



TOYOTA
Quality Revolution

SUSTAINABILITY REPORT 2017



ABOUT THE REPORT

Welcome to Toyota Kirloskar Motor Private Limited's eighth annual Sustainability Report. The report reflects the company's business values, sustainability perspectives, and stakeholder inclusiveness along with the Economic, Social and Environmental performance in FY 2016-17.

The report follows Global Reporting Initiative's G4 Sustainability Reporting Guidelines with chosen level of adherence as 'in accordance - Core'. Further the report is externally assured by KPMG, India as per ISAE 3000 and it is the first time that the company has taken external assurance for the report

We invite our stakeholders to be a part of our sustainability initiatives and give us your valuable feedback and suggestions on this report at sustainability@toyota-kirloskar.co.in

ABOUT THE CONCEPT

While traversing the sustainable growth journey, we believe that it is essential to embrace inclusivity across all our operations and systems. We, at TKM strongly believe in inclusive growth of our stakeholders and their well-being to foster the sustainability values to achieve success. Hence, we have always committed to the principle of stakeholder inclusion in our company's growth and co-creation of shared value for all our stakeholders.

Going forward, we aim to work together with our entire value chain to make it more sustainable. In continuation with last year, yet once again we are taking forward our journey towards sustainability with the principle of **'Nurturing Inclusive Growth'**.

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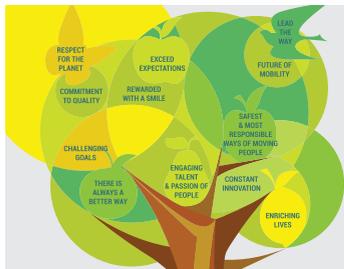
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Independent Assurance Statement

MESSAGE FROM THE MANAGING DIRECTOR



AKITO TACHIBANA, Managing Director

IN OUR ENDEAVOR TO INTEGRATE BUSINESS AND SUSTAINABILITY, WE HAVE GLOBALLY ANNOUNCED "TOYOTA ENVIRONMENT CHALLENGES 2050" WHICH FOCUSES ON MOVING TOWARDS ZERO CO₂ AND MINIMIZING THE IMPACT ON ENVIRONMENT FROM OUR BUSINESS.

Businesses today are social institutions; they must strive towards development of technology and innovations to solve societal issues and to build a sustainable environment for the future. At Toyota, we believe sustainability and corporate social responsibility are as important as profits. We focus on a few areas and try to ensure that we do the things right. We aim to perfect what we do on a small scale and when we are confident we scale them up.

Last financial year, the automotive industry underwent a lot of disruptions beginning from regulatory changes to demonetization leading to major impact on the business. We have however continued to sustain with our core philosophy of 'CUSTOMER FIRST'. Together with our business partners, we continue to deliver automobiles with best in class quality, safest cars with lowest maintenance orchestrated even today by the Qualis plying on the Indian roads despite stopping its production several years ago.

In our endeavor to integrate business and sustainability, we have globally announced "Toyota Environment Challenges 2050" which focuses on

moving towards Zero CO₂ and minimizing the impact on environment from our business. In India, we are confident that we can achieve a significant portion of the challenge by 2025 itself. Reducing our dependence on grid power by installing a 3.2 MW solar power plant and establishing rainwater harvesting facilities in our manufacturing plant is a recent testimony to our commitment.

Our aim is to deepen the understanding of our philosophies among our stakeholders. To bring the alignment, we handhold our stakeholders by educating and providing tools like green purchasing guidelines and eco dealership guidelines. These best practices implemented at TKM are showcased to our stakeholders to encourage them to adopt them. We are creating an Ecopark at TKM where we would like to involve all stakeholders to promote environment awareness in a unique 'experiential' manner.

We have chosen to undertake social initiatives in the areas of road safety, education, skill development, healthcare and sanitation to make a meaningful impact on the communities influenced by us. Our ABCD (A Behavioural Change

Demonstration) program is a step in this direction where we are fighting open defecation. Children are encouraged to learn about issues of open defecation and have become ambassadors of change as they influence their parents to build toilets.

At Toyota, we believe contributing to a better world is part of our DNA. As we continue our meaningful journey in India, I am excited to be driving our agenda to become sustainable and socially responsible business.



MESSAGE FROM THE VICE CHAIRMAN

VIKRAM KIRLOS KAR,
Vice Chairman

Of late, the Indian automotive industry has been subjected to business impacts arising out of events like demonetization, tax reforms and regulatory changes. The tax reform has impacted the segment we operate in; we however believe that a customer with a focus on brand and quality will continue to prefer Toyota. The Indian auto market presently harbours a dual phenomenon of favourable demographic changes with growth in working population and expected improvements in Indian economy providing a fertile environment for a healthy demand for personal vehicles.

The recent push by government for electrification of power trains is commendable, however it hugely depends on availability of infrastructure for charging and affordability. At Toyota, we are already equipped with necessary capabilities to develop electric vehicles; we firmly believe that hybrid vehicles are presently the most environmental friendly vehicles considering the country's current energy priorities. Our focus will remain to be in developing market for hybrid vehicles for the reduction of carbon dioxide emissions throughout the life cycle.

We are committed for our vision of greener tomorrow and have announced our long term commitment towards the society and environment through our Global Environment Challenge 2050 which is in alignment with the UN Sustainable Development Goals (SDGs). We have established a five-year plan to improve our environmental footprint and advance our manufacturing processes in alignment with the Toyota Environmental Challenge. We're proud

of how we have been transforming our company, from the vehicles we make to the way in which we make them. From water use to talent retention to carbon dioxide emissions, we have moved forward and made progress toward a suite of goals and commitments we have set for ourselves.

