



# Sustainability Reporting

ANNUAL REPORT 2003

A MODEL ANNUAL REPORT CREATED BY DELOITTE

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# 03



## SUSTAINABILITY

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# About the Report

This Sustainability Report is part of The Toy Company Limited's annual reporting for the year ended 31 March 2003. Issued together with the annual financial statements in May 2003, it accounts for The Toy Company Limited's performance against strategies, activities and targets regarding social, environmental and economic issues that will affect our company's future business performance.

## Basis of Preparation

To guide the identification, evaluation and presentation of key issues, the report has been prepared in accordance with the following international reporting frameworks:

Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines: [www.globalreporting.org](http://www.globalreporting.org)

AccountAbility - Institute of social and ethical accountability AA1000 Standard: [www.accountability.org.uk](http://www.accountability.org.uk)

## Completeness

The report aims to capture the organisations 'footprint' in terms of social, environmental and economic impacts on society. We account for our performance in relation to targets, major achievements and key issues. It does not provide a full coverage of all our activities.

The scope of this report covers the operations of The Toy Company Limited, incorporated in New Zealand, its subsidiaries, associates and joint ventures as detailed respectively in notes XX and XX of the financial statements. The environmental impact data covers all manufacturing sites and all retail outlets operated by the Company. Social data covers all employees. Economic data are quoted from the annual financial statements and covers The Toy

Company Limited Group. All joint ventures, associates and partially owned subsidiaries are included in the proportion that they were held in at the end of the financial year.

Where the impact of changes in holdings materially affects comparability with prior year information, separate comparisons are shown. This only occurs in the section reporting on Environmental Performance. All changes in assets and liabilities arising from the acquisitions and disposals of subsidiaries are shown in the notes to the financial statements. Contract licensees are not included in the report scope, but key suppliers have been evaluated on their social and environmental performance. In 2003, the measurement methods applied to key environmental, social and economic data have not changed from those shown in comparatives.

## Materiality

Key issues are identified through ongoing stakeholder engagement and addressed by programmes or action plans with clear and measurable short, medium and long-term targets. The issues presented in the report are deemed to have a significant impact on the company's future business performance and may assist stakeholders in their decision-making.

## Responsiveness

This report aims to reach a wide range of stakeholders, each with their specific needs and interests. It is intended to be a single part of our interaction and communication with stakeholders reflecting how stakeholder concerns and interests have been addressed. We value and encourage stakeholder dialogue, and welcome feedback on this report.

GRI 2.1, 2.11

GRI 2.16

GRI 2.13, 2.15

GRI 2.16, 2.19

GRI 2.17

GRI 2.14

GRI 2.16

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# About the report

## Accessibility

Contact details and information are given throughout the report for ease of access to further information. The Sustainability Report is available in English and Maori on The Toy Company Limited internet site, at [www.toyco.co.nz](http://www.toyco.co.nz).

## Assurance Principles

To ensure the accuracy, completeness and reliability of the Sustainability Report, The Toy Company Limited uses internal and external controls to review the procedures applied and data gathered.

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# The Toy Company Limited - In Brief

The Toy Company Limited is one of the largest manufacturers and retail distributors of toys in New Zealand. Our first store was opened in Auckland in 1995 and since then we have grown rapidly throughout New Zealand with a total of 25 retail outlets, 2 manufacturing sites and 3 distribution warehouses in 2003. In the current financial year 2 new retail stores were opened, 2 existing stores were purchased through the acquisition of a new subsidiary and the production capacity of one of the manufacturing sites was doubled. Our extensive range of approximately 2,000 product lines are marketed under the labels, "ToyCo", "Tiny Toys" and "Toddler Toys". The Toy Company Limited is the ultimate one-stop shop for toys.

Retail stores are open seven days a week with late-night shopping to provide the most convenient shopping opportunities to our customers. All of these sites offer free parking facilities, supervised toddler play areas and parent rooms with baby changing facilities.

Our toys have educational value and are aimed at stimulating children at the most crucial stages of their development. They are designed and manufactured to be durable and safe, while priced to provide affordable choices for the average families' budget. The major components of our products are made from New Zealand plantation timbers, plastic and small amounts of steel and aluminum. The majority of components are sourced from New Zealand suppliers, but may be imported if they are unavailable here. The design and manufacturing processes are in compliance with the company's own standards (implemented under ISO 9001:2000 Quality Management Systems) and New Zealand Health and Safety Regulations, to ensure that products are manufactured to consistently high customer and regulatory requirements.

Our manufacturing plants are situated in Hamilton and Christchurch. Products are delivered to warehouses based in Auckland, Wellington and Christchurch and from there they are distributed to our own retail stores, other retail outlets and educational institutions.

With key milestones identified for short, medium and long-term targets in area, and performance against benchmarks – prior years performance, target and industry sector norms, and programmes to improve performance, internal communication, how they are monitored and frequency of senior management review.

## Listing of manufacturing, distribution and retail sites



More information regarding each facility can be obtained on The Toy Company Ltd website: at [www.toyco.co.nz](http://www.toyco.co.nz)

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GRI 2.2  
GRI 2.5

GRI 2.22  
GRI 2.8

# The toy company limited in brief

## Summary Information

GRI 2.8

	2003	2002	2001
[EC1]Net sales	136.9 million	124.7 million	113.3 million
Net surplus (excl minority)	21.1 million	18.4 million	12.1 million
Total equity	120.8 million	100.9 million	84.3 million
Total debt	136.1 million	150.0 million	156.7 million
Total assets	256.9 million	250.8 million	241 million
Basic earnings per share (after extraordinary loss)	48.4	44.6	41.6
Number of products produced	Approx 4 million, 2000 product lines product lines	Approx 3.5 million produced, 1700 1500 product lines	Approx 3.2 million items produced.
Number of employees	565	510	470

## Key indicators

KEY INDICATOR	ENVIRONMENTAL	SOCIAL	ECONOMIC
To work towards a sustainable product lifecycle	✓	✓	✓
Designing interesting educational toys		✓	
Effective socially-acceptable advertising		✓	
Encouraging outdoor play	✓	✓	
Meeting stakeholders service demands	✓	✓	✓
Consistently meeting quality and safety standards		✓	
To communicate effectively with our stakeholders to maintain the wealth of our shareholders).		✓	✓
To care for our people and community	✓	✓	

These key indicators are described in more detail in the body of this report.

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# The toy company limited in brief

## Direct and Indirect Impact

In this report, we have included measurements of the direct impacts of our business. It is more complex, however, to measure the indirect costs or benefits that arise from our operations, such as the amount of new innovative technologies and processes, the economic effects of a change in location, community dependency on our organisations activities etc. While we have detailed some of the strategies we have used to limit our negative indirect impacts, we have not included any indirect performance indicators. As with all companies, The Toy Company Limited must work towards identifying the most appropriate ones and measuring these.

### CONTACT DETAILS FOR MORE INFORMATION, QUERIES OR FEEDBACK:

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P O BOX 8910  
8 BEAN COUNTER LANE, BIGTOWN  
EMAIL:MB@TOYCOY.CO.NZ  
TELEPHONE – 04-123-4567

OR

LOUISE MANN  
SUSTAINABILITY SUPPORT SERVICES  
P O BOX 8910  
8 BEAN COUNTER LANE, BIGTOWN  
EMAIL:LM@TOYCOY.CO.NZ  
TELEPHONE 04-123-4567

GRI 2.10,2.22

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## Vision and Strategy

GRI 1.1

The Toy Company Limited is one of New Zealand's largest toy manufacturers and distributors in New Zealand.

### Our Vision – “To make education fun and healthy today and for future generations.”

Our strategic objectives include:

- To create value for our Stakeholders;
- To provide quality, educational toys that are fairly priced, safe and fun for all ages;
- To ensure that what we produce today will not jeopardize the future;
- To care for our staff – a job here is not just a job;
- To listen to and value our customers, suppliers and those we come in contact with; and
- Together, we can lead and make it happen.

Our vision and strategic objectives are clearly communicated to our staff and customers at all sites. At our annual staff conference we outline the goals and strategies for the upcoming year and our long-term strategies for success. How these values impact on our organisational structure, company policies, management system and dialogue with stakeholders is discussed in pages **8 to 17**.

#### FOR MORE INFORMATION:

[WWW.TOYCOY.CO.NZ](http://WWW.TOYCOY.CO.NZ)

GRI 3.7

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## Organisational Structure & Responsibilities

In this section we provide an overview of the structure and management systems in place that implement our company's vision of sustainable development, including:

- Organisation Structure and Responsibilities
- Company Policies
- Management Systems

At The Toy Company Limited, we attempt to ensure that clear and open channels exist for the timely reporting of valuable information regarding sustainability issues. The Board of Directors has ultimate responsibility for setting the company's sustainable strategy, in accordance with the corporate values. Both the Chairperson and the Chief Executive are members of the Sustainable Management Committee and it is their obligation to report back the findings of this Committee to the Board. The sustainability manager, union representatives and a staff representative from each region also attend this Committee. This Committee meets each month to review progress of key indicators against targets and identify any new risks or opportunities. They also monitor and review stakeholder dialogue programmes.

Divisional managers are each responsible for the implementation of The Toy Company Limited's policies within their divisions and key targets are written into their personal performance agreements. Ms Mann, the Sustainability Manager, and her team in Sustainability Support Services, have the responsibility to co-ordinate and support the sustainability initiatives of the other divisions in the Company. This team includes two qualified environmental health and safety officers, who review the environmental health and safety systems throughout the company, and ensure continued compliance with ISO14001. Also in this team are

specialist communication staff that are responsible for designing and undertaking stakeholder engagement and receiving feedback from stakeholders, including minority shareholders. The sustainability support services team operate a hotline where social, environmental and economic issues can be reported anonymously from either internal or external sources. They facilitate and regularly update staff sustainability groups voluntarily set up at each location.

