

Toyota European Sustainability Report 2009

Highlights



TOYOTA

Key figures⁽¹⁾

Environmental performance		FY2007	FY2008
	ISO14001 – certified European Manufacturing Companies (EMCs)	7	7
	ISO14001 – certified National Marketing and Sales Companies (NMSCs)	22	26
	Certified Environmental Management System Toyota & Lexus retailers	185	724
	ISO14001 – certified Parts Distribution Centres ⁽²⁾	13	14
	ISO14001 – certified Vehicle Logistics Centres	8	9
NEW	Percentage of vehicle parts suppliers that are ISO14001/EMAS certified		85%
	EMC energy usage (kWh/vehicle)	1,356	1,495
	EMC CO ₂ (kg/vehicle)	417	443
	CO ₂ emissions – EMC (t CO ₂)	339,000	261,000
	EMC water usage (m ³ /vehicle)	1.98	2.11
	EMC VOC emissions (g/m ²)	19.9	18.9
	EMC waste-to-landfill (kg/vehicle)	0.05	0
	EMC number of fines	0	0
	EMC number of prosecutions	0	0
	EMC number of complaints	0	1
	CO ₂ emissions – NMSC (t CO ₂)	12,585	13,585
	CO ₂ emissions – Production Parts Logistics (t CO ₂)	103,000	87,000
	CO ₂ emissions – Vehicle Logistics (t CO ₂)	82,273	75,562
	CO ₂ emissions – Service Parts Logistics (t CO ₂)	51,208	48,083
NEW	CO ₂ average emissions from Toyota vehicles (EU-15)	150.7	145.3
	Sales of remanufactured parts (units)	69,201	75,441

Social performance		FY2007	FY2008
	Employment (direct) – TME HO, NMSCs, Logistics Group	7,432	8,496
	Employment (direct) – EMC	18,920	18,702
	Gender distribution – % of women in TME HO, NMSCs, Logistics Group	26%	28%
	Gender distribution – % of women in EMC	10%	9%
	Injury frequency rate – EMC (No. of lost-time-injuries x 1 million / No. of hours worked)	3.04	2.65
	Injury frequency rate – TME HO, Zeebrugge, Zaventem (No. of lost-time-injuries x 1 million / No. of hours worked)	0.7	0.326
	Injury frequency rate – Toyota's European Parts Distribution Centre (No. of lost-time-injuries x 1 million / No. of hours worked)	18.17	35.17
	Suppliers – purchased local European content of core models	>90%	>90%
	European social contributions – total amount (million €) (revised figures FY2007)	10.5	7.8
NEW	European social contributions – % of total spending linked to strategic focus on education, road safety, environment	62%	66%

Economic performance		FY2007	FY2008
	Net revenues (million €)	24,651	20,924
	Operating income (million €)	874	-995
	Number of vehicles manufactured	814,093	589,794
	Number of engines and transmissions produced	1,396,106	1,210,913
	Annual total sales Toyota + Lexus (million €)	1,238	1,061
	Annual hybrid sales (CY)	48,958	57,814
	Market share (CY)	5.6%	5.3%
	Investment since 1990 (billion €)	almost 7	over 7

(1) Cover operations of Toyota in Europe for the Fiscal Year 2008 (April 2008 to March 2009)

(2) Excludes NMSC-owned Parts Distribution Centres

Comparisons with 2007 reflect the latest and most accurate data at date of publication

“2009 is the year of Toyota. This may sound surprising given the current economic crisis but this statement reflects the ability and spirit of the company to solve problems – to successfully navigate through difficult times.”



At the time of writing, Toyota in Europe has just launched its annual Green Month Campaign, which this year urges our employees to “act and adapt” in the fight against Climate Change. This statement is particularly poignant for the times that we live in, and indeed extends beyond the challenge of Climate Change.

The last 18 months have been incredibly tough for automakers, and Toyota has not navigated through the rocky waters unscathed. We know that if we are to survive the storm, we cannot continue with “business as usual”. As a company, we have to act – yes, but more than anything we have to adapt.

Thanks to some creative compromises, Toyota Motor Europe has not resorted to the harsh actions taken by other companies in recent times, like reducing head count through lay-offs or dismissals, for example.

