



TOYOTA NEW ZEALAND LIMITED
SUSTAINABILITY REPORT 2017





CONTENTS

4 ABOUT THIS REPORT	4	34 OUR VEHICLES	
6 MESSAGE FROM THE CEO		Vehicle lifecycle impacts and innovation	35
Our 2017 performance and highlights	7	Hybrid battery recycling programme	35
Challenges during 2017	7	Waterborne paint system	35
Broader industry issues and opportunities	8	Electric vehicles and hybrids	35
Road safety	8	New product launches	36
Urbanisation	8	Vehicles and parts quality and safety	36
Climate change	8	Toyota safety sense and Lexus safety system+	36
Outlook for Toyota New Zealand	9	Airbag recall update	36
		Australasian New Car Assessment Programme	36
10 ABOUT TOYOTA NEW ZEALAND		 CASE STUDY:	
Our dealer network	11	PHV via Signature Class	37
Toyota's vision and guiding principles	12	38 OUR OPERATIONS	
Our business strategy	13	Logistics and supply chain	39
 CASE STUDY:		Vehicle logistics	39
Massey University's Advisory Board	14	Parts logistics	40
16 CORPORATE GOVERNANCE AND COMPLIANCE		 CASE STUDY: TNZ's response to the	
Board and board committees	17	Kaikoura earthquake	40
		Greenhouse gas emissions	41
18 SUSTAINABILITY AT TOYOTA NEW ZEALAND		42 OUR CUSTOMERS	
Our commitment to sustainability	19	 CASE STUDY:	
 CASE STUDY:		Vehicle management system	43
Toyota Environmental Challenge 2050	19	44 OUR DEALERS	
Our sustainability focus areas	20	Engaging with dealers	45
Toyota New Zealand's materiality matrix	21	 CASE STUDY: North Shore Toyota	
Our stakeholders	22	achieves Diamond certification	45
Mapping of material issues across TNZ's value chain	23	46 OUR PEOPLE	
External certifications and standards	25	Workforce profile	47
TNZ's materiality performance and targets	26	 CASE STUDY: Connecting our employees	
		to hybrid technology	48
28 OUR BRAND, REPUTATION AND MARKET LEADERSHIP		Health and safety	49
Community partnerships	29	Monitoring and reporting	49
 CASE STUDY:		 CASE STUDY: Engaging our employees in	
Toyota family journeys	29	health and safety	50
30 OUR ECONOMIC PERFORMANCE		People Development	50
New vehicles	32	 CASE STUDY:	
Used vehicles	32	Work inspiration for school leavers	51
Customer service	32	ASSURANCE STATEMENT	52
 CASE STUDY:		GLOBAL REPORTING INITIATIVE INDEX	54
Corolla's 50th anniversary	33		



ABOUT THIS REPORT

This is Toyota New Zealand's eighth sustainability report and it covers activities for the period 1 April 2016 to 31 March 2017.

While all Toyota and Lexus dealers in New Zealand operate as independently owned businesses, their activities remain integral to the success of Toyota New Zealand, therefore relevant dealer activity is included in this report.

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

Toyota New Zealand has reported annually on its sustainability impacts and performance since 2014. Prior to this, our sustainability reports were produced biennially and date back to 2005.

As with previous years, this report has been prepared in accordance with the Global Reporting Initiative (GRI) G4 "Core" sustainability reporting guidelines. The report has been assured by an external provider. The assurance statement can be found on page 52, and a full GRI index highlighting relevant disclosures and indicators can be found on page 54.



Unless otherwise stated, all data in this report relates to financial years ending 31 March.

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 by phone **0800 Toyota** or email customer@toyota.co.nz





MESSAGE FROM THE CEO



Our 2017 performance and highlights

Our performance in FY2016-17 was our strongest yet over a range of measures.

As we celebrated 50 years of Toyota New Zealand, we were once again market leaders with record new and used vehicle sales, and strong profits across our business.

Customer service was another highlight with Toyota achieving the highest Net Promoter Score® in the New Zealand automotive sector.

Our success in the market is underpinned by our brand and reputation, which we have built over the last half century through the delivery of trusted and quality products. We measure brand performance through annual corporate reputation surveys which once again established Toyota as a leader in New Zealand.

Our employees also have reason to celebrate, having worked tirelessly together to deliver a new enterprise IT platform that was the culmination of many years work. This integrates our new and used vehicle IT systems with parts and finance.

Another highlight was the growing return from our community partnerships that align with our corporate vision and values.



"OUR SUCCESS IN THE MARKET IS UNDERPINNED BY OUR BRAND AND REPUTATION, WHICH WE HAVE BUILT OVER THE LAST HALF CENTURY THROUGH THE DELIVERY OF TRUSTED AND QUALITY PRODUCTS."

Challenges during 2017

While we celebrate our successes, the year was not without its challenges.

In a year when record vehicle sales were already putting pressure on ports and distribution channels, the infrastructure damage caused by the Kaikoura and Wellington earthquakes in November added significant complications to delivering vehicles and parts on time. The alternative freight routes led to an increase in transport distances and greenhouse gas emissions.

The faulty airbags manufactured by Takata continued to affect us. We identified approximately 83,000 registered Toyota owners with the potential to be impacted and are continuing to work through replacing over 100,000 airbags.

Safety is our top priority and we have taken measures to complete this work as quickly as possible, such as employing more staff.

Broader industry issues and opportunities

We operate in an industry that is undergoing a period of rapid change and disruption. Car manufacturers and distributors have a pivotal role to play in addressing some of the systemic global challenges facing society. Three of these challenges are road safety, urbanisation and climate change.

At Toyota New Zealand, we view ourselves as local advocates for these challenges and are committed to playing a role in addressing them either through adopting public policy positions, supporting key programmes or implementing measures to reduce our own impacts.



→ Road safety

With over a million people killed world-wide every year in road accidents, improving the safety of vehicles and road users remains an important focus for the automotive industry. This challenge is being tackled through further technological developments from on-board pre-crash systems to autonomous vehicles.

Our local strategy is to make the latest vehicle safety innovations available to the New Zealand market. This year we added a range of technology enabled safety features, known as Toyota Safety Sense (TSS), and Lexus Safety System+ as standard to an additional four of our most popular vehicle models.



→ Urbanisation

As the world's population continues to grow, so do our city environments. This brings a range of transportation challenges, not least increased vehicle congestion. In response, we are witnessing a global shift in the way people own, use and share vehicles. The most prominent example is Uber.

Technology is the often the catalyst for change and a number of developments are emerging which are set to shape future mobility choices. Toyota New Zealand is positioning itself to keep pace with these trends by backing a small local tech company. This partnership will develop a competitive position on future car sharing in New Zealand.

→ Climate change

Climate change is arguably the single biggest issue facing society today. As the world shifts towards a low carbon future, the automotive and transportation industries have a critical role to play.

Globally, Toyota remains active in the development of alternative drive train technologies including electric and hydrogen vehicles.

The high proportion of renewable electricity in New Zealand means that the conversion of the national fleet to electric and hybrid vehicles will play a crucial role in meeting the country's commitment to reducing CO₂ emissions under the Paris agreement. At Toyota New Zealand we advocate these cleaner vehicle technologies.

However challenges remain. We have found that consumer trends are working against us in this area, with low fuel prices and a strong New Zealand dollar driving demand for vehicles with bigger engines and higher emissions. This puts us in a dilemma, yet we continue to monitor the market so that we may meet the current and future demand for alternative vehicles.



"CLIMATE CHANGE IS ARGUABLY THE SINGLE BIGGEST ISSUE FACING SOCIETY TODAY."

Outlook for Toyota New Zealand

In the coming year, we will be overseeing the implementation of our new strategic business model. This multi-faceted approach involves working closely with our dealers to enhance the customer car buying experience with improved price transparency and online customer engagement.

Linked to this, we have been in the process of moving our computer systems to a single company-wide system. By March 2018, we expect to have the current six separate dealer management systems integrated into one system.

Another strategic goal for the year ahead, will be the continued investment in people development. Our employee training currently has a strong focus on customer experience and leadership.

We also remain focused on keeping pace with the renewable energy, low emission and safety driven technologies that will support New Zealand's automotive needs into the future.

Alistair Davis
Chief Executive Officer
Toyota New Zealand



ABOUT TOYOTA NEW ZEALAND



Toyota New Zealand Limited is a wholly owned subsidiary of Toyota Motor Corporation (TMC), Japan's largest vehicle manufacturer.

WE DIRECTLY EMPLOY

296 

PEOPLE ACROSS THREE NEW ZEALAND LOCATIONS.

Our head office and parts warehouse are located at the National Customer Centre in Palmerston North.

We have a used vehicle refurbishment facility in Thames. In Auckland, there is a leased port facility and logistics hub, and sales office.

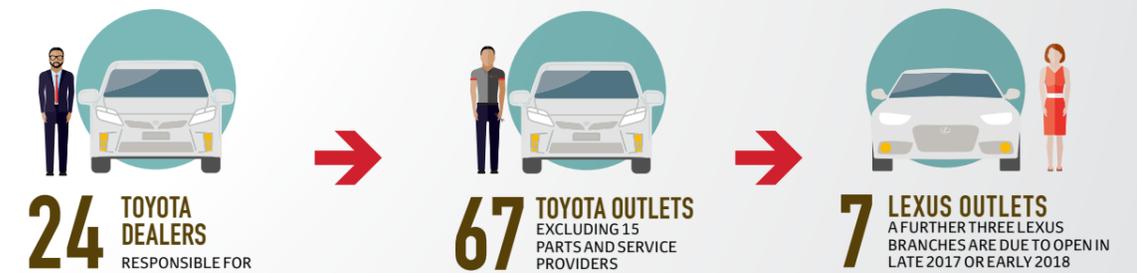
New Toyota and Lexus vehicles are sourced from overseas manufacturing plants. Used vehicles are purchased from Japan and refurbished, along with ex-lease and ex-rental fleet vehicles, at our facility in Thames.

We also source and supply Toyota and Lexus parts and accessories from both New Zealand and abroad.



Our dealer network:

Our primary sales channel is through our nationwide network of authorised Toyota and Lexus dealers. We also sell directly to national fleet buyers, including various rental car companies and government entities.



