

TOYOTA NEW ZEALAND LIMITED

2019

Sustainability Report



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About this report

Report structure and material issues

This Report follows the structure we introduced in the 2018 Report: our strategic approach to sustainability and an updated materiality assessment. See pages 8 and 10.

Period covered by Report

All data covers the period from 1 April 2018 to 31 March 2019 unless otherwise stated. For major ongoing initiatives, information from 1 April 2019 onward is also included.

Scope of the Report

The Report covers Toyota New Zealand's activities, and the Toyota and Lexus retail network in New Zealand where relevant. It does not include the operations of Toyota Financial Services New Zealand, which is a separate entity owned by Toyota Motor Corporation, Japan.

Company profile

COMPANY NAME

TOYOTA NEW ZEALAND

HEAD OFFICE ADDRESS

**29 ROBERTS LINE, PALMERSTON NORTH,
NEW ZEALAND**

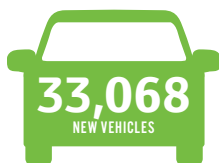
339



**EMPLOYEES AS AT
31 MARCH, 2019**

SALES

CALENDAR YEAR 2018*



33,068
NEW VEHICLES



10,402
USED VEHICLES

**Calendar year is the usual timeframe for public reporting on 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

Reference guidelines

This Report has been prepared in accordance with the GRI Sustainability Reporting 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 57. The process provides stakeholders with confidence in our data collection process and sustainability performance.

Acronyms and definitions

CO₂ g/km: Grams of carbon dioxide per kilometre driven

CY: Calendar Year

Emission Scopes: These relate to greenhouse gas emissions

Scope 1: Direct emissions from owned or controlled sources

Scope 2: Indirect emissions from the generation of purchased energy (including travel)

Scope 3: All other indirect emissions 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

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 that 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 Stores which provide vehicle parts and servicing for customers

PHEV: Plug-in hybrid electric vehicle

SBC: Sustainable Business Council

Stores: Independent businesses that, since April 2018, have been acting as agents for the sale of new Toyota vehicles (previously called Dealerships)

tCO₂-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 Care Service Advantage

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

Alistair Davis

We see our biggest contribution to New Zealand as the provision of quality and reliable personal mobility to Kiwis and visitors. But we recognise this currently comes with many associated negative impacts such as tailpipe emissions and road accidents. As our brands represent a quarter of the cars on New Zealand roads, we believe we have an important role in reducing these impacts and transitioning to more sustainable personal transport in this country.



The Toyota Drive Happy Project implementation

On 1 April 2018 we launched a new model for our new vehicle business – the Toyota Drive Happy Project. This provides a more transparent and enjoyable experience for customers at all stages of vehicle purchase and ownership, and prepares our business for the future, with greater digital integration and the ability to optimise the vehicle mix and logistics.

In the past year we have been embedding and refining this new model to get the best outcomes for customers and the retail network. We are also rolling out new customer engagement and feedback processes to provide them with the information they want, and when it is most useful for them.

This will give us greater oversight of what vehicles customers need at which locations across the country, so we can reduce the carbon and costs associated with vehicle movements. In particular, we are focusing on processing, accessorisation and servicing activities to optimise our port operations, the Thames process and refurbishment facility and Toyota retail Stores' service centres. We expect to see improvements as we collect and act upon this data.



Reducing our environmental impacts

As a founding signatory to the [Climate Leaders Coalition](#) and a long-time member of the [Sustainable Business Council](#), we are committed to sustainable business practices and reducing greenhouse gas emissions. We are doing this, in part, through increasing the availability of low-carbon vehicles, and setting targets for reducing tailpipe emissions in the vehicles we bring into New Zealand. We are also working hard to reduce our operational impacts and the freight emissions associated with getting vehicles and parts to customers.



We eagerly await the enactment of the forthcoming Climate Change Response (Zero Carbon) Amendment Bill, which will further support the important work that Toyota New Zealand and other New Zealand companies are already undertaking voluntarily. Legislative change is always challenging and for us, there is a risk that TNZ's product mix will be affected more than other distributors' due to our focus on large work vehicles for customers. However, we recognise there is a far greater risk to our business and society from doing nothing to address greenhouse gas emissions.

WE ARE COMMITTED TO SUSTAINABLE BUSINESS PRACTICES AND REDUCING GREENHOUSE GAS EMISSIONS

Financial performance

This year was challenging financially, and we recorded a loss. This was due to several factors, including the bedding in of the new business model, less favourable economic conditions, and rising fuel and vehicle costs. We worked hard during the year to support our network of retail Stores, and are happy with their vehicle sales results and continued financial strength.

We expect this challenging environment to continue, and see a risk of a market downturn. This may occur due to international trade wars and fracturing of globalisation, and a loss of local business confidence. To mitigate this risk, we are focusing on building TNZ's business intelligence and data capacity to improve decision-making, cost efficiencies and customer retention. This year we are refining our insights into the customer journey, used and new vehicle stock management, Store demonstrator vehicle utilisation, and logistics. In addition, we believe the new business model will provide greater resilience to an unpredictable economic outlook.

Looking forward

As we continue to work towards increasing our hybrid electric offering in both new and used vehicles, we will be working towards the next evolution of mobility in New Zealand. In 2018 we trialled an emerging part of our business – Telematics – which will be launched in 2019. This will effectively provide increased vehicle and owner connectivity making the car part of the 'Internet of Things' – a system of interrelated computing and digital devices with the ability to transfer data without requiring human-to-human or human-to-computer interaction. It will provide fleet customers with more information such as vehicle speed, smoothness of driving and fuel efficiency to help them (and their drivers) to use their fleets more efficiently and safely for their drivers.

Looking further forward, we see hydrogen playing an important role in New Zealand's energy mix. New Zealand is well placed to provide 'green hydrogen' (created from renewable energy rather than fossil fuels) to local and global markets, and road transport would be a key beneficiary. In the coming years we will be exploring TNZ's role in this exciting area. Our sister company Toyota Financial Services is also working on future mobility services in New Zealand with the purchase of the [Cityhop](#) car share business.


Alistair Davis
 Chief Executive Officer
 Toyota New Zealand
 29th October 2019

Our organisation

Toyota's Global Vision

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

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

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

Guiding principles

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

01

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.

02

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

03

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

04

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

05

Pursue growth in harmony with the global community through innovative management.

06

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

07

Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

TOYOTA | Believe

Toyota New Zealand (TNZ) 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/

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**CONSECUTIVE YEARS
OF MARKET LEADERSHIP**

What we do

TNZ is a wholly owned subsidiary of TMC. We import and sell new Toyota and Lexus vehicles, as well as used vehicles and parts, both directly and through the retail Store network. We also sell parts to Parts and Service Agents.

New vehicles are manufactured in Japan, Thailand, and the United States. We import used Toyota vehicles from Japan and certify them to New Zealand standards at our Thames process and refurbishment facility. These vehicles are sold under our Signature Class used vehicle brand.

Our business strategy

TNZ's business objective is to grow market share through our long-standing reputation for quality, broad product choice, and excellent sales and customer experience. We add value through a range of after-sales support such as servicing, sales of parts and accessories, and financing and warranties, all of which build our relationships with customers. We endeavour to do this openly and responsibly.

Contributing to New Zealand

Toyota became the top-selling vehicle brand in New Zealand in 1988. We have maintained this position as market leader for more than 31 consecutive years. Our brand direction and marketing

53

**YEARS OPERATING
IN NEW ZEALAND**

activities are guided by Toyota's global values and the Toyota Way (Continuous Improvement and Respect for People). In New Zealand we express these to local stakeholders and customers through the eight guiding Believe statements.

Our market position and reputation provides us with a privileged position to positively influence New Zealand society. We seek to be a leading corporate by setting an example of good social and environmental responsibility: demonstrating how we can reduce carbon emissions, establishing high product safety standards, supporting our retailers and their communities around New Zealand.

We engage with the motor industry, other large organisations and the government. The list of industry associations below shows some of the ways this is done. We make marketing choices based on how we can support important conversations

**THIS YEAR TNZ WAS RECOGNISED
AS THE HIGHEST-RATED
AUTOMOTIVE BRAND AND THE
THIRD OVERALL IN THE NEW
ZEALAND 2018 COLMAR BRUNTON
CORPORATE REPUTATION INDEX.**

916,654

**TOYOTA VEHICLES ON NEW ZEALAND ROADS
(APPROXIMATELY ONE IN FOUR VEHICLES)**

in New Zealand, which reflect and shape our culture - for example, our marketing campaigns have included positive conversations about mental health.

We monitor the strength of the Toyota brand through annual corporate reputation surveys of both the motoring industry and wider businesses.

This index measures a wide range of leading New Zealand companies in four reputational categories: social responsibility, fairness, leadership/success and trust. Similar to previous years, in this year's Reader's Digest Trusted Brands survey, Toyota ranked as the top automotive company and sixth overall for most trusted New Zealand brand.

We are continually identifying and managing potential risks to our market leadership position. This year we continued to manage two extensive recalls. While this demonstrates our commitment to customers' experience and safety, we understand it can be a frustrating process for them. See page 28 for more information.

TNZ (or members of the Executive team) holds membership of numerous industry associations including:

- BusinessNZ
- Major Companies Group
- Employers and Manufacturers Association
- Massey University Council
- Massey University: Massey Business School Advisory Board
- Motor Industry Association of New Zealand
- Motor Trade Association
- The New Zealand Initiative
- Sustainable Business Council (TNZ CEO was Chair until Aug 2019)
- Sustainable Business Network



Sustainability at Toyota New Zealand

Our sustainability framework

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

Where relevant we include the activities of TMC, retail Stores and logistics providers. We are working towards expanding future reporting to include the environmental and social progress of other key suppliers.

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

Environment

How our products and operations fit within environmental limits, the resources we use, emissions we generate, and our efforts to protect nature where we can.

Social

How our products and operations sit within a social context, including our relationships with our partners, customers and communities.

Business

Toyota New Zealand activities, governance and economic performance.





Sustainability strategy

This year we embarked on a strategy development process to provide greater structure to our sustainability efforts. This work represents a step-change in TNZ's approach, and comprises a 2050 Vision and detailed 2030 Milestones.

The strategy brings together aspirations from the Toyota Environmental Challenge 2050 and the United Nations' 17 Sustainable Development Goals with a framework of five Sustainability Priority Areas underpinned by the future of mobility (see page 51 for more information).

The Sustainability Priority Areas supporting this vision are: Carbon, Adaptation, Resources, Workforce and Broader Value.

We are currently developing action plans that identify the most important actions in each department to move us towards our Vision.



OUR 2050 VISION

IN 2050, TNZ WILL BE A KEY CONTRIBUTOR TO NEW ZEALAND'S SUSTAINABILITY RESPONSE THROUGH OUR LEADERSHIP IN MOBILITY SOLUTIONS, WHOLE-OF-LIFE VEHICLES AND PARTS MANAGEMENT, AND BY ADDING BROADER VALUE TO OUR CUSTOMERS AND COMMUNITIES.

TNZ WILL DELIVER THIS THROUGH BEING AN INCLUSIVE EMPLOYER OF CHOICE THAT ATTRACTS A DIVERSE, AGILE AND TECHNOLOGY-ENABLED WORKFORCE, WITH A NIMBLE AND RESILIENT BUSINESS MODEL THAT DELIVERS A NET REDUCTION IN CARBON.

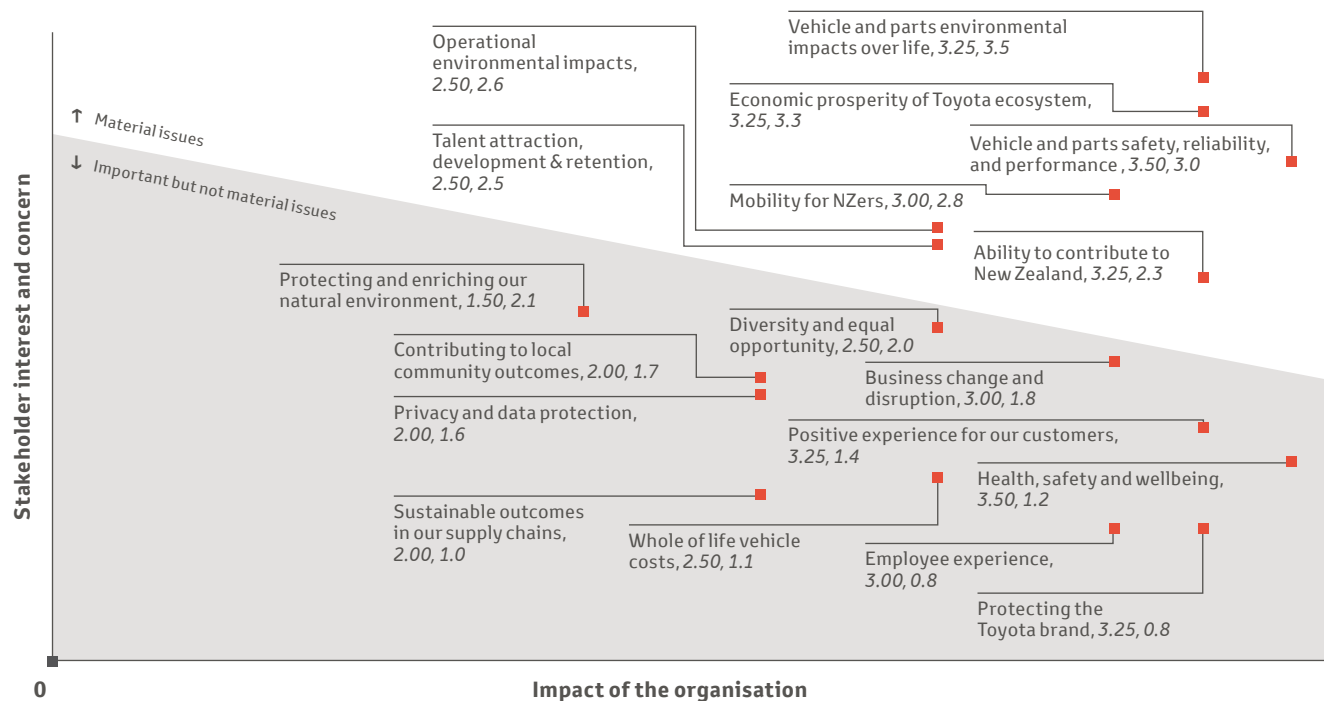
Materiality assessment update

This year we revised our materiality assessment, which gathers the issues that are of interest and concern to our stakeholders.

Since the last assessment the Global Reporting Initiative has changed the way material issues are identified from 'impact on the business' to 'impact of the business.' This more externally facing approach is reflected in the new issues this year, presented below.

Other issues (not in our set of 'material issues') remain important to us and some of these are included in this Report.

Materiality matrix



Issue	Description	Page
Vehicle and parts environmental impacts over life	Pursuing better environmental outcomes across the product life cycle, such as embodied emissions, waste, maximising longevity of Toyota vehicles and parts, and working towards increased end-of-life recyclability (including hybrid battery and tyre recycling).	22-23
Toyota's economic prosperity	Enabling Toyota in New Zealand to be financially sustainable and in turn provide employment and business opportunities for suppliers in their communities. These include TNZ, Dealers and key business partners and suppliers.	34
Vehicle and parts safety, reliability, and performance	Providing vehicles and parts that allow our customers to be safe, that meet and exceed compliance requirements and avoid recalls, and that provide reliable and increasingly optimised vehicle performance.	27-28
Contributing to mobility in New Zealand	Enabling New Zealanders to be mobile through new vehicles and used vehicles (for the lower-priced end of the market), vehicles safety, parts and servicing. Mobility planning through sourcing new and innovative products for the local market, including electric and fuel-efficient vehicles, in-vehicle IT systems, and hybrid vehicles in more model ranges (including for large fleet customers), and appropriate actions preparing physical infrastructure.	7, 19-21
Ability to contribute to New Zealand	Maximising our market leadership and utilising this role to actively contribute to broader value for New Zealand.	7
Operational environmental impacts	Managing our company footprint by using necessary resources more efficiently, with a focus on reducing carbon emissions, water and waste.	30, 52
Attracting, developing, and retaining capable people	Being an attractive employer to entice and retain the right talent; supporting employees' skill development, capability building; and maintaining organisational knowledge, including career and succession planning.	32-33

Our stakeholders

Stakeholders are defined as those who are either affected by our business or have the potential to affect it. They have 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 the stakeholder list every two years.

Our key stakeholders are:

Government and industry groups

We actively engage with the government, the wider motor vehicle industry and forums such as the Motor Industry Association of New Zealand, the BusinessNZ Major Companies Group and the Sustainable Business Council to support and develop a sustainable transport sector in New Zealand. Our CEO sits on the SBC Advisory Board, which advocates for sustainable business practices, policies, and government action. Page 48 lists these commitments.

