

Toyota Kirloskar Motor promotes a culture of high ethical standards, integrity, transparency and accountability in all the business transactions and in compliance with all laws and regulations. The company has established internal control mechanisms to ensure the conformance to the norms of corporate governance and believes in a system driven performance with the highest priority given to these systems.

TKM recognizes that good governance is a sine qua non for sustainability. The value statement, code of ethics and internal control mechanisms define our value system and reflects our culture and commitment to the values of corporate governance.

TKM has initiated bold steps to enhance the corporate governance environment. The task of the Corporate Governance Division is to establish good governance in the company and educate all its stakeholders through various initiatives. The Corporate Governance structure in TKM is depicted below.

# CORPORATE GOVERNANCE



## VALUE STATEMENT

TKM has released the value statement for the company after due deliberations and with the understanding of all its Stakeholders. These core values are to be cherished and imbibed by its members at all times in their personal and professional life. Our value statement was released by the senior management involving all functional heads. An oath is taken by all team members to inculcate these values.





**HONESTY**  
I will be honest to my profession in spirit, word and action.



**ACCOUNTABILITY**  
I will take ownership for all my actions.



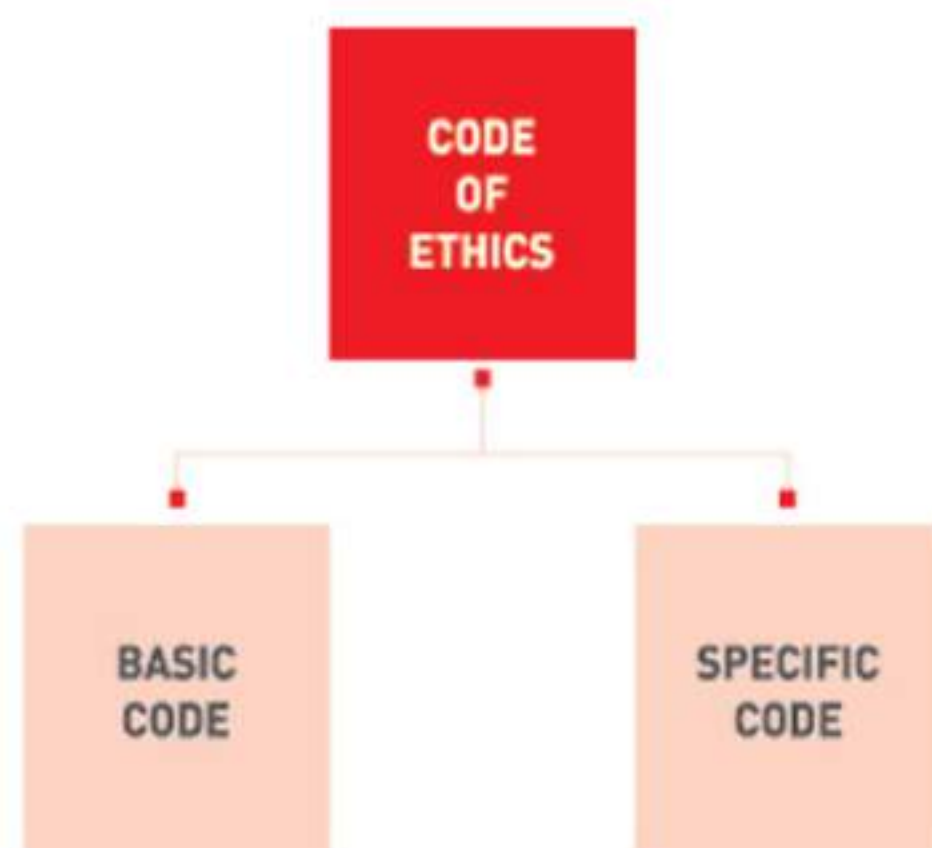
**HARMONY**  
I will work with team spirit and will not live at the cost of others.



**COURAGE**  
I will work for continuous improvement to lead from the front amidst all adversities.



**HUMILITY**  
I am proud about myself and I will treat everyone with same respect that I expect



## CODE OF ETHICS

Toyota Kirloskar Motor has a comprehensive Code of Ethics based on the Toyota guiding principles. The values along with the Code of Ethics go a long way in establishing the company as a good corporate citizen. The code clearly charts out the manner in which the employees of the company should interact with internal and external stakeholders such as suppliers, dealers, local community, local authority and regulatory bodies. The broad areas covered by the code are legal compliance, conflict of interests, mutual trust and teamwork.

