

INDUS MOTOR COMPANY LTD.



2017 | SUSTAINABILITY REPORT



ABOUT THIS REPORT

This is Indus Motor Company Ltd.'s second sustainability report. It details our performance for the financial year 2017 covering the period from July 01, 2016 to June 30, 2017.

The report encompasses the activities and performance of Indus Motor Company Ltd. The information relating to impact of operations of associated companies and dealerships is not included in the report. The contents of the report are derived from the materiality analysis and takes into consideration the significance of our impact and the influence on stakeholders' decisions. The reporting principles for defining the report content and report quality from GRI 101: Foundation (2016) were applied during determination of the report content and compiling the information. The detailed information about defining report content, topic boundaries and list of material topics is available in materiality analysis section of this report.

The data included in the report has been recorded using scientific measurement on actual basis, however, where estimates are used, it has been clearly mentioned. The measurement techniques are applied consistently over the period. The disclosures related to changes in the reporting period, scope and boundary of material topics, restatement/revisions, and date of the most recent report do not apply to this year's report.

The report is reviewed and approved by the SHE Committee, the highest decision making body on sustainability issues. The report is published in Portable Document Format (pdf) and printed versions. The pdf version can be downloaded from the company website (www.toyota-indus.com). IMC is committed to producing an Annual Sustainability Report to communicate the impact of its operations and its contributions towards the goal of sustainable development.

This report has been prepared in accordance with the GRI Standards: Core option. This report is not externally assured. However, IMC intends to seek external assure of its sustainability report in 2018. The GRI content index is available on page 63.



KEY PERFORMANCE HIGHLIGHTS

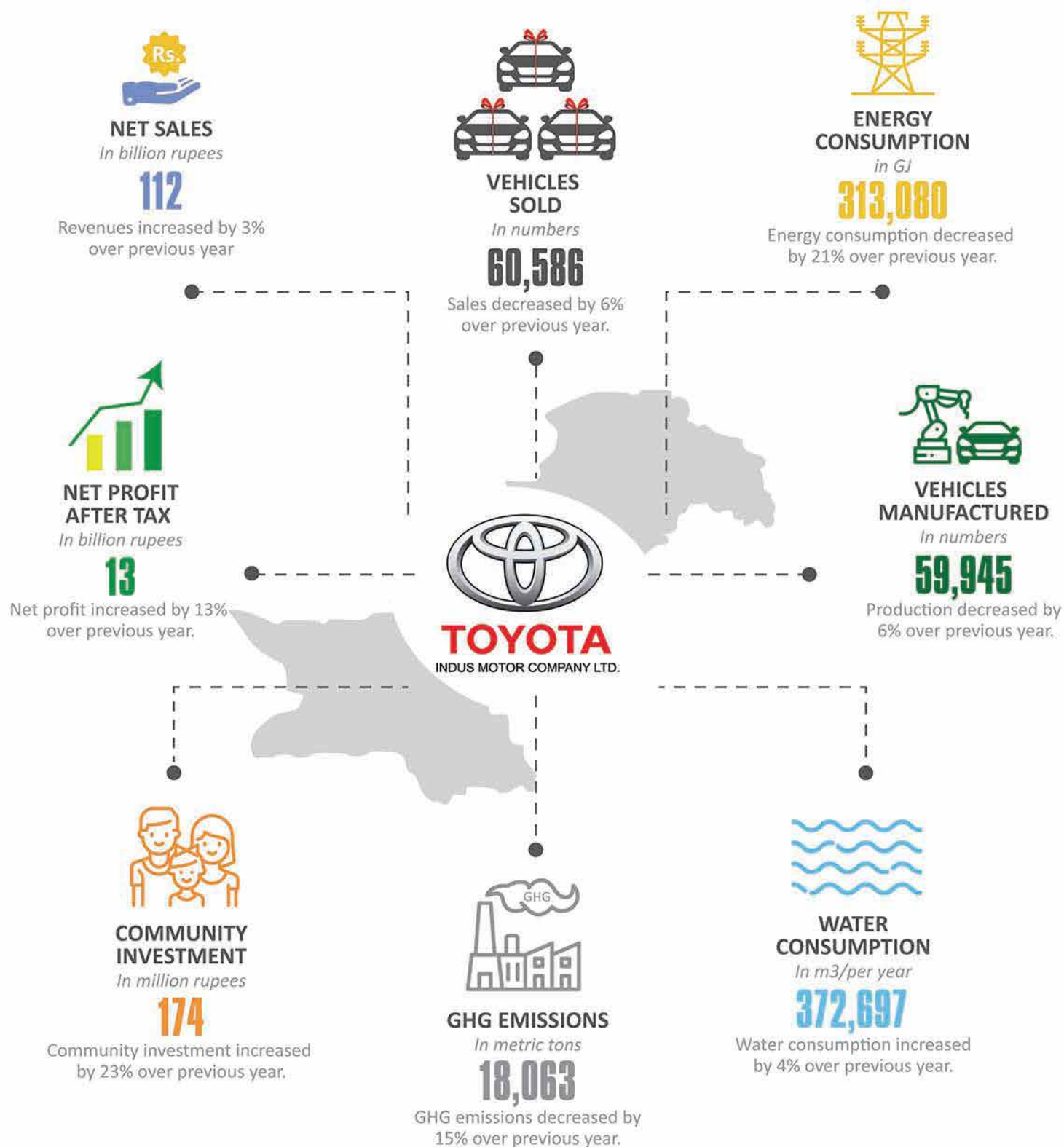


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OVERVIEW

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- IMC HISTORY
- ABOUT IMC
- OUR PRODUCTS



CHAIRMAN'S MESSAGE

Dear Stakeholders,

On behalf of the IMC Board of Directors, I reiterate the Board's commitment to sustainable and inclusive growth. Sustainability is embedded in our company. It drives us to produce safe vehicles, protect environment, apply Kaizen (continuous improvement), reduce costs, provide sustained returns, respect our people and invest in our communities.

Sustainable development entails a leading role from organizations to align their business strategies with the goal of sustainable development. We are aligned with the Toyota Guiding Principles and Toyota Way to deliver inclusive growth for our stakeholders.

The advancements in renewable energy, batteries, electric cars, driverless cars and other factors are affecting our industry at global level. These advancements require us to transform into a continuously evolving organization to remain customers' first choice. Being cognizant of such developments, we are also embracing new technologies both in our existing product lineup as well as by introducing hybrid vehicles. We are also constantly upgrading our vehicle assembly plant as well by adopting more efficient and environment friendly machines and processes.

Our performance this year established new benchmarks in terms of profitability, payments to our investors, supply chain partners and employees and investment in communities. The value created and shared with our stakeholders is our prime contribution towards the goal of inclusive and sustainable growth.

Moving further, this year we decided to prepare an annual Sustainability Report according to Global Reporting Initiative (GRI) Standards to share our commitment and performance on the three pillars of sustainability (economic, environment and social) with our valued stakeholders.

Finally, I would like to congratulate the team members on commencing a new journey and wish them continued success.



Ali S. Habib
Chairman

CHIEF EXECUTIVE'S MESSAGE

Dear Stakeholders,

Technological innovations are creating new business opportunities and challenges across the globe. Businesses are expected to play a more aggressive role to maximize the opportunities, solve complex problems faced by humanity and create value for the stakeholders. We believe inclusive growth requires active stakeholders' consultation to transform strategies for preserving and enhancing the productive potential of our operations and meet stakeholders' expectations.

This year, the company has achieved new milestones in revenue and profitability. Vehicle sales remained above the 60,000 units mark for the second consecutive year showing customers' confidence in our products and the value proposition offered. To further enhance the profitability and reduce costs, we practice "Kaizen" or continuous improvement throughout our operations to eradicate bottlenecks and increase the production capacity. During the year, we made a multi-billion Rupees investment in the paint shop to boost production capacity and support our drive to reduce vehicle delivery time and increase customers' satisfaction.

We are committed to following the Toyota Way to make better mobility solutions with better technology and reduced environmental impact. We continuously strive to minimize the environmental impact of our operations by reducing energy consumption, emissions, fresh intake of water and improving waste management. The energy consumption during the year decreased by 82,949 GJ compared to the previous year while emissions reduced by 3,139 Mt compared to the previous year. The intake of fresh water increased by 13,675 m³ compared to the previous year and water recycling decreased by 8% over the previous year due to construction activities at plant.

In our drive of "Concerns Beyond Cars" to improve the lives of communities, we invested in education, health, skill development and road safety. During the year, our CSR spending was 1% of our net profit before tax which demonstrates our commitment the betterment of communities and inclusive growth.

Our people are vital for our ability to deliver customer delight and meet business growth targets. We make continuous investment in developing our people through extensive training



to equip them with the required skills and knowledge. Health and safety of our people and operation is of utmost importance. Unfortunately, during the year, two incidents occurred, one involving our team member and the other involving an external construction contractor's employee. This led us to re-examine our efforts towards health and safety of our stakeholders and we are committed to make improvements in health and safety procedures with the support of Toyota.

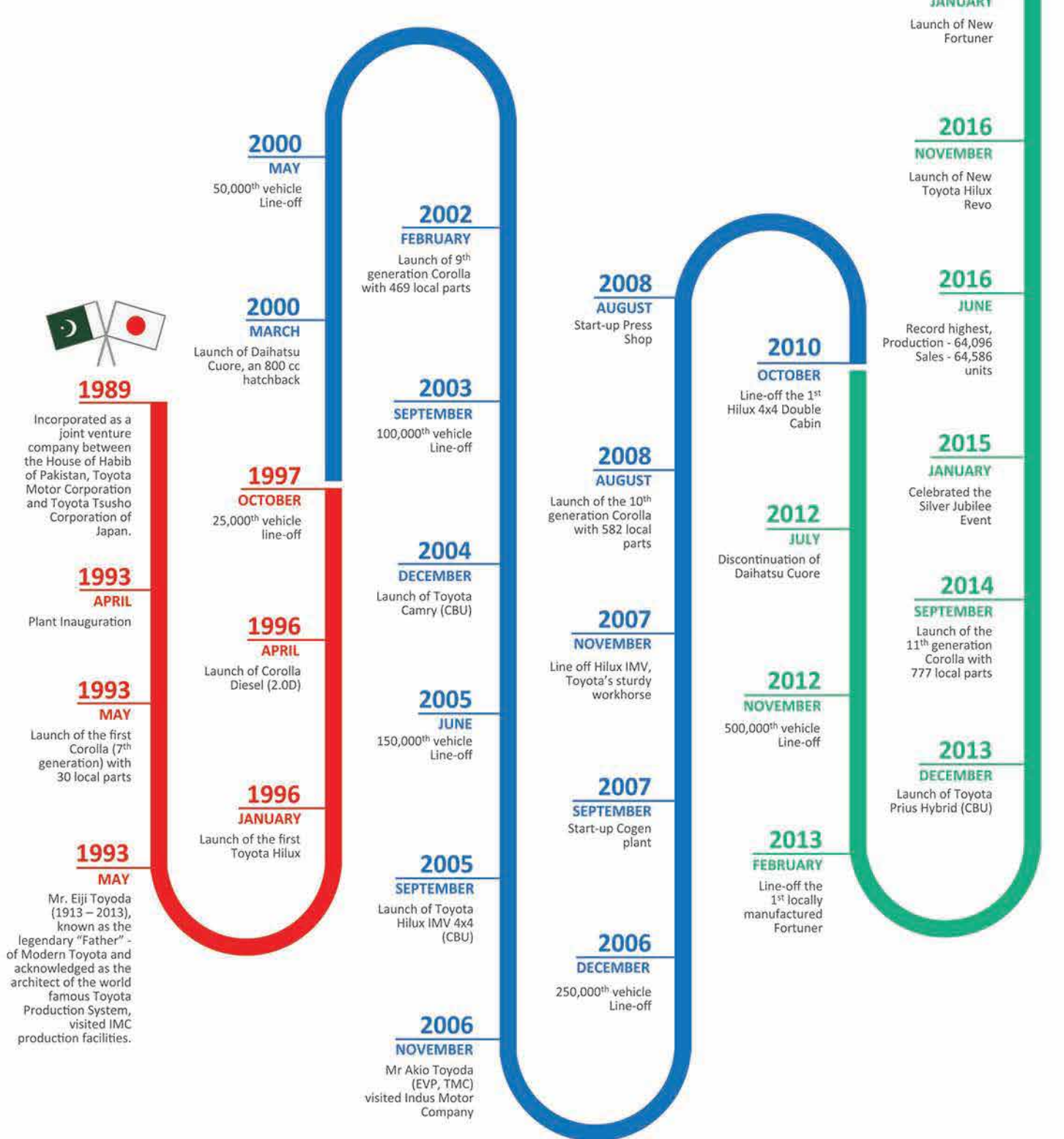
Our dealers and our suppliers are important partners of our Indus family. We are committed to working closely with our partners to increase their profitability and promote sustainability practices in their operations.

