



TOYOTA KIRLOSKAR MOTOR PVT. LTD.

NURTURING INCLUSIVE GROWTH

SUSTAINABILITY REPORT 2016



ABOUT THE REPORT

Toyota Kirloskar Motor Private Limited is pleased to present the seventh Sustainability Report for the FY 2016. The report represents TKM and its key stakeholders' performance and information pertaining to their operations in India.

This report is in accordance with the Global Reporting Initiative's G4 Sustainability Reporting Guidelines. It aims to cover the Economic, Social and Environmental performances of the company, which serves as the framework of this report. It is prepared after conducting the materiality assessment to identify the areas of utmost importance and prioritizing them according to their potential impact on the company, as well as its key stakeholders. This report provides clarity about the company's growth, performance and its role as a responsible corporate in the fields of environment, safety, customer satisfaction, quality products and community development in the reporting year.

Through this report, we give an insight into TKM's initiatives towards sustainable business practices in Economic, Social and Environmental aspects and invite all our stakeholders to join us to bring in a better, brighter tomorrow.

We welcome your valuable suggestions and feedback on this report at:

sustainability@toyota-kirloskar.co.in

ABOUT THE CONCEPT

While traversing the sustainable growth journey, it is essential that inclusivity is embraced comprehensively across all operations and systems. TKM has always been committed to the principle of inclusion by showing participation of all stakeholders in its growth, co-creation of shared value for all its stakeholders and initiatives taken towards neighboring communities.

Our growth and success in delivering best products to valuable customers, is a joint effort from all our stakeholders. We strongly believe in inclusive growth of our stakeholders and their well-being to foster the sustainability values to achieve success.

Thus, the Sustainability Report of year 2016 upholds the principle of Nurturing Inclusive Growth.



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MESSAGE FROM MANAGING DIRECTOR



Businesses today do not have the luxury of choosing between growth and sustainability. A sustainable business must believe that it has to live on nature's income rather than on its capital. We believe in involving stakeholders at every level to achieve sustainable growth with a focus on protecting and nurturing our triple bottom line – People, Planet and Profits.

This year, we have seen a cumulative growth in our domestic and export markets despite the year being a challenging one for the auto industry with numerous regulatory change points. The trajectory of growth, over the years, can be attributed to the combined efforts of all of our stakeholders.

By following the Toyota way, we aim to make 'Ever better cars' which are 'Ever better in technology' and 'Ever better for environment' leading to the customer delight which in turn lends ample support to our sustainability efforts. We constantly strive to minimize our environmental impact, reducing our carbon and water footprint and focus on resource efficiency. The 'Make in India' Campaign aids our vision of delivering quality and revolutionary products thereby meeting the present as well as the future needs of our customers.

At COP 21 held last year, global participants reached an agreement to unite for the sake of mitigating climate change. We have recognized the necessity for working with futuristic targets to ensure a sustainable environment for coming

generations. Thereby, we have announced 6 challenges that Toyota would meet by 2050 such as 'New Vehicle – CO₂ Zero Challenge' among others. It will require a consolidated effort of all stakeholders with a belief that "it can be achieved".

People are our primary stakeholders, their commitment and passion drives our success. In alignment with the Skill India Campaign, we are investing in extensive skills training, and developing our workforce for future. We look forward to developing technologies for tomorrow by involving our Indian engineers at a global level.

We believe that over the years our association in India has grown significantly. However we still have a long way to go; many more milestones to cross taking small baby steps on the path towards, sustainable growth. Through this report, we would like to share our efforts and lessons learnt in our journey towards mitigation of environmental, economic and social impacts due to our operations and thereby endeavor to '**Nurture Inclusive Growth**'.

AKITO TACHIBANA
Managing Director

MESSAGE FROM VICE CHAIRMAN



Technological innovations in the field of commutation are rapidly creating new opportunities for people and organizations across nations. At the same time it is posing few daunting challenges such as climate change, depletion of natural resources etc which are global as well as local due to the impact. The role of business therefore - especially manufacturing organizations- is to become a part of the solution to the economic, environmental and social challenges. At Toyota Kirloskar Motor, we do realize our responsibility to adopt mitigation measures and have thereby developed strategies for integrating sustainability into every sphere of our operations.

The automobile sector in India has been showing positive and encouraging trends over the long term. The passenger car market is expected to grow up to US\$ 300 billion by 2025-26. The biggest challenge in India is ensuring cost effectiveness, competitiveness and being nimble footed so as to adapt to dynamic regulatory changes related to various aspects such as safety and environment. Our youth are quickly shifting to a society where social media has become an integral part of their lives for them to stay connected and be conscious on using and endorsing products that impact the society and environment at large.

Tapping the engine technology market has always been a part of our strategy to keep us ahead of the competition.

Aligning with this way of thinking, our Global Vision 2050 aims to establish a futuristic society in harmony with nature. We invest in product innovation, cleaner, greener technology and modernization thereby producing fuel efficient cars and bringing alternate fuel technology vehicles to India. Owing to the encouraging response received in favor of the hybrid cars such as Camry and Prius, we now look forward to launching many more models in the hybrid segment.

We continue to work with our stakeholders to address their every concern and incorporate sustainability in every aspect of our business. Towards this endeavor we develop lower emission vehicles and establish new infrastructures required to deliver a sustainable transport system.

In our journey of sustainability, we take steps year on year to reach our goal of 'Sustainable Manufacturing' and we constantly strive to better our performance working with all our stakeholders. We firmly believe that our activities should nurture inclusive growth to achieve the shared goal of a brighter and more prosperous future for all.

Vikram Kirloskar

VIKRAM KIRLOS KAR
Vice Chairman

MESSAGE FROM VICE CHAIRMAN



India has emerged as an important automotive market offering huge growth opportunity. India may emerge as one of the biggest markets for passenger cars. The industry has seen a healthy growth in the last few decades. The Indian auto sector has the potential to contribute more than 12% of the country's GDP. As an automaker, we understand the huge responsibility we have towards our customers and community.

To drive growth in the automotive industry, it is very critical to provide a stable and supportive regulatory framework. The automotive industry is highly capital intensive and dependent on a long supply chain which requires long term planning to introduce any change in product or services.

Of late, the industry has been adversely affected by a few decisions by local governments and regulatory bodies to combat environment issues pertaining to some regions. When the sale of diesel vehicles above 2000cc were banned in the NCR, Toyota was one of the two automakers affected significantly. Unfortunately, it took a good amount of time for the courts to realise that the concept of linking high emission levels and engine capacity of vehicles was incorrect.

We have always worked in harmony with nature both in the products that we make and in our operations. Every successive generation of vehicles we make are increasingly more fuel efficient and emission efficient, our hybrid vehicles are a testament to the commitment of the eco spirit we possess. The government recently decided to

leapfrog from BS IV to BS VI emission norms by April 2020 skipping the BS V norms altogether. We are well positioned to provide products compatible with the new fuel norms.

Further, in our operations the water we use in our production facilities is rain water harvested or recycled.

We have continued our efforts towards ensuring 'Swachh Bharat' by constructing and maintaining 500 plus sanitation facilities. Our initiatives such as "Green Me" and "Project ABCD" have gone a long way in building awareness among school children and community on environment and hygiene. We have targeted 40 villages to become open defecation free in Karnataka. We will continue working with our stakeholders to initiate appropriate activities for the benefit of the community and environment.

As we move forward, many more growth opportunities are certain to emerge and it is up to each of us to accept these challenges and convert them into opportunities and work together to develop a thriving eco-system. I hereby call upon our stakeholders to join hands in this collaborative effort to work together toward our dream of 'Indianization'.

SHEKAR VISWANATHAN

Vice Chairman and Whole-Time Director

MESSAGE FROM EDITOR'S DESK



It is with immense pleasure that I present to you our Sustainability Report for FY2016. Last year, we have tried to integrate stakeholders as central to our functioning, and this year we move a step further to inculcate a sense of ownership among all the stakeholders.

While traversing the sustainability journey, it is essential that inclusivity is embraced across all operations and systems. With the theme, 'Nurturing Inclusive Growth' our report this year showcases TKM's commitment to the consensus approach, by showcasing participation of all stakeholders in TKM's growth, co-creation of shared value for all its stakeholders and initiatives taken to ensure environmental, social and economic sustainability.

