



# About Toyota Australia



Toyota is long established as one of Australia's best-loved and most reputable automotive names, having operated in Australia for almost 60 years. Toyota Motor Corporation Australia ('Toyota Australia' or 'TMCA') is a wholly owned subsidiary of Toyota Motor Corporation (TMC), a public listed company and Japan's largest vehicle manufacturer. Our Australian corporate headquarters is in Port Melbourne, Victoria. We have four regional offices across Australia, except Western Australia, where an independent company distributes Toyota-branded vehicles on our behalf. Toyota Australia distributes Lexus branded vehicles in Western Australia.

Our organisation is structured under three divisions: National Sales and Marketing Operations, Product and Corporate Operations, and Regional Operations. Lexus Australia is managed as a separate division.

The vehicles we sell are imported from Toyota affiliates overseas. Our customers include private buyers (guests) and private, rental and government fleets. Our guests are serviced by our extensive network of dealers, which are independently owned under franchise agreements.

## About this report

This is TMCA's 13th sustainability report. It details our performance for the 12 months from 1 April 2018 to 31 March 2019, corresponding with the Japanese financial year.

This material references disclosures from the Global Reporting Initiative (GRI) Standards, as detailed in the GRI index (p. 78). It also draws on elements of the International Integrated Reporting Framework <IR>.

The report covers the activities and performance of Toyota Australia, as detailed in the section above titled 'About Toyota Australia'. Lexus Australia is a division of Toyota Australia. There were no changes to our ownership during the reporting period. The operations of our dealerships are not covered in the report, nor are the operations of Toyota Financial Services Australia Limited.

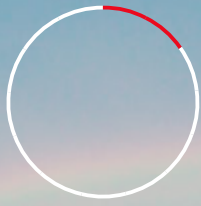
There are no restatements from the 2018 Sustainability Report. The comparability of data for a number of indicators is affected by the closure of our manufacturing operations on 3 October 2017 and the consolidation of our sales and marketing function from Woolaware Bay NSW to Port Melbourne, VIC by 30 December 2017. This is noted where applicable. We have also established a new baseline for our greenhouse gas emissions post manufacturing (see p. 65).

A statement from our external assurance provider is located on p. 76.

All dollar values provided in this report are in Australian Dollars (AUD) unless otherwise stated.

We released our previous sustainability report in October 2018, for the period 1 April 2017 to 31 March 2018. Copies of previous reports are available on our website and questions can be directed to [sustainability@toyota.com.au](mailto:sustainability@toyota.com.au).





# CEO statement



Wash the exterior & underside of the vehicle with fresh water immediately after driving through seawater to prevent damage.

There is no doubt that globally, we are at a turning point. The automotive industry has been experiencing disruption from non-traditional players and will continue to do so in the future.

While maintaining our position as the top selling automotive company in Australia for the 16th consecutive year, 2019 is shaping up to be a year of forward momentum in Toyota Australia's transformation from an automotive company into a mobility company.

In the face of disruption and change, we are staying true to the values that have long guided the way we do business, that of respect for people and continuous improvement. It's through these lenses that we now further delve into areas such as alternative fuels or drivetrains, carshare services, autonomous driving trials and connected vehicles, to ultimately contribute to a zero-carbon society.

As we undergo unprecedented changes, the focus on our guests is as important as ever, particularly in the face of eroding trust in business in general. And similarly, we are placing more effort and resources into enriching the community around us, through the Toyota Community Trust, sponsorships, and sharing the Toyota Production System through the TSSC Australia team.

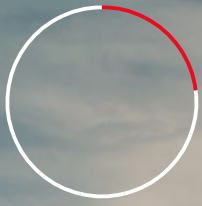
As our vision of 'creating innovative mobility solutions for all Australians' is beginning to take shape, I am confident that through the strength of One Toyota – together with our dealer network and Toyota Finance Australia – the future of Toyota Australia will be bright.



A handwritten signature in dark ink, reading "M. Callachor".

**Matthew Callachor**  
President and CEO  
Toyota Australia





# Our sustainability context



We are living in an age where social shifts, rapid technological advances and the urgent need to combat climate change are converging to give rise to a once-in-a-century period of profound change in the automotive industry. Toyota is determined to meet these changes head on, anticipating and helping to shape a better future of zero emission mobility.

In this highly volatile environment, a number of key global trends are emerging, outlined below. We are responding to these trends with a focus on Connected, Autonomous, Shared and Electrified vehicles, which are discussed in detail in this report.

Demographics are changing: a growing population and increasing urbanisation are leading to dense population centres that give rise to congestion and parking challenges, but which also present the opportunity for different approaches to moving around cities.

**Guest behaviour is changing:** our younger guests in particular are increasingly turning to online platforms to research and purchase vehicles or are looking for a combination of online and in-person interactions. And while some guests appreciate the value for money of a mainstream model, many expect to be able to customise vehicles for their particular needs and preferences. Guests are also looking for a high degree of 'car to everything' connectivity, raising the potential for novel partnerships between automotive and other external companies.

**Shared mobility:** we are seeing the start of a shift from ownership to usership, with the rise of technology-enabled car-sharing, ride-sharing and taxi services.

**Autonomous vehicles:** the technology is rapidly developing for connected autonomous vehicles. However, there are significant issues to work through, from policy settings, to safeguarding data privacy and cyber safety, to testing market acceptance.

**Carbon dioxide (CO<sub>2</sub>) tailpipe emissions:** there is an urgent need to combat climate change. We recognise that vehicle transport is a significant contributor to global greenhouse gas emissions, and our guests increasingly favour higher-emission sports utility vehicles (SUVs) and light commercial vehicles. We are working to reduce the emissions of vehicles right

across our range, and to promote lower emission options. However, challenges remain in aligning policies, achieving affordable prices, and putting in place the infrastructure needed to support new drivetrains. We have a role to play in education and advocacy to bring about these changes.

**Rural and remote needs:** we have a strong capability to meet the specific demands of vehicles for individuals and businesses in rural and remote Australia, and our dealerships play an important role in rural economies.

**Market conditions:** we need to respond to the particular circumstances of the Australian automotive market. While Toyota is the market leader, we compete with a growing proliferation of brands and models, including an influx of new entrants from technology companies and new Asian manufacturers that are testing the market in Australia.