We commit to and support the "Ten Principles" of the United Nations Global Compact (UNGC) and the recently introduced Sustainable Development Goals (SDGs). We look forward to further aligning our business practices to support the "Ten Principles" and SDGs.

We adopted the Global Reporting Initiative (GRI) Sustainability Reporting Standards for preparation of our second Sustainability Report to share our sustainability commitment, approach and impact with our valued stakeholders. This report also contains our Communication on Progress (COP) showing our contribution to improve our communities and society at large, in line with the "Ten Principles" of the UNGC.

We thank our stakeholders for their continued trust in our brand and we invite you all for your valuable feedback.

IMC HISTORY



ABOUT IMC

Indus Motor Company Limited was incorporated in 1989 as a joint venture company between certain House of Habib Companies, Toyota Motor Corporation and Toyota Tsusho Corporation. The Company manufactures and markets Toyota brand vehicles in Pakistan. The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category, 'Hilux' in the light commercial vehicles segment and 'Fortuner' Sports Utility Vehicle. The Company also markets genuine parts, motor oil and offers maintenance services through a network of dealers spread across the country.

The manufacturing facility and offices are located at a 105 acre site in Port Qasim, Karachi, while the product is delivered to end customers nationwide through a strong network of 45 independent 3S Dealerships spread across the country. Our customers include organizations, government departments, security agencies and private buyers. There were no significant changes in the ownership, structure of operations of IMC or its supply chain during the year.

The total number of workforce at the end of financial year 2017 was 2,849 employees. The net sales for the year 2017 were Rs 112 billion, while the total capitalization was Rs 63.9 billion. Further details about assets, beneficial ownership and sales breakdown are available on page 70, 95 and 111 of our Annual Report 2017. The total number of vehicles sold during 2017 was 60,586.



OUR PRODUCTS

We inherit a long history of innovation from Toyota and continuously make investments in technologies to provide safe vehicles meeting our customer demands.

The main product offerings include several variants of the flagship 'Corolla' in the passenger cars category, 'Hilux' in the light commercial vehicles segment and 'Fortuner' Sports Utility Vehicle. In addition, an array of imported vehicles is offered with Warranty and After-Sales support.

Our product offerings also include genuine parts/engine oil and support services through our dealership network.

CKD OFFERING



COROLLA

CKD OFFERING



Fortuner



Hilux Revo



Hilux

CBU OFFERING



Camry



Avanza



Prius



Land Cruiser



Land Cruiser Prado



Hiace



Coaster

SUSTAINABILITY AT IMC

- TOYOTA GLOBAL COMMITMENT
- OUR COMMITMENT
- STAKEHOLDER ENGAGEMENT
- MATERIALITY ANALYSIS

SUSTAINABILITY AT IMC

Sustainability at Indus Motor Company is embedded in our strategy, products, and operations. We strive to offer innovative quality products and services meeting customer safety requirements with a reduced environmental footprint of our operations.

“Concern Beyond Cars” demonstrates our aspiration to further our sustainable practices beyond core operations. We actively manage our economic, environmental and social impact, work for uplifting of our communities, while providing high quality and safe products.

We acknowledge that our products provide mobility solutions to customers but also lead to social and environmental impact. We strive to balance the impact of our products and activities and seek harmony in our activities and relationships with stakeholders to effectively contribute towards the goal of sustainable development.



“Concern Beyond Cars”
*demonstrates our aspiration
to further our sustainable
practices beyond core
operations.*

TOYOTA GLOBAL COMMITMENT

Toyota Global Commitment to sustainability is demonstrated through our vision and seven guiding principles.



TOYOTA GLOBAL VISION

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 people, who believe there is always a better way.

TOYOTA GUIDING PRINCIPLES

Toyota Guiding Principles are reflected in the commitment to fairness in all corporate activities, provision of clean, safe and innovative products, and respect for the environment and the culture of communities where Toyota operates.



TOYOTA GLOBAL CSR POLICY - CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

Toyota Motor Corporation, subsidiaries and joint ventures take the initiatives to contribute to the harmonious and sustainable development of society and the earth through all business activities that are carried out in each country and region, based on Toyota Guiding Principles.

Toyota Motor Corporation complies with local, national and international laws and regulations as well as the spirit thereof and conduct business operations with honesty and integrity.

In order to contribute to sustainable development, Toyota Motor Corporation believes that the management interaction with its stakeholders is of considerable importance, and Toyota Motor Corporation will endeavor to build and maintain sound relationships with its stakeholders through open and fair communication. Toyota Motor Corporation expects its business partners to support this initiative and act in accordance with it.

TOYOTA ENVIRONMENTAL CHALLENGE 2050

In October 2015, Toyota formulated and announced the Toyota Environmental Challenge 2050. The ideal goal has grown higher from “Toyota’s presence will not impact the environment” to “Toyota’s presence will have a positive impact on the environment.” The challenge is composed of six individual challenges across three areas: ever-better cars, ever-better manufacturing and enriching lives of communities. The activities implemented to meet the Environmental Challenge are outlined in the sixth Toyota Environmental Action Plan, which can be found on Toyota website at www.toyota-global.com/sustainability/environment/plan/sixth_plan/.

Aiming to Establish a Future Society in Harmony with Nature



CHALLENGE # 1

New Vehicle Zero CO₂ Emissions
Reduce global average new vehicle CO₂ emissions by 90% from Toyota’s 2010 global level

CHALLENGE # 2

Life Cycle Zero CO₂ Emissions
Completely eliminate all CO₂ emissions, Target including materials, parts and manufacturing from the vehicle lifecycle



CHALLENGE # 3

Plant Zero CO₂ Emissions
Achieve zero CO₂ emissions at all plants by 2050

CHALLENGE # 4

Minimizing & Optimizing Water Usage
Enact effective wastewater management and minimize water consumption based on individual local situations



CHALLENGE # 5

Establishing a Recycling-based Society and Systems
Promote global rollout of end-of life vehicle treatment and recycling technologies developed in Japan

CHALLENGE # 6

Establishing a Future Society in Harmony with Nature
Promote global rollout of the nature conservation activities beyond the Toyota Group and its business partners



Toyota has promoted a wide range of environmental initiatives to address worsening global environmental issues. Toyota is committed to reduce the environmental impact of automobiles as close to zero as possible, and will roll out new initiatives towards a sustainable society to make a positive impact on the earth and society.

OUR COMMITMENT

Our commitment to sustainability is guided by Toyota's global vision and guiding principles. The "Toyota Way" sets the standards expected from the affiliates and is supported by our comprehensive corporate governance structure.

The integrated management system policy, health and safety policy and code of conduct are the leading pillars of our commitment to be a responsible corporate citizen. These guiding documents set the principles for business activities and conduct of our workforce.

The commitment is articulated through compliance with the requirements of our integrated management system and continuous improvement in order to; manufacture high quality products with reduced environmental impact, provide creative and safe workplace, deliver service to society and maintain market leadership. Our commitment to environmental management of our operations is enunciated through our five years' environmental program based on Toyota Motor Corporation guidelines. Our 6th Environmental Action Plan (FY17 - FY21) is being implemented in line with Toyota's global commitment to sustainability.

Our production operation is driven by the two key principles of TPS – 'Just- In-Time' and Jidoka. Just -In-Time requires to make only what is needed, when it is needed and in the quantity it is needed, resulting in eliminating waste, including waste time and effort. Jidoka means to 'automation with human touch'. It is based on corrective action. It requires as soon as problem is identified, production stops and action is immediately taken to resolve the issue.

Responsibility for sustainability lies with IMC's Board of Directors and executive team. The Board has the responsibilities for defining sustainability initiatives and overseeing progress. The management team has the responsibility for delivery of the sustainability programs. Details of corporate governance structure are provided on page 26 of this report.



STAKEHOLDER ENGAGEMENT

Stakeholders are integral to achieving our organizational goals and make a broader contribution to sustainable development through management of our impact.

We envisage stakeholders as individuals, groups of individuals or organizations that are affected by our activities, products and services or whose actions and relationships can affect our ability to meet our corporate objectives.

We identified our stakeholders considering the aspects of dependence, responsibility, influence and diversity. The stakeholder groups identified were prioritized for engagement based on the factors of knowledge, relationship with our organization, dependence, influence and willingness to engage.

We regularly engage our stakeholders throughout the year. The relevant departments are responsible for day to day engagement and need-based engagement on different issues affecting our stakeholders or the Company. The engagement is carried out through surveys, focus groups and meetings.

In addition to regular stakeholder engagement, we carried out Sustainability Report specific engagement with our important stakeholder groups to determine the material topics for the Sustainability Report 2017.



