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President's message

2018 heralds the beginning of a new era for Toyota Australia.



We ceased local manufacturing at the end of 2017 after 54 years of operation, and concluding more than four years of transitional activities. The way in which our employees, past and present, dealt with this period of change, was remarkably dignified. Likewise, our suppliers were exceptional in their cooperation and transition, for which I am extremely grateful.

I sincerely thank our employees and suppliers for their great support during this time.

Despite the challenges presented by the closure of manufacturing, coupled with the relocation of our sales and marketing operations from Sydney to Melbourne, we remained the top selling automotive company in Australia, for the 15th consecutive year. And, throughout this transition period, our dealer network has remained strong and improved its guest focused orientation.

Toyota Australia has now shifted into a new gear, that of being a sales, marketing and distribution company. Our company has analysed the trends in our global and local industry and have now set our vision as “creating innovative mobility solutions for all Australians”.



As we work towards creating innovative mobility solutions and in the long run, achieving zero emissions, there will be times ahead that will challenge us.

Our Toyota DNA however, remains the same, that of continuous improvement and respect for people. I am certain that whatever the future may hold, we will continue to draw on these strengths towards an ever-better, sustainable future that contributes to the Australian society.

A handwritten signature in black ink, reading 'M. Callachor'.

Matthew Callachor
President and CEO
Toyota Australia

About Toyota Australia

Toyota Motor Corporation Australia (Toyota Australia or TMCA) is a leading vehicle sales, marketing and distribution company, operating under the Toyota and Lexus brands.



About this report

Toyota is one of Australia's best-loved and most reputable automotive names, and has operated in Australia for more than 50 years. We are a wholly owned subsidiary of Toyota Motor Corporation (TMC), a public listed company and Japan's largest vehicle manufacturer.

Our Australian corporate headquarters is located in Port Melbourne, Victoria. We have eight 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: National Sales & Marketing Operations; Regional Operations; Product & Corporate Operations; and Finance & Procurement. Lexus Australia is managed as a separate division.

The vehicles we sell are now imported from Toyota plants overseas. Up until 3 October 2017 we also manufactured vehicles at our Altona plant in Victoria, Australia (see further p. 24).

Our customers include private buyers (guests) and private, rental and government fleets. Our guests are serviced by our extensive network of dealers, which are independently owned under franchise agreements.

This is Toyota Motor Corporation Australia Limited's (Toyota Australia or TMCA) twelfth sustainability report. It details our performance for the 12 months from 1 April 2017 to 31 March 2018, corresponding with the Japanese financial year.

We have used the Global Reporting Initiative (GRI) Standards as the framework to prepare this report. It covers the activities and performance of Toyota Australia, as detailed in the section above titled 'About Toyota Australia'. Lexus Australia is a division of Toyota Australia. This material references disclosures from the GRI Standards, as detailed in the GRI index (p. 74).

The operations of our dealerships are not covered in the report, nor are the operations of Toyota Financial Services Australia.

There were no changes to our ownership during the reporting period. Our local manufacturing operations ceased on 3 October 2017. Our sales and marketing office at Woollooware Bay, New South Wales, also closed, with all sales, marketing and corporate functions consolidated to Melbourne by 1 January 2018. Because of these changes, the number of employees reduced from 4,012 to 1,452 (see further p. 55). The closure of manufacturing also altered our supply chain, as all vehicles are now imported (see p. 37).

There are no restatements from the 2017 Sustainability Report. The comparability of data for a number of indicators is affected by the closure of manufacturing approximately half way through the reporting period. This is noted where applicable. We have also changed how we calculate our community contributions, as outlined on p. 48.

A statement from our external assurance provider is located on p. 72.

We released our previous sustainability report in November 2017, for the period 1 April 2016 to 31 March 2017. Copies of previous reports are available on our website and questions can be directed to sustainability@toyota.com.au.

Toyota is one of Australia's best-loved and most reputable automotive names, and has operated in Australia for more than 50 years.

Sustainability at Toyota Australia

As Toyota Australia moves forward as a sales, marketing and distribution company, our focus is on our vision of enriching lives by providing safe, responsible ways of moving people. This focus is guided by the principles of contribution to society and harmony with the environment that have been with us since Toyota's global foundation in 1937.

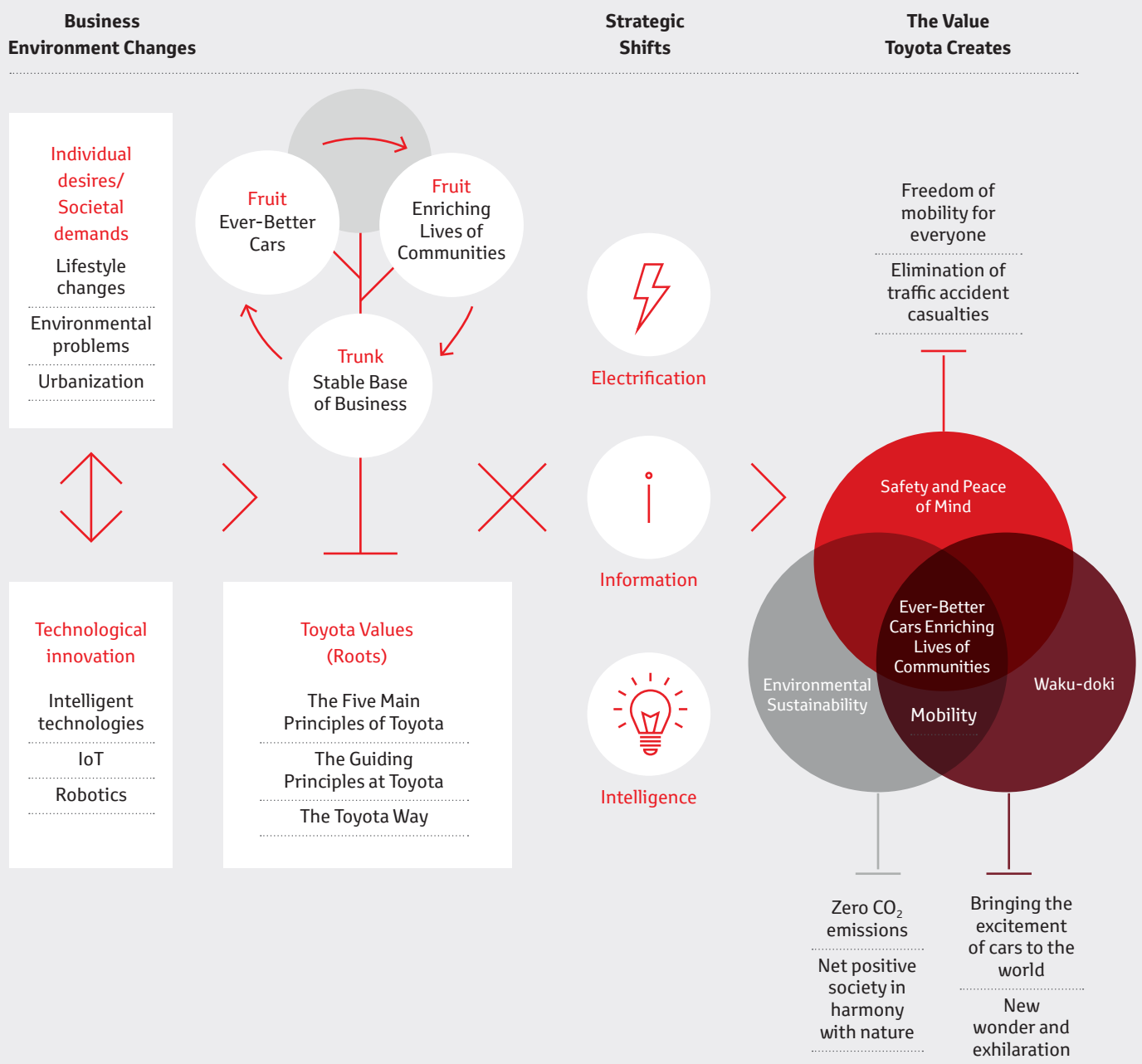
We have an exciting role to play in the mobility of all Australians, and the safety, wellbeing and success of our communities and employees. A key focus for us is on innovations that reduce vehicles' negative impacts and the creation of more positive impacts.



Our commitment to sustainability

Global commitment

Toyota seeks to contribute to the sustainable development of society and the planet through all its business activities. Corporate social responsibility is an integral part of our strategy and our management approach.



TMC's global corporate social responsibility policy is built on seven principles established in 1992, which articulate our global approach to business.

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



- 5** Foster a corporate culture that enhances individual creativity and teamwork value, while honouring mutual trust and respect between labour and management



- 2** Respect the culture and customs of every nation and contribute to the economic and social development through corporate activities in the community



- 6** Pursue growth in harmony with the global community through innovative management



- 3** Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all activities



- 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.



- 4** Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide

The policy commits Toyota and all its business partners to act ethically and in compliance with local, national and international laws and regulations. It also outlines how we build and maintain relationships with stakeholders based on open and fair communication.

The principles also inform our global vision, the Toyota Way, which is based on our philosophy, values and ideals. Adopted in 2001, our vision articulates our company's foundation pillars of continuous improvement and respect for people. Together with the Toyota code of conduct, it details the values and behaviours we expect of our employees as they put the principles into practice.

We were proud to launch the *Toyota Environmental Challenge 2050* in 2015 to take Toyota beyond zero environmental impact and achieve a net positive impact. This sets us six challenges that we are committed to achieving with steady initiatives by 2050 and asks our team members to strive for at home as well as at work. Read more on the Toyota Environment Challenge 2050 on p. 61.

You can find more information on Toyota's approach to sustainability on the TMC website at www.toyota-global.com/sustainability/index.html.

Australian commitment

Toyota Australia's vision is to be the most respected and admired company, and our mission is to deliver outstanding automotive products and services to our guests and enrich our community, partners and the environment.

Our approach to sustainability is derived from TMC's approach, including the guiding principles, the Toyota Way and the global CSR policy. Moving forward as a sales and distribution company, it is more important than ever that we focus on building collaborative relationships and partnerships with our stakeholders.

Toyota Australia's Board of Directors take ultimate responsibility for sustainability at the company. During the reporting period, our governance of sustainability was further strengthened with the establishment of a Sustainability & Environment Committee in January 2018 reporting to the Board (see further p. 61).

Material sustainability topics

Our material sustainability topics are informed by the sustainability risks and opportunities that are important to our stakeholders and/or to the success of our business. In line with the Global Reporting Initiative (GRI) Standards, we have also considered Toyota Australia's impact on these topics.

We identify our material sustainability topics annually. For 2017/18, our process included:

- a desktop review of internal inputs, including Toyota Australia's risk register; policies; Corporate Hoshin (strategy) and the Toyota Environmental Challenge; internal communications including the President's Address; engagement with government
- a desktop review of external inputs including peer benchmarking; media reports; and industry publications
- interviews with internal stakeholders including senior managers across various roles
- interviews with external stakeholders including industry bodies; government representatives; dealers; and, by proxy, suppliers, customers and other external stakeholders.

Inputs were weighted according to their relative importance to Toyota Australia and our external stakeholders. Consideration was given to emerging and longer-term issues as well as those that are currently important.

For each issue identified, impact was determined by assessing the level of influence Toyota Australia could have on the achievement of relevant United Nations Sustainable Development Goals (SDGs) within Australia.

The 17 SDGs are a set of global goals for sustainable development, agreed by 193 countries in September 2015. Each country has an obligation to track its progress towards the goals.

Toyota globally has identified that it has a particular role to play in addressing climate change (SDG 13), reducing traffic accident injuries and deaths (SDG 3) and promoting sustainable community building and improved mobility (SDG 11).

Throughout this report we discuss the key challenges, risks and opportunities with respect to our material topics and how they impact our stakeholders.

Our material issues

This report covers all issues that were identified as being material, which are listed in the table below in order of priority.

Topic	Why this is material for us	Boundary	Stakeholders impacted	Page ref for further information
Vehicle emissions	As TMC has set a challenge of aiming for zero CO ₂ emissions from vehicles by 2050, improving vehicle emissions, including greenhouse gas and tailpipe emissions of other pollutants, will remain a priority for us for years to come. We also expect Government regulation of emissions will be established in the coming years and know public expectations around this are growing. Seeing the importance of this topic as the world seeks to avoid climate change, our competitors are also moving away from fossil fuel powertrains.	Internal and external	TMC Guests Community Government The environment	link
Innovation	Our commitments to reduce vehicle emissions and to enable mobility for all and the growing trends of shared mobility and increased digitalisation require innovation in our vehicles and technology. They also require innovation in how we operate and how we interact with our guests throughout our organisation.	Internal and external	TMC Guests Community Government The environment	link
Business transition	Our transition to a sales, marketing and distribution company has been a key focus for us since we announced the exit from local manufacturing in 2014. We have sought to effect a smooth and respectful transition for our employees, suppliers and local communities. The transition has also required significant changes across the organisation, including strategy, structure and skills.	Internal	TMC Employees Dealers Suppliers	link
Economic performance	Achieving financial targets and maintaining market share is a perennial focus and fundamental to our success as a business.	Internal	TMC	link
Mobility	Our business is changing in response to technological advances, growing urban populations, and changing attitudes to car ownership and usership. Our future is not just about selling vehicles; our vision is to create innovative mobility solutions for all Australians. <i>This topic was previously captured under the material topic 'Innovation'</i>	External	TMC Guests Dealers Community Government	link

Topic	Why this is material for us	Boundary	Stakeholders impacted	Page ref for further information
Product quality and safety	The Toyota brand is founded on quality, durability and reliability, and the safety of our guests is paramount. The Takata airbag recall continues to be a matter of public prominence and of high importance to us. This year the government instituted a compulsory recall to which we are responding.	External	TMC Guests Dealers Community Government	link
Environmental impact management	TMC's Environmental Challenge sets out our commitment to aim for zero environmental impact across six areas. This year we have also been focusing on the remediation of our sites at Altona and Woollooware Bay, and the local communities at those sites. <i>This topic comprises several topics previously below the materiality threshold</i>	External	TMC Dealers Suppliers Community Government The environment	link
Corporate governance	Having robust corporate governance structures and ensuring legislative and regulatory compliance is of great importance to TMCA and its parent company. We have made significant changes to our governance this year to reflect our new business direction. <i>This topic was just below the materiality threshold in the last reporting period</i>	Internal	TMC Employees	link
Employee transition	This year saw our exit from local manufacturing and the relocation of our sales and marketing function to Melbourne. We have been focused on preparing our departing employees for transition to new jobs or other life phases, and ensuring that employees taking up new roles within the company are adequately supported and trained.	Internal	Employees Government	link
Community & strategic partnerships	There are more Toyota vehicles on the road than any other brand, and with the closure of manufacturing in Australia, it is more important than ever for us to support and be connected to the community. This year we have refreshed our strategy for community and strategic partnerships to reflect the business transition. <i>This topic was just below the materiality threshold in the last reporting period</i>	External	TMC Guests Dealers Community	link

We have mapped our material topics to our value chain to provide further insight into where impacts occur.

Material topics impacts mapped to our value chain

Vehicle emissions



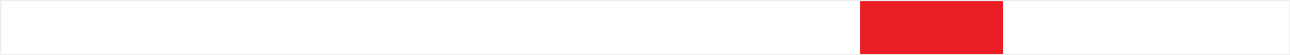
Innovation



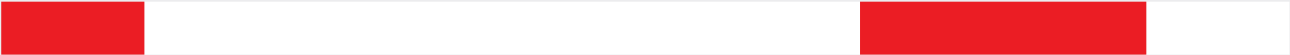
Business transition



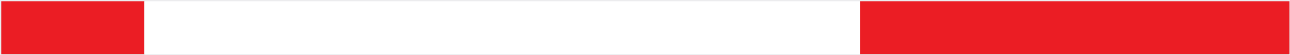
Economic performance



Mobility



Product quality and safety



Environmental impact management



Corporate governance



Employee transition



Community & strategic partnerships



Product planning & design > Raw materials extraction > Manufacturing > Logistics & transport > Storage & processing > Distribution > Marketing & sales > Use & servicing > End of life

Material topics may vary from year to year depending on a range of internal and external pressures. 'Guest experience' was not identified as a material topic this year; however, we strive to put guests at the centre of everything we do, as discussed on p. 42.

