

## Achievements and Awards

	2009	2010	Q1 2011
Brand	<b>Reader's Digest Most Trusted Brands</b> Cars: Toyota	<b>Reader's Digest Most Trusted Brand</b> Cars: Toyota Overall: Second	
		<b>Attitude New Zealand Most Trusted Brand: Third</b>	<b>Better Business, Better World study, Colmar Brunton:</b> Toyota one of top most sustainable brands in New Zealand
Product		<b>AA Car of the Decade:</b> Toyota Corolla AA Environmental car: Prius	<b>M2 Magazine 2011 Best New Car:</b> Lexus IS350
		<b>AA Energywise Rally: Environmental Award</b> (ie. best CO <sub>2</sub> ) – Prius <b>Most efficient Hybrid</b> (least fuel) – Prius Winner Medium Class vehicle (most cost efficient) – Hybrid Camry	
Advertising		<b>2010 Fair Go Ad Awards, Best ad:</b> Toyota Believe	
Environment	CarboNZero <sup>CertTM</sup> CEMARS® AS/NZS ISO 14001	CarboNZero <sup>CertTM</sup> CEMARS® AS/NZS ISO 14001 – accreditation for Thames Operation  Enviro-Mark Gold®	CarboNZero <sup>CertTM</sup> CEMARS® AS/NZS ISO 14001 Enviro-Mark Gold®
Other	<b>Manawatu Contact Centre Awards</b> Contact Centre team of the Year Team Leader of the Year: Vito Ikenasio	<b>Manawatu Contact Centre Awards</b> Contact Centre Team of the Year  <b>ISO9001:2008 accreditation for Toyota National Customer Centre</b>	

## Governance and Accountability

### Board of Directors

Toyota New Zealand (TNZ) has a single board of eight Directors, three of whom are Executive Directors. The chair of the Board is non-executive Director; the other four directors represent the shareholder or affiliated companies. Board members are appointed by Toyota Motor Corporation (TMC) based on their skills, experience, performance and industry knowledge. Directors represent three nationalities (New Zealand, Japan, and Australia) and are all males over 50 years of age. All Directors (as well as all company executives and managers) are required to sign a disclosure

of related party transactions annually to highlight any potential conflicts of interest. During the period covered by this report, the Board of Directors met four times a year.

## **Performance**

The CEO of TNZ and senior executives of TMC review the performance of Directors and the board as a whole against annual objectives and key performance indicators under the Toyota Global Assessment Performance framework. The company's executive and management remuneration structure consists of a fixed salary and an annual performance based incentive programme which incorporates a wide range of organisational and individual objectives (including social and environmental targets). Directors also receive nominal Directors fees.

TNZ has five key internal committees responsible for assisting the board in carrying out its responsibilities and to enable due consideration of complex issues in the areas of corporate governance, information technology, human resources, environment, and health and safety. These committees are chaired by executives of the company, and include relevant staff from all levels of the company.

### **Internal Process Committee**

In discharging the board's responsibilities in corporate governance, the Internal Process committee oversees the implementation of a framework of risk management and reviews the effectiveness of controls/compliance processes in relation to the company's activities. It provides a formal forum for communication between the board and senior management in relation to risk management, compliance activities, internal audit requirements and ethical conduct requirements.

### **Corporate Affairs Committee**

The Corporate Affairs Committee assists the company discharge its responsibility to exercise due care, diligence and skill in relation to the company's financial affairs, and compliance with applicable laws and regulations. It assists the company to discharge the board's responsibilities in relation to human resource issues and provide focus, vision and strategies to enhance people relationships. It provides a forum through which top management can promote a company wide consistent approach to key human resource issues. It promotes a collaborative approach to career planning and development across operating divisions.

### **Environment Committee**

The Environment Committee assists the company to discharge its responsibilities in relation to environmental issues. The main objectives of the Committee are to:

- Ensure senior management leadership and involvement in environmental matters.
- Develop strategy and share information across the organisation.
- Oversee management of TNZ's Five year Environment Plan.

