



TOYOTA **2016**
NEW ZEALAND **SUSTAINABILITY**
LIMITED **REPORT**

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This is our seventh sustainability report covering the activities of Toyota New Zealand Limited, a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan.

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ABOUT THIS REPORT



This is our seventh sustainability report covering the activities of Toyota New Zealand Limited, a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan.



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 52. A full GRI index highlighting relevant disclosures and indicators can be found on pages 54-59.

We have structured the content of this report according to our material issues, which are detailed on page 15. For each material issue, we have outlined how the issue is incorporated into our business strategies, and how we measure our performance.

The report does not cover the operations of Toyota Financial Services New Zealand, a separate entity owned by TMC.

While Toyota and Lexus dealers are all independently owned and operated franchises, their activities are fundamental to the success of our business in New Zealand. We have therefore included commentary on some dealer activities.

Previous reports were published biennially and covered the intervening two financial years. This is our first annual sustainability report.

All data in this report relates to financial year 1 April 2015 to 31 March 2016, unless otherwise stated.

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 or email dialogue@toyota.co.nz

CEO'S MESSAGE

2016 marks the 50th anniversary of Toyota in New Zealand. We entered the New Zealand market in 1966 with the aim of providing safe and responsible transport, and this still underpins our approach today.



As we conclude this half-century of activity, we are looking ahead to how we can strengthen and evolve our efforts to meet the new demands of customers, business and society.


> SUSTAINABILITY AT TOYOTA

Toyota's Vision and Guiding Principles (detailed on page 16 and 17) provide the foundation for our approach to sustainability, which is based on quality, innovation, and respect for the planet and people.

In addition, our parent company Toyota Motor Corporation (TMC) recently launched six new goals (listed on page 14) under its '2050 Toyota Environment Challenge', to augment our commitment to the environment.

Toyota New Zealand will reflect these goals at a local level. This includes the provision of vehicles designed with lower environmental impacts. As a distributor of Toyota vehicles, this means negotiating with the global Toyota business to allow for environmentally-preferable products to be made available to the New Zealand market.

We will continue to focus on environmental issues associated with our operations and help deliver positive social outcomes through our interaction with the local community.



WE ACTIVELY ENGAGE WITH
GOVERNMENT, INDUSTRY
AND THE BROADER BUSINESS
COMMUNITY AND ADVOCATE FOR
SUSTAINABILITY IN BUSINESS.

Alistair Davis
Chief Executive Officer



**WE ARE PROUD TO HAVE
MAINTAINED OUR 'DIAMOND'
LEVEL CERTIFICATION
TO ENVIRO-MARK AND
ISO 14001 ACROSS OUR
SITES AND OPERATIONS.**



Image supplied by CentrePort Rail service.

As our greatest environmental impact is through the transportation of vehicles and parts, we are working with our suppliers to reduce the greenhouse gas emissions associated with logistics. In late 2015 we initiated a plan to add Wellington as a discharge port for vehicles and parts freight from Japan. The changes will reduce delivery times for vehicles in the Lower North Island and reduce emissions from our New Zealand vehicle and parts distribution by 8 percent and 25 percent respectively (or 11 percent in total). With the exception of the final delivery from the rail-head to our warehouse, the changes also mean that local inbound parts will be by rail.

In the community we have been developing deeper relationships with key partners. In 2015, we commenced a five-year partnership with the Department of Conservation to create Toyota Kiwi Guardians, a programme that will encourage children to get out of the house and explore our natural environment.

We engage with government, industry and the broader business community in New Zealand to share our activities, and advocate for sustainability. In 2015, I was appointed the Chair of the Sustainable Business Council; a role which provides an important avenue for this engagement.

We are proud to have maintained our 'Diamond' level certification to Enviro-Mark and ISO 14001 across our sites and operations. Both are internationally recognised environmental management programmes.

> BROADER TRENDS

New Zealand's economy continued to perform well in 2015, despite low global prices for dairy products. This has provided favourable conditions for the motor industry in new vehicle and parts sales, where we have continued to see record levels of new vehicle sales. But these conditions create some challenges for importers, and in particular have put pressure on the used car market.



IN 2016, TOYOTA NEW ZEALAND MAINTAINED MARKET LEADERSHIP FOR THE 28TH CONSECUTIVE YEAR.

Internationally, the November 2015 conference in Paris on climate change and emissions targets has progressed global discussions on this important issue. Transport is a significant contributor to global emissions and Toyota is continuing to address this with new technology aimed at reducing emissions including hybrid and electric vehicles. However, New Zealand as a whole has an old vehicle fleet with poor emissions, and is not adopting new technologies as quickly as other parts of the world.

> OUR STRATEGIC PRIORITIES

We continue to work across all areas of our business to stabilise our performance following the global financial crisis. This remains an ongoing priority.

During 2015, we progressed our plans with dealers on the shape of future franchise operations and providing our customers with a positive experience from their vehicle purchase and ownership.

We now have clarity on our approach, and will be working with our dealers over 2016/17 to refine the details and implementation. We are excited by this next phase, and the opportunity to engage with our customers in new ways.

Investment in information technology will be central to its success and we are streamlining our systems to allow for greater integration between our corporate head office and our dealers. This work has taken significant effort and collaboration by all parties, with the support of our shareholder TMC.

We are also committed to playing our part in supporting New Zealand's transition to a low carbon economy, through our product offering, supply chain and in setting an example for other businesses in managing the impacts of our operations.

> THIS YEAR'S PERFORMANCE

In the past year, Toyota New Zealand maintained our market leadership for the 28th consecutive year, at the same time achieving record sales of almost 27,000 vehicles with notable models including the Corolla, Hilux and RAV4. Both the longevity of leadership and the volume of sales are unprecedented in New Zealand.

We have achieved these results during a challenging period which included recovering from the global financial crisis and managing supply in a growing market.

We are pleased with the strong performance in our new vehicles sales and customer service divisions. Our used vehicle sales were impacted by the high dollar and meant this division ended the financial year with a lower than expected result.

We launched the new Hilux model this year. Prior to the launch we had to manage increased inventory of the old model to cover the production blackout period while our overseas manufacturing facility prepared the new model. Our advertising for the new model drew some criticism from the broader public, and in response we withdrew the campaign.

We continue to manage the recall of vehicles due to the potentially faulty airbags manufactured by Takata, a global supplier to a number of car manufacturers.

> OUTLOOK

The next 12 months will see further work on the future franchise approach, as we move towards implementation. This will be accompanied by significant IT upgrades and training for our employees and dealers.

During this period of investment, we aim to retain our leadership in new cars and grow our customer service business. This will enable us to rebuild financial performance to pre-global financial crisis levels.

Our 50 year milestone provides us with the opportunity to reflect on the challenges and triumphs of the past five decades and to celebrate, motivate and prepare for the next 50 years.

Alistair Davis
Chief Executive Officer

50 YEAR HISTORY

In 2016, Toyota New Zealand reached a significant milestone – 50 years of providing vehicles to New Zealand customers. We are proud to reflect on our achievements over this period.



1966-76

PHASE 1: THE EARLY YEARS

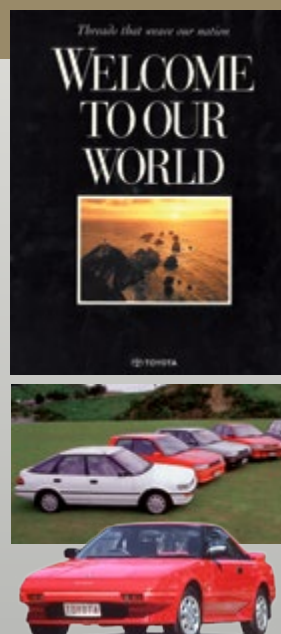
In the early years, Toyota vehicles were sold by a locally-owned company that had a licence to import the brand. Vehicles were assembled in New Zealand through contracts with two local plants at Thames and Christchurch. Toyota's market share was under 10 percent.



1977-86

PHASE 2: INVESTING FOR GROWTH

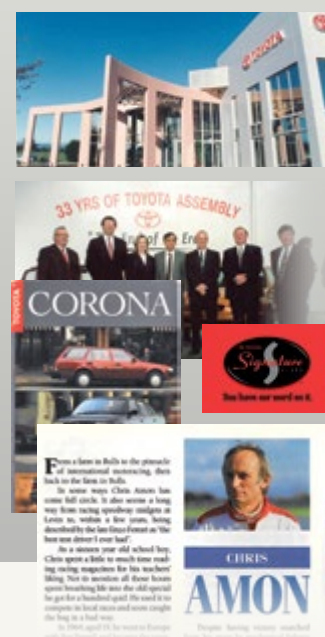
This period saw Toyota Motor Corporation (TMC) Japan invest in the business, allowing us to purchase and develop the vehicle assembly plants we had previously contracted. We also invested in dealers and people, and branded ourselves as Toyota New Zealand for the first time. Our market share in this period was between 10 and 15 percent.