We have included in this report commentary on several topics which were not identified as material, but are important to Toyota Australia and/or one or more stakeholder groups. These include:

- employee health and safety
- energy use and greenhouse gas emissions
- supply chain sustainability; supplier viability; dealer support
- vehicle life cycle; labour relations; dealer environmental responsibility
- employee training, rewards and benefits.

New topics that emerged during the reporting period were diversity and data privacy and security.

GRI reporting principles

We believe our materiality process meets the GRI principles as follows:



stakeholder inclusiveness

Direct engagement and desktop research to capture broader interest groups.



sustainability context

Many of the material topics identified are driven by social or environmental pressures as well as internal factors. This is also inherent in the Toyota approach to business, which places the company in the context of society and the environment. The context for each material topic is discussed in the relevant sections of this report.



materiality

Established by the process outlined above.



completeness

We engaged with stakeholders regarding their interests, including a media review; and engaged widely across the organisation to gather relevant data for the reporting period.

Engaging with stakeholders on sustainability issues

Our stakeholders are key to our business and we strive to understand what their priorities and expectations are so that we can address the topic that they consider important. Our Board of Directors and management have defined our stakeholder groups

and mapped these according to the level of impact Toyota has on them and their level of interest in Toyota. These stakeholders are outlined below, together with the issues of interest to them, and how we engage with them.

Our code of ethics provides a statement of duty towards our stakeholders, and details the behaviours expected when engaging with stakeholders. It includes specific provisions for many of these groups.

Stakeholder	Key sustainability issues	How we engage
Toyota Motor Corporation (TMC)	<ul style="list-style-type: none"> • Economic performance • Business transition • Mobility • Vehicle emissions • Innovation • Employee health & safety • Guest experience • Corporate governance, local and global compliance 	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.
Employees	<ul style="list-style-type: none"> • Employee transition • Rewards & benefits • Training and development • Corporate governance (compliance) • Product safety & quality 	<p>We engage with employees through many different channels depending on their function and management level.</p> <p>Our monthly employee newsletter, <i>ONE Toyota</i>, was published up until September 2017. We circulate regular employee bulletins and maintain an intranet site, The Engine Room, with information on the latest news of the business, including information on the business transition, employee assistance programmes and DRIVE, and information on product launches and events. Our President delivers an annual company-wide presentation, and we hold regular directors' briefings and follow-up focus group sessions. There are also divisional meetings and regular team meetings.</p>
Guests	<ul style="list-style-type: none"> • Product quality & safety • Innovation • Vehicle emissions 	<p>Our dealerships are the 'front line' of communication with our guests, together with the Guest Experience Centre, which is operated directly by TMCA and responds to guests via telephone, email and social media. We also communicate with guests through the new myToyota app, the monthly GoPlaces email newsletter and the bi-annual GoPlaces magazine. We communicate with a broad audience of current and potential guests via advertising and marketing.</p> <p>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.</p>

Stakeholder	Key sustainability issues	How we engage
Dealers	<ul style="list-style-type: none"> • Corporate governance (compliance) 	Our network of independently owned dealers is integral to our success. Our 'Franchise of the Future' program supports and incentivises dealers to focus on guests and provide the best guest experience. We engage extensively with our dealers at our annual National Dealer Conference, Senior Executive Fly Around, and through regular communication bulletins and newsletters.
Suppliers	<ul style="list-style-type: none"> • Supplier support • Innovation • Business transition 	<p>Our suppliers have historically played a critical role in vehicle production. During the transition period we have supported those suppliers to identify opportunities for diversification to other industries in order to maintain their viability.</p> <p>We continue to maintain strong partnerships with local suppliers of parts and accessories, as well as suppliers of goods and services across the business.</p> <p>We have an extensive supplier development program and regularly interact with suppliers on a range of issues.</p>
Community Groups	<ul style="list-style-type: none"> • Community & strategic partnerships • Environmental compliance & management • Innovation 	We engage with a range of community partners through the Toyota Community Foundation and Toyota Community Trust. This includes supporting organisations in the communities where our operations are located, and organisations that are important to our employees. Our relationships with key partners are personal and often face-to-face. We provide Toyota Production System (TPS) consulting services to non-profit organisations to help them improve their services for increased community benefit. We also sponsor and partner with organisations through our National Marketing division.
Government	<ul style="list-style-type: none"> • Vehicle emissions • Corporate governance (compliance) • Employee transition • Mobility • Innovation • Supplier support 	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. We have a dedicated government affairs team, and our President regularly travels to Canberra to update ministers and provide valued input on a range of key topics relevant to our business and the automotive industry more broadly. We make submissions to relevant enquiries or studies. We also advocate via relevant industry bodies such as the Federal Chamber of Automotive Industries (FCAI).
The Environment	<ul style="list-style-type: none"> • Vehicle emissions • Environmental compliance & management • Supplier sustainability 	The environment is represented through our commitment to the Toyota Environmental Challenge, through interactions with government, membership of relevant organisations, and partnerships with organisations including Planet Ark. We also have an Environment Action Plan that drives our organisational activity towards achieving the Toyota Environmental Challenge goals.

Industry associations and memberships

At Toyota Australia, we believe we exert more influence if we partner with organisations whose values align with our vision. In 2017/18, we were members of the following industry associations and groups:

- Australian Industry Group
- Centre for Corporate Public Affairs
- Committee for Economic Development of Australia
- Federal Chamber of Automotive Industries
- Victorian Employers' Chamber of Commerce and Industry
- Committee of Melbourne
- Green Building Council of Australia
- CitySwitch Green office Program
- Hydrogen Mobility Australia
- Growth Fund National Governance Committee (Federal Government)
- Western Local Region Automotive Transition Taskforce (Victorian Government)
- Victorian Automotive Transition Taskforce
- ITS Australia
- Pro Bono Australia
- Philanthropy Australia
- Volunteering Victoria

Federal Chamber of Automotive Industries

The FCAI is the peak body for the automotive industry in Australia. Toyota Australia's former President, Dave Buttner, was elected President of the FCAI in May 2015, having served on the FCAI Board for the previous two years. On his departure from Toyota in December 2017, our new President Matthew Callachor took over as President of the FCAI until May 2018. Matthew remains on the Board of FCAI.

Andrew Willis, Toyota Australia's Manager for Government Affairs, Trade and Environment Policy, was a Director of the FCAI until May 2018.



The LEGO® Camry was designed by Ryan 'The Brickman' McNaught, the only LEGO® certified professional in the southern hemisphere and one of only 14 in the world. Consisting of more than 500,000 LEGO® bricks, the Toyota Camry replica weighs two tonnes, an astonishing 0.4 tonnes more than the working car, and debuted at the Brickman Awesome Exhibition in Melbourne in March 2018.



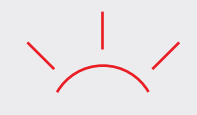
Business performance

This year marked the completion of our transition from manufacturing to a sales, marketing and distribution company. We are proud that during this transition year we fulfilled our ambition to make the Last Car = Best Global Car, worked hard to support our staff, suppliers and local communities through the transition, and delivered our best sales result in five years. We are now excited to have embarked on our vision of creating innovative mobility solutions for all Australians.



Our business strategy

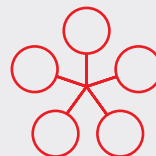
Our business activities are guided by our strategy, which is articulated across three different time horizons:



Our vision for 2025



**The President's
Goals for 2020**



**Our Corporate Hoshin
(strategy) for the financial year**

2025 Direction

Towards 2025, the Toyota Australia vision is 'Creating innovative mobility solutions for all Australians'.

At the heart of achieving this vision is ensuring that: our guests continue to have the best possible experience; we leverage and build our strong brand; and we continue to offer a product range that both anticipates and meets the needs of our guests and continues to reduce greenhouse gas emissions.

We also recognise that in a rapidly changing environment, we need to expand our capability to sell through multiple channels including digital; we need to partner with government and other organisations to enable innovative approaches; and we need to stay closely connected to our community.

You can read more about these focus areas throughout this report.

During the reporting period we established an Advanced Planning Group to support our focus on long-term strategic priorities alongside current business pressures.

President's Goals

To ensure we meet our 2025 vision, our new President and CEO has established three fundamental goals that we need to achieve by 2020:



ZERO: Zero harm. Staff wellbeing and safety is our highest priority. Everyone that works for us needs to return to their loved ones at home safe every day.



ONE: We want to maintain our people first = guest first mindset. If we continue to give our employees the best experience, we know that it will flow on to our guests. We want to be seen as the number one innovative brand in the automotive space.

20

20: We aim to maintain market leadership through growing market share to desired levels by 2020.

Corporate Hoshin

Our material sustainability issues are strongly reflected in the Corporate Hoshin, our strategy for the year ahead. This strategy sets out the key business challenges, objectives and targets for Toyota Australia's and is developed to reflect and deliver on the Global Hoshin, our regional direction and the President's Goals.

Our 2017–2018 Corporate Hoshin set out five themes with associated objectives, priorities, initiatives/activities and performance indicators:

- prioritise the health and well-being of our people to create Toyota advocates for life
- improve quality at every guest touch point
- enhance market dominance by creating loyal fans of the Toyota brand
- ensure a smooth transition towards a sales & marketing business
- drive future growth by providing TMCA with a competitive advantage.

We communicate the Hoshin throughout the organisation and it is implemented by all employees, from management to frontline staff. A key mechanism to enable our senior executive team to implement the Hoshin is our annual Business Priority Forum. As well as ensuring our action plans are fully aligned to the Hoshin, the forum provides the opportunity for both formal and informal networking, facilitating robust and transparent collaboration.

Financial performance

Achieving financial targets is key to our success as a business.

Toyota Australia posted an after-tax profit of \$137 million for the 2017/18 financial year. We were also pleased to deliver our best sales result in five years, with local sales of Toyota and Lexus vehicles rising to 229,258. In our final half year of exporting vehicles, we shipped 25,791 vehicles, just less than half as many as the previous year.

Our profits have been variable in recent years due to restructuring costs associated with our business transition, and due to foreign exchange rates fluctuations in our key export markets. These factors will no longer be applicable in future years. Both our revenues and expenses will be significantly altered as a sales, marketing and distribution company, meaning we will no longer receive revenue from exported vehicles and we will no longer have expenses associated with manufacturing.

Profit and sales

	Net profit after tax (\$ million)	Net sales (\$ billion)
2017/18	\$137	\$8.8
2016/17	\$99	\$8.7
2015/16	\$236	\$8.8
2014/15	\$194	\$8.2
2013/14	-\$437	\$8.4

In May 2018, Toyota Australia was ranked as Australia's most reputable automotive company, and second most reputable company overall.

Toyota ranks in the top 5 most reputable companies in Australia for the last ten years



Source: Reputation Institute

Market share

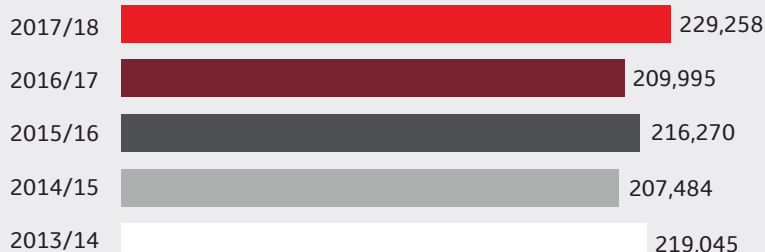
Maintaining and growing our market share continues to be fundamental to our strategy. According to the Federal Chamber of Automotive Industries (FCAI), Toyota Australia maintained its position as the country's top-selling brand for the fifteenth consecutive year. Our share of the national market rose to 18.2 per cent in the calendar year 2017 (from 17.8 per cent in 2016), and was almost double that of our nearest competitor.

2017 was again a record year for the industry overall, with 1.189 million new vehicles sold in Australia. The FCAI notes the continued consumer shift towards light commercial vehicles (LCVs) and sports utility vehicles (SUVs), which for the first time outnumbered passenger cars. This is reflected in Toyota's results; our HiLux topped the sales charts as Australia's best-selling vehicle for the second year in a row, with 47,093 sales. The evergreen Corolla, which celebrated 50 years in local showrooms last year, was Australia's best-selling passenger car for the fifth year in a row with 37,353 sales.

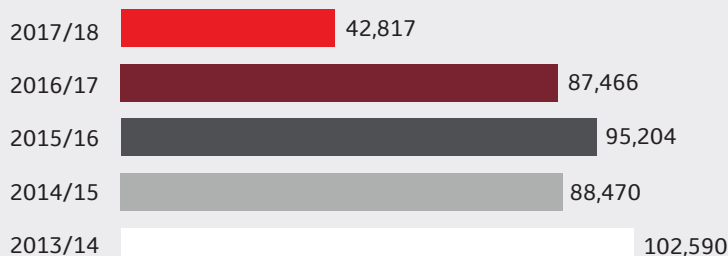
The Camry, with the launch of a new-generation car in November 2017, was Australia's best-selling mid-size car for the 24th year in a row with 23,620 deliveries.

In a year that involved the cessation of local manufacturing, we are particularly proud to have achieved the highest quality target of 'Last Car = Best Global Car' for Camry and Aurion, which received the highest quality measure using international global standards. We were also able to achieve a 24th consecutive year of segment leadership during this time.

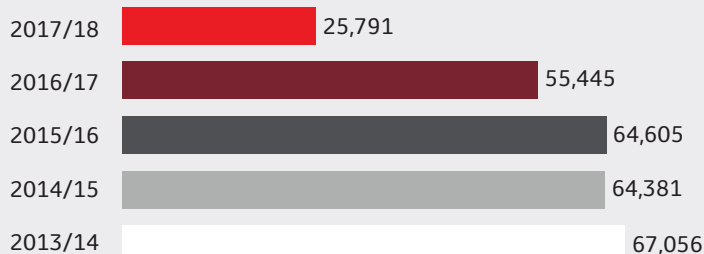
Number of Toyota and Lexus vehicles sold in Australia*



Number of vehicles manufactured at Altona



Number of vehicles exported from Altona



From January to April 2018, Lexus also advanced its sales to record levels, selling more vehicles in the first four months of 2018 than for the same period of any previous year.

Vehicles manufactured and exported

In our final half year of manufacturing at Toyota's Altona plant, we produced 42,817 Camry, Camry Hybrid and Aurion vehicles.

Historically, approximately 70 per cent of the vehicles manufactured in Altona have been exported to markets including New Zealand, Fiji, Thailand, Saudi Arabia, Oman, Kuwait, United Arab Emirates, Abu Dhabi, Bahrain, Qatar and Iraq. In our final half year of manufacturing, we exported 25,791 vehicles.



Altona Centre of Excellence

Our site at Altona is set to become a Centre of Excellence. It will be home to several divisions, including Product Planning and Development with our leading engineers and designers; National Service (including training facilities); and People & Business Development. We also intend to establish a real-world application of hydrogen-based technology at the site, as part of our commitment to pave the way for a hydrogen future in Australia (see further p. 34).

Whilst manufacturing at Altona has ceased, the Centre of Excellence will allow Toyota Australia to continue to contribute to the economy by continuing to innovate and help dealers continue to succeed. It will house our Product Knowledge Centre where we can support product awareness for employees, dealers and the community; conduct safety systems demonstrations; provide driver training courses; and carry out product training and launches.

Business transition

This year marked the completion of our transition to a sales, marketing and distribution company. This difficult decision was made in 2014, based on a range of external influences including the high costs of manufacturing, the local supplier base, the strong Australian dollar making exports unviable, and finally the unique market conditions in Australia.