Community

Our Vision, Guiding Principles and Believe statements underpin our engagement with local communities. Through retail Stores we support activities in more than 60 communities in New Zealand, building relationships with organisations that share similar values and objectives. We provide direct funding and in-kind support through donations of vehicles and employee and management time. See page 36 for more information.

Suppliers

Our suppliers are responsible for the production and delivery of fit-for-purpose, high-quality goods and services. They include a mix of local and international organisations: the most significant by spend are vehicle and parts, international and domestic logistics partners. Vehicles are sourced from TMC group companies, and parts from a combination of TMC group companies and other suppliers. See pages 22-23 for vehicle and part origins, and page 25 for our work with logistics providers.

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

Toyota Motor Corporation

TMC is an active stakeholder in all departments and management levels at TNZ. TMC Senior Executives are represented on the TNZ Board. TNZ's management team regularly visit Japan to participate in global committees and exchange information and lessons with TMC and other Toyota affiliates.

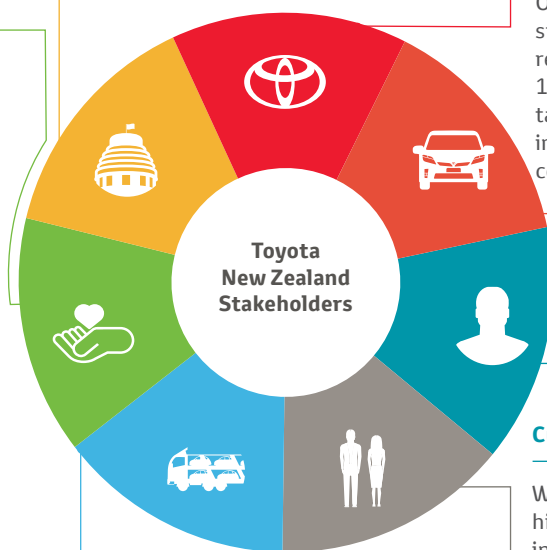
We provide regular market and performance reports to TMC as part of globally shared metrics. These include reports on health and safety, the environment and community activities. Please see page 49.

Dealers

24 core independent companies make up our nationwide network of Toyota and Lexus Stores, and supply customers with a range of new and used vehicles, parts and services. Between them, they are responsible for 67 Stores nationwide (60 Toyota and six Lexus and one stand-alone Lexus).

Investment in local facilities has been very high in recent years. There are currently 14 builds underway (new facilities or significant refurbishments). In early 2019 a new branch opened in Botany, Auckland.

Our new business model promotes high standards of customer service and retention, and financial viability, see page 18. Also important are attracting new talent, minimising the environmental impacts, and contributing to local communities.



Customers

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

The Toyota Drive Happy Project was developed to improve customers' experiences throughout the purchase and ownership of their vehicles. See page 18 for an update.

Customers' priorities are the safety, reliability and performance of their vehicles and parts. They are also concerned about protecting New Zealand's natural environment. Data protection and privacy are emerging issues, and as we evolve our digital platforms we aim to protect customers' information.

Employees

TNZ has 339 employees based in Palmerston North, Thames and Auckland. We recognise the importance of providing them with a safe and enjoyable workplace. Employees are invested in TNZ's brand reputation and market leadership, our commitment to sustainability, staff development opportunities and each other's wellbeing.

Toyota is focused on developing and retaining staff, as well as delivering safe and reliable mobility, while minimising environmental impacts.

Engaging with Customers

During 2018 we introduced a new online tool to collect and measure customer satisfaction. This captures responses from Stores, service centres, and other points of engagement with the Toyota brand.

A new digital platform provides greater online customer engagement, with content personalised to the individual customer's preferences in areas such as safety, servicing and efficiency.

We are moving to a life cycle approach in our marketing, enabling us to provide customers with the right information about their vehicles at the right time. To support this we have been working with Stores to improve the completeness and quality of the data we collect.

96%

**CALLS ANSWERED
WITHIN 10 SECONDS
(TARGET 90%)**

QUERIES RESPONDED TO WITHIN 2 HOURS

76%

EMAILS

85%

FACEBOOK

32,224

CASES HANDLED

CALL VOLUME UP 26%

ON
PREVIOUS
YEAR

26,741

CUSTOMER CALLS

1,245

FACEBOOK QUERIES

8,309

RECALL ENQUIRIES

890

COMPLAINTS





Engaging with retail Stores

As our success is closely connected to the success of the retail network, we are focused on helping each Store achieve its business objectives. Our Franchise Development team supports and subsidises annual business planning processes and continued education for CEOs and senior management. The team also undertake targeted projects to support the retail businesses, such as developing a health and safety toolkit to help them meet their legislative obligations to both guests and staff. We also engage with the retail network in all aspects of our and their operations. This includes regular face-to-face sessions and formal collaboration with representative retail Store groups on specific operations, such as customer life cycle management and marketing and sales activities.

The biggest change for the network this year was the April 2019 launch of the new business model for new vehicle sales. To support this change and following a five-year implementation, all Stores are also now on a Single Dealer Management System which is critical to the new business.

As we bed in this system, we are working with the network to improve it. We are also working to improve communication on parts in stock and arrival times to help service centres better plan their work.

In our used vehicles business we have been working on tightening up the rental termination process, where we buy back vehicles sold to rental customers. A third party company has been commissioned to inspect and report on the condition of all rental returns. More informed planning and decision-making can now be made, such as allowing the charge back of excessive refurbishment costs to rental companies, identifying the best channel to sell a vehicle, and providing more accurate and meaningful information to Stores on the vehicle condition.

We track Stores' satisfaction with TNZ through an annual survey. This year we introduced a new survey to help us better understand how we can support the network. The overall satisfaction score was 76. A score of over 70 is considered positive*.

* This score is not comparable to that in previous years due to a change in provider and approach.

Our value chain

TOYOTA MOTOR CORPORATION (TMC)

TMC is headquartered in Japan and wholly owns all Toyota and Lexus branded companies around the world.

370,870

TOYOTA EMPLOYEES WORLDWIDE

74,515

TMC EMPLOYEES IN JAPAN

170

COUNTRIES WHERE TOYOTA OPERATES/SELLS CARS

TOYOTA



1. DESIGN

TMC designs vehicles which appeal to customers, while satisfying safety and environmental regulations. Significant investment in innovation and research enable Toyota to be at the forefront of current and future advances in mobility technology.



2. RAW MATERIALS EXTRACTION

Raw materials and parts are sourced from many countries and suppliers. TMC focuses on opportunities to substitute natural resources by recycling and reconstituting materials from end-of-life cars, and developing less harmful materials such as bioplastics.



7. NEW ZEALAND DISTRIBUTION

Our distribution partners work with us to move vehicles (by road) and parts (by road and air) to Toyota Stores and service centres.

Vehicles and parts are distributed by the Car Distribution Group and Post Haste Couriers respectively.



6. PROCESSING AND REFINISHMENT

New vehicle accessorisation and used vehicle refurbishment is undertaken at our Auckland and Thames facilities. Used vehicles are sourced from Japan, and ex-lease and ex-rental vehicles from our New Zealand fleet customers.

3,958

USED VEHICLES REFINISHED



8. MARKETING AND SALES

TNZ is responsible for promoting the Toyota brand. Our primary sales channel is through a nationwide network of authorised Toyota and Lexus retail Stores, which sell directly to individual customers (82%). Both Stores and TNZ sell to national fleet buyers (18%), including various rental car companies and government entities.

TOYOTA AND LEXUS RETAIL STORES

Stores are independent companies that have an agreement with TNZ to sell our vehicles.

24

RETAIL STORES AROUND NZ

67

OWNED STORES

1,708

STORE EMPLOYEES IN 60 COMMUNITIES



9. USE

There are more than 900,000 Toyota vehicles on New Zealand roads, which generate greenhouse gases and air pollution when driven. Many customers are keen to select fuel efficient and low emission models, and we secure as many hybrid vehicles as we can from TMC's global production allocation.



CUSTOMER DIALOGUE CENTRE

Awarded best email call centre in New Zealand 2018

32,224

CASES HANDLED

26,741

CUSTOMER CALLS



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.



3. VEHICLE MANUFACTURE

Toyota and Lexus vehicles are manufactured in 17 plants in Japan, and in 67 countries by fully owned subsidiaries. This means TMC can influence the sustainability performance of these facilities with cleaner and more efficient production methods.

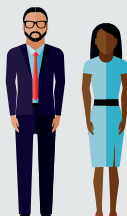


5. SHIPPING AND LOGISTICS

Vehicles and parts are sourced from Japan, Thailand, the United States and New Zealand. Vehicles are shipped to our logistics hubs in Auckland, Wellington and Christchurch; parts are freighted to Auckland, Napier, Tauranga and Wellington.

TOYOTA NEW ZEALAND (TNZ)

TNZ is a wholly owned subsidiary of TMC with its head office in Palmerston North.



339
CORPORATE
EMPLOYEES



4. PRODUCT PLANNING

TNZ determines the appropriate vehicle mix for New Zealand customers. The majority of vehicle parts come from overseas, but our team also work with local suppliers to select parts and accessories most suitable for our market.

We plan our product over a three to five year time horizon, working with TMC to understand the product that is available, and matching that to our market and customer's needs.

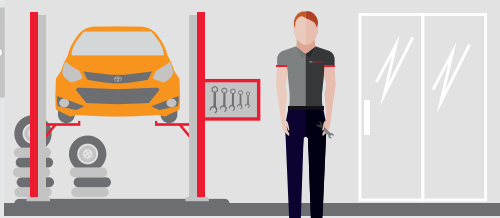


10. SERVICING

Vehicles spend many years on the road, and regular servicing helps maintain performance and safety. Stores provide servicing for our direct customers and other Toyota vehicle owners. TNZ also supports customers with queries through the Customer Dialogue Centre in Palmerston North. Parts and service providers are independent businesses under the responsibility of the local Store.



SERVICING



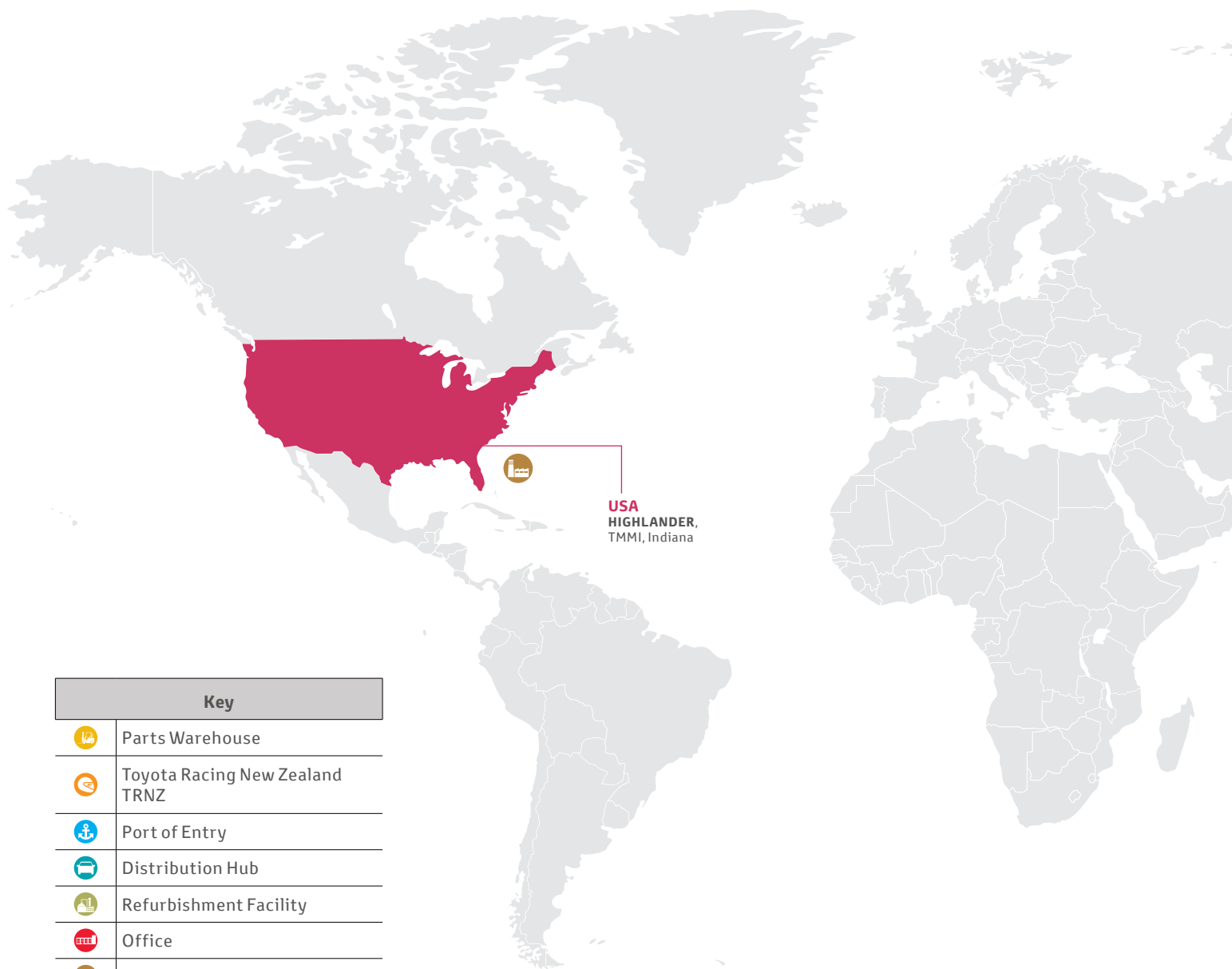
11. END OF LIFE

TMC mitigates some environmental impacts through its vehicle design and life cycle analysis, which enables around 99% of vehicle materials to be re-used. The complexity of modern vehicles and the lack of bespoke recycling infrastructure mean cars sold by any company in New Zealand don't achieve their full recycling potential. This remains an important issue for the whole industry.

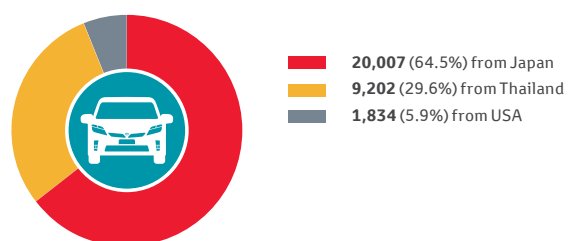


409,519 SERVICES COMPLETED

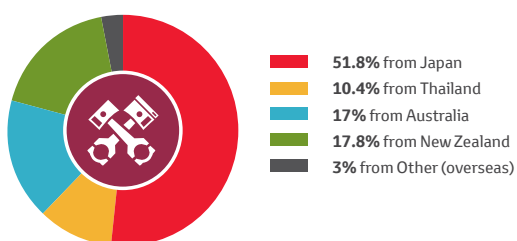
Overseas manufacturing facilities for new vehicles sourced for the New Zealand Market