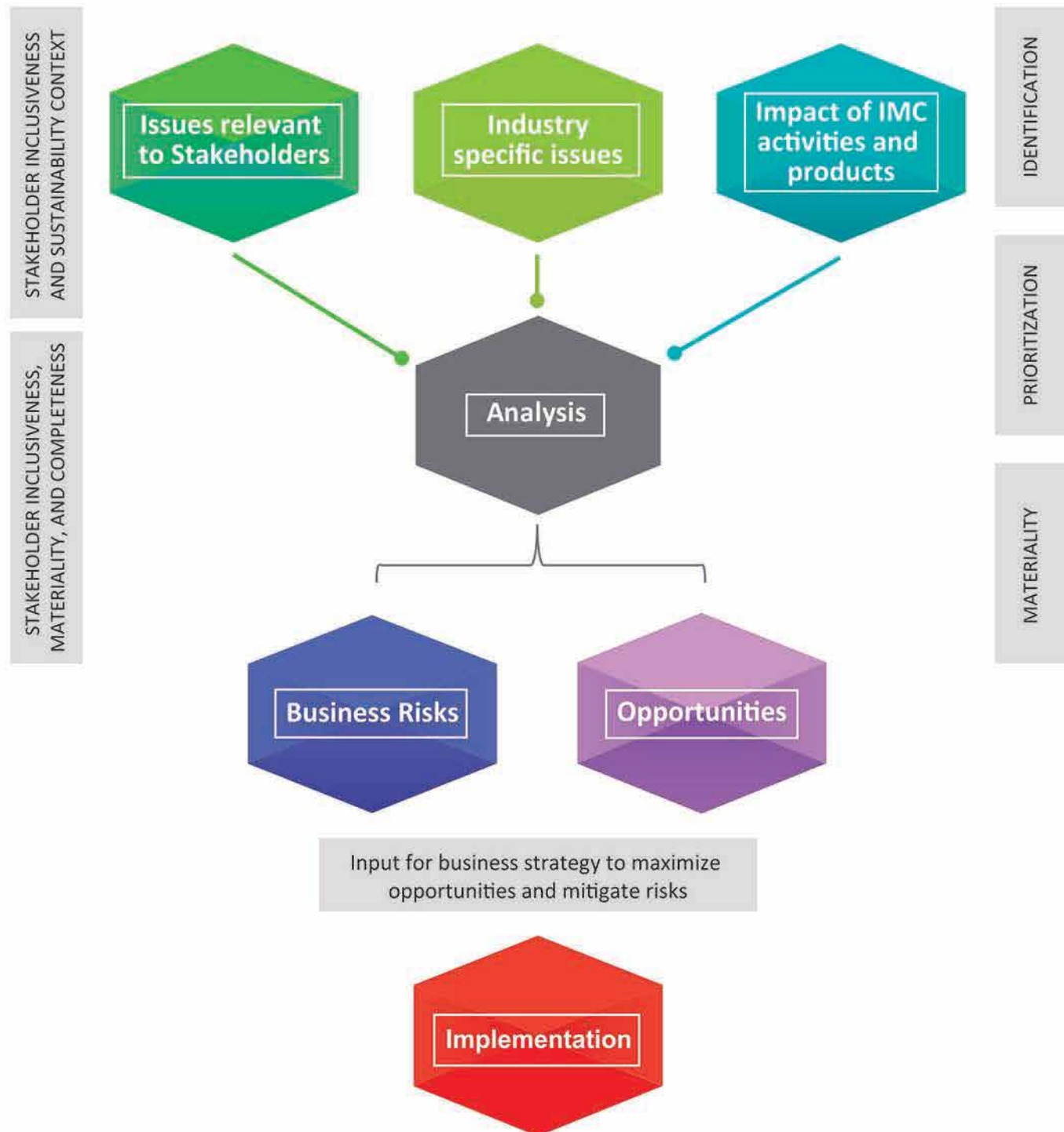
Stakeholder group	Engagement frequency	Mode of consultation	Stakeholder concerns	Our response
Customers	Ongoing	Customers are engaged through CR department and customer surveys. Customers Assistance Center runs a toll free number to facilitate customers, alternatively customers can send emails to dedicated email address for customer response.	Product and services quality, customer safety, cost and delivery time.	IMC is committed to providing quality products at competitive prices focusing on customer safety and comfort.
Toyota Motor Corporation	Ongoing	Review meetings, involvement in IMC management and operations, Toyota global initiatives and forums.	Compliance with globally shared metrics including health and safety, environment and community.	Compliance with Toyota Motor Corporation metrics and continuous learning from international network.
Dealers	Ongoing	Dealers are engaged through dealer surveys, focus groups, frequent meetings and conferences.	Compliance with IMC requirements, staff retention and dealer training and support.	IMC is committed to extend full support and training on compliance requirements and product attributes for improving customer experience at its dealerships leading to increased returns for dealers and the Company.
Suppliers	Ongoing	Suppliers are engaged through meetings, quarterly workshops and supplier surveys. Suppliers are also encouraged to share their concerns/feedback in annual supplier conferences.	Technical support, supplier site quality checks, product safety.	IMC is dedicated to extend technical support to its supply chain partners to improve the parts' quality and reduce rejection at supplier end, leading to economic benefits to suppliers and production of safe vehicles.
Shareholders and providers of capital	Annual/ Quarterly	Shareholders and providers of capital are engaged by corporate and secretarial practices department. The mode of engagement is Annual General Meeting (AGM) and Extra-Ordinary General Meeting (EOGM).	Sustained economic returns and business growth.	Continuous focus on provision of sustained economic returns and innovation in products and services to grow market share.

Employees	Ongoing	Employees are engaged through staff meetings, annual get-togethers, consultation with employees' representative groups and employee satisfaction surveys.	Training and education, and health and safety.	Continuous investment in training and education of workforce and maintaining excellent health and safety standards.
Community	Ongoing/ Annual	Community is engaged through onsite visits, surveys, and focus group meetings.	Education, health, and skill development for community uplift.	Committed to keep contributing 1% pretax profit for education, health and skill development for community uplift.
Government and industry groups	Ongoing/ Need basis	Government and industry groups are engaged through meetings and focus groups.	Sustainable automobile sector and compliance of laws and regulations.	Compliance with applicable laws and regulations and consultation with industry groups for a sustainable automobile sector.
Media	Ongoing /Need basis	Media is engaged through interviews, briefings and press releases	Wider range of issues concerning different stakeholders.	Dissemination of information on developments relating to business and automobile industry.



MATERIALITY ANALYSIS

The Sustainability management requires identification, prioritization, validation and management of key sustainability topics showing major impact of organization on economy, environment and society.

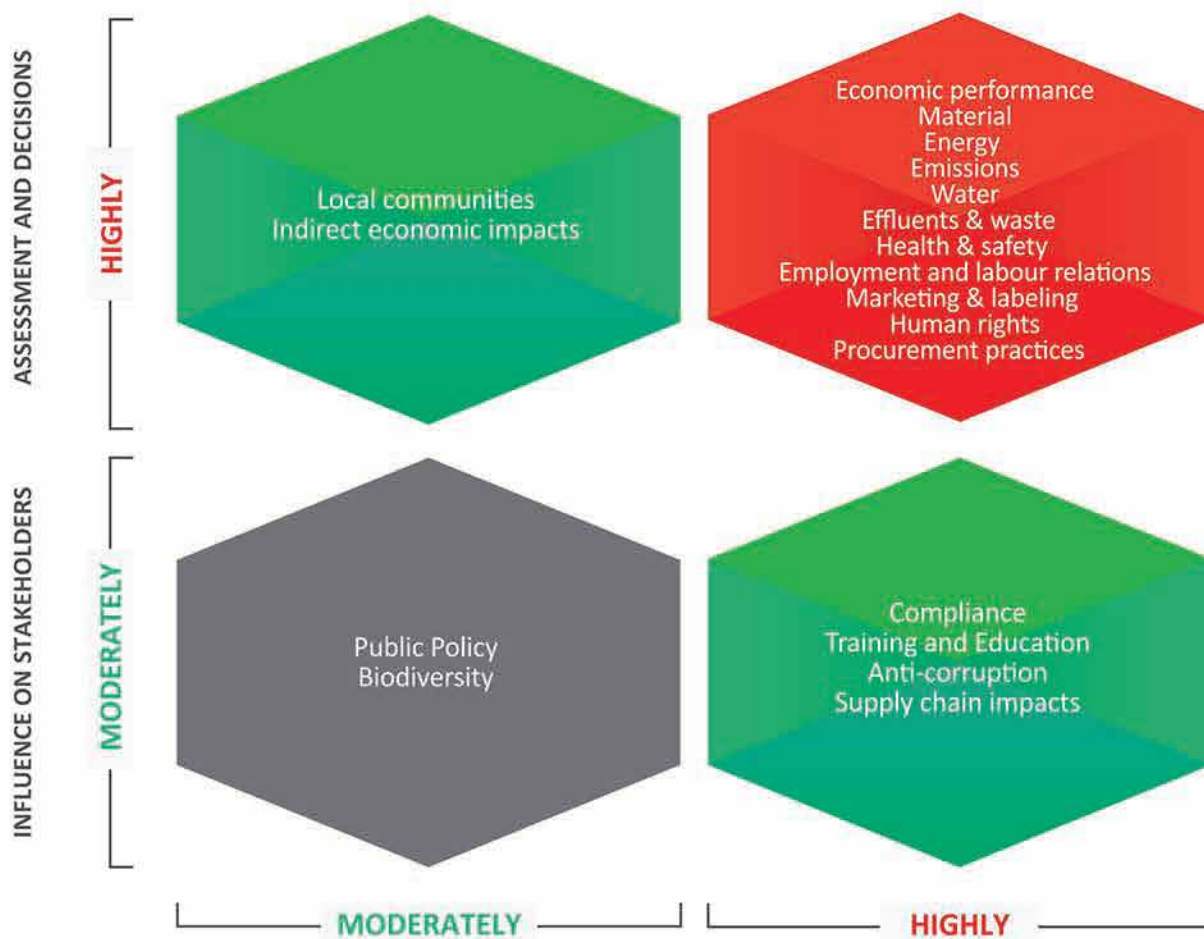


The process of identifying material topics for the report started with mapping of our activities and their impact, industry specific issues, the inputs received during regular stakeholder engagements and report specific engagement with important stakeholders. The identified topics were prioritized and reviewed in the context of relevance to stakeholders, severity of the impact, industry position on the topic and relevance with our corporate objectives and strategy.

This is our first materiality determination process guided by GRI 101: Foundation (2016). We applied the principles of defining report content i.e. stakeholder inclusiveness, sustainability context, materiality and completeness at various degrees during the process. The materiality analysis informed us about the most critical sustainability topics which represent the major impact of our activities on the economy, environment, and society and has been ranked as important by stakeholders in their decision-making.

The results of the materiality determination exercise are summarized in the materiality matrix. The matrix presents the topics in order of importance to stakeholders and impact of our activities. The content and scope of the report are guided by the matrix. The report only covers impact of Indus Company Limited operations and does not include any impact of associates, subsidiaries or supply chain partners.

MATERIALITY MATRIX



SIGNIFICANCE OF ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACT OF IMC ACTIVITIES

Material Topic	Why Material?	Topic Boundary
Economic performance	Significant for sustained returns and economic contribution.	IMC
Material	Impact on depleting finite materials.	IMC
Energy	Impact on depleting finite resources and environmental impact of use of non-renewable sources.	IMC
Emissions	Negative environmental impact of greenhouse gases emitted due to our activities and use of products.	IMC, our customers, our suppliers
Water	Usage of fresh water leading to water scarcity.	IMC
Effluents and waste	Negative environmental impact of waste handling, incineration, dumping and transporting of hazardous and non-hazardous waste	IMC
Health and safety	Impact on health and safety of workforce and customers.	IMC
Employment and labour relations	Diversified workforce for better productivity and compliance with laws, international charters and conventions.	IMC
Marketing and labeling	Provision of customer centric product information and compliance with laws and regulations.	IMC
Human rights	Compliance with laws, international charters and conventions.	IMC, our suppliers, our dealers
Procurement practices	Opportunities for economic contribution through localization.	IMC
Compliance	Compliance with laws and regulations.	IMC
Training and education	Capacity building, enhancing creative potential of workforce for increasing productivity, and succession planning.	IMC
Anti-corruption	Reducing risks of economic imbalance and compliance with laws, international charters and conventions.	IMC, our suppliers, our dealers
Supply chain impacts	Impact of suppliers activities on environment and society.	IMC, our suppliers, our dealers
Local communities	Socio-economic development of communities and provision of health, education and food to needy communities.	IMC
Indirect economic impacts	Community uplift through infrastructure investments, skill development and jobs in supply chain,	IMC

OUR GOVERNANCE

- VISION, MISSION AND CORE VALUES
- BOARD AND BOARD COMMITTEES
- RISK COMPLIANCE
- EXTERNAL CERTIFICATE & STANDARDS





VISION

"To be the most respected and successful enterprise, delighting customers with a wide range of products and solutions in the automobile industry with the best people and the best technology."