Our manufacturing operations ceased on 3 October 2017 after more than 50 years, and we consolidated our sales and marketing function to Melbourne by the end of 2017. Over the year, our priorities were to maintain strong business performance and move towards our 2025 direction, while managing our exit from local manufacturing and providing a smooth and respectful transition for the business and our people.

When we first announced our plans to cease local manufacturing in February 2014, there was no 'guide book' for what we should do, or how to do it. The TMCA Board took its lead from the two key pillars of the Toyota Way – respect for people and kaizen (continuous improvement) – and we applied these with heartfelt leadership, constantly putting ourselves in the shoes of our employees. Our people have rewarded

us with ongoing engagement, striving every day to find a better way, to truly embrace that spirit of kaizen. This positive attitude has resulted in a multitude of best ever achievements within the business throughout our transition period.

We established Project ONE in early 2015 as the governance structure to manage the business transition. Project ONE has been a key focus for the executive and Board, with progress monitored regularly against milestones and performance indicators. Project ONE has now concluded, with our staff consolidated to our refurbished Corporate Headquarters in Port Melbourne.

The transition has had wide-ranging implications, both internally and externally. The impacts, and how we have managed them, are discussed in detail throughout this report.

- Our people are our number one priority. You can read more about how we assisted employees through the transition on p. 54.
- Our supply chain has altered with all our vehicles now being imported, and the spend on suppliers relating to manufacturing has decreased significantly during the reporting period, with the total number of suppliers also reducing because of the closure of manufacturing operations (see further p. 37).
- We have looked for new ways to connect with our community now that we no longer have a manufacturing presence in Australia (see further p. 48).
- Our environmental impacts have changed, and we have created a new environmental action plan to reflect this (see further p. 60).

- Our governance and management have been restructured to meet the needs of our new direction (see further p. 66).
- Importantly, we took time to celebrate our proud history of manufacturing in Australia (see further p. 24).

Other core aspects of our business remain unchanged. We continue to focus on being a guest-centric organisation. The Toyota brand and the qualities it represents are unchanged; we remain Australia's favourite and most reputable vehicle brand. We continue to work towards a low-carbon future of mobility for all. Our network of dealers is still central to our success. We are excited to take Toyota Australia into the future and will continue to gain feedback from our employees on how

we are managing the business and review the direction we take it through our Corporate Hoshin.

The Federal and State Governments have taken a keen interest in our progress throughout the transition, and we are grateful for the support they have lent to our efforts to provide a viable future for our employees and suppliers (see p. 34 and 38).

Government funding

Toyota Australia received \$24,847,076 in government funding in the 2017/18 reporting period. See p. 34 and 38 for details of how we engage with government.

Toyota Australia does not provide political contributions.

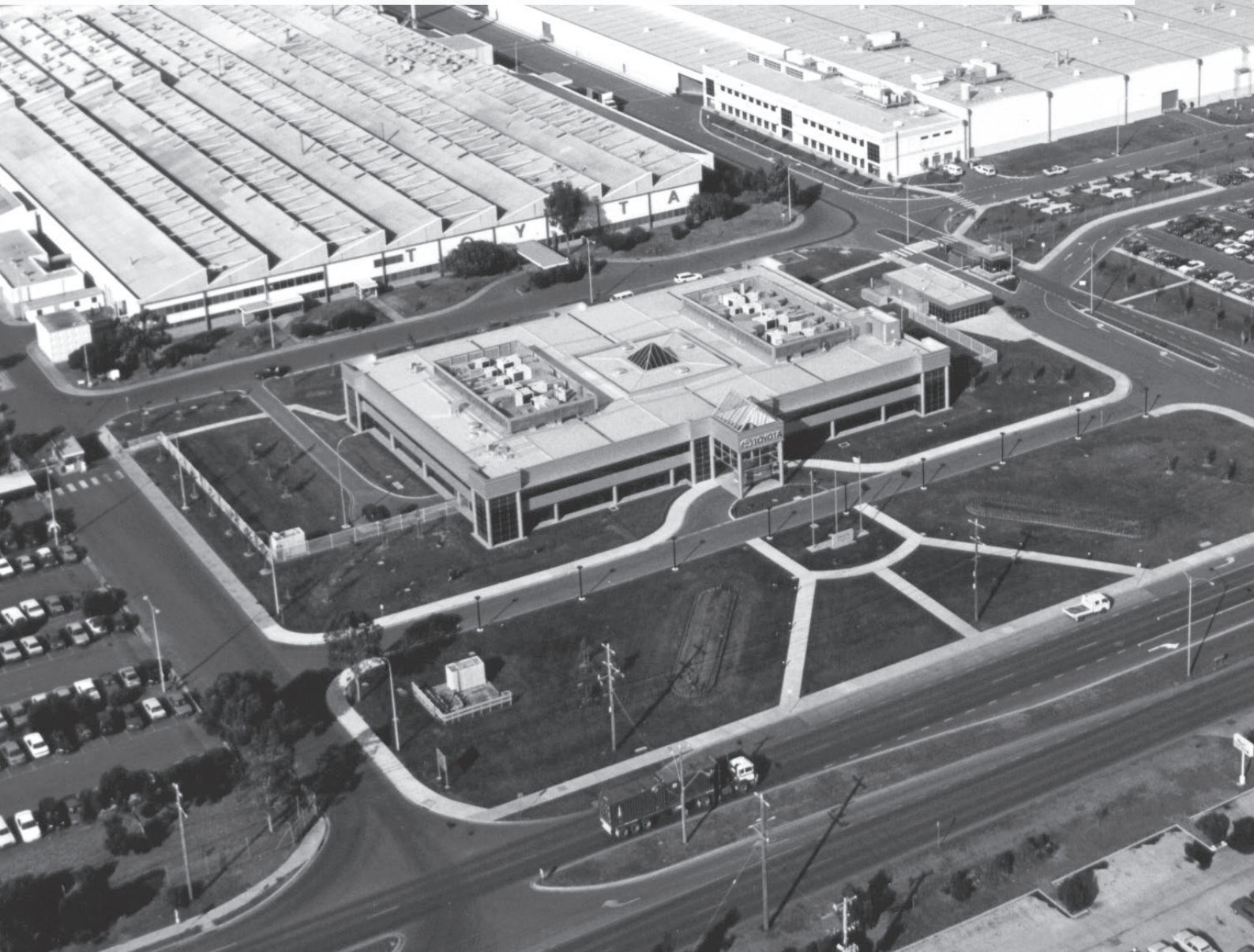


We continue to focus on being a guest-centric organisation. The Toyota brand and the qualities it represents are unchanged; we remain Australia's favourite and most reputable vehicle brand.

Our manufacturing history

Toyota has officially ended more than half a century of manufacturing vehicles in Australia, closing the doors to our Altona manufacturing plant on 3 October 2017.

Australia has played a prominent role in the emergence of Toyota as a global force. It was the first place Toyota achieved success outside of Japan and, during more than half a century of manufacturing 'down under', Toyota Motor Corporation learned many lessons that underpinned its global success.



Toyota Australia production highlights



Production

3.4m

Total

1.3m

Exports



Annual records

148,931

Production (2007)

101,668

Exports (2008)



Biggest export market

1,245,914

Middle East (cars)



1950s

Toyota arrived in Australia through a small Melbourne-based importer called B&D Motors that sold the first LandCruisers, FJ25 models. Among the early customers was construction magnate Sir Leslie Thiess, who bought several for use on the rugged construction-site trails of a hydroelectric tunnel in the Snowy Mountains. Thiess was the first pioneer of the Toyota marque in Australia, becoming the distributor of commercial vehicles.



1960s

During the 1960s, Australia became Toyota's largest export market. Australia was the first country outside Japan to produce Toyota cars, starting with the Tiara in 1963 at a factory in Port Melbourne, now the site of corporate headquarters. The Corona replaced the Tiara on the assembly line in 1965 with the Crown added a year later. In late 1966, Australia was the first destination of Corolla exports from Japan and in 1968 Australia became the first country outside Japan to build Corolla. Corolla also entered and won class victories at the iconic Australian Bathurst 500 Enduro car races in 1968 and 1969 which helped forge Corolla's reputation as durable, reliable and fun to drive.

Vehicle	Tiara	Corona	Crown	Corolla	Camry L4
Production Years	1963 – 1965	1965 – 1987	1966 – 1980	1968 – 1999	1987 – 2017
Volume	1,684	336,197	46,690	601,104	2,117,808



1970s

The commercial vehicle business became Thiess-Toyota in 1971 and its continued growth led to Toyota becoming the best-seller in commercial vehicles in 1979 – a position it has held ever since. In 1972, AMI bought 54 hectares at Altona and on-sold it to Toyota who committed to the construction of an engine and stamping plant – an investment designed to consolidate its position as a high local content vehicle manufacturer. The first Altona engine came off the line in 1978 although the official plant opening ceremony wasn't held until 1979, with Prime Minister Malcolm Fraser in attendance. On that day Mr Fraser politely declined lunch with Toyota Board members, preferring to eat a meat pie in the employees' canteen.



1980s

During this decade, AMI-Toyota and Theiss-Toyota were unified to become Toyota Motor Corporation Australia. In response to the then Federal government's requirements, Toyota and Holden formed a joint venture during which Corolla production was switched from Port Melbourne to a plant in Dandenong leased from Holden. Toyota also produced variants of its Corolla (Nova) and Camry (Apollo) for Holden. In 1987, the Port Melbourne plant geared up to replace Corona with the second generation, front-wheel-drive Camry – the first Toyota subsidiary to build it anywhere.



1990s

Toyota gained outright market leadership for the first time in 1991 and repeated the performance in 1992, 1993, 1994 and 1998. In the search for quality and productivity, Toyota's crowning achievement was the decision announced in July 1991 to build an ultra-modern \$420 million assembly plant at Altona. Corolla was the first car produced at Altona from July 1994. Camry production at Altona commenced in January 1995. The plant was officially commissioned by Prime Minister Paul Keating on 31 March 1995. Australia was the first country outside Japan to export Camry, a plan that accelerated from 1996 with cars being shipped to the Middle East in addition to Pacific and South-East Asian nations. The joint venture with Holden was dissolved in March 1996 and local production of Corolla ceased in 1999.

Apollo	Nova	Avalon	Aurion	Hybrid	Total
1989 – 1996	1989 – 1996	2000 – 2005	2006 – 2017	2009 – 2017	1963 – 2017
40,287	28,128	44,741	184,180	50,296	3,451,115



2000s



2010s

Toyota had never built a large car in Australia, but in late 1997 the company announced that a full-size, front-wheel-drive car based on the US Avalon would be built at Altona from 2000. The Avalon was replaced in 2006 by the Aurion, which was created with the input of local talent, and styled specifically to suit the Australian market.

This was a significant decade in which Toyota achieved record production, domestic sales and exports. In December 2009, in a move to further enhance manufacturing capability in Australia, more than 2,000 local Toyota employees were joined by Prime Minister Kevin Rudd to mark the start of production for the hybrid Camry – the most technically advanced and only hybrid car ever built in Australia.

Toyota was the industry's best-selling brand in 2000, and has continued to be every year since 2003.

In February 2014, TMC president Akio Toyoda came to Australia for the announcement that local manufacturing would end in 2017, with key business functions, including the Sydney-based sales and marketing arm, being consolidated in Melbourne.

In October 2017, approximately 3,000 people attended a closing ceremony at the Altona plant, including current and former employees, suppliers, local and overseas customers, affiliate companies and officials from Toyota Motor Corporation in Japan. Toyota Australia President David Buttner paid tribute to employees past and present for their ongoing commitment

to fulfilling the goal of 'Last Car = Best Global Car'. Global President of Toyota Motor Corporation, Akio Toyoda, visited the Altona plant in August. Mr Toyoda walked down the line and personally greeted manufacturing employees, expressing his sincere appreciation for the hard work and dedication that had been demonstrated in the lead up to their last day.

One of the last Australian-made Camrys now sits proudly in the Toyota Museum in Nagoya as a tribute to the people, suppliers and all related stakeholders of our proud manufacturing legacy in Australia.

Towards mobility

Toyota Australia's vision is to create innovative mobility solutions for all Australians. We are responding to our changing context with technological innovations that connect people, vehicles and communities. We are exploring new ways for our guests to own, share and access vehicles while still maintaining our focus on vehicles that are safe for everyone, and that uphold the standards of durability and reliability that people expect from the Toyota brand.



Our global context is changing. Our population is growing, and increasingly concentrated in cities, with resulting congestion. We have an ageing population that may need additional assistance, but also a cohort of young people with changing views on owning, sharing and using vehicles. Technological developments present a myriad of opportunities, and also some risks. Toyota recognises that in this context, our future business is about more than selling cars and parts. Our guests are looking for mobility solutions – ease of travel where and when they want. Our vision is to provide those solutions for all Australians, regional and urban, inclusive of all ages and abilities.

Toyota's approach to mobility focuses on innovation: in our vehicles, how they operate and how they are accessed. Meanwhile, we retain an unwavering focus on the safety and quality of our vehicles, and on providing the best possible experience for our guests. Some innovations are currently being trialled in Australia and globally, while others will become a reality over the coming years.

Freedom of movement is not available to everyone. Finance, distance, disability and political and societal obstacles can hold people back. Toyota has a vision and passion to change this by offering mobility solutions that go beyond traditional cars to a range of products aimed at giving all humankind the freedom to move. These solutions – currently prototypes or concept vehicles – were highlighted as part of Toyota's sponsorship of the Olympic and Paralympic Games. However, Toyota recognises that we have much more to do realise a mission of true mobility for all.



Toyota Drive to Go Concept Store

People need mobility to get from “A to B”. In Japan, car buyers are older than they once were, and Japanese millennials are more interested in car sharing than owning their own vehicle. This new retail store in Nagoya, Japan, is exploring new ways to connect with our guests. It combines a showroom with a café and a car sharing service that makes renting a car as easy as buying a cup of coffee. Guests can also take the ultra-compact i-ROAD for a free trial. The store even rents out camping equipment, so guests can head straight for the great outdoors.

Toyota's approach to mobility focuses on innovation: in our vehicles, how they operate and how they are accessed.

Toyota is also exploring the future of multi-mode transport and business mobility solutions, with vehicles ranging from buses to pizza-delivery robots. Globally, we are doing this in partnership with a range of organisations including Amazon, DiDi, Mazda, Uber and Pizza Hut.

Vehicle research and development rests primarily with TMC, but innovation also needs to be instilled in every part of TMCA and in our partners, including the dealer network. The importance of mobility to our future direction is reflected in the establishment of a Connected Mobility Committee in

January 2018 and our Advanced Planning Group. Our current focus is on introducing services to complement our products, and understanding how our company and dealer network will shift from providing automotive products and services to mobility products and services.

During the reporting period we introduced Car Sharing by Toyota Fleet Management (see further p. 45). Lexus Australia is running Lexus On Demand vehicle trials at Melbourne, Sydney and Brisbane airports. This provides the opportunity for Lexus owners to hire a vehicle when flying into those cities in lieu of hiring a car from a traditional rental company or catching a taxi. In keeping with the luxury experience, vehicles are picked and dropped off at Qantas Valet.

We have also been trialling car sharing internally between our Port Melbourne and St Kilda Rd offices in Melbourne.

We recognise that an innovative mobility solutions company requires a new mindset and new skillsets. We have a team of passionate and committed employees, and are working to build their capabilities as our business evolves (see further p. 53). Where appropriate, we will partner with other organisations to foster the innovation necessary to deliver on this key business priority.

Automated vehicles

Toyota has been investing in automated driving technology since 1990. Mobility Teammate is Toyota's unique approach to automated driving that hopes to build a relationship between humans and cars, where the fun of driving is combined with automated driving.

Concept cars focus not only on self-driving technology, but also the ability to recognise and respond to drivers' emotions and alertness, so that driver and cars can work in partnership.

