

TOYOTA NEW ZEALAND LIMITED

# 2018 SUSTAINABILITY REPORT



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# ABOUT THIS REPORT

Sustainability is a management priority for Toyota New Zealand. We have published a Sustainability Report every two years since 2005, and annually since 2014.

## Report structure and material issues

This Report's structure reflects our new sustainability framework, which will be further developed over the coming year. As part of this work we will refresh our materiality assessment (see page 41 for more information) – in the meantime, we retain the material issues from 2015.

## Period covered by report

All data covers the period from 1 April 2017 to 31 March 2018 unless otherwise stated. For major ongoing initiatives, information from 1 April 2018 onward is also included.

## Scope of report

The Report covers Toyota New Zealand's activities, and Toyota and Lexus Dealers in New Zealand where relevant.

The report does not cover the operations of Toyota Financial Services

New Zealand, which is a separate entity owned by Toyota Motor Corporation, Japan.

## Reference guidelines

- This report has been prepared in accordance with the GRI Standards: Core option
- We reference the six goals outlined in the Toyota Environmental Challenge 2050 and the 17 United Nations Sustainable Development Goals

## Assurance

Our reports have been externally assured since 2011. This year's assurance statement can be found on page 42. This process provides our stakeholders with confidence in our data collection process and sustainability performance.

## COMPANY PROFILE

### COMPANY NAME

TOYOTA  
NEW ZEALAND

### HEAD OFFICE ADDRESS

29 ROBERTS LINE,  
PALMERSTON NORTH, NEW ZEALAND

315



EMPLOYEES  
AS AT 31 MARCH, 2018

### SALES

CALENDAR YEAR 2017\*



\*CY is the usual time frame for public reporting of vehicle sales.

We welcome any questions, comments or suggestions you might have on this Report and our performance.

Toyota New Zealand Customer Dialogue Centre

Phone: 0800 TOYOTA Email: customercare@toyota.co.nz

## Acronyms and definitions:

**CY:** Calendar Year

**CO<sub>2</sub> g/km:** Grams of carbon dioxide

**Dealers:** Independent businesses who from April 2018, are acting as agents for the sale of new Toyota vehicles, which are sold through Stores

**Emissions Scope:** These relate to greenhouse gas emissions

- 1 Direct emissions from owned or controlled sources
- 2 Indirect emissions from the generation of purchased energy (including travel)
- 3 All other indirect emission that occur in the value chain (upstream or downstream)

**EMS:** Environmental Management System (a recognised independently audited and certified programme)

**FY:** Financial Year

**GHG:** Greenhouse Gas Emissions

**GRI:** Global Reporting Initiative (a leading international framework for sustainability reporting)

**HV:** Hybrid Electric Vehicle

**ISO:** International Organisation for Standardisation (an independent non-government organisation which develops International Standards)

**Life Cycle Analysis (LCA):** Assesses environmental impacts associated with all stages of a product's life: from raw material extraction, materials processing, manufacture, distribution, use, maintenance, and disposal or recycling

**Parts and Service Branches:** Facilities owned by Dealers which provide vehicle parts and servicing for customers

**PHEV:** Plug-in Hybrid Electric Vehicle

**Stores:** Toyota vehicle sales locations (previously called Dealerships)

**tCO<sub>2</sub>-e:** Tonnes of carbon dioxide equivalent

**TDP:** Toyota Driveaway Price (the total cost a customer pays when purchasing a new vehicle). TDP includes pre-delivery costs, WOF/COF, registration, fuel (and 1,000km RUC if applicable), floor mats, and Toyota Care Service Advantage

**TFS:** Toyota Finance New Zealand Ltd, known as Toyota Financial Services

**TMC:** Toyota Motor Corporation, Japan (parent company of Toyota New Zealand)

**TMCA:** Toyota Motor Corporation Australia

**TNZ:** Toyota New Zealand Ltd

**Value Chain:** The full life cycle of a product or process including material sourcing, production, consumption and disposal or recycling



# MESSAGE FROM THE CEO

Toyota New Zealand has published public Sustainability Reports since 2005. These provide an opportunity to both reflect on our progress over the last year, and communicate how we are preparing for the future.

We believe that business only prospers in thriving communities, which are themselves dependent on a healthy natural environment. With this in mind, we are continuing to evolve our business strategy and Report framework.

## Drive Happy

We spent much of this reporting period preparing our new business model – the Toyota Drive Happy Project – which we launched on 1 April 2018. The Toyota Drive Happy Project responds to changing customer expectations, particularly as the internet transforms the wider retail market. We have endeavored to dramatically improve the new vehicle purchasing experience by removing common customer concerns.

These include price haggling, limited test drive opportunities, perceived pressure to buy a particular car, the uncertain costs of future servicing, and the risk of making the wrong purchase decision. We have enhanced the purchase experience with a significantly upgraded web site to enable customers to “build your own” vehicle and have encouraged all our Dealerships (now called Stores), to hold a wider range of demonstrator vehicles to offer greater test-driving flexibility. All new Toyota vehicles are now sold by TNZ and delivered through Stores (acting as our agents) at a consistent Toyota Driveaway Price; this includes all delivery fees and on-road-costs.



Alistair Davis

TOYOTA NEW ZEALAND HAS SET ITSELF A GOAL OF

30%

REDUCTION IN VEHICLE EMISSIONS BY 2030



TOYOTA GLOBALLY IS AIMING FOR A

90%

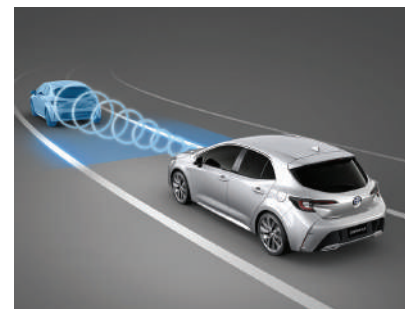
REDUCTION IN VEHICLE EMISSIONS BY 2050

We have also changed the business model to hold all new vehicle inventory at three regional pools in Auckland, Wellington and Christchurch, with vehicles only being dispatched to Stores upon sale; this reduces cost and improves our carbon footprint by eliminating inter-Dealer freight from unnecessary inventory movements.

We worked closely with our Dealers to prepare for the roll out of this new model, providing extensive training to their employees to ensure a smooth transition, and to enhance their customer hospitality.

I would like to thank our Dealer and corporate employees for the tremendous effort they have given to help us bring about this seismic shift in our sales activity.

In the midst of these changes, we were able to retain a steady focus on the daily demands of our existing business: for example our Customer Dialogue Centre were winners at the annual Call Centre awards, and work began on the extension of our national parts warehouse (more detail in next year's report).



## Keeping our customers safe

We are committed to keeping customers safe. We have a policy of including all our parent company's (Toyota Motor Corporation) safety developments as standard in all the new vehicles we import. We also continue to work through the Takata airbag recall for affected Toyota vehicles in New Zealand.

Toyota invests heavily to improve safety, and advanced technologies are already present in many Toyota and Lexus models, such as dynamic radar cruise control, lane keeping assist, blind spot monitor, pre-crash safety systems with autonomous emergency braking.

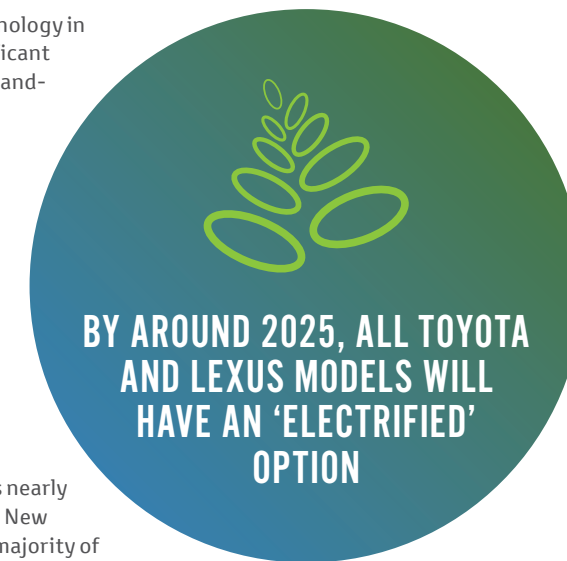
Autonomous vehicle technology in particular will bring significant change: a predicted thousand-fold safety improvement over human drivers. The technology will also enable commuter travel to be more productive (and less stressful) and people who aren't able to drive themselves will have new opportunities to get out and about in their communities.

## Reducing our impact

The Toyota brand includes nearly a quarter of all vehicles on New Zealand's roads, the vast majority of which are powered by either a petrol or diesel internal combustion engine. This gives us both a responsibility and opportunity to influence our country's progress to a zero-carbon economy. We support the Government's commitment to the Paris Agreement on Climate Change, and are aligning our activities with the United Nations Sustainable Development Goals and Toyota Environment Challenge 2050. Toyota New Zealand has set itself a goal of 30 per cent reduction in emissions by 2030; Toyota globally is aiming for a 90 per cent reduction by mid-century.

A central strategy to achieve this goal is electrification, such as through hybrid technology. Currently, conventional Toyota and Lexus self-charging electric hybrid vehicles reduce fuel costs and tailpipe carbon emissions significantly (for example the Camry Hybrid is 46 per cent more fuel efficient than a conventional petrol equivalent\*). By around 2025, all Toyota and Lexus models will have an 'electrified' option (self-charging hybrid electric, plug-in hybrid, electric or hydrogen) so these gains can be achieved across the range.

\* Combined fuel consumption. These figures are tested under controlled conditions and are provided for comparison purposes, actual results will vary according to vehicle usage and operating conditions. For more information visit [www.toyota.co.nz/our-range/thetoyota-difference/fuel-economy/](http://www.toyota.co.nz/our-range/thetoyota-difference/fuel-economy/)



We are currently constrained by supply of new cars for the New Zealand market, so we are sourcing used hybrid vehicles from Japan to increase the availability of lower emission vehicles in the short term.

Operationally, our biggest carbon footprint comes from the import of vehicles. This remains a challenge, and TNZ is reliant on its parent company to optimise the efficiency of shipping freight. Over the last year South Island road freight (vehicle and parts distribution to Dealerships) remained disrupted by the Kaikoura landslip which closed State Highway 1 until December 2017. This generated higher greenhouse gas emissions. Logistic activities were also impacted by the discovery of an unusually large number of Brown Marmorated Stink Bugs on vehicles imported into New Zealand. We worked with the Ministry for Primary Industries (MPI) to ensure our vehicles did not pose a risk to New Zealand's biosecurity.

We maintained our Environmental Management System (Enviro-Mark Diamond and ISO 14001) certification at our corporate sites.

In addition, all large retail Stores achieved Enviro-Mark Diamond certification, together with two smaller Stores, Tasman Toyota and Rotorua Toyota.

THIS YEAR WE ACHIEVED  
**30** CONSECUTIVE  
YEARS OF  
MARKET LEADERSHIP

## Financial performance

We have seen another strong year in the market, once again delivering record new vehicles sales. This is driven by strong immigration and a buoyant economy. While this is a pleasing result, it brings some logistics challenges as it places greater pressure on our suppliers to provide and deliver vehicles and parts to customers. We expect sales to plateau over the coming year.

This year we achieved 30 consecutive years of market leadership, and held celebratory events with employees in Palmerston North and Thames. Whilst it is important to reflect on our many achievements over this time, we are readying our business for the challenges ahead. The Toyota Drive Happy Project is one expression of this change and over 2018 we are continuing to develop our sustainable business strategy and prioritise activities across departments and operations.

Alistair Davis  
Chief Executive Officer  
Toyota New Zealand





# OUR ORGANISATION

## TOYOTA'S GLOBAL VISION



## GUIDING PRINCIPLES

The Vision is underpinned by seven Guiding Principles, which were adopted in 1992.



Toyota New Zealand supports the Vision and Guiding Principles locally through the Toyota Believe brand values.

- We believe in respecting others.**
- We believe in trying to make a difference.**
- We believe every day's an opportunity to improve.**
- We believe in working together.**
- We believe that if you can dream it, you can do it.**
- We believe good things stand the test of time.**
- We believe a better tomorrow starts today.**
- We believe in going the extra mile.**

See more on how we live our brand values here: [www.toyota.co.nz/about-toyota/our-values/](http://www.toyota.co.nz/about-toyota/our-values/)

## MANAGING OUR OPERATIONS



**Alistair Davis**  
Managing Director  
and CEO



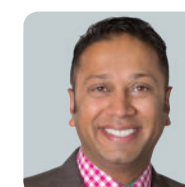
**Shinobu (Terry) Teramoto**  
Senior Executive  
Director



**Paul Carroll**  
Senior General  
Manager



**Andrew Davis**  
General Manager  
Marketing and  
Customer



**Neeraj Lala**  
General Manager  
New Vehicles and  
Product



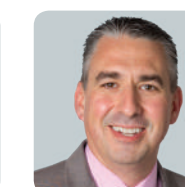
**Spencer Morris**  
General Manager  
Customer Services



**Debbie Pattullo**  
Assistant General  
Manager  
People Development



**Steve Prangnell**  
General Manager  
Used Vehicles,  
Logistics and Dealers



**Mark Young**  
General Manager  
Finance and  
Corporate Resources

### Corporate governance

Toyota New Zealand's Executive team, comprising our CEO, a Senior Executive Director and seven General Managers, meet weekly to monitor progress against the business strategy.

Our strategy supports TMC's Vision and outlines short and long-term objectives, and associated targets, delivered through a rolling five year business plan.

A monthly balanced scorecard tracks key business performance indicators. It includes economic and sustainability measures such as health and safety, greenhouse gas emissions (across product, operations and freight), corporate and Dealer compliance with environmental management, and community investment.

This year we welcomed Debbie Pattullo to the Executive team, and saw the return of Neeraj Lala from his USA based secondment.

### External certificates and standards

In addition to internal codes and charters, TNZ supports externally developed standards and other initiatives, including:

**Certified Emissions Measurement and Reduction Scheme (CEMARS)** carbon certification to ISO 14064-1:2006 – of all corporate operations and sites

**ISO 9001:2015** (Quality Management) – at all corporate operations and Thames facility

**ISO 14001:2015** (Environmental Management) – Thames facility

**Enviro-mark** (Environmental Management) – at all corporate operations and Dealers

Additionally, TNZ (or members of our Executive team) holds membership of numerous industry associations including:

- Business New Zealand
- CEO Major Companies Group
- Employers and Manufacturers Association
- Massey University: Massey Business School Advisory Board
- Motor Industry Association
- Motor Trade Association
- MIA Product and Safety Committee
- NZ Initiative
- Sustainable Business Council (SBC) (\*Toyota New Zealand CEO is Chair)
- Sustainable Business Network

\* Associations where a member of the Toyota New Zealand Executive holds a governance role



## BOARD AND BOARD COMMITTEES



Toyota New Zealand's Board of Directors consists of six Directors representing TMC or affiliated TMC companies.

Board members are appointed by TMC based on their skills, experience and industry knowledge. All Directors (as well as company Executives and Managers) are required to disclose related party transactions annually to highlight any potential conflicts of interest.

TNZ has three internal committees responsible for assisting the Board with complex business matters. These committees are chaired by Executives of the company and include relevant employees from all levels.

1. The **Internal Audit and Process Committee** communicates risk management, compliance activities, internal audit requirements and ethical conduct.

2. The **Corporate Affairs Committee** assists with discharging the Board's responsibilities regarding human resource issues, and promotes career planning and development.

3. The **Environment Committee** provides strategic environmental management and oversees delivery of Toyota New Zealand's Environment Plan.