**Large and unique fleet market:** a significant portion of our sales are to government and business buyers. The climate ambitions of these guests are helping to drive uptake of lower emission technologies, and they are also exploring car sharing options.

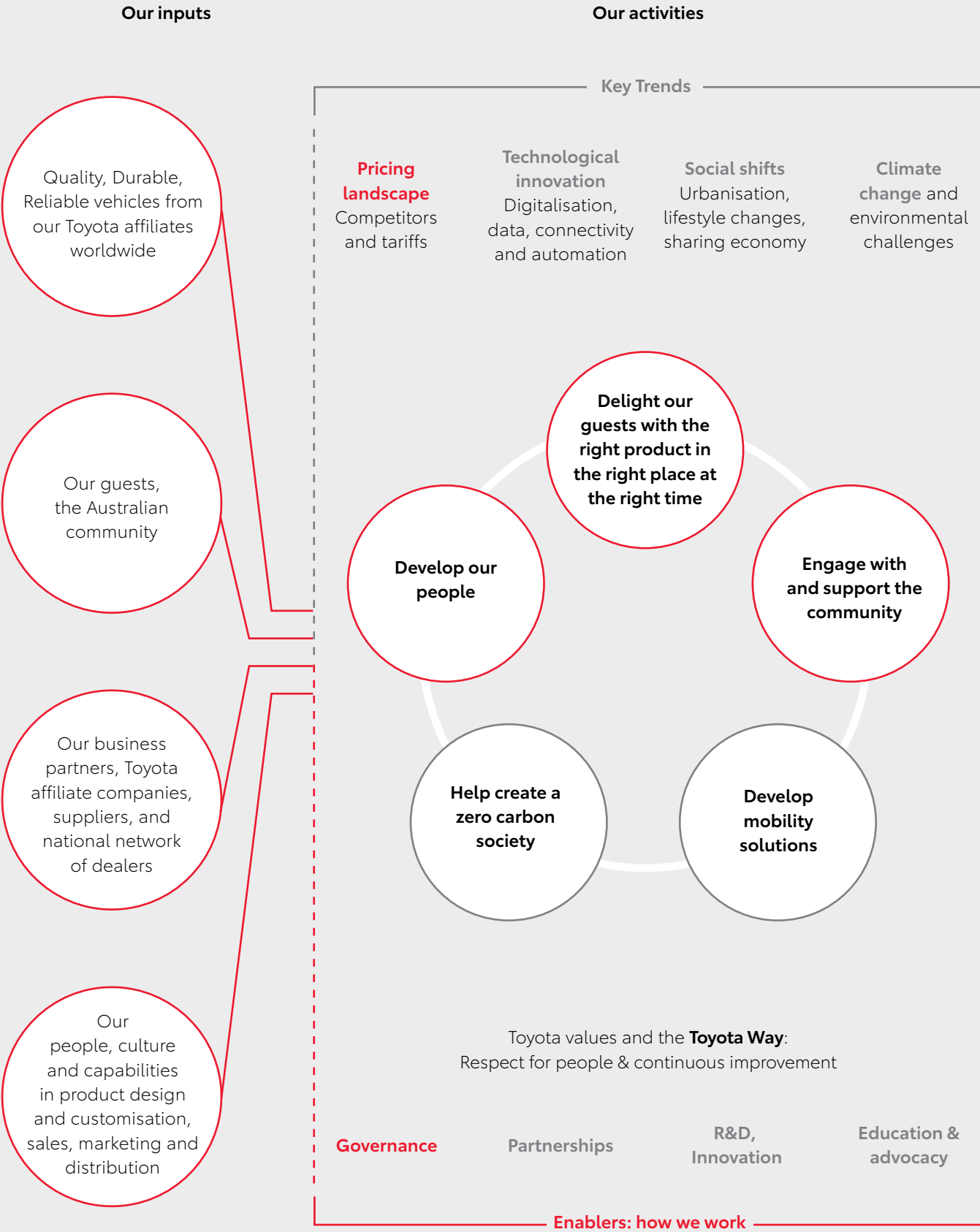
## UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs), agreed by 193 countries in September 2015, set out the key challenges for the global community to address in the coming decade. Globally, Toyota has identified three priority SDGs that it has the ability to impact:

- climate change (SDG 13 – Climate Action)
- reducing traffic accident injuries and deaths (SDG 3 – Good Health and Wellbeing)
- promoting sustainable community building and improved mobility (SDG 11 – Sustainable Cities and Communities)



How we create value





## Our outcomes

### Ever better vehicles

We deliver the vehicles Australians need, with more Toyotas on the road than any other vehicle. Our vehicles create Toyota fans for life, combining the fun of driving ('waku-doki') with the peace of mind that comes with our quality, durable, reliable vehicles. Our guests and their needs are always our focus.

### Wide-reaching economic impacts

We generate far more than a profit; our business is at the heart of an ecosystem of businesses including our dealer network across the country, our suppliers and partners. Our vehicles keep thousands of Australian businesses on the road, and we keep the total cost of ownership low with reasonable maintenance costs, partner benefits, and highest retained value of any brand. Our community investment contributes to the not-for-profit economy.

We are helping to build the economy of the future through skill development, and by developing the technologies for future mobility.

### Enriching communities

Toyota is embedded in the Australian community through trust in our vehicles, and through wide-ranging engagement with the community, from support for grassroots to elite sport; support for our local communities and not-for-profit partners; and support for natural environments. Our vehicles are also involved in congestion and traffic accidents, so we are constantly working towards safer vehicles and a future where all Australians have equal access to mobility.

### Building capabilities

We build skills and careers. Our work on building capabilities internally is reflected in our community investment, with a focus on sharing our knowhow with Australian not-for-profits and small businesses through the Toyota Production System Support Centre (TSSC), and building the STEM skills that we will depend on in our future employees.

### Designing the future

Our vehicles' emissions (and their production and disposal) contribute to climate change and other environmental impacts. In line with the Toyota Environmental Challenge, we are constantly working to reduce or eliminate these lifecycle impacts.