### **Information Technology Review Committee**

The Information Technology Review Committee assists the Company to discharge its responsibilities towards effective, efficient, and acceptable investment in, and the use of IT in TNZ.

Its main objectives are to:

- Ensure that IT plans, policies and procedures are implemented and followed in an efficient and cost effective manner.
- Evaluate IT proposals to ensure they align with Toyota New Zealand's objectives and funding requirements.
- Monitor the performance of approved proposals to ensure achievement of intended benefits.
- Monitor the manner in which Toyota New Zealand is reviewing IT compliance and conformance.

### **Health and Safety Committee**

The Health and Safety Committee assists the company to discharge its responsibilities in relation to health and safety. The main objectives of the Committee are to:

- Ensure that senior management provides leadership and is involved in health and safety issues.
- Review the performance of all areas of the business in relation to health and safety.

### **Risk Management**

Risk management at TNZ is integrated into the corporate planning process. By adopting this focus, risk management is embedded in TNZ's culture. The vision is for an integrated planning management process that seamlessly incorporates risk into all objectives, targets and results analysis. The company applies the precautionary principle in its approach to risk management – for example, in the area of safety related vehicle recalls, the company will advise customers of recalls even if there have been no reported incidents within New Zealand; the costs of safety related repairs are covered by the company (including customers who did not purchase vehicles from the company or its dealer network); and the timing of recalls is carefully managed with respect to availability of repair parts.

A register of risks and a legislative compliance report are reviewed annually by the Board of Directors.

### **Toyota Code of Ethics**

All employees are trained on our *Ethics & Compliance* policy and procedures (which is available to staff on company intranet). Employees, contractors and agents of TNZ are expected to:

- Obey the law
- Be honest in word and deed
- Respect community values
- Be responsible
- Perform their duties consistent with the Code of Ethics
- Use good judgement in avoiding any action that could create a conflict between personal, company and community interests.

## Environment

### Toyotas Global Earth Charter

<http://www.toyota.co.nz/AboutUs/The+Environment/Practices+-+Environmental+Management.htm>

### Toyota New Zealand's Environmental policy

<http://www.toyota.co.nz/AboutUs/The+Environment/Practices+-+Policies+and+Plans.htm>

## Investment in environmental management

TNZ has a long-standing commitment to improving its environmental management. As noted in the 2011 Sustainability Report, this has now been extended to assisting TNZ's retail dealers with the Enviro-Mark programme.

TNZ invested more than \$400,000 on environmental management in each of the past two financial years (see table). This includes: the community partnership with WWF-NZ; staff programmes; waste management; investment in certification such as CEMARS®, carboNZero, Enviro-Mark®, ISO; salaries which directly relate to environmental management; and the production of sustainability reports.

## Buildings

TNZ uses a combination of electricity, reticulated gas and LPG across its operational sites. A wide range of energy conservation initiatives have been adopted including modifying heating and cooling systems, and introducing more efficient lighting and electrical appliances. These efforts are ongoing.

## Business Travel

Business travel is both a major company expense and generator of carbon emissions, and whilst eliminating all business travel is not possible, TNZ has looked at how it can lessen its impact – particularly since the extra travel required during the period of recalls in the 2009/10 year.

### Air travel

For air travel, an obvious first step has been to reduce the number of trips. TNZ's company travel policy questions the need to fly and asks employees to look at alternatives first, such as using video conferencing or combining meetings into a single trip.

TNZ records all staff business flights as well as those by the national network of independently owned franchise dealerships.

### Company car fleet and fuel use

There has been a steady decline in company fleet fuel use and CO2 emissions since 2006. This has been achieved by removing less efficient vehicles from the available choice of company cars and offering greater incentives on cars with better fuel economy. And to raise the fuel efficiency of staff owned cars, a larger purchase discount is provided on hybrid or other fuel efficient (<6.5L/100kms) cars.

## **Water discharges**

TNZ does not have a system to measure its wastewater, so the company has to make some assumptions and end up with an estimate.