### Corporate Governance Structure



CONTACT DETAILS FOR QUERIES OR FEEDBACK:

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P O BOX 8910  
8 BEAN COUNTER LANE, BIGTOWN  
EMAIL:LM@TOYCOY.CO.NZ

GRI 2.3, 2.20, 3.4, 3.19

GRI 3.8

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# Company Policies

GRI 3.7

At The Toy Company Limited we are constantly working to embed our Company values into our policies. Our policies were set at a combined meeting of Board and Managers in December 2000. They were reviewed again in the annual management retreat in March 2002 to take into account stakeholder expectations and feedback. To date, stakeholders have been in support of these policies and they therefore remain unchanged. They include:

## Social and Economic – Related Policies

We will care for our customers, staff and other stakeholders. This encompasses the fair and equitable treatment of all employees, and our customers' right to a quality, fairly priced and educational product. These policies address a wide range of social and economic issues relating to the sustainable development of our company and product including honouring the principles and spirit of the Treaty of Waitangi.

## Code of Conduct

We are committed to acting in an ethical manner in all aspects of our business. We have developed a Code of Conduct to guide our directors, executives, and staff in all dealings with each other and with customers, suppliers, contractors and all other relevant stakeholders.

## Environmental, Health & Safety

We believe our team members deserve a healthy workplace and no workplace injury is acceptable. This policy outlines best health and safety practices, along with giving guidelines on the Company's environmental protection position. We believe that our customers should purchase safe products and have a safe place to shop.

GRI 3.4

## Supplier Code of Conduct

A sustainable future can only be achieved with the co-operation of suppliers and contractors who will work with us to achieve environmental and social, and well as economic goals. This is reflected in our Supplier Code of Conduct.

## Our Environment

Our decisions should consistently be based on trying to ensure that adverse environmental effects are avoided, remedied or mitigated. Responsibility for implementing appropriate action should lie with the persons or businesses affecting the environment. If that is not possible, we should provide leadership.

All policies are referred to in staff employment agreements, introduced and discussed as part of staff induction on hiring and are referred to in the weekly staff newsletters. The Sustainability Services Division has been mandated to ensure policies are regularly communicated in a positive way to all employees at every level and function within the company so they will clearly understand their role in developing a sustainable company.

## Memberships

It is The Toy Company Limited's policy to be a member of the following organisations:

- The New Zealand Business Council for Sustainable Development: [www.nzbcscd.org.nz](http://www.nzbcscd.org.nz)
- Sustainable Business Network: [www.sustainable.org.nz](http://www.sustainable.org.nz)
- Institute of Chartered Accountants of New Zealand – sustainability special interest group – [www.icanz.org.nz](http://www.icanz.org.nz)

GRI 3.15

GRI 3.19

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## Management Systems

GRI 2.20, 3.19

The Toy Company Limited has several management systems in place that assist us in meeting our environmental, social and economic performance objectives. We have adopted systems that reflect our policies and values. All of these systems are internally audited by or with the oversight of the Sustainability Services Division. In addition, the data produced by our ECO-DATA system which is included in this report, has been independently verified by Deloitte Touche Tohmatsu as outlined in the Independent Assurance Statement.

The International Organisation for Standardisation (ISO) has established ISO 14001 as a voluntary, international specification for environmental management systems. This standard is recognised in over 90 companies. A highlight of the year is the accreditation of our manufacturing plants as meeting the requirements of this system.

Our management systems include the following:

- ISO 14001 in all manufacturing plants as noted above;
- A Code of Ethics based on our values and policies and applicable to all Directors and Management;
- Staff training systems identifying the training needs of both new staff and existing staff. This works in conjunction with the career planning process that has been implemented for all Managers and Supervisors, and annual skill review/job satisfaction process for all other staff;
- A performance management system - ECODATA, which tracks environmental, health and safety performance in terms of air, water, and land discharges, safety statistics, and resource consumption against benchmarks. This data also provides the basis for our carbon accounting;

- An internal financial management reporting system to provide monthly financial reports to management to track vital key financial indicators in real time. These reports are based on Activity Based Costing;
- A stakeholder relationship system to ensure that all feedback from internal and external stakeholders is captured, researched and communicated to senior management via the Sustainable Management Committee. This system is based on the principles outlined in AA1000;
- A supply chain management system (detailed separately) and a comprehensive stock control systems in both our manufacturing sites and retail stores. These work on a just in time basis, to avoid the build up of unnecessary finished goods at distribution centres and ensure that we are manufacturing the products that are being demanded by our customers; and
- ISO 9001 quality manufacturing system, and other ISO safety standards relating specifically to toys. Both the research and development department and all manufacturing sites are working towards certification. These assist in assessing the risk of new product developments.



INTERNET

Further details of our management systems are described in detail on our website at [www.toycoy.co.nz](http://www.toycoy.co.nz)

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GRI 3.20

GRI 2.22

GRI 3.20

## Stakeholder Relationships

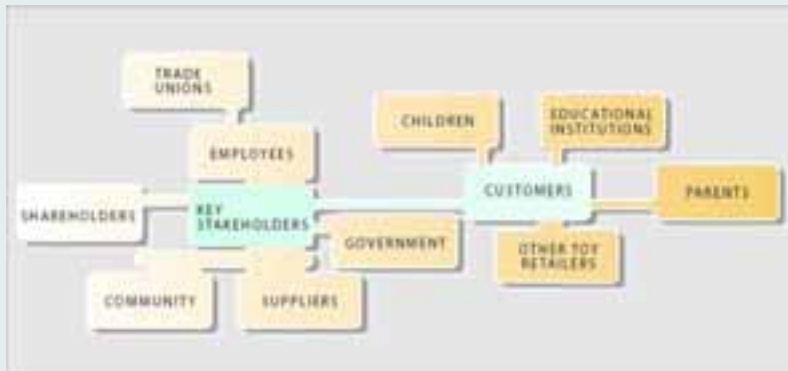
GRI 2.9, 3.10 - 3.12

Without input from our key stakeholders, The Toy Company Limited is not able to gain an adequate understanding of the needs and requirements of others and what impact our choices have on these parties. We use AA1000 to develop our communications with stakeholders.

The Sustainability Committee has developed a model to identify our company's key stakeholders and ensure that formal contact is made with representatives of each group at least twice a year. Information from this feedback is reported to the Sustainability Management Group and key issues are reported to the Board. They are then used to monitor the progress of key indicators, guide product

development and strategic direction. The Board and Sustainability Committee also acknowledge that stakeholders may change depending on the direction that the company is planning to take and the risks that arise.

OUR KEY STAKEHOLDERS ARE:



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# Stakeholder relationships

## Customers - children

### Why identified:

As the key user of our products, children's concerns are essential in determining the make-up, range and marketing of all our products and services.

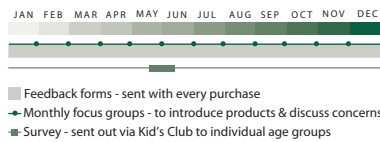
### Key issues identified in stakeholder consultation and indicator reflected:

- 98% of all age groups want products that are fun to use, while only 40% want to learn something while playing (*key indicator: designing interesting educational toys*).
- 60% of all age groups prefer inside toys as outdoor are not as attractive (*key indicator: encouraging outdoor play*).
- 50% of age groups play with 80% of their toys for less than a year (*key indicator: to work towards a sustainable product lifecycle*).

### Method & frequency of consultation

- Monthly focus groups of 10-15 young people and children, randomly invited from local schools and kindergartens, to introduce products and discuss their concerns.
- Survey's sent out to individual age groups via kid's club once a year - 2003: 7,000/10,000 survey's received.
- Feedback form included with electronic toy warranty cards.

CONSULTATION FREQUENCY - CUSTOMERS



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# Stakeholder relationships

## Customers - parents, educational institutions, other toy retailers

### Why identified:

As the buyer of our products, we need to ensure that our products meet the customers requirements of being safe, durable, educational and capturing the child's imagination while still getting value for money. Otherwise they will seek alternative product choices.

### Key issues identified in stakeholder consultation and indicator reflected:

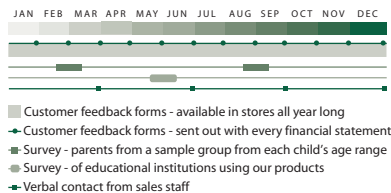
- 50% of parents and 80% of educational institutions surveyed have concerns about the amount of time children spend inside or in front of television and computer screens (*key indicator: encouraging outdoor play, designing interesting educational toys*).
- 80% of parents and 75% of educational institutions surveyed don't want to spend money on toys that children quickly discard (*key indicator: designing interesting educational toys*).
- 75% of the parents and 65% of educational institutions surveyed have issues regarding how our company advertises, and concerns about the targeting of children via television (*key indicator: effective socially-acceptable advertising*).
- 25% of parents and 10% of educational institutions are concerned what to do with toys when they are no longer required (*key indicator: to work towards a sustainable product lifecycle*).
- 98% of parents, 80% of toy retailers and 99% of education institutions are concerned that toys are of a high quality, safe and durable (*key indicator: consistently meeting quality and safety standards; to work towards a sustainable product lifecycle*).
- 99% of toy retailers and 85% of educational institutions demand orders to be received in 2 to 5

days of ordering (*key indicator: meeting stakeholders' service demands*).