Through innovation, partnership, advocacy and education, we are contributing to designing and realising a future of Connected cars, Autonomous driving, (car-/ride-) Sharing and Electrification ('CASE')

**1 in 5** new cars  
on the road

**223,096**  
vehicles sold

Net promoter  
score **82.7**

**1,452** employees

**281** Toyota  
dealerships

**\$1.2 billion**  
supplier spend

**43** organisations  
supported  
by TSSC

**\$2.5 million**  
community  
investment

**365** local footy  
clubs supported

Over **1m native  
trees** planted

**Over 100,000** hybrid  
vehicles sold

**650kW** of solar  
panels installed

A hydrogen economy  
could generate  
**US\$2.5 trillion** of  
Business worldwide





# Our approach to sustainability



Toyota has always seen itself as embedded in society; it is in our DNA to operate in harmony with nature and our communities. Our approach to business is built upon sustainability; reflecting our Guiding Principles and the Toyota Way.

## Toyota values

Everything we do at Toyota is informed by our **Guiding Principles**, which were established in 1992 building on the main principles set down by our founder, Sakichi Toyoda, in 1935.

<b>The guiding principles are:</b>	1	Honour the language and spirit of the law of every country and region, and undertake open and fair business activities to be a strong corporate citizen of the world.	2	Respect the culture and customs of every country and region, and contribute to economic and social development through corporate activities in their respective communities.	3	Dedicate our business to providing clean and safe products and to enhancing the quality of life everywhere through all of our activities.
4	5	Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honoring mutual trust and respect between labour and management.	6	Pursue growth through harmony with the global community via innovative management.	7	Work with business partners in research and manufacturing to achieve stable, long-term growth and mutual benefits, while remaining open to new partnerships.

We apply these principles through the **Toyota Way** – the values and approach to business that distils our principles into twin focus areas:

### Respect for people

#### Respect

We respect all people from all cultures, for who they are and what they contribute. We accept personal responsibility and build mutual trust and understanding.

#### Teamwork

We work together to achieve common goals. We give each team member the opportunity to do their best by building their skills, and giving them responsibility.

### Continuous improvement (Kaizen)

#### Challenge

We embrace new challenges with creativity and courage.

#### Kaizen

Kaizen is an approach in which all team members are constantly looking for opportunities for improvement, no matter how small.

#### Genchi Genbutsu

We base decisions on the facts, and always 'go to the source' for information.



Social and environmental principles are enshrined in **Toyota's Global Vision**, which encapsulates how we apply our values to our current context and future business aspiration:

Toyota will lead the future mobility society, enriching lives around the world with the safest and most responsible ways of moving people.

Through our commitment to quality, ceaseless innovation, and respect for the planet, we strive to exceed expectations and be rewarded with a smile.

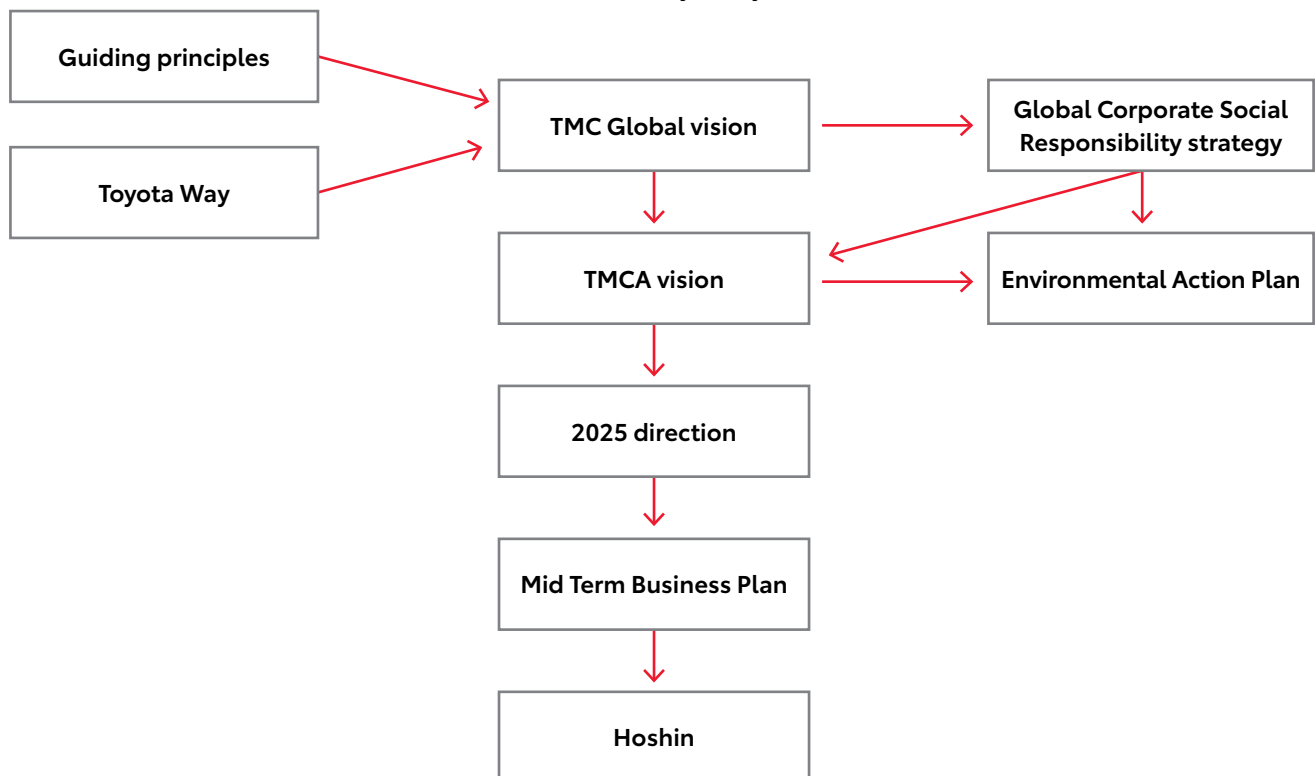
We will meet challenging goals by engaging the talent and passion of people who believe there is always a better way.

In Australia, **Toyota Australia's Vision** is 'Creating innovative mobility solutions for all Australians'. Our **2025 Direction** is focused on achieving that vision by:

- providing the best possible experience for our **guests**
- leveraging and building our strong **brand**
- offering a product range that meets the needs of our guests, while reducing **greenhouse gas emissions**.

A future of zero emissions mobility represents a significant disruption, not only to our own industry but to the broader economy and society. We recognise that we cannot meet complex future challenges alone, and are actively **partnering** with government and other organisations to create innovative solutions. We also have a role to play in bringing our community and government stakeholders along the journey, through **education and advocacy**. We engage with our guests primarily through our Dealer network and through **multiple channels**, including an increasing digital presence, but we retain our strong focus on the **communities** in which we operate.