MISSION

IMC's Mission is reflected in the Company's slogan
Action, Commitment and Teamwork to become # 1 in Pakistan



CORE VALUES

- World class production quality
- Achieving the ultimate goal of complete customer satisfaction
- Being seen as the best employer
- Fostering the spirit of teamwork
- Inculcating ethical and honest practices



- Respect & Corporate Image
- Customer Satisfaction
- Production & Sales
- Quality & Safety
- Best Employer
- Profitability

BOARD AND BOARD COMMITTEES

Our governance structure is guided by applicable laws, regulations, code of corporate governance, and Toyota Guiding Principles. These elements underpin the tone of our corporate governance. We have a well established governance structure and system in place comprising integrated management system and a code of conduct.

**Extensive information on the code of conduct is available in the corporate section of our website www.toyota-indus.com,*

Board of Directors

The Board of Directors consists of ten directors, out of which four directors represent Toyota Motor Corporation and Toyota Tsusho Corporation of Japan. The six directors are non-executive directors, three are executive directors, and one is an independent director. IMC has qualified, competent and committed personnel on its board with vast experience and expertise to deliver exceptional performance in line with the corporate objectives. The directors have background in engineering, business, management, finance and economics. The directors are elected every three years while the casual vacancy is filled by the Board of Directors as per applicable laws and regulations. For more details about the profile of the Board of Directors, refer to page 12 of Annual Report 2017.

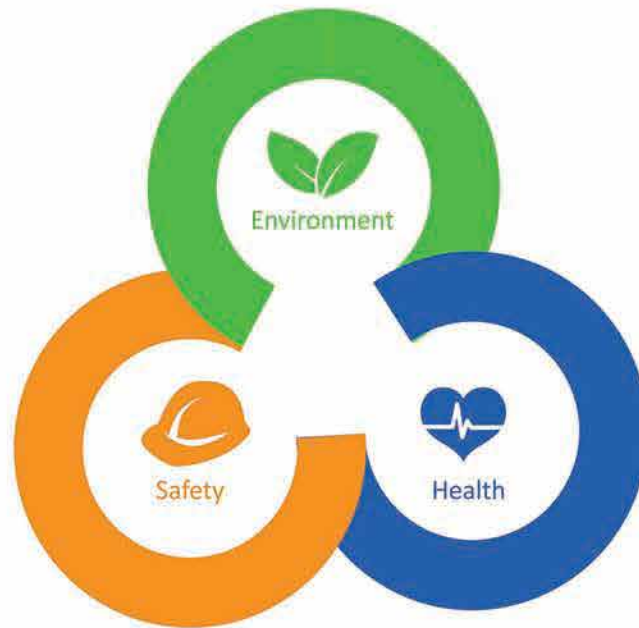
Board Committees

The overall accountability of corporate governance rests with the IMC Board of Directors which is responsible for the short-term and long-term performance of the company. The Board has established various board committees to assist in discharging its responsibilities and effectively focusing on issues requiring detailed consideration. The board committees meet as required to oversee the business in specific areas. The board committees have their own mandate, objectives and responsibilities. The committees report their activities to the Board of Directors and prepare the board meeting agenda for their respective areas.

The board committees are audit committee, human resource and remuneration committee, and ethics committee. The management committees comprise investment committee, marketing, technical co-ordination committee, ACT#1 management committee and Safety, Health and Environment (SHE) committee. The board committees are supported by the executive level committees which report to the board committees and assist in discharging their obligations.

Sustainability Management

The sustainability impact of activities and products are discussed at board level while the execution and control has been delegated to the Safety, Health and Environment (SHE) Committee. The committee is headed by the Chief Executive. The committee formulates the overall policies and SHE framework for the company. The committee meets on monthly basis to discuss, evaluate and guide the sustainability effort within the organization and supply chain partners. Performance is reviewed on a continuous basis and corrective actions are taken on need basis via efficient and swift decision-making.



RISK AND COMPLIANCE

Our risk and compliance approach is guided by the Toyota Principle “Honor 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.”

IMC has a formal risk management framework to assess the risks faced in the context of the broader political and macroeconomic environment. The risk management system identifies strategic, regulatory, financial, operational, reputational, and sustainability risks related to IMC business activities. The risks are reviewed in Board Meetings along with departmental objectives, targets and performance. Appropriate strategies are developed and implemented to minimize the impact of the identified risks.

We have inherited a strong internal compliance culture from Toyota which covers our corporate activities and our supply chain partners i.e. auto part suppliers and dealers. We follow the guiding principles of Toyota to comply with Toyota requirements, local laws and regulations, exhibit good corporate ethics, and meet the expectations of our stakeholders.

IMC is subject to regulatory controls encompassing a wide range of issues relating to employment practices, employee health and safety, environmental impact, product safety and marketing communication standards. Our approach to risk management and compliance is preventive, leading to compliance with applicable laws, regulations and voluntary codes and initiatives. Our approach is subject to external review in the form of audits and certification of our management systems.

We did not record any significant fines or non-monetary sanction for non-compliance with the laws and regulations during the reporting period.

COMMITMENTS & EXTERNAL INITIATIVES

In addition to our internal charter, code of conduct and guidelines, we support and commit to various external international initiatives, charters and principles including;

- ISO 9001:2008 (Quality management system)
- ISO 14001:2015 (Environmental management system)
- United Nations Global Compact (UNGC) "Ten Principles"
- GRI Sustainability Reporting Standards
- Sustainable Development Goals (SDGs)

IMC holds membership of various industry associations including:

- Karachi Chamber of Commerce and Industry (KCCI)
- Federation of Pakistan Chamber of Commerce and Industry (FPCCI)
- Overseas Investment Chamber of Commerce and Industry (OICCI)
- Pakistan Auto Manufacturers Association (PAMA)
- Pakistan Business Council
- INJAZ Pakistan
- Pakistan Innovation Foundation
- Habib University Foundation
- Bin Qasim Association of Trading Industries
- Landhi Association of Trading Industries

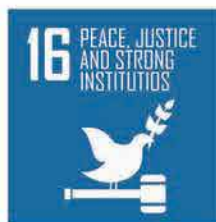
We are aware of pre-cautionary principle of Article 15 of Rio Declaration on Environment and Development and are committed to fulfill our responsibility towards risk management in business planning and product development.

We apply pre-cautionary approach to reduce the environmental impact of our operations and products through research and development, modernization and adoption of cleaner technologies.

IMC's best practices in product development, customer health and safety and environment have been widely recognized at national and global level. Some of the prominent awards received by IMC are;

- Management Association of Pakistan's (MAP) Corporate Excellence Awards in Overall Industrial Category – 2012 and 2013
- MAP's Corporate Excellence Awards in Automobile & Parts category - 2010, 2014, 2015 and 2016 (Hattrick)
- MAP's Corporate Excellence Certificates - 2004, 2005, 2006, 2007 and 2009
- Pakistan Advertisers Society Award for Media Innovation and Automotive & Transportation - 2015
- UN Global Compact's Business Excellence Award 2013-14, 2014-15
- Pak Wheels Awards for Toyota (a) Car of the Year, (b) Most Popular Car Brand and (c) Best Resale Car – 2015
- National Consumer Choice Award 2005, 2006, 2007, 2008, 2012, 2014, 2015, 2016, Toyota Corolla 2017 and Toyota Revo 2017
- National Consumer Choice Award for "CEO of the year" 2017
- NFEH's Environment Excellence award 2004, 2005, 2006, 2007, 2008, 2012, 2017
- Asians CSR Awards 2007

These SDGs are supported through our governance practices, risk management and compliance. Linkage of our activities and SDGs can be found at page 71.





Mr. Ali A. Jamali receiving "CEO of the Year 2017" award from Mr Muhammad Zubair, Governor Sindh organized by Consumer Association of Pakistan.

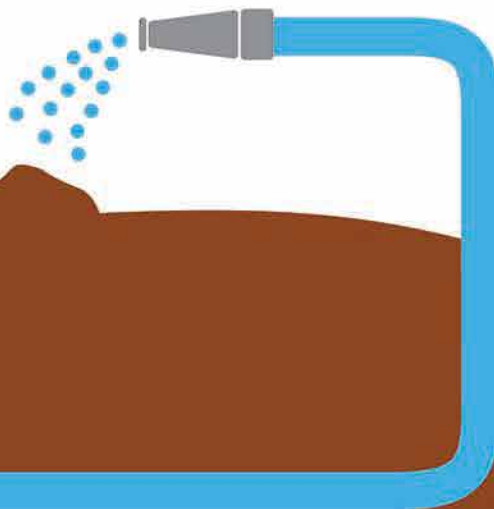
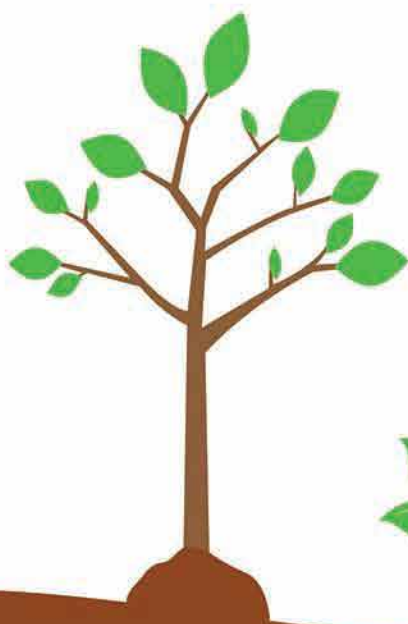


Mr. Ali A. Jamali, CEO, IMC receiving MAP's Corporate Excellence Award in the category of "Automobile Assemblers", consecutively third time, from Mr. Rasheed A. Rizvi, President Supreme Court Bar Associations of Pakistan, at a ceremony held at the Marriott Hotel, Karachi on 28th February, 2017.



ECONOMIC PERFORMANCE

- ECONOMIC PERFORMANCE
- OUR DEALERS
- OUR CUSTOMERS
- OUR SUPPLIERS
- BRAND REPUTATION AND MARKET LEADERSHIP



ECONOMIC PERFORMANCE

IMC's vision, mission, integrated managing system, company objectives and policies are the guiding pillars to deliver sustained economic returns and maintain market leadership position on year on year basis. The Toyota Guiding Principles, guidelines and kaizen techniques for continuous improvement guide us and inspire us to manufacture quality vehicles, retain our competitive advantage and provide healthy returns to our investors. We are well aware that our operations have significant direct and indirect economic impact. The major direct impact is returns to shareholder, interest payments to providers of finances, taxes and duties payment to national exchequers, salaries and benefits to our people, local purchasing, local hiring and interventions in form of health and education, and infrastructure development for the benefit of our communities. Our policy to nurture localization through local procurement of parts has a major direct impact in the shape of technology transfer to local auto part suppliers, increase in availability of skilled manpower and creation of thousands of job opportunities.

IMC has well-defined policies and procedures in place to effectively manage risks of corruption. Our code of conduct prohibits corrupt practices and corruption risks are regularly checked through the internal audit department. The internal audit department regularly conducts audits and the findings are communicated to the Board audit committee for action. During the year all operations were assessed for risks related to corruption. Regular trainings are provided to employees to refresh their knowledge about corruption policies. More information on trainings is available on page 49.