1987-96

PHASE 3: ESTABLISHING LEADERSHIP

We introduced the 'Welcome to our World' campaign that saw Toyota established as New Zealand's 'heartland' brand, with the highest market share. We moved to the independently owned dealership structure we have today, and coordinated support for dealers and customers through the newly established National Customer Centre in Palmerston North. We also introduced a range of products offered by Toyota Financial Services. Our market share has remained above 15 percent since this period, and reached a record share of 26 percent in 1993.



1997-2007

PHASE 4: TRANSITION

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

We undertook major restructuring, including moving Toyota New Zealand's Head Office from Wellington to the Palmerston North National Customer Centre. We also established our used vehicle business. Throughout this time of transition, we maintained our hold of the largest market share.



2008-NOW

PHASE 5: RENEWAL

The renewal of Toyota New Zealand following the restructuring in the previous phase was supported by the new branding: Believe. Over this period we have been laying foundations for our dealers to better meet the future needs of our customers in a changing consumer environment.

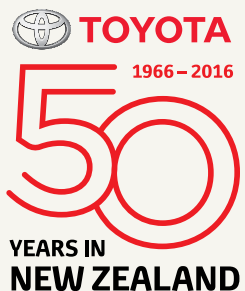


Over this half century, the number of Toyota vehicles on our roads has grown to over
800,000
- approximately one in four vehicles in New Zealand

There has also been a strong focus on our contribution to society and commitment to sustainability, reinforced through our various partnerships and major sponsorships.

We have maintained market leadership for
28
consecutive years

We completed our first
50 yrs
with a year of record sales



SUSTAINABILITY AT TOYOTA NEW ZEALAND

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



TOYOTA



> ABOUT TOYOTA NEW ZEALAND

Toyota New Zealand is a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan's largest vehicle manufacturer. We directly employ 274 people.

Toyota New Zealand sells new Toyota and Lexus vehicles, refurbished used vehicles, and parts and accessories. These are sold primarily through our Toyota and Lexus dealer network. We also sell directly to national fleet buyers and the government.

Our dealers are independently owned businesses operating under franchise agreements. As of 31 March 2016, there were 22 dealership owners responsible for 67 Toyota and six Lexus branches, employing a total of 1,480 people (not including parts and services agents).

New vehicles are sourced from overseas manufacturing plants, while used vehicles are either imported from Japan or are local ex-lease and rental vehicles refurbished at a dedicated reconditioning and accessorisation facility in Thames. We also have a leased port facility and logistics hub in Auckland, where accessorised vehicles are processed to facilitate faster delivery to customers. Toyota's National Customer Centre, (our head office and parts distribution warehouse) is located in Palmerston North.

> OUR COMMITMENT TO SUSTAINABILITY

Sustainability is central to Toyota. It is articulated in our parent company's long standing Global Vision and Guiding Principles which have been adopted by Toyota companies across the world. More details on the Vision and Guiding Principles can be found on pages 16 and 17.

Responsibility for sustainability lies with the Board of Directors and with Toyota New Zealand's senior management team. There are specific board committees with sustainability accountabilities, and the business strategy also details long and short term sustainability performance indicators and targets.

In 2015, TMC launched the Toyota Environmental Challenge 2050 (page 14), outlining its commitment to go beyond zero environmental impact to achieve a net positive impact through six challenges.

TMC is committed to addressing these challenges and will look for opportunities to work with society more broadly to realise these goals.

While many of these challenges, in particular advanced technologies to further reduce vehicle greenhouse gas (CO₂) emissions and manufacturing impacts, will be addressed by TMC at its overseas design and manufacturing locations, we will look for opportunities to support these at a local level.

> OUR KEY SUSTAINABILITY FOCUS AREAS

Prior to our last report, we undertook an extensive materiality assessment to determine the issues of most importance to our business and to our stakeholders. As there have been no significant changes to our operations or to the external operational environment, our 2016 report outlines our progress on these same issues.

Our approach to determining material issues was aligned with the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines. It involved internal and external research as well as in depth interviews with Toyota New Zealand senior managers, staff and key external stakeholders. More details can be found in our 2015 Sustainability Report which is available on our website.

In early 2016, we mapped these material issues to our Global Vision, the Toyota New Zealand Believe statements (as detailed on page 18) and business strategy.

This allowed us to see how these issues were being comprehensively managed across the business and addressed in all areas of our operations. For example, we could see that managing customer expectations and experience, and collaborating with dealers, were fundamental to developing our franchises.

The mapping also showed how issues such as innovation and vehicle life-cycle impacts, outlined in Toyota's Global Vision, cascade through our Believe statements to our day-to-day management of our new vehicle portfolio.

The remainder of this report is structured according to our material issues, as detailed in Table 1 on page 15. We have provided additional contextual information on our operations where required.



The Toyota Environmental Challenge 2050

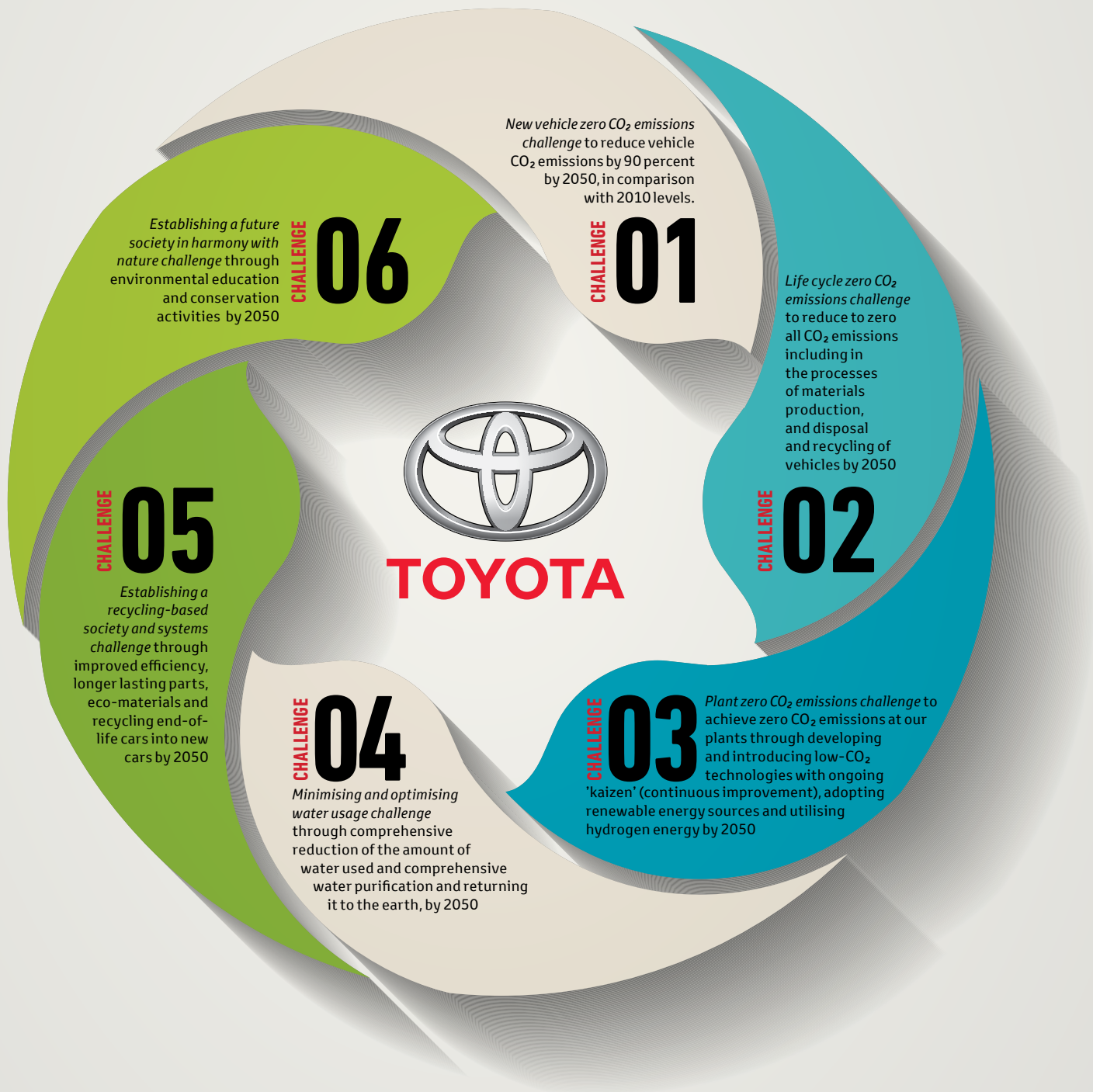


TABLE 1: BOUNDARIES OF EACH MATERIAL ISSUE

Issue	Definition	TMC	Dealers	Customers	Employees	Suppliers	Community	Government
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.	●	●	●	●			●

OUR COMPLIANCE AND GOVERNANCE

Our commitment to compliance and sustainability is supported by a comprehensive corporate governance structure.