## STAKEHOLDERS

Stakeholders are defined as those who are either affected by our business, or who have the potential to affect our business. They play a key role in our success, in achieving our organisational goals, and contributing more broadly to the economy and society. The Executive team reviews and updates our stakeholder list every two years. Our key stakeholders are:

### Government and Industry Groups

We actively engage with the government, wider motor vehicle industry, and forums such as the Motor Industry Association of New Zealand, the Business New Zealand Major Companies Group, and the Sustainable Business Council (SBC) to support and develop a sustainable transport sector in New Zealand.

Our CEO is Chair of the SBC, which advocates for sustainable business practices, policies and government action. Page 7 lists these commitments.

### Community

Our Vision, Guiding Principles, and Believe statements underpin our engagement with local communities. Through our Dealers we support activities in over 60 communities across New Zealand building relationships with organisations that share similar values and objectives. We provide direct funding and in-kind support through the donation of vehicles, employee or management time. See pages 32-34 for more information.

### Suppliers

Our suppliers are responsible for the production and delivery of fit-for-purpose, high quality goods and services for both customers and our operations. They include a mix of local and international organisations. See page 31.

We seek to establish strong, long-term relationships with key suppliers to maximise mutual benefits.

### Toyota Motor Corporation

TMC is an active stakeholder across all departments and management levels at Toyota New Zealand. TMC Senior Executives are represented on our Board. Our Executives regularly visit Japan to participate in global committees and exchange information and learnings with TMC and other Toyota affiliates.

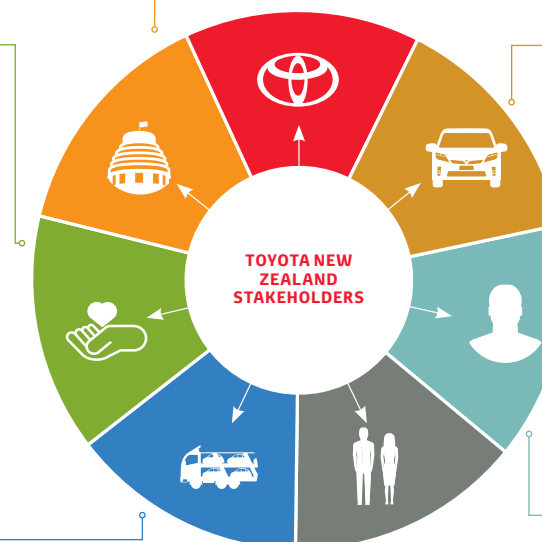
We provide regular performance reports to TMC as part of globally shared metrics. These include reports on health and safety, the environment, and community activity.

### Dealers

A total of 24 core independent companies comprise our nationwide network of Toyota and Lexus Dealers and supply customers with a range of new and used vehicles, parts and services. Between them they are responsible for 67 Stores (61 Toyota, five Toyota and Lexus, and one stand alone Lexus) nationwide. See page 29 for details on how we engage on issues of importance to our Dealers.

### Customers

Providing customers with a positive experience is an essential component of our business and brand reputation in the market. This is reflected in our new business model, the Toyota Drive Happy Project. See page 17 or details on how we respond to the issues of importance to our customers.



## BRAND REPUTATION AND MARKET LEADERSHIP

Our brand direction and marketing activities are guided by Toyota's core global values. In New Zealand, we express these to local stakeholders and customers through our eight guiding Believe statements. We monitor the strength of our branding through annual corporate reputation surveys across both the motoring industry and wider businesses.

This year, TNZ was recognised as the highest rated automotive brand and the third overall in the New Zealand 2018 Colmar Brunton Reputation Index. This index measures a wide range of leading New Zealand companies across four reputational categories: social responsibility, fairness, leadership / success, and trust.

Similar to previous years, Toyota was the only automotive brand in the top 20 of this index.

We also maintained Toyota's leading position for the 17th consecutive year in the Reader's Digest Trusted Brands Survey. We ranked as the top automotive company and ninth overall for most trusted New Zealand brand.

WHAT WE DO

Toyota New Zealand is a wholly owned subsidiary of Toyota Motor Corporation, Japan. We import and sell new and used Toyota and Lexus vehicles as well as parts and used vehicles both directly and through our Dealer network. We also sell parts to Parts and Service Agents.

New vehicles are manufactured in Japan, Thailand, Australia, England, and the United States. We import used Toyota vehicles from Japan, and certify them to New Zealand standards at our Thames facility. Ex-lease vehicles are refurbished and sold as Signature Class.

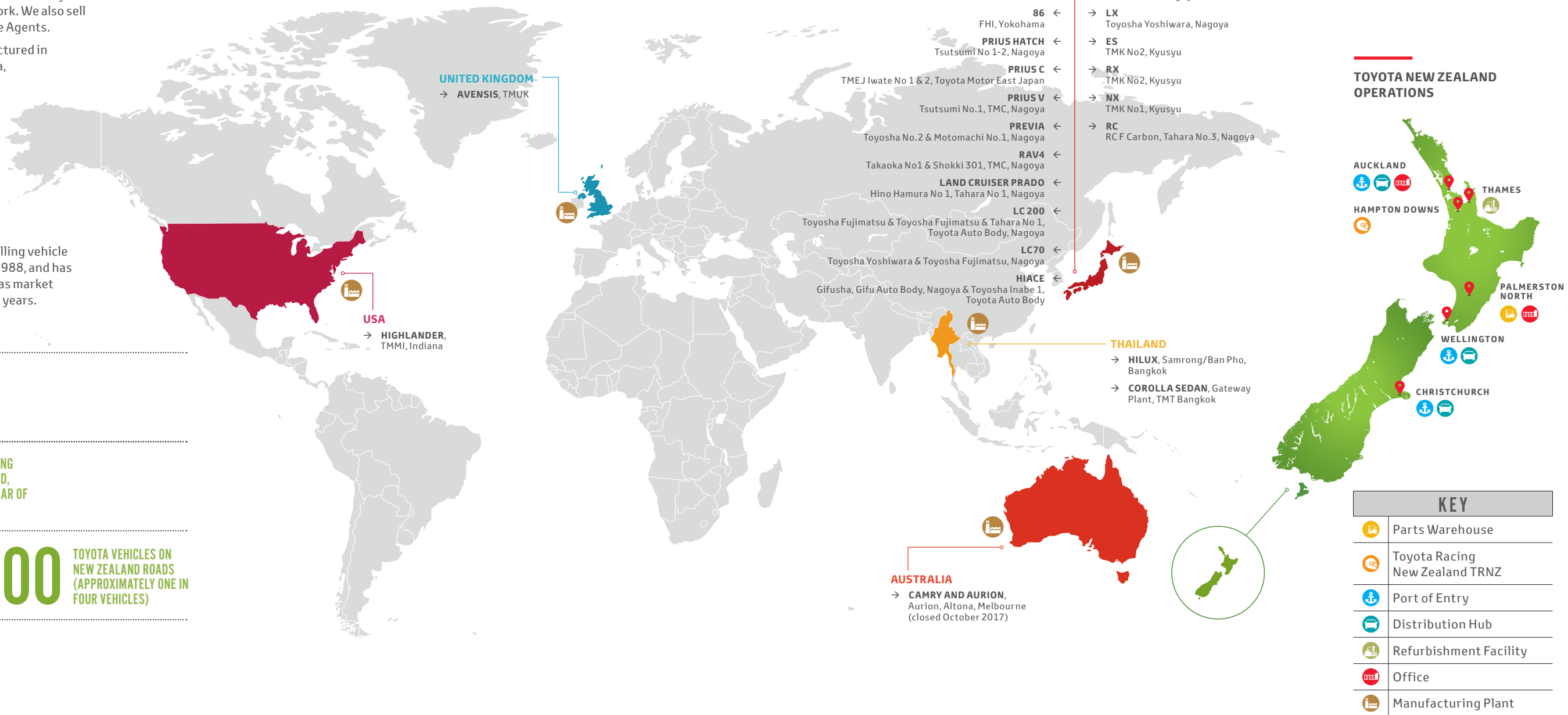
Toyota became the top selling vehicle brand in New Zealand in 1988, and has maintained this position as market leader for 30 consecutive years.

30 CONSECUTIVE YEARS MARKET LEADERSHIP

52 YEARS OPERATING IN NEW ZEALAND, WITH 2017 A YEAR OF RECORD SALES

900,000 TOYOTA VEHICLES ON NEW ZEALAND ROADS (APPROXIMATELY ONE IN FOUR VEHICLES)

OVERSEAS MANUFACTURING FACILITIES FOR NEW VEHICLES SOURCED FOR THE NEW ZEALAND MARKET



OUR HISTORY

1966-76	1977-86	1987-96	1997-2007	2008-2017	2018 →
PHASE 1: THE EARLY YEARS	PHASE 2: INVESTING FOR GROWTH	PHASE 3: ESTABLISHING LEADERSHIP	PHASE 4: TRANSITION	PHASE 5: RENEWAL	PHASE 6: RENEWAL CONTINUES
Toyota vehicles were sold by a locally-owned company that had a licence to import the brand. Vehicles were assembled in New Zealand through contracts with two local plants at Thames and Christchurch. Toyota's market share was under 10 percent.	This period saw TMC Japan invest in the business, allowing us to purchase and develop the vehicle assembly plants we had previously contracted. We also invested in Dealers and people, and branded ourselves as Toyota New Zealand for the first time. Our market share was between 10 and 15 percent.	We moved to the independently owned Dealership structure, and coordinated support for Dealers and customers through the newly established National Customer Centre in Palmerston North. We also introduced a range of products offered by Toyota Financial Services. Toyota became New Zealand's 'heartland' brand, with the highest market share.	In 1998 the government removed tariffs on imported cars, resulting in significant change in the local industry away from domestic assembly to the import of fully assembled vehicles. We undertook major restructuring, including moving our Head Office from Wellington to Palmerston North. We also established a used vehicle business and maintained our hold of the largest market share.	The renewal of TNZ following the restructuring in the previous phase was supported by new branding: Believe. Over this period we have been laying foundations for our Dealers to better meet the future needs of our customers in a changing consumer environment.	We can see the retail marketplace has changed: consumers don't enjoy the price negotiation and sales pressure when purchasing a new car. TNZ introduced our new agency and distribution model on April 1, 2018 called the 'Toyota Drive Happy Project.' It addresses the common customer concerns of buying and owning a car.



OUR BUSINESS STRATEGY

Toyota New Zealand's business purpose is to grow market share through our long-standing reputation for quality, broad product choice, and an enhanced sales and customer experience. We add value through a range of after sales support such as servicing, parts and accessories sales, financing and warranties, which build our relationship with, and retention of, customers. We endeavour to do this openly and responsibly.



IMPLEMENTING OUR VISION

We recognise that in the face of increasing environmental and social pressures we need to continue strengthening how we deliver on our Vision and Guiding Principles, particularly in light of the United Nations Sustainable Development Goals.

Our business and products need to adapt to the rapidly changing events in our industry, including continued demand for safer and cleaner cars, changing mobility needs, resource competition and scarcity, growing government regulation and consumer distrust. Climate change is the most significant of these disruptive 'megaforces' and will multiply the risks and challenges to our operations, supply chains and profitability.

These demand a comprehensive response from all businesses, and we wish to ensure sustainability is an integral part of what we do.

The process of compiling this Report helps us review our progress and reflect on how we impact and contribute to sustainable development.

This year we are introducing a new framework that articulates TNZ's place in our social and environmental systems, both locally and globally. This takes time and over the next year we will undertake internal strategic work to clarify our approach, and introduce objectives and targets for our performance over the short, medium and long term.

These will more tightly integrate our vision, principles and values into our business, and support progress towards the Toyota Environmental Challenge 2050 and the United Nations Sustainable Development Goals.

OUR SUSTAINABILITY FRAMEWORK



This Report is structured according to our new sustainability framework. In each section we present the context, key areas of impact, and our progress and objectives to improve our environmental and social performance.

Where relevant we include the activities of TMC, Dealers and logistics providers. We are working towards expanding our future reporting to include the progress of other key suppliers in improving their environmental and social outcomes.

These three elements (environment, social and business) are reflected in the colour headings of each section of this Report.

TOYOTA ENVIRONMENTAL CHALLENGE 2050

In 2015 our parent company TMC published six global goals. These aim to realise a sustainable future by addressing the harmful effects, on society and the environment, from its business sales and operations. TMC aspires to make a net positive contribution by 2050. Toyota New Zealand is aligning its strategies with this global direction.

**CHALLENGE 1**

New Vehicle Zero CO<sub>2</sub> Emissions Challenge

Toyota aims to reduce vehicle CO<sub>2</sub> emissions by 90% compared to 2010 levels. Toyota will continue developing next-generation vehicles with low or zero CO<sub>2</sub> emissions (hybrid, plug-in hybrid, electric and fuel cell vehicles) and encourage their adoption.

**CHALLENGE 2**

Life Cycle Zero CO<sub>2</sub> Emissions Challenge

Toyota aims to eliminate CO<sub>2</sub> emissions in material and vehicle production stages. Toyota will enhance vehicle eco-design aiming at zero CO<sub>2</sub> emissions in all stages of a car's life cycle and reduce the quantity of materials and number of parts used.

**CHALLENGE 3**

Plant Zero CO<sub>2</sub> Emissions Challenge

Toyota will cut CO<sub>2</sub> emissions to zero at manufacturing plants. Toyota will continue introducing and developing low CO<sub>2</sub> production technologies, energy efficiency, and promote the use of renewable energy and hydrogen.

**CHALLENGE 4**

Challenge of Minimizing and Optimizing Water Usage

Toyota will minimise the quantity and optimise the quality of water used in vehicle manufacturing. Low water consumption and high water quality discharged back into the environment will be achieved with a focus on efficiency, water reuse through recycling and purification.

**CHALLENGE 5**

Challenge of Establishing a Recycling-based Society and Systems

Toyota will continue rolling out systems aimed at resource efficiency to create a recycling based society. Toyota will utilise eco-friendly materials; make parts last longer; expand recycling technology; and manufacture new vehicles from end-of-life vehicles.

**CHALLENGE 6**

Challenge of Establishing a Future Society in Harmony with Nature

Toyota will collaborate with others to create a society where people coexist in harmony with nature. Toyota will develop partnerships with other businesses, government and non-government organisations, and local communities to conserve the natural systems on which we depend, and promote environmental education and awareness.