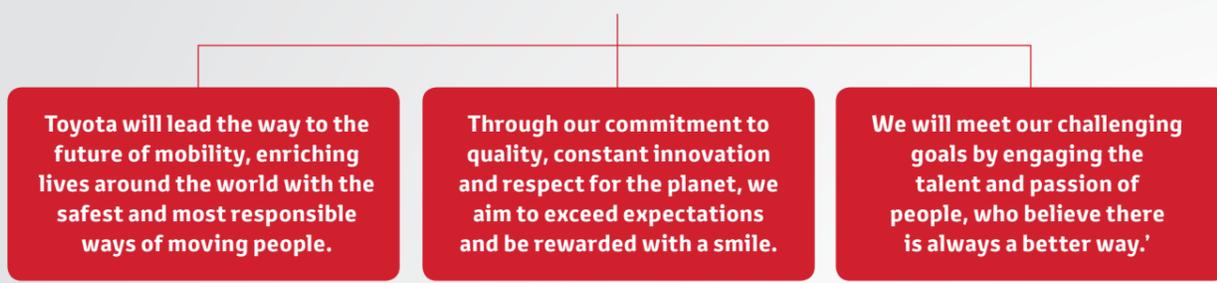
OUR DEALER NETWORK EMPLOYS **1,553***



* Not including parts and service providers

TOYOTA'S VISION

TMC's Global Vision set the expected standards for Toyota New Zealand.
Launched in 2011, the Vision states that:



GUIDING PRINCIPLES

The Vision is underpinned by seven Guiding Principles. Adopted in 1992, these principles reflect a commitment to fairness in all corporate activities, the provision of clean, safe and innovative products, as well as respect for the environment and the culture of the communities in which we operate.

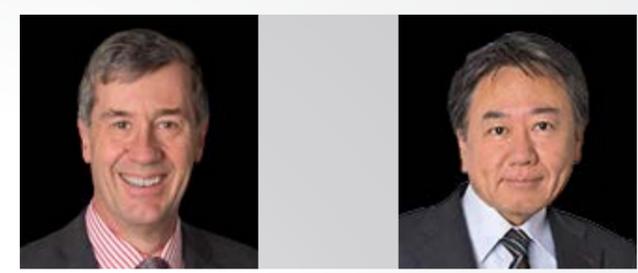


Toyota New Zealand supports the Vision and Guiding Principles locally through the Toyota Believe brand values.

- 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.

Our business strategy

Our business strategy supports TMC's Vision and outlines long and short term objectives, and associated performance targets. TNZ's Executive team, comprising our CEO, a senior Executive Director and six General Managers (with one on secondment overseas), meet weekly to monitor progress against the business strategy.



Alistair Davis
Managing Director and CEO

Shinobu (Terry) Teramoto
Senior Executive Director



Paul Carroll
Senior General Manager

Steve Prangnell
General Manager
Sales and Operations

Spencer Morris
General Manager
Customer Services and Product Planning



Neeraj Lala
General Manager
(currently on secondment overseas)

Mark Young
General Manager
Finance and Corporate Resources

Andrew Davis
General Manager
Used Vehicles and Marketing

A monthly balanced scorecard tracks key business performance indicators. It 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.



Toyota's role on Massey University's Advisory Board

Toyota New Zealand has a long established relationship with Massey University going back to 2007. This is maintained through our involvement in various initiatives, including the Massey business student internship and graduate programme.



Alistair Davis, CEO, with Steve Maharey, former Vice Chancellor, Massey University

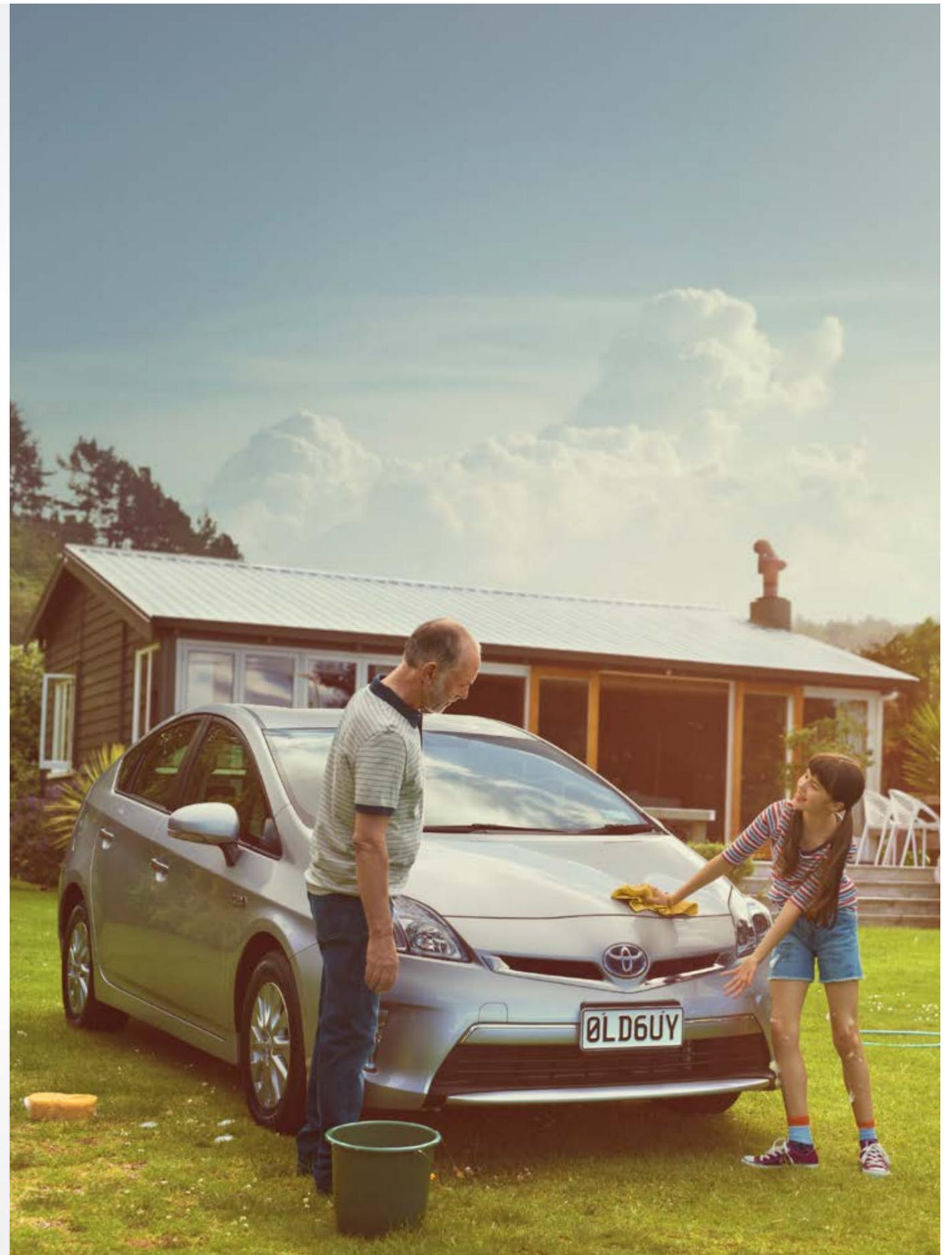


Alistair Davis, Chief Executive Officer, has recently completed nine years on Massey's Advisory Board. One of our joint projects was trialling plug in electric vehicles for several years prior to introducing them in 2016. We are now working with Toyota Motor Corporation to introduce the latest generation Prius PHV in 2018.



Mark Young, General Manager Finance and Corporate Resources has taken up Toyota New Zealand's representation and continues this important relationship.

Mark has a long association with Massey, dating back to his graduation in 1996 with a Bachelor of Business. In 2012, Mark graduated from Massey again with a post graduate Masters in Business Administration (MBA). Mark is also a regular guest speaker in Massey's MBA programme.





CORPORATE GOVERNANCE AND COMPLIANCE



Our internal systems and checks support compliance with New Zealand legislation and the corporate obligations set by TMC.

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

Toyota Motor Asia Pacific audited our environmental management systems and processes during the reporting period and we were pleased to be awarded the top compliance score among Toyota sales distributors in the Asia Pacific region.

We use a formal risk management process to assess risks. Our Risk Register incorporates all departmental objectives, targets and results and is reviewed annually by the Board of Directors.

Our detailed Code of Ethics, as well as fraud and corruption controls, is used to guide the behaviour of all Toyota New Zealand employees.

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

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



Toyota Asia Pacific Environment Award 2017

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

- 1 THE INTERNAL AUDIT AND PROCESS COMMITTEE communicates risk management, compliance activities, internal audit requirements and ethical conduct.**
- 2 THE CORPORATE AFFAIRS COMMITTEE assists with discharging the Board's responsibilities regarding human resource issues, and promotes career planning and development.**
- 3 THE ENVIRONMENT COMMITTEE assists the Board with strategic environmental issues and overseeing delivery of Toyota New Zealand's Environment Plan.**





SUSTAINABILITY AT TOYOTA NEW ZEALAND



Our commitment to sustainability

We are committed to environmental and social responsibility across our operations. This commitment is guided by TMC's long standing Vision and Guiding Principles which can be found on page 12. This is measured by long and short term indicators and targets detailed in our business strategy and supported by staff with dedicated environmental, health and safety or community partnership accountabilities.



Toyota Environmental Challenge 2050

In 2015 our parent company TMC published six 'Toyota Environmental Challenges 2050.'

These aim to realise a sustainable future by addressing the harmful effects from its business sales and operations on society and the natural environment.

Toyota pledges to reduce negative impacts of its products, operations and supply change and move to a net positive contribution by 2050. Three of these Challenges target greenhouse gas emissions from the vehicle life cycle (car and parts manufacture, production, freight, vehicle use, disposal and recycling).

The Challenges were one of many corporate commitments announced in the run up to the Paris CoP21 Climate Change meeting to encourage international political agreement.

Director General of WWF International said: 'The commitment of Toyota with its Environmental

Challenges 2050 is very important and we strongly welcome it.'

In 2016, Toyota New Zealand's Environment Committee endorsed its local plan aligning with TMC's global Challenges for greenhouse gas emissions. Its broad scope covers product, building, operational and supply chain emissions in New Zealand with the goal of transitioning to a low carbon, then no carbon, company.

There are four main strategies to achieve this: energy efficiency, renewables adoption, new technologies and carbon pricing.

The remaining three Environment Challenges focus on water consumption and quality, expanding environmentally responsible materials and recycling technologies, and working in partnership with business, government and communities in conservation and environmental education.

"THE COMMITMENT OF TOYOTA WITH ITS ENVIRONMENTAL CHALLENGES 2050 IS VERY IMPORTANT AND WE STRONGLY WELCOME IT."

Director General of WWF International

CHALLENGE 1 New Vehicle Zero CO ₂ Emissions Challenge		CHALLENGE 2 Life Cycle Zero CO ₂ Emissions Challenge		CHALLENGE 3 Plant Zero CO ₂ Emissions Challenge	
CHALLENGE 4 Challenge of Minimizing and Optimizing Water Usage		CHALLENGE 5 Challenge of Establishing a Recycling-based Society and Systems		CHALLENGE 6 Challenge of Establishing a Future Society in Harmony with Nature	

Our sustainability focus areas

In 2015 we undertook an extensive materiality assessment to determine the issues of greatest importance to our business and stakeholders.

Our approach to determining material issues aligns with the Global Reporting Initiative (GRI) G4 sustainability reporting guidelines. This involved internal and external research as well as in-depth interviews with Toyota New Zealand senior managers, staff and key external stakeholders.

