

Toll Holdings Limited & Controlled Entities

Corporate Social Responsibility Report

Annual Financial Report for the Year Ended 30 June 2010
ACN 006 592 089

Corporate Sustainability captures many varying elements that together maintain the life of an organisation.

For Toll, these elements include:

- Our values;
- Our people;
- Our Community;
- Our Environment; and
- Our Stakeholders.

Each of these elements is individually important, but in combination they are necessary to maintain a sustainable business.

Our Values

Toll prides itself on being a strong corporate citizen, one that acts with integrity, honesty, is reliable and innovative, trustworthy and driven by its desire for sustainable growth.

Our culture underpins the strength of the Group as it feeds the positive manner in which our businesses are managed, operated and expanded.

Over the years, our Toll brand has come to stand for quality, trustworthy, reliable and flexible service. It's the true integrated logistics solution.

Uppermost in our values, are our people, our dedicated and highly motivated workforce, managers and contractors. Their safety, wellbeing and effectiveness are of paramount importance.

We also acknowledge and appreciate the value of long term relationships, with our customers, suppliers, advisers, associates and shareholders. To ensure we continue to maintain these, we strive to deliver state of the art technological solutions, expanded services, a modal choice and an integrated solution.

Our People

Growing, delivering and evolving have been at the heart of Toll's success throughout its history. We have grown through multiple economic cycles: boom years, recessions, and global crises and in the face of significant technological change, demographic shifts and continuously changing customer expectations. In 1993, Toll operated in Australia only with circa 300 employees; in 2010 Toll operates in 55 countries and we have in excess of 35,000 employees.

Our growth and expansion into the Asia region and to offshore destination markets of Europe, North America and the Middle East means our cultural and geographic footprint is now as diverse and widespread as the countries in which we operate.

Working with customers, suppliers, stakeholders and employees in places such as Australia, New Zealand, Japan, China, India, Singapore, Thailand, Cambodia, Indonesia, UK, US, Dubai, Timor-Leste and South Africa to name just a few requires us to be agile, adaptive, inclusive, collaborative, resilient, and welcoming of difference. We embrace our colleagues and customers from all over the world and as we strive to excel in all the markets of our choice we know that our success rests heavily on our people.

We operate a distinct organisational model with 36 businesses empowered and enabled to run as true independent businesses making day to day commercial decisions with both the freedom and support from the Company. We balance this however, with the day to day reality that we must and do combine, cooperate and join up our business

offerings to provide our customers with integrated solutions and services that add real commercial value to their business and together we partner for mutual success. We achieve this through our culture and our people.

Our Culture

Having multiple clearly defined autonomous business units enables us to build businesses which have fully empowered management teams, which in turn creates a culture of:

- devolved decision making down lines of authority
- encouraging independence at all levels
- reward and encouragement for initiative
- accountability within corporate guidelines
- ownership of the P&L
- real contribution to business strategy.

Empowering our managers is a key element of our culture and success. And by developing strong empowered and accountable General Managers, we have developed over time a pool of very talented leaders. We have grown most of these from within Toll and given them the opportunity to grow with the business, as it has grown.

As the company has grown dynamically, managers are encouraged to learn and create new ways of operating, new skills and to be adaptable and flexible as the company believes its ability to add value and differentiate itself from the competition, to a very large extent is in the hands of its management team.

We encourage our leaders and managers to be accessible and approachable to help build a team mentality and confidence. Culturally, by virtue of our autonomous businesses model and our passion for placing the customer first, we are defined by our:

- “Can do” attitude;
- Our “get on with it” approach to business;
 - We are lean at Corporate – and support Divisional management to make their own decisions and grow the businesses and their team;
- And our “agility”. Having completed over 90 acquisitions in the last 15 years and expanded in to over 55 countries;
 - We are very responsive to changing markets and cultures;
 - Responsive to changing business conditions.

Our Leaders

And finally underpinning all of this is a real ownership of our people strategy by our managers and leaders. Our leaders genuinely:

- Care for their staff;
- Value and build loyalty;
- Behave with honesty, trust, and have a winning team mentality;
- Always put safety first;
- Espouse moral behaviour and ethics;
- Comply with legislation;
- Enable our people to grow and develop;
- Reward loyalty and performance; and
- Are passionate and dedicated to assisting all stakeholders.

