



# 2009 SUSTAINABILITY REPORT

Toyota Motor Corporation Australia Limited ACN 009 686 097





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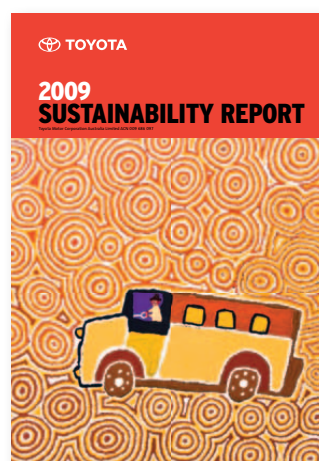
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## About the Front Cover and the Artist

The front cover is a painting by Niningka Lewis called Toyota Dreaming, which was exhibited at the Toyota Community Spirit Gallery in June 2009. Niningka was born in 1947 north of Areyonga, in Central Australia. Her works have been exhibited in Australia, Germany and the United States.

## Artist's Statement

*The Toyota is a symbol of life in remote communities. It represents freedom, and the ability to continue living a semi-nomadic existence. Toyotas are so important to Anangu as they mean being able to travel long distances to visit family and country in just a few hours or days, journeys that took months before whitefellas came to their lands. They are revered, talked about and prayed for, and it is every family's dream to have a Toyota, because once you've got a Toyota you can go hunting for malu (kangaroo) and ngintaka (goanna) – Kuka wirul (good food).*



Toyota Tjukurpa (Toyota Dreaming) Niningka Lewis, 2009. 120 x 120cm Acrylic on Linen. Image courtesy of Ernabella Arts. © The Artist

# PRESIDENT'S MESSAGE

Welcome to our 2009 Sustainability Report. Our operating environment has seen significant changes during the past year brought about by the global economic crisis. This is the key challenge that we and our business partners are facing. However, I believe the Australian economy is still fundamentally sound and I remain confident in Australian manufacturing. Our partnerships with our suppliers and dealers stand us in good stead for the future.

Despite toughening market conditions, we have continued to set new sales records and maintain profitability. On a model basis, sales records were set for Yaris, Corolla, Prius, Kluger and Hilux and our domestic retail sales in the 2008 calendar year established an Australian sales record (see page 17).

We have achieved many successes this year. The highlight of the year was the confirmation that we will begin manufacturing the Hybrid Camry in 2009. We will be the first automotive manufacturer in Australia to produce a locally-built hybrid car, which will help grow the local market for more fuel-efficient vehicles with lower emissions.

I want to draw your attention to these topics that are discussed in this year's report:

- The introduction of training days in lieu of production for our manufacturing staff to ensure we are well-placed to respond to a stronger market (see page 18)
- The development and delivery of training programs for our employees (see page 40), suppliers (page 19) and dealers (page 42), to help us remain competitive and efficient
- The introduction of health and safety programs to reduce muscular skeletal disorders (see page 41)
- The roll-out of our Environmental Management System across sites as part of our five year action plan to reduce our environmental footprint (see page 23)
- The use of the London Benchmarking Group to measure our community investments (see page 46).

We have an on-going commitment to the importance of sustainability reporting and have applied the Global



Reporting Initiative indicators, which provide a globally-recognised and tested framework for reporting on social, economic and environmental performance. This year, we asked our stakeholders for their input on the report content and format (see page 13). We have listened to their comments and incorporated their suggestions into this report.

We look forward to hearing your feedback.

**Max Yasuda**  
President and CEO  
Toyota Australia

## About this Report

*This report details Toyota Australia's sustainability performance from 1 April 2008 to 31 March 2009.*

This is Toyota Australia's 3rd Sustainability Report and follows the 2008 Sustainability Report. Toyota Australia's Sustainability Report is published annually and covers all Toyota Australia sites including the manufacturing plant in Altona, the sales and marketing operations in Sydney and the corporate headquarters in Port Melbourne.

In 2009 a stakeholder review of the 2008 Sustainability Report was

undertaken to assist in determining the content and issues to be covered. To read more about this review please see page 13. The report applies the Global Reporting Initiative (GRI) G3 guidelines to an A+ level and is assured by Deni Greene Consulting Services (please see page 55).

The audiences for this report include employees, customers, suppliers, dealers, community, fleet partners and government.

The format of the 2009 Sustainability Report has changed from the previous year. In 2008, Toyota Australia printed a summary report which was 28 pages. This year we have printed a four-page snapshot of Toyota Australia's sustainability highlights, reducing our paper usage by 72,000 pages. The full report is available online.

To provide feedback on this report please email [environment@toyota.com.au](mailto:environment@toyota.com.au)

## Q&A with the President of Toyota Australia, Max Yasuda

*Max Yasuda was appointed President and CEO of Toyota Australia on 1 August 2007. Educated in Japan and the United States, Mr Yasuda graduated from Harvard University with a degree in engineering and applied physics.*

*He joined Toyota Motor Corporation Japan's Production Control Division in 1972. In 1980 he was appointed Assistant Manager for Purchasing at Toyota (Europe), a position he held until 1985. At that time, he returned to Japan as Manager, Overseas Parts Division. In 1995 he was appointed Assistant General Manager, North American Division, before moving to Toyota Motor Sales in the United States in 1997 where he was Group Vice President.*

*Prior to his appointment as President of Toyota Australia, Mr Yasuda spent four years as President and CEO of Toyota France. During his tenure, sales of Toyota cars in France increased from 70,000 to 100,000 vehicles a year.*

*Since Mr Yasuda's appointment to Toyota Australia, the company has achieved record sales results and has secured the production of Australia's first locally-built hybrid vehicle.*



### **What were the key highlights for Toyota Australia in 2008/09?**

This year marks the 50th anniversary of Toyota in Australia and there is no doubt it will be one of the most challenging years for our company. However, I believe the Australian economy remains sound and the current market issues are short term. The year started with strong production and market demand and in June 2008 we announced that we had been given the go-ahead by Toyota Motor Corporation to build the Hybrid Camry at our manufacturing plant at Altona from 2009. This is a huge achievement – our plant is one of only four around the world to produce the Hybrid Camry and the only plant in Australia to manufacture a hybrid vehicle.

### **What were the key challenges?**

Last year our business environment changed dramatically. This resulted in increased exposure to global

financial issues. The Australian automotive industry has been affected. The impacts of steel/commodity price increases, oil prices, currency pressures, interest rates and increasing competition have put enormous pressure on us all.

Toyota Australia is not immune from the impacts of the global financial crisis. Our manufacturing plant at Altona saw production volumes drop as a result of softening market demand, both locally and in our export markets.

Our parent company, Toyota Motor Corporation, was also heavily impacted – with operating income decreasing from 2.27 trillion yen (\$33.6 billion) as at 31 March 2008 to a loss of 461 billion yen (\$6.8 billion) as at 31 March 2009. This is the first operating loss in Toyota Motor Corporation's 70-year history.

We have responded to these changes by realigning our production and spending to appropriate levels, and reducing our output. In addition we

have reinvigorated the product line-up with the launch of the third-generation Prius and new facelifts for the Camry and Aurion planned for 2009/10.

### **What does this mean for Toyota Australia's workforce?**

Our highest priority is providing job security for our permanent workforce. Reductions in demand, affected strongly by the fall in export vehicles required for the Middle East, mean that fewer cars need to be produced at our plant.

Toyota Australia is minimising the impact on manufacturing employees by implementing initiatives including cost reduction activities and training days in lieu of production for our manufacturing staff (please see page 18). We are using the current economic climate as an opportunity to deepen and accelerate the capability of

## Q&A with the President of Toyota Australia, Max Yasuda (continued)

our workforce.

### What are the impacts for Toyota Australia's dealers and suppliers?

We are supporting supplier development by funding and leading on-site process improvement and cost reduction activities. Also, we have established supplier networks to allow benchmarking and knowledge sharing.

Maintaining sales in these difficult times is more important than ever. We are supporting dealers to apply Toyota Production System (see page 6) principles to improve customer service, reduce costs and boost productivity.

The current crisis is a major opportunity to reform our business for new growth and progress. We will pool our knowledge and expertise and maximise strong teamwork to create an even stronger Toyota Australia.

### What are the impacts for Toyota Australia of climate change and a possible emissions trading scheme?

We support the need to control

CO<sub>2</sub> emissions and see our industry as playing a key role. Our aim is to contribute to a low-carbon society, both by reducing the environmental impact of our manufacturing operation and administrative offices and by producing fuel-efficient vehicles. Reducing our environmental impact is key to ensuring the future of the automotive industry.

Toyota Australia's manufacturing operation is one of the 1,000 establishments coming under the proposed Carbon Pollution Reduction Scheme framework. We have assessed our carbon footprint and are directly responsible for emissions amounting to approximately 300,000 tonnes of CO<sub>2</sub>. In addition to this, we have a carbon liability in our supply chain which we have to better understand and we will be looking at this with our suppliers in 2009/10.

### How is Toyota Australia responding?

In response, Toyota Australia continues to work on energy efficiency across both production and non-production

sites. We have also been one of the trial companies helping the Commonwealth Government develop the National Greenhouse and Energy Reporting System.

The bottom line impacts resulting from the costs of carbon are a new business expense and one we can meet by applying well tested *kaizen* (continuous improvement) strategies to our business. The major impacts of this new market for Toyota Australia are the trend towards more fuel-efficient vehicles such as hybrids and the improving business case for low emission technologies.

We will be advancing the hybrid vehicle strategy in 2009/10 with the launch of the third-generation Prius in July 2009. We will also be installing new equipment at the Altona manufacturing plant to produce the Hybrid Camry, with production starting at the end of 2009. These initiatives will help us grow our business and contribute to a low-carbon, sustainable and prosperous, society.

## CASE STUDY

### Hybrid Camry to be Manufactured in Australia

In June 2008 it was announced that Toyota Australia would begin producing the Hybrid Camry at its manufacturing plant from the end of 2009. Ten thousand Hybrid Camrys will be manufactured each year, in addition to the existing four-cylinder Camry and six-cylinder Aurion vehicles produced at Altona. The Prime Minister of Australia, The Honourable Kevin Rudd, and the Premier of Victoria, The Honourable John Brumby, visited

the plant in July 2008 to learn more about the future of green vehicle manufacturing.

"This will be a great step forward for the manufacturing industry in Australia, a great step forward for the future of the automobile industry in Australia and a great step forward in our response to climate change," Prime Minister Rudd said.

Toyota Australia will be one of only four countries to produce the Hybrid Camry, joining Japan, the United States and Thailand.



Prime Minister Kevin Rudd with employees at Toyota Australia's manufacturing plant



# KEY PERFORMANCE FIGURES

	2006/07	2007/08	2008/09
<b>Economic Performance</b>			
Domestic Retail Sales Volume	228,355	248,684	229,189
Exported Vehicles	81,326	99,395	94,955
Toyotas in the Top Ten Selling Vehicles	4	5	5
Hybrid Vehicle Sales:     Prius	2,349	3,232	3,275
Lexus Hybrid	645	971	724
Vehicles Manufactured	117,839	148,810	130,228
Net Profit After Tax	\$184.4 million	\$242.2 million	\$123.4 million
Net Sales	\$8.3 billion	\$9.4 billion	\$8.8 billion

## Environmental Performance

Change in Greenhouse Gas Emissions from Production (per vehicle)	↑ 2%	↓ 32%	↑ 8%*
Change in Production Water Usage (per vehicle)	↓ 12%	↓ 22%	↑ 3%*
Production Waste Recycled	96%	95%	95%
Local Model Parts Free From Substances of Concern	80%	99%	Complete
Models Certified to the:			
Euro 4 Standard for Air Emissions (includes Beyond Euro 6)	16	39	43
Beyond Euro 6 Standard for Air Emissions (Euro 4+ until 2008)	12	12	17
Dealerships Compliant with the Dealer Environmental Risk Audit Program	143	197	260

## Social Performance

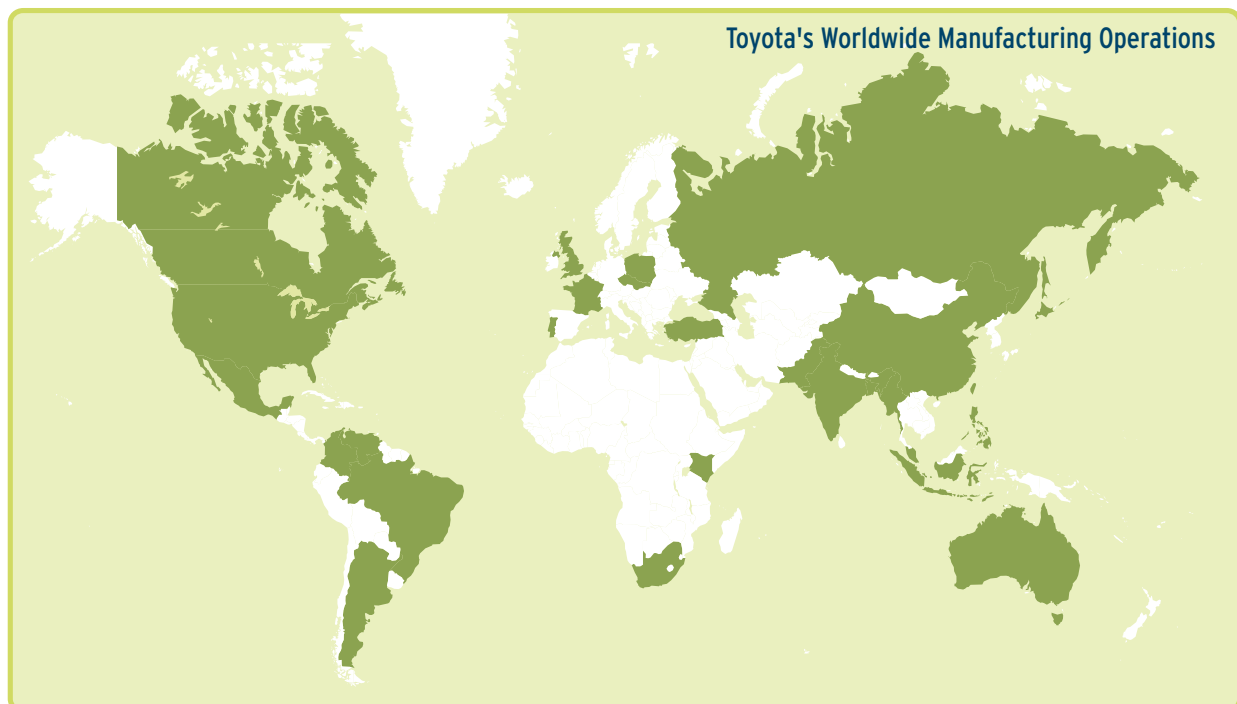
Number of Employees	4,717	4,676	4,571
Turnover Rate for Award Employees	5.74%	4.54%	5.71%
Lost Time Injury Frequency Rate	-	13	9
(Figure not available for 2006/07 due to changing data measurement)			
Employee Satisfaction	78.3	77.8	79.0
Community Investments (through Community Spirit and Community Sponsorships)	\$2.15 million	\$2.78 million	\$2.43 million

\* Figures affected by reduced production volume

# ABOUT THE COMPANY

## PART OF A GLOBAL GROUP

Toyota Australia is a wholly-owned subsidiary of Toyota Motor Corporation. Established in 1937, Toyota Motor Corporation is the world's largest vehicle manufacturer. Toyota conducts its business worldwide with 53 overseas manufacturing companies in 26 countries and regions. Toyota's vehicles are sold in more than 170 countries and regions.

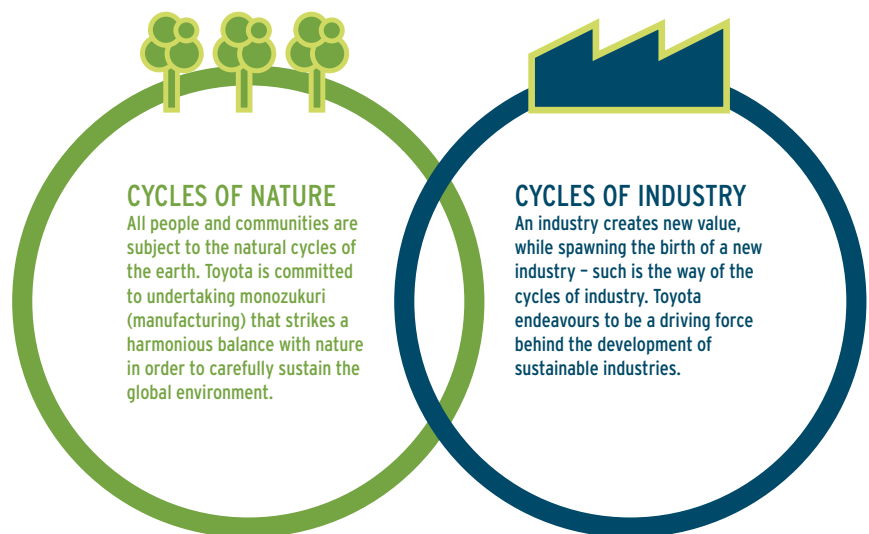


## TOYOTA GLOBAL STRATEGY

### Toyota Motor Corporation's Global Vision 2020

As it looks ahead to 2020, Toyota Motor Corporation believes that re-examining the relationship between nature and industry and pursuing synergy between manufacturing, people, society in general, and nature is extremely important. Toyota is helping promote efforts toward finding a balance between the cycles of nature and the cycles of industry.

The long-term vision and goals (set out in the Toyota Global Vision 2020) are supported by the Toyota Way.



## TOYOTA GLOBAL AND LOCAL STRATEGY (continued)

### The Guiding Principles

The Guiding Principles at Toyota (adopted in 1992 and revised in 1997) reflect the kind of company that Toyota seeks to be in light of the unique management philosophy, values, and methods that it has embraced since its foundation. The Guiding Principles (detailed on page 11) define the values the company delivers to its stakeholders.

### The Toyota Way

The Toyota Way, defined in 2001, clarifies the values and business methods that all employees should embrace in order to carry out the Guiding Principles at Toyota throughout the company's global activities. It is supported by two main pillars: Continuous Improvement and Respect for People (see below).

### Toyota Business Practices and Toyota Production System

The Toyota Way is implemented through Toyota Business Practices and the Toyota Production System. Toyota Business Practices makes the practice of the Toyota Way explicit in each employee's daily work while the Toyota Production System (TPS) was developed to systematically manage the business' daily operations with the goal of sustaining competitiveness.

The TPS is based on two concepts. The first is called '*jidoka*' which means that when a problem occurs, the equipment is stopped immediately, preventing defective products from being produced. The second is the concept of 'Just-in-Time' in which each process produces only what is needed by the next process in a continuous flow.

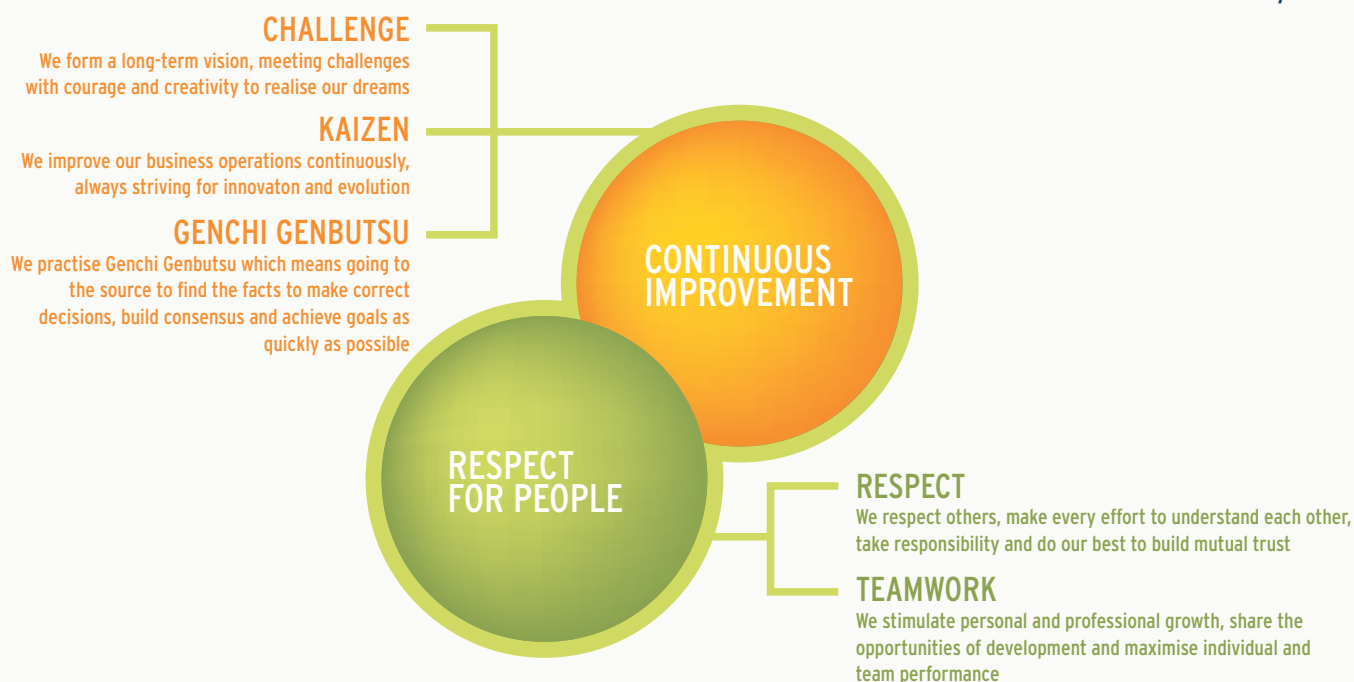
### Hoshin Kanri

The company's key objectives and progress are communicated through *Hoshin Kanri* (direction management) – a management planning tool that focuses on activities directly linked to achieving the long-term business plan.

*Hoshin Kanri* aligns all areas of the business and impacts all employees. The tool raises the capability of employees to think and act on their own, and uses the values of the Toyota Way and action based on practical problem solving.

In addition to progressing the company towards the President's Goals 2012 (see page 7), *hoshin* activities for 2009/10 are focused on strengthening Toyota Australia's agility and flexibility for sustainable growth.