This report is structured according to these material issues and their boundaries, detailed in the table below. While the issues disclosed within this report remain relevant to our stakeholders and Toyota's sustainability commitments, in the coming year it is our intention to reassess our key sustainability focus areas.

TNZ'S MATERIAL ISSUES AND STAKEHOLDER BOUNDARIES								
ISSUE (IN ORDER OF IMPORTANCE)	DEFINITION	 TMC	 Dealers	 Customers	 Employees	 Suppliers	 Community	 Government
Communication and collaboration with dealers	Helping dealers achieve their objectives by providing clear communication, training and business development opportunities.		•					
Economic performance	Profit, vehicle sales, exports, vehicles manufactured, competition.	•	•					
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.	•	•	•	•			
Vehicle and parts quality and safety	Initiatives to increase safety, meet and exceed compliance requirements, and avoid recalls.	•	•	•	•			•
Customer experience, expectations and engagement	Engagement with consumers to deliver a high quality service, managing and meeting their expectations, and responding to customer feedback.		•	•	•			
Brand reputation and market leadership	Achieving a positive perception of the Toyota brand by media, customers, and the public, and maintaining market leadership.	•	•	•	•			
Health and safety	Managing health and safety for our customers, employees and other stakeholders, and developing a positive health and safety culture.	•	•	•	•			•
Employee engagement and	Effective employee engagement and communication.		•	•	•			
Training and development	Supporting employee capability building and maintaining organisational knowledge, including career and succession planning.		•	•	•			
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.	•	•	•	•		•	•
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.				•	•	•	
Compliance obligations (government and Toyota Global)	Maintaining legislative and regulatory compliance in regard to advertising, price quotes and changes, fuel efficiency and product safety. This includes dealer environmental compliance as a Toyota franchise requirement.		•			•	•	•

Toyota New Zealand's materiality matrix

This diagram illustrates the most important issues for Toyota New Zealand and its stakeholders as determined by the materiality assessment.



INDICATOR	ISSUE	RANKING	TNZ	STAKEHOLDERS
Su23	Communication and collaboration with dealers	High	1	0.81
Ec6	Economic performance	High	0.88	0.84
Pr20	Innovation and new technologies	High	0.73	0.96
Pr22	Vehicle and parts quality & safety	High	0.67	1
Pr19	Customer experience, expectations, and engagement	High	0.63	0.97
Ec3	Brand reputation and market leadership	High	0.66	0.93
Wo30	Health and safety	High	0.62	0.92
Wo28	Employee engagement and communication	High	0.74	0.78
Wo34	Training and development	High	0.62	0.84
En18	Vehicle life-cycle	High	0.67	0.79
Su25	Managing logistics and supply chain	High	0.61	0.84
Ec4	Compliance obligations and costs (government and Toyota Global)	High	0.66	0.77



Our stakeholders

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



CUSTOMERS



DEALERS



EMPLOYEES



TOYOTA MOTOR CORPORATION



SUPPLIERS



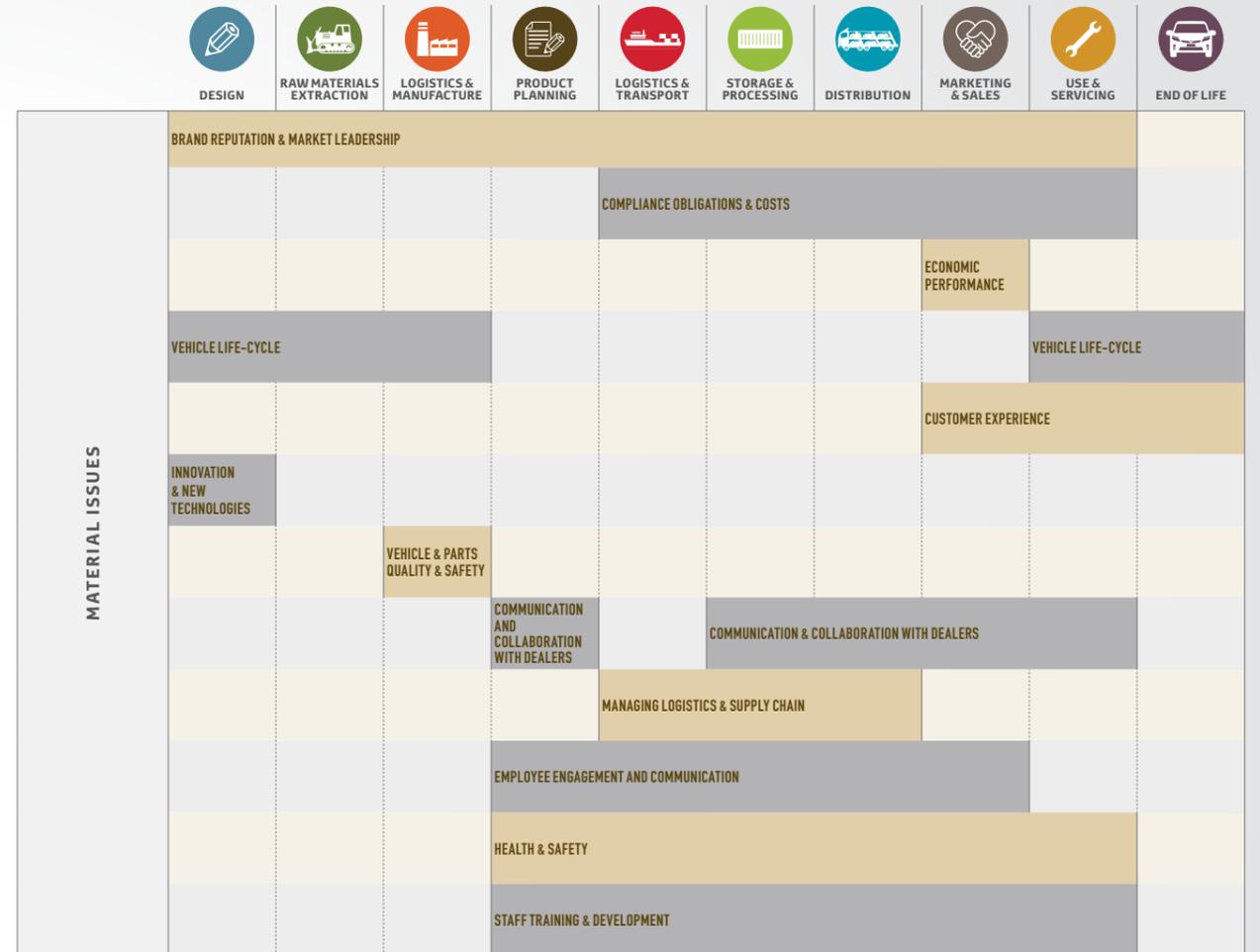
COMMUNITY



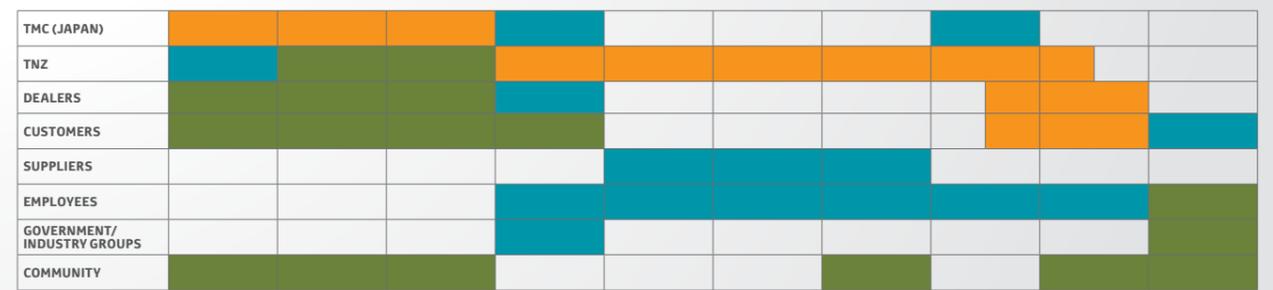
GOVERNMENT AND INDUSTRY GROUPS

Mapping issues and stakeholder influence across TNZ's value chain

Toyota New Zealand's value chain:



Stakeholder influence over Toyota New Zealand's value chain:



KEY: ■ DECISION MAKERS ■ INFLUENCERS ■ INTEREST

Customers



Providing customers with a positive experience is an essential component of our business and the reputation of our brand in the market.

We are currently developing new strategies to enhance the customer experience. Further details can be found on page 42.

Dealers



A total of 24 core dealer groups comprise our nationwide network of Toyota and Lexus dealers. Between them they are responsible for a total 74 (67 Toyota and 7 Lexus) independently owned and operated outlets that supply customers with a range of new and used vehicles, parts and services.

Our dealers provide the key interface between Toyota New Zealand and customers. More information on can be found on page 44.

Employees



Toyota New Zealand has 296 employees who are based across our three locations in Palmerston North, Thames and Auckland. We recognise the importance of providing employees with a safe and enjoyable workplace.

Information on how we engage with employees can be found on page 46.

Toyota Motor Corporation

TMC is an active stakeholder across all departments and management levels at Toyota New Zealand.

Our executives regularly visit Japan and also welcome TMC executives in New Zealand. In addition, TNZ participates in global committees which allow us to engage more fully with TMC and other Toyota affiliates.

"PROVIDING CUSTOMERS WITH A POSITIVE EXPERIENCE IS AN ESSENTIAL COMPONENT OF OUR BUSINESS AND THE REPUTATION OF OUR BRAND IN THE MARKET. "

Suppliers



Suppliers are responsible for the production and delivery of fit-for-purpose, high quality goods and services for both customers and our operations.

These partnerships provide opportunities to reduce our combined environmental footprint - more information is provided on page 39.

Community



We support local communities through strategic partnerships - building relationships with organisations that share similar values and objectives.

We provide direct funding and in-kind support through the donation of vehicles, employee or management time.

Further details can be found on page 29.

Government and industry groups

We actively engage with the government, the motor vehicle industry and wider forums such as the Motor Industry Association of New Zealand, the Business New Zealand Major Companies Group, and the Sustainable Business Council (SBC).

Our CEO is the Chair of the SBC which advocates for sustainable business practices, policies and government action.

External certificates and standards

Toyota New Zealand also supports industry leading programmes and standards such as:

Certified Emissions Measurement and Reduction Scheme (CEMARS) carbon certification and ISO 14064-1:2006 (Greenhouse Gases) – all corporate operations and Thames facility

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

ISO 14001:2004 (Environmental Management) – Thames facility

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

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

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

TNZ's materiality performance and targets

Material issues inform our strategy through the setting of performance targets. These are summarised in the table below.