### Method & frequency of consultation

- Customer feedback forms available at each outlet for completion. In 2003 6,500 forms were received (2002 5,000 forms). Estimated total customer base unknown due to the number of repeat purchases.
- As part of being on the company's mailing list, customers are asked if they are willing to participate in a structured survey. A survey is sent to a randomly selected sample in each child age range, once every six months. In 2003 8,500/10,000 surveys were completed (2002 6,500/9,000 completed). This represents 2003: 15% (2002: 12.5%) of customers on mailing list. Margin of error is 3%.
- All educational institutions who are customers are sent a feedback form with each invoice to identify service issues. They are all contacted at least 3 monthly by sales staff and requested to complete a written survey annually to identify key issues and development opportunities.

CONSULTATION FREQUENCY - CUSTOMERS



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# Stakeholder relationships

## Shareholders

### Why identified

As owners of the shares in the Company, shareholders need accurate, timely and reliable information regarding their financial investment.

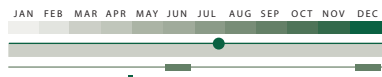
### Key issues identified in stakeholder consultation and indicator reflected:

- 80% value continued increase in share price (*key Indicator: to maintain the wealth of our shareholders*).
- 70% value increase in dividend paid (*key Indicator: to maintain the wealth of our shareholders*).
- 85% value the company ensuring that it meets or exceeds environmental regulation requirements (*key indicator: to work towards a sustainable product lifecycle*).
- 80% agree with the sustainable vision and strategy of the Company (*key indicator: to work towards a sustainable product lifecycle*).
- 90% believe the Company's reputation in the market place is important (*key indicator: to communicate effectively with our stakeholders*).

### Method & frequency of consultation

- Annual Meeting 2003: Attended by shareholders representing 85% of holding in the Company (2001: 79%).
- Provision of feedback form on sustainability report - to commence in 2003.
- Bi-annual survey sent with six-monthly performance results in August 2002 received 70% response, representing 90% of total shareholding.
- Provision of hotline as part of shareholder services. In 2003 an average of 5 calls were received per day compared to an average of 3 calls per day in 2002.

CONSULTATION FREQUENCY - SHAREHOLDERS



- Hotline - available in stores all year long to shareholders
- ◆ Annual General Meeting
- Survey - sent out with 6 monthly performance results
- ◆ Feedback form - sent out with each sustainability report (*planned*)

GRI 3.8

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# Stakeholder relationships

## Suppliers

### Why identified

As the source of our resources, we need to maintain good relationships with our suppliers and respond to their requests and concerns. We need to work with them to meet changing product needs, quality requirements and production schedules.

### Key issues identified in stakeholder consultation and indicator reflected:

- 80% request more communication of future needs, payment terms and conditions (*key indicator: to communicate effectively with our stakeholders*).
- 60% requested assistance to ensure they meet ISO 9001 quality standards (*key indicator: consistently meeting quality and safety standards*).
- 40% requested information and assistance with improving their environmental and social impacts (*key indicator: to work towards sustainable product lifecycle*).

### Method & frequency of consultation

- Provision of feedback form on sustainability report - to commence in 2003.
- Quarterly supplier meetings held in each region. 2003: 70% attendance by suppliers, 2002 45% attendance by suppliers.
- Formal communications as part of ISO 9001 and ISO 14000.

CONSULTATION FREQUENCY- SUPPLIERS



- Formal ongoing communications - as part of ISO 9001 & ISO 14000
- ◆ Supplier meetings - held in each region
- ◆ Feedback form - sent out with each sustainability report (*planned*)

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# Stakeholder relationships

## Employees *and the Unions that represent them*

### Why identified

It is essential we respond to the concerns of our employees as they are our greatest asset. Without their commitment we cannot achieve and maintain our sustainability vision.

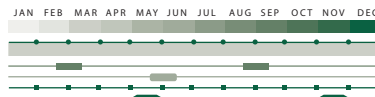
### Key issues identified in stakeholder consultation and indicator reflected

- All staff indicate job satisfaction, security, health and safety and a quality workplace as important (*key indicator: consistently meeting quality and safety standards, to care for our people and community*).
- 85% of employees agree with the sustainable strategy of the Company and would like to be involved with meeting the Company's vision (*key indicator: to communicate effectively with our stakeholders*).
- 60% would like to increase communication of their concerns, including increased union and delegate involvement in decision making of the company (*key indicator: to communicate effectively with our stakeholders*).

### Method & frequency of consultation

- From April 2002, union and staff representatives began to attend the Sustainability Management Committee.
- Sustainability Support Services hotline received an average of 2 calls per week in 2003 compared to an average of 1 call per week in 2002.
- Volunteer sustainability groups at all manufacturing and distribution sites- meet once a month with members of Sustainability Support Services to discuss ideas and issues. In 2003 45% of employees at these sites attended. In 2002 30% attended.
- Annual workplace survey completed by all full and part-time staff.
- Formal health and safety register.
- Monthly meetings with union representatives representing 70% of staff.
- Formal career planning for all staff held as part of performance review.

#### CONSULTATION FREQUENCY - EMPLOYEES



- Sustainability hotline - available all year long
- Volunteer sustainability group meetings - discussing ideas & issues
- Sustainability Management Committee - union & staff represented
- Survey - workplace survey completed by full & part-time staff
- Monthly meetings - with union representatives
- Formal career planning - as part of performance reviews

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## Community

### Why identified

Our company is continually challenged by the communities where we have manufacturing, distribution and retail sites. We need to identify and respond to their changing expectations of social responsibility and our role in satisfying these in order to retain our reputation as the toy store of choice.

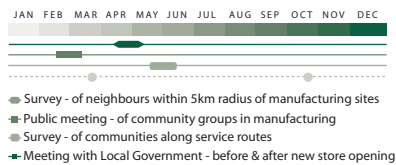
### Key issues identified in stakeholder consultation and indicator reflected:

- Impact on residents close to manufacturing sites in relation to noise and smell (*key indicator: to work towards sustainable product lifecycle*).
- Number and frequency of trucks leaving from distribution centres (*key indicator: to care for our people and community*).
- Amount of old toys that are included in waste sites (*key indicator: to work towards sustainable product lifecycle*).
- Impact on small business of opening new stores in various locations (*key indicator: to care for our people and community*).

### Method & frequency of consultation

- Annual survey of neighbours within a 5 kilometre radius of manufacturing sites. In 2003 70% of survey's completed (2002 50% of survey's completed).
- Annual public meeting of community groups in manufacturing sites which is advertised at least 4 weeks in advance. In 2003 450 people attended this meeting compared to 300 people in 2002.
- Annual survey of communities along service routes to and from distribution centres. In 2003 50% of survey's completed compared to 30% of surveys in 2002.
- Meeting with Local Government before and after opening new stores.

CONSULTATION FREQUENCY - COMMUNITY



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# Environmental Performance

## A Shared Responsibility for the Environment

This section of the report represents our environmental performance across all of our New Zealand operations. The precautionary principle is our guide to assessing environmental risks. This principle, first outlined in the 1992 UN Rio Declaration, is a central tenet of sustainable development. In summary it states that where there is the threat of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. In consultation with a range of stakeholders, we carefully consider the risks that may arise from current operations as well as from past and future actions.

## Sustainable Processes and Measurement

The Toy Company Limited is now certified to use ISO 14001 and ISO9001 standards to assist with our goal of environmentally sustainable processes through the entire production process from product design,

research and development through to manufacturing and distribution. As we assess our product life-cycle we have also attempted to identify ways to ensure that what we produce and sell does not take limited resources from the environment and can be disposed of in an environmentally friendly manner without contributing to the burden of waste on the environment. As part of our targets for this year, we completed environmental reviews of all distribution and manufacturing sites. This focused on all key environmental indicators and those relating to the environmental impact on the community around it.

## Information and Training

We provide environmental training to all The Toy Company Limited managers and key staff. Environmental competency is one of the cornerstones of the company's basic training and expertise development. We have developed our own web-based environmental development programme which all employees are required to complete as a component of our induction-training programme. Managers are also required to attend a refresher course every two years as part of their personal



The previous owner of the Christchurch plant had an oil spill which was found to be leaking into the mudflats of the estuary, the Toy Company is investing \$987,000 to clean this up and protect the abundance of invertebrates and crustaceans that are essential to this microenvironment.



INTERNET

Further information on the native wildlife, flora and fauna found in the Bexley wetlands can be obtained from the Department of Conservation under 'wetlands' [www.doc.govt.nz](http://www.doc.govt.nz)

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# Environmental performance

career plan. Managers and staff members can access the summarised version of "Eco-data" reports on a daily basis. This provides actual comparison against their individual and group environmental goals.

Environmental updates and initiatives for the organisation are co-ordinated through Sustainability Support Services in conjunction with Human Resources.

## Supply Chain Management

The contribution by all parties across the supply chain is essential to achieving our environmental goals. Our relationship with parties involved across the whole product life-cycle requires the development of trust and good communication to manage the upstream and downstream impacts of our business.

Our Supply Chain Management system aims to:

1. Assist our supply chain to become more environmentally and socially sustainable; and
2. Work towards becoming stewards of our products and services.

The Toy Company Limited has issued a Supplier

Environmental Requirements Guide as part of the supplier's contract that we distribute to all of our suppliers. We provide training and support to meet these requirements. It requests that suppliers:

- Obtain certification and maintain an ISO 14001 environmental management system within 3 years;
- Meet the requirements of the Hazardous Substances and New Organisms Act;
- Provide environmental data for ECODATA system on processes used and products or materials supplied on an annual basis;
- Increase the use of recycled materials, use design for recycling principles and properly identify all plastic and polymeric parts;
- Use minimum packaging to minimise waste associated with products and services at Company facilities; and
- Provide training and support to their suppliers to meet these requirements.