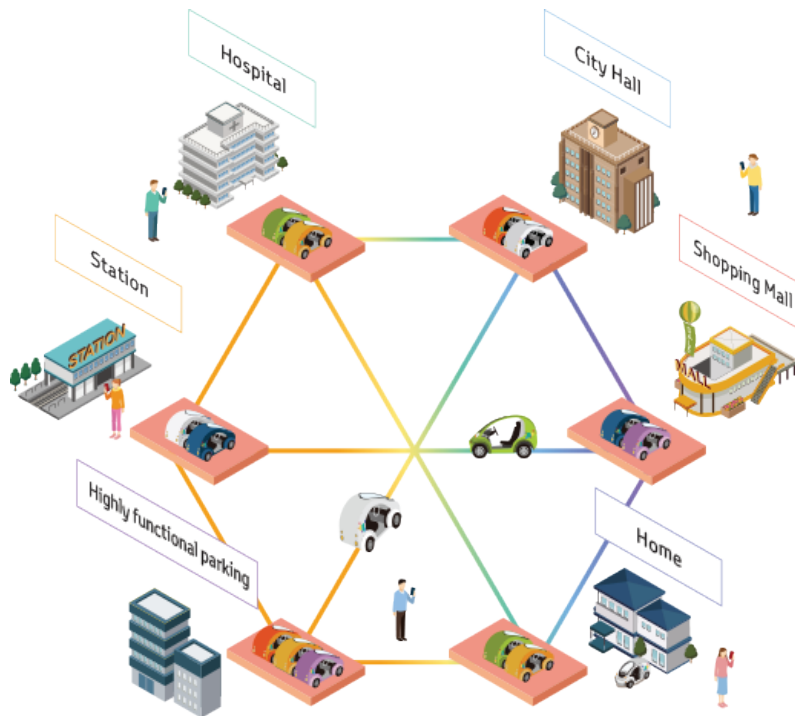
In 2016 the Toyota Research Institute was launched in Silicon Valley, California, as a centre for technology innovation to accelerate research and development of artificial intelligence for mobility. The focus areas are:

- driving intelligence, which enables the vehicle to make decisions based on sensory input
- connected intelligence, which makes use of data from other vehicles and infrastructure
- interactive intelligence, in which the car and driver provide information to each other to support safer driving.

Cooperative Intelligent Transport Systems

Cooperative Intelligent Transport Systems (C-ITS) use the latest communications, computing and sensor technologies to connect vehicles, traffic environments and vulnerable road users. Toyota's focus is on developing vehicle technologies that will deliver safe, efficient and ecological mobility to our guests. By using C-ITS technology, Toyota can support drivers and reduce traffic accidents and congestion by sharing information between drivers, vehicles, and infrastructure (such as traffic lights and variable speed signs).

Connected and automated vehicles have the potential to deliver significant benefits for Australia, but Toyota recognises the policy challenges for governments, including safety, responsibility, ownership of data, security and interaction with infrastructure. Fully integrated transport systems will require infrastructure investment, both in the government and private sector. Harmonisation with overseas best practice will lead to the fastest implementation of this technology in Australia. TMCA regularly engages with the government via submissions and face-to-face meetings as it considers these questions. Key forums including the National Transport Commission and the House of Representatives, which in August 2017 concluded an inquiry into social issues relating to land-based automated vehicles in Australia.



Concept cars focus not only on self-driving technology, but also the ability to recognise and respond to drivers' emotions and alertness, so that driver and cars can work in partnership.

Ha:mo

Ha:mo (harmonious mobility) aims to improve urban mobility while reducing congestion and carbon emissions and integrate private cars and personal mobility with public transportation. It offers self-service car-sharing within a city using ultra-compact electric vehicles that can be picked up and dropped off at any vehicle station, facilitated by smartphone apps for route selection and reservations.

Toyota provided vehicles for 'Cit  Lib', a three-year trial in Grenoble, France, which sought to integrate the use of the vehicles with cars and public transport. The project finished in November 2017 with over 1500 customers and a 90% satisfaction rating. Ha:mo is currently operating in four locations in Japan and one in Thailand.

Towards zero emissions

Vehicles provide many benefits to society through mobility, but their emissions also contribute to air pollution and to climate change.

Toyota has been a leader in developing lower-emission vehicles and continues to invest across the spectrum of alternatives to fossil fuels. We are working collaboratively with others to get Australia ready for a future of low and zero CO₂ emissions vehicles.



Vehicle innovation

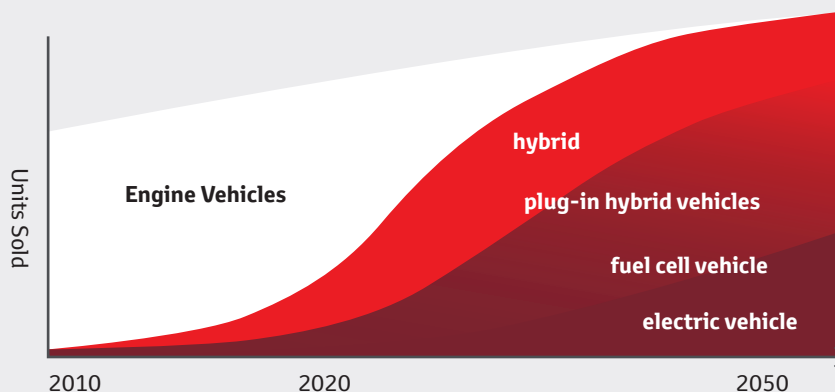
Vehicles powered by fossil fuels make a significant contribution to carbon dioxide (CO₂) emissions, contributing to climate change, affecting air quality. As car ownership and distances travelled continue to rise, it is critical that we find ways to enable mobility whilst reducing impact on the environment and human health.

Globally, Toyota has set itself the target of achieving a 90 per cent reduction in new vehicle CO₂ emissions by 2050, when compared to 2010 levels. Ultimately, we are aiming for zero CO₂ emissions throughout the life cycle of our vehicles, including manufacture, use and end of life. We have formalised this by committing to the Science Based Targets initiative.

A range of alternatives to fossil fuels exist, with each having strengths and challenges, particularly relating to the infrastructure required to support them. Toyota believes that the future will see a mix of hybrid, fuel cell electric and battery electric vehicles, and is investing across the spectrum of low and zero emission vehicles.

Toyota is also focusing on the development of supporting infrastructure, such as streamlining battery reuse and recycling.

We measure our success by evaluating the reduction of emissions from innovation in vehicle technology, and by tracking customer purchasing trends, in relation to our campaigns where possible.



We believe the future will see a mix of hybrid, fuel cell and electric vehicles

Hybrid vehicles

Hybrid vehicles (HVs) combine a highly fuel-efficient conventional engine with an electric motor, significantly reducing petrol costs and CO₂ emissions. Toyota has pioneered this technology and has sold over ten million hybrid cars globally since their introduction in the 1990s.

In Australia, our current focus is to increase our sales of hybrid vehicles. We face a challenge, as many of our most popular vehicles are sports utility vehicles (SUVs) or light commercial vehicles (LCVs), which generally have a higher CO₂ footprint. To address this, we will continue to expand the range of hybrids, including a new RAV4 hybrid to be launched in 2019.

These vehicles are a viable alternative to transitional petrol or diesel vehicles, however there are some limitations. For example, the Australian market indicates a relatively high level of vehicles used for towing which may not

be supported by the current range of hybrid vehicles. This is a challenge which Toyota is working to overcome. We are working hard to raise public awareness and understanding of hybrids, with prominent marketing campaigns.

We are building knowledge and skills internally and through our dealerships to embed hybrid in our mindset and everyday operations.

Plug-in hybrid vehicles (PHVs) are the next generation of hybrids. They have batteries that can be recharged from an electric power source, allowing them to run on electricity for everyday use, while also retaining the capacity to use petrol for longer distances. First introduced overseas in 2012, the Prius PHV underwent a major upgrade in 2017, dramatically increasing its range and decreasing its reliance on petrol. PHVs are not yet available in Australia.

Fuel cell vehicles

Hydrogen is the most abundant element in the universe and can be produced from a wide range of primary energy sources, both renewable and non-renewable. Toyota believes that fuel cell vehicles (FCVs) powered by hydrogen have vast potential. The vehicles offer similar convenience and power to petrol vehicles, but are quiet, produce no carbon emissions, and leave only water as a discharge. They have long range, can be refuelled quickly, and can even be used as a reserve source of electricity.

In Australia we currently have no public infrastructure to support fuel cell vehicles, which is a critical barrier to their introduction. We are working collaboratively and constructively with government and infrastructure development bodies to get Australia ready for a zero emissions future. Toyota is a founding member of Hydrogen Mobility Australia, a company established in early 2018 to accelerate commercialisation and adoption of new hydrogen and fuel cell technologies in Australia.



Mirai demonstration vehicles

Toyota's Mirai is our first dedicated fuel cell vehicle for the mass market. We are pleased to have three demonstration vehicles in Australia, which we have continued to showcase over the past year to promote the benefits of fuel cell vehicles. We have met with a range of government representatives (local, State and Federal), industry, media and other key stakeholders, and displayed the vehicles at a number of events and locations across the country.

The demonstration vehicles are supported by their own mobile hydrogen refuelling station.



TMC is a member of the global Hydrogen Council, launched at the World Economic Forum in Davos in early 2017 to foster the role of hydrogen technologies in the global energy transition.

In November 2017 the Council published 'Hydrogen: Scaling Up', presenting the first comprehensive vision of the long-term potential of hydrogen and a roadmap for deployment. The study suggests that by 2050, hydrogen has the potential to:

- generate US\$2.5 trillion of business
- create more than 30 million jobs
- meet 18% of final energy demand
- abate 6 Gt of CO₂ annually.

Electric vehicles

Electric vehicles (EVs) are charged from an external power source. When using electricity from renewable sources, these vehicles produce zero CO₂ emissions. Toyota's electric vehicles include the ultra-compact i-Road (see p. 29). Toyota EVs are not yet available in Australia.

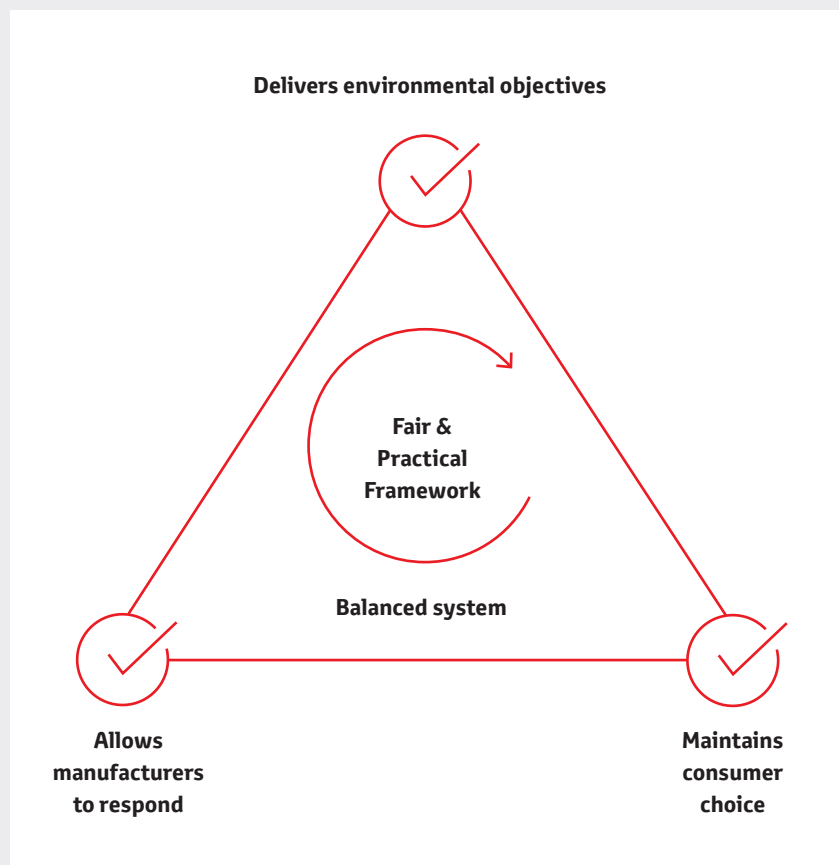
Petrol and diesel vehicles

Alongside the development of CO₂ emissions-free vehicles, Toyota is constantly working towards greater fuel efficiency across our current range.

As well as contributing to climate change, tailpipe emissions contribute to air pollution, including methane-based and non-methane based hydrocarbons, particulate matter, carbon monoxide and nitrous oxides. All our vehicles meet or exceed the Australian standard ADR 79/04 Emission Control for Light Vehicles.

The Australian Government's [Ministerial Forum on Vehicle Emissions](#) is currently considering whether Australia should adopt the Euro 6 standards for light vehicles. Toyota supports this move, and also supports the introduction of standards regulating CO₂ emissions from vehicles.

Toyota advocates for a balanced approach that delivers environmental objectives, enables manufacturers to respond, and maintains consumer choice. We believe the best outcome would be to concurrently address pollutants, CO₂ emissions and fuel quality, while supporting consumers with complementary measures including incentives and education programs.



A bi-partisan approach to CO₂ emissions reduction would support and accelerate the introduction of new technologies in line with the Toyota Environmental Challenge (discussed further on p. 61) and our 2025 Direction.



These measures would bring Australia in line with other countries

Product stewardship

The Toyota brand is built on quality, durability and reliability. Our approach to product design includes not only these factors, but an unswerving commitment to the safety of our guests. This year it was a priority to ensure that all vehicles affected by faulty Takata airbags are recalled and rectified.

In Australia we are at a turning point in how we view and manage waste. Toyota aims to contribute to the development of a recycling based society, where we share responsibility for the impacts of our vehicles throughout their life cycle.



Our supply chain

Since we ceased manufacturing in Australia in October 2017, all our vehicles are now imported from Toyota manufacturers overseas. This makes how we partner with our suppliers even more important, as we are no longer directly responsible for managing sustainability impacts associated with manufacturing. It also means there are a range of local suppliers that we no longer can partner with, which has an impact on their businesses and our local economy.

Sustainability in our supply chain

We treat our suppliers as partners and expect them to uphold our standards of social and environmental responsibility. TMCA's Procurement Policy sets out criteria for supplier selection, including whether they have in place appropriate management systems to ensure good corporate responsibility, specifically regarding safety, environment and conflict minerals. For service parts and accessories, we assess whether suppliers' environmental commitments are aligned with the Toyota Environmental Challenge.

Under our Purchasing Environment Handbook (2016), some suppliers are required to have ISO14001 certification. The handbook also provides guidance relating to chemicals management, carbon dioxide emissions and energy savings. Looking ahead, we plan to establish a baseline for suppliers with significant CO₂ emissions, and set and monitor reduction targets. This will include suppliers who transport our vehicles from ports to dealerships around the country.

New legislation on modern slavery was introduced in New South Wales in May 2018 (outside the reporting period), and similar legislation is expected to be introduced federally during 2018/19. Respect for human rights is embedded in Toyota's Guiding Principles, Code of Conduct and CSR Policy, and we will comply with the requirements of the legislation.

Up until the closure of manufacturing, we procured components and raw materials for production from a range of local suppliers ('direct purchase'). We have worked hard to support these suppliers through a smooth and respectful transition, as outlined on p. 38.

We now import vehicles, service parts and accessories from Japan, Thailand and the USA as follows:

Japan

Camry, 86, C-HR, Corolla Hatch, Coaster, HiAce, Landcruiser Range, Prius Range, RAV-4, Tarago, Yaris

Thailand

Corolla Sedan, Fortuner, Hilux

USA

Kluger

As part of the Toyota family, these production sites follow the Toyota Guiding Principles (see p. 8), and are working towards the Toyota Environmental Challenge (see p. 60).

We continue to source some parts and accessories from local suppliers, particularly larger items such as trays or bull-bars for our utility vehicles.

As we transition from manufacturing our own vehicles, we are refining our communication with TMC, and our processes to ensure that products are delivered to our guests and dealers in a smooth and timely manner.

