TOYOTA | Believe



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ABOUT THIS REPORT



We have produced a biennial sustainability report since 2005, with our last report published in October 2013 reflecting the period 1 April 2011 to 31 March 2013. It is our intent to move to annual reporting in the future.

This report covers the activities of Toyota New Zealand Limited, a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan.

Unless otherwise noted, the report does not cover the activities of Toyota or Lexus dealers which are all independently owned and operated under franchise agreements with Toyota New Zealand. The report also does not cover the operations of Toyota Financial Services New Zealand, a separate company also owned by TMC.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 core sustainability reporting guidelines, and

has been assured by an external provider. The assurance statement can be found on page 33. A full GRI index highlighting relevant disclosures and indicators can be found on page 34.

All data in this report relates to financial years ending March 31, unless otherwise stated. There have been some changes to information previously reported. These restatements are identified where relevant in the report.

There were no significant changes to the size, structure or ownership of Toyota New Zealand during the reporting period.

For more information or to provide feedback on this report please contact the Toyota New Zealand Customer Dialogue Centre on phone:

0800 TOYOTA (0800 869 682) or email: dialogue@toyota.co.nz

CEO'S MESSAGE



However our focus on the "triple bottom line" of environmental, economic and social responsibility has a much longer heritage than the past decade.

Sustainability at Toyota

We are proud that our Guiding Principles (adopted in 1992) embodied sustainability values long before sustainability reporting became the norm. We have been active in supporting environmental initiatives in New Zealand since the early 1980s and we are humbled that New Zealand customers have consistently chosen Toyota as their preferred vehicle for 27 years.

Underpinning our approach is the Toyota Way: continuous improvement and respect for people. The Toyota Way is reflected by our desire to look for opportunities to continuously improve our business and our contribution to New Zealand, as well as our respect for people that aims to be inclusive of all points of view.

Translating this to our operations requires sustained focus and disciplined practice. We achieve this through regular training and employee communication on our values and goals, and by emphasising processes to support 'kaizen' (continuous improvement) in all we do.

Broader trends

Over the past few years, Toyota has operated in a relatively benign trading environment. The economy has been growing at a faster rate than many developed nations, leading some commentators to label New Zealand as a "rock star economy." This has been based on strong dairy exports, the economic stimulus of rebuilding Christchurch, meeting Auckland's demands for more housing and a number of massive infrastructure projects. We have experienced low interest rates, low inflation and low unemployment. High workforce participation has resulted in significant household wealth accumulation, strong buyer confidence and increased spending.

For the motor industry, the buoyant economy has been boosted by falling vehicle prices linked to the strong New Zealand dollar. Demand has grown as a result of lower prices and we are seeing record levels of vehicle sales. The new vehicle market is now 25-30 per cent above that of 2008, and what we previously considered a strong year.

Of course the high dollar brings challenges, even for importers, and both Toyota New Zealand and our dealer team have encountered difficulties managing the business in an environment of falling prices.

In particular, sales of used vehicles have been unprofitable and, as a result, one of the Toyota dealers failed during 2014 (the first in a decade). Customer service was not disrupted due to the prompt action of the neighbouring dealer who acquired the business from the receiver.

For the car industry, climate change, emissions and resource depletion have long been considered key issues and with the pending (late 2015)
Paris talks on emission targets there is heightened emphasis.

As the majority of New Zealand's electricity comes from renewable sources with minimal carbon footprint, the major opportunity to reduce emissions is in transport. Transport emissions have increased significantly over the past two decades as the economy and population have grown, and as vehicle ownership has increased, particularly through the accessibility of low cost used imports.

With the availability of surplus low cost renewable electricity, there is increasing pressure to examine the potential electrification of New Zealand's vehicle fleet, which could be achieved with either electric vehicles (EVs) or plug-in hybrid electric vehicles (PHEVs).

Toyota has successfully trialed the Prius PHEV in New Zealand but to date has chosen not to release it into our market for a combination of technical and cost reasons. It is hoped that the next generation of Prius PHEV will be made available to New Zealand customers. We anticipate that there will be an increasing number of Government incentives and regulations to encourage the "greening" of New Zealand's transport profile.

The changes to health and safety legislation, which come into force in April 2016, will raise the standard of practices in many New Zealand businesses across many industries. While we have always looked at ways to improve worker safety in New Zealand, the changes have prompted us to review all our processes.

Our most significant risk areas are in the Thames vehicle operation (where vehicle movements, painting and physical labour are key foci) and the National Customer Centre Parts Warehouse (where forklifts and physical labour constitute potential hazards). We are also cognisant of supporting our dealer team to improve their work safe practices. An improved reporting regime has been implemented to ensure we are focused on keeping our people safe.

Our strategic priorities

Toyota New Zealand strategic priorities over the past couple of years have focused around four core areas:

Meeting market growth with additional supply

Market growth since the global financial crisis (GFC) resulted in Toyota struggling to meet rising demand. In part this was caused by external events such as the earthquake and tsunami in Japan and the floods in Thailand, but a significant factor was demand growth exceeding our expectations. This was especially true for new model introductions, such as the RAV4 and Highlander, where customer demand was significantly higher than anticipated.

These challenges have been exacerbated by the extended runout programme for the current generation Hilux, which began production in 2005. Originally scheduled for replacement in 2012, the programme was extended to 2015, which has resulted in sales and supply challenges as the truck ages against newer competitors. This has consequently impacted on profitability for both Toyota New Zealand and the dealer network.

2 Improving profit levels in more benign market conditions

The strong dollar has allowed for both vehicle price reductions (fuelling demand growth) and an improvement in Toyota New Zealand's new vehicle and parts profitability. However it has eroded the profits in used car operations where falling prices have significantly reduced margins. This has been exacerbated by a glut of near-new used vehicles across all brands due to the rise of tourism (rental car volumes are significantly up) and sales of ex-demonstrator vehicles in the buoyant new vehicle market.

Despite the changing mix of profit sources, Toyota New Zealand's overall profit has more than doubled over the reporting period and is now approaching pre-GFC levels.

Planning for future franchise initiatives

Over the past few years Toyota New Zealand has engaged in extensive dialogue with both dealers and customers on the shape of future franchise operations. In particular there is a desire to improve the customer purchase experience, accommodate the increasing range of internet options and improve the economic viability of retail stores.

These discussions are now evolving into a clear strategic direction for developing a more robust structure for the business into the 2020s with implementation scheduled over the next several years.

Improving environmental sustainability

Toyota New Zealand's most significant product commitment specific to environmental sustainability, has been the conventional hybrid vehicle (i.e. not plug-in). These vehicles now consistently make up around five per cent of total sales and 40 per cent of Lexus business. Their presence in our sales mix has helped reduce the carbon footprint of our product range by around five per cent over the past six years.

In terms of Toyota New Zealand's overall business, our carbon footprint is growing, but intensity is falling. Since the GFC (2009), emissions relating to our new vehicle business have climbed 60 per cent while our administration carbon footprint is up 18 per cent. Our largest carbon footprint is in logistics where our CO_2 footprint has increased overall, however emissions per vehicle (new and used) freighted within New Zealand is down 16 per cent. We have a number of projects underway focusing on logistics efficiency.

In the reporting period Toyota New Zealand has continued to post strong sales results with records established in new vehicles, used vehicles and customer service. The doubling of profitability is also a significant achievement.

Outlook

Looking ahead we expect that business conditions will soften in line with reduced dairy prices and a weaker Asian economy. The recent downturn in the dollar is expected to stimulate price increases and result in reduced demand for motor vehicles compared with recent record levels. However we do not expect a recession and believe the overall business environment will continue to be reasonably benign.

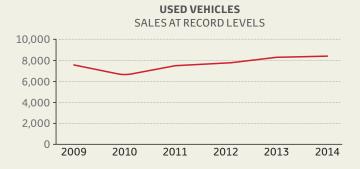
The introduction of a new generation Hilux in late 2015 will help both Toyota New Zealand and the dealer network in sales volumes and profitability.