As part of the retail agreement that is made with all independent retailers and included in The Toy Company Limited retail managers' performance requirements, we issue a Retailer Environmental Requirements Guide that requires retailers to:

PRODUCT LIFE CYCLE	Decisions we focus on, with implications for environmental impact	DEGREE OF CONTROL
<b>Demand</b>	Market research indicates demand for new product/change of existing product design	
<b>Development</b>	Design and material selection of product and packaging (e.g. recycled / recyclable materials from renewable sources) whilst maintaining safety standards.	
<b>Production / Distribution / Retailing</b>	Environmentally sound production processes with minimum waste and resources, both at our manufacturing sites and those of our suppliers. Choice of distribution method.	
<b>Use</b>	Use of the product is defined by safety standards at the design phase and by meeting customers' demands for a quality, educational & fun	
<b>Disposal</b>	The developed product design determines methods to dispose of packaging, material and other wastes. In this phase the environmental impact relies largely on the local waste management system, recycling opportunities available at our retail outlets and opportunities for toys to be reused by others.	

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### SUSTAINABILITY

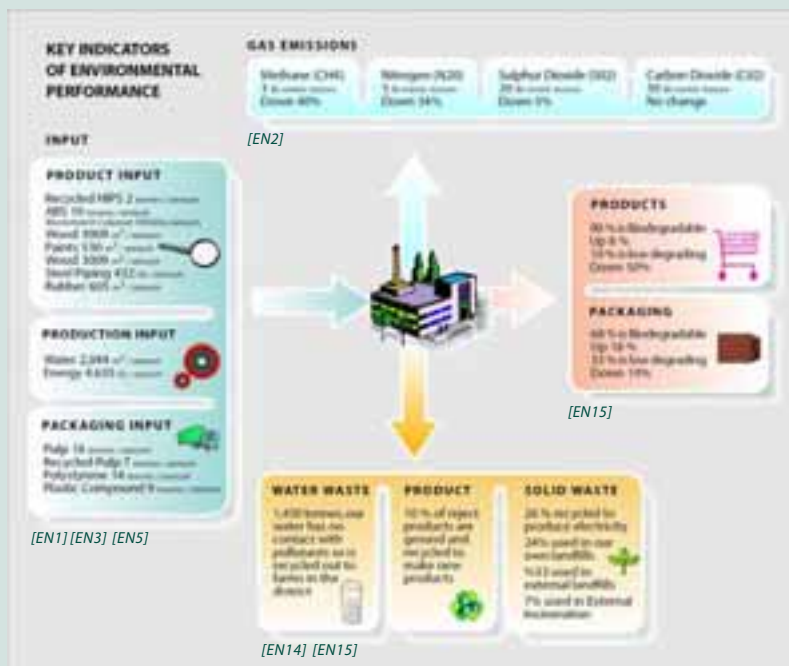
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- In partnership with us, work towards implementing a zero waste policy at their stores by 2007;
- Advertise and allow for the collection of any toys manufactured by The Toy Company Limited which we will accept back for recycling or re-distribution, free of postage charge;
- Advertise and allow for customer packaging recycling at their stores;
- Report any customer complaints and return faulty goods for replacement;
- Promote The Toy Company Limited mailing list and allow customers access to feedback forms; and
- Provide key indicator environmental data to be included in ECODATA system, to ascertain direct and indirect performance on an annual basis.

Included in the information supplied to educational institutions, internet purchasers and other direct customers are:

- Encouragement to recycle packaging for toys including providing stores where it may be delivered and the collection of packaging for outdoor play equipment;
- Advice that products may be returned free of charge or deposited at a retailer selling our toys for recycling when no longer wanted;
- Invitation to be added to mailing list and delivery of a feedback form for their use; and
- 12 month warranty card provided with all purchases.



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# Environmental performance

## Direct Energy Consumption

Despite 60% of New Zealand's electricity being supplied by non-emitting hydro dams, electricity generation is one of the largest sources of greenhouse gases in New Zealand that can be reduced. Global climate changes are being influenced by mankind's activities. This requires assertive efforts from all companies to improve current emission levels. New Zealand ratified the Kyoto Protocol in December 2002 and agreed to reduce New Zealand's emissions to 100% of 1990 levels by the first commitment period.

Our organisations high electricity consumption means that we need to reduce our electricity use because of the likelihood of increased prices if a carbon charge is introduced. We also intend that all electricity should be produced from renewable energy sources. Future efforts will be targeted to reducing energy consumption by raising employee awareness, developing capacity manufacturing cycles, power conservation strategies and further developing our own renewable energy resources or purchasing green energy. This is a key challenge for The Toy Company Limited moving forward.



The new irrigation system on a farm near Darfield on the Canterbury Plains that The Toy Company supplies water to.

## Emissions to Water

The Toy Company Limited emissions to water are nil due to the nature of our business. Water is not required at any stage of manufacturing except for cooling purposes during moulding stages of the manufacturing process. The water does not come into contact with any pollutants or chemicals and remains a completely reusable source. It is not released into any waterways with excess heat, but is currently cooled in storage tanks before being sold to nearby farms for irrigation purposes. The company is currently assessing the economic viability of installing a co-generation plant at its largest manufacturing site to utilise this waste heat to produce electricity.

## Total Water Usage

Total water used by the company is as follows:

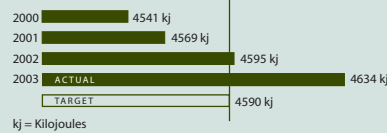
- Retail outlets - 290 tonnes
- Distribution centres - 290 tonnes
- Manufacturing plants - 870 tonnes



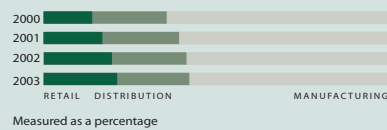
DIALOGUE

James Anderson - Ph 03 477 7777 Email james@toycoy.co.nz

## ENERGY CONSUMPTION (ELECTRICITY)



## TOTAL WATER USAGE



GRI EN20, EN22

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# Environmental performance

## Production Waste

In the 2003 financial year, The Toy Company Limited produced around 43 metric tonnes of waste nationwide which had to be disposed of by sanitary land filling or incineration. As noted by the chart below, 26% of the production waste was incinerated in provisioned Toy Company on-site plants. This use of wood waste was used to generate 5% of the companies electricity needs. 34% of production waste was disposed of in our own landfills.

We make efforts to reduce the amount of waste from our operations, recycle as much as practical and encourage our suppliers and customers to recycle where appropriate. During 2003, the company will begin a zero-waste policy at all manufacturing and retail outlets. All retail outlets now have on site recycling units to enable shoppers to return packaging to the store. In the next implementation stage the stores will begin to advertise and promote this policy to customers. This will align with information resources provide by the Ministry for the Environment Waste Strategy Programme.

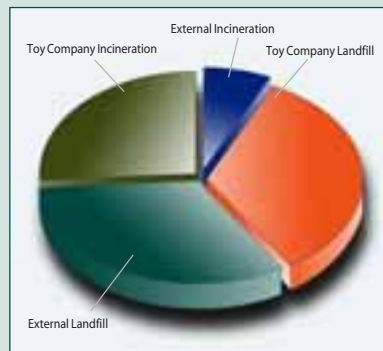
During the course of our environmental audit we identified an oil spill caused by the previous occupant of the Christchurch manufacturing site. As detailed in note 26 of the financial statements, we will complete restoration of the site by September 2003 at a total estimated cost of \$987,000. No reimbursement is expected from the previous occupant of the site as the company is currently in liquidation.

## Packaging and Logistics

In the 2003 financial year, we made improvements to our packaging materials. There has been an 18% increase in the use of recycled pulp in our packaging materials, as well as a 7% decrease in the use of plastic compounds and a 3% percent decrease in polystyrene related materials.

We have redesigned all our packaging requirements and improved efficiencies in the required usage of plastic and polystyrenes while still meeting logistic requirements. All packaging is identified as recyclable when appropriate.

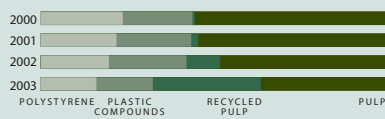
WASTE DISPOSAL METHOD 2003



PRODUCTION WASTE



PACKAGING MATERIAL COMPOSITION



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## Fuel Consumption

Fuel related transport costs are a significant expenditure for The Toy Company Limited. Over the past few years a volunteer task force group, set up under the Sustainability Support Services group, has made significant improvements in the way we transport our materials to our factories and distribute our products to our outlets.

In 2003, the most significant development has been our use of Tranzrail to cope with increased distribution rates. This is a substantial improvement since our only alternative would have been to increase current fleet numbers. Reduced fuel consumption rates and lower per unit fuel costs reflect the success of the initiative.

As part of our environmental audits completed this year, it became obvious that one of our distribution sites was not correctly located in an accessible part of Auckland. This along with other factors relating to the site meant that the decision was made to relocate where rail services could be used, and there was less impact on the residential community



Choosing to use Tranzrail to distribute containers and bulk goods to distribution and retail centers has made a substantial improvement in our fuel consumption rates.

surrounding it. The Board approved and announced a full restructuring plan in February 2003 with the building of an eco-efficient distribution warehouse in South Auckland to commence in May 2003.

## Gas Emissions *Direct and Indirect*

We have reduced our direct green house gas emissions further in 2003 to towards our target while still achieving growth. Thanks to concerted efforts in research and development carbon dioxide emissions have reached the targeted standards. Nitrogen oxides and sulphur dioxides emissions are at their lowest level in 20 years. These emissions reflect our efforts to continually reduce annual gas emissions.