We also purchase a range of goods and services to support our operations ('indirect purchase'), such as IT equipment and services, and creative services for marketing and advertising. The transition of our sales and marketing function from Sydney to Melbourne has meant that some of our key suppliers in these areas have needed to establish or increase their presence in Melbourne to support their service offering to TMCA.

Value of buy (\$ billion)

	Indirect purchase	Direct purchase	Service parts and accessories
2017/18	0.9	0.5*	0.4
2016/17	0.9	0.9	0.3
2015/16	0.8	1.3	0.3
2014/15	0.8	0.9	0.3
2013/14	1.3	0.9	0.2

*To 3 October 2017, after which direct purchase is no longer applicable

Number of suppliers^

	Indirect purchase	Direct purchase	Service parts and accessories
2017/18	1800	48*	134
2016/17	1513	49	100
2015/16	1483	53	109
2014/15	1527	59	119
2013/14	1464	62	98

*To 3 October 2017, after which direct purchase is no longer applicable

^During the reporting period, 353 new suppliers were added.



Manufacturing quality

We are humbled that our manufacturing employees' commitment to quality remained steadfast up until the last day of production. Our suggestion scheme for improvements saw a 33 per cent increase in participation, with a record number of suggestions and a participation rate of 98 per cent. We also achieved the best ever TMC Shipping Quality Audit, exceeding our target. We can proudly say that we fulfilled our ambition to make the 'Last Car = Best Global Car' for Camry and Aurion, meeting the highest quality measure by international global standards.

Supporting our suppliers

Our automotive suppliers have played a critical role in providing component parts throughout our manufacturing history. We recognise that the closure of manufacturing in Australia has impacted these suppliers.

In 2013, Toyota Australia established a five-year Supplier Productivity and Capability Program (SPCP) to assist automotive suppliers to transition into other industries. The federal government contributed \$5 million to this \$15 million program. Over 50 companies have participated in the program, which focused on sharing Toyota's expertise in continuous improvement (kaizen), and facilitating business networks. Our aim was to develop a connected, collaborative network of Australian automotive suppliers with a viable ongoing business model.

Performance indicators for the program were established against four dimensions: safety, quality, productivity and environment. Outcomes from April 2017 until closure included a 77 per cent reduction in lost time injuries among our focus group suppliers; and a more than 20 per cent reduction in defect parts per million per year. We held 21 'jishuken' – multi-day, cross-functional problem-solving workshops.

As a further part of our commitment to a respectful transition for our suppliers, funding has also been available to support employees within our supply chain facing job losses. A program was established in early 2017 to allocate funding to impacted suppliers, based on their number of employees and business dependency on Toyota Australia. Programs funded focused on re-skilling and upskilling, health and wellbeing, financial education programs, outplacement and job placement support.

Vehicle life cycle

As we moved towards closure, we provided suppliers with a detailed production timeline to enable them to plan their own operations accordingly. As a sign of respect for suppliers, Mr Nanahara from TMC, Toyota Australia's Chairman, Mr Yasuda and President David Buttner visited every supplier personally with a letter from Global President Mr Toyoda, thanking them for their commitment to Toyota over the years. We are very grateful for the ongoing support of these important business partners.

Globally, the Toyota Environmental Challenge includes a challenge to establish a recycling based society. Recognising the social and environmental impacts of increasing consumption, Toyota is redesigning its products and processes to minimise their life-cycle impact. Initiatives focus on the materials used in production; the longevity of parts; and developing recycling technologies to enable the manufacture of new vehicles from old ones. All vehicle parts have a relevant recycling logo and vehicles are being built for easy disassembly to aid in their

management, including repair and replacement. For more information see the [Toyota Global website](#).

Waste is currently a prominent topic in the Australian community. The Australian Government is reviewing the Product Stewardship Act 2011, with a focus on shared responsibility for managing products throughout their lifecycle to ensure the best outcomes for the environment, community and economy.

All Toyota and Lexus dealers in Australia participate in our Hybrid Vehicle Battery Recycling Program, which offers incentives for guests to return or replace their Hybrid Vehicle battery. When a Hybrid Vehicle battery is recycled, more than 98 per cent of the battery materials are diverted from landfill, and all toxic elements are removed.

Most of our dealers work with tyre recyclers that are members of Tyre Stewardship Australia (TSA), and some have themselves gained TSA accreditation. We also require suppliers to align with TSA where relevant.



Jishuken case study

Samvardhana Motherson Reflectec (SMR) is an Adelaide-based supplier which has been diversifying its product range to remain viable after TMCA's closure.

Over a three-day jishuken, we worked with the SMR team to identify wastage in current tool changeover processes and opportunities for improvement, trial new methods, and assess their effectiveness. The team identified and addressed 10 safety concerns, and found 16 ideas to reduce tool changeover time, of which 14 were implemented with another two under consideration.

As a result, SMR's tool changeover time was reduced from 48 to 24 minutes, significantly improving SMR's flexibility and ability to respond to customer demand.

Product safety

The safety and quality of our vehicles is of greatest importance to Toyota. We constantly strive for advances in our safety technology, with an ultimate goal of zero casualties from traffic accidents. TMC's approach to product design is based on learning from real-life accidents to understand their causes and designing technology to counter these. For detail on our safety research and development, see the [Toyota Global website](#).

In Australia, vehicle safety is measured by an independent body, the Australasian New Car Assessment Program (ANCAP). ANCAP is one of nine New Car Assessment Programs worldwide, which cooperate through an overarching body, Global NCAP. In 2018, the ANCAP standard was updated to align with European requirements, and now includes tests of active safety features including pedestrian protection. During the reporting period, the new Camry and Yaris were tested, both achieving the maximum five stars.

We work with a range of stakeholders in Australia including the FCAI's technical committee, federal and state departments of transport, to ensure that all Toyota products comply with Australian government safety requirements.

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

As well as safety, the Toyota brand represents quality, durability and reliability. In the 2017 Annual Auto Reliability Survey conducted globally by Consumer Reports, Toyota and Lexus again retained the top two ranks for auto reliability, based on over 500,000 consumer surveys.

We are proud that our Australian-made vehicles upheld these standards right up to the final day of production, fulfilling our mission to make our 'Last Car = Best Global Car'.

Counterfeit parts

Counterfeit parts are a significant issue in Australia. They can look so similar to genuine parts that even professionals can have difficulty telling them apart. However, these parts 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 with a range of different agencies around the country to educate inspectors on what to look for in detecting counterfeit Toyota parts and accessories at our borders.

We also actively investigate instances of counterfeiting. During the reporting period a joint investigation between Toyota and Hyundai uncovered 500 counterfeit oil filters. These filters may expose engine parts to damage and failure, resulting in costly repairs.

We encourage the purchase of parts from authorised genuine part dealers only. Consumer information on parts can be found at the FCAI website, www.genuineisbest.com.au.

Recalls

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

During 2017/18, Toyota and Lexus vehicles were involved in 13 recall campaigns due to potentially faulty parts. Information on all Australian product recalls, by category and brands, can be found on the Australian Competition and Consumer Commission (ACCC) recall site: www.productsafety.gov.au/recalls.

Takata airbags

Certain Toyota and Lexus vehicles produced between 2001 and 2014 have been recalled for front driver or front passenger airbag inflators that were manufactured by Takata.

In involved vehicles, the non-desiccated propellant that inflates the driver's or passenger's front airbag (model dependent) could absorb moisture and degrade. If the inflator propellant degrades and the vehicle is involved in a collision, the airbag can go off with too much explosive force, causing sharp metal fragments to shoot out and kill or seriously injure people in the vehicle.

The Takata recalls are on an unprecedented global scale, involving many automotive brands and millions of vehicles worldwide. The Australian Competition and Consumer Commission reports the defect has caused 24 deaths and more than 300 injuries worldwide.

Toyota Australia takes this issue very seriously, and has been conducting voluntary recalls of involved vehicles since 2013. We have been notifying, and responding to owners in a number of ways; including by mail, phone, SMS, email and face to face visits, to request that they urgently contact a Toyota Dealer to arrange free repair. In the case of the most serious ('alpha') defects, owners are requested to immediately stop driving the vehicle and contact a Toyota Dealer to organise towing (free of charge) to have the airbag inflator replaced. In the case of vehicles fitted with a 'beta' type airbag, particularly vehicles which are more than 6 years old, owners should urgently contact a local/preferred Toyota Dealer to arrange

free repair. Toyota owners can check whether their vehicle is affected by using the Toyota online VIN checking tool at <https://recalls.toyota.com.au>. A full list of all vehicles affected by the Takata recalls in Australia is available on the Product Safety Australia website and vehicle owners can also use the industry-wide online checking tool at www.ismyairbagsafe.com.au.

In some cases where ownership has been transferred and/or owners' contact details have changed, notification can be challenging. Toyota Australia requests that owners immediately advise (by calling or completing a webform at our recalls website) if their contact details have changed or if their vehicle has been sold, written off or stolen. In other instances, owners choose not to respond to the recall notification. For these owners' safety, Toyota Australia has begun face to face visits to ensure that airbag replacement is conducted as soon as possible.

In February 2018, the Australian Government issued a compulsory recall notice (Recall Notice) for all vehicles with defective Takata airbags. In accordance with the Recall Notice, we have set (and published on our recalls website) ongoing information about the Takata recalls. The Recall and Replacement Timetable sets out the prescribed time by which recall action must be initiated and also the time by which affected inflators must be replaced. The Recall Initiation Schedule is our current timetable for planned future Takata airbag recalls. The Quarterly Completion Schedule is the completion schedule for affected Takata

airbags and sets milestones for recall completion by way of required quarterly completion rates. As at 2 August 2018, the combined recall completion rate for Toyota and Lexus vehicles reached approximately 67.02%.

Unfortunately, it has been necessary to recall some Toyota vehicles for a second time after it was found that some replacement airbag inflators were installed incorrectly. In the event of a collision where airbags are deployed, the front passenger airbag may not inflate for deployment, increasing the risk of injury. A recall notice for these affected vehicles was published on 14 March 2018 and has also been sent to owners' last known address, requesting that owners present their vehicles to a preferred Toyota dealer for inspection/repair.

In November 2017 a class action was filed against Toyota Australia in relation to the Takata recalls and subsequently, against 5 other major automotive brands in Australia.

Toyota Australia is fully committed to completing the Takata airbag recall as soon as possible to ensure owners' safety and minimise any inconvenience.

Our guests and dealers

At Toyota, we put our guests at the heart of everything we do. We want to create Toyota fans for life by exceeding expectations. We connect with our guests and fleet clients through multiple channels including our independent dealer network and in-house Guest Experience Centre. As we make increasing use of digital platforms to interact with our guests and improve their experience, we are also ensuring their data is protected.



Guest experience

Over the past few years Toyota Australia has been focused on becoming an organisation where our guests (customers) are at the centre of everything we do, and guest satisfaction is a core measure of our success. This is more important than ever now that we have transitioned to a sales, marketing and distribution company.

Our in-house Guest Experience Centre responds to guest enquiries via telephone, email and social media. Our guests are increasingly seeking information online, and we recognise that we need to respond with an improved digital presence and the ability to connect with guests through new channels.

This year we rebuilt our Lexus website to offer guests the best possible online experience. The site has since been recognised with a nomination for a Webby Award. We also launched myToyota, a digital platform that enables guests, dealers and TMCA to interact in new ways. Guests can now access features such as online service booking, a digital logbook including service history, exclusive offers and rewards, travel information, and support from dealerships and Toyota Australia.

Our sales and marketing function was consolidated to our headquarters in Melbourne by January 2018. Prior to the move we undertook an extensive process to capture knowledge and processes to enable a smooth transition. Around twenty per cent of our Woolloware Bay employees have relocated, and we have been both hiring and re-skilling staff to rebuild our marketing capabilities.

A strong focus of our current marketing is to increase the community's understanding and acceptance of hybrid vehicles, as we work towards increasing our hybrid mix and reducing the overall CO₂ footprint of our products (see further p. 33).

Data privacy & security

As we interact with guests more and more through digital platforms, we place great importance on protecting the privacy of our guests' information.

Data is vital to many emerging vehicle technologies, including telematics and intelligent transport systems. These bring many potential benefits and will be critical to achieving our vision for mobility. However, they also raise risks of misuse or abuse.

Our Information Security Management System Policy sets out our approach to managing these risks and meeting legislative requirements. It covers both third party information held by TMCA, including guest information, and

TMCA information held or managed by others. Our approach to information management is based on ISO/IEC 27001:2013 Information Security Management, and is overseen by an Information Security Management Committee that reports into our Executive team. The committee undertakes regular reviews to assess the effectiveness of our systems and processes and identify improvements.

In February 2018, changes were made to Australian Privacy Act 1988 (Cth), requiring businesses to report data breaches that are likely to cause serious harm. In anticipation of the introduction of the Notifiable Data Breaches scheme, Toyota Australia improved and formalised a pre-existing framework that sets out investigative and notification stages to manage data breaches. Handling of suspected or actual data breaches is a cross-discipline operation drawing on expertise from our information technology, security, risk and compliance, legal and public affairs departments.

Guest satisfaction



Total sample

46,635
Sales



Net promoter score

83.2
Sales



Guest satisfaction with
purchase/service experience

94.1%
Sales

Voice of Guest Program Sales Survey responses Apr 17 to Mar 18 Average scores for 12-month period

Dealer support

We want our guests to become loyal advocates for Toyota, and that begins with our dealers and their staff, who are at the forefront of the guest experience. As at 31 March 2018 there were 206 Toyota dealers, with 281 outlets, and 21 Lexus dealers, with 26 outlets. The Toyota dealer network employs 12,851 people and the Lexus dealer network 535.

Toyota dealers are independent franchisees. The standards Toyota Australia sets for its dealers include the appointment of a Guest Experience Manager in every dealership, and specific initiatives to improve interaction with our guests.

To support a guest-centric culture, our dealers' success is measured not only by monthly sales targets, but also by their Net Promoter Score® (NPS). The NPS reflects the number of guests willing to refer family and friends to Toyota. An NPS over 50 is generally considered excellent.

We support our dealers through our Franchise of the Future program, which this year entered its second phase, with a focus on building guest loyalty by exceeding expectations. So far, 278 of our 281 dealer outlets have now adopted Toyota For Life Standards. Every year we connect in person with our dealers around the country during the Senior Executive Fly Around. At these forums, senior dealership staff have the opportunity to hear from the TMCA senior Executive team, ask questions and discuss topics of importance. As well as discussing our future direction and new models and technologies, we put forward how we will support dealers, including data sharing and staff retention programs.

As we strive to increase our hybrid vehicle sales mix, we are working with our dealers so that they can support guests to understand the technology and make informed product choices.

ACCC report on car retailing

During the reporting period, the Australian Competition and Consumer Commission (ACCC) published a report on the new car retailing industry. The key recommendations of the report related to handling of complaints and guarantees; mandatory sharing of technical information with independent repairers; and improved information about vehicles' fuel consumption and emissions.

Toyota Australia contributed actively to the study and is generally supportive of its recommendations. We are committed to compliance with Australian Consumer Law, and we believe our robust systems and processes fulfil the requirements of the report.



myFleet



Log in to myFleet portal

Email :

Password :

Login

[FORGOTTEN PASSWORD? ▶](#)

[REGISTER NOW ▶](#)



The fleet range
online brochure

[Explore the range](#)

Fleet sales

Supporting organisational customers with their fleet needs is an important part of our business. Our fleet customers include large and small businesses, not-for-profit organisations and government clients.

Fleet sales are made directly by Toyota Australia or via our dealerships across the country. Our 80 Fleet Specialist Dealers are supported with additional training in supporting fleet customers. We offer a range of ownership and leasing options to suit different needs. We aim to offer competitive prices for our fleet clients, but we also believe that the value of a Toyota fleet comes from the quality, reliability and durability of our vehicles, and the integrated service we provide.