#### Overview of sustainability at Toyota Australia



Our **Corporate Hoshin** (strategy) sets out our annual work plan towards achieving this vision while maintaining a stable business. The Hoshin establishes activities and indicators against six key objectives:

- Zero harm (employee safety)
- People first (engaged workforce)
- Guest-focused organisation
- Contribute to Environment Challenge 2050
- Business model for sustainable growth
- Work towards our 2025 Direction

The Hoshin is communicated throughout the organisation and guides the activities of all employees from management to frontline staff.

Sustainability is embedded in Toyota's approach, from our global Guiding Principles through to our annual Hoshin plan. Toyota Australia's vision and Hoshin are additionally guided by the global Corporate Social Responsibility policy, which sets out how we interact with our stakeholders, and by the Toyota Environmental Challenge 2050 (see further p. 64).

## Governance structures

The Toyota Australia Board comprises four Directors including two Toyota Australia executives and two Toyota Motor Corporation executives. Collectively, the members of our Board have over 128 years' experience working with Toyota locally and internationally. The Board's focus is to establish a robust governance framework, set strategic direction, and provide alignment with TMC and learning from the global approach. The values outlined provide the touchstone for all decisions made by the Board and Executive.

During the reporting period there was one resignation from the board: Masakazu Yoshimura (TMC non-resident director) was appointed on 1 January 2018 and stepped down on 31 December 2018.

The Board met once during the reporting period.

### Board membership as at 30 March 2019

Directors	Role	Appointment
<b>Matthew John Callachor</b>	TMCA President and CEO	1 June 2016
<b>Tetsuo Mori</b>	TMCA Treasurer and Chief Coordinating Officer	1 January 2016
<b>Nobuhiko Murakami</b>	TMC non-resident director	1 January 2018
<b>Mitsuhiro Amo</b>	TMC non-resident director	1 January 2019



## Governance committees

Implementation of the direction set by the board is led by a eight-member Executive Management Committee, chaired by the President and CEO.

Our Risk and Compliance Committee is responsible for managing risk, compliance, ethics and governance-related matters. It comprises eight senior TMCA members and is chaired by a TMCA director. The committee reports to the Board on a regular basis. In line with our risk management framework, our risk register is reviewed bi-monthly to ensure we respond to the rapidly changing issues of our industry.

Our organisation is structured in three operating arms: National Sales and Marketing Operations, Product and Corporate Operations, and Regional Operations. Each is led by a Vice President with over 20 years' experience with Toyota and supported by Chief Coordinating Executive in-patriates from TMC, who lead the coordination between TMC and Toyota Australia activities.

## Compliance

It is in our culture to take compliance seriously, in line with our Guiding Principle to 'Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world.' Our expectations of business standards are set out in our Code of Ethics and Code of Conduct, which can be accessed via the TMC website.

In accordance with our pillar of respect for people, we respond actively to issues affecting our guests and the broader community. During the reporting period, we addressed the following issues, which are discussed in more detail in relevant sections of this report.

- Takata airbag compulsory recall (see p. 28)
- Diesel Particulate Filter system (see p. 29)
- Data breaches (see p. 29).

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

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

## External codes and charters

Our internal policies, codes and guidelines are supported by our alignment to various external charters and principles. These include:

- Occupational Health and Safety (OHS) National Audit Tool for OHS Management Systems
- OHS ISO 18001
- Self-Insurance (Victoria only)
- Environmental Management System ISO 14001 solely for the Port Melbourne Office and Melbourne Parts Centre at Altona.







**Delighting  
our guests**



We aim to delight our guests with the right product in the right place at the right time. We deliver the vehicles Australians need, with 2.89 millions Toyotas registered in 2018; more than any other brand. Our vehicles create Toyota fans for life, combining the fun of driving ('waku-doki') with the peace of mind that comes with our quality, durable, reliable vehicles. Our guests and their needs are always our focus.

### Product design and customisation

We aim to provide a range of vehicles to suit the needs of all Australians, from a zippy urban run-around, to a luxury sedan or a rugged heavy-duty workhorse. While all our vehicles are now imported from Toyota affiliates, Toyota Australia retains a strong hand in designing, selecting and customising vehicles to meet the unique needs of the Australian market.

Our Product Planning and Development team, based in Port Melbourne, employs over 150 designers and engineers who research and develop products using techniques from thumb-nail sketches to full-size clay modelling, 3D printing and electronic visualisation. The team's work is used not only to develop vehicles for our local market, but also serves our parent company's worldwide product design and development. We are recognised in particular for our capability in design and customisation of off-road vehicles.

Our work takes advantage of the Toyota New Global Architecture (TNGA), a common vehicle platform that allows for continuous improvement of vehicle fundamentals such as the drivetrain and engine compartment, while enabling wide variety in design, vehicle dynamics and customisation to increase the fun factor for our guests.

Our capabilities were highlighted this year with the launch of three new variants of Australia's best-selling vehicle, the HiLux. Designed locally, the new vehicles respond to market demand by integrating a range of capabilities and style features that our guests had previously been seeking through accessories.



The Toyota Camry Ascent Sport Hybrid was crowned 2018 Car of the Year in in Drive's prestigious annual motoring awards. The Camry hybrid beat 49 other finalists across 14 categories to take out the top award, having already been named Best Family Car in the consumer-focused awards' 13th year. An exhaustive week-long evaluation of finalists included testing on urban and rural roads as well as a series of exercises on a closed circuit to test vehicle safety in a controlled environment.

We are increasingly giving our guests the ability to customise their vehicles with a wide range of colours and genuine accessories. We also have capabilities to create fully customised vehicles for particular purposes. For example, we are able to serve the exacting vehicle needs of the agricultural and mining industry, helping contribute to Australia's rural and regional economy.

## **Delivering the right product in the right place at the right time**

It is not enough to have a range of models to meet the needs of all Australians. Our guests need access to the right product and service where and when they need it in our vast country.

We have a physical presence right across Australia through our extensive dealer network. Getting the right vehicles to those dealerships when, where and in the quantity they are needed is a significant undertaking, and one that has changed now that all our vehicles imported. We have been applying the Toyota Production System to develop efficient, just-in-time processes that also minimise the transportation of new vehicles between sites – thus helping to minimise the carbon footprint of our logistics. This requires sophisticated planning, alignment and cooperation between our parent TMC, Toyota Australia and our dealer network.