### BASIC CODE

1. Comply with Laws and Regulation
  - » Respect and obey the laws of the land and laws of the country you transact with and ignorance being no excuse
2. Be aware of local customs, traditions and social norms
  - » Respect the people, local customs, social norms and traditions of the society in which the company functions
3. Practice the "Values"

### SPECIFIC CODE

1. The Work Culture
  - » Every employee in TKM should perform his/her job following 'Toyota Way'
  - » Promote employee growth through good hands-on the training and development
2. Safe Products
  - » To deliver its customers, vehicles which provide a contented experience of driving with highest degree of reliability and safety
3. Comply with Working Regulations
  - » TM shall follow Labour laws, employment laws, services rules and regulations, standing orders and other laws applicable to the company
  - » Respect all religion and castes without discriminating any Team Member(TM) on account of his religious leanings
4. Environment Preservation
  - » TM should follow Environmental Policy of the company at all times and environment impact is

considered at all stages of vehicle manufacturing by the company

5. Customer First
  - » Always satisfy the customers requirement
  - » Fair and accurate while dealing with customers and dealers
  - » Shall not indulge in any unfair trade practices
6. Technology and Engineering
  - » TM should know and use the most advanced technology to produce outstanding products and touch the hearts of customers
7. Protect Company's Assets
  - » All employees (including past employees) should not disclose any confidential or important information to third party without authorization
  - » TMs should safeguard company assets and use it for company benefit and are personally responsible for those assets which are entrusted to them
8. In relation with Suppliers, Dealers or Contractors
  - » Practice fair and transparent transaction with all stakeholders
  - » Avoid any Conflict of Interest (Business with other company, insider trading, etc) which affects the interest of the company
  - » Ensure Conformance to Law/Regulations while purchase of goods/services
9. In relation with Government
  - » Maintain cordial relations with Government and Local Authorities and Public servants

### INTERNAL CONTROL MECHANISM

TKM practices a risk-based, focused, internal audit system. The company uses the services of an external audit firm so that the independence of the auditor is maintained. Critical issues of audits are reported to the Audit Committee on a half yearly basis, enabling the management to take corrective actions. TKM also conducts SOX audit as part of Toyota Motor Corporation's global audit requirement.