I believe – and certainly Toyota believes – that people are our greatest asset. Why? Because it is through our employees that today’s ideals will become tomorrow’s realities.

This is why we are making every effort to provide stable employment to our permanent employees, because by investing in their development we can ensure that both they and the company benefit longer-term.

We also need to be in the best possible position to react when the market rebounds, and we can only do this if we have the support of a highly-skilled workforce, each of whom must be motivated to see a fitter and stronger Toyota emerge from the crisis.

2009 has been a busy year for many reasons, and not least because of the launch of 16 new Toyota and Lexus models. Thanks to Toyota Optimal Drive and our improved full hybrid systems, each model comes equipped with advanced environmental technologies that improve the driving experience but also, importantly, bring down CO₂. So much so, that we will beat the 140 g/km target in 2009.

On the up side, national incentive schemes in many European markets are helping to push customers towards our increasingly CO₂-competitive car range – a reflection that our new product line-up arrives at exactly the right time. More pleasing, however, is that our new models are showing early signs that they’re indeed considered relevant and desirable by today’s drivers.

Our efforts to drive down CO₂ are not just reflected in the wave of new and increasingly eco-conscious products, like the Toyota iQ and new generation Prius, for instance. In collaboration with stakeholders like the World Business Council for Sustainable Development (WBCSD), we are also monitoring progress towards a post-Kyoto agreement, for which we hope to see resolution by the end of this year.

Our company’s commitment to the issue of widespread CO₂ reduction is reflected in this issue’s special feature on Climate Change. And we are joined by independent expert, Björn Stigson, President of the WBCSD, who also shares his views.

We have been hit with some tumultuous months, no doubt – but if you are to recall one important point about Toyota, it is that our desire to grow sustainably, in harmony with nature and society, has not been ‘dethroned’ or pushed aside by global market upheaval.

Rather, it is our conviction that, in our journey towards sustainable development, we can and will continue to pave a green road to growth.

A handwritten signature in black ink, reading 'T. Arashima'.

Tadashi Arashima

*President and CEO, Toyota Motor Europe (TME)
Senior Managing Director, Toyota Motor Corporation (TMC)*

2 Executive summary

2008 was a challenging year for Toyota and the automotive industry. However, we are convinced that the fundamental environmental and social principles that we have introduced in the past years will help us to become even stronger and enable us to grow in harmony with society.

In 2008 we continued to **improve our environmental performance** along the whole life-cycle.

With the **new Avensis**, which was designed and developed in Europe, we have strengthened our European roots. With the iQ and new generation Prius we have introduced cars with CO₂ emissions of just 99 and 89 g of CO₂ per km respectively.

In 2008 we achieved fleet average **CO₂ emissions** of 145.3 g/km CO₂ paving the way to achieve 140 g/km this year.

The **Environmental Declaration of the new Prius** shows a CO₂ reduction of 37% compared to a conventional diesel car and demonstrates the overall CO₂ benefits of our full hybrid technology.

Our production **CO₂ emissions have decreased** from 339,000 tonnes in 2007 to 261,000 tonnes in 2008. Also the overall CO₂ emissions of our logistics operations have been decreased from 236,481 tonnes in 2007 to 210,645 tonnes in 2008. Both achievements are partially due to reduced production and sales volumes but also because of our efforts to become more efficient following the Toyota Way philosophy.

Although CO₂ emissions of our National Marketing and

Sales Companies increased from 12,585 tonnes to 13,585 tonnes we started to implement a **sustainable retailer** concept where all of our 3,000 retailers are requested to do an energy audit to identify energy reduction potentials. New efficiency standards have been introduced and new retailers in La Rochelle, Salzburg and Maribor are now designed to have the lowest environmental impact and to even become CO₂ neutral.

Ensuring stable employment is another key objective of Toyota. In 2008 we made every effort to ensure a sustainable workforce. We used 2008 to enhance the training of all employees in order to strengthen the fundamentals of the Toyota principles.

Despite the challenging economic climate, Toyota spent **€7.8 million in 2008 for social contributions** in Europe in support of about 300 community projects.

In 2008 Toyota continued investing in Europe with the start of production of the new generation Avensis in the UK and the new Toyota Verso in Turkey, where we celebrated the production of the plant's one-millionth vehicle.