The total volume of water purchased by the Thames facility was 2,483 m<sup>3</sup> (2009/10); 2,210 m<sup>3</sup> in 2010/11. TNZ estimates its wastewater as 2,210 m<sup>3</sup> in 2009/10 and 1,256 m<sup>3</sup> in 2010/11. This uses the ARC's guide to wastewater measurement and assumes daily per person use of 60 litres.

The estimate for the headquarters in Palmerston North using the 60 litre method gives what TNZ believes to be an overestimation (more than the amount purchased). TNZ estimates the wash bay at Palmerston North uses 7,488m<sup>3</sup> a year.

All waste water from the Thames facility is pH tested before being discharged into the town's municipal treatment system. Only stormwater goes into the Waihou River. As noted in the Sustainability Report, the facility has shut down valves for its stormwater pit.

At the Thames facility, neither the withdrawal of water from the municipal water supply, or the discharge of wastewater, can be separated from the town's general municipal systems.

## **Managing Risks to Biodiversity**

TNZ imports thousands of cars and car parts from overseas every year. If any one of these carried a pest species it could pose a threat to New Zealand's endemic wildlife and agricultural economy.

The Thames facility borders the Firth of Thames RAMSAR site, an internationally important feeding ground for up to 25,000 birds at any one time. 'Rare in NZ' birds which are present in the area include: golden plover, curlew sandpiper, sharp-tailed sandpiper, red-necked stint, far eastern curlew. 'Vulnerable' species include the wrybill. 'Endangered' species are the New Zealand dotterel and the black stilt.

There have not been any incidents reported of impact from Toyota's operations at Thames.

Toyota's National Customer Centre at Palmerston North is about 35km from the Manawatu estuary and river mouth RAMSAR site. Species which are found at this site and classified as threatened by the IUCN are the New Zealand shore plover (endangered), Australasian bittern (vulnerable), wrybill (vulnerable) and the black fronted tern (endangered), plus five species of threatened fish. The NCC is 2km from the Manawatu River, so TNZ is mindful of its responsibility for ensuring its wastewater goes through the town system, and its stormwater does not contain hazardous material.

TNZ is aware of national regulations around biosecurity – notably the Biosecurity Act 1993, and the Hazardous Substance and New Organisms Act 1996.

The company has designed procedures for managing the impacts. Key TNZ strategies for managing biodiversity impacts are:

- (1) biosecurity procedures at Port of Entry (Auckland), Thames and NCC warehouse (Palmerston North); ISO 14001 at Thames. This includes Environmental Impact Assessment to reduce biodiversity impacts; engagement with relevant stakeholders (e.g. Environment Waikato; Thames-Coromandel District Council, a methodology for establishing risk exposure to biodiversity (Environment Officer communication with EW regarding risk species), setting specific targets and objectives (ISO), monitoring processes (wastewater etc), and public reporting.
- (2) Used vehicles are regularly inspected by MAF officials at the Port of Entry facilities at the Ports of Auckland. At Thames and the NCC warehouse, standard bio-security unloading and unpacking procedures are followed by qualified staff. If required, fumigation occurs in well ventilated areas to avoid any risk to human health. TNZ staff attend an Accredited Sea Container Handling training course (bi-annually).

In the reporting period, no containers have been contaminated with pests  
TNZ did not have any significant spills during the reporting period at any of its facilities.

### **Product stewardship programme for hybrid batteries**

TNZ is conscious of the need to ensure it does as much as it can to reduce the environmental impact of its vehicles. Part of this responsibility includes taking back hybrid vehicle batteries from vehicles brought in for servicing at Toyota dealerships.

This is similar to product stewardship schemes operated by Toyota Australia.

At the end of the April 2011, TNZ had 52 used batteries in storage. These will be sent overseas to an accredited recycler in a shipping container which can contain 103 batteries. When a further 49 batteries are received, they will be shipped. TNZ sells about 1,000 hybrid vehicles a year.

Hazardous waste from Toyota staff vehicles, or those being refurbished at Thames (oil, conventional batteries etc) are passed to Waste Management for recovery, recycling or safe disposal.