Our carbon dioxide emissions are directly proportionate to fuel usage at a rate of 3.15 kilograms of carbon dioxide produced for every kilogram of fuel consumed<sup>1</sup>.

We are now working towards offsetting the effect of carbon dioxide emissions by undertaking a community school tree planting scheme. Over 300 trees were planted in the 2003 financial year.

GRI EN8

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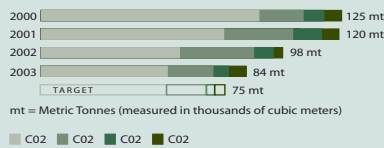
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### FUEL CONSUMPTION - TRANSPORT



### GAS EMISSIONS



GRI EN34

### Notes

- <sup>1</sup> Calculated using best practice methodology based upon average vehicle output and recommended conversion rate

# Environmental performance

We are committed to reducing our indirect emission levels further, particularly as technology improves. The four major sources of indirect emissions are:

- fuel used for transporting staff and goods;
- electricity sourced from the national grid from non-renewable sources;
- emissions produced in processes to manufacture some products used in our processes; and
- emissions produced in processes to make steel and aluminum used in our buildings and manufacturing equipment.

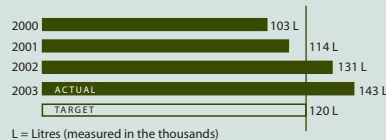
## Other Emissions

We are working towards monitoring and assessing the use and emissions of:

- ozone-depleting substances under the Montreal Protocol Annexes A, B, C and E in tones of CFC11 equivalents.
- NOx and SOx
- Other significant air emissions under local laws or regulations.

We have assessed that we have no direct emissions of these types.

### CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS



Further information regarding greenhouse gas emissions can be obtained from the WBCSD greenhouse gas protocol [www.ghgprotocol.org](http://www.ghgprotocol.org)

## Biodiversity

During the year ending 31 March 2003 we completed environmental reviews at all manufacturing and distribution sites. As part of these reviews, we began to identify and measure the impact of our operations and products and services on terrestrial, freshwater and marine environments. These measurements will become a baseline for us to enable us to monitor our success at reducing and remedying our impact. We will move to assess the changes in natural habitats resulting from our operations and what we have protected and restored.

The major impacts of our operations are:

1. Taking of fresh water for cooling thereby reducing natural stream levels and the levels of freshwater life that can be sustained;
2. Requiring land to be used for exotic plantation forests, which are subsequently clear felled. This limits both the amount of land available for native forest and destroys the habitats of native animals that have adapted to exotic forests;
3. Production of waste, particularly at the end of the

### LOCATIONS NEAR BIODIVERSITY RICH HABITATS



GRI EN7

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product lifecycle where we have limited ability to control whether consumers choose to recycle. We do not believe that those that are disposed of into landfills will affect groundwater as they biodegrade. However, some of the earlier plastics used will take approximately 50 years to complete the process. Therefore they could cause damage to marine life if disposed of into the sea, and inadvertently eaten.

- The use of petroleum based products in our production and distribution processes.

## Significant spills

As discussed in the Managing Directors report, The Toy Company Limited's environmental audit programme identified a oil spill caused by a previous occupant of the Christchurch manufacturing site. The total estimated restoration cost is \$987,000 which has been provided for in the financial statements in the current financial year. Restoration has commenced subsequent to year end with an expected completion date of September 2003.

There were no other significant spills of chemicals, oil or fuels during the year (2002:2).



Our Christchurch plant is located next to Bexley wetlands which is an important nesting area for pukeko and pied stilt. The Toy Company supports Bexley Wetland Trust as they replant these wetlands with variety of grasses, flax and coastal shrubs.

## Incidences of Non Compliance or Fines

There were no incidences of fines for non-compliance with any national, regional or local regulations during the year (2002:3).

## Actions for Improvements in Environmental Performance

Over the next 12 months we will:

- Increase the use of renewable energy resources from 75% to 90%;
- Implement the "RE-JUICE" program – a target and reward initiative run for staff members, promoting awareness and reduction of electricity usage around the workplace and at home;
- Reduce wastage of materials through the re-grinding and re-use of our reject products. Currently only 10% of our rejected product is re-used in the production process. We will increase this to 60% over the next year; and
- Increase the use of recycled pulp for the packaging of our product from 10% to 50%.



All of our seconds and reject plastic parts are reground in the granulator, then mixed with black masterbatch and injection moulded to produce small parts like tyres on toy trucks and bigger items such as high impact corners on outdoor toys.

GRI EN16

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# Social Performance

## Including our staff

Our people are our most valuable asset and our most reliable source of information. This is reflected in our social and economic related policies and is managed by our stakeholder relationship system and staff training systems. We use their feedback to improve and facilitate the best possible management of our company and to monitor our staff human rights.

As noted previously, the Sustainability Committee includes an elected staff representative from each region and a union representative from the 3 major unions. These representatives are able to communicate any suggestions, concerns or issues arising from the voluntary sustainability groups or union meetings and feedback decisions directly to staff. Staff also have the opportunity to communicate formally and informally any concerns with their managers, or anonymously through the "Sustainability Support Services Hotline".

This information is summarised and reported at monthly management meetings. All union members are given time off to attend monthly meetings with their union representatives.

Using these channels, staff provide input into decision making regarding changes in operations (e.g. sale of Australian subsidiary and move in buildings), and management can understand and address their concerns by negotiation and consultation.

## Best Place to Work Survey

Each year, The Toy Company Limited staff participate in a Best Place to Work survey. The survey covers a number of areas including teamwork, management practices, customer and supplier service. The results are used to monitor and improve The Toy Company Limited's policies and to encourage an open and honest working environment.

The January 2003 survey results found that 92% of our staff believe that 'The Toy Company Limited puts their people first'. The national average was 72%.

## Diversity and Opportunity

The Toy Company Limited recognises that promoting equal opportunities is a vital part of fulfilling our commitment to social responsibility. People with diverse backgrounds and perspectives are essential

GRI LA4

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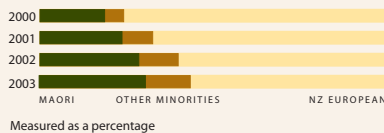
STAFF ENJOY THEIR JOB



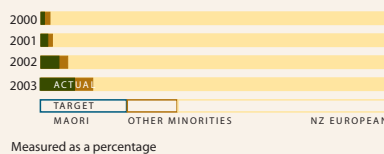
ARE PROUD TO WORK AT TOY COMPANY



ETHNIC BALANCE IN WORKPLACE



MAORI IN SENIOR/MANAGEMENT ROLES



GRI HR10  
GRI LA4

GRI LA11  
GRI LA10  
GRI LA10, HR1

# Social performance

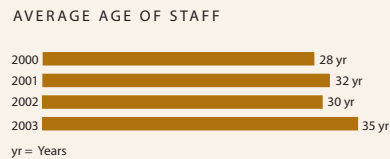
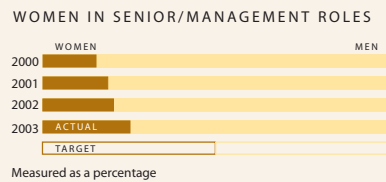
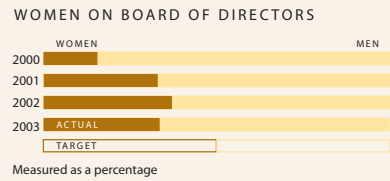
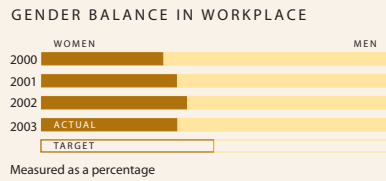
for creating and maintaining the innovative capacity that we need for our company to continue to succeed. With globalisation, the drain of talented New Zealanders attracted overseas and competition for skilled workers we need to be prepared and take advantage of a diverse labour force. We aim to recruit the best people and provide them with equal opportunities to develop and use their skills.

The United Nations Universal Declaration of Human Rights and the Treaty of Waitangi are used to guide the establishment of company policies and practices to ensure equal opportunities. People seeking employment or currently employed by us must not be discriminated against because of their gender, age, disability, sexual orientation, marital status, religious belief, creed, colour, race or ethnic origin or political orientation. Equal opportunities should be ensured in all working conditions, in regard to remuneration, training and promotion, termination or employment and recruitment. It also allows for freedom of association which, in New Zealand and Australia, can be universally applied and is not restricted by local laws. We have had no discrimination litigation cases since 2001.

Human rights, freedom of association, discrimination and equal opportunities issues are identified and monitored by Human Resources and the Health and Safety Committee's. To embed these values into the organisation, each Committee has formulated an action plan to address specific equal opportunities, human rights and discrimination issues in each business area. The Sustainability Committee and the Managing Director formally approved these plans. Staff may report any issues formally or informally via their supervisor or manager or anonymously via the Sustainability Support Services Hotline. All senior and middle management attend team-building exercises and executive coaching on equal opportunities and in this year the issue has been included in the overall Balanced Scorecard. Three issues have been identified as a priority for 2004 being the attraction and retention of ethnic minorities, career opportunities for women and career opportunities for all ethnic groups in management.

We employ nearly an equal proportion of men and women at The Toy Company Limited. We offer flexible working arrangements for our people to help them

GRI HR4



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GRI LA11

GRI LA10

GRI LA11

GRI LA11

GRI HR4

GRI HRS

# Social performance

manage their family, study and social commitments. The table below indicates that we are employing a growing number of staff in the 30-39 age bracket.