### **Fleet sales**

Around half our sales are to fleet customers, which include large and small businesses, not-for-profit organisations and government organisations. We serve these customers directly and via our specialised fleet operations.

We particularly value these customers for their role in helping us bring to market innovations in vehicle technology and mobility services. Many of our fleet customers are actively seeking to reduce their carbon footprint, and have thus accelerated the uptake of our hybrid vehicles. They are also maximising the utility of their vehicles through services offered by Toyota Fleet Management (TFM) (a subsidiary of our sister company Toyota Finance Australia Limited). Car Sharing is a web-based scheduling, booking and reporting system that enables multiple drivers to access fleet vehicles to save time, reduce costs and streamline administration. ForceField Telematics service provided by TFM is a mobile technology that tracks vehicle and driver behaviour, and can help fleet customers to increase operational efficiency and identify safety concerns.

Fleet sales are particularly competitive, but we believe the quality, durability and reliability of our vehicles provides unbeatable value for our fleet customers. And, as for all our guests, we aim to reduce whole-of-life costs with low maintenance costs and strong resale value.

### **Guest engagement and satisfaction**

Toyota Australia's philosophy of putting customers first is enshrined in our long-standing Guest Charter. Our guests are at the heart of everything we do, and guest satisfaction is a core measure of our success. This focus has been rewarded by our guests with a range of accolades:

## **Reader's Digest Trusted Brand 2018**

Winner, car category for the 13<sup>th</sup> year running

## **Reputation Institute RepTrak® 2019**

Australia's most reputable automotive company

We connect with our guests via our dealerships, our Guest Experience Centre, and multiple online platforms. In an increasingly connected, digital world, TMCA understands that our guests will want to engage with us over multiple touchpoints, and expect rapid responses. Guests can now view vehicle specifications, book a test drive and make purchases from our dealers online.



This year we conducted demonstrations of our i-Road concept vehicle for last-mile mobility with Australian fleet partners, as well as with road authorities, local and state governments, to identify their suitability for the Australian Market.

The i-Road is an all-electric vehicle with a very compact, narrow footprint, configured for tandem or single occupancy. It can lean into corners automatically like a motorbike, which makes for a fun, safe, low speed transit. We envision that it will be an important link between mass transit points and final destinations, due to its compact size and ability to navigate built-up traffic conditions easier than a full-size car, helping to reduce congestion and transport emissions.



## Product safety and quality

Quality, reliability and durability are synonymous with the Toyota brand and a critical reason why guests become Toyota fans for life.

This year, we have further backed up this reputation by introducing the Toyota Warranty Advantage – a standard five-year manufacturer warranty for all new Toyota vehicles sold from 1 January 2019. The Toyota Warranty Advantage provides unlimited kilometres coverage for private buyers and up to 160,000 km for commercial vehicles across all models and drivetrains, with options to extend. In addition, the Toyota Warranty Advantage provides a 60-day money-back guarantee for any failure that prevents the vehicle being driveable, and for any failure which has had multiple unsuccessful repair attempts, within 60 days of collecting the new vehicle. The Toyota Warranty Advantage is in addition to guests' rights under the Australian Consumer Law statutory consumer guarantees.

Toyota also maintains a constant focus on providing market-leading safety features at an affordable price. Toyota has developed Toyota Safety Sense (TSS)\*, a multi-feature active safety package designed to support safe driving practices. TSS is included on many Toyota vehicles. These innovations help protect drivers, passengers, other road users and pedestrians from harm. In the future, many of these safety features will be integrated into connected and autonomous driving systems.

In Australia, vehicle safety is measured independently by the Australasian New Car Assessment Program (ANCAP). All current model Toyotas have the maximum five-star rating. Information about the safety features of Toyota and Lexus vehicles sold in Australia can be found on our website at [www.toyota.com.au](http://www.toyota.com.au) or [www.lexus.com.au](http://www.lexus.com.au).

## Recalls

When safety recalls are required, we follow the requirements under the Australian Consumer Law and we are guided by the Federal Chamber of Automotive Industries (FCAI) Code of Practice for automotive safety recalls. This comprehensive process includes dealer notifications, press advertisements, letters to impacted guests and government notification. During the reporting period, Toyota and Lexus vehicles were involved in 17 safety recall campaigns due to potential faults. Information on all Australian product safety recalls, by category and brands, can be found on the Australian Competition and Consumer Commission (ACCC) recall site: [www.productsafety.gov.au/recalls](http://www.productsafety.gov.au/recalls).

### Takata airbags

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

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

The Takata recalls are on an unprecedented global scale, involving many automotive brands and millions of vehicles worldwide. The Australian Competition and Consumer Commission reports the defect has caused 29 deaths and more than 320 injuries worldwide.

Toyota Australia takes this issue very seriously and has been conducting voluntary recalls of involved vehicles since 2013. We have been notifying and responding to owners in a number of ways; including by mail, phone, SMS, email and face to face visits, to request that they urgently contact a Toyota Dealer to arrange free repair. For vehicles under 'critical' recall, being vehicles with 'alpha' airbags and vehicles with front driver airbags aged over 6 years, owners are requested to immediately stop driving the vehicle and contact a Toyota Dealer to organise towing (free of charge) to have the airbag inflator replaced. In

the case of vehicles fitted with a 'beta' type airbag under non-critical recall, particularly vehicles which are more than 6 years old, owners should urgently contact a local/preferred Toyota Dealer to arrange free repair. Toyota owners can check whether their vehicle is affected by using the Toyota online VIN checking tool at <https://recalls.toyota.com.au>. A full list of all vehicles affected by the Takata recalls in Australia is available on the Product Safety Australia website and vehicle owners can also use the industry-wide online checking tool at [www.ismyairbagsafe.com.au](http://www.ismyairbagsafe.com.au).

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

In February 2018, the Australian Government issued a compulsory recall notice (Recall Notice) for all vehicles with defective Takata airbags. In accordance with the Recall Notice, we have set (and published on our recalls website) ongoing information about the Takata recalls. The Recall and Replacement Timetable sets out the prescribed time by which recall action must be initiated and also the time by which affected inflators must be replaced. All affected Toyota and Lexus vehicles are now under active Takata recall. The Quarterly Completion Schedule is the completion schedule for affected Takata airbags and sets milestones for recall completion by way of required quarterly completion rates. As at 10 July 2019, out of approximately 582,773 Toyota and Lexus vehicles affected by active Takata recall campaigns to date, we have remedied approximately 531,312 (91.2%) of these vehicles.