### **Recyclable components of Toyota vehicles**

Toyota's engineers have environmental impacts at the forefront of their designs. This includes the use of components which are made from recycled material, and which are recyclable at end-of-life.

The most prominent example of using recycled materials is the use of shredder residue from scrapped cars, which becomes the sound-absorbing material in new cars.

A great example of the overall concept in action is the Prius, Toyota's now-iconic passenger vehicle, which was the first full petrol-electric hybrid in mass production and is now in its third generation.

The following parts available around the vehicle floor area newly adopt Toyota-first, plant-derived resin "Ecological Plastic" with excellent recycling characteristics.

- Front/rear inner/outer scuffs
- Cowl side trim
- Luggage space rear finish plate

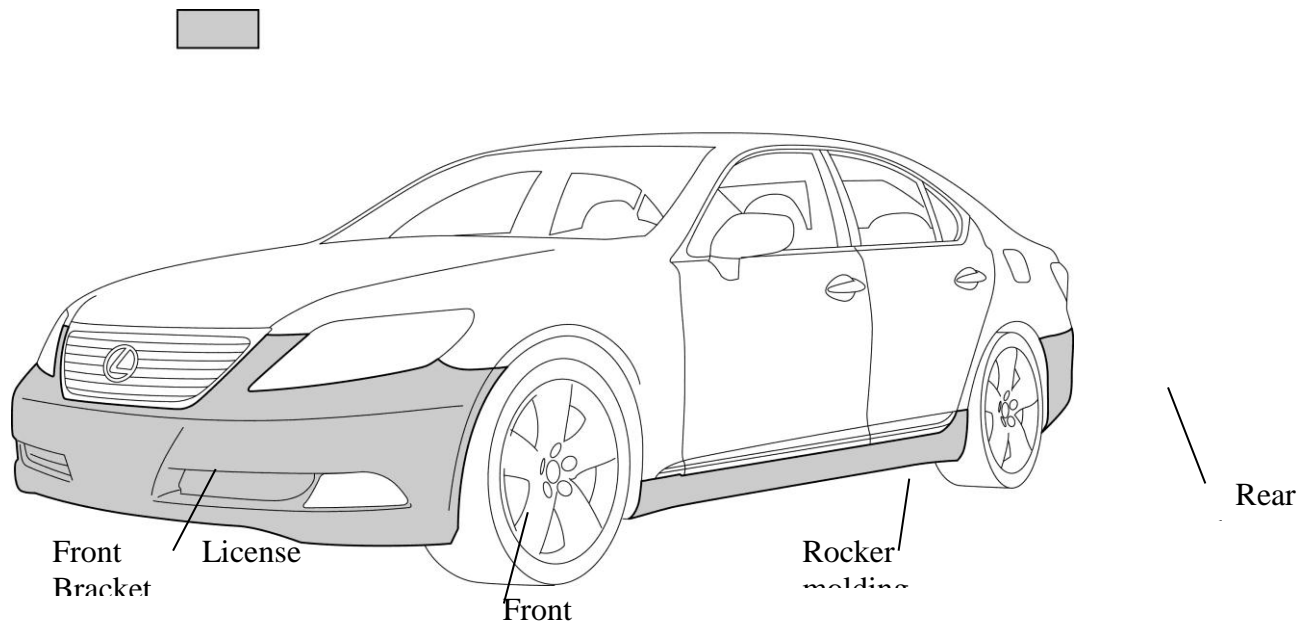


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- Instrument panel parts actively adopt materials including TSOP (Toyota Super Olefin Polymer) and TPO (Thermo Poly-Olefin) that possess excellent recycling characteristics.
  - Slits are given to the instrument panel binding sections for consideration to recycling and dismantling.



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TSOP is widely used in Toyota and Lexus vehicles. Here is an example, the Lexus LS460:



### **Employee Participation**

TNZ encourages its employees and families to get involved in environmental activities.

### **Toyota Environment month**

In June every year, 'Environment Month' is promoted across Toyota's international operations. All 280,000 employees are encouraged to get involved, magnifying individual actions into a sizable cumulative, global effort.

