

3<sup>rd</sup> of December 2015

## OUR ANSWERS TO STAKEHOLDERS' QUESTIONS ON OUR 2013 SUSTAINABILITY REPORT

On 27 September 2013, Belgian CSR network KAURI (now The Shift) organised a stakeholder dialogue for Toyota Material Handling Europe (TMHE). With the help of MVO Nederland, we gathered 30 stakeholders to discuss TMHE's first sustainability report (stakeholders' feedback available via [this link](#)). TMHE committed to taking these remarks into consideration in working towards the 2015 report.

Instead of convening another panel of stakeholders to achieve G3.1 level C+, we have organised partial assurance of the report by our auditors, conclusions are on page 29 of the 2015 report:

1. **PWC** reviewed reported **injury and lost time rates** – LA 7  
(PWC also conducts auditing of our annual reports and accounts)
2. **WSP** reviewed reported **energy use** – EN 3 and EN 4  
(WSP also conducted 9 energy audits of our subsidiaries across Europe to meet our obligations under the EU Energy Efficiency Directive)

This Q&A document aims to respond to the three main points from the stakeholder dialogue (quoted in italics below), as well as to individual questions from stakeholders on the 2013 report.

## SUSTAINABILITY REPORTING GOVERNANCE

### **Materiality**

*“First of all, there is a general appreciation for the way TMHE approaches stakeholders and makes strict materiality choices. TMHE made an audacious choice to focus on a very limited number of sustainability topics in its report. Stakeholders support this strict focus if it is combined with a deepness and completeness on the few topics chosen. The stakeholders recommend TMHE to deepen these materiality choices further in the future.”*

We have answered this question on page 6 of our 2015 report:

In 2013, we consulted our stakeholders and distilled their input into our matrix of material issues. In the 2015 report, we used the same materiality matrix, and we provided a clearer explanation of how we have used it to prioritise the issues we focus on in the report. For example, energy use and CO<sub>2</sub> emissions was deemed an issue of major importance to internal and external stakeholders. Therefore it's a key focus area in our reporting. Recycling and reuse was deemed an issue of medium importance, therefore we haven't included it in our reporting so far. In 2016, we will engage again with our stakeholders to review our material issues. We will also align with them on the appropriate reporting standards to be used in our future reports.

### **Dual Impact**

*“Secondly, stakeholders discussed the ‘Dual Impact’ philosophy of the report. Toyota Material Handling Europe wants to make an impact through focusing on external stakeholders AND by taking an exemplary role on sustainability in its own internal operations. The stakeholders suggest highlighting the internal topics more, in order to positively influence the external stakeholders. They would like to learn more about the weaknesses and difficulties, not only the achievements.”*

We have answered this question on page 7 of our 2015 report:

Our main goal is to inspire both internal and external readers that sustainable progress is achievable. As most of our stakeholders appreciated the concise nature of the report, we decided to maintain its overall structure. To respond to stakeholders’ recommendations for more focus on internal topics, we have prepared twelve best practice case studies focusing on individual customers, suppliers, sales and service companies, factories, products and services. We are transparent about our weaknesses through our commitment to transparency on all the defined KPI’s. Where performance on material issues leaves room for improvement we have set ourselves clear targets.

### **Clear targets**

*Thirdly and most importantly, the stakeholders warmly encourage TMHE to translate all the collected data into clear ambitions and measurable targets. In this first report, important steps have been made in terms of data collection. Stakeholders are eager to see these figures interpreted (what they mean) and translated into transparent ambitions (what the target is and by when).*

Where possible, we have provided more interpretation of the data provided. We have listened to our stakeholders’ call for clear targets and have inserted two new pages in the 2015 report:

- Performance against 2015 targets (page 8)
- Our 2017 targets (page 9)

### **Can you provide some high-level information on governance at Toyota Material Handling Europe?**

We have included a high-level introduction from our President and Chairman on how our sustainability approach is the foundation of our business strategy. We have provided an additional section in the report on achievements in our strategy to become number 1 in customer satisfaction. Finally, we have provided more details around sustainability governance in our company.

We understand that we may need to further develop our reporting on governance when preparing our next report in line with EU Directive 2014/95/EU on [Non-Financial Reporting](#)<sup>ii</sup>. There is also likely to be an impact in moving from GRI G3.1 to GRI G4 or an equivalent standard.

***Is it possible to integrate sustainability report to the annual report?***

Our sustainability reports are voluntary first steps in becoming more transparent, and preparing for compliance with EU requirements on non-financial reporting. Being part of a Japanese listed company, there is no legal requirement for Toyota Material Handling Europe (operative or legal structure) to disclose a consolidated annual report in Europe. The financial result is consolidated in Japan and we refer to the Toyota Industries Corporation (TICO) [annual report](#)<sup>iii</sup> (public report) for public financial reporting. The legal consolidated report for the Swedish TIEAB group includes Toyota Material Handling Europe amongst other TICO companies and is issued under Swedish accounting principles.