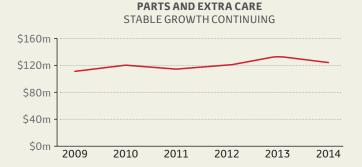
We will continue to focus on the development of our future franchise model, which will be complemented by significant investments in information technology and people development programs. These initiatives are focused on enhancing the customer experience and will yield both business efficiencies and competitive advantage. They are the platform for robust and sustainable business success into the 2020s.



NEW VEHICLES
SALES AT RECORD LEVELS

30,000
25,000
10,000
5,000
2009
2010
2011
2012
2013
2014







3

ABOUT TOYOTA



Our National Customer Centre is located in Palmerston North. We have a used vehicle refurbishment and new vehicle accessorisation centre in Thames. We also have a leased port facility and logistics hub in Auckland, where we add some accessories, such as car audios, after cars are imported.

Toyota New Zealand sells new Toyota and Lexus vehicles sourced from overseas manufacturing plants. In addition we purchase used vehicles from Japan and refurbish these with ex-lease and rental cars at Thames. We also sell parts and accessories. Our vehicles are primarily sold through our Toyota dealer network, although we also sell directly to national fleet buyers and the Government.

At the end of 2013, we stopped selling Daihatsu vehicles. Daihatsu, a 50 per cent owned subsidiary

of TMC, had used Toyota New Zealand as its local distributor since 2002. Its strategy is now focused on Japan and other small export markets.

Toyota dealer network

Our dealers operate as a network of independently owned businesses under franchise agreements with Toyota New Zealand. As of 1 August 2015, there were 25 dealerships responsible for 66 Toyota outlets, five Lexus outlets (one standalone) and 17 parts and service providers, employing a total of 1,464 people.

We recognise the importance of the Toyota dealer network to the sustainability of our business in New Zealand and this report includes commentary on some dealer activities.

Our vision and values

TMC has a vision and mission that is supported by Toyota companies around the world. Toyota New Zealand reflects the global position in its own commitment to sustainable development.

TOYOTA MOTOR CORPORATION

→ TOYOTA'S GLOBAL VISION

Toyota's Global Vision outlines TMC's aspirations as a company. Launched in 2011, the vision outlines Toyota's desire to provide leadership in the automotive industry by developing products and services that exceed customers' expectations and make them smile.

→ TOYOTA'S GUIDING PRINCIPLES

Toyota's seven Guiding Principles were adopted in 1992 and underpin the company's global operations. They reflect a commitment to fairness in all corporate activities, the provision of clean, safe and innovative products, and respect for the environment and the culture of the communities in which we operate. The Principles are to:



THE TOYOTA WAY

Toyota's Guiding Principles are supported by the Toyota Way, which also provides context for Toyota New Zealand's activities. Introduced globally in 2001 to articulate the long standing values of the company, the Toyota Way is based on two foundation pillars: continuous improvement and respect for people.

TOYOTA NEW ZEALAND

→ TOYOTA BELIEVE

In 2009 Toyota New Zealand launched the 'Toyota Believe' brand strategy, centered on eight statements that reflect our core values and culture. Grounded in the principles of the Toyota Way, it is based on the conviction that our actions differentiate our employees, products and services.





We believe every day's an opportunity to improve



We believe in trying to make a difference



We believe a better tomorrow starts today



We believe in working together



We believe that if you can dream it, you can do it



We believe good things will stand the test of time



We believe in respecting others



We believe in going the extra mile

TOYOTA'S CODE OF ETHICS

All Toyota New Zealand employees receive training on our code of ethics and compliance policy and procedures. Employees, contractors and agents of Toyota New Zealand are expected to:

- → OBEYTHELAW → BEHONESTIN WORD AND DEED → RESPECT COMMUNITY VALUES → BE RESPONSIBLE
- → PERFORM THEIR DUTIES IN A MANNER CONSISTENT WITH THE CODE OF ETHICS → USE GOOD JUDGMENT IN AVOIDING ACTIONS THAT COULD CREATE A CONFLICT BETWEEN PERSONAL, COMPANY AND COMMUNITY INTERESTS



Brand, reputation and market leadership

Toyota New Zealand represents both the Toyota and Lexus family of brands, comprising some of the New Zealand's best-known models of cars including Corolla, Camry, Hilux, Prius and RAV4.

Brand and reputation are integral to our success, both in New Zealand and internationally.

While much of Toyota's approach to brand and reputation management at a product level is developed by our parent company in Japan, Toyota New Zealand complements this with a full range of country-specific strategies and programmes aimed at connecting our brands with New Zealand customers.

One of Toyota's core beliefs is to respect others and we seek to treat each other and our customers with courtesy and integrity in all

our dealings. We respect the time and priorities of others by being efficient and communicating as clearly and simply as possible, treating our customers as guests and serving them in the manner they desire and deserve.

This philosophy extends throughout our dealer network, forms the basis of our marketing and communications programmes, and underpins our community partnerships, sponsorships and support activities.

Regular dealer audits ensure our corporate and dealer brand messages are aligned. This includes valuable customer feedback on sales and servicing, which allows us to continually improve our efforts.

A key way that we communicate with our broader customer base is through marketing and advertising campaigns. To ensure our compliance with all relevant laws and voluntary codes of practice, we have an internal review process to check the accuracy of all information.

A TRUSTED BRAND

There are a number of corporate brand reputation surveys and measurements in New Zealand that span the motoring industry, as well as wider businesses. In 2014, Toyota was named New Zealand's second most reputable

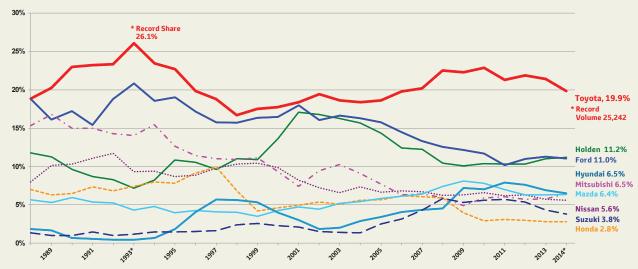
company in the annual AMR New Zealand Corporate Reputation Index. This survey rates the performance of the top 25 companies, based on revenue, across seven reputation indicators. Toyota has also ranked highly in the annual Reader's Digest trusted brands survey for 14 years in succession. In 2014 Toyota was rated as the third most trusted brand in New Zealand, the only automotive company on the list.

Toyota was named the fourth highest rated brand in New Zealand in the 2015 Colmar Brunton Reputation Index (announced in May 2015), which measures companies across four reputational categories: social responsibility, fairness, success and trust. Again, Toyota was the only automotive brand in the top 20.

In a 2014 survey undertaken by New Zealand's Motor Industry Association, Toyota was the most highly rated automotive brand in the country, taking first place in 15 out of 16 attributes including 'brand most people are happy to own', 'brand that understands needs of New Zealand drivers' and 'brand that cares for the community'.

Our strong brand position is demonstrated by 26 years of market leadership as illustrated in the chart below.

26 YEARS OF MARKET LEADERSHIP



SUSTAINABILITY AT TOYOTA



Reporting on our sustainability performance provides us with an opportunity to demonstrate to stakeholders that we understand, measure and manage our sustainability impacts with a focus on continuous improvement.

Understanding our material aspects

Our approach to reporting on sustainability performance is guided by the Global Reporting Initiative (GRI) G4 guidelines released in 2013. The GRI G4 asks companies to identify and report on sustainability issues or aspects that are material to their business and their stakeholders.

Material issues are defined as those that could make a major difference to an organisation's performance as well as those that are considered important to stakeholders. Defining these issues is critical to ensuring organisations understand and can manage their significant economic, environmental and social impacts.

The issues highlighted as material in this report are different from those previously reported and there are

some limitations in our current data, such as health and safety reporting, training hours and performance measures. This reflects the changing business environment, as well as a greater emphasis on stakeholder engagement during our materiality assessment process.

In order to better understand our material sustainability issues we engaged with a range of internal stakeholders, including our Chief Executive Officer (CEO) and Executive team, as well as with external stakeholders representing suppliers, dealers, customers and community partners. We held focus groups with dealers and employees, and conducted an online survey of employees, dealers, customers, community partners and the media.