### The Toyota Way





## ABOUT TOYOTA AUSTRALIA

Toyota Australia's corporate headquarters are in Port Melbourne, and the manufacturing plant is in Altona (Victoria). The sales and marketing operations are located in Woollooware Bay in New South Wales.



Toyota Australia has sales and distribution branches in all mainland Australian states, except Western Australia, where an independent company distributes Toyota and Lexus branded vehicles on Toyota Australia's behalf.

Toyota Australia is a leading manufacturer, distributor and exporter of vehicles. The company manufactures the Camry and Aurion vehicles, which are distributed inside Australia and also exported to 20 markets in the Middle East, New Zealand and the

Pacific Islands. The Hybrid Camry will also be produced at Toyota Australia's manufacturing plant from late 2009.

A wide range of passenger, four-wheel drive and commercial vehicles are also imported and distributed by Toyota Australia including the Prius, Kluger, Yaris, Corolla, Tarago, RAV4, LandCruiser, Prado, HiLux and HiAce, and the Lexus luxury brand of vehicles.

In total, Toyota Australia employs 4,571 people and thousands more are indirectly employed through the company's supplier and dealer networks.

### Toyota Australia's President's Goals 2012

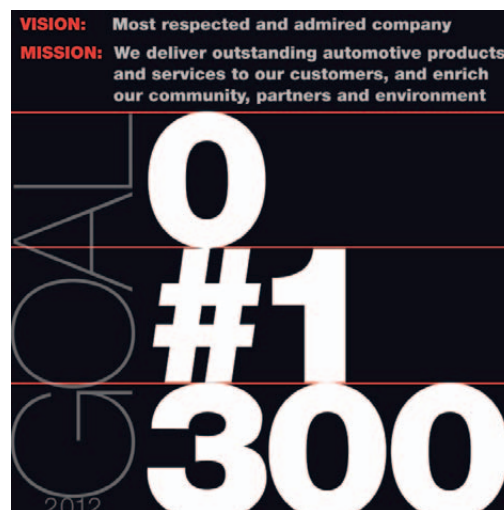
The President's Goals 2012 were announced by Toyota Australia President, Max Yasuda, in 2008 and set the foundations for the long-term sustainability of Toyota Australia. The Goals state that by 2012 Toyota Australia aims to have zero injuries and zero quality defects and be the number one:

- Customer-focused organisation
- Employer of choice
- In reputation.

The Goals include an aspiration to achieve 300,000 vehicle sales by 2012.

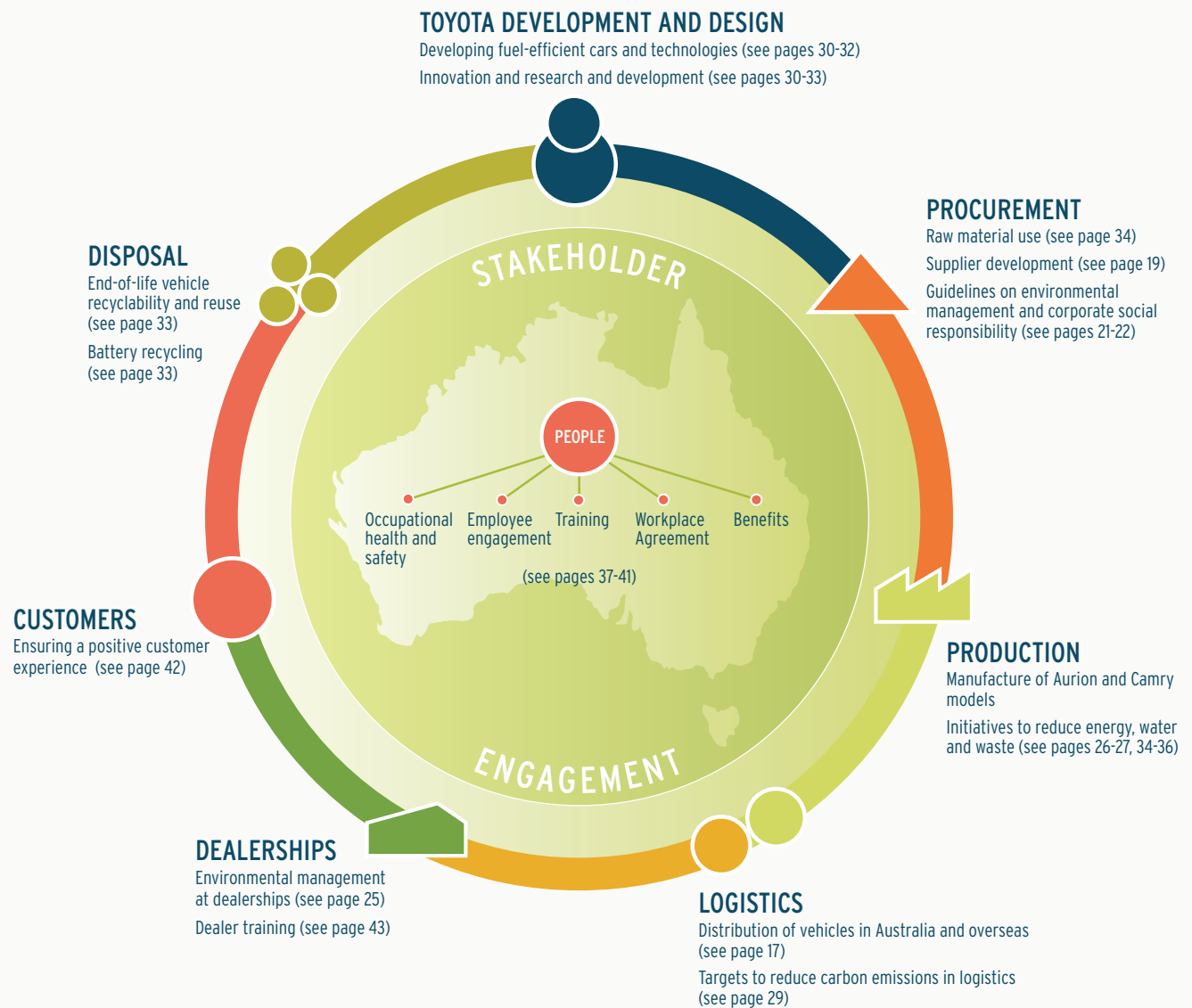


Employees from Toyota Australia's Paint Shop (L-R): Jason Sanchez, Danny Andelkovic, Lien Diep, Anthony Thattil, Ling Gu



## Sustainability Across the Vehicle Life Cycle

This diagram highlights the key processes and sustainability impacts involved in the vehicle development process.



# HISTORY OF TOYOTA AUSTRALIA

Toyota has a long history in Australia – celebrating 50 years in 2009. Australia was the first country to manufacture Toyota vehicles outside of Japan and has played a key role in the development of Toyota Motor Corporation globally.



## 1950s

The foundations of Toyota Australia were laid in 1958 when four-wheel drive LandCruisers were shipped from Japan for use on the Snowy Mountains Hydro-Electric Scheme, a key infrastructure project in Australia's post-war development. One of the

contractors involved in the scheme, Leslie Thiess, was appointed Toyota's first distributor in the country in March 1959. This is the date that is recognised as the start of official Toyota operations in Australia.



Toyota LandCruiser

## 1960s

While Thiess concentrated on importing and distributing Toyota commercial vehicles, Australian Motor Industries (AMI) acquired the smaller passenger vehicle franchise in 1962. The first locally-assembled Tiaras rolled off the production line in 1963, making Australia the first country outside of Japan to assemble Toyota vehicles.

The Tiara was replaced in 1965 by the Corona, which is credited as the model that made Toyota's name in Australia. This was partly due to the installation of items that were considered luxuries at that time, such as heaters and radios. This was the year that Australia became Toyota's largest market outside Japan.



Toyota Tiara assembly starts

## 1970s and 80s

Government regulation introduced in the 1970s to protect the local car industry, meant that all locally produced cars had to have at least 85 per cent local content. Toyota bought a 54-hectare site at Altona in 1972 to make engines and stamp panels. In

1978 the first Toyota engines were produced outside of Japan – 1.3 litre Corolla engines.

In the 1980s Toyota began consolidating its Australian interests by acquiring the remaining 60 per cent of Thiess-Toyota.



Toyota Corolla

## 1990s

In 1990, the company released the new luxury car Lexus LS400 in Australia. The LS400 was developed by engineers following a call from Toyota Motor Corporation Chairman Eiji Toyoda to build a car to rival the world's best luxury carmakers. This laid the foundations for the establishment of a

new luxury brand.

In 1991, Toyota Australia became the overall Australian market leader for the first time, securing a 21.5 per cent market share. In the same year, the company announced it was going to invest \$420 million to build an assembly plant at the Altona site. The

plant was completed in 1994 and in the first year of production, Toyota Australia delivered its 250,000th locally-made Camry. Two years later, Toyota Australia began shipping locally-made Camrys to the Middle East.



## HISTORY OF TOYOTA AUSTRALIA (continued)

### 2000s

The world's first mass-produced, petrol-electric hybrid vehicle, the Prius, was launched in Australia in 2001. Since then, more than 11,000 Prius vehicles have been sold in Australia.

In 2004, Toyota Australia's new corporate headquarters in Port Melbourne opened. This was also the year that Toyota Australia became

the first company to sell more than 200,000 vehicles in Australia in a single year.

2009 will be remembered as a significant year for hybrid technology in Australia. Toyota Australia will begin production of the country's first locally-built hybrid vehicle – the Hybrid Camry in late 2009, and will launch the third-generation Prius in July 2009.



Toyota's Hybrid Camry

*Toyota Australia has achieved many breakthroughs within the Toyota Motor Corporation group including:*

- *First country to import LandCruisers from Japan*
- *First production outside of Japan*
- *First exporter of the Camry (apart from parent company).*

## External Recognition

### Production and Export

- Toyota Australia was named the 2009 Manufacturer of the Year at the Manufacturers' Monthly Endeavour Awards in May 2009. It also received the Exporter of the Year Award and was highly commended in the Safety Scheme of the Year and Environmental Solution of the Year categories.

### Products

- The Toyota Prius was presented with the inaugural Technology and Innovation Award in 2008 from *ECO Car* magazine.
- Australia's Best Cars, a vehicle testing and award program, named the Lexus GS450h hybrid the 'Best Luxury Car' for the third consecutive year in 2008.
- The Toyota LandCruiser won the Best 4WD over \$40,000 category at the Fairfax Drive Car of the Year Awards for the second consecutive year in 2008.



Toyota Prius



Lexus GS450h



Toyota LandCruiser

### Reputation

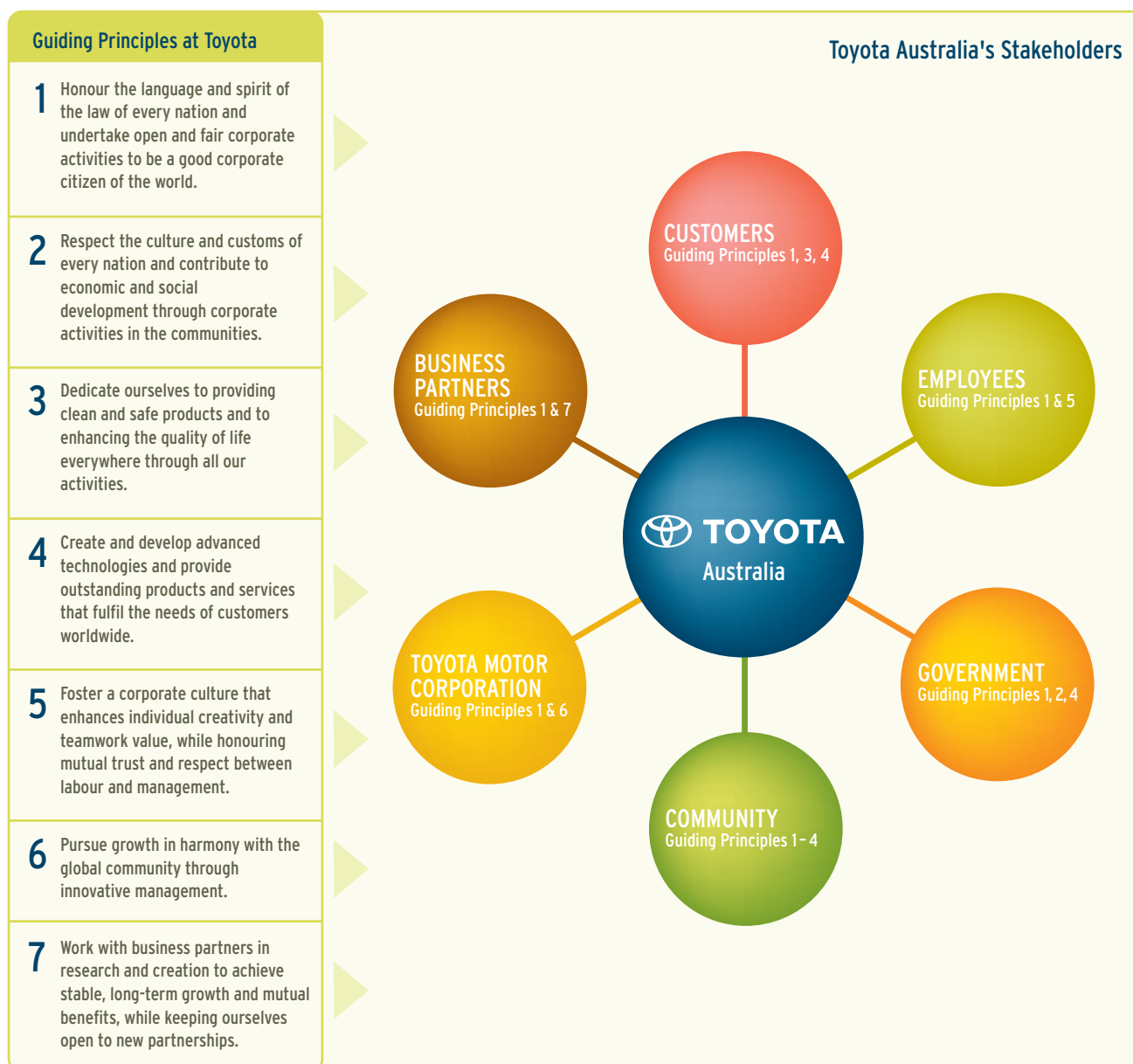
- Toyota Australia's reputation was ranked as number one amongst Australian car manufacturers and number two amongst Australia's largest 50 companies for the second consecutive year in 2008 in the RepTrak™ survey conducted by the Reputation Institute.

### Sustainability

- Toyota Australia won the Business Award at the ECO-Buy Awards for Excellence in Green Purchasing in May 2009.
- Toyota Australia was a finalist in the large business category of the Victorian Premier's Sustainability Awards in 2009.
- The company was a finalist at the United Nations Association of Australia World Environment Day Awards in the Business Environmental Best Practice category in June 2009.

## STAKEHOLDERS

Toyota's Guiding Principles which were adopted in 1992, define the mission of Toyota and the value the company delivers to stakeholders. How the guiding principles relate to each stakeholder group is listed in the diagram below.



## STAKEHOLDERS (continued)

Toyota Australia's stakeholders are all groups affected by, or who affect the company's operations. The table below lists engagement activities undertaken in 2008/09.

Stakeholder Group	Activities in 2008/09
<b>Employees</b>	<ul style="list-style-type: none"> <li>• New Workplace Agreement (see page 38)</li> <li>• KI-J Days (see page 18)</li> <li>• Regular performance reviews (see page 41)</li> <li>• Learning and development programs via the Toyota Institute Australia and the Open Learning Centre (see pages 38 &amp; 40)</li> <li>• Employee Satisfaction Index (see page 39)</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Customer satisfaction surveys (see page 42)</li> <li>• Training for customer-facing staff (see page 42-43)</li> <li>• Improving customer response systems and introducing KnowledgeBank (see page 42)</li> <li>• Customer Experience Program (see page 42)</li> </ul>
<b>Business Partners – Dealers</b>	<ul style="list-style-type: none"> <li>• Dealer Environmental Risk Audit Program (see page 25)</li> <li>• Learning and development programs via the Toyota Institute Australia (see page 40)</li> <li>• Dealer <i>Kaizen</i> Program (see page 42-43)</li> <li>• Toyota Customer Service Workshop Management (see page 43)</li> </ul>
<b>Business Partners – Suppliers</b>	<ul style="list-style-type: none"> <li>• Quality Control Circles (see page 21)</li> <li>• Supplier development programs, including the C21 Challenge and ASEA program (see page 19-20)</li> <li>• Learning and development programs via the Toyota Institute Australia (see page 40)</li> <li>• Green Purchasing and Supplier Corporate Social Responsibility Guidelines (see page 21-22)</li> <li>• Annual Supplier Conference (see page 20)</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>• Contribution to public debate (see page 13)</li> <li>• Local and National Community Partnerships (see pages 46-50)</li> <li>• Community sponsorships (see page 51)</li> <li>• Community Liaison Committee (see page 25)</li> </ul>
<b>Government</b>	<ul style="list-style-type: none"> <li>• Partnership with Victorian and Federal Governments on supplier development programs (see page 19-20)</li> <li>• Written submissions (see page 13)</li> </ul>
<b>Toyota Motor Corporation</b> (Sole Shareholder)	<ul style="list-style-type: none"> <li>• Regular liaison on operating issues including product, quality, sales and marketing</li> </ul>

### Memberships

Toyota Australia is a member of:

- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Australia Business Arts Foundation</li> <li>• Australian Industry Group</li> <li>• Business Council of Australia</li> <li>• Centre for Corporate Public Affairs</li> </ul> | <ul style="list-style-type: none"> <li>• Committee for Melbourne</li> <li>• Committee for the Economic Development of Australia</li> <li>• Federal Chamber of Automotive Industries</li> </ul> | <ul style="list-style-type: none"> <li>• Low Emission Vehicle (LEV) Automotive Partnership</li> <li>• Philanthropy Australia</li> <li>• Victorian Employers' Chamber of Commerce and Industry.</li> </ul> |
|---|--|---|



## STAKEHOLDERS (continued)

### Stakeholder Feedback

Toyota Australia sought feedback on its 2008 Sustainability Report by engaging the Australian Centre for Corporate Social Responsibility to undertake a review of the report with 35 stakeholders. The stakeholders included employees, fleet managers, suppliers, government, community and dealers.

Stakeholders were asked what the main value of the report was to them. The research found that the different stakeholder groups saw a number of benefits, outlined in the table below.



Stakeholder Groups	Value
<b>Employees</b>	Internal strategy and current performance Staff education and training Recruitment
<b>Fleet Managers</b>	Useful to meet tender requirements Credibility
<b>Suppliers</b>	Used to understand manufacturing process and other environmental policies and guidelines Useful to meet tender requirements
<b>Government</b>	Used to understand manufacturing process and environmental policies and performance Research Understand management of environmental footprint
<b>Community</b>	Research Manufacturing and environmental processes and performance
<b>Dealers</b>	Used for prospective customers to demonstrate sustainability performance

Stakeholders were also asked for their feedback on report content. Suggested improvements included more detailed social performance information relating to human resources data and more information on the history of Toyota Australia and how it fits into the global group. These areas have been expanded on in this report. Stakeholders also asked for information on vehicle recycling and the vehicle life-cycle which is included on page 33.

### Public Policy and Government Assistance

Toyota Australia receives ongoing assistance via the Automotive Competitiveness and Investment

Scheme (ACIS), which provides tariff credits for the local production of vehicles, local capital investment and research and development.

The company contributes to public debate, through means such as written submissions and Senate hearings, on issues relating to the automotive industry, and fiscal and environmental issues.

Toyota Australia made a submission to the Automotive Industry Policy Review in May 2008. Negotiations for the Review were concluded in 2008 with the local automotive industry securing a \$6.2 billion industry package to be delivered to industry through to 2020.

The company also made submissions to the:

- Senate Economics Committee Hearing Inquiry into the Tax Laws Amendment (Luxury Car Tax) Bill 2008
- Review of Australia's Tax System
- Carbon Pollution Reduction Scheme Green Paper
- Carbon Pollution Reduction Scheme Exposure Draft Legislation.

Toyota Australia's policy relating to political donations prohibits contributions (in-kind or otherwise) that are defined as donations under the Australian Electoral Commission guidelines.

# GOVERNANCE AND ACCOUNTABILITY

## Governance, Risk and Compliance

In 2008/09 Toyota Australia has further built on its Governance, Risk and Compliance framework, allowing it to manage its risks effectively within an ethical environment where employees exhibit the highest standards of behaviour when performing their duties and responsibilities on behalf of the company.



### Code of Ethics

Toyota Australia's Code of Ethics is distributed to all employees. Employees, contractors and agents of Toyota Australia are expected to:

- Obey the law
- Be honest in word and deed
- Respect community values
- Be responsible
- Perform their duties consistent with the Code of Ethics
- Use good judgement in avoiding any action that could create a conflict between personal, company and community interests.

The Code of Ethics was reviewed in 2008, and relaunched by Toyota Australia's President and redistributed to all employees in February 2009.

## Toyota Ethics Line

Employees are encouraged to tell their manager or supervisor about any matters that may breach Toyota Australia's Code of Ethics. To provide an additional reporting system, if the standard processes do not achieve appropriate outcomes, Toyota Australia has a Toyota Ethics Line – TEL Toyota.

Recently the scheme has been extended to a group of Toyota Australia's key suppliers and fleet customers. 'Tell it like it is' is the standard process for suppliers and fleet customers to observe and report breaches of Toyota's Code of Ethics to their Toyota Australia contact. TEL Toyota is an alternative confidential, independent method of reporting

illegal or unethical behaviour if the standard process does not achieve the appropriate outcome. The scheme will be rolled out to Toyota dealer principals in 2009.

The TEL Toyota line is managed by the Legal and Secretarial division which has contracted an outside firm, STOPline Pty Ltd, to act as the confidential contact point for people seeking to raise any issues.

### Fraud and Corruption Control Program

As an offshoot of the Code of Ethics, the Fraud and Corruption Control Program was launched in 2009. This program provides employees with a framework that will assist them in the prevention and detection of fraud, corruption and other improper conduct and includes a standard procedure to report any incidents of concern.

The program takes a systematic approach towards the management of this risk, from detection to reporting. It will amalgamate all existing controls and processes, including the company's whistleblower line, TEL Toyota, into one standardised framework.