This publication covers the two special features of Toyota's European Sustainability Report 2009 on Climate Change and Sustainable Employment. The full report can be found at www.toyota.eu/sustainability_report.

*The Prius Environmental Declaration can be found at:
www.toyota.eu/about/pages/publications.aspx*



Special feature: Climate change

“Toyota Motor Europe (TME) sees climate change as one of the most significant global environmental issues today and recognises that it poses a potentially serious threat to a broad spectrum of social environments and natural habitats.”



Graham Smith

Senior Vice President, External Affairs, TME

TME accepts the scientific evidence cited by the Intergovernmental Panel on Climate Change (IPCC) and other authoritative sources that points to the fact that global warming is taking place and that the increase in emissions of human-induced Greenhouse Gases (GHGs) is the likely cause. TME will make every effort to work with other European stakeholders to stimulate appropriate and effective countermeasures to global warming.

For many years now, Toyota has defined its mission as providing environmentally considerate products that are consistent with measures to counter global warming. Now more than ever, Toyota is committed to redoubling efforts to develop advanced and innovative automotive technologies that will help define a new model for sustainable mobility.

CO₂ emissions – 2009 voluntary commitment

More than a decade ago, the European Commission (EC) developed a strategy to reduce CO₂ emissions from passenger vehicles and improve fuel efficiency. In 1998, the EC signed voluntary commitments with the European, Korean and Japanese manufacturers' associations, namely; ACEA, KAMA, and JAMA.

TME's parent company, Toyota Motor Corporation (TMC), is a member of JAMA and as such, TME is making every effort to help JAMA meet its voluntary commitment to achieve CO₂ fleet average of 140 g/km by 2009 across all new cars sold in Europe. ACEA has committed to

voluntarily achieving the same results as JAMA, and although TME became a member of ACEA in January 2008, Toyota remains party to JAMA's preceding voluntary commitment.

TME is improving CO₂ emissions performance across the entire vehicle range – a range that is one of the widest in Europe – and is confident that the company's CO₂ fleet-average emissions will fall below the 140 g/km target in 2009. Low CO₂ (below 140 g/km) emitting vehicles are expected to make up some 60% of TME's total European sales by the end of 2009.

Future CO₂ regulation

At the end of 2008, the European Council and the European Parliament adopted legislation to reduce CO₂ emissions from new cars to 130 g/km over the period 2012-2015, with an additional 10 g/km reduction coming from complementary measures. Now that European institutions have agreed on the legislation, TME can start planning ahead. Despite the sudden,

dramatic economic downturn, TME will deploy all efforts necessary to meet this challenging CO₂ legislation and will continue to invest in R&D and new product programmes in order to reach the 2012-15 130 g/km target. The EU's long-term CO₂ emissions target of 95 g/km by 2020, the toughest CO₂ regulation in the world, will require technological breakthroughs.

The EU regulation in brief

Under the voluntary agreement, 65% of new cars will have to comply with the emission requirements in 2012, 75% in 2013, 80% in 2014 and 100% in 2015. A new ambitious objective of just 95 g/km has been fixed for 2020. It is hoped that eco-innovations will account for reductions of up to 7 g/km. There are special provisions for niche manufacturers that are conditional on an impact assessment.

Financial penalties will be imposed on a sliding-scale. Each vehicle breaching its target by more than 3 g will cost its manufacturer € 95. Lesser transgressions will be fined between € 5 and 25. As of 2019, all penalties will be a standard € 95; this will be reviewed in 2013

and in 2014. There will also be an evaluation of the average mass (weight) development of cars over the previous 3 years, with a possible adjustment of the slope's formula implemented in 2016. There will be a review every 3 years thereafter.