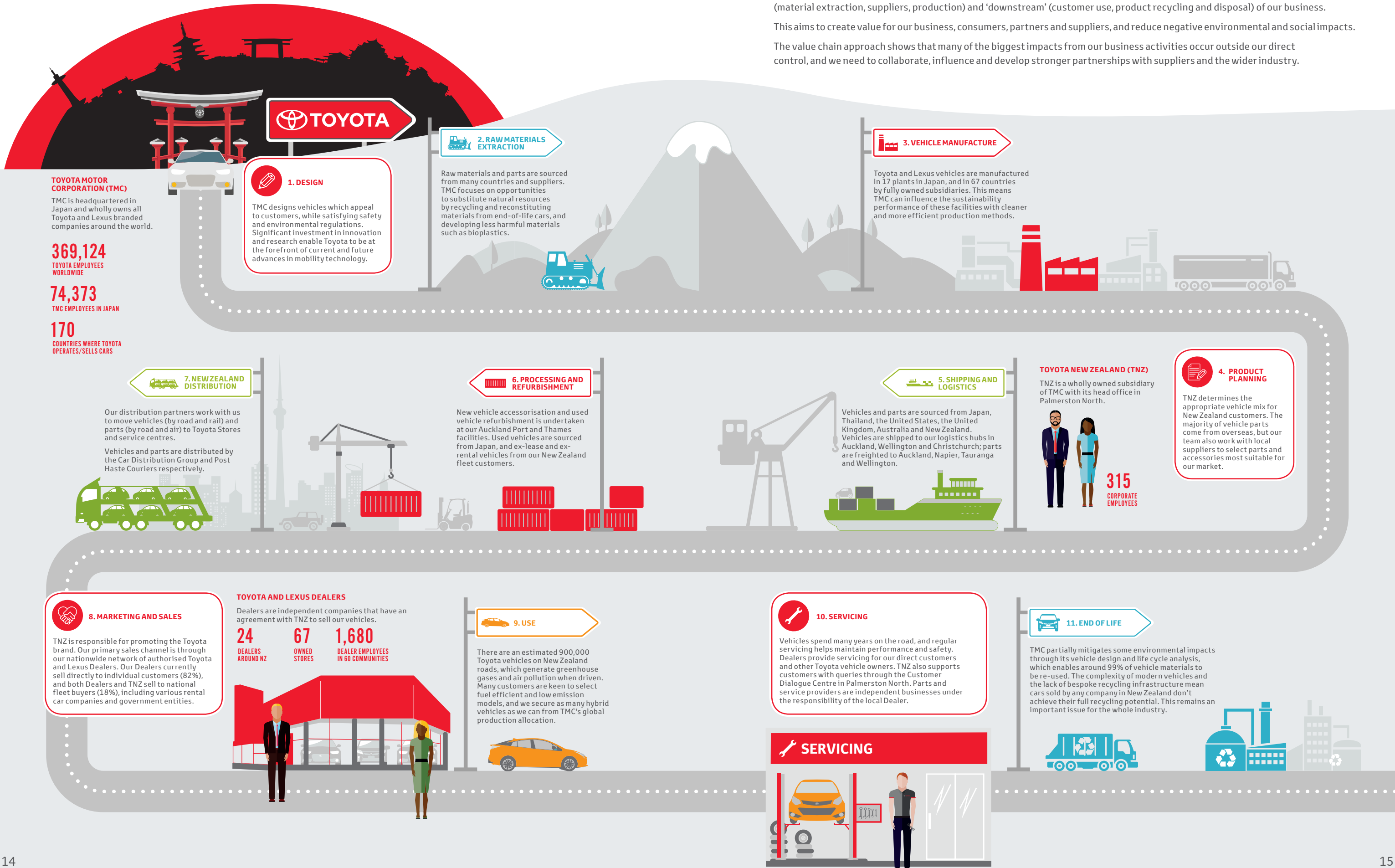
UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

As we revise our material issues and develop our strategy in the coming year, we will also reference the United Nations Sustainable Development Goals – specifically where we can best contribute to a goal and have the greatest impact. Highlighted in blue below are those Goals most relevant to our product and operations. We aim to raise internal awareness of how each TNZ department can contribute to these global objectives, and grow our responses over the coming years. Our next Report will describe this in more detail.

<b>1 NO POVERTY</b> End poverty in all its forms everywhere.	<b>2 ZERO HUNGER</b> End hunger, achieve food security and improved nutrition and promote sustainable agriculture.	<b>3 GOOD HEALTH AND WELL-BEING</b> Ensure healthy lives and promote well-being for all at all ages.
<b>4 QUALITY EDUCATION</b> Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	<b>5 GENDER EQUALITY</b> Achieve gender equality and empower all women and girls.	<b>6 CLEAN WATER AND SANITATION</b> Ensure availability and sustainable management of water and sanitation for all.
<b>7 AFFORDABLE AND CLEAN ENERGY</b> Ensure access to affordable, reliable, sustainable and modern energy for all.	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
<b>10 REDUCED INEQUALITIES</b> Reduce inequality within and among countries.	<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> Make cities and human settlements inclusive, safe, resilient and sustainable.	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> Ensure sustainable consumption and production patterns.
<b>13 CLIMATE ACTION</b> Take urgent action to combat climate change and its impacts.	<b>14 LIFE BELOW WATER</b> Conserve and sustainably use the oceans, seas and marine resources for sustainable development.	<b>15 LIFE ON LAND</b> Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	<b>17 PARTNERSHIPS FOR THE GOALS</b> Strengthen the means of implementation and revitalize the global partnership for sustainable development.	



OUR VALUE CHAIN



We take a value chain view to identify and manage the impacts and opportunities linked with the life cycle of our products and services. TNZ operations centre on sales, marketing and the distribution to retail outlets, but we also consider activities 'upstream' (material extraction, suppliers, production) and 'downstream' (customer use, product recycling and disposal) of our business.

This aims to create value for our business, consumers, partners and suppliers, and reduce negative environmental and social impacts.

The value chain approach shows that many of the biggest impacts from our business activities occur outside our direct control, and we need to collaborate, influence and develop stronger partnerships with suppliers and the wider industry.

OUR NEW  
BUSINESS MODEL



Over the last few years we have sought extensive customer feedback at each stage of their car purchase. We found they did not enjoy the price negotiation when buying a new car, worried about the salesperson’s motives when selling specific cars on the yard, were concerned they were not getting a good deal, and felt confused about the cost of servicing.

As a result, on April 1, 2018 we introduced a new vehicle sales model, radically evolving the car buying experience to keep up with today’s customer, and ensure their interests and concerns are better managed.

The ‘Toyota Drive Happy Project’ aims to eliminate some of the common pain points customers experience.

Enhanced test driving

We have placed customers at the heart of every stage of the buying process. Toyota Dealers (called Stores) now hold a wider range of demonstrator vehicles for customers to test drive to ensure they are completely happy with their final choice. There are now more flexible test-drive options including extended, overnight and weekend vehicle loans. As Stores hold demonstrator vehicles only, brand new vehicles are quickly transported to the Stores when customers order them.

Every new vehicle bought at a Toyota Store also comes with a seven-day money back option, to ensure peace of mind with each purchase. All Stores offer ‘Toyota Care Service Advantage’, giving customer certainty over servicing costs in the first four years of ownership.

The Toyota Driveaway Price

The old-fashioned price negotiation has been replaced with upfront, transparent pricing, referred to as the Toyota Driveaway Price, consistent in Toyota Stores across the country. This removes the traditional car Dealership ‘hard sell’ and makes buying a car a more comfortable and enjoyable experience.

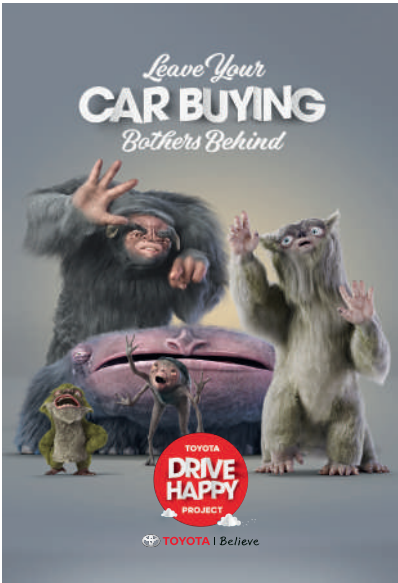
In line with common business practice, fleet owners or registered companies, receive tiered discounts based on the volume of cars they buy.

Store hospitality

We are proud of the customer service delivered by Dealers’ sales people. As part of our belief that we can always improve, we are undertaking extensive training for both our Dealers and corporate employees to offer even better hospitality and a great customer experience. Toyota New Zealand is also encouraging Dealers to shift from the commission based business

model to rewarding sales people for happy customers who return for car servicing and future vehicle purchases.

The new business model affects new vehicles only. Stores continue to own used vehicles and parts, and sell these directly to customers. Throughout this Report we provide an update on how this model impacts relevant parts of our business.



CUSTOMER EXPERIENCE,  
EXPECTATIONS AND  
ENGAGEMENT



Aaron Wheeler received a national award for being one of the top ‘favourite’ customer service representatives receiving calls in the CRM awards.

IN 2017 WE SOLD



AND PROVIDED SERVICE TO



We strive to provide our customers with high quality service across all our interactions, including vehicle purchasing, servicing, and with any queries or concerns they may have.

During 2018 we are introducing a new online tool to collect and measure customer satisfaction. This will capture responses from Stores and service centres, but also at other points of engagement with the Toyota brand, such as our Customer Dialogue Centre. It enables us to ask more targeted questions, gain better insights into customers’ satisfaction and where we can improve.

Customer satisfaction metrics are accessible by Dealers and corporate teams in real-time.

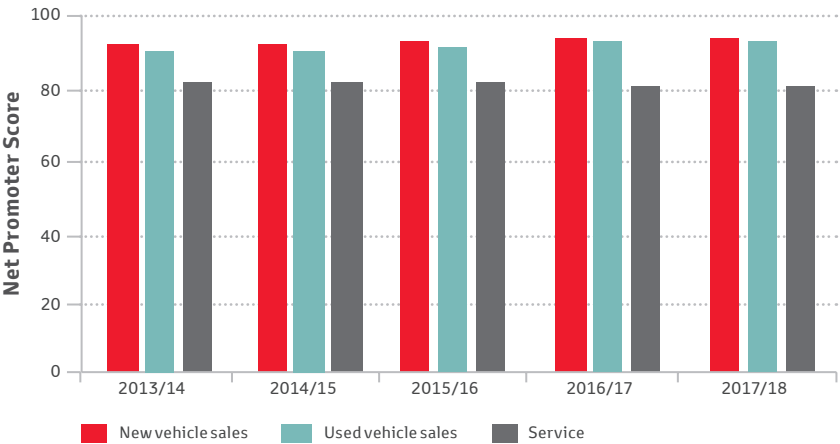
Results are reviewed every two months at a Customer Focus Executive meeting, and on a quarterly cycle to



Toyota New Zealand’s Palmerston North-based Customer Dialogue Centre won the National Supreme Diamond Award for customer service in the 2017 CRM awards.

Dealer Customer Service Performance (FY)

Sample sizes are provided in the Appendix.



Toyota New Zealand’s Board of Directors. The results form part of Dealers’ key performance indicators and our annual Dealer Awards.

Over FY2017/18 we continued to measure customer service across our Dealer network through the Net Promoter Score®. This is a widely utilised measure of customers’ willingness to recommend a particular product or service (in our case, the purchase

and servicing of cars at Dealerships) to friends or family. Toyota performs exceptionally well in this assessment where a score of 50 is considered high.

This year our customers highlighted the importance of proactive communications, the convenience of fitting in with their busy schedules, and good value for money. They also value the extra effort our service teams provide, such as car cleaning and courtesy cars.



21,389  
TOTAL NUMBER  
OF CASES



4,276  
NUMBER OF  
RECALL ENQUIRIES



23,240  
NUMBER OF  
FACEBOOK COMMENTS





# OUR PRODUCTS

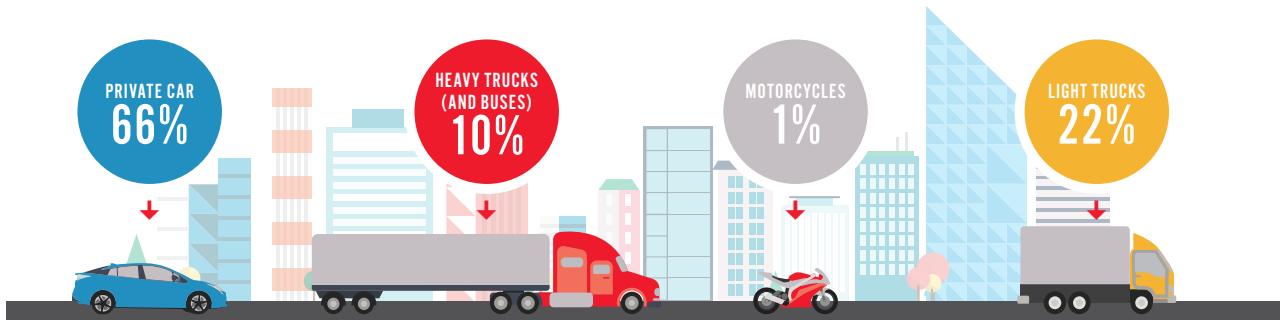
## TOYOTA GLOBAL GUIDING PRINCIPLES

Dedicate ourselves to providing clean and safe products and to enhancing quality of life everywhere through all activities.

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

New Zealand road transport greenhouse gas emissions (2016)

Ref: Ministry for the Environment



Transport is New Zealand’s second largest source of greenhouse gas (GHG) emissions, and we rank fifth highest among OECD member countries on a per person basis. New Zealand’s vehicle fleet is among the oldest in the developed world, and least fuel efficient. We support the government’s commitment to the Paris Agreement on Climate Change, and have set targets to reduce the emissions of the vehicle mix we sell in line with this – see Use page 20.

New Zealand’s population has risen rapidly in recent years, creating growth in light vehicle fleet sales. Given New Zealanders’ preference for

personal mobility, our transport system is dominated by private road transport. Consequently, compared to other developed countries vehicle ownership rates are very high and public transport use is relatively low.

### INNOVATION

Toyota is committed to quality and innovation, and safe, responsible mobility. We have a global vision of future ‘eco cars’ which have no negative environmental effects and which will help the transition to a low carbon society.

Toyota has the majority market share of hybrid vehicles in New Zealand, and our parent company continues its significant investment in developing more environmentally responsible vehicles including electric, plug-in hybrid and hydrogen fuel cell models. There is a strong focus on safety as we strive towards the ultimate goal of a society with no traffic accidents. TMC is also continuing to develop car intelligence and in-vehicle software platforms, including additional multi-media capabilities, social media integration, new navigation systems and information broadcasting.



→ CASE STUDY 01  
PG 35  
TOYOTA NEW ZEALAND:  
DRIVING INNOVATION



→ CASE STUDY 02  
PG 35  
TMC INNOVATION:  
AUTONOMOUS DRIVING



→ CASE STUDY 03  
PG 36  
TMC INNOVATION:  
CONCEPT-I



### VEHICLE LIFE CYCLE

Toyota has set ambitious goals for reducing the life cycle impacts of our vehicles.

As vehicle design and manufacture is undertaken by TMC and other TMC subsidiaries, we rely on their progress in these areas. TNZ’s contribution is choosing the right vehicle mix to achieve our business goals and manage the operational impacts from the moment we take ownership at the New Zealand ports where they are landed.

#### 1. Design

TMC uses the Eco-Vehicle Assessment System (Eco-VAS) software in the initial design to assess the impact of every model on the environment at all stages of its life cycle including materials, manufacturing, vehicle assembly, driving, maintenance, and disposal.



Toyota’s life cycle analysis is certified by a third party organisation TUV Rheinland, based on ISO 14040/14044 standards.

#### 2. Manufacture

Toyota manufacturing operations include a wide range of initiatives to manage the environmental impact from the production of motor vehicles. All plants are ISO 14001 certified and have comprehensive monitoring programmes and action plans in place.

For example, energy saving upgrades in the painting and casting process reduce heat loss, the amount of compressed air used, and greenhouse gas emissions.

A reduction in steam usage in TMC plants in Japan delivered a 10.7 million m<sup>3</sup> reduction in total water consumption and an eight per cent reduction per unit in FY2016. All plants have wastewater treatment facilities, and water recycling is encouraged. Waste management activities globally delivered a reduction of 0.7 per cent per unit, although total waste volume was up nearly three per cent.