As part of the launch of the Fraud and Corruption Control Program, awareness sessions are being conducted. The first of these sessions was conducted with the Board of Directors in March 2009.

## GOVERNANCE AND ACCOUNTABILITY (continued)

### Enterprise Risk Management (ERM)

Toyota Australia has applied the ERM process to develop the risk profile for each business unit which ultimately flows on to the corporate risk profile.

The next step for each business unit is to manage the highest risks via the strategy and objective-setting process set out in the company's *Hoshin Kanri* system (see page 6). This will result in an integrated planning and management process that incorporates highest risk into all objectives, targets and results analysis.

### Compliance – Business Standards Program

Flowing on from the ERM process, Toyota Australia applies the Business Standards Program to manage its operational risks. This is a principles-based program that has been trialled as a pilot project in one of the company's business units. The aim is to implement it in the broader business in 2009 and beyond.

This program is focused on building a culture where there will be a clear vision about compliance. There will also be processes in place to monitor employees' understanding of their compliance obligations and performance.

### Sarbanes-Oxley

Toyota Australia has a program to comply with Toyota Motor Corporation's Sarbanes-Oxley (SOX) requirements. SOX is an annual requirement for companies listed on the US Stock Exchange to ensure there are rigid processes and controls in place to ensure the accuracy and reliability of corporate financial statements.

Toyota Australia has completed the third compliance year for SOX. The company is continuing to focus on further improving its control environment and SOX governance. It has implemented a SOX risks and controls tracking and reporting tool which makes SOX compliance easier for the business.

By implementing strict corporate governance and compliance procedures Toyota Australia aims to ensure it continues to comply with laws and regulations.

### Conflicts of Interest

The company has processes in place to ensure there are no conflicts of interest. These processes, which are consistent with the Corporations Act 2001 and the constitution of the company, include an obligation of continuous disclosure plus a form that all board members must sign upon appointment and a questionnaire that must be completed each year. Directors are required to disclose any shares, debentures, and securities in other companies, positions held in other companies and any interests in property, trusts or membership of other organisations.

## Board of Directors

Toyota Australia has a Board of nine Directors, all of whom are Executive Directors. Board members are selected based on their qualifications, experience, performance and industry knowledge and are appointed by Toyota Australia's Board of Directors, following recommendations of Toyota Motor Corporation. The Board of Directors is responsible for enhancing the interests of the company's sole shareholder –

Toyota Motor Corporation – and other stakeholders and ensuring that the company is properly managed.

Executives are compensated according to industry rates and performance. Executive remuneration is subject to annual review and is composed of a fixed salary payment and an incentive program that is tied to the achievement of organisational targets in the financial year.

The President of Toyota Australia and senior executives of Toyota Motor Corporation review the performance of Directors and the Board as a whole against annual objectives and key performance indicators under the Toyota Global Assessment Performance framework. During the financial year, 21 board meetings were held.



# GOVERNANCE AND ACCOUNTABILITY (continued)

## Board of Directors in 2008/09

Name of Director	Responsibilities	Years with Toyota and Qualifications
<b>Board of Directors as at 31 March 2009</b>		
M Yasuda	President and CEO	37 years. Degree in Engineering and Applied Physics
D Buttner	Senior Executive Director – Sales and Marketing	21 years. Bachelor of Economics
T Ijichi (non-resident Director)	Senior Managing Officer – Accounting Group	33 years. Degree in Economics
Y Kawada (non-resident Director) Appointed 1 July 2008	Managing Officer – Manufacturing Group	29 years. Degree in Electrical Engineering
Y Masuda (non-resident Director) Appointed 1 October 2008	Managing Officer – Technical Administration Group	32 years. Masters Degree in Engineering & Applied Physics
K Mukaiyama	Executive Vice President – Finance	26 years. Bachelor of Economics
B O'Connor	Executive Director – Corporate Services	30 years
T Shinozaki	Executive Director – Manufacturing and Purchasing	34 years. Degree in Mechanical Engineering
Y Yokoi (non-resident Director)	Managing Officer – Asia, Oceania, Middle East Operations Group	32 years. Bachelor of Law
<b>Directors in 2008/2009 Fiscal Year</b>		
M Harvie Resigned 31 December 2008 (Promoted to Senior Vice President of Toyota Motor Asia Pacific)	Executive Vice President – Manufacturing and Purchasing	35 years. Automotive Technician GAICD
K Takarada (non-resident Director) Resigned 30 June 2008	Managing Officer – Administration Division and Overseas Co-operation and Production Support Development	35 years. Degree in Mechanical Engineering

## Board Committees

Toyota Australia has five key committees responsible for assisting the board in carrying out its responsibilities and to enable due consideration of complex issues in the areas of corporate governance, information technology, human resources, environment and health and safety.

## Senior Consultative Group

Toyota Australia has a Senior Consultative Group that enables employees to raise issues of concern with senior management. The Group aims to achieve mutual understanding on key business issues facing the company and employees, and consists of the President, company representatives from each operating arm and union representatives.

The Group meets monthly and topics discussed in the reporting period include the impacts of the global financial crisis, Workplace Agreement updates and volume planning.

# ECONOMIC PERFORMANCE

## ECONOMIC OVERVIEW

Toyota Australia's principal activities include manufacturing, assembly, importing and distribution of motor vehicles and replacement parts for both Australian and overseas markets.

The emergence of the global economic crisis in July 2008 severely impacted automotive markets in this reporting period. Carmakers have experienced a rapid deterioration in vehicle sales due to the downturn in the economy, resulting in lower profitability. Toyota Australia's manufacturing competitiveness is being impacted by drastic fluctuations in currency, price increases in raw materials, decline in vehicles and parts demand, changes in consumer preferences and increased market competition.

Toyota Motor Corporation has described this as an unprecedented situation. Toyota Australia is taking measures to support operations through this period and to reform the business for the new economic environment. Actions include:

- Adjustment of plant production schedules
- Introduction of training days in lieu of production for manufacturing employees (see page 18)
- Company-wide cost-saving initiatives through programs such as Team Australia
- Supplier development and support programs (see pages 19-20)
- Negotiation of a new Workplace Agreement (see page 38)
- Dealer operation *Kaizen* Program (see pages 42-43).

### Key Financials

	2007/08	2008/09
Net Profit After Tax	<b>\$242.2 million</b>	<b>\$123.4 million</b>
Sales Revenue	<b>\$9.4 billion</b>	<b>\$8.8 billion</b>
Export Sales	<b>\$1.8 billion</b>	<b>\$1.7 billion</b>
Capital Expenditure	<b>\$99.8 million</b>	<b>\$119 million</b>
Domestic Retail Sales Volume (including Lexus models)	<b>248,684 vehicles</b>	<b>229,189 vehicles</b>

### Vehicle Manufacturing and Sales

During the year to 31 March 2009, manufacturing operations in Australia produced 130,228 Camry and Aurion vehicles for domestic and export markets. As a result of strong sales performance for the first six months, Toyota Australia established an Australian industry sales record during the 2008 calendar year. During this period, domestic retail sales reached 238,983 – 2,336 units ahead on the previous year, and sales volume represented a market share of 23.6 per cent.

There was a 19.2 per cent decrease in Australian industry new car sales from January to March 2009 compared to the same quarter in 2008. Toyota Australia (including Lexus) sold 16,498 fewer cars in the first three months of 2009 compared to the same period in 2008, representing a 26.6 per cent decrease in sales volume.

In January 2009, Toyota Australia implemented a general price increase for some of its imported vehicles due to a weaker Australian dollar.

### Export Market

Toyota Australia is the country's largest vehicle exporter. In 2008/09 Toyota Australia exported 94,955 Camry and Aurion vehicles to 20 countries in the Middle East, New Zealand and the Pacific Islands. This was down from 99,395 in 2007/08, largely due to the decrease in demand from Middle Eastern markets following the onset of the global financial crisis.

However, for the calendar year, Toyota Australia's exports reached 101,668 – an all-time record for the Australian automotive industry. Toyota Australia's export program earned \$1.9 billion in revenue over the same period. However, by the second half of the fiscal year, the global economic crisis severely impacted all aspects of Toyota Australia's business resulting in the rapid decline of sales in export and domestic markets.

Global economic conditions will result in exports being significantly lower in the 2009/10 period.

## TOYOTA AUSTRALIA'S POSITIONING

Toyota Australia was the Australian sales leader for every month in the reporting period.

Five of the top ten market sellers were Toyotas:

### Australian Sales

	Volume (Apr 08 - Mar 09)
Toyota Corolla	<b>44,438</b>
Toyota HiLux 4X4	<b>25,445</b>
Toyota Yaris	<b>24,067</b>
Toyota Camry (4-cylinder)	<b>21,840</b>
Toyota Aurion	<b>16,927</b>

Despite toughening market conditions, Toyota Australia continued to set new sales records. On a model basis, sales records were set for Yaris, Corolla, Prius, Kluger and HiLux. The 11,000th Prius vehicle was sold in Australia during the period and globally, the one-millionth Prius was sold in April 2008.

The company's luxury car brand, Lexus, had retail sales of 6,673 vehicles during the 2008 calendar year, compared to 8,199 vehicles in 2007.

The decline was due to the impact of the global economic downturn, changes to Luxury Car Tax implemented by the Federal Government in 2008 and increased competitor activity.

## CASE STUDY

### Engaging Employees to Improve Cost Efficiencies

Toyota Australia is using the economic downturn as an opportunity to introduce wide-ranging improvement initiatives in its manufacturing plant. This includes introducing training days in lieu of production for its manufacturing staff.

The initiatives have been named KI-J Days in the manufacturing plant – *Kaizen* Initiatives for *Jiritsuka*. *Kaizen* means continuous improvement and *Jiritsuka* means a process of becoming self-managed or self-sustainable.

Toyota Australia Divisional Manager of Production Control, John Docherty, said Toyota Australia believed people were its best resource – and the company would use these challenging times as an opportunity to improve. "This

program helps maintain job security by strengthening our manufacturing foundation, developing problem-solving capabilities and maintaining our competitive edge," he said.

KI-J Days have also boosted morale and utilised the excess labour from a decreased production cycle to accelerate training and close skill gaps. Toyota Australia has developed KI-J Day programs for each manufacturing shop. The programs, which are led by team members, have supplemented any production 'down days' that have been required due to the market downturn.

The training days include a variety of improvement activities to address production needs, with priorities placed



Additional employee training is aimed at helping Toyota Australia maintain its competitive edge and strengthen job security

on safety training and improvements, quality programs and environmental awareness.

## SUPPLY CHAIN

The automotive sector is subject to enormous global pressures to improve product quality whilst at the same time reducing costs. These pressures impact on car manufacturers and have strong flow-on effects to suppliers.

An innovative, capable and cost-competitive supplier base is critical to the viability of the Australian automotive industry. Toyota Australia has almost 2,000 suppliers, of which 64 are original equipment (OE) suppliers. The company's value of buy with OE suppliers totalled \$1.6 billion in 2008/09.

Toyota Australia believes that sourcing components from the domestic market is an important part of achieving self-reliance as it reduces the exposure to exchange rate movements and strengthens the Australian community.

Toyota Australia has always had a strong focus on supplier development through its Purchasing division, with an emphasis on sharing Toyota's global philosophies of best practice and manufacturing operations. This is particularly important in the challenging economic climate. In 2008/09 Toyota Australia engaged with suppliers via development programs developed with industry and government, as well as in-house.

### Supplier Development Programs

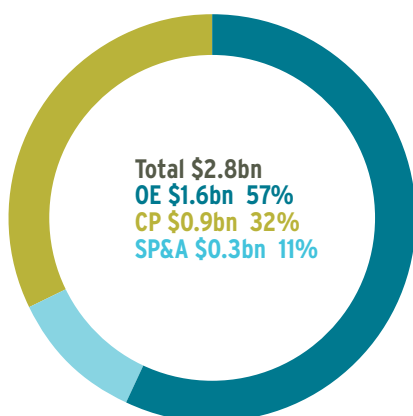
Toyota Australia is working in partnership with government and industry to develop supplier capabilities and develop a globally-competitive Australian automotive industry. The company has collaborated with the Victorian Government and suppliers for the C21 Challenge and with Federal and State Governments, industry and suppliers for the Automotive Supplier Excellence Australia (ASEA) initiative.

### C21 Challenge

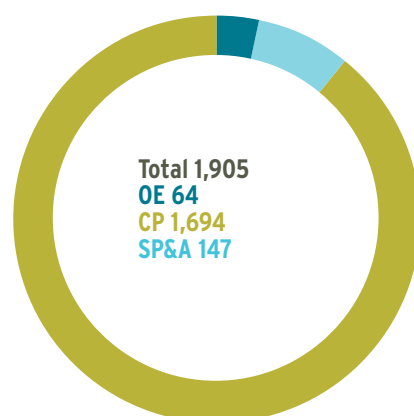
In July 2008, Toyota Australia held the first industry forum for the C21 Challenge – Driving the Automotive Industry Forward program. The C21 challenge, set up in March 2008, is a \$1 million investment initiative established by the Victorian Government in conjunction with Toyota Australia to increase business development support for local Tier 2 and Tier 3 suppliers. The program aims to improve the competitiveness and sustainability of the Australian automotive sector by strengthening the capability of local small and medium-sized businesses that supply the automotive industry.

To date, 43 suppliers have participated in C21. The program includes a strategic diagnostic review which provides a snapshot of the suppliers' business and

2008/09 Value of Buy



Number of Suppliers



#### Key

- OE: Original Equipment: Locally procured components (and raw materials) required for the manufacture of locally-manufactured vehicles.
- CP: Corporate Purchasing: Indirect purchases of goods and/or services to support the operation and maintenance of all buildings, plant and equipment as well as all corporate services.
- SP&A: Service Parts and Accessories: Locally procured services parts and accessories to support aftermarket sales.



## SUPPLY CHAIN (continued)

prioritises areas that require attention. Suppliers can also participate in industry forums and events. Participants have access to a dedicated consultant who is available to address their specific needs.

Originally established as a six-month program, C21 has now been extended to June 2009.

### Automotive Supplier Excellence Australia

The Automotive Supplier Excellence in Australia (ASEA) program was established in 2007 with the goal of assisting the local automotive supply base in achieving world-class competitiveness and sustainability.

It is supported by all Australian vehicle producers, the Victorian and South Australian Governments, the Federation for Automotive Products Manufacturers (FAPM), the Commonwealth of Australia and AutoCRC (Cooperative Research Centre for Advanced Automotive Technology Ltd).

The program assists suppliers in identifying improvement opportunities and implementing plans to achieve global best practice. In 2008/09, ASEA conducted evaluations of 63 suppliers in five states to establish the current capabilities of the Australian automotive supply base. ASEA will use this information to develop a dedicated industry resource to provide world-class expertise and advice to assist supplier capabilities.

### Toyota Institute Australia

The company has also been supporting suppliers by delivering training packages through the Toyota Institute Australia (see page 40).

Courses offered include training on the Toyota Production System, the Toyota Way, Just-in-Time and Total Productive Maintenance.

In 2009/10, Toyota Australia aims to strengthen suppliers' capabilities and self-reliance by enhancing existing development programs and developing new programs on long-term business planning and project management.

## CASE STUDY

### Helping Suppliers Implement the Toyota Production System

Over the past few years, Hella Australia, a company that supplies automotive lights to Toyota Australia, had been striving to maintain profitability. The company has more than 400 employees in Mentone, Victoria.

In 2008, Toyota Australia's supplier development team helped Hella Australia to improve productivity by introducing Toyota Way principles and the Toyota Production System. This assistance was provided by Toyota Australia via its Supplier Development Program, which aims to build the capability of suppliers.

Hella went on to launch a 'Breakthrough Program' that involved changing the way the company was working. In 2009 it was announced that Hella Australia would launch a \$12 million production line to supply lights for Toyota's Camry, Aurion and Hybrid Camry.

The investment will help protect local jobs and the hi-tech line is expected to start production in the second half of 2009.



Max Yasuda (right), President of Toyota Australia with Dr Juergen Behrend, President and Chairman of Hella KGaA and Hella employee Barbara Williams

## Annual Supplier Conference

Toyota Australia holds an Annual Supplier Conference, which provides a forum for the company and its suppliers to communicate with each other and discuss key issues. In 2008, topics included cost, quality and safety. Delegates also heard the outcomes of Toyota Australia's supplier development programs.

Suppliers are encouraged to send details of their environmental programs prior to the conference and awards for best practice are presented annually.

## SUPPLY CHAIN (continued)

### CASE STUDY

#### Working with Suppliers on Quality Circles

Toyota Australia's vehicle logistics team works with suppliers to improve performance, increase efficiency, reduce costs, reduce lead-time and as a by product, increase customer satisfaction.

In 2008/09, the company's Export and Distribution division partnered with their logistics suppliers to form five Quality Circles. Quality Circles are formed by people from the same work area who meet on a regular basis to solve problems specific to their area.

Suppliers included Patrick Autocare (processing, storage and distribution), Mitsui Sumitomo Insurance, MSM Claims Management, NYK (shipping line) and Patrick Stevedores (wharf movements).

The Quality Circles focused on developing and implementing better ways to manage the areas

of transit damage, lead-time for imported vehicles, insurance, accurate timing for dealer delivery and dealer communication. Compared to other Toyota Quality Circles, these ones were led by the supplier – Patrick Autocare.

Each team analysed the current situation, set a target and came up with solutions using the ten steps of the Quality Circle, identifying opportunities across the supply chain for improvement. The Quality Circles came together for the final awards in March 2009, with each team presenting their findings to Toyota Australia and Patrick Autocare.

The winning team was the Quality Circle team that looked at the vehicle insurance process – investigating the cause of increased dealer complaints in the insurance claim process for vehicles delivered with damage. A key change to the process that the team



The winning Quality Circle team

implemented was the introduction of photo verification of damage sustained during transit. This change has reduced the number of claims requiring physical inspection – in turn reducing the time needed to process many claims (from seven days to four).

### Green Purchasing and the Supply Chain

Toyota Australia has Green Purchasing Guidelines which define the company's environmental policies and expectations of its supplier base:

#### 1. Suppliers of vehicle parts, accessories and raw materials

The guidelines detail specific environmental initiatives suppliers are expected to undertake, such as reducing CO<sub>2</sub> emissions and eliminating Substances of Concern. Suppliers are expected to achieve and maintain ISO 14001 certification.

#### 2. Suppliers of all products and services excluding vehicle components

Toyota Australia considers environmentally-preferred products in the sourcing process. For example, paper and wood products obtained from recycled, plantation, salvaged or renewable sources and products and services that reduce the consumption of energy.

To reward environmental best practice in the supply chain, Toyota Australia conducts an annual Environmental Supplier Survey. Supplier initiatives and performance are recognised in the awards segment of the Annual Supplier Conference.



#### Green Purchasing Guidelines

Toyota Motor Corporation Australia Ltd. ABN 64 009 686 097

## SUPPLY CHAIN (continued)

*Toyota Australia is a founding member of ECO-Buy, a not-for-profit organisation established to encourage the purchasing of environmental products and services.*



*Toyota Australia has committed to introducing new purchases of green products, such as office stationery and consumables.*

*ECO-Buy awarded Toyota Australia the Business Award at the ECO-Buy Awards for Excellence in Green Purchasing in May 2009.*



Left to right are Mike Hill (Chairman of ECO-Buy) with Toyota Australia representatives Frank Davies (Purchasing Specialist), Jon Ward (Manager Environmental Policy), Roger Petrucci (Corporate Manager Strategy and Environment) and Piero Falvo (Environmental Specialist).

### Introducing CSR Guidelines into the Supply Chain

Toyota Motor Corporation developed Supplier Corporate Social Responsibility (CSR) Guidelines in February 2009. The guidelines clarify the company's expectations of its suppliers and acknowledge the efforts suppliers have already undertaken in this area.

Toyota Australia's suppliers are asked to use the guidelines as comprehensively as possible. The guidelines cover:

#### Safety:

- Place the highest priority on safety and health programs and policies at work so that each employee is able to work without undue concerns
- Strive to prevent accidents and injuries from happening at work.

#### Environment:

- Undertake activities to reduce CO<sub>2</sub> emissions
- Promote the management of Substances of Concern and improve recycling/recovery rates.

#### Human Rights:

- Do not use forced labour or child labour
- Comply with local applicable laws and regulations governing employees' working hours, including overtime
- Recognise employees' right to freely associate, or not to associate.

Toyota Australia will send the Toyota Supplier CSR Guidelines to suppliers of original equipment and service parts and accessories in June 2009. This will be followed up in July with a CSR self-assessment check sheet which suppliers will be asked to complete.

#### TOYOTA Supplier CSR Guidelines

February, 2009  
TOYOTA MOTOR CORPORATION

*Toyota Australia has been helping develop tools to support responsible business practice amongst small and medium-sized enterprises as part of its membership of the Corporate Responsibility Index Leaders' Network, administered by the St James Ethics Centre. The Leaders' Network has also completed mapping exercises on the Corporate Responsibility Index, the Global Reporting Initiative and the United Nations Global Compact. For more information please see [thehub.ethics.org.au](http://thehub.ethics.org.au)*

# ENVIRONMENTAL PERFORMANCE

## ENVIRONMENTAL MANAGEMENT

Toyota Australia's direct environmental impacts are mostly associated with the manufacturing of vehicles at its Altona plant. These impacts include energy and water consumption, emissions from energy usage, volatile organic compound emissions from the use of paint, and waste generation. The following sections detail how Toyota Australia is managing its environmental impacts in these areas.

In 2008/09, the company's capital expenditure on environmental protection at its manufacturing plant in Altona totalled \$1.54 million. This includes investment in emissions treatment, waste disposal and environmental management costs, but excludes wages and salaries.

The company also has environmental impacts associated with its non-production operations, such as energy and paper use, water consumption and waste generation. These impacts are detailed in the Energy and Climate Change and the Resource Use sections.

Information on vehicle emissions is included in the Minimising the Environmental Impact of Vehicle Use section.