Our parent company's Global Vision and Guiding Principles set the standards expected of our company, and Toyota New Zealand's business strategy contains associated targets and performance measures. These are monitored regularly, and the Board has clear oversight.

> OUR VISION AND GUIDING PRINCIPLES

TMC has a Global Vision adopted by Toyota companies around the world. Launched in 2011 the Vision states that:

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.

The Vision is supported by seven Guiding Principles, adopted in 1992. The principles 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 where we operate.

The principles are to:



1

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

7

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

2

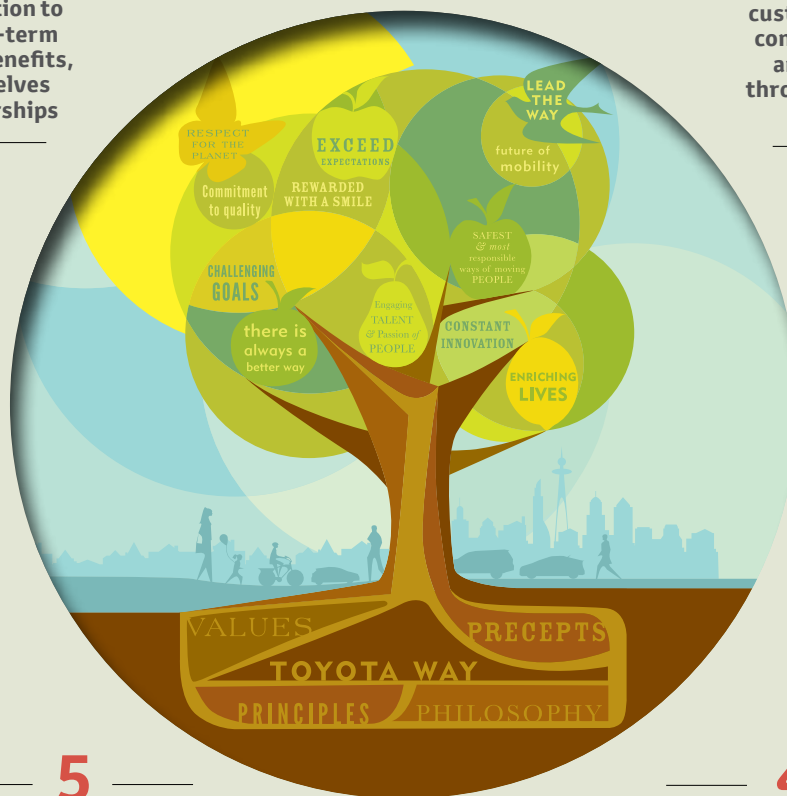
Respect the culture and customs of every nation and contribute to the economic and social development through corporate activities in the community

6

Pursue growth in harmony with the global community through innovative management

3

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



5

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

4

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

These principles come together under the Toyota Way, which articulates the company's two foundation pillars: continuous improvement and respect for people.

Toyota New Zealand supports these locally through the 'Toyota Believe' brand values and our Code of Ethics.



Grounded in the principles of the Toyota Way, our Believe statements are based on the conviction that our actions differentiate our employees, products and services.



Our 8 'Believe' statements

We believe in respecting others.

We believe every day's an opportunity to improve.

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

We believe a better tomorrow starts today.

We believe in trying to make a difference.

We believe in working together.

We believe good things stand the test of time.

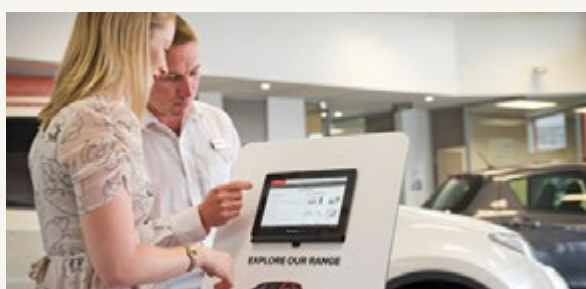
We believe in going the extra mile.



TOYOTA

Our stakeholders

Our stakeholders are vital to our ability to achieve our organisational goals and wider contribution to the economy and society. Our key stakeholders are defined as those internal or external groups who are either affected by our business, or who have the potential to affect our business. They are:



CUSTOMERS



DEALERS



EMPLOYEES



TOYOTA MOTOR CORPORATION



SUPPLIERS



COMMUNITY



GOVERNMENT AND INDUSTRY GROUPS

The Executive team reviews and updates this list every two years.

> Customers



With Toyota representing more than a quarter of the vehicles on New Zealand's roads we have a significant customer base. Facilitating positive customer interactions is fundamental to our business. More information on how we engage with customers can be found on page 38.

> Dealers



We have 22 independent dealership owners responsible for 53 Toyota sales branches, 14 Toyota parts and service branches, six Lexus sales branches, and 10 Lexus parts and service branches. All operate under franchise agreements.

The dealer network currently employs 1,480 people (excluding parts and service agents) and provides a key interface with our customers. More information on how we engage with dealers can be found on page 42.

> Employees



We have a small but diverse workforce of 274 employees based at our National Customer Centre in Palmerston North, our Thames refurbishment facility and at two sites in Auckland. Information on how we connect with employees can be found on page 48.

> Toyota Motor Corporation

We have significant engagement with TMC, with senior executives represented on Toyota New Zealand's Board. TMC is an active stakeholder across all departments and management levels at Toyota New Zealand.

Toyota New Zealand executives are also involved in global Toyota initiatives and forums together with all Toyota affiliates.

We provide regular performance reports to TMC as part of globally shared metrics, including health and safety, environment and community. This allows us to share our experiences and leverage learning from the international Toyota network.

> Suppliers

Our suppliers are integral to Toyota New Zealand's success, as they manufacture and deliver goods and services for our customers and our own operations.

We work with key suppliers in all areas, and focus on identifying opportunities to achieve mutually beneficial outcomes. These may include operational efficiency such as through transport optimisation, and other areas such as reducing our combined environmental footprint. This is particularly evident with our logistics suppliers, as illustrated on page 37.

> Community



We approach our partnerships with a view to work with organisations that have similar values to our own.

Our community support includes direct funding, in-kind support through the donation of vehicles, employee or management time, or a combination of these.

As part of reviewing our approach, 2015/16 saw a re-prioritisation in investment sponsorships as we considered the best approach to supporting the community. We are currently developing key partnerships with The Parenting Place, Emirates Team New Zealand, the Department of Conservation, and the Toyota Racing Series, to increase outcomes for the community and Toyota.

> Government and industry groups

We actively work with the motor vehicle industry and the government to help develop a more sustainable automotive sector in New Zealand. This includes meeting with government representatives and participating in industry forums, such as the Motor Industry Association of New Zealand, the Business New Zealand Major Companies Group, and the Sustainable Business Council (SBC).

In August 2015, our CEO was appointed the Chair of the SBC. The SBC advocates for sustainable practices, policies and government action.

> BOARD AND BOARD COMMITTEES

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

Toyota New Zealand has three key internal committees responsible for assisting the Board and to consider 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 requirements to the Board and senior management.

> **THE CORPORATE AFFAIRS COMMITTEE** assists with discharging the Board's responsibilities regarding human resource and health and safety issues and promotes career planning and development.

> **THE ENVIRONMENT COMMITTEE** assists the Board with environmental issues. Its main objectives include developing strategy and overseeing delivery of Toyota New Zealand's Environment Plan.

> OUR BUSINESS STRATEGY

Our strategy outlines our long and short term objectives and associated performance targets. These are monitored on a monthly basis by the Executive team, comprising our CEO, a senior Executive Director and four General Managers.