At our manufacturing plant, we believe in working harmoniously with the community and supply chain with an objective to create an ecosystem of mutual respect and collaboration. We have expedited on avenues for partnering with Prime Minister's call for 'Make in India', 'Swachh Bharat' and 'Skill India' by involving our team members. Our team members are our assets, we work relentlessly to create an environment to foster development of a mind-set that is conscious towards quality, safety, environment and society. I would like to thank our entire stakeholders for the inclusive efforts that have enabled us to manufacture quality products that have been appreciated by our customers.

All aspects related to human capital are covered in the

report including training, career development, grievance redressal, health and safety among others. The report also covers environment and community related initiatives in a detailed manner, highlighting the impact created.

I hope you find this report a welcome companion to understand TKM's dedication to sustainability and our growth in performance. It will be interesting to hear your response to this edition of the Sustainability Report.

Please send us your valuable feedback at
sustainability@toyota-kirloskar.co.in

A handwritten signature in black ink, appearing to read 'Raju B Ketkale'.

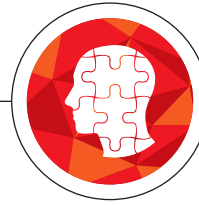
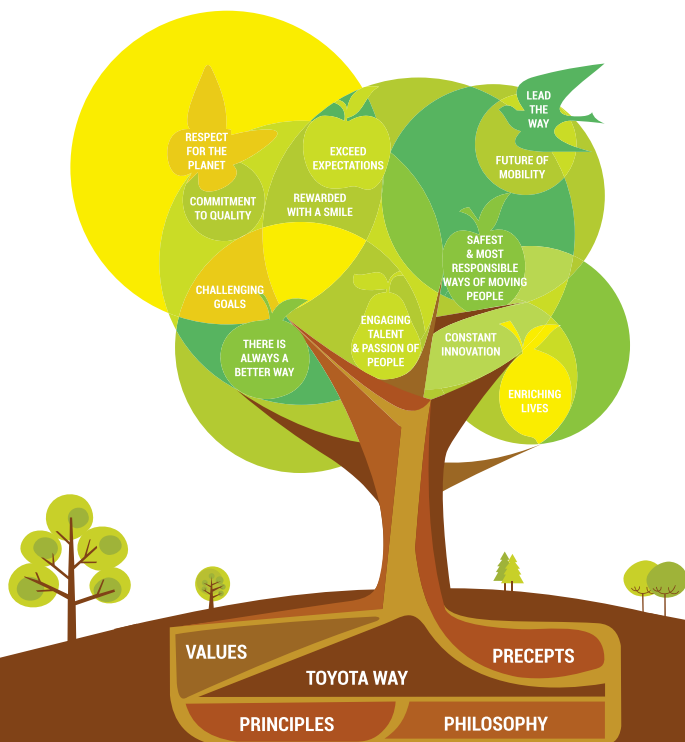
RAJU B KETKALE
Sr. Vice President - Manufacturing



VISIONARY MANAGEMENT

The roots of the tree are the shared values that have steered Toyota from the beginning and underlain our monozukuri. They are values expressed in the Toyota precepts, in the Toyota Guiding principles and in the Toyota Way, which are the basis of our business. 'Fruit' that Toyota provides for customers is creating "always better cars" and "enriching lives of communities". Through the efforts, we aim to become an admired and trusted company in the various regions where we conduct business. The trunk of the tree, underlying support for Toyota's creating products that earn smiles from our customers, is the stable base of business. Toyota's business activities are based on the concept; ensure sustainable growth by fostering the virtuous circle.

- **Always better cars**
- **Enriching lives of communities**
- **Stable base of business**



GUIDING PRINCIPLE

- 01 Honour the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good citizen of the world
- 02 Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the community
- 03 Dedicate ourselves to provide clean and safe products and to enhance the quality of life everywhere through all our activities
- 04 Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide
- 05 Foster a corporate culture that enhances individual creativity and teamwork, while honouring mutual trust and respect between labour and management
- 06 Pursue growth in harmony with the global community through innovative management
- 07 Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits while keeping ourselves open to new partnerships

The Guiding Principles at Toyota reflect the kind of company that Toyota seeks to be in light of the unique management philosophy, values, and methods. Toyota, together with its consolidated subsidiaries, hopes to contribute to sustainable development through its corporate activities based on understanding and sharing of the Guiding Principles at Toyota.

The Guiding Principles at Toyota define the mission of Toyota and value that the company delivers to the stakeholder.



EARTH CHARTER

The Toyota Earth Charter is based on the Guiding Principles at Toyota which embodies Global Toyota's comprehensive approach to environmental issues.

The Toyota Earth Charter, to date has been adopted by all Toyota affiliates worldwide.

BASIC POLICY

- **Contribute towards a prosperous 21st century society:** Aim for growth that is in harmony with the environment and set as a challenge the achievement of zero emissions throughout all areas of business activities
- **Pursuit of environmental technologies:** Pursue all possible environmental technologies, developing and establishing new technologies to enable the environment and economy to coexist harmoniously
- **Voluntary actions:** Develop a voluntary improvement plan, based on thorough preventive measures and compliance with laws that address environmental issues on the global, national and regional scales, and promote continuous implementation
- **Working in cooperation with society:** Build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation including governments, local municipalities, related companies and industries

ACTION GUIDELINES

- Always be concerned about the environment: Take on the challenge of achieving zero emissions at all stages, i.e., production, utilization and disposal
- Develop and provide products with top-level environmental performance
- Pursue production activities that do not generate waste
- Implement through preventive measure
- Promote businesses that contribute towards environmental improvement
- Business partners are partners in creating a better environment: Cooperate with associated companies

AS A MEMBER OF SOCIETY

- Actively participate in social activities
- Participate in the creation of a recycling-based society
- Support government environmental policies
- Contribute also to non-profit activities
- Towards better understanding: Actively disclose information and promote environmental awareness

ORGANIZATION IN CHARGE

Promotion by the Toyota Environment Committee which consists of top management (chaired by the president).

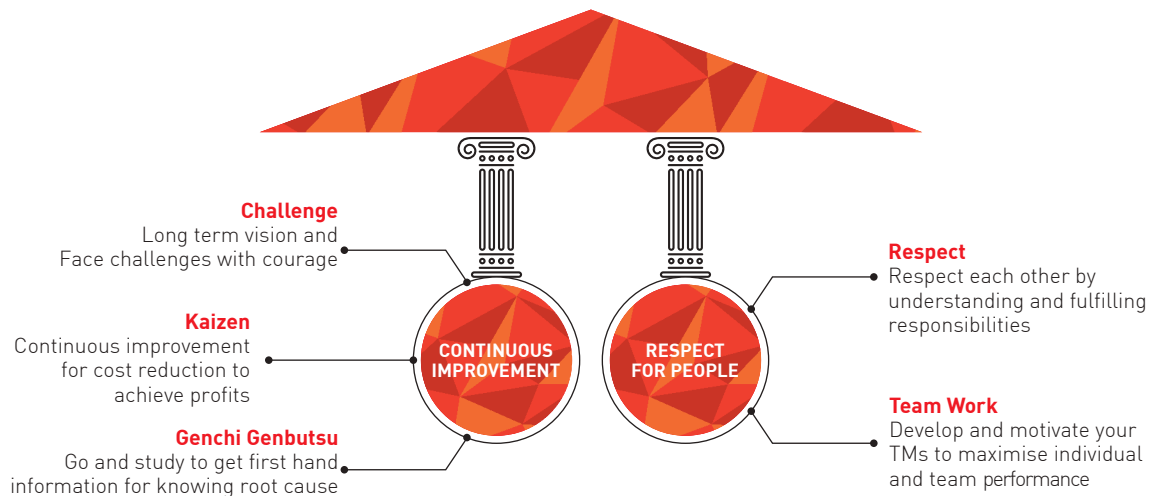
TOYOTA WAY



The Toyota Way is an ideal, standard and a guiding beacon for employees of Toyota across the globe. It expresses the beliefs and values shared by all of us. The Toyota Way is based on the Guiding Principles at Toyota, which defines the mission of Toyota as a corporation and the values the company delivers to customers, shareholders, associates, business partners and the global community. It defines how people of Toyota perform and behave in order to deliver these values. It

functions as the automatic nervous system for Toyota organizations.