We support our fleet customers with a digital platform, myFleet, which enables them to manage information about their fleet, from pricing information to service schedules. During the reporting period we launched Car Sharing by Toyota Fleet Management, which enables companies to maximise the utilisation of their fleet, reduce costs and streamline administration. Cars can be booked online or via an app, and additional options include telematics and keyless operation.

Many of our fleet clients are interested in reducing their fuel costs and their carbon footprint, and we are active in promoting the benefits of our hybrid vehicles as we move towards a lower-emission product range.

**Car Sharing by
Toyota Fleet
Management
enables companies
to maximise the
utilisation of their
fleet, reduce costs
and streamline
administration**

Community support and partnerships

Our business would not exist without the support of our communities and Toyota Australia has a long tradition of reciprocating with practical and financial support.

With the transition of our business, we have worked with local partners to ensure we leave beneficial legacies in the communities we have called home for many years. Meanwhile, our partnerships reflect the fact that there are more Toyota vehicles on the road in Australia than any other brand, which makes the entire Australian community our stakeholder.



In line with our core pillar of respect for people, we support and partner with the community through a variety of initiatives under the Toyota Community Trust and the Toyota Community Foundation. We also provide sponsorships and partnerships through our National Marketing division.

Toyota Community Trust

We launched the [Toyota Community Trust](#) on our last day of local manufacturing, to provide an ongoing legacy of our proud history of local manufacturing in Australia.

The Trust aims to collaborate with the community on initiatives that provide long-term benefits. In particular, its focus is to encourage and enable young Australians to realise their potential through pursuing further study and careers in science, technology, engineering and mathematics (STEM). STEM is vital to Australia's future, and Toyota's vision is that some of the young people we support may eventually join Toyota. The Trust's initial focus is Melbourne's west, the long-time home of our manufacturing plant.

Initiated with a \$32 million endowment, the trust will annually distribute the interest generated. We will be supporting initiatives that:

- help students overcome financial barriers to pursuing further study
- create quality learning experiences
- foster STEM teaching skills
- address gaps between available courses and potential jobs.

Governance of the trust rests with the directors of the Toyota Community Foundation Australia Pty Ltd (TCFA), who act as Trustee of the trust. TCFA Pty Ltd is a 100% owned subsidiary of TMCA. Directors are appointed for two years by TMCA; the inaugural directors are:

- Mike Rausa (Chairman)
- Ian Grigg AM
- Damien Bayard

In our first half-year we supported five organisations delivering STEM education programs in Melbourne's west. Our first beneficiaries included:

Organisation	Project
Western Chances	54 scholarships for students aged 12–25 years wanting to pursue STEM-related education and careers
Code Like a Girl	A pop-up code lab for girls that is easy to transport, assemble and disassemble, along with the delivery of 36 workshops that will reach 700 girls in years 1–12
Fizzics Education	Science-focused professional development workshops for primary school teachers, and four school-based science clubs
Little Scientists Australia	Science focused professional development for 150 early childhood educators and teachers
Robokids	Robotics workshops for three primary schools in Melbourne's west, supported by teacher professional development sessions. The project will reach 1,250 students, 56 classes and 56 teachers

STEM is vital to Australia's future, and Toyota's vision is that some of the young people we support may eventually join Toyota.

Toyota Community Foundation

We established the Toyota Community Foundation (TCF) in 2011 as our main vehicle for managing community partnerships and investment. The foundation's activities focus on local community, employee giving, and partnerships.

Up until the closure of local manufacturing, governance of the foundation sat with a Foundation Endorsement Panel supported by 12 Employee Champions. This has now transitioned to an Executive function, supported by participants from across the company.

The Foundation's activities are guided by a set of principles:

- address local needs identified by local communities
- support business objectives of all parties; partnerships are developed as mutually beneficial strategic alliances
- multifaceted partnerships; we look for value exchange beyond financial contributions and branding opportunities
- deliver long term sustainable benefits
- build and strengthen relationships and reputation; we look to develop personal contacts at the local level
- provide opportunities for employee and dealership participation
- provide platforms for broader engagement
- meet and exceed stakeholder expectations; Community capacity building is central to the Toyota Community approach.



Endeavour Sports High STEM project

At Caringbah's Endeavour Sports High School, Toyota has supported the purchase of STEM equipment, employment of an expert engineer, delivery of a structured program and engineering challenges. Under the guidance of the expert engineer, the school has introduced an engineering, design and manufacturing initiative around drone technologies. Students undertake structured activities involving a working design on physics of flight, drone construction, and software development and use. Students are also introduced to the techniques of idea generation, concept and design and develop real skills in bringing designs to life using 3D printers.

We evaluate outcomes relative to the scale of each project. Recipients of small grants are asked to provide a brief outline of their outputs. With significant partners we agree a set of outputs or outcomes to be reported.

Supporting our local communities

A priority this year was our legacy project in Altona, the former home to our manufacturing plant, and Sutherland Shire, former home to our Woollooware Bay sales and marketing office.

On National Tree Day in July 2017, Toyota Australia, in partnership with Hobsons Bay City Council, the Victorian Government and Friends of Lower Kororoit Creek, opened 'Toyota Way': a newly constructed trail nearby the

Altona manufacturing plant in Victoria. Toyota funded the 2.5km section of the Lower Kororoit Creek pedestrian and bike trail, including wayfinding signage and site-specific public art, for the local community of Altona.

In Sutherland Shire we established a four-year partnership with Schools Plus to support five school projects and a scholarship program. This partnership is our Sydney legacy project.

The Sutherland Shire school projects are:

- Dunlea Centre, Engadine: establishing a Transition Day Unit to improve the success rate for students moving from its residential intensive assistance back into a mainstream school, home or work.

In addition to these legacy projects, the TCF again provided community grants to each of the three local councils where we have had significant operations:

- 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 Woollooware Bay office was located
- City of Hobsons Bay, where our Altona manufacturing plant has been located.

The grants support environmental groups, local sports clubs, mentoring programs and training for community organisations. Our work has focused on capacity building and helping local communities to help themselves.

Employee community grants

In 2013, we launched a program that enables our employees to nominate a community organisation they are involved with for a \$1,000 grant. In 2017/18, we received a record 129 nominations, from which 40 were randomly selected to receive grants. Recipients included the Newport Baseball Club, St John Ambulance Victoria, Camp Quality and the Sleepy Burrows Wombat Sanctuary.

Since the program began, we have received over 585 applications and have awarded a total of \$215,000 to community groups across Australia.

Matched workplace giving

We offer matched workplace giving for our employees to support their local community. Since 2015, we have undertaken to match employee donations to eligible charities up to a maximum of \$1,000 per employee per year and an annual matched giving budget cap, which was fully utilised this year.

Partnerships

The TCF develops partnerships that share Toyota's skills, networks, expertise and other resources with the community.

We are a major partner of Road Safety Education (RSE) Australia and New Zealand, a not-for-profit organisation that provides evidence-based road safety education programs for young Australians. The programs aim to prevent and reduce road trauma by encouraging students to think more deeply about the choices they will be faced with on our roads. RSE engages with more than 50,000 16-18 year-olds in 650 schools each year.

During the reporting period we supported RSE's expansion of the program in Victoria, as well as a communications strategy and research towards program sustainability.



Communities receive last locally manufactured Camrys

In November 2017, we were pleased to donate four of the last Toyota Camrys manufactured in Altona to local community groups. We hope the vehicles will assist these organisations as they provide essential services to some of the most in-need and vulnerable groups within the Hobsons Bay community, including homeless youth, senior citizens and people living with a disability.



Latitude Directions for Young People

Latitude is a not-for-profit organisation that assists young people in Hobson's Bay and Moonee Valley who are at risk of, or experiencing, homelessness. TSSC worked with Latitude to help them to understand and improve their processes from having a young person referred to them to being able to respond to that person. By applying Toyota business practices, Latitude were able to increase their response time for case management from 23 days to 12.6 days; and their private rental response time from 38 days to 29.5 days.

Annual community contributions

2017/18	\$1.8m*
2016/17	\$3.8m
2015/16	\$2.9m
2014/15	\$1.9m
2013/14	\$1.9m

* For the past 10 years we have used the London Benchmarking Group methodology to measure our community investment, which includes 'leveraged' third party contributions. From 2017/18, we are aligning our external reporting with our internal global reporting, which includes only direct contributions. Our past contributions, calculated on the same basis, have averaged \$700,000–\$1 million. Next year, with our first full year of operating the Toyota Community Trust, we expect our contribution to be around \$2.8 million.

Community contributions by category

Environment	0.79%
Road safety	18.5%
Education	25.7%
Arts and culture	21.1%
Civic and community	7.9%
Other, including employee giving and TSSCAu	25.9%
Total	\$1,892,000

Toyota Production System Support Centre Australia

As well as supporting organisations financially and through our marketing reach, we also seek to share our know-how with the community. For over 20 years we have assisted our suppliers to apply the Toyota Production System to their operations. In 2016, we established the Toyota Production System Support Centre Australia (TSSC Australia) to extend this service to not-for-profit organisations and small businesses, and to provide an ongoing legacy from the expertise built over our long manufacturing history in Australia. We work closely with organisations over a three-six month period to help them solve specific business problems.

Sponsorships and partnerships

In addition to the support provided through the Toyota Community Foundation, Toyota Australia sponsors and partners with a range of organisations through our National Marketing division. This is informed by the Toyota Guiding Principles to 'contribute to economic and social development through corporate activities in their respective communities' and 'pursue growth through harmony with the global community via innovative management'.

We have partnered with the Australian Football League since 2004. Together with our dealerships, we support the sport from local junior clubs through to the Toyota AFL Grand Final. Over this time, we have helped contribute over \$5 million to grassroots clubs around the country through the Good for Footy program. In 2017 alone, the Toyota Good for Footy Raffle enabled 412 participating clubs to raise a total of \$682,420.

Toyota Australia has been the major sponsor of Planet Ark's National Tree Day for 18 years

Our support for sporting organisations also includes Cricket Australia, the AFL, the Australian Olympic and Paralympic Committee, and the North Queensland Cowboys, among others.

We have been a key partner of the Tamworth Country Music Festival for 20 years. This year we extended our long time support of the Melanoma Institute Australia by introducing them as our charity partner for the festival. The traditional Toyota festival hat giveaway raised vital funds for research into melanoma prevention and treatment.

Toyota Australia has been the major sponsor of Planet Ark's National Tree Day for 17 years. We mobilise our employees, dealer network and brand ambassadors to support the day and assist local schools, councils and groups to take an active part in caring for their local environment. In 2017, an incredible 250,000 participants came together at over 3,000 sites across Australia to plant over a million native trees, shrubs and grasses.

Each year we encouraged our employees to volunteer on National Tree Day. This year the day coincided with the opening of the Toyota Way shared pathway (see above p. 48), and employees and members of the community helped plant 2,300 trees along Kororoit Creek nearby our manufacturing plant in Altona Victoria, one for each departing manufacturing staff member.



Diamond Creek Women's FC supports girls to play Aussie Rules

Diamond Creek Women's FC is one of the largest women's football clubs in Australia, boasting 130 players from the under 12s right up to the seniors.

Through the Toyota Good for Footy Raffle, the Creekers have raised more than \$3,000 to buy trophies and keep encouraging young girls to play Aussie Rules in a safe, supportive environment.

Our people

Our people have been those most impacted by our business transition, and are the key enablers of our ongoing success. We have aimed to offer the best possible support to our departing employees, and to build the capabilities of those transitioning within the company. We maintain our commitment to supporting the skills, engagement and safety of all our people.



This was a challenging year for our people. We reduced from 4,012 employees to 1,452 and we recognise that, while our business transition is now complete, the journey is ongoing for many individuals. Our aim has been to respect and support all our employees through this time, both those that were leaving us and those that are continuing with the company.

Moving forward, we recognise the need to focus on strategic workforce planning and the diversity of our employees. We also continue to prioritise health and safety, with increased resources for employee wellbeing.

Strategic workforce planning

Our business transition gives us the opportunity to consider the workforce we need to succeed as a sales, marketing and distribution business, and to realise our vision of mobility for all Australians. We are focused on having the right people with the right skills in the right roles; building the capability of our workforce; and managing the loss of the knowledge and expertise of employees who have left Toyota Australia.

Toyota is a company that generally seeks to grow people from within, and we have many loyal, long-term employees who bring a wealth of knowledge about the company and its culture. However, we are also hiring people that bring different experiences and new approaches to the business. To ensure that Toyota can continue to attract and retain the best talent, we have been working to modernise our human resources policies, our workplaces and to embed our culture.

Our future in mobility demands an innovative mindset, and we are creating an environment which fosters that. We have brought together people from different parts of the business for several 'innovation hubs'. With our refurbished corporate headquarters, we are moving towards an agile workstyle in which our culture and working methods will be supported by technology-enabled, flexible working spaces.

Diversity and inclusion

Supporting Diversity and Inclusion is important to us. We aim to continue to build an inclusive culture where our employees and guests feel respected and can contribute to their full potential. We want to create the 'Oh what a feeling' experience for our Toyota employees.

At TMCA, we recognise that we have a unique mix of employees from diverse backgrounds. We're all different and our differences make our company amazing. We want our employees to be able to bring their whole selves to work - diversity of thinking enables diversity of solutions.

Toyota Australia Women's Conference

We have embarked on our Diversity and Inclusion journey. In April 2018, the first Toyota Australia Women's Conference was held to celebrate the successes of our senior female leaders, create networks between our employees, dealers and industry experts, and to inject diverse lines of thought into the decision-making dialogue to drive our future business direction.

Flexible Work

Flexible work practices have been implemented. We strive to provide a flexible environment to accommodate our employees, guests and company needs. We acknowledge the benefits linked to flexible work practices and encourage our employees to utilise flexible work arrangements.

New parents

We support our new parents. At TMCA, we offer 14 weeks paid leave (or 28 weeks at half pay) and an additional 38 weeks unpaid leave for primary carers who have been employed for at least 12 months. Secondary carers are entitled to five days paid leave and three weeks unpaid leave. Furthermore, employees may elect to extend their unpaid parental leave by an additional 52 weeks, upon agreement with their manager.

Strategy

Compliance with the Workplace Gender Equality Act 2012 was achieved. We will continue to review gender balance initiatives to attract and retain female talent – our current workforce comprises of 27% female employees.

We are in the process of conducting an external Gender Pay Audit, Disability Awareness workshop for hiring managers, and will embark on the 2019 Graduate program in the coming months. We aim to build and develop future initiatives within all Diversity and Inclusion focus areas including; gender, age, disability, nationality and cultural diversity.

Employee engagement

Our annual employee engagement and enablement survey provides valuable information on our performance year-on-year, and relative to other companies. Engagement relates 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. We established targets for these measures as part of our 2017–18 Corporate Hoshin.

In the context of a difficult year, we are proud to have exceeded our targets and improved on the previous year's performance. Our principle of respect for people meant that employee engagement and welfare

was a priority throughout the year. We supported our people through constant communication and a range of programs focusing on workstyle, mental health and wellbeing, and learning and development. Both Engagement and Enablement scores increased every year of the four-year transition period, achieving scores higher than the global high performing norm.