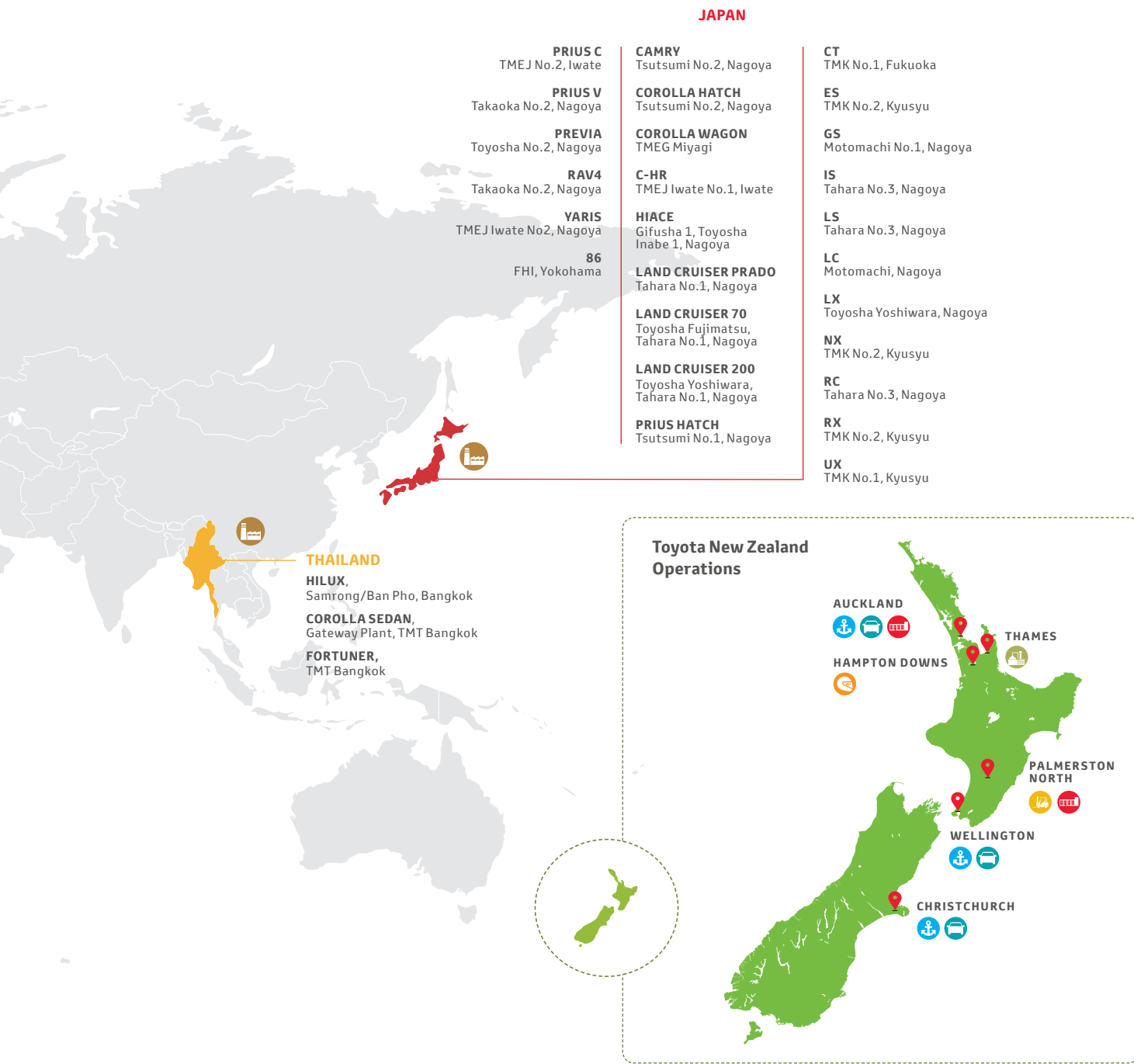
Origin of New Vehicles FY2019





Origin of Parts FY2019



**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.*



Vehicle and Parts Arrival Points FY2019

	 VEHICLES:	 PARTS:
AUCKLAND	57.8%	14.8%
TAURANGA	-	1.9%
NAPIER	-	38.1%
WELLINGTON	12.6%	45.2%
CHRISTCHURCH	29.6%	-

New Vehicle Accessorisation and Fit-out FY2019

THAMES	1,854
AUCKLAND PORT	11,933
MOUNT RICHMOND, AUCKLAND	5,084
WELLINGTON PORT	3,662
CHRISTCHURCH	9,135



The Toyota Drive Happy Project update

On 1 April 2018 we launched our new business model – the Toyota Drive Happy Project – for the new vehicles part of our business. This was a significant achievement, and followed 10 years of development with TMC and the retail Store network. The new model is a radical innovation for our industry, and is being watched with interest by other Toyota subsidiaries and other manufacturers around the world.

The Toyota Drive Happy Project represents a renewed and targeted focus on all stages of the customer journey. It provides customers with single and transparent vehicle prices (the Toyota Driveaway Price) across the national network of Toyota Stores, enhanced test-driving options and Store hospitality. During the year we focused on communicating these changes to customers.

A benefit of the new model is the Toyota Care Service Advantage, which comes as a standard offer on new vehicle purchases and provides capped price servicing for four years or 60,000km (whichever occurs first) and four years of WOF inspections (at the 3rd & 4th year from registration). If the four years of servicing is undertaken, an additional two-year extended warranty is provided including one additional year of AA Roadside Assist. This helps ensure the safety and reliability of customers' vehicles, and build enduring relationships between customers and Stores.

This year Service Online was launched to provide customers with clear and transparent information about service needs and estimated costs at different stages of vehicle lives. Service booking is facilitated by connecting customers with their local service providers. We will be moving to a direct online booking service as the platform is developed.

With the implementation of the Drive Happy Project we have experienced a more even and predictable sales volume each month, allowing us to better plan

operations where we hold stocks of vehicles and their logistical movements, with reduction in overall network costs.

The Toyota Drive Happy Project has changed how new vehicles are sold to customers. Retail Stores are now paid an agency fee on the delivery of vehicles to customers (where previously they earned margins on the sale transactions). This change involved a transition period where Stores had to alter the way they managed their cash-flows. TNZ assisted during this process through relaxing the achievement levels required for payments to be made so sales are based on a more natural sales demand rather than supply side market pressure. Now that the new business model is in place, TNZ and the retail Store network are looking for further ways to increase the efficiency of operations. A key initiative currently under review is the centralisation of pre-delivery inspections. Stores undertake these inspections in their service centres; however, this takes up both space and resources that would be better utilised for more complex retail service work. By centralising these inspections we can increase efficiency and reduce cost.

Our internal teams and the retail Store network continue to improve and, where possible, automate support systems to increase the efficiency of the new business model. This included the formation of a new Customer Division for an increased focus on customer relationship and life cycle management.



Our products

Guiding principles

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

01

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.

02

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

03

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

04

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

05

Pursue growth in harmony with the global community through innovative management.

06

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

07

Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

Transport is New Zealand's second-largest source of greenhouse gas 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 the 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 page 24.

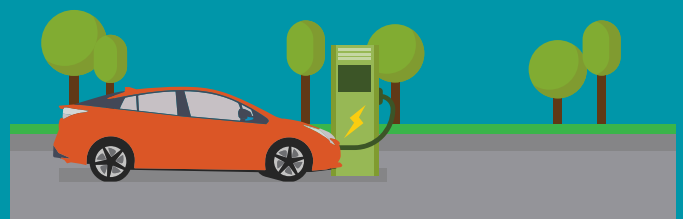
New Zealand's population has risen rapidly in recent years, creating growth in light-vehicle fleet sales. Given New Zealanders' preference for personal mobility, our transport system is dominated by private road transport. Consequently, compared to other developed countries, vehicle ownership rates are very high and public transport use is relatively low.

Contributing to mobility in New Zealand

We see our biggest contribution to New Zealand as providing high quality personal mobility and how we can best shape the future transport system for this country.

Optimising current mobility

The following chapters of this Report outline how we are working to reduce the environmental impact and increase the safety, reliability and performance of our vehicles and business. This includes setting sales targets of more efficient vehicles as well as growing the hybrid electric options across our range. It is important that we meet customers' expectations, as this is integral to our strong reputation and ability to positively influence change.



TOYOTA NEW ZEALAND AND THE RETAIL NETWORK HAVE
60 ELECTRIC VEHICLE CHARGE
STATIONS INSTALLED
ACROSS CORPORATE AND RETAIL PREMISES

Hybrid electric vehicles

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

Toyota

Camry



CO ₂ g/km	L/100km	No. seats
96-103	4.2-4.5	5

Corolla



CO ₂ g/km	L/100km	No. seats
96	4.2	5

Prius



CO ₂ g/km	L/100km	No. seats
80	3.4	5

Prius c



CO ₂ g/km	L/100km	No. seats
90	3.9	5

Prius Prime (PHEV)



CO ₂ g/km	L/100km	No. seats
22	1.0	4

RAV4



CO ₂ g/km	L/100km	No. seats
112	4.8	5

Lexus

CT 200h



CO ₂ g/km	L/100km	No. seats
94	4.1	5

ES 300h



CO ₂ g/km	L/100km	No. seats
104	4.6	5

GS 450h



CO ₂ g/km	L/100km	No. seats
147	6.3	5

IS 300h



CO ₂ g/km	L/100km	No. seats
113	4.9	5

LC 500h



CO ₂ g/km	L/100km	No. seats
152	6.7	4

LS 500h



CO ₂ g/km	L/100km	No. seats
150	6.5	5

UX 250h



CO ₂ g/km	L/100km	No. seats
103-107	4.5-4.7	5

NX 300h



CO ₂ g/km	L/100km	No. seats
133	5.7	5

RX 450h



CO ₂ g/km	L/100km	No. seats
131	5.7	5

RX 450hL



CO ₂ g/km	L/100km	No. seats
137	6.0	7

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, model type and operating conditions.

For more information see:
www.toyota.co.nz/our-range/the-toyota-difference/fuel-economy/

*Please note some images may differ from the specifications available in New Zealand

New vehicle product mix

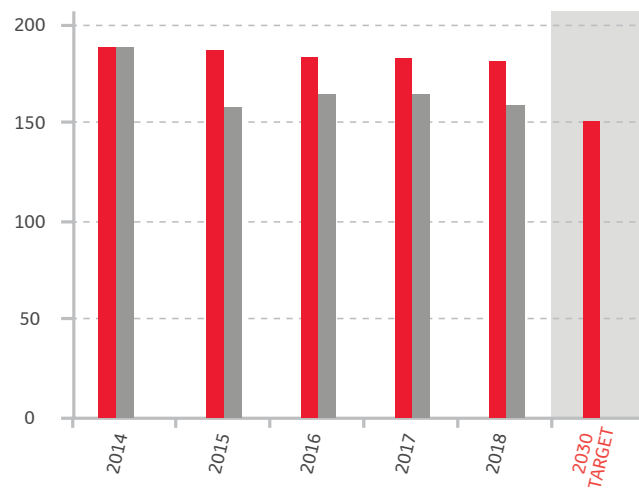
As a small part of Toyota's global market, we are largely a technology-taker – that is, we can only take what our parent company TMC allocates to the New Zealand market. We can request products not intended for our market, but TMC balances such requests with those in other markets around the world. TMC prioritises countries with regulations requiring a proportion of electric vehicles (the New Zealand government does not have this requirement).

Under our new business model TNZ holds the vehicle stock and this gives us greater oversight of the vehicles sold to customers and we can use this data to better predict the products needed. Previously retail Stores held their own stock and could swap vehicles - for example of cars of different transmission or colours - between Stores.

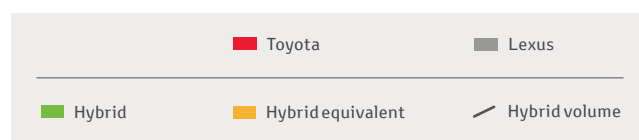
This year we are targeting 17% of new vehicle sales as hybrid, which we expect to achieve through sales of the new RAV4 and Corolla models.

We have set targets to reduce the carbon emissions from our new vehicle mix.

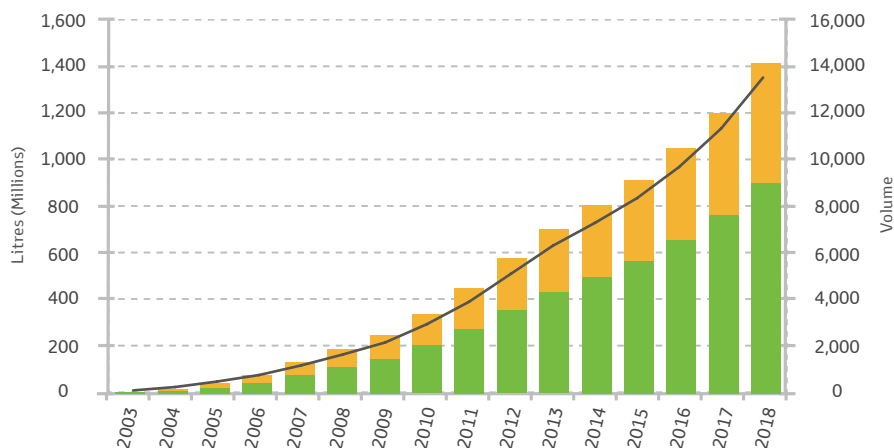
Average Tailpipe emissions of New Vehicles (gCO₂/km)



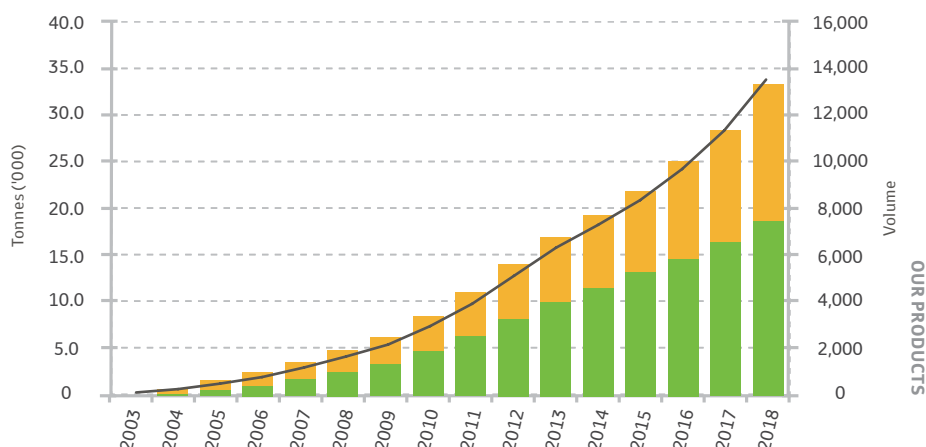
The Lexus 2030 target is under review.



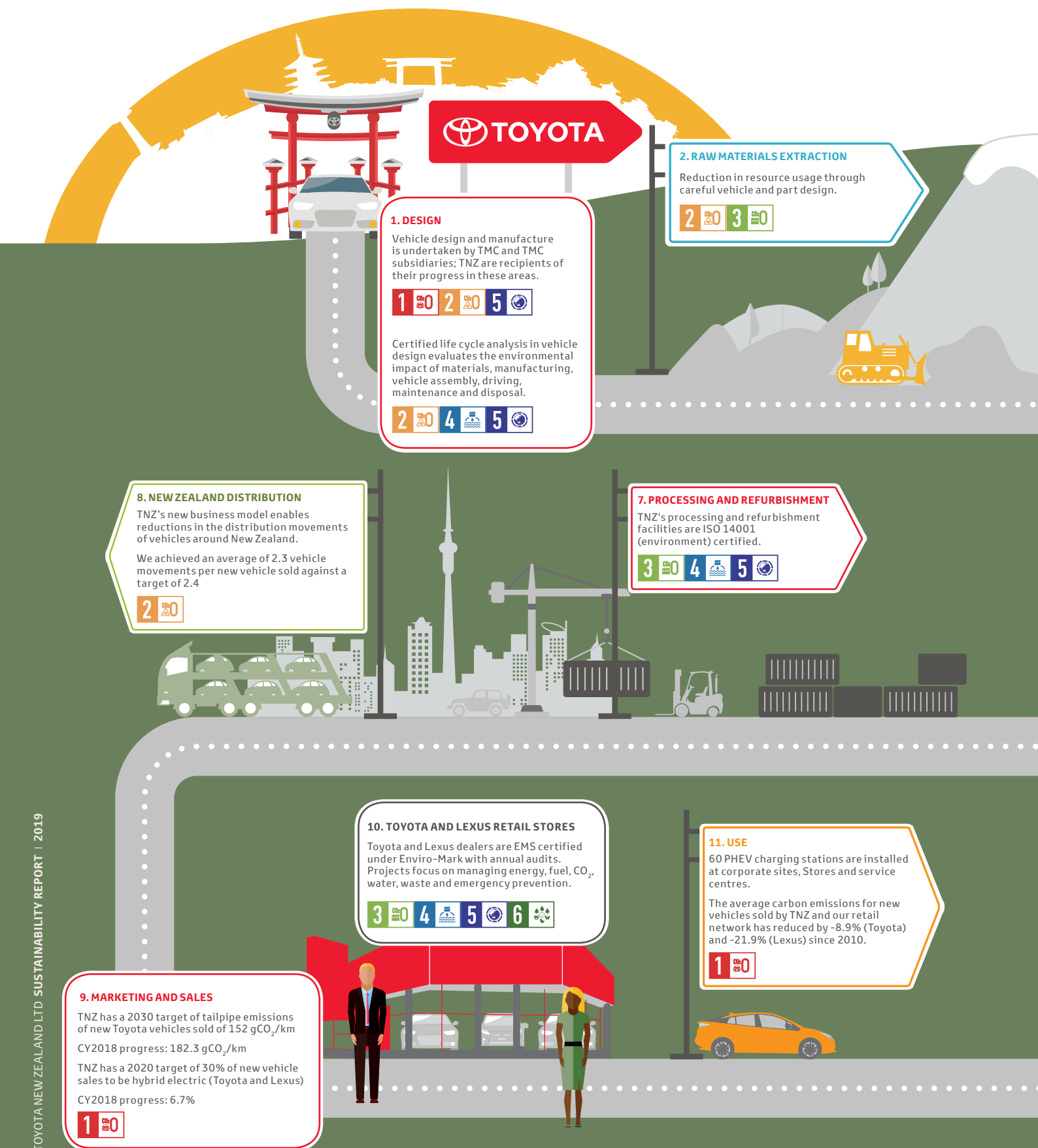
Cumulative fuel displacement from Toyota and Lexus hybrid sales compared to conventional vehicles of equivalent size and performance



Cumulative CO₂ reduction from Toyota and Lexus hybrid sales compared to conventional vehicles of equivalent size and performance



Environmental impacts of vehicles and parts over their life



Toyota has set ambitious goals for reducing the life cycle impacts of vehicles and parts, which are described under the Toyota Environmental Challenges 2050 on page 51. These are set out below to support the better understanding and evaluation of impacts and responsibilities across the different operational areas.