Development of future managers

We are currently implementing a leadership program across Toll globally that is fast-tracking the integration of our culture and building the skills of our younger managers to inspire, motivate, develop and empower their people. The program which piloted in 2009/10 has 200 managers participating this financial year and collectively they manage and lead in excess of seven thousand employees.

The program is specifically designed to build people management and leadership capability.

Strategic Management Development of our leaders is another area Toll focuses on building capability. As one of Toll’s key result areas – Strategy and Capability – Toll has partnered with Macquarie University for 11 years to run our five day residential Strategic Management Program.

Not only does this program build strategic thinking capability and deliver commercial projects to Toll, it also builds collaboration across our 36 businesses and global network. All of Toll’s businesses and functional managers undertake this program at some time in their career at Toll.

Our Talented People

To be the best, we seek to employ and grow our own talent, promote from within wherever we can, continuously work with our people to build their capabilities and commitment and improve their performance and career experience. We are a company where employees can achieve their potential, grow and excel.

We work hard at leadership development because, as a build-from-within company, our future success is entirely dependent on the ongoing strength of our talent pipeline.

Succession planning is an important element of this focus on leadership. We are methodically going about identifying multiple succession candidates for every senior executive leadership position and then ensuring each individual gets the experiences and development to build their readiness for key roles.

We are introducing tools and resources for all our managers and our people. Our people vision is: "...to be a place where every manager has access to people solutions and tools to build employee loyalty and commitment and a place where employees can grow and excel..."

We are becoming a more collaborative organisation. We're changing how we compensate people to reinforce and reward behaviours that allow us to meet our growth, innovation and operational strategy and capability, customer and profit objectives. And we're building the capability to deliver this.

At all times Toll is guided by its values of safety, honesty, trustworthiness, integrity and customer focus.

We have refreshed and redesigned our key result drivers which are now embedded in Toll's new performance management system. Over the course of the next year, all our salaried employees will have clearly defined key drivers specifically aligned to their role in the Company.

We are creating a performance orientated culture focused on achieving superior outcomes by:

- Implementing a performance management system that cascades and articulates clear requirements and standards for every role and person,
- Establishing annual stretch targets that motivate and incentivise employees,
- Measuring an employee's performance against the ongoing requirements of their role as well as annual stretch targets,
- Establishing systems and tools to measure employee's potential to progress to larger and more complex management roles by using valid and reliable tools,
- Making selection decisions based on performance, merit and ability, and not discriminating on any other basis,
- Establishing internal systems which provide employees with access to vacancies and which encourage employees to advance across and within businesses,
- Ensuring each employee has a development goal and plan in place to achieve this, and
- Building career aspirations into our performance management system to enable meaningful conversations between employees and their managers.

Each employee must set their performance goals against our key result areas driving performance and having clear performance expectations. Our managers are being trained in their role for managing for performance and retaining our people.

Respecting Each Other

The company promotes employee safety, be that physically, emotionally or the right to participate in the workplace in a non discriminative way. Prospective and current employees are made aware of Company Policy regarding harassment (zero tolerance) at the time of initial job interviews, through advertisements and other communications channels throughout the Group.

The Company's Code of Practice is reiterated at all levels throughout the company from induction as well as 'refresher' programs and site training, with the aim of ensuring all employees understand their legal rights and responsibilities in the area of all forms of harassment, including sex-based harassment.

Toll has the following requirements in place:

- Equal Opportunity and Affirmative Action policy
- Employee Handbook referencing policies, procedures and guides to prevent harassment
- Preventing Workplace Harassment Guide
- Employee Grievance Guide
- Code of Practice
- Disclosure hotline
- Chaplaincy program whereby employees can discuss matters in a confidential environment

- Employee Assistance Program whereby employees can discuss matters confidentially with a contracted external third party

Details regarding these initiatives and policies are accessible to employees from their supervisors, human resources and via the company Intranet.

The company’s Code of Practice sets out our standard for appropriate behaviour and covers bullying, harassment, discrimination and health & safety and the environment. There are existing processes within businesses to resolve these issues and in addition Toll has a disclosure hotline operated independently by Deloitte to enable our employees to raise their issues and concerns.