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

> RISK AND COMPLIANCE

We use a formal risk management framework to assess risks. This is reviewed annually by the Board, and includes all departmental objectives, targets and results.

Toyota has a strong internal compliance culture which encompasses both corporate activities and dealers. Our internal systems and checks support our compliance with both New Zealand legislation and regulations, and also with TMC requirements.

We are committed to meet in-house corporate standards and processes specific to key sustainability issues such as customer service, health and safety, and environmental management. These also extend to the dealer network. Over the reporting period, our compliance focus included Enviro-mark certification, along with a legislative compliance review of the new health and safety obligations.

The behaviour of all Toyota New Zealand employees is guided by our Code of Ethics, as well as fraud and corruption controls. Overall accountability for corporate governance lies with our Board.

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

> 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 and **ISO 14064-1:2006** (Greenhouse Gases) – all corporate operations and Thames facility

ISO 9001:2008 (Quality Management) – all corporate operations and Thames facility

ISO 14001:2004 (Environmental Management) – Thames facility

Enviro-mark (Environmental Management) – all corporate operations and dealers

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

- > **Business New Zealand**
- > **CEO Major Companies Group**
- > **Employers and Manufacturers Association**
- > **Motor Industry Association**
- > **MIA Technical Committee**
- > **Sustainable Business Council**
- > **Sustainable Business Network**
- > **Motor Trade Association**
- > **Massey University: Massey Business School Advisory Board**

> GREENHOUSE GAS EMISSIONS FROM OUR OPERATIONS

As part of managing the impact of our operations, we voluntarily measure and report greenhouse emissions across our sites and operations using the Certified Emissions Management and Reduction Scheme (CEMARS). Greenhouse gas emissions associated with Toyota New Zealand's sites and business operations (tonnes CO₂) are included in Table 2. These are reported under three internationally recognised 'Scope' categories and we have included summary definitions in parenthesis.

TABLE 2:

	FY2013	FY2014	FY2015	FY2016
Scope 1: direct emissions from energy and transport within our own operations	1,471	1,511	1,556	1,540
Scope 2: indirect emissions from purchased energy	374	302	317	300
Scope 3: all other indirect emissions, such as freight (but excluding dealers)	17,902	16,623	20,638	22,376
Total emissions	19,748	18,436	22,511	24,216
Total GHG emissions per turnover/revenue (\$ million)	17.96	15.88	18.72	19.05

Rising emissions in 2015/16 were in part the result of expanding the scope of our emissions inventory with the addition of emissions associated with parts air freight from overseas as well as the movement of sea containers from Auckland to Palmerston North. Due to the expanding scope, we are currently reviewing our baseline year (2006) as it is no longer comparable to the breadth of data we now capture.

10 YEARS OF CARBON CERTIFICATION



Since 2006, Toyota New Zealand has measured and reported the carbon emissions from its operations.

This decade of collecting and reporting greenhouse gas emissions has provided us with a clear understanding of our carbon footprint and where we have most ability to reduce our impact, such as electricity and gas used in our buildings, and fuel consumed by our vehicle and parts logistics providers.

We were an early supporter of Landcare Research's Certified Emissions Measurement and Reduction Scheme (CEMARS), now run by Enviro-Mark Solutions.

Each year we collate an inventory of the emissions associated with Toyota New Zealand's operations, and have this data externally audited and certified. We have a greenhouse gas reduction plan which supports our ongoing focus on identifying opportunities to improve our performance.

This has enabled us to better engage with suppliers, to work together on reducing impacts associated with their services.

TMC's 2050 Environmental Challenge will continue to push our initiatives in this area and the setting of long-range goals for greenhouse gas reduction.





WE ARE COMMITTED
TO MEET IN-HOUSE
CORPORATE
STANDARDS AND
PROCESSES SUCH AS
CUSTOMER SERVICE,
HEALTH AND SAFETY,
AND ENVIRONMENTAL
MANAGEMENT.

OUR BRAND, REPUTATION AND MARKET LEADERSHIP

Brand and reputation have been integral to Toyota New Zealand's success in achieving 28 years of market leadership of new car sales.



> BRAND AND MARKETING

Our aim is to connect with New Zealand customers, and our belief in respecting others informs our marketing and advertising activities.

Compliance with all relevant laws and voluntary codes of practice is managed through an internal review process, which checks the accuracy of all information.

In 2015, the advertising for our new Hilux model caused some offence. It portrayed animals as being happy to be hunted and transported in the Hilux. While we believe it resonated with our Hilux audience, we received feedback that some viewers were concerned, so we withdrew the advertisement.

We monitor the strength of our brand through corporate brand reputation surveys, across both the motoring industry and wider businesses.





OUR COMMUNITY CONTRIBUTION INCLUDES
DIRECT FUNDING AND IN-KIND SUPPORT FOR
LOCAL CHARITIES AND ORGANISATIONS.

> BRAND REPUTATION

In 2015/16 a new methodology (the Millward Brown framework) was used by Colmar Brunton to track the performance of brands in New Zealand. It covers a range of indices, grouped as leadership and success, fairness, responsibility and trust.

A large number of businesses are reviewed using the framework and then benchmarked against competitors in their industry sector. A composite index is created where 100 is the average, with scores over 105 indicating a superior strength and less than 95 indicating a significant weakness. In this inaugural survey we rated fourth of all businesses in all industries with a score of 111. The highest score was 118. Toyota New Zealand was one of only two non-New Zealand owned brands in the top 14 rated corporates.

> COMMUNITY PARTNERSHIPS

We focus our support of the community through four partnerships – Toyota Racing Series, the Department of Conservation, The Parenting Place, and Emirates Team New Zealand. They reflect our Believe statements, and as we further develop the Believe branding this year, we are working to strengthen these partnerships and what we can deliver together.



Department of
Conservation
Te Papa Atawhai



DEVELOPING STRONG PARTNERSHIPS

In 2015 we commenced a partnership with the Department of Conservation (DOC) to create Toyota Kiwi Guardians, a programme aimed at increasing children's connection with the natural world.

This partnership is a key component of our community engagement programme, aimed at developing deep relationships with a small number of strategic partners.

Over the next five years, DOC and Toyota will work together to motivate children and their families to get out and explore the special places on their doorstep and encourage them to protect the natural environment.

It highlights family friendly activities at specific sites that support kids to utilise their senses, take risks, and have positive experiences in the outdoors.

There are currently 20 sites people can visit across New Zealand in or near Auckland, Napier, Palmerston North, New Plymouth, Christchurch and Dunedin. An estimated 50 sites will be open by the end of 2016.

Find out more here: www.kiwiguardians.co.nz



**We believe in trying
to make a difference.**



Department of
Conservation
Te Papa Atawhai



TOYOTA
Believe

OUR ECONOMIC PERFORMANCE

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



Our 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
- Operate as 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.



OUR SALES OPERATIONS ARE DIVIDED INTO THREE AREAS: NEW VEHICLE SALES, USED VEHICLE SALES, AND CUSTOMER SERVICE.

IN 2015, WE SOLD MORE THAN 35,000 TOYOTA AND LEXUS VEHICLES. THIS COMPRISED OF 8,000 USED VEHICLES AND 27,000 NEW VEHICLES, A NEW CAR SALES RECORD IN NEW ZEALAND.

Our sales operations are divided into three areas: new vehicle sales, used vehicle sales, and customer service. These areas are supported by corporate functions that sit across the business.

We are continuing to invest in systems and processes that will further support our operations. This includes allocating funding to improve business intelligence and to support dealers evolve their customer experience.



> NEW VEHICLES

The unexpected strength of the New Zealand economy resulted in high demand for new vehicles and parts, and a solid performance in this division. Managing our new vehicle supply each year is a balance of estimating how we expect the market to change over the year, responding to variation in our predictions, and overseeing replacement models.

The high demand meant that we needed to engage with the global Toyota network to source additional vehicles and we successfully matched the growth in the local market with our sales during this period.



> USED VEHICLES

The strong New Zealand dollar had the opposite effect on our performance in the used vehicle market. In response, we focused on promoting our dealer outlets as destinations for all vehicle needs.

This approach was successful for our dealers who saw an increase in used vehicle sales; however, we ended the financial year with a disappointing overall result in this sector of the market.

Moving forward, we will continue to focus on building the performance of this division. Our Signature Class used vehicle range, which provides high quality refurbished vehicles, is well placed to support this market.



> CUSTOMER SERVICE

The customer service division covers a range of after sales functions including the areas of parts and service and our Customer Dialogue Centre, which provides customer support across a broad range of services.