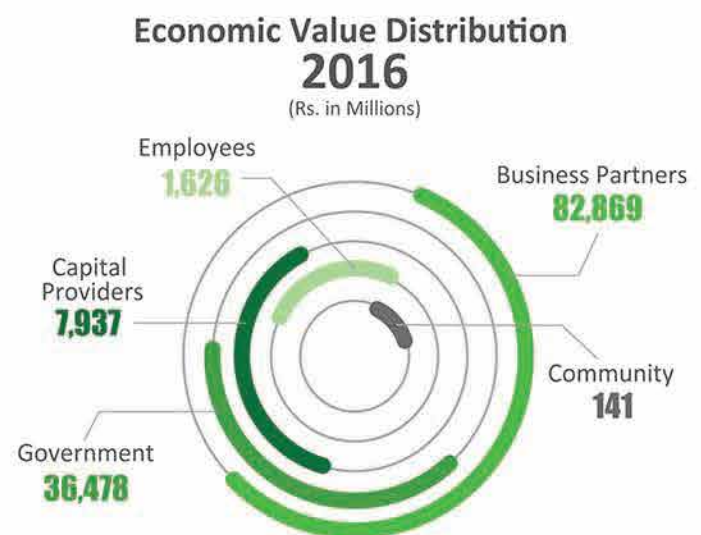
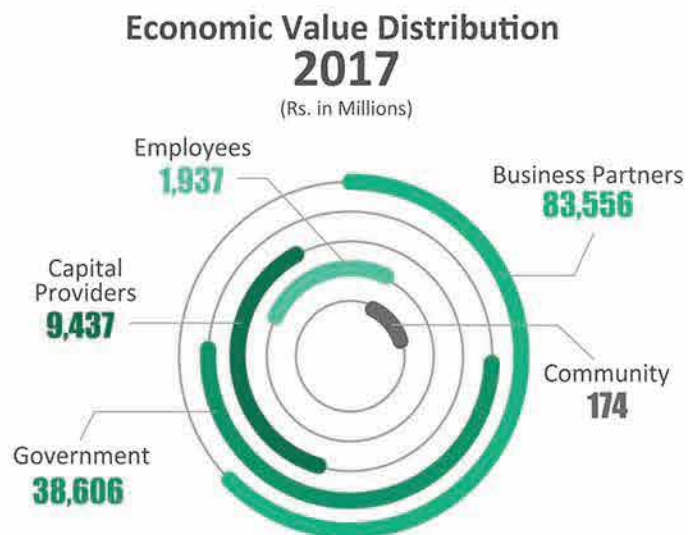
The responsibility for managing the economic impact of our operations lies with the Chief Executive. The Board of Directors approves the economic objectives, targets and related policies. The Chief Executive is responsible for implementation of policies and day to day affairs. The Board of Directors reviews the performance on quarterly basis and decisions are taken as per need.

The Company's financial performance for the year 2017 shows a significant increase in revenues and net profits due to positive customer demand and a booming economy. The revenue increased 3% to Rs 112 billion from Rs 109 billion compared to the previous year ended June 2016, while profit after tax grew 13% to Rs 13 billion from Rs 11.5 billion posted for the same period last year. The Company has achieved new targets in sales and earnings which are in line with the company performance targets. For detailed information on financial performance for the year 2017, refer to director's report section of the Annual Report 2017 on page 41.



ECONOMIC VALUE GENERATED AND DISTRIBUTED

	2017	2016	2015
Direct Economic Value Generated	(Rs. in Millions)	(Rs. in Millions)	(Rs. in Millions)
Revenues	139,275	134,212	119,246
	139,275	134,212	119,246
Economic Value Distributed			
Business partners	83,556	82,869	74,992
Employees	1,937	1,626	1,365
Capital providers	9,437	7,937	6,340
Government	38,606	36,478	32,066
Community	174	141	117
	133,710	129,051	114,880
Economic Value Retained	5,565	5,161	4,366



IMC is governed under Government Auto-development Policy 16-21 under which different incentives are available to the auto-industry in Pakistan. However, during the year, IMC does not receive any financial assistance from the government.

ORGANIZATION'S DEFINED BENEFITS

Our workforce is vital for our economic success and delivering shared value. IMC offers various defined benefits for its workforce including provident fund and pension fund. 10% is contributed by employees and the same proportionate amount is contributed by IMC on monthly basis in provident fund. IMC contributes 9% of basic salary of employees in pension fund. A separate pension fund is maintained to meet the liabilities of pension. 89% of plan liabilities are expected to be met by the pension fund based on the actuarial assumption made in 2017. The provident fund balance is paid when the employee leaves the organization. Alternatively, the provident fund balance can be transferred to another provident fund at the option of the employee. During the year, IMC spent Rs 149 million on defined benefit plans compared to Rs 115 million spent in 2016.



OUR DEALERS

We have a vast network of dealerships nationwide which are geographically located to cater to increasing customer's demands. These dealerships are independently owned and operated.

Currently we have an extensive network of 45 3S dealerships spread across the country to provide products and services to our valued customers at their nearest place, hence convenience assured. Our products and services such as new cars, spare parts and service (Maintenance) are available at all our 3S dealerships. A recent addition to this flourishing business is T-sure or Toyota Sure where our customers can buy or sell their Toyota vehicle with complete peace of mind.

Considering the fact that 61.4% population of Pakistan lives in rural areas, Toyota's rapidly growing dealer network also encompasses this segment by locally located dealerships and by providing value added services such as mobile auto workshops and spare parts sales outlets.

We being the principal organization equip our dealers with rigorous training, workshops, certifications and Kaizen projects to cope with changing market dynamics. These training ensure Toyota's excellent standards of service and enhance customers' dealership experience. To ensure Toyota's customer first philosophy, a survey of 3S dealers is carried out by a third party auditor and based on the results; a comprehensive plan is formulated to bridge the gap if any.

Toyota's dealership network also plays an important part in betterment of the local population by executing versatile CSR activities. Dealers are encouraged to participate in social causes such as blood camps and donations to charitable organizations.



TEAM 21

Toyota TEAM 21 (Toyota Technical Education for Automotive Master 21st century) is a comprehensive technical training program for Toyota dealers' technicians to deliver No. 1 quality after sale service as per Toyota's standard. It is composed of 04 training categories; Toyota Technician, Professional Technician, Diagnostic Technician (Engine, Chassis & Electrical), and Diagnostic Master Technician (Engine, Electrical + MPX & NVH). Currently, our dealerships have 90% Toyota certified technicians. Our dealers regularly hold different events like the Dream Car Art Contest for children and loyalty program for customers.

TOYOTA DREAM CAR ART CONTEST

The Toyota Dream Car Art Contest is one of the world's biggest drawing competitions organized annually by Toyota Motor Corporation with around 80 countries participating. This global contest, open to children under 16 years, is intended to create opportunities by offering them a platform to develop their interest in cars, Toyota and expressing their creativity and imagination by drawing the car of their dreams. The objective of the contest is to strengthen relationships with local communities, customers and be a reliable and most admired corporate citizen in each country.

In 2016-17, Pakistan was the 4th nation in the world to have received the highest number of artwork submissions.



IMC has been organizing the Local Contest for the past six years through its network of 45 dealerships, soliciting artworks from school children across the country. We also encourage participation of kids with special needs which is an additional feature of the Local Contest. In 2016-17, Pakistan was the 4th nation in the world to have received the highest number of artwork submissions. A panel of independent jurors select the top nine drawings from Pakistan which were sent to Japan to compete in the World Contest. The winners get a five days trip along with their parents to attend the Award Ceremony in Japan, fully sponsored by Toyota Motor Corporation. Over the years we are proud to have had three world winners. An Award Ceremony is also hosted by IMC to recognize and award the winners of the Local Contest.



To enhance the impact and promote CSR practices at dealers, we interact with them to guide them in adopting best practices relating to health and safety, environmental protection and social contribution. This not only results in efficient operations at dealerships but also helps in managing the supply chain impact.

PROMOTION OF ENVIRONMENTAL MANAGEMENT AT DEALERSHIPS

Dealer Environmental Risk Assessment Program (DERAP)

DERAP represents a basic requirement of environmental risk management for service workshops at dealers. A fundamental Environmental Standard, introduced by Toyota Motor Corporation, to achieve environmental standards at Toyota dealerships. Currently 36 dealerships are DERAP certified while the remaining are under the certification process.

Our dealers have taken initiatives for the treatment of hazardous waste and wastewater at their operations. Moreover, the dealerships have deployed CFC/HFC recovery equipment for the recycling and recovery of air conditioning gas for the protection of environment and the ozone layer.

Green Dealer

Green dealer program has been introduced for DERAP certified workshops to provide solutions for Toyota dealerships in Pakistan towards achieving environmental standards. The focus of the program is to improve the environmental standards at Toyota dealerships in Pakistan, provide dealerships an optimal solution for EMS (Environmental Management System) after implementation of DERAP and improve motivation of dealers' staff towards personnel safety.

Our dealership Toyota Highway Motors has taken the initiative to gift a tree at the time of delivering of new vehicles to customers with the aim to compensate the pollution caused by vehicles.



**“ONE EMPLOYEE
ONE TREE,”**

TREE PLANTATION DRIVE

**“IMC, HAS PLANNED TO PLANT 3,100
TREES TO ACHIEVE 8,000 TREES IN
IMC DURING FY 17-18.”**

**PLANT A TREE!
HELP REDUCE GLOBAL WARMING**

TOYOTA **INDUS MOTOR COMPANY LTD**

TOYOTA ENVIRONMENTAL CHALLENGE 2050

Logos for various environmental initiatives and standards, including ISO 14001, ISO 9001, and others.

OUR CUSTOMERS

A positive customer experience is vital for the success of IMC, our dealerships and our brand reputation. We engage with our customers to understand their concerns and are committed to enhance customers' experience of our products and services.

Our approach to customer satisfaction is guided by Toyota's global vision and Toyota's global CR standards which are implemented at IMC and at all dealerships. We record and disseminate customer feedback throughout the organization to add value to our products, services and overall customer experience.

To enhance the customers' experience, handle customer grievances and enhance our capability to sharpen focus on most relevant service, an integrated technology platform named GENESIS is being implemented across IMC and dealerships. Our dealerships are our first contact point with our customers. However, customers can directly contact our customer relations function at 0800 11123 where dedicated representatives are available to provide swift response to customer concerns.


Customer
Assistance Centre
 INDUS MOTOR COMPANY LIMITED 
0800 11123



Customers are provided a complete and reliable ownership experience through the Customer First department which combines the Parts and After Sales Services. The availability of genuine spare parts at our dealerships and selected retail outlets coupled with quality Toyota services leads to superior customer experience and enhances trust in our brand.

Diverse climate conditions, rough roads, and driving habits of masses are the prime concerns for vehicle safety, safety of our customers and the general public.

IMC regularly runs campaigns for customers on aspects of product safety and offers inspection of parts vulnerable to climate conditions for better vehicle management.

The success of our operations and brand is directly linked to the level of customers' satisfaction. We conduct annual customers' satisfaction index research to collect data that assesses our performance in handling and serving customers at Toyota dealerships and identifying areas of improvement.

Customers' Satisfaction Index



Sales Satisfaction Index



Note: The results of the survey carried out by independent research agencies show our commitment to Customer First approach.

Road Safety Public Service Campaigns

A responsible automaker, we are continuously engaged in airing awareness campaigns on road safety through print and electronic media.



OUR SUPPLIERS

Suppliers play an important role in supporting vehicles production at IMC. In order to meet our production targets and increasing customer demand over the years, it is important to have a vibrant supplier base.

Our procurement is mainly categorized into:

- Sourcing of CKD and CBU from Toyota Motor Corporation and parts from abroad;
- Direct and indirect purchasing of locally manufactured parts and material to produce vehicles;
- Locally procured service parts and accessories to support aftersales services;
- Indirect purchasing of goods and/or services to support the operations, maintenance services and corporate services.

Our product specific local suppliers are OEM level automotive part suppliers lying in the major categories of resin, rubber, electrical, sheet metal, assembly, and others. We have forty six Tier-1 part suppliers and nine consumable suppliers spread across Sindh, Punjab and Balochistan. The suppliers range between mid and high levels of labour intensive work as the majority of suppliers rely on manual to semi-automated production lines. The annual payments made to suppliers of products and services in 2017 were Rs 83,556 million.