We also completed a desktop review of peers and industry associations, and looked at the issues relating to Toyota that were being covered by the media.

As a result of this assessment, we were able to prioritise the issues of most importance to our business and to our stakeholders.

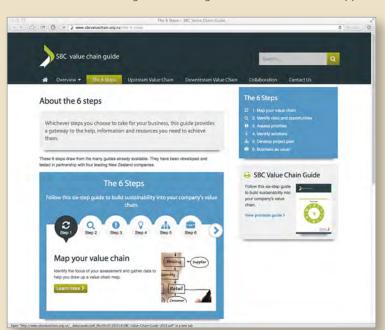
MATERIAL ISSUES OF IMPORTANCE TO OUR BUSINESS AND OUR STAKEHOLDERS

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

SUSTAINABLE BUSINESS COUNCIL VALUE CHAIN GUIDE

In 2014, we collaborated with the Sustainable Business Council (SBC) of New Zealand to help develop its new value chain guide. The guide is aimed at helping local businesses become more sustainable by providing clear steps on how to identify and effectively manage their operational impacts. (www.sbcvaluechain.org.nz/)

We worked with the SBC to pilot and develop the first two steps of its six-step process: mapping the value chain, and assessing the wide range of associated risks and opportunities. This included reviewing



activities outside the routine, conventional considerations of many businesses, such as the environmental and social implications that accompany material sourcing, production, product consumption and disposal/recycling.

We were interested in developing a better understanding of upstream and downstream activities and to uncover latent risks and opportunities that could help our business planning and resilience. We focused on energy use across our value chain. This is because many of our daily business

operations are heavily dependent on energy, particularly the fuel used to transport vehicles from their overseas point of manufacture to New Zealand, and then around the country to dealer outlets. The review exposed some gaps in our existing knowledge which helped us better identify risks to our business, how we might address them as well as new ways to strengthen our activities.

As we do not own the logistics companies that transport our vehicles, many of the biggest energy impacts occur outside of our direct control. However we can investigate where we can best influence and work with independent freight companies to manage environmental impacts, as well as plan for potential disruptions to our normal business – for example the damaging repercussions from a sharp rise in fuel prices or interrupted supply. Investigating our business energy use across the value chain will also provide opportunities to improve efficiencies and reduce costs.

More information on this project, including an interview with our CEO Alistair Davis, can be found at www.sbcvaluechain.org.nz/case-studies-exemplars/toyota

OUR STAKEHOLDERS



They play a key role in our success. The original list of stakeholders was identified in 2009, and is reviewed every second year by the Executive team.

Toyota Motor Corporation

We have a close relationship with Toyota Motor Corporation (TMC), with significant interaction across all departments and management levels. TMC is also represented on the Board of Toyota New Zealand.

Toyota New Zealand Executives participate in global Toyota committees and engage with TMC and other Toyota affiliates at topic-specific forums. This enables us to share our successes and challenges, and leverage global experience back to our own operations. To support these forums, we provide regular performance updates against common, globally-collected metrics associated with environment, health and safety, and community.

Dealers

We have an extensive network of independently owned and operated Toyota dealers located throughout the country who provide Toyota customers with new and used vehicles, new and used parts, accessories, vehicle servicing, extended warranties, service plans and financial products. Our dealers are the key interface between Toyota New Zealand and our customers, and are crucial to our success.

Toyota New Zealand has a team dedicated to managing and supporting dealers to build strong, sustainable businesses that provide exceptional service to our customer base.

During our materiality assessment, dealers highlighted communication and collaboration with Toyota New Zealand as a key issue. We recognise the need to continually look for ways to improve our engagement to enable our mutual success.

OUR KEY STAKEHOLDER GROUPS



OUR SHAREHOLDER, TOYOTA MOTOR CORPORATION



COMMUNITY



EMPLOYEES



DEALERS

Our strategy is based on open communication and clear franchise standards and training to improve business performance and the customer experience. This takes many forms, including national dealer planning and 'kaizen' (continuous improvement) conferences, regional seminars and meetings, and business planning sessions with individual dealers. We measure our performance through an annual dealer satisfaction survey, which helps identify areas where we can strengthen our relationship.

To ensure a clear understanding of customer needs and alignment of priorities, the CEOs of all dealerships meet quarterly to discuss networkwide issues. Known as the Dealer Council, this group provides feedback and insights back to Toyota New Zealand via a Council Executive which meets with representatives of the Toyota New Zealand Executive team on a quarterly basis.

We are supported in evolving future strategies by a dealer 'Champions Advisory Panel' (CAP) comprising the eight highest performing dealers



CUSTOMERS



GOVERNMENT



SUPPLIERS

from the previous year. This CAP group meets annually with Toyota New Zealand's Executive. One of the current focus areas is to discuss and develop initiatives aimed at building a sustainable and robust franchise model into the future.

Staff retention and development are concerns for many dealers. In response we recently initiated a new dealer graduate programme: a structured, three year leadership course aimed at identifying, hiring and strengthening the skills of future dealership leaders.

Graduates are taken through three phases of learning: strategy, customer focus and business skills.



Customers

Providing our customers with a positive experience is critical to our ongoing success. With nearly 800,000 Toyota and Lexus vehicles on New Zealand roads, we endeavour to engage with customers regularly to receive their feedback, understand their needs and provide them with the information they want.

This takes many forms, including through calls to our customer dialogue centre, customer research and regular post-sales surveys. We also ask customers to complete a survey after they have their vehicle serviced at a Toyota dealership to help support customer retention (more information can be found in the case study – Customer Radar).

We use the Net Promoter Score®, a widely utilised measure of customers' willingness to recommend a particular product or service (in this case, our dealerships) to friends or family. Our recent scores are indicated in the table on this page. A score of 50 is considered high.

Toyota also participates in syndicated annual industry research. In conjunction with other car distributors, we engage an independent research company to conduct the customer research. Toyota New Zealand examines customers' feedback on a variety of indicators including their sales and service experience, and product reliability. This information is used to track performance

CUSTOMER RADAR

In order to provide customers with the best possible service at our dealers, we need to understand how they value their interactions. We began using Customer Radar in 2013, a system that allows customers to make immediate comments and rate their satisfaction directly from their mobile phone or on-line.



Customers score from one to five how likely they would be to recommend the dealership to a friend, and can include comments to justify their rating if they choose.

Once feedback has been submitted we are able to collate the information, identify potential areas for improvement and respond quickly. In the past it could take up to three months for customer comments to be processed.

The results show a high level of customer satisfaction across both our car sales and servicing activities.

NET PROMOTER SCORE*

	2013	2014	Sample size 2013	Sample size 2014
New Vehicle Sales	92.9	93.1	2,508	3,542
Service	82.1	83.4	16,828	23,298

 $[*]Scores\, and\, sample\, sizes\, relate\, to\, calendar\, years\\$



against other brands and to identify gaps and opportunities to enhance our position.

In our materiality assessment, we identified that the issues of greatest importance to customers were vehicle quality and safety (more information can be found on page 22-23), and vehicle pricing. They also placed importance on a successful customer experience and Toyota's reputation for reliability.

Employees

Toyota New Zealand directly employs 272.6 people (FTEs), and we take great pride in our small but productive workforce. Our success is dependent on our employees and we have formal communication structures in place to ensure that everyone is well informed and able to provide regular feedback.

Monthly staff meetings are used to keep our people updated regarding new initiatives or organisational changes, and provide an opportunity for them to make suggestions or raise questions. Employees are encouraged to take part in regular engagement surveys, so we can better understand their needs.

Our materiality assessment identified that the issues of most importance to employees were strongly focused on Toyota New Zealand's brand and market leadership position, and the company's stated commitment to environmental and social leadership and responsibility. Employee wellbeing was also highlighted.



More information on how we support our employees can be found in the section on our people on page 28.

Suppliers

Our suppliers are vital in enabling us to achieve our objectives. We rely on them to manufacture and deliver goods and services, and to provide us and our customers with high quality products.

Suppliers also play an important role in helping us to manage our impacts across our value chain, in particular the greenhouse gas emissions associated with transport and logistics.