## Health and Safety

The Health and Safety in Employment Act requires all staff and customer accidents and injuries to be recorded on a Register. In addition, the Accident Compensation Corporation records any accidents or diseases that result from employment. The company is subsequently notified. During the 2003 financial year, the amount of time in hours lost as a result of accidents and injury in the workplace decreased from 1.9% to 1.1%. This improvement is the result of a new health and safety programme implemented in early 2003, where all staff are provided with educational training and resources to promote safe workplace practices and prevent injury. As part of this programme, the Human Resources division conducts a quarterly staff training requirements survey, workplace assessments, action plans and undertake follow-up. There is also a mandatory health and safety introduction for all new employees covering issues such as health and safety policy, employees responsibilities and duties, hazardous work processes,

use of personal protection equipment, operating procedures training and use of protective devices.

Health and Safety Committees have been set up and include both elected employees, and management. Extended health and safety courses are mandatory for these representatives. Time for health and safety work is allocated during normal work hours. These committees represent 100% of staff as shown in the table below left.

The Toy Company Limited acknowledges that there is still a high number of customer accidents, in particular involving young children shopping in our stores. This is an area for improvement and we have implemented an accident prevention programme. This includes a new customer surveillance system and new product shelving. There were no fatal accidents during 2003 [2002 nil].

## Policy on HIV/AIDs

The Toy Company Limited does not have any specific programmes or policies in place for employees with HIV/Aids. Employees with this condition would have access to high level Health and Safety management

GRI LA6

GRI PR1

## SECTION 03

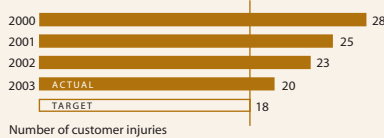
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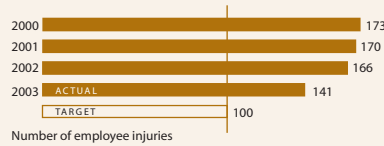
#### HEALTH AND SAFETY COMMITTEES

Seperate committees per site	Mgmt	Staff	Health & Safety
2 Manufacturing sites	2	5	1
3 Distribution sites	2	3	1
Head office	2	3	1
Every retail store	-	1	-
Upper North Island oversight group for 14 retail stores	2	14	2
Lower North Island/South Island oversight group for all 11 retail stores	2	11	2

#### CUSTOMER ACCIDENTS / INCIDENTS



#### WORKPLACE ACCIDENTS / INCIDENTS



GRI LA5

GRI LA7

GRI LA8

GRI LA7

# Social performance

practices, wellness programmes and flexible work arrangements to customise their work roles to their current health condition. Employment contracts provide for monitoring of the condition with independent medical assessments at the request of the employer.

## Average Hours of Training (per year)

As previously mentioned our management system includes a staff training system to identify the training needs of both new and existing staff. This works in conjunction with the career planning process that has been implemented for all senior and middle management, professional and technical staff and supervisors. An annual skill review/job satisfaction process is in place for all other staff.

Training is provided at full pay to staff in areas like:

**Job specific training:** e.g. the use of new equipment, management training, sales training, technical training, apprenticeships and assistance towards completion of qualifications.

**Generic training:** e.g. mandatory health and safety training, new staff induction, environmental training.

Training does not include time taken for attendance at Health and Safety Committee or Sustainability Committee meetings, annual staff career planning and/or skill review, union meetings or new product training for sales staff.

## Suppliers

As part of our commitment to addressing social responsibility, it is important to us to work with key suppliers that comply with our social values.

As part of our Supply Chain Management system, over the past two years, we have held quarterly supplier meetings in each New Zealand region. Those attending (2003:70%) have completed surveys and training on social issues including:

- Wages and benefits provided
- Working hours
- Health and safety
- Child labour
- Forced labour
- Freedom of association and collective bargaining
- Discrimination/equal opportunities

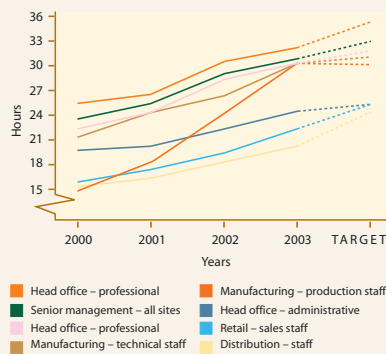
GRI HR2,HR3

## SECTION 03

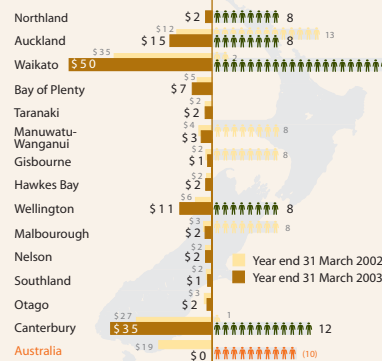
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AVERAGE HOURS OF TRAINING



TURNOVER (NET)



GRI LA9

GRI 3.19

GRI LA9

GRI LA2

GRI HR7

GRI HR6

# Social performance

- Disciplinary measures
- Bribery
- Privacy

These surveys are always sent to key offshore suppliers (particularly in developing nations) as part of the tender process for the supply of goods. The results are reviewed by Sustainability Support Services and Human Resources before any contracts are awarded or renewed.

We want to eliminate the risk of having suppliers in our supply chain who do not live up to basic human rights. From 2002, all new contracts with suppliers (locally and internationally) include a clause stating a mutual commitment to the UN Universal Declaration of Human Rights, the International Labour Organisation (ILO) Conventions (including Convention numbers 138 and 29, excluding child and forced labour) and the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development. The supplier must report inconsistencies with these principles to The Toy Company Limited. If required, we have established a review committee of senior internal managers and external supply chain experts who can decide on actions in case of serious violations

of the issues. We haven't found any in the first annual evaluation round.

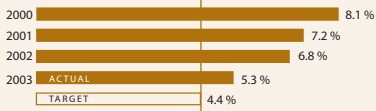
In 2004, we will extend the suppliers self-evaluation system to set out minimum standards in each area, and build a review process into the audit system. This may also include review of reference checks, publicly available information and random site visits.

## Customers

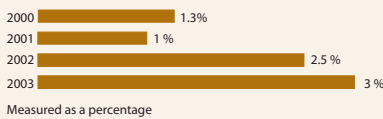
In the 2003 financial year we conducted a customer satisfaction survey where a sample of customers from our New Zealand mailing list were requested to complete a questionnaire covering issues such as product quality, product safety, product labelling, customer service and suggested areas for improvement.

Customer feedback forms are also available at each retail outlet for completion. All educational institutions are sent a feedback form with each invoice to identify key service issues. Customer complaints arising from feedback are logged into a database and reviewed by the Sustainability Support Service on a weekly basis. Our objective is to resolve

ABSENCE AS A PERCENTAGE OF STAFF TIME



EMPLOYEES DECLARING A DISABILITY



BREAKDOWN OF WORKFORCE BY REGION

Workforce	2001	2002	2003	Target
Number of temporary contractors	1	2	4	0
Number of permanent part time jobs nationwide - measured in full time equivalent	10	20	20	30
Number of permanent full-time jobs nationwide	460	490	545	650

GRI LA10  
GRI LA7  
GRI HR6, HR7

GRI LA1  
GRI PR1, PR2, PR8

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# Social performance

all customer complaints immediately and we endeavour to resolve serious complaints within a week of the incident.

One of the key concerns expressed by customers in our customer surveys was the amount of time children spent inside in front of television screens rather than playing outdoors. In response to this feedback in 2004 The Toy Company Limited will launch an innovative range of outdoor toys, and has contracted to purchase a subsidiary which specialises in the manufacture of outdoor play equipment. This initiative is in conjunction with Sport and Recreation New Zealand's PUSH PLAY program established to encourage children to participate in outdoor activities.

As part of our 'KIDS FIRST' policy that began in March last year, we no longer sell toy guns or any form of toy considered to promote violence in children. We only stock video games deemed suitable for educational purposes.

The Toy Company Limited has a responsibility to customers under both the Consumer Guarantees Act 1993 and Fair Trading Act 1986 to ensure all products

meet specified product safety standards. Any comments or concerns regarding product labelling or safety are referred directly to the Research and Development Department to review in conjunction with the ISO 9000 series. This feedback may impact future design developments or in some instances may result in a full product recall where safety concerns are high. A product recall, at an estimated cost of \$1,000,000, was made in the 2003 financial year due to an electrical fault identified in motorised ride-on-scooters. The estimated financial cost to the company was high however ensuring customer safety was considered our greatest priority. There were no other known areas of non-compliance with customer health and safety regulations and no complaints upheld by regulatory bodies.

As part of our code of conduct, we comply with the Privacy Act 19xx in all our dealings with our customers. This means that only those customers who request it will be entered on our mailing list. These lists will not be sold to any third party. As our web business grew it raised a number of privacy issues particularly in respect of the safety of credit card

## OVERALL SATISFACTION WITH PRODUCT



## OVERALL SATISFACTION WITH SERVICE



The subsidiary we will be purchasing specialises in the manufacture of outdoor toys making these colourful, bright and very durable outdoor toys for ages 3 - 7. This integrates well with the PUSH PLAY initiative that we support that encourages kids to participate in outdoor activities.

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payment details. The Company has invested considerable cost and effort to ensure the integrity and security of this data. There were no known non-compliance with regulations concerning product information and labelling or substantiated complaints regarding breaches in customer privacy.