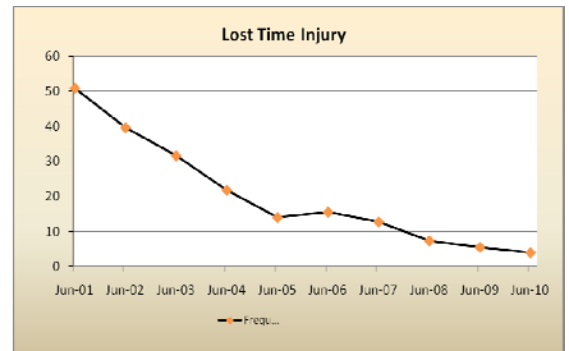
Our Safety Goal

In April 2009, Toll launched its “No Injuries” campaign across the Group. The Board and all levels of management are enthusiastic and fully supportive of our OHS NO Injuries approach together with the Toll Group wide Occupational Health and Safety Performance Standard and procedures which were initially issued in August 2008. These initiatives have been developed in consultation with our businesses to assist with achieving our NO injuries goal. We have made considerable reductions in our injury frequency rate over the past eight years. Notwithstanding this, the Board members and Executive Management will continue to pursue our NO injuries goal. Toll is a company built on people working in many varied work environments and conditions. Attitudes, behaviours and actions towards preventing workplace injury and ill health are all elements that need to be continually challenged to make this goal a reality.



28% Reduction in Lost Time Injury Frequency Rate (LTIFR)

Through the Board and managements’ continual focus on safety, we have been able to reduce our Lost Time Injury Frequency Rate (number of lost time injuries, including fatalities, divided by the hours worked multiplied by 1 million - reference Australian Standard 1885.1) from 5.52 to 4.02, by 28% over the past 12 months. This reduction has been achieved from the Group wide focus on safety management, the implementation and monitoring of our Occupational Health and Safety Performance Standard and procedures, monthly reporting by Division to the Board and a constant focus on prevention.



Strategies to achieve further reduction in LTIFR and Goal of NO Injuries

Business Units and their sites/locations are constantly challenged to adopt and localise the implementation of the Groups OHS Policy, Performance Standard and procedures. As a minimum, each Business Unit is required to complete an OHS plan that addresses their identified OHS issues together with any audit corrective actions and agreed prevention strategies. OHS audits are conducted by both internal OHS professionals, including dangerous goods specialists, and external OHS auditors. Audit results are communicated within Divisions and to Toll Group Risk. In NSW, Victoria, Queensland where Toll is self insured for Workers Compensation, each State Government Authority conducts OHS audits of the Toll OHS management system to enable Toll to retain their licence. Failure in any such audit may result in a reduced self insurance licence period or in some instances, loss of licence. During each year, we complete OH&S self audits and report to the appropriate authorities. We are pleased to report that Toll has been and remains compliant with its requirements.

Given Toll’s growth strategy, whether that be organically or by acquisition, our focus on safety within newly built or acquired sites remains a key factor in integrating operations. Apart from complying with statutory building requirements, we also apply Toll preferred safety operational controls such as the design and development of site traffic management and materials and manual handling design and operational improvements.

This same principle of focusing on driver safety and operational ease is taken into account when acquiring new on road vehicles. In a number of instances, our operational expertise, combined with specific business unit safety requirements, have lead to innovative design and development of state-of-the-art specialised equipment to ensure

operational safety. Examples of this are the design by Toll Automotive services of a revolutionary hydraulic driven car carrying trailers which prevent the need for drivers to work at heights and also the specialised car carrying rail containers.

Notwithstanding this, new business acquisitions and ventures in developing countries present additional challenges for managing safety and preventing injuries from occurring. Our focus is on quickly identifying, assessing and controlling major OHS risks in these geographical areas. The most common issues which arise in developing countries relate to working at heights and inappropriate combinations of people working near vehicles. Toll is acutely aware of these issues and takes action through site inspections and audits to identify development and training needs to change procedures and cultures within these countries.

To this end, induction training and education in the Toll OHS Performance Standard and procedures are provided to the new venture management to empower them with the information, communicate and implement the required improvements with employees and contractors.