	FY2016-17 Performance	Key targets FY2017-18
Compliance	<ul style="list-style-type: none"> → No non-compliance issues recorded. → TNZ Awarded top compliance score among Toyota sales distributors in the Asia Pacific region. → All TNZ dealerships maintained Enviro-Mark certification. 	<ul style="list-style-type: none"> → No non-compliance issues. → Maintain high compliance score among Toyota sales distributors in the Asia Pacific region. → All Toyota and Lexus dealerships to maintain Enviro-Mark certification (gold as minimum standard for smaller size group 3 and 4 dealers; size group 1 and 2 dealers to progress to platinum and diamond).
Brand reputation	<ul style="list-style-type: none"> → Second highest rated brand in the New Zealand 2017 Colmar Brunton Reputation Index. → Leading automotive company in Readers Digest Trusted Brands Survey. 	<ul style="list-style-type: none"> → Maintain automotive leadership in Readers Digest Trusted Brands Survey and Colmar Brunton Reputation Index.
Economic performance	<ul style="list-style-type: none"> → Achieved strongest economic performance in 50 years. → Achieved record new and used vehicle sales. 	<ul style="list-style-type: none"> → Achieve new and used vehicle sales targets. → Maximise company returns and a financially viable, independent dealer network.
Vehicle Life Cycle	<ul style="list-style-type: none"> → Trial waterborne paint systems at Thames used vehicle refurbishment facility to reduce volatile organic compound emissions. → Continue with hybrid battery recycling programme. 	<ul style="list-style-type: none"> → Transition to full implementation of waterborne paint system at Thames used vehicle refurbishment facility. → Investigate residual charge and life of returned hybrid batteries for alternative potential uses.
Innovation and new technologies	<ul style="list-style-type: none"> → Introduced plug-in hybrid electric vehicles (PHV) to our used vehicle range. → Total of 5 Toyota and 7 Lexus hybrid vehicle models plus one Signature Class plug-in hybrid (PHV) now available in NZ. 	<ul style="list-style-type: none"> → Review new PHV Prius for NZ market. → 5 Toyota and 8 Lexus hybrid vehicle models in 2017-18. Sales targets are 1,188 and 4,777 respectively.
Vehicle and parts quality and safety	<ul style="list-style-type: none"> → Added five additional models to the list of vehicle models fitted with Toyota Safety Sense features. → Continued to work through Takata Air bag recalls with 145,000 hours of outstanding work remaining at end of FY16-17. 	<ul style="list-style-type: none"> → TNZ aims for 100% fitment of available safety features (including Toyota Safety Sense and Lexus Safety System+) where available to the NZ market. → Continue to work through Takata Air bag recalls with an estimated 92,000 hours of outstanding work remaining at end of FY17/18.

	FY2016-17 Performance	Key targets FY2017-18
Managing logistics and supply chain	<ul style="list-style-type: none"> → Logistics in FY17 were significantly impacted by Kaikoura & Wellington earthquakes. → Overall 27 per cent increase in GHG emissions relating to NZ vehicle logistics. → Overall 10 per cent reduction in NZ parts freight. 	<ul style="list-style-type: none"> → Return to pre-earthquake delivery routes for parts and vehicle freight.
Customer experience, expectations and engagement	<ul style="list-style-type: none"> → Achieved an overall Net Promoter score of 95.6 for new vehicles, 82.1% for service and 94.5 for used vehicle sales. 	<ul style="list-style-type: none"> → Maintain a Net Promoter score of 90 or above for vehicle sales.
Communication and collaboration with dealers	<ul style="list-style-type: none"> → TNZ Dealer Network achieved industry wide records in new vehicle sales. → Began implementation of our integrated vehicle management IT system across TNZ and dealer network. → Continued deployment of single dealer management system (TUNZ) across the dealer network. 	<ul style="list-style-type: none"> → Continue market leadership and target sales record for the Toyota dealer network. → Further enhancement of Vehicle Management System. → Complete TUNZ deployment by June 2018.
Employee engagement and communication	<ul style="list-style-type: none"> → Achieved an overall rating of 78 per cent in the Best Workplaces Performance Index. 	<ul style="list-style-type: none"> → Achieved high overall rating and staff response in the Best Workplaces Performance Index.
Health and safety	<ul style="list-style-type: none"> → Improved employee health and safety engagement through implementing a range of successful workplace initiatives. 	<ul style="list-style-type: none"> → A 20% increase in health and safety engagement (monitored by a decrease in the number of injuries and an increase in the number of near miss reports) → No health and safety non-compliance, fatalities or occupational diseases
Training and development	<ul style="list-style-type: none"> → Invested in 5,466.27 hours of employee training. 	<ul style="list-style-type: none"> → Invest 4,500 hours of employee training.



OUR BRAND, REPUTATION AND MARKET LEADERSHIP



This year we celebrated our 29th year of market leadership in New Zealand. Central to this long held success is Toyota's brand reputation.

Our brand direction and marketing activities are guided by Toyota's core global values. In New Zealand, we express these to local stakeholders and customers through our eight guiding Believe statements (refer to page 12).

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

This year, Toyota New Zealand was recognised as the second highest rated brand in the New Zealand 2017 Colmar Buntton Reputation Index. This index measures a wide range of leading New Zealand companies across four reputational categories: social responsibility, fairness, leadership / success, and trust. Similar to previous years, Toyota was the only automotive brand in the top 20 of this index.

We also maintained Toyota's leading position for the 16th consecutive year in the Reader's Digest Trusted Brands Survey. We ranked as the top automotive company and fifth overall for most trusted New Zealand brand.



Community partnerships

A recent focus of our Toyota Believe campaign has been to translate the Believe values into actions through community support and engagement. We achieve this through four strategic partnerships - Toyota Racing Series, the Department of Conservation (DOC), Parenting Place, and Emirates Team New Zealand.

For example, Toyota Kiwi Guardians is a product of our partnership with DOC. This programme recognises the importance of connecting children with nature. It is based on the premise of our Believe statement "a better tomorrow starts today", and encourages children to visit and explore DOC sites, through interactive games, challenges and rewards, while teaching them about conservation. In the last year we increased the number of DOC sites included in the programme from 50 to 60.

www.doc.govt.nz/kiwiguardians

TOYOTA KIWI GUARDIANS MEASURES:

NUMBER OF SITES
60



NUMBER OF MEDALS
9,181



Toyota Family Journeys

Toyota New Zealand and The Parenting Place have partnered for more than 10 years to build stronger New Zealand families, essential to a well-functioning society and successful nation.

Toyota Family Journeys was launched late in 2016, to provide a 'survival kit' for Kiwi families on road trips, however long or short. It includes tips, tools and advice for parents to ease the stress of travel and make the most of family downtime.

For example there are 100 conversation starters for children of all ages, including "If you had a superpower, what would it be?", "If you were in charge, what would your top five rules be?", "How would you like to be remembered?" and "Is war ever justified?"

There are also downloadable activity sheets, videos, games and fun activities for longer car rides.

Toyota Family Journeys also offers hints for school pick-ups and drop-offs, practical tips for making car time family time, and using travel to connect with teens.

For more information on Toyota Family Journeys visit www.theparentingplace.com/Toyotafamilyjourneys





OUR ECONOMIC PERFORMANCE



At Toyota New Zealand, 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, employees 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.**

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.

We manage our economic and strategic objectives through a rolling five year business plan that is updated in the last quarter of each financial year.

Our current focus remains to invest and work through the transition of our three year business and systems processes. This will deliver significant changes to our business model and pricing structures.

This financial year was another record year for sales, and delivered our strongest economic performance in 50 years. Market growth was much greater than originally forecast, and we worked hard to keep up with demand.

A key challenge this year was responding to the infrastructure damage caused by the Kaikoura and Wellington earthquakes, and the related logistical costs that are continuing to impact on our operations (more details are provided on page 40).

Next year we are expecting further market growth across all new vehicle sales operations. Stock availability to meet this demand remains a challenge, especially for vehicles competing in the SUV segments. With a number of Japanese manufacturing plants already operating at maximum capacity, we are improving the forecast modelling to assist with improved stock management. This will allow us to better balance vehicle supply across all sales channels.

As we move into the implementation phase of our new business model in the coming year, we will see a number of changes to our business. For example, we have identified a number of efficiency improvements within our logistics and distribution processes, such as centralising our pre-delivery vehicle inspections and fit outs, which aim to free up dealer capacity and refocus on customer services.

We are also continuing to build specialist expertise at dealers to accommodate the servicing of the growing supply of plug-in hybrid electric vehicles (PHVs).

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

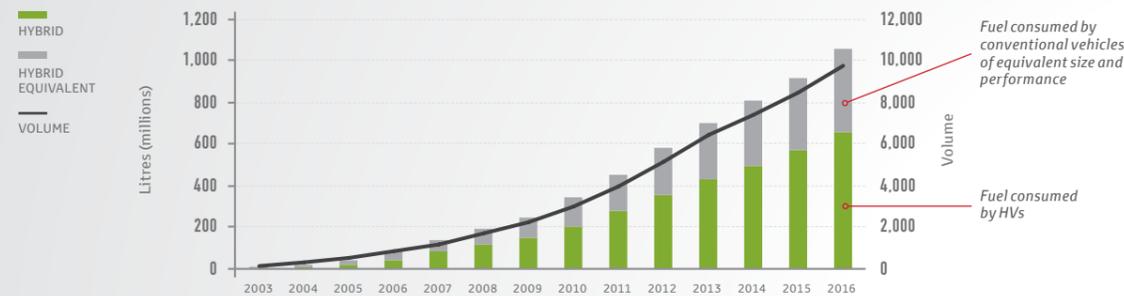
New vehicles

This was our fifth consecutive year* of record new vehicle sales in New Zealand. We continue to lead the market in the sale of hybrid vehicles. *Based on calendar year

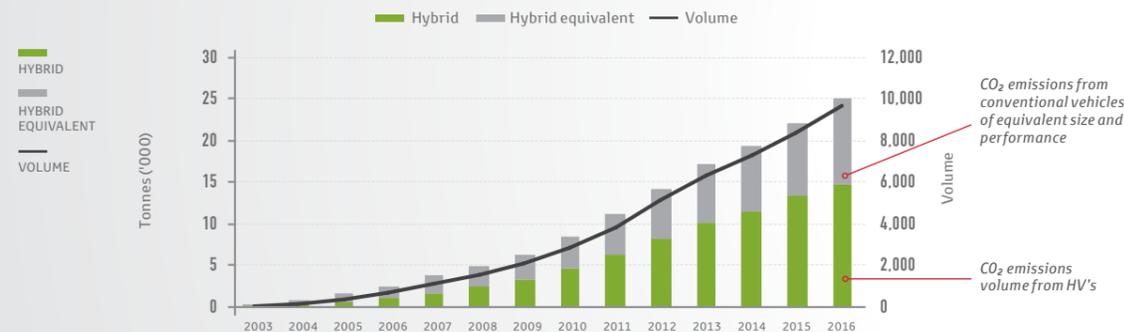
TOYOTA AND LEXUS HYBRID VEHICLES SALES (HV)

FY16/17	Total Market	Total Industry HV	Toyota and Lexus HV	Toyota HV	Lexus HV
Units	151,882	1,541	1,523	1,217	306
%	100%	1%	98.8%	78.9%	19.8%

CUMULATIVE EFFECT ON FUEL CONSUMPTION FROM TOYOTA & LEXUS HV SALES



CUMULATIVE EFFECT ON CO₂ EMISSIONS FROM TOYOTA & LEXUS HV SALES



We were challenged in the commercial and light truck markets in FY2016-17, where we lost our leadership position. This was due to a lack of stock availability and increased competitive pressures from the strong New Zealand dollar continuing to drive down the cost of new vehicles. We are currently reviewing pricing structures in response.