### Vision

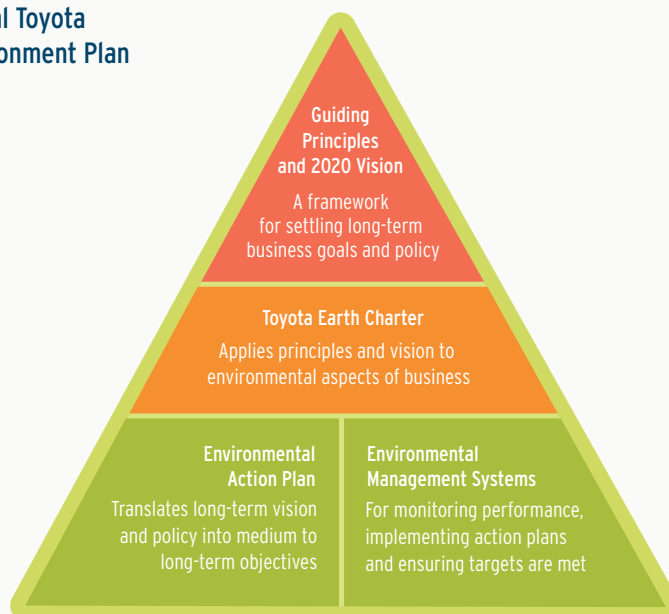
Globally, Toyota's 2020 Vision expresses the goal of a future society where nature and industry work together in harmony. This vision stems from the Earth Charter, which was developed in 1992 and outlines the company's policies on environmental management.

### Environmental Action Plan

The Toyota Motor Corporation Fourth Environmental Action Plan is a clear statement of activities that the company must undertake to realise its long-term vision. The Environmental Action Plan sets targets in the areas of:

- Energy and Climate Change
- Recycling of Resources

### Global Toyota Environment Plan



- Substances of Concern
- Atmospheric Quality
- Environmental Management.

Toyota Australia also sets targets against these environmental areas in its Five Year Environment Plan, which was launched in 2006.

### Environmental Management Systems

Toyota Australia's Environmental Management System (TEMS) is used to manage the company's environmental risks, ensure legal compliance and to strive for continuous environmental improvement.

Toyota Australia's manufacturing plant has been certified against the international environmental management standard ISO 14001 since 1998 and in March 2009 an annual surveillance audit was conducted to ensure compliance with ISO 14001. The Toyota Parts Centre in Sydney was certified to ISO 14001 in February 2008 and a surveillance audit to ensure compliance was completed in September 2008.

Roll-out of TEMS across Toyota's non-production sites continued in 2008/09. Toyota Australia's corporate headquarters and its vehicle servicing



## ENVIRONMENTAL MANAGEMENT (continued)

garage, Company Fleet Altona, achieved ISO 14001 certification in April 2009. This result was achieved through the formation of dedicated on-site TEMS teams to drive environmental improvement by sharing information with their colleagues.

TEMS members at CHQ and Company Fleet met on a monthly basis to discuss environmental performance indicators, improvement projects, compliance and management of environmental risks. To ensure that the Environmental Management System was functional,

monthly environmental internal audits were conducted by the Environment Policy Group and TEMS members to highlight any issues and improvement activities.

Toyota Australia has developed an internal brand, 'TEMS', to encourage environmental management activities across the company. This has included rolling out new signage with the new logo, and a dedicated intranet site 'TEMS and Me', to raise environmental awareness among all Toyota Australia staff. The site provides how-to guides

for recycling, saving energy and water and includes a link to submit suggestions and links to government energy and water-saving sites.



**Toyota Environment Management System**

### Environmental Licence

Toyota Australia's manufacturing operations are subject to Environment Protection Authority (EPA) licensing requirements. Toyota Australia has held an accredited EPA licence since 2004 and has policies and procedures

in place to continuously monitor compliance with these licensing requirements.

There were ten environmental incidents in the reporting period where the authorities were notified. This included an oil spill at the corporate

headquarters' Satellite building (see case study below). All incidents were considered to be managed appropriately by the authorities and there were no fines for non-compliance with environmental laws and regulations.

### CASE STUDY

#### Containing the Oil Spill

An oil spill occurred at Toyota Australia's corporate headquarters' Satellite building in Port Melbourne on 14 January 2009. The spill resulted from a pipe rupture supplying engine oil to the building's vehicle servicing garage.

During early morning start up on 14 January, normal operating procedures were to run a pneumatic pump to supply oil to the vehicle servicing area. The oil pumping system appeared to be operating irregularly and contact was made with Toyota's mechanical contractor Fleetwood. On further investigation it was observed that a large pool of oil had spilled onto the adjacent car park. At start-up the operator was unable to see the fractured pipe elbow within the garage due to obstruction of pipework. The circumstances leading to the pipe failure have not been established. Contributing factors may have been

the temperature the previous day, which had reached 38 degrees Celsius and overpressure due to the Christmas shutdown, causing expansion of copper piping. Approximately 350 litres of engine oil had leaked to the car park, with some of the oil leaving the car park premises and entering drains next to the Westgate Freeway.

A number of stakeholders were contacted immediately to respond to the clean up. Toyota Australia's Building Support Services engaged its cleaning contractors, ISS, to manage spill clean up and to isolate drains to prevent any oil in the car park leaving the site. The Environment Policy Group contacted EPA Victoria and also advised ISS to undertake clean-up activities and disposal. An EPA Victoria officer attended the site to investigate the causes of the spill and to determine any impacts on the environment. VicRoads and CityLink were contacted to assist in clean-up activities of Freeway drains that evening.



Oil spill at Toyota's corporate headquarters' Satellite building in Port Melbourne

A formal debrief identified a number of countermeasures which resulted in the system being equipped with a pressure 'fail safe' switch, ensuring the pump will not turn on if there is a leak in the system. Additionally investigation was done into installing a lipped containment bund running along the Freeway boundary to the site to prevent future spills from leaving the premises. No damage to the external environment resulted from the incident and no enforcement action was taken by EPA Victoria.

## ENVIRONMENTAL MANAGEMENT (continued)

### Stakeholder Engagement

#### Community Liaison Committee

Toyota Australia brings together members of the local community to discuss issues of concern arising from its manufacturing plant in Altona. The committee, which meets quarterly, includes representatives from the Environment Protection Authority Victoria, City West Water, Hobsons Bay City Council, local community residents, industry, neighbours and the corporate and production engineering environment groups from Toyota Australia.

In 2008, the Committee focused on tracking projects against the Five Year Environment Plan and examined utilities consumption data and environmental incidents. Other topics of special interest that were discussed included EREP (Environment and Resource Efficiency Plans), volatile organic compound benchmarking amongst Asia Pacific Toyota affiliates

and carbon neutrality. The Committee toured sections of the manufacturing plant including the Paint and Powertrain Trade Waste Treatment Plants and Paint Shop's Regenerative Thermal Oxidiser, and provided feedback on their observations to shop management.

#### Encouraging Dealerships to Manage their Environmental Impacts

The Dealer Environmental Risk Audit Program (DERAP) is a program to ensure sound environmental practices in the dealer network. Across Australia, the dealer network consists of 211 Toyota dealers and 64 branches.

DERAP is a self-audit and awareness system which asks dealers to fulfil a number of requirements including:

- Nomination of a person responsible for the environment
- Approval of a policy and statement of compliance
- Proper management of hazardous waste
- Proper management of wastewater

- Management of ozone-depleting substances in accordance with legislation
- Completion of annual online self audit.

In 2008/09, 260 Toyota dealer sites nationally had successfully completed DERAP.

Toyota Australia will enhance the DERAP program to incorporate a more holistic integration of sustainable business practices into dealer operations in 2009/10.

The aim is to improve dealers' environmental performance and to enable them to demonstrate small business leadership. This will be achieved by implementing a green dealer awards scheme to encourage dealers to increase measurement and management of their environmental impacts. Areas for evaluation will be risk management, energy use, recycling and waste, water use, environmental purchasing, employee training and social contributions and innovation.

## ENERGY AND CLIMATE CHANGE

Toyota Australia is responding to the need to address climate change by setting targets to reduce carbon emissions.

Toyota Australia's Five Year Environment Plan sets corporate objectives in environmental sustainability including targets to reduce energy usage and emissions. The company has been working to reduce emissions from its vehicles, emissions from its manufacturing operation and emissions from its administrative offices to contribute to a low-carbon society.

This puts the company in a good position for the introduction of an emissions trading scheme that would limit the amount of carbon emitted in Australia. The Australian Government

intends to reduce carbon emissions by 60 per cent from 2000 levels by 2050 and is aiming for an initial reduction of between five and 25 per cent from 2000 levels by 2020.

Toyota Australia's carbon strategy aims to embed a climate change response across all areas of the organisation. The company is participating in a pilot of the National Greenhouse and Energy Reporting System (NGERS), a scheme set up by the Federal Government to collect data for use as part of the Carbon Pollution Reduction Scheme.

NGERS establishes the reporting framework to be used by all Australian

businesses to formally report their greenhouse emissions. The reporting will be done electronically through a government database, and as part of the pilot group of organisations, Toyota Australia has been testing the software.

The company is also:

- Reviewing and revising CO<sub>2</sub> emission reduction targets across business operations
- Increasing understanding of the impacts on the future vehicle market and stakeholder impacts

## ENERGY AND CLIMATE CHANGE (continued)

- Increasing the energy efficiency of the company's offices and manufacturing plant
- Advancing hybrid technology and fuel efficiency.

Toyota Australia's CO<sub>2</sub> emissions from the plant, non-production offices and from logistics and business travel are detailed in this section. Information on fuel efficiency and greenhouse gas emissions associated with vehicles is detailed on pages 31-33.

### Energy Usage and CO<sub>2</sub> Emissions

Toyota Australia draws its energy needs primarily from electricity and natural gas.

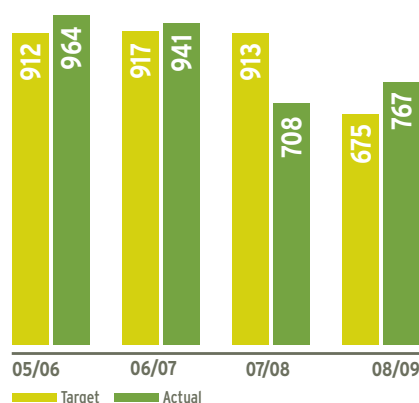
#### Production Energy Use

In 2008/09 the manufacturing plant's total electricity and gas usage decreased but due to the reduction in production volume there was an increase in the amount of gas and electricity used per vehicle.

In 2008/09, the manufacturing plant used 4.69 GJ of gas per vehicle, up from 4.23 GJ of gas per vehicle in 2007/08, and 767 KWh of electricity per vehicle in 2008/09 up from 708 KWh/Vehicle in 2007/08. This represents an increase in gas use per vehicle of 11 per cent, and an increase in electricity use per vehicle of eight per cent.

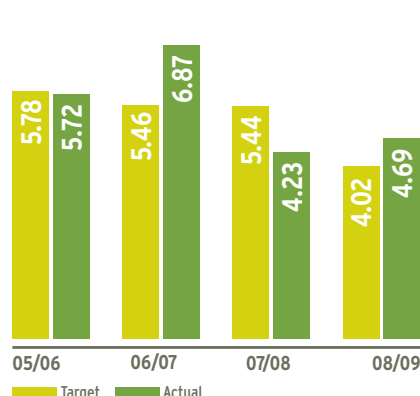
#### Production Electricity Usage

KWh / Vehicle



#### Production Gas Usage

GJ / Vehicle



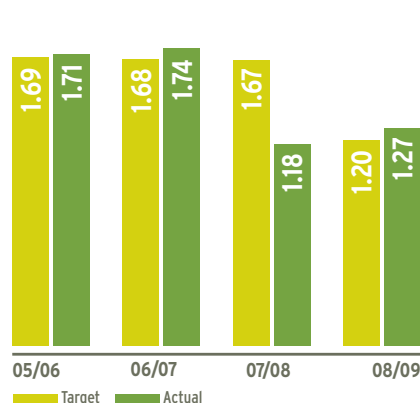
In 2008/09, Toyota Australia's energy usage at its manufacturing site corresponded to 1.27 tonnes CO<sub>2</sub>/ Vehicle. This is a seven per cent increase from 2007/08, where CO<sub>2</sub> emissions totalled 1.18 tonnes CO<sub>2</sub>/ Vehicle.

The reductions in total gas and electricity usage were due to the following initiatives:

- Sunday energy consumption concentrating on Utilities and Powertrain (see page 27)
- EREP Energy Projects
- Monitoring of boiler efficiencies
- Continuous improvement in efficient use of resources.

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

Tonnes CO<sub>2</sub> / Vehicle



#### Environment and Resource Efficiency Plans (EREP)

EREP requires Victorian business to implement low to modest cost initiatives to meet climate change and resource scarcity challenges. Through EREP, industry can realise the business opportunities presented by resource efficiency by implementing actions that achieve environmental benefits and direct cost savings in a short timeframe.

Commercial and industrial sites in Victoria that use more than 100 TJ of energy and/or 120 ML of water per year are required to prepare an EREP that identifies actions to reduce energy and water use and waste generation. Toyota Australia's manufacturing plant in Altona is registered in the program as a mandatory participant, and therefore required to implement those actions in the approved plan that have a three year or better payback period and report annually to the Environment Protection Authority (EPA) on progress.

In 2008, Toyota Australia developed an EREP project list in consultation with EPA to which a total of 91 projects have been identified. In 2008/09 a total of 22 projects have been completed and EREP completed projects to date have resulted in estimated energy savings of 7,014 GJ of energy for the year.

## ENERGY AND CLIMATE CHANGE (continued)

### ESCO

Toyota Australia is continuing to work with Toyota Motor Corporation's Energy Services Company (ESCO) to implement energy reductions across its Australian operations. After identifying opportunities for projects to save energy following an ESCO audit in 2008, 16 smaller projects have been completed by Paint Shop, Resin, Assembly, Powertrain and Unit Parts. The energy saving projects have focused on equipment repairs, turning off equipment when not required and reducing energy output from equipment use. The ESCO projects identified have now been integrated as part of the EREP (Environment and Resource and Efficiency Plans).

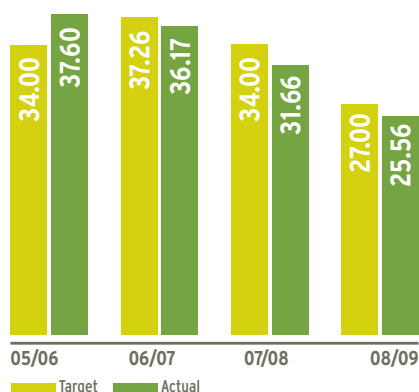
### Other Emissions

Emissions from the combustion of gas included sulphur dioxide emissions (252 kg/year) and nitrogen oxide emissions (30,175 kg/year) in 2008/09 and are reported as part of Toyota Australia's submission to the National Pollutant Inventory (NPI).

### Volatile Organic Compounds Emissions

Volatile Organic Compounds (VOCs) are one of the key contributors to air pollution in the automotive industry. In the manufacture of vehicles, VOCs are found in processes that use solvents, paints, sealers or hydrocarbon-based chemicals. The largest source of VOC emissions for Toyota Australia is at its Paint Shop.

#### Production Paint VOC g/m<sup>2</sup>



### CASE STUDY

#### Reducing Sunday Energy Consumption

Toyota Australia's manufacturing plant in Altona has been working towards reducing Sunday energy consumption since 2007. Sundays are a non-manufacturing day, however, there are a number of operating activities that take place within the plant. A review of Sunday energy consumption across the plant indicated there was excessive energy usage, monitoring of Sunday usage was not taking place and targets were not established.

To improve Sunday energy usage a number of initiatives were undertaken which included establishing a Sunday energy target and individual plant

shop targets. In addition, energy reduction activities were carried out and stakeholder meetings held to discuss energy performance. Since its inception in 2007, the Sunday energy campaign has resulted in increased staff awareness during non-production periods which also includes Saturday operating days, shift change-over periods, plant shutdowns and public holidays.

As a result of these initiatives, Sunday energy consumption has decreased from an average of 164 MWh in 2006/07 to 91 MWh in 2008/09.

*In 2008/09 Toyota Australia reduced production paint VOC emissions to 25.56 g/m<sup>2</sup>, down from 31.66 g/m<sup>2</sup> in 2007/08.*

This 19 per cent reduction was a result of initiatives including:

- Installation of Crystal Cap solvent recovery cleaners in Primer Booth and Top Coat zones
- Continued use of the Regenerative Thermal Oxidiser
- Introduction of recycle pumps in Primer Booth to reduce solvent use
- Modified robot spray programs to reduce paint usage on spare body parts
- Top coat BASE waste solvent collection.

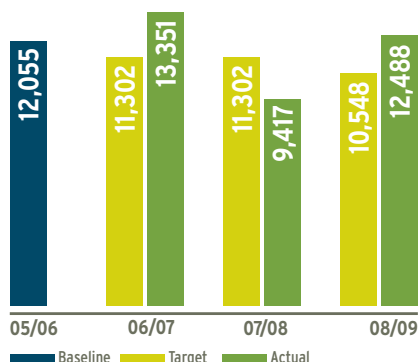
To monitor VOCs throughout the manufacturing process, Toyota Australia also has targets for VOCs in its new fuel tank and bumper bar painting facilities.

During the year, bumper bar painting VOCs totalled 199 g/m<sup>2</sup>, against a target of 200 g/m<sup>2</sup>, which represents a 25 per cent VOC reduction from 2007/08. In the past year, fuel tank VOCs totalled 42 g/m<sup>2</sup> against a target of 55 g/m<sup>2</sup>.



## ENERGY AND CLIMATE CHANGE (continued)

**Non-Production Gas Usage**  
Gigajoules (GJ)



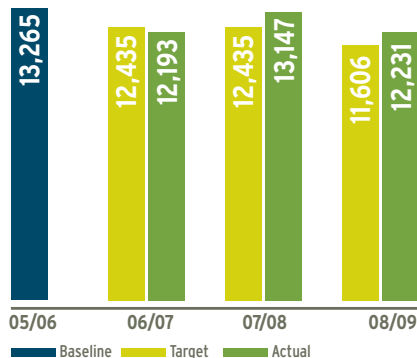
### Non-Production Energy Use

For the company's non-production sites, gas usage increased from 9,417 GJ in 2007/08 to 12,488 GJ in 2008/09. The company's non-production gas usage in 2008/09 decreased from usage in 2006/07. In 2007/08 gas usage data was inaccurate due to faulty gas meter readings at the company's Parts Centre in Altona leading to lower gas readings. This means gas usage data from 2007/08 cannot be used for comparison purposes. In 2008/09 gas meters at the Parts Centre were re-calibrated and representative gas usage was established.

In the reporting period the company's electricity usage decreased from 13,147 MWh to 12,231 MWh. This led to a decrease in CO<sub>2</sub> emissions from 16,029 tonnes in 2007/08 to 14,951 tonnes in 2008/09. The reduction in electricity consumption was primarily due to a decrease in electricity usage at the company's Melbourne and Sydney sites.

Toyota Australia is seeking to further reduce emissions at all sites through the continuation of programs such as CoolBiz and WarmBiz. These programs have improved the heating and cooling loads of the corporate headquarters.

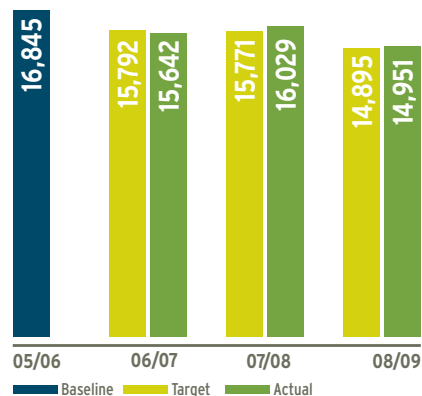
**Non-Production Electricity Consumption**  
MWh



In the summer months employees are encouraged to wear less formal clothes and in winter they are encouraged to wear warmer clothes. The air conditioning is then adjusted to reduce the amount of energy required to cool the buildings in summer and heat them over winter.

In 2008, Toyota Australia completed detailed energy audits of the corporate headquarters in Port Melbourne and one of the Woollooware Bay offices (Toyota House) in Sydney (see charts below). The audits were undertaken by independent energy auditors to

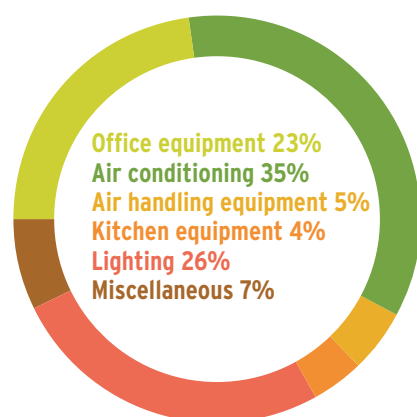
**Non-Production CO<sub>2</sub> Emissions**  
Tonnes CO<sub>2</sub>



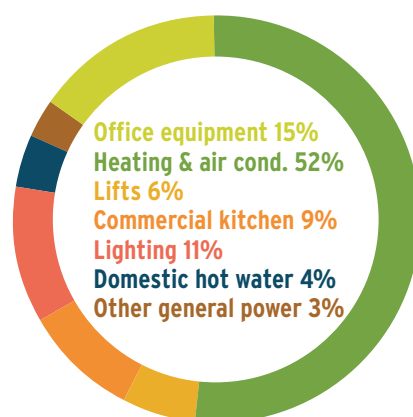
measure building energy usage and identify improvement opportunities.

The results of these audits indicate there is potential for reducing the amount of energy and resulting CO<sub>2</sub> emissions and operating costs. The audits suggest that more than a quarter of all the energy used at both sites is from office equipment and lighting and identify opportunities to mitigate energy consumption. Toyota Australia will develop a strategy paper in 2009 to recommend the most energy efficient and cost effective improvement projects to consider.

**Corporate Headquarters' Energy Consumption (Port Melbourne)**



**Toyota House Energy Consumption (Woollooware Bay)**



## ENERGY AND CLIMATE CHANGE (continued)

### CASE STUDY

#### Green IT Initiatives

Energy audits conducted in 2008 showed that office equipment made up around 20 per cent of Toyota Australia's office energy use. In response to this, and guided by a Green IT policy approved in 2008, the Information Systems Division in Toyota Australia has implemented Green IT initiatives at its office-based sites.

These initiatives are aligned with the President's Goals 2012 (see page 7) to have the number one reputation as an environmental leader.