Over the last few years we have been seeking to increase our customers understanding through engagement and research, so we can better respond to their needs.

The high New Zealand dollar led to strong performance in the after sales side of the business through the reduced cost of parts. In 2015/16 we also looked for opportunities to extend the parts sales beyond our dealerships to include independent operators.

TABLE 3: FINANCIAL PERFORMANCE (\$MILLION)*

Financial year	2013/14	2014/15	2015/16
After tax profit	5.7	13.4	18.3
Total revenue	985.6	1,027.0	1,084.2
Operating costs	952.2	979.8	1,034.4
Capital provider costs	3.5	9.1	17.5
Employee wages and benefits	22.4	24.4	25.0
Community investment (sponsorships)	3.5	2.7	2.5

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

TABLE 4: NUMBER OF VEHICLES SOLD*

Calendar year	2011	2012	2013	2014	2015
Daihatsu	78	321	260	23	1
Toyota	17,483	21,581	23,703	24,684	26,321
Lexus	505	490	551	557	641
Used	7,447	7,644	8,311	8,653	8,150



OUR VEHICLES

Toyota has a long history of innovation and invests significantly in technology aimed at enhancing the safety and reducing the environmental impacts of our vehicles.



> VEHICLE LIFE-CYCLE IMPACT AND INNOVATION

Toyota's Global Vision is to enrich lives through mobility, in the most responsible way. This underpins our commitment to more sustainable operations and developing products which have less impact on resources and communities, and help society transition to a low carbon economy.

Toyota measures progress in reducing impacts from vehicles through life-cycle analysis. This includes new innovations to reduce embedded emissions and materials associated with the manufacturing, use and disposal of vehicles. Targets and 'kaizen' (continuous improvement) plans maintain efforts across vehicle manufacture and operations.

Information on vehicle design and innovation initiatives can be found on TMC's website in the sections Sustainability and Innovation (www.toyota-global.com).



OUR STRATEGY TO SUPPORT TMC'S VISION LOCALLY IS THROUGH MAKING THESE VEHICLE INNOVATIONS AVAILABLE IN NEW ZEALAND, AND WORKING WITH OUR SUPPLY CHAIN TO BETTER MANAGE THEIR ENVIRONMENTAL IMPACTS.

> VEHICLE EMISSIONS

All car companies follow standard laboratory testing procedures to check that their cars meet the various mandated standards for these substances. In New Zealand, all newly introduced cars must meet Euro 5 standards. Most used imports will be either Euro 4 or less.

Emissions testing includes hydrocarbons, carbon monoxide, particulate matter and nitrous oxides, which cause health problems. Carbon dioxide, which contributes to climate change, is assessed through fuel economy checks (CO₂ emissions are directly proportional to fuel consumption).

During the past year there has been significantly more public and media interest in vehicle emissions testing, as a result of inaccurate and misleading reporting from some vehicle manufacturers in Europe and the USA.

Toyota was not implicated in the global scandal, but nonetheless we undertook an independent review to provide external confidence that our published results for vehicle emissions have been accurately calculated and reported.

Toyota's continued commitment to reducing harmful emissions from our vehicles is one of our 2050 Environment Challenges (described on page 14) and includes a target to reduce carbon emissions by 90 percent over the next 35 years.



HYBRID BATTERY COLLECTION AND RECYCLING



Since the 1970s, Toyota has been implementing initiatives to effectively recycle materials embedded in end-of-life vehicles, rather than simply discarding them. This recognises that the earth has limited resources which we need to conserve and recycle.

In response to hybrid vehicle sales, TMC has established a battery-to-battery recycling network for end-of-life batteries.

Toyota New Zealand introduced a nationwide hybrid battery recycling programme in 2008 to recover hybrid batteries from its dealers. In early 2016, this was extended to independent dismantling and repair outlets – operations that were previously outside the Toyota and Lexus collection network. Through this programme, Toyota outlets offer a bounty of up to \$100 for hybrid batteries at their end-of-life.

Dealerships will now accept any complete Toyota or Lexus hybrid batteries, not just ones from vehicles they service or sell.

Opening up the hybrid battery recycling programme to third parties is one of the ways Toyota New Zealand is contributing to Toyota's worldwide environmental commitment to reduce, reuse and recycle.

TOYOTA CAR SHARING AND RIDESHARING SCHEMES

Car sharing schemes, where cars are easily accessible for short trips, are a way to reduce an individual's environmental impact and the cost of car ownership. This concept has been growing in popularity around the world; in the USA there are now one million vehicles available for car sharing.

TMC is exploring how this new approach to mobility can be supported with Toyota vehicles. Toyota's Ha:Mo scheme, which stands for Harmonious Mobility, is now operating in Okinawa, Japan, and Grenoble, France. Ha:Mo utilises the ultra-compact electric iRoad vehicle. The iRoad is a combination of a car and motorcycle, and can be used for transporting one or two people around town.

Ridesharing schemes also offer a way to support mobility through sharing vehicles. In early 2016 TMC announced a partnership with Uber, a technology platform that enables car owners to take passengers and earn money driving their cars.

The partnership will include the creation of new leasing options through Toyota Financial Services with payments from Uber rides. Toyota will also be able to share knowledge and research to sell Toyota and Lexus vehicles to Uber drivers. This will be trialed in countries where ride-sharing is expanding, before being rolled out to other markets such as New Zealand.

> SUPPORTING THE HYBRID MARKET IN NEW ZEALAND

Globally Toyota has sold more than nine million hybrids, and approximately 13 percent of Toyota global sales are now hybrid vehicles.

In the last three months of 2015, 16 percent of global Toyota and Lexus sales were hybrid. This was made up of 47 percent of sales in Japan, 30 percent in Europe, and 10 percent in USA.

In New Zealand, hybrid sales account for approximately five percent of Toyota vehicle sales and approximately 40 percent of Lexus sales (although significantly more Toyota vehicles are sold: a total of 26,330 Toyotas were sold in 2015/16 compared with 641 Lexus). Low fuel prices have contributed to the lower take-up of this technology in New Zealand.

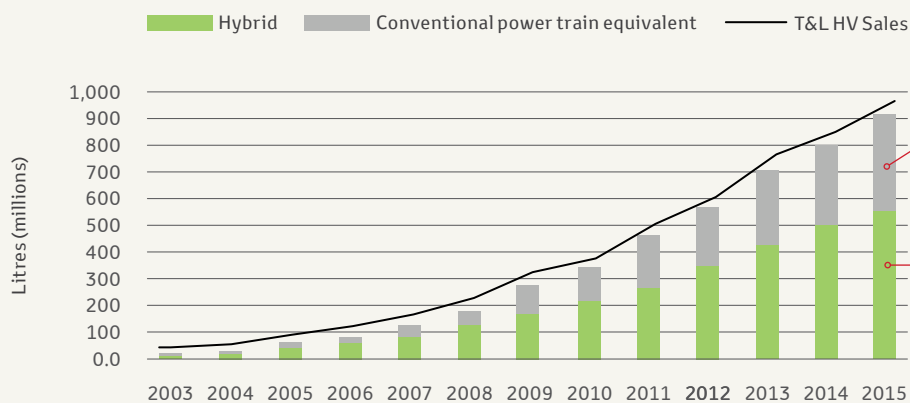
Toyota hybrids were first sold in New Zealand in 2003, and by the end of calendar year 2015, accumulated sales totaled 8,385 cars.

These have made a cumulative reduction of 8,737 tonnes of CO₂ and saving over 346 million litres of fuel (versus conventional vehicles of the same size) – see graphs below. This excludes sales of used hybrid vehicles.

Toyota continues to improve the fuel efficiency of conventional engines, which constitute the majority of vehicles on the market, by reducing their size and weight and increasing engine and transmission efficiency. But hybrid technology offers superior performance, efficiency and lower emissions.