Unfortunately, it has been necessary to recall some Toyota vehicles for a second time after it was found that some replacement airbag inflators were installed incorrectly. In the event of a collision where airbags are deployed, the front passenger airbag may not inflate for deployment, increasing the risk

of injury. A recall notice for these affected vehicles was published on 14 March 2018 and has also been sent to owners' last known address, requesting that owners present their vehicles to a preferred Toyota dealer for inspection/ repair.

In November 2017 a class action was filed against Toyota Australia in relation to the Takata recalls and subsequently, against 6 other major automotive brands in Australia.

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

### **Diesel particulate filters**

In October 2018, we launched a Customer Service Campaign to remedy potentially faulty diesel particulate filters on HiLux, Fortuner and Prado vehicles sold between June 2015 and June 2018.

Our core values are to be guest-focused, and to provide vehicles that are safe and reliable, so we are working actively to resolve this issue for our guests.

### **Data privacy and security**

As we move towards connected mobility, Toyota Australia is handling expanding volumes of data, including personal data, and we recognise that the security of our digital platforms will play an increasingly critical role in maintaining the safety of our guests and other road users. There are great potential benefits from these technologies, but we take a precautionary approach when introducing them, to safeguard against potential risks.

Our approach to protecting our guest's data is underpinned by our core value of respect for people, and our Guiding Principles. TMCA's Privacy Policy provides clear notification about why, how, when and to what purpose we collect personal information from our stakeholders. We comply with the Australian Privacy Principles regarding notification and consent for collection and handling of personal information and provide clear instructions on how guests can change permissions, correct or remove their data from our services and channels.

Our Information Security Management System Policy is aligned to ISO/IEC 27001:2013 Information Security Management, and covers both third-party information held by TMCA, including guest information, and TMCA information held or managed by others. Implementation is overseen by the Risk and Compliance Committee that reports to our Executive team. The committee assesses the effectiveness of our systems and processes and identifies improvements.

Access to our systems is protected by strictly controlled, multifactor authentication, a mandatory password management regime, and continuous updates of security firewalls and processes.

Our framework to investigate, manage and notify Australian regulators and affected individuals of eligible data breaches is in accordance with the Notifiable Data Breaches Scheme under the Privacy Act (1988) (Cth).

Unfortunately, TMCA was the victim of an attempted cyber attack in February 2019. The Information Security Management System was effective in identifying irregularities indicating an attempted cyber attack. We responded by immediately suspending all staff login accounts, and investigating in collaboration with Federal authorities. Priority functions, such as sales and deliveries were brought back online once the company was again confident of its information security. We do not believe the attack resulted in a data breach.

Our parent company in Japan was also subject to an actual cyber attack, which resulted in a data breach potentially including customer information. Toyota systems in Japan were shut down over a period of weeks, and security measures were further strengthened.

As large organisations like ours increasingly become targets for cyber attack, data security and privacy will remain a top strategic and management priority within our organisation.

\* Driver assist features. Only operates under certain conditions. Check your Owner's Manual for explanation of limitations. Please drive safely.





# Wide-reaching economic impacts



We generate far more than a profit; our business is at the heart of an ecosystem of businesses including our dealer network across the country, our suppliers and partners. Our vehicles keep thousands of Australian businesses on the road, and we keep total cost of ownership low with reasonable maintenance costs and partner benefits. Our philanthropic community investment contributes to the not-for-profit sector. We are helping to build the economy of the future through skill development, and by developing the technologies for future mobility.

Maintaining and growing our market share continues to be fundamental to our strategy. According to the Federal Chamber of Automotive Industries (FCAI), Toyota was again the Australian market leader in the calendar year 2018, maintaining its position for the sixteenth year in a row as the country's top-selling brand. Our market share (excluding Lexus) increased from 18.2% to 18.8%, and is almost double that of the nearest competitor. This is in the context of a year the FCAI acknowledged as challenging, with a 3% reduction in overall sales compared to the calendar year 2017. The Toyota HiLux was once again the number one selling vehicle in 2018 across all categories, with 51,705 sales, and the Corolla achieved third position with 35,320 sales during 2018.

### Business performance

Achieving financial targets is fundamental for any business. Toyota Australia posted an after-tax profit of \$206 million for the 2018/19 financial year, with sales of 223,096 Toyota and Lexus vehicles. Our sales were somewhat lower compared to 2017/18, mainly due to the loss of export sales from manufacturing and an overall softer market. However our profit was significantly increased without the costs associated with the closure of our manufacturing business on 3 October 2017. In recent years our profits have been variable due to restructuring costs associated with our transition away from manufacturing, and due to foreign exchange rates fluctuations in our key export markets. As our first full year as a sales, marketing and distribution only company, our strong results for 2017/18 set a new baseline for future growth.

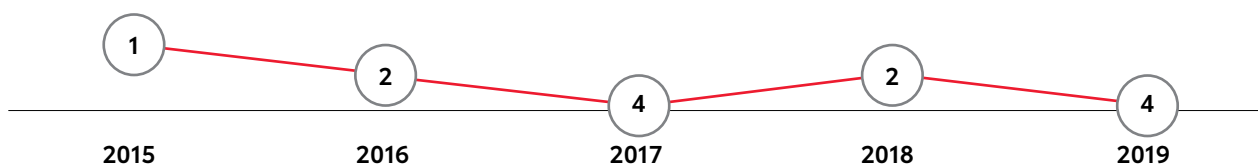
In 2019, Toyota Australia was again ranked as Australia's most reputable automotive company, and fourth most reputable company overall.

### Government funding

Toyota Australia received \$12 million in government funding in the 2018/19 reporting period.

In March 2019, the Australian Renewable Energy Agency (ARENA) announced that it would provide funding of **\$3.1 million towards our new Hydrogen Centre** (see p. 58). This funding was announced but not received during the reporting period.