The company aims to do this by:

- Reducing energy usage in all IT equipment by 20 per cent by March 2010
- Reviewing the complete lifecycle of devices including the sourcing of materials and eventual disposal
- Reviewing power usage in the company's internal data centres
- Reducing paper wastage by eliminating unclaimed prints
- Rationalisation of equipment to maximise usage and operational efficiency.

The first of the Green IT initiatives was changing the energy-saving mode on multi-function devices and printers to activate after ten minutes of inactivity as opposed to four hours set previously. This will provide an estimated reduction of 40 per cent carbon dioxide emissions per year.

Currently, Toyota Australia is trialling swipe card printing that will save the large volume of paper that is printed and never collected.

In addition, to improve energy efficiency and awareness Toyota Australia:

- Participated in Earth Hour on 28 March 2009. This involved turning off lights for one hour to raise public awareness of climate change.
- Introduced lighting improvements by changing energy inefficient halogen downlights to LED (light emitting diodes) lights at corporate headquarters.

### Emissions from Logistics and Business Travel

The transportation of goods is a component of Toyota Australia's CO<sub>2</sub> emissions. In 2008/09, the company set targets to reduce these emissions and the environmental impact of packaging. The company also has CO<sub>2</sub> emissions from business air travel.

#### Vehicle Parts Logistics

Toyota Australia has set a target to reduce CO<sub>2</sub> emissions from parts logistics by two per cent from 40 kg/Vehicle in 2009/10. To achieve this target, data has been captured and the following activities have taken place:

- Review imported parts to increase pack quantity to reduce cardboard and plastic packaging
- Review imported parts that are currently packed in disposable packaging into returnable packaging
- Reduce CO<sub>2</sub> emissions by decreasing the total number of trucks and distance travelled and increasing truck efficiency
- Reduce CO<sub>2</sub> emissions by introducing trucks using new generation engines.

#### Vehicle Logistics

For road logistics transport, the company has set a CO<sub>2</sub> emissions target of 56.6 kg/Vehicle. Since July 2008, CO<sub>2</sub> emissions per vehicle have been measured on a monthly basis. To further improve and understand the

data capture from all vehicle logistics modes, CO<sub>2</sub> emissions from both rail and shipping transport around Australia will also be investigated.

#### Business Air Travel

The company has reduced CO<sub>2</sub> emissions from business air travel by 25 per cent in the past year. In 2008/09, CO<sub>2</sub> emissions from business air travel totalled an estimated 3,266 tonnes, with 24.3 million kilometres travelled, compared to an estimated 4,365 tonnes, with 33.2 million kilometres travelled in 2007/08. This decrease is due to new initiatives to reduce travel costs and to increase the use of teleconferencing where possible.

## MINIMISING THE ENVIRONMENTAL IMPACT OF VEHICLE USE

Toyota Australia is working to mitigate the environmental impacts of vehicle use to contribute to sustainable mobility. Information on this is included in the following sections:

1. Advancing Hybrid Technology
2. Vehicle Emissions
3. Green Vehicle Guide
4. End-of-Life Vehicles and Recycling

### Hybrid Milestones

1997	Prius launched in Japan
2001	Prius launched in Australia
2002	Prius sales top 100,000 vehicles worldwide
2003	Second-generation Prius launched in Australia
2004	Prius wins North American Car of the Year award and European Car of the Year award
2006	Worldwide Prius sales top 500,000 vehicles Lexus GS 450h and RX 400h launched in Australia
2007	Lexus LX 600h launched in Australia
2008	Worldwide Prius sales top one million Announcement that Toyota Australia will build Hybrid Camry in Australia
2009	Third-generation Prius to be launched Production of Hybrid Camry begins at Altona



### 1. Advancing Hybrid Technology

Hybrid Synergy Drive technology was in the spotlight at Toyota Australia in 2008/09 as Toyota Prius sales reached 11,000 in Australia and an announcement was made that the company would begin building the Hybrid Camry in Australia from 2009.

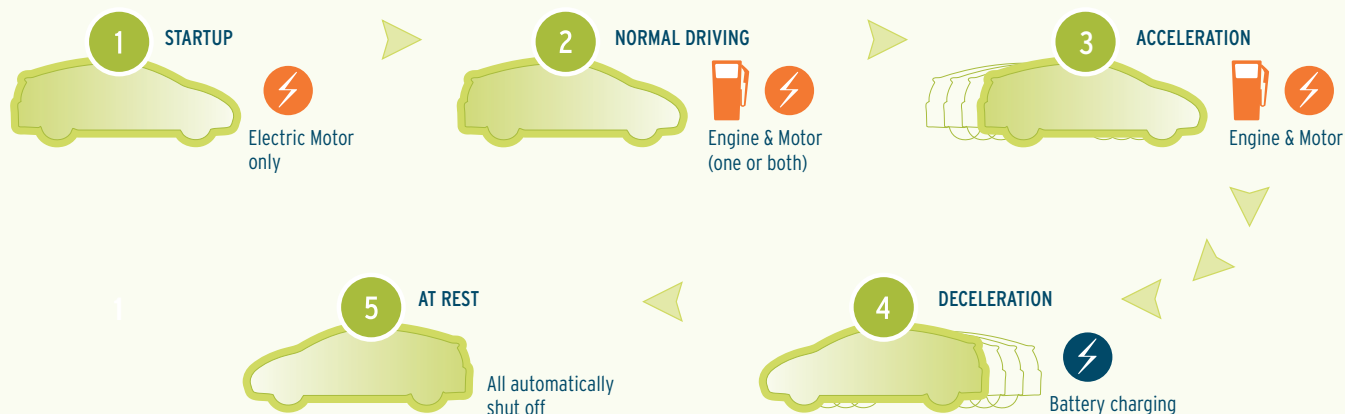
Prius and the Hybrid Camry are powered by Toyota's Hybrid Synergy Drive, which combines efficient four-cylinder petrol engines, an electric motor and a battery pack. The second-generation Prius uses 4.4 litres/100km of regular unleaded fuel, based on the official combined cycle, and emits 106 grams/km of CO<sub>2</sub>.

The third-generation Prius, which will be launched in Australia in July 2009, emits just 89 grams/km of CO<sub>2</sub>.

Left: In June 2008, Toyota Australia announced it would begin production of a Hybrid Camry at its Altona plant. Production is scheduled to begin in late 2009.

Right: The third-generation Prius to be launched in Australia in July 2009.

### How a Hybrid works



## MINIMISING THE ENVIRONMENTAL IMPACT OF VEHICLE USE (continued)

### Lexus Hybrids

Lexus is the only luxury marque to currently offer hybrid technology. Each hybrid in the Lexus model line-up is designated 400h, 450h or 600h. This does not indicate the cubic capacity of the engine but rather is a power input comparable to a conventional 4.0, 4.5 or 6.0 litre petrol engine respectively. The RX 400h generates CO<sub>2</sub> emissions of 192 grams/km – almost 40 per cent less than some six-cylinder petrol luxury SUV rivals.

## 2. Vehicle Emissions

To achieve the company's long-term business goals, Toyota Australia needs to find a way to balance the growing demand for vehicle ownership with the management of its environmental impacts. One of these impacts is emissions from vehicles. There are two major issues associated with car exhaust emissions: 1) emissions of greenhouse gases and 2) emissions such as hydrocarbons, carbon monoxide and oxides of nitrogen, that contribute to air pollution.

### 1. Greenhouse Gas Emissions

To demonstrate its commitment to improving environmental performance, the Australian automotive industry set an emissions target of 222g CO<sub>2</sub>/km by 2010 for all new light vehicles.

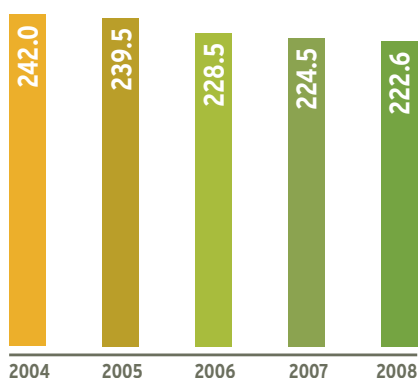
Toyota Australia's sales weighted average CO<sub>2</sub> emissions of all Toyota and Lexus light vehicles in the year ending 31 December 2008 was 222.6g CO<sub>2</sub>/km, representing close to a one per cent decrease from 2007 (224.5g CO<sub>2</sub>/km).

This reduction was less than the two per cent reduction recorded the previous year as all models were converted to the latest emission requirements early in the year. The reduction in CO<sub>2</sub> this year was due to the movement in sales performance of individual models.



The Lexus GS 450h is powered by a 3.5 litre V6 petrol engine and permanent-magnet electric motor

### Corporate Average CO<sub>2</sub> Emissions gCO<sub>2</sub> / km



Toyota Motor Corporation's development of advanced technologies, such as Hybrid Synergy Drive and plug-in hybrid systems, will make a significant contribution to reducing vehicle CO<sub>2</sub> emissions. In addition, Toyota Motor Corporation has invested in new fabrication materials (such as carbon fibre derived from seaweed) to reduce the overall weight of vehicles which helps to reduce emission levels.

### 2. Hydrocarbons, Carbon Monoxide and Nitrogen Oxides

Air pollutants such as carbon monoxide and oxides of nitrogen are emitted into the environment by motor vehicles. These air pollutants

can contribute to urban air quality problems, such as photochemical smog, and adversely affect human and ecological health.

The European Union has developed standards (commonly referred to as the 'Euro' Standards) limiting the emissions of these pollutants by motor vehicles. The latest Australian standard, ADR 79/02 Emission Control for Light Vehicles, requires manufacturers to comply with the Euro 4 standard.

As at the end of 2008, 31 Toyota models were certified to Euro 4, with 15 of these achieving 'Beyond Euro 6' performance, positioning the company well for the future.

In addition, 12 Lexus models were certified to Euro 4, two of which achieved 'Beyond Euro 6' performance. In total, 17 Toyota and Lexus vehicles have achieved 'Beyond Euro 6' performance, which is defined as having hydrocarbon and nitrogen oxide emissions at 35 per cent or less of the Euro 4 limits for a standard petrol passenger car.



## MINIMISING THE ENVIRONMENTAL IMPACT OF VEHICLE USE (continued)

Toyota Australia will continue to ensure that vehicles exceed Australian design standards in an effort to reduce air emissions.

### Fuel Efficiency

Toyota Australia is helping to reduce CO<sub>2</sub> emissions by introducing more efficient engines. The table opposite details the improved fuel economies of new models across the range.

### 3. Green Vehicle Guide

The Green Vehicle Guide (GVG) is a Federal Government initiative that provides information to consumers about the environmental performance of new light vehicles in Australia.

Toyota's efforts to develop greener vehicles have been recognised by the GVG. In 2009, two Toyota vehicles ranked amongst the top performers of all vehicles in the GVG. These were the Toyota Prius, with the highest possible five-star rating in second spot, and the Toyota Yaris, with a five star rating in fifth place. The Toyota Corolla also made the list of Top GVG Performers, coming in at number 14.

The information provided in the GVG ([www.greenvehicleguide.gov.au](http://www.greenvehicleguide.gov.au)) helps consumers compare the level of emissions of different vehicles and

New Vehicles 2008/09	Old Model (fuel consumption measured in L/100km*)	New Model (fuel consumption measured in L/100km*)	Decrease in Fuel Consumption
Toyota Prius	4.4	3.9	11%
Lexus RX Hybrid	8.1	6.4	21%
Lexus RX 350	11.2	10.8	4%
Toyota Camry A/T	9.9	8.8	11%
Lexus IS250C	–	9.3	–
Lexus ISF	–	11.4	–

\*Fuel consumption will vary depending on driving conditions/style, vehicle conditions and options/accessories.  
Source of fuel consumption data: ADR 81/01.

their impact on the environment and includes:

- Greenhouse Rating (based on CO<sub>2</sub> emissions): To compare a vehicle's contribution to the greenhouse effect and climate change.
- Air Pollution Rating (based primarily on emission standards): To compare a vehicle's contribution to urban air pollution (and associated effects on the environment, human health and amenity).
- Overall 'Star' Rating: To identify vehicles that emit a lower level of overall emissions.
- Fuel Consumption (in L/100km): To identify the most fuel-efficient vehicle.

The table below shows the three Toyota vehicles in the Green Vehicle Guide that have the highest GVG ratings (Prius, Yaris and Corolla). It also shows the environmental performance of the Camry and Aurion which are manufactured in Australia.

*The third-generation Prius, which will be launched in Australia in July 2009, will emit 89 g/km of CO<sub>2</sub> emissions.*

	Star Rating	Vehicle Details	Fuel Type	Fuel Consumption L/100km	CO <sub>2</sub> g/km	Greenhouse Rating (10 = best)	Air Pollution Rating (10 = best)
Toyota Prius	★★★★★	1.5L 4cyl, CVT 1 speed Hatch, 5 seats, 2WD	Electric/ Petrol	4.4	106	8.5	8.5
(Third-generation Prius)		(1.8L 4cyl)		(3.9)	(89)	9.0	8.5
Toyota Yaris	★★★★★	1.3L 4cyl, Man 5 speed Hatch, 5 seats, 2WD	Petrol	6	141	7.5	8.5
Toyota Corolla	★★★★☆	1.8L 4cyl, Auto 4 speed Hatch, 5 seats, 2WD	Petrol	7.4	173	7.0	6.5
Toyota Camry	★★★★★	2.4L 4cyl, Man 5 speed Sedan, 5 seats, 2WD	Petrol	8.9	210	6.0	8.5
Toyota Aurion	★★★★★	3.5L 6cyl, Auto 6 speed Sedan, 5 seats, 2WD	Petrol	9.9	233	5.5	8.5

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

## MINIMISING THE ENVIRONMENTAL IMPACT OF VEHICLE USE (continued)

### 4. End-of-Life and Recycling

Currently the most common method for end-of-life vehicle recycling in Australia involves the dismantling of vehicles and removal of parts that can be sold for reuse, removal of potential environmentally-damaging materials and the shredding of metal content. Once plastics and metal recycling opportunities are exhausted, remaining vehicle materials are sent to landfill.

Toyota Motor Corporation produces dismantling manuals for its vehicles to assist with reusing and recycling parts and components. It is estimated that 75 to 80 per cent of end-of-life vehicles,

in terms of weight, is recycled. The remaining 20-25 per cent, consisting mainly of a mix of materials such as resins, rubber, glass and textiles, is discarded and sent to landfill.

#### Hybrid Battery Life and Recycling

The hybrid battery is designed to last the typical life of the vehicle under normal circumstances. It is kept at an optimum charge level, which gives it an extended life. Many vehicles drive more than 300,000 kilometres without the need to replace batteries.

When batteries do need to be replaced, Toyota Australia has a recycling process. This was put in place ahead of the Australian launch of the Prius in 2001. The Hybrid Camry, to be produced in Australia from late 2009, uses the

same type of battery as the Prius – nickel-metal hydride.

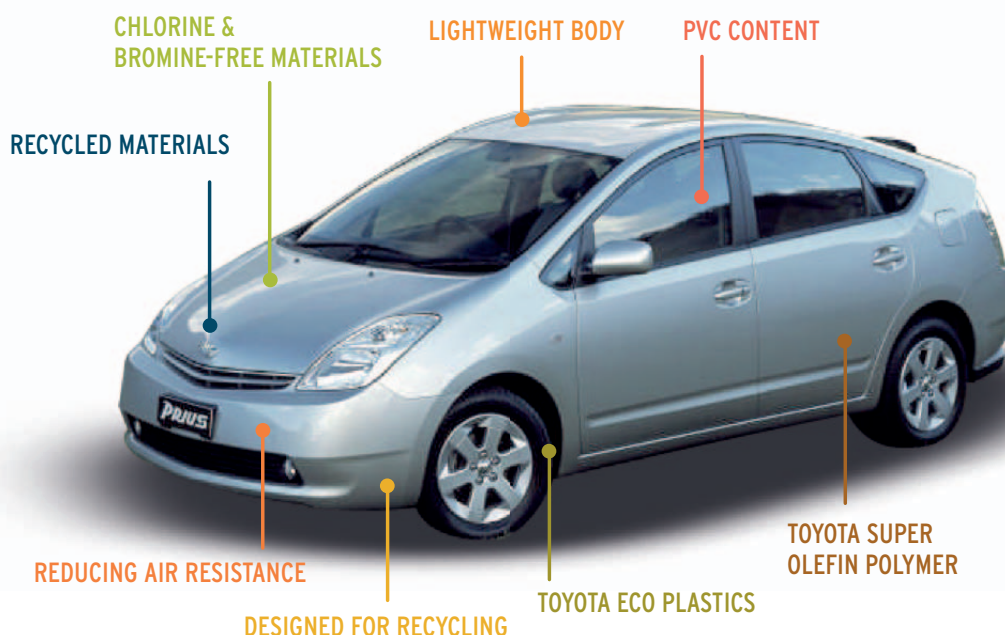
Toyota dealers are the central collection points for batteries, which are then transferred to certified Toyota recycling partners in Australia and overseas at no cost to the owner. The recyclers used by Toyota Australia are certified to international environmental management standard ISO 14001. The local recycler is licensed by EPA Victoria.

The battery's plastic, metal and copper wire are recycled locally while circuit boards and battery elements are exported for recycling.

### ECO-Vehicle Assessment Scheme (ECO-VAS)

ECO-VAS is Toyota's life cycle assessment process to review vehicle design and manufacture on a regular cycle and ensure broader environmental policies are applied to all parts and overall vehicle designs. This enables Toyota engineers to improve environmental performance while a product takes shape from drawing board to assembly line.

#### Prius ECO-VAS Features



## RESOURCE USE

Toyota Australia is advancing effective utilisation of resources by reducing its water consumption and minimising waste generation.

### Raw Materials Use in Production

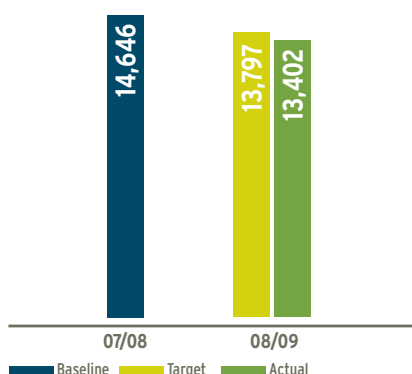
The raw materials Toyota Australia uses in the manufacture of its vehicles totalled 94,261 tonnes in 2008/09 and include steel, scrap metal and recycled aluminium. Of the total tonnage, 32 per cent is from recycled input materials such as scrap metals and aluminium.

### Paper

On the non-production side, a major material used in the office is paper. Toyota Australia has set targets to reduce paper use. Since 2007/08 the company has been recording monthly paper usage. In 2008/09, usage was 13,402 reams of A4 equivalent which reduced from 14,646 reams of A4 equivalent in 2007/08, representing a reduction of 8.5 per cent.

### Non-Production Paper Usage

Reams of A4 Equivalent



### Water Consumption

Toyota Australia has set targets to reduce water usage across its business. Most of the company's water is sourced from municipal or city water suppliers but the company also has a 350-kilolitre rainwater tank and reticulation system at its corporate headquarters in Port Melbourne and a 67-kilolitre rainwater system at its manufacturing plant in Altona.

### WaterMAP

Toyota Australia's manufacturing plant and corporate headquarters submitted a Water Management Action Plan (WaterMAP) annual review to their local water authorities in December 2008. WaterMAPs for both sites were submitted in December 2007 as all non-domestic sites using more than ten megalitres of clean drinking water in a financial year were required to make a submission. Both sites received approval from their local water authorities after submitting their reviews.

### Performance

#### Production Water Consumption

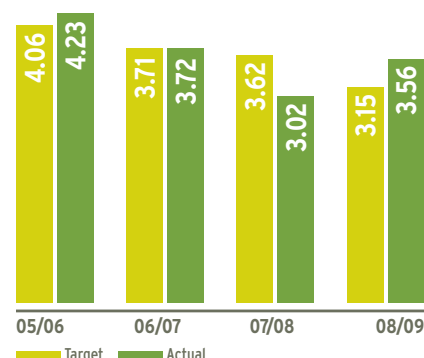
In 2008/09, total water consumption at the company's manufacturing plant in Altona was 463,893 kilolitres which represents a three per cent increase from last year's consumption (450,134 kilolitres). The increase is primarily due to incidents such as burst water mains and cooling tower malfunction and shutdown cleaning activities. Toyota

Australia has implemented regular cooling tower checks to ensure optimal operation conditions.

Water use at the company's manufacturing plant has increased from 3.02 kL/Vehicle in 2007/08 to 3.56 kL/Vehicle in 2008/09. This represents an 18 per cent increase in water consumption per vehicle due to lower production volumes in 2008/09. The company's projects for 2009/10 include implementing water saving projects from its EREP Program (see page 26).

#### Production Water Consumption

Kilolitre (kL) / Vehicle



### CASE STUDY

#### Target 155 Club

**SAVE WATER** **SUPPORT 155**

To encourage water savings at work and at home, the Target 155 Club was launched at Toyota Australia's manufacturing plant in March 2009. The Club, which is run in conjunction with the site's water authority, City West Water, is open to all Altona

employees who can show that they use 155 litres or less of water per person per day in their home.

As a member of the club, employees receive member bonuses and enter a draw to win monthly prizes sponsored by City West Water.

## RESOURCE USE (continued)

In the reporting period, the company undertook initiatives to improve water efficiency at the manufacturing plant including:

- Installation of four automated meters
- Installation of Aqualoc flow restrictors in all taps in the production shops
- Participation in Fire Test water audit to look for opportunities to reduce testing program and save water
- Participation in a Cooling Tower optimisation study with City West Water. Independent site auditors reviewed operation of all cooling towers on site to produce an optimisation model
- Helped sponsor a PhD student who will examine process optimisation and water recycling technologies to reduce potable water use.

### Wastewater

Water is discharged to the sewer from two Trade Waste Treatment Plants at Altona. The water discharged to the sewer from Paint Shop trade waste totalled 233,774 kilolitres in 2008/09, and water from Engine Shop trade waste totalled 8,735 kilolitres – the quality of this water is in accordance with the company's City West Water agreement limits. The wastewater is then discharged to the Werribee Treatment Plant.