We have pursued a rigorous localization program aimed at substituting imports with locally manufacture parts conforming to the highest standards of safety and quality. The localization leads to industrial development, increase in skilled workforce, employment generation and contribution to the economy though foreign exchange savings. The new Toyota Corolla comprises 777 parts and components manufactured locally.

Our supply chain department works closely with suppliers to help meet the Toyota's stringent quality standards, just in time techniques and kaizen culture to reduce part rejection and bring improvement in business processes and profitability. The Kaizen culture (continuous improvement) is a key principle of the Toyota Production System (TPS) which supports supplier productivity and capacity development.

We are well aware of our impact in supply chain. We are working with our suppliers to effectively manage the negative environmental impact of our supply chain.



PROMOTION OF ENVIRONMENTAL MANAGEMENT AT SUPPLIERS

Toyota Green Purchasing Guidelines (GPG)

The guidelines are shared with the suppliers to encourage them to establish an environment management system, reduce green-house gases emissions, reduce impact on water, manage chemical substances, promote resource recycling and establish society in harmony with nature. We have eliminated the packaging material from the supply chain by shifting to returnable trolleys for transporting parts from suppliers to IMC. 29 of our suppliers are ISO 14001:2004 certified.

Currently, we do not have in place a criterion for supplier social assessment. However, we have environmental assessment criteria for selection and monitoring of our suppliers.

We also host a Supplier's Conference annually. It is taken as opportunity to celebrate our triumph, to exchange ideas, and to discuss future goals so as to make the most of the symbiotic relationship with our suppliers. Different awards are distributed to suppliers to recognize their efforts in the defined areas.



These SDGs are supported by IMC through provision of sustained economic returns to stakeholders, meeting customers' expectations and working with dealers and suppliers. Linkage of our activities and SDGs can be found at page 71.



AUTOMOTIVE MARKET AND TOYOTA BRAND

Our brand reputation has been integral to our success of achieving 28 years of successful business.

Our ambition to connect with our customers, respecting applicable laws and voluntary codes guide our marketing and advertisement activities. We abide by the applicable marketing communication and advertisement laws, and voluntary codes. The compliance is reviewed through an internal review process to ensure that accurate information on product features, services and our practices is shared with our customers and stakeholders.

Our promise of always making better cars has gone beyond the traditional business model of selling cars. We strive to offer peace of mind and a unique buying experience to the joy and comfort of owning and driving a Toyota vehicle. Our focus is to develop a lasting relationship with our customers through the Customer First approach, taking care of the community through "Concerns Beyond Cars", enhancing skill sets and technological development through localization and promotion of technology among youth through technology-centric competitions. This has strengthened our brand over the years. We are committed to keeping our association with our stakeholders as the preferred choice of our customers. We monitor our brand strength through surveys across our dealerships, industry and wider business.



SAY NO TO PREMIUM

We appreciate the new auto policy initiated by the government of Pakistan. This will lay out definitive roadmap in development of auto industry.

We are investing more than Rs. 3 billion to boost our production to keep up with the increasing demands of our vehicles.

Some investors are creating a demand/supply imbalance with your money. While we are taking initiatives towards betterment, we would request our customers to consider the following:

- When you buy a car on premium, you encourage these investors to create longer delivery time in the market
- You pay extra while buying from these investors which you should not pay
- A purchase through an investor is an indirect approach and it cuts the link between you and Toyota. Therefore, Toyota is unable to build a relationship with you

We humbly request the government to assist us in the following:

- In case any type of private motor vehicle is purchased and sold to another party prior to being registered, we propose that Rs.100,000/- be collected as additional advance income tax at registration stage
- We propose that in case of individual customer, pay order issued in favor of corporate beneficiary must be only made from the individual customers bank account

We provide detailed information to our customers on products' attributes, safe use, environmental impact and disposal of the products. An owner's manual is provided to the customers at the time of sale of vehicles, which contains the information about vehicle, driver and passenger safety, vehicle features, maintenance and technical information. The information about source, safe use and disposal of the product is also provided for Toyota genuine parts and Toyota genuine motor oil. In addition to applicable laws and Toyota guidelines, our vehicle specifications in Corolla are as per ASEAN NCAP (New Car Assessment Program). Toyota Genuine Motor Oil is blended as per TMC's guidelines which is benchmarked on American Petroleum Institute (API) and the Society of Automotive Engineers (SAE) International standards. All of our products are subject to the compliance with the law and voluntary guidelines. The compliance is assessed on regular basis.

During the year, there were no incidents on non-compliance with regulations and voluntary codes concerning product and service information, marketing communications, including advertising, promotion, and sponsorship. Moreover, no complaints of breach of customer privacy were reported during the year.

ENVIRONMENTAL PERFORMANCE



ENVIRONMENTAL PERFORMANCE

We are aware that industrial operations and products have significant impact on the environment and we are committed to reducing the environmental impact of our operations and products. We have identified material environmental impact of our operations based on interaction of our business activities with the external environment, severity of impact and stakeholder engagement. The material topics are listed on page 24 which also shows, why these topics have been categorized as material.

We are guided by the Toyota's philosophy and policies on the environment which are based on Toyota Guiding Principles as detailed on page 16 of this report. Toyota Global Environmental Challenge 2050 which has been shared among all Toyota affiliates also informs our policies and initiatives for environmental management. We also have our environmental policy and plan which are implemented through our environmental management system. This combines the requirement of Toyota Guiding Principles and other best practices in environmental management. The policy serves as guidance document for new investment in technologies and upgrading existing operations.

The responsibility for environmental management rests with Safety, Health and Environment (SHE) committee headed by the Chief executive. The committee is responsible to formulate guidelines, review the environmental performance, take decisions and fix responsibility for environment, health and safety related issues. IMC's management approach is proactive in nature to reduce the environmental burden through efficient management of finite resources and reducing emissions, waste and effluents.

The Manager SHE is responsible for performance and monitoring compliance with IMC policies and applicable environmental laws and regulations. The IMC plant is certified for environmental management system ISO-14001:2015. These management systems help IMC in identification of risks and opportunities for bringing improvements and building stakeholder confidence. IMC regularly conducts training of its staff on health, safety and environmental topics relevant to operations in order to equip the staff with the latest knowledge on the subject.

The management approach is evaluated through external certification and Toyota Global Environmental Management System Audits, internal performance reviews against targets and compliance with applicable laws. The corrective action is taken based on the assessment, where required.

Our strong commitment towards environmental management in shape of keeping our targets 20% below of legal requirements and continuous environmental expenditure to manage, mitigate and prevent the environmental impact has resulted zero non-compliance with environmental laws and regulations during the year. We spent Rs 54 million on remediation, prevention and environmental management in the year 2017.



ENVIRONMENT MONTH

Environment Month is celebrated in June each year to create awareness and remind people about their responsibility towards environment. The whole month is dedicated to carryout different activities such as trainings, audits, competitions, class room sessions and discussions on environmental issues. This year, environment month was celebrated in June. The key activities were signing of environment board, training of ISO 14001:2015, internal audit of GEMS, spill management training, eco write contest, use your trash wisely, eco Kaizan contest, promotion of eco driving, environment workshop of suppliers and dealers and environmental video screening.

MATERIALS USAGE

Vehicles are made-up of different materials and chemical substances. The major categories of material used in vehicles are metals, plastics, elastomers, textiles and natural materials, fuels and consumable liquids, electronics, ceramics, glass and other compounds and non-dimensional materials.



- Metals
- Plastics, elastomers, textiles and natural materials
- Electronics, ceramics, glass and other compounds
- Fuels and consumable liquids
- Non-dimensional materials

We understand that calculation of weight of materials used in the production of vehicle involves enormous work, keeping in view the number of materials and the complex nature of materials. However, we are committed to identify and share the weight of different materials used in production of our products.

Our focus on materials is to use more sustainable material including recycled materials, where permissible, renewable and recyclable materials. However, during the year, no recycled material was used.

ENERGY USAGE AND GREENHOUSE GAS EMISSIONS

Energy usage

Natural gas and electricity used at our plant are the main energy sources and the largest contributor to greenhouse gas emissions. The energy consumption during the year decreased by 82949 GJ compared to the previous year. The energy used per manufactured vehicle also decreased as a result of Kaizen (continuous improvement) energy reduction activities.



	Unit	2017	2016	2015
Energy consumed within organization	GJ	313,080	396,029	362,591
Energy used per vehicle	GJ/per unit	5.223	6.179	6.374
Energy saving per year	GJ	57,309	12,498	N/A

TDEM guidelines were used in calculation of energy figures.

Greenhouse gas emissions

Greenhouse gas emissions are one of the major causes of climate change. We are aware that climate change has resulted in increasing temperatures and severe weather patterns affecting production and consumption of resources and deteriorating the quality of life. We are committed to reducing our GHG emissions through adoption of cleaner technologies and improvements in the existing systems. The emission are reduced over the years as a result of Kaizen (continuous improvement) activities of route optimization to reduce CO2 and truck trip cost, improving the devanning process by eliminating top lift working of container and improved processes to reduce CO2 emissions.

Natural gas and electricity usage in production activities are the major contributors to our greenhouse gas emissions. The emissions of employees commuting to work, business travelling and transportation of materials to plant and products to dealers through supply chain partners are not measured during the year.

Other significant emission are release of volatile organic compound (VOCs) in processes using solvents, paints, sealers or hydrocarbon-based chemicals. The emissions are reduced over the year as a result of Kaizen (continuous) activities of cartridge reduction for low share colour, introducing new chemicals to replace washing thinner for overall cleaning, reducing robot gun distance and adjusting on/off spray for robot paint loss reduction.

	Unit	2017	2016	2015
Greenhouse gas emissions (Scope I)	Mt	18,063	21,202	19,665
Emissions per vehicle produced	Mt/per unit	0.301	0.331	0.346
Reduction in emission	Mt	1,798	961	N/A
Emission of ODS	Mt	Nil	Nil	Nil
Nox, Sox and other significant air emissions	Mt	Nox, Sox and other significant air emissions within SEQS limits.		

There were no bio-genic emissions during the year. SEQS guidelines were used for emission calculations.

Water

The water used at our plant is sourced from the canal. IMC has an agreement with the irrigation department for extracting water which is measured by flow meters installed at the point of extraction. The water recycling decreased to 11% of the total water withdrawal during the year compared to 20% during 2016. Water consumption during the year was higher compared to the previous year on account of expansion activities carried out during the year.

The water source is not declared as protected source and the water extracted does not significantly affect the canal flow.

	Unit	2017	2016	2015
Water withdrawal	m ³	372,697	359,002	337,068
Water recycled and reused	m ³	40,730	71,110	59,295

Water withdrawal and recycling is recorded with the help of flow meters.

Effluents and Waste

The waste generated through operations is strictly handled with our environmental policy. We strictly comply with the applicable legal requirements for waste handling and do not ship hazardous waste internationally. The waste water and waste thinner are recycled. Other waste is handled, stored in environmental friendly manner and disposed to government approved contractors. Regular trainings for the shop members are carried out for reducing waste and efficient working of the system. During the year, there were no significant spills in the reporting period.

Waste by disposal method	Unit	2017	2016	2015
Hazardous and Non-hazardous waste				
Reuse/reprocess (Used oil, batteries)	Ton	9	9	9
Recovery	Ton	N/A	N/A	N/A
Incineration (Paint sludge, phosphate sludge, chemical sludge, caustic sludge, waste water sludge, chemical solvent)	Ton	236	244	196
Landfill	Ton	1	1	1
Onsite storage (waste water)	m ³	166	166	166

None of the waste material is reused. The landfill and onsite storage is not carried out and waste is disposed of through SEPA approved contractor. The hazardous waste is being disposed of through approved contractors on daily basis. The figures for reuse/reprocess, landfill and onsite storage are on estimated basis.