CUMULATIVE EFFECT ON FUEL CONSUMPTION FROM TOYOTA & LEXUS HYBRID VEHICLE SALES* IN NEW ZEALAND



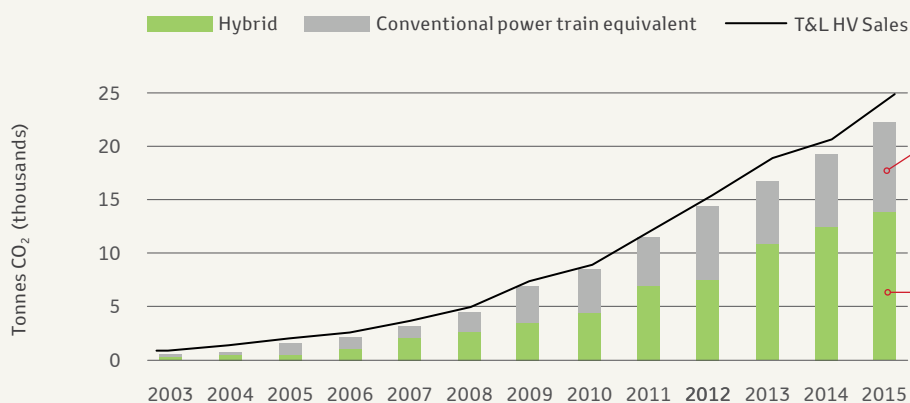
* Sales by calendar year

Fuel consumed by conventional vehicles of equivalent size and performance

Fuel displacement from HVs of 346 million litres

Fuel consumed by HVs

CUMULATIVE EFFECT ON CO₂ EMISSIONS FROM TOYOTA & LEXUS HYBRID VEHICLE SALES* IN NEW ZEALAND



* Sales by calendar year

CO₂ emissions from conventional vehicles of equivalent size and performance



CO₂ reduction from HVs of 8,737 tCO₂

CO₂ emissions volume from HV's



Toyota New Zealand is focused on building the hybrid market. We are setting higher targets for hybrid vehicle sales, and increasing the range available in 2016. We had five Toyota and seven Lexus hybrid models available and in mid-2016 we added Corolla hybrid to our range. We are also taking advantage of the volume of used Plug-in Hybrid Electric vehicles (PHEVs) from Japan that we can import for sale in New Zealand.

TABLE 5: HYBRID MODEL RANGE AVAILABLE IN NEW ZEALAND

TOYOTA 		LEXUS 	
Prius Hatch	Camry	CT 200h	LS 600h
Prius C	Corolla	IS 300h	NX 300h
Prius V		ES 300h	RX 450h
		GS300h/GS 450h	

In 2016, we installed electric charging stations at six dealers in Auckland, Napier, Manawatu, Wellington and Christchurch to accommodate Prius PHEVs and we are developing specialist servicing expertise for these vehicles. We hope to roll these services out to more dealers in the coming years.

> NEW GENERATION PRIUS

Toyota's new Prius was launched in February 2016. It builds on its predecessors' advances with increased environmental and operational efficiency, and enhanced safety features.

The new Prius was developed under the Toyota New Global Architecture (TNGA) programme, which will be the basis of other models in future. TNGA is aimed at achieving revolutionary improvements in occupant protection and includes an all new chassis and improved drivetrain.

The vehicle includes Toyota Safety Sense which mitigates the most common causes of traffic accident fatalities and injuries through a pre-collision warning system, lane departure alert and automatic activation of head lamp high-beams for improved night vision as well as all-speed dynamic radar cruise control.

> VEHICLES AND PARTS QUALITY AND SAFETY

Toyota's focus on safety is articulated in the Global Vision, and aimed at preventing or reducing the likelihood of accidents, while mitigating the impacts on passengers and pedestrians should an accident occur.

All Toyota and Lexus vehicles comply with the current New Zealand Transport Agency safety standards. These can be found online at www.nzta.govt.nz

When new vehicles are introduced into the market, Toyota New Zealand closely monitors them and provides ongoing feedback to TMC along with all international Toyota distributors. This allows any common issues to be quickly identified and addressed.

All used vehicles that are refurbished at our Thames facility undergo a rigorous safety inspection, underpinned by ISO9001 (quality) certification. This is an in-depth examination of all safety related items such as seat belts, brakes, shocks and suspension components.



TABLE 5: COUNTRY OF MANUFACTURE FOR VEHICLE MODELS SOLD IN NEW ZEALAND

Japan	Yaris, Corolla Hatch & Wagon, Prius, 86, RAV4, LC Prado, LC200, Previa, Hiace, Lexus
Thailand	Hilux, Fortuner, Corolla Sedan
Australia	Aurion, Camry
US	Highlander
UK	Avensis Wagon

> RECALLS

We take a proactive approach to managing potential vehicle risks. Any safety recalls are immediately communicated to the public through a press release and statements on our website and Facebook. We then contact relevant registered owners to arrange for the supply of repair parts, at no cost.

We continue to manage recalls resulting from potentially faulty airbags manufactured by Takata. Current assessments suggest that in excess of 85 million vehicles may be affected worldwide from 11 car manufacturers.

By the end of the reporting period, Toyota New Zealand had identified approximately 83,000 registered owners of potentially affected Toyota vehicles in New Zealand and provided them with information on the recall and on the availability of replacement parts. This is less than the number reported in our previous sustainability report, as the scope of the recall continues to be refined.

Due to the significant number of affected vehicles internationally, we are working closely with TMC to source replacement parts for our customers as quickly as possible.

> LOGISTICS PERFORMANCE

As a sales and distribution company, a significant portion of Toyota New Zealand's operations involve vehicle and parts logistics. We import vehicles and parts from a number of countries, with the majority from Japan and Thailand (around 87 percent).

In line with our corporate objective of leadership in sustainability, and Toyota's global targets for reducing emissions, we work closely with our suppliers (both local and overseas) to try and minimise the environmental footprint of our logistics operations. However, logistics decisions often involve a balance of many other factors such as customer requirements, lead-times, cost and supplier constraints.

We measure and report carbon emissions from our vehicle and parts logistics and set annual reduction targets and improvement plans for local activity. Performance is reviewed regularly at monthly logistics executive meetings and reported to TMC.

Vehicle logistics accounts for just over 75 percent of our total carbon emissions, with 89 percent of this related to inbound operations (importing to NZ), and 11 percent to outbound (distribution within NZ). In 2015/16, we developed a plan to discharge vehicles in Wellington, in addition to current discharge ports of Auckland and Christchurch. Around ten percent of imported vehicles will discharge in Wellington when operations start in May 2016, delivering significant reductions in lead-times for lower North Island customers, as well as significant emissions and cost savings.

Parts logistics accounts for six percent of our total carbon emissions, with 69 percent of this related to inbound (importing to NZ), and 31 percent to outbound (distribution within NZ). Parts sea-freight from Thailand and Australia is discharged in Wellington and moved by rail to our main warehouse in Palmerston North, while parts sea-freight from Japan is discharged in Auckland and moved by road. In 2015/16, we negotiated new arrangements to discharge Japanese sea-freight in Wellington from April 2016, which will significantly reduce local costs and emissions.



OUR CUSTOMERS

A positive customer experience is critical to the success of Toyota New Zealand, our dealers and the reputation of our brand in the market. As such, it is essential that we understand and engage with our customers on the issues that matter most to them.



Our approach to providing customers with the best experience is articulated in our Global Vision (see page 16) and Toyota New Zealand's Believe statements (page 18) of respecting others and going the extra mile.

These principles are integrated into each business division and our current focus on developing future franchise arrangements.

Key areas of interest for these stakeholders include vehicle quality and safety (more information can be found on pages 36 and 37), vehicle pricing, customer service and Toyota's reputation for reliability.

> ENGAGING WITH OUR CUSTOMERS

Interaction with customers takes many forms. Our Customer Dialogue Centre provides a central support point to both customers and dealers. We also undertake customer research and regular post-sales surveys such as Customer Radar, an online source of feedback that provides us with real time information on our performance. Research into customer experiences continues to inform the design of our franchises into the future, as explained in the section on dealers (page 42).







RESEARCH INTO CUSTOMER EXPERIENCES CONTINUES TO
INFORM THE DESIGN OF OUR FUTURE DEALERS.

We measure our performance using Net Promoter Score® (see Table 7), a widely accepted measure of customers' willingness to recommend a particular product or service (in this case, our dealerships) to friends or family. Toyota performs exceptionally well in this assessment where a score of 50 is considered high.

TABLE 7: NET PROMOTER SCORE*

	SCORE			SAMPLE SIZE		
FY	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
New Vehicle Sales	93.1	93.1	94.1	3,256	3,549	3,556
Service	82.7	83.0	82.8	21,815	24,215	26,402
Used vehicles	91.3*	91.7	92.4	3,578*	4,919	5,604

*We have re-adjusted NPS scores from calendar year (in previous reports) to financial year to be in line with the period of this report. We started collecting the score for used vehicles in April 2013 (scores from April–Dec).

We also participate in industry research with other car distributors, and consider our performance in numerous areas, including sales and service experience, and product reliability.

TOYOTA FESTIVAL

In February 2016, we held a three day customer event, the Toyota Festival, at Highlands Motorsport Park in Central Otago.