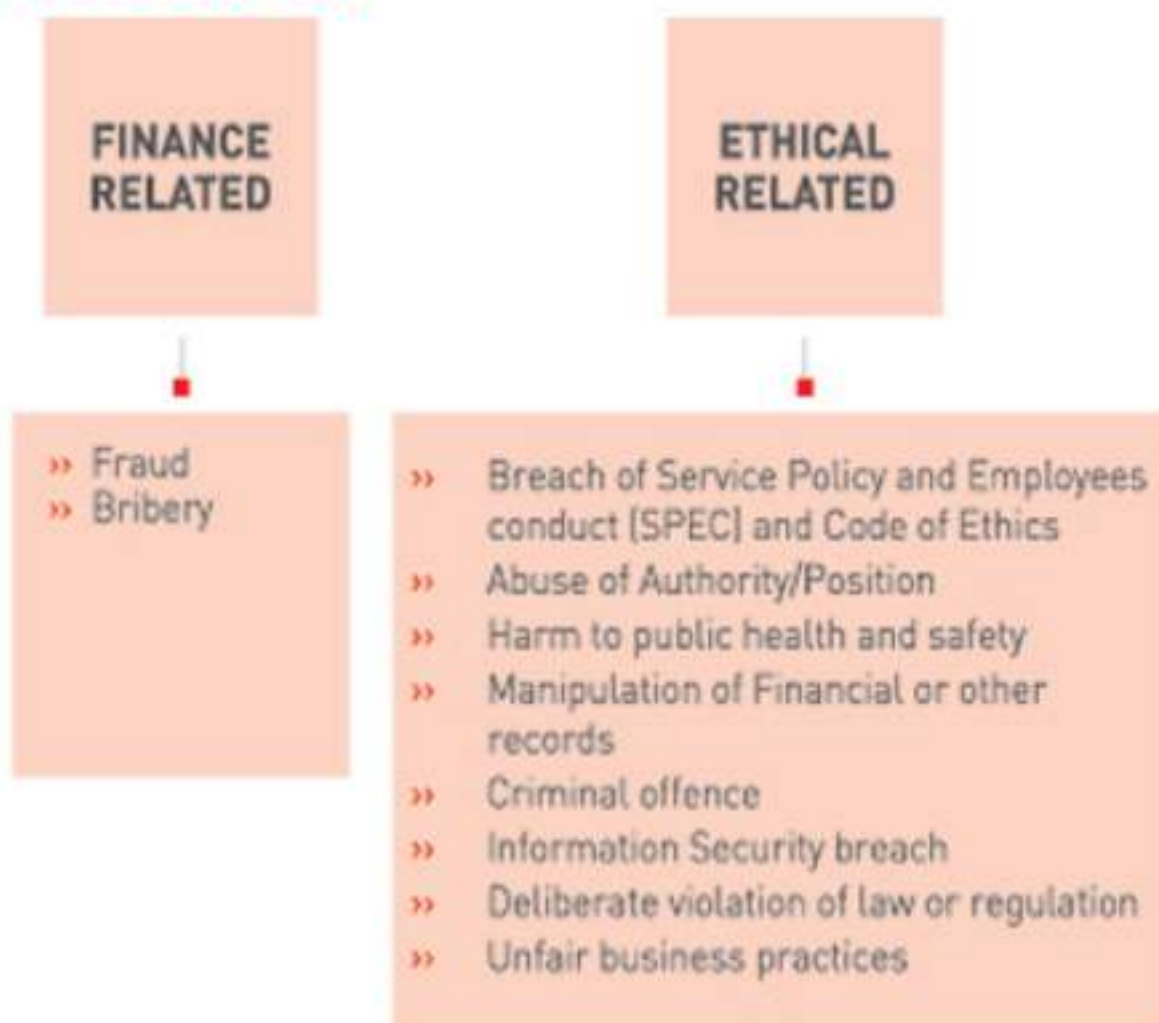
### WHISTLE BLOWER POLICY (WBP)

As a company which encourages and respects professionalism, honesty, integrity and ethical behaviour, TKM has a well-established "Whistle Blower Policy" in place to ensure protection of its workforce, dealers and vendors and ensure company values are always followed. This gives the stakeholders an opportunity to report fearlessly on any unethical behaviour noticed by them. The scope of coverage is vast, channels provided for reporting are many and an Ombudsman has been appointed to receive and investigate the issues with the advice of a Whistle Blowing Committee, consisting of the senior management with a former civil service officer at the highest position in the Government is appointed as Ombudsman.