#### 3. Distribution of Vehicles and Parts

TMC optimises parts storage and rationalises route distances across its international operations – for example it recently terminated the use of the Tokoname warehouse in Japan, which saves 9 tCO<sub>2</sub>-e per month, whilst in Thailand the reuse of imported parts containers for exporting parts and the saving in travel distances provides an annual reduction of 88 tCO<sub>2</sub>-e.

As a sales company, Toyota New Zealand’s core business activity is the importation and distribution of vehicles and vehicle parts. The associated greenhouse gas emissions are measured and managed with annual reduction targets and improvement plans.

Over the last few years our focus has been optimising vehicle logistics to deliver vehicles to customers faster, and reduce cost and emissions. In 2015 we added Wellington as a discharge port, to improve delivery performance in the lower North Island, and we continue to study other efficiency options in the central and upper North Island. The new ‘Toyota Drive Happy Project’ includes logistics elements which will further improve efficiency. New vehicle stock is now held centrally by TNZ at three storage hubs around the country, and delivered to Toyota Stores as vehicles are purchased.

This eliminates the multiple movements typical of our previous model, where Stores held stock.

On the parts front, we continue to work with suppliers and freight providers to improve logistics efficiency, in a global environment which is experiencing significant change and rationalisation in response to cost and capacity issues. In October 2017, we were able to move most of our sea freight back to Wellington, following a move to Napier in late 2016 due to Kaikoura earthquake damage to Wellington port. The supply of parts to customers was maintained throughout, although the move to Napier increased emissions as road transport was required to transit parts to Palmerston North (versus rail freight out of Wellington). The other challenge for parts logistics was the large volume of recall related parts (e.g. Takata airbag inflators), where we typically need to use air freight to respond quickly to customer and government expectations.

#### Logistics emissions

For much of this year our logistics continued to be disrupted by the State Highway 1 closure between Picton and Kaikoura, following the 7.8-magnitude earthquake in late 2016. This affected our ability to get vehicles to customers inside prescribed timeframes, and added both cost and carbon emissions from the longer inland transport route. The State Highway was re-opened in December 2017.



→ CASE STUDY 04  
PG 36  
STINK BUGS



4. Use

TMC aims to have every model in the Toyota and Lexus line-up available worldwide as either a dedicated electrified model, or with an electrified option (such as hybrid) by 2025.

TMC continues its research on next-generation batteries where the energy density greatly exceeds that of the lithium-ion batteries currently used for electric-powered vehicles. This will significantly lengthen cruising range, and provide a more compact and lightweight battery – reducing the vehicle mass and energy required to move it.

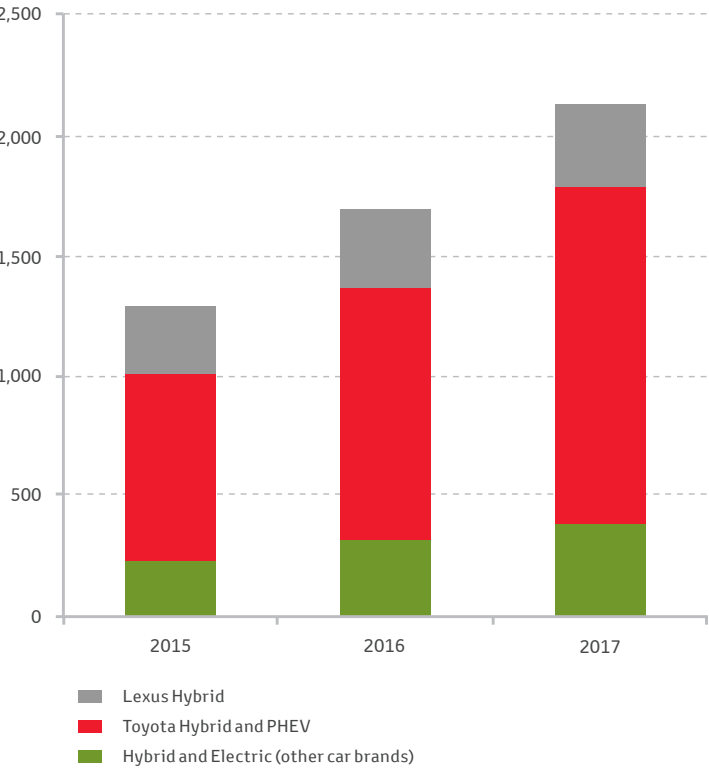
Power semiconductors play an important role in the operation of power systems and drive controls in hybrid vehicles. Toyota is increasing the efficiency of the semiconductors in order to improve vehicle fuel consumption by a further 10%.

New silicon carbide (SiC) semiconductors dramatically reduce power loss when applied to power conversion systems.

At TNZ we have set ourselves a new vehicle tailpipe CO<sub>2</sub> emission target for 2030. To achieve this we have an interim 2020 hybrid vehicle sales target. As global demand for low emission vehicles increases, we face supply constraints, which can affect our achievement of these targets. Supply restrictions for hybrid vehicles are likely to continue until at least August 2019. This is in part because TMC is prioritising vehicles for those national jurisdictions with stricter CO<sub>2</sub> emissions standards than New Zealand.

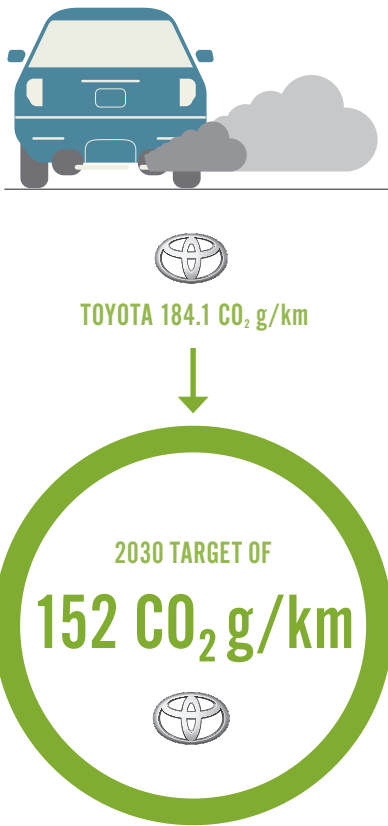
We are developing a marketing plan to promote the benefits of hybrid vehicles to New Zealanders, and the wider availability of this technology across our models.

Toyota New Zealand's contribution to hybrid electric vehicle sales (new vehicles) by CV

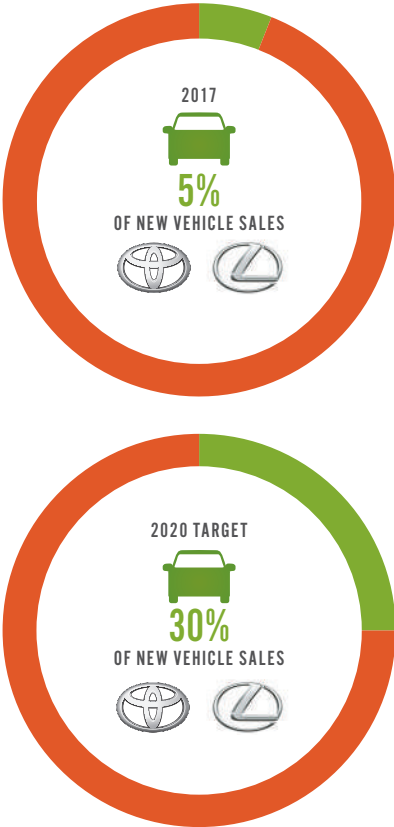


GOVERNMENT GOAL OF  
**64,000** ELECTRIC AND PLUG IN HYBRID  
ELECTRIC VEHICLES BY 2021

Tailpipe Emissions (New Vehicles)



TNZ Hybrid Electric Vehicle Sales



HYBRID ELECTRIC VEHICLES

We sell the following Hybrids and Plug-in Electric Hybrid as new vehicles in New Zealand.

Toyota

<b>Camry*</b>	<b>Corolla*</b>	<b>Prius</b>
CO <sub>2</sub> g/km <b>103</b>	CO <sub>2</sub> g/km <b>97</b>	CO <sub>2</sub> g/km <b>80</b>
L/100km <b>4.5</b>	L/100km <b>4.2</b>	L/100km <b>3.4</b>
No. seats <b>5</b>	No. seats <b>5</b>	No. seats <b>5</b>

<b>Prius c</b>	<b>Prius Prime (PHEV)*</b>	<b>Prius v</b>
CO <sub>2</sub> g/km <b>90</b>	CO <sub>2</sub> g/km <b>22</b>	CO <sub>2</sub> g/km <b>101</b>
L/100km <b>3.9</b>	L/100km <b>1.0</b>	L/100km <b>4.4</b>
No. seats <b>5</b>	No. seats <b>4</b>	No. seats <b>7</b>

Lexus

<b>CT 200h</b>	<b>ES 300h</b>	<b>GS 300h**</b>
CO <sub>2</sub> g/km <b>94</b>	CO <sub>2</sub> g/km <b>130</b>	CO <sub>2</sub> g/km <b>121</b>
L/100km <b>4.1</b>	L/100km <b>5.5</b>	L/100km <b>5.2</b>
No. seats <b>5</b>	No. seats <b>5</b>	No. seats <b>5</b>

<b>GS 450h</b>	<b>IS 300h</b>	<b>LC 500h</b>
CO <sub>2</sub> g/km <b>147</b>	CO <sub>2</sub> g/km <b>113</b>	CO <sub>2</sub> g/km <b>150</b>
L/100km <b>6.3</b>	L/100km <b>4.9</b>	L/100km <b>6.7</b>
No. seats <b>5</b>	No. seats <b>5</b>	No. seats <b>4</b>

<b>LS 500h</b>	<b>NX 300h</b>	<b>RX 450h</b>
CO <sub>2</sub> g/km <b>150</b>	CO <sub>2</sub> g/km <b>133</b>	CO <sub>2</sub> g/km <b>131</b>
L/100km <b>6.5</b>	L/100km <b>5.7</b>	L/100km <b>5.7</b>
No. seats <b>5</b>	No. seats <b>5</b>	No. seats <b>5</b>

<b>RX 450hL</b>
CO <sub>2</sub> g/km <b>137</b>
L/100km <b>6.0</b>
No. seats <b>7</b>

**Note:** Fuel consumption and exhaust emissions are combined values (urban and extra urban). PHEV is a weighted average.

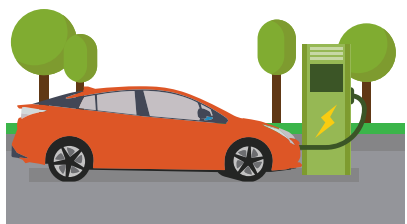
Fuel consumption figures are tested under controlled conditions and are provided for comparison purposes;

actual results will vary according to vehicle usage and operating conditions. For more information see: [www.toyota.co.nz/our-range/the-toyota-difference/fuel-economy/](http://www.toyota.co.nz/our-range/the-toyota-difference/fuel-economy/)

\* On sale after the reporting period FY2017-18.  
\*\* Discontinued from September 2018

**Used vehicles**

To increase the availability of lower emission vehicles (and help overcome the current supply limitations of new cars), we are sourcing used hybrid vehicles from Japan – particularly plug-in hybrid electric vehicles (PHEV).



TOYOTA NEW ZEALAND HAS

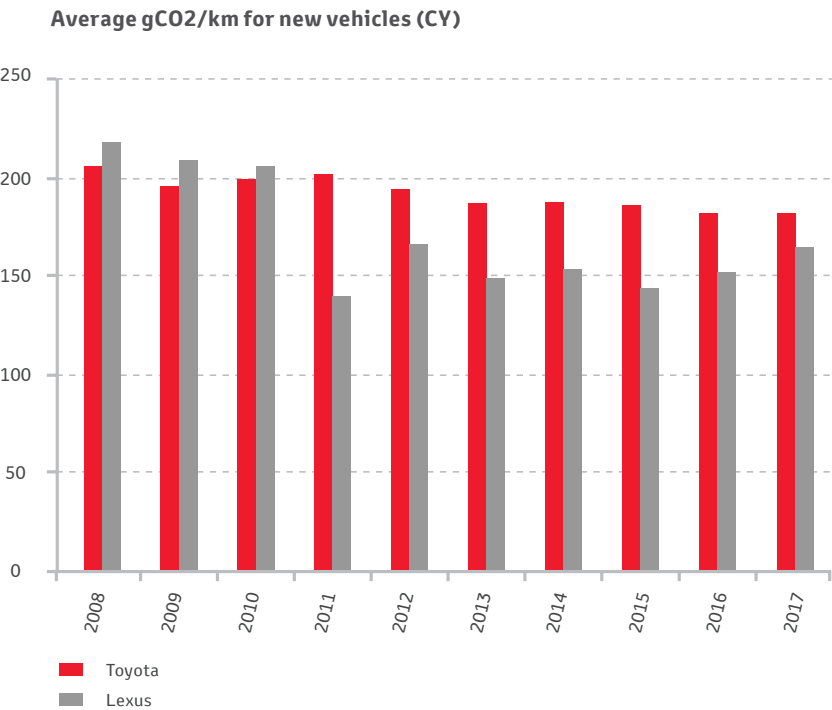
**39 PHEV CHARGING STATIONS**

INSTALLED AT OUR DEALERS' STORES AND SERVICE CENTRES

**23 CHARGING STATIONS ARE SCHEDULED FOR INSTALLATION BY END OF 2018**



**383 END OF LIFE HYBRID BATTERIES COLLECTED FOR RECYCLING IN CY2017**



#### Hybrid vehicle batteries

To ensure the environmental benefits of hybrid vehicles are not undermined when batteries need replacing (for example, accident damage), we established nationwide collection through Toyota Stores, which includes a \$100 bounty for returned batteries from vehicle dismantlers. These batteries are sent to our Palmerston North national parts warehouse for temporary storage. We have partnered with Auckland based Upcycle Limited to strip the outer metals and plastics (which are diverted to local recycling systems) and send the battery cells to Kobar Limited in South Korea (Kobar is the closest of the few global facilities equipped to recycle the cells). Both Upcycle and Kobar are ISO 14001 (environment) certified, which gives us confidence that their processes are reliable and minimise the environmental impact.

#### Wheel covers

Wheel covers are fitted to Toyota and Lexus vehicles to protect the brake discs from surface corrosion during transit and storage. From early 2017

the covers for alloy wheels changed to a hard plastic clip-on cover, as seeds and other potential bio-hazards could become stuck to the previous stick-on film cover in transit. We have now established a collection and recycling process to ensure full recyclability within New Zealand. Wheel covers are removed at storage locations as vehicles are dispatched, and returned to recyclers in Christchurch and Palmerston North. We are continuing to investigate recycling options in Auckland, to reduce the cost and emissions of sending them to Palmerston North.

#### 5. Disposal, recycling and resource extraction

TMC is focused on reducing the impact of materials in its products. Examples of current initiatives include:

- The Automobile Recycle Technical Centre in Handa City, Japan researches efficient dismantling methods for vehicle parts.
- “Disassembly facilitation marks” imprinted on parts assist the dismantling industry with easier vehicle disassembly.
- The technical design of vehicle wiring enable it to be stripped out without damaging other components.

More efficient dismantling and recycling processes reduce the demand on resources during the raw material extraction phase of the vehicle life cycle.

## SAFETY

There has been a sustained decrease in the number of accidents on New Zealand roads since 2000. In 2017 the road toll was 378 fatalities from 342 crashes; a further 2,833 people were seriously injured, and 11,037 injured.

Toyota aims to prevent and reduce the likelihood of accidents, while mitigating impacts on passengers and pedestrians should an accident occur.