The Toyota Festival began in 2013 when a group of Toyota 86 owners conceived an event where they had the opportunity to meet likeminded enthusiasts and drive their cars on a racetrack. Toyota New Zealand supported this and expanded it further in 2014 to cater for all Toyota enthusiasts young and old, modern and classic, high-tech and vintage, and this is now the biggest single-manufacturer track day of the year.

This year the event offered a range of activities including track sessions, off-road skills courses, a 'Show and Shine' competition to judge the best looking vehicles, and a 4x4 Adventure exploring the Central Otago landscape.

More than 400 people attended the weekend event.



OUR DEALERS

Our products and services are sold primarily through a countrywide network of independently owned and operated Toyota dealers. They provide the key interaction between Toyota and our customers.



In 2015/16, our dealers achieved their best profit year since the global financial crisis. This result was assisted by greater business training and support, and through the promotion of dealers for both new and used vehicle sales.

Dealers also provide customers with new and used parts, accessories, vehicle servicing, extended warranties and service plans, as well as financial products on behalf of Toyota Financial Services New Zealand, a separate Toyota affiliate.

Engagement with dealers is incorporated into our business strategy within each of our three divisions - new vehicles, used vehicles, and customer services. More specifically, we are working with dealers to develop the structure of our franchises for the future. This will include implementing integrated IT systems across Toyota New Zealand and the dealer network.

Key topics of interest to dealers include collaboration with Toyota New Zealand, managing compliance requirements, and staff retention and development. Over this financial year we have been working with dealers to support their preparations for the new health and safety legislation, which came into effect in April 2016. More information is provided in the case study on page 50.





IN 2015/16 OUR DEALERS ACHIEVED THEIR BEST
PROFIT YEAR SINCE THE GLOBAL FINANCIAL CRISIS.



> ENGAGING WITH DEALERS

Our approach is based on open communication, clear franchise standards and training to improve business performance and the customer experience.

This is delivered through a range of mechanisms including annual national dealer planning and 'kaizen' (continuous improvement) conferences, regional seminars and meetings, and business planning sessions with individual dealers.

An annual dealer satisfaction survey is used to measure our performance in effectively working with them. It also allows us to identify opportunities to enhance our relationship, and to boost dealer capacity and performance.

The CEOs of all dealerships meet quarterly to discuss network-wide issues. A Dealer Council Executive then meets with the Toyota New Zealand Executive team to provide feedback and review opportunities and challenges.

Toyota New Zealand also works on future strategies with a dealer 'Champions Advisory Panel' (CAP) comprising the eight highest performing dealers from the previous year.



> THE FUTURE OF OUR FRANCHISE

A key focus over 2015 and going forward is developing a successful future dealer franchise model, determining what this will look like and understanding how we can build stronger dealer and customer relationships.

In preparation, we undertook in-depth independent research on the customer experience journey from car purchase through to servicing. We are working closely with dealers and TMC to clarify the way our franchises will operate in the future.



TOYOTA DEALERSHIP CHAMPIONS 2015

Over the last 30 years, we have hosted dealership awards to recognise the continuous commitment and high level of performance that Toyota dealers deliver.

The awards are based on points that dealerships acquire throughout the year across numerous performance areas including their commitment to company growth, investment in people development, the customer experience, sales target achievement, quality of facilities and the results of mystery shopper tests. The top three dealerships become finalists for each of the awards.

In 2015, Bowater Toyota was announced the Toyota Dealer of the Year for the second year in a row for its overall excellence in all aspects of dealership operations.



OTHER WINNERS INCLUDED:

Lexus Hawkes Bay Winner

Lexus Dealer of the year.

Manawatu Toyota Winner

President's Trophy for outstanding customer satisfaction.

Manukau Toyota Bob Field Leadership Award

for exemplary leadership in the advancement of the dealership and its people.

Manukau Toyota Winner

Financial Services Dealer of the Year Award.

OUR PEOPLE

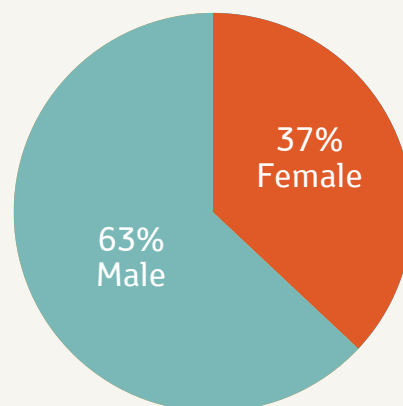
Toyota New Zealand has a small but diverse workforce of 274 employees. We greatly value our staff and recognise how important it is to provide them with a safe and enjoyable workplace.



The majority (189) are based at our National Customer Centre in Palmerston North, with a further 71 at the Thames refurbishment facility and 14 in Auckland.

> WORKFORCE PROFILE

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



> GENDER PROFILE

Sixty-three percent of our workforce is male and 37 percent is female. There were no significant changes in headcount or gender profile from 2014/15.



TOYOTA NEW ZEALAND IS
COMMITTED TO RECRUITMENT
BASED ON INDIVIDUAL MERIT
REGARDLESS OF GENDER OR ANY
OTHER DEMOGRAPHIC FACTORS.



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 merit and performance, and are available to all employees without discrimination. There were no recorded incidents of discrimination during the reporting period.

TABLE 8: TOYOTA NEW ZEALAND GENDER PROFILE

Region	Male	Female	Total
Palmerston North	115	74	189
Thames	44	27	71
Auckland	13	1	14
Total	172	102	274

TABLE 9: TOYOTA NEW ZEALAND EMPLOYMENT PROFILE

PERMANENT EMPLOYEES			
Contract type (e.g. full time, part time, casual)	Male	Female	Total
Full time	167	86	253
Part time	0	9	9
Fixed term contract	5	7	12
Casual	0	0	0
Total	172	102	274

Approximately 10 percent of our workforce is covered by collective bargaining agreements.

We conduct regular engagement surveys and encourage all our employees to respond. This provides us with quantitative metrics to measure our performance.

Stakeholder interviews and feedback show Toyota New Zealand's brand and market leadership position resonate with our employees, as do our commitments to environmental and social leadership and responsibility. Wellbeing has been identified as an area of interest for our employees.

EFFECTIVE EMPLOYEE ENGAGEMENT AND COMMUNICATION

Every month Toyota New Zealand holds a staff meeting, where the CEO and members of the Executive team describe the overall vehicle market, wider business trends, new activity or upcoming vehicle model launches.

Once a year the format is changed to a dedicated open question and answer session between staff and senior managers.

This gives all staff the opportunity to ask about matters they may not normally have a chance to raise with senior management, to learn how the business is approaching a new challenge or to contribute ideas outside the scope of their day-to-day department activities. Questions range from updates on partnership and sponsor activities, market or operational changes, government policies, and even personal perspectives from senior management on global trends or current affairs.

It is also a valuable way for the Executive team to learn what this key stakeholder group is thinking, and understand any common themes and concerns.

Departments nominate a spokesperson to voice their questions, which are raised on rotation. Any remaining questions, unanswered in the available time, are collected and responses are posted on the internal intranet.

The value of this annual conversation has led to a number of new initiatives. Recent examples include the implementation of a new Employee Car Lease Scheme and greater access to new models through a vehicle familiarisation scheme where staff have the opportunity to drive and evaluate vehicles.

> HEALTH AND SAFETY

The health, safety and welfare of our employees, contractors and visitors is a high priority. We are committed to providing a workplace that enables our people and those working with us, to return home safely at the end of each day.

To support this commitment, Toyota New Zealand holds Accident Compensation Corporation (ACC) Workplace Safety Management Practices to a tertiary level certification, and actively manages health and safety across the business.

Health and safety initiatives and performance are monitored at the Corporate Affairs Executive meeting and are ultimately overseen by Toyota New Zealand's Board of Directors.



Everyday health and safety management is undertaken by representative committees that comprises 13 percent of our workforce, and includes management, team leaders and general employees across all locations. The health and safety committee at our National Customer Centre (head office) also includes representatives from the courier company and contract cafe staff who work on our site.

> MONITORING AND REPORTING

We use the PeopleSafe cloud-based programme to capture and monitor health and safety across our sites. The online tool enables our people to more quickly and easily report any incidents, near misses or hazards, so we can address issues as they arise.

We are also focusing on building a safety culture to foster open and regular safety conversations across the organisation. Over the last year we have been working with the PeopleSafe team to expand our reporting capabilities. As this is implemented, we will provide more disclosure on our performance, including Lost Time Injury Frequency Rate (LTIFR), a widely used measure to track health and safety performance. In addition, we encourage employees to report near misses and early onset of pain and discomfort.