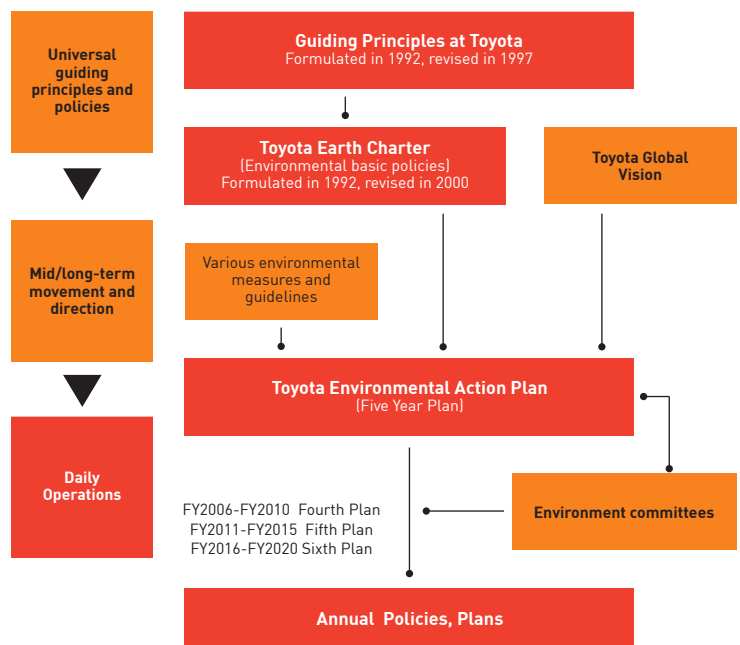
The Toyota Way is supported by two main pillars. They are 'Continuous Improvement' and 'Respect for People'. We are never satisfied with where we are and always strive to improve our business by putting forth our best ideas and efforts. We respect people and believe the success of our business is created by individual efforts and good team work.



ENVIRONMENTAL ACTION PLAN

The Toyota Earth Charter, the company's action plan for the global environment and the Toyota Global Environmental Action Plan, which embodies the Toyota Earth Charter, facilitates all the global environmental initiatives. Beginning 2016, Toyota promotes its activities based on the Sixth Toyota Environmental Action Plan that shows the corporate vision and the direction of Toyota.

TKM's environment performance is detailed out in the five year Environment Action Plan, through which annual environment plan is formulated, percolating to activities and programs that are implemented at the plant level.



ABOUT TOYOTA KIRLOSKAR MOTOR



COMPANY PROFILE

Toyota Kirloskar Motor Pvt. Ltd (TKM) is one of the leading Auto manufacturers of India established in the year 1997, as a joint venture between Toyota Motor Corporation, Japan and the Kirloskar Group, India. Toyota Motor Corporation holds eighty nine percent of the equity while Kirloskar Group, India, holds eleven percent. The Toyota Kirloskar Motor manufacturing plants are located in Bidadi Industrial area, on the outskirts of Bangalore city. The two plants are spread across 432 acres and have a manufacturing capacity of 3,10,000 vehicles per annum.

Key Products and Market Segmentation

TKM manufactures Innova Crysta, Corolla Altis, Fortuner, Etios, Etios Liva, Etios Cross, Camry and Camry Hybrid. Land Cruiser, Prado, Prius are imported as Completely Built Units (CBUs).

TKM also exports Etios to South Africa, Mauritius, Bhutan, Nepal & Brunei, Innova Crysta to Bhutan and Fortuner to Nepal.

	PLANT 1	PLANT 2
Established	October 1997 (Start of production: December 1999)	Start of production: December 2010
Location	Bidadi Industrial area, Bangalore	Bidadi Industrial area, Bangalore
Products	Innova Crysta, Fortuner	Corolla Altis, Etios, Etios Liva, Etios Cross, Camry & Camry Hybrid
Installed Production capacity	Up to 1,00,000 units	Up to 2,10,000 units

PRODUCT LINE UP



LAND CRUISER 200
The Pride of the World



PRADO
All-Terrain Luxury



FORTUNER
True SUV True Style



INNOVA CRYSTA
Luxury meets Power



PRIUS
The Planet's
Favourite Hybrid



CAMRY HYBRID
A New Kind of Luxury,
Ahead of its Time.



COROLLA ALTIS
The New Benchmark



PLATINUM ETIOS
The Most Dependable
Sedan.



ETIOS LIVA
Designed Stylish.
Built Safe.