We have established strong, long term relationships with key suppliers to maximise mutual benefits.

An example of how we are working with our logistics partners can be found on page 27.

BELIEVE ROADSHOWS

Our Toyota Believe branding is more than just a slogan; it is at the core of the values that we demonstrate every day.

Since the Toyota Believe strategy was introduced in 2009, our CEO Alistair Davis has travelled throughout New Zealand in an annual series of roadshows to share the Believe values with all dealers and Toyota New Zealand employees. These interactive seminars follow a different theme every year and encourage staff to bring examples of how the Believe ideals are being used in their daily work activities (more information can be found on page 9).

In 2014 the roadshow theme was story telling. It began with the story of Toyota itself, from its origins in Japan in the 1930s to the introduction of our lean thinking methodology and focus on sustainability. It included the history of Toyota New Zealand from 1966 and our growth in market share. It celebrated local 'kiwi legends' associated with our company such as author and bushman Barry Crump and motorsport star Chris Amon, and stand out vehicles like the Corolla and Corona, which helped build our 25 year market leadership.



Community

Our company values highlight the importance of developing strong community relationships, and we work with a number of partners and sponsors to achieve this.

When engaging with a partner, three areas we consider are: Does this partnership add value and enhance the Toyota brand? What are we doing to enhance the brand of the partner organisation? Does this make a difference to New Zealand?

We encourage our dealers and employees to support events and activities associated with our community partners, and share Toyota's resources, skills and knowledge to help partners achieve their goals. Toyota contributions include direct funding, in-kind support through the donation of vehicles, employee or management time, or a combination of these.

25 WAYS TO SAY THANKS

In 2013 Toyota New Zealand donated 25 new Corollas to 25 New Zealand charities to celebrate our milestone of 25 years of market leadership in New Zealand.

Through social media channels the public were invited to nominate and vote on a worthy charity to receive the use of a Corolla for three years. From 515 charities nominated, and almost 40,000 votes cast, 25 charities were selected.

Orphans Aid International topped the poll. Founders Sue and Carl van Schreven say the Corolla has helped them spread the word on their charity and educate people on what they achieve through their programmes. www.orphansaidinternational.org

During the reporting period we supported the following groups and organisations:

- → Toyota GrassRoots Rugby
- → Emirates Team New Zealand
- → Lexus Song Quest
- → Angus Beef New Zealand
- → Manfeild Park
- → ITM Fishing Show
- → The Parenting Place
- → Toyota Optimist Nationals
- → Sanitarium Weet-Bix Kids TRYathlon
- → Toyota Racing Series
- → Police Ten 7
- → Our First Home
- → Sustainable Business Network
- → Hilux New Zealand Rural Games
- → Plunket New Zealand
- → 25 charities under the '25 Ways to Say Thanks' campaign

Government

We work with the Government to help support and develop a sustainable automotive sector in New Zealand.

We engage with the Government through a number of forums including the Motor Industry Association of New Zealand. Our CEO Alistair Davis is a member of the Business New Zealand Major Companies Group, which meets to discuss issues of general relevance to New Zealand businesses, often meeting with government representatives.

Mr Davis was also the Deputy Chair of the Sustainable Business Council (SBC) during the reporting period. In August 2015 he was appointed the Chair of the SBC, which plays an advocacy role with government on sustainability issues from a business perspective.















6

CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE



Corporate strategy and performance

Our business strategy supports the company's vision. It specifies both long term and short term imperatives and associated performance targets.

The Executive team, comprising our CEO, a Toyota senior Executive Director and five General Managers, meets weekly to monitor progress against the strategy.

A monthly balanced scorecard tracks our key business performance indicators and includes sustainability measures such as product average CO_2 emissions, corporate greenhouse gas emissions, vehicle and parts freight emissions, and dealer compliance with environmental management certification.

Corporate governance

We have a detailed code of ethics, as well as fraud and corruption controls, to guide our staff and help protect our business. All employees are taken through these when they join Toyota New Zealand.

A formal risk management process is used to assess risks in our New Zealand operations. Our risk register incorporates all departmental objectives, targets and results, and is reviewed annually by the Board of Directors. The precautionary principle is considered as part of this process. For example, when designing our facility in Thames we considered risks such as the potential for flooding from the nearby river.

Overall accountability for corporate governance lies with our Board of Directors.

BOARD OF DIRECTORS: TOYOTA NEW ZEALAND'S BOARD OF DIRECTORS CONSISTS OF TWO EXECUTIVE DIRECTORS AND FOUR DIRECTORS REPRESENTING TOYOTA MOTOR CORPORATION (TMC) OR AFFILIATED TMC COMPANIES:



Shinya Kotera (Chairman) Toyota Motor Corporation, Japan





Brenton Knight Toyota Finance, New Zealand



Masakuni Mori Toyota Motor Corporation, Japan



Michael Rausa Toyota Motor Corporation, Australia



Shinobu (Terry) Teramoto Toyota Motor Corporation, New Zealand

Appointed July 2015 (previous Chairman: Toshiro Hadaka)

Board members are appointed by TMC based on their skills, experience, performance and industry knowledge. All Directors (as well as company executives and managers) are required to make a disclosure of related party transactions annually to highlight any potential conflicts of interest.

Board committees

Toyota New Zealand has four key internal committees responsible for assisting the Board and to consider complex issues. 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 requirements to the Board and senior management.
- → The Corporate Affairs Committee assists with discharging the Board's responsibilities regarding human resource issues and promotes career planning and development.
- The Environment Committee assists the Board with environmental issues. Its main objectives include ensuring senior management leadership and involvement in sustainability matters, developing strategy and sharing

information, and overseeing delivery of Toyota New Zealand's five year environment plan.

The Health and Safety
Committee provides
oversight of health and safety
management in all areas of
the business including senior
management leadership
and participation.

Compliance

We operate in an environment that demands a high level of governance and compliance. It requires us to comply with directives from both the New Zealand government and from Toyota Motor Corporation, Japan.

Compliance was identified as a key issue for our dealers during the materiality assessment process. We aim to support our dealer network to meet regulatory requirements and internal quality standards. For example both Toyota and our dealers will be affected by the amendments to the Health and Safety Act which will come into force on 4 April 2016 and we will support our dealers with any new requirements.

Toyota also has a strong internal compliance culture which impacts both Toyota New Zealand and our dealers. Compliance programs encompass a range of areas including customer service, health and safety, and environmental management.

Toyota New Zealand did not record any significant fines or non-monetary sanctions for non-compliance

with laws and regulation during the reporting period. A currency error on a customs entry resulted in a temporary underpayment of GST and subsequent fine.

Toyota New Zealand has requested a review of the fine by New Zealand Customs, citing our high accuracy record over many years, and we have paid the fine in the interim as required.

External certificates and standards

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

- Certified Emissions Measurement and Reduction Scheme (CEMARS) Carbon Certification
- → ISO 14001:2004 (Environmental Management)
- → ISO 9001:2008 (Quality Management)
- → ISO 14064-1:2006 (Greenhouse Gases)

The company (or members of our Executive team) holds membership of numerous industry associations including:

- → Business New Zealand
- → CEO Advisory Group
- → Employers and Manufacturers Association
- → Motor Industry Association (MIA)
- → MIA Technical Committee
- → Sustainable Business Council
- → Sustainable Business Network

Economic performance

TOYOTA NEW ZEALAND'S KEY ECONOMIC OBJECTIVES ARE TO:

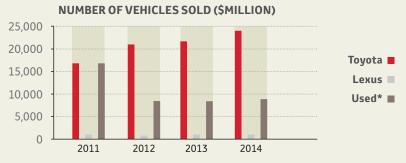
- → Provide customers with products and services of superior quality and value
- → Lead the vehicle market in sales, customer satisfaction and innovation
- → Maximise returns for the company's shareholders, staff and dealers
- → Maintain a financially viable, independent dealer network
- Be a good corporate citizen and contribute to national and regional economies
- → Contribute global value: be a role model for best business practice in a mature open market.

Toyota New Zealand and our dealer network also make a significant contribution to the local economy and the communities in which we operate. This contribution can be measured by direct and indirect employment, support of local suppliers and community organisations, and our investment and payment of taxes.