Toll also successfully works with many of its customers in their OHS programs and are at times acknowledged as leaders in our approach to OHS by such customers as Coles who awarded Toll in2store with an "Excellence Level" in safety.

Competency based Safety 'E learning' computer programs are continually being developed and rolled out to Toll businesses to assist with the prompt and effective training of employees and contractors.

Toll has a comprehensive on line RISC (risks incidents self insurance claims) management system which captures reported hazards and incidents, including near misses which enables statistical analysis for trends and preventive action. The RISC system is used globally which enables each Division and Business unit to report on and investigate each and every incident. From this level of information, the businesses are then able to better manage proactive actions in order to do their utmost to prevent reoccurrence and improve safety.

Compliance with our safety and RISC management systems are monitored by various audit processes, including locally based Business Unit self audit, Cross Business Unit audits, Corporate reviews and external compliance and certification audits.

Safety Key Performance Indicators

As is outlined in the Remuneration Report, all key management personnel, senior management and executives have an element of their remuneration linked to achieving targeted reductions in LTIFR. These targets which are set by the Board are measured as appropriate at Business Unit, Division and/or Group-wide levels.

Toll Business Units are also measured on their number of OHS audits and OHS site meetings conducted throughout each year, duration rates and outstanding action /preventive actions on at least a monthly basis.

Fatalities on Road

As a road operator, no matter how rigid our driver safety training and management is, we are not exempt from being involved in motor vehicle accidents (MVAs). We conduct investigations of all serious motor vehicle accidents, even those where it is evident that the fault does not rest with a Toll employee or contractor driver. These investigations are conducted in order to find the causes and contributory factors so as to prevent the same or similar incident from happening again.

Safety/Incident alerts are developed and circulated as appropriate throughout the Group to share lessons learnt.

It is with regret that during the year there were three employee fatalities worldwide. In any such incidents, detailed investigations are conducted to ensure we are able to take whatever steps are able to be taken to minimise the prospect of any reoccurrence.

To assist in any investigations, Toll has, with the assistance of Swinburne University, developed an incident investigation training course.

Overall Risk Management

Good risk management underpins a successful business and is an integral part of our culture at Toll. Our processes assist in achieving our overall goals by promoting early detection of hazards and potential issues and implementing appropriate steps to minimise future potential hazards. By continually evaluating our environment and building risk

management into daily activities, our risk management framework addresses all stakeholders - including shareholders, customers, suppliers, regulators, employees and members of the public.

Responsibility for implementing risk management rests with senior management, the Managing Director, Divisional Directors and other members of the Global Senior Executive Management Group. This senior management Group meets quarterly and holds the Risk Management Committee quarterly meetings at the same time. The Board receives a detailed risk report each month outlining key indicators by Group and division, for safety, workers compensation, motor vehicle accidents, trend analysis, reporting on major incidents, initiative and achievements. Through empowering our managers, each Divisional Director promotes accountability for day-to-day responsibility for risk management, compliance and control to Business Unit managers.

As transport and logistics providers, our managers are focused on key business risks including matters such as employee safety, fatigue management, manual handling, hazardous goods cartage and environment and property management.

Detailed emergency response strategies have also been implemented across the Group to respond to any unforeseen incidents as have our driver fatigue management practices and training structures.

Our Driver Training, Fatigue Management and other Driver Management Programs have been highly successful in mitigating these risks. However we are unable to manage incidents whereby the actions of others contribute to such accidents and in some instances fatalities. In any accidents, we take care to look after not only our drivers but also their families with support and counselling through our Chaplaincy and Employee Assistance Program.

To assist all levels of management in managing these potential hazards and risks, the Group Risk Management function is able to provide technical advice. Group Risk is also responsible for developing risk management strategies, policies and procedures and co-ordinating risk reporting to senior management and the Board.

Our Community

Throughout the year Toll has again continued to be a major supporter of The First Step and Second Step Programs.

First Step

Toll has for many years now been a source of core financial, administrative and IT support for The First Step Program. The First Step Program is a pioneering not-for-profit organisation that is at the forefront of providing comprehensive, innovative and compassionate approaches to overcoming drug and alcohol addiction in St Kilda, Melbourne.