2017 Employee engagement and enablement survey results

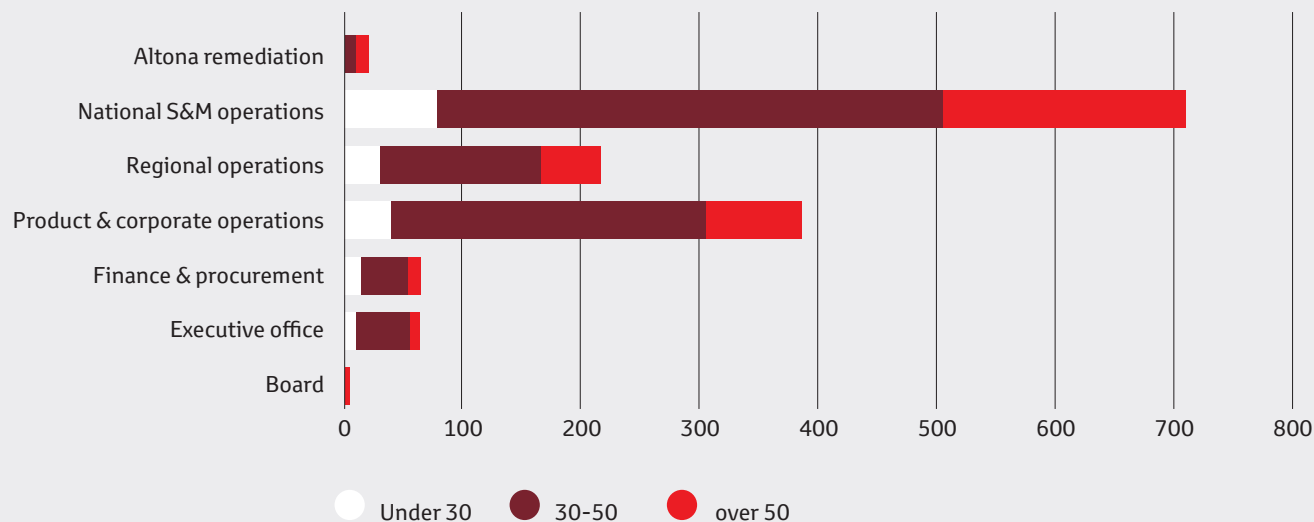
		Engagement (%)	Target	Enablement (%)	Target
Toyota Australia	2017	78	74	66	64
	2016	74	72	64	63
	2015	72		61	
Benchmarks	Australia companies	72		66	
	Global automotive companies	74		63	
	Global high performing companies	77		72	



Workforce overview at March 2018

		Permanent/ fixed-term/ contract (FTE)*	Employees by location (FTE not including contractors)
Headcount actual (excluding contractors)	1,452	Permanent 1,437	Vic 1,065
Headcount full-time equivalent	1,544	Fixed-term 15	NSW 229
Contractors (full-time equivalent)	92	Contract 92	Qld 117
<p>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.</p> <p>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.</p>		* Note these figures do not include 22 (FTE) employees who are on leave of longer than eight weeks, apprentices, tour guides, expatriates and inpatriates.	NT 6
			SA 25
			Expats 11

Age profile of organisation by division (number of actual headcount, not including contractors)



Employee health, safety and wellbeing

Health and safety is integral to Toyota, in Australia and globally. This is reflected in our President's goal of 'Zero Harm' and our Hoshin theme 'prioritise the health and well-being of our people to create Toyota advocates for life'. During the reporting period we had no fatalities or serious injuries.

Our health and safety management framework is certified to the standard OHSAS 18001. Our work sites are also in compliance with the National Audit Tool (NAT). An external assessor audits us against the NAT every 12 months and we are also audited by Victoria's WorkCover Authority every three years.

We have health and safety committees covering all our sites. The committees comprise seven per cent of our workforce, and are made up of elected employee representatives

and management representatives. Committees must meet quarterly at a minimum, but most meet monthly.

Our managers undertake online health and safety management training annually to support them in understanding their roles and responsibilities, together with regular face to face legal awareness training sessions to assist managers' understanding about the legal obligations of their roles. Completion of the training supports our compliance with NAT requirements.

At our manufacturing plant, we retained a strong focus on health and safety through to closure. The number of lost time injuries did increase during the reporting period; however, the increase was less than is typical for organisations in similar situations.

Lost time injury frequency rate*

2017/18	3.26
2016/17	1.25
2015/16	3
2014/15	3
2013/14	6

*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.

With the closure of our manufacturing operations, we have reduced our health and safety team, re-evaluated our health and safety risk profile, and implemented new policies and procedures to reflect this. We have increased our focus on psychosocial issues such as stress, and on delivering initiatives that contribute positively to the health and wellbeing of employees.

During the reporting period we ran a 'Mental Health First Aid' training program for over 80 managers and supervisors, to equip them with the knowledge and tools to support themselves and others during this time of significant change. This was complemented by wellbeing awareness workshops offered across the business, teaching practical ways to 'unhook' difficult feelings and how to practice mindfulness to reduce stress.

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

As at 31 March 2018, 430 Toyota Australia employees (30% of our overall headcount) were covered by the 2015 Toyota Australia Workplace Agreement (WPA), including:

- team members and supervisors at Toyota Parts Centres
- engineering and technical employees
- company fleet motor mechanics.

The workplace agreement outlines the consultation process for significant operational change, including a maximum 10-week consultation period.

Our industrial relations partners continue to play a key role in achieving Toyota's long-term direction. We are working collaboratively to establish three new WPAs for the groups above, as the current WPAs were due to expire on 6 March 2018.

Driving Employee Support

"Without the DRIVE Program, I don't think I would have followed up any career opportunities. I would have just waited to see the closure and then hoped I would have found another job.

It turned a negative into a positive in my case because it gave me the chance to chase a new career and develop further options that I never had before. It opened more doors than I could have ever imagined.

I feel like I'm ready to go into the job market. In actual fact, I'm ready to go now. There's opportunities coming up on a daily basis, so once I finish my current position I'll be able to succeed and fulfil a position out there for a teaching vacancy."

John Christopoulos

Senior Specialist, Quality Control Department

Future goal through the DRIVE program: Maths and physics teacher in secondary education

Employees were also able to access formal training and more than 600 online courses to develop new skills. For employees aged 55 or over as at 30 June 2017 who were choosing to retire, DRIVE also provided a comprehensive retirement preparation program covering a range of topics, including study, community involvement, social activities and volunteering.

In our final year of manufacturing, the focus of the DRIVE program shifted from information services and career planning towards a structured Job Seeking Skills program. The program comprised four workshops intended to give employees the capability and confidence to present themselves in the best possible manner; creating resumes, first impressions, job searching and interview techniques.

Key performance indicators for the DRIVE program were reported regularly to the Board, senior management, DRIVE steering committee and other stakeholders. Our target was to have 80 per cent of affected employees registered in the DRIVE program by the date of closure. We exceeded this with 83 per cent registration.

In May 2018, six months after the closure of the Altona plant, we conducted a survey of departed employees. Of 1,889 respondents:

- 72% were confident about their future
- 76% were satisfied or highly satisfied with their current situation
- 72% reported good emotional health
- 62% were satisfied or highly satisfied with their new salary.

Employee transition

Since we first announced that we would stop manufacturing in Australia, we have been committed to providing all affected employees with the best possible support to prepare for their future after Toyota. Guided by our principles of respect for people and continuous improvement, we wanted Toyota Australia employees who were leaving us to be the first choice for future employers. We established the DRIVE (Dedicated, Ready, Individual, Vocational and Energised) program to help achieve this, offering a range of training opportunities, career management and transition support services.

DRIVE Centres with case manager consultants were located at Altona and Port Melbourne in Victoria and Woollooware Bay in New South Wales. Consultants were available to meet with employees one-on-one to research and discuss future options and develop individual career plans.

As well as individual support, DRIVE hosted a variety of information sessions and workshops open to all affected employees. An online portal and regular newsletter were used to communicate opportunities and to respond to employee questions.

Our DRIVE Centre at Port Melbourne remained in operation until 29 June 2018. To maintain our commitment to respect for our employees, referrals to ongoing job seeking and training services were provided after this date. In Sydney, our DRIVE Centre will remain open until December 2018 to support approximately 80 TPC employees. In May 2018, a Jobs Victoria Registration Day was held to introduce DRIVE clients to ongoing government support services. The day was supported by eight Jobs Victoria support services and at least 69 ex-Toyota employees attended. A communication pack was also shared with all affected employees.

A small number of our manufacturing employees have been retained to assist with the remediation of our Altona site.

We recognise that the transition journey is ongoing for a number of our employees, and we are committed to supporting our people who are continuing with us to help achieve the Toyota Australia vision. Some of our people have taken up new roles within Toyota, which may have different skill requirements from their previous experience. We seek to develop all our people with the capabilities they need to succeed, through training, on-the-job development and coaching. Senior

management have been meeting regularly to discuss the progress of individuals and provide additional support where needed.

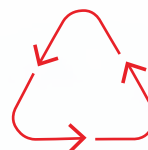
For our employees who relocated from Woollooware Bay, we established a 'Melbourne mates' buddy program to help people integrate into the Melbourne office and their new city.



Toyota Global President Akio Toyoda visits our Altona manufacturing plant to thank employees for their commitment to achieving 'Last Car = Best Global Car' throughout transition

Environmental impact management

At a global level, Toyota has set ambitious goals in relation to environmental issues that we impact. TMCA is committed to help achieve these goals. In Australia, the closure of our local manufacturing operations means our direct environmental impacts have reduced, and we have revised our environmental strategy to reflect the material impacts of our new business structure. A current priority is the remediation and regeneration of our former manufacturing site.



The global approach

As a global company, we have the capacity to contribute to achieving global environmental goals. 'Respect for the planet' has long been ingrained in the Toyota Way, and was formalised in the 1992 Toyota Earth Charter (see more on the [TMC website](#)).

In 2015, Toyota formulated the Toyota Environmental Challenge 2050, an ambitious global commitment to go beyond zero environmental impact to achieve a net positive impact. The six challenges address global environmental issues including climate change, water scarcity, resource depletion and declining biodiversity. More information can be found on TMC's website at www.toyota-global.com/sustainability/environment/challenge2050/.

TMC's five-year global action plan (FY2016-2020) sets out the pathway towards these goals, guided also by our global policies.

Toyota Australia's approach

Our vision for TMCA is to be an environmental leader, operating a sustainable business in harmony with nature. We aim not only to ensure environmental compliance, but to demonstrate good environmental citizenship, and to lead through innovation. Our environmental strategy, 'to achieve a net positive impact', is aligned to TMC's goals and action plan, focusing on two pillars, 'towards zero emissions' and 'recycling based society'. We apply the principle of continuous improvement (kaizen) to constantly re-examine and improve our practices to ensure that our business operations will be sustainable and have a low environmental impact over the long term.

The strategy is implemented according to a detailed annual Environmental Action Plan, including activities and targets. The plan includes our own operations, the impacts of our products and services, and support for our dealerships as the first point of contact for our guests. Our approach reflects the precautionary principle as detailed in Principle 15 of the United Nations Rio Declaration on Environment and Development, which states that where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

The Environment Committee which reports to our Board was renamed in January 2018 as the Sustainability and Environment Committee, reinforcing our commitment to governance of activities with enduring benefit to our environment and business.

The committee is comprised of our Executive leadership team, and will meet twice yearly to set our sustainability and environment direction, endorse the Environmental Action Plan, review and remediate our environmental performance, and yokoten (share learning). This replaces the previous Environment Committee, which had a more operational focus.

Implementation is supported by the Toyota Environment Management System (TEMS) externally certified to ISO14001, which is also our mechanism for handling any grievances.

Our performance is measured and monitored through the global Environment Assessment System (EAS). Toyota affiliates globally share environmental performance outcomes to drive continuous improvement (kaizen) and learning. Toyota Australia also joins an annual regional summit to hear and build on key environmental learnings.

The Toyota Environment Challenge 2050



New vehicle zero
CO₂ emissions
challenge



Life cycle zero
CO₂ emissions
challenge



Plant zero
CO₂ 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

Focus areas

Historically, our most significant environmental impacts have been from our manufacturing and assembly plant, and a key focus has been compliance with relevant environmental regulations, which we have maintained through to closure.

Our 2017/18 Environmental Action Plan (EAP) aligns with our transition to a sales, marketing and distribution business. We maintain our commitment to compliance, but have reassessed our material impacts and identified new focus areas and initiatives. These include minimising the impacts of our properties, remediation of our Altona and Woollooware Bay sites, reducing the impacts of fleet (both our own and guests'), and engaging our workforce on environmental responsibilities.

In addition to the environmental impacts of our own operations, the plan also encompasses the impacts of our products, discussed under Vehicle emissions (p. 32) and Vehicle lifecycle (p. 38); our suppliers (see p. 37); and the role of our dealers see below.

Green buildings

As a sales, marketing and distribution company, a significant part of our environmental footprint now derives from our properties. In line with our EAP and our ultimate goal of zero CO₂ emissions, we have developed a green building strategic roadmap to ensure that all new and existing Toyota Australia facilities incorporate sustainable best practice.

During the reporting period we undertook preliminary assessment of all major facilities against the Green

Building Council of Australia Green Star Performance rating system, and held internal Green Star training. We installed a 600kW solar system at our Sydney Toyota Parts Centre, with the ambition of operating at zero emissions by 2019. We also installed a 50kW array at our Brisbane office.

Site remediation

We want to leave a legacy for the communities where we have recently closed our operations at Altona and Woollooware Bay. The remediation of these sites has been a key focus during the reporting period, and will continue to be until completed.

In keeping with the Toyota brand value of durability, we take long-term usage seriously. Our approach is therefore to ensure the long-term productive usage of our Altona site, which will which become a Centre of Excellence, housing a product knowledge centre and training facilities (see p. 24). We are currently collaborating closely with the Victorian Environmental Protection Authority to deliver upon the agreed conditions of the site's Clean Up notice. However, we are aiming far beyond minimum requirements to just remedy the site, which covers 76 hectares next to Kororoit Creek. We have set an aggressive remediation timetable, and are applying a hierarchy of reuse or recycle before waste, working closely with our global affiliates and appropriate partners to fulfil this responsibly. Throughout the remediation process, we have maintained strong communication with stakeholders and local community groups such as the Friends of Lower Kororoit Creek.

Our remediation plan for Woollooware Bay is currently at the planning stage. At both sites, we continue to work closely with the local community to understand their interests and concerns.

Dealer support

We want to develop our dealers as environmental leadership touchpoints for our guests. At a minimum, dealers are required to comply with our Dealer Environmental Standards. During the reporting period we had 100% compliance, and expanded our data collection to include water and waste metrics.

In 2017, we developed our Green Dealer Strategy, which aims to improve our dealers' engagement with environmental improvement and excellence, and improve the environmental performance of their facilities. Among other initiatives, this included the introduction of a Dealer Facility and Environment Excellence award in 2018. This award recognises dealers who strive to have a high standard of facility and make continuous improvements to the ecological performance and development of their dealership environment. Criteria include conducting and acting on energy audits; installing green features such as solar panels or LED lighting; participating in National Tree Day; and actively promoting hybrid vehicles.

Energy use and greenhouse gas emissions

Our largest contribution to greenhouse gas emissions for 2017/18 came from electricity and natural gas used at Altona, prior to the closure of the manufacturing plant. Reflecting the lower production volume and the closure, consumption of both energy and gas was lower in 2017/18 than in previous years. We also reduced our emissions by using energy from rooftop solar panels at our plant.

However, the energy used per vehicle increased marginally; since energy used for heating, lighting and certain manufacturing processes are fixed, consumption per vehicle increased as production numbers decreased.

In addition to energy use, greenhouse gas emissions associated with our manufacturing operations derived from the transport and petrol used to test engines, and the release of volatile

organic compounds (VOCs) from processes using solvents, paints, sealers or hydrocarbon-based chemicals. The largest source of VOCs in manufacturing was the carrying and flushing solvent found in paint used.

In 2016/17* total emissions at TMCA were 132,527 tCO₂-e, a decrease from previous years, reflecting decreased production.



Altona Manufacturing Energy Use

Item / Year*	2017 /18**	2016 /17	2015 /16	2014 /15	2013 /14
Production electricity use – MWh	40,015	81,457	83,808	80,182	86,851
Production electricity use – kWh/ vehicle manufactured**	935	931	880	907	847
Production gas use – GJ	338,961	518,592	526,129	490,019	531,252
Production gas use – GJ/ vehicle manufactured**	7.917	5.93	5.5	5.5	5.2

* 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. We measure energy use and associated greenhouse gas emissions at the Altona plant for the Toyota financial year (1 April 2017 to 31 March 2018) for comparison with other Toyota manufacturing plants and to measure performance against set targets.