There were 22 employee injuries and no fatalities during the reporting period.

TABLE 10: TOTAL NUMBER OF EMPLOYEE INJURIES

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16		
Total number of employee injuries	17	26	14	27	22		
Gender					Thames	Palmerston North	Auckland
• Female	7	13	8	9	2	6	0
• Male	10	13	6	18	3	11	0

TABLE 11: TOTAL NUMBER OF INJURIES FOR INDEPENDENT CONTRACTORS WORKING ON-SITE

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16		
Total number of injuries for independent contractors working on-site	1	1	0	1	2		
Gender					Thames	Palmerston North	Auckland
• Female	0	0	0	0	0	0	0
• Male	0	1	0	1	0	2	0

NEW HEALTH AND SAFETY REGULATION

The new Health and Safety at Work Act 2015 came into effect in April 2016. The changes include a greater focus on safety leadership from senior management and directors, a greater focus on employee participation, and a broadening of scope from employees to workers.

The newly defined regulations provided an opportunity to review and communicate our approach to employees, and to support our dealers in preparing for the changes.

Engagement with our staff comprised a number of different formats, including an all staff workshop; health and safety induction videos for staff and contractors fronted by Toyota ambassador and former All Black Marc Ellis; and a Managers Guide video with accompanying information to upskill their teams.

As independently owned businesses, not all dealership activities align directly to our corporate operations. Dealers, therefore, are in the best position to implement the required processes in the context of their specific businesses. However, as valued partners,

we have provided support to the network through clear communication on the legislative changes, including:

- > full briefing on the new legislation and legal implications by our health and safety software provider (PeopleSafe)
- > summary of responsibilities under the new legislation provided via Dealer Bulletins and Dealer Council and Council Executive meetings
- > high level checklist of top potential risks, for dealers to use in their self-assessments
- > on-site checks for all network sites to support dealers in understanding their level of preparedness and to help them identify areas of priority
- > access to PeopleSafe's software administrative system to help manage their day-to-day Health and Safety activities
- > access to Toyota New Zealand document assets that may support dealers with meeting their health and safety obligations.

> PEOPLE DEVELOPMENT

The development of our people is a central theme of our business strategy. To support this we expanded this department in 2013. We aim to provide our people with the right knowledge, skills, attitude, confidence and commitment to perform at a high level, and continue to learn and grow.

Equipping our dealers with skills to support future franchise initiatives is being developed through a dedicated training curriculum. This training supports dealer personnel in facilitating an excellent customer experience.

TABLE 12: 2015 TRAINING DATA*

Training	Hrs	Ave Hours
Palmerston North and Auckland	3,964	20.9
Thames	9,216	131.7
Total	13,180	
Business	12,099	n/a
Health & Safety	941	n/a
Technical	140	n/a
Total	13,180	
Palmerston North and Auckland Management (incl exec)	423	15.1
Palmerston North and Auckland Non Management	3,541	21.9
Thames Management	1,272	254.4
Thames Non Management	7,944	122.2
Total	13,180	

*Training data is captured on a fiscal year basis.



Other on-going training programmes cover three main areas:

- > learning and development – providing team members with the skills and knowledge necessary to do their job, supported by performance monitoring and assessment
- > customer services people development – promotes the principles of ‘customer first’ in every aspect of our interaction with customers during their ownership of the vehicle
- > future people development – growing the talent of our people to build world class teams.

In 2015, we developed training for a new sales process in conjunction with our dealers and global industry experts. We are starting this training in 2016 and it will involve all our employees and dealers.

Our Catapult leadership training continued and expanded with a larger cohort in 2016. This includes activity outside the training modules in the form of leadership cafes (small mentoring groups) and formal coaching for our future leaders.

We also continue to manage our ageing workforce at our Thames facility with structured succession planning and mentoring of future leaders at the site. Our performance management approach enables us to track how well we are supporting our employees to perform and excel,

and areas where further attention may be required. All salaried employees received performance reviews in 2015/16 (81 percent of all employees) and will have development plan conversations mid-year.

DEALER GRADUATE PROGRAMME

Together with our dealers, we have developed a three year fast track leadership programme to support future leaders in our dealerships. The programme takes graduates through training on both Toyota's corporate and dealer operations in a structured rotational system. The objective is for the graduates to be well equipped to apply for a trainee management position in a Toyota dealership.

Our first cohort commenced in February 2015, from graduates who demonstrate values of drive, commitment, resiliency, initiative, ethics, and decision making. The graduates were quickly producing high quality work, undertaking research in different areas of the business and making recommendations for improvements to our dealers.



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 2015 to 31 March 2016 ("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 31 of the Report.
- Greenhouse gas emissions included in the table on page 22 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.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with New Zealand Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the Selected

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Non-Financial Information and its compliance measures, as the engagement has not been performed continuously throughout the period and the procedures performed on the Selected Non-Financial Information and its measures were undertaken on a test basis.

Any projection of the evaluation of the operation of the Selected Non-Financial Information to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate.

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.

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 our limited assurance engagement, which is not a reasonable assurance engagement or an audit, 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 31 August 2016 and our conclusion is expressed as at that date.

KPMG
Auckland

GLOBAL REPORTING INITIATIVE 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
Organisational profile		
G4-3	Report the name of the organisation.	About Toyota New Zealand
G4-4	Report the primary brands, products, and services.	About Toyota New Zealand
G4-5	Report the location of the organisation's headquarters.	About Toyota New Zealand
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.	About Toyota New Zealand
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	About Toyota New Zealand
G4-9	Report the scale of the organisation.	About Toyota New Zealand
		Our economic performance
		Our people
G4-10	Total number of employees.	Our people
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	Workforce profile
G4-12	Describe the organisation's supply chain.	4.2 Understanding our material aspects, 8.1 Logistics performance
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	About this report
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	Risk and compliance

INDICATOR	DESCRIPTION	SECTION OF REPORT
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	External certificates and standards
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations.	External certificates and standards
Material aspects 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.	Our key sustainability focus areas
G4-19	List all the material Aspects identified in the process for defining report content.	Our key sustainability focus areas
G4-20	For each material Aspect, report the Aspect Boundary within the organisation.	Our key sustainability focus areas
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation.	Our key sustainability focus areas
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	About this report
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	No significant changes
Stakeholder engagement		
G4-24	Provide a list of stakeholder groups engaged by the organisation.	Our stakeholders
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 profile		
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

INDICATOR	DESCRIPTION	SECTION OF 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.	Board and board committees
Ethics and integrity		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	Our vision and guiding principles

SPECIFIC STANDARD DISCLOSURES		
DISCLOSURES ON MANAGEMENT APPROACH		
CATEGORY: ECONOMIC		
Aspect: Economic performance		
DMA-EC	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Our economic performance
G4-EC1	Direct economic value generated and distributed.	Our economic performance
CATEGORY: ENVIRONMENTAL		
Aspect: Emissions		
DMA-EN	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Logistics performance
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1). (data excludes dealers).	Greenhouse gas emissions
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2). (data excludes dealers).	Greenhouse gas emissions
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3). (data excludes dealers).	Greenhouse gas emissions

INDICATOR	DESCRIPTION	SECTION OF REPORT
ASPECT: COMPLIANCE		
DMA-EN	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Compliance and governance
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Compliance and governance
ASPECT: TRANSPORT		
DMA-EN	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the 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: SUPPLIER ENVIRONMENTAL ASSESSMENT		
DMA-EN	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Logistics performance
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Logistics performance
CATEGORY: SOCIAL		
SUB-CATEGORY: LABOUR PRACTICES AND DECENT WORK		
ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
DMA-LA	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the 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 programs.	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 (Partially reported)

INDICATOR	DESCRIPTION	SECTION OF REPORT
ASPECT: TRAINING AND EDUCATION		
DMA-LA	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the 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 (Partially reported)
SUB-CATEGORY: PRODUCT RESPONSIBILITY		
ASPECT: PRODUCT AND SERVICE LABELING		
DMA-PR		
	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Vehicles and parts quality and safety
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Vehicle and parts quality and safety
G4-PR5	Results of surveys measuring customer satisfaction.	Brand reputation
ASPECT: COMPLIANCE		
DMA-PR	Report on why an aspect is material. Report on how the organisation manages the material Aspect. Report on the evaluation of the management approach.	Risk and compliance
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulation concerning the provision and use of products and services.	Risk and compliance



To provide feedback please contact:
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