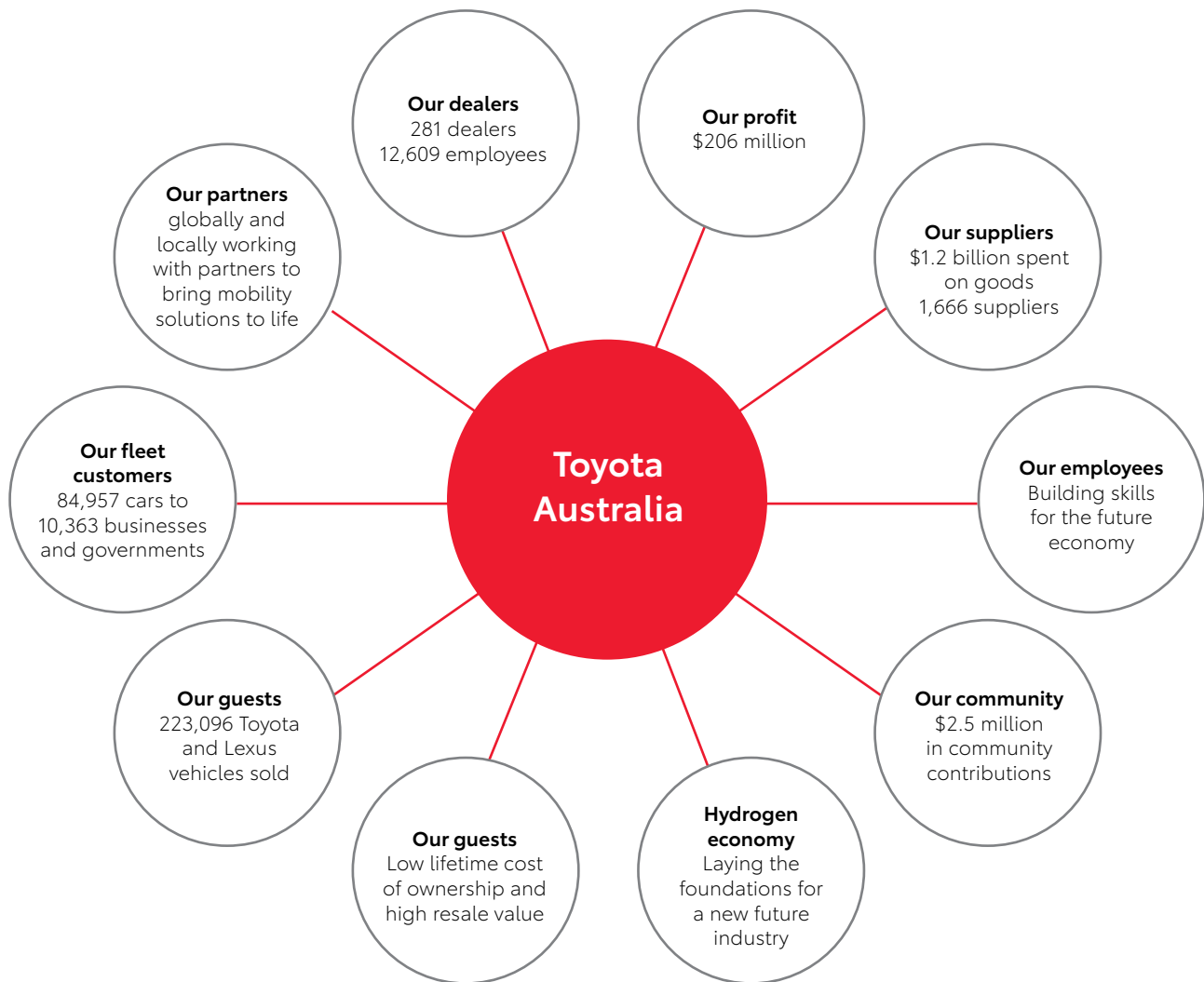
See p. 61 for details of how we engage with all levels of government. Toyota Australia does not provide political contributions.



Source Reputation Institute

## Indirect economic impacts

Toyota Australia's impact on the economy goes much further than our own profit. We share our success widely, with an economic footprint that reaches across multiple businesses, non-profit organisations, communities and individuals across Australia.



Our vehicles make a significant contribution to the economy, literally keeping thousands of businesses across the country on the road. Our fleet sales provided 84,957 vehicles to 10,363 organisations during 2018/19. Commercial vehicle sales power the livelihoods of tradies and the myriad other businesses. For both our commercial and personal customers, the quality, reliability and durability of Toyota vehicles represents value for money long after purchase. Toyotas are also known for their high resale value.

We have an extensive program of financial and in-kind support for non-profit organisations around

the country, detailed on p. 36.

We are also helping to build the future economy. We invest in skills development, not only of our own staff, but also of non-profit organisations and small businesses through the Toyota Production System Support Centre (TSSC) (see p. 38) and through our contributions to education, particularly focusing on the STEM skills our industry depends on (see p. 40).

We are actively invested in developing a hydrogen economy in Australia, with a demonstration project at the Centre of Excellence at our Altona site (see p. 59).



## Our dealers

Our success is inextricably linked with our network of dealerships. Our dealerships are the physical presence of Toyota across the country, and are at the frontline of our interactions with guests and local communities. As at January 2019 there were 203 Toyota dealers, with 281 outlets employing 12,609 people. Our number of Lexus dealers as at March 2019 sits at 23 dealers.

Toyota dealers are independent franchisees. We support our dealers through the 'Toyota for Life' Quality Standards, which translate the Toyota values to the specific circumstances of dealers and reinforce a guest-centric culture:

<b>Respect</b>	Treating guests with honesty, integrity and transparency.
<b>On show</b>	A commitment to high standards in every way, from the car yard to personal appearance.
<b>Efficient</b>	Making sure everything we do is designed to meet guests' needs, delivered in a timely and professional manner.
<b>Professional</b>	We're committed, consistent and well trained to take ownership of everything we do with our guests.
<b>Continuous improvement</b>	Never relaxing the search for ways to better the operation and service for the guest.

Toyota is committed to best practice in its relationships with dealers, and we are committed to the long-term success of their businesses as well as ours. Our franchise development team takes a collaborative approach to communication. Field representatives in each dealership region support dealers with all aspects of their business including sales plans, stock ordering, guest loyalty and business marketing. They also assist dealers to achieve their targets and meet TMCA standards.

We monitor our dealers against both monthly sales and guest satisfaction, as measured by a Net Promoter Score® (NPS). The NPS reflects the number of guests willing to refer family and friends to Toyota. An NPS over 50 is generally considered excellent.