3. VEHICLE MANUFACTURE

All vehicle manufacturing plants are ISO 14001 (environment) certified, and include targets for energy, CO₂, water and waste.



4. USED VEHICLES

To increase the availability of lower emission vehicles (and help overcome the current supply limitations of new cars) TNZ source used hybrid vehicles from Japan - including plug-in hybrid electric vehicles (PHEV)

30%
OF IMPORTED USED
VEHICLES SOLD IN CY2018
WERE HYBRIDS

6. SHIPPING AND LOGISTICS

TMC actively seeks opportunities to optimise parts storage and rationalise route distances across its international operations.



TNZ works with government agencies to minimise the risk of pests coming to New Zealand in vehicles - see the Stink Bug update on page 25.



5. PRODUCT PLANNING

TNZ chooses the right vehicle mix to provide customers with more environmentally-responsible products.



12. SERVICING

All new vehicles now come with capped price servicing for four years. This helps ensure customers' vehicles are operating with maximum efficiency.



13. END OF LIFE

Hybrid vehicle batteries

TNZ collects and pays a bounty for Toyota and Lexus hybrid electric batteries, which we recycle at a ISO 14001 certified facility in South Korea.

Wheel covers

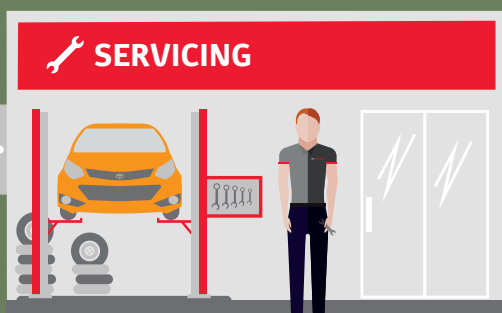
Wheel covers (which protect brake discs against corrosion during vehicle shipping) are recycled by Comspec in Christchurch and Aotearoa NZ Made Limited in Palmerston North.

Future work

TMC and TNZ have goals of supporting a recycling based society. Our new strategy will further accelerate TNZ efforts in this area.



SERVICING





Used vehicles

We provide the Toyota retail network with around half the used vehicles that they sell. This is an important part of our contribution to New Zealand mobility, as we facilitate access to high-quality, safe and reliable vehicles at lower price points than the new vehicle offering. Toyota is the only local vehicle distributor that provides used vehicles to Stores.

We do this primarily through purchasing back vehicles we have previously sold to the rental market in New Zealand (we provide approximately 60% of rental vehicles) and ensure the controlled release of ex-rental vehicles back into the market, protecting the residual value of used Toyotas. These vehicles are generally 6-18 months old and have travelled 15,000-50,000 kilometres. Many will become Signature Class vehicles, which are refurbished at our Thames facility to the highest standard and come with a

minimum three years unlimited kilometre warranty. We also sell ex-lease vehicles for Toyota Financial Services. These vehicles are generally two to four years old and have travelled 50,000-180,000 kilometres, and are also refurbished at Thames. To provide a variety of used vehicle options, we supplement these returned vehicles with used vehicles imported from Japan.

Telematics

This year we will launch a new business – Telematics. This will help fleet customers to optimise the safety and efficiency, and therefore reduce the environmental impacts, of their vehicles. See page 29 for more information.

Future of mobility

TMC is investing heavily in future mobility such as zero-emission vehicles and vehicle recycling – key elements of its

Toyota Environmental Challenges 2050 (see page 51).

TMC partners with a range of organisations to create and share mobility innovations. In 2018 TMC announced it has expanded its partnership with Uber to progress autonomous ride-sharing, building on the technology advances of both companies. Toyota Financial Services NZ, our sister company in New Zealand, is progressing similar partnerships in New Zealand with Cityhop and Mindkin.

Hydrogen technology

In 2019 we are bringing in a small number of hydrogen vehicles to test their application in New Zealand and raise the profile of hydrogen as an alternative energy source. This will help us build local knowledge of the technology and identify what is needed to support the vehicles in terms of infrastructure and servicing.

Logistics

A benefit of the new business model is a reduction in vehicle transport around New Zealand due to ‘regional pools’ where vehicles are stored, which helps ensure the right vehicles are sent to the right locations. As we now have greater oversight of which vehicles are needed where, we can plan the pool to minimise vehicle movements.

We have established new metrics and targets to allow us to track progress and improve efficiency as the Toyota Drive Happy Project model matures. This year we made 2.3 vehicle movements per new vehicle sold against a target of 2.4. The average distance travelled between delivery port (Auckland, Wellington or Christchurch) and the final destination (usually a retail Store) was 252 kilometres. This includes any movements arranged by TNZ for pre-purchase work that occurs between the port and customer – for example accessory fit-outs completed by a third party).

We have worked with domestic logistics suppliers, The Car Distribution Group and Post Haste, on improving the efficiency of local vehicle and parts movements for many years. We are currently centralising the process – including at Thames, Auckland and Christchurch and retail service centres – which bring a range of benefits. For example the delivery of accessories in bulk (such as canopies to Thames) can increase the efficiency of installation, reduce packaging and free up Stores for higher-value service activities. We are also reviewing existing local refurbishment options for rental vehicles that typically need transporting from the South Island to the refurbishment facility in Thames, then back to the South Island for resale.

For our overseas parts suppliers, we negotiate sea and air freight arrangements annually. Suppliers shipping from Thailand and Australia are managed directly by TNZ, and we work with TMC to negotiate shipping from Japan balancing the various considerations (cost, emissions, lead time, reliability and response to disruptions). This year the shipping company on the Japan route cancelled their Wellington port call unexpectedly, requiring us to change to Napier, resulting in an increase in cost and emissions to transport the parts from Palmerston North by road.



Logistic emissions by source

	Emission source	tCO ₂ -e
Parts	International shipping (overseas shipping containers)	971
	International air freight (inbound air freight from overseas to NZ)	1,115
	Domestic air & road	475
	Domestic rail (inbound sea containers by rail Wtn to PN)	39
Vehicles	International shipping	18,503
	Domestic road freight	2,843
	Domestic shipping (Cook Strait ferry)	51

These are new metrics, as we have not previously had oversight of all vehicle movements.

Stink bug update

The previously reported stink bug problem with new and used imported vehicles continues to be monitored by TNZ and the Ministry for Primary Industries ([see page 36 of our 2018 Report](#)). Used vehicles have proven easier to manage, as all used vehicles from Japan must be heat treated at the ports before export, which removes any risk of live stink bugs entering New Zealand. No incidents in the industry used vehicle supply route have occurred since the introduction of this process. TNZ has received new vehicle supply route approval from the Ministry for Primary Industries – no treatment is required due to very low dwell times and the lack of vegetation (where stink bugs might populate) in areas where cars are stored. A small number of new vehicles are shipped inter-island within Japan which is more challenging due to the risk of cross-contamination from other cargo. We are working with TMC and industry partners to ensure the supply route is not compromised.

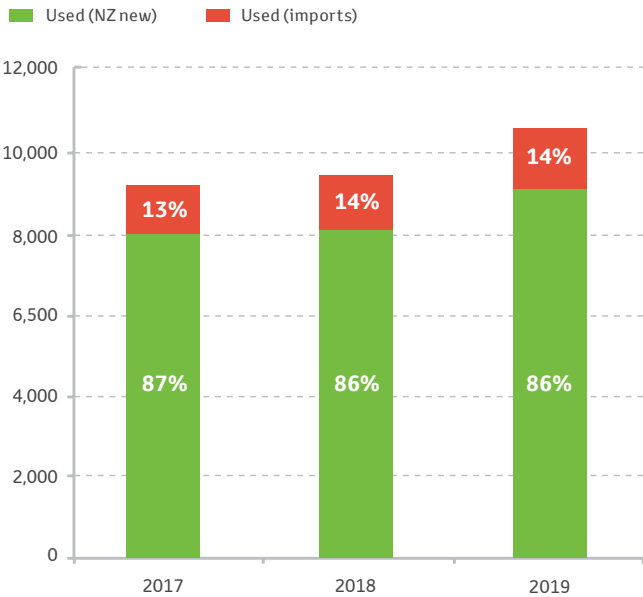
Used vehicles

Imported vehicles are a key part of our hybrid strategy, as they complement our new vehicle range with a wider variety and price range of hybrid models. We are only able to source a limited volume and range of new hybrids due to TMC allocation priorities – see page 20.

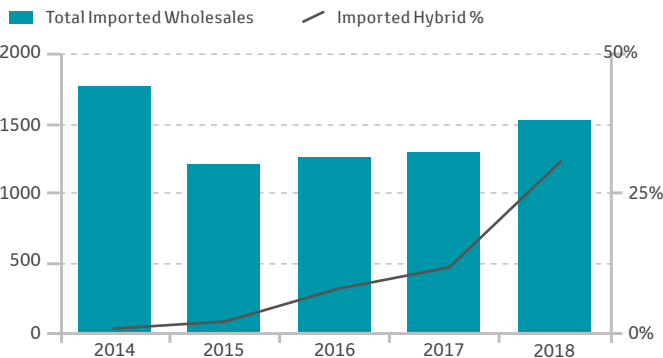
THIS YEAR 30% OF OUR IMPORTS WERE HYBRID

This year 30% of our imports were hybrid. In 2019 we are setting an end of year target for 40% of our import mix to be hybrid.

Proportion of used vehicles sourced in NZ and imported (FY)



TNZ hybrid sales as a percentage of imported used vehicles



Parts and accessories

TMC are responsible for ensuring Toyota Genuine Parts (TGP) meet all global automotive standards, including appropriate materials and components consider engineering requirements and environmental impacts. Although TNZ is not able to directly influence TGP production, we are currently investigating better disposal options for critical parts components, such as painted hard plastics from vehicle bumpers, damaged in minor crashes, which currently cannot be recycled in New Zealand.

When it comes to conversions and accessories, however, TNZ does have the ability to change how the business is managed. In 2019 we started by reviewing and consolidating (where possible) these suppliers. This allows us to engage more deeply with them, and work together to improve both operations and environmental impacts across product life cycles. We are examining disposal and recycling options for the end-of-life management of vehicle accessories such as hard tonneau covers and canopies.

TMC has undertaken a similar process with their subsidiaries – by optimising and specifying preferred materials and components for the development and production of Toyota Genuine Accessories. TMCA, one of TMC's conversion and accessory development bases has already acquired a TMC approval process for products developed and manufactured in the Australian market. TNZ benefit from this when we source such parts through TMCA. For example, the new generation RAV4 and Hiace accessory line-ups are sourced almost exclusively from TMCA.

Hybrid battery recycling

TNZ collect end of life hybrid batteries from around New Zealand for recycling, as described on [page 22 of our 2018 Report](#). TMC is supporting battery recycling in the Asia Pacific region with the establishment of a model facility in Thailand.

In New Zealand, TNZ has participated in a business 'Battery Leaders Group' which included car industry, waste management, energy and government representatives. The group aims to encourage local product stewardship and a circular economy solution – through reusing, repurposing and recycling – for the growing numbers of end-of-life batteries. This will help keep valuable materials in use, reduce resource wastage and potential fire risks at landfill sites.



Vehicles' and parts' quality, safety and performance

There has been a sustained decrease in the number of accidents on New Zealand roads since 2000. In 2018 the road toll was 377 fatalities from 331 crashes; a further 2,598 people were seriously injured and 12,098 had minor injuries.

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

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

During the year we had no non-compliance incidents with regulators or voluntary codes.

In addition to providing the safest vehicles we can for our customers, we work with government and other industry players to support vehicle and road safety improvements to reduce the impact of motor vehicle operations in New Zealand. The current focus for these discussions are around climate change and how we can best manage CO₂ reduction.

New vehicles

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

All new Toyota and Lexus vehicles must comply with current [NZ Transport Agency safety standards](#), and TNZ will include, where possible, the highest specification safety features that TMC makes available as standard for our local market.

TNZ has a representative on the Motor Industry Association's Product and Safety Committee, through whom we contribute to industry activities to improve vehicle safety. We review the regulatory compliance of new vehicles introduced three months before the first vehicle arrives in this country. Once here, a visual check is undertaken, and no other actions can commence until this check has been signed-off. A pre-delivery inspection is undertaken on every vehicle prior to sale.

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

TMC continues to evolve its Toyota Safety Sense™ (TSS) technology, which has active safety features that target common causes of traffic accidents. The latest TSS package includes a Pre-Collision System with Autonomous Emergency Braking with Pedestrian and Cyclist Detection, Lane Departure Alert, and Automatic High Beam and Road Sign Assist. Dynamic Radar Cruise Control and Lane Tracing Assist are also available on some models.

Disclaimer: Toyota Safety Sense (TSS) is not available for all models and grades. For more information about the availability of TSS driver assist packages for Toyota models and grades ask your dealer or visit the range page of your preferred vehicle on www.toyota.co.nz. TSS is a driver assist safety package only, designed to operate when certain technical conditions are met, and its features are not a substitute for safe driving practices. The driver remains responsible at all times for safe driving. For more information, refer to your vehicle owner's manual.



We offer extensive 4 wheel driver and utility vehicle driver training to fleet customers, to familiarise them with how to use their vehicles effectively and safely. We contract [Natural Instincts](#) to deliver the bespoke instruction, customised manuals, short videos and driver assessments which reflects the type and purpose of the vehicles they have purchased. This can include safety checks and basic maintenance, and off-road driving techniques.

Used vehicles

All used vehicles refurbished by TNZ undergo rigorous safety inspections and quality checks, underpinned by ISO 9001 (quality) certification. All imported vehicles are certified by the AA which includes an in-depth examination of all safety-related items such as seat belts, brakes, shocks, suspension components and structural integrity.

Vehicle servicing

We also support safety and performance throughout the use of a vehicle and encourage customers to use Toyota parts because we are confident of their quality and ability to keep vehicles running efficiently and safely. We provide a range of technical training to retail Stores and service centres.

98.1%

**PARTS DELIVERIES
ON TIME FROM TNZ
TO STORES AND
CUSTOMERS**

99.9%

**PARTS DELIVERED
DAMAGE-FREE**

11,578

**HOURS OF TECHNICAL
TRAINING TO STORES
AND THEIR TEAMS**

Recalls

The technological complexity of vehicles can sometimes mean they do not always fully operate as intended. TNZ has a long-held commitment to customers, who have bought their vehicles from Toyota Stores and those who have bought used Toyota vehicles from other distributors, to fix the parts of any vehicle affected by a recall at no cost.

We follow the Motor Industry Association [Code of Practice for Vehicle Recalls](#). We make every effort to publicly notify customers of recalls, as well as contact owners directly, and monitor the response by reviewing the number of vehicles fixed through our service centres each month.



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 assisted in raising public awareness, and resulted in an increased response from car owners. It also helped the sourcing replacement parts, as TMC prioritises parts needed to meet regulatory requirements.

The government mandated that vehicles with Alpha airbags were to be updated first, by the end of 2019. Alpha specifically refers to older, higher-risk airbags typical of vehicles manufactured before 2006.

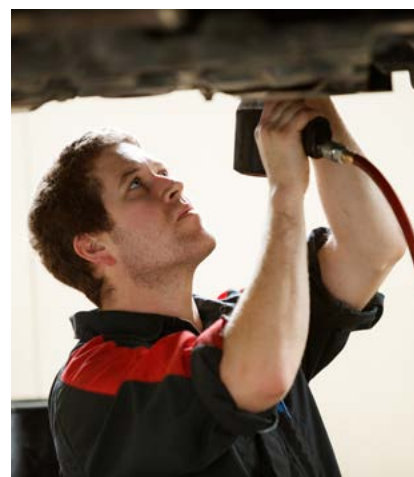
We are continuing to work through the remaining vehicles as quickly as parts supply and resources allow. In response to the scale of this recall, TNZ has employed extra staff to help resolve the issue as quickly as possible for customers.

To check if your vehicle is affected, see: www.recalls.govt.nz/alert/takata-airbag-recall-information

Diesel particulate filter recall

The blockage of diesel particulate filters in some Hilux vehicles have resulted in a large amount of white smoke from the exhaust. Although this is not a safety issue, TNZ is recalling the vehicles to fix the problem.

Unfortunately a permanent fix has not been found for the fault, and a number of customers' vehicles have been corrected temporarily while further investigation is undertaken by TNZ and TMC. A TMC representative has been sent to New Zealand to fully evaluate the conditions leading to the fault.