Reducing CO₂ emissions in transport – the responsibility of all stakeholders

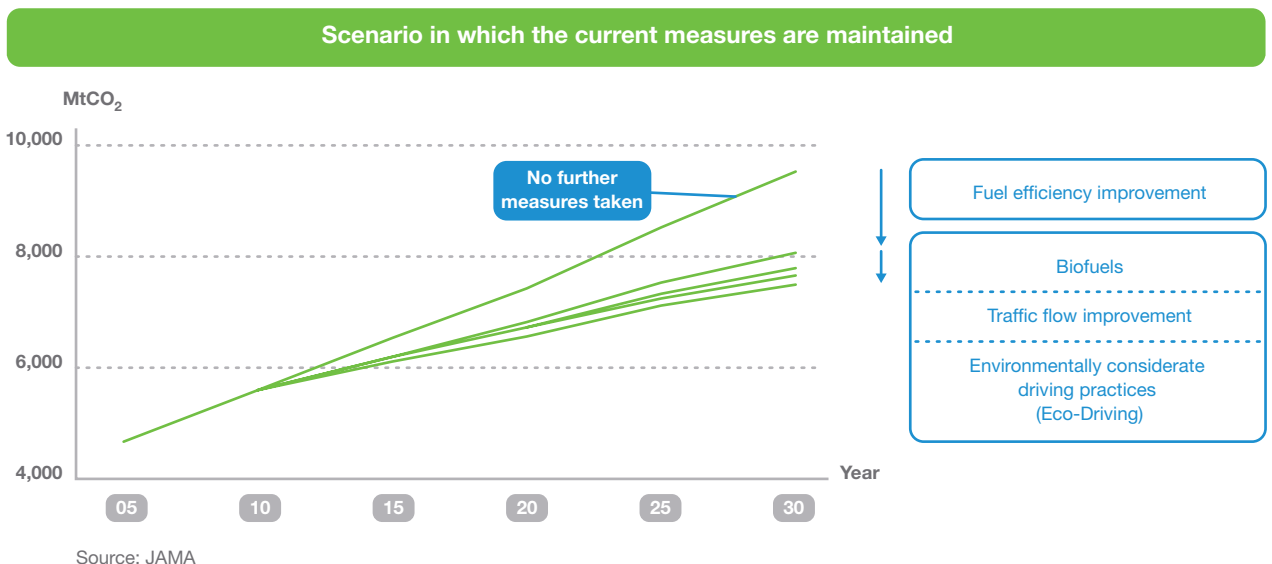
To achieve significant reductions in CO₂ emissions without compromising future prosperity, Toyota believes that the most important requirement for a vehicle manufacturer to be the development, introduction, and widespread adoption of innovative technologies. An effective international framework has the potential to stimulate and accelerate developments in this area.

Toyota is committed to making contributions in the areas where it can have the greatest impact, for instance by strengthening efforts in the field of technological innovation, including development of fuel-efficient vehicles and diversification of energy sources. However, in order to be able to reduce overall CO₂ emissions from transport the contribution of other stakeholders is required, too.

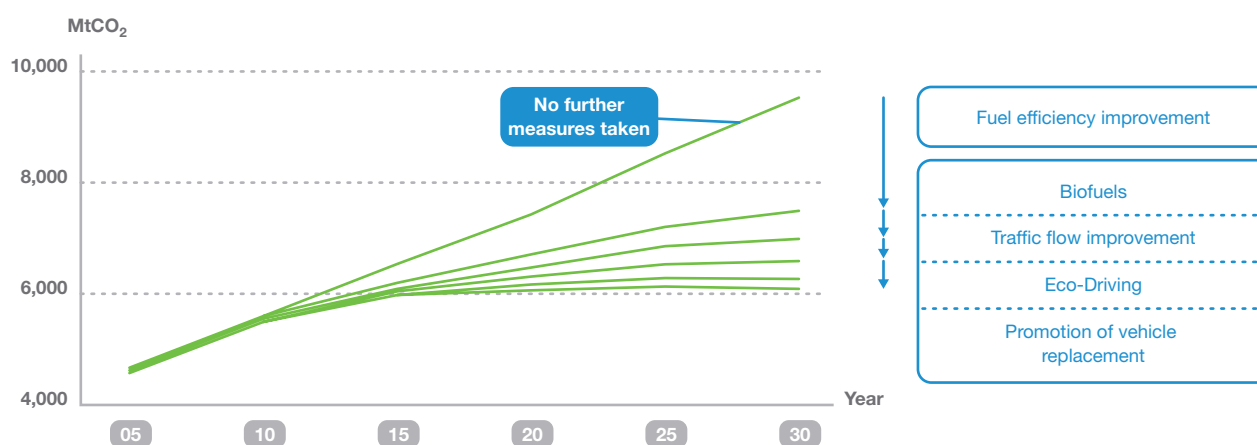
A vehicle's CO₂ emissions are determined by 4 factors; fuel-efficiency, the driving coefficient, CO₂ emissions coefficient of the fuel, and the total distance driven.