These SDGs are supported by IMC through efficient environmental management of its operations and supporting environmental management practices in supply chain. Linkage of our activities and SDGs can be found at page 71.





OUR PEOPLE & COMMUNITIES

- OUR PEOPLE
- OUR COMMUNITIES

OUR PEOPLE

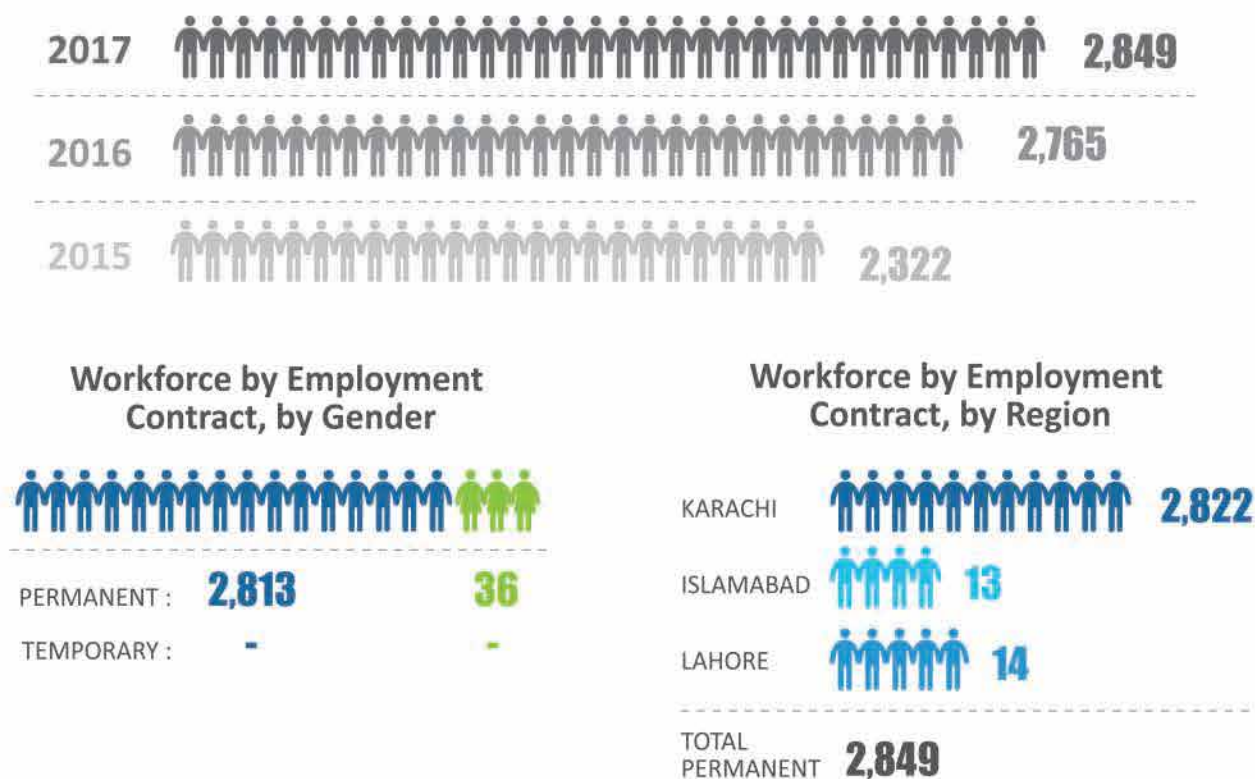
Our people are critical for our success and delivering value to our stakeholders. We are committed to hiring the best talent, develop through them training and provide them a safe, healthy and productive workplace to perform. We are committed to ensuring that our business activities and decisions follow, protect and respect labour standards, human rights laws, declarations and international conventions. The material topics are identified based on stakeholder engagement and impact of our operations. The material topics are listed on page 24 which also shows, why these topics have been categorized as material.

Our operations are labour as well as technology-intensive and total number of workers on June 30, 2017 was 2,849. The nature of operations require good human resource policies, safe working conditions, ongoing training and education for better productivity and career development. The General Manager HR is responsible for implementing policies and reviewing performance on labour practices and human rights. The health and safety aspect is monitored by the Safety, Health and Environment function which ensures safe working conditions. The policies, practices and performance of labour practices, human rights and health and safety are regularly reviewed through meetings at unit level, function level, department level and company level. External review is carried out through safety audits and certification of systems. Corrective actions are taken as per need-basis.

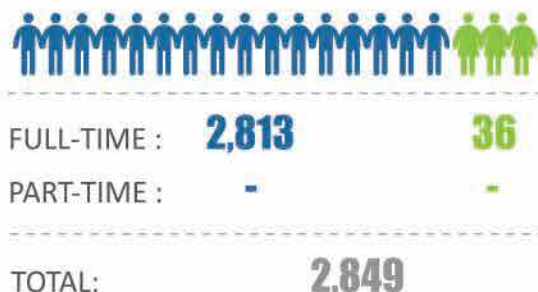
Our human resource function is aligned to develop our workforce capacity, knowledge and skills to support our business growth. Human resource development initiatives are guided by Kaizen, a continuous commitment to improvement. It requires every team member joining the team to be trained to practice the Toyota Way.

WORKFORCE PROFILE

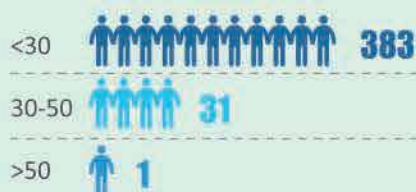
We are an equal opportunity employer and our workforce has a dynamic characteristics. The workforce figures are for the year ended on June 30, 2017.



Workforce by Employment Type, by Gender



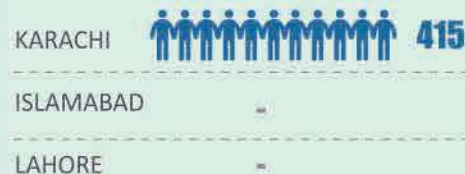
Hiring by Age Group



Hiring by Gender



Hiring By Region



Note: The figures for hiring and attrition relate to the financial year 2017.

The hiring and attrition ratios are in accordance with industry ratios. The employees are regularly engaged through surveys to gauge satisfaction level and identify areas of improvement. During the year, an employee satisfaction survey was carried out through external survey agency. The satisfaction level was 76.8% compared to 72.38% in last survey. The survey results showed improvements in areas of training, workplace environment and diversification over the period since last survey. As a result of survey, further actions were taken to improve working conditions, install ventilators and air conditioning and employee engagement through recreation activities.

Our employment practices are strictly compliant with applicable laws, regulations and international charters. IMC recognizes the employees' right to be represented by the association and promotes the practices in its supply chain. We are not aware of any supplier in our supply chain where the freedom of association and collective bargaining right is at risk. 34% of our workforce is covered by collective bargaining agreement. The notice about operational changes is communicated to employees well in time. However, the notice period is not mentioned in the collective bargaining agreement. There is no child labor or forced and compulsory labor at our plant sites and we are not aware of any such incident at our supply chain partners.

We provide competitive salaries and benefits to our employees to keep them motivated and deliver exceptional performance. The ratio of basic salary and remuneration of women to men is 1:1. The salary is based on merit only. IMC does not discriminate workers on the basis of gender, religion, association and no incident of discrimination reported during the year.

Following benefits are provided to full-time employees including management and staff.



TRAINING AND EDUCATION

The development of our people through ongoing training and education is central to our business strategy. We aim to provide our people with the right knowledge, skills, attitude, and confidence to perform at higher level and deliver excellence to our customers. We conduct various in-house training to improve the behavior aspects, improving existing functional skills and equipping with new skills to perform better in their respective areas. Our trainings are focused in following key areas; learning and development to communicate Toyota programs, understanding and practice company values and methods, developing and promoting the Customer First approach in every interaction with customers and growing talent of our workforce to build exceptional teams..

The training and development activity also includes refresher courses to employees on the code of conduct. The code of conduct, which contains anti-corruption policies and procedures, is communicated to management and employees and is part of orientation session for new workers. Last year, a refresher course on the code of conduct was started for all employees. During the year, no training was carried out on anti-corruption policies and procedures.

IMC supports and promote the learning spirit in youth through regular induction of Trainee Apprentices under the ATM program for transforming them into talented technicians through an intensive training and development program covering hands on experience and classroom lectures. Succession planning is an important element of our human resources policy and through training and development, we mentor the future leaders. We regularly track the value of training and development through reviews which enable us to check our performance against targets and identify areas of improvement. During the year, all employees received regular performance and career development reviews. The average training man-hours for the year 2017 were 37 man-hours which include management and non-management employees.



HEALTH AND SAFETY

Health and safety of our workforce, our contractors and visitors is important to us. We are committed to provide a safe, healthy and productive workplace that enables our workers and contractors. Our policy is to pursue internationally accepted SHE standards. We are fully committed to maintain product and service quality while ensuring that no harm is caused to people and no damage is done to the environment. All products and service are regularly reviewed for health and safety impact during design, production, delivery of services, and use of the product by customers. There were no incidents of non-compliance with health and safety impact of products or services.

Our approach to health and safety reflects the principles of the Toyota Production System. The employees from each shop at our plant take part in regular safety circles (focus groups). The quality circles promote Jishuken (identification of areas requiring ongoing focus) which helps to stimulate Kaizen (continuous improvement). Our efforts in health and safety management are focused to zero fatalities and injuries. Workers also take part in group based activity to explore safety hazards which are not apparent in routine activities. The winners of the activity with best theme are awarded while the best theme is publicized for greater awareness.

Safety Month

IMC holds regular safety trainings and awareness events for its staff and contractors to promote safety culture. We celebrate April as Safety Month where different activities are organized for promotion of safer workplace and reiterating commitment to safety. Trainings on safety including firefighting training, fire simulation evacuation drills, screening of safety videos and awareness sessions are organized to promote behavioral change and to make workplace safer. Safety audits are undertaken during the month to assure safety system.

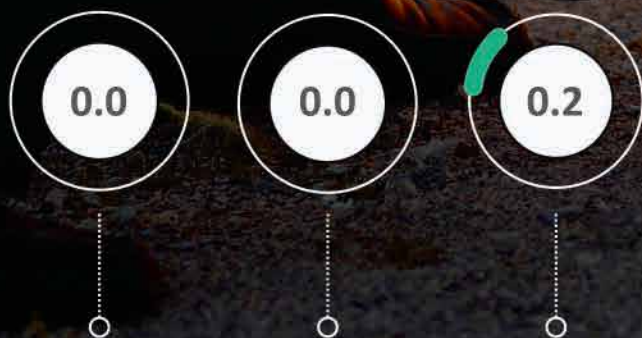


All our employees are represented by health, safety and environment committees. The committees consist of health and safety representatives from employees and management. The issues related to health and safety are discussed in committees which meet on monthly basis. The health and safety topics are covered in the agreements with labour union.

As a result of our continuous focus and effective management only one Lost Work Day (LWD) injury occurred during the year after zero LWD for the last consecutive six year. Four non-loss work day injuries were recorded during the year. All non-loss work day injuries occurred in non-production areas. IMC does not record loss work day injury and non-loss work day injury for contractors.