The Australasian New Car Assessment Programme (ANCAP) tests high volume vehicles sold in Australia and New Zealand. To be eligible for a 5 star ANCAP rating, a car must be able to perform well structurally, and must have technologies to help avoid crashes. All new Toyota models from 2012 onwards tested by ANCAP were rated 5 stars.

#### New Vehicles

TMC is dedicated to improving the safety of vehicles through their design and manufacture.

All Toyota and Lexus vehicles comply with current New Zealand Transport Agency safety standards. These can be found online at [www.nzta.govt.nz](http://www.nzta.govt.nz)

Toyota New Zealand has a policy to include the highest specification safety features that TMC makes available as standard on all vehicles we bring into our local market.

When new vehicles are introduced Toyota distributors around the world work together to closely monitor performance so any issues can be quickly identified and addressed.

TMC continues to evolve the Toyota Safety Sense™ (TSS) technology, whose active safety features address common causes of traffic accidents. TSS provides pre-crash detection, lane departure alert and automatic high beams. Dynamic radar cruise control and lane tracking technologies are available on some models. Road sign assist displays current speed limits and notifies the driver if they are exceeding these.

#### Used Vehicles

All used vehicles refurbished by Toyota New Zealand undergo a rigorous safety inspection of 200 checks, underpinned by ISO 9001 (quality) certification. This is an in-depth examination of all safety related items such as seat belts, brakes, shocks and suspension components.

#### Recalls

The technological complexity of vehicles sometimes means they don't fully operate as intended. TNZ has a long-held commitment to both customers who bought their vehicles from Toyota Dealers, and owners who may have bought a used Toyota vehicle from other distributors. If an issue is identified, we may recall the vehicles affected and fix the part at no cost to the customer.

We follow the Motor Industry Association Code of Practice for Vehicle Recalls. We communicate recalls publicly, and also directly with owners, and monitor the number of vehicles that have been fixed through our service centres on a monthly basis.

#### Takata Airbag Recall Update

The 2015 global recall of faulty airbags produced by manufacturer Takata has affected an estimated 100 million vehicles worldwide from 11 major car manufacturers. We continue working to replace the large number of affected vehicles.

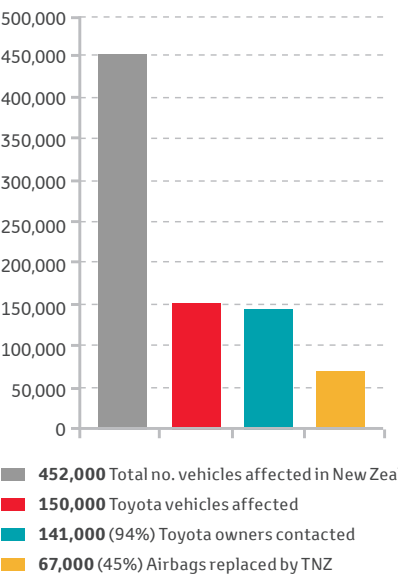
The New Zealand government issued a compulsory recall in April 2018. This has assisted in raising public awareness, and resulted in an increased response from our customers. It also assists in sourcing replacement parts, as TMC prioritises parts that are needed to meet regulatory requirements.

The Government mandated that vehicles with Alpha airbags are to be completed first, by the end of 2019. Alpha specifically refers to older, higher risk airbags typical of vehicles manufactured before 2006.

#### TNZ recall campaign launched in CY2017

RECALL PART	NO. VEHICLES AFFECTED	NEW / USED OR BOTH	PROGRESS % COMPLETED
Pre-Crash System	91	New	88%
Curtain Shield Airbag	1,292	Both	61%
Curtain Shield Airbag Bracket	310	New	75%
Airbag Inflator	9	New	100%
Sliding door	92	New	74%
Auto Shift Lever	2,450	Both	47%
Brake Control Module	552	New	88%
Instrument Panel Harness	90	New	59%
Park Brake Cable	92	New	85%
Skid Control ECU	693	New	52%

#### New Zealand Takata Airbag Recall



We are continuing to work through the remaining vehicles as quickly as parts supply and resources allow. Due to the scale of this recall, TNZ has employed extra staff to resolve the issue as quickly as possible for customers. To check if you vehicle is affected, see: [www.recalls.govt.nz/alert/takata-airbag-recall-information](http://www.recalls.govt.nz/alert/takata-airbag-recall-information).







### ECONOMIC PERFORMANCE

Over the last four years we have seen significant growth in the new vehicle market due to New Zealand’s strong economy, business confidence, and high net migration. We anticipate this demand will slow in the coming years.

This data is presented by calendar year, as this is the usual time frame for public reporting of car sales to the media.

#### New Vehicle Market Summary

CALENDAR YEAR	2014	2015	2016	2017
TOTAL MARKET SALES	127,179	134,041	146,753	159,872
TOYOTA	24,692	26,330	26,785	32,282
LEXUS	557	641	720	712
TOYOTA/LEXUS MARKET SHARE	19.9%	20.1%	18.7%	20.6%

#### Toyota and Lexus Used Vehicles Sales

USED VEHICLES (TOYOTA/LEXUS)	2014	2015	2016	2017
	8,623	8,139	9,379	9,254



## OUR OPERATIONS

### TOYOTA GLOBAL GUIDING PRINCIPLES

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.

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

Foster a corporate culture that enhances individual creativity and teamwork value while honouring mutual trust and respect between labour and management.

As a distributor of vehicles and parts sourced overseas, Toyota New Zealand has no car manufacturing. However, we are committed to reducing the environmental impact of our own operations and influencing business partners both up and down the value chain (see page 14).

### EMS CERTIFICATION

We have the following audited and certified environmental programmes in place: Enviro-Mark is an internationally recognised environmental management system developed by the Crown Research Institute and now administered by Enviro-Mark Solutions. We use Enviro-Mark to manage the environmental impact of corporate and Dealer operations. TNZ’s head office and Auckland sales office continue to be audited annually at the Diamond

(top) standard. During the reporting period, larger Dealers progressed from a minimum Gold level to also achieve Diamond certification by the end of 2017. This exacting standard was also reached by two smaller Dealers: Tasman Toyota in New Plymouth and Rotorua Toyota.

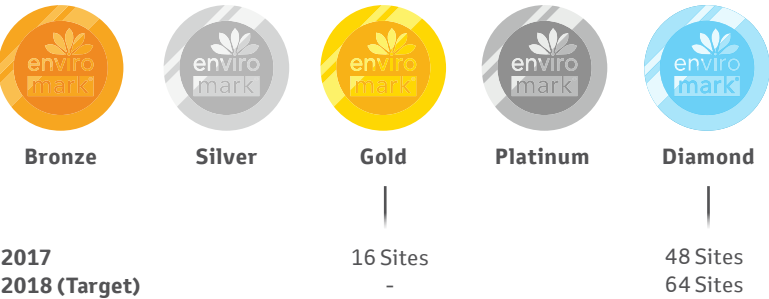
### OPERATIONAL EMISSIONS

TNZ greenhouse gas emissions during the reporting period totalled 30,190 tCO<sub>2</sub>-e. The majority of these come from freight vehicles (68%) and parts (10%) to New Zealand ports. This means increased sales this year (more than 4,000 above target) also raised emissions. This growth in business activity also raised domestic freight emissions and those from most other operational sources, such as long-haul business travel.

We capture and track all site and operational greenhouse gases under the Certified Emissions Measurement and Reduction Scheme (CEMARS), which is audited annually to confirm accuracy. This data excludes Dealers. In this reporting period, we further expanded the emissions inventory scope to include electricity at a leased Toyota Racing Series facility at Hampton Downs, and corrected a calculation under-estimate for our inbound parts air freight. This means our total emissions are not wholly comparable with previous years - see page 39.

Our 2018 sales target is slightly lower than in 2017, so we expect our shipping emissions to drop in the coming year. We also anticipate an improvement in emissions intensity through more efficient domestic vehicle logistics from our new business model. However, building emissions are likely to rise as we complete the new extension to our national parts warehouse.

#### Toyota and Lexus Dealer EMS certification (CY)



**Corporate and Dealer sites**  
Environmental Management System

**Thames and Port of Entry sites**  
Environmental Management System

**Corporate sites and operations**  
Greenhouse Gas Emissions Management



### DEALER ENVIRONMENTAL ACTIVITIES



TNZ requires each Toyota and Lexus Dealer to have an independently audited and certified Environmental Management System (EMS) in place. Toyota and Enviro-Mark obligations include:

#### Dealer Commitment

- Environmental champion appointed at each site
- Environmental Policy signed by CEO
- Mandatory participation in Enviro-Mark certification programme
- Annual independent audit to ensure compliance with Enviro-Mark standards
- Dealership EMS Manual
- All site contractors are inducted to ensure they follow responsible environmental processes

#### Staff Awareness

- Staff noticeboard provides kaizen information (targets, data, actions, ideas) to raise employee environmental understanding and participation
- Training and standard operating procedures ensure safe handling, storage, recycling and disposal of hazardous materials

#### Fuel Efficiency

- Charging station and parking for Plug in Hybrid Vehicles
- Monitoring and management of car fleet fuel usage



#### Compliance and Pollution Prevention

- Regular site inspections to identify potential site nuisances for neighbours (noise, odour, dust, lighting etc), avoid potential pollution incidents and identify environmental improvements
- Regular documentation review to ensure necessary consents, permits and training are in place
- Regular washbay water quality checks to ensure compliance with local council standards
- Site stormwater drains are identified to ensure staff and contractors do not use them to dispose of liquids
- Spill kits to contain accidental discharges
- Approved Fillers Test Certificate (AFTC) confirmed annually for vehicle air conditioning gas recovery (either on-site or by 3rd party)
- Emergency response and preparedness plans in place to avoid incidents and accidents
- Safe storage of chemicals on site
- Bunding and regular checks of oil and fuel tanks to prevent and capture leaks
- Mandatory reporting of any complaints and regulatory non-compliance to Toyota New Zealand

#### Resource Management

- Hazardous waste recycling (oil filters, used oil, coolant, solvents, air bags, batteries)
- Hybrid battery collection point
- Energy efficiency targets and actions reviewed quarterly
- Water efficiency measures and usage monitoring
- Measures to reduce waste and improve recycling
- Project progress and review meetings with top management

### ENVIRONMENTAL TRAINING

Our annual Dealer environment training focused on supporting larger Dealers with their preparation and progression to the Diamond level.

This year we also place a special emphasis on raising the completion rates of our staff on-line Environmental Induction.



→ **CASE STUDY 05**  
**PG 36**  
**TARGETED SUSTAINABILITY LEADERSHIP TRAINING**

#### On-line Environmental Induction completion rate:

AT START OF 2017

**11%** **7%**  
CORPORATE EMPLOYEES DEALERS

BY END OF 2017

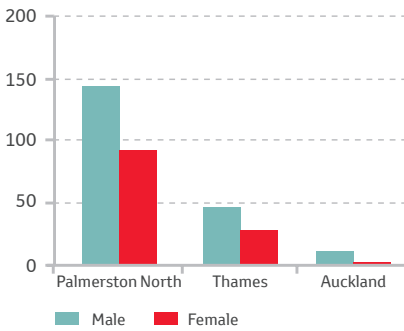
**87%** **53%**  
CORPORATE EMPLOYEES DEALER EMPLOYEES

**187** HOURS OF TNZ EMPLOYEE ENVIRONMENTAL TRAINING

**1,750** HOURS OF DEALER ENVIRONMENTAL TRAINING



#### Workforce profile



\* Includes Assistant Managers

### OUR PEOPLE

We greatly value our employees, and recognise the importance of providing them with a safe and enjoyable workplace.

We operate with a team of 315 employees, with most based at our National Customer Centre in Palmerston North. The majority are direct employees, with some tasks undertaken by contractors – most numerous in our parts Warehouse.

#### Developing our new business model

Over recent years we have been running a number of large development projects leading up to the launch and roll out of our new Toyota Drive Happy Project business model – page 16.

This placed a significant additional workload on many team members, particularly in the IT department. To support all employees, we introduced a series of 'Building Resilience' workshops, and encouraged staff to raise issues and concerns. We trained managers to identify people who needed support, and ensured everyone was aware of our Employee Assistance Programme, a confidential, external counselling service. We will continue to develop these responses over the coming year.

We expect our employee numbers to reduce slightly in 2018 as the Toyota Drive Happy Project model moves to business-as-usual, and fixed term contracts come to an end.

Toyota New Zealand is committed to recruiting and promoting on individual merit, and without discrimination. We recognise the challenges associated with unconscious bias and do our best to overcome this through promoting awareness. We monitor pay, and are confident we pay our employees equally for the same work, regardless of gender.

There were no recorded incidents of discrimination during the reporting period.



→ **CASE STUDY 06**  
**PG 37**  
**FIRST WOMAN ON THE EXECUTIVE TEAM**

### Employee engagement and communication

We want our employees to look forward to coming to work, and to see how what they do contributes to the success of our company and communities.

We communicate with our teams regularly and value questions and ideas to support continual improvement in all areas of our business. Key forums for sharing information and gathering feedback are monthly staff meetings and an annual question and answer session with our CEO.



→ **CASE STUDY 07**  
**PG 37**  
**THAMES STAFF IMPROVEMENT SYSTEM**

When we achieve important milestones we take the time to celebrate these together. This year we celebrated 30 years of market leadership with a special evening of dinner and entertainment for all staff.

To measure our performance we conduct annual employee surveys to understand where we are doing well and where we can do better. Since 2000, we have participated in the Best Workplaces Performance Index. This provides us with an overall score and commentary about the areas we need to focus on. The results of the survey are reviewed by our Executive Team and reported back to teams by department managers, along with information on how we intend to address any concerns raised.

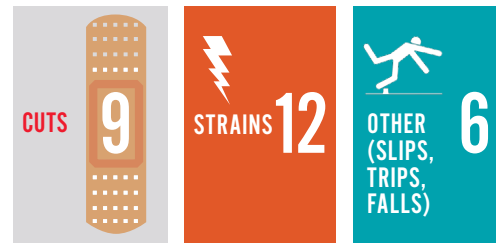
We aim to create an enjoyable work environment. Our employee-led Best Places to Work Action Group identifies and implements initiatives to ensure all employees feel respected, acknowledged, valued, and engaged. This year we are increasing our focus on employee wellbeing by providing more opportunities for employees to be more active, eat healthy food, and contribute in our local community.



→ **CASE STUDY 08**  
**PG 37**  
**VALUING FEMALE EMPLOYEES**



#### INJURY RATE BY TYPE



TOTAL INJURY RATE **27**

#### Health and safety

We are committed to making sure our people and everyone we work with are kept safe and healthy.

Our staff receive, store and move vehicles and parts; they also install accessories in new and refurbished used vehicles. As a result, they are at risk of injuries from manual handling, as well as trips and falls.

During the reporting period, the Government discontinued the Accident Compensation Corporation (ACC) Workplace Safety Management Practices Scheme which provided discounted ACC levies for companies meeting certain health and safety standards. We previously held tertiary level certification, and valued the external audit and feedback on our safety practices. The Government's primary workplace health and safety regulator, WorkSafe, is introducing a new voluntary health and safety performance improvement toolkit for businesses called SafePlus.