## Community Impact and Involvement

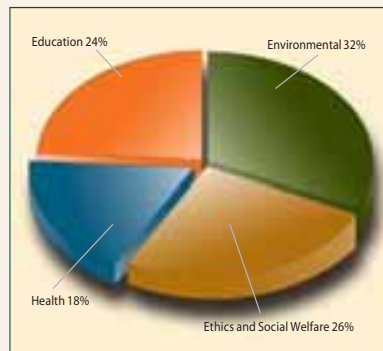
One of our core values is to value and respect both the environment and community in which we operate. We have developed community programmes to provide support to various community groups.

In the 2003 financial year, we commissioned Social Audit New Zealand to study and report on the impact of our two new retail stores in Whangarei and Whakatane. The survey results were encouraging with 85% of the survey respondents confirming that the new stores had a positive impact on the local community. Three other retail stores purchased as part of the acquisition of Toddler Toys Retail Limited were already operating and therefore their impact on the community was minimal.

Other Toy Company Community initiatives include:

- Toy Libraries set up in all major centres. New and good quality recycled toys are provided to ten Toy Libraries for loan at minimal cost to members. This initiative is concentrated on providing a variety of educational toys to families in lower socio-economic areas where children would normally not have access to such resources.
- Children's wards at regional hospitals receive good quality recycled educational toys for use by children who attend hospital school.
- The Salvation Army receive good quality recycled toys for distribution as Christmas gifts to children of low income families.
- An IHC Contract is held where we currently outsource a portion of our packaging production work to a branch of the IHC Trust. The branch was established to provide employment to both mentally and physically disabled members of the community. By supporting this Trust we are ensuring continued work for those involved and providing opportunities for individuals to develop and maintain skills as members of the workforce.
- Donations and Sponsorship is given to various

### AREAS OF CHARITABLE SUPPORT



St Mary's Children's hospital receives some of our good quality recycled toys specifically in the past year, durable children's chairs and playground equipment for the play area. Our staff support this initiative and through the local sustainability committee have run many successful fundraising events for the hospital.

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kindergartens and schools throughout New Zealand. As detailed in the Economic section, cash donations of \$12,000 were made in the current year.

- Staff Fundraising is undertaken through local sustainability committees. Staff nominate local community projects or charities, and forward any proceeds to them.

## Bribery and Corruption/ Political Contributions

The Toy Company Limited has a policy not to make payments in New Zealand towards any political party or to induce a response (as defined by the OECD Convention on combating Bribery). This is an issue, however, for some of the communities that our suppliers operate in. At present bribery, corruption and political contributions are assessed as part of our supplier survey for new and renewing contracts and will be incorporated into our future evaluation and audit of suppliers. At present, we have not identified any issues or concerns and the company undertakes to work with the supplier and Supply Chain Committee to identify an appropriate course of action should an issue arise.

## Actions for Improvements in Social Performance

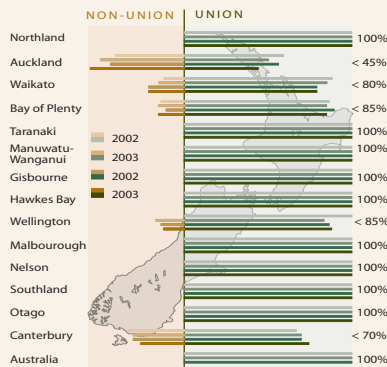
Over the next 12 months we will:

- implement the retail customer accident prevention programme;
- continue to monitor the success of employee health and safety programmes and to begin to measure health and safety issues beyond occupational injuries;
- ensure all customer complaints are resolved within 7 days of being lodged;
- extend the suppliers self-evaluation system to set out minimum standards in each area and build a review process into the audit system; and
- develop a new innovative range of outdoor play equipment and promote the "PUSH PLAY" programme to encourage children to play outdoors.



The fundraiser movie night at the local theatre in Hamilton. Staff nominated to fundraise for the Hamilton Firehouses and E.M.T Rescue squads when they proposed a new service that visited schools educating younger children on fire safety and offering First Aid training to teenagers in the local secondary schools.

STAFF REPRESENTED BY UNIONS (%)



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# Economic Performance

Traditionally economic performance reporting is thought of as being the financial statements of the company. The direct and indirect economic performance of a company is wider than just the financial performance and financial position of the company and therefore other measures of economic performance should be included.

Some of the indirect economic impacts are difficult to quantify, however we will continue to work towards the development of wider financial systems to identify and measure these. In future years more statistical information including industry averages will be available from Statistics New Zealand

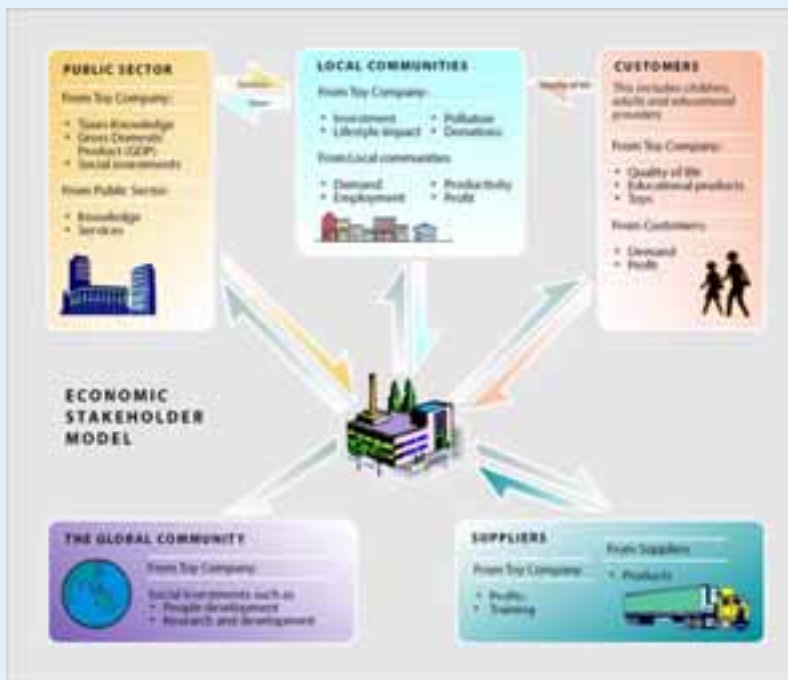
[www.stats.govt.nz] which will assist us in providing more information on economic performance.

## THE TOY COMPANY LIMITED ECONOMIC STAKEHOLDER MODEL

### Suppliers

During the year The Toy Company Limited has tried to maintain good relationships with its suppliers. 90% of New Zealand and overseas contracts were paid within agreed terms, excluding penalty arrangements. The remaining 10% were all overseas contracts and subject to dispute regarding type, price or quantity of materials. In the previous year 85% of contracts were paid within agreed terms.

GRI EC4



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# Economic performance

## Distributions to providers of capital

Distribution to providers of capital is shown below left. For more information on capital distributions refer to the notes to the financial statements.

The Company has no dividend or interest payments outstanding on their capital borrowings.

## Total of taxes of all types paid

As per the Financial Statements, total taxes paid to the New Zealand Department of Inland Revenue were as shown below right.

There was no tax paid to the Australian Inland Revenue Department in these years due to tax losses from trading within the Australian operations.

## Subsidies/grants received

No tax relief was received during the year. The company was the recipient of a Private Sector Research and Development grant of \$50,000 from Technology New Zealand towards the

development of recyclable plastics for packaging and outdoor toys (2002: nil).

## Donations and sponsorship

In the current year, cash donations were given to kindergartens and schools throughout New Zealand. In order to be eligible to receive such donations, these kindergartens and schools must be active participants in environmental health and safety programs such as waste and electricity minimisation and recycling. In the 2002 financial year, cash contributions totalled approximately \$8,000 compared to \$12,000 this year.

We actively encourage recycling of toys by our consumers. Toys collected in good condition are donated to the following organisations for distribution to children who would not otherwise have access to high-quality educational toys:

- The Salvation Army (for distribution as Christmas gifts);
- Children's ward at regional hospitals;
- 10 Toy Libraries around New Zealand located in lower socio-economic areas.

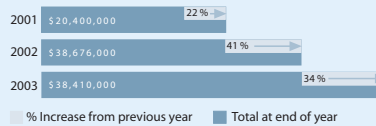
GRI EC10

DISTRIBUTIONS TO PROVIDERS OF CAPITAL

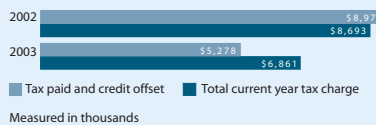
Type of Capital	Distribution type	2002	2003
Ordinary Shares	Dividend	10,000	12,000
8% Mandatory Convertible Notes	Interest	80	80
7% Unsecured Convertible Notes	Interest	1,400	1,400
8% Subordinated Loans	Interest	1,567	1,567
Non-participating redeemable preference shares.	Dividend - \$8 fixed cumulative dividend	8	8

Measured in the thousands

RETAINED SURPLUS AFTER TAX



TAX CHARGE VS TAX PAID / OFFSET



Measured in thousands

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GRI EC6

GRI EC8

GRI EC9

GRI EC7

GRI EC8

GRI EC6

# Economic performance

Plastic toys in poor condition are recycled and used in the production of new toys which are donated to Toy Libraries. The estimated value of toys recycled and donated in 2003 (based on value as recycled material for production) is \$40,000 (2002: \$30,000).

In the current year an estimated \$5 million was spent on three areas. Approximately 45% of these investments were capital projects for innovative technologies and other programs supporting environmental / health and safety strategies. The remaining 55% involved other expenses associated with these three investment areas including staff training, personnel, and the implementation of management systems and programs that support sustainable development.