TNZ recall campaign activity since CY2017

Recall Part	No. Vehicles Affected	New / Used or Both	Start date	Progress % Completed
Pre-crash system	91	New	2019	93%
Curtain shield airbag	2,884	Both	2017	47%
Curtain shield airbag bracket	307	New	2017	86%
Sliding door	92	New	2017	84%
Auto shift lever	2,466	Both	2017	57%
Brake control module	521	New	2017	99%
Instrument panel harness	90	New	2017	63%
Park brake cable	94	New	2017	98%
Skid control ECU	692	New	2017	92%
Airbag sensor	3,350	New	2018	75%
DPF software	25,764	New	2018	74%
HV power management ECU	9,162	Both	2019	29%
Torque converter	1,239	New	2019	27%
Takata airbag	165,599	Both	2011	76%

Improving fleet performance with Telematics

In 2018 we trialled new Telematics technology, using vehicle data to understand, track and manage fleets effectively. For example, with the Telematics service a fleet owner can access real-time data about fuel use, speed, driving efficiency and safety, and receive alerts for service requirements.

This means large business and fleet customers can optimise their vehicle utilisation through data-based decision-making, such as ensuring the right number of vehicles are in operation, improving their fuel efficiency, and where staff may benefit from driver training. In addition, Telematics can help ensure vehicles receive scheduled servicing and potential driver safety issues are identified quickly. This can help these customers meet some of their obligations under the Health and Safety at Work Act 2015.

Vehicle and parts sales

Between 2014 and 2017 we saw significant growth in the new vehicle market due to New Zealand's strong economy, business confidence and high net migration. As noted in our previous Report, we anticipated this to slow during 2018 and future years.

The economic slowdown we are now experiencing has reduced vehicle sales in New Zealand. In addition, the price of fuel and prices of vehicles from TMC have been increasing. These market trends have led to a shift towards smaller, cheaper and more fuel-efficient vehicles.

The launch of our new business model is also affecting sales as we bed in new processes and communicate the changes to customers. The new Toyota Driveaway Price changed the pattern of sales to be more consistent each month.

THE TOYOTA DRIVE HAPPY PROJECT CREATES MORE THAN

1,100

CUSTOMER SALES EACH MONTH

409,519



CUSTOMER VEHICLES SERVICED

\$149.8m



PARTS SOLD



New Zealand annual vehicle sales since 2014

Calendar year	Total new vehicle market	TNZ share	Toyota (New)	Lexus (New)	Used vehicles
2014	127,179	19.9%	24,692	557	8,623
2015	134,041	20.1%	26,330	641	8,139
2016	146,753	18.7%	26,785	720	9,379
2017	159,872	20.6%	32,282	712	9,254
2018	161,519	20.5%	32,260	808	10,402
2019 (Target)	162,000	19.1%	30,030	870	12,000

This data is presented by calendar year: the usual period for public reporting of car sales to the media.

Our operations

Guiding principles

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

01

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.

02

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

03

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

04

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

05

Pursue growth in harmony with the global community through innovative management.

06

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

07

Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

Operational environmental footprint

As we are primarily an office-based distribution company, our greatest impact is greenhouse gas emissions, and this is the focus of our reporting. We manage our emissions in line with our Greenhouse Gas Strategy, which we developed in 2016.

The Strategy sets out our short-, medium- and long-term goals and focuses on the areas where we have the greatest impact. It has four key areas: energy efficiency, renewables, new technologies and carbon offsetting, and applies to our direct operations as well as the logistics of getting vehicles to customers (see page 52 for more information).

We track our electricity, air travel and domestic logistic emissions each month and report this to the Executive team. Other sources, such as demonstration and sponsorship vehicles, are reviewed annually. We undertake annual emission inventory audits as part of CEMARS (Certified Emissions Measurement and Reduction Scheme) certification. We are revising our systems for the capture and analysis of emissions and other resource data.

Toyota New Zealand operations

We are reducing our energy demand where we can. This year the focus was on energy efficiency opportunities created by the construction and seismic works on the national parts warehouse. In addition we changed our electricity provider to Ecotricity, which provides 100% renewable energy (see the case study on page 40), and offset 1,387 tCO₂-e from our business air travel (see the case study on page 44).

In addition, we actively manage water and waste impacts through

our certified Environment Management Systems (Enviro-Mark and ISO 14001). We are working to improve data collection and analysis across our sites for water and waste.

Retail operations

We support reducing Stores' environmental footprints through Enviro-Mark certification. This year all retail Stores in our national network became Diamond certified, the first in New Zealand to achieve this. Enviro-Mark is a formal Environmental Management System, which is audited annually to provide a systematic and consistent way for Stores to manage their operational emissions, waste and water, and prevent environmental incidents.

Thames refurbishment and accessorisation site

We are negotiating new waste contracts for the Thames site. This has resulted in a greater understanding of what materials can be recycled, and the different quantities of materials. The site's waste and recycling volumes are highly variable; for example, accessorisation creates a large volume of cardboard waste for recycling and, owing to variations in volume during the year, we are working to develop an effective baseline to track progress and reduce waste.

This year we avoided a potentially serious spill when a hydraulic hose burst on a supplier's vehicle delivery truck. On site staff were quick to enact emergency response procedures and prevent the oil entering storm water drains. To avoid similar occurrences, we requested the supplier put countermeasures and improved truck maintenance programmes in place. In addition, we are reviewing the positions of loading and unloading areas for suppliers' trucks when they enter our property.



National parts warehouse

In 2017 we started construction of an 11,000 square metre warehouse extension, taking total warehouse space to 35,000 square metres. The extension was completed in late 2018, and was followed in early 2019 by seismic strengthening of the original warehouse to bring it up to 100% of new building standard. The seismic upgrade and re-layout of the original warehouse is scheduled to be completed in September 2020.

As part of the warehouse extension project, we moved all of the operational areas into the new extension, and completely re-designed the layout and processes to improve safety, productivity and quality.

The key driver was separating people from machines with one of the most obvious examples being to move all truck loading and unloading to external canopies to keep trucks out of the warehouse.

Inside the warehouse the design of the inbound and outbound areas also changed significantly to improve safety, and improve the flow of parts through the warehouse.

There were other indirect benefits such as better communication and culture from having the whole warehouse team together in the newly designed work area.

The new layout was initially marked out with temporary barriers in order to refine the layout, and are now being replaced with a significant investment in impact absorbing plastic barriers that have been tested to international standards.*

During the design and build of the warehouse extension we also looked for opportunities to improve environmental outcomes from the building, which are summarised on pages 46-47.

*Designed/verified to UK PAS13:2017 standard. **PAS 13:2017 (UK)** = Code of practice for safety barriers used in traffic management within workplace environments with test methods for safety barrier impact resilience

DURING THE WAREHOUSE UPGRADE APPROXIMATELY
1.5 MILLION PARTS
WILL BE MOVED
AND MOST WILL HAVE TO BE MOVED TWICE



AN ADDITIONAL
EIGHT
TEMPORARY STAFF
WERE EMPLOYED
TO MAINTAIN PARTS SERVICE DELIVERY
TIMES TO RETAIL STORES

Our people

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

We have a team of 339 employees, with most based at the National Customer Centre in Palmerston North. The majority are direct employees, with some tasks undertaken by temporary staff – mostly in the parts warehouse. We want our employees to look forward to coming to work, and to see how what they do contributes to the success of the company and our communities. We communicate with our teams regularly and value questions and ideas to support continuous 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 the CEO.



THE RETAIL STORE
WORKFORCE COMPRISES

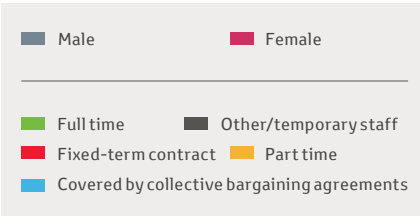
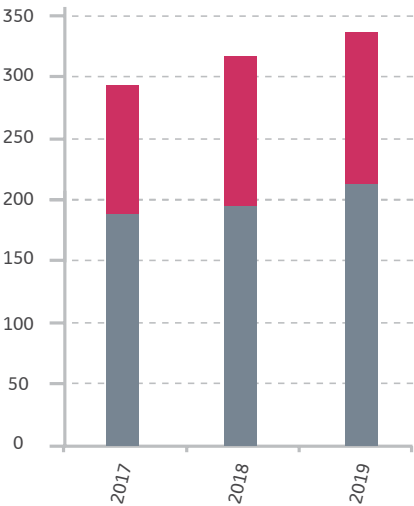
235
SALES PEOPLE

522
TECHNICIANS

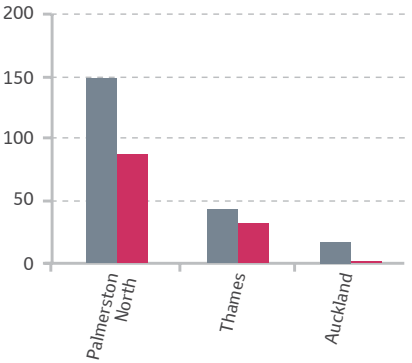
951
SUPPORT TEAM MEMBERS

Workforce profile

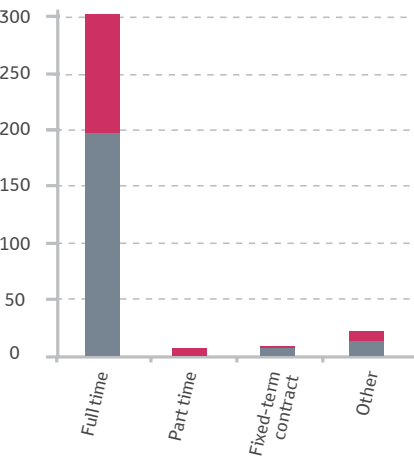
Number of employees



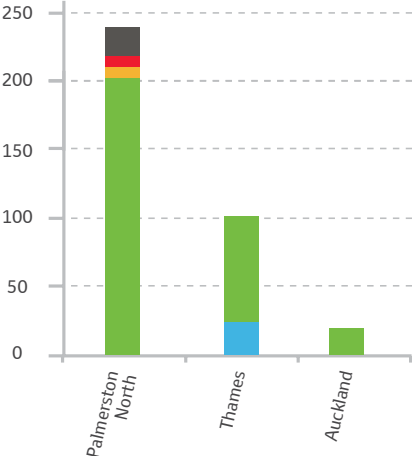
Gender profile by region



Gender profile by employment type



Employment type by region



Attracting, developing and retaining capable people

The most material issue for our people is our ability to attract, develop and retain capable people. The 2050 Vision (see page 9) reflects this, as we build TNZ's brand as an employer of choice. This year we focused on developing our people through providing training. In the coming year we will formalise career development pathways to give employees greater transparency of their career opportunities within TNZ.

We provide training for all of employees, including those at retail Stores. We determine their training needs through mid- and end-of-year reviews and expressions of interest in specific courses and skill development opportunities. The effectiveness of training is measured through short surveys at the end of sessions, follow-up surveys and feedback from managers. Monthly reports are reviewed by the Executive team, with training hours completed compared with annual targets.

Vocational education in New Zealand is being reviewed for reform, with a proposed disbandment of industry training organisations, which would include The Motor Industry Training Organisation (MITO). MITO plays an important role in providing appropriately qualified staff for our retail network. We are representing our Stores and engaging on the proposed changes.

Training priorities at TNZ and retail Stores:

FY 2019

TNZ's new business model required significant upskilling and retraining, (particularly for frontline teams in the retail network), to ensure we could deliver on our new customer promise.

This training is ongoing for all new employees joining our Stores.

This year we also focused on increased training for diagnostic master technicians, and training managers to provide better coaching to achieve greater performance outcomes.

FY 2020

In the coming year we will provide more local and online training to provide more convenient learning opportunities for Stores.

We are further developing leadership programmes with the introduction of a targeted development and coaching course. This will enable up and coming leaders to hone their skills with one on one coaching sessions.

Succession planning at the Thames site continues with the identification of four future leaders: two women and two men. We are also supporting the retail Store network in succession planning, as we have a generation of CEOs nearing retirement. We are working with them to help develop and retain key staff to keep their businesses running effectively during these periods of transition.



Looking forward

We are working to provide greater transparency in the career development pathways for employees. This aims to recognise how we can better support and grow capable people. It will also ensure we have clear opportunities for women to enter management roles.

These developments will be supported by the new human resources management system Jemini.

We are committed to improving how we engage employees on their health, safety and wellbeing



By appearing on safety posters around our head office, many of our staff are the face of internal safety campaigns to help our people relate to and engage with safety messages.



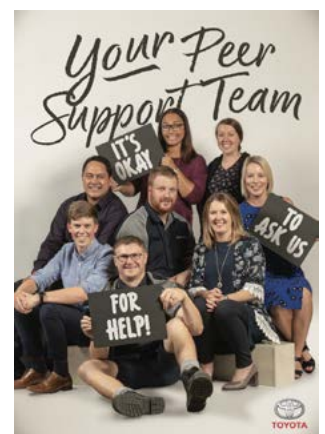
OUR SAFETY CAMPAIGNS FOCUS ON THE REASONS FOR STAYING SAFE AND HEALTHY AT WORK.



At the Thames site we updated the safety induction process to be reinforced at intervals of 50, 60 and 90 days after starting employment. This means new staff have time to learn about and feel comfortable in their roles and better understand how to apply safety processes in their work.



We introduced a peer support programme, through which people from all levels of the organisation have been trained to provide support to those who need it. This means team members can go to someone they feel most comfortable with for a confidential and supportive ear, or guidance on where to seek further help.



We continued the promotion of the Mental Health Foundation's '5 Ways to Wellbeing' to staff through themed events during the year.

Economic performance

This year's material issues expanded our reporting focus to include not only the economic prosperity of our business, but also that of the businesses with which we work. Our closest working relationship is with the franchised retail network which comprises small business operators in more than 60 communities. We are also a key customer for logistics providers and local parts manufacturers. Our economic prosperity is connected to the success of these business partners, and together provides employment and broader economic value across New Zealand.

A range of economic measures are tracked each month and reviewed by relevant internal teams, to understand and support their performance.

This year we anticipated some financial disruption while we transitioned to the new Toyota Drive Happy Project. While this has been deeper and longer than we projected, we are steadily heading in the right direction. But the year was challenging financially, and we made a loss due to a range of additional factors affecting vehicle and parts sales.

To manage these issues we are looking for savings, and revisiting investment and capital expenditure plans.

Despite the difficult economic environment, the retail network recorded its third-highest profit on record. This is because the financial impacts of the business model change were greater for TNZ than they were for Stores, whom we supported during the transition, for example with making payments earlier than usual to help cash flow.

We anticipate that while the coming year will continue to test the motor industry, the new business model will continue to gain traction as customers adapt to the stable and transparent pricing model. The TDHP will also protect Stores from internal competition that could drive down prices and margins making our wider business operation more sustainable.

TNZ financial performance (\$million)*

FINANCIAL YEAR	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
TOTAL REVENUE	985.6	1,027.0	1,084.2	1,177.2**	1,402.7**	1,362.1
OPERATING COSTS	952.2	979.8	1,034.4	1,113.9	1,334.1	1,325.2
CAPITAL PROVIDER COSTS	3.5	9.1	17.5	20.3	25.2	28.9
EMPLOYEE WAGES AND BENEFITS	22.4	24.4	25.0	27.7	30.9	32.8
AFTER TAX PROFIT	5.7	13.4	18.3	21.7	21.9	-3.7

*All sales were within New Zealand, where we serve private and government customers, and fleet buyers.

** Differs from previously published data.

Our partnerships

Guiding principles

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

01

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.

02

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

03

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

04

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

05

Pursue growth in harmony with the global community through innovative management.

06

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

07

Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

We work closely with others up and down our value chain (see pages 22-23) 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 16 and 17). 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.

Key partnerships



Department of
Conservation
Te Papa Atawhai

Department of Conservation – Toyota Kiwi Guardians

Toyota New Zealand first partnered with the Department of Conservation in 2015 to develop the Kiwi Guardians programme, to encourage Kiwi kids and their families to explore and connect with the natural world. The programme has gone from strength to strength, with more than 46,000 children getting involved in 2018. There are interactive games, challenges and rewards as well as conservation education materials. The partnership reflects the two organisations' closely aligned values and vision of sustained action to help protect New Zealand's eco-systems and endemic biodiversity.



MORE THAN

40,386 KIWI GUARDIANS
MEDALS REDEEMED

28,270 CHILDREN HAVE
ENGAGED WITH
THE PROGRAMME

110+ OUTDOOR SITES
TO VISIT ACROSS
NEW ZEALAND

13 HOME-BASED
CHILDREN'S
ACTIVITIES



Parenting Place

Our 14-year partnership with Parenting Place is built on shared values and a commitment to Kiwi families. Parenting Place is New Zealand's largest parenting organisation, providing fun, accessible programmes, courses and resources to support flourishing family relationships. In late 2016 we launched the Toyota Family Journeys programme, providing ideas and tools to help families make the most of their times together in the car. Since then the Toyota Family Journeys tools have been downloaded 4,082 times. We are proud to support this important initiative, and encourage families to build deeper connections with each other.



