealand students in 550 schools during the reporting period.

The program, aimed at year 11 students, is the largest road safety awareness program for students approaching solo driving in Australia and New Zealand. It does not teach driving skills, but encourages students to think more deeply about the choices they will be faced with on our roads.

The students rotate through six thought-provoking sessions. One of the most powerful, 'after the crash', is presented by a young person who has sustained either a traumatic brain injury or spinal cord injury from a road accident, to share how choices leading to road trauma have impacted their life.





### **Toyota Production System Support Centre (TSSC) Australia**

is world renowned for its 'kaizen' approach to streamlining processes and increasing productivity. Toyota Australia recognised an opportunity to make a social contribution and leave a legacy from our 54 years of local manufacturing by sharing our skills and experience with local organisations. TSSC Australia was established in 2016, based on a model shared from TSSC North America. The TSSC model aims to

give back to the local community by sharing our manufacturing experience with local organisations committed to organisational improvement. TSSC Australia works closely with the Toyota Community Foundation. Since then, we have supported 27 Australian not-for-profits and small-to-medium sized companies to apply TPS to their own operations. We call this 'sharing ideas the Toyota Way'.

During the reporting period, TSSC Australia continued to provide its support to a broad range of projects:



### **AUSTRALIAN RED CROSS BLOOD SERVICES (ARCBS)**

– In December 2016, Toyota Australia President Dave Buttner visited the ARCBS in West Melbourne to see how the team had progressed since the project's conclusion in August. The project focused on eliminating consignment errors for order fulfilment (packing) and customer service (transcription). Through genchi genbutsu, the team

identified points of error occurrence and moved points of detection closer to within the team member's cycle. Since August, both areas have achieved their targets of zero packing and transcription errors, respectively. Toyota and ARCBS are continuing their partnership to develop model line operations at ARCBS' Melbourne Processing Centre.



**SCOPE – TSSC AUSTRALIA** worked with disability support services provider SCOPE on a not-for-profit project in their Barwon region office. The focus of the activity was to reduce the administrative rework associated with on-boarding and providing client services. TSSC Australia worked to build quality into SCOPE's service delivery process, and established a visual control centre to monitor KPIs important to this process. As a result, SCOPE achieved a 49% reduction in time spent on rework. They also developed their internal capacity and systems for problem-solving, and embedded a 'customer first' philosophy into their administrative operations.



**FLIGHT STAIRWAYS** is a NSW family business that manufactures and installs stairs and balustrades. The company has experienced rapid sales growth in recent years and wanted to maintain its customer focus through quality and delivery performance. However, performance had declined, with the company delivering up to 63 late installations per month in its largest area of business, internal stairs. TSSC Australia worked with Flight Stairways to time individual work steps and thereby better estimate job duration; visualise their workload and current jobs; and run morning meetings using the visualisation to align processes to meet agreed timelines. By the end of the pilot project, Flight Stairways had tackled 25 operational problems, was able to achieve no late installations, and has established a 'customer first' mindset throughout the business.





## The global approach

Toyota Australia is committed to environmental excellence. As we cease local manufacturing operations, our direct environmental impacts such as energy use, water use and greenhouse gas emissions will decrease significantly. However, our commitment to upholding our environmental values and our continuous improvement mindset remains strong.

The importance of 'respect for the planet' is central to Toyota's Global Vision. Toyota's philosophy and policies on the environment are based on the Toyota guiding principles, which can be found on [page 7](#). Policies for environmental initiatives were first developed in the 1990s as the Toyota Earth Charter. This sets out Toyota's commitment to:

- > contribute to a prosperous 21st century society, in which growth is in harmony with the environment
- > pursue all possible environmental technologies
- > develop a voluntary improvement plan which addresses environmental issues on global, national and regional scales

- > work to build cooperative relationships with individuals and organisations involved in environmental preservation.