Used vehicles

After a dip in sales in 2016, we are very pleased to have finished the financial year with a 8.5 per cent increase in total used vehicle sales. Contributing to this success was our Signature Class rebrand, which delivered a 17 per cent increase in sales of high quality refurbished used vehicle range. Next year we aim to increase our used hybrid market share to 4 per cent.

We finished the financial year with a four per cent increase in imported vehicle sales. To further build our base, and in reaction to the currently oversaturated New Zealand import market, we are altering our imported vehicle offerings by adding Toyota certified imports.

We believe this will provide customers with greater confidence in used vehicle quality and include a one year warranty and AA roadside assistance.

One of our goals from last year was to achieve a three per cent cost reduction through improving efficiencies at our Thames refurbishment facility. We significantly exceeded this target achieving a 11 per cent cost saving.

Customer service

Our customer service operations cover a range of after sales including parts and service functions and a Customer Dialogue Centre which handles customer queries and complaints.

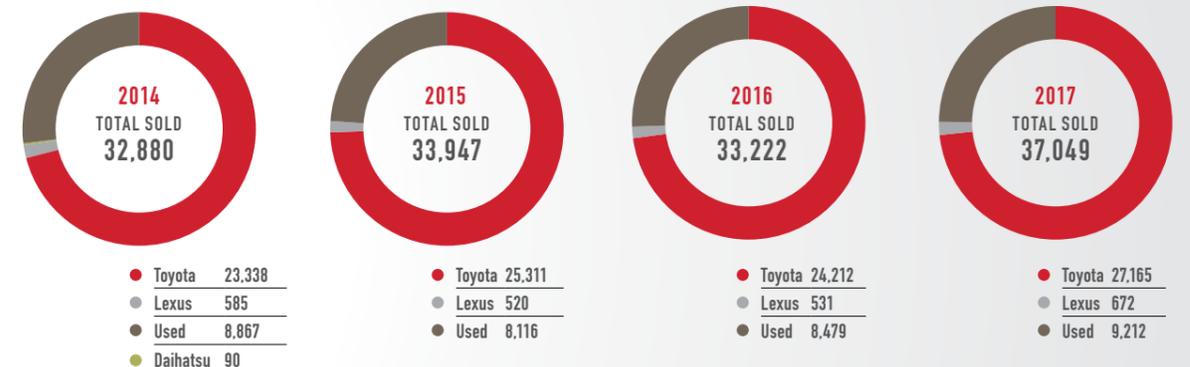
The international recall of faulty Takata air bags contributed to a 15-17 per cent increase in volume on our parts and services resources. Parts and services resources were under pressure again this year with 20-25 per cent of dealer service capacity largely precipitated by the international recall of faulty Takata air bags.

FINANCIAL PERFORMANCE (\$MILLION)*

	After tax profit	Total revenue	Operating costs	Capital provider costs	Employee wages and benefits	Community investment (sponsorships)
FY2014	5.7	985.6	952.2	3.5	22.4	3.5
FY2015	13.4	1,027.0	979.8	9.1	24.4	2.7
FY2016	18.3	1,084.2	1034.4	17.5	25.0	2.5
FY2017	22.6	1,177.2	1,114.7	20.3	26.9	3.0

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

NUMBER OF VEHICLES SOLD



Corolla's 50th Anniversary

In 2016, one of our most popular models, the Corolla, celebrated its 50th anniversary. Since its launch in 1966, Corolla has evolved with the times, responding to customer needs in the different eras it has been produced.



The Corolla is a beloved and iconic vehicle for many, often offering a reminder of key life milestone such as learning to drive, a first car or memorable family holiday.

During its 50 years, Corolla has achieved significant records, including as 'World's Best-Selling Car,' with more than 44.1 million* having been sold globally during this time.

• Toyota was among Toyota New Zealand's five top selling models in 2016. At 6,274 sales it was the leader in its small car market segment.

• Since 1967, Kiwis have bought more than 253,000 Corollas and it has been our top selling car since 2008. (*includes all vehicles named 'Corolla'. Source: TMC, Japan)



OUR VEHICLES



Toyota aims to enrich people's lives with safe and responsible vehicles.

Vehicle lifecycle impact and innovation

Toyota's 2050 Environmental Challenges encompass innovative technologies and processes to reduce the negative impacts of vehicles through their manufacture, use and disposal.

To achieve this, TMC invests significantly in research and development. Information on vehicle design and innovation can be found on TMC's website in the Sustainability and Innovation sections (www.toyota-global.com).

At Toyota New Zealand, we are direct beneficiaries of this multi-billion dollar investment by our parent company by being able to supply the local market with advanced vehicle technologies that offer improved safety, better fuel economy and lower emissions.

Hybrid battery recycling programme

An example of our local commitment to managing the vehicle lifecycle impacts is our hybrid battery recycling programme.



Toyota or Lexus hybrid batteries which have reached the end of their life are collected through our national network of Toyota dealerships and from vehicle dismantlers, who are offered a bounty of \$100 per battery.

These are stored at our Head Office before being transported overseas for 'closed-loop' recycling, in which all component parts and materials are disassembled and re-used.

Waterborne paint system

Another local example of how we are improving the environmental and social impacts of our operations is in the upcoming installation of a new waterborne paint system at the Thames used vehicle refurbishment facility.

The vehicle paint process involves a primer, followed by between two and four colour basecoats and a final clear finish coating. The switch to waterborne paints replaces solvent basecoats and reduces the emissions of volatile organic compounds (VOCs), resulting in improved air quality. It will also increase the efficiency and quality (especially colour matching) of our vehicle refurbishment process, and is expected to bring significant energy savings from shorter bake times.



Our Thames team began the transition in 2016 by comparing gas-fired infra-red and Rapid Air Drying System (RADS) equipment used to dry the vehicle paint. Two staff members accompanied a representative of the PPG paint supplier to Australia to review the drying equipment at various paint and panel shops before deciding on the RADS system.

A successful trial was undertaken at the Thames plant in August 2016. We expect to install the new equipment in August this year and to have completed the final checks and staff training by November.

Electric vehicles and hybrids

Toyota is a global leader in the development of hybrid vehicles, and our parent company continues to innovate and invest in electric and hydrogen fuel cell vehicles.

The take up of these cleaner powertrains will play an important role in driving down New Zealand's transport greenhouse gases under the 2015 Paris Climate Accord, and Toyota has licensed patents to other vehicle manufacturers to support the wider uptake of these low emission technologies.

We continue to expand the range of hybrid vehicles available in this country in response to growing demand. We have recently introduced plug-in hybrid electric vehicles (PHV) to our used vehicle range as a more affordable market offering.

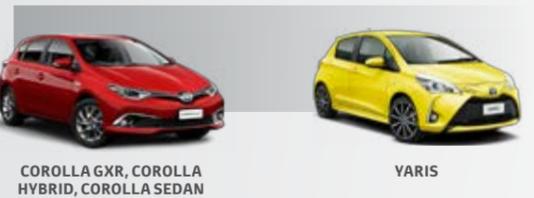
We commend the Government's target of 64,000 electric vehicles in New Zealand by 2021. One challenge is the limited availability of publicly available charging stations. To assist with this, we are placing charging points at our nationwide dealer network with installation commencing in late 2017.

New product launches

This year we launched several improved and 'facelifted' new products to the domestic market. This included a special edition Hilux model, the Land Cruiser 70 series with 5 star ANCAP rating on Single Cab Cab Chassis models and the RAV4 Edition 21, which marks 21 years of 5-door RAV4 in New Zealand. There were a series of model upgrades including style and safety changes within the Toyota range.



C-HR HILUX TRD, HILUX EDGE



COROLLA GXR, COROLLA HYBRID, COROLLA SEDAN YARIS



PREVIA HIGHLANDER



86

Vehicles and parts quality and safety

TMC has a strong focus on safety innovation, with the ultimate goal of a society without traffic accidents. At Toyota New Zealand, we are committed to offering the latest safety features with each successive model generation.

All Toyota and Lexus branded vehicles comply with the current legal standards required by the New Zealand Transport Agency. (Guidelines can be found online at www.nzta.govt.nz).

All used vehicles refurbished at our Thames facility undergo a rigorous safety inspection, underpinned by ISO 9001 (quality) certification. This provides an in-depth examination of all safety related items such as seat belts, brakes, shocks and suspension components.

Toyota Safety Sense (TSS) and Lexus Safety System +

Toyota Safety Sense and Lexus Safety Sense+ are active safety features designed to mitigate the most common causes of traffic accident fatalities and injuries. These include pre-collision warning, lane departure alert, and automatic high beam.

This year we added the Corolla Hatch and Sedan, Yaris Hatch, C-HR and Avensis Wagon to the list of vehicle models fitted with TSS features. We are working on rolling out Toyota Safety Sense across all new vehicles as this specification becomes available to us on various models.

We have also expanded the range of vehicles available with standard reversing camera and plan to have the entire Toyota line-up standard with this specification by the end of 2017.

Airbag recall update



The 2015 global recall of faulty airbags produced by manufacturer Takata affected an estimated 100 million vehicles worldwide from 11 major car manufacturers.

We take potential vehicle risks very seriously and remain proactive and transparent in our approach to managing this issue. We have identified approximately 110,000 affected Toyota vehicles, to date 34,000 (30%) of the airbags have been replaced, and we are continuing to work through the remaining affected vehicles as quickly as parts supply and resources allow.

At the end of March 2017 we had approximately 145,000 hours of work outstanding with an annual capacity of 920,000 hours to process all recalls.

To work through the process as quickly as possible, we have employed extra staff, and have taken steps to further improve the efficiency of our processes.

Australasian New Car Assessment Programme (ANCAP)

ANCAP is Australasia's leading independent vehicle safety assessor, and provides consumer information on vehicle occupant and pedestrian protection, and collision avoidance capabilities.

The report does not provide the number of Toyota and Lexus cars with ANCAP ratings because ANCAP is unable to test every car. Vehicles selected for testing are based primarily on sales volumes.

Please view www.ancap.com.au/safety-ratings for available safety ratings.



PHV via Signature class

In an effort to provide the New Zealand public with affordable low emission vehicles, Toyota is importing Prius Plug-in Hybrid Vehicles (PHV) as used cars, under the Signature Class brand.