In 2008, Toyota Australia implemented a Point Source Control (PSC) system to improve trade waste control. The PSC system puts in place procedures and policies to improve trade waste quality and quantity at the point where it is generated and also improve trade waste management at the two treatment plants on site. This involved nominating a person in charge at each area where trade waste is generated who was then trained on how to manage the trade waste from their specific process. Following the implementation of the PSC system, Toyota Australia has seen significant improvements in the communication and control of the internal trade waste

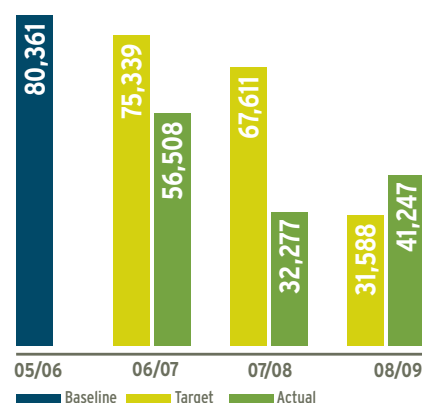
processes. The PSC system was globally benchmarked amongst Toyota affiliates and audited by Toyota Thailand trade waste specialists. Toyota Australia received the highest results amongst the Asia Pacific affiliates.

Toyota Australia participated in the City West Water Annual Trade Waste Conference which was held at its manufacturing plant. The conference was attended by 90 people from local industry and delegates were able to participate in a tour of Toyota Australia's trade waste facility.

### Non-Production Water Consumption

In 2008/09, total water consumption at the company's non-production sites was 41,247 kilolitres, compared to 32,277 kilolitres in 2007/08, representing an increase of 28 per cent.

### Non-Production Water Consumption Kilolitre (kL)



This increase was due to issues identified at the following sites:

#### Corporate Headquarters, Port Melbourne

- Reduced rainfall from drought resulting in increased potable water use
- Rainwater harvesting pumps required off-site maintenance.

#### Sales and Marketing Operations, Woolooware Bay, Sydney

- Water leakages (which have since been rectified)
- Irrigation activities to support extensive grounds and garden areas increased due to reduced rainfall

- Delays in availability of recycled water scheme.

### Other Sites

- Minimal site understanding of water use areas in absence of water sub-metering
- No regional site representation to lead TEMS water management activities in remote offices.

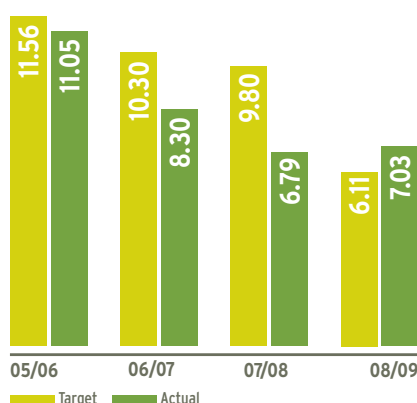
## Waste Management

Effective waste management is a key target in Toyota Australia's Five Year Environment Plan. The company is working with waste management contractors to develop innovative processes to reduce waste disposed to landfill and increase opportunities to recycle and reuse products where possible.

The majority of the company's waste is generated at its manufacturing plant. In 2008/09, total waste was 29,597 tonnes, of which 95 per cent was recycled (including steel, cardboard, plastic film, solvent, windscreen glass, sand, bumper bars, cans and bottles). This represents a nine per cent reduction in total waste generated with total waste in 2007/08 at 32,607 tonnes. The two major waste streams at the manufacturing plant are general waste and prescribed waste.

The total amount of waste (prescribed and general) decreased in the reporting period. However, due to the lower production volumes in 2008/09, the quantity of waste per vehicle increased.

### Production General Waste kg / Vehicle





## RESOURCE USE (continued)

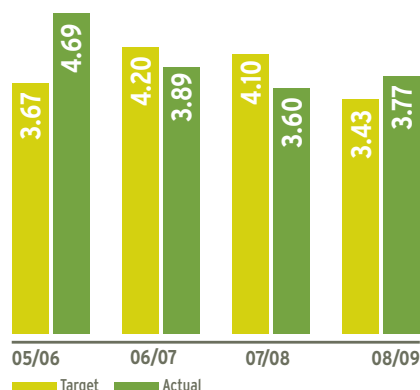
### General Waste

915 tonnes of general waste was disposed of to a landfill facility in 2008/09. In 2007/08, 1019 tonnes of general waste was sent to landfill which represents a ten per cent decrease. However, there has been an increase in the company's general waste from 6.79 kg/Vehicle in 2007/08 to 7.03 kg/Vehicle in 2008/09.

### Prescribed Waste

491 tonnes of solid prescribed waste was disposed of at a prescribed waste landfill facility in 2008/09. In 2007/08, 537 tonnes of solid prescribed waste was sent to landfill which represents an eight per cent decrease. However, there has been an increase in the company's prescribed waste per vehicle from 3.60 kg/Vehicle in 2007/08 to 3.77 kg/Vehicle in 2008/09 due to the decrease in production volumes.

### Production Prescribed Waste kg / Vehicle



## CASE STUDY

### Transforming Corporate Headquarters into a Model Waste Recycling Office

Toyota Australia wishes to develop its corporate headquarters in Port Melbourne as the model waste recycling office within the company. In 2008/09 the company has taken steps to realise this ambition, which has resulted in a substantial increase in its recycling rate from 25 per cent in March 2008 to 70 per cent in March 2009.

Recycling initiatives were implemented after an external waste audit was conducted in March 2008. The audit found that the low recycling rate was due to unclear signage across waste transfer areas, lack of training and awareness of staff, and not all food waste from office kitchenettes and Bistro (the company's staff canteen) was being segregated and sent to Pulpmaster for recycling. Pulpmaster converts all types of food waste into a pulp slurry which is sent off-site to a compost facility.

A new three-bin waste recycling system was introduced across all kitchenettes in October 2008 and new signs placed in kitchenettes and printer and copier rooms. The introduction of this signage has helped reduce cross-contamination of waste streams. All waste signage used the new TEMS (Toyota Environment Management System)

branding (see page 24) to provide a consistent company-wide environment message (see picture for new waste signage).

A review of the new bin system revealed that further changes were still required to improve waste segregation. Bin liners with co-mingled waste that were collected at office kitchenettes were being transferred into general waste bins. Mistakes were easy to make, as the bin liners for general waste and co-mingled waste were the same colour (black). To rectify this issue, training was provided to cleaning staff and the company introduced blue and clear-coloured bin liners for co-mingled waste.

In January 2009 an internal waste audit was conducted at the corporate headquarters to measure and analyse general waste generated over a 24-hour period. The audit found that improvements could be made in food waste recycling. The trolley bins provided at the Bistro were not capturing food scraps, which meant that instead of being recycled through the Pulpmaster unit, food scraps were ending up in landfill. A new bin trolley will be introduced to the Bistro in May 2009 that will help further improve waste recycling and reduce waste to landfill.



# SOCIAL PERFORMANCE

## EMPLOYEES

In the current economic climate a key Toyota Australia priority is to provide a long-term stable employment environment and income security to its 4,571 employees.

With the decrease in production volumes Toyota Australia has been implementing initiatives including KI-J Days (see page 18), which have provided the company with the opportunity to train employees.

By investing in its people and pooling its knowledge and expertise, Toyota Australia is reforming its business for new growth and progress.

### Key Workforce Figures

The majority of Toyota Australia employees are based at the manufacturing plant in Altona and at corporate headquarters in Port Melbourne. Other employees work from the company's sales and marketing operations in Sydney, at the company's regional office in Port Melbourne and in regional operations in Brisbane, Townsville, Darwin and Adelaide.

#### Workforce Profile

Nationalities Represented	<b>68</b>
Average Age	<b>42 years old</b>
Average Length of Service	<b>11 years</b>

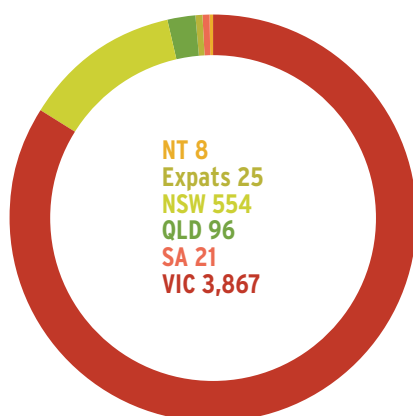
Females make up 13 per cent of the total workforce. There is variation between award and non-award employment categories, with females constituting 24 per cent of the non-award workforce but only ten per cent of total award employees. Females are particularly under-represented in the Engineering (16 per cent), Technical (six per cent) and Trades categories (under one per cent) but constitute 58 per cent of the Administrative category.

There is also variation between job grades with females constituting just five per cent of senior executive grades. Historically, the industry has been male-dominated which is reflected in the low numbers of females, especially in the higher grades.

The company's approach to equal opportunities is to recruit and retain its workforce based on individual skills and merits, regardless of age, gender, disability, religion or race.

In terms of pay between males and females, the company's merit-based pay policies are designed to promote equal pay for equal contribution, capability and experience. The ratio of basic salary of men to women is 1:1 for each employee category.

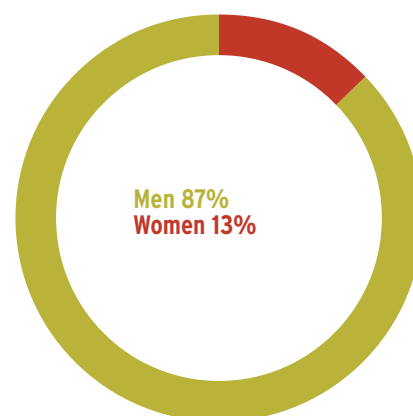
Toyota Australia Employees by Location



Toyota Australia Employees by Type



Toyota Australia Employees by Gender



## EMPLOYEES (continued)

As an equal opportunity employer, Toyota Australia strives to maintain the highest standards of behaviour at work and these incorporate all current policies covering equal opportunity and sexual harassment legislation.

During 2008/09 Toyota Australia reviewed its Workforce Relationships training, which sets out the company's equal opportunities policies and practices. The training is given to all award employees. The review found that learning from Workforce Relationships training was not being retained by participants and that the format used (powerpoint presentations) could be improved.

A new interactive training program was designed which uses a DVD and a learning checklist. In 2009/10, the company will develop a training schedule and will deliver this training every two years across manufacturing and sales and marketing operations. The training will be co-ordinated and delivered by employee relations advisors attached to each shop.

### Workplace Agreement

Toyota Australia award employees are covered by the Toyota Australia 2005 Workplace Agreement, which ensures fairness of workplace conditions and outlines the processes, policies and systems in place for achieving these aims. Toyota Australia's Workplace Agreement expired in July 2008 and, following discussions between the company and the Australian Manufacturing Workers' Union, was extended for an additional 12 months. The Agreement was certified by the Australian Industrial Relations Committee in April 2009.

*All employees are free to join unions and 79 per cent of the workforce is currently covered by collective bargaining agreements.*

The Workplace Agreement includes occupational health and safety provisions (such as agreement on stopping work for outdoor employees when the temperature goes above 33 degrees Celsius) and details on the operation of the joint management-employee health and safety committee.

### Benefits

To attract and retain high-quality employees, the benefits the company provide go above and beyond legal compliance and industry norms. Benefits include:

#### Parental Leave

Toyota Australia offers its employees 14 weeks paid maternity leave and one week paid paternity leave after 12 months of continuous service. Male and female employees are entitled to three weeks unpaid adoption leave.

#### Superannuation

Employees have a choice of superannuation funds to which employer contributions can be made. All permanent employees receive superannuation benefits at least equivalent to a nine per cent employer superannuation contribution, with non-award employees receiving a minimum of 14 per cent. Death and disability insurance benefits are also provided through the Toyota superannuation funds.

#### Learning and Development Programs

All employees have access to Toyota Australia's Open Learning Centre which is based at the manufacturing plant in Altona. The Centre supports individual learning and career development in

a range of areas including resume writing, library self-paced learning, computer training and Japanese language training. In 2008/09, the Open Learning Centre conducted 754 hours of training. Training is also carried out by Toyota Institute Australia (see page 40).

#### Discounted Vehicles and Spare Parts

All employees have access to a discounted second-hand lease vehicle via a fortnightly auction. In addition, employees can benefit from subsidised lease vehicles and allocated vehicles depending on job grade. Employees are also able to purchase spare parts at a discounted rate.

#### Employee Assistance Program

Employees and their family members benefit from an Employee Assistance Program that provides confidential counselling free-of-charge to help cope with work and life issues. The program is administered by an external, independent company and is paid for by Toyota Australia.

*Toyota Australia's minimum wage is 61 per cent above that of the Federal minimum wage.*

## EMPLOYEES (continued)

### Wellbeing

To enable employees to meet in an informal environment outside of the workplace, Toyota Australia provides activities through the annual Ekiden (relay race) Festival. The festival includes a 2.8 kilometre race and family activities such as face painting and a petting zoo.

Toyota Australia employees attended the festivals in Sydney and Melbourne in October 2008. At the festivals a Toyota Australia Ekiden team was selected for the 62nd Toyota Motor Corporation Ekiden race held in Toyota City in Japan in December 2008.

Participants from Toyota affiliates from around the world participate in this race. The women's team from Toyota Australia finished second in the female event. This was the first podium finish by any affiliate team since affiliates started to compete in 2002.

Toyota Australia is currently alternating between sending a female and male team to this event each year.



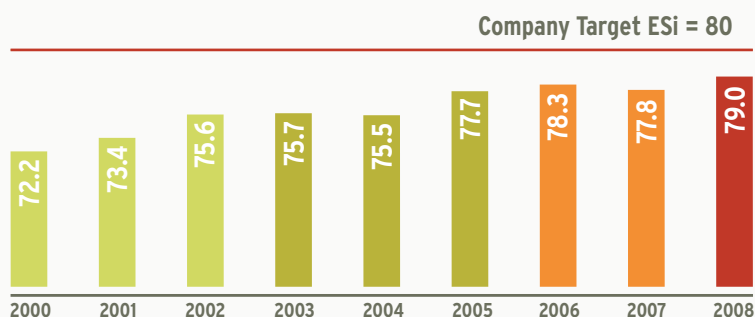
Toyota Australia's women's team at the Ekiden race in Japan, December 2008

### Employee Engagement

Toyota Australia measures its employee engagement through its annual Employee Satisfaction survey.

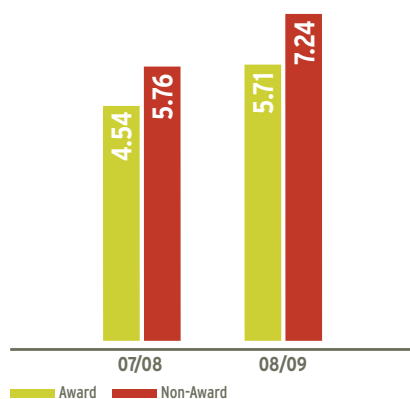
In 2008, employees were the most satisfied they have been since measurement began in 2000. The satisfaction results in 2008 were 79.0, a slight increase from 77.8 in 2007 but below the company target of 80. The survey calculates both an overall company result and a divisional result. Eleven out of 19 divisions scored above 80.

#### Toyota Australia - Employee Satisfaction Index (ESI)



### Responding to Changing Market Conditions

#### Employee Turnover %



In 2008/09, turnover rates were 7.24 per cent for non-award and 5.71 per cent for award employees, compared to an overall industry average of approximately 15 per cent. Sixty-five per cent of people who left the company retired or resigned. The remainder left due to their contract expiring or through the Voluntary Departure Program (please see page 40).

Toyota Australia has a commitment to ongoing operations in Australia and needs to respond to changing environments and market requirements. This can mean evaluating job function and workforce



## EMPLOYEES (continued)

totals. In 2008/09, the decrease in demand for vehicles led to measures being put in place to minimise the loss of employee income. These measures included re-allocating work to other parts of the business, re-scheduling production and providing employees with training.

If a reduction in employee numbers cannot be avoided, a Voluntary Departure Program is offered to employees and four weeks notice is given. In 2008/09, 21 per cent of people leaving the company took the Voluntary Departure Program, which offers employees assistance to leave the organisation as a result of changed circumstances. This resulted in an increase in the turnover rate for award employees between 2007/08 and 2008/09 (see page 39).

For compulsory departures, where specific positions are affected, Toyota Australia negotiates conditions of the departures based on discussions with the relevant union members, as per Toyota Australia's Workplace Agreement.

### Toyota Institute Australia

On-going professional development of management, employees and business partners is vital to ensuring Toyota Australia's economic and social viability – both during an economic downturn and when the market recovers.

Globally, human resources development has been one of the most important business focuses of Toyota Motor Corporation. For the purpose of developing Toyota employees and business partners (dealers and suppliers) with consistent programs and standards, Toyota Motor Corporation transferred its knowledge and experience into training programs, known as Toyota Global Content. By creating a common language and approach for business practice, Toyota employees and business partners can communicate and operate in any Toyota environment regardless of culture or location.

Since 2002, Toyota Australia has been deploying the Global Content to its local operations. For example, the company runs training on Toyota Way

foundations, Toyota Business Practices, On Job Development and Role Training. These programs provide participants with insights on Toyota's corporate values, problem-solving processes, and how to perform their roles effectively through developing people.

In January 2009, Toyota Australia established a Toyota Institute Australia (TIA) division to strengthen the planning and co-ordination of the development initiatives. Its main objectives are to:

- Set mid and long-term strategy for human resource development
- Improve the alignment between Toyota Australia's development programs and the needs of the internal and external stakeholders
- Disseminate Toyota Global Content to Toyota employees and business partners
- Consolidate and improve training support services.



### Solving Problems – Toyota Business Practices

Toyota Business Practices (TBP) is a problem-solving module provided by the Toyota Institute Australia that makes the practice of the Toyota Way explicit in each employee's daily work.

Problems at Toyota are not considered to be negative. Rather they present challenges that help the company to continually improve its processes and systems. Therefore, it is the responsibility of all employees to understand and visualise the current standards of their work to be able to recognise when problems occur.

By applying TBP, employees are able to identify the root cause, eliminate problems permanently and create a new standard. Based on the new standard, work is constantly reviewed for continuous improvement (*kaizen*).

Since 2006, over 690 executives and employees have completed the training (including 230 employees in the 2008 calendar year).

From 2009, Toyota Australia will provide its executives with further development on how to maintain and



Employees participate in Toyota Business Practices Training

improve the Toyota Business Practices problem-solving capability of their staff through the On Job Development program (coaching the Toyota Way).

## EMPLOYEES (continued)

### Performance Reviews

Toyota Australia's performance management framework (award and non-award) consists of processes and tools that promote consistent application of performance management principles throughout the organisation. The framework helps set expectations and provides feedback to support the development of a high-performance culture.

Both award and non-award employees have access to the performance review process that includes thorough planning for the year ahead and quarterly reviews to ensure milestones relating to business objectives are being met and employees are clear on their personal objectives.

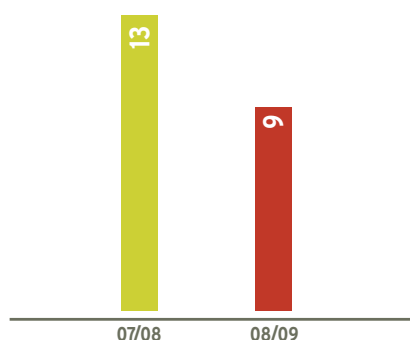
### Occupational Health and Safety

The President of Toyota Australia has set a goal of zero harm by 2012 (see page 7). To achieve this goal, the company has increased training on health and safety and has implemented programs, such as the

Toyota Ergonomic Burden Assessment, to improve safety systems.

This focus has led to a 31 per cent reduction in the company's Lost Time Injury Frequency Rate (LTIFR), from 13 at 31 March 2008 to nine in 31 March 2009. The LTIFR is the number of injuries/lost time injuries for each one million hours worked.

#### Lost Time Injury Frequency Rate



Seventy-five per cent of the company's workforce are represented in formal joint management worker health and safety committees that help monitor and advise on health and safety programs.

### Training on Health and Safety

With the introduction of KI-J Days (see page 18), Toyota Australia is increasing training on health and safety. The KI-J program helps maintain job security by strengthening the company's manufacturing foundation, developing problem-solving capabilities and maintaining the company's competitive edge.

Health and safety learning and awareness sessions are an integral part of KI-J Days and from March-May 2009 the company plans to deliver 80 sessions to over 3,500 Toyota Australia employees on topics such as muscular skeletal disorders and hazard identification awareness.

### Safety Dojo

Toyota Australia opened its first Safety Dojo (training centre) at the Altona manufacturing plant in November 2008. The new facility for safety training includes the ability to demonstrate safety lock out when dealing with energised plant and machinery. The Safety Dojo reinforces the principles of safety that are built into the Toyota Production System.

### CASE STUDY

#### Ergonomic Assessments on the Production Line

Muscular skeletal disorders are at the forefront of Toyota Australia's safety program. In 2008/09 a new tool originating from Toyota Australia's North American affiliate was adopted and introduced into the company's manufacturing plant.

Toyota Ergonomic Burden Assessment (TEBA) is a tool that can estimate how production line jobs affect the burden on the body. The tool identifies high burden processes which may potentially cause a muscular skeletal injury. It does this by videoing the work processes and measuring weights and forces. The results are then analysed and opportunities to improve the identified processes are discussed with

key stakeholders (ergonomist, team members and management).

In 2008/09 Toyota Australia introduced motion capture technology to reduce the ergonomic risk when new models are introduced to the plant. Motion capture uses advanced technology similar to that used in the video game industry. Using infrared cameras, the technology captures movements of an employee wired up with electronic sensors. This information is then captured in real time by simulating physical body movement. It is then transferred into a digital image allowing rectification of processes to occur in the digital world prior to any shop floor introduction. This



Toyota Australia Body Shop employee Bwan Tong and Toyota Australia's Ergonomics Manager Belinda Margis weigh a part for TEBA

introduction has significant benefits for safety, quality, time and cost.

Although implementation of these initiatives is still in the early stages, injury and claims data have already shown significant decreases. There has been a 39 per cent reduction in muscular skeletal disorder claims between April 2008 and March 2009.

## CUSTOMERS

Delivering first-class customer service is crucial to Toyota Australia's viability and success in the Australian automotive industry. The company continually assesses how best to improve customer satisfaction and in 2008/09 focused on improving the customer 'experience'.