***Why are you still reporting to the GRI G3.1 standard as it expires at the end of 2015?***

In 2012, we took a strategic decision to report our sustainability performance once every two years, in line with the GRI G3.1 standards at C+ level. In 2013, we issued our first report and we wanted to maintain the same standard for our second report in 2015.

For our next reports, we need to take into account the new EU Directive 2014/95/EU on Non-Financial Reporting and review which reporting framework will best suit our requirements and meet the expectations of our stakeholders.

The EU Directive 2014/95/EU on disclosure of non-financial and diversity information by certain large undertakings and groups requires companies to disclose in their management report information on policies, risks and outcomes regarding environmental matters, social and employee aspects, respect for human rights, anticorruption and bribery issues, and diversity in their Board of Directors.

The EU Directive allows significant flexibility for companies to disclose relevant information in the most useful way, including in a separate report. Companies may use international, European or national guidelines which they consider appropriate, e.g. the UN Global Compact, the OECD Guidelines for Multinational Enterprises, ISO 26000, GRI G4.

***Why does Toyota Material Handling Europe not consider shareholders as stakeholders in its reports?***

We have answered this question on page 7 of our 2015 report:

We are a 100% subsidiary of Toyota Industries Corporation (TICO). Toyota Industries Corporation's shareholders are the primary audience for TICO's integrated financial, social and environmental report which can be viewed on [www.toyota-industries.com](http://www.toyota-industries.com).

### LABOUR PRACTICES

***Can you clarify your ambitions for Toyota Material Handling Europe in taking the next step in terms of Employee Empowerment?***

We have answered this question on page 14 of our 2015 report:

Central to the Toyota Way are our five values: Going to the Source, Continuous Improvement, Challenge, Respect and Teamwork; we recruit people that share our values and feel empowered by them. One practical target for increasing employee empowerment is to implement [Toyota Production System](#)<sup>iv</sup> (TPS) visual management tools in all entities. This way, all our employees are continuously made aware of performance against key performance indicators and are invited to contribute to continuous improvement initiatives.

With the appointment of a new Senior Vice President Human Resources & Sustainability, we have an increased focus on developing talent in the organisation. Our approach is to build a pan-European HR organisation from the bottom up by using local competences at European level. This way we achieve greater harmonisation and promote the development of best practice. We also have committed ourselves to conduct a Europe-wide employee survey ahead of our 2017 sustainability report.

***Can you provide more information regarding workers representation at European and local level?***

We have answered this question on page 6 of our 2015 report:

The European Works Council (EWC) takes a special interest in labour-related issues. Performance against HR and safety KPIs are shared every year at the EWC meeting in Brussels and the views of employee representatives are taken into account when developing action plans.

We are an active campaign partner with the European Agency for Health and Safety at Work (EU-OSHA). We joined the steering committee of the EU-OSHA benchmarking initiative in 2013 with representatives from industry, governments and trade unions. We have supported EU-OSHA events as well as those organised by other partner companies. In November 2014, it was Toyota's turn to organise the Safety Days in our European Head Office in Mjölby, Sweden. Alongside 40 participants representing customers, suppliers, trade unions, industry associations, local and European authorities, 30 Toyota colleagues also took part. Representatives of the European Welding Federation (EWF), the European Trade Union Institute (ETUI) and the Portuguese CATIM attended the Toyota Safety Days in collaboration with EU-OSHA in November 2014.

***Can you give more specific information on the efforts done on training and development?***

We have answered this question on page 10 of our 2015 report:

We have produced a special [case study](#)<sup>y</sup> on our training programmes for service technicians, who make up half of our workforce.

***Can you provide more detailed information about protection of whistleblowers?***

We have answered this question on page 16 of our 2015 report:

Since the implementation of our Code of Conduct in 2009 we have encouraged employees to report any violations and all our entities have a dedicated Local Compliance Officer. In April 2015 we set up an independent Code of Conduct Helpline to give the ability, and moreover the empowerment, to raise concerns or call for assistance when a violation is found. Employees who ask a question, raise a concern or make a report via the Internet have the possibility to remain anonymous.

Retaliation against those who have reported valid compliance concerns is not tolerated under our Violation Reporting Guideline. This protects the whistleblower from discrimination or any direct or indirect action to harm their employment relationship, earning potential, bonus payments, career development or other work-related interests.

**ENVIRONMENTAL MANAGEMENT*****Does Toyota Material Handling Europe submit its climate change strategy and performance to CDP? (Formerly known as the Carbon Disclosure Project)***

We are a 100% subsidiary of Toyota Industries Corporation (TICO), which has been reporting to CDP for five years. To avoid double reporting of emissions, we are not allowed our own CDP submission at European level. Therefore, we refer customers who are members of the CDP Supply Chain platform to the submission of Toyota Industries Corporation.

In 2015, our parent company obtained a 91% score for transparency and a C-grade for performance in emissions reductions. Our CDP submission can be downloaded from [www.cdp.net](http://www.cdp.net).