### WHO CAN REPORT UNDER THIS POLICY ?



### SCOPE OF WBP



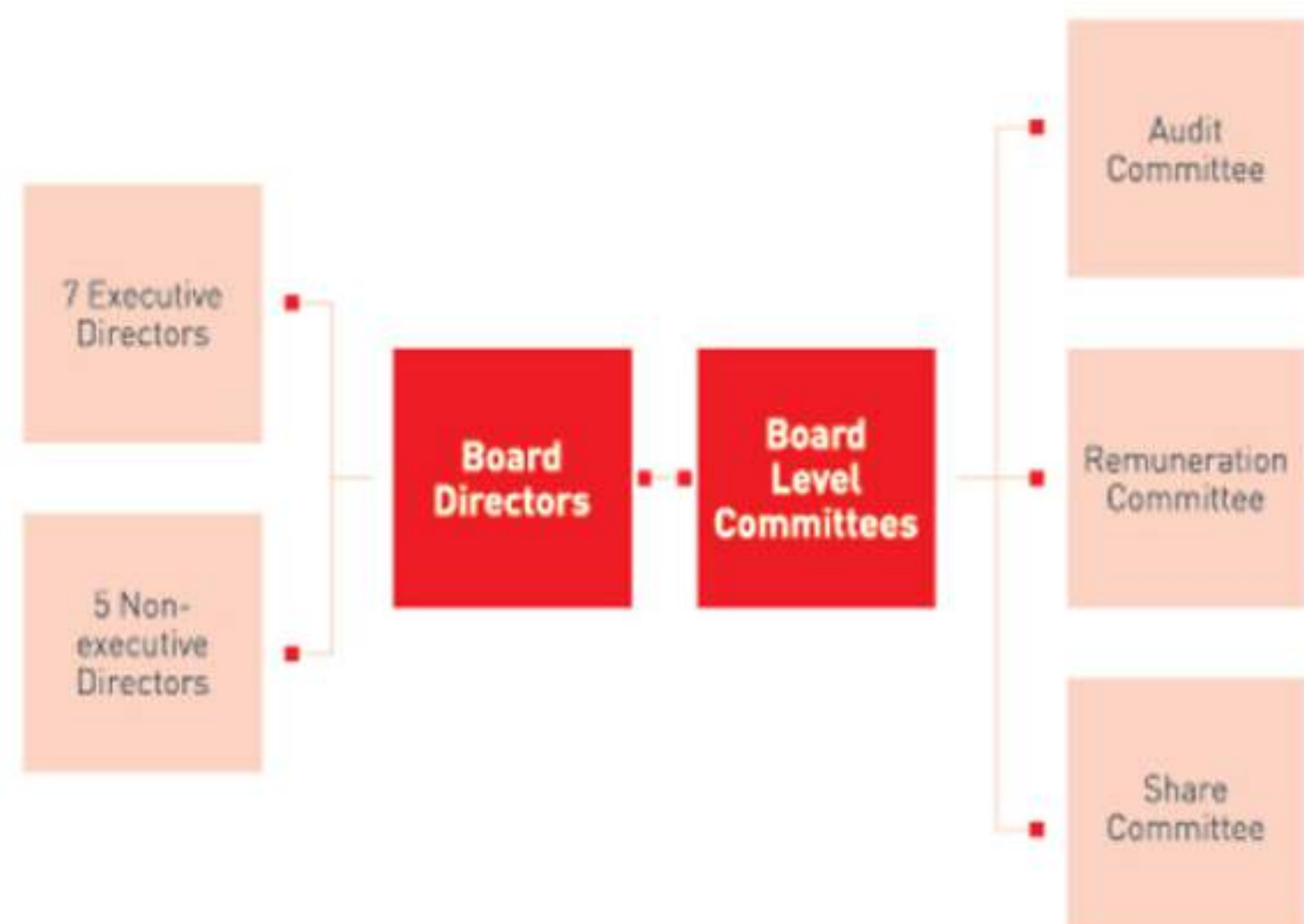
### CHANNELS OF REPORTING



### BOARD OF DIRECTORS

The Board of Directors at TKM form the highest governing body, responsible for corporate governance and represent the interests of our stakeholders. The Board provides strategic guidance and frequently reviews corporate policies, regulatory compliance's, significant management decisions and overall performance of the organisation. The Board plays a vital role in overseeing the compliance of legal and operational requirements.

TKM has established three important committees at the Board level to review significant policies and activities and make recommendations in their respective areas.



## BOARD STRUCTURES

Sl No.	Name of Company Director (Member of Board of Director)	Designation and Functional Responsibility	Category (Independent/ Executive)	Member of Board Level Committee
01	Mr. Kyoichi Tanada	Chairman	Non Executive	<b>Audit Committee and Remuneration Committee</b>
02	Mr. Vikram S Kirloskar	Vice Chairman	Non Executive	Audit Committee and Share Committee
03	Mr. Naomi Ishii	Managing Director	Executive	Audit Committee and Share Committee
04	Mr. Shekar Viswanathan	Whole time Director and Vice Chairman	Executive	
05	Mr. Masanori Takahashi	Deputy Managing Director	Executive	
06	Mr. Yoshihiro Horinouchi	Deputy Managing Director	Executive	
07	Mr. T S Jaishankar	Director Commercial and EVP	Executive	
08	Mr. Mao Saka	Director Finance, SVP and CFO	Executive	Share Committee
09	Mr. N Raja	Director and SVP	Executive	
10	Mr. Hisayuki Inoue	Director	Non Executive	Remuneration Committee
11	Mr. Yoshihiro Uozumi	Director	Non Executive	Remuneration Committee
12	Mr. Atul C Kirloskar	Director	Non Executive	

\* Note : Indicate in bold font the ones she/he chairs

### AUDIT COMMITTEE

Audit Committee is formed as per the requirements of the Companies Act, 1956. It is responsible for reviewing half yearly and annual financial statements, internal control systems, Internal Audit scope and discuss with Internal and Statutory Auditors about their observations and report.