In 2009 and 2010, TNZ staff took part in dune planting for the Department of Conservation at Tangimoana, a beach on the west coast of Manawatu. This is a fantastic day out for the company's team, but it's not all fun. The volunteers plant more than 1,000 native grasses in the fragile dune system to help prevent erosion and preserve a habitat for native wildlife.

### **Environmental Awareness**

At staff meetings and via internal e-newsletters and emails, TNZ promotes many simple ways to make a difference at work. This has included reminders to turn off computers and unnecessary lights, fuel saving driving tips, discouraging unnecessary printing and encouraging more information to be circulated on the intranet. When hard copies are required, many employees now print double sided A5 formatted documents, rather than one-sided A4. Others make their own notepads from used copier paper, which has gone uncollected from printers.

### **Staff Bonus**

In 2007, TNZ introduced a CO2 incentive to its annual team bonus, as a means of involving all employees in the common objective of shrinking company carbon emissions.

Three measures were selected which staff can directly influence: business air travel, building power consumption and company car fuel use, with a target set against the previous year's total.

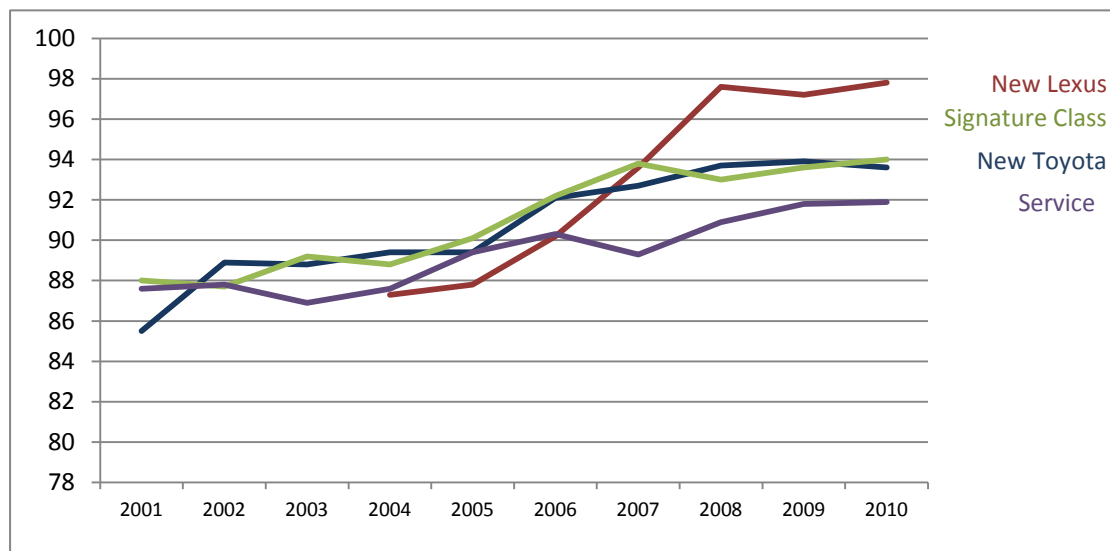
And after steady year-on-year rises in energy use before 2007 a company-wide focus on reduce emissions has resulted in reduction of 29 per cent since then (based on calendar years results or 2006 versus 2011).

## Social responsibility

### Customers

TNZ measures customer satisfaction through regular surveys. This programme covers delivery and service experience for all new and used vehicles. CSI results are reviewed at executive meetings and reported regularly to dealers. Dealers are incentivised on their CSI performance, and this is a key element of franchise performance reviews.

Here is a table which tracks the Customer Service Index for Toyota, Lexus, Signature Class, and the Service team. TNZ is pleased that despite the well-publicised recall issues in the reporting period, customers remained generally satisfied with service.