During the reporting period Toyota New Zealand experienced economic pressure from a number of sources including lower prices being paid for new and used vehicles and the vehicle market growing faster than we could supply.

Over the last two years Toyota New Zealand has invested heavily in business intelligence, moving all financial reporting to dedicated business intelligence tools. The result has been faster and more accurate reporting.

FINANCIAL PERFORMANCE (\$MILLION)		
	2014	2015
Aftertaxprofit	5.7	13.4
Total revenue	985.6	1,030
Operating costs	952.1	979.8
Capital provider costs	3.5	9.1
Employee wages and benefits	22.4	24.4
Community investment (sponsorships)	3.5	2.7



*Note that used vehicle figures indicate total wholesales. This is a restatement from our previous report, which measured dealer retails only.

All of our sales were within New Zealand, where we serve private and government customers, and fleet buyers. The total revenue figures have been restated to remove internal revenue, correct the recognition of deferred revenue and adopt a new accounting policy for Toyota New Zealand's pension plan.

ENVIRO-MARK

Toyota New Zealand's corporate head office and operations have been Enviro-Mark diamond certified since 2013.

We are also in the unique position of having the only dealer network in the country participating in an externally audited environmental management system (EMS).

All our Toyota dealer outlets are Enviro-Mark certified to a minimum of gold level.

Administered by the Crown Research Institute, Enviro-Mark is an internationally recognised environmental management programme. It supports our dealers with their compliance obligations in respect to health, safety and environmental management. It enables them to identify significant risks and opportunities and to develop necessary safeguards, improvement processes and on-going tracking to measure performance.

Toyota dealers have active electricity and waste management 'kaizen' or improvement projects. In calendar year 2013 the network reduced its cumulative electricity consumption by over 115,000 kWh. In 2014, it reduced consumption by a further 240,000 kWh, saving tens of thousands of dollars in the process. Since 2008, Toyota dealers have cut their electricity by an estimated 795,000 kWh.

Other focus areas have included improved recycling and waste segregation activities which have reduced the volume of waste to landfill, resulting in significant cost savings at a number of sites.

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OUR VEHICLES



Vehicles and parts quality and safety

Toyota's focus on safety is aimed at preventing or reducing the likelihood of accidents while mitigating the effects if an accident does occur. All Toyota and Lexus branded vehicles imported into New Zealand comply with the current legal standards required by the New Zealand Transport Agency. Guidelines relating to vehicle standards can be found online at www.nzta.govt.nz

Recalls

We take a proactive approach to any issue that has the potential to impact vehicle operation and in particular customer safety, including vehicle recalls. Toyota has globally recalled approximately 12 million vehicles built between 2002 and 2007, due to the risk of airbag malfunctions. The potentially faulty airbags, produced by manufacturer Takata, have affected over 53 million vehicles worldwide from 11 car manufacturers. Toyota New Zealand is recalling approximately 95,000 Corolla, Picnic, Yaris and RAV4 vehicles due to this issue.

Our process for managing recalls includes a public announcement, usually in the form of a press release, a statement on our website and a Facebook post. We then identify the current owners of all applicable vehicles, and arrange for the supply of any repair parts. Repairs are provided at no cost to the owner.



TOYOTA SAFETY SENSE

The three most common causes of traffic accident injuries and fatalities across the world result from vehicle-on-vehicle collisions, traffic lane departures and poor night visibility.

Toyota Safety Sense is the latest phase of Toyota's active safety technology. It combines a range of safety features to mitigate these risks and includes features such as a pre-collision system, lane departure alert and automatic activation of head lamp high-beams for improved night vision.

Toyota Safety Sense also includes dynamic radar cruise control, a system designed to automatically maintain a safe distance between vehicles.



Focus on used vehicles – Thames

Our Thames refurbishment centre employs 75 staff and has operated since 1998. It refurbishes about 4,500 used vehicles each year primarily under the Toyota Signature Class brand, as well as fitting accessories on new Hilux, Hiace and other Toyota models.

Signature Class vehicles undergo a rigorous safety inspection, which is a requirement of our ISO9001 (quality) certification. All vehicles are subject to in depth examination and equipment checks, multiple assessments of all safety related items such as seat belts, brakes and shock and

suspension components and are serviced in accordance with the manufacturer's recommendations.

In accordance with the principles of The Toyota Way, we are always looking for opportunities to improve the plant's operations, with approximately 350 improvements identified each year through internal audits and employee suggestions.

Vehicle life-cycle impact

Toyota recognises that while motor vehicles provide mobility and are of significant value to society, they also impact on the community and the environment.

Much of the work to address these issues is undertaken at the global level through the design of Toyota's vehicles by our parent company. Toyota Motor Corporation's (TMC) website – www.toyota-global.com provides details on these design and innovation initiatives under the 'Sustainability' and 'Innovation' sections.

ECO-VEHICLE ASSESSMENT

During the design and manufacture stages, Toyota engineers use the Eco-Vehicle Assessment System (Eco-VAS) to understand and anticipate the environmental impacts of our vehicles. Eco-VAS looks to improve environmental performance across a variety of criteria including fuel efficiency, exhaust pollutants, greenhouse emissions, noise, end of life disposal, and substituting substances of concern such as mercury and cadmium with less hazardous materials.

The result is that our vehicles have lower environmental impacts throughout their lifecycle.

RECYCLABILITY

Eco-VAS innovation in Toyota's materials and manufacturing processes means many components and panels are made of high quality recycled input materials and bio plastics. Almost all the parts and materials that make up our vehicles are recyclable. However due to current infrastructure constraints in New Zealand, at present only around 75 per cent (by weight) of any vehicle, from any manufacturer, can be recycled.

Toyota New Zealand's vehicle environmental activities are targeted at improving areas under its direct influence: the servicing of vehicles at dealers and working with local parts suppliers, as described below.

GREENHOUSE GAS EMISSIONS - PRODUCT

Our short to medium term strategy to reduce product greenhouse gas emissions has centered on hybrid and plug-in hybrid vehicles, with mass produced and affordable hydrogen vehicles forming part of Toyota's long-term strategy.

Toyota New Zealand selects the appropriate vehicles to offer to our customers taking into consideration the latest technology, improved fuel economy and lower emissions.

SUPPLY CHAIN IMPACTS

In assessing the impacts of our supply chain, we consider vehicle design, the materials used to manufacture, the manufacturing process, logistics associated with getting vehicles to market, right through to servicing and disposal.

While all our new vehicles are sourced from overseas Toyota manufacturing facilities, locally we work with New Zealand suppliers to encourage continuous improvement of products.

In 2013 we requested information from all our accessories suppliers to declare any parts containing any substances of concern, their compliance with environmental management systems and the sustainability of their packaging.

HYBRID FLEET EXPANSION

Hybrid vehicles have grown in popularity over the last decade. Since the first Prius was sold in New Zealand in 2003, hybrid vehicles sales have grown year on year. As of 2015 we have sold over 7,000 hybrid Toyota and Lexus vehicles.

We have matched demand by expanding our range of hybrid offerings. We now sell three Prius and three Camry hybrid variants, while the Lexus brand offers six (IS, ES, GS, NX, RX, CT) hybrid models. In light of this success, Toyota New Zealand is planning to release hybrid versions of other models in the coming years.



Suppliers are prohibited from using certain hazardous materials and compounds, such as asbestos, and follow international best practice such as the European Directive on the Restriction of Hazardous Substances (RoHS) for materials such as lead, mercury, cadmium and brominates.

We are currently considering the best approach to help local suppliers strengthen their sustainability practices.

A large portion of the environmental impact within our supply chain occurs as a result of car servicing at dealerships. This is through the use of oil and lubricants, as well energy consumed and waste produced. Guidance regarding how to monitor and manage these impacts is provided by TMC and through the Enviro-Mark certification programme.

Toyota provides a world-wide collection programme for hybrid battery recycling. All Toyota dealers in New Zealand remove these batteries at the end of their life and return them to our National Customer Centre. Batteries are then sent overseas for recycling, where materials are processed for reuse.