<b>Net promoter score</b>	Sales	82.7
<b>Guest satisfaction index</b>	Sales	94.0

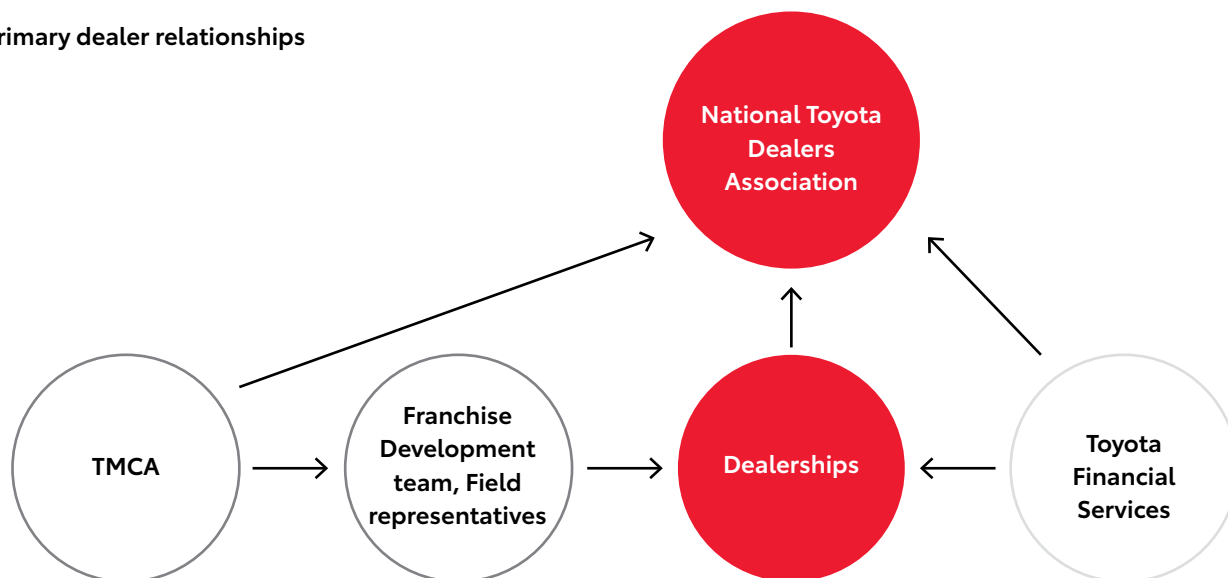
The National Toyota Dealers Association (NTDA) is the key forum connecting dealer network representatives, TMCA and Toyota Finance Australia Limited (TFA), and helps ensure that dealerships are aligned with Toyota's core values and beliefs. The association holds meetings three times per calendar year, providing an open forum for discussion and information sharing. Eight sub-committees – each including representatives from dealers, TMCA and TFA – focus on continuous improvement in specific areas from product launches to parts and service.



Toyota's dealer footprint is particularly significant in rural and regional areas of Australia. We have the largest dealership network in the country, and almost a third of our sales come from outside metropolitan areas.

Our vehicles are the workhorses of regional economies, and we have the capability to provide fully customised vehicles that are fit for the demands of regional Australia. Our dealerships also provide vital employment and training, and play a prominent role in their local communities, particularly through our partnerships with sporting organisations.

## Primary dealer relationships



As we transition to a zero-emission mobility company, we are working to ensure our dealerships continue to play a central role in our business model. As the primary point of contact with our guests, dealers are critical to achieving our ambitious sales targets for hybrid vehicles, in line with the Toyota Environmental Challenge 2050. We have been developing our dealers' understanding of hybrid technology and the benefits for our guests and the environment. We also encourage our dealers to strive for eco-efficient facilities, at minimum complying with our Dealer Environmental Standards (see further p. 66).

In collaboration with our dealer network, we are actively exploring new touchpoints with our guests. Examples are the dealership at Rouse Hill shopping centre in NSW, and the pop-up Lexus dealership we installed in Doncaster shopping centre, Victoria. These pilot activities brought a dealer presence to a different context, where guests could interact with us without specifically seeking out a dealership.

We are also working with dealers on the look, feel and functionality of their facilities, particularly when refurbishments are undertaken. This includes guidelines on the environmental sustainability of facilities, such as waste management and water and energy efficiency. Having led by example at our Toyota Parts Warehouse in Sydney, (see p. 67), we have the knowledge to support dealers prepare for the future and deliver the current needs of our guests.

## Our suppliers

Our vehicles, service parts and accessories are sourced from Toyota affiliates in Japan, Thailand and the USA, as follows:

<b>Japan</b>	Camry, 86, C-HR, Corolla Hatch, Coaster, HiAce, LandCruiser range, Prius range, RAV4, Tarago, Yaris
<b>Thailand</b>	Corolla Sedan, Fortuner, HiLux
<b>USA</b>	Kluger

Some parts and accessories are sourced locally, particularly larger items such as trays or bull-bars that are used to customise our utility vehicles for the Australian market. We also purchase various goods and services that support our operations, including IT equipment and services, and creative services for marketing and advertising.

During the reporting period we spent \$1.2 billion on goods and services from 1,666 suppliers (see p. 69 Table A and B for comparative data).

See p. 67 for information about how we work with our suppliers to ensure social and environmental sustainability in our supply chain.

## Our partners

Achieving our long-term vision of zero carbon mobility will require system-wide changes that no one organisation can achieve alone. We are developing a strategic partnerships framework that will support the selection and governance of the right partnerships to help us to successfully navigate the multiple complex challenges and opportunities ahead, and extend our reach and capabilities.

Examples include the technologies to support connected and autonomous vehicles (C-ITS), or the infrastructure required to support electric and hydrogen drivetrains.

Powered by Telstra's 4GX network, the C-ITS trial led by Lexus, will test and demonstrate Australian-first Cellular Vehicle-to-everything (V2X) technology to create a safer driving experience. The vehicle safety systems include features such as emergency braking alerts, in-vehicle speed limit guidance warnings, right turn assistance for vulnerable road users, and warnings when surrounding vehicles are likely to violate a red light.



In December 2018, we announced a partnership between Lexus Australia and Telstra to trial the deployment of advanced communications technology in Victoria. The project, called Advanced Connected Vehicles Victoria, or ACV2, has been awarded grant funding under the Victorian Government's Towards Zero program.