

DRIVING THE CARBON PROBLEM HOME

Toyota calls on senior managers across its operations to own its environmental plan and to meet quantifiable targets.

Analysis by ALEXANDRA CAINE

From left to right: David Buttner – senior executive director, sales and marketing, Toyota Australia; Dr Karl Kruszelnicki – University of Sydney; Prof John Thwaites – chairman Monash Sustainability Institute; Max Yasuda – president and CEO, Toyota Australia

Toyota Australia is successfully addressing ‘the elephant in the room’ in its recently released sustainability report, which should give the document credibility with investors.

The easy-to-read report is full of useful data and information about what the company is doing to reduce the environmental impact of its vehicles, with a key focus on the ‘elephant’. That is, what Toyota is doing to reduce vehicle fuel consumption as it manages the transition to more fuel-efficient models.

“There are a number of aspects of Toyota’s report which indicate it is embedding sustainability, particularly environmental sustainability, within aspects of its operations,” says Carol Adams, professor of accounting and sustainable development strategy and deputy dean at La Trobe University’s law and management faculty.

Adams says the inclusion of senior managers from each area of the business on the environment committee ensures they own the environmental plan and are aware of their responsibilities in achieving its goals.

Another plus, says Adams, is Toyota’s quantified targets and dates by which they should be achieved and reported performance against targets.

“It’s also pleasing to note the starting point is the corporate vision, from which key issues and objectives are developed, which then leads to the development of detailed targets. Reporting on this process demonstrates environmental concerns are

embedded within decision making and performance management,” she says.

Executives must reinforce commitment

Amanda McCluskey, head of sustainability and responsible investment at Colonial First State Global Asset Management, says this approach helps mainstream investors consider sustainability information as they would consider any standard business data.

“We also like to see the CEO and CFO talk about these issues in results presentations; sustainability information has much more credibility if there’s ownership from the senior leadership team,” McCluskey says.

Adams says other positive aspects of the report include Toyota’s reporting on its use of natural resources, emissions from the manufacturing process and environmental impacts of its products. “This data and the ranking of its vehicles in the Green Vehicle Guide really does show how much the organisation is doing to decrease the environmental impact of its products,” she says.

But Adams says the focus on environmental impacts has been in part at the expense of disclosure on workplace and social sustainability issues. Adams says Toyota’s report “has little mention of work-life balance measures, such as paternity leave and flexible working and the proportion of women in the workforce is very low. These are issues worthy of attention, important to the overall success of the organisation and therefore to investors.”

Adams says companies that are open about addressing their harmful impacts have

a better chance of reducing operational risk, minimising future liabilities and maintaining reputation - variables that are key concerns for ethical investors.

“This is particularly important for Toyota given customers are attracted to models such as the Corolla and Prius because of their environmental performance,” Adams says.

Toyota’s report was compiled in line with the Global Reporting Initiative’s sustainability reporting standards.

New framework puts car firms on same track

The *Global Climate Disclosure Framework For Automotive Companies* was recently released after being prepared by the international investment community through the Institutional Investor Group on Climate Change (IGCC) UK, the Investor Network on Climate Risk (US) and the Investor Group on Climate Change (Australia/New Zealand).

Car companies’ broad adoption of the framework would allow closer comparison of their standards in sustainability data disclosure and success in meeting goals.

Joanne Saleeba, executive director of the IGCC Australia/New Zealand, says its framework is consistent with the GRI but provides more detailed guidance on disclosure of climate change-related issues. She said it has been designed so there is no ambiguity regarding comparability of sustainability information issued by car companies.

Toyota isn’t listed in Australia but has dual listings on the US and Japanese stock markets. 