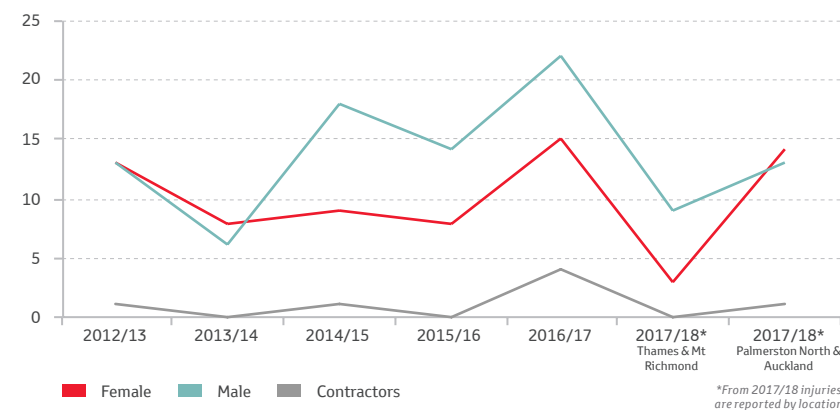
SafePlus is more focused on safety behaviours than policies and documentation. We are trialling SafePlus in 2018 and do not expect that the move away from the ACC scheme will negatively impact our overall health and safety management approach.

As a result of our ongoing emphasis on the safety we are seeing an expected rise in reporting of incidents. This helps us to identify where closer attention is needed, such as specific training or changing operating processes.

We believe we can always do more to keep people safe. Over the last year we have been particularly focused on supporting the wellbeing of our employees and managing their stress as we transitioned to our new business model. See page 27 for more information.

Our safety management systems and policies comply with the New Zealand Health and Safety at Work Act 2015.

#### Number of employee injuries (FY)



#### Number of employee injuries (FY)

2012/13	2013/14	2014/15	2015/16	2016/17	2017/18* (Thames & Mt Richmond)	2017/18* (Palmerston North & Auckland)
26	14	27	22	37	12	27

#### TOYOTA NEW ZEALAND'S BOARD OF DIRECTORS

Ultimate responsibility for health and safety sits with our Board of Directors. Progress against objectives and incidents are reported to the Board each quarter.

#### CORPORATE AFFAIRS EXECUTIVE COMMITTEE

Progress against objectives and any incidents are reported to the Corporate Affairs Executive meeting every month. Changes required to ensure objectives are met are discussed and agreed.

#### HEALTH AND SAFETY COMMITTEE

Everyday health and safety matters are undertaken by a representative Committee that comprises 11.4 per cent of our total workforce. It meets every two months at our head office and in Thames, and includes managers, team leaders and general employees, with representatives from all departments and site locations. The team develops and implements an annual Health and Safety Business Plan, which outlines objectives, targets, and actions for the year, such as maintaining awareness, and Committee member and leadership training.

#### OUR STAFF, VISITORS AND PEOPLE WE WORK WITH

We expect everyone on our sites to take the safety of themselves and others seriously. Any incidents (near-misses or injuries) are recorded by employees and contractors using our cloud-based health and safety management tool, People Safe.

#### Training and development

Employee development is a central theme of our business strategy. We have continued to invest in training programmes across all three of our people development pillars:

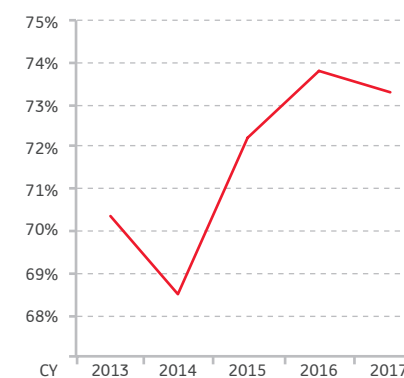
- 1. Staff learning and development**  
Providing team members (head office and in Toyota Stores) with the skills and knowledge necessary to do their job, supported by performance monitoring and assessment.
- 2. Customer services people development**  
Promoting the principles of 'customer first' for our Toyota network in every interaction with customers during their purchase and ownership of a vehicle.
- 3. Future people development**  
Recruiting talented individuals, and growing their skills and experience to build world-class teams.

#### COMMUNICATION AND COLLABORATION WITH DEALERS

Our Dealer engagement strategy is based on meaningful two-way dialogue, clear franchise standards, and training aimed at improving business performance. We have a team dedicated to managing this relationship and supporting them in building strong, sustainable businesses and exceptional customer service.

We use annual Dealer satisfaction surveys to measure our performance and identify where we can strengthen interactions and responses.

#### Dealer Satisfaction



**16.6** AVERAGE HOURS OF TRAINING PER DEALER EMPLOYEE

We track and measure employee performance by providing annual reviews for all of our salaried employees. This allows us to identify areas where we can both encourage excellence and where further learning and support may be required.

#### FY2017/18 Total TNZ Corporate Staff Training Hours



Further breakdown of training is available in the Appendix.

This year, in addition to our usual training programmes, our focus has been on readying our teams and Dealers for the Toyota Drive Happy Project. This has included hospitality training (see below) and a change management programme.

#### FY2017/18 Average Hours of Training by Gender



#### Toyota Drive Happy Project

Our new business model means significant changes for Dealers as they no longer purchase new Toyota vehicles for sale in Dealerships, and instead act as agents selling new vehicles on behalf of Toyota New Zealand.

The Dealer network is fully engaged with the Toyota Drive Happy Project. They recognise the need for the industry to change in order to meet evolving customer needs and understand the positive impacts this will have for their staff and businesses.

We will continue to work with owners and CEOs on fine tuning and improving the Toyota Drive Happy Project experience to meet our customers' needs. To facilitate this, we have introduced new IT systems and measures.

While we will still track overall sales we will also monitor a number of new customer-centric metrics to help us ensure our processes and training are fully aligned and provide the best possible customer experience.

#### Dealer employees

Staff retention and development is a key focus for our Dealers, who collectively employ 1,680 people across New Zealand. The Toyota Drive Happy Project aims to create more positive working environments for Dealers' teams by removing the focus on price, and instead paying more attention to helping customers choose the most suitable vehicle for their needs.

To prepare Dealers for the Toyota Drive Happy Project, we rolled out extensive training. In FY2016/17 this was focused on new IT systems. This year we concentrated on the sales process, and a stronger emphasis on hospitality: going beyond simply providing a pleasant sales experience to learning how our customers feel when they come into our Stores.

**AN AVERAGE OF 21.6 HOURS FOR DEALER TECHNICAL STAFF + 14.1 HOURS FOR DEALER BUSINESS STAFF**

**31,070** TOTAL HOURS OF DEALER TRAINING



COMPLIANCE

In order to maintain our strong brand, we hold our operations, and those of our Dealers, to a high standard of organisational conduct and operational performance. This means that in addition to meeting New Zealand legislation requirements, TNZ and our Dealers must comply with corporate obligations set by TMC.

This is important in ensuring TMC meets its obligations as a listed entity on the New York stock exchange.



**NEW ZEALAND GOVERNMENT**  
The Toyota Drive Happy Project business model means we are now considered a financial service provider as we offer a credit facility to our Dealers. This does not substantially change any of our processes, but introduced some additional compliance and reporting requirements under the Anti-Money Laundering and Countering Financing of Terrorism Act.



**DEALERS AND STORES** We manage our own compliance and Dealer obligations through an internal controls programme. Dealers internal audit frequency is based on the size of the store, and results are reported back to Dealers every month, and to the Internal Audit and Process Committee every two months.



**TOYOTA MOTOR CORPORATION**  
TMC provides performance standards based around key sustainability issues such as customer service, health and safety, and environmental management. These extend to the Dealer network.



**TOYOTA NEW ZEALAND** We use a formal risk management process to assess risks. Our Risk Register incorporates all departmental objectives, targets and results and is reviewed annually by the Board of Directors. Our detailed Code of Ethics, as well as fraud and corruption controls, is used to guide the behaviour of all Toyota New Zealand employees. We did not record any significant fines or non-monetary sanctions for non-compliance with laws and regulation during the reporting period.

FINANCIAL PERFORMANCE  
(\$ MILLION)

FINANCIAL YEAR	2013/14	2014/15	2015/16	2016/17	2017/18
TOTAL REVENUE	985.6	1,027.0	1,084.2	1,177.3	1,402.9
OPERATING COSTS	952.2	979.8	1,034.4	1,113.9	1,334.1
CAPITAL PROVIDER COSTS	3.5	9.1	17.5	20.3	25.2
EMPLOYEE WAGES AND BENEFITS	22.4	24.4	25.0	27.7	30.9
AFTER TAX PROFIT	5.7	13.4	18.3	21.7	21.9

All sales were within New Zealand (private and government customers, and fleet buyers).



OUR PARTNERSHIPS

TOYOTA GLOBAL GUIDING PRINCIPLES

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



We work closely with others up and down our value chain (see page 14 and 15) to deliver vehicles and parts for our customers. We also have strong relationships in many communities around the country, and focus on four key partnerships that align with our values and vision for a thriving New Zealand.

SUPPLIERS

Our suppliers are integral to Toyota New Zealand's success, as they are responsible for the production and delivery of fit-for-purpose, high quality goods and services for both customers and our operations. They include a mix of local and international organisations: vehicles are sourced from other Toyota affiliate countries, whilst parts come from both New Zealand and overseas (see pages 14-15, and 39). TMC and local freight distribution partners represent the largest impact on our supply chain. There were no significant supply chain changes during the reporting period.

We have strong relationships with many suppliers and are seeking to increase their engagement on sustainability issues within the next 12 months. New software will help evaluate their compliance with environmental regulations, performance data and management improvement plans.





## PARTNERS

Our partners describe their relationship with Toyota New Zealand below:



OVER  
**27,000**  
KIWI GUARDIANS MEDALS REDEEMED

**14,000**  
CHILDREN HAVE ENGAGED WITH THE PROGRAMME

**107** OUTDOOR SITES TO VISIT ACROSS NEW ZEALAND

**13** HOME-BASED CHILDREN'S ACTIVITIES

**Department of Conservation**

In partnership with Toyota New Zealand, we run Kiwi Guardians, an education outreach programme that encourages kiwi kids to get outside and learn about nature. Children can access online resources to help plan local adventures, and earn rewards in the form of participation medals. This partnership reflects our closely aligned values and vision of sustained conservation action to help New Zealand's biodiversity. TNZ provides creative expertise and support to help build and promote a successful programme.



As a market leader, TNZ's support provides credibility in the business world and extends the reach of our work. At DOC, we have a vision of every New Zealand business investing in restoring nature by 2050; our partnership with Toyota is helping more children connect to the natural world, while helping mainstream conservation activity as 'just the way we do business in New Zealand'.

We encourage TNZ to continue to grow the programme with us and develop its environmental commitment into local communities, with customers and procurement partners.

New Zealand has a unique opportunity to prove it is possible to have a flourishing natural environment, growing economy, and rich indigenous culture. Businesses like Toyota have an important role to play: demonstrating that the environment and business are not mutually exclusive.



2018 SEASON: TV BROADCAST OF RACES IN OVER **100** COUNTRIES

MORE THAN **835** MEDIA MENTIONS

**12.8** MILLION VIEWERS GLOBALLY

**Toyota Racing New Zealand**

TRS is run by Toyota Racing, a division of Toyota New Zealand, and represents Toyota's commitment to nurturing New Zealand's next generation of top level racing talent. No other manufacturer has made the same long-term commitment to motorsport in this country. In addition, TRS is the only class in New Zealand motorsport that offers aspiring racing drivers vital experience with cars using wings, slicks tyres, and composite technologies.

By providing the latest innovations in motorsport engineering,

technology and safety features, we give Kiwi drivers the best possible preparation for intense competition on the global stage.

TNZ and TRS believe our drivers can be the best in the world. We bring excitement to the Toyota brand through motorsport and a way for Toyota to connect with a younger generation.

Our aim for the future is to keep evolving and improving and, as we move into the 15th season as New Zealand's premier Racing Series, ensure that TRS is as exciting, fast and closely fought as ever.



## Parenting Place

**500,000**

FAMILIES ASSISTED EVERY YEAR

TOYOTA FAMILY JOURNEYS LAUNCHED 2016

ARTICLES READ  
**28,400** TIMES

VIDEOS VIEWS  
**47,500**



REACHED FINALS FOR PAST **6** CAMPAIGNS

TNZ PARTNERSHIP FOR OVER  
**25 YEARS**

WINNERS OF THE 1995, 2000, AND 2017 CAMPAIGNS



## Parenting Place

Parenting Place is New Zealand's largest parenting organisation. Our dream is for Aotearoa to be a place where every whānau thrives and every child feels deeply loved. Through a range of fun, accessible programmes, courses and resources, we walk alongside parents and young people, supporting the restoration, strengthening and building of flourishing relationships. With offices in Auckland, Christchurch, Wellington and Tauranga, Parenting Place has 120 staff and 585 volunteers nationwide. As a charity, we are incredibly grateful to Toyota New Zealand for being our principal corporate partner.



TNZ provides us with financial support, and assists in raising the profile of our programmes and messages so we can reach more families across New Zealand. A major focus of our combined promotional work is Toyota Family Journeys. The programme aligns with TNZ's business, centering on family time while travelling in the car. We provide ideas and tools to support families to use their time in the car to build deeper connections, have fun together and engage in important conversations.

Our long term partnership is built upon shared values and Toyota's commitment to kiwi families. Toyota's trusted brand brings credibility to our organisation, and we represent a key mechanism for TNZ to contribute to the lives of New Zealanders, empowering them to thrive.



## Emirates Team New Zealand

Emirates Team New Zealand competes in the America's Cup, the oldest trophy in international sport, where we represent the Royal New Zealand Yacht Squadron. We are the longest surviving America's Cup syndicate of all time, and the most successful in modern history since 1987.

Echoing this, TNZ has been a staunch supporter of our team since the 1992 campaign, making this the longest continuous major sports sponsorship in New Zealand - a sponsor for almost as long as some of our young sailors have been alive. It shows the strength of the relationship between our two brands.

We have grown together and TNZ is very much a part of our DNA. To have an Emirates Team New Zealand boat without the Toyota brand proudly emblazoned on

it would be like driving a Hilux with Corolla wheels - it simply would not feel right. The brand is a huge part of who this team is.