The company also participates in industry customer satisfaction surveys to benchmark against competitors; however participants are not permitted to make any public comment on the comparative results. The information provided by these surveys has been invaluable in highlighting key areas where the company has concentrated its improvement efforts, e.g. new vehicle sales process)

### Responsible marketing

TNZ's marketing activities focus on raising awareness, promoting products and services, and the Toyota brand. This activity is critical to maintain and grow the company's leadership position in the market.

TNZ has a well-developed process in place to ensure that marketing and advertising information is accurate and not misleading, is legal, decent, fair, honest and truthful.

They include:

- Internal review – internal checks are made to ensure advertising

complies with the advertising standards set within New Zealand and governed by the Advertising Standards Authority (ASA).

- External review – suppliers and advertising agencies are well appraised of current practises and laws and ensure standards and codes of advertising are appropriately adhered to.
- Dispute resolution – TNZ has a well-established mechanism in place to ensure any advertising related complaints are handled quickly and transparently.

In the year ending 31 March 2010, there was one complaint received by the Advertising Standards Authority in relation to Toyota advertising (ref. 09/513). The ASA ruled there were no grounds to proceed.

There were three complaints to the ASA in the year ending 31 March 2011 (ref. 10/217, 10/593 and 11/054). The ASA ruled there were no grounds to proceed on two of the complaints. On the third, TNZ amended the newspaper advert and its website immediately to the ASA's satisfaction, and the complaint was settled.

In each year, the Customer Dialogue Centre received some complaints regarding advertising. TNZ always takes careful note of callers' views, but in each case the decision was that no action was required.

There were no complaints received or substantiated during the reporting period relating to breaches of privacy from outside parties or regulatory bodies, nor any incidents of theft or loss of customer data.

## **Corruption**

TNZ did not have any incidents of corruption during the reporting period. All executives and managers sign a disclosure of related party transactions annually.

The company also compiles a risks register (including corruption), which is reviewed at Board meetings annually. All employees are trained on the *Ethics & Compliance* policy and procedures (which is available to staff on company intranet).

TNZ did not make any donations to political parties in the period, nor make any payments to the Government, other than taxes.

## **Public Policy**

- TNZ is a member of the MIA, NZBCSD, Business NZ, EMA, Sustainable Business Network
- TNZ's CEO is on Business NZ Prime Minister's CEO Advisory Group
- TNZ managers chair the MIA Technical Committee, and are on the MITO Board
- TNZ makes submissions on local authority issues in Palmerston North and Thames communities.

## **Compliance with laws and regulations**

There was no legal action taken against the company; nor were there any fines or sanctions for non-compliance with laws and regulations. This includes environmental laws, anti-competitive laws, laws concerning the provision and use of products and services.

## **Employees**

TNZ employees consistently rank Toyota as one of the best workplaces in New Zealand. The company encourages all employees to reach their full potential within a caring, supportive and fun environment with a focus on maximising their strengths.

All employees on an individual contract receive an annual performance review, but this is not part of the collective agreement. Overall, 77 per cent of employees receive an annual performance appraisal.

Toyota has full respect for the employment laws in every country in which it operates. There is a strong emphasis on staff wellbeing, and training.

From time to time, any organisation has to go through changes. TNZ consults fully with all affected staff in the case of major organisational changes. Individual and collective employment agreements include a minimum four weeks' notice period in case of restructuring/redundancy, and the collective also includes a clause on consulting with the union ahead of such changes.

During the reporting period, there were no incidents identified by the Internal Process or Corporate Affairs Committees (or other management or executive meetings) of discrimination or situations where staff rights to freedom of association or collective bargaining were at risk.

## **Wellbeing**

Toyota fosters a family atmosphere and encourages involvement in social activities and programmes to support employees and their family's health and wellbeing.

- An initiative TNZ has implemented is a confidential counseling service. This can be conducted off site and is available to all employees and their families.
- Prior to the winter season, all employees are offered free seasonal influenza vaccine, and local medical teams come on site to administer the vaccinations.

Toyota New Zealand provides opportunities to help employees build relationships with their colleagues within and outside the workplace.

- An annual fireworks display where a corporate facility is available for staff and immediate family members to watch a supervised fireworks display at Manfeild Park.
- A summer family picnic day is held in Palmerston North, where staff are able to bring their young families for a fun day with games and organised races, challenges and recreational activities.