ETIOS CROSS
Born with Attitude



IMPORT



EXPORT

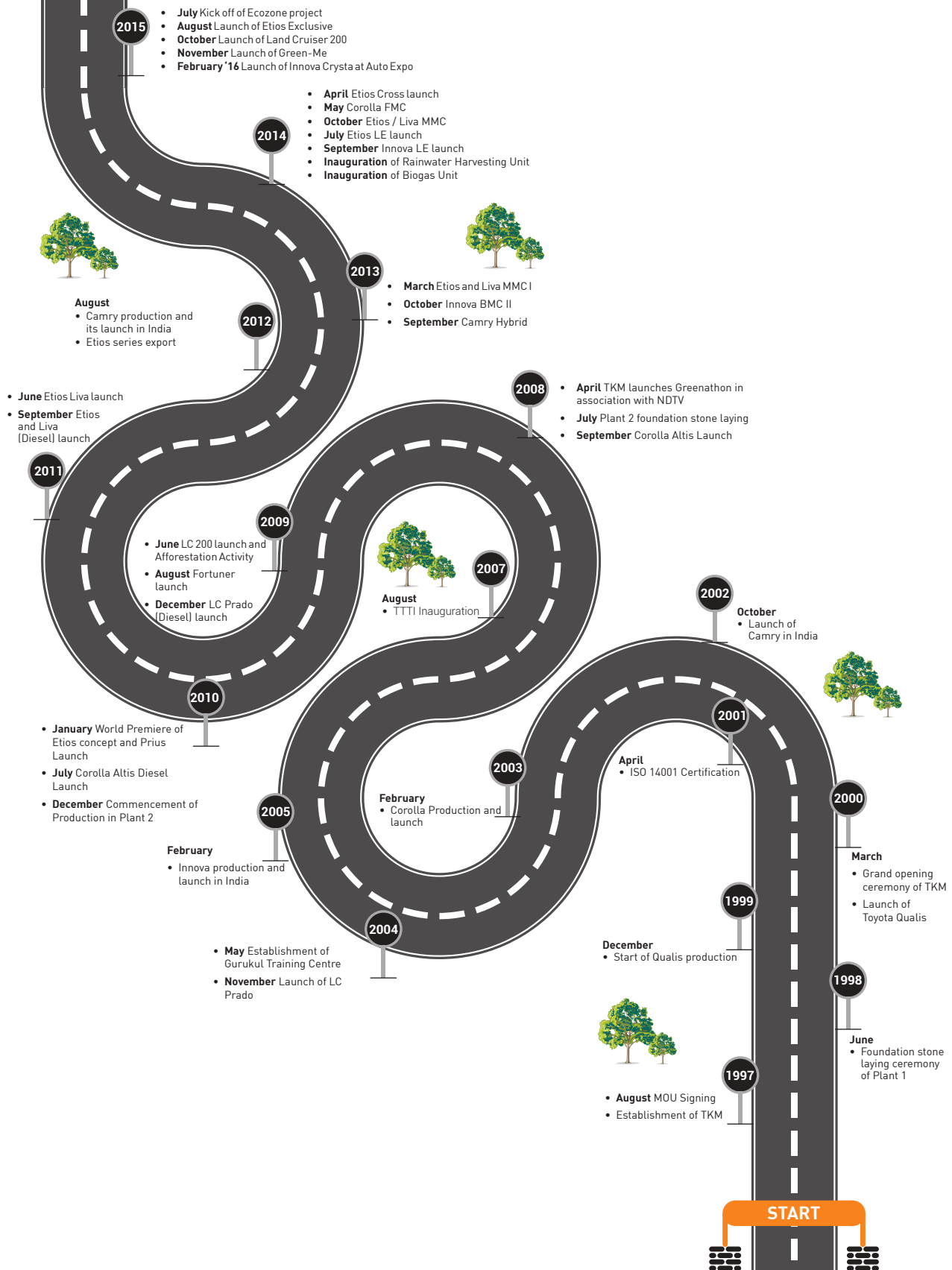


MANUFACTURE

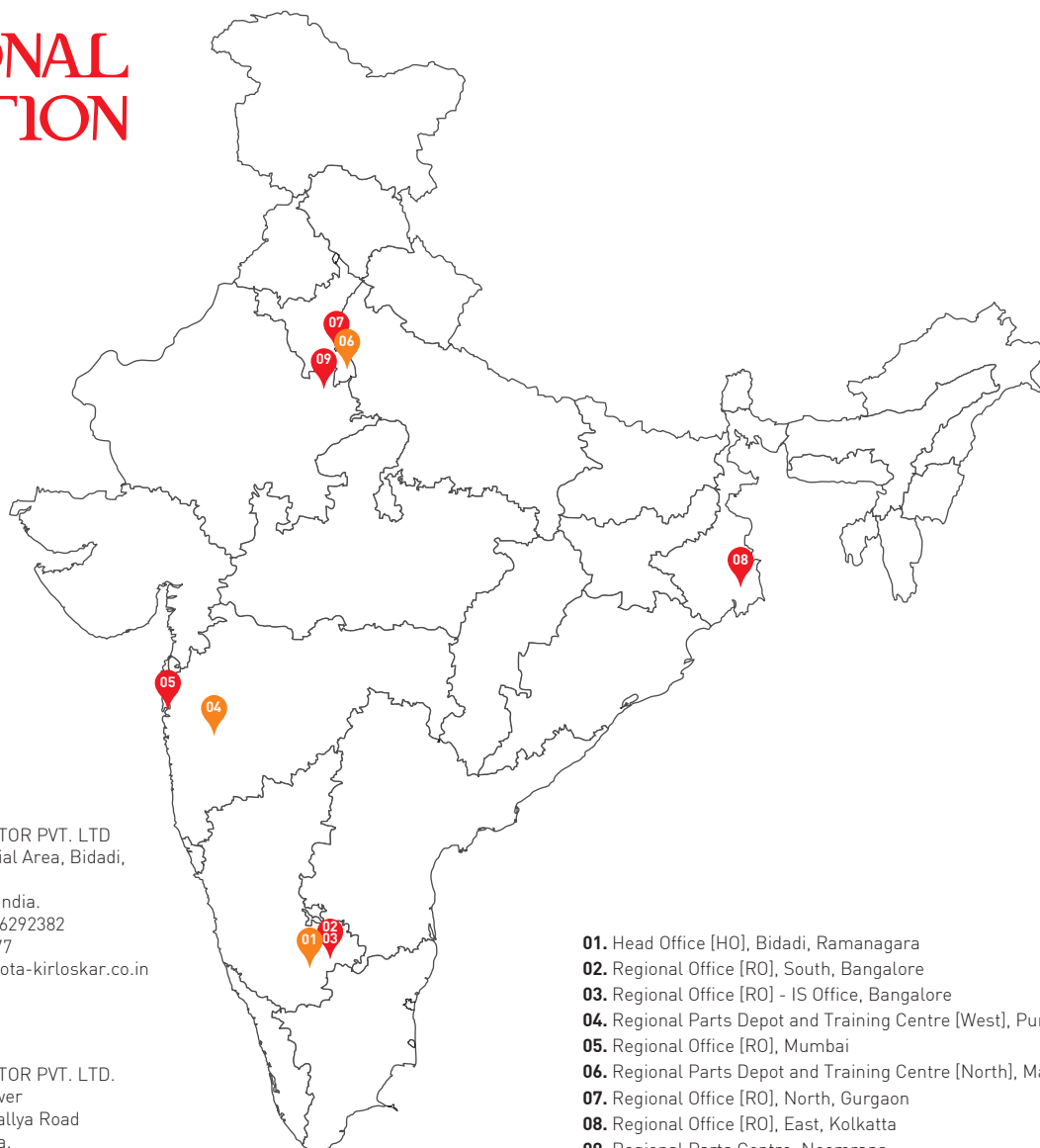
The Innova has been the best selling model in the MPV segment for the past eleven years in succession and Fortuner has been the best selling model in the SUV segment in India since 2009. Toyota's new small car, the Etios was first launched in December 2010. Toyota's luxury car Camry and Camry Hybrid is also assembled at Plant 2.

TKM also imports and sells the Land Cruiser, Prado and Prius models as CBUs [Completely Built Units] throughout its dealer network in India.

KEY MILESTONES OF TOYOTA



REGIONAL LOCATION



HQ ADDRESS:

TOYOTA KIRLOSKAR MOTOR PVT. LTD.
Plot No.1, Bidadi Industrial Area, Bidadi,
Ramanagara District.
Pin: 562109, Karnataka, India.
Tel: +91-80-66292098 / 66292382
Fax: +91-80-27287076 / 77
Email: sustainability@toyota-kirloskar.co.in
www.toyotabharat.com

CORPORATE OFFICE:

TOYOTA KIRLOSKAR MOTOR PVT. LTD.
10th Floor, Canberra Tower
No. 24, UB City, Vittal Mallya Road
Bangalore - 560001, India.

- 01. Head Office [HO], Bidadi, Ramanagara
- 02. Regional Office [RO], South, Bangalore
- 03. Regional Office [RO] - IS Office, Bangalore
- 04. Regional Parts Depot and Training Centre [West], Pune
- 05. Regional Office [RO], Mumbai
- 06. Regional Parts Depot and Training Centre [North], Manesar
- 07. Regional Office [RO], North, Gurgaon
- 08. Regional Office [RO], East, Kolkata
- 09. Regional Parts Centre, Neemrana

ANNUAL POLICY 2015-16

- Achieve leadership position in industry by becoming No.1, in SSI, CSI, IQS and other brand related parameters to enhance customer delight
- To grow our business in harmony with the goals of the government, community and shareholders
- Pursuit of perfection in all our operations through strong KPI management and profit square enhancement keeping ROI in mind
- Strong sense of ownership at all levels to enhance quality, productivity and profitability for organizational sustainability
- Human resource development across our business operation including suppliers and dealers for competitiveness enhancement
- Be a learning organization achieving high standards in problem solving through Toyota Best Practices (TBP) way and proactive to predictive approach
- To be a good corporate citizen by achieving 100% compliance in Safety, Regulation, Environment and all other operational areas

CORPORATE GOVERNANCE

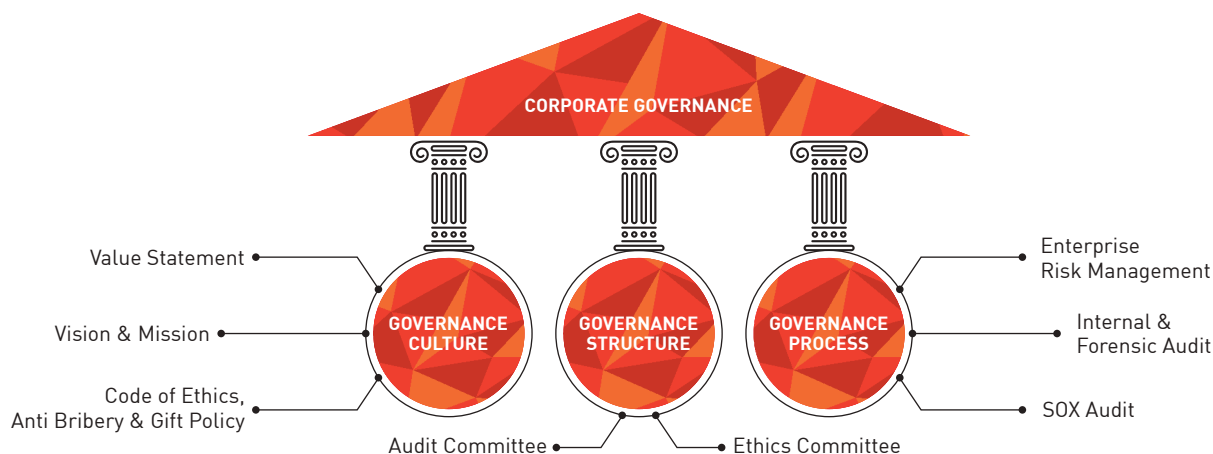


Toyota Kirloskar Motor promotes a culture of high ethical standards, integrity, transparency and accountability in all the business transactions and in compliance with all laws and regulations. The company has established internal control mechanisms to ensure the conformance to the norms of corporate 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.