In 2015, Toyota published 'the Toyota Environment Challenge 2050', an ambitious commitment to go beyond zero environmental impact to achieve a net positive impact. This consists of six challenges that address global environmental issues such as climate change, water shortages, resource depletion and declining biodiversity. More information can be found on TMC's website at [www.toyota-global.com/sustainability/environment/challenge2050/](http://www.toyota-global.com/sustainability/environment/challenge2050/).

Five-yearly Toyota Environmental Action Plans are developed to provide a framework for implementation, and a series of action items and specific goals are formulated. The sixth Toyota Environmental Action Plan, which covers the period from 2016/17 to 2020/21, was produced with input from global Toyota affiliates. More information can be found on TMC's website at

[www.toyota-global.com/sustainability/environment/management/actionplan/plan6.pdf](http://www.toyota-global.com/sustainability/environment/management/actionplan/plan6.pdf)

In March 2017, representatives from Toyota Australia joined colleagues from Asia Pacific affiliates at the seventh consecutive Environmental Management Conference in Bangkok, Thailand. Delegates shared best practice environmental initiatives and discussed performance against the sixth Environmental Action Plan.



New vehicle zero  
CO<sub>2</sub> emissions  
challenge



Life cycle zero  
CO<sub>2</sub> emissions  
challenge



Plant zero  
CO<sub>2</sub> emissions  
challenge



Challenge of  
minimising and  
optimising water  
usage



Challenge of  
establishing a  
recycling based  
society and  
systems



Challenge of  
establishing a  
future society  
in harmony with  
nature





**Environment month** Every June, Toyota affiliates around the world recognise Environment Month. Since 1973, Toyota Global Environment Month has been celebrated. To commemorate, Toyota Australia held a host of activities during June 2016.

The 'Mottainai Warriors' school holiday program was piloted by our Manufacturing division. 'Mottainai' is a Japanese term meaning that things have value and it is important not to waste them. More than 20 children and grandchildren of employees were invited on a tour of our Altona plant, to visit the Powertrain shop, the Japanese garden, the Paint Shop sludge pool, the waste and recycling centre and Assembly Shop end of line area. The children were then challenged to help us find ways to reduce our environmental impacts in each of the different areas. Ideas included adjusting heating and cooling set points, improved recycling areas and planting more trees. The feedback from children and staff was overwhelmingly positive.

## Toyota Australia

Toyota Australia's environmental strategy and management system is built on the foundations of TMC's environmental approach. We develop our own Environmental Action Plan annually and update our ISO 14001 environmental management system to enable us to reach these targets. Both of these are endorsed by Toyota Australia's Environment Committee. Our most significant environmental impacts occur at our vehicle manufacturing and assembly plant. The site covers 76 hectares next to Kororoit Creek in Altona.

Toyota Australia's Environmental Action Plan 2016–17 sets out TMCA's environmental vision, strategy and focus areas. Key initiatives of the plan are grouped into five focus areas: policy, process, people, property and product.

Looking ahead, the transition from manufacturing to purely sales and distribution will mean that our environmental impacts and priorities will change. To take into account the new business structure and maintain our commitment to environmental protection, we will:

- > develop a workforce that has a heightened awareness of environmental responsibilities and challenges, through education and improved training

- > review our response to end of life vehicles through improved strategy development and hybrid battery recycling and reconditioning
- > develop a green building strategic roadmap to ensure that all new and existing Toyota Australia facilities incorporate sustainability best practice.

### Toyota Environmental Management System

Toyota Australia's Environmental Management System (TEMS) combines the requirements of the ISO 14001 Environmental Management System and the Toyota Production System (TPS). This system facilitates the implementation of our own environmental policy and annual plan. Toyota Australia's environmental management is driven by the two key principles of TPS: 'just in time' and 'jidoka'. The TPS principle of 'just in time' espouses making only what is needed, when it is needed, in the amount that it is needed, thus eliminating waste, including wasted time and effort. Jidoka refers to 'automation with a human touch' and is based on taking corrective actions as soon as a problem is identified by halting production.