Innovation and new technologies

Toyota is committed to quality and innovation to meet customer needs and to advance safe and responsible mobility. We have a global vision of future 'ecocars' which have no negative environmental effects and that will help us become a low carbon society.

NEW PRODUCT LAUNCHES

While product design predominantly takes place in Japan, Toyota New Zealand determines which models, features and specification items are required for the local market and how to launch them.



BEAUT UTES

Beaut Utes, one of our suppliers, is a wholly owned New Zealand company and a leading manufacturer and distributor of utility vehicle accessories, such

as canopies, bedliners, sportlids, cargo liners, stepboards, roll bars, protection bars, and mud mats.

In response to our 2013 supplier request Beaut Utes decided to raise its environmental performance and certify its branches (located in Hamilton, Auckland and Christchurch) to ISO14001, the international standard for environmental management. Certification was achieved in early 2015, and the associated new and enhanced processes and systems have resulted in immediate improvements in waste and energy use, and staff training.

Two products have made a major impact on the company's environmental performance. The first is the Sportguard $^{\text{TM}}$ deck liner, which uses separate components for the floor and sides of a ute's deck, making customisation easier and virtually eliminating waste-creating cut-outs.

The second is the introduction of Proform Plastics for use in trailer canopies and liners. The engineered plastic is 100 per cent recyclable and uses recovered mould cut-offs which would otherwise be sent to landfill. The new plastic does not emit the styrene gases associated with fiberglass canopy moulds that were previously used.

We introduced more than 40 new models or other product improvements to the Toyota and Lexus ranges during the reporting period.

The new product launches primarily represent improvements to our most popular models, focusing on updates, improved specifications and styling changes. Some enhancements relate to engine performance, including improved reliability and reduced fuel consumption, as illustrated by the release of our new Corolla station wagon with CVT transmission (June 2015), which offers fuel savings of more than 14 per cent compared with its predecessor.

INNOVATIVE TECHNOLOGIES

Toyota is the market leader in developing hybrid vehicles, and continues to innovate more environmentally responsible vehicles including electric, plug-in hybrid and hydrogen fuel cells.

TMC has a strong focus on safety innovations, with the ultimate goal of a society with no traffic accidents. More information can be found on page 23 TMC is also continuing to develop car intelligence and in-vehicle software platforms, including additional multi-media capabilities, social media integration, new navigation systems and information broadcasting.





i-ROAD

TMC Japan is investing significant research and development resources to explore the future of urban transport. One of these initiatives is the allelectric Toyota i-Road.

While there are no immediate plans to introduce this form of transportation into the New Zealand market, the i-Road illustrates Toyota's continued focus and commitment to innovation, sustainable mobility and transition to a low-carbon society.

The i-Road personal mobility vehicle (PMV) combines the convenience of a motorcycle with the comfort and stability of a car, in a novel riding experience. In March 2014 TMC announced the start of consumer trials in the Greater Tokyo area by members of general public and industry experts.

OPERATIONS



Logistics performance

As a sales and distribution company, Toyota New Zealand operates in a complex logistical environment.

We have developed strong relationships with our logistics providers over a long period, enabling us to work together to improve efficiency and environmental outcomes across our logistics operations. This includes working with our freight companies on route efficiencies, reviewing logistics and storage site locations, and improving error rates in parts sales and ordering.

The vehicles we sell are mainly sourced from Japan, Thailand, United States and Australia, with smaller volumes coming from the United Kingdom. The bulk of new imported vehicles are received at our leased facility in Auckland, with approximately 20 per cent arriving in Christchurch.

Domestic vehicle distribution is managed by the Car Distribution Group (CDG), with the bulk of the 70,000 annual vehicle movements occurring by road, with some coastal shipping between the North and South Islands.

CDG has been growing their transporter fleet in recent years to match the ongoing growth in the new vehicle market, purchasing extended HPMV (high productivity motor vehicle) transporters which offer greater loading efficiency and Euro 5 emissions ratings. The percentage of Euro 5 emissions compliant vehicles in CDG's fleet, which have better environmental performance than previous vehicles, has grown from 17 to 46 per cent in the last three years.

Toyota New Zealand's parts and accessories are primarily sourced from Japan, Thailand and Australia, and New Zealand.

We recently marked the 30th anniversary of our partnership with Post Haste, the provider of outbound logistics services for our parts and accessories. The Freightways Group, of which Post Haste is a division, recently achieved Certified Emissions Measurement and Reduction Scheme (CEMARS) certification as part of its commitment to improving the environmental performance of its operations.

We have been measuring and reporting the CO_2 emissions from vehicles and parts logistics since 2006 as part of our own CEMARS activity, and setting annual reduction targets. Performance against these targets is reviewed every six months at logistics executive meetings and then reported to Toyota Motor Corporation (TMC) and shared among affiliate Toyota companies.

Greenhouse gas emissions from operations

Managing our greenhouse gas emissions is a key component of our commitment to improving our environmental performance. The majority of our emissions are scope three emissions, with approximately three quarters of those resulting from shipping of imported vehicles.



GREENER LOGISTICS

By switching from road to rail for inbound parts freight between Wellington and Palmerston North, Toyota reduced its annual carbon emissions on this route by five tonnes or 39 percent per year. The change was made possible by CentrePort Wellington's new daily rail service. After moving sea freight from Australia onto CentreRail, we also re-routed our Thailand sea freight from Napier to Wellington to connect to the CentreRail service.

As well as the environmental benefits, the changes generated significant cost savings, and reduced truck volumes on the busy SH1 out of Wellington. Closer to home we replaced the halogen lights in our 23,000sqm parts warehouse in Palmerston North with fluorescent lights, saving 38 tonnes of carbon emissions and \$28,500 per year in energy/bulb costs.

GREENHOUSE EMISSIONS ASSOCIATED WITH OUR NEW ZEALAND SITES AND BUSINESS OPERATIONS

	FY2013	FY2014	FY2015
SCOPE 1 (direct emissions from energy and transport)	1,470.19	1,507.86	1,552.98
SCOPE 2 (indirect emissions from purchased energy)	374.37	302.16	316.98
scope 3 (all other indirect emissions: freight, fugitive emissions & other gases, public transport, transport)	17,903.89	16,617.33	20,612.45
Total emissions	19,748.45	18,427.35	22,482.40
Total GHG emissions per turnover/revenue (\$ million)	17.96	15.87	18.69

^{*}The 2013 emissions data listed is a restatement from the previous report, due to the identification of errors in previous data.

Emission increases in 2014/15 were due to:

- → A greater number of vehicles being imported (28,055 compared with 25,016 in in 2013/14).
- → Widening the scope of data to capture overseas parts freight, Auckland parts distribution centre and inbound parts from Wellington port to Toyota New Zealand's head office.
- → Sourcing Highlander models from the US rather than Japan, with a greater shipping distance.

OUR PEOPLE



The majority of employees are based at the National Customer Centre, located in Palmerston North, with a further 75 at the Thames refurbishment facility and 12 in Auckland. We are proud of our high staff retention rates of 92 per cent in 2014 and 90 per cent in 2015.

Workforce profile

Toyota is an equal opportunity employer and our workforce has a dynamic mix of cultures, ages, religions and beliefs.

GENDER PROFILE

Sixty-four per cent of our workforce is male and 36 per cent is female. This represents an increase in female participation from the previous reporting period in which 33 per cent of our workforce was female.

Toyota New Zealand is committed to recruitment based on individual merit regardless of gender

or any other demographic factors. Promotional opportunities are also based on individual merit and performance, and are available to all employees without discrimination. There were no recorded incidents of discrimination during the reporting period.

OVERALL EMPLOYEES*			
Region	Male	Female	Total
Palmerston North	118	71	189
Thames	47	28	75
Auckland	9	3	12
Total	174	102	276*

^{* 1} casual not included

^{*} Numbers stated here are head count, which differs from full time equivalents (FTEs) used elsewhere in this report



PERMANENT EMPLOYEES Contract type (e.g. full time, part time, casual) Male **Female** Total Full time 174 86 260 Part time 8 Fixed term contract 3 5 8 0 Casual 1 Total 177 100 277

During the reporting period there was an increase in the total number of employees, with 68 new people joining us. New employees included information technology specialists hired to help test our new digital systems. We also implemented a graduate programme with five new graduates joining the team in February 2015. Approximately 12 per cent of our workforce is covered by collective bargaining agreements.

