

RESILIENCE

TOYOTA NEW ZEALAND LTD
2011 SUSTAINABILITY REPORT

 **TOYOTA** | *Believe*



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About this report →

This is Toyota New Zealand's fourth biennial Sustainability Report, which communicates the economic, social and environmental impacts of its operations to stakeholders. It covers the operations of Toyota, Lexus and Daihatsu for the period 1 April 2009 to 31 March 2011, but excludes the operations of Toyota Financial Services NZ (a separate company also owned by Toyota Motor Corporation Japan). The company does not have any joint ventures, subsidiaries, leased facilities, or outsourced operations.

The activities of Toyota dealers, which are independently operated under a franchise agreement with Toyota New Zealand, are discussed in this report as they are an integral part of the delivery and sustainability of Toyota's business in New Zealand. However data shown in this report generally excludes dealer results (unless otherwise noted).

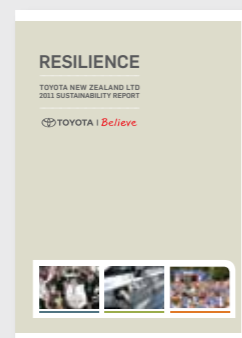
 This report applies the Global Reporting Initiative (GRI) G3.1 framework (considered the world's leading framework for corporate responsibility reporting) to a B+ level and has been assured by an external provider (see pages 50-52).

A full GRI index highlighting relevant disclosures and indicators, and where to find them, can be found on page 53. In addition, GRI content in this report is highlighted on relevant pages, as shown below.

 This report should be read in conjunction with the supplementary content on the company's website: <http://www.toyota.co.nz/AboutUs/Sustainability/>

Unless otherwise stated, all data in this report relates to financial years ending March 31. Some data from previous reports has been recalculated to enable accurate comparisons. Though the earthquake disasters in Canterbury and Japan occurred just prior to the end of the reporting period, where their effects are known they have been quantified as at the publication date.

About the cover →



The 2009 to 2011 period included some of the most challenging times in Toyota New Zealand's history: a global recession, brand-threatening quality issues, and natural disasters which impacted on the Toyota family, customers and the entire countries of New Zealand and Japan.

Toyota has chosen to call its fourth Sustainability Report 'Resilience', inspired by those affected by the disasters and their ability to face the future with optimism despite the significant challenges ahead. This spirit of resilience is inherent in Toyota's Believe culture and values – the company believes a better tomorrow starts today.

Toyota is determined to grow from the recent challenges, and continue to lead into the future by delivering products and services which meet the company's new global vision of making its customers smile (please see page 4 & 5 for more on Toyota's Global Vision and local Believe philosophies).

GRI PROFILE DISCLOSURES →

| | |
|---|---|
| 2.1 Name of organisation | 3.7 Limitations on the scope or boundary of the report |
| 2.9 Significant changes during the reporting period | 3.8 Reporting on joint ventures and other entities |
| 3.1 Reporting period | 3.9 Data measurement techniques described throughout the report |
| 3.2 Date of most recent previous report | 3.10 Explanation of re-statements |
| 3.3 Reporting cycle | 3.11 Significant changes from previous reporting periods |
| 3.4 Contact point for the report | |
| 3.6 Boundary of the report | |

CEO's Message

The past two years saw Toyota New Zealand deal with many issues challenging its sustainability – from coping with a global recession and product recalls, to devastating natural disasters. A focus on careful management saw Toyota end the period in the market leadership position it has held for more than 20 years, but with the knowledge that there are challenging times ahead.

At the start of the reporting period in April 2009, New Zealand was caught up in the economic crisis which impacted on much of the developed world. It was certainly a rude awakening after what was largely a debt-fuelled period of outstanding sales in 2005-2007. The new vehicle market fell about 30 per cent in the global financial crisis.

As New Zealanders focused on debt reduction, Toyota New Zealand adjusted its profit and sales targets accordingly as the ongoing financial viability of both Toyota New Zealand and retail dealerships became a priority. The new car market rebounded, rising 15 per cent in the 2010 calendar year, and the used import market rose by 27 per cent in the same period, but this was a much softer market than the motor industry had been used to.

The huge amount of publicity around quality issues and international product recalls emerged at the end of 2009 as a significant challenge to the Toyota brand's ongoing strength. There are always recalls in the motor industry, but the unprecedented publicity meant the 'unintended acceleration' issue was potentially the most damaging in Toyota's history.

Even though an official US Government report later found no evidence of faults being caused by the electronics in Toyota vehicles, it was impossible to have major international news organisations extensively reporting on this and not have some negative perception rub off on New Zealand consumers.

One has to look at the recall issues in two ways: a macro view of how the brand overall is perceived; and a micro view of dealing with the issue, customer by customer.

Toyota New Zealand made a priority of keeping its customers and dealers informed about the local effects of the recalls and associated issues, and dedicated technical resources to assist customers directly. Independent consumer trust surveys after the recall crisis, as well as continued market leadership in 2010, confirmed the New Zealand public's trust in Toyota had not been dented.

In the case of Toyota New Zealand's other two new vehicle brands, the past two years have been difficult.

Lexus struggled for market share during the period, with several of its key models nearing the end of their seven-year model life cycle; however there are exciting new Lexus models in 2011 and 2012 which will provide strong impetus for the brand.

Daihatsu sales have dramatically reduced from a peak in the 2005/06 year. The ongoing viability of the brand in New Zealand will be influenced by Toyota Motor Corporation's global strategic priorities.



ALISTAIR DAVIS, CEO OF TOYOTA NEW ZEALAND

GRI PROFILE DISCLOSURE →

1.1 Statement from the CEO

GRI PERFORMANCE INDICATOR →

505 Public policy positions and lobbying

CEO's Message (CONTINUED)

From an environmental standpoint, Toyota New Zealand has made real progress in measuring the impacts from its entire business chain – with measurement of emissions from importing vehicles and parts a key focus.

We substantially increased environmental management within our dealer network, launching the independently certified Enviro-Mark® programme with our dealers as an ongoing initiative. Recyclability is an environmental issue the motor industry and the Government will need to focus more on. Toyota vehicles are more than 95 per cent recyclable through innovative design, yet only about 75 per cent can be recycled in New Zealand due to lack of facilities.

It will be interesting to see how big an influence on the transport sector and New Zealand motorists the Emissions Trading Scheme will be. In the mid to long term, motorists here need to move to more efficient vehicles, and the ETS – which started to take effect in 2010 – should be used to move us towards that sustainability, rather than shield the true cost of emissions as it is currently.

The start of the Plug-in Prius trial with Massey University – part of Toyota Motor Corporation's global research on this revolutionary vehicle – and the launch of several new petrol-electric hybrids were further steps in Toyota's focus on making hybrid technology a mainstream part of New Zealand motoring.

In many ways, all other issues paled into insignificance when two major earthquakes struck Christchurch, and Japan was struck by a devastating earthquake and tsunami.

These events happened towards the end of the reporting period, but will have ongoing impacts on Toyota New Zealand's business – from problems with vehicle supply, which were over by August, through to the effects on New Zealand's economy caused by the Canterbury quakes. We focus on this later in the report.

The strategic focus of Toyota New Zealand's economic, environment, and social management is aimed at long-term sustainability, of both the company and the nation. I am confident we have the policies in place to ensure we meet the coming challenges with the same resilience and spirit we have shown to date.

ALISTAIR DAVIS – CEO



ALISTAIR DAVIS AND MASSEY UNIVERSITY VICE-CHANCELLOR STEVE MAHAREY WITH A PLUG-IN PRIUS

GRI PERFORMANCE INDICATOR →

EC2 Financial implications of climate change

About Toyota

Toyota New Zealand is a wholly owned subsidiary of Toyota Motor Corporation, Japan (TMC), and has been the market leader in New Zealand for almost 25 years.

TMC is Japan's largest vehicle manufacturer and in 2010 was the largest automotive company in the world with plants in more than 25 countries and sales operations in about 180 countries.

Toyota New Zealand

Toyota New Zealand's corporate headquarters are based at the National Customer Centre in Palmerston North. In addition, the company has a Port of Entry facility and a corporate sales office in Auckland, and a Signature Class refurbishment plant in Thames. The company directly employs 221.2 people (FTE).

Toyota New Zealand sells new Toyota, Lexus and Daihatsu vehicles as well as used vehicles, parts and service. Finance and insurance products are also provided by Toyota Financial Services. Toyota New Zealand deliver these products and services to customers primarily through the Toyota

dealer network on a wholesale basis, although the company also sell directly to larger national fleets (please see page 17 for more).

Toyota Dealer Network

The independently owned Toyota dealer network includes over 100 outlets nationwide, which employ another 1,450 staff. Dealers operate under a franchise agreement with Toyota New Zealand, which is reviewed every 3-5 years based on dealer performance across a wide range of areas and indicators.

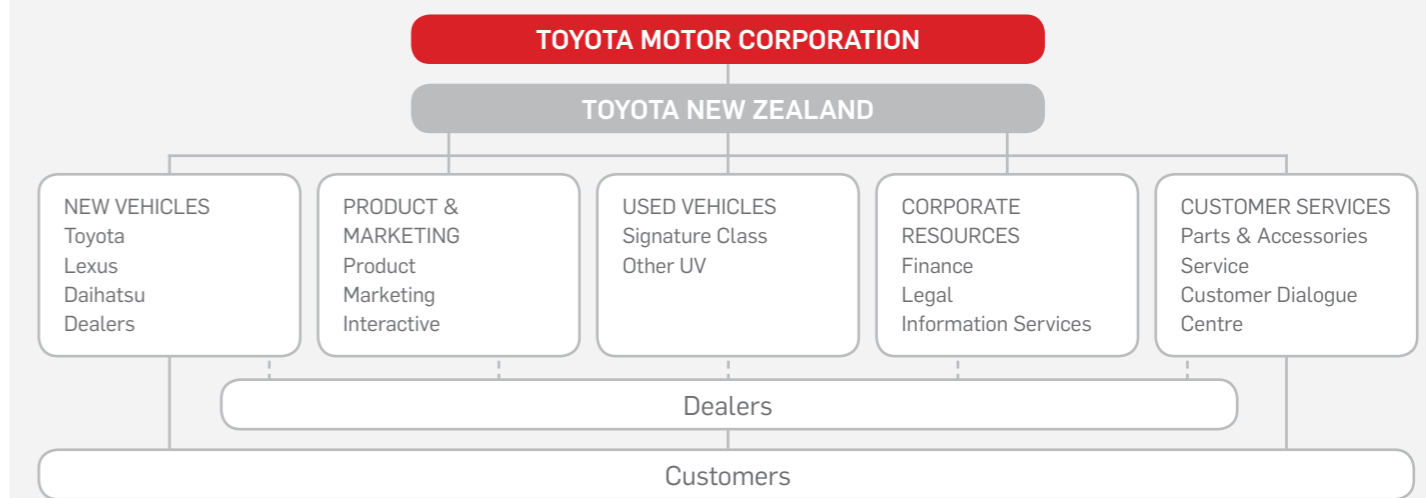
For this reason and because Toyota dealers are such an integral part of the delivery and sustainability of Toyota's business in New Zealand, this report includes commentary on dealer activities during the reporting period. However as the network is independently owned, data in this report generally excludes dealer results (unless otherwise noted).

GRI PROFILE DISCLOSURES →

- 2.2 Primary brands, products and/or services
- 2.3 Operational structure of organisation
- 2.4 Location of organisation's headquarters
- 2.5 Number of countries where organisation operates
- 2.6 Nature of ownership and legal form
- 2.7 Markets served
- 2.8 Scale of the reporting organisation

TOYOTA CORPORATE STRUCTURE →

A full analysis of Toyota New Zealand's governance and committee structure is available on the company's website www.toyota.co.nz



Our Vision & Values

Toyota New Zealand's culture and commitment to sustainable development are based on Toyota's global philosophies which are also embodied in the company's local Believe philosophies.

Toyota's Global Vision

Toyota's new global vision was launched by President Akio Toyoda in March 2011. Developed with the help of Toyota executives from around the world, it clearly outlines Toyota's desire to continue to lead into the future by developing products and services that exceed customers' expectations and make them smile:

Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. We will meet our challenging goals by engaging the talent and passion of our people, who believe there is always a better way.

Toyota's Guiding Principles

Toyota's Guiding Principles underpin its management policy for all its global operations. These principles, which were adopted in 1992 and revised in April 1997, reflect a commitment to fairness in all corporate activities, the provision of clean, safe and innovative products, and respect for the environment and culture of the communities in which it operates.

Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world.

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

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

Create and develop advanced technologies and provide outstanding products and

GRI PROFILE DISCLOSURE →

4.8 Mission and values statement, codes of conduct and principles

services that fulfil the needs of customers worldwide.

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

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

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

The Toyota Way

Toyota's Guiding Principles are supported by the Toyota Way which also guides Toyota New Zealand's activities. There are two foundation pillars of the Toyota Way: Continuous Improvement – Toyota always seeks ways to improve its business; and Respect for People – Toyota respects its people and recognises that success only comes from the efforts of individuals and through teamwork.

Believe

In May 2009, Toyota New Zealand launched its Believe branding centred around eight Believe statements which reflect Toyota's core values and culture.

Toyota's previous branding (Welcome to our World and Everyday People) celebrated New Zealand's unique country and people. This connected strongly with heartland New Zealand, and established Toyota as one of New Zealand's most trusted brands.

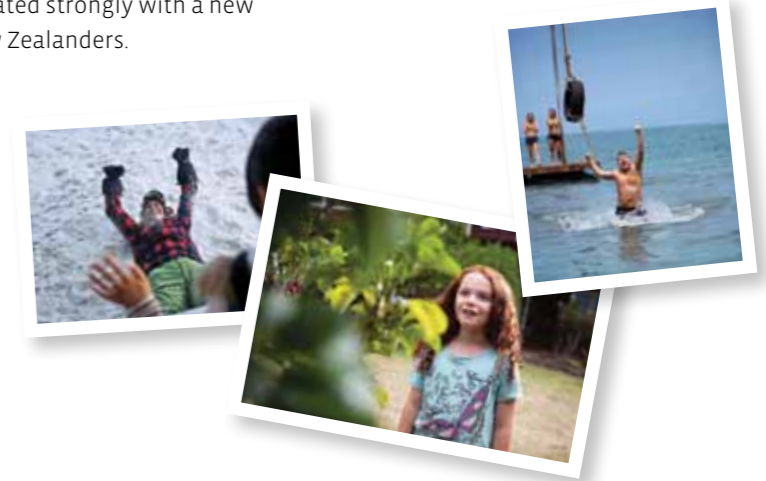
However, the face of New Zealand was changing (with growing baby-boomer and Asian populations, a huge shift from rural to urban centres and growing concerns about the environment) and it was important that Toyota's branding reflected the 'new New Zealand'. At the time, New Zealand was also in the grip of the global recession, which followed sporting disappointments at the Rugby World Cup and America's Cup, as well as the loss of Kiwi icons such as Sir Peter Blake and Sir Edmund Hillary.

The company knew the same values that drive it to keep delivering great products and services for its customers were shared by many New Zealanders, and it was important to hold these values up as a message of hope and inspiration – a much-needed reminder of the unique Kiwi spirit that gives New Zealanders the confidence to face the future and realise their dreams.

Within six months of launching Believe and barely out of the recession, Toyota had to draw heavily on those values to steer the company and customers through the Toyota global recall crisis of early 2010. In October 2010 the Believe 'Flying Fox' TV commercial was voted as the Best Ad in the annual Fair Go Ad Awards, proving Believe had resonated strongly with a new generation of New Zealanders.