- Toyota participates in the Relay for Life, which is a community based event raising awareness of cancer. The team takes on the challenge of walking / running a course for 24 hours, raising money for cancer research.

- An area has been landscaped within the park like surroundings of our Palmerston North location for staff to have allocated areas for growing vegetables. Raised gardens have been constructed by the company and basic tools and implements provided for their use. This staff led initiative is led by experienced gardeners who are coaching and teaching those who may never have participated in this activity before.



### **Care for our staff regarding illness and disease**

Thankfully, New Zealand is relatively free of illnesses and diseases which are a reality in some countries overseas, but TNZ takes a precautionary approach when it comes to possible eventualities. This is particularly important for a company like Toyota, which has staff regularly visiting overseas destinations for their work.

As already mentioned, TNZ provides free annual on-site flu vaccines.

It also provides a free or subsidised Employee Assistance Programme including counseling for staff and families for any issue including health and disease issues.

When health authorities warned of the risk of a potential swine flu outbreak in early 2009, TNZ developed and communicated procedures at all locations. This included providing equipment (sanitiser, masks, etc).

TNZ also provides annual lung function tests for Thames staff involved in painting and using other potentially harmful substances in the refurbishment of Signature Class vehicles. Full training, protective equipment, and medical testing help reduce any inherent risk associated with this work.

### **Training**

TNZ has a strong desire to not only recruit and retain the best people but to provide career development opportunities that make it an employer of choice. Toyota is proud to be a learning organisation. The Toyota Way, which emphasise continuous improvement, innovation, and sharing opportunities to develop, is the foundation of the company's training programmes.

A training curriculum for dealer and Toyota New Zealand staff is developed each year based on consultation with dealers and staff, including feedback from the annual staff performance appraisal process.

The training curriculum includes technical, sales and business related courses conducted by in-house trainers as well as external consultants. Examples of some of the Business Training Courses include;

- Toyota Business Practices
- Customer Handling Skills
- Toyota Induction programme

- Toyota Sales Power and Recruitment
- Retention and Team Management for Dealers

TNZ staff have the opportunity to attend free internal training. The company also funds external training for staff provided it is relevant to their current position or agreed career development plans (conditional on staff completing and passing courses). TNZ allows staff to take study leave in addition to normal leave entitlements for exams or block courses.

For staff leaving the company, programmes and assistance are tailored to individual needs, and include pre-retirement planning, counseling and support, re-training, and redundancy payments based on years' service. Many retiring staff are provided with consulting contracts for 3-5 years (generally in the area of dealer auditing and support).

#### NUMBER OF STAFF TRAINED DURING THE YEAR

TYPE OF STAFF	2009/10	2010/11
Individual contract	161	169
Collective	48	52
Dealer staff	1,465	1,449
<b>HOURS</b>		
Toyota NZ – technical skills	646	138
Toyota NZ – business skills	216	2,807
Dealer staff – technical skills	11,242	7,686
Dealer staff – business skills	6,338	8,417
<b>Average number of hours</b>		
Individual contract	5.4	17.4
Collective	Not recorded (1)	Not recorded
Dealer staff	12	11

(1) TNZ recorded which courses these staff attended, but not the total number of hours. This is an area TNZ intends to improve its reporting on.

The increased TNZ business training in the 2010/11 year was due to new training by US expert David Oldfield for executives and managers.

Training for dealer staff is normally dependent on the number of new models for them to be trained on. In the second of the two reporting periods, there were fewer new model releases.

Key initiatives within TNZ's training program involve the incorporation of a training management database, where requirements including travel and accommodation can be measured and tracked. On-line registrations enable participants to register for courses and post course assessments are managed electronically for further convenience.

Participant satisfaction levels are measured following each course, as well as the course effectiveness. Visual control boards have been set up to monitor the stages of developing business training programmes, to ensure targets are being met. For dealer and participant convenience, an electronic business training course catalogue has been developed.