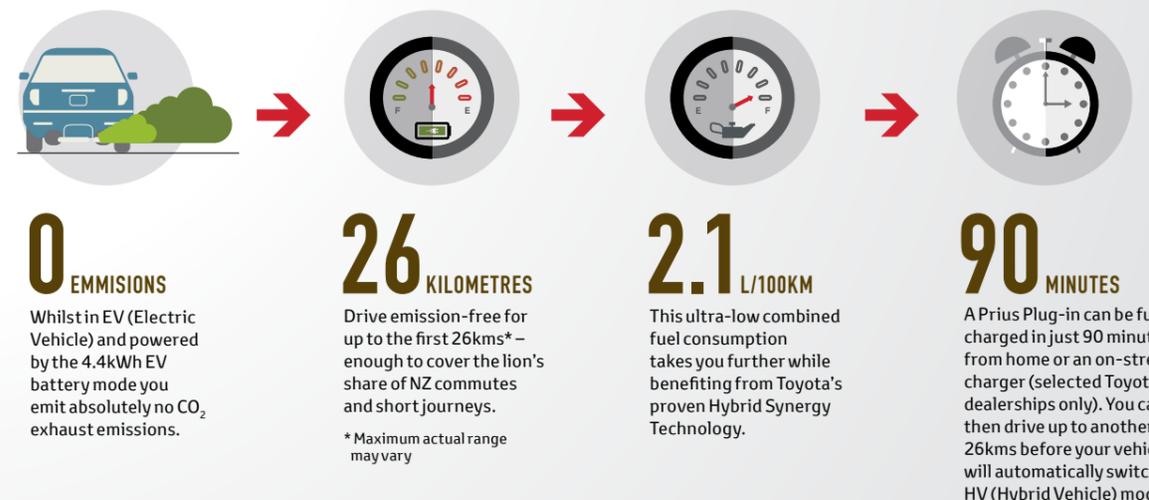
A PHV operates as an electric vehicle for short commutes up to 26 kms (depending on road conditions and driving style) with zero exhaust emissions before reverting to a conventional petrol-electric hybrid car (alternatively the driver can select the preferred driving mode for city traffic or the open road). This has the advantage of being able to drive as far as a conventional vehicle and removes the worry of not being able to find a charging station on a longer trip.

These vehicles were originally set for the domestic market in Japan, but they have been fully refurbished at our Thames Signature plant, where they go through numerous quality, safety and finish checks.



The display screens are converted to English, and English language owner's manuals are provided. Free charging stations are being set up at Toyota dealerships around the country including Manukau Toyota, Auckland City Toyota Greenlane, Hawke's Bay Toyota, Manawatu Toyota, Rutherford and Bond Wellington and Miles Toyota Christchurch.

PHV by the numbers:





OUR OPERATIONS



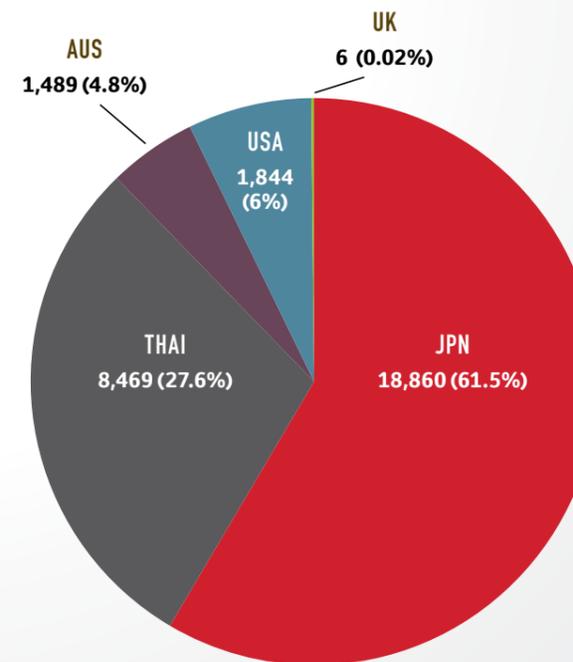
Logistics and supply chain

As a sales and distribution company, core business activity is the importation and distribution of our vehicles and vehicle parts. These supply chain logistics contribute significantly to the environmental impacts of our operations.

To manage this, we measure and report the carbon emissions and set annual reduction targets and improvement plans. Performance is reviewed regularly at monthly logistics executive meetings and reported to TMC.

Our vehicles are predominately sourced from Japan with additional stock sea freighted from Thailand (Corolla Sedan, Fortuner and Hilux), Australia (Camry and Aurion), the United States (Highlander) and the United Kingdom (Avensis Wagon). Our parts are sourced from Japan, Thailand, Australia and New Zealand.

ORIGIN OF NEW ZEALAND VEHICLES



This year our freight and logistics operations experienced a net increase in GHG emissions of 784 tCO₂. Two key factors contributed to this increase – the continued industry wide market growth, and the disruption to our logistic operations caused by the November 2016 earthquakes (the case study on page 40 provides further details).



Vehicle logistics

This year emissions relating specifically to vehicle logistics rose by 988 tCO₂ per cent and accounted for 81 per cent of our total carbon emissions. 86 per cent of this can be accredited to our inbound operations (importing to New Zealand), and 14 per cent to outbound (distribution within New Zealand).

Our inbound vehicles historically arrive at Auckland (80 per cent) and Christchurch (20 per cent). In May 2016 we started discharging a proportion of imported vehicles in Wellington with the intention of delivering significant reductions in emissions, cost savings and lead time for our lower North Island customers.

While some savings in emissions and logistic costs have been made, it has taken longer to reach our target of 10% of vehicles discharged in Wellington, due to the implementation of the new vehicle management system and earthquake disruptions. The challenge is getting the right mix of vehicles into Wellington to match regional demand and we are working on improvements in this area.

Parts logistics

Parts logistics accounted for 5 per cent of our total carbon emissions in 2017, with two thirds related to inbound, and a third to outbound.

With our parts sales growing by 18 per cent year on year we initiated planning for the third expansion of our national parts warehouse in Palmerston North. Operational support for the project was received from Toyota Japan (TMC), and the process for funding approval is well underway.

In April 2016, we arranged for our inbound sea freight parts from Japan to be discharged in Wellington rather than Auckland. This allowed us to move all of our inbound parts by rail, rather than road, to the warehouse in Palmerston North, significantly reducing our emissions and generating local cost savings of almost \$1million per year.

However, these changes were also significantly disrupted by the Wellington earthquake in November, which halted container crane operations at Wellington Port. We intend to return to Wellington discharge when container operations resume towards the end of 2017.



Toyota New Zealand's response to the Kaikoura earthquake

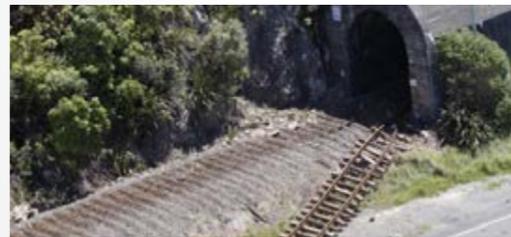
In November 2016, a series of earthquakes devastated the Kaikoura and Wellington regions causing significant damage to local buildings and infrastructure.

While there was no direct damage to our facilities, the resulting damage had a big impact on our logistics operations, which tested our recovery planning and resilience.

The discharge of vehicles was only briefly interrupted and was restored to normal volumes quickly. However the earthquakes caused severe damage to container operations at the Wellington Port, requiring us to re-route parts sea freight to Napier and then transport containers by truck to our Palmerston North parts warehouse. While there are additional transport costs and our weekly shipments arrive around half a day later, the flow of parts into our warehouse and has been relatively unaffected.

However the damage to SH1 in the upper South Island, and subsequent pressures on Cook Strait and costal shipping, has impacted delivery of both parts and vehicles to our dealers and customers.

Transport companies are now required to use the inland route through Murchison, which adds several hundred kilometres and anything from 6-8 hours depending on road and traffic conditions.



This has required major changes to driver/truck schedules and locations, to comply with regulations around driver hours.

The disruptions and changes have increased our distributions costs (as transport companies pass on their increased costs), and greenhouse gas emissions from the extra distances. It has also impacted vehicle deliveries to customers adversely, adding 3-4 days on average.

While coastal shipping of vehicles has relieved some of the pressure on the inland route, coastal shipping capacity is still well below demand, and is also constrained by space shortages at Lyttelton Port which is still recovering from the Christchurch earthquakes in 2010/2011, and was already facing a dramatic increase in new and used vehicle market volumes before the Kaikoura earthquake.

Greenhouse gas emissions

We capture and track all site and operational greenhouse gases under the Certified Emissions Measurement and Reduction Scheme (CEMARS).

This 'carbon' data is collated in a comprehensive data inventory which is audited annually to confirm the accuracy and reliability of the calculations and collection methods. This data excludes dealers.

Toyota New Zealand has been part of this certification programme for 11 years, and over this time we have continued to identify new emission sources. In this reporting period, we further expanded our scope to include used vehicle road freight movement. This means our total emissions are not directly comparable with previous years, so FY2016-17 will be set as a new baseline from which to measure our carbon performance.

TYPES OF EMISSIONS SCOPES



SCOPE 1
DIRECT EMISSIONS FROM ENERGY AND TRANSPORT WHICH WE OWN OR CONTROL

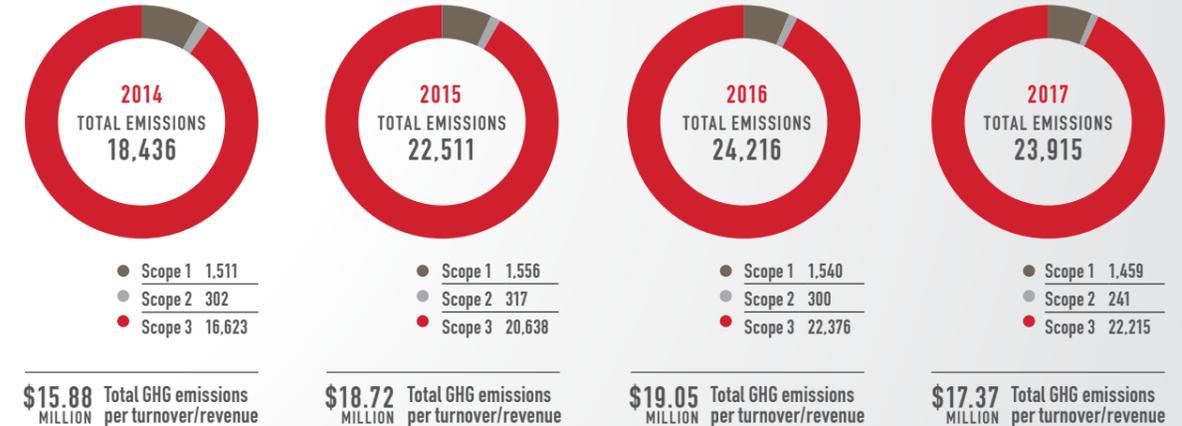


SCOPE 2
INDIRECT EMISSIONS FROM PURCHASED ENERGY



SCOPE 3
ALL OTHER INDIRECT EMISSIONS NOT INCLUDED IN SCOPE 2, INCLUDING FREIGHT

EMISSIONS SCOPE



However, despite a slight increase in the scope of our inventory the total emissions declined slightly. The highest proportion are from international and domestic freight. These account for 86 per cent of the total. Of our other operational emissions that are comparable there is a decrease in overall air travel, our car fleet and operational fuel use (especially sponsorship cars which have fallen from 463 to 281 tCO₂), electricity (from 299 to 241 tCO₂) and waste (33 to 21 tCO₂).