Lost Time Injury Rate



2015

2016

2017

Non-Loss Time Injury Rate



2015

2016

2017

OUR COMMUNITIES

Concern Beyond Cars

IMC is aware of its responsibility towards communities and committed to play a productive role in the development and uplifting of communities. IMC has well defined policies and procedures for community investments and has defined priority areas to effectively benefit the communities. IMC's corporate social responsibility policy stems from the document entitled "A Contribution to Sustainable Development" announced by Toyota in 2005, developed on the basis of the guiding principles at Toyota. The main objective of this policy is to "create a prosperous society and to reach sustainable development." The CSR function headed by the Sr. Director who is supported by the CSR team for program design, implementation and its sustainability as per community needs in defined areas. The program results are internally reviewed and the management approach is adjusted accordingly. We annually contribute 1% pretax profit of preceding year for community investments. IMC contributed Rs 545 million in last five years for health, education, environment, community welfare, and road safety projects. We regularly engage the community to get their insights for identifying and devising community development programs in the defined areas. Our investments in communities lead to benefit communities and there were no significant actual and potential negative impact of our operations on local communities around plant site.

CSR SPENDING



CSR SPENDING PER UNIT PRODUCED



CSR SPENDING PER UNIT SOLD



HEALTH INITIATIVES

The economic prosperity of a community depends on a healthy and productive population. Our health initiatives are focused towards disadvantaged communities for providing health care facilities at their doorstep. We regularly donate to hospitals, blood banks and other healthcare institutions which provide life-care and health-care services to underprivileged communities.

Driving smile for our neighboring communities, annually around 30,000 patients were examined and medicines distributed to them for free of cost. Doctor and paramedical staff were deputed to arrange three Free Medical Camps weekly who provide medical treatment in general health care and family planning.

IMC went a step further by adding Free Medical Camp for around 200 Psychiatric and Epilepsy patients. Under collaboration with the Basic Needs Pakistan (a reputed NGO and expertise), since December 2016 two camps are being arranged monthly at two locations of neighbouring area. The camps received massive response from the local community and was highly appreciated by the local civil society.

Apart from these, IMC donated Rs 30 million for infrastructure and medical equipment facilities for the Surgical Complex at JPMC, with the total contribution rising to Rs 130 million. Construction work of Pakistan's first state-of- the-art 600-bed Surgical Complex is expected to be completed by the end of 2017.



Childhood Blindness Prevention Program

IMC organized Eye-camps in the several surrounding villages, in association with Mother and Child Care Clinics, a leading NGO to safeguard the critical eye sight problems in the children. The free screening, spectacles, and necessary basic eye treatment were provided to the young residents of Razzaqabad, Abdullah Goth and Yousuf Goth. The screening program benefited 2,000 children up to 15 years age.



EDUCATION

Our education initiatives are focused towards uplifting education in the country, especially to the underprivileged children. IMC has provided support to educational institutions, constructed schools and offered scholarships to meritorious students. We believe that investment in education will help shape the sustainable future and eradicate poverty at the grass root level.

Habib University

Appropriate nurturing of human potential is essential for the creation of a socially responsible society. The Habib University is envisioned as a world-class research-based undergraduate institution, which aims to redefine higher education by becoming a true center of reflective knowledge that will spark constructive dialogue and provide a platform for civic engagement in Pakistan. The University is uniquely positioned to draw the knowledge and skills required to address emerging challenges of the twenty first century and beyond. Subscribing to the cause, we contributed Rs 83 million during the year, while our accumulative contribution to this institution stands at nearly Rs 200 million.



The Citizen Foundation (TCF)

IMC supported TCF for constructing two school buildings at Muzaffargarh and Hyderabad. In addition, IMC regularly provides financial support to the foundation for maintaining the excellent education quality and provision of free scholarships to the needy students. During the year, Rs 22 million endowment fund donated to one of the TCF campus located at Orangi town campus.

Toyota Goth Education Program

Full financial support for education of the children of underdeveloped and poor communities adjacent to IMC's facilities is provided with the aim to spread literacy, encourage positive social and mental upbringing and to give hope for a better future. 50 students are enrolled each year under this program. A total number of 250 students are enrolled till the year 2017.





Toyota Technical Education Program

Toyota Motor Corporation supports its worldwide affiliates to train and equip young generation with the latest automobile technology by establishing a long term affiliation with running vocational institutes. The first T-TEP Institute was launched in affiliation with Government College of Technology, Lahore in September 2000. Under this program, Pakistan's first Body & Paint Institute was also initiated by IMC in collaboration with the Aman Foundation to provide training in auto body and paint technical areas. Currently, four T-TEP Institutes are working and offering training in different trades. We regularly conduct Career Days at these institutes for graduating students to provide them job opportunities at our dealer /vendor network. T-TEP has thus proved to be an excellent initiative for providing world-class technical skills to individuals, allowing them to build their career path for a better future at home and abroad.

Shell Eco-Marathon Asia 2017

Shell Eco marathon is a unique competition that challenges students around the world to design, build and drive the most energy-efficient car. Shell Eco marathon Asia 2017 was held in Singapore from 16th to 19th of March 2017. IMC provided support to team Toyota Hammerhead ARC, from Ghulam Ishaq Khan Institute (GIKI), Pakistan. The Toyota Hammerhead ARC, from GIKI participated in Shell Eco Marathon Asia (SEM Asia) 2017 and secured 6th position in the Prototype category, leaving behind many technologically advanced countries. This event stimulates creativity and passion for the development of technology, products and services for energy-efficient vehicles.



COMMUNITY WELFARE & SUPPORT FOR NATURAL CALAMITIES

Community welfare activities in the areas of livelihood to infuse self-dependence, sports to ignite minds and provision of healthy food for better health in the communities located in immediate vicinity of the plant help to create the belongingness and overcome the feelings of the marginalized communities. We actively support and provide assistance in natural calamities and humanitarian emergency in the country. Supporting the victims at the time of distress is our priority and we are committed to care and enrich society whenever humanitarian emergencies or natural calamities disrupt.

Weekly Food Distribution

We realize that Food Security and Nutrition are fundamental to the development of any society without which targets in healthcare and education cannot be met. Since inception, we undertake distribution of good quality cooked food weekly to our neighboring villagers at their footsteps. Around 20,000 villagers are fed annually. During the holy month Ramazan, we undertake ration distribution program for the poor families.

Support in Natural Calamities and Emergency

Whenever our country has faced with a natural calamity or emergency, we have been at the forefront to provide much needed assistance to the affectees. We also extended our support to the National Disaster Management Authority provide relief goods for internally displaced persons in Peshawar to help them overcome the sufferings faced as a result of displacement.



ROAD SAFETY

IMC carried out two research projects on road safety and organized various awareness sessions and road safety conferences to develop safe driving habits. The flagship research project was the Road Traffic Injury Research Project (RTIRP) which continued for five years. Later it was owned by the World Health Organization for their program.

The other research project carried out by IMC was the Toyota Research Study on Traffic Congestion in collaboration with NED University of Technology. The objective of the project was to quantify the economic cost of traffic congestion and socio-economic impact on the overall economy. The complete research data is available on the IMC website at www.toyota-indus.com.



These SDGs are supported by IMC through provision of employment opportunities, taking care of health and safety of its workforce, respecting human rights and investment in communities. Linkage of our activities and SDGs can be found at page 71.



TOYOTA

THE WAY FORWARD



THE WAY FORWARD

We aim to strengthen our sustainability efforts to create shared value for all of our stakeholders. We plan to aggressively practice sustainability in business decisions, policies and procedure following Toyota vision and guiding principles along with best practices in sustainability management.

Economic stability is vital to move forward on the sustainability path and deliver safe and environmental-friendly products to our customers, reward our employees, support a sustainable supply chain and contribute to communities. To strengthen the economic front and maintain sustained earnings, we aim to keep producing high quality vehicles, parts, accessories and services to meet customer demands and add more features to our products and services. We are aware that the management of our environmental impact is important while pursuing our business plans. We aim to continuously invest in environmental-friendly technologies for efficient energy management, reducing emissions, increasing water recycling and waste management.

Our human capital helps us to deliver customer delight. We aim to hire and retain a quality workforce of a diverse nature, develop through training and education, provide a safe and healthier workplace and reward with competitive salaries and benefits. Transparency enhances trust and confidence among stakeholders. We aim to strengthen our practices and exceed applicable laws and regulations to be a more transparent company. Our stakeholders' input informs our decisions and we plan to continue stakeholder engagement on our regular business activities and sustainability practices.

We are committed to continue our support for social responsibility initiatives in our communities and commit to follow and support;

- United Nations Global Compact "Ten Principles"
- Corporate Social Responsibility Voluntary Guidelines 2013
- Sustainable Development Goals

ANNEXURES

- GRI INDEX
- UNGC INDEX
- SDG INDEX
- FEEDBACK FORM
- GLOSSARY & ACRONYMS

GRI CONTENT INDEX

The GRI content index serves as navigation tool to locate the content within the report. The GRI Standards together with the related disclosures are listed and each disclosure is referred to the relevant page in this sustainability report or other publicly available source.

KEY

SR = 2017 Sustainability Report

AR = Annual Report 2017



Fully disclosed



Partially disclosed



Not disclosed

GRI 101: FOUNDATION 2016 GRI 101 contains no disclosures.

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UNGC - COP








United Nations
Global Compact

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Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	55-59,39	413-1, 414-1
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Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	50	409-1
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Principle 7	Businesses should support a precautionary approach to environmental challenges.	44, 45, 46	301-1, 302-1, 303-1, 305-1, 305-6, 305-7
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	39, 43, 44, 45, 46	301-1, 301-2, 302-1, 302-3, 302-4, 303-1, 303-2, 303-3, 305-1, 305-4, 305-5, 305-6, 305-7, 306-2, 306-3, 306-4, 307-1, 308-1
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	Ensure healthy lives and promote well-being for all at all ages	45,46, 53	305-1, 305-6, 305-7, 306-2, 306-3, 306-4, 403-2
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FEEDBACK FORM

Sustainability Report 2017

Information provided on material topics covered in the report.

☐ Comprehensive ☐ Adequate ☐ Not adequate

Clarity of the information provided in the report.

☐ High ☐ Medium ☐ Low

The quality of design and layout of the report.

☐ Excellent ☐ Good ☐ Average

Your comments for adding value to the report.

Name :

Designation :

Organization :

Contact Details :

Tel :

Please mail your feedback to:

Mr. Muhammad Arshad

Assistant Manager – CSR

Indus Motor Company Limited

Plot No. N.W.Z/1/p-1,

Port Qasim Authority,

Karachi, Pakistan.

Phone: +92-21- 111-869-682

Email: muhammad.arshad@toyota-indus.com

GLOSSARY & ACRONYMS

ASEAN	Association of Southeast Asian Nations
ATM	Apprenticeship Team Member
CBA	Collective Bargaining Agent
CBU	Complete Built Unit
CFCs	Chlorofluorocarbons
CKD	Completely Knocked Down
COP	Communication on progress
CSR	Corporate Social Responsibility
GHG	Green House Gases
GRI	Global Reporting Initiative
GEMS	Global Environment Management System
GJ	Giga Joule
HFCs	Hydrofluorocarbons
HSE	Health Safety and Environment
ISO	International Standards Organization
LTIR	Lost Time Injury Rate
MAP	Management Association of Pakistan
MPX	Multiplex communication system
MW	Mega watt
NFEH	National Forum for Environment and Health
NGO	Non-Government Organization
NLTIR	Non-loss Time Injury Rate
NVH	Noise, Vibration and Harshness
OEMs	Original Equipment Manufacturers
SEQS	Sindh Environmental Quality Standards
SEPA	Sindh Environmental Protection Agency
TDEM	Toyota Daihatsu Engineering & Manufacturing
UNGC	United Nations Global Compact

INDUS MOTOR COMPANY LTD.

Plot No. N.W.Z/1/P-1, Port Qasim Authority,
Karachi, Pakistan.

www.toyota-indus.com

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