### Improving Customer Experience

The company launched the 'Oh What A Feeling' Customer Experience Program in 2008. The program, which is aimed at customer-facing employees, includes a self-assessment tool with more than 60 assessments and a supporting manual. The assessments cover a range of issues from facilities to how best to follow-up a customer.

### Responding To Customer Enquiries

In line with the emphasis on improving customer experience, Toyota Australia's Customer Relations Centre was renamed the Customer Experience Centre in the 2008/09 reporting period.

The Toyota Australia Customer Experience Centre in 2008 handled more than 62,870 customer contacts via phone, post and email. To assist in responding to queries in a more efficient way, the Customer Experience Centre launched KnowledgeBank.

KnowledgeBank is an information management system that provides

electronic access to model information, vehicle specifications, basic technical information and product information.

Online access with advanced search capability to owners' manuals, warranty and service books, technical information, brochures and marketing material has significantly increased operational efficiency and customer satisfaction through the speedy delivery and accuracy of requested information.

### Measuring Customers' Experiences

In 2008, the Customer First Department collected 117,132 customer survey returns which were directly shared with the dealer network for action and follow up where required.

At the beginning of 2009, a new Customer Experience Survey was launched which replaces the previous customer surveys.

The new survey attempts to measure the experience a customer has and how they felt through the buying or servicing process, with the purpose of building longer-term loyalty.

### Training and Support for Dealerships

The primary interface customers have with Toyota Australia is through dealerships, which are owned independently of Toyota Australia. Dealers interact with customers via vehicle sales and servicing. There are 211 Toyota dealers and 64 branches in Australia. Whilst dealerships operate as separate entities, Toyota Australia supports dealers by working with them to enhance the customer experience.

### Retail Development

Toyota Australia Retail Development, which includes sales and after sales servicing, provides assistance to dealers to translate Toyota Production System (see page 6) principles into the retail environment. The aim is to identify and eliminate inefficiencies within the sales process to improve the customer experience. Initiatives undertaken in 2008/09 include:

#### **National Dealer Principal Meeting**

Toyota Australia brought dealers together at the 2008 National Dealer Principal Meeting to learn about how they can apply the principles of the Toyota Way and the Toyota Production System to their own businesses. The meeting focused on the importance of creating an optimal customer experience.



Customer Experience Operations Manager George Tsolakis with the Customer Experience Centre Team

## CUSTOMERS (continued)

### Sales Foundation Course

A Foundations course for Sales Managers has been rolled out to dealers covering research and development results and to raise awareness of inefficiencies within the sales process to stimulate dealer *kaizen* (continuous improvement) activities.

### Australian Made Advocates Program

This program, which will be rolled out to the entire dealer network by June 2009, is aimed at engaging dealers in the Australian-made story of locally-manufactured Camry and Aurion vehicles.

The program aims to connect the Toyota dealer network with the locally-produced Toyota product to help drive sales of locally-manufactured vehicles.

As part of the program, dealers will attend a tour of the manufacturing plant to learn more about the product, the manufacturing process, and the people who make the vehicles.

### Lighthouse Dealer Program

In March 2009, Toyota Australia launched the Lighthouse Dealer Program to encourage dealers to take up *kaizen* (improvement) activities.

One dealer has been nominated as a Lighthouse Dealer in each region. A Lighthouse Dealer is a dealer who has implemented both sales and after sales improvement activities. Dealers are able to visit Lighthouse Dealerships within their own region to 'go and see' (*genchi genbutsu*) *kaizen* activities.

### Toyota '3S' Service Philosophy



### Toyota Customer Service Workshop Management

Toyota Customer Service Workshop Management (TSM) works with dealers to implement the Toyota '3S' service philosophy of accurate work and superb customer handling to build mutual trust with customers.

In 2008/09 TSM piloted a program to help dealers improve efficiencies in a challenging economic environment. The program, which will be rolled out to dealers in 2009/10, will help dealers implement strong management processes and apply key performance indicators that can help dealers identify root causes of irregularities so they can make improvements in their dealerships.

The program consists of three modules:

- **TSM Foundations** builds on the previous TSM Level 1 program, but with a greater focus on renewing fundamental service operations in line with the service '3S' philosophy. This new focus will help dealers meet their customers' requirements and build a strong service business.

- **TSM Foundations Basic** prepares dealers for further implementation of Toyota Production System principles.
- **TSM Advanced** is about making additional efficiency gains and increased customer retention activities.

Once dealers satisfy performance criteria they are certified as a TSM Foundations, TSM Foundations Basic or a TSM Advanced dealer. All dealers are expected to be certified as TSM Foundations dealers in the next two years.

## Product Safety

All products sold by Toyota Australia are tested to ensure compliance before they go on to the market. Processes are in place to ensure that no vehicles are supplied to the market before all required compliance approvals are received from the Federal Government.

Toyota Australia works with a range of stakeholders to achieve the highest level of product safety. They include:



## CUSTOMERS (continued)

- The Monash University Accident Research Centre, which conducts the Australian National Crash In-Depth study
- The Federal Chamber of Automotive Industries' (FCAI) Technical Committee
- Federal and State Departments of Transport.

### Product Recalls

In the reporting period, four safety-related recall campaigns were initiated by Toyota Australia. All recall processes are reported to the Department of Infrastructure, Transport, Regional Development and Local Government, in line with the FCAI voluntary code of practice for recalls. Once a decision to instigate a recall is made, an implementation plan is put in place that monitors the process for communicating with customers impacted.

In addition, the company has internal processes in place to review any potential recall situations to ensure the matter is resolved and that customers are satisfied with the outcome.



Toyota Australia's global body line

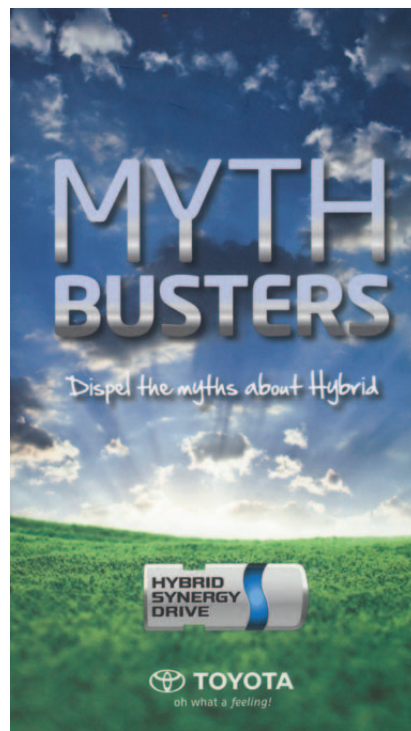
**Toyota Australia has well-developed processes in place to ensure that marketing and advertising information is accurate. They include:**

- **Internal Review Process:** The VALID system is an internal review process that acts as a technical and legal check on all of the company's promotional material to confirm its accuracy. The system ensures that promotional materials are not released without compliance standards being met.
- **External Audit:** Audits are carried out by an independent organisation that compares the marketing material for a particular vehicle against a physical inspection of the vehicle.
- **Dispute Resolution:** Toyota Australia has a well-established mechanism in place to ensure any advertising-related complaints are handled speedily and transparently.

These processes are part of the company's commitment to compliance and continuous improvement. There have been no regulatory non-compliance incidents relating to Toyota Australia's marketing communications in the reporting period and no fines.

## Socially Responsible Advertising

Toyota Australia complies with all relevant advertising laws and voluntary codes of practice. These include the Trade Practices Act (TPA) and the Federal Chamber of Automotive Industries Voluntary Code of Practice for Motor Vehicle Advertising. The TPA, among other things, facilitates consumer protection in the context of advertising, and the voluntary code provides guidelines specific to automotive advertising including ensuring that advertisements do not depict, encourage or condone dangerous, illegal, aggressive or reckless driving.



## COMMUNITY INVESTMENT

The impacts Toyota Australia has on society are far-reaching – affecting employment, the local economy and the surrounding environment. Toyota Australia's community investment focuses on how the company can share its skills, knowledge and resources to build capacity in the local community.



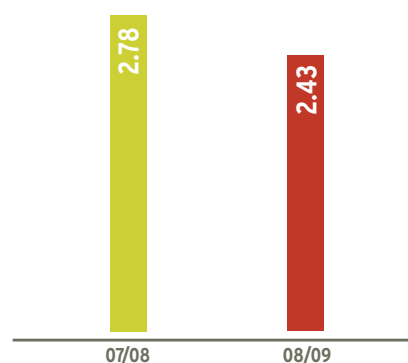
Toyota's social contribution activities around the world evolve from the Toyota Guiding Principle to 'Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the community.' Toyota Australia contributes to society via Toyota Community Spirit and community sponsorships.

Toyota Community Spirit is Toyota Australia's corporate citizenship program and includes national and local partnerships. It was established in 2001 to build relationships with

the Australian community and stakeholders, encourage employee and dealer participation and deliver long-term sustainable benefits to the environment through partnerships with non-governmental organisations.

Toyota Australia's community sponsorships include charitable and in-kind contributions to society. In the financial year ending 31 March 2009, Toyota Australia's community investment totalled \$2.43 million. This is a slight decrease from 31 March 2008 when it was \$2.78 million.

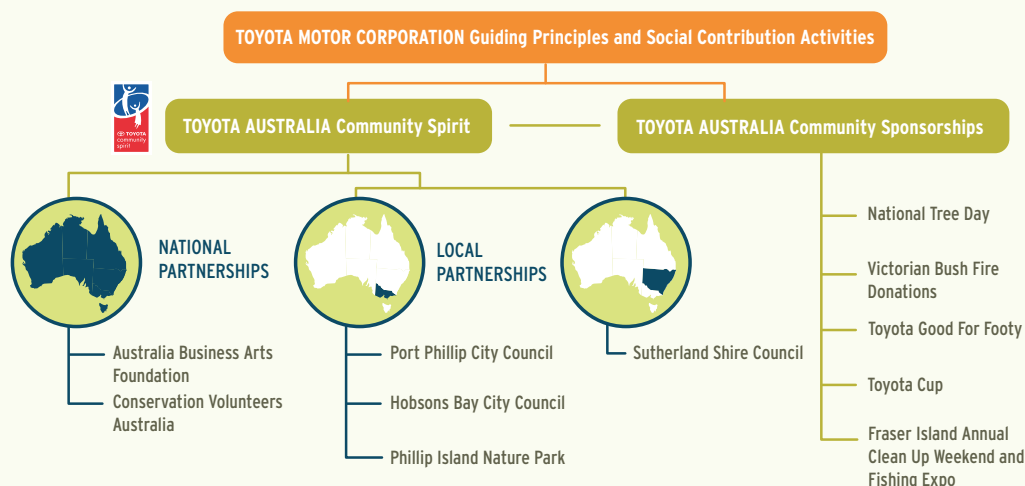
**Toyota Australia's Community Investment \$ million**



### Partnership Principles

- 1 Addresses local needs identified by local communities
- 2 Supports business objectives of all parties
- 3 Multi-faceted partnerships that must involve more than dollars and an opportunity to display the Toyota logo
- 4 Delivers long-term sustainable benefits to the local community
- 5 Builds and strengthens relationships and reputation
- 6 Employee and dealership participation in local community activities
- 7 Platforms for broader engagement that provide opportunities to build relationships with target audiences
- 8 Meets and exceeds stakeholder expectations

### Community Investment



### Partnership Principles

Toyota Australia has eight principles that determine the selection of the company's community partnerships (see above). These principles help Toyota Australia to direct its resources to areas where it can be most effective.

More information on these principles can be found here:

[www.toyota.com.au/about/toyota-community-spirit](http://www.toyota.com.au/about/toyota-community-spirit)

## COMMUNITY INVESTMENT (continued)

### Measuring Toyota Australia's Community Investments

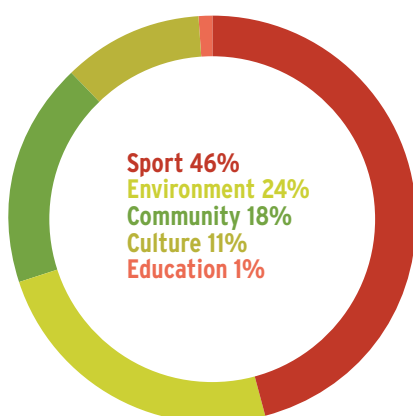


In 2008, Toyota Australia began using the London Benchmarking Group (LBG). The LBG is an international business membership organisation, with

34 member companies in Australia, who commit to measuring and benchmarking their corporate community investment contributions using the London Benchmarking Group methodology. The model provides a consistent set of measures to determine a company's contribution to the community.

The LBG assessed Toyota Australia's community investment in September 2008 based on the financial year ending 31 March 2008. It found that the biggest categories for the company's community investments are sport, environment and community service. Contributions per employee at Toyota Australia totalled \$479, compared to the LBG members' average of \$372.

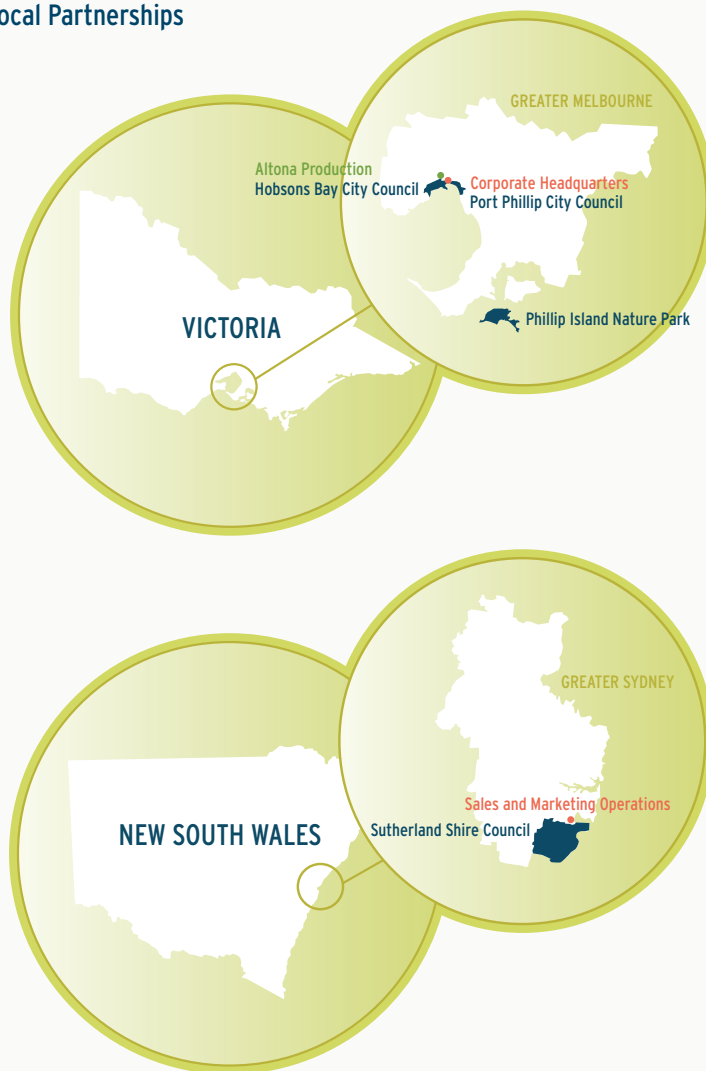
### Community Investment Categories



### Local Partnerships

To contribute to the local communities in which Toyota Australia operates, the company works with local councils where it has major operations including Port Phillip and Hobsons Bay in Victoria, and the Shire of Sutherland in New South Wales.

#### Local Partnerships



## COMMUNITY INVESTMENT (continued)

### Port Phillip City Council and Sutherland Shire Council: Supporting Emerging Artists

Toyota Australia showcases art works from emerging artists at its corporate headquarters in Port Melbourne and at its sales and marketing operations in Woollooware Bay, Sydney. This space enables artists from the

local surrounding areas to display their works free-of-charge, with no commission charged on sales.

The Galleries are supported by all the councils. The Toyota Community Spirit Gallery in Port Melbourne has exhibited works by over 400 artists since it opened in 2004. Toyota Australia's Sydney Gallery opened in 2007. Toyota Australia provides artists

with an exhibition launch and develops a catalogue for each exhibition.

In 2009, Toyota Australia began discussions with Port Phillip City Council to develop a community training program. The pilot of the program will commence in the second half of 2009.



### Interview with the Curator

Ken Wong is the curator of the Toyota Community Spirit Galleries.

#### Why was the Gallery established?

The Toyota Community Spirit Gallery came out of a creative solution to planning requirements when the new corporate headquarters was being built in Port Melbourne in 2004, which called for public art to be included in the building. Rather than support one artist with a one-off permanent installation, it was decided to create a gallery that would be a living, breathing space that would provide opportunities to local artists and continually change over time to reflect our changing times.

#### How do you choose which works will be displayed?

We call for submissions and receive typically around 100 applications for any given exhibition these days. This has grown considerably over the years as word about the gallery has spread. Our program has become widely regarded as a valuable opportunity, especially for emerging artists. The focus of our program is very much to provide that opportunity to as diverse a range of artists as possible.

#### What exhibitions were held in 2008/09?

We traditionally have a dedicated emerging artist exhibition, a themed show that is open to all artists and

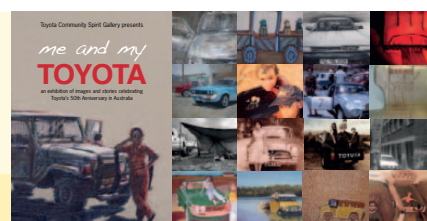
our annual indoor-outdoor sculpture exhibition that is now in its fifth year. A feature of our program over the past three years has been the Toyota Community Spirit Artist Travel Award, which provides a unique career developing opportunity for an artist to travel interstate or overseas. We also have a Toyota Community Spirit Gallery show that gives Toyota employees and family the chance to show their artistic pursuits.

#### What were the highlights in 2008/09?

The highlight of our program tends to be the launch of our annual sculpture show. We normally have around 300 people in attendance and the winner of the Artist Travel Award is also announced on that night. We have had some great guest speakers including Gerard Vaughan, the director of the National Gallery of Victoria and Lynne Kosky, Victorian Minister for the Arts. It is a great opportunity to celebrate with the arts community. Our upcoming exhibition, 'me and my Toyota', should also be very interesting as it will incorporate art, historical photos, memorabilia and stories celebrating Toyota's 50 years in Australia.

#### What would you say has been the greatest achievement of the Toyota Community Spirit Gallery?

This year we celebrate the gallery's fifth anniversary, and I think for all



the success of individual projects and exhibitions, I would say our greatest achievement is that we have now become an integral part of life at corporate headquarters and normal business for Toyota Australia. Over that time we have shown the works of over 400 artists and provided an open gateway to the community that builds a bridge between the world of business and the world of the artist. For the artist this means opportunity and exposure. For Toyota Australia this means daily access to an alternative and creative perspective on the world. In these challenging times, I think that is really important.

For further information about the Gallery please see [www.toyota.com.au/about/toyota-community-spirit/gallery](http://www.toyota.com.au/about/toyota-community-spirit/gallery)



## COMMUNITY INVESTMENT (continued)

### Hobsons Bay City Council: Building Capacity in the Local Community

Altona, in the City of Hobsons Bay, is the location of Toyota's manufacturing plant in Australia. Toyota Australia has had a strategic alliance agreement with Hobsons Bay City Council since 2004. The alliance centres on the ongoing development and implementation of community capacity-building initiatives, and includes delivering community training and supporting local social and environmental groups.

#### Community Training

Toyota Australia has helped deliver training workshops with the Council that address the needs and priorities of local groups. Over 200 people attended the training programs in 2008/09 on sessions including risk management, business planning, public relations and sponsorship opportunities.

#### Friends of Lower Kororoit Creek

Toyota Australia works in partnership with the Friends of Lower Kororoit Creek Inc., a volunteer group formed to help rehabilitate the Kororoit Creek within Hobsons Bay, some of which runs along the eastern boundary of the company's manufacturing plant in Altona North.

Employees from Toyota Australia's manufacturing plant volunteered to plant trees and celebrate National Tree Day with the local community and Friends of Lower Kororoit Creek in 2008 when some 1,500 trees and shrubs were planted in the Kororoit Creek corridor.

Since 2001 more than 1,000 people have spent time planting and landscaping, establishing in excess of 30,000 indigenous trees and shrubs.

In 2008, the Friends of Lower Kororoit Creek won the Victorian Landcare Award. In 2009, they were finalists in the Australian Landcare Award and later received the prestigious Banksia Environmental Foundation Community Award for their restoration work.

For further information please see [www.folkc.com.au](http://www.folkc.com.au)

### Louis Joel Arts and Community Centre

Situated close to Toyota Australia's manufacturing plant in Altona is the Louis Joel Arts and Community Centre. The centre, which is owned and operated by the Hobsons Bay Community Advancement Co-operative, serves as a multipurpose community facility.

The centre, once the site of the Altona Hospital, runs a range of leisure, recreation, creative arts and education programs and workshops. Over 1,100 people use the centre each week.

Toyota Australia has supported the centre by planting native trees in its garden – a space once filled with building debris and bricks. In 2008, Toyota Australia donated \$1,500 to the centre towards a decking enclosure and furniture to enable visitors to enjoy the garden.



Before – The Louis Joel Arts and Community Centre before renovation



After – Trees were planted and a decking enclosure was installed

### CASE STUDY

### Phillip Island Nature Park: Home Renovations for the Little Penguins

Toyota Australia partners with Phillip Island Nature Park to help build penguin nesting boxes for the Little Penguins of Phillip Island (Victoria). During one weekend in November 2008, 260 Toyota Australia employees and their families helped build 170 penguin boxes and plant over 1,000 trees at Phillip Island.

The penguin homes provide an improved environment for the birds to breed, hatch and raise their chicks, lifting the overall health of the penguin colony. Volunteers constructed the penguin homes from timber materials and installed them in selected penguin habitats, also assisting in the re-vegetation of the area.

Toyota Australia's involvement with Phillip Island Nature Park has spanned six consecutive years.



Employees volunteer to help build homes for little penguins

## COMMUNITY INVESTMENT (continued)

### National Partnerships

Toyota Australia partners with the Australia Business Arts Foundation and Conservation Volunteers Australia to share its skills and resources and build capacity. Partnerships are chosen based on eight principles (see page 45) and each partnership is evaluated annually against project objectives.