Gas consumption has risen (384 to 395 tCO₂) as has short haul business air travel to Australia.



OUR CUSTOMERS



Providing customers with a positive experience is an important part of our business. We measure customer service across our Dealer Network through the Net Promoter Score®.

The Net Promoter Score® is 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.

Customers rated highly vehicle quality and safety, pricing, and Toyota's reputation for reliability.

We continue to seek to a deeper understanding of our customers' needs through a range of market research activities. These will inform the development of our new business model and strengthen our connection, trust and value to customers.

FINANCIAL YEAR	SCORE			SAMPLE SIZE		
	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
NEW VEHICLE SALES	93.1	94.1	95.6	3,549	3,556	4,413
SERVICE	83	82.8	82.1	24,215	26,402	27,405
USED VEHICLES SALES	91.7	92.4	94.5	4,919	5,604	5,828



Vehicle Management System

Our new Vehicle Management System (VMS) was launched in November 2016 with the aim of aligning the vehicle ordering, reporting and financing processes into a single integrated system. VMS standardises terminology and business processes, shares common data measures, KPIs and reporting standards, and lays the platform for our new dealer sales model and business intelligence.

Previously we had an aging system for ordering new and used vehicles that was becoming a challenge to maintain. Decommissioning this meant dealer vehicle stock allocation tools would become inoperative.

Introducing VMS has proved to be our biggest systems change and involved a large number of staff and departments across the business, as we developed a company-wide approach rather than a conventional IT driven project. The scale of the task meant that we needed to plan how to transition staff functions and learning from the old to the new system. We needed to ensure they understood what would no longer be required, what would continue and most importantly what core processes would change and look like.

System bugs and anomalies were inevitable, but the challenge was magnified by the scale and complexity of the project. The new system has had some significant teething problems with accessing real-time stock data, duplicate orders, delays and errors in vehicle delivery destinations, timings and accessory fitment processing. This was very challenging for some parts of our business, but for the most part the issues are openly discussed to prioritise and work through problems. The dealer network, Dialogue Centre and operational departments have rallied around to ensure the early difficulties impacted customers as little as possible. We are pleased that despite the widespread disruption we managed to achieve our sales targets and market share for the year.

We are now moving into the maturity stage of VMS and working to further enhance the user experience, build new reports and reporting dashboards through business intelligence. Dealers now only have to log into and learn one system that includes the ability to search for, reserve, order, purchase and report on their new and used vehicles.



OUR DEALERS



A country-wide network of independently owned franchise dealerships provide customers with new and used vehicle sales and servicing, parts, accessories, extended warranties and servicing plans.

The dealer network finished this financial year with industry wide records in new vehicle sales. With this market growth expected to continue in the coming year, we implemented a system to forecast market demand, allowing us to deliver improved stock management to support dealers.

We are collaborating closely with dealers as we start to roll out our new customer experience business strategy. Significant investments are being made in new buildings and facility upgrades across the country. A key feature of these is the installation of interactive menu service boards aimed at delivering greater price transparency.

The implementation of an integrated vehicle management IT system (see case study for more information) across Toyota New Zealand and the dealer network has progressed with 18 of the 24 dealer groups now migrated to the new system. The remainder will move across by May 2018 .

Engaging with dealers

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

We use annual dealer satisfaction surveys to measure our performance in this area and identify where we can strengthen interactions and responses.

To support the dealer network in meeting high standards of health, safety and environmental management, all Toyota and Lexus dealers are active participants in the Enviro-Mark certification programme. This programme enables dealers to identify and address significant environmental risks.



Enviro-Mark progresses through five steps (Bronze, Silver, Gold, Platinum and Diamond) and our dealers must maintain a minimum Gold level, which is assessed through annual independent audits. During the reporting period, only one dealer failed to meet this requirement, a result of the disruption caused by a change in ownership. However this dealer will be expected to recertify at the Gold level in the FY2017-18 period.

The programme has an emphasis on on-going improvement. One project first implemented in 2012, encourages dealers to focus on reducing their electricity usage, costs and emissions. The network as a whole has driven down consumption over four consecutive years by over 553,000 kWh and \$138,000, despite the addition of three new dealer sites over the same period.



North Shore Toyota achieves Diamond certification

In November 2016, North Shore Toyota in Auckland was awarded Diamond Enviro-Mark certification.

This is the result of enhanced internal processes, documents and checks being introduced, and is delivering a number of business benefits (such as reduced risks and costs), and environmental improvements (with reductions in energy usage and waste sent to landfill).

For example a 32,932 kWh drop in power usage over six months at North Shore Toyota is attributed to the installation of LED lighting and improved staff engagement, while raised awareness of recycling opportunities has seen improvements in paper, glass, plastics and cardboard recycling.

Toyota New Zealand is the country's only car company whose dealerships participate in an Environmental Management System.



North Shore Toyota's four sites (North Shore Toyota and Lexus of North Shore at Wairau Valley, and two North Western Toyota sites in Henderson and New Lynn) have joined Ebbett Toyota in Hamilton at the Diamond standard.

More dealers are expected to move from the Gold to Diamond level by the end of 2017, with the full Toyota and Lexus network aiming to achieve Diamond certification at the end of the following year.



OUR PEOPLE



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

We operate with a small but diverse team of 296 employees, with the majority (208) based at our National Customer Centre in Palmerston North. A further 75 work at the Thames refurbishment facility, and the remaining 13 in Auckland. It has been a challenging year for many employees due to the implementation of the new vehicle management system (VMS). This was a major 'change project' requiring significant effort across the business, and was launched in November. However it will help drive many efficiencies and benefits across Toyota New Zealand – see the case study on page 43 for details.

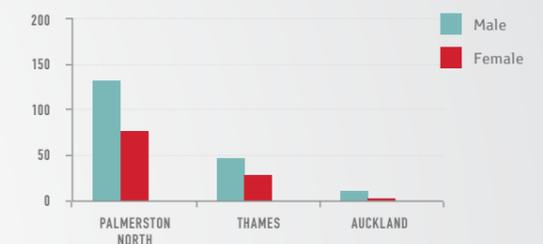
Workforce Profile

Toyota is an equal opportunity employer and our workforce has a dynamic mix of cultures, ages, religions and beliefs. 64 per cent are male and 36 per cent female. Since the last reporting period there has been an eight per cent increase in the number of permanent employees, but no significant change to the gender profile.

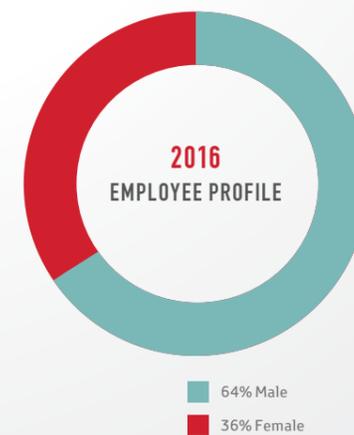
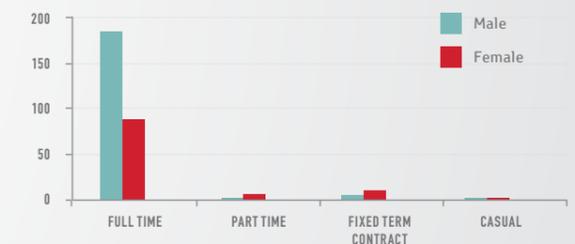
Toyota New Zealand is committed to recruiting on individual merit, regardless of gender or other demographic factors. Promotional opportunities are also based on merit and performance, and are available to all without discrimination. We recognise the challenges associated with unconscious bias and do our best to overcome this through promoting awareness.

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

TOYOTA NEW ZEALAND GENDER PROFILE



TOYOTA NEW ZEALAND EMPLOYMENT PROFILE



Approximately 8.7 per cent of our workforce is covered by collective bargaining agreements. We ensure employees are all fairly remunerated and benchmark salaries annually.

Employee engagement is a priority. To measure our performance as a favoured employer, we conduct regular surveys that provide us with quantitative metrics. The Kenexa/IBM Best Work Places survey gives employees the opportunity to identify both what makes Toyota a great place to work and areas with the greatest scope for improvement. In the last two years we have steadily improved in the Best Workplaces Performance Index from 73 per cent in 2014 to 78 per cent in 2016.



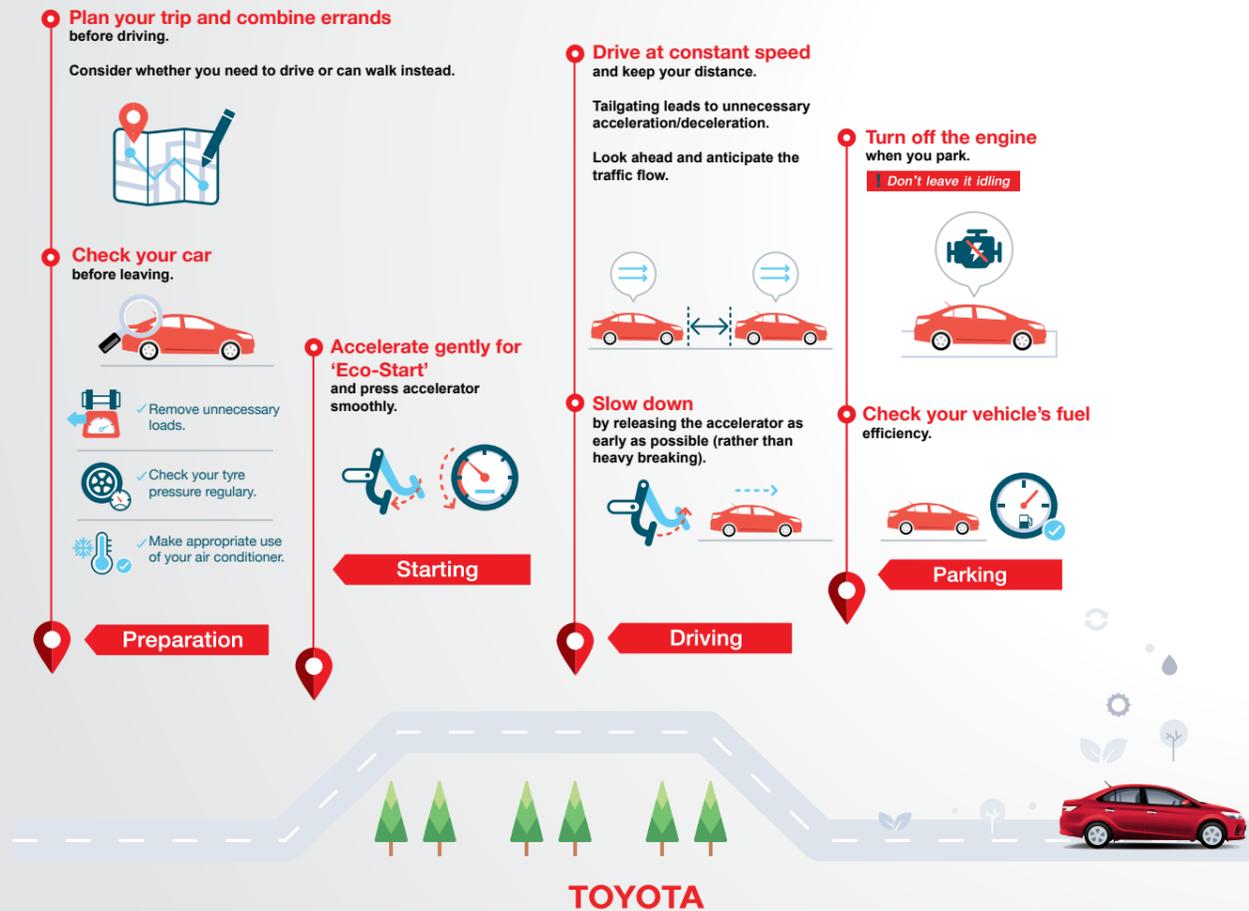
Connecting our employees and hybrid technology

In June 2016, we held a Corolla Hybrid launch inviting more than 500 employees, journalists, technicians and dealer sales teams.