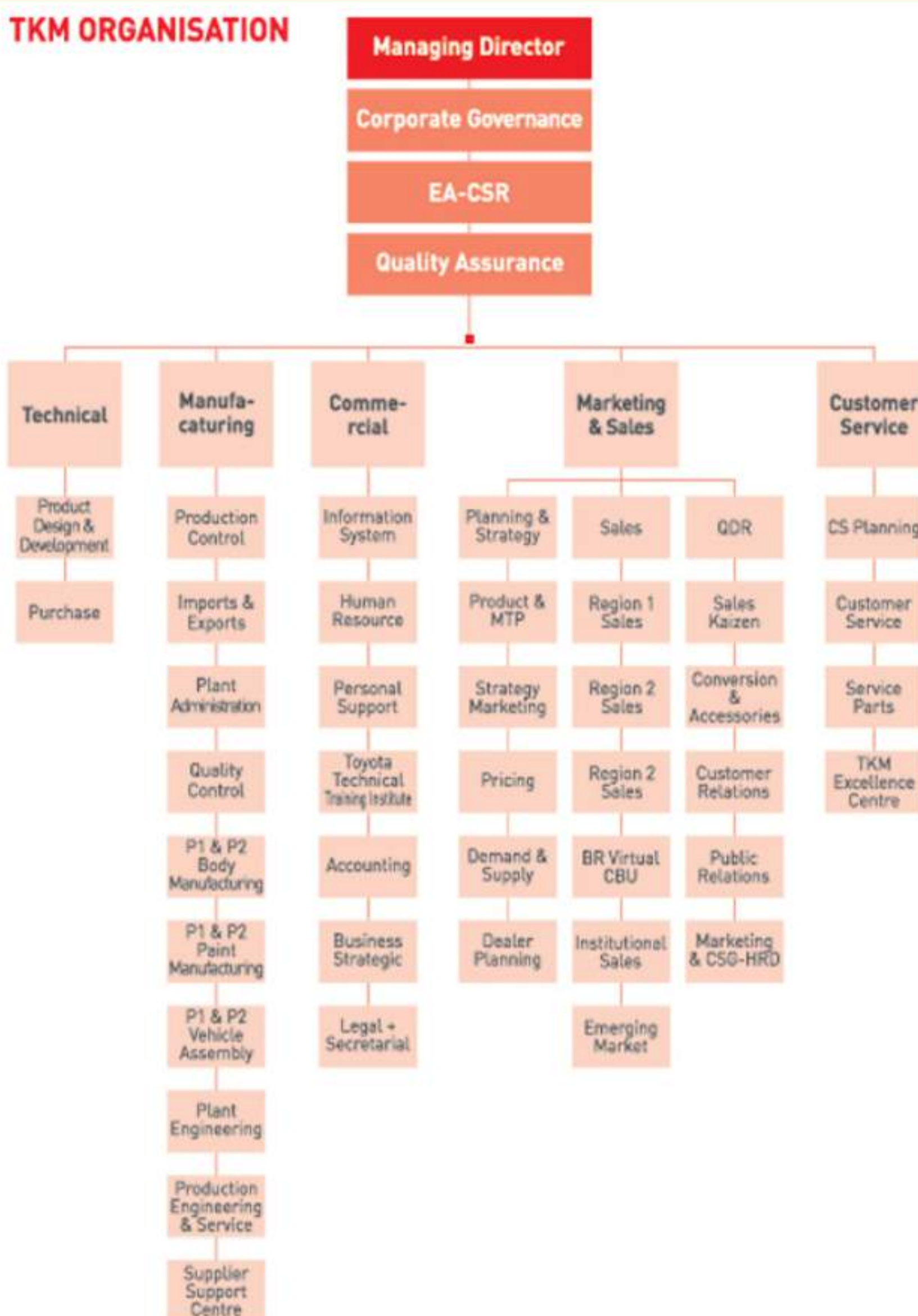
### REMUNERATION COMMITTEE

It decides the remuneration to be paid to the Directors and oversees other policies with respect to managerial remuneration.