Drug or alcohol dependence is a debilitating illness that touches people from every part of Australian society. The effects of long-term addiction are felt not only by the individual, but also by their children, parents, friends and indeed by society at large.

First Step's dedicated team of experienced addiction medical professionals offer a range of services for recovering addicts, including:

- Medical assessment and a range of medical interventions
- Mental health nursing
- Hepatitis C treatment programs.

In addition to helping drug users live without their dependency through a range of treatments including the Naltrexone treatment, The First Step Program builds a support offering around each individual giving them access to whatever additional support they may need. This includes mental health care, support with domestic arrangements and even access to legal support should it be required.

Since Toll began working with First Step the clinic has grown in staff size, clients cared for and the range of services provided. In the past seven years, the clinic has treated over 6,000 patients. In the last twelve months alone close to 1,600 people have been assisted through this centre.

Interaction between The First Step Program and Toll's Second Step employment program has continued to develop. The possibility for First Step clients to become candidates for Toll's Second Step employment program continues, as does the avenue for legal and medical services to be provided to Second Steppers.



Second Step

The Second Step employment program continues to offer a supported employment opportunity with Toll for people whose employment prospects are limited as a result of a history of addiction or criminal offences.

Toll's Second Step is a program started by Mr Paul Little AO who remains a passionate supporter. The program now offers 30 positions a year throughout Australia in a variety of supported and mentored employment positions. The pleasing statistic is that the majority of our Second Steppers are offered full time positions at the end of their initial 12 months supported placement. This is testimony to the success of the program.

Second Steppers – both First Step candidates and those who are recommended to us through our other partner programs (Whitelion, Port Philip Prison Youth Unit, Melbourne City Mission, Brisbane City Council and The McKillop Foundation) have benefited from the services made available to them through First Step and St Vincents Hospital.

We are also in discussion with a number of agencies both in Australia and in other countries to establish the program throughout the Toll Group globally and hope to report back with further growth opportunities in the year ahead.

To date Toll has helped over 240 people get their lives back on track and maintain satisfying and rewarding employment.

Our hope is that Toll's leading role in these initiatives will encourage other corporates to be involved in supporting people dealing with what would otherwise be insurmountable problems.

Other Community Programs

The Group features its involvement with some of our initiatives in our quarterly magazine, Toll Today, which can be accessed via our website at www.tollgroup.com under Toll Group Newsletter.

It is however, not possible to fully describe the broad spectrum of the community and charitable contributions made by Toll businesses globally or the supportive and devoted employees across the globe who donate countless hours of volunteer work to their local efforts.

Toll actively supports and encourages these efforts through our Community Policy and is proud to assist our employees with their contributions to the organisations and activities they support.

Of the many activities undertaken, the following are representative of the valued contribution by many:

Annual Toll Charity Golf Classics

The Australian annual Toll Charity Golf Classic was held on 31 July 2009 at the Gold Coast and supported the Make-A-Wish Foundation which helps young people with life-threatening medical conditions live their dreams. Since supporting the foundation, the Toll Group has donated in excess of \$250,000.

Other Golf classics were also held in Singapore which raised SGD15,000 for the "Mainly I Love Kids" charity which supports under-privileged children and young people in Singapore, and in the Philippines where Toll assisted in a golf tournament raising over USD48,000 to support children who wish to further their education and attend university in their country.

Even local Australian businesses combine annual golf days and weekly BBQs to support causes such as the McGuinness McDermott Foundation which supports children with cancer at the Adelaide women's and children's hospitals. With a combination of the regular BBQs and the annual Toll golf day in South Australia, Toll SPD has been able to donate A\$23,000 to the cause this year.

Haiti Earthquake

Following the devastating Haiti earthquake on 12 January 2010, Toll's specialist international project management arm, PDL Toll, deployed a rapid response team to help coordinate and manage international relief efforts. The team supported the evacuation of over 1,200 Haitians to safety as well as other valuable transportation services to community organisations throughout the world.