## Environmental compliance

TEMS provides a framework for us to manage our environmental risks and legal compliance. It is certified to the ISO 14001 environmental management standard at four key sites:

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

The ISO 14001 accreditation was recertified by a third party during the reporting period.

Our manufacturing plant in Altona has an accredited environmental licence, issued by Victoria's Environmental Protection Authority (EPA) in 2004. The licence requires us to meet certain criteria across five areas:

- > general conditions
- > discharge to air
- > discharge to water
- > discharge to land
- > amenity (odour, noise and waste).

There were no significant incidents in 2016/17 requiring notification to the EPA. There were also no fines or sanctions for non-compliance with environmental laws and regulations.

We also comply with the National Greenhouse and Energy Reporting Scheme (NGERS) and National Pollutant Inventory (NPI). Details from our NGERS report can be found on [page 41](#) and our NPI report can be accessed at [www.npi.gov.au](http://www.npi.gov.au).

Our approach to environmental compliance focuses on risk minimisation in the areas of chemical control, odour, ground water and soil contamination. This approach reflects the precautionary principle as detailed in Principle 15 of the United Nations' Rio Declaration on Environment and Development. This principle 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".

Chemicals used in parts for our locally built vehicles meet strict overseas recycling standards that exceed Australian legal minimum requirements for chemical control. The Altona site's list of banned chemicals meets European and Japanese environmental protection standards.

We have extensive controls and monitoring in place for soil and groundwater contamination prevention. Groundwater at our Altona site is tested annually through 17 wells.



**Banksia Awards** In late October, Toyota Australia was announced as a finalist in the 28th annual Banksia Sustainability Awards. The company was nominated in the category of Large Business Sustainability Leadership. The Banksia Foundation seeks to raise the profile of sustainability issues facing Australia and recognise leading initiatives. In late October, Toyota Australia was announced as a finalist in the 28th annual Banksia Sustainability Awards. The company was nominated in the category of Large Business Sustainability Leadership. Toyota Australia's entry focused on its long commitment to sustainability in Australia.





**National Tree Day** National Tree Day and Schools Tree Day, organised by Planet Ark, have grown to be Australia's largest community tree-planting and nature care events, and are proudly sponsored by Toyota Australia and our dealership network. In 2016, National Tree Day celebrated 21 years of environmental action, with over 22.3 million trees planted by 3.8 million people since its inception.

## Energy use and greenhouse gas emissions

### Energy use

Our largest contribution to greenhouse gas emissions comes from electricity and natural gas used at our Altona plant. Consumption of both was marginally lower in 2016/17 than in previous years, reflecting the lower production volume.

The energy used per vehicle increased marginally, given the energy used for heating, lighting and certain manufacturing processes are fixed, while production numbers have decreased.

### Energy use

Item / Year*	2016/17	2015/16	2014/15	2013/14	2012/13
<b>Production electricity use – MWh</b>	81,457	83,808	80,182	86,851	83,188
<b>Production electricity use – kWh/ vehicle manufactured**</b>	931	880	907	847	837
<b>Production gas use – GJ</b>	518,592	526,129	490,019	531,252	534,900
<b>Production gas use – GJ/ vehicle manufactured**</b>	5.93	5.5	5.5	5.2	5.4

\* Resources used for vehicle production and the Altona site offices. Does not include resources used at Altona parts and accessories, or Company Fleet located at Altona.

\*\* Electricity and gas used per vehicle manufactured is based on the number of cars that have been built and come off the production line at our Altona site, known as 'line-off'. For the period April 2016 to March 2017 this was 87,464 vehicles. The figure of 87,466 reported on [page 22](#) of this report refers to 'final-finish', which includes 'line-off' plus cars stored in the buffer for testing and checking before being customer ready.