We believe

- + that every day's an opportunity to improve
- + that if you can dream it you can do it
- + a better tomorrow starts today
- + in respecting others
- + in trying to make a difference
- + in working together
- + good things stand the test of time
- + in going the extra mile



THE TOYOTA WAY →

→ CHALLENGE

We form a long-term vision, meeting challenges with courage and creativity to realise our dreams

→ KAIZEN

We improve our business operations continuously, always striving for innovation and evolution

→ GENCHI GENBUTSU

We practice Genchi Genbutsu which means going to the source to find the facts to make correct decisions, build consensus and achieve goals as quickly as possible

Continuous improvement

Respect for people

→ RESPECT

We respect others, make every effort to understand each other, take responsibility and do our best to build mutual trust

→ TEAMWORK

We stimulate personal and professional growth, share the opportunities of development and maximise individual and team performance

Believe Scholarships

Toyota New Zealand established Believe Scholarships in 2009 and has so far awarded \$15,000 to New Zealanders who epitomise the Believe statements. The latest recipient is Jono Nelson, a hand cyclist Paralympics hopeful from Timaru.

learn more at → www.believe.co.nz

JONO NELSON





Stakeholder Engagement

Toyota New Zealand's stakeholders are those groups affected by, or who affect its operations. During the reporting period Toyota engaged its stakeholders in a variety of ways:

| STAKEHOLDER GROUPS | ACTIVITIES IN 2009 AND 2010 | ISSUES HIGHLIGHTED BY STAKEHOLDERS | GRI PROFILE DISCLOSURES → |
|--|---|--|--|
| CUSTOMERS There are about 710,000 Toyota, Lexus and Daihatsu vehicles on the road in NZ, and its customers range from private buyers through to large corporate and government clients. | <ul style="list-style-type: none"> Interaction through Toyota dealerships and Toyota Customer Dialogue Centre Customer satisfaction surveys for vehicle purchase & servicing with proactive follow up Mystery shopping at Toyota dealers plus dealer training to improve customer experience New Toyota dealer websites and in-dealer interactive screens to improve purchase experience | <ul style="list-style-type: none"> Global recalls & vehicle safety/quality Impact of rising fuel prices & fuel efficiency enquiries Product and range enquiries All-of-government tender opportunity | <ul style="list-style-type: none"> 1.2 Key impacts, risks and opportunities 3.5 Process for defining report content 4.13 Membership in associations 4.14 List of stakeholder groups 4.15 Basis for identification and selection of stakeholders 4.16 Approaches to stakeholder engagement 4.17 Key stakeholder topics and concerns |
| DEALERS The Toyota dealer network employs 1,449 staff across 101 sites to support customers. | <ul style="list-style-type: none"> Dealer satisfaction surveys (measuring satisfaction with Toyota NZ) Training & support programmes including competitions for dealer sales & service staff Annual Believe dealer road show (Toyota NZ CEO meeting all Toyota staff) Regular dealer CEO & sales conferences Dealer performance reviews & Annual Dealer Awards Programme Quarterly meetings with Dealer Council representatives (to discuss issues from wider dealer group) | <ul style="list-style-type: none"> Dealer cash flow & viability through recession Christchurch earthquake impact on Canterbury region Managing supply interruptions due to Japan earthquake & tsunami Dealer network renewal Dealer environmental management (Enviro-Mark® programme) | GRI PERFORMANCE INDICATOR → 505 Public policy positions and lobbying |
| EMPLOYEES Toyota NZ employs 221 staff across 3 sites to support dealers and customers in NZ. | <ul style="list-style-type: none"> Employee satisfaction surveys including NZ Best Places to Work Staff meetings including executive team and Toyota ambassadors & sponsorship partners Regular staff updates, e.g. CEO monthly update, environmental e-newsletter Regular performance reviews for all staff Regular social events for staff including fund-raising multi-days Induction process & exit interviews | <ul style="list-style-type: none"> Employee satisfaction & safety Thames environmental management Reducing emissions from operations | |
| SUPPLIERS Toyota NZ has about 900 local suppliers for goods and services. | <ul style="list-style-type: none"> Regular dialogue & contract reviews with all suppliers Annual conference/workshops with key marketing & IT suppliers Development of sustainable purchasing policy for trial in 2011 | <ul style="list-style-type: none"> Improving measurement of emissions from local freight | |
| COMMUNITY Toyota NZ and dealers are actively involved in a wide range of local community and environmental sponsorships and partnerships. | <ul style="list-style-type: none"> Regular dialogue with national Toyota NZ sponsorships, e.g. Emirates Team NZ, Parents Inc, WWF-NZ, GrassRoots Rugby Local dealer sponsorships & partnerships Believe scholarships to assist community groups & individuals Toyota NZ staff participation in local community programmes and governance Annual contributions to charitable groups Contribution to public debate on community issues independently and through industry bodies | <ul style="list-style-type: none"> Regional economic contribution Discussion with key partners to maximise their activities & objectives Increasing ambassador & sponsor engagement with staff & dealers | |
| TOYOTA MOTOR CORPORATION (TMC) AND SHAREHOLDERS Toyota NZ is 100% owned by TMC based in Japan. | <ul style="list-style-type: none"> Regular visits, meetings and dialogue on product, sales & marketing Participation in special quality forums/meetings relating to recalls Toyota NZ Executive participation in global TMC committees | <ul style="list-style-type: none"> Managing global recall crisis & local response Developing new Toyota Global Vision | |
| INDUSTRY GROUPS & GOVERNMENT Toyota NZ is a member of a number of industry groups. | <ul style="list-style-type: none"> Active member of NZ Business Council for Sustainable Development, Business NZ (Major Companies Group), Motor Industry Association, EMA Project funding partner for NZBCSD Energy 2050 project & freight logistics project Regular dialogue with key government ministers and staff Supplier to a large number of central & local government bodies | <ul style="list-style-type: none"> Wider impact of Japan disasters Motor industry response to Emissions Trading Scheme Product responsibility, including vehicle recyclability | |

Material Issues for 2011 Sustainability Report

Material issues were identified through regular stakeholder engagement throughout the reporting period, and additional interviews in 2011 with representatives of the following stakeholder groups: Customers, Dealers, Employees, Community.

Stakeholders were asked for their views on the 2009 report's content and format. They were also asked what issues they thought should be reported on in 2011. The company considered the issues raised by the stakeholders as well as wider industry and regulatory issues in the context of the level of impact/risk on the company (financial or reputational), and the level of influence the company has over the issue. The company has focussed the content of this report on the issues with high risk/impact and high ability to influence.

GRI PROFILE DISCLOSURE →

- 1.2 Key impacts, risks and opportunities
- 3.5 Process of defining report content
- 4.16 Approaches to stakeholder engagement
- 4.17 Key stakeholder topics and concerns

| | | LEVEL OF INFLUENCE | | |
|-----------------|--------|--|---|--|
| | | LOW | MEDIUM | HIGH |
| IMPACT/ RISK | LOW | <ul style="list-style-type: none"> • Christchurch earthquakes • Product responsibility • Vehicle safety ratings | <ul style="list-style-type: none"> • Assistance for dealers affected by earthquakes | <ul style="list-style-type: none"> • Reduction of emissions from Toyota vehicles and operations • Community partnerships • Stakeholder engagement |
| | MEDIUM | <ul style="list-style-type: none"> • Fuel prices • Vehicle recyclability including hybrid batteries • ETS, including Synthetic Greenhouse Gasses • CO₂ emissions from international freight | <ul style="list-style-type: none"> • Regional economic influence • CO₂ emissions from local freight • Fuel efficiency, electric/ hybrids technology (fossil fuel shortages) | <ul style="list-style-type: none"> • Product diversity (including Lexus, Daihatsu, Signature Class, After Sales) • Dealer environmental management • Thames facility environmental management • Employee satisfaction • Health and safety |
| | HIGH | <ul style="list-style-type: none"> • Recession • Japan quake and tsunami • Global recalls | <ul style="list-style-type: none"> • All-of-government tender | <ul style="list-style-type: none"> • Dealership viability • Local recall response (customers & media) |

■ Economic issue ■ Environmental Issue ■ Social Issue

Stakeholders highlighted a number of general reporting improvements, many of which have been implemented:

- Inconsistency in data periods reported (mix of calendar and fiscal year data)
- Include medium and long-term performance targets and reporting on progress towards achieving them
- Include Toyota New Zealand's Environment Policy

Stakeholder feedback was also used as an input to the company's wider sustainability strategy development.

Material Impacts & Challenges (by division)

GRI PROFILE DISCLOSURE →

1.2 Key impacts, risks and opportunities

Toyota New Zealand's operating divisions experience challenges and opportunities which positively and negatively impact on the company's sustainable development.

| | IMPACTS | CHALLENGES | RESPONSIBILITIES |
|--------------------------------|---|--|--|
| HEAD OFFICE (PALMERSTON NORTH) | <ul style="list-style-type: none"> • Significant contributor to New Zealand and Manawatu economy, employment and community • Main environmental impact: consumption of energy (power and gas), fuel (staff vehicles), water, packaging, emissions linked to staff air travel • New Zealand's largest car company, credible lobby voice for industry and national policy change | <ul style="list-style-type: none"> • Addressing the end-of-life recyclability of one in four vehicles on New Zealand roads • Addressing environmental impact of large vehicles • Quality and recall issues • Fluctuating New Zealand exchange rate | <ul style="list-style-type: none"> • Ensure the safety and quality of Toyota vehicles • Maintain retail sales and service structure across New Zealand • Develop partnerships which support New Zealand community • Ensure responsible employment practises |
| NEW VEHICLES | <ul style="list-style-type: none"> • New vehicles contribute revenue of \$603 million • Main environmental impacts: fuel consumption and emissions; end-of-life disposal; emissions from shipping to New Zealand and distribution | <ul style="list-style-type: none"> • Supply problems caused by the Japan earthquake and tsunami • Trend to smaller cars, reducing profit per vehicle • Competition from emerging low-price brands • Models towards end of life cycle | <ul style="list-style-type: none"> • Provide safe and environmentally low impact vehicles (variety of options) • Respond to any safety issues in a timely way |
| USED VEHICLES (THAMES PLANT) | <ul style="list-style-type: none"> • Contributes revenue of \$113 million and employs 64 people • Main environmental impacts: Importation contributes emissions from international shipping and local distribution; refurbishment involves paints, solvents and air emissions; energy use (gas and electricity); water use | <ul style="list-style-type: none"> • Competition from independent Japanese imports • Competition from online traders | <ul style="list-style-type: none"> • Provide used vehicles which are safe and refurbished to a satisfactory quality standard • Import vehicles which are accessible for all drivers (mobility vehicles) • Ensure the Thames plant has no impact on the Ramsar Convention wetland next to the site • Safety of workers in the Thames plant (hazardous substances, industrial accidents) |
| CUSTOMER SERVICES | <ul style="list-style-type: none"> • Contributes revenue of \$111 million • Main environmental impacts: packaging waste; emissions from parts importation and distribution; power use | <ul style="list-style-type: none"> • Competition from after-market competitors • Supply problems caused by Japan earthquake and tsunami | <ul style="list-style-type: none"> • Customer service through the supply of parts, and the availability of qualified technicians • Safety of warehouse staff • Environmentally responsible disposal of packaging waste |

Economic Performance

TOYOTA NEW ZEALAND AND THE TOYOTA DEALER NETWORK MAKE A SIGNIFICANT CONTRIBUTION TO THE REGIONAL ECONOMIES AND COMMUNITIES IN WHICH THEY OPERATE, INCLUDING DIRECT AND INDIRECT EMPLOYMENT, SUPPORTING LOCAL SUPPLIERS AND COMMUNITY ORGANISATIONS, CAPITAL INVESTMENT AND PAYMENT OF TAXES.



Economic Management & Results

GRI PERFORMANCE INDICATOR →
EC1 Direct economic value generated and distributed

Policy & Objectives

In New Zealand the company's key economic objectives are:

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

Management Approach

The company's approach to managing economic sustainability includes:

- Business planning – the company's Finance team is responsible for developing 5 year strategic plans and annual operating budgets with the executive team in consultation with TMC
- Financial reporting – a comprehensive management 'key factor' report is reviewed at monthly Executive Committee meetings and reported to TMC, as well as to the company's Board of Directors meetings every six months
- Dealer support and consultation – the company's Franchise Development team works with dealers throughout the year to provide assistance, training and advice on all areas of their business including financial performance.
- Dealer performance reviews – dealer performance against franchise standards is reviewed on an annual basis and every 3-5 years as part of the dealers' franchise agreement review. The company has an annual Dealer Awards programme to recognise and reward top performing dealers.
- Dealer Workgroups – a number of workgroups including Toyota New Zealand and Toyota dealer staff were established in early 2009 to work together on key franchise issues and renewal projects.

Goals & Performance

| | Last Year | | | Next Year | Previous Years | |
|--|-----------|-----------|----------|--------------|----------------|--------------|
| | Target | Actual | Achieved | y/e Mar 2012 | y/e Mar 2010 | y/e Mar 2009 |
| New Vehicle Retail Sales Volume (Toyota NZ & Dealers) | | | | | | |
| Toyota passenger | - | 13,272 | - | - | 11,010 | 13,640 |
| Toyota commercial | - | 5,829 | - | - | 4,883 | 5,632 |
| Lexus | - | 434 | - | - | 388 | 411 |
| Daihatsu | - | 165 | - | - | 233 | 1,331 |
| Total | - | 19,700 | - | - | 16,514 | 21,014 |
| Toyotas in the top 15 selling vehicles* | - | 6 | - | - | 5 | 4 |
| Toyota share of new car market (incl. Lexus)* | 22.3% | 22.9% | ✓ | 21.0% | 22.3% | 22.5% |
| Used vehicle sales volume | 4,374 | 4,593 | ✓ | 4,336 | 4,262 | 4,309 |
| Net revenue | \$737.0 m | \$826.5 m | ✓ | \$751.0 m | \$725.5 m | \$775.0 m |
| Operating profit (EBITE) | \$6.2 m | \$12.0 m | ✓ | \$5.0 m | \$12.0 m | \$9.3 m |
| Net profit after tax | \$0.0 m | \$(0.4) m | ✗ | \$1.4 m | \$4.5 m | \$2.8 m |
| Capital expenditure | \$4.0 m | \$2.5 m | - | \$6.5 m | \$2.0 m | \$4.6 m |
| Total assets | - | \$270.5 m | - | - | \$253.1 m | \$243.4 m |

* Data shown is for calendar years ending December 2008, 2009 and 2010

As highlighted earlier in the report, this data relates to Toyota New Zealand's activities only (except retail sales). The global economic recession had a substantial impact on Toyota New Zealand's sales and revenue mainly in the year ending March 2010, however careful management of controllable costs saw profit actually increase over the previous year. Sales volumes recovered in the year ending March 2011, and while the global recall issues which emerged that year represented a reputational risk they had no financial impact. The disasters in Christchurch and Japan in late 2010 and early 2011 and the subsequent supply interruptions are expected to have an impact on sales and profit in the year ending March 2012, and the company will work closely with its suppliers, dealers and customers to minimise the impacts. The company returned 100 per cent of profit after tax for the reporting periods to its shareholder, Toyota Motor Corporation Japan, as dividends (in the year following) meaning no economic value was retained.

Contribution to Regional Economies

GRI PERFORMANCE INDICATOR →

- EC1 Direct economic value generated and distributed
- EC6 Locally based suppliers
- EC7 Procedures for local hiring

Toyota New Zealand has been a significant contributor for many years to the wider New Zealand economy as well as the regional economies of Palmerston North and Thames where the company is based.

Palmerston North: National Customer Centre

Toyota has been operating from its Palmerston North site since 1977, initially purchased as a parts distribution facility. In 1992, all of Toyota's after-sales functions (including service, training and a new customer service operation) were added to the site and it was renamed the National Customer Service Centre, focused on better serving the needs of Toyota New Zealand customers. In 1998, the company also consolidated its sales and corporate functions on the site and it was re-named the National Customer Centre. The current operation in Palmerston North employs 142.2 staff, with a significant proportion of its expenditure (personnel costs and purchased services) going directly into the local economy.

Thames: Used Vehicle Refurbishment and New Vehicle Logistics

The Thames assembly plant began assembling Corollas in 1968 on a contract basis to the company. In 1977, the plant was purchased by Toyota New Zealand and assembly expanded over time to include a wide range of other models. At its peak in the 1990s, the plant employed about 380 people producing about 15,000 units per year, and its production quality was widely recognised and awarded. In 1998, the Government's open-market policies spelled the end of local production as tariffs on imported vehicles were removed, and the Thames plant was re-purposed as a used vehicle refurbishment plant. The plant now employs 64 staff primarily involved in refurbishing used cars under the company's Signature Class brand, as well as fitment of audio and accessories on new Hilux vehicles.

Toyota contribution to New Zealand economy

In the year ending March 2011, the company spent just under \$236 million locally for stock and component purchases, an increase of 40 per cent on the previous year where vehicle volumes were adversely affected by the recession. In addition, the company contributed \$63.4 million to the New Zealand economy on local operating costs/expenditure and taxes as follows in the table below. While there is no explicit requirement to purchase locally, the ability of suppliers to support and respond quickly to the company's needs in each location is a key consideration in purchasing decisions (as well as other criteria such as cost and environmental performance). Similarly, there is no explicit requirement to recruit or hire locally, however commitment to the local area is a key consideration in recruitment decisions at all levels.

| | y/e Mar 2011 | y/e Mar 2010 |
|-------------------------------|----------------|----------------|
| Distribution costs | 10.0 | 8.9 |
| Employee wages and benefits | 10.5 | 8.7 |
| Marketing & communications/IT | 15.9 | 15.2 |
| Community sponsorships | 2.9 | 0.5 |
| Purchased services | 1.6 | 1.8 |
| Interest/financing | 3.4 | 4.0 |
| Local taxes | 9.0 | 3.4 |
| All other costs/expenses | 10.1 | 7.4 |
| TOTAL | \$63.4m | \$50.0m |

Product diversity

During the reporting period, a paradox emerged in the New Zealand vehicle market. Though generally there is a consumer trend towards smaller, more fuel-efficient vehicles – a response to permanently higher fuel prices – the sports utility vehicle (SUV) segment continued its rise in popularity during the period.