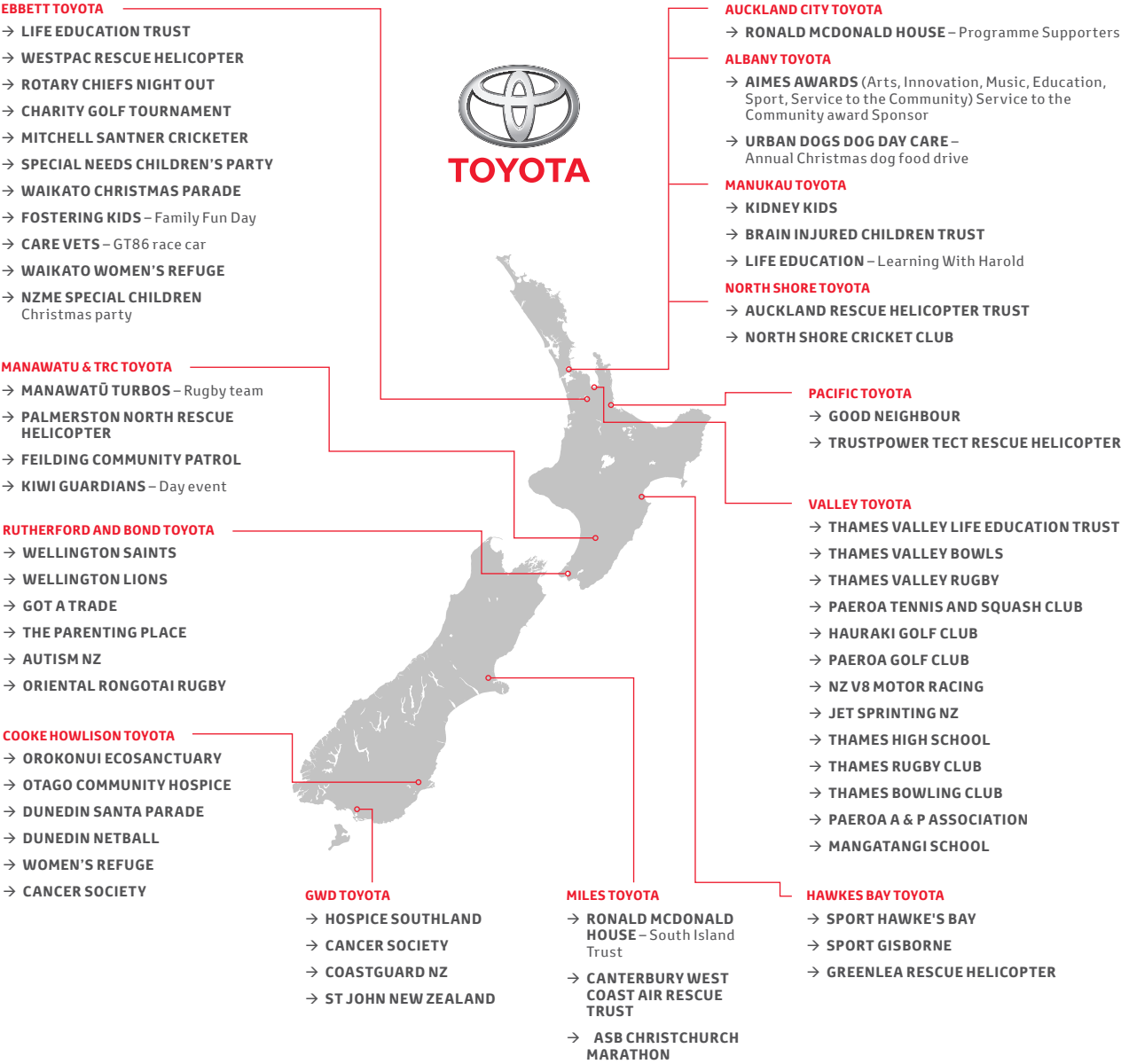
Our brands are aligned through a focus on continuous improvement and innovation. We are also both committed to promoting the best of New Zealand to the world. Participating in this prestigious sailing event on the global stage brings economic value to New Zealand - more so as we bring the next campaign to Auckland, and share the event with international visitors who come to watch, participate, and enjoy our country.

TNZ recently signed on to continue their support of Emirates Team New Zealand for the 36th America's Cup campaign through to 2021. We look forward to hosting and defending the America's Cup on our home turf, and are thankful for the ongoing belief and backing from Toyota New Zealand.

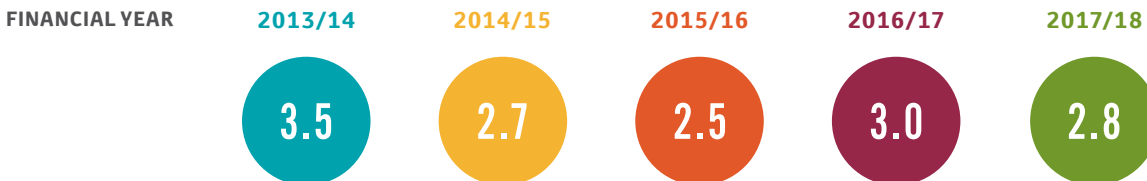


### DEALERS SUPPORT IN THE COMMUNITY

Our Dealers represent Toyota in over 60 communities across New Zealand. In addition to getting involved in the events of our partners, they support the needs of their local communities. Some of the community initiatives over the past year included:



### TNZ COMMUNITY INVESTMENT (\$ MILLION)



# CASE STUDIES



01

### TOYOTA NEW ZEALAND: DRIVING INNOVATION

Toyota New Zealand has partnered with Nanogirl Labs, whose co-founder is Dr Michelle Dickinson. Michelle is renowned for her ability to communicate science and technology in an educational, fun and engaging way, and will help us explain the complex emerging technology which is shaping future mobility.

Michelle presents regular online and social media updates on local and global innovations, and kicked off our new Driving Innovation campaign with a series of videos interviewing the product specialists and experts behind Toyota's latest developments at CES 2018, the world's largest consumer electronics show in Las Vegas.

02

### TMC INNOVATION: AUTONOMOUS DRIVING

Since 2015, the Toyota Research Institute (TRI), based in North America, has been exploring artificial intelligence and autonomous technology. In 2017 TRI presented its first self-driving car, a Lexus LS 600hL test vehicle equipped with LIDAR (light detection and ranging), radars, and camera arrays. TRI calls this current vehicle 'Platform 3.0' (and the end goal is platform 5.0, which represents full autonomy).

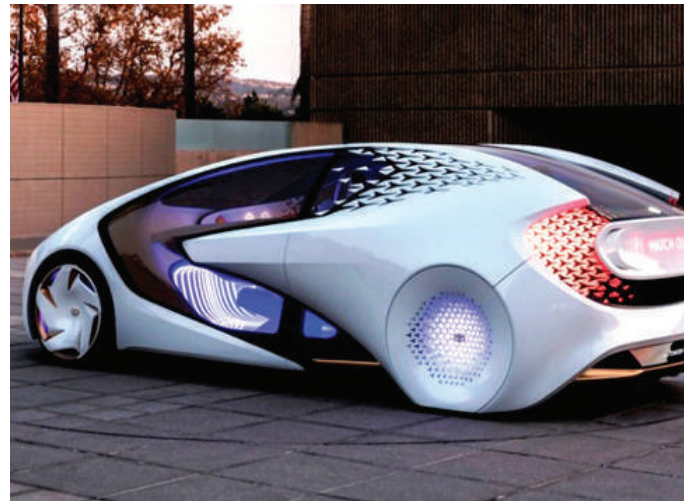
In February 2018, Toyota, together with Aisin Seiki Co. and Denso Corporation, took a further step into autonomous vehicle development with the announcement of the Toyota Research Institute Advanced Development (TRI-AD) in Tokyo. TRI-AD's objective is to create fully integrated, production-quality software for automated driving and strengthen Toyota's artificial intelligence, automated driving and robotics competitiveness. Other aims include: creating a smooth software development transition from research to commercialisation, leveraging data-handling capabilities, recruiting and employing top-level engineers globally, and cultivating the talent of individuals within the Toyota group.



# 03

## TMC INNOVATION: CONCEPT-I

Concept-i is Toyota's vision for the car of the future, and was unveiled at CES 2017 (Consumer Electronics Show). The Concept-i presents a glimpse into future mobility: a car that interacts more closely with the driver through a specially designed interface that has its own personality (called 'Yui' which means centre or soul). Through the use of Artificial Intelligence the car develops a relationship with the driver, learning and adapting to their driving style, and providing a 'kinaesthetic' (tactile learning) experience. For example, the car can nudge your shoulder to indicate an object is in your blind spot, and use eye tracking to change the music.

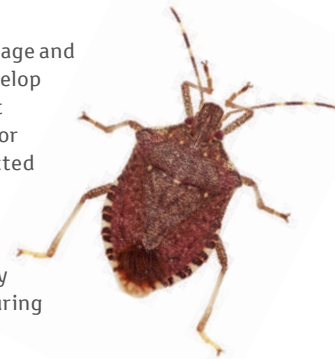


# 04

## STINK BUGS

The Brown Marmorated Stink Bug (BMSB) was an unwelcome visitor again this year. Following discovery of the bug in shipments of vehicles from the United States in late 2014, it was discovered again on ships from Japan in early 2018. The BMSB is a significant threat to New Zealand's horticultural industry, and with most vehicles coming into this country from Japan, the threat was much larger. Whilst there was substantial industry disruption, the impact on TNZ was limited as we had minimal volumes on the early affected vessels, and because we acted quickly to separate new and used vehicles on vessels with the support of Toyota Japan and their shipping companies (used vehicles had been identified as more likely to be the source than new vehicles).

TNZ also arranged for Ministry for Primary Industries (MPI) staff to visit Toyota storage and port sites in Japan, as part of a wider MPI assessment of vehicle supply chains to develop a revised Import Health Standard (IHS) to address the stink bug threat. The MPI visit confirmed information already provided by TNZ that storage periods and facilities for new vehicles were short and well organised relative to used vehicles. This was reflected in the new IHS (published in August 2018) which requires all used imported vehicles to be heat treated in Japan before loading. Importers of new vehicles, like TNZ, need to prove there are processes and checks in place throughout their supply chain to minimise stink bug contamination and respond quickly if discovered - for example by using bug traps at storage locations, and the separation of new and used vehicles during transportation and at the port.



# 05

## SUSTAINABILITY LEADERSHIP TRAINING

We have been participating in targeted sustainability training for key employees across the business, delivered by the University of Cambridge Institute of Sustainability Leadership.

Our CEO and two members of the Senior Executive team have participated in the Executive Programme and our Environment Officer attended the Sustainability Practitioner Programme in March 2018. The aim of this training is to strengthen our understanding of sustainability challenges, and further inform our business response.

In addition, five employees from Toyota New Zealand have participated in the Sustainable Business Council's Future Leaders Programme since 2013. This training has assisted in developing employees' leadership skills and understanding of sustainability issues, across departments as diverse as product planning, customer relationship management, used vehicles and environmental management.



UNIVERSITY OF  
CAMBRIDGE

# 06

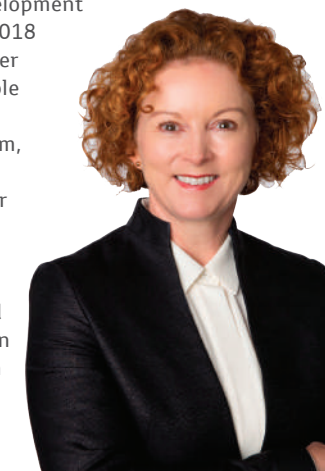
## FIRST WOMAN ON THE EXECUTIVE TEAM

This year we welcome Debbie Pattullo as the first woman to be appointed on the Toyota New Zealand Executive team.

Debbie started her journey with TNZ in the marketing team in 1990, when our head office was located in Johnsonville. 28 years on, she has also worked in Palmerston North and Auckland in a variety of roles across both the Toyota and Lexus brands. As Marketing Manager, Debbie oversaw the creation of the iconic New Zealand 'Bugger' advertisement, and Toyota's sponsorship of the 2000 Team New Zealand America's Cup campaign, later expanding her skills to include sales and operations as she led the Lexus team. Later, her People Development Corporate Manager role saw her focus on growing the skills in the Dealer network with the introduction of the Careers website, the Dealer Graduate and 'Work Inspiration' programmes, putting Dealers on the career map for school leavers.

Debbie credits the enjoyment of her career at TNZ to the exciting nature of the car industry, the stimulating work environment, and the way TNZ encourages rotation and the empowering of staff to take on greater responsibility.

In October 2017, TNZ promoted Debbie as the new Assistant General Manager for People Development and Human Resources. (In June 2018 she was made full General Manager for a new division Customer People and Business Support). "As the first woman on the Executive team, I recognise we have work to do to support the representation of our female employees in senior leadership roles. From my role in People Development, I am well placed to champion this work and ensure there is a stream of women coming through the organisation that are empowered to reach the highest career positions."



# 08

## VALUING FEMALE EMPLOYEES

Overall our annual Best Workplaces survey (see page 27) showed strong employee engagement across Toyota New Zealand. However, we noticed this year that female employees were less satisfied than male employees in some work areas. We held several working sessions to understand this difference, and as a result, we are working to introduce initiatives over the next year that will provide better support for female staff in three areas. The first is around policy, culture, and progression, and includes improving consistency of flexible working practices, and internal career pathways for women. The second seeks to improve coaching and better management of unconscious bias. The third aims to foster a cohesive team culture among women at TNZ through formal mentoring and networking opportunities. A small team has been established to manage the development and implementation of initiatives in each of these areas.



# 07

## THAMES STAFF IMPROVEMENT SYSTEM

Our Thames Refurbishment Facility encourages all employees to get involved in identifying improvement opportunities across the categories of environment, health and safety, general improvement and team development. Over the past financial year, the team implemented an average of 31 low or no cost improvement suggestions each month. Environmental ideas included improving waste and recycling bin signage, separating new recycling streams such as hard plastic and plastic wrap, replacing old lights with energy efficient LEDs, and improving waterborne paint waste management.





## 09 AMERICA'S CUP WINNERS

Emirates Team New Zealand (ETNZ) made history by winning the America's Cup in Bermuda in June 2017. The win solidifies ETNZ's place as the competition's most successful, longest surviving America's Cup syndicate: they have reached every one of the past six finals, and are the only team to have successfully challenged on two separate occasions (1995 and 2017).

Bob Field, former CEO and Chair of Toyota New Zealand, now holds the role of a Toyota Ambassador. He has been an adviser and mentor for Emirates Team New Zealand since the early 1990s and is currently a Board member. Bob believes that there were five key attributes that helped ETNZ overcome the odds and succeed in Bermuda:

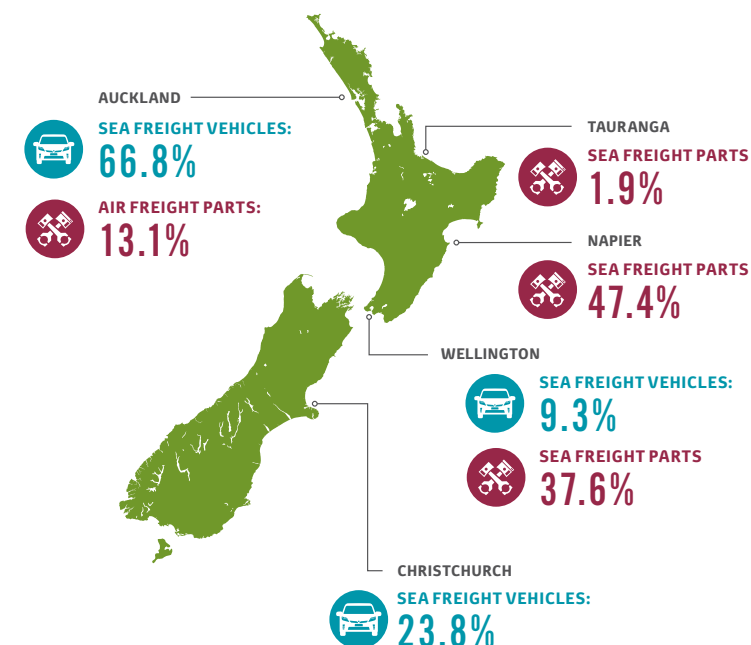
- 1. CAMPAIGN STRATEGY** - Reviewing and applying the lessons learnt from the previous unsuccessful San Francisco campaign in 2016, through until the final race.
- 2. INNOVATION** - Emirates Team New Zealand needed breakthrough ideas to outflank the bigger and better funded opposition; cycling was one of these important innovations – giving the sailors an advantage in hydraulic power for race manoeuvres and starting box tactics. The extensive use of simulators to design a radical foiling board for light wind conditions was invaluable.
- 3. TEAM CULTURE** - Emirates Team New Zealand epitomises the 'kiwi 'can do' attitude and inclusive team culture, such as the team coming together when the boat was damaged during the Bermuda Louis Vuitton semi-final.
- 4. SAILING TEAM SKILL** - The hydraulic power from cycling combined with a great on-board synergy, gave the Emirates Team New Zealand sailing team the advantage and ability to complete race manoeuvres much faster than other boats.
- 5. GOOD FORTUNE** - They say fortune favours the brave, and our radical light air boards were a risk in high winds but proved to be a match winner in wind speeds up to 12 knots.