We have 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.

- Audit Committee:** The audit committee at TKM is responsible for overseeing TKMs financial reporting process and disclosure of the financial statements to ensure the correctness of the financial statements.
- Ethics Committee:** The ethics and integrity committee have defined a 'Code of Conduct' which the employees are to abide by. The details of which are further elaborated in the next section.



I. 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



HUMILITY

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



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



ACCOUNTABILITY

I will take ownership for all my actions

VISION

- Delight our customers through innovative products, by utilizing advanced technologies and services
- Ensure growth to become a major player in the Indian auto industry and contribute to the Indian economy by involving all stakeholders
- Become the most admired and respected company in India by following the Toyota Way
- Be a core company in global Toyota operations

MISSION

- Practice ethics and transparency in all our business operations
- Touch the hearts of our customers by providing products and services of superior quality at a competitive price
- Cultivate a lean and flexible business model throughout the value chain by continuous improvement

- Lead Toyota's global operations in the emerging mass market
- Create a challenging workplace that promotes a sense of pride, ownership, mutual trust and teamwork
- Create an eco-friendly company in harmony with nature and society

Through these activities establish a superior brand image in India.

II. 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.



FIVE MAIN PRINCIPLES OF CODE OF ETHICS

- Always be faithful to your duties; thereby contribute to the Company and to the overall good.
- Always be studious and creative, striving to stay ahead of the times.
- Always be practical and avoid frivolousness.
- Always strive to build a homelike atmosphere at work that is warm and friendly.
- Always have respect for spiritual matters, and remember to be grateful at all times.

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"**
 - TM should adhere to the value statement of the Company

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 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
 - TM shall conform to all Standards of Quality and shall dedicate to provide genuine and safe products and enhance the quality of life 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

RECORD KEEPING

The legal, secretarial and financial records shall be maintained in a proper, truthful and accurate manner. These include but are not limited to minutes of Board Meeting, Shareholder Meeting, Accounting Records like vouchers, journals, ledgers, cost records, budget approvals, Financial Statements and Management Information Reports. This rule is also applicable to records generated in all other areas like Information systems, Production, Human Resources, QC etc.

PRESS BRIEFINGS

TMs are not authorized to make any statement to the press unless authorized to do so. In case any TM receives queries/surprise calls from press, one should be careful enough to transfer the calls to authorized officials in the Company.

III. ANTI-BRIBERY GUIDELINES

The following acts of omission shall be treated as 'Misconducts' by the company and is therefore subjected to further disciplinary action

1. Offer, authorize or give a bribe to a Government Official, or create the impression that a bribe has been offered, authorized or given
2. Engaging in business directly or indirectly with a Government Official on Company behalf
3. Not reporting to the Company any suspected violations by its employees or others doing business with a Government Official on Company behalf
4. Accept directly or indirectly any bribe, favours, gifts or anything of a financial advantage from any person while transacting on Company behalf
5. Such other potential bribery activities and risks
6. The direct or indirect provision of cash or anything of value to a Government Official to obtain an unfair business advantage or to obtain or retain business or in connection with any statutory / regulatory approval process
7. Authorizing or providing travel benefits, gifts, entertainment, sexual favours or political contributions for the benefit of a Government Official or any other person without the required due diligence assessment and TKM internal business and legal approvals.
8. Making or facilitating payments without obtaining the required TKM internal business and legal approvals
9. Making any incomplete, false or inaccurate entries on TKM's books and records
10. Receiving favours from suppliers, dealers or any other person to favour them etc

IV. GIFT POLICY

Employee shall adhere to company's Gift Policy while accepting any gift from or through any person who has any dealings with the company. To reduce the ambiguity among

the team members on acceptance of Gifts and Entertainment, company has made the guidelines in the above policy.

1. Employees can accept only Customary Gifts, which is in the nature of corporate gifts, common to all, no expectations in return, small in value like diaries, calendars, pens, books, flowers, sweets but not any branded items or high value goods
2. Special Gifts which is in the nature of special items, specific to individual, high value, branded market items, gifts which carry any expectation of return benefit are prohibited. Gifts from group companies are permitted
3. Employees are not to accept any forms of Cash Gifts
4. Employees need to have permission from the Head of the Department before participation in the dinner hosted by dealers or suppliers. Frequent meets, lavish dinners will be treated as unethical
5. Employees can accept supplier or dealer hosted tours, which is in the nature of site visit for quality check, progress review are permitted only with the permission of the HOD
6. The tours hosted by supplier or dealer which are in the nature of promotional trips, tour packages, conferences, holiday trips are prohibited
7. Employees are permitted to take part with prior permission from their HOD for any Industrial Associations, Professional Bodies, NGOs hosted visits, as a part of the delegation for study
8. It is permitted, in the case of any awards received for professional contributions, lectures or presentations which are purely recognition to an individual's professionalism
9. Using business contacts for personal monetary benefits are prohibited, if the employees are from division involved in decision making for sourcing or payment. Others can be used with the written approval of the HOD
10. Using the samples received as a part of sourcing and using the business contacts for personal benefits are prohibited. Such samples are to be surrendered to the Company

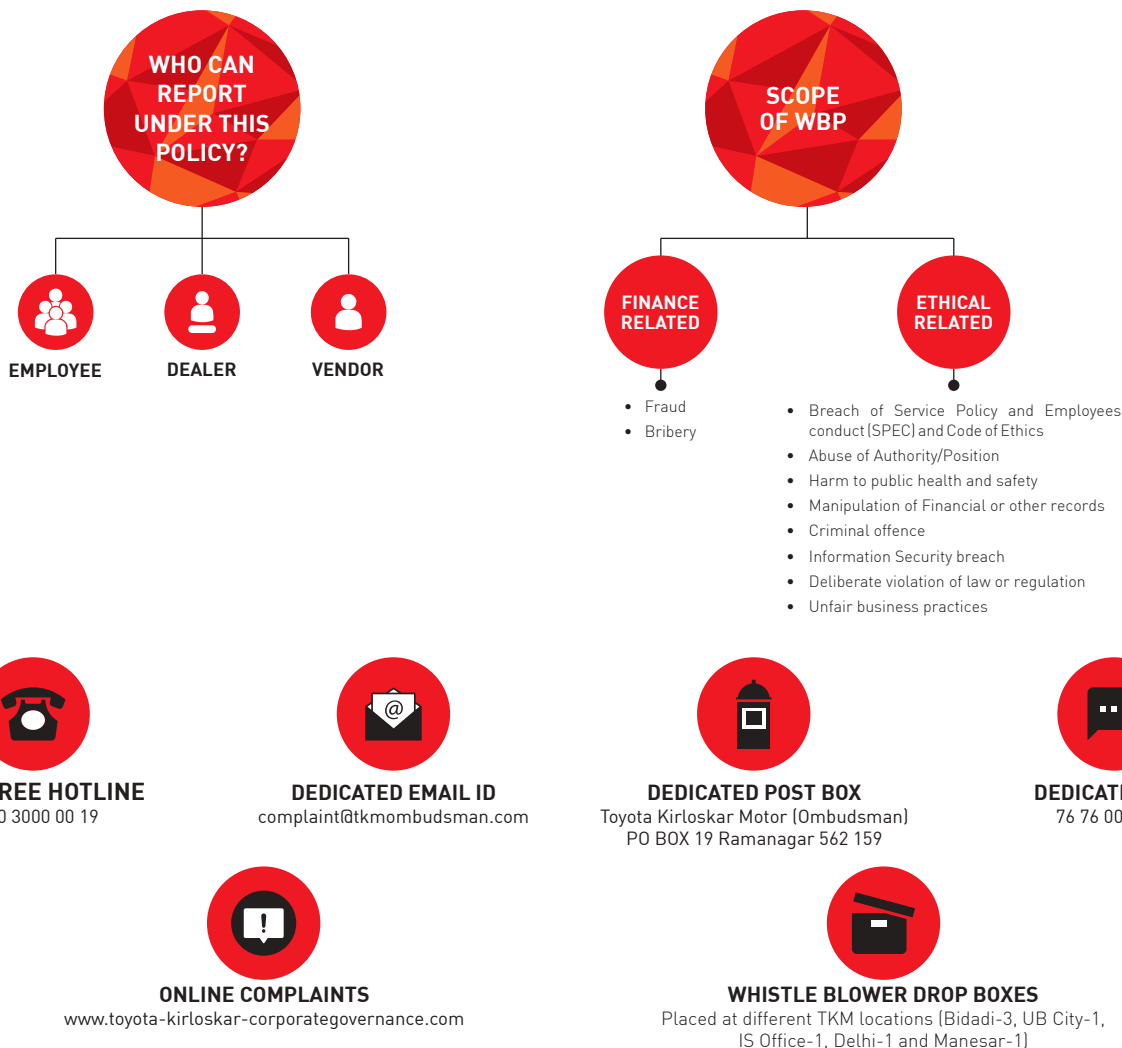
In October 2015, Corporate Governance Division (CGD) sent a e-mail to all division heads on Gift Policy in order to ensure effective implementation of the policy where in all the division heads are requested to submit the Gift Declaration in the prescribed format to CGD for themselves and their team for the period 1st Nov 2014 to 30th Nov 2015. Nil Declaration was necessary even if no favours/entertainment was received during that period. The Gift Declaration was also taken from Management comprising of VP and above up to MD.