In 2010, the SUV was the fastest growing segment in the vehicle market. NZ Transport Agency data shows that in 2010 the SUV segment grew 49 per cent on 2009 to account for 19.3 per cent of all new vehicle sales in New Zealand, just behind the ever popular Small/Medium category with 20.4 per cent.

Toyota believes SUVs became a top choice for customers in the tough economic climate of 2009/10 because they provided a one-vehicle option which covered multiple uses for families.

Many SUV models are also available in diesel, which is still relatively attractive against petrol even after taking road user charges into account.

Toyota's broad SUV range performed strongly in the growing SUV segment, with Toyota SUV sales growing 70 per cent on

2009. Toyota led the segment in 2010 with a share of 23.2 per cent. Toyota's RAV4 was the top selling SUV in 2010, and was supported well by the new model Highlander and the Land Cruiser range which celebrates its 60th anniversary in 2011.

In the two reporting years, Toyota New Zealand had the top-selling passenger vehicle (Corolla) and the top selling commercial vehicle (Hilux).

Toyota offers a range of premium used vehicles under its Signature Class and Sold By Toyota (SBT) brands, including Signature Class mobility vehicles for people with disabilities and mobility challenges. These vehicles are supplied from Japan with a variety of options such as wheelchair lifts and ramps, a mobility seat for drivers and a mobility chair for passengers, or an integrated electric wheelchair.

GRI PROFILE DISCLOSURE →

2.7 Markets served



| SEGMENT | MARKET | | TOYOTA NZ | |
|---------------------|--------------------------|--------------------------------------|---------------------------|--------------------------------------|
| | SIZE OF SEGMENT 2010 (%) | CHANGE IN SALES VOLUME 2009→2010 (%) | SHARE OF SEGMENT 2010 (%) | CHANGE IN SALES VOLUME 2009→2010 (%) |
| Mini | 0.5 | 25 | 0.0 | 0 |
| Small | 12.5 | -1 | 13.0 | -7 |
| Small/medium | 20.4 | 8 | 32.2 | 2 |
| Medium 4 | 9.4 | 13 | 20.4 | 17 |
| Medium 6 | 1.2 | -23 | 53.4 | -14 |
| Large | 6.5 | 2 | 0.0 | 0 |
| Luxury | 5.9 | 11 | 8.6 | 5 |
| Sports | 0.8 | 10 | 0.0 | 0 |
| SUV | 19.3 | 49 | 23.2 | 70 |
| MPV | 0.6 | 14 | 44.6 | 108 |
| Small Van | 0.2 | 1 | 0.0 | 0 |
| Van | 5.5 | 17 | 39.2 | 31 |
| Light Truck 4x2 | 5.3 | 14 | 24.9 | 9 |
| Light Truck 4x4 | 9.3 | 33 | 37.3 | 26 |
| Heavy Truck | 2.8 | -7 | 0.0 | 0 |
| TOTAL MARKET | 100.0% | 15% | 22.9% | 18.0% |

Spotlight on:

Christchurch / Japan earthquakes

The earthquake and tsunami which hit the east coast of Japan in March 2011 was a great tragedy for that country, and the thoughts and prayers of all New Zealanders went out to those affected in Japan.

Although the immediate effects of the events in Japan on Toyota New Zealand's operations were not clear at the end of the reporting period, it has become clear since then that the disaster will have significant impact on Toyota's global production and sales within 2011.

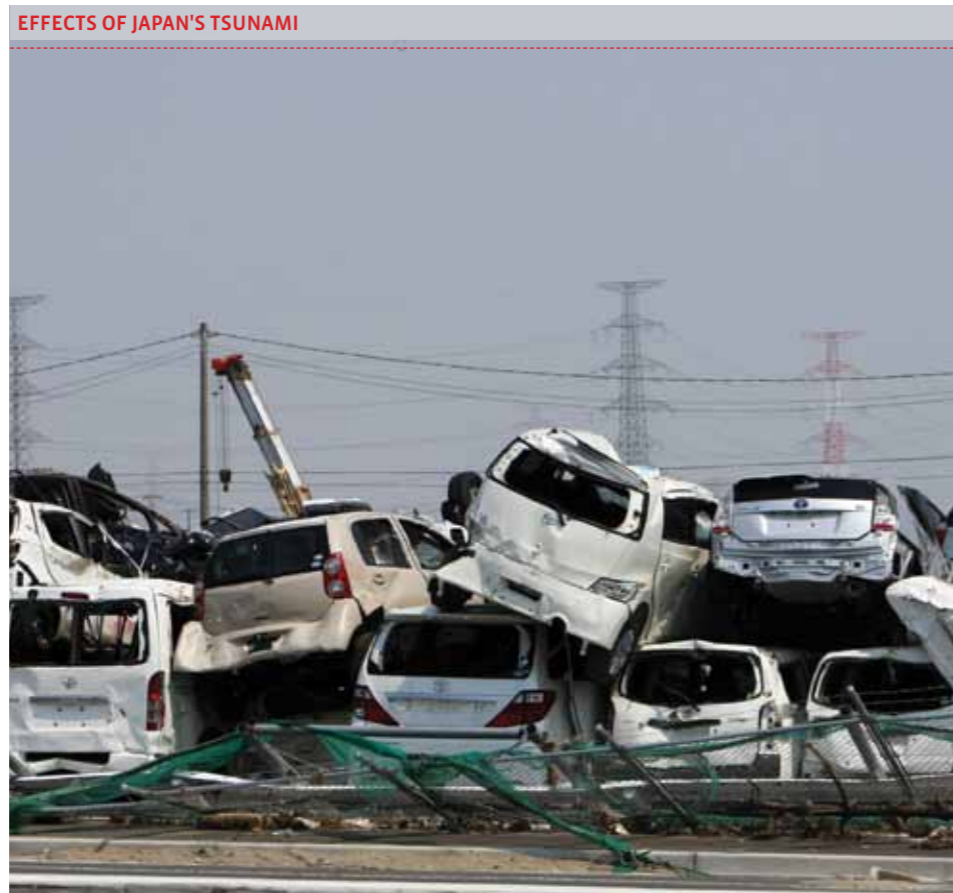
Toyota Motor Corporation's plants were largely undamaged by the earthquake and tsunami, however subsequent power black outs affected production.

More critically, there was massive damage to suppliers' factories which were based in one of the worst affected areas, Tohoku. These suppliers provide high-tech components for many Toyota vehicles, including key models for the New Zealand market produced in Thailand and Australia.

Toyota Motor Corporation began working with suppliers and local authorities immediately to assist recovery and rebuilding efforts, giving ¥300 million (NZ\$4.3 million) as well as re-assigning 1000 staff to assist key suppliers.

At the time of printing this report, initial concerns that vehicle production may not return to normal levels until the end of 2011 had subsided. Production in most countries returned to near normal levels by the end of June 2011. The overall impact on Toyota's global production will be a reduction of about one million units (from about nine million to eight million) which is likely to cost Toyota global sales leadership in 2011.

In New Zealand, Toyota anticipates retaining market leadership for the 24th consecutive year, although the



supply interruptions will mean the gap to competitors will be smaller than in previous years. The company worked closely with dealers and customers to ensure stock was available to meet customer demand through the leaner stock months of June and July 2011. The production and supply of spare parts was less affected by the Japan disasters, although Toyota managed the situation to ensure parts were supplied to priority cases identified by dealers.

Closer to home, the Christchurch quake of 22 February had a direct effect on the Toyota team in Canterbury, which consists of two Toyota dealers (Miles Toyota and Rangiora Toyota which operate several branches in and around Christchurch), and two Toyota Finance staff based in Central Christchurch.

The emphasis in the immediate aftermath was providing any support necessary for the wellbeing of Toyota staff and families, many of whom sustained property damage



and others who were more directly affected by the tragic loss of life.

Both Miles and Rangiora Toyota sustained damage to some of their sites. Rangiora's Kaiapoi branch suffered only minor damage and was re-opened within a week, while Miles Toyota's central city site was more heavily damaged but was up and running within four weeks, operating in the interim out of their second site in Riccarton.

Many dealership staff were involved in supporting the recovery efforts in some

way, and Miles Toyota provided a 24-hour shuttle service for rescue staff in an out of the CBD, as well as helping to relocate campervans used by the rescue teams.

Toyota New Zealand's focus then moved quickly to ensuring the short-to medium term viability of the dealerships. Toyota reduced the dealerships' sales targets, and provided other financial assistance as required to assist dealers. The company also contributed directly to the relief fund and participated in fundraising events and

GRI PROFILE DISCLOSURE →
1.2 Key impacts, risks and opportunities



auctions, making a total contribution of about \$100,000, which included a Lexus CT200h prize vehicle for the Radio Network/Trade Me charity auction.

In a wider context, the Canterbury region's transport infrastructure will need to be rebuilt, and so the disaster has provided a unique opportunity to do this from scratch. Toyota New Zealand chief executive Alistair Davis offered his vision and advice as part of a high-level business forum with local business and municipal leaders about how the city's transport infrastructure could look in 20 to 30 years.

Out of respect for those affected by the quake, Toyota's 'Top to Bottom' expedition celebrating the 60th anniversary of Land Cruiser which had begun a day before the disaster – was postponed until May 2011. Although the company received some suggestions that the trip should continue as a fundraising event, the overwhelming feedback from customers, dealers and the wider public was that postponing the trip was the most appropriate decision.

Fuel prices

Fuel prices have a direct and material effect on the New Zealand economy and Toyota New Zealand's business, and were a significant factor in the reporting period.

Fuel prices reduced during 2009, but steadily increased throughout 2010. In March 2011, the price of 91 octane petrol matched the record price in New Zealand (previous record set in July 2008). The price of diesel was approaching record levels, nearly double what it was at the start of the reporting period.

Some of the impact was due to the Emissions Trading Scheme. From July 2010, fuel importers had to pay for the emissions likely to result from the fuel's use, which added about three cents a litre to the price at the pump.

During the transitional phase of the ETS, from 1 July 2010 to 31 December 2012, a 50 per cent obligation applies, with participants being required to surrender one emissions unit for every two tonnes of carbon dioxide equivalent (CO₂-e) emissions that are estimated to result from the use of the transport fuels that they sell in New Zealand.

An effective price cap is also in place, with participants able to pay the Government a fixed price of \$25 to acquire two tonnes of these emissions, rather than purchasing other types of eligible emissions units at market prices.

The increase in Goods and Services Tax from 12.5 to 15 per cent in October 2010 was also a factor. But the relative strength of the New Zealand dollar against the US dollar helped shield local consumers from some rises in the international price of oil due to political instability.

Toyota New Zealand believes there is a tipping point of about \$2 a litre for 91 octane when New Zealand drivers begin to change their habits. They seek alternative commuting methods, such as public transport and car pooling, and also consider purchasing more fuel-efficient vehicles.

The market showed a paradox in the growth of the relatively fuel-thirsty SUV vehicle market, but this more reflects the trend towards SUVs as family vehicles to replace station wagons.

Toyota New Zealand CEO Alistair Davis believes a higher fuel price is a key element in moving the country towards recognising the true cost of its emissions and moving consumers towards a more sustainable transport mix. Toyota has lobbied the Government to consider measures such as differential vehicle licensing costs – those with larger engines would pay more – and regulations to encourage the removal of older vehicles from our roads.

Toyota New Zealand through the Motor Industry Association made a submission to the ETS review panel which began assessing the scheme in January 2011. It advocated improving the carbon footprint for the motor vehicle fleet by reflecting the real cost of carbon in fuel prices.

Alistair Davis says: "It may seem odd for a motor vehicle manufacturer to make this call, but part of Toyota's vision is to try to enrich the lives of all people while also respecting the planet. In the short term, hiking the price of petrol and penalising buyers of large vehicles is likely to make

GRI PROFILE DISCLOSURE →

1.2 Key impacts, risks and opportunities

GRI PERFORMANCE INDICATORS →

EC2 Financial implications of climate change

SO5 Public policy positions and lobbying

it harder for Toyota to succeed, given the importance of sales of larger vehicles to our business and the profitability of the dealer network. But it is necessary for the company to be sustainable in the long term. As a country and as a planet we need to reduce fuel consumption and lower emissions, so let's get on with it".

Toyota has a firm belief that hybrid technology is the immediate to mid-term answer to sustainability in the passenger transport sector. It offers a range of hybrid vehicles, with more launched each year. The next decade will see a huge uptake of hybrid vehicles. Whereas electric vehicles will find a place for drivers in central urban areas, most people will use hybrids for regular driving involving anything but short distances.



National Fleet sales

Toyota New Zealand has a dedicated sales team to serve the needs of national fleet customers which account for a significant proportion of sales.

GRI PROFILE DISCLOSURE →

2.2 Primary services

The New Zealand car market is broadly segmented into private customers and fleet or business customers. The Toyota dealer network serves the needs of private and small/medium fleet customers, while Toyota New Zealand's National Fleet sales team based in Auckland are responsible for larger fleet customers, with support from dealers on vehicle delivery and after sales service.

Toyota National Fleet's sales team of five staff deal with four key sectors, which account for about 45 per cent of Toyota New Zealand's annual vehicle sales:

- Vehicle lease companies
- Vehicle rental companies
- Large corporates with more than 100 vehicles
- Government departments and companies.

During the recession, the Toyota National Fleet sales team worked closely with fleet managers to provide options to companies under pressure – many extended their lease periods from 36 months to the maximum allowed under New Zealand taxation law, which is 45 months. They also worked with customers to manage the impact of the current production and stock shortages, not having the usual levels of inventory to draw on to meet customers' needs.

The Toyota National Fleet sales team's approach is to provide transport solutions for customers. Each customer has a dedicated Toyota account manager who

works with them on vehicle purchases as well as following up any post sale issues with Toyota's after sales support teams. Toyota is able to supply all accessories and sign-writing required at its operations in Thames or Mt Richmond (Auckland).

In 2010, the Government went through an All-of-government tender process for its vehicle fleet. Toyota has been the leading supplier to the Government's vehicle fleet for more than 20 years – supplying about a third of all vehicles in that time.

Crucially, Toyota was successful in having a vehicle selected in 11 of the 12 All-of-government tender categories – from small car to minibus – which make up the 18,000 fleet and is confident it will maintain its significant level of sales to government in future.

T3, ONE OF THREE LAND CRUISER 'TROOP CARRIERS' USED BY ANTARCTICA NEW ZEALAND AT SCOTT BASE, WITH BROODING MT EREBUS IN THE BACKGROUND. PHOTO: STEVE WILLIAMS, SCOTT BASE WINTER ENGINEER



Toyota Dealer Viability

BLenheim TOYOTA



SOUTH CANTERBURY TOYOTA



HAWKE'S BAY TOYOTA



GILTRAP CITY TOYOTA, AUCKLAND



GWD TOYOTA, GORE



MANAWATU TOYOTA, 2010 DEALER OF THE YEAR



PRESCOTT TOYOTA, OTOROHANGA



NORTHLAND TOYOTA



NORTH OTAGO MOTOR GROUP



Toyota has a wide network of independently owned franchise dealers to service the needs of private and business customers. There are 31 dealers operating about 100 sites across New Zealand. Toyota New Zealand works closely with dealers throughout the year regarding their sales performance, customer satisfaction, and financial and environmental performance. Many dealers are involved in local community sponsorships as well supporting national partnerships established by Toyota New Zealand.

The issues faced by dealers within the reporting period (recession, recalls and natural disasters) have proved their resilience, and the strength of the relationship and communication with Toyota New Zealand during difficult economic times.

The company's Franchise Development team worked closely with dealers to provide assistance and guidance through the recession where a 30 per cent reduction in new vehicle volumes forced many dealers to restructure their sales teams. The interruption to the supply chain following the Japan earthquake and tsunami in March 2011 also required strong communication and support between the company and its dealers.