149,618 'HOW TO TALK ABOUT'
ARTICLE VIEWS

47,500 VIDEO VIEWS

TNZ PARTNERSHIP FOR OVER
14 YEARS



Toyota Gazoo Racing New Zealand

In 2019, Toyota expanded its motorsport operations to align with TMC's global motorsport programme under Toyota Gazoo Racing. All of our operations are being rebranded including both the Toyota Racing Series (TRS) and Toyota 86 championship categories. The Japanese word Gazoo translates to the word 'image' and is the brainchild of our president Akio Toyoda who sees motorsport as a way of pushing the limits and learning and developing motor vehicle technology.

Since 2005 TRS has been a major motorsport event with an international following, growing every year. We help provide the latest innovations in motorsport engineering, technology and safety, giving Kiwi drivers the best possible preparation for competition on the intense global stage.

MORE THAN
25,000 WEBSITE
USERS DURING 18/19 SEASON

522 MEDIA ITEMS

12.8 MILLION
PEOPLE REACHED
(AUDIENCE)



Emirates Team New Zealand

TNZ has been a staunch supporter of Emirates Team New Zealand since the 1992 America's Cup campaign, the longest continuous major sports sponsorship in New Zealand. The America's Cup is the pinnacle of yacht racing and the oldest trophy in international sport. Following the team's incredible success in Bermuda in 2017, Auckland will have the privilege of hosting the 36th America's Cup campaign in 2021, and sharing our beautiful country with the world. Both of our brands are committed to promoting the best of New Zealand, and we have a shared focus on continual improvement and innovation. Local enthusiasm for the next campaign is already high as it will enable both brands to showcase the new racing yachts in Auckland.

REACHED
FINALS FOR PAST
6 CAMPAIGNS

TNZ PARTNERSHIP FOR OVER
26 YEARS

WINNERS OF THE
1995, 2000, AND
2017 CAMPAIGNS

Dealer community activities

Our Dealers represent Toyota in more than 60 communities around New Zealand. In addition to getting involved with the events of our partners, they support the needs of their local communities.

ALBANY TOYOTA

Aimes Awards
North Harbour Club
Life Education North Shore
Literacy North Shore
RSA Warkworth
Warkworth community patrol car
Regional Bowling Clubs
Mahurangi School Rugby Club
Northern Tennis school holiday programme
Coatesville Pony Club

BOWATER

Nelson Centre for Musical Arts
Winter Arts Festival, Summer Jazz Festival, and Adam Chamber Music Festival - vehicles and marketing resources
Bowater Community Van
Natureland
Brook Waimarama Sanctuary
Edible Gardens in Schools Programme
Nelson Trades Academy
Sweetbix TRYathlon supporters
Cawthron (Scientific) Institute, Community Education
Age Concern
Whenua Iti Outdoor Trust
Nelson Regional Development Agency
Nelson Mountain Biking Club's Dodgy Memorial Enduro race
Nelson Rowing, Nelson Bays Football, Victory Racing, Nelson Giants basketball team, Suburbs football - vehicle support
Rainbow Ski Area
Richmond Taekwondo Nelson & Marlborough Championships

QUEENSTOWN

Arrowtown Golf Club Lexus Day
Hanley Farm Tradies BBQ shout
Wakatipu High School Automotive Class
Challenge Wanaka
Toyota Racing Series
Family Works Buddy Programme
Jody Direen (musician)
Mitch Crow (soccer player)
Brooke Lexus (equestrian)
World Jetboat Marathon

GORE

Tapanui & Gore A & P Show
Ice skating Rink
Gore Golf Club
School Safety Book

PACIFIC

More FM Stuff the Bus
Our Place Tauranga
Good Neighbour Trust
Trustpower TECT Rescue Helicopter
Hayden Wilde (athlete)
AIMS Games

HAWKES BAY, TAUPO, ROTORUA, & EASTLAND TOYOTA

Sport Hawkes Bay
Central District Stags Cricket
Hawkes Bay Farmers Market
Basketball Hawkes Bay
Taupo Rotary Club
Taupo Rescue Helicopter
Vintage Rally Taupo
Rotorua Bowling Club
Sport Gisborne
Tolaga Bay Dog Trials
Malaghan Institute

KING (HUTT VALLEY)

Virtuoso Strings Charitable Trust
Porirua Hot Rod Show
Life Education North Wellington Trust
New Zealand Police Managers Guild Trust
Work experience and work place inspiration
Mana Lions
Autism NZ
Malaghan Institute
Thumbs Up Trust
Te Omanga Hospice
Wellington Rugby Football Union
Wellington Saints
Petone Junior Rugby
Upper Hutt College 1st XV Rugby

BLENHEIM

Marlborough Wine and Food Festival
Community Minibus
Graeme Dingle Foundation
Marlborough and Flaxbourne A&P shows
The Grape Debate Marlborough
Marlborough Merino 2 Tooth Competition
Life Flight
Stadium 2000
Queen Charlotte Yacht Club Hilux
Craig Harper (athlete)

SOUTH CANTERBURY

Kaylee Bell (musician)
Cam Scott (musician)
Mackenzie Collie Dog Club
Central South Island Charity Bike Ride
Stonewood Homes Cycling team
South Canterbury District Health Board awards
South Canterbury Child Restraint Rentals
Westpac Rescue Helicopter
Salvation Army
Community Van

NORTH OTAGO

Rotary Club Oamaru
Annual Dog Trial events
Local A&P show
Annual Bowls tournaments
Sponsor two local golf club tee blocks
Annual squash tournament

ALEXANDRA

Kids Day Out Variety Show
Dog Trial Circuit
Local Bull Sale
Central Otago Winter Feed Competition
Alexandra Sunshine Ladies Golf Tournament & Cromwell Golf Tournament

Community investment

Financial year

2013/14

2014/15

2015/16

2016/17

2017/18

2018/19

TNZ community investment (\$ million)

3.5

2.7

2.5

3.0

2.8

3.7

Case studies

01

RENEWAL CLANS

The motor industry is undergoing dramatic and unrelenting change, and our business must continually evolve to stay competitive. To encourage all employees to play a positive role in shaping our future business, embrace innovation and capitalise on the new opportunities, we set up an internal Renewal Programme in 2012.

Seven inter-department working groups or 'clans' emerged as the way to approach a number of issues confronting our business – either complex industry matters that challenge our current business model or distinct workplace areas that would benefit from a little extra focus.

In 2018 these groups presented their goals to the wider company:

Industry clans

- Mobility as a Service – is investigating the shift away from personal car ownership to broader mobility solutions, such as ride share.
- The Hydrogen Group – is exploring the commercial opportunities of and barriers to the introduction of hydrogen vehicles and infrastructure in New Zealand.
- End of Life Vehicles – is studying what happens when cars reach the end of their useful purpose, the environmental impacts and business opportunities.

Workplace clans

- The Workplace Culture Club – is working to make Toyota an employer of choice by creating a more flexible and productive workplace.
- Paperlite group – aims to reduce and ultimately eliminate paper usage. See case study 02.

Think group clans

- Grow Toyota – is empowering staff to deliver change by encouraging ownership, removing road blocks and reinvigorating Toyota's kaizen (continuous improvement) culture.
- The Enantiodromia Society – inspires employees to think differently, to make ongoing, conscious efforts to 'renew' by sacrificing activities departments have outgrown and to create new space for innovation

Working groups were also established in Toyota Stores to address sales and service issues.



02

PAPERLITE

The environmental impacts of the paper industry are significant: it uses large quantities of water (around 10 litres per sheet!) and harmful chemicals, and is amongst the top five commercial consumers of energy worldwide.

TNZ has been working on ways to use less paper for a number of years, focused on reductions in the highest use departments.

In 2018, however, a dedicated workgroup was set up to accelerate this activity, focusing on the following actions:

- A new parts invoicing system, which saves more than 100 sheets of printing every day and 35 hours of staff time per week
- Printing fewer training course manuals
- Making fleet documents electronic, and printing a single contract (previously two)
- Converting carbon-copy sheets to email for the parts return process, and emailing parts receipting error sheets

Within six months the group had achieved its first reduction target of 20,000 fewer sheets of paper per month, and delivered some wider business benefits such as process efficiency that saved staff time, freed up storage space and improved document control and security.

The next goal is to double this effort and reduce paper use by 40,000 sheets by October 2019, then 50,000 by October 2020 – with the ultimate goal of being paper free within five years.

The main projects to bring this about are:

- The roll-out of DocuSign software in 2019 – this allows the signing of digital contracts and other documents, and is currently being trialled in the Finance department.
- The transfer of all data to the Data Management System (as well as service manuals and contracts) within three or four years.
- Continued awareness-raising to encourage staff to change long-standing printing behaviour.
- Working with individual departments to find bespoke solutions to their processes.

As a visual demonstration of the cost savings the Paperlite project has delivered to date, the money saved has been used to purchase trees that will be planted on site at TNZ's National Customer Centre.

ACHIEVEMENTS TO DATE

273,000

FEWER SHEETS OF PAPER WERE PRINTED IN THE FIRST 12 MONTHS OF THE PROJECT

SHEETS PRINTED



JAN 2018 – JULY 2018

510,000

53%
REDUCTION

AUG 2018 – DEC 2018

237,000

23%
FURTHER
REDUCTION

JAN 2019 – APR 2019

181,000



03

CLEAN CAR PATENTS

In early 2019 Toyota Motor Corporation, Japan announced that it would grant additional royalty-free patents and provide technical support for, its vehicle electrification systems. It aims to help speed up the adoption of cleaner vehicles by reducing the time, money and resources needed in the car industry to develop sustainable mobility solutions.

Toyota has already offered 5,680 patents related to its fuel-cell electric vehicles since January 2015. It has now added a further 2,590 patents related to electric motors, 2,020 for power control units, 7,550 for system controls, 1,320 related to engine transaxles, 2,200 charger patents and 2,380 patents for fuel cells (bringing the total fuel-cell related patents to 8,060).

Toyota sees the development and market introduction of electrified, low-emission vehicles around the world as a top management priority contributing to the fight against climate change.

The grant period lasts until the end of 2030.



04

ECOTRICITY

In October 2018 the electricity supplier at TNZ's two company-owned sites* (the head office and parts warehouse in Palmerston North, and the used vehicle refurbishment plant at Thames) was changed to Ecotricity NZ.

Sourcing renewable energy is an important element of our strategy to reduce operational carbon emissions. Ecotricity is New Zealand's only carboNZero-certified electricity provider, with the electricity purchased from wind, hydro and solar generation.

Remaining 'embodied emissions' associated with the generation and transmission lifecycle of Ecotricity's power-generation infrastructure (construction, operation, distribution – even maintenance vehicle kilometres to visit the sites) are offset by purchasing verified New Zealand native bush carbon credits, which support local biodiversity.

The two TNZ corporate sites represent 90% of TNZ's electricity consumption, and in a full year this will prevent more than 230tCO₂-e being released into the atmosphere (assuming similar levels of use). Energy efficiency continues to be a primary operational focus, and we are also investing in local renewable generation: in 2018 work was undertaken to strengthen the head office and warehouse roof so that we can generate solar power on-site in the near future.

** Four other sites are lease owned*



05

PLASTICS

More than 300 million tonnes of plastic are produced worldwide each year, and their convenience, low cost and flexibility of use have meant they have entered nearly every part of our lives.

Their pernicious environmental impacts were ignored for decades, until early 2018 when the BBC's *Blue Planet II* TV series exposed the massive and devastating impacts of plastic on oceans and wildlife to a global audience. Extensive media coverage followed and also highlighted the effects of plastics on human health – they break down into micro particles (invisible to the naked eye), are ingested by zooplankton and accumulate in fish, birds and mammals – as they enter our food chain.

At TNZ we've been playing a small part in raising awareness and encouraging employees to make lifestyle changes to reduce the use of plastics. These messages have resonated with many staff, some of whom have been motivated to identify where they could introduce changes at work.

In the last year this has resulted in the removal of more than 30,000 items of plastic, including through:

- Removing 720 plastic water bottles from the Auckland office boardroom (replaced with water jugs).
- Eliminating plastic straws, plastic sandwich boxes and plastic bags for biscuits at our head office on-site café.
- Replacing 17,500 plastic bags with paper bags in our parts warehouse, used for the distribution of small parts to dealers.
- Purchasing a water cooler for off-site training courses (replacing plastic water bottles).
- The avoidance of 1,300 disposable single-use coffee cups by our Auckland sales team

In addition, 300 jute shopping bags have been distributed free to staff to help them avoid using thousands of plastic supermarket bags during the year.



06

2018 AA DRIVEN NEW ZEALAND CAR OF THE YEAR AWARDS

Corolla won the category of Safest Car at the 2018 AA Driven New Zealand Car of the Year Awards. The new Corolla is Toyota's most technologically advanced compact car and is fitted with Toyota Safety Sense technology.

Now in its second generation, Toyota Safety Sense includes: pre-collision system with autonomous emergency braking, pedestrian detection (day and night) and cyclist detection (day only), all-speed dynamic radar cruise with indicator linked control, automatic high beam, lane tracing assist with lane departure alert, steering assist lane centring and sway warning, and road sign assist.

Locally, Toyota has sold more than 30,000 new vehicles with the Toyota Safety Sense package, while globally the number has reached 10 million.

The first Corolla hybrid was launched in 2017, with a fuel efficiency of 4.1L/100km and carbon emissions of 96g/km.



07

ENVIRO-MARK DIAMOND

A major environmental milestone has been reached by Toyota and Lexus Stores – the ultimate step in a nine-year journey – with all 64 outlets nationwide achieving Enviro-Mark Diamond certification.

Enviro-Mark Diamond certified organisations have robust environmental management systems (EMS) in place to identify significant impacts, develop internal plans to prevent or reduce impacts and find opportunities for improvement.

Toyota and Lexus Stores began the Enviro-Mark programme in 2010 by appointing a dedicated environmental champion to organise and implement environmental initiatives. In subsequent years they progressed through the five levels of Bronze, Silver and Gold to Platinum and finally Diamond, with independent audits at each step every year.

Toyota's national retail network can boast of having the first (and only) dealerships in the country to attain Enviro-Mark certification. This reflects Toyota's global expectations of high standards of environmental performance and desire to be a responsible business in local communities.

TNZ worked closely with Enviro-Mark Solutions to deliver the programme, providing legal advice, specialist guidance and annual training. Stores followed a bespoke manual and templates that guided them through the requirements at each level.

Key projects include reducing waste, improving recycling, monitoring wastewater and carefully managing water and energy use. The Enviro-Mark programme helped the network to save more than two million kilowatt hours of electricity between 2012 and 2017, through energy efficiencies in showrooms, offices, workshops and forecourts – equivalent to approximately 240 tonnes of carbon emissions.

THE ENVIRO-MARK PROGRAMME
HELPED THE NETWORK TO
**SAVE MORE THAN
2 MILLION
KILOWATT HOURS
OF ELECTRICITY**
BETWEEN 2012 AND 2017

EQUIVALENT TO
APPROXIMATELY
240 TONNES
OF CARBON EMISSIONS



08

HILUX MANUFACTURING

TNZ sources Toyota Hilux from the Ban Pho plant on the outskirts of Bangkok, Thailand.

This manufacturing facility, which became operational in January 2007, was constructed as a model Toyota 'Sustainable Plant' – an example of leading production technology and environmental management in the Asia Pacific region.

Key features include:

- **Energy** – a natural gas co-generator supplies 37% of the site's power. Solar panels provide 1.24MW of electricity in the management office. Together they reduce carbon emissions by more than 18,000 tonnes per year. Stamping and welding processes are installed with Servo-Motors and Servo-Robots to save energy, increase quality and reduce spatter and fumes.
- **Air pollution** – Water-borne paint reduces solvent use and volatile organic compound (VOC) emissions. Robots apply the paint to increase the quality of finish and efficiency. Regenerative Thermal Oxidizer incinerators reduce VOC and carbon monoxide air pollution.
- **Waste management** – zero landfill has been achieved and currently more than 95.8% of site waste is recycled. Volumes of wastewater sludge are compressed using filter press machines and dried utilising sunlight. A biogas food composter reduces waste from the staff canteen.
- **Water pollution** – Ban Pho's wastewater treatment plant undergoes chemical and biological treatment. A water recycling system reuses treated water to lessen overall water usage. Water quality is continuously monitored using a chemical oxygen demand system. Other parameters are analysed through a government certified laboratory.
- **Management systems** – Ban Pho has ISO 14001 and 9001 certification. Its 250 suppliers must meet ISO 14001 environmental certification, and adhere to standards for hazardous materials and carbon emission reduction activities.
- **Biodiversity & Sustainability Learning Centre** – the centre serves to educate employees, the general public, the local community and students. A 48,000-square-metre 'Eco Forest' was planted in 2008 by 13,000 volunteers and contains 43 plant species and more than 300 species of bird, reptile, insect and fish – including 'indicator species' of habitat health, such as firefly, red dragonfly and the Asian golden weaver (a bird with 'near-threatened' status). Materials from the Hilux production process are reused in the provision of public access – for example wood from shipping crates to build bridges, waste plastic to create benches, and blocks made from solidified waste to pave footpaths. An Exhibition building includes displays on green building concepts and a firefly laboratory.