The purpose was to promote current hybrids, raise awareness of the new line-up of Corolla Hybrid vehicles and the benefits of hybrid technology.

Those attending were encouraged to drive the hybrid vehicles - accompanied by more experienced drivers who provided a variety of driving tips and how to get the best fuel efficiency and performance from the vehicles.

ECO DRIVING AND FUEL SAVING TIPS



Health and safety

The health, safety and welfare of our employees, contractors and visitors remains a top priority.

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 performance is monitored at the Corporate Affairs Executive meeting and ultimately overseen by Toyota New Zealand's Board of Directors. Our safety management systems and policies support compliance with the New Zealand Health and Safety at Work Act 2015.

Everyday health and safety matters are undertaken by a representative committee at our head office and Thames that comprises 11.8 per cent of our total workforce. The committee includes managers, team leaders and general employees with representatives from all departments and site locations.

Our focus has been on strengthening employee engagement and we implemented a number of new initiatives designed to highlight workplace risks. Further details on these initiatives can be found in the case study on page 50.

Monitoring and reporting

Our cloud-based health and safety management tool, PeopleSafe is used to centrally record, store and manage all plans, incidents and initiatives. Earlier this year we introduced the supporting PeopleSafe smart phone App. This App allows staff to report any incidents, near misses or hazards in real-time and provides immediate access to all of Toyota's safety and emergency plans. The app allows employees to take a photo of the hazard, tag the location and add it to a story. During the year over 167 stories were submitted. The data captured by this app will allow us to expand our reporting capabilities.

The increased emphasis on a safety culture, has resulted in rising reported injuries over the last three years. During FY2016-17 there were no compliance issues, fatalities or occupational diseases.

	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17		
Total number of employee injuries	26	14	27	22	37		
					Thames	Palmerston North	Auckland
Female	13	8	9	8	4	11	0
Male	13	6	18	14	8	14	0
Total number of injuries for independent contractors working onsite (in P North)							
Male	1	0	1	0	0	2	0
Female	0	0	0	0	0	2	0



Engaging our employees in health and safety

A key health and safety goal this year was to improve employee engagement. To achieve this we implemented several workplace initiatives:

Key performance indicator (KPI) board

One of our most notable changes was the introduction of our health and safety KPI board located in the centre of the Thames plant.

This is designed to make health and safety more visual and engaging for all employees, from general workers to upper management. The board is updated monthly to track progress against targets.

PeopleSafe App Hazard Hunt

Following the introduction of the new PeopleSafe phone app, we ran a staff competition challenging

everyone to identify different hazards around the workplace. Departments competed against each other to earn points which were awarded according to the seriousness of the risk and the body parts most likely to get injured. The competition proved a successful way to involve employees in hazard identification, and improve familiarity with the new app.

Health and Safety induction videos

During the year we developed a new set of health and safety induction videos. Our goal was to make these fun and engaging, while informing our new staff members of the top five work place risks – using machinery, working at computers, slips trips and falls, stress and fatigue, and lifting and shifting.

People Development



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

- 1 Staff learning and development - Providing team members with the skills and knowledge necessary to do their job, supported by performance monitoring and assessment.**
- 2 Customer services people development – Promoting the principles of ‘customer first’ in every aspect of our interaction with customers during their ownership of the vehicle.**
- 3 Future people development - Growing the talent of our people to build world-class teams.**

Against a busy backdrop of change within our business, a particular challenge was maintaining employee learning without impacting on productivity. To manage this, we use a ‘blended learning’ model which encompasses several new online E-learning modules and training videos that employees could complete at a time best suited to them.

This online learning also included a series of induction videos, which provide a light hearted and engaging way to equip new employees with useful information as they start work.

Internal leadership development and succession planning, undertaken over the last few years, is now coming to fruition as we welcomed a new cohort of team leaders and managers.

We have been taking a more strategic view towards future staffing requirements, and are incorporating this into our business planning to ensure we have the right people and teams to achieve our goals.

We are exploring ways to further support our employees as we start to roll out our new business model and adapt our systems, operations and department functions to this major change.

We track and measure employee performance by providing annual reviews for all of our salaried employees (80 per cent of all employees). This allows us to identify areas where we can both encourage excellence and where further learning and support may be required.



Work Inspiration for school leavers

‘Work Inspiration’ is an exciting new work experience initiative developed in partnership with Careers New Zealand and Toyota dealers. It is designed to provide secondary school students with the opportunity to explore different career options and pathways that they may have previously discounted or did not know existed.



The programme provides students with an understanding of their individual talents and personality traits, and how these may align to different careers. It also provides Toyota dealers with an opportunity to engage with the future workforce.

Involving students, their parents, caregivers and school staff, the three day programme included an introductory workshop, personality quiz, hands-on work experience, and the opportunity to have meaningful discussions with employees about their career options.

Work Inspiration is supported by research that demonstrates young people who experience just four or more employer contacts at school are five times less likely to be unemployed or NEET (not in education, employment or training) when they leave school.

The Work Inspiration programme is not yet recognised as part of the NCEA (National Certificate of Educational Achievement) qualification, however this may change as the programme evolves and becomes more structured.

FY 2016/17 TRAINING DATA

	TRAINING	HOURS	AVE HOURS
Total Training Hours	Palmerston North & Auckland Total Training	4,710.73	21.3
	Thames Total Training	755.54	10.1
	Total	5,466.27	
Business & Health & Safety & Technical Areas Training	Palmerston North & Auckland Business	3,394.25	
	Palmerston North & Auckland Health & Safety	891.48	
	Palmerston North & Auckland Technical	425	
	Thames Health & Safety	755.54	
	Total	5,466.27	
Management & Non Management Training	Palmerston North and Auckland Management (incl exec)	357.92	12.8
	Palmerston North and Auckland Non Management	4,352.81	22.6
	Thames Management	60.64	12.1
	Thames Non Management	694.9	9.9
	Total	5,466.27	
Total Training by Gender	Palmerston North & Auckland - Male	3,231.42	22.6
	Palmerston North & Auckland Female	1,479.31	19
	Thames - Female	321.23	11.5
	Thames - Male	434.31	9.2
	Total	5,466.27	

Assurance statement

Independent Limited Assurance Report to Directors of Toyota New Zealand Limited

Conclusion

Based on our limited assurance engagement, which is not a reasonable assurance engagement or an audit, we have not become aware of any matter that would lead us to believe that the selected non-financial information in the Sustainability Report has not, in all material respects, been prepared in accordance with Global Reporting Initiative ("GRI") Standards reporting principals and guidelines for the period 1 April 2016 to 31 March 2017.

Information subject to assurance

We have performed an engagement to provide limited assurance in relation to Toyota New Zealand Limited's ("Toyota New Zealand") Sustainability Report for the 1 April 2016 ended 31 March 2017.

Selected non-financial information

The selected non-financial information" covers the collation and presentation of the significant areas within the report, excluding:

- Financial performance information included in the table on page 33 of the report; and
- Greenhouse gas emissions included in the table on page 41 of the report.

Standards we followed

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

- used our professional judgement to plan and perform the engagement to obtain limited assurance that the selected non-financial information is free from material misstatement, whether due to fraud or error
- analytical review and other testing to assess the reasonableness of the information presented
- overall sense check of the report against our findings and understanding of Toyota New Zealand, and
- ensured that the engagement team possess the appropriate knowledge, skills and professional competencies.

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

Restriction of distribution and use

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

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

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

Directors' responsibility for the Sustainability report

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

Our responsibility

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

Our independence and quality control

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

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

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

KPMG
Wellington
2 October 2017



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.	Our people
G4-12	Describe the organisation's supply chain.	Sustainability at Toyota New Zealand
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.	Corporate governance 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.	Sustainability at Toyota New Zealand
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations.	Sustainability at Toyota New Zealand
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.	Sustainability at Toyota New Zealand
G4-19	List all the material Aspects identified in the process for defining report content.	Sustainability at Toyota New Zealand
G4-20	For each material Aspect, report the Aspect Boundary within the organisation.	Sustainability at Toyota New Zealand
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation.	Sustainability at Toyota New Zealand
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.	Sustainability at Toyota New Zealand
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	Sustainability at Toyota New Zealand
G4-26	Report the organisation's approach to stakeholder engagement.	Sustainability at Toyota New Zealand
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.	Sustainability at Toyota New Zealand
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.	Corporate governance and compliance
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.	Corporate governance and compliance

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.	Our operations
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1). (data excludes dealers).	Our operations
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2). (data excludes dealers).	Our operations
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3). (data excludes dealers).	Our operations

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.	Corporate governance and compliance
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	Corporate governance and compliance
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.	Our operations
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce.	Our operations
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.	Our operations
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	Our operations

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.	Our people
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.	Our people
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.	Our people (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.	Our people
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	Our people
G4-LA11	Percentage of people receiving regular performance and career development reviews, by gender and by employee category.	Our people
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.	Our vehicles
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	Our vehicles
G4-PR5	Results of surveys measuring customer satisfaction.	Our customers
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.	Corporate governance 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.	Corporate governance and compliance



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



By using Cocoon Offset rather than a non-recycled paper, the environmental impact was reduced by :

74 kg of landfill	11 kg CO ₂ and greenhouse gases	110 km travel in the average European car	2,101 litres of water	118 kWh of energy	120 kg of wood
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Sources : Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology.
Calculations are based on a comparison between the recycled paper used versus a virgin fibre paper according to the latest European BREF data (virgin fibre paper) available. Results are obtained according to technical information and subject to modification.