Dealership Viability



Debbie Hart,
Manawatu Toyota

DEBBIE HART – CEO, MANAWATU TOYOTA



A FAMILY CULTURE, LITERALLY AND FIGURATIVELY, IS THE KEY TO MANAWATU TOYOTA'S SUCCESS, WINNING DEALER OF THE YEAR AND THE PRESIDENT'S TROPHY FOR CUSTOMER SERVICE AT TOYOTA'S ANNUAL DEALER AWARDS FOR 2010 – THE FIRST DEALERSHIP EVER TO RECEIVE THE TWO TOP HONOURS IN THE SAME YEAR.

Dealer of the Year is presented to the dealership which achieves overall excellence in all areas of the dealership, maintains market leadership and has first-class dealership facilities.

Debbie Hart, CEO, and her husband Brendon, General Manager, bought Manawatu Toyota in 2004, and added the TRC Toyota dealerships in Feilding, Masterton and Levin in June 2010. Brendon's brother Fraser is a shareholder and manages the new and used vehicle divisions.

It was a tough time to make an acquisition, with New Zealand still in recession. Debbie Hart says Manawatu Toyota's profit in the 2010/11 year was down on the previous period, mainly due to a particularly tough final quarter in 2010.

Toyota New Zealand reduced its dealer sales targets in response to the recession, and Debbie Hart says an open line of communication about the dealership's financial situation during that period was key.

Debbie Hart says Manawatu Toyota's team of 79 has a total focus on customer service, from the moment customers walk on to the yard, to ensuring any after sales issues are sorted out efficiently. Many of the team have been at the dealerships for a long time, bringing irreplaceable knowledge.

"In a tough market there are always sales opportunities, even though there may not be as many as in a good market. The important thing is to have a team culture where you believe you are going to sell a vehicle today.

"With any sales business, there are always ups and downs. You have to get used to, and plan for that. But you expect to see the 'back end' parts and service, which is the most profitable part of the business, produce an even or growing revenue stream. This was hit hard in the last year."

The recession meant many customers delayed regular servicing, pushing the timeframe out to about 18 months instead of annually.

Debbie Hart says high returns for dairy, sheep and beef farmers led a recovery in the first quarter of 2011.

Manawatu Toyota has some close community links. Its main sponsorship is of the Palmerston North Rescue Helicopter.



Manawatu Toyota



Photograph courtesy of Leigh Dome



Photograph courtesy of Leigh Dome

Environmental Performance

TOYOTA'S ENVIRONMENTAL ACTIVITIES COVER THE COMPLETE LIFECYCLE OF VEHICLES FROM DESIGN THROUGH TO END OF LIFE. ENVIRONMENTAL CONSIDERATIONS AND TARGETS FOR MATERIALS, RECYCLABILITY, FUEL EFFICIENCY AND EMISSIONS ARE INTEGRATED FROM THE EARLY DESIGN STAGES. ALL CARS ARE MANUFACTURED OVERSEAS IN FACILITIES WITH ADVANCED ENVIRONMENTAL PERFORMANCE AND PROCESSES (ALL TOYOTA PLANTS ARE ISO14001 CERTIFIED).



GRI PERFORMANCE INDICATORS →

- EN6 Initiatives to provide energy efficient products
- EN7 Initiatives to reduce energy consumption
- EN8 Total water withdrawal by source
- EN16 Total greenhouse gas emissions
- EN17 Other indirect greenhouse gas emissions
- EN18 Initiatives to reduce greenhouse gas emissions
- EN29 Impacts from transport

Environmental Management & Results

Policy & Objectives

In New Zealand the company's key environmental objectives are:

- Measure and reduce the company's energy and water usage, waste and emissions
- Measure and reduce emissions from local freight and logistics
- Improve the environmental management and practices at Toyota dealers
- Support local environmental partners (e.g. WWF-NZ and the Sustainable Business Network)
- Leadership in motor industry forums to advance environmental issues
- Local testing of new initiatives and products (e.g. plug-in Prius trial with Massey University)

A full copy on the company's environmental policy is included in the supplementary web content (see page 52).

Management Approach

The company's approach to managing environmental sustainability includes:

- Dedicated resources – full time environment officer responsible for implementing plans and activities, plus manager responsible for environment
- Environment Executive Committee – executive review and governance at bi-monthly meeting
- Dealer Workgroup – new workgroup established with dealer CEOs to collaborate on dealer activity
- Five year and annual plans – including annual objectives, targets and reporting
- External certification for emissions measurement and reduction (CEMARS® and carbonZero)
- External EMS certification – for Toyota NZ and dealers (ISO14001 and Enviro-Mark® NZ)
- Assisting dealers with environmental management and certification
- Environmental partners – working with partners to support their objectives and activities
- Training & communication – environment newsletter to staff, June environment month including special staff meeting focus, environment section in Toyota staff magazine

Goals & Performance

| | Last Year | | | Next Year | Previous Years | |
|--|---------------------------|--------------|----------|--------------|----------------|--------------|
| | y/e Mar 2011 | | | y/e Mar 2012 | y/e Mar 2010 | y/e Mar 2009 |
| | Target | Actual | Achieved | Target | Actual | Actual |
| Operational emissions (tCO₂e) | | | | | | |
| Gas & electricity use | 688 | 657 | ✓ | 624 | 724 | 890 |
| Domestic air travel | 536 | 605 | ✗ | 575 | 564 | 462 |
| International air travel | 496 | 438 | ✓ | 416 | 522 | 167 |
| Sub-total | 1,720 | 1,700 | ✓ | 1,615 | 1,810 | 1,519 |
| Waste to landfill | - | 1,147 | - | 1,090 | - | - |
| Total | - | 2,847 | - | 2,705 | | |
| Local logistics emissions (vehicles) | | | | | | |
| Road – total (tCO ₂ e) | 1,699 | 1,796 | ✗ | 1,678 | 1,775 | 2,010 |
| Road – per unit sold (kgCO ₂ e) | 71 | 70 | ✓ | 66.5 | - | - |
| Shipping – total (tCO ₂ e) | - | 355 | - | - | - | - |
| Overseas shipping – vehicles (tCO ₂ e)* | - | 2,373 | - | - | 1,770 | 4,356 |
| Water use (m ³) | - | 5,105 | - | 4,850 | 5,186** | 6,029 |
| Packaging purchased (kg) | - | 60,626 | - | 59,413 | - | - |
| Enviro-Mark® certification† | | | | | | |
| Toyota NZ | Gold | Completed | ✓ | Diamond | N/A | N/A |
| Dealers | 100% of sites audit ready | 98.5% | ✗ | Silver/Gold | N/A | N/A |
| ISO14001 certification | | | | | | |
| Toyota NZ (Thames/Used Vehicles) | Maintain | Completed | ✓ | Maintain | ✓ | ✓ |

* While the company has minimal influence or control over overseas freight emissions, they are measured to understand the upstream emissions from its local operations. Emissions from overseas shipping are dramatically affected by the volume of UK manufactured Avensis wagons imported.
 ** Some months estimated due to faulty water meter at Palmerston North site
 † Enviro-Mark levels: Bronze, Silver, Gold, Platinum, Diamond.

Q&A with Dave Rhodes-Robinson (MANAGER MARKETING & ENVIRONMENT)

How has Toyota New Zealand's environmental reporting matured since the last report in 2009?

There's been a real emphasis on moving towards fully comprehensive carbon reporting, and we've made significant progress. We are now able to calculate the emissions caused by getting new vehicles from overseas manufacturing points to New Zealand. We have also put a system in place to measure the amount of synthetic greenhouse gases in AC units of vehicles and parts, to meet the requirements of the ETS.

What were other highlights from an environmental perspective?

Being involved in the Plug-in Prius global trial in partnership with Massey University was a real highlight. The 'green' features of the refurbished Lexus of Auckland City building show the way forward for future dealership buildings. And the Energywise Rally success showcased our hybrid technology in real-world conditions. Our staff vegetable garden has continued to be hugely popular.



LIZ KING AND HER SON CONNOR WILSON IN TOYOTA'S PALMERSTON NORTH STAFF GARDEN

In the 2009 report Toyota stated it would provide its dealer network with a framework for improving environmental management. How has that progressed?

After running an in house self assessment programme for many years, we chose Enviro-Mark® external certification to help dealers to assess and improve their environmental activities. We held a training workshop in November 2010, which all dealers attended, and all were ready to be audited for certification at either Bronze, Silver or Gold level by the end of the reporting period. (See case study p26). Getting our dealer network externally certified means our entire supply chain from overseas plants through to local dealers is following global best practise.

Were there any areas where Toyota New Zealand didn't make progress against its environmental targets this period?

While we achieved our overall operational emissions target our local air travel was up significantly. The well-documented recall issues during the period meant executives were called to overseas meetings, and key technical staff were traveling more often to assist local customers and dealers. However this was critical to quickly reassure customers and rebuild confidence in our brand.

What are you doing about that?

To some extent, this was a one-off. But we are looking at ways in which particularly the local travel can be reduced in future, including more use of our video conferencing facilities.



DAVE RHODES-ROBINSON

What are the key next steps as you look to further improve your environmental management?

Now that we can measure our emissions from vehicle importation and distribution, we have set a five per cent reduction target. We want to be able to measure the emissions from freighting parts to New Zealand, and in the next year we will work out a system for doing that so we can set a reduction target for the 2012/13 year.

Has Toyota's product offering during the period reflected a focus on sustainability?

During the reporting period, we launched four new petrol-electric hybrid models with seven model variants. These included the third generation Prius, Camry Hybrid, and the Lexus CT200h, the world's first hybrid luxury compact car. The new models mean that 7 per cent of Toyota and 35 per cent of Lexus model line-up are hybrids, underlining our ongoing commitment to hybrid technology as a key step towards sustainable motoring.

Recyclability

The recycling of vehicles at end-of-life in New Zealand is problematic due to the country's relatively low vehicle volumes, limited infrastructure and lack of regulatory framework around vehicle disposal.

GRI PERFORMANCE INDICATOR →

- EN26 Initiatives to reduce impacts of products
- PR1 Life cycle stages of products and services

End-of-Life (New Zealand)

Since the vehicle market was deregulated in the early 1980s, there has been a huge increase in the number of used vehicles imported into the country. New Zealand has one of the highest car usage rates in the world, and the flood of older vehicles into the country has accelerated and multiplied the issues around disposal of vehicles at end-of-life.

Toyota New Zealand has funded research to better understand the end-of-life issues, and continues to work within industry forums to try to reduce the impact of vehicles on the environment at end-of-life.

The end-of-life recycling study commissioned by Toyota New Zealand in 2004 concluded the following:

- About 120–150,000 of vehicles are recycled each year, however there are significant issues with vehicles being dumped illegally (about 25,000)
- The motor vehicle register process needs improvement to identify last owners and responsibility
- Of those vehicles that are recycled about 75 per cent by weight is recycled (primarily steel driven by offshore demand)
- There is minimal regulation or monitoring of dismantlers to ensure that hazardous materials are disposed of correctly.

The study made a number of recommendations on these issues, including the idea of an up-front levy paid at first registration which could be used to fund a more comprehensive recycling

infrastructure and provide an incentive to car owners at end-of-life to recycle vehicles.

Toyota New Zealand continues to promote the recommendations of the study within the Motor Industry Association. The company believes the Government should use the Waste Minimisation Act to bring in compulsory measures which will increase the level and standard of end-of-life vehicle recycling.

Start of Life (Design & Production)

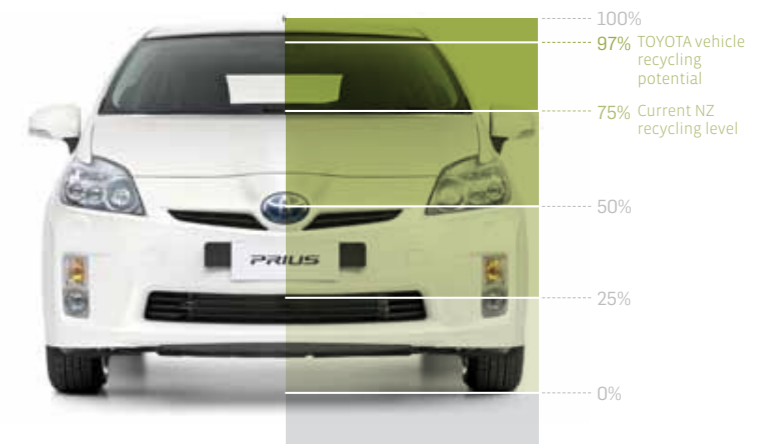
While only about 75 per cent of a vehicle (by weight) is recycled in New Zealand, Toyota vehicles are now 97 per cent recyclable (by weight) due to the parent company's innovations at the beginning of the vehicle life cycle during the design stage.

Toyota Motor Corporation's engineers use a design tool called the Eco-Vehicle Assessment System (Eco-VAS) to anticipate the environmental impacts of every component and material at each life cycle stage.

Eco-VAS designs out problem materials such as hazardous substances and improves overall resource recovery so vehicles have lower environmental impacts both during their use and at end-of-life. For example:

- Shredder residue from scrapped cars is reconstituted as a high quality sound absorbing material in new cars
- Easy-to-dismantle features to make component parts quick to remove and tanks easy to drain
- Plastics which can be repeatedly recycled without loss of quality are used, as well as bioplastics, which use less petroleum than conventional plastics
- Substances of concern such as lead, mercury, cadmium and hexavalent chromium have been eliminated.

Recyclability of Toyota vehicles in New Zealand, by weight



Building a responsible dealer network

Toyota New Zealand is working with its independently owned and operated dealer network to increase their environmental responsibility.

In 2010, Toyota New Zealand set an objective for all dealers to participate in an independently certified Environmental Management System (EMS) with the aim of becoming the first dealership network in the country to do so.

During November, training days were held in Auckland and Christchurch, and attended by a representative from every Toyota dealer.

Enviro-Mark® was chosen as the preferred EMS. It is managed by Landcare Research, a Crown Research Institute and helps organisations develop and improve their environmental performance by taking them through a five step process: Bronze, Silver, Gold, Platinum and Diamond. Each site is certified for compliance after an independent audit.

At the time of printing this report 81 per cent of dealers have been both audited and certified to a minimum of Bronze. Of those, 17 sites had progressed to Silver and a further 7 sites to Gold. Eight dealers are awaiting certification. The remainder are scheduled to be audited before the end of 2011.

| TARGET | DATE |
|------------------------|-----------|
| Trial Dealers – Bronze | Dec 2010 |
| All Dealers – Bronze | July 2011 |
| All Dealers – Silver | Dec 2011 |

Dealership environmental management – Waikato Toyota goes for Enviro-Mark® Gold

Waikato Toyota is in the vanguard of Toyota dealers' push to gain Enviro-Mark® certification, an internationally recognised environmental standard. During the reporting period, it began the process required to gain certification.

Waikato Toyota encompasses two dealerships, in Hamilton and Te Awamutu. Chief executive Glenn Carter led the drive towards best-practise environmental management, and says his 63-strong team quickly embraced the idea once they understood what was required.

"It's fair to say there was some initial scepticism about how we could make a difference, and that is only natural. But most people want to help the environment around them, and it was superb to watch people take ownership and suggest ideas as we progressed through the process."

The dealership was certified in August 2011, after successfully attempting Bronze, Silver and Gold in one go. "It is a hugely proud moment for us, and a real reward for the dedicated team here to become the first vehicle dealer in New Zealand to achieve Gold certification."

For the Bronze stage, Waikato Toyota had to ensure it complied with all regulations and laws regarding health and safety, employment, its buildings, hazardous material storage and handling, hazardous

waste disposal and recycling, and industry standards.

It has to show it had implemented measures to ensure ongoing compliance, identify the scope of its EMS, and assigned responsibility for environmental management to a specific employee.

The Silver stage required the identification of the environmental effects caused by all of the dealerships' operations, the development of an environment policy, and demonstration of top management commitment. It also involved the scheduling of a regular inventory to manage environmental risks, and reduce environmental impacts, incidents or accidents.

The final Gold stage ramped up Waikato Toyota's commitments, requiring the establishment of clear environmental objectives and targets, the monitoring of significant impacts, an action plan, and documentation of procedures to manage potential impacts, including in emergency situations.

Toyota's Environment Officer Tristan Lavender says the independent assessment by an Enviro-Mark® consultant – including a site visit to view evidence of progress – gives the certification a high level of industry credibility.

GRI PERFORMANCE INDICATOR →

EN26 Initiatives to reduce impacts of products



Thames facility

Toyota's refurbishment facility at Thames is a significant contributor to the local Thames-Coromandel economy, and has significant potential environmental impact given the nature of its activities and proximity to an ecologically sensitive area.