Transport and Logistics services

The provision of transportation and logistics services is a common thread throughout our businesses to support global, regional and local causes, whether they are responding to an international crisis or local charity needs:

During the year, these have included supporting:

- Sanitarium Weet-Bix Kids TRYathlon;
- The Western Australian City to Surf challenge;
- Transporting an aircraft lift from Tasmania to Groote Eylandt to enable wheel-chair bound locals access to aeroplanes that provide their only link from the remote community to the mainland;
- Shipments for a variety of charities including the Australian Red Cross – Northern Territory division, RSPCA and St John Ambulance Australia, as well as many local Northern Territory schools, community Groups and churches;
- Assisted in the distribution of products for Juvenile Diabetes Research Foundation’s “Jelly Baby” fundraising events;
- Providing shipping services to deliver solar panels to a Kenyan orphanage, relocating 50,000 donated books to their new library home and delivering a piano for a music school;
- Delivering goods to Samoa to aid in the relief following the Tsunami;
- Delivering goods for Cyclone Relief in the Cook Islands;
- Distribution of merchandise to support SIDS and Kids - Red Nose Day;
- Services to support Convoy for Kids which assists the welfare of sick or disabled children across the Asian region;
- Move equipment and spare parts to support the Chain Reaction Bike Ride which raises funds to support the Starlight Children’s Foundation and the Alannah and Madeline Foundation;
- Distribution services for “Distraction Boxes” used to assist TLC for Kids in the treatment of children in hospitals across Australia.

Toll also continued its lead role assisting Foodbank Australia in receiving food donations from food and grocery companies, and managed the distribution to over 1,500 accredited welfare agencies around Australia. The program helps to feed over 20,000 Australians daily and is supported by three of our key operating divisions.

Through our presence in the Northern Territory, Toll invests time and resources in the development and well-being of Indigenous communities in the region. In particular, the Group supports the AFL Northern Territory with a particular focus on using football to develop young people and is heavily involved in the educational and business networks in the area supporting the NT Young Achiever Awards, NT Export Awards, Rotary Club of Darwin North and Nhulunbuy, Alyangula Area School, NT Chamber of Commerce and 8Ear Community radio in Nhulunbuy. Toll also provides sponsorship of the Darwin Symphony Orchestra.

Surf Life Saving

The Group continues to value its association with the Surf Life Saving through its support of the Sorrento Surf Life Saving Club, Altona Surf Life Saving Club and North Cronulla SLSC.

The team supports the excellent work of the Surf Life Saving Clubs in Victoria and in New South Wales with donations of cash to support community events and purchase lifesavers’ uniforms.

Our Environment

Our Journey to Smarter, Sustainable Logistics

The logistics sector moves and transports the goods that are crucial to the growth and prosperity of every society and its constituent communities. As a regional leader in this industry, Toll is focusing on its journey to sustainable logistics and transport development so that we can play our part responsibly meeting current needs of our communities without compromising the ability of future generations to meet their own needs.

As part of our Corporate Social Responsibilities, we are tackling these issues directly across our operations. New knowledge and exciting innovations in technology, driven by the need to tackle key issues, such as climate change, are providing us with opportunities to improve the way we operate and minimise our environmental impacts in a smarter and more measured way.

In the short term, this means becoming cleaner, greener, quieter and smarter.

We will achieve this by applying new technologies and practices which will reduce our consumption of non



**SMARTER
GREEN**

renewable resources such as diesel, gas and electricity and reduce their associated greenhouse gas emissions. In the longer term, we will move to renewable energy sources as they become viable and minimise emissions and other environmental impacts so that we can run our operations in a more sustainable way.

At the same time, we are keenly aware that Toll is a key component of our customers' and suppliers' supply chains. Our growing scale and global focus, combined with our ability to deliver integrated modal solutions, means that we have a significant role to play in working with stakeholders to develop smarter, more sustainable solutions to reduce their carbon footprints and other key environmental impacts.

Moving to sustainable logistics and transport systems will be a journey for all of us. "Smarter Green" represents Toll's next step in our journey to addressing the key environmental risks and opportunities that face us. In it we are setting targets to reduce our greenhouse gas intensities; developing comprehensive suites of initiatives for our diverse operations to improve environmental performance; putting in place Key Performance Indicators which will give us confidence that we are progressing to achieving our goals, and telling the story of our journey to sustainable transport and logistics to our stakeholders.