09

OFFSETTING BUSINESS FLIGHTS

THESE PROJECTS SUPPORT THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS:



Air travel is a significant contributor of greenhouse gases, and under current business settings air travel emissions will only fall if there is a significant improvement in plane technology or aviation fuel.

Our primary control therefore is to manage the number of business trips we make, and in 2015 we introduced a travel policy requiring a clear trip justification or the combining of multiple meetings into a single trip. We also invested in better teleconferencing facilities.

During the reporting period our staff travelled 4,124,032 kilometres on business flights, generating 1,387tCO₂-e. 52% of flights were domestic, 5% short-haul and the remainder (43%) long-haul international.

We offset the emissions with just over \$32,000 purchased credits from a mix of these local and international projects:

- **Forest sequestration** – native forest regeneration at Kurinui, Otago, New Zealand. Additional benefits include supporting a diverse range of plant species, of which several are threatened, three nationally threatened birds and one nationally threatened lizard.
- **Energy efficiency** – biogas cook stoves in Bagepalli Coolie Sangha, India. This project sets up biogas plants for small and poor peasant families (agricultural labourers) to replace kerosene and non-renewable biomass combustion for cooking and hot water. Project co-benefits include reduced indoor air pollution, better waste management, and local environmental degradation and tree/habitat loss.
- **Renewable energy generation** – wind power in Maharashtra State, India. This project supports a 10.5-megawatt wind farm to replace fossil fuel generation. Project benefits include: local community employment, improved local infrastructure and the development of renewable energy technologies.

The New Zealand project credits were issued under the [New Zealand Permanent Forest Sink Initiative](#) and the international project credits were issued under the United Nations Framework Convention on Climate Change [Clean Development Mechanism](#). The biogas cook stoves project is additionally assessed by [Gold Standard](#) and Fair Trade. Credits are administered through [Enviro-Mark Solutions](#), TNZ's CEMARS certifier.



Most people spend at least 40 hours a week, 48 weeks a year and up to 50 years at work. This can have implications for employees' health and welfare.

TNZ's Business Support team leader has been leading numerous activities in the past 18 months to keep staff active and engaged at work, using the [Mental Health Foundation of New Zealand's Five Ways to Wellbeing](#).

This provides a simple framework for creating a fulfilling and productive work environment, encouraging staff to take charge of their own welfare and find a good balance between their work and home lives:

- **Be Active** – being physically active can have a powerful effect on developing a positive mental outlook.
- **Giving** – the giving of your time, kind words and presence releases feel-good chemicals in your brain, happiness and mental wellbeing.
- **Take Notice** – remembering to enjoy simple things, paying more attention to the moment and the world around you, can boost mental health.
- **Connect** – talking, listening and building social connections increase feelings of happiness and self-worth, and help to develop resilience to life's testing times.
- **Keep Learning** – embracing new experiences, ideas and opportunities sharpens your skills and positively stimulates the brain.

10

THE FIVE WAYS TO WELLBEING

TNZ ran a month of wellbeing activities dedicated to each of these themes:

Be active

September heralded a month of scheduled events and in-house competitions, encouraging both teams and individuals to increase their exercise (measured by the number of 'steps' taken).

Activities included group walks, 'boot camps' of 30 minutes of concentrated exercise, dedicated personal gym trainer sessions, and organised transport to the nearby Manawatū River for lunchtime walks and runs, as well as longer weekend walks.

142 staff got involved and walked a total of 45,615,013 steps, a 38% increase on the previous year and with 47 more staff taking part. The highest numbers of individual and team steps were recognised with trophies and prizes.

These were supported with an eating well seminar, and a workshop covering pre-exercise stretching and injury prevention. Simple health reminders were also given, such as helpful daily tips for reducing poor desk posture and computer eye strain.



Giving

The 'Giving' campaign was launched in December, promoting acts of giving and kindness at work:

Guest speaker John Cowan, from the not-for-profit organisation Parenting Place, gave a seminar on the benefits of giving and receiving.

The usual staff Christmas lunch decorations were waived, with the money used to buy Christmas gifts for Starlight Children's Foundation and five- to 18-year-old patients in the mental health ward at Palmerston North Hospital.

Donations to the Salvation Army Food Bank over Christmas.

An advent calendar was put up in the head office café, with cards for each working day suggesting kind things staff could do.

A 'Kindness Wall' was set up, providing ideas for staff to donate unwanted items for good causes, with money raised going to charity.

43 people donated blood to the visiting blood bank.

A group of voluntary 'Secret Agents' was convened to deliver anonymous and unsolicited acts of kindness and help nominated staff members experiencing difficulties outside work. Acts included providing meals (60 made to date) and baking gifts (more than 30 to date), hundreds of chocolates and random treats, and multiple dog walks, house moves, car loans, grocery deliveries and lawn mowing.

Almost 40 sets of pyjamas, slippers and dressing gowns were donated to kids in need.

Take Notice

This promotion encouraged staff to pay attention to the 'here and now', and think about how they could better manage the distractions of modern life – such as mobile phones.

Not only do many users pay more attention to their devices than to the people sitting opposite them, they may also ignore potential dangers to themselves and others – for instance when walking down stairs or driving.

New Kaizen and Respect for People awards encouraged employees to see where their colleagues were supporting Toyota's core values and making positive differences (through cost reductions and health and safety, environmental or process improvements) in the workplace. Awards are presented twice a year in June and November.

Each week staff were given ideas or challenges, with a list of 10 tips to be more 'present' in the moment, take time to observe their surroundings and appreciate what matters to them, or notice how others were feeling.

Connect

Key activities to help develop relationships at work included a day of sharing hobbies and interests with 17 pop-up stalls in the head office central atrium.

These revealed the broad range of interests and hidden talents of staff outside work: acapella singing, landscape photography, model radio-controlled helicopters, quilting, board games, dog rescue, therapeutic essential oils, LGBTQ, blokarting, gymnastics, electric track car building, Rubik cubes, Ceroc dance, canoe polo, furniture upcycling, video creation, fly fishing and pen sketching.

A 'community morning tea' encouraged all employees to interact and bring pot-luck dishes of their favourite foods to share (and leave their mobile phones at their desks). A barista was invited on site for the month to encourage interactions over coffee.

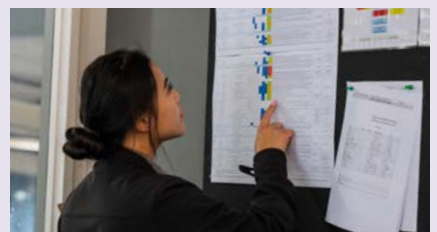
Staff were also encouraged to go for walks in their lunchtimes, and visit the outdoors and connect with nature at weekends.

Keep Learning

A diverse range of speaker presentations, workshops and activities was held to motivate staff to try to learn something new.

These included a sushi masterclass, an introduction to meditation, an eating well seminar, a talk by Toyota Ambassador Cam Calkoen on his ascent of Mount Kilimanjaro, and workshops on automotive maintenance, and men's and women's health.

As stimulating the brain is proven to reduce dementia, staff were encouraged to learn Māori and sign-language words and phrases, which were posted around the building, and puzzles and brain teasers were placed in collaborative work areas.



11

HEAD OFFICE & NATIONAL PARTS WAREHOUSE SUSTAINABILITY FEATURES

Toyota New Zealand's head office and national parts warehouse are located in Palmerston North, in the Manawatu.

The continued growth of our business over the last 10 years prompted extensive new building works in 2018. Significant planning was required to ensure normal business could continue during the building phase.

This included:

- **an 11,000m² extension** to the national parts warehouse, which includes three offices, a meeting room, mezzanine viewing platform and toilet block, bringing the total storage area to just under 35,000m²;
- **a new 500m² open plan office space** and four meeting rooms to accommodate the parts and service departments;
- **moving the main inbound/outbound operational area** to the north side of the property, with a new entrance;
- **external works** comprising a new stormwater system, 3 metre high landscaped wind bund, rainwater storage tank, and enlarged car park.

The warehouse holds \$28 million of inventory (from large items like bumpers and headlights to an array of smaller items such as lug nuts and bolts), and supplies more than 95% of daily orders off the shelf. These are shipped overnight to the network of 66 retail outlets around the country.

Architects: Woodhams Meikle Zhan Architects Limited

Construction: Colspec Construction Limited

Project Management: Oldfield & Company Property Analysts and Advisors Limited

Quantity Surveyor: Project Economics Limited

Approach

The latest Toyota thinking for a safer and more efficient warehouse operations was applied. The new layout provides a better separation of people and machines, assisted lifting for heavy items, and narrower single-direction aisles.

New operational areas improve flow and productivity significantly, which help get parts out to customers faster.

This project also provided an opportunity to develop the environmental performance of the building and deliver a healthier workplace for employees. Although there was no appropriate New Zealand Green Building Council rating at the time for this type of office/warehouse extension*, the NZGBC 'Green Star' framework was applied to introduce multiple improvements.

Construction was completed in November 2018, and work has moved onto extensive seismic strengthening, mostly of the original structure, some of which more than 40 years old. This is expected to take at least 18 months.

*Green Star ratings are usually applied to new builds; extensions are eligible but only where they are "visually identifiable from surrounding buildings." A Green Star 'warehouse interior fit out' rating applies in Australia, but was not available in New Zealand.



Sustainability features:



Management

- Enviro-Mark Diamond EMS certification (whole site) since 2013
- Construction waste management
- Contractor resource consent compliance
- Contractor health and safety monitoring



Energy - renewable

- Site electricity sourced from carboNZero certified electricity provider (wind, hydro and solar generation)
- Roof strengthened for 100kW solar panel capacity (installation date tbc)



Transport

- Six PHEV charge stations and parking
- Secure cycling storage, changing and shower facilities
- Hourly bus service to between city centre, eastern suburbs and head office



Materials (new build areas)

- Carpet from carboNZero certified supplier
- Low toxicity and low VOC floor coverings, adhesive, sealant, ceiling tiles and vinyl
- ODP-free thermal and acoustic insulation
- Certified ceiling, floor panels and wall linings
- No uncoated zinc and copper in flashings, guttering, spouting, cladding and roofing
- Timber from certified forests
- Waste reduction by integrated fit-out to TNZ requirements
- Warehouse and office recycling stations



Indoor air quality

- New office outdoor air supply volume to 150% of Building Code minimum requirement
- G4 filter on outdoor air supply system and G2 filter on air conditioning system
- Dedicated new office exhaust to remove photocopier air contaminants
- Indoor plants



Energy - lighting

- LED lighting (internal/external)
- Warehouse daylight sensors adjust artificial light levels
- Occupancy sensors in office & warehouse picking racks
- Warehouse natural lighting with daylight panels and office solar tubes
- Daylight glare control
- Exterior lighting angle avoids light pollution



Water

- Rainwater harvesting tank
- Water efficient taps and fixtures
- Water meters



Emissions & discharges

- Inefficient gas boiler replaced with warehouse electric space heating
- Post-development stormwater peak discharge does not exceed pre-build discharge
- Detention tank installed to trap stormwater sediment
- All refrigerants have Ozone Depletion Potential of zero and Global Warming Potential <10



Land use and ecology

- Stream biodiversity assessment prior to car park expansion
- Native plant landscaping (existing)
- All topsoil re-used for 3m high wind bund
- Some clean fill removed but used locally and gravel extracted locally (reducing transport fuel & emissions)



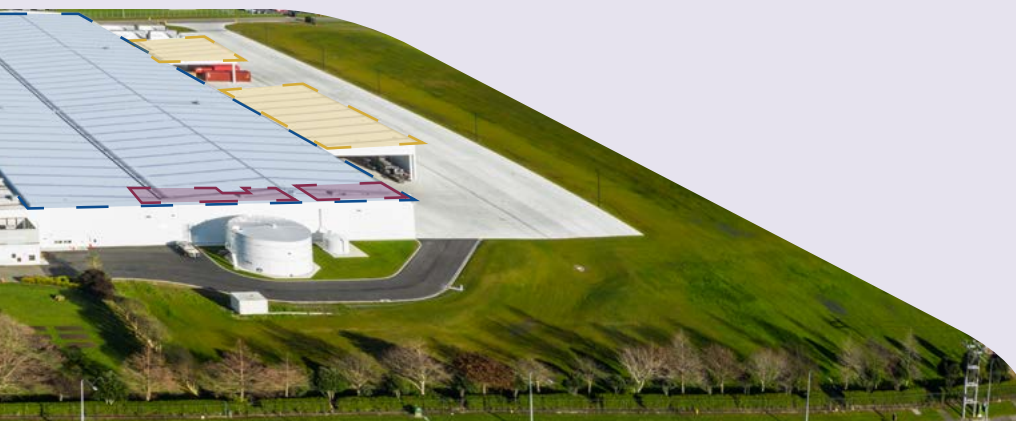
Energy – thermal (new build areas)

- Energy modelling report
- Energy sub-metering
- Warehouse natural ventilation with large opening doors and roof rotary wind fans
- High performance low emissivity office double glazing
- CO₂ sensors automatically reduce energy consumption during low occupancy
- Ultra-high efficient centralised VRF heat pump system with simultaneous heat recovery
- Reflective roof colour to reduce internal heat gain



Employee wellbeing & comfort

- Thermal comfort modelling design report
- Each new office zone has AC unit with wall controller
- Building Management System monitoring and control
- Office insulation
- Acoustic study of internal noise levels
- Mix of collaborative work and respite areas Outdoor green spaces and seating
- Use of height-adjustable desks
- Visual comfort lighting levels



Key

 **New Warehouse**

 **New Canopies**

 **New offices**

Appendix

Managing our operations



Alistair Davis
Managing Director
and CEO



Shinobu (Terry) Teramoto
Senior Executive
Director



Paul Carroll
Senior General
Manager
(retiring May 2019)



Neeraj Lala
Chief Operating
Officer and
Executive Director



Andrew Davis
General Manager
Marketing and
Business Technology



Spencer Morris
General Manager
Finance, Planning
and After Sales



Debbie Pattullo
General Manager
Customer, People and
Business Support



Steve Prangnell
General Manager
Used Vehicles,
Logistics and
Franchise
Development



Mark Young
On secondment
to Toyota Credit,
Canada

Corporate governance

The Executive team, comprising the CEO, a Senior Executive Director, a Senior General Manager and six General Managers, meets weekly to monitor progress against TNZ's business strategy.

The strategy supports TMC's Vision (see page 6) 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 (from product, operations and freight), corporate and retail Store compliance with environmental management, and community investment.

As TMC is listed on the New York Stock Exchange, we must comply with management control requirements over financial reporting, IT and governance. Internal audits evaluate adherence to the required controls and we use the audit findings to identify opportunities for improvement.

External certificates and standards

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

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

ISO 14001:2015 (environmental management systems) – at the Thames facility

ISO 9001:2015 (quality management) – at all corporate operations and the Thames facility

Enviro-Mark (environmental management) – at all corporate operations and Dealers

Board and board committees



Kaname Shimizu
Director, TMC,
appointed 2018



Neeraj Lala
Executive Director,
TNZ, appointed
2018



Shinobu Teramoto
Senior Executive
Director, TNZ,
appointed 2006



Alistair Davis
Managing Director,
TNZ, appointed
2004



Mike Rausa
Director, TMCA,
appointed 2013



Mitsuhiro Amo
Director, TMC,
appointed 2019



Brent Knight
Director, TFS,
appointed 2007

TNZ's Board of Directors consists of six Directors representing TMC and 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 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.

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

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

The **Environment Committee** provides strategic environmental management and oversees the delivery of TNZ's Environment Plan.

Our history

1966-76 PHASE 1: THE EARLY YEARS

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%.

1977-86 PHASE 2: INVESTING FOR GROWTH

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 the retail network and people, and branded ourselves as Toyota New Zealand for the first time. Our market share was between 10% and 15%.

1987-96 PHASE 3: ESTABLISHING LEADERSHIP

We moved to the independently owned Dealership structure, and coordinated support for retail outlets 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.

1997-2007 PHASE 4: TRANSITION

In 1998 the government removed tariffs on imported cars, resulting in significant change in the local industry away from domestic assembly to imports of fully assembled vehicles.

We undertook major restructuring, including moving the head office from Wellington to Palmerston North. We also established a used vehicle business and maintained our hold of the largest market share.

2008-17 PHASE 5: RENEWAL

The renewal of TNZ following the restructuring in the previous phase was supported by new branding: Believe.