The plant sits on 5.78ha and refurbishes about 4,500 vehicles a year – made up of about 3,000 Signature Class vehicles, and 1,500 Supplied By Toyota (SBT) vehicles. About 80 per cent of Signature Class are New Zealand-new vehicles from rental and lease companies, while the rest are imported used cars from Japan. Thames is also the key site for fitting air conditioning units and accessories to Toyota Hilux vehicles – about 4,000 each year.

The facility borders the lower Waihou River, which flows into the Firth of Thames Ramsar Convention site (the Convention on Wetlands of International Importance). To ensure that it has no detrimental impact on this fragile ecosystem used by more than 70 shorebird species, Toyota has put in place a full range of environmental management measures including:

- ISO 14001 certification
- Regular monitoring and inspections
- Bunding of its oil tanks
- Shut down valves for its stormwater pit.

About 60 per cent of each used vehicle processed at Thames is repainted in the upgraded paint shop which was completed just prior to the reporting period. Data shows the new paint shop has resulted in:

- Reduced energy consumption (gas and electricity)
- A reduction in atmospheric emissions (VOCs which emerge from the paint stacks)

- Elimination of hazardous chemicals (four tinters which contained lead, chrome or molybdenum no longer used)
- Improved efficiency and paint quality from the new paint oven technology
- The facility used about 18,000 litres of paint in 2009/10, and 17,000 litres in 2010/11.

The facility is trialling waterborne paint, which potentially will have reduced environmental impacts. Globally, Toyota uses waterborne paints for undercoats. The key to full adoption of the paints in New Zealand will be whether the finished paint meets rigorous quality requirements for New Zealand conditions.

Toyota also moved the checking and upgrading of SBT imported cars from Auckland to Thames which gave better economy of scale and improved SBT vehicle standards.

VEHICLE REFURBISHMENT AT THAMES



NEW PAINT OVENS



GRI PERFORMANCE INDICATOR →

EN1 Materials used by volume

EN11 Land in biodiversity habitats

EN12 Impact on biodiversity rich areas

EN14 Managing impacts on biodiversity

EN26 Biodiversity rich water bodies

The Emissions Trading Scheme

The Government's Climate Change Response (Moderated Emissions Trading) Amendment Bill was passed in November 2009 and the revised Emissions Trading Scheme (ETS) took effect in July 2010 for the fossil fuel, energy, industrial processes and transport sectors.

This caused an immediate increase in the price of fuel, as fuel importers passed on their ETS costs to consumers. This increased variable business costs for Toyota New Zealand.

A more direct effect for Toyota New Zealand, and the motor vehicle industry in general, was in the fossil fuel regulations under the ETS. Companies which import synthetic greenhouse gases (SGG) either in bulk or contained within products will be required to report the amount of SGGs they import from 1 January 2012.

The Motor Industry Association is expected to make a submission to the ETS Review Panel, which began its work in January 2011, to call for SGGs to be excluded from the ETS.

However, Toyota New Zealand has already put a system in place to start measuring its SGG importation to ensure it is able to comply with the regulations when reporting becomes mandatory.

The primary unit of trade under the ETS is the New Zealand Unit (NZU), which is the unit created and distributed by the Government. Emitting firms have to surrender these to the Government annually. Toyota New Zealand will have obligations from 1 January 2013 to surrender one NZU for every tonne of greenhouse gas emission associated with their SGG importation.

Toyota New Zealand began this data collection in January 2010. For the 2010/11 financial year, the SGGs recorded and the resulting emissions were:

| | NEW VEHICLES | USED | PARTS | TOTAL |
|--------------------|--------------|--------|---------|--------|
| Kg of SGGs | 9,850.16 | 458.17 | 992.80 | 11,301 |
| Emissions (tonnes) | 12,805.22 | 595.62 | 1290.64 | 14,691 |

At the current value of NZUs (\$25 a unit), Toyota's obligation would have been \$367,283 for the 2010/11 year.

The cost to Toyota New Zealand of covering emissions from 2013 onwards will depend on the market price of NZUs.

TOYOTA'S USE OF SYNTHETIC GREENHOUSE GASES

SGGs are used as a refrigerant gas in vehicle's air-conditioning units. The quantity varies, but is about 500g in each vehicle. Toyota New Zealand also imports replacement air-conditioning units, and the SGGs in those are also measured for Toyota's reporting.

GRI PERFORMANCE INDICATOR →

EC2 Financial implications of climate change

Spotlight on:

Freight

International transport of cars, parts, national distribution within New Zealand

AS NOTED EARLIER, TO EXTEND ITS ENVIRONMENTAL RESPONSIBILITY THROUGHOUT THE LIFE CYCLE OF ITS PRODUCTS, TOYOTA NEW ZEALAND NOW MEASURES AND ACCOUNTS FOR THE EMISSIONS CAUSED BY THE TRANSPORTATION OF ITS VEHICLES TO AND AROUND NEW ZEALAND.

The vehicles Toyota New Zealand markets come from four overseas sources: Japan, Thailand (Hilux), Australia (Camry, Aurion) and the United Kingdom (Avensis).

These are shipped to New Zealand by Toyota-owned vehicle transportation company Toyofuji Shipping. Ships originating from both Japan and Thailand stop over at Melbourne, Australia to pick up vehicles manufactured there. Toyofuji Shipping ensures the most efficient logistics are carried out to ensure the minimum greenhouse gas emissions.

The sailing time from Thailand is 24-28 days; from Japan 17-19 days; from Australia, 5-7 days.

About 80 per cent of the vehicles are destined for the North Island. They all leave the ship at the Port of Auckland. The rest, which are destined for South Island customers, stay on the ship for offloading at Lyttleton, Christchurch.

In 2010, Toyota New Zealand carried out a full logistics study of vehicle distribution in New Zealand. This was based on the key goal of 'one movement' once ashore for each vehicle, and had the objective of working out the most efficient method for processing new vehicles.

This resulted in a change of process, including the division of vehicles which arrive in Auckland into three categories:

- 35 per cent which require little or no processing. These – which include most Corollas, Camry and Aurions – are stored on the wharf at Auckland until they are required to fill an order.
- 42 per cent which require a medium level of processing (such as installation of audio components and model badges). These vehicles are road transported by The Car Distribution Group (CDG) to Toyota's facility at Mt Richmond in Auckland.
- 23 per cent which require a high degree of processing (mostly Hilux, which are fitted with trays, canopies etc). These are road transported by CDG to Toyota's Thames facility.

All vehicles destined for the North Island are moved by road.

Used vehicles from Japan are sometimes put on the same ship as new vehicles, depending on departure schedules.



GRI PERFORMANCE INDICATOR →

PR1 Lifecycle stages of products and services

Vehicle origins

| JAPAN | AUSTRALIA | THAILAND | UK |
|--------|-----------|----------|------|
| 70.5%* | 9.6% | 19.8% | 0.1% |

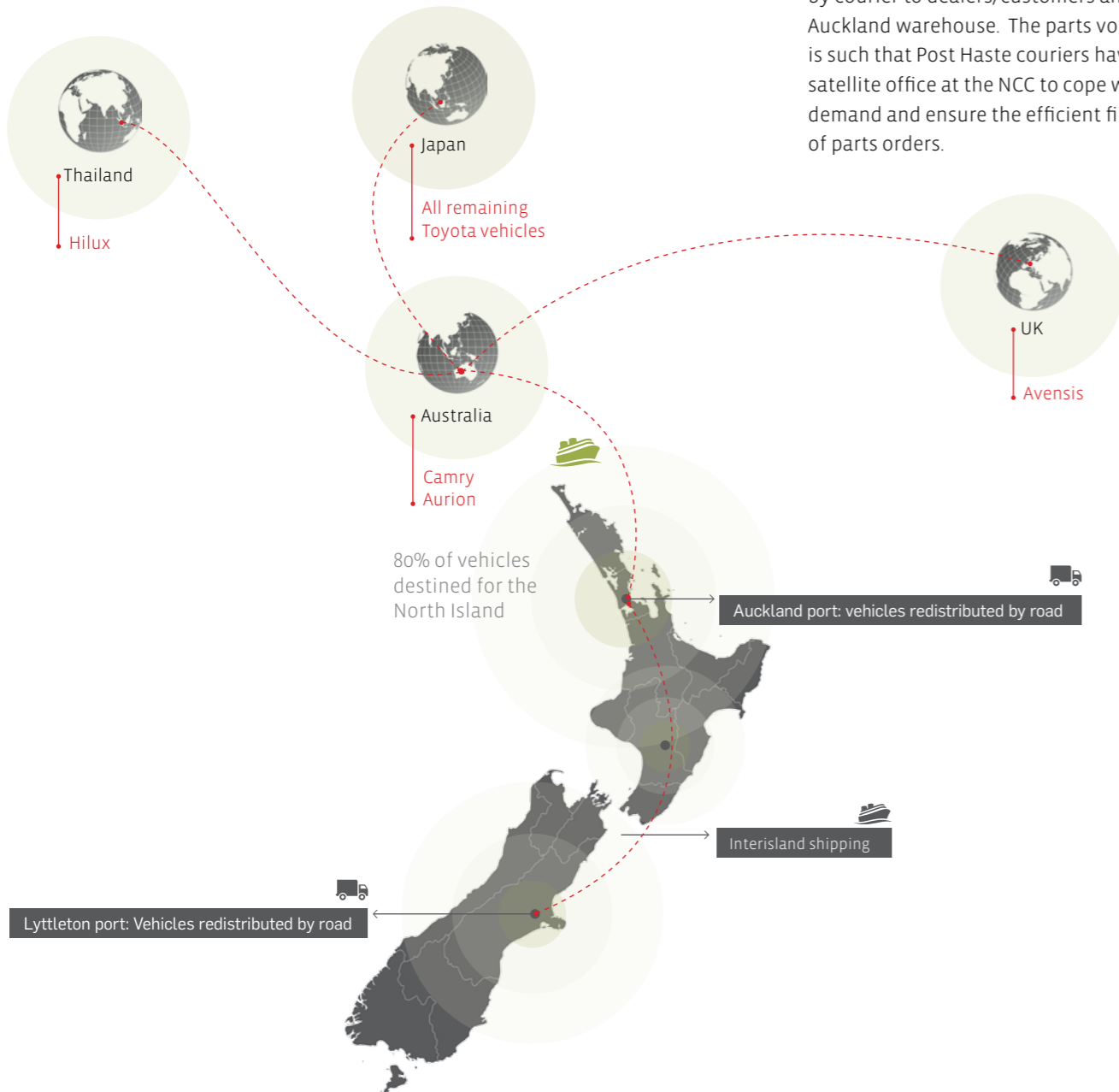
Parts origins

| JAPAN | AUSTRALIA | THAILAND | NZ |
|-------|-----------|----------|-----|
| 70% | 10% | 10% | 10% |

*This figure includes used vehicles, which account for 4.2 per cent of the total imported vehicles in the 2010/11 year.

Toyota New Zealand's next emissions measurement step is to calculate the emissions from its parts importation.

- 90 per cent of Toyota's overseas parts are supplied by sea freight, and the remainder by air freight.
- 98 per cent of product is supplied to the National Customer Centre warehouse in Palmerston North and then redistributed by courier to dealers/customers and the Auckland warehouse. The parts volume is such that Post Haste couriers have a satellite office at the NCC to cope with demand and ensure the efficient filling of parts orders.



Carbon neutrality

Toyota New Zealand has both carboNZero^{Cert™} and CEMARS[®] certification for its core operational and freight emissions as highlighted below.

GRI PERFORMANCE INDICATOR →

- EN6 Initiatives to provide energy-efficient based products or services.
- EN7 Initiatives to reduce indirect energy consumption
- EN18 Initiatives to reduce greenhouse gas emissions
- EN29 Impacts from transport
- PR1 Lifecycle stages of products and services



carboNZero^{Cert™} is recognised internationally as a leading greenhouse gas measurement and reporting system. It is underpinned by rigorous scientific research and verification processes for measuring, managing, reducing and offsetting emissions.

Toyota New Zealand is carboNZero certified for its core operational emissions as shown below. These emissions are offset by purchasing an equivalent quantity of carbon credits.

In 2007 Toyota New Zealand became the first automotive company to achieve carboNZero^{Cert™} certification in New Zealand.

CEMARS[®] is the Certified Emissions Management and Reduction Scheme and focuses on the accurate measurement of carbon emissions. Toyota New Zealand's CEMARS certification covers the carboNZero emissions, but also includes those associated with the transportation of vehicles by freight companies. These are not offset as Toyota New Zealand has less direct control of them, but the company works with the domestic freight company to encourage efforts to improve efficiency. Toyota New Zealand measures all domestic vehicle road deliveries, as well as vehicles shipped from all overseas ports where vehicles are produced for the New Zealand market (Japan, Thailand, United Kingdom and Australia). Parts freight distribution within New Zealand by plane, truck and van is now also measured.

The key exclusion is the freight of vehicle parts from place of manufacture to New Zealand; a suitable calculation methodology for this is under development. Other minor exclusions (comprising less than 1 per cent of the total footprint) are emissions from solvents and paint application, because international reporting bodies are yet to agree on a calculation methodology.

carboNZero^{Cert™} INCLUSIONS

- Building power & gas
- Building air conditioning refrigerants
- Waste to landfill
- Domestic air travel (including events)
- Overseas air travel
- Fuel usage from all company vehicle fleets (including sponsorship, press and demonstrator vehicles)
- Fuel usage from rental vehicles & taxis
- Fuels & heavy oils from company vehicle servicing
- Fuel from Toyota Racing Series race and support vehicles

EXCLUSIONS

- Dealer operational emissions

CEMARS INCLUSIONS

- Per carboNZero +
- Local road freight for vehicles
- Local air & road freight for parts
- Overseas shipping for vehicles

EXCLUSIONS

- Per carboNZero +
- Overseas freight for parts
- Solvents & paint application

Plug-in Prius

IN JUNE 2010, NEW ZEALAND WAS CHOSEN TO PARTICIPATE IN A TWO-YEAR GLOBAL FIELD TRIAL OF THE PLUG-IN HYBRID PRIUS. THIS FOLLOWED COORDINATED REQUESTS FROM TOYOTA NEW ZEALAND TO TOYOTA MOTOR CORPORATION AND THE NEW ZEALAND PRIME MINISTER TO THE JAPANESE GOVERNMENT.

Unlike the standard Prius, these vehicles feature lithium-ion batteries and can be charged with normal household 240 volt power.

The Plug-in Hybrid can travel as an electric-only vehicle for up to 30 kilometres, achieving highway speeds up to 100 kilometres per hour.

For longer distances, the vehicle functions as a conventional petrol-electric hybrid, which means its use is not constrained by remaining battery power or the lack of a battery-charging infrastructure.

Toyota New Zealand received three Plug-in Hybrid Prius vehicles. Two were placed with New Zealand's largest tertiary institution, Massey University, and the third is undergoing detailed analysis at Toyota's National Customer Centre in Palmerston North.

Massey Vice-Chancellor Steve Maharey said one of its big goals is to act responsibly and respond innovatively to environmental issues. In 2008, the University made a commitment to make its motor fleet more sustainable.

The trial will provide data on the benefits and the challenges involved in the electrification of vehicles, including the overall performance of lithium-ion batteries.

Toyota believes plug-in hybrid technology is currently the most practical approach to the use of electricity for regular size passenger cars. It has conducted verification tests using the plug-in hybrid system in both Japan and Europe since 2007.

About 70 per cent of New Zealand's electricity supply comes from renewable sources, which means using electricity does not have the high emissions in some countries overseas which use coal or other fuel sources to generate electricity.

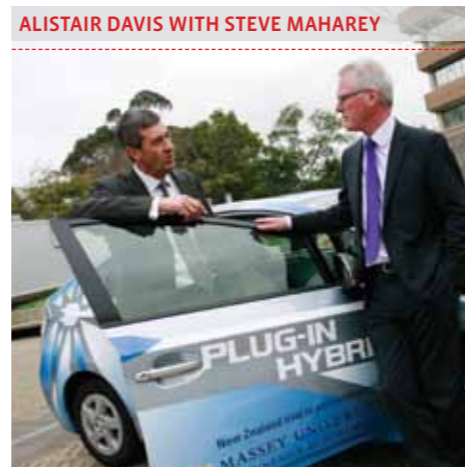
Steve Maharey says the distinctive livery of the Plug-in Hybrid Prius vehicles at Massey's Albany and Manawatu campuses have generated a lot of interest from staff, students and visitors.

"Massey University is firmly committed to sustainability and the fact these vehicles are extremely fuel-efficient and have significantly lower CO₂ emissions has meant they have been in high demand from staff using fleet vehicles.