Toyota New Zealand is proud to continue the support and sponsorship of the team and looks forward to the 2021 regatta in Auckland.

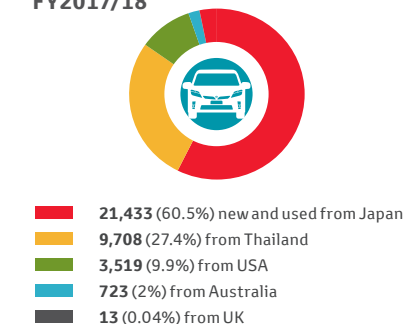


## APPENDIX

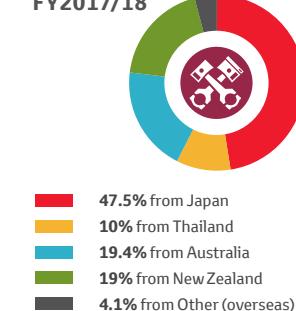
### 1. Vehicle and Parts Arrival Points



### Origin of New Vehicles FY2017/18



### Origin of Parts FY2017/18



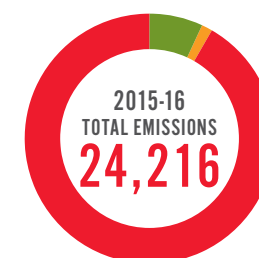
\*Many of the items sourced from New Zealand suppliers will have come from overseas. We do not yet have visibility on the origins of these parts.

### 2. TNZ Greenhouse Gas Emissions (Operations)



#### SCOPE 1

Direct emissions from energy and transport which we own or control



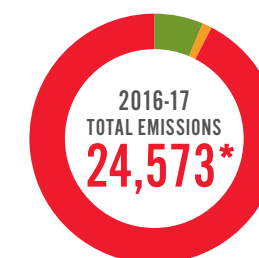
Scope 1 1,540  
Scope 2 300  
Scope 3 22,376

Emissions Intensity tCO<sub>2</sub>-e per \$million 19.05  
tCO<sub>2</sub>-e per car sold 0.73



#### SCOPE 2

Indirect emissions from purchased energy



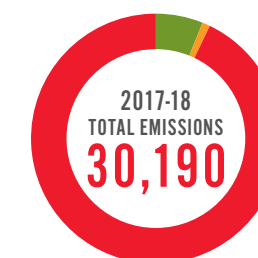
Scope 1 1,459  
Scope 2 241  
Scope 3 22,873\*

Emissions Intensity tCO<sub>2</sub>-e per \$million 17.37  
tCO<sub>2</sub>-e per car sold 0.65



#### SCOPE 3

All other indirect emissions not included in Scope 2, including freight



Scope 1 1,492  
Scope 2 245  
Scope 3 28,453

Emissions Intensity tCO<sub>2</sub>-e per \$million 18.4  
tCO<sub>2</sub>-e per car sold 0.71

Emissions intensity is not adjusted for inflation. \* Differs from previously published data following correction of a calculation error for inbound parts air freight.



3. Dealer Customer Service - Net Promoter Scores

Customers					
NET PROMOTER SCORE					
Financial year	FY2014	FY2015	FY2016	FY2017	FY2018
New vehicle sales	93.1%	93.1%	94.1%	95.6%	95.6%
Service	82.7%	83%	82.8%	82.1%	84.95%
Used vehicle sales	91.3%	91.7%	92.4%	94.5%	94.6%
SAMPLE SIZE					
Financial year	FY2014	FY2015	FY2016	FY2017	FY2018
New vehicle sales (% of sales, No. sales)	3,256 (13.6%) (24,013)	3,549 (13.7%) (25,831)	3,556 (14.4%) (24,743)	4,413 (15.8%) (27,837)	4,425 (13.6%) (32,500)
Service	21,815	24,215	26,402	27,405	27,099
Used vehicle sales (% of sales, No. sales)	3,578 (74.9%) (4,776)	4,919 (93.8%) (5,246)	5,604 (77.6%) (7,220)	5,828 (83.3%) (6,995)	5,726 (71.1%) (8,050)

4. FY 2017/18 Training Data

		FY2017/18 AVG HRS	FY2017/18 TOTAL HOURS	FY2016/17 TOTAL HOURS	FY2015/16 TOTAL HOURS
Total Training Hours	Palmerston North and Auckland	13.5	3,217	4,711	
	Thames	13.2	1,083	756	
Total (Excl. Dealers)			4,300	5,466	13,180
	Dealers	16.6	26,770		
TOTAL			31,070	No Dealer data	No Dealer data
Business, Health and Safety and Technical Areas Training	Palmerston North and Auckland Business	11.1	2,630	3,394	
	Palmerston North and Auckland Health and Safety	0.2	59	891	
	Palmerston North and Auckland Technical	2.2	528	425	
	Thames Health and Safety	0.3	26	756	
	Thames Business Training	12.9	1,057		
Total (Excl. Dealers)			4,300	5,466	13,180
	Dealers - Business	14.1	15,043		
	Dealers - Technical	21.6	11,727		
TOTAL			31,070	No Dealer data	No Dealer data
Management and Non-Management Training	Palmerston North and Auckland Management	5.7	160	358	423
	Palmerston North and Auckland Non-Management	14.6	3,058	4,353	3,541
	Thames Management	10.8	43	61	1,272
	Thames Non-Management	13.3	1,040	695	7,944
TOTAL			4,300	5,466	13,180
Total Training by Gender	Palmerston North and Auckland - Male	14.7	2,123	3,231	
	Palmerston North and Auckland - Female	11.6	1,094	1,479	
	Thames - Male	16.8	873	321	
	Thames - Female	7.0	210	434	
Total (Excl. Dealers)			4,300	5,466	
	Dealers - Male		22,629		
	Dealers - Female		4,141		
TOTAL			31,070	No Dealer data	No Dealer data
Total Training by Employment Type	Full Time	15.3	4,150		
	Part Time	2.9	24		
	Fixed Contract	9.3	102		
	Other	0.8	24		
TOTAL			4,300		

5. TNZ material issues

In 2015 we undertook an extensive materiality assessment to determine the issues of greatest importance to our business and stakeholders. Our approach to determining material issues aligns with the Global Reporting Initiative (GRI) guidelines. This involved internal and external research as well as in-depth interviews with Toyota New Zealand senior managers, staff and key external stakeholders. The resulting material issues and their boundaries are detailed in the table below, together with where information on our performance can be found in this Report.

In our last Report we noted our intention to reassess our material issues in 2018. Unfortunately we have not completed this work as we are developing our wider sustainability strategy for Toyota New Zealand. The reassessment is underway, and we will report on both of these activities in 2019.

TNZ'S MATERIAL ISSUES AND STAKEHOLDER BOUNDARIES									
ISSUE (IN ORDER OF IMPORTANCE)	DEFINITION	 TMC	 Dealers	 Customers	 Employees	 Suppliers	 Community	 Government	PAGE
Communication and collaboration with Dealers	Helping Dealers achieve their objectives by providing clear communication, training and business development opportunities.		•						29
Economic performance	Profit, vehicle sales, exports, vehicles manufactured, competition.	•	•						30
Innovation and new technologies	Sourcing new and innovative products for the market, including electric vehicles, more fuel efficient vehicles, in-vehicle IT systems, and availability of hybrid vehicles in more product ranges, including for large fleet customers.	•	•	•	•				18, 21
Vehicle and parts quality and safety	Initiatives to increase safety, meet and exceed compliance requirements, and avoid recalls.	•	•	•	•			•	23
Customer experience, expectations and engagement	Engagement with consumers to deliver a high quality service, managing and meeting their expectations, and responding to customer feedback.		•	•	•				17
Brand reputation and market leadership	Achieving a positive perception of the Toyota brand by media, customers, and the public, and maintaining market leadership.	•	•	•	•				9
Health and safety	Managing health and safety for our customers, employees and other stakeholders, and developing a positive health and safety culture.	•	•	•	•			•	28
Employee engagement and communication	Effective employee engagement and communication.		•	•	•				27
Training and development	Supporting employee capability and building and maintaining organisational knowledge, including career and succession planning.		•	•	•				29
Vehicle life cycle	Pursuing better environmental and social outcomes across the product lifecycle, such as management of waste, vehicle recyclability (including hybrid battery and tyre recycling), impacts during operation, and engaging with the broader motor industry on product life cycle.	•	•	•	•		•	•	19-22
Managing logistics and supply chain	Opportunity to improve systems regarding logistics, improving efficiency and communication through the supply chain, environmental impact of logistics including domestic and international freight and associated greenhouse gas emissions.				•	•	•		31, 39
Compliance obligations (government and Toyota Global)	Maintaining legislative and regulatory compliance in regard to advertising, price quotes and changes, fuel efficiency and product safety. This includes Dealer environmental compliance as a Toyota franchise requirement.		•			•	•	•	30



# ASSURANCE STATEMENT

## Independent Limited Assurance Report to Directors of Toyota New Zealand Limited

### Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any matter that would lead us to believe that the selected non-financial information in the Sustainability Report has not, in all material respects, been prepared in accordance with Global Reporting Initiative Standards ("GRI") for the period 1 April 2017 to 31 March 2018.

### Information subject to assurance

We have performed an engagement to provide limited assurance in relation to Toyota New Zealand Limited's ("Toyota New Zealand") Sustainability Report for the 1 April 2017 ended 31 March 2018.

### Selected non-financial information

The selected non-financial information covers the collation and presentation of the significant areas within the report (pages 1 to 47), excluding:

- Financial performance information included in the table on page 30 of the report; and
- Greenhouse gas emissions included on page 25 and appendix (page 39).

### Standards we followed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and International Standard on Assurance Engagements (New Zealand) 3410 *Assurance Engagements on Greenhouse Gas Statements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the selected non-financial information within the Annual Report is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

### Restriction of distribution and use

Our report should not be regarded as suitable to be used or relied on by any party other than Toyota New Zealand for any purpose or in any context. Any party other than Toyota New Zealand who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Toyota New Zealand Limited for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Toyota New Zealand on the basis that it shall not be copied, referred to or disclosed, in whole (save for Toyota New Zealand's own internal purposes) or in part, without our prior written consent.

### Directors' responsibility for the Sustainability report

The directors of Toyota New Zealand are responsible for the preparation and fair presentation of the selected non-financial information in accordance with the GRI for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. This responsibility includes such internal control as the directors determine is necessary to enable the preparation of the selected non-financial information is free from material misstatement whether due to fraud or error.

### Our responsibility

Our responsibility is to express a conclusion to the directors on the preparation and presentation of the selected non-financial information in accordance with the GRI.

### Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG also provides advisory services to Toyota New Zealand. Subject to certain restrictions the Partners and employees of our firm may also deal with Toyota New Zealand on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. Other than in our capacity as assurance provider, we have no relationship with, or interest in, Toyota New Zealand.

KPMG  
Auckland  
25 September 2018





# GLOBAL REPORTING INITIATIVE CONTENT INDEX

GRI NUMBER	DESCRIPTION	SECTION TITLE	PAGE
GRI 102 GENERAL DISCLOSURES 2016			
102-1	Name of the organisation	Company profile	3
102-2	Activities, brands, products, and services	What we do	10
102-3	Location of headquarters	Company profile	3
102-4	Location of operations	Our value chain	10, 11
102-5	Ownership and legal form	Our value chain	14
102-6	Markets served	What we do	10, 11
102-7	Scale of the organisation	What we do	10, 11
102-8	Information on employees and other workers	Our people	27
102-9	Supply chain	Suppliers; Transport	31; 21
102-10	Significant changes to the organisation and its supply chain	Our new business model; Suppliers	16; 31
102-11	Precautionary Principle or approach	Corporate governance	7
102-12	External initiatives	External certificates and standards	7
102-13	Membership of associations	External certificates and standards	7
102-14	Statement from senior decision-maker	Message from the CEO	4
102-16	Values, principles, standards, and norms of behaviour	Our vision	6
102-18	Governance structure	TNZ material issues	7
102-45	Entities included in the consolidated financial statements	Scope of report	3
102-40	List of stakeholder groups	Stakeholders	9
102-41	Collective bargaining agreements	Approximately 6.3% of our workforce is covered by collective bargaining agreements. We remunerate and benchmark salaries annually	N/A
102-42	Identifying and selecting stakeholders	Stakeholders	9
102-43	Approach to stakeholder engagement	Stakeholders	9
102-44	Key topics and concerns raised	Our material issues	39
102-46	Defining report content and topic Boundaries	Scope of report	3
102-47	List of material topics	TNZ material issues	39
102-48	Restatements of information	Where there are changes to previously reported data, this is explained where the restated information appears	N/A
102-49	Changes in reporting	About this report	3
102-50	Reporting period	Period covered by report	3
102-51	Date of most recent report	About this report	3
102-52	Reporting cycle	About this report	3
102-53	Contact point for questions regarding the report	Company profile	3
102-54	Claims of reporting in accordance with the GRI Standards	About this report	3
102-55	GRI content index	GRI content index	44
102-56	External assurance	Assurance statement	42

GRI NUMBER	DESCRIPTION	SECTION TITLE	PAGE
MATERIAL ISSUE DISCLOSURES			
GRI 201 ECONOMIC PERFORMANCE 2016			
Management approach			
201-1	Direct economic value generated and distributed	Governance and economic	30
GRI 416 Customer health and safety 2016			
Management approach			
416-1	Assessment of the health and safety impacts of product and service categories"	Safety (100% of vehicle categories are assessed for safety improvements to be included as standard)	23
GRI 403 OCCUPATIONAL HEALTH AND SAFETY 2016			
Management approach			
403-1	Workers' representation in formal joint management-worker health and safety committees	Health and safety	28
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health and safety (Types and rates of injury reported only)	28
GRI 404 TRAINING AND EDUCATION 2016			
Management approach			
404-1	Average hours of training per year per employee	Training and development	29
404-3	Percentage of employees receiving regular performance and career development reviews	Training and development	29
GRI 305 EMISSIONS 2016			
Management approach			
305-1	GHG emissions Scope 1	Operational emissions	25; 39
305-2	GHG emissions Scope 2	Appendix	
305-3	GHG emissions Scope 3	<a href="http://www.enviro-mark.com/our-members/members/toyota-new-zealand-limited">www.enviro-mark.com/our-members/members/toyota-new-zealand-limited</a>	
305-4	GHG emissions intensity	Appendix	39
GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT 201			
Management approach			
308-2	Negative environmental impacts in the supply chain	Suppliers; Operational emissions; Appendix (Data not available for percentage of suppliers)	31; 25; 39
GRI 307 ENVIRONMENTAL COMPLIANCE 2016			
Management approach			
307-1	Non-compliance with environmental laws and regulations	Compliance obligations (government and TMC)	30
Management approach for other material issues (not covered by specific GRI standards)			
Communication and collaboration with dealers			29
Innovation and new technologies			18
Customer experience, expectations, and engagement			17
Brand reputation and market leadership			9
Employee engagement and communication			27
Vehicle life-cycle			19







**To provide feedback please contact:**  
Toyota New Zealand  
Customer Dialogue Centre  
Phone: 0800 TOYOTA (0800 869 682)  
Email: [customercare@toyota.co.nz](mailto:customercare@toyota.co.nz)



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