In this period we laid the foundations for our franchise Stores to better meet the future needs of customers in a changing consumer environment. We continued to hold the largest market share.

2018→ PHASE 6: RENEWAL CONTINUES

We can see that the retail marketplace has changed: consumers do not enjoy price negotiation and sales pressure when purchasing new cars.

TNZ introduced a new agency and distribution model on 1 April 2018 called the Toyota Drive Happy Project. It addressed the common customer concerns of buying and owning a car.

Sustainability strategy

A new TNZ sustainability strategy incorporates our commitments to the Toyota Environmental Challenge 2050 goals and the United Nations' Sustainable Development Goals.

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.



Toyota aims to reduce vehicle CO₂ emissions by 90% compared to 2010 levels. Toyota will continue developing next-generation vehicles with low or zero CO₂ emissions (hybrid, plug-in hybrid, electric and fuel cell vehicles) and encourage their adoption.



Toyota aims to eliminate CO₂ emissions in material and vehicle production stages. Toyota will enhance vehicle eco-design aiming at zero CO₂ emissions in all stages of a car's life cycle and reduce the quantity of materials and number of parts used.



Toyota will cut CO₂ emissions to zero at manufacturing plants. Toyota will continue introducing and developing low CO₂ production technologies, energy efficiency, and promote the use of renewable energy and hydrogen.



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.



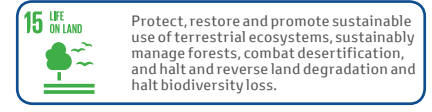
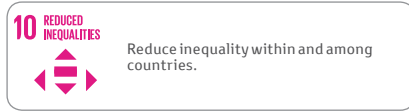
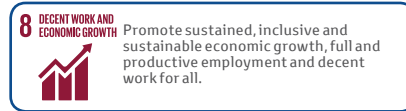
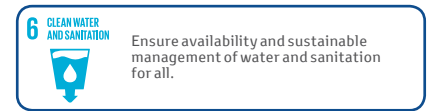
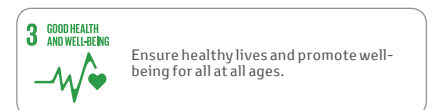
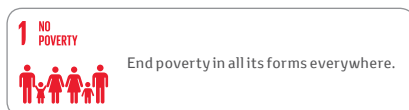
Toyota will continue rolling out systems aimed at resource efficiency to create a recycling based society. Toyota will utilise eco-friendly materials; make parts last longer; expand recycling technology; and manufacture new vehicles from end-of-life vehicles.



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

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.



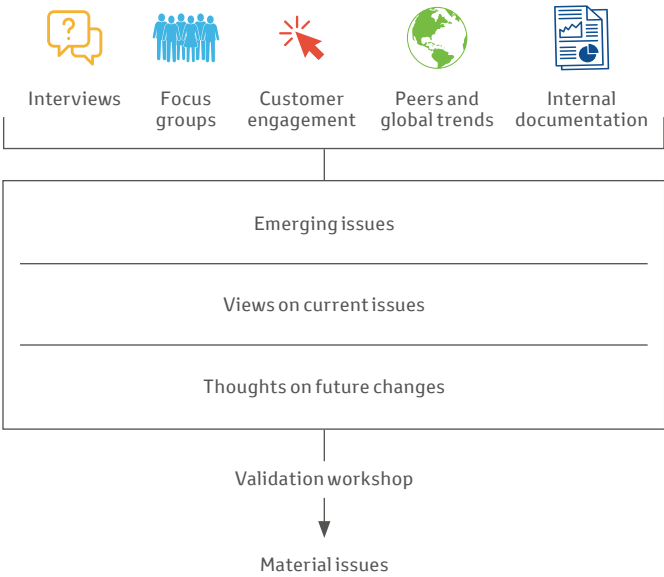
Materiality assessment update

Our materiality assessment process took place in 2018 and 2019, and included collating stakeholder views and assessing the impacts of our organisation. These were collected through a review of public reports of national and international peers, interviews with a selection of customers and suppliers, focus groups with Stores and employees, and a survey of customers.

We assessed the impacts of our organisation with respect to each issue identified by considering the scale, the risks and opportunities of our operations, and our ability to influence outcomes. The results and material issues were validated with the Executive team.

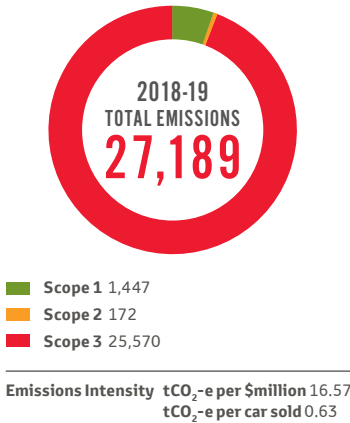
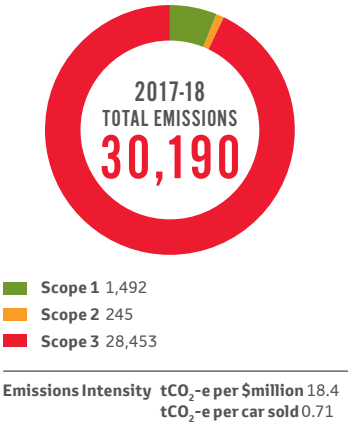
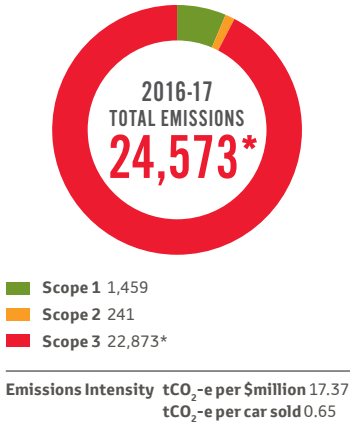
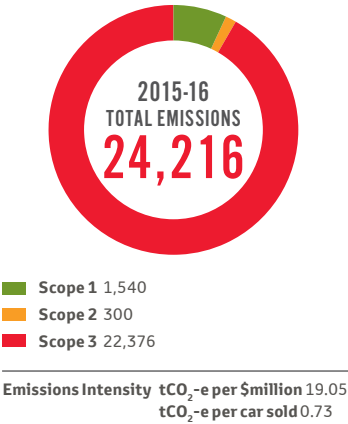
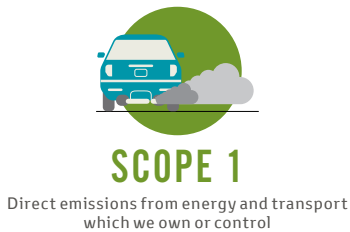
Owing to the change in GRI focus from impact on the organisation to impact of the organisation, this year the material issues have changed slightly.

See page 10 for the definitions of our material issues.



Additional data

Greenhouse gas emissions



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

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

Net Promoter Score – customer service across Dealers

Providing customers with a positive experience is an important part of our business. We measure customer service across our retail Store Network through the Net Promoter Score®. This a widely accepted measure of customers' willingness to recommend a particular product or service to friends or family. Toyota performs exceptionally well in this assessment where a score of 50 is considered high. Customers rated highly vehicle quality and safety, pricing, and Toyota's reputation for reliability.

Customers					
NET PROMOTER SCORE					
Financial year	FY2015	FY2016	FY2017	FY2018	FY2019
New vehicle sales	93.1%	94.1%	95.6%	95.6%	95.9%
Service	83%	82.8%	82.1%	84.95%	86.3%
Used vehicle sales	91.7%	92.4%	94.5%	94.6%	96.3%
SAMPLE SIZE					
Financial year	FY2015	FY2016	FY2017	FY2018	FY2019
New vehicle sales (% of sales, No. sales)	3,549 (13.7%) (25,831)	3,556 (14.4%) (24,743)	4,413 (15.8%) (27,837)	4,425 (13.6%) (32,500)	3,740
Service	24,215	26,402	27,405	27,099	23,834
Used vehicle sales (% of sales, No. sales)	4,919 (93.8%) (5,246)	5,604 (77.6%) (7,220)	5,828 (83.3%) (6,995)	5,726 (71.1%) (8,050)	4,522

Health, safety and wellbeing

We are committed to making sure that our people and everyone we work with keep 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.

We take a comprehensive approach to safety including specific safety plans for the warehouse extension and seismic upgrade, which ensure a high level of safety on the Palmerston North site.

Our ongoing emphasis on health and safety reporting means we have seen an expected general rise in incident (near miss and injury) reports in recent years.* This decreased over the last year, but we continue to pay close attention to where improvements in training and near miss reporting can be made.

**Note we are only reporting injury data in this Report.*

Total number of employee injuries (FY)

2014/15	2015/16	2016/17	2017/18	2018/19
27	22	37	39	33



THIS YEAR THERE WERE

4 INJURIES AT THE THAMES SITE

29* INJURIES AT THE PALMERSTON NORTH SITE

**8 required a visit to the Doctor; the remainder were treated with first aid on-site.*

Number of employees in the Health and Safety Committee

Thames	Palmerston North	Auckland
18	17	0

TNZ'S BOARD OF DIRECTORS

The ultimate responsibility for health and safety sits with the Board of Directors.

Progress against objectives and incidents are reported to the Board each quarter.

CORPORATE AFFAIRS EXECUTIVE COMMITTEE

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

HEALTH AND SAFETY COMMITTEE

Everyday health and safety matters are addressed by a representative committee that comprises 9% of our total workforce.

It meets every two months at head office and in Thames, and includes managers, team leaders, general employees and contractors, 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, committee member and leadership training.

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 a cloud-based health and safety management tool, **PeopleSafe**.

We undertake a formal induction with all contractors working at our sites.



FY2018-19 Training data

		FY2019 average hours	FY2019 total hours
Total Training Hours	Palmerston North and Auckland	17	3,661
	Thames	16	1,222
Total (Excl. Dealers)			4,882
	Dealers	15	25,144
TOTAL			30,027
Business, Health and Safety and Technical Areas Training	Palmerston North and Auckland Business	15	3,298
	Palmerston North and Auckland Health and Safety	1	226
	Palmerston North and Auckland Technical	1	137
	Thames Health and Safety	3	207
	Thames Business Training	13	1,014
Total (Excl. Dealers)			4,882
	Dealers - Business	12	13,566
	Dealers - Technical	23	11,578
TOTAL			30,027
Management and Non-Management Training	Palmerston North and Auckland Management	1	272
	Palmerston North and Auckland Non-Management	15	3,389
	Thames Management	1	100
	Thames Non-Management	15	1,122
TOTAL			4,882
Total Training by Gender	Palmerston North and Auckland - Male	10	2,173
	Palmerston North and Auckland - Female	7	1,488
	Thames - Male	7	558
	Thames - Female	9	664
Total (Excl. Dealers)			4,882
	Dealers - Male		21,383
	Dealers - Female		3,761
TOTAL			30,027
Total Training by Employment Type	Full Time	15	4,530
	Part Time	0.21	61
	Fixed Contract	0.49	144
	Other	0.5	147
TOTAL			4,882
Environment induction	TNZ		1
	Dealers		305
TOTAL			306
		FY2019 total attendees	FY2019 total hours
Drive Happy training	TNZ	9	7
	Dealers	250	2,323
TOTAL		259	2,330

Please note: figures may not add up due to decimal point rounding.

Global Reporting Initiative Content index

Global Reporting Initiative Content index

GRI Number	Description	Section title	Section description
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	About this Report	Company Profile
102-2	Activities, brands, products, and services	About this Report Our Products	Company Profile What we do Vehicle and parts environmental impacts over life
102-3	Location of headquarters	About this Report	Company Profile
102-4	Location of operations	Our Organisation	Our value chain Overseas manufacturing facilities for new vehicles sourced for the New Zealand market
102-5	Ownership and legal form	Our Organisation	What we do
102-6	Markets served	About this Report	What we do
102-7	Scale of the organisation	About this Report Our Organisation Our Products Our Operations	Company profile Our Value Chain Economic Performance Our People
102-8	Information on employees and other (temporary) workers	Our Operations	Our People
102-9	Supply chain	Our Organisation	Our Stakeholders
102-10	Significant changes to the organisation and its supply chain	Message from the CEO	
102-11	Precautionary principle or approach	Appendix: Managing our Operations	Board and Board Committees
102-12	External initiatives	Appendix: Managing our Operations	External certificates and standards
102-13	Membership of associations	Our Organisation	Ability to influence
102-14	Statement from senior decision-maker	Message from the CEO	
102-16	Values, principles, standards, and norms of behaviour	Our Organisation	Toyota's Global Vision Guiding Principles Toyota Believe
102-18	Governance structure	Appendix: Managing our Operations	Corporate governance Board and Board Committees
102-40	List of stakeholder groups	Our Organisation	Our Stakeholders
102-41	Collective bargaining agreements	Our Operations	Workforce profile 7% of our workforce is covered by collective bargaining agreements
102-42	Identifying and selecting stakeholders	Our Organisation	Our Stakeholders
102-43	Approach to stakeholder engagement	Our Organisation Appendix: Managing our Operations	Our Stakeholders Materiality assessment update
102-44	Key topics and concerns raised	Our Organisation	Materiality assessment update
102-45	Entities included in the consolidated financial statements	About this Report	Scope of Report

102-46	Defining report content and topic boundaries	Our Organisation	Materiality assessment update
102-47	List of material topics	Our Organisation	Materiality assessment update
102-48	Restatements of information		Where there are changes to previously reported data, they are explained in notes where the restated information appears
102-49	Changes in reporting	Our Organisation Appendix	Materiality assessment update Sustainability Strategy Materiality assessment update
102-50	Reporting period	About this Report	Period covered by Report
102-51	Date of most recent report	About this Report	
102-52	Reporting cycle	About this Report	
102-53	Contact point for questions regarding the Report	About this Report	Company Profile
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	Reference guidelines
102-55	GRI content index	Appendix	Global Reporting Initiative Content Index
102-56	External assurance	About this Report Appendix	Assurance Audit Statement

MATERIAL ISSUE DISCLOSURES

TOYOTA'S ECONOMIC PROSPERITY

DMA		Our Operations	Toyota's economic prosperity
201-1	Direct economic value generated and distributed	Our Operations	Toyota's economic prosperity

VEHICLE AND PARTS QUALITY, SAFETY AND PERFORMANCE

DMA		Our Products	Vehicle and parts quality and safety
416-1	Assessment of the health and safety impacts of product and service categories	Our Products	Used vehicles refurbished by TNZ undergo assessment for health and safety improvements. This assessment includes 200 safety inspections. These inspections include safety-related items such as seat belts, brakes, shocks and suspension components.
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Our Products	There were no non-compliances

ATTRACTING, DEVELOPING AND RETAINING CAPABLE PEOPLE

DMA		Our Operations	Attracting, developing and retaining capable people
404-1	Average hours of training per year per employee	Our Operations	Attracting, developing and retaining capable people
404-3	Percentage of employees receiving regular performance and career development reviews	Our Operations	Attracting, developing and retaining capable people 100% of salaried staff have annual reviews

VEHICLE AND PARTS ENVIRONMENTAL IMPACTS OVER LIFE

DMA		Our Product	Vehicle and parts environmental impacts over life
305-1	Scope 1	Our Product	New vehicle product mix

OPERATIONAL ENVIRONMENTAL FOOTPRINT

DMA		Our Operations	Operational environmental footprint
305 1-5	Scope 1 Scope 2 Scope 3 GHG intensity Reduction of GHG emissions	Our Operations Appendix	Operational environmental footprint

ABILITY TO CONTRIBUTE TO NEW ZEALAND

DMA		Our Organisation	Ability to contribute to New Zealand
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CONTRIBUTING TO MOBILITY IN NEW ZEALAND

DMA		Our Products	Contributing to mobility in New Zealand
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HEALTH, SAFETY AND WELLBEING*

DMA		Appendix	Health, safety and wellbeing
403-1	Workers' representation in formal joint management-worker health and safety committees	Appendix	Health, safety and wellbeing

*Health and Safety is not a material issue. We have included the information in the report as it is very important to the business.



Assurance statement

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

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, nothing has come to our attention 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 2018 to 31 March 2019.

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 period 1 April 2018 to 31 March 2019.

Selected non-financial information

The selected non-financial information covers the collation and presentation of the significant areas within the report on pages of report. This work excludes:

- Financial performance information included in the table on page 34 of the report; and
- Greenhouse gas emissions included on page 52 (appendix).

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 Standard on Assurance Engagements 3100 (Revised) *Assurance Engagements on Compliance*. 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 Sustainability 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 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 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 that is free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to the directors on whether anything has come to our attention that the selected non-financial information has not, in all material respects, been prepared and presented in accordance with 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 of the business of Toyota New Zealand. These matters have not impaired our independence as assurance providers in respect of this engagement. The firm has no other relationship with, or interest in, Toyota New Zealand.



KPMG
Auckland
29 October 2019





To provide feedback please contact:

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Customer Dialogue Centre
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Email: customercare@toyota.co.nz