"Feedback from drivers is that they are little different from other cars to operate and are very quiet and comfortable on the roads."



Toyota teams with Massey University to trial Plug-in Hybrid technology



GRI PERFORMANCE INDICATOR →

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation

Prius Eco-rally Success

WHILE CAR MAKERS OFTEN QUOTE OFFICIAL FUEL ECONOMY AND EMISSIONS TEST RESULTS IN THEIR MARKETING (E.G. ADR RESULTS), FUEL ECONOMY AND EMISSIONS CAN BE VERY DIFFERENT IN REAL WORLD DRIVING CONDITIONS. UNLIKE THE HIGHLY CONTROLLED INDOOR LABORATORIES WHERE OFFICIAL TESTS ARE COMPLETED, THE AA ENERGYWISE RALLY IS A 1,760KM REAL WORLD TEST IN NEW ZEALAND CONDITIONS. TOYOTA NEW ZEALAND HAD A HIGHLY SUCCESSFUL RETURN TO THE 2010 AA ENERGYWISE RALLY, ITS FIRST ENTRY SINCE IT WON THE EVENT IN 2004 WITH A PRIUS. THE FOUR-DAY EVENT INVOLVED 48 VEHICLES FROM A RANGE OF MANUFACTURERS TRAVELLING FROM AUCKLAND TO WELLINGTON AND BACK.

Toyota entered two third-generation Prius, as well as the new Camry Hybrid launched in 2010. Lexus entered the RX450h SUV.

A Toyota Prius took out the sought-after 'Environmental Award' for the lowest overall CO₂ emissions of any vehicle in the rally. Driven by eco-driving expert Mark Whittaker and Toyota's Shelley Rushton, the car also won the 'Most Efficient Hybrid' award – it used less fuel per kilometre than any of its hybrid or petrol-driven rivals.

Another Prius driven by Kiwi motor-racing legend Chris Amon came a very close second in the Environment Award.

Toyota also won the 'Medium Class Award' with the Camry Hybrid, driven by motoring journalist Jacqui Madelin and Tristan Lavender of Toyota. The Rally's class awards are based on cost per kilometre, which introduces fuel prices and road-user charges into the economy equation to give a truer picture of motoring cost, especially in the case of diesels.



Energywise Rally Success for Prius



| MAKE & MODEL | DRIVERS | TOTAL FUEL USAGE | | DISTANCE (KM) | FUEL ECONOMY (LITRES/100KM) | | CO ₂ EMISSIONS (G/KM) |
|---------------------|-----------------------------------|------------------|--------|---------------|-----------------------------|-----|----------------------------------|
| | | COST | LITRES | | ACTUAL | ADR | |
| Toyota Prius | Mark Whittaker / Shelley Rushton | \$150.83 | 77.39 | 1763 | 4.4 | 3.9 | 102.11 |
| Toyota Prius | Chris Amon / Ashton Rowe | \$152.92 | 78.46 | 1763 | 4.5 | 3.9 | 103.52 |
| Toyota Camry Hybrid | Jacqui Madelin / Tristan Lavender | \$171.17 | 94.62 | 1763 | 5.4 | 6.0 | 124.84 |
| Lexus RX450h Hybrid | Marc Ellis / Murray Thom | \$273.19 | 140.17 | 1763 | 8.0 | 6.4 | 184.94 |

Prius vs Hummer: the verdict

In 2006, US marketing company CNW published a 'Dust to Dust' Report suggesting a Hummer H3 SUV consumes less energy over its lifetime than a Toyota Prius.

CNW were effective at attracting considerable media interest despite the report being widely discredited by a number of prominent independent research agencies including the Argonne National Laboratory, the Massachusetts Institute of Technology (MIT) and the Union for Concerned Scientists. These institutions found fault with CNW's selective

analysis, undisclosed methodology and lack of peer review, notably the unsupported views: that a Prius has a usable life of only 12 years (compared to 35 years for a Hummer); that it has a lifetime mileage of only 109,000 miles (compared to a Hummer's 379,000 miles); and the Prius' batteries aren't recycled.

A re-analysis by the MIT and Pacific Institute made the opposite conclusion, that the life-cycle energy use of hybrids are far lower than Hummers or other SUVs: 80-85 per cent of the total lifetime (i.e. production, use/driving and recycling) energy use of a vehicle comes from the driving stage, and the fuel saving

from hybrid in the driving stage more than compensates for the slightly higher energy use of a hybrid at a conventional manufacturing plant.

All Prius sold in New Zealand are built at Toyota's Tsutsumi plant, one of the most environmentally-advanced vehicle facilities in the world, which uses a high proportion of renewable and co-generated energy. All hybrid batteries are collected for recycling.

For a full review on the CNW Report by the Pacific Institute, see http://www.pacinst.org/topics/integrity_of_science/case_studies/hummer_vs_prius.pdf

Social Performance

TOYOTA'S GLOBAL VISION LAUNCHED IN MARCH 2011 HAS SOCIAL RESPONSIBILITY AT ITS CORE. THE VISION OUTLINES TOYOTA'S GLOBAL COMMITMENT TO ADD VALUE AND HAPPINESS TO OUR CUSTOMERS AND COMMUNITIES, WITH SAFE AND ENVIRONMENTALLY CONSIDERATE PRODUCTS, AND ALSO RECOGNISES THE KEY ROLE OUR EMPLOYEES PLAY IN ACHIEVING THOSE GOALS (PLEASE SEE PAGE 4 FOR MORE ON TOYOTA'S GLOBAL VISION).



GRI PERFORMANCE INDICATOR →

PR5 Customer satisfaction

GRI PROFILE DISCLOSURE →

4.11 Explanation of how the precautionary principle is addressed

Social Management & Results

Policy & Objectives

In New Zealand the company's key social objectives are:

- Customers – provide safe and reliable vehicles, supported by a robust recall process and industry leading customer service
- Employees – provide a safe and enjoyable workplace with opportunities to grow and develop
- Community – form long-term partnerships with national and community organisations to enhance the wider community.

Management Approach

The company's approach to managing social sustainability includes:

- Safety – working with Toyota Japan to incorporate active and passive safety features across its model ranges and communicating this information to customers in brochures, websites, etc.
- Recall response – working with Toyota Japan to understand impact on the New Zealand market and contacting customers to offer free repairs on safety related recalls (including vehicles not imported by the company)
- Dedicated customer resources – a dedicated Customer Dialogue Centre (CDC) which offers a 24/7 service for all Lexus, Toyota and Daihatsu customers
- Customer satisfaction programme – customers are surveyed on their purchase and service experience, with results reported to dealers and outstanding issues proactively followed up by the CDC team
- Customer satisfaction benchmarking – the company participates in industry customer surveys to benchmark against competitors (results are confidential, however they have highlighted key areas where the company has concentrated its improvement efforts, e.g. new vehicle sales process)
- Employee satisfaction surveys – staff participate in a number of regular surveys (incl. Best places to Work and internal Toyota surveys) with strong participation and open discussion of results at staff meetings and within teams
- Health & Safety programme – the company has a comprehensive structure to include H&S committees at all sites and executive governance to ensure compliance with regulations
- Community partnerships – the company has selected a number of national social and environmental partners. The company's Marketing team is in regular contact with partners and meet formally at least once a year to review plans and objectives, and the status of key partnerships is reviewed on a bi-monthly basis with the company's executive.
- Dedicated HR resource & HR/Training programmes – HR officer reporting to Executive responsible for performance appraisal and coaching programme, and developing training and careers plans with staff and managers.

Goals & Performance

| | Last Year | | | Next Year | Previous Years | |
|-------------------------------------|--------------|---------|----------|--------------|----------------|--------------|
| | y/e Mar 2011 | | | y/e Mar 2012 | y/e Mar 2010 | y/e Mar 2009 |
| | Target | Actual | Achieved | Target | Actual | Actual |
| Customers | | | | | | |
| Overall Customer Satisfaction score | 93.5 | 93.0 | * | 93.5 | 92.8 | 92.5 |
| Number of customer cases opened | - | 13,775 | - | - | 5,461 | 5,561 |
| Percent of cases closed in <4 days | - | 86.3% | - | - | 91.5% | 87.1% |
| Employees | | | | | | |
| Turnover rate | <10% | 6.0% | ✓ | <10% | 4.7% | 11.4% |
| Best Places to Work survey score | 80% | 82.2% | ✓ | 80% | - | 78.0% |
| Number of health & safety incidents | - | 44 | - | 35 | 30 | 41 |
| Community | | | | | | |
| Sponsorship funding | - | \$2.9 m | - | \$3.3 m | \$0.5 m | \$1.1 m |

Product safety

Toyota New Zealand's objective is to minimise the adverse impacts of both its products and operations on the environment in cooperation with the parent company

Vehicle Safety

Active and Passive Safety

Toyota's safety technologies involve either active safety or passive safety. Passive safety seeks to reduce the extent of injuries sustained after a collision, while active safety seeks to reduce the likelihood that a crash will even occur at all.

In the past five years, the two most important enhancements across much of Toyota's vehicle range have been:

- the fitting of Vehicle Stability Control (VSC) as standard specification to control traction while cornering, particularly in slippery conditions
- the installation of side impact and curtain air bags.

This rollout has continued in the reporting period. The iQ, which Toyota New Zealand began importing in 2010 as a Signature Class used vehicle from Japan, was the first car in the world to feature a rear head air bag to protect back seat passengers from possible impact with the rear window during a collision.

New Zealand's safety regulations

The safety regulations covering vehicles sold in New Zealand are comparable with other developed countries. Vehicles approved for importation to New Zealand must meet the relevant safety standards in Europe, or countries such as Japan, Australia, and the US. Australia and Asian

countries are starting to adopt European standards as world best-practise.

The New Zealand Motor Industry Association has a Vehicle Safety and Design committee, which Toyota New Zealand is represented on. The MIA has put in place voluntary standards for the phasing out of lap belts by 2015, and replacing them with three-point diagonal belts. At the end of the reporting period, there were 20 Toyota models out of a total of 68 in which lap belts were fitted. Toyota New Zealand is working with TMC's engineers in Japan to try to meet the standard.

Independent safety ratings

The New Car Assessment Programme rating system is recognised as Australasia's premier independent safety rating system. The table overleaf shows NCAP ratings for Toyota, Lexus and Daihatsu vehicle ranges as well as detail of airbags, stability control and safety features.

Product & Service Labeling

The company includes the following information for new vehicles (and a subset of it for used vehicles) on its website, in brochures and owner handbooks, and in this report:

- Safety features and crash test performance
- Official fuel consumption and emissions data
- Compliance with emission standards
- Compatibility with bio-fuels

GRI PERFORMANCE INDICATOR →

- PR1 Lifecycle stages of products and services
- PR3 Product and service information
- PR4 Non-compliance with regulations and voluntary codes on products and service information
- SO5 Public positions and lobbying

SIDE AIRBAG DEMONSTRATION



- Instructions on the safe usage, servicing and disposal of vehicles and related products.

The company also displays fuel economy labels on all new and late-model used vehicles for sale in line with regulations; there were no incidents in the reporting period relating to non-compliance.

Information on the sourcing of product components is not required by regulation, or collected.

Safety across model range

| TOYOTA | SRS AIRBAGS | | | | VEHICLE STABILITY CONTROL | NCAP SAFETY RATING (ADULT) |
|------------------------|----------------------------|--------------|---------|---------------|---------------------------|----------------------------|
| | FRONT (DRIVER & PASSENGER) | SIDE (FRONT) | CURTAIN | KNEE (DRIVER) | | |
| YARIS | ✓ | ✓ | ✓ | ✓ | ✓ * | ★★★★★ |
| COROLLA | ✓ | ✓ | ✓ | ✓ * | ✓ * | ★★★★★ |
| PRIUS | ✓ | ✓ | ✓ | ✓ | ✓ | ★★★★★ |
| AVENSIS WAGON | ✓ | ✓ | ✓ | ✓ | ✓ | ★★★★★ |
| CAMRY | ✓ | ✓ | ✓ | - | ✓ | ★★★★★ (**) |
| AURION | ✓ | ✓ | ✓ | - | ✓ | ★★★★★ |
| RAV4 | ✓ | ✓ * | ✓ * | ✓ * | ✓ * | ★★★★ |
| PREVIA | ✓ | ✓ | ✓ | ✓ | ✓ | ★★★★ |
| HIGHLANDER | ✓ | ✓ | ✓ | ✓ | ✓ | ★★★★★ |
| FJ CRUISER | ✓ | ✓ | ✓ | - | ✓ | Not tested |
| LAND CRUISER PRADO | ✓ | ✓ | ✓ | ✓ | ✓ | ★★★★★ |
| LAND CRUISER 200 | ✓ | ✓ | ✓ | D+P | ✓ | Not tested |
| HIACE | ✓ * | - | - | - | - | Not tested |
| HILUX 2WD | ✓ | - | - | - | - | ★★★★ |
| HILUX 4WD | ✓ | ✓ *** | ✓ *** | - | ✓ * | ★★★★ |
| LAND CRUISER 70 SERIES | ✓ | - | - | - | - | ★★★ |
| DAIHATSU | | | | | | |
| SIRION | ✓ | ✓ | ✓ * | - | ✓ | ★★★★ |
| TERIOS | ✓ | ✓ | ✓ * | - | ✓ | ★★★★ |
| LEXUS | | | | | | |
| CT200h | ✓ | ✓ | ✓ | D+P | ✓ | Not tested |
| IS | ✓ | ✓ | ✓ | D+P | ✓ | ★★★★★ |
| IS C | ✓ | ✓ | ✓ | D+P | ✓ | Not tested |
| IS F | ✓ | ✓ | ✓ | D+P | ✓ | Not tested |
| GS | ✓ | ✓ | ✓ | D+P | ✓ | ★★★★★ |
| LS | ✓ | F+R | ✓ | D+P | ✓ | Not tested |
| RX | ✓ | ✓ | ✓ | D+P | ✓ | Not tested |
| LX | ✓ | F+R | ✓ | D+P | ✓ | Not tested |

* On some models, but not across entire range

** From May 2011 production

*** From June 2011 production

D+P = Driver & Passenger

F+R = Front & Rear

GRI PERFORMANCE INDICATOR →

PR1 Health and safety impacts of products assessed

Spotlight on:

Recalls

Global questions about Toyota's reliability, and the fallout from reported 'unintended acceleration' incidents in the US, peaked in early 2010.

GRI PROFILE DISCLOSURE →
1.2 Key impacts, risks and opportunities

This included the announcement of a US Congressional hearing into Toyota's recalls, general quality, and safety issues. Congress then ordered the National Highway Traffic Safety Administration to carry out a 10-month investigation into Toyota's electronic accelerator control systems. Its report, released in February 2011 cleared Toyota's electronics of any role in 'unintended acceleration' incidents.

Q&A with Paul Carroll, General Manager of Customer Services



PAUL CARROLL

How was Toyota New Zealand informed about the recalls, and how did it react?

We received urgent email notification from Toyota Motor Corporation in Japan about any vehicle units affected. This included the model and the manufacturing period, and a Q&A on the technical issues. I coordinated the New Zealand response, notifying the necessary technical and service team managers. The complicating factor in the more high-profile recalls was that many didn't affect New Zealand, but the media here reported global issues which created worry in the public's mind.

What are the key priorities for Toyota New Zealand when recalls are announced?

It is a multi-task approach. The first priority is to identify the vehicles affected, which involves obtaining registration records from the New Zealand Transport Agency.

We collate full technical information from Japan, alert the dealer network and its national service teams, and our Customer Dialogue Centre, and notify all affected customers by letter. We instigate the process which ensures the parts are on hand to service affected vehicles. If there are media stories about a recall overseas, we sometimes issue a statement to clarify the New Zealand situation.

What action did Toyota Motor Corporation take as a result of the recall crisis?

Toyota formed a 'Global Quality Group' in early 2010. It included the heads of quality from each of the main Toyota manufacturing centres around the world, and Toyota New Zealand's National Service Manager attended the meetings. The committee will spearhead reforms to ensure Toyota operates with a 'customer first' mindset. The committee will investigate the cause of quality problems,

and re-examine the factors that affect quality in every phase of design work, manufacturing, marketing and service. Toyota Motor Corporation started to take a more precautionary approach, reviewing faults and recalling vehicles with any faults which could have safety implications. The company also announced a plan to progressively install a brake override feature in new vehicles which would automatically counteract instances of unintended acceleration.

What lessons were learned locally during the period, and improvements made to the process?