BEST PLACES TO WORK

We are always looking for ways to improve our performance across all areas of our business from serving our customers to making sure Toyota New Zealand is considered a great place to work.

In keeping with the kaizen principle of continuous improvement, we use the Kenexa Best Places to Work survey to give our employees the opportunity to identify what makes Toyota a great workplace and highlight where improvements can be made.

In 2012 we established an employee-led 'Best Places to Work Action Group' aimed at identifying and implementing initiatives to ensure all employees feel respected, acknowledged, valued and engaged.

Ideas, comments and feedback raised in the survey have resulted in the introduction of new initiatives including a plan to inject more fun into the workplace, the refinement of the new vehicle launch process and the improvement of induction sessions designed to make new employees feel welcomed and appreciated.



CHANGING FACE OF THE EXECUTIVE TEAM

Toyota's succession planning is aimed at developing the careers of high performing individuals. As a result of some recent retirements a new generation of General Managers have joined the Executive team.

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NEERAJ LALA

Neeraj Lala joined our corporate headquarters as a graduate in 1998. Neeraj gained experience in a number of business areas including marketing, IT, supply and demand, and new vehicle sales. In 2012 he was appointed a General Manager, with responsibilities for marketing, product planning and used vehicles. Neeraj has just embarked on a three-year executive leadership programme with Toyota Motor Sales in the United States, where he will gain further experience across multiple business areas.



MARK YOUNG

Mark is General Manager of finance and corporate resources, and also serves as Company Secretary. Joining Toyota in 1996 as a used vehicle buyer and trading analyst, Mark was promoted to Used Vehicle Manager in 2002. From 2007 to 2010 Mark served as Marketing Manager and was instrumental in executing the Believe brand. He subsequently served as a manager of the information services and corporate, planning and pricing teams. While progressing through the business, Mark undertook an Executive Master of Business Administration through Massey University. Mark was promoted to his current position in 2014.



ANDREW DAVIS

Andrew was recently promoted to the role of General Manager of Marketing and Used Vehicles after 15 years of service. Starting his career in the after sales business area, where he focused on a range of Toyota Care products, Andrew took on the role of Environmental Officer when Toyota released its first hybrid vehicles. He was promoted to manager in the information systems team before moving into the sales, supply and demand side of the company as Manager of New Vehicle Sales in 2010. In 2012 Andrew became Marketing Manager and was subsequently promoted to Corporate Marketing Manager, then Assistant General Manager of Marketing before being named General Manager of Marketing and Used Vehicles.

People development

Employee development is a key focus area for Toyota New Zealand. The programme is designed to support our strategic goals by providing opportunities for staff to learn and grow in their roles.

We have a strong focus on performance management and all salaried employees received performance reviews in 2014/15 (78% of all employees). Our challenge is to ensure our people have the right knowledge, skills, attributes, confidence and commitment to allow them to consistently deliver at a high performing level.

Our efforts fall under three pillars:

- → Learning and development where we equip team members with the skills and knowledge necessary to do their job, followed by performance monitoring and assessment.
- → Customer services people development – to ensure that the principles of 'customer first' overlay every aspect of the customer experience.
- → Future people development growing the talent of our people to build world class teams.

Another important initiative is the Toyota New Zealand Catapult leadership programme in which approximately 20 managers and team leaders undertake formal leadership coaching over an 18 month period.

Over the next 12 months, our learning and development team will be examining ways to enhance our curriculum, with a focus on more individual programmes, and to establish a formal goal setting process for each of Toyota New Zealand's divisions.

Our Thames operation is undertaking long term planning and preparation, particularly around knowledge capture, to ensure operational continuity as we manage the impacts of an ageing workforce.

Recently we extended our focus to include a strategic view of the dealer network, recognising that attracting and retaining talent is of key importance to dealers. This has included the implementation of the graduate programme and a localised dealer recruitment system.

AVERAGE HOURS OF ANNUAL TRAINING PER EMPLOYEE* (CALENDAR YEAR)

	2012	2013	2014
Average training hours per Toyota New Zealand employee	9	7	21

^{*} Salaried employees: current data excludes breakdown by gender or employee category

Health and safety

The health, safety and welfare of our employees, contractors and visitors is our highest priority.

All of Toyota New Zealand's employees are covered by the Employment Relations Act 2000 and the Health and Safety in Employment Act 1992. Changes to the legislative landscape for health and safety will come into force on 4 April 2016. We are taking a proactive approach to ensure Toyota New Zealand is prepared for the changes.

Everyday management of health and safety lies with key employees. Our health and safety committees are made up of employees from management, team leaders and general employees, with representatives from a range of departments. It comprises ten per cent of our workforce. The committee also includes representatives from the courier company and contract cafe staff who work on our sites.

Health and safety is monitored at the Corporate Affairs executive meeting and is ultimately overseen by Toyota New Zealand's Board of Directors. Our CEO, General Managers and other managers meet every two months to discuss ongoing management of health and safety issues, including accidents and incidents.

We hold ACC Workplace Safety Management Practices to a tertiary level certification.



PEOPLESAFE

In December 2013 we introduced a new online health and safety system to consolidate all related information. PeopleSafe is a cloud-based program which gives our employees access to health and safety information at all times. New employees are given login credentials and are required to undergo a detailed induction programme.

Accidents, incidents and policies are collated using the new software, which offers real-time updates and presents the data in an easy to read format.

The system has also allowed us to remove the stigma or embarrassment associated with reporting near misses through the 'hazard hunt' programme, where employees compete to identify potential hazards in the workplace.

ENVIRONMENTAL E-LEARNING MODULE

Toyota New Zealand recently launched (June 2015) a new e-learning module, designed to enhance employees' environmental understanding of, and contribution to Toyota's sustainable business practice.

The module is part of the induction training for new staff and is divided into three sections, each designed to achieve a specific learning outcome: raise awareness of the impacts of the auto industry on the environment (Why We Care), illustrate what Toyota is doing to address these impacts (Toyota Making a Difference), and clarify the responsibilities of all Toyota employees (Playing Your Part). At the end of each section the user is asked to complete a quick quiz to test their knowledge. The module also contains a resources page, providing easy access to useful links and documents, including Toyota New Zealand's Environment Policy, the Dealer Environment Policy, and various sustainability tips and ideas that staff can adopt at work.

NEW WAREHOUSE STANDARD OPERATING PROCEDURE

Our Palmerston North warehouse recently introduced new standard operating procedures for all Toyota New Zealand employees and contractors. Employees needing to gain access to the warehouse must now undergo a separate induction before they are allowed to enter.

We are also working to develop new contractor specific inductions to help keep them safe on site and also to declare any hazards they may bring to our place of work and that we need to be aware of.

HEALTH AND SAFETY PERFORMANCE

Due to our increased focus on our safety culture, there has been an increase in reported injuries over the reporting period. There were no fatalities recorded.

The large majority of incidents were cuts and bruising to hands and fingers doing a wide range of jobs. Gloves of all different types and sizes are located in all areas for staff to wear. It is not mandatory however for them to wear the gloves while doing all jobs. Lost time during this period is 11.5 days.

EMPLOYEE INJURIES

(Total number of employee injuries)

	Palmerston North	Thames	Auckland	Total
2012	Male: 7 Female: 2	Male: 6 Female: 3	Male: 1 Female: 0	19
2013	Male: 4 Female: 10	Male: 4 Female: 5	Male: 1 Female: 0	24
2014	Male: 20 Female: 8	Male: 10 Female: 5	Male: 2 Female: 0	45

CONTRACTOR INJURIES

(Total number of injuries for independent contractors working on-site

	Palmerston North	Thames	Auckland	Total
2012	Male: 0 Female: 0	Male: 2 Female: 0	Male: 0 Female: 0	2
2013	Male: 0 Female: 0	Male: 0 Female: 0	Male: 0 Female: 0	0
2014	Male: 1 Female: 0	Male: 0 Female: 0	Male: 0 Female: 0	1

ASSURANCE STATEMENT



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

We were engaged by the Board of Directors of Toyota New Zealand Limited to perform a limited assurance engagement in relation to Toyota New Zealand's Sustainability Report for the period 1 April 2013 to 31 March 2015 ("the Report").