THE SUMMARY OF GIFT DECLARATION IS DETAILED BELOW:

DECLARATION BY	TOTAL	GIFTS RECEIVED	GIFTS NOT RECEIVED
No of Divisions	46	15	31
No of VP & above	18	09	09

V. WHISTLE BLOWER POLICY (WBP)

As a company which encourages and respects professionalism, honesty, integrity and ethical behavior, 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 behavior noticed by them. The scope of coverage is vast, channels provided for reporting are many and an Independent Authority has been appointed to receive and investigate the issues with the advice of Ethics Committee. This Committee consists of senior management, with one of the big four audit and investigating agency appointed as Independent Authority.



WHO RECEIVES AND REVIEW THE REPORT?

- 1) Independent Authority (IA) will receive the complaint
- 2) IA to prepare the flash report & submit to Vice Chairman and MD of TKM
- 3) MD (Chairman of Ethics Committee) will give direction to Corporate Governance (CG) to conduct preliminary study based on the outcome, MD will decide whether to proceed with investigation or drop the case
- 4) If yes to proceed, CG will conduct the investigation & submit the report to Ethics Committee
- 5) Ethics Committee will review the report & decide on next course of action

VI. 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 audit observations along with process owner explanation are reported to the Audit Committee on a half yearly basis, enabling the management to take corrective actions.

TKM also conducts SOX-404 audit based on COSO 2013 internal control framework as part of Toyota Motor Corporation's global audit requirement.

The Companies Act, 2013, was enacted on August 30, 2013 which provides for a major overhaul in the corporate

governance norms for all the companies. The requirements under the Companies Act, 2013, and the rules notified thereunder would be applicable for every company or a class of companies as may be provided therein.

In the light of the above, there are noted change points when compared to Companies Act 1956. The Companies Act 2013 has stated added responsibilities on board to report on details of:

- Design of internal controls
- Operating effectiveness of internal controls
(Applicable from the year 2014-15)

Statutory Auditors are also required to report without solely relying on management/ Board report about:

- Established internal control framework
- Adequate internal financial controls
- Operating effectiveness of internal financial controls
(Applicable from the year 2015-16)

VII. ENTERPRISE RISK MANAGEMENT

In the past, Toyota's business operation has been affected by various risks. The 2009 US quality issues which led to major product recalls, 2011 great East Japan earthquake and 2011 Thailand flood resulted in disruption of Asia as well as Global production operation.

Based on these experiences, considering the importance and necessity to predict and manage business risks, TMC established the Global Risk Management Committee appointing Regional Chief Risk Officers with reporting frequency of twice a year i.e., October and March.

As a regional business leader, TMAP-EM has established Risk Management Policy for affiliate companies in Asian region.

Effective implementation of elements of this Policy is to formulate comprehensive risk profiles and counter

measures to achieve organization's objectives. The Board and Audit Committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

TKM's task now involves preparing for possible recurrence of past events and foresees other critical risks that cause serious impact to business targets. By doing so, TKM needs to enhance the capabilities of "Prediction, Prevention and Treatment" to counter each risk while adhering to "Safety as our first priority".

Based on the policy and guidelines by TMAP-EM and to ensure compliance with Companies Act 2013, TKM has taken initiative in identification and mitigation of risks by implementing appropriate countermeasures.

TKM has also come out with ERM policy comprising of important contents such as Introduction, Scope, Purpose, Charter, Objectives of the Policy, Brief on how to become a Risk Intelligent Company, Risk Management Process, Documentation, Approval and related documents.

This policy, along with all relevant stakeholders' contribution, will keep the high standard and quality of risk management activities.

BOARD OF DIRECTORS

The highest level of governance is the Board of Directors. The Board of Directors delegate powers to executives by way of resolution and granting Power of Attorney in specific cases. Executive directors are authorized through terms and conditions of the service agreement executed between the Company and them as approved by the Board of Directors. The Board of Directors and Shareholders decide the remuneration of Executive Directors. While the remuneration of the Directors is approved by the Shareholders using special resolutions.

Remuneration for consultants are decided in consultation with global HR [TMC] as per set policy. As of 2016-2017, TKM has no monetary or non-monetary fines for non-compliance with laws.

BOARD STRUCTURE OF TOYOTA KIRLOSKAR MOTOR PRIVATE LIMITED

NAME OF THE COMPANY DIRECTOR (MEMBER OF BOARD OF DIRECTORS)	DESIGNATION AND FUNCTIONAL RESPONSIBILITY	CATEGORY (EXECUTIVE/NON EXECUTIVE)
Mr. Hiroyuki Fukui	Chairman	Non-Executive
Mr. Vikram Kirloskar	Vice Chairman	Non-Executive
Mr. Akito Tachibana	Managing Director	Executive
Mr. Shekar Viswanathan	Whole-Time Director and Vice Chairman	Executive
Mr. Yoshihiro Horinouchi	Deputy Managing Director	Executive
Mr. T S Jaishankar	Deputy Managing Director	Executive
Mr. N Raja	Director & SVP	Executive
Mr. Kan Asaine	Director- Accounting, Legal & IS	Executive
Mr. Yoshiaki Numata	Director & SVP	Executive
Mr. Atul C Kirloskar	Director	Non-Executive
Mr. Tatsuro Takami	Director	Non-Executive
Mr. Hiroyoshi Ninoyu	Director	Non-Executive