Therefore, in addition to efforts made by vehicle manufacturers to improve fuel efficiency, it is important for governments and the private sector to work together on challenges such as reducing traffic congestion and improving driving methods, which can adversely impact the driving coefficient (an expression of both actual driving fuel-efficiency and fuel-efficiency), motivating the switch to low carbon fuels, and efficiently utilising transport resources through a modal shift.

For example, JAMA has estimated future CO₂ emission levels from the world's combined road transport sector according to two scenarios; one in which the current level of measures is maintained and the other in which more comprehensive measures are implemented globally. The results show that if more comprehensive measures are implemented, the additional measures will have as great an impact on reducing CO₂ emissions as fuel efficiency improvements, and that total global CO₂ emissions could actually begin to decline in 2025.



Scenario in which JAMA-proposed measures are implemented CO₂-emissions from the combined global road transport sector



Source: JAMA

How TME is reducing CO₂ emissions

Based on the Greenhouse Gas (GHG) Protocol of the World Business Council for Sustainable Development (WBCSD), in 2005 TME commenced a CO₂ inventory of all its direct and indirect CO₂ emissions in Europe.

Products and services

As a vehicle manufacturer, Toyota is engaged in developing a broad array of improvements in fuel efficiency and conducting research into alternative low CO₂ energy sources. In addition to this, the company is committed to promoting an even broader range of sustainable mobility initiatives. For example, TME has participated in initiatives to improve traffic flow based on Intelligent Transport Systems (ITS) technology and has been involved in customer education initiatives promoting environmentally considerate driving practices, known as Eco-Driving. Toyota has also introduced a Gear Shift Indicator which tells drivers when their vehicles are being operated in a fuel-efficient manner. In order to improve the environmental performance of the next generation of vehicles, Toyota is conducting life-cycle assessments which are embedded into the company's environmental management system, Eco-VAS. The current CO₂ emission level of the Toyota fleet in EU-15 is 145.3 g CO₂/km.

Production and logistics

With the aim of achieving the world's highest of environmental efficiency in vehicle production processes, TME continues to strive towards reducing

CO₂ emissions in accordance with the principles of the Toyota Production System (TPS). Since 2001, TME is proud to have reduced per-vehicle energy consumption in the production process by 38%. In line with the target to achieve 1,375 kWh/vehicle by 2010, TME's 5 yr Environmental Action Plan calls for even greater reductions in energy consumption and CO₂ emissions across all of the company's business areas.

TME is also working to reduce CO₂ emissions in its logistics processes and has achieved significant positive results through measures such as improved loading rates, sharing vehicle transportation with other companies, and modal shifts. E.g. TME was able to reduce CO₂ emissions from vehicle logistics operations by 8% compared with 2007 levels. CO₂ emissions of all logistics operations were reduced by 10.5% compared with 2007.

Sales and marketing

TME is also committed to reducing CO₂ emissions in its sales and marketing operations. National Marketing and Sales Companies (NMSCs) are implementing measures such as those introduced by Toyota Belgium (TBEL) and Toyota Denmark (TDK) where steps have already been taken to ensure that 100% of energy purchased is from renewable sources. By implementing TME's Sustainable Retailer programme, retailers are also helping to reduce CO₂ emissions. By giving customers Eco-Driving tips and offering tests we help our customers to improve their fuel efficiency and to save money.

Working together towards a sustainable future



“I applaud Toyota Motor Europe for the work it has done thus far, and look forward to the innovations and solutions it delivers in the future.”

The world faces a climate challenge that will define our generation. How we deal with it will mark out the true leaders in our society and shape our world for decades to come.

The challenges are clear. By 2050, the world's population is expected to grow by 50%, or three billion people, 85% of whom will live in what we now call developing countries. In an attempt to better their lives many of these people will move to the cities and it is hard to see how they will achieve that without better access to energy, water and mobility. Already, 1.6 billion people lack access to electricity, so it is clear that containing, let alone cutting, greenhouse gas emissions is going to be difficult.