The recall issues reinforced the need to keep customers fully informed, and respond quickly and efficiently to their concerns. Initially, we were probably too slow to obtain clarity about the extent of the New Zealand vehicles affected by the biggest recalls. The Customer Dialogue Centre and dealership staff's initial response was crucial. We improved the process of informing dealers about recalls, to ensure those contacted directly by customers could accurately pass on the status of parts supply and when their vehicle might be repaired. We ensured customer letters went out as quickly as possible. We refined the strategy for publically responding to overseas media reports of recalls, which often had no impact on Toyota vehicles sold in New Zealand.

Are there any motor industry guidelines for how manufacturers should handle recalls?

The Motor Industry Association has a Code of Conduct that members are obliged to follow when undertaking a safety related recall. This Code represents the minimum requirements that members must follow in the event of a safety recall campaign being undertaken on a New Zealand new vehicle that they have imported and sold. Toyota New Zealand ensures it meets or exceeds this Code.

To see the Code of Conduct, go to <http://www.mia.org.nz/recalls.asp>

How many recalls were there within the reporting period?

Toyota New Zealand made 27 recalls involving 13,877 vehicles, in the 2009 and 2010 calendar years.

At the end of the reporting period, repairs had been completed on 65 per cent of these vehicles.

GRI PROFILE DISCLOSURE →
4.12 Externally developed economic, environmental and social charters

Customers

Toyota's number one objective is customer satisfaction and it has led the industry in providing products and support for customers across the entire ownership lifecycle, including its award-winning Customer Dialogue Centre in Palmerston North.



Toyota Customer Dialogue Centre

JARED BURNS – TEAM LEADER
CUSTOMER DIALOGUE CENTRE



PHONE CALLS TO TOYOTA'S CUSTOMER DIALOGUE CENTRE – WHICH HAS A STAFF OF EIGHT – ROSE FROM 22,593 IN THE 2009/10 YEAR, TO 33,978 IN THE 2010/11 YEAR (AN INCREASE OF 50 PER CENT), NOTABLY SINCE THE MEDIA REPORTED UNINTENDED ACCELERATION ISSUES IN THE US. THE PROPORTION RELATING TO TECHNICAL ISSUES INCREASED MARKEDLY. IT ALSO RECEIVED AN ESTIMATED 6,500 EMAILS EACH YEAR. IT TOOK TOYOTA ONLY A DAY TO CLOSE 85 PER CENT OF CUSTOMER QUERIES.

Toyota put several innovations in place to assist its stringent case-handling protocols, and also efficiently deal with the increased technical nature of queries.

- First, it appointed a CDC team leader who is a technical specialist. This means that in most cases technical calls can be dealt with at the CDC, rather than being forwarded to Toyota's technical department.
- The CDC manager and team leader regularly meet their colleagues in Toyota's National Service Operations team to pass on customer feedback and get technical updates on current or pending issues to answer customers' queries more accurately and efficiently.
- A 'Hot Cases' visual display board was installed in the CDC to improve the team focus and communication around the most critical cases being dealt with. Team members update the board daily, including the next steps required.
- New reporting from Toyota customer database was developed to help Toyota analyse and identify trends and pass on the 'voice of the customer' to other parts of Toyota including Toyota dealers.

Two examples from the reporting period which show the issues the CDC is typically responsible for handling for Toyota New Zealand, and how it interacts with customers were:

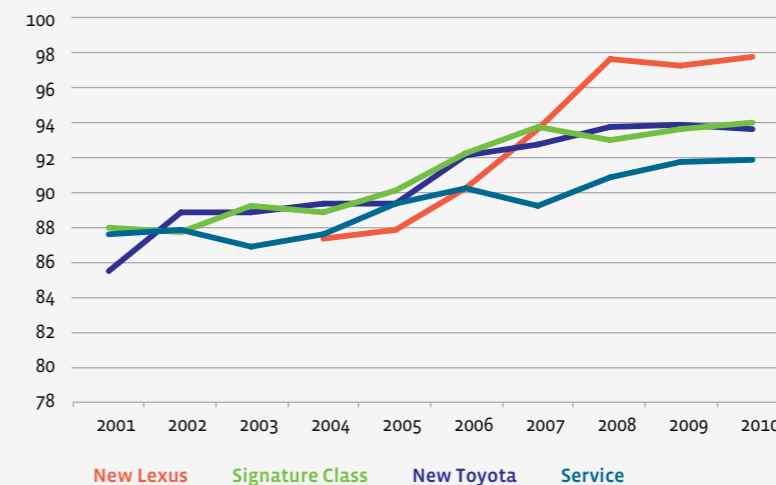
- The specification of 11 Avensis wagons from Japan was found to differ slightly from the specification outlined in the customer brochure (the specifications were relatively minor non-safety items). Toyota New Zealand proactively

contacted the 11 customers affected and offered to replace their vehicle with a new vehicle of the correct specification or cash compensation.

- A number of customers reported damage to engine fuel systems due to diesel fuel contamination. The latest low-emission common-rail diesel technology operates with significantly higher fuel pressures, and is more susceptible to contaminants in fuel which can cause sudden and significant damage to fuel system components.

This issue was not a manufacturing or design defect nor was it unique to Toyota, with other manufacturers' customers also reporting problems. In most cases the damage could be linked clearly to fuel contamination – either from an organic 'bug' present in diesel fuel, or from water contamination into older or poorly monitored or maintained fuel storage tanks. While Toyota New Zealand reinforced the damage was outside its direct control, it offered advice and support for customers, and reduced the pricing of fuel system components to assist customers who were unable to claim recompense from fuel providers or insurance companies. Toyota also increased the information and warnings in its vehicle handbooks and on fuel cap labels to highlight the risk to customers. Two cases in the reporting period resulted in Disputes Tribunal hearings which were judged on the available facts.

CUSTOMER SATISFACTION TRENDS >



GRI PERFORMANCE INDICATOR →

EN6 Initiative to provide energy-efficient or renewable energy based products

PR5 Customer satisfaction

Our CSI scores have been steadily increasing over the last 20 years and we benchmark against other brands

Employees

Toyota New Zealand recognises the importance of having safe and satisfied employees, and is committed to providing a safe and enjoyable workplace.

At the end of the reporting period, the company had 216 full time and eight part time employees (a total of 221.2 full time equivalent employees, FTE). The majority of its employees (64 per cent) are based at the National Customer Centre in Palmerston North. The other key location is the Thames refurbishment facility (29 per cent) with remaining staff located in Auckland.

Toyota is an equal opportunity employer, and its workforce has a dynamic mix of cultures, ages, religions and beliefs, with staff from more than 10 nations. About 23 per cent of its workforce is covered by collective bargaining agreements.

Gender Profile

The automotive industry has historically been male dominated and in Toyota New Zealand's case the overall gender mix is 72 per cent male and 28 per cent female. This is also reflected in less female representation at higher levels of the company; however there are more women now represented at Team Leader level (please see table below).

Toyota New Zealand is committed to recruitment based on individual merit regardless of gender or any other demographic factor. Promotional opportunities are also based on individual merit and performance, and available to all employees without discrimination.

| GENDER BY FUNCTIONAL AREA | MALE | FEMALE | TOTAL | FEMALE % |
|---------------------------|-------|--------|-------|----------|
| Customer & Dealer Support | 15.8 | 10.7 | 26.4 | 40% |
| Sales & Marketing | 32.0 | 12.0 | 44.0 | 27% |
| Product & Technical | 17.0 | 1.0 | 18.0 | 6% |
| Logistics & Refurbishment | 69.0 | 29.3 | 98.3 | 30% |
| Admin & Corporate Support | 18.0 | 10.0 | 28.0 | 36% |
| Executive | 6.4 | 0.0 | 6.4 | 0% |
| TOTAL | 158.2 | 63.0 | 221.2 | 28% |

| GENDER BY LEVEL | Y/E MAR 2011 | | | Y/E MAR 2010 | Y/E MAR 2009 |
|-----------------|--------------|--------|-------|--------------|--------------|
| | MALE | FEMALE | TOTAL | FEMALE | FEMALE |
| Executive | 6.4 | 0.0 | 6.4 | 0.0 | 0.0 |
| Manager* | 16.0 | 1.0 | 17.0 | 1.0 | 1.0 |
| Team Leader | 30.0 | 7.0 | 37.0 | 8.5 | 5.0 |
| Team Member | 105.8 | 55.0 | 160.8 | 49.0 | 52.0 |
| TOTAL | 158.2 | 63.0 | 221.2 | 58.5 | 58.0 |

*Note there was an additional female manager on overseas assignment during these periods.

GRI PERFORMANCE INDICATORS →

| |
|---|
| LA1 Workforce |
| LA4 Percentage of employees covered by collective bargaining agreements |
| LA13 Workforce by gender |

Age Profile

As expected, the largest percentage of Toyota New Zealand's workforce is aged between 30 and 50. The average age is 42.1 years, the same as in 2008.

The average length of service in the reporting period was 10.1 years, which reflects strong staff engagement and satisfaction.

Turnover

Toyota's staff turnover rate in the reporting period was 4.7 per cent in the 2009/10 year, and 6.0 per cent in the 2010/11 year. This was down on the 11.4 per cent in the 2008/09 year.

Benefits

Toyota New Zealand employees are entitled to four weeks annual leave per year (in accordance with the Holidays Act 2003). Toyota New Zealand grants additional long service entitlements on completion of continuous service milestones, up to 25 days after 40 years.

Toyota New Zealand meets all of its legal obligations with regard to additional leave, such as illness and bereavement. Leave for Jury Service is actively encouraged.

All Toyota New Zealand staff are entitled to:

- Discounted staff purchases for them and their families (including new and used vehicles and parts)
- Staff loans (via Toyota Financial Services)
- Medical insurance
- Subsidised cafeteria (in Palmerston North)
- Free car parking

| AGE BY LEVEL | <30 YEARS | 30-50 YEARS | >50 YEARS |
|--------------|-----------|-------------|-----------|
| Executive | 0.0 | 2.0 | 4.4 |
| Manager | 0.0 | 10.0 | 7.0 |
| Team Leader | 2.0 | 24.0 | 10.0 |
| Team Member | 27.0 | 56.1 | 26.6 |
| Total | 29.0 | 92.1 | 48.0 |
| | 17% | 54% | 28% |

*Note age data is only available for 169.1 FTE employees (76 per cent).

- A company contribution of four per cent to KiwiSaver (non pension plan members only). This applies to 57 of the 90 staff enrolled in KiwiSaver.

- A defined benefit pension plan scheme which operated prior to KiwiSaver and is now closed. The scheme has 161 members and its obligations for the year ending March 31 2011 were \$39.5m. The company plans to increase its contributions to the scheme before the end of March 2012, to cover the current actuarial shortfall.

- Toyota also supports employee study (in addition to the employee's full time work) provided the study undertaken is relevant to their current/future roles or development. Study fees and leave are also granted, as long as the employee successfully passes the paper.

Other benefits include:

- Performance related bonuses
- Paid maternity and paternity leave
- Employee assistance programme that offers confidential counselling
- All employees are free to join a union

GRI PERFORMANCE INDICATORS →

| |
|---|
| EC3 Organisation's defined benefit plan |
| LA2 Employee turnover |
| LA3 Benefits for full-time employees |
| LA12 Employee performance reviews |

Employee satisfaction

Analysis of employee satisfaction survey

In order to understand the views of its employees, Toyota New Zealand undertakes annual workplace staff satisfaction surveys. These provide a clear picture about the level of employee engagement and satisfaction on a regular basis.

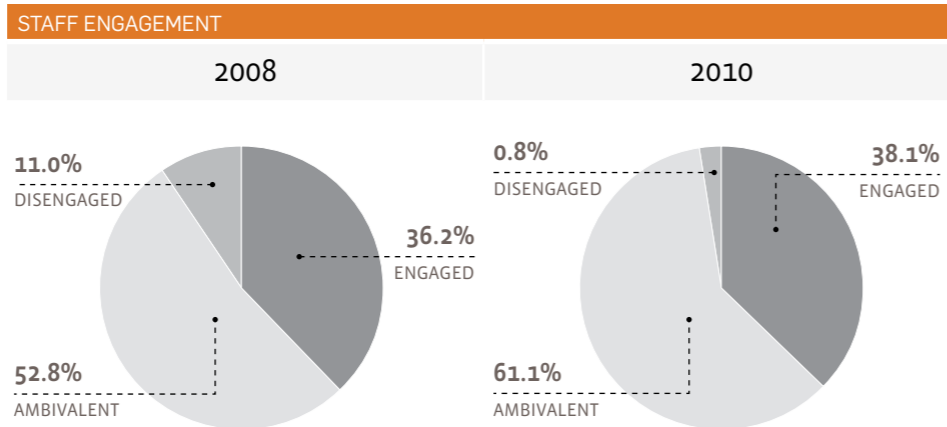
Since 2000, Toyota New Zealand has participated in the Unlimited/JRA Best Places to Work Survey (New Zealand's largest annual survey of workplace climate and employee engagement). This was not done in 2009 for cost reasons, but was reinstated in 2010. Employees are asked to complete a confidential assessment about their workplace which then allows Toyota to benchmark its results against other New Zealand companies.

It can identify key drivers which impact on employee engagement, develop action plans and review areas of that require improvement.

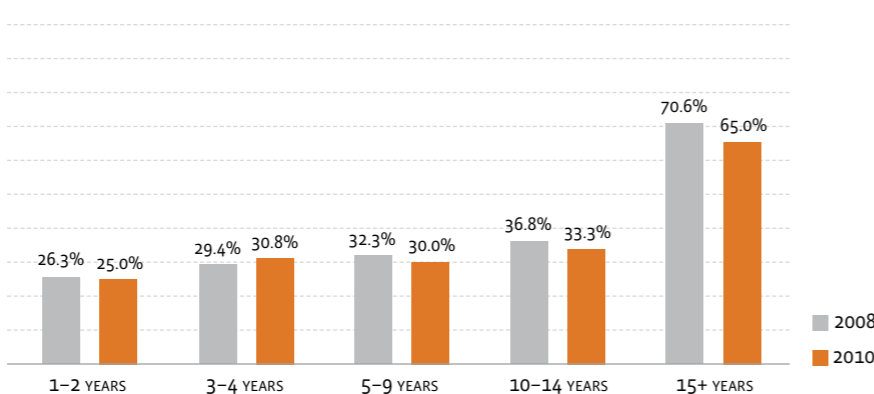
126 staff (88 per cent) completed the 2010 survey.

| OVERALL WORKPLACE RATING: | |
|---------------------------|--------|
| 2008 | 2010 |
| 78.0 % | 82.2 % |

>80% Very Good 75-80% Good 70-74% Average 65-69% Below Average <65% Poor.



STAFF ENGAGED BY LENGTH OF SERVICE:



HIGHLIGHTS:

1. Overall rating has increased to 'very good' level
2. % engaged has remained steady, while disengaged has reduced significantly
3. Engagement by year of service has fallen slightly, except in the 3-4 year category. The pattern of longer term employees being clearly the most engaged continued.

Health and Safety

All Toyota New Zealand employees are covered by the Employment Relations Act 2000 and the Health and Safety in Employment Act 1992. These acts govern the main rights and obligations of employers and employees.

| GRI PERFORMANCE INDICATORS → | |
|------------------------------|---|
| LA6 | Workforce in health and safety committees |
| LA7 | Absentee rates and injuries |
| LA9 | Health and safety in trade union agreements |

Five per cent of the company employees are involved in Health and Safety Committees with representation from a range of departments.

The committees meet every two months and take the lead in helping to promote and encourage staff to comply with current legislation and provide a forum for discussion and information to staff relating to health and safety issues. Targets and objectives are set and reviewed each year. A qualified physiotherapist visits Toyota New Zealand's sites several times a year to educate staff on safe seating and working practises.

Toyota New Zealand has achieved and retained tertiary status within the Workplace Safety Management Practices, a programme run by ACC. This includes staff participation to ensure good processes and procedures are documented and implemented in the workplace.

Employees are encouraged to identify and report hazards within their areas, and new ideas and initiatives are welcomed. Health and safety newsletters update staff each year.

Toyota records incidents – injury and non-injury – at three sites, and also reports on those involving non-Toyota visitors.

The company's health and safety incidents (injury and non-injury) increased 43 per cent between 2009 and 2010. The main reason for this was a change in the reporting system, with staff encouraged to report a wider range of incidents, including minor non-injury incidents. There were no serious or fatal incidents.