TKM ORGANIZATION

Audit Committee

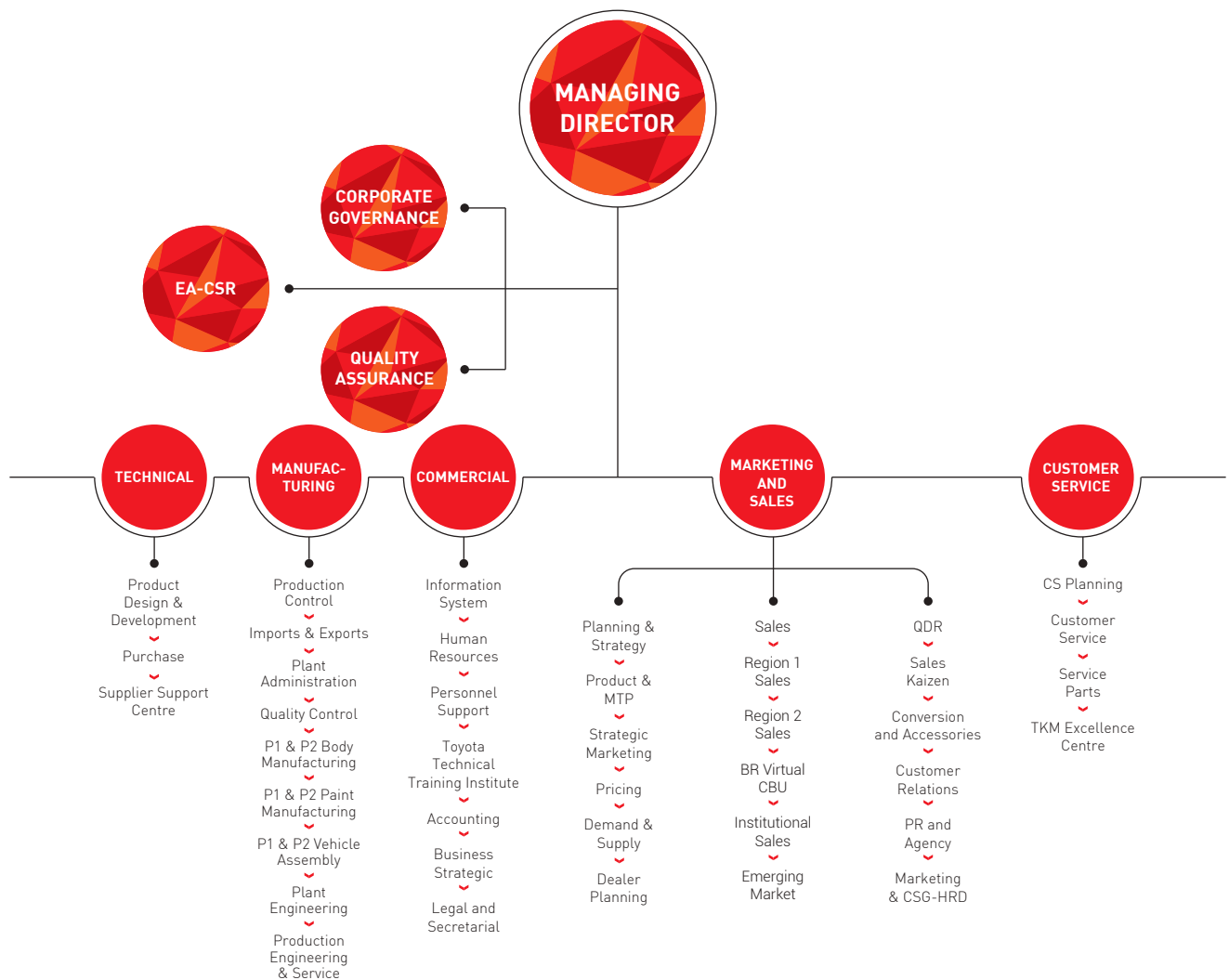
It is responsible for reviewing half yearly and annual financial statements, internal control systems, internal audit scope and discuss with Internal and Statutory Auditors about their observations and report

CSR Committee

It recommends CSR policy of the Company and monitors progress of the implementation of the policy

Share Committee

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



LEGAL COMPLIANCE



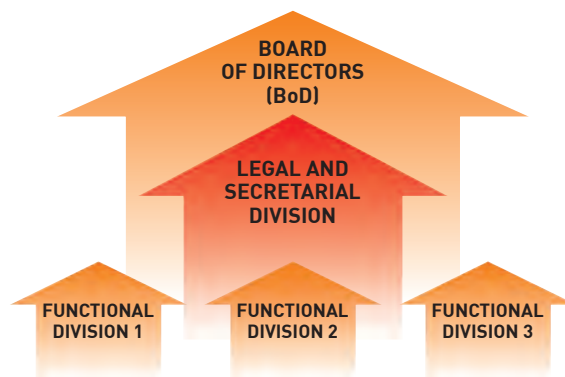
As a good corporate citizen, we, at TKM, believe adherence to law is a top priority issue. Compliance of all statutory requirements are of utmost priority of the organization. In this regard as a measure of monitoring the compliance levels across all the divisions, a Legal Compliance Management Tool has been implemented. This Tool helps in sending alerts to the responsible person for compliance activities. It also provides for status report of the compliance management to the senior management and Directors on real time basis.

Tools implemented to confirm compliance are mentioned below:

- 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-centralized, making it more exhaustive and comprehensive
- In this system, every applicable functional division is empowered to establish and ensure legal compliance at their levels. The divisions are further responsible to confirm the compliance to the central Legal and Secretarial division for Compliance management at the highest level
- Every Division/Department and every Team Member is entrusted with the responsibility to ensure 100% Legal Compliance
- TKM Legal Manual acts as a guide to understand the laws applicable to each division
- Compliance policies are considered integral to company objectives

- A good compliance culture is shown by the promotion of positive attitude towards legal compliance activity at all levels within an organization

LEGAL COMPLIANCE MANAGEMENT SYSTEM HIERARCHY



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

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

PUBLIC POLICY

MEMBERSHIP DETAILS OF VARIOUS ASSOCIATION FOR FY 2015-16

CII National Council Member	TKM	Mr. Vikram Kirloskar
CII India Japan Business Leader Forum Member	TKM	Mr. Vikram Kirloskar
CII - Global Innovation & Technology Alliance	TKM	Mr. Vikram Kirloskar - Chairman
CII Southern Region Council	TKM	Mr. Vikram Kirloskar - Deputy Chairman
CII Karnataka - Member	TKM	Mr. T S Jaishankar
CII Karnataka - Convenor, CSR Panel	TKM	Mr. T S Jaishankar
FICCI National Executive Committee Member	TKM	Mr. Shekar Viswanathan
FICCI Steering Committee Member	TKM	Mr. Shekar Viswanathan
Society of Indian Automobile Manufacturers (SIAM)	TKM	Mr. Vikram Kirloskar & Mr. Akito Tachibana - Ex. Committee Member
Japan Chamber of Commerce & Industry in India, Delhi	TKM	Mr. Akito Tachibana
Japan Chamber of Commerce & Industry, Bangalore	TKM	Mr. Akito Tachibana
Japan Chamber of Commerce & Industry, Chennai	TKM	Mr. Akito Tachibana



STAKEHOLDER ENGAGEMENT AND MATERIALITY

Engagement with stakeholders are extremely crucial to understand their perception on aspects that are of priority to them. We have regular engagements with all our stakeholders throughout the year, which gives us an insight into the issues which are significant to our stakeholders and relevant our business operations.

For materiality assessment, the process of engagement is initiated by determining the risks and opportunities posed by stakeholders to the organization. This is followed by deriving a business approach based on the outcome of the risks and opportunities. We have engaged with a third party agency, KPMG for the stakeholder engagement and development of the materiality matrix.

I. STAKEHOLDER ENGAGEMENT PROCESS

The stakeholder engagement process included both internal and external stakeholder engagement.

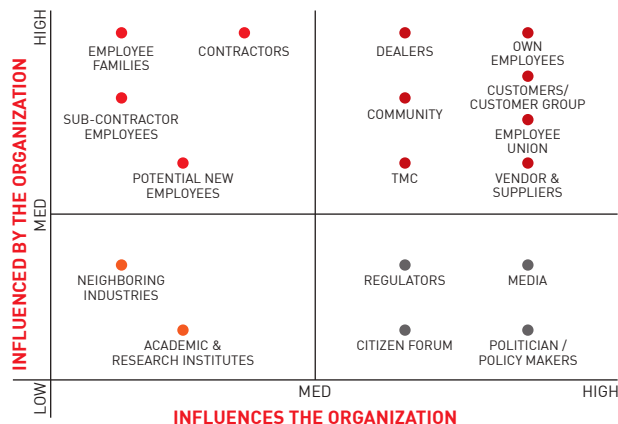
The internal stakeholder engagement was carried out by conducting comprehensive workshops and discussions with functional heads representing various business divisions of TKM. The selected stakeholder groups identified during the internal engagement were involved in external stakeholder engagement. Through the discussion with all the functional heads, we could come out with a list of top stakeholders who could influence or get influenced by our organization.



INTERNAL STAKE HOLDER ENGAGEMENT



EXTERNAL STAKE HOLDER ENGAGEMENT



II. MODE OF ENGAGEMENT

The external stakeholder engagement process was carried out utilizing various modes of interaction which could be convenient for the stakeholder. One to one interactions were scheduled and questionnaires were shared for the feedback to identify the material aspects by the external stakeholders.