Switching to an energy-efficient, low-carbon economy seems the only way and business knows it has a role to play. The world needs solutions and business, as the main tool for innovation and implementation, has taken a lead in helping to provide them. However, the twin problems of global recession and climate change mean business has some serious challenges ahead.

Business will seek as much certainty as is possible about the conditions into which it will be investing; it will need a clear, consistent policy framework within which to work. This framework must enable all countries to work collectively towards a low-carbon economy; meaning cuts in greenhouse gas emissions, more new technologies, incentives to enable investment in those technologies, cooperative sector-based approaches, and public-private partnerships on a scale never seen before.

This is why decisions made at the United Nations Climate Change Conference in Copenhagen in December 2009 will be vitally important. It is also why the World Business Council for Sustainable Development (WBCSD) has been working with its member companies, including Toyota, to amplify the voice of business in the climate negotiations and is working with governments and other groups to find common climate solutions.

Change is happening even before the Copenhagen talks begin, and it will continue after them. Business has a pivotal role to play throughout, but it is not a solo act. Addressing climate change is going to pose significant challenges to the way we work together, across all sectors of society, all industries, all peoples, and all countries. Making a difference will mean leaving our differences behind.

A handwritten signature in black ink, appearing to read 'Björn Stigson'. The signature is fluid and cursive.

Björn Stigson

President, World Business Council for Sustainable Development

Special feature: Sustainable employment and caring for talent

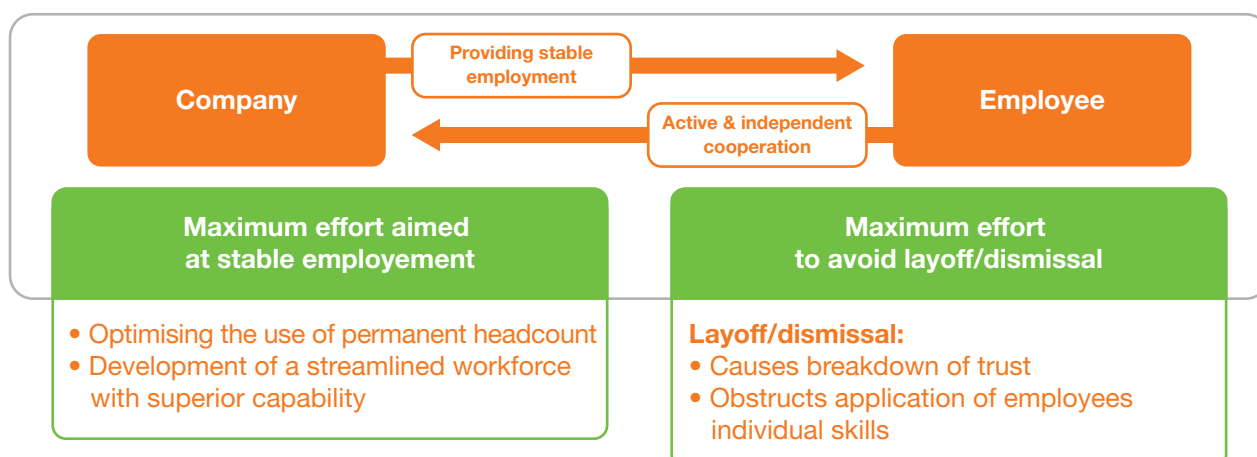
“For more than 50 years, mutual trust has been a basic principle for labour relations in Toyota. This is best exemplified by the company’s long-time commitment to make maximum effort to ensure stable employment for all of the permanent employees.”



Seiji Abe

Vice President, Human Resources, TME

By making this effort, and avoiding lay-offs or dismissals, trust can be maintained and employees will work to the best of their ability. At the same time, the company should optimise the use of the workforce, while striving to develop a highly capable and motivated team.



Toyota Motor Europe (TME) cares for its people and fosters talent both inside and outside the company in many ways. Concretely, Toyota Motor Europe (TME) recognises that:

- **People are a critical asset.**

As the company fully depends on its people, TME cannot afford to hire and fire. The Toyota Way and Toyota Guiding principles honour both Respect and Sustainable Development of our workforce and company.