As a result, Toll will be very well placed to continue to prosper in the coming low carbon economy and more resource constrained world.

We are all linked in this endeavour, and we must each play our part responsibly in addressing the environmental challenges that face us.

Key Environmental Issues and the Smarter Green Program

The relationships between logistics and the environment are multidimensional and significant challenges need to be addressed on the journey to sustainable logistics and transport. For Toll, the most important impacts of our logistics activities on the environment relate to climate change, air quality, noise, traffic congestion and our access to, and use of, natural resources.

In effect, Toll has been focused on environment and energy since our earliest days as a company. This has been driven by our ongoing desire for efficient operations and the smart application of the latest technology. We have seen this very much as a journey for Toll. As climate change has emerged as a key environmental issue, our historical focus on efficiency and technology application has placed Toll at the leading edge of practice in many of our varied transport and logistics operations.

We now Group this broad program of environmental action as our "Smarter Green" program which we are progressively rolling out to our global operations. Smarter Green is addressing:

Climate Change...the need to be greener

Toll acknowledges that there is compelling evidence about greenhouse gas emissions and climate change and its consequences and that while there remain uncertainties, the risks of undesired consequences appear high and should therefore be addressed through action.

Globally, transport accounts for around 13% of greenhouse gas emissions. In Australia, road, rail, sea and air freight transport accounts for around 6% of greenhouse gas emissions and this is forecast to increase due to economic and population growth. In the 12 months to 30/6/2009, Toll's Australian emissions (Scope 1 and 2) were around 500,000 tonnes of carbon dioxide equivalents. Our emissions for the twelve months to 30/6/2010 are currently being prepared and will for the first time be verified through external assurance. Given the size and scale of Tolls' operations, abatement of our greenhouse gas emissions is a key environmental focus.

While we believe we have some high levels of carbon efficiency in parts of our operations, judged against industry practice we know much more remains to be done on our journey to sustainable logistics. We are therefore acting to further reduce our emissions by targeting a 20% reduction in the rate of our Australian emissions by 2020, compared to our reference year of 2009.

Even in the absence of a carbon price, we are continuing to research, develop and roll out significant emissions reductions programs to achieve our targets. These include:

Smarter Driving: Our experience shows that driver behaviour can have a significant impact on vehicle fuel economy and emissions. By training our drivers to better anticipate the driving task, keep within ideal engine rev ranges, minimise vehicle idling behaviour, braking and gear changes, we estimate that fuel efficiency and associated emissions can be improved by around 8%. Programs such as these have the additional benefit of reducing repairs

and maintenance costs and the frequency of motor vehicle accidents. Toll is currently developing a range of online and in cab training programs to be rolled out across the Group.

Smarter Energy: Reliance on fossil fuels such as diesel, with their higher emissions and the long term supply and demand picture for a finite resource, has driven Toll to develop its smarter energy program. We are actively researching and trialling a range of options including biodiesel, compressed and liquefied natural gas, LPG, ethanol, hydrogen, electric and solar as part of our longer term energy mix in our road, sea, air and facility based operations. These have the potential to both reduce our emissions and provide enhanced access to the energy required to run our road, sea, air fleets and facility operations in the longer term.

Smarter Vehicles: We are looking at a range of alternative drive trains that we can use in place of the traditional combustion engine. These include the application of electric motors powered by batteries and or capacitor technology; hybrid electric vehicles which combine traditional combustion engine technology with electric motors to improve fuel efficiency and emissions and mechanical hybrids. We are working closely with our equipment suppliers and on various industry and Government programs trialling and testing a range of smarter vehicles.

Smarter Fuel Efficiency: Toll has identified a number of new and evolving technologies that can drive improved fleet fuel efficiency into our fleets and at the same time reduce emissions. These include improved engine efficiency management systems; vehicle aerodynamics; the use of low friction tyres; smarter maintenance regimes; the use light weight materials; idle off devices; auxiliary power units, improved refrigeration in our road fleets. Similar opportunities are being investigated in our shipping and air fleets.