#### Australia Business Arts Foundation (AbaF)



##### About the Partnership [www.abaf.org.au](http://www.abaf.org.au)

AbaF was established by the Federal Government to develop private sector support for the arts. Toyota Australia invested \$100,000 in the AbaF partnership in 2008/09 to support its Arts Connecting Communities Program, boardBank, adviceBank and the AbaF Awards. The President of Toyota Australia, Max Yasuda, is an AbaF Councillor.

##### Dealer launch of Arts Connecting Communities Program

Toyota dealer Steve Thompson, Manager of CMI Portside in South Australia, launched the Arts Connecting Communities Program in September 2008. The program aims to help local artists connect with local businesses. Mr Thompson addressed leading figures from the business, local government and artist sectors. He said: "I encourage my fellow Toyota dealers to participate in AbaF's program – it's an easy way to network with local business people, artists and council officers... and as every dealer knows, networks build your business."

#### Activity supported by Toyota Australia

##### Arts Connecting Communities Program

These workshops help council staff develop skills in building arts-business partnerships.

##### boardBank

Connects volunteers who are interested in gaining board experience with arts organisations.

##### adviceBank

Provides pro bono volunteering opportunities with arts organisations.

##### AbaF Awards

Recognises the achievements of partnerships between businesses and cultural organisations.

#### Objectives for 2009/10

Successful delivery of the workshops to eight councils in Australia.

Promote boardBank and the opportunities available to Toyota employees.

Promote adviceBank and the opportunities available to Toyota employees.

Successful state and national AbaF Awards that highlight Toyota Australia's involvement and support of arts-business partnerships.



Brenna Hobson, Company B; Annette Bain, Freehills Foundation; and Max Yasuda, President of Toyota Australia

## COMMUNITY INVESTMENT (continued)

### Conservation Volunteers Australia (CVA)

#### About the Partnership



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

CVA is an organisation with a mission to attract and manage volunteers in conducting conservation projects for the betterment of the Australian environment.

In 2008, Toyota Australia signed its second three-year partnership agreement with CVA. In the reporting period, the company invested \$400,000 in the CVA partnership by supporting Conservation Connect, Corporate Connect, Volunteer Connect and Dealer Connect.

#### Increasing Conservation Volunteer Australia's Capacity to Target Corporate Volunteers

Toyota Australia helped CVA increase its capacity to target corporations in 2008/09 by establishing Corporate Connect – an online service that connects volunteers from the business community to hands-on environmental projects.

CVA hosts the volunteer team for the day, providing transport to and from the project site and all the equipment and safety gear needed. The group is designated a CVA Team Leader who supports the volunteers throughout the day.

#### Activity supported by Toyota Australia

##### Conservation Connect/Corporate Connect

People can search for conservation projects and book online. In 2008 Corporate Connect was developed to match business volunteers/companies with environmental projects in local communities.

In 2008/09 5,308 bookings were made via Conservation Connect and Corporate Connect.

##### Volunteer Connect

This program uses electronic communication and social network marketing to provide added value to the volunteers' experience. It also provides value to CVA by increasing the number of volunteers.

##### Dealer Connect

Held at dealerships around Australia, community groups learn about how to build capabilities in their organisation. In 2008/09, 20 workshops were held.

Dealers also hold the graduation ceremonies for the Certificate 1 in Active Volunteering, a qualification that recognises the skills and competencies that volunteers gain. In 2008/09, 263 students enrolled for the Certificate.

#### Objectives for 2009/10

70 per cent of all bookings to be online bookings for Conservation Connect.

Investigate and develop mechanisms to integrate with social networks such as Facebook and Twitter.

Receive external endorsement from Federal/State/Local Governments that workshops are 'best practice'.

Enrol 200 participants in the Certificate across Australia.



Max Yasuda, President of Toyota Australia at the Corporate Connect launch with Gerry Morvell, Chair of CVA and CVA volunteer Loivia Gandolfo



## COMMUNITY INVESTMENT (continued)

### Community Sponsorships

Toyota Australia's community sponsorships include:

#### National Tree Day



Former Carlton Football Club player Alex Jesaulenko helps plant trees with Toyota Australia employees Susy Cudmore (right) and Michelle Muller.



National Tree Day is a community-based environmental activity, sponsored by Toyota Australia and organised by Planet Ark, to encourage people to plant trees and shrubs in their local area.

More than 150 employees and their families gathered near Toyota Australia's manufacturing plant in Altona to plant trees for National Tree Day in July 2008. Some 1,500 indigenous trees were planted along the banks of Kororoit Creek which runs adjacent to the plant.

Tree-planting activities also took place at the company's sales and marketing operations in Woollooware Bay, where employees and their families created a permaculture garden. At Toyota Australia's parts centre in Brisbane employees planted lemon and lime trees.

The tree-planters joined thousands of other volunteers across the country for Australia's biggest community tree-planting event. A total of 1.6 million trees were planted at this year's event by 312,000 volunteers.

#### Victorian Bush Fire Donations

Toyota Australia donated \$100,000 to the Australian Red Cross in February 2009 to help those affected by the bushfires in Victoria. The company also provided 11 vehicles to assist in the relief effort. The vehicles, consisting of HiLux, HiAce, Prado, LandCruiser, Tarago and Kluger models, were used to transport Red Cross and other support personnel to work in the affected areas.

#### Toyota Good for Footy Program



Launched in 2005, the Toyota Good for Footy Program is a grassroots initiative that encourages Toyota dealers to support local football clubs in need of financial support. Dealers in Victoria, New South Wales and Tasmania participate in the program. To date,

over \$1 million has been donated to more than 150 grassroots footy clubs. In line with Toyota Australia's renewed partnership with the AFL, a further \$1 million has been committed from 2009-2011.

#### Toyota Cup – National Rugby League (NRL)

The Toyota Cup (under 20s) is the official development competition for the Australian NRL. Launched in 2008, the Toyota Cup aims to nurture the next generation of young talent and to pave the pathway for young players to progress to first grade.

Toyota Australia believes that playing a role in helping to develop well-rounded people is just as important as helping to develop well-rounded athletes. By encouraging young players to balance training, education and career opportunities while playing in the Toyota Cup, the players will be better poised to broaden their personal successes beyond their playing days.

Currently, 98 per cent of the 500 Toyota Cup players are either employed or undertaking an education course.

#### CanTeen



Toyota Australia has been a supporter of CanTeen, a charity for young people living with cancer, since October 2005. Toyota Australia provides CanTeen with a fleet of four Tarago vehicles to fulfil transport requirements for children and their families.

#### Fraser Island Annual Clean Up Weekend

In January 2009, Toyota Australia employees and their families joined more than 700 volunteers from over 25 4WD clubs in south-east Queensland to remove rubbish and weeds from the world heritage-listed Fraser Island at the Annual Toyota Clean Up weekend.

Volunteers removed more than 65 cubic meters of rubbish along with over 200 garbage bags of weeds, which endanger the fragile Fraser Island ecosystem. It was estimated that of the 65 cubic metres of waste collected by the volunteers, over 15 cubic metres was recycled from this year's event.

The Fraser Island Clean Up weekend is organised jointly by Toyota Australia and the Queensland 4WD Association with the Queensland Government and Queensland Parks and Wildlife Service.

#### Toyota Fraser Island Fishing Expo

In May 2008, Toyota Australia held its 25th Toyota Fraser Island Fishing Expo at Orchid Beach (Fraser Island). Toyota Australia's involvement at the event has seen a number of environmental initiatives adopted, in conjunction with the Queensland Government, over the years. These include banning plastic bags from the Expo site.



# GLOBAL REPORTING INITIATIVE INDEX

GRI Indicator	GRI Description	Comments	Page Number
1.1	Statement from the President		1-3
1.2	Key impacts, risks, and opportunities.		1-3, 23, 25, 30
2.1	Name of organisation		7
2.2	Primary brands, products, and/or services		7
2.3	Operational structure of organisation		5, 7
2.4	Location of organisation's headquarters	155 Bertie Street, Port Melbourne, VIC 3207	
2.5	Number of countries where the organisation operates		7
2.6	Nature of ownership and legal form		5, 7
2.7	Markets served		7
2.8	Scale of the reporting organisation		7
2.9	Significant changes during the reporting period	There were no significant changes in the reporting period	
2.10	Awards		10
3.1	Reporting period		1
3.2	Date of most recent previous report		1
3.3	Reporting cycle		1
3.4	Contact point for the report		1
3.5	Process for defining report content		1, 13
3.6	Boundary of the report		1
3.7	Limitations on the scope or boundary of the report	There are no limitations	
3.8	Reporting on joint ventures and other entities		7
3.9	Data measurement techniques	Described in the report where relevant	
3.10	Explanation of re-statements	Production water consumption and gas used per vehicle were incorrectly reported in the 2008 report. The correct figures are in this report	
3.11	Significant changes from previous reporting periods	No significant changes	
3.12	Table of standard disclosures		52
3.13	External assurance		55
4.1	Governance structure		15-16
4.2	Chair of the highest governance body		16
4.3	Independent and/or non-executive board members		16
4.4	Mechanisms to provide recommendations or direction to the board		16
4.5	Compensation and performance		15
4.6	Avoidance of conflicts of interest		15
4.7	Board selection process		15
4.8	Mission and values statement, codes of conduct and principles		5-6, 11, 14
4.9	Management of performance		15
4.10	Performance evaluation		15
4.11	Explanation of whether and how the precautionary principle is addressed		2-3, 25
4.12	Externally developed economic, environmental, and social charters		22
4.13	Memberships in associations		12
4.14	List of stakeholder groups		12
4.15	Basis for identification and selection of stakeholders		11, 25
4.16	Approaches to stakeholder engagement		12
4.17	Key stakeholder topics and concerns		13
<b>Economic</b>	Disclosures on management approach		2-3, 17-19
EC1	Direct economic value generated and distributed		17, 45
EC2	Financial implications of climate change		3, 25
EC3	Organisation's defined benefit plan		38
EC4	Significant financial assistance received from government		13
<b>Market Presence</b>			
EC5	Standard entry level wage/local minimum wage		38
EC6	Locally based suppliers		19
EC7	Procedures for local hiring	Toyota Australia does not have a local hiring policy but employs local people wherever possible	
<b>Indirect Economic Impacts</b>			
EC8	Development and impact of infrastructure investments and services		47
EC9	Indirect economic impacts		18-22, 42, 43, 45
<b>Environment</b>	Disclosures on management approach		3, 23-24
<b>Materials</b>			
EN1	Materials used by weight or volume		34
EN2	Percentage of materials used that are recycled input materials		34
<b>Energy</b>			
EN3	Direct energy consumption by primary energy source		26, 28
EN4	Indirect energy consumption by primary source		26, 28

GRI Indicator	GRI Description	Comments	Page Number
EN5	Energy saved due to conservation and efficiency improvements		26-29
EN6	Initiatives to provide energy-efficient or renewable energy based products and services		30-33
EN7	Initiatives to reduce indirect energy consumption and reductions achieved		27-29
<b>Water</b>			
EN8	Total water withdrawal by source		34
EN9	Water sources significantly affected by withdrawal of water	Not material as water is drawn from municipal and water supplies only	
EN10	Water recycled and reused	Nil	
<b>Biodiversity</b>			
EN11	Land in biodiversity habitats	Toyota Australia does not own or manage sites in areas of high biodiversity value	
EN12	Impact on biodiversity rich areas	Not applicable, see above	
EN13	Habitats protected or restored		48, 51
EN14	Managing impacts on biodiversity		48, 50-51
EN15	IUCN red list species	There are no IUCN red list species affected	
<b>Emissions, Effluents and Waste</b>			
EN16	Direct and indirect greenhouse gas emissions		26, 28
EN17	Other indirect greenhouse gas emissions		27
EN18	Initiatives to reduce greenhouse gas emissions		26-29
EN19	Emissions of ozone-depleting substances	Toyota Australia does not have any emissions from ozone-depleting substances	
EN20	NOx, SOx, and other significant air emissions		27
EN21	Total water discharge		35
EN22	Weight of waste by type and disposal method		35-36
EN23	Significant spills	There were no significant spills in the reporting period	
EN24	Weight of hazardous waste transported internationally	Toyota Australia does not ship any of its waste internationally	
EN25	Biodiversity rich water bodies	No biodiversity rich water bodies affected	
<b>Products and Services</b>			
EN26	Impacts of products and services		30-33
EN27	Products sold that are reclaimed		33
<b>Compliance</b>			
EN28	Fines and sanctions for non-compliance with environmental laws and regulations	There have been no fines or sanctions for non-compliance in the reporting period	
<b>Transport</b>			
EN29	Impacts from transport		29
<b>Overall</b>			
EN30	Total environmental protection expenditures		23
<b>Labour</b>	Disclosures on management approach		2-3, 18, 37
<b>Employment</b>			
LA1	Workforce		37
LA2	Employee turnover		39
LA3	Benefits for full-time employees		38
<b>Labour/Management Relations</b>			
LA4	Percentage of employees covered by collective bargaining agreements		38
LA5	Minimum notice period for operational changes		40
<b>Occupational Health and Safety</b>			
LA6	Workforce represented in formal health and safety committees		41
LA7	Absentee rates and injuries		41
LA8	Programs for serious diseases		41
LA9	Health and safety in formal trade union agreements		38
<b>Training and Education</b>			
LA10	Training per employee		38, 40
LA11	Career and skill development programs		38, 40
LA12	Employee performance reviews		41
<b>Diversity and Equal Opportunity</b>			
LA13	Workforce by diversity		37
LA14	Salary ratio by gender		37

GRI Indicator	GRI Description	Comments	Page Number
<b>Human Rights</b>	Disclosures on management approach		14, 22, 38
<b>Investment and Procurement Practices</b>			
HR1	Investment agreements with human rights considerations	Nil	
HR2	Supplier screening on human rights		22
HR3	Employee training on human rights		38
<b>Non-discrimination</b>			
HR4	Total number of incidents of discrimination and actions taken	Nil	
<b>Freedom of Association and Collective Bargaining</b>			
HR5	Risk to freedom of association and collective bargaining	All employees are free to join unions	
<b>Child Labour</b>			
HR6	Risk of child labour	Toyota Australia complies with all Australian laws relating to the deployment of child labour	
<b>Forced and Compulsory Labour</b>			
HR7	Risk of forced or compulsory labour	There are no operations within Toyota Australia that have a significant risk (or any risk) of forced or compulsory labour	
<b>Security Practices</b>			
HR8	Security personnel trained in human rights	Not applicable	
<b>Indigenous Rights</b>			
HR9	Incidents involving Indigenous people	Nil	
<b>Society</b>	Disclosures on management approach		45
<b>Community</b>			
SO1	Managing impacts on communities		12, 19-22, 45-51
<b>Corruption</b>			
SO2	Analysis on corruption	No significant incidents of corruption have been reported or been found in the reporting period	
SO3	Employees trained on corruption		14
SO4	Actions in response to corruption		14-15
<b>Public Policy</b>			
SO5	Public policy positions and lobbying		13
SO6	Political donations		13
<b>Anti-Competitive Behaviour</b>			
SO7	Anti-competitive behaviour, anti-trust and monopoly practices	Nil	
<b>Compliance</b>			
SO8	Fines and sanctions for non-compliance with laws and regulations	In 2009 Toyota Australia was prosecuted by Worksafe under the Occupational Health and Safety Act 2004 for a section of ducting falling in the Powertrain Casting Plant on 5 January 2006. Toyota Australia pleaded guilty to one of the charges laid by Worksafe and was subsequently fined \$70,000 by the Sunshine Magistrates' Court.	
<b>Product Responsibility</b>	Disclosures on management approach		30-33, 42-44
<b>Customer Health and Safety</b>			
PR1	Life cycle stages of products and services		33, 43-44
PR2	Non-compliance with regulations on health and safety impacts of products and services		44
<b>Product and Service Labelling</b>			
PR3	Product and service information		32, 33, 44
PR4	Non-compliance with regulations and voluntary codes on product and service information	Nil	
PR5	Customer satisfaction		42
<b>Marketing Communications</b>			
PR6	Marketing communications		44
PR7	Non-compliance with regulations and voluntary codes on marketing communications	Nil	
<b>Customer Privacy</b>			
PR8	Complaints on breaches of privacy	Nil	
<b>Compliance</b>			
PR9	Monetary value of significant fines	Nil	

# ASSURANCE AND VERIFICATION STATEMENT

Deni Greene Consulting Services was engaged by Toyota Australia to provide independent assurance and verification of the Toyota Australia 2009 Sustainability Report (Report). This Statement describes what we did and what we found. It also presents some discussion of potential future actions by Toyota Australia. As we also provided assurance and verification for the 2008 Toyota Sustainability Report, we were able to assess the changes in approach and coverage that had occurred since last year.

## What is assurance and verification?

Assurance of Toyota's Report is guided by the Assurance Standard AA1000 [(AA1000AS) 2008], issued by the organisation AccountAbility. Three factors are considered in this assurance process:

**Inclusivity** – examining the participation of stakeholders in Toyota's development and achievement of an accountable and strategic response to sustainability;

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

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

We also examined the **completeness** of the Report through consideration of:

- The extent and nature of the coverage of relevant issues;
- The transparency of reporting; and
- The accuracy and reliability of information provided.

**Verification** involves checking the accuracy of information and data in the sustainability report to determine whether the data have been properly

collected, manipulated and interpreted and whether the statements made in the Report provide a true and fair picture of the activities of Toyota Australia.

## Scope of the assurance and verification

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

## What we did

**Assurance.** Assurance involved updating the information gained last year on Toyota's activities through interviews with staff involved in collection and handling of data and in activities related to the preparation of the Report as well as with a manager who had assumed a key position since preparation of the 2008 Sustainability Report. These interviews covered Toyota Australia's:

- methods for identifying material sustainability issues, including assessment of risk;
- process for determining the information to be included in the 2008 Sustainability Report;
- approach to sustainability;
- engagement with stakeholders;
- approach to the issue of risk;
- structures and processes for corporate governance;
- ways in which the issue of ethics is addressed in company activities; and
- expectations for the future.

To make our own independent assessment of material sustainability issues for Toyota Australia, we examined information about the activities of the company, the information gathered in the interviews described above, and relevant information about other companies in the same industry. The issues we identified as material were compared with those covered in the Toyota 2009 Sustainability Report.

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

## Results of the assurance review

**Inclusivity.** Toyota Australia's activities demonstrate a high level of engagement with key stakeholders. This engagement contributes to Toyota's efforts to achieve an accountable and strategic response to sustainability.

**Materiality.** The 2009 Sustainability Report is considerably expanded in coverage compared to the 2008 Sustainability Report, with additional information across all areas of the report: environmental, economic and social. The Report addresses the material issues facing Toyota Australia.

**Responsiveness.** Toyota undertook a consultation process with a range of stakeholders prior to the development of the 2009 Sustainability Report. The views of these stakeholders on the content and presentation of the 2008 Report were taken into account in development of the 2009 Report. The identification of issues of concern to stakeholders is explicitly addressed for the first time. Toyota Australia expects to continue to explore the potential for greater stakeholder input to the scope and content of future reports.



# ASSURANCE AND VERIFICATION STATEMENT (continued)

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

## Results of the verification process

Toyota Australia has in place robust systems for data collection and manipulation. We identified some instances where errors had occurred during the process of transferring information to the Report. Toyota Australia made corrections to the Report where necessary.

Verification of the Report's coverage of the Global Reporting Initiative Guidelines confirmed that it achieved GRI application level A+. The coverage of GRI indicators in the Report was significantly more ambitious than in 2008, and many indicators received much greater coverage than in previous reports.

## Presentation of the Report

The presentation of the Report in 2009 differs somewhat from that used in previous years. A four page highlights brochure will be available in printed form, with the full version available in pdf format on the Toyota website. In future years, Toyota will explore the potential for greater use of interactive and updatable material through its website. We believe this would enhance the value and timeliness of Toyota's reporting.

## Conclusion

We believe that the Report presents an accurate and balanced account of Toyota Australia's activities relevant to sustainability. Opportunities exist for building on the experience of this report to continue to improve coverage and presentation in future years, as described above.

## Independence

Deni Greene Consulting Services was engaged by Toyota Australia to undertake Assurance and Verification for its Report, to prepare this Statement for the Report, and to provide a more detailed report for Toyota Australia management. Beyond these activities, Deni Greene Consulting Services is entirely independent of Toyota Australia, and has not been engaged for any other activities.



Deni Greene, Director  
Deni Greene Consulting Services

7 August 2009



## GLOSSARY OF KEY TERMS

### Glossary of Japanese Terms

<b>Dojo</b>	Training Centre
<b>Genchi</b>	Going to the source to find the facts
<b>Genbutsu</b>	
<b>Hoshin Kanri</b>	Direction Management
<b>Jiritsuka</b>	Self-Sustaining
<b>Kaizen</b>	Continuous Improvement
<b>Muda</b>	No value added (i.e. waste)

### Glossary of Terms

<b>CPRS</b>	Carbon Pollution Reduction Scheme
<b>CRI</b>	Corporate Responsibility Index
<b>CSR</b>	Corporate Social Responsibility
<b>DERAP</b>	Dealer Environmental Risk Audit Program
<b>EMS</b>	Environmental Management System
<b>EPA</b>	Environment Protection Authority
<b>EREP</b>	Environment Resource Efficiency Plan
<b>ESCO</b>	Energy Services Company
<b>FCAI</b>	Federal Chamber of Automotive Industries
<b>GRI</b>	Global Reporting Initiative
<b>GVG</b>	Green Vehicle Guide
<b>NGERS</b>	National Greenhouse and Energy Reporting System
<b>NPI</b>	National Pollutant Inventory
<b>TMC</b>	Toyota Motor Corporation
<b>TMCA</b>	Toyota Motor Corporation Australia

<b>SOC</b>	Substances of Concern (Lead, Cadmium, Mercury and Hexavalent Chromium)
<b>SOX</b>	Sarbanes-Oxley
<b>TEMS</b>	Toyota Environmental Management System
<b>TPC</b>	Toyota Parts Centre
<b>TSM</b>	Toyota Customer Service Workshop Management
<b>VOCs</b>	Volatile Organic Compounds