## Environmental / Health and Safety Investments

We invest significant financial resource in employee training programmes in both environmental and health and safety areas. This ranges from on the job health and safety training to specific GRI initiatives.

We also provide opportunities for further growth and development of career opportunities through offering personal leadership programmes. It is essential that our staff have knowledge of our sustainability values and policies.

We ensure that our management systems, programmes and staff initiatives develop and support sustainable development.

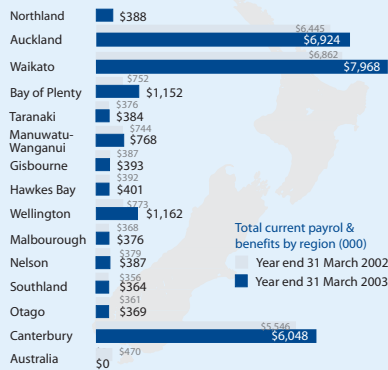
## Cost of all goods, materials and services purchased

In the 2003 financial year the total cost of all goods, materials and service purchased was \$44,482,000.

## Research and Development

In the 2003 financial year, we spent \$620,000 [2002: \$345,000] on research and development, representing a 79% increase since 2002. A major proportion of our research and development expenditure in 2003 has been used to develop environmentally sustainable packaging techniques.

### BENEFITS TO EMPLOYEES



### RESEARCH AND DEVELOPMENT 2003



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# GRI Compliance index

## In Accordance with GRI

The Global Reporting Initiative (GRI) is an international framework for voluntary reporting of the economic, environmental and social impacts of company performance. It is becoming the global standard for reporting.

This report was prepared in accordance the Global Reporting Initiative's (GRI) 2002 Sustainability Reporting Guidelines. The mission of the GRI is to promote international harmonization in the reporting of relevant and credible corporate economic, environmental, and social performance information to enhance responsible decision-making. GRI pursues this mission through a multi-stakeholder process of open dialogue and collaboration in the design and implementation of widely applicable sustainability reporting guidelines. GRI has not verified the contents of this report, nor does it take a position on the reliability of information reported herein. For further information about GRI, please visit [www.globalreporting.org](http://www.globalreporting.org)

## GRI Contents Index

As we have provided references throughout this report we will not be providing an index.

For examples of how to prepare a detailed index see [www.globalreporting.org](http://www.globalreporting.org) Sustainability Reporting Guidelines: Part D

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## Definitions

**AA1000 Framework** is an accountability standard designed to improve accountability and performance by learning through stakeholder engagement. The building blocks are planning, accounting, auditing and reporting. The new AA1000 series adds specialised modules, including the AA1000S Assurance Standard, the world's first assurance standard for social and sustainability reporting to complement GRI.

**Corporate Governance** is the system or process by which companies are directed and controlled. It is based on the principle that companies are accountable for their actions and therefore broad-based systems of accountability need to be built into the governance structures of companies.

**Eco-efficiency** is the delivery of competitively-priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle to a level at least in line with the Earth's estimated carrying capacity.

**Economics** is the means by which society uses human and natural resources in the pursuit of human welfare. As such, economics extends beyond the boundaries of a single organisation and is inextricably linked to both the environmental and social elements of sustainable development.

**Eco-productivity index (EPI)** is an expression of the ability to utilise resources. It is calculated by relating the total yield of product to the respective consumption of water and energy. Performance is tracked annually against previous year (index 100).

**Environmental responsibility** covers our impact on the external environment and the bioethical implications of our activities.

**Equal opportunities** are when everyone enjoys and exploits the same opportunities with respect to

recruitment, conditions at work, remuneration, career management as well as termination. Following international human rights conventions, no distinction, exclusion or preference is made on the basis of gender, sexual orientation, age, disability, marital status, religious belief, creed, colour, race or ethnic origin or political orientation, except when justified by requirements intrinsic to a specific job.

**Global Reporting Initiative (GRI)** was established in 1997 to develop globally applicable guidelines for reporting on the economic, environmental and social performance. It is convened by the Coalition for Environmentally Responsible Economies (CERES) in partnership with the United Nations Environment Programme (UNEP). In 2002, the GRI was established as a permanent, independent, international body with a multi-stakeholder governance structure. The Sustainability Reporting Guidelines were released in September 2002.

**Social responsibility** is about improving the quality of relations with key stakeholders. The Toy Company Limited defines it as putting values into action in perspective of human resources, human rights, health and safety, and our relations with society at large.

**Stakeholders** are individuals or organisations affected by or affecting the behaviour of a company or an organisation. The Toy Company Limited's most significant stakeholders are its shareholder, customers, suppliers, employees, the media, Local and Central government, Non Governmental Organisations, and local communities located around our manufacturing and retail sites.

**Sustainable development** was defined in the Brundtland report from 1987 as "development that meets the needs of the present world without compromising the ability of future generations to meet their own needs".

**Triple Bottom Line** reflects an integrated understanding of business performance, in which social, environmental and economic bottom lines

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# 03

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## Directory

are interdependent. The aim of a Triple Bottom Line approach is to ensure a business performance that is socially responsible, environmentally sound and economically viable.

### DIRECTORS

William Abbott	Margaret Black
Oliver Hobson	Michael Edwards
Ryan Newman	Emma Ross
Kirwin Cooley	Mary Smith
Lesley Thompson	Beverly Walker

### SENIOR MANAGERS

Allan McDonald	Susan Henry
Catherine Kingi	Greg Davis
Jane Taitoko	Ben Robertson
Gerald Howie	David Mosley
Gavin Evans	James Aitken

### CORPORATE HEAD AND REGISTERED OFFICE:

P O Box 8910  
8 Bean Counter Lane  
Bigtown

NEW ZEALAND  
Telephone: 04-123-4567  
Facsimile: 04-123-4568

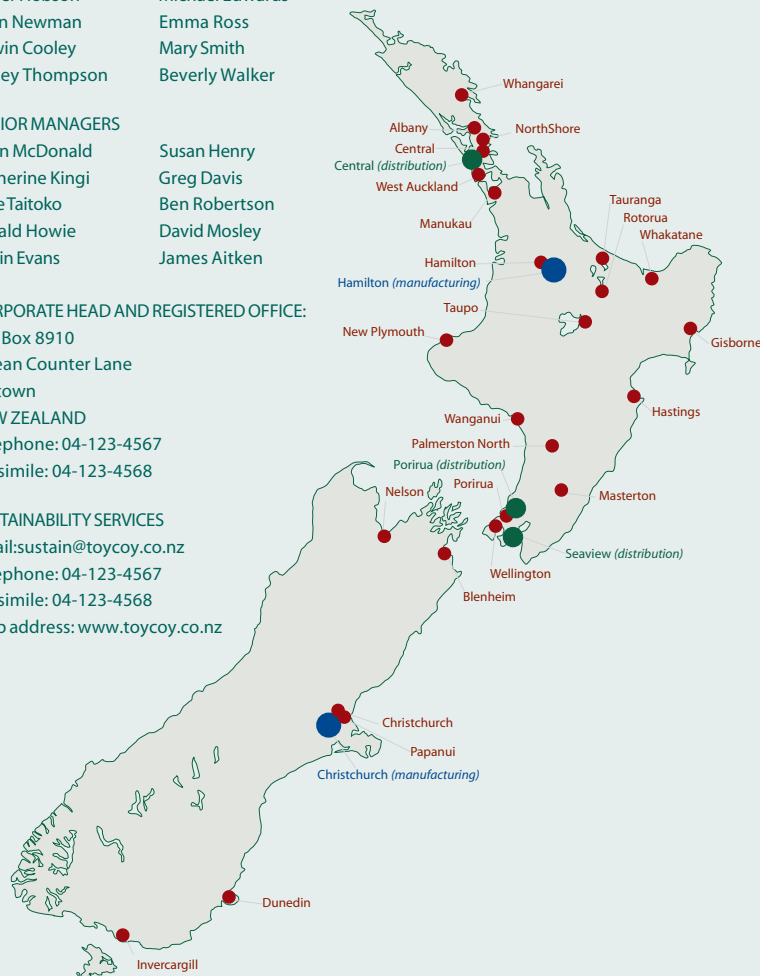
### SUSTAINABILITY SERVICES

email:sustain@toycoy.co.nz

Telephone: 04-123-4567

Facsimile: 04-123-4568

Web address: www.toycoy.co.nz



## SECTION 03

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# Feedback form

## Feedback Form

Thank you for taking an interest in our sustainability report. We would appreciate your feedback to help us develop a better report next year.

### 1. Which stakeholder group do you belong to?

- Customer       Team Members  
 Shareholder       Supplier  
 Other Community Member  
 Representative of a Special Interest Group

(specify): \_\_\_\_\_

### 2. How did you rate this Sustainability report?

Written content (please tick one):

- Very good  
 Good  
 Poor  
 Very Poor

Layout and Design (please tick one)

- Very good  
 Good  
 Poor  
 Very Poor

### 3. How strongly do you agree that this report is a true and accurate records of The Toy Company performance. (please tick one):

- Strongly Agree  
 Agree  
 Strongly Disagree  
 Neither Agree nor disagree

### 4. Have we provided enough detail in each section?

	too much	about right	not enough
Introductory material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance - Team Members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance - Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance - Customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance - Suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other key areas - Energy Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### 5. Is there anything you would like to add?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Freepost Authority Number 3864



\_\_\_\_\_  
 \_\_\_\_\_ Attention: Sustainability Manager  
 \_\_\_\_\_ The Toy Company Limited  
 \_\_\_\_\_ P O Box 8910  
 \_\_\_\_\_ Bigtown  
 \_\_\_\_\_ New Zealand

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