Incidents by Location

| | PALM NTH OFFICE | PALM NTH WAREHOUSE | THAMES | VISITORS | TOTAL |
|---------|-----------------|--------------------|--------|----------|-------|
| 2009/10 | 5 | 16 | 8 | 1 | 30 |
| 2010/11 | 7 | 22 | 12 | 3 | 44 |

GEOFF RUSSELL
(WAREHOUSE TEAM LEADER)



Some of the team are in more vulnerable areas, but Toyota has instigated several measures in the reporting period designed to reduce the risk of incidents:

- Padding on the forklift head protector support bar
- Extra Safety signage
- Provided extra gloves
- Update of 13 new forklift machines for safer operation
- Positioning of convex mirrors on frequently used intersections.

A health and safety expert visits the warehouse every three months and provides valuable assistance for training new staff members on correct lifting techniques."

GEOFF RUSSELL



Community partnerships & sponsorships

Reflecting Toyota's global vision of enriching the lives of customers, Toyota New Zealand has developed a number of long term partnerships and sponsorships which contribute to the wider communities and environment in which it operates.

Through these investments, Toyota New Zealand aims to build relationships with the New Zealand community and stakeholders, encourage employee and dealer participation, and deliver long-term sustainable social and environmental benefits. The goal is to share Toyota's resources, skills and knowledge with its partners to help them achieve their objectives. Toyota's contributions consist of vehicles, funding, employee and management time, or a combination of these.

Toyota New Zealand's partnerships range from national level right down to the grass roots level – for example, in yachting, Toyota supports the national Optimist class championships as well as having a long-term partnership with Emirates Team New Zealand in its America's Cup campaigns.

| | ANNUAL CONTRIBUTION | |
|---------------------|--|---|
| | < \$150,000 | >\$150,000 |
| Environment | <ul style="list-style-type: none"> Green Fleet (Sustainable Business Network) Dune Planting (DOC – Tangimoana) New Zealand Business Council for Sustainable Development | <ul style="list-style-type: none"> Worldwide Fund for Nature (WWF –NZ) |
| Society & Community | <ul style="list-style-type: none"> Attitude TV & National Awards Life Education Trust Police 10-7 | <ul style="list-style-type: none"> Parents Inc. |
| Arts & Culture | <ul style="list-style-type: none"> NZ International Festival of the Arts | <ul style="list-style-type: none"> Lexus Song Quest |
| Sport | <ul style="list-style-type: none"> Weet-Bix Tryathlon Optinats (National Optimist Yachting Championship) Sir Peter Blake Regatta | <ul style="list-style-type: none"> Grass Roots Rugby TV Emirates Team New Zealand Toyota Racing Series (& NZ Grand Prix) |

In addition to Toyota New Zealand's activities, many Toyota dealers have developed partnerships with local community and charity organisations in their regions. For example, Manawatu Toyota supports numerous sports organisations and local rescue helicopter services, and Cooke Howlison Toyota in Dunedin supports Netball Otago and local conservation efforts at the Orokonui eco-sanctuary.

Toyota New Zealand also has a number of more commercially based partnerships with media organisations (magazine, radio and TV) as well as local organisations in the Manawatu (Manfeild Park, Makoura 4WD National Training Centre).



ALEX WILLIS AND CONNOR WILSON
DUNE PLANTING FOR DOC AT TANGIMOANA



WWF-New Zealand

WWF-NZ is part of the WWF International Network, the world's largest and most experienced independent conservation organisation. In 2011, its 50th anniversary year, WWF supporters now number more than five million globally. WWF's mission is to stop the degradation of the planet's natural environment, and build a future where people live in harmony with nature by:

- conserving the world's biological diversity
- ensuring that the use of renewable natural resources is sustainable
- promoting the reduction of pollution and wasteful consumption.

WWF-NZ uses the best available science and partnering with government, businesses and the public to encourage everyone to be environmentally responsible. WWF-NZ campaigns for healthy oceans, inspires action on climate change, protects New Zealand's endangered Hector's/Maui's dolphins, and partners with local volunteer conservation groups to restore native habitats across the country.

Toyota New Zealand has supported WWF-NZ for more than 25 years, including funding for its projects and campaigns, providing hybrid vehicles and support from Toyota's Customer Dialogue Centre to record sightings of the critically endangered Maui's and Hector's dolphins on free calling lines. The centre received three reports in both 2010 and 2011. The total sightings reported to WWF for 2010 was 28 dolphins, and 34 in the first quarter of 2011.



KIWI BEING RELEASED AT WWF-NZ SUPPORTED CONSERVATION PROJECT AT WHANGAREI HEADS

CHRIS HOWE
WWF-NZ EXECUTIVE DIRECTOR



Toyota's support is invaluable. The positive connection with Toyota spans 25 years and has various levels – from a long commitment to the board, to funding our project and campaign work".

Community partnerships & sponsorships— continued

Parents Inc. Family is Everything

Parents Inc

Toyota New Zealand believes that many of the country's social issues can be minimised by good parenting. It has supported Parents Inc's vision to make a nation which 'grows great kids' since March 2005.

Parents Inc does not get support from the Government and relies on support from corporate sponsors and other sources. During the reporting period, Toyota doubled its annual financial commitment.

Parents Inc CEO Bruce Pilbrow explains Toyota's funding is allocated for:

1. Holding Hot Tips events nationally, Toolbox Parenting groups, The Parenting Place workshops and Pacifica and Maori Parenting Programmes. In total, more than 20,000 parents are engaged in these initiatives each year.
2. The youth programme to high schools called Attitude. This focuses on a positive approach to teaching the health curriculum, and includes a road-safety module developed with Toyota New Zealand's support. The Attitude programme is now in more than 90 per cent of New Zealand schools and reached about 224,000 students in the 2010 year.
3. Parenting Magazine, which offers practical solutions and advice, and reaches more than 10,000 people per quarter.

The extra funding from Toyota New Zealand has enabled Parents Inc to increase resources in Attitude to respond to growing demand and rebuild and increase its national Hot Tips events for parents.

Toyota Racing Series (TRS)

Toyota New Zealand's commitment to TRS began in 2005. It started with the goal to promote and grow single-seater racing in New Zealand, and is now a major motorsport series with National Championship and Premier Gold Star racing status as well as including the New Zealand Grand Prix.

The TRS was developed as a superb training ground for young Kiwi drivers to chase their dreams of representing New Zealand on the world motor racing stage. Numerous drivers, such as Brendon Hartley from Palmerston North, and Mitch Evans from Auckland, have gone on to race successfully overseas after earning their stripes in TRS.

The series now draws drivers from over 10 countries globally including Europe, Russia, China, Japan, the US and the UK. Toyota's focus on technology improvements and sustainability has seen innovations in the TRS, particularly those aimed at reducing the sport's environmental impacts. Since 2008, Toyota New Zealand has offset the carbon emissions from the series, as part of its carbon neutral accreditation.

Since 2007, the TRS has used 85 per cent ethanol blend with ethanol being sourced from dairy industry bi-products which is a sustainable source. It has given power and torque improvements and increased performance throughout the power range, while delivering overall environmental benefits.



Using lightweight components and the latest developments in aerodynamics and chassis design, the TRS cars use a fraction of the fuel that V8s use, but can lap most circuits quicker than the V8s which makes for spectacular racing.



Emirates Team New Zealand

Team New Zealand is one of the most successful America's Cup yachting teams in history, having competed in the last four finals, winning two.

Toyota New Zealand's relationship with Team New Zealand now spans almost 20 years starting in 1992 in San Diego and continuing through to the current campaign for the 2013 America's Cup in San Francisco.

Toyota New Zealand regards the country's participation in the event as a massive contributor to New Zealand's sense of community and national pride.

"Team New Zealand's efforts in the America's Cup have captured the hearts of Kiwis and galvanised our country like no other sporting event. They've come to represent the inexorable Kiwi spirit, taking on the rest of the world and winning against seemingly overwhelming odds," says Toyota New Zealand Chairman Bob Field.

High profile and well-financed recent challengers have pushed up the cost of participating in the America's Cup, but this has been offset by a growing global audience and the continuing strong interest from New Zealanders.

Team New Zealand's tenacity, unconventional thinking and emphasis on innovation are principles similar to Toyota's.

"These shared values and commitments have resulted in a close affinity between the two teams and both teams draw

strength from each other in a variety of ways", says Bob Field.

Emirates Team New Zealand Managing Director Grant Dalton says the partnership goes beyond pure sponsorship. Team New Zealand often requests Toyota's strategic input to management, and other advice.

Grassroots Rugby

Toyota Grassroots Rugby is a long-running weekly television series that covers local club rugby – the 'grass roots' heart of New Zealand rugby.

Television coverage of club rugby was rare until Toyota Grassroots Rugby began a decade ago initially as Toyota Heartland Rugby, and now all 21 weeks of the club rugby season are televised (currently airing on SKY, Prime, Maori and regional channels).

Toyota's support allows the series to capture and showcase the stories and personalities in the club rugby scene across New Zealand, helping to preserve one of New Zealand's rich sporting and community traditions and highlight the important role of rugby clubs as community hubs throughout the country, and in developing future rugby talent.

Weet-Bix Tryathlon

Since 2009, Toyota has been one of two platinum sponsors of the annual Weet-Bix Tryathlon series, a community-based event which encourages children between the ages of seven and 15 of all sporting abilities to try the sport of triathlon.



More than 10 events are held across New Zealand during summer, attracting about 20,000 participants each year and making it the largest children's sporting event in the southern hemisphere.

The Weet-Bix Tryathlon celebrates participation and personal achievement and helps promote active, healthy lifestyles in the community. Toyota dealership staff attend the event, providing a venue and entertainment for children and their parents.

Assurance Statement

GRI PROFILE DISCLOSURE →

3.13 External assurance



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

We were engaged by the Board of Directors of Toyota New Zealand Limited (“Toyota”) to perform a limited assurance engagement in relation to Toyota’s Sustainability Report (the “Report”) and supplementary website information for the period 1 April 2009 to 31 March 2011. Our assurance engagement involves providing limited assurance on:

- The Selected Sustainability Information, as defined below, included in the Report and supplementary website information and prepared in accordance with the Global Reporting Initiative (“GRI”) G3.1 reporting principles and guidelines.
- The self-declared GRI application level included in the Report.

Selected Sustainability Information

The Selected Sustainability Information covered by our limited assurance engagement is:

- Significant claims and indicators included in the “CEO’s Message”, “About Toyota” and “Our Vision and Values” sections on pages 1 to 5 of the Report;
- Stakeholder engagement and materiality assessment details included on pages 6 to 9 of the Report;
- Economic performance claims and indicators included on pages 11 to 17 of the Report, excluding financial information included in the table on page 11;
- Environmental performance claims and indicators included on pages 23 to 28 of the Report, excluding greenhouse gas emissions included in the table on page 23;
- Social performance claims and indicators included on pages 35 to 45 of the Report;
- Social responsibility claims and indicators included on pages 10 to 14 of the supplementary Report content included on the Toyota website.

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

Management Responsibility

Management is responsible for the preparation and presentation of the Report in accordance with the criteria set out in the GRI G3.1 guidelines, for each of the principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Management is also responsible for determining Toyota’s objectives in respect of sustainability reporting; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our Responsibility

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE (NZ) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. ISAE (NZ) 3000 requires that we comply with applicable ethical requirements, including independence requirements.

Assurance Approach

We planned and performed our work to obtain all the evidence, information and explanations we considered necessary in relation to the above scope. A limited assurance engagement on a



sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

Our procedures included:

- Enquiries of Toyota personnel to understand the process for deriving the “Selected Sustainability Information”;
- Analytical review procedures to assess the reasonableness of the information presented;
- Test work of the underlying data performed on a sample basis, including substantive testing to source documentation;
- Checking the indicators included in the Report against the requirements of the GRI guidelines;
- Overall sense check of the Report against our findings and understanding of Toyota.

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

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

Independence

When carrying out the engagement we followed the independence requirements of the New Zealand Institute of Chartered Accountants Code of Ethics and the Code of Ethics: Independence in Assurance Engagements relevant to the circumstances of the assurance engagement.

KPMG also provides regulatory compliance and internal audit services for Toyota. The Partners and employees of our firm may also deal with Toyota on normal terms within the ordinary course of trading activities. This has not impaired our independence in respect of this engagement. The firm has no other relationship with, or interests in, Toyota.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that:

- The Selected Sustainability information has not, in all material respects, been prepared in accordance with the GRI G3.1 reporting principles and guidelines;
- The GRI application level assertion of B+ is not fairly presented.

Our assurance engagement was completed as at 12 October 2011 and our conclusion is expressed as at that date.

KPMG
Auckland



Global Reporting Initiative (GRI) Framework

This report is based on the Global Reporting Initiative G3.1 framework (considered the world's leading framework for corporate responsibility reporting). It should be read in conjunction with the supplementary content on the Toyota New Zealand website www.toyota.co.nz/AboutUs/Sustainability/.

The report and web content applies the G3.1 framework to a B+ level and includes all of the Profile Disclosures, Management Approach Disclosures and a minimum of twenty Performance Indicators. See the GRI Application Level Table below for more information.

GRI Profile Disclosures and Performance Indicators in this report are referenced by page number or by reference to website content in the GRI index on the following pages. Some indicators are not applicable to Toyota New Zealand's operation. For example, the company imports all vehicles, so indicators relating to manufacturing are not relevant.

GRI Application Level Table

| REPORT APPLICATION LEVEL | | C | C+ | B | B+ | A | A+ |
|--------------------------|--|---|---------------------------|--|---------------------------|--|---------------------------|
| STANDARD DISCLOSURES | G3 Profile Disclosures | Report on: 1.1 2.1 – 2.10 3.1 – 3.8, 3.10 – 3.12 4.1 – 4.4, 4.14 – 4.15 | REPORT EXTERNALLY ASSURED | Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 – 4.13, 4.16 – 4.17 | REPORT EXTERNALLY ASSURED | Same as requirement for Level B | REPORT EXTERNALLY ASSURED |
| | G3 Management Approach Disclosures | Not required | | Management Approach Disclosures for each Indicator Category | | Management Approach Disclosures for each Indicator Category | |
| | G3 Performance Indicators & Sector Supplement Performance Indicators | Report on a minimum of 10 Performance Indicators including at least one from each of: Economic, Social and Environmental. | | Report on a minimum of 20 Performance Indicators at least one from each of Economic, Environmental, Human rights, Labour, Society, Product Responsibility. | | Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission. | |

*Sector supplement in final version



GRI Index Table

| SECTION | GRI PROFILE DISCLOSURE | REPORTING | PAGE |
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| 1.2 | Key Impacts, Risks and Opportunities | | 7-9, 14-15, 16, 38 |
| 2.1 | Name of Organisation | | Inside cover (IC) |
| 2.2 | Primary brands, products and/or services | | 3, 17 |
| 2.3 | Operational structure of organisation | | 3 |
| 2.4 | Location of organisation's headquarters | | 3 |
| 2.5 | Number of countries where organisation operates | | 3 |
| 2.6 | Nature of ownership and legal form | | 3 |
| 2.7 | Markets served | | 3 |
| 2.8 | Scale of the reporting organisation | | 3, 13 |
| 2.9 | Significant changes during the reporting period | | IC |
| 2.10 | Awards | | web |
| 3.1 | Reporting period | | IC |
| 3.2 | Date of most recent previous report | | IC |
| 3.3 | Reporting cycle | | IC |
| 3.4 | Contact point for the report | | IC |
| 3.5 | Process for defining report content | | 6-8 |
| 3.6 | Boundary of the report | | IC |
| 3.7 | Limitations on the scope or boundary of the report | | IC |
| 3.8 | Reporting on joint ventures and other entities | | IC |
| 3.9 | Data measurement techniques described throughout the report | | IC |
| 3.10 | Explanation of re-statements | | IC |
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| 3.13 | External assurance | | 50 |
| 4.1 | Governance Structure | | web |
| 4.2 | Chair of the highest governance body | | web |
| 4.3 | Independent and/or nonexecutive board members | | web |
| 4.4 | Mechanisms to provide recommendations or direction to the board | | web |
| 4.5 | Compensation and performance | | web |
| 4.6 | Avoidance of conflicts of interest | | web |
| 4.7 | Board selection process | | web |
| 4.8 | Mission and values statement, codes of conduct and principles | | 4-5, web |

COLOUR CODING IS AS FOLLOWS:

Fully reported

Partially reported

Not reported

GRI Index Table - continued

| SECTION | GRI PROFILE DISCLOSURE | REPORTING | PAGE |
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| 4.14 | List of stakeholder groups | | 6-7 |
| 4.15 | Basis for identification and selection of stakeholders | | 6 |
| 4.16 | Approaches to stakeholder engagement | | 6-8 |
| 4.17 | Key stakeholder topics and concerns | | 7-8 |
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Partially reported

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