STAKEHOLDER GROUP	MODE OF INTERACTION
TKM Own Employee	One to One interaction and feedback through questionnaire*
Contract Employees	One to One interaction
TKM Employee Union	One to One interaction
Contractors	One to One interaction
Suppliers	Feedback through questionnaire
Local Community	One to One interaction
Local NGOs	One to One interaction
Regulatory Authority	One to One interaction
1. Additional Labor Commissioner 2. Dep. Director - Factories & Boilers 3. Dep. Environment Officer - KSPCB 4. Dep. of Traffic Police	
BIA	One to One interaction
Customers	Feedback through questionnaire

III. MATERIALITY ASSESSMENT & MATERIALITY MATRIX

The internal materiality evaluation of the aspects was carried out as defined under the GRI G4 framework, involving the key stakeholders. The matrix was then developed in accordance with the received responses from the prioritized stakeholders, further reviewed and validated by the senior management.

The interaction with the stakeholders helped us to identify the material issues which were significant in their context. About 150 material issues were identified and based on KPMG tool, 24 nos. were found to be of top priority to TKM, under the scope of our business operations, stakeholders and triple bottom line.

MATERIALITY ISSUES

1. Brand Strategy	13. Product Performance & Innovation Strategy
2. Compliance	14. New Product Launches & Line-Up
3. Natural Calamities & Climate Change	15. Competitive Product Offering
4. Environmental Performance	16. End of Life Management of Product
5. Water Availability	17. Occupational Health & Safety
6. Availability of Grid Electricity	18. Dealer Relationships
7. Road Safety	19. Delivery Lead Time
8. Customer Satisfaction	20. Community Development
9. Profitable Economic Growth	21. External Stakeholder Communication
10. Operation Efficiency & Scalability	22. Market Presence
11. Cost Management	23. Corruption
12. Alternate Fuel Technology	24. Anti Competitive Behavior

KEY STAKEHOLDERS	ENGAGEMENT			BENEFITS TO	
	METHOD	MODE	FREQUENCY	BUSINESS	STAKEHOLDERS
Customers	VOC [Voice of customer]; Customer meets; Customer Satisfaction Surveys; Customer Feedback cell; Dealer Visits	Formal	Need based, Daily interaction through dealer network	Product related risk mitigation	Customer satisfaction
Employees	Round Table Meeting; Periodic direct communication opportunity with Sr. Mgmt. (Skip level meetings); Performance Review; Kaizens; Level-up group HR meetings; Employee Engagement Survey – 'Morale Survey'; Rewards and Recognition; The annual Talent Hunt event; Union Meetings	Formal and Informal	Daily/ Weekly/ Monthly/ Quarterly/ Biennially and Annually	Healthy relations with employees and Union	Better working environment and job satisfaction
Dealers	Dealer meets; Dealer visits; Special training programmes; Dealer councils; Kaizen programme; Dealer Environment Risk Assessment Programme (DERAP)	Formal	Daily, Monthly, Quarterly and Annually	Better quality and improving delivery performance capacity building	Profitability and customer satisfaction
Local Community and Society	Meetings with local community; Need assessment; Public hearing	Formal and Informal	Need based	Healthy relations with local community	Employability, livelihood
Suppliers	Supplier Meets, BCM; Kaizen Festival; Quality Circle Competitions; ASM; Promotion and Awards	Formal	Monthly and Annually	Better quality and delivery performance	Profitability
TMC	Regular Meetings and Communication	Formal	Need based/ Periodic	Streamlining of product and process improvement	Efficient process and business management
Government and Regulatory Authorities	Regular meetings; Meetings in industry forums	Formal	Need based/ Periodic	Timely clearances; Successful operations and business continuity	Compliance with regulations

KEY PERFORMANCE PARAMETER

ENVIRONMENTAL PERFORMANCE

KEY PERFORMANCE INDICATOR			2013-14	2014-15	2015-16
Total Water Usage (m³/veh)	Plant 1	3.74		3.49	3.25
	Plant 2	2.88		2.31	2.20
Hazardous Waste Generation (kg/veh)	Plant 1	4.3		4.24	3.2
	Plant 2	5.12		5.97	4.27
VOC Emission (gm/m²)	Plant 1	39.4		35.74	34.05
	Plant 2	15.62		13.86	12.54
CO₂ Emission (tCO₂/veh)	Plant 1	Scope 1	0.08	0.067	0.063
		Scope 2	0.39	0.332	0.386
	Plant 2	Scope 1	0.05	0.072	0.065
		Scope 2	0.34	0.349	0.388
Suppliers (core) compliant with ISO14001			100%	100%	100%
Dealerships compliant with ISO14001			96%	100%	100%

SOCIAL PERFORMANCE

KEY PERFORMANCE INDICATOR		2013-14	2014-15	2015-16
Number of employees		8480	8347	8761
Turnover rate for employees		2.40%	2.14%	1.95
* Community Investments (Through Community Spirit and Community Sponsorships) in Million INR			64.65	48.88

ECONOMIC PERFORMANCE

KEY PERFORMANCE INDICATOR		2013-14	2014-15	2015-16
Units Manufactured (Nos.)		1,54,627	1,59,347	1,45,708
Units Imported as CBU (Completely Built Unit) (Nos).		78	136	153
Net Profit after Tax (Million INR)		(-) 629	5294.7	5045.68

AWARDS AND RECOGNITIONS

	<p>CII-ITC COMMENDATION FOR SIGNIFICANT ACHIEVEMENT IN ENVIRONMENT MANAGEMENT, 2015 CII-ITC Centre for Excellence for Sustainable Development Theme of Award: Sustainable Business</p>		<p>GOLDEN PEACOCK AWARD, 2015 Excellence in Corporate Social Responsibility (GPACSR)</p>
<p>INDIAN MANUFACTURER OF THE YEAR AWARD Frost & Sullivan, 2015</p>		<p>WARRANTY REDUCTION ACHIEVEMENT AWARD, 2015 Toyota Asia Pacific affiliates (Vehicle Manufacturers) with Asia Production Quality award</p>	
	<p>GOLDEN PEACOCK AWARD, 2015 Excellence in Occupational Health & Safety (GPOHSA)</p>		<p>JD POWER ASIA PACIFIC India's Most Dependable Entry Midsize CAR Segment - Etios</p>
<p>ASIA PACIFIC NO.1 IN ENVIRONMENT MANAGEMENT, 2015</p>	<p>Team AMENA Regional Meeting "Award Ceremony" 31st May 2016, Thailand</p> 	<p>CII-ITC COMMENDATION FOR SIGNIFICANT ACHIEVEMENT IN CORPORATE SOCIAL RESPONSIBILITY, 2015 CII-ITC Centre for Excellence for Sustainable Development Theme of Award Sustainable Business</p>	
 <p>FULL SIZE SEDAN OF THE YEAR</p>	<p>11th NDTV Car & Bike Awards, 2016 For Toyota Camry Hybrid Ideal combination of Luxury sedan with hybrid technology</p> <p>Theme of Award FULL SIZE SEDAN OF THE YEAR</p>	 <p>INDIAN SKILLS 2016</p>	<p>Ministry of Skill Development & Entrepreneurship 1st and 2nd positions under Mechatronic Skills Qualified to World Skills 2017</p> <p>Theme of Award INDIAN SKILLS 2016</p>

BIRD'S EYE VIEW OF TKM





A BIRD'S EYE VIEW OF TOYOTA KIRLOSKAR MOTOR PVT. LTD, BIDADI MANUFACTURING FACILITY

TKM is situated in the Bidadi Industrial Area, which has been earmarked by the Government as an industrial area development project. No natural biodiversity habitats are affected by the location of the manufacturing facility.

- | | |
|--|-------------------------------|
| 01. Toyota Technical Training Institute (TTTI) | 08. Plant 1 |
| 02. Biogas Unit | 09. Onsite supplier park |
| 03. National Manpower Excellence Centre | 10. Camry Unit |
| 04. National Parts Centre | 11. Herbal Garden |
| 05. Completely Built Unit yard (CBU) | 12. Plant 2 |
| 06. Test Track | 13. Sludge Drying Yard |
| 07. Gurukul | 14. Rainwater Harvesting Pond |