## Greenhouse gas emissions

Toyota takes climate change very seriously, as demonstrated by our commitment to achieve zero emissions in our Environmental Challenge 2050 strategy. At Toyota Australia we have implemented a range of measures to reduce our energy consumption through the adoption of best practice technologies and effective management practices.

The majority of our emissions come from electricity and gas used across the Altona manufacturing site. There are also emissions associated with transport at the site as well as Volatile Organic Compounds (VOCs) released in processes using solvents, paints, sealers or hydrocarbon-based chemicals. The largest source of VOCs at Toyota is the solvent in the painting process during vehicle production at Altona.

In 2015/16\*\* total emissions at TMCA were 138,610 tCO<sub>2</sub>-e, a decrease from previous years, reflecting decreased production and the divestment of the Sydney City Toyota and Lexus franchises.

### Greenhouse gas emissions\*\*

Item / Year	2015/16	2014/15*	2013/14*	2012/13	2011/12
<b>Total TMCA tCO<sub>2</sub>-e</b>	138,610	144,893	144,416	153,270	147,070*
<b>Electricity tCO<sub>2</sub>-e</b>	103,911	110,828	112,315	117,238	112,343
<b>Gas tCO<sub>2</sub>-e</b>	27,559	26,765	24,970	27,866	26,463
<b>Transport tCO<sub>2</sub>-e</b>	4,383	4,364	4,189	4,290	5,237
<b>VOC tCO<sub>2</sub>-e</b>	808	999	1,133	1,740	963
<b>Engine testing tCO<sub>2</sub>-e</b>	1,616	1,937	1,809	2,118	2,063

\* Data does not include Sydney City Lexus Waterloo, Sydney City Lexus Darlinghurst, Sydney City Toyota and the Sydney City pre-delivery centre. These premises were sold in March 2015 and are therefore not relevant to the current reporting period.

\*\* Note: the greenhouse information contained in this table is for 1 July 2015 to 30 June 2016, to align with the federal government's National Greenhouse and Energy Reporting Scheme (NGERS).





## Water use

Minimising and optimising water use is one of our six environmental challenges. At Toyota Australia the majority of water is used within the manufacturing process and is sourced from municipal water supplies, however we also use rainwater collected

onsite for toilet flushing, irrigation and the clearing and topping up of the sludge pool.

Overall water consumption at Altona was slightly lower than the previous year, but water use per vehicle was slightly higher, due to decreased production.

### Water use

Item / Year*	2016/17	2015/16	2014/15	2013/14	2012/13
<b>Total production water use kL</b>	315,119	333,900	312,103	353,784	377,165
<b>Total production water use kL/ vehicle manufactured**</b>	3.6	3.5	3.5	3.5	3.8

\* Resources used for vehicle production and the Altona site offices. Does not include resources used at Altona parts and accessories, or Company Fleet located at Altona.

\*\* Water used per vehicle manufactured is based on the number of cars that have been built and come off the production line at our Altona site, known as 'line-off'. For the period April 2016 to March 2017 this was 87,464 vehicles. The figure of 87,466 reported on [page 22](#) of this report refers to 'final-finish', which includes 'line-off' plus cars stored in the buffer for testing and checking before being customer ready.



## GLOSSARY

Japanese references	
dojo	Training centre
jidoka	'Automation with a human touch'; the productive interaction between 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 organisation to stimulate kaizen activity
kaizen	Continuous improvement of business operations; always driving for innovation and evolution with purpose
Hoshin	The Corporate Hoshin is a strategic plan designed to ensure that our vision, missions and objective are communicated throughout the organisation, and implemented by all employees.
General references in the report	
tCO <sub>2</sub> -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.
DRIVE	The DRIVE program provides employees with information, resources and access to training and further education. It also provides job seeking and preparation support for employment post October 2017.
London Benchmarking Group (LBG)	London Benchmarking Group is the global standard for measuring and benchmarking corporate community investment.
drivetrain	The system in a motor vehicle which connects the transmission to the drive axles.
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	Project Parts Centre Evolution. A key element of our transformation strategy aimed at revolutionising our Toyota parts centres to meet Toyota best practice
TCF	Toyota Community Foundation
TEMS	Toyota Environmental Management System