### SHARE COMMITTEE

Issue share certificates to the shareholders after allotment of shares by the Board and to register the transfers of shares as per Board authorization.

### TKM ORGANISATION



The company's vision, mission and values are evolved based on the inputs from employees across the organisation. Leadership gets guidance from the Global Hoshin (policy / direction) and the Regional Hoshin. Based on this, leadership discusses on the previous year's achievement and deliberates in detail on the future business challenges. In this perspective, year-wise targets are listed out. To achieve these targets, company's Hoshin for the year is derived. Vice Chairman, Managing Director, and Deputy Managing Director communicate during off-site meeting to the Division Heads. Further, the Division Heads communicate to all employees during Annual Communication.

Leadership reviews the progress of the set target twice in a year. Leadership personally shares the vision, mission, strategy, performance and future challenges of the Company/Division and solicits feedback through various channels. The feedback received is reviewed by the leadership and appropriate action is taken. Also major decisions are taken during the Board Meeting where the leadership sets the momentum. The organisation's goals are derived at a Hoshin offsite meeting, which is communicated across the company through normal organisation.



**Toyota Kirloskar Motor [TKM] aims to achieve 100% compliance of applicable Legal requirements.**

**We do not restrict ourselves to just fulfilling the requirement stated under the compliance, but we intend to go beyond it by aiming at the intent behind the legal requirement.**