Our assurance engagement involves providing a limited assurance conclusion as to whether anything has come to our attention that causes us to believe that the "Selected Non-Financial Information", as defined below, has not been prepared in all material respects in accordance with the Global Reporting Initiative ("GRI") G4 reporting principles and guidelines.

Selected non-financial information

The "Selected Non-Financial Information" covers the collation and presentation of the significant indicators and claims made in the Report excluding:

- · Financial information included in the table on page 21 of the Report; and
- · Greenhouse gas emissions included in the table on page 27 of the Report.

We have not been engaged to provide assurance over any comparative indicators outside of the reporting period.

Management responsibility

Management is responsible for the preparation and presentation of the "Selected Non-Financial Information" in accordance with the criteria set out in the GRI G4 guidelines, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Management is also responsible for determining Toyota New Zealand's objectives in respect of sustainability reporting and for establishing and maintaining appropriate performance management and internal control systems from which the information is derived.

Our responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE (NZ) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information.

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.

@ 2015 KPMG, a New Zeeland pertnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

- → Financial information on page 21 is independently audited by PWC in accordance with the New Zealand equivalents to International Financial Standards Differential Reporting.
- → Greenhouse gas emissions data on page 27 is independently audited by AsureQuality in accordance with ISO 14064-1:2006 and certified under CEMARS®.



Assurance approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

Our procedures included:

- Enquiries of Toyota New Zealand personnel to understand the process for deriving the "Selected Non-Financial Information";
- Analytical review and other testing to assess the reasonableness of the information presented; and
- Overall sense check of the Report against our findings and understanding of Toyota New Zealand.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Use of our report

Our assurance report is made solely to the Directors of Toyota New Zealand in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Toyota New Zealand those matters we have been engaged to state in this assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of Toyota New Zealand for our work, for this assurance report, or for the conclusions we have reached.

Independence

KPMG also provides advisory services to Toyota New Zealand. Subject to certain restrictions the Partners and employees of our firm may also deal with Toyota New Zealand on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Toyota New Zealand.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the "Selected Non-Financial Information" has not, in all material respects, been prepared in accordance with the GRI G4 reporting principles and guidelines.

Our assurance engagement was completed as at 3 November 2015 and our conclusion is expressed as at that date.

KPMG

KPMG Auckland

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GRI Index

Indicator	Description	Section of report				
	GENERAL STANDARD DISCLOSURES STRATEGY AND ANALYSIS					
G4-1	Provide a statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	CEO'S MESSAGE				
ORGANISATIO	NAL PROFILE					
G4-3	Report the name of the organisation.	ABOUTTOYOTA				
G4-4	Report the primary brands, products, and services.	BRAND, REPUTATION AND MARKET				
G4-5	Report the location of the organisation's headquarters.	ABOUTTOYOTA				
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	ABOUT THIS REPORT				
G4-7	Report the nature of ownership and legal form.	ABOUTTOYOTA				
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	ABOUTTOYOTA				
G4-9	Report the scale of the organisation	ABOUT TOYOTA, ECONOMIC PERFORMANCE OUR PEOPLE				
G4-10	Total number of employees	WORKFORCE PROFILE				
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	WORKFORCE PROFILE				
G4-12	Describe the organisation's supply chain.	UNDERSTANDING OUR MATERIAL ASPECTS, LOGISTICS PERFORMANCE				
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	ABOUT TOYOTA				
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE				
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	COMPLIANCE				
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations.	COMPLIANCE				
MATERIAL ASI	PECTS AND BOUNDARIES					
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents.	ABOUT THIS REPORT				
G4-18	Explain the process for defining the report content and the aspect boundaries.	UNDERSTANDING OUR MATERIAL ASPECTS				
G4-19	List all the material aspects identified in the process for defining report content.	UNDERSTANDING OUR MATERIAL ASPECTS				
G4-20	For each material aspect, report the aspect boundary within the organisation.	UNDERSTANDING OUR MATERIAL ASPECTS				
G4-21	For each material aspect, report the aspect boundary outside the organisation.	UNDERSTANDING OUR MATERIAL ASPECTS				
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	ABOUT THIS REPORT, ECONOMIC PERFORMANCE, GREENHOUSE GAS EMISSIONS FROM OPERATIONS				

Indicator	Description	Section of report
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.	NO SIGNIFICANT CHANGES
STAKEHOLDER E	ENGAGEMENT	
G4-24	Provide a list of stakeholder groups engaged by the organisation.	UNDERSTANDING OUR MATERIAL ASPECTS
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	OUR STAKEHOLDERS
G4-26	Report the organisation's approach to stakeholder engagement.	OUR STAKEHOLDERS
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	OUR STAKEHOLDERS
REPORT PROFIL	E	
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	ABOUT THIS REPORT
G4-29	Date of most recent previous report (if any).	ABOUT THIS REPORT
G4-30	Reporting cycle (such as annual, biennial).	ABOUT THIS REPORT
G4-31	Provide the contact point for questions regarding the report or its contents.	ABOUT THIS REPORT
G4-32	Report the 'in accordance' option the organisation has chosen.	ABOUT THIS REPORT
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report.	ASSURANCE STATEMENT
GOVERNANCE		
G4-34	Governance structure of the organisation including committees of the highest governance body.	CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE
ETHICS AND INT	EGRITY	
G4-56	Describe the organisation's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	OUR VISION AND VALUES
CATEGORY: ECO ASPECT: ECONO	NOMIC MIC PERFORMANCE	
DMA-EC	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	CORPORATE GOVERNANCE AND ECONOMIC PERFORMANCE
G4-EC1	Direct economic value generated and distributed.	ECONOMIC PERFORMANCE
CATEGORY: ENV ASPECT: EMISSION		
DMA-EN	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	GREENHOUSE GAS EMISSIONS FROM OPERATIONS
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	GREENHOUSE GAS EMISSIONS FROM OPERATIONS
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2).	GREENHOUSE GAS EMISSIONS FROM OPERATIONS
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3).	GREENHOUSE GAS EMISSIONS FROM OPERATIONS

Indicator	Description	Section of report			
ASPECT: COMPLIANCE					
DMA-EN	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	COMPLIANCE			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	COMPLIANCE			
ASPECT: TRAN	SPORT				
DMA-EN	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	LOGISTICS PERFORMANCE			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	LOGISTICS PERFORMANCE			
ASPECT: SUPP	LIER ENVIRONMENTAL ASSESSMENT				
DMA-EN	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	LOGISTICS PERFORMANCE			
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	LOGISTICS PERFORMANCE			
CATEGORY: SO SUB-CATEGOR	OCIAL YY: LABOUR PRACTICES AND DECENT WORK				
ASPECT: OCCU	PATIONAL HEALTH AND SAFETY				
DMA-LA	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	HEALTH AND SAFETY			
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	HEALTH AND SAFETY			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and gender	HEALTH AND SAFETY			
ASPECT: TRAIN	JING AND EDUCATION				
DMA-LA	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	PEOPLE DEVELOPMENT			
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	PEOPLE DEVELOPMENT			
G4-LA11	Percentage of people receiving regular performance and career development reviews, by gender and by employee category.	PEOPLE DEVELOPMENT			
	RY: PRODUCT RESPONSIBILITY OUCT AND SERVICE LABELING				
DMA-PR	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	BRAND, REPUTATION AND MARKET LEADERSHIP			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	VEHICLE AND PARTS QUALITY AND SAFET			
G4-PR5	Results of surveys measuring customer satisfaction.	CUSTOMER			
ASPECT: COMP	PLIANCE				
DMA-PR	Report why an aspect is material. Outline management approach to reducing impact. Outline mechanism for evaluating effectiveness of management approach.	COMPLIANCE			
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulation concerning the provision and use of products and services.	COMPLIANCE			