** 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. For the period up to Manufacturing closure April 2017 to September 2017, this was 42,817 vehicles. While the total energy use reduced significantly, the per vehicle measure increased due to reduced manufacturing volume.



Greenhouse gas emissions*

Item / Year	2016/17	2015/16	2014/15**	2013/14**	2012/13
Total TMCA tCO₂-e	132,527	138,610	144,893	144,416	153,270
Electricity tCO₂-e	98,403	103,911	110,828	112,315	117,238
Gas tCO₂-e	27,011	27,559	26,765	24,970	27,866
Transport tCO₂-e	4,491	4,383	4,364	4,189	4,290
VOC tCO₂-e	779	808	999	1,133	1,740
Engine testing tCO₂-e	1,580	1,616	1,937	1,809	2,118

* We measure energy use and associated greenhouse gas emissions at the Altona plant for the Toyota financial year (1 April 2017 to 31 March 2018) for comparison with other Toyota manufacturing plants and to measure performance against set targets. However, the greenhouse information contained in this table is for 1 July 2016 to 30 June 2017, to align with the federal government's National Greenhouse and Energy Reporting Scheme (NGERS).

** 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.

Despite the closure of manufacturing, we will be required to report one more time through NGERS for 2017/18.



Water use

Minimising and optimising water use is one of TMC's six environmental challenges. Going forward, water use will not be a material impact for TMCA; however, we will continue to implement water saving measures at our sites, and encourage them in our dealerships.

During 2017/18, the majority of water was used in manufacturing processes and sourced from municipal water supplies. Where possible, we also made use of rainwater collected onsite. Overall, water consumption at Altona was lower than previous years due to decreased production. However, water use per vehicle was slightly higher.

Water use

Item / Year*	2017/18	2016/17	2015/16	2014/15	2013/14
Total production water use kL	156,718	315,119	333,900	312,103	353,784
Total production water use kL/ vehicle manufactured**	3.7	3.6	3.5	3.5	3.5

* 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. For the period April 2017 to March 2018, this was 42,817 vehicles.

Environmental Management System

Toyota Australia's Environmental Management System (TEMS) provides a framework for us to manage our environmental risks and legal compliance, and facilitates the implementation of our own environmental policy and plan. It combines the requirements of the ISO 14001 Environmental Management System and the principles of the Toyota Production System (TPS).

TEMS was certified to the ISO14001 environmental management standard at two key sites during the reporting period:

- our manufacturing plant and company fleet and vehicle servicing garage at Altona, Victoria
- Toyota Parts Centre
- corporate office in Woollooware Bay, Sydney.

Certification for our Corporate Headquarters in Port Melbourne was put on hold during 2017 due to complete site renovation and expansion activities.

During the reporting period, we developed a new TEMS to reflect the updated ISO14001 standard and our changed business operations. An ISO14001 audit of Woollooware Bay delivered our best ever results.

Compliance with environmental regulations remained a focus for our manufacturing site at Altona right through to closure. The site has held a Victorian Environmental Protection Authority (EPA) accredited environmental license, issued in 2004, that required us to meet certain criteria across five areas:

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

Chemicals that were used in parts for our locally built vehicles met strict overseas recycling standards that exceeded Australian legal minimum requirements for chemical control. The Altona site's list of banned chemicals was developed from European and Japanese environmental protection standards. We surrendered the EPA licence in December 2017.

Across the company, we comply with the National Greenhouse and Energy Reporting Scheme (NGERS) and National Pollutant Inventory (NPI). Details from our NGERS report can be found on p. 64 and our NPI report can be accessed at www.npi.gov.au.

Toyota Australia experienced one EPA notifiable incident at the Altona manufacturing site in April 2017. The incident represented the first occurrence in 18 years of spill exiting the site through the stormwater drain and impacting an area external to our site.

The EPA were notified within three hours of the incident. The EPA conducted extensive evaluation and countermeasures, and were satisfied that no further investigation was required.

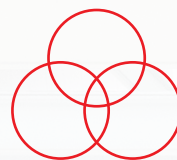
There were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations.

We take pride in our record for environmental compliance, but our long-term vision goes far beyond compliance to achieving the Toyota Environmental Challenge, which we view as essential to ensuring a sustainable business in harmony with society.

Corporate governance and compliance

Sound governance ensures that we meet our stakeholders' expectations, manage our risks, and can anticipate emerging challenges and opportunities. Our approach to governance is underpinned by our guiding principles and the Toyota Way.

As part of our business transition, we have changed our governance structures to support a nimble sales, marketing and distribution business.



Board of Directors and Board Committee

The Toyota Australia Board is committed to meeting our requirements and expectations and creating a positive impact. This starts with our guiding principles and the Toyota Way and ensuring our Board embodies these in every plan and decision they make.

We had the opportunity this year to establish a governance structure that better suited our new direction and Toyota Australia's transition to a sales, marketing and distribution company. Previously our Board served a dual role of strategic direction, governance and operational execution and implementation, which suited our business needs as both a manufacturer and a sales and distribution company.

On 31 December 2017, most of our Board, which comprised 11 Directors and alternate Directors, stepped down as part of a planned transition. We thank all of our outgoing Board members, including Chairman Masahide (Max) Yasuda and President David Buttner, for their stewardship of the company over many years and for steering Toyota Australia skilfully through a smooth and respectful business transition.

As of 1 January 2018, our Board comprises four Directors, including our new President and CEO, Matthew Callachor; our Treasurer and Chief Coordinating officer, Tetsuo Mori, and two further representatives of our parent company, TMC.

The new Board will focus on providing governance, strategic direction setting, alignment and learning from TMC and the global approach. Implementation

now sits with the Executive Management Committee. This will enable more agility in execution, within a robust governance framework.

The members of our new Board have over 124 years' collective experience working with Toyota locally and internationally, giving us confidence that business continuity has been appropriately managed.

Toyota Australia Board of Directors as at 31 March 2018

Directors	Appointment
Tetsuo Mori	1 January 2016
Matthew John Callachor	1 June 2016
Nobuhiko Murakami (non-resident director)	1 January 2018
Masakazu Yoshimura (non-resident director)	1 January 2018

Resignations during the reporting period

Directors	Appointment	Resignation
Masahide Yasuda	1 June 2007	31 December 2017
David Causebrook Buttner	1 May 2002	31 December 2017
Christopher Paul Harrod	1 January 2010	31 December 2017
Anthony Lenard Wilson Cramb	1 January 2013	31 December 2017
Michael Rausa	1 January 2013	31 December 2017
Naoki Fujioka	1 January 2015	31 December 2017
Alistair Grant Davis (non-resident director)	1 July 2010	31 December 2017
Hiro Yoshi Ninoyu (non-resident director)	1 May 2015	31 December 2017
Yoichi Miyazaki (non-resident director)	1 April 2017	31 December 2017

Alternate Directors

David Causebrook Buttner (alternate director for Alistair Davis)	1 May 2014	31 December 2017
Kunihiko Wataishi (alternate director for Hiro Yoshi Ninoyu)	1 May 2015	31 December 2017
Takuo Muto (alternate director for Yoichi Miyazaki)	1 April 2017	31 December 2017

The Board of Directors met 11 times during the reporting period.

Toyota's approach to governance is founded on our Guiding Principles and the Toyota Way (see p. 8). Our expectations of business standards are set out in our Code of Ethics and Code of Conduct, which can be accessed via the TMC website.

We take fraud and corruption very seriously and have robust global and local policies and controls in place to manage these ethically.

Governance committees

Board committees and sub-committees allow for more detailed consideration of specific issues. As part of our new governance structure, we have also changed the composition and function of these committees.

The Corporate Compliance Committee was renamed and reformed as the *Risk and Compliance Committee*, comprising seven senior TMCA members and chaired by a TMCA director. This Committee is responsible for managing risk, compliance, ethics and governance-related matters. It reports to the Board on a regular basis.

Our risk register is a live document that is reviewed bi-monthly in line with our risk management framework. It therefore reflects the changed risk profile from our business transition and considers the ever-more rapidly changing factors of our industry.

The *Executive Management Committee* has been established, comprising the nine most senior members in TMCA, chaired by the President and CEO. This committee is responsible for execution, based on the Board direction.

Our other new Committees, comprised of TMCA members, are:

- General Managers Committee (responsible for implementing strategy)
- Profit Planning Committee
- Sustainability and Environmental Committee (first meeting held in May 2018).
- Connected Mobility Committee

Toyota Australia management

In January 2018, Matthew Callachor took over from David Buttner as President of Toyota Australia. Mr Callachor has been with Toyota for 36 years, and has served as Vice-President since June 2016, as part of a smooth transition to this role.

A new organisational structure came into effect on 1 January 2018, led by three Vice Presidents: Sean Hanley, Vice President of National Sales and Marketing Operations; Mike Rausa, Vice President of Product and Corporate Operations; and Evan Tsirogiannis, Vice President of Regional Operations. Each of these Executives has over 20 years' experience with Toyota, and all have been part of the business transition, ensuring a smooth transition and business continuity. They are supported by three Chief Coordinating Executives inpatriates from TMC, who lead the coordination between TMC and Toyota Australia activities.

Compliance

Toyota Australia takes compliance with all relevant laws and regulatory controls seriously. Toyota views this as an essential foundation that we build upon to create value.

Our compliance requirements include issues such as product safety and advertising standards. Compliance with health and safety and environmental impacts are detailed on p. [58](#) and [65](#) respectively.

During the reporting period we were subject to a compulsory recall in relation to Takata airbags. This is discussed further on p. [38](#).

Toyota Australia introduced new procedures in response to the Notifiable Data Breach Amendment to the Privacy Act in January 2018, outlining how employees can report suspected data breaches. We also introduced a Working Committee, bulletins and information packs for dealers and a dealer self-assessment process in response to the Vulnerable Workers Amendment to the Fair Work Act in February 2018.

Toyota Australia did not record any significant fines or non-monetary 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 align to various charters and principles developed by external parties. These include:

- Occupational Health and Safety (OHS) National Audit Tool for OHS Management Systems
- OHS ISO 18001
- Self-Insurance (Victoria only)
- Environmental Management System ISO 14001 solely for the Toyota Parts Centre in Sydney. Due to changes at the Altona plant and the Port Melbourne offices, there has been a lapse in ISO 14001 certification for these locations.
- The Global Reporting Initiative Standards
- Federal Chamber of Automotive Industries (FCAI) Voluntary Code of Practice for Motor Vehicle Advertising
- FCAI Code of Practice for the Conduct of an Automotive Safety Recall
- FCAI Code of Practice for Access to Service and Repair Information for Motor Vehicles

Glossary

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.
Expatriates	Toyota Australia employees who are working overseas at affiliate Toyota locations
FCAI	Federal Chamber of Automotive Industries
Hoshin	The 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.
Inpatriates	Employees from Toyota affiliates working at Toyota Australia
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
TCF	Toyota Community Foundation
tCO₂-e	Tonnes of carbon dioxide equivalent
Telematics	The integrated use of data, information systems and telecommunications to enable intelligent communication between vehicles and broader transport systems
TEMS	Toyota Environmental Management System
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
TMC	Toyota Motor Corporation
TMCA	Toyota Motor Corporation Australia
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
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
TSSC	Toyota Production System Support 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 2018 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 2017 to 31 March 2018, 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 and data collation processes, 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): business transition, employee transition, innovation, corporate governance and mobility. 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 engagement and 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 2018 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 2017 to 31 March 2018. In addition, Materiality Counts has provided a management report to Toyota Australia.

Key Observations

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

Good practice:

- *Materiality principle:* Material issues are ranked using a range of internal and external information sources and stakeholder interviews, as part of the materiality process.
- *Inclusivity principle:* External stakeholder views are incorporated into the materiality process through stakeholder interviews, media review, peer benchmarking and industry scans.
- *Responsiveness principle:* Material issues ranked highly by stakeholders continue to form the basis of the Sustainability Report, thus responding to what is important to stakeholders.
- *Performance information:* Comprehensive evidence is readily available across the business for the performance data and information reported.

Areas for improvement:

- *Materiality principle:* Explanation of input weightings for the desktop analysis part of the materiality process would improve transparency, recognising that some sources of information are more critical than others to what is material.
- *Inclusivity principle:* Whilst progress has been made by including stakeholder interviews in the materiality process, more external stakeholder interviews are needed for inclusivity.
- *Responsiveness principle:* Stakeholder feedback on how well the Report covers their most important issues would inform how responsive the Report is and facilitate improvement in future.
- *Performance information:* The changing profile of the business post manufacturing has resulted in organisational structure changes, new approaches and a focus on innovation. More complete reporting on these changes, providing greater clarity whilst maintaining commercial confidentiality, is encouraged in future.

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



Jo Cain, Executive Director, Materiality Counts,
13 September 2018, Melbourne, Australia

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

Materiality Counts



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GRI Index

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103-3	Evaluation of the management approach	03 Our business performance (Our business strategy – Corporate Hoshin)
201-1	Direct economic value generated and distributed	03 Our business performance (Financial performance)
201-4	Financial assistance received from government*	03 Our business performance (Government funding)

Business transition

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 03 Our business performance
103-2	The management approach and its components	03 Our business performance (Business transition)
103-3	Evaluation of the management approach*	03 Our business performance (Business transition)

Mobility

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 05 Towards mobility
103-2	The management approach and its components	05 Towards mobility
103-3	Evaluation of the management approach*	05 Towards mobility

Vehicle emissions

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 06- Towards zero emissions
103-2	The management approach and its components	06 Towards zero emissions
103-3	Evaluation of the management approach*	06 Towards zero emissions

Innovation

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 06- Towards zero emissions (Vehicle innovation)
103-2	The management approach and its components	06 Towards zero emissions (Vehicle innovation)
103-3	Evaluation of the management approach*	06 Towards zero emissions (Vehicle innovation)

Product quality & safety

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 07 Product stewardship
103-2	The management approach and its components	07 Product stewardship
103-3	Evaluation of the management approach	07 Product stewardship (Manufacturing quality; Product safety)
416-1	Assessment of the health and safety impacts of product and service categories	07 Product stewardship
417-1	Requirements for product and service information and labelling	07 Product stewardship; 08 Our guests and dealers

Community & strategic partnerships

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 09 Community commitment
103-2	The management approach and its components	09 Community commitment
103-3	Evaluation of the management approach*	09 Community commitment

Employee transition

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 10 Our people
103-2	The management approach and its components	10 Our people
103-3	Evaluation of the management approach	10 Our people (Employee transition)
402-1	Minimum notice periods regarding operational changes	10 Our people (industrial relations)
403-1	Workers representation in formal joint management-worker health and safety committees	10 Our people

403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities*	10 Our people
404-2	Programs for upgrading employee skills and transition assistance programs	10 Our people
405-1	Diversity of governance bodies and employees	10 Our people

Environmental impact management

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 11 Environmental impact management
103-2	The management approach and its components	11 Environmental impact management
103-3	Evaluation of the management approach	11 Environmental impact management
302-1	Energy consumption within the organization*	11 Environmental impact management
303-1	Water withdrawal by source*	11 Environmental impact management
305-1	Direct (Scope 1) GHG emissions*	11 Environmental impact management
305-2	Energy indirect (Scope 2) GHG emissions*	11 Environmental impact management
305-3	Other indirect (Scope 3) GHG emissions*	11 Environmental impact management
307-1	Non-compliance with environmental laws and regulations	11 Environmental impact management

Corporate Governance and compliance

103-1	Explanation of the material topic and its Boundaries	02 Sustainability at Toyota; 12 Corporate governance and compliance
103-2	The management approach and its components	12 Corporate governance and compliance
103-3	Evaluation of the management approach	12 Corporate governance and compliance
419-1	Non-compliance with laws and regulations in the social and economic area	12 Corporate governance and compliance
415-1	Political contributions	03 Our business performance

* These indicators have been reported on but may not fulfil all the requirements of the GRI indicator



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The 2018 Sustainability Report and supporting documentation can be viewed online at www.toyota.com.au/sustainability

Feedback

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