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
TSSC	Toyota Production System Support Centre Australia
TTC-Au	The Toyota Technical Centre Australia

# ASSURANCE

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 2017 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 2016 to 31 March 2017, 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 Toyota Australia employees and reviewed relevant information from Toyota Australia's key operating areas of manufacturing, sales and marketing, corporate services and product planning. 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): product quality and safety, business transition, employee transition, guest experience, vehicle emissions and corporate governance. Material issues ranked high are

included in the limited assurance scope as part of a rolling program.

## 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 engagements. 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 2017 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 2016 to 31 March 2017. 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:* The materiality process identifies new material issues, such as employee transition, which was raised extensively in internal employee publications.

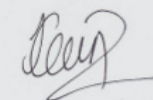
- > *Inclusivity principle:* Inputs such as an industry scan, peer benchmarking, media review and external communications integrate the external perspective into the materiality process.
- > *Responsiveness principle:* The Sustainability Report is responsive to changes in the scope of material issues, such as the expansion of product safety to encompass the focus on quality.
- > *Performance information:* A comprehensive corporate governance information management system operates via a secure and user-friendly Executive Portal for internal and external reporting. Innovative data capture and reporting is undertaken on tangible and intangible sales and marketing processes towards effective transition from Sydney to Melbourne.

Areas for improvement:

- > *Materiality principle:* The process used to rank each issue according to its impact on stakeholders and importance to the business would be more transparent with an explanation of who at Toyota Australia was involved and the ranking system used.
- > *Inclusivity principle:* A representative sample of stakeholder interviews would enhance the materiality process, in particular to understand external stakeholder interests.
- > *Responsiveness principle:* Feedback from a representative sample of stakeholders on whether or not the Report covers the issues of most importance to them would add value.

- > *Performance information:* Some of the data in the draft Report was not up-to-date to 31 March 2017, all of which was corrected in the final Report. Ensuring that data is up-to-date to the end of the reporting period, and can be readily substantiated with evidence that adopts a consistent and intuitive file naming convention, would enhance Report development in future.

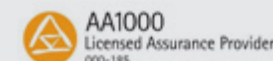
Materiality Counts congratulates Toyota Australia on its continued commitment to sustainability reporting.



Jo Cain, Executive Director, Materiality Counts, 18 September 2017, Melbourne, Australia

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# Materiality Counts



# GRI

Indicator	Description	Page no.
<b>GENERAL STANDARD DISCLOSURES</b>		
<b>Strategy and analysis</b>		
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	1
<b>Organisational profile</b>		
G4-3	Report the name of the organisation Sustainability at Toyota/ About Toyota Australia	Scope
G4-4	Report the primary brands, products, and services	4
G4-5	Report the location of the organisation's headquarters	4
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	3/21
G4-7	Report the nature of ownership and legal form	4
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	4/21
G4-9	Report the scale of the organisation	21/29
G4-10	Total number of employees	30
G4-11	Report the percentage of total employees covered by collective bargaining agreements	37
G4-12	Describe the organisation's supply chain	27
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain	Scope/13
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	50
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	15
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations	11
<b>Material aspects and boundaries</b>		
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents	Scope
G4-18	Explain the process for defining the report content and the aspect boundaries	6
G4-19	List all the material aspects identified in the process for defining report content.	6
G4-20	For each material aspect, report the aspect boundary within the organisation	6