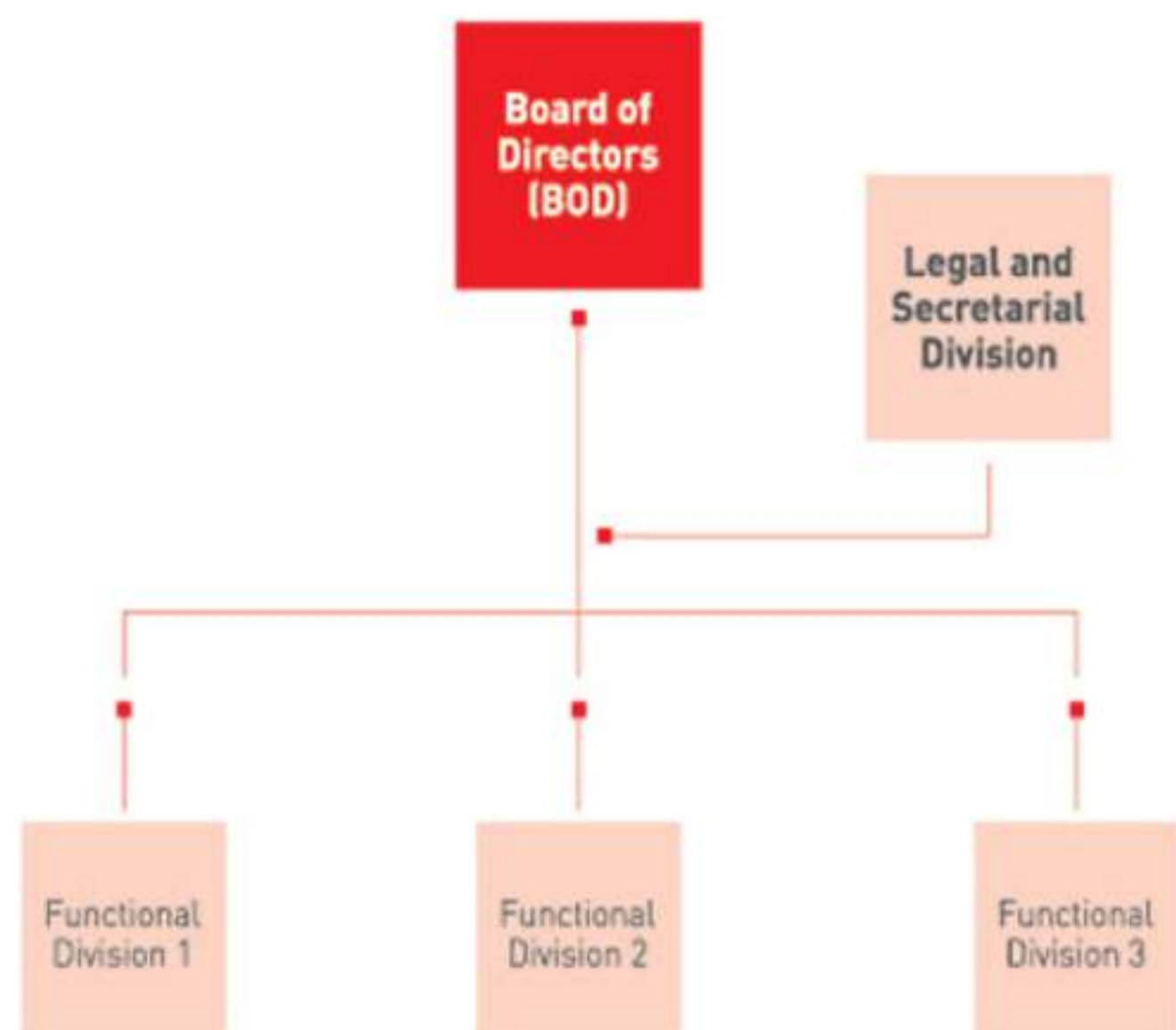
## LEGAL COMPLIANCE

As good corporate citizens we believe that adherence to the law is top priority.

Compliances of all statutory requirement is of utmost priority. In order to monitor the compliance across all the divisions, a Legal Compliance Management Tool has been implemented. This Tool helps in sending alerts to the person in charge for compliance activities. It also provides status report to the senior management and directors on real time basis.

- » To comply with each and every law is the essence of TKM's operations
- » Towards our approach to go beyond the legal requirements, the legal compliance management system at TKM has been de-centralised, making it more exhaustive and comprehensive
- » In this system, every applicable functional divisions are empowered to establish and ensure legal compliance at their levels. They are further responsible to confirm the compliance to the central legal team for Compliance management at the highest level
- » TKM Legal Manual acts as a guide to understand the laws applicable to each division.
- » Compliance policies are considered integral to company objectives

## LEGAL COMPLIANCE MANAGEMENT SYSTEM HIERARCHY



**PUBLIC POLICY**

MEMBERSHIP DETAILS OF VARIOUS ASSOCIATION FOR FY 2013-14

Sl No.	Association	Nomination	Name
01	Confederation of India Industry (CII) Karnataka	TKM	Mr. Shekar Viswanathan
02	CII Southern Region	TKM	Mr. Naveen Soni
03	CII National Council	TKM	Mr. Vikram Kirloskar
04	Bangalore Chamber of Industries and Commerce (BCIC)	TKM	Mr. V Ramesh
05	International Market Assessment (IMA)	TKM	Mr. Shekar Viswanathan
06	Bangalore Management Association (BMA)	TKM	Mr. Swapnesh Maru
07	Japanese Chamber of Commerce and Industry, Bangalore	TKM	Mr. Nakagawa / Mr. Masanori Takahashi / Kohei Yamada
08	Japanese Chamber of Commerce and Industry, Chennai	TKM	Mr. Nakagawa / Mr. Kohei Yamada
09	Indo Japan Chamber of Commerce, Bangalore	TKM	Mr. Masanori Takahashi
10	Federation of Indian Chamber of Commerce and Industry (FICCI)	TKM	Mr. Shekar Viswanathan
11	Indo American Chamber of Commerce and Industry	TKM	Mr. Shekar Viswanathan
12	Society of Indian Automobile Manufacturers (SIAM)	TKM	Mr. Vikram Kirloskar - President
13	Society of Indian Automobile Manufacturers (SIAM)	TKM	MD and CEO - Executive Committee member
14	CII - Global Innovation and Technology Alliance (GITA)	TKM	Mr. Vikram Kirloskar - Chairman

**POTENTIAL FOR RAPID MARKET EXPANSION WITH HUGE POPULATION**  
**Car Penetration Rate (R/1,000)**