***Have you developed a cradle-to-cradle strategy on the impacts of your products & parts?***

We have provided a high-level overview of our product life cycle on page 3 of the 2015 sustainability report, highlighting where we have control versus where we have influence and where we have limited engagement. Our Second Life strategy aims to prolong our trucks' useful life and is explained in this [case study](#).<sup>vi</sup>

***What happens with products & parts at the end of their life?***

According to stakeholder interviews with internal and external stakeholders we conducted in 2013, reuse and recycling is an issue of medium importance and it is therefore not covered in our sustainability reports so far. With the implementation of the EU's new strategy to build a circular economy, we expect that stakeholder interest in this topic may increase. If it is identified as a material issue by our stakeholders in our 2016 review of material issues, we will disclose our approach in the 2017 sustainability report.

***What are the next steps in improving the environmental impacts of your products? Do you have any objectives and targets in this area?***

Our current approach to minimise customer energy use is set out on pages 19 to 21 of the 2015 report.

All our sustainability targets for future improvements are summarised on page 9 of the 2015 report. Our environmental targets for our products and services are to:

- Continue partnership with 10 European fleet customers to reduce their CO<sub>2</sub> emissions
- Increase sales of used trucks by 20%
- Launch additional silent products

***What are the next steps in improving the safety of your products? Do you have any objectives and targets in this area?***

Our current approach to maximise customer safety is set out on pages 11 to 13 of the 2015 report. All our sustainability targets for future improvements are summarised on page 9 of the 2015 report. Our health and safety targets for our products and services are to:

- Continue our EU-OSHA partnership with the new campaign 'Healthy Workplaces for all Ages'
- Double the number of trucks enabled to operate with I\_Site fleet management vs FY15
- Pilot forklift training for 50 global and European safety managers

### RESPONSIBLE PURCHASING

#### ***Do you have a strategy to source materials from responsible suppliers?***

Our responsible purchasing strategy is set out on page 17 of our 2015 sustainability report.

#### ***How do you inspire suppliers and other partners to establish their own carbon footprint and emissions reduction plan?***

We share our strategy and our performance on energy and carbon management annually with our suppliers at the Toyota Material Handling Europe Supplier Days.

We also have given strategic direction that we will work on a way to integrate suppliers' transparency and performance with regards to low carbon operations and low carbon products and services into how we evaluate and select our key suppliers.

#### ***Are you working with your suppliers so they disclose their carbon footprint to you? When will you include scope 3 emissions (= sum of emissions of all suppliers for the part of their business they conduct on your behalf)?***

We are still working towards consolidating scope 1 and 2 emissions for all of Toyota Material Handling Europe and have not yet decided how we will address scope 3 emissions. We will align ourselves in future with the strategy set out by Toyota Industries Corporation in its disclosure to the CDP.

#### ***Can you provide detailed figures and vision on the effect on energy use and emissions caused by transport of products and resources?***

We are still working towards consolidating scope 1 and 2 emissions for all of Toyota Material Handling Europe and have not yet decided how we will address scope 3 emissions. We will align ourselves in future with the strategy set out by Toyota Industries Corporation in its disclosure to the CDP.

We have shared best practice in a [case study](#)<sup>vii</sup> on our activities in Norway where we reduced emissions from third party logistics by merging it with our regional warehouse in Mjölby, Sweden.

### REFERENCES:

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**Summary of 2013 stakeholder dialogue and aggregated individual feedback from stakeholders:**

<sup>i</sup> <http://www.kauri.be/460/activities/230/stakeholder-dialogue-toyota-material-handling-europe#.VlwNHWffOUk>

**Additional information on EU Directive on Non Financial Reporting:**

<sup>ii</sup> [http://ec.europa.eu/finance/company-reporting/non-financial\\_reporting/index\\_en.htm](http://ec.europa.eu/finance/company-reporting/non-financial_reporting/index_en.htm)

**Toyota Industries Integrated Financial, Social and Environmental Report**

<sup>iii</sup> <http://www.toyota-industries.com/ir/library/annual/2015/tir.html>

**Toyota Production System – introduction video:**

<sup>iv</sup> <https://www.youtube.com/watch?v=nFu4FFgbMY4>

**Case Study on our training programmes for service technicians**

<sup>v</sup> <http://www.toyota-forklifts.eu/SiteCollectionDocuments/PDF%20files/About%20us/Sustainability/step-and-asec.pdf>

**Case Study on our second life strategy**

<sup>vi</sup> <http://www.toyota-forklifts.eu/SiteCollectionDocuments/PDF%20files/About%20us/Sustainability/second-life-strategy.pdf>

**Case Study on reducing 3<sup>rd</sup> party emissions from logistics**

<sup>vii</sup> <http://www.toyota-forklifts.eu/SiteCollectionDocuments/PDF%20files/About%20us/Sustainability/tmh-norway.pdf>