G4-21	For each material aspect, report the aspect boundary outside the organisation	6
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	Scope/42
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries	6
<b>Stakeholder engagement</b>		
G4-24	Provide a list of stakeholder groups engaged by the organisation	11
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	11
G4-26	Report the organisation's approach to stakeholder engagement	11
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	11
<b>Report profile</b>		
G4-28	Reporting period (such as fiscal or calendar year) for information provided	Scope
G4-29	Date of most recent previous report (if any)	Scope
G4-30	Reporting cycle (such as annual, biennial)	Scope
G4-31	Provide the contact point for questions regarding the report or its contents	Scope/61
G4-32	Report the 'in accordance' option the organisation has chosen	5/6
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report	5/6
<b>Governance</b>		
G4-34	Governance structure of the organisation including committees of the highest governance body	14
<b>Ethics and integrity</b>		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	5
<b>SPECIFIC STANDARD DISCLOSURES</b>		
<b>Category:</b> Economic		
<b>Aspect:</b> Economic performance		
G4-DMA*		5/6/21
G4-EC1	Direct economic value generated and distributed	21
<i>(Operating costs, employee wages and payment to providers of capital are not included in the report)</i>		

G4- EC4	Financial assistance received from government	23
<b>Aspect:</b> Indirect economic impacts		
G4-DMA*		21
G4-EC8	Significant indirect economic impacts, including the extent of impacts	21
<b>Category:</b> Environmental		
<b>Aspect:</b> Energy		
G4-DMA*		51
		49
G4-EN3	Energy consumed within the organisation	51
<b>Aspect:</b> Water		
G4-DMA*		53
G4-EN8	Total water withdrawal by source	53
<b>Aspect:</b> Emissions		
G4-DMA*		51
G4-EN15	Direct GHG emissions	51
<b>Aspect:</b> Compliance		
G4-DMA*		50
G4-EN29	Monetary value of significant fines and number of non-monetary sanctions for non-compliance with environmental laws and regulations	50
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	27
<b>Category:</b> Social		
<b>Sub category:</b> Labor practices and decent work		
<b>Aspect:</b> Labor/ management relations		
G4-DMA*		6
	Our Employees/Industrial relations	
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective bargaining agreements	37
<b>Aspect:</b> Occupational health and safety		
G4-DMA*		37
G4-LA 5	Percentage of total workforce represented in formal joint management-worker health and safety committees	36

<b>G4- LA6</b>	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	<b>37</b>
<b>Aspect:</b> Training and education		
<b>G4-DMA*</b>		<b>6</b>
		<b>31</b>
		<b>35</b>
<b>G4-LA10</b>	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing careers endings	<b>31</b>
<b>G4-LA11</b>	Percentage of employees receiving regular performance and career development reviews	<b>35</b>
<b>Sub category:</b> Product responsibility		
<b>Aspect:</b> Customer health and safety		
<b>G4-DMA*</b>		<b>6</b>
		<b>18</b>
<b>G4-PR1</b>	Percentage of significant products and service categories for which health and safety impacts are assessed for improvement	<b>18</b>
<b>Aspect:</b> Product and service labelling		
<b>G4-DMA*</b>		<b>18</b>
	<i>Detailed product information can also be found on the Toyota Australia website at <a href="http://www.toyota.com.au">www.toyota.com.au</a></i>	
		<b>15</b>
<b>G4 - PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling <i>Detailed product information can be found on the Toyota Australia website at <a href="http://www.toyota.com.au">www.toyota.com.au</a></i>	
<b>Aspect:</b> Marketing communications		
<b>G4-DMA*</b>		<b>15</b>
<b>G4 - PR3</b>	Type of product and service information required by the organisation's procedures for product and service information and labelling	<b>15</b>



### Copies of the report

The 2016 sustainability report and supporting documentation can be viewed online at [www.toyota.com.au/toyota/sustainability](http://www.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 [www.toyota.com.au/toyota/sustainability](http://www.toyota.com.au/toyota/sustainability) or email [sustainability@toyota.com.au](mailto:sustainability@toyota.com.au) to provide feedback.

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