Smarter Planning: Significant scope exists to improve our emissions through smarter logistics planning. This is possible through improving vehicle capacity and utilisation, network and route optimisation to reduce kilometres travelled; night-time freight movements to reduce congestion, working with our customers to streamline their supply chains including options to use our lower carbon transport modes in various road, rail, sea and air configurations. Toll's ability to provide multimodal solutions, combined with our Asian focus, means that we are very well placed to be able to deliver this to our customers.

Smarter Facilities: To help us drive down emissions and energy use in our facilities we have developed an "Environmental Design Template" for all our new and retrofitted facilities. This includes considerations of building design with regard to environmental conditions (natural light, building orientation, building materials); smart lighting and heating; energy management systems (mechanical and lighting), natural gas cogeneration plants; alternative supplementary power sources (solar and wind power); water harvesting, along with environmentally sustainable building fit out and furniture materials.

Air Quality...the need to be cleaner

In addition to climate change emissions from vehicles, marine engines and aircraft cause pollution in the form of gases such as nitrogen oxides, sulphur dioxides and particulates. These have long been recognised as having detrimental effects on human health along with broader environmental damage.

Increasingly stringent government regulations on emissions implemented over the last 20 years means we have seen these emissions drop significantly. New generations of vehicles, such as the Euro V compliant, means that we now have vehicles with emission levels 100 times lower than they were during the 1980s. In Australia, Toll has the largest fleet of Euro V vehicles, and we are constantly renewing fleet with cleaner more environmentally friendly vehicles.

Noise...the need to be quieter

Transport noise emanating from the movement of transport vehicles and the operations of ports, airports and facility operations can affect human physical and psychological wellbeing. Toll actively works to ensure compliance with various regulatory requirements on noise.

Traffic Congestion...the need to move freely

Traffic congestion is characterized by slower speeds, longer trip times, increased vehicular queuing, higher fuel use, increased emissions and ultimately higher costs for consumers. This is a complex problem to solve. Toll is actively engaged in addressing this issue through our participation in various industry working Groups, providing input to governments and local planning bodies. At the same time, we are increasingly using smarter transport planning tools to help us avoid congestion. We are also working with our customers to better schedule our activities to tackle this growing issue.

The Future...the need to continue to prosper

Toll has a vision of sustainable logistics in which we reduce our environmental impacts, minimise harmful emissions and increasingly use renewable energy sources to fulfil the community need for transport and logistics services to move of goods across our global communities.

In achieving this, we need to address some significant environmental and technological challenges as we collectively move to a low carbon and more resource constrained economy. These will manifest through issues of increasing regulation, more limited resource availability, new and emerging technology and business models and the costs of transitioning.

Our transformation to a fully sustainable transport and logistics model will be a gradual one. We believe that by understanding the environmental challenges before us and by following a process of early preparation for these new realities, Toll will be positioned well to continue to deliver value to its various stakeholders in the coming era. Environment is a key strategic focus for Toll now and into the future.

Our Stakeholders

Shareholders, employees, customers, suppliers, unions, governments and members of the public may all be affected by the Group's corporate presence to some extent. The Group believes in openness and transparency in its operations and its relationships with stakeholders.

We have maintained and continue to develop policies which promote this open and transparent objective. These policies set out what various Groups of people may expect when they interact with the Group and where appropriate, what the Group expects from them. Detailed summaries of the Group's policies are available on the company's website at www.tollgroup.com under About Toll – Company Policies. The policies cover:

- a) Code of Practice
- b) Ethical Conduct Policy
- c) Compliance
- d) Occupational Health and Safety
- e) Environment
- f) Energy
- g) Personal Information Management
- h) Health Information Management
- i) General Terms and Conditions – Toll Website
- j) Drugs and Alcohol
- k) Rehabilitation
- l) Driver Health
- m) Dangerous Goods
- n) Securities Trading

In addition, information on the following matters is accessible under the About Toll – Corporate Governance section of the Group's website at www.tollgroup.com:

- a) Board Charter
- b) Board Committees Charters
- c) Procedure for the selection and appointment of new Directors
- d) Securities Trading Policy
- e) Code of Conduct for Directors and Senior Executives
- f) Auditor Independence Policy
- g) Continuous Disclosure Policy
- h) Communications with Shareholders Policy
- i) Risk Management Policy Statement
- j) Performance evaluation process for Board and key executives
- k) Shareholder Communication policy