- **Considerable investment to develop individuals is required.**

TME's management system is founded on

developing employee abilities. Key building blocks are on-the-job training and Toyota Business Practices, the latter based upon a specific Toyota problem solving methodology. In the spirit of the Toyota Way, Toyota also values diversity as a way of introducing varied and wide-ranging ideas to come to new solutions. Therefore we focus very much on promoting the richness of diversity within the company's human resources.

- **The company's perspective is long-term.**

Other companies may exhibit immediate returns by dismissals but TME aims to retain skilled people and strives to provide stable employment.

TME collective labour time agreement – a true example of a balanced consensus

Commenting on TME's recent collective labour agreement on the organisation of working time and labour cost reduction, **Mrs. Anne Goovaert, HR Director at Agoria**, the employer and trade association representing more than 1,600 high technology companies in Belgium, believes that it is: "a very well drafted agreement, fully transparent, which only adds to the trust one can place in the company. Set up collectively, it has the main advantage

of maintaining employment thus avoiding re-structuring and redundancies. The agreement is original and creative in finding solutions, especially in this sector".



The agreement sets out new rules, including:

- No overtime except in emergency situations

- Flexitime recuperation

- Collective shutdowns aligned to site closures

- Unpaid holidays for all grades

- The promotion of part-time, credit-time solutions and parental leave.

This challenging environment is an opportunity for the company to:

- 1 Maintain good labour and management relations based on two-way communications and mutual trust;

- 2 Look at improved work processes to decrease workload and hence working hours/required overtime through enhanced standardisation;

- 3 Use innovative and relevant work practices to improve flexibility and contribute to work life balance;

- 4 Maintain values of inclusion, diversity and values calling on our employees to respect our code of conduct;

- 5 To re-focus and prioritise our training and development;

- 6 Improve our working conditions especially in the area of Health and Safety.



In recognition of good practice in the area of sustainable employment, the Solidarnosc Trade Union has awarded Toyota Motor Poland the Employee Friendly Award which recognises leading efforts in the maintenance of stable employment, the stimulation of open social dialogue, and Health and Safety.

Caring for talent

TME's firm belief, as reflected in the long-term strategy, is that continuous development is necessary to enable all employees to face challenges and changes. In line with this belief, many training programmes exist within TME to continuously bring out the best in employees and develop their talents.

One example is the annual Team 21 competition, an internal TME pan-European challenge for the Sales and After Sales employees of Authorised Retailers. All 29 European NMSCs take part in the competition which allows them to select the Sales and After Sales experts who excel in applying TME's methodology, such as the Customer First philosophy, on a day-to-day basis.

Developing talent in society

TME cares not only for talent within the company but also outside. Therefore TME has established initiatives across Europe to support the development of talent in society. As a large European employer, TME believes it has a role to

play in offering the best options for youngsters to develop skills for employability. The following programmes are just a small selection of TME's initiatives currently running across Europe:

T-TEP

TME's Technical Education Programme (T-TEP) is the first global training programme of its kind by a vehicle manufacturer. Founded in 1990, T-TEP delivers high quality technical education to aspiring automotive technicians thus improving their employability. The programme provides support via teaching tools, such as simulators and engine cutaways, as well as e-learning materials and teacher training. In 2008, TME invested € 1.1 million in T-TEP resulting in 12,386 graduates from 224 T-TEP schools across 23 European countries that year alone.



TMUK Technology Challenge

Since 2003, together with Rapid, a UK distributor of electronic components, electrical products, tools and educational resources, TMUK organises an annual Technology Challenge. Started as a local competition, the Challenge has now grown into a high-profile national event. The purpose is to educate students about environmentally friendly vehicle engineering and to encourage the consideration of engineering as a future career.

As the project itself is a team effort, students also practice teamwork. Teams of students build models of solar powered cars or cars equipped with a microcontroller enabling them to detect and avoid obstacles. Models are presented and raced in regional heats, with the regional winners going on to compete in the national final. Around 15,000 students were involved in the 2008 TMUK Technology Challenge.



The full report can be found at:
www.toyota.eu/sustainability_report

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