Traffic congestion is posing a serious concern for urban mobility and safety creating a need to develop innovative solutions.

GOVERNMENT HAS INITIATED A WORKSHOP INVOLVING NITI AYOJ AND MAJOR PLAYERS INCLUDING TOYOTA TO DEVELOP A FRAMEWORK FOR FUTURE MOBILITY. OUR TOYOTA SAFETY EDUCATION PROGRAM HAS BEEN A STEP FORWARD TO EDUCATE SCHOOL CHILDREN AND TAXI DRIVERS ON SAFETY HAZARDS ON THE ROAD AND DEFENSIVE DRIVING.

In line with the national and local needs, we have also chosen to undertake various social initiatives in the areas of safety, environment, education, skill development and healthcare and sanitation.

We are grateful to our customers who have believed in us and recognized our ability to give them increased value year after year. We are thankful to all our stakeholders who we consider as our partners in growth.

Our blueprint for Sustainability, which focuses on our products and environmental footprint, brings to life our pledge to build a strong business, deliver great products and create a better world – and to make this pledge relevant in a future that will be very different from the past.



MESSAGE FROM THE VICE CHAIRMAN

SHEKAR VISWANATHAN,
Vice Chairman and
Whole Time Director

India has emerged as one of the key global players, both as a consumer and producer in the auto industry. It has witnessed tremendous growth, especially in the last few years. The automobile industry in India accounts for 22% of the country's total manufacturing output and has the potential to become the third largest auto market in the world over the next 5 years. The expected growth of Indian economy and increase in the working-age population in the coming years indicate a clear opportunity for the industry.

The year 2016-17 saw some new challenges like demonetization and implementation of GST. While demonetization had the laudable aim of curbing the scourge of unaccounted money the introduction of GST created a few stress points for industry. This is still work in progress. The government's ambitious target for moving into an all-electric auto sector by 2030 is driven by

the need to wean the country away from fossil fuels we believe this is an impractical target. The move to electric vehicles must be gradual given that several industries dependent on the internal combustion engine need time to reinvent themselves and we need to give ourselves time till 2050 to transition to a substantially electric fleet. It is the consumer who will finally determine the choices made and therefore we must continue our focus on offering safe and quality cars to our customers.

WITH THE AIM OF CONTRIBUTING TO GLOBAL ENVIRONMENTAL SUSTAINABILITY, TOYOTA HAS DEVELOPED THE '2050 ENVIRONMENT CHALLENGES' COMPOSED OF SIX INDIVIDUAL CHALLENGES ACROSS THREE AREAS: EVER-BETTER CARS, EVER-BETTER MANUFACTURING, AND ENRICHING LIVES OF COMMUNITIES TO BE ACHIEVED OVER THE NEXT 35 YEARS.

In line with the global expectations, TKM has striven to conserve the environment

and promote judicious use of natural resources in our facility and supply chain.

The advent of Corporate Social Responsibility as a concept is an opportunity to add value to the society in which we operate. We at Toyota have always engaged in CSR activities long before the government mandated a 2% of profit spend on this. We have particularly focused on skill development with Toyota Technical Training Institute [TTTI] which has catered to developing youth from the economically disadvantaged sections of the society. Along with the Toyota Institute India [TII] and Gurukul, we have been able to create a highly skilled workforce for our industry. Our focus has rewarded us with first and second positions in India Skills, 2017.

We have actively undertaken initiatives to drive road safety and health and hygiene of the society and striving to 'connect people with nature' through 'child to community' approach with 'Green Me'. Our 'project ABCD' has been successful in touching more than 18000 school children and construction of over 4000 household sanitation units, making 74 villages across Bidadi "open defecation free."

We are committed to go beyond building just world-class cars and be responsible towards our key stakeholders. We value the importance of having clean air and clean water for future generations of Indians and are working to build appropriate products with appropriate technology to maximize employment opportunities.

MESSAGE FROM THE EDITOR'S DESK



RAJU B KETKALE, Sr. Vice President - Manufacturing

It is with great pride I present to you our Sustainability Report for FY 2017. In continuation with last year's theme, 'Nurturing Inclusive Growth', this Sustainability Report will highlight the strategy adopted and the journey taken by stakeholders in alignment with the concept of sustainability. We try to create a conducive environment where enquiry and evidence form the basis of rational choices.

IT IS VERY VITAL FOR US TO CONTINUOUSLY MOVE TOWARDS INCLUSIVE GROWTH BY TRANSFORMING THE WAY THE ECONOMY CREATES VALUE.

More importantly, we need to strive to work in close collaboration with the government for implementing new developmental approaches.

As sustainability becomes more mainstream, we report on a series of initiatives that will help TKM set up processes to improve its green footprint and we also turn the spotlight on educating the concept of sustainability to children, our future generation. Additionally, this report elucidates on our teamwork to bring out a quality, safe, innovative product with a softer message of environmental and social conscience.

I would like to thank all our stakeholders who have contributed to the development of this report and appreciate feedback on the same.

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

SUSTAINABILITY HIGHLIGHTS 2016-17

Initiated
3.2 MW
solar plant at our premises



38%
of our total energy consumed is procured from
Renewable Energy Sources

50% more investment on CSR activities compared to previous year which is **99.01 Million INR**

The purchased fresh water consumption in overall manufacturing is only
7.6%



92.8%
of our water demand for manufacturing is met by rainwater and recycled water



We discard 'Zero waste' directly to the landfill.

The non-hazardous waste is sent for Recycling and hazardous waste for coprocessing and incineration



70%
reduced survey duration through
Revamped Customer Survey
mechanism

Innova
No. 1 for 12 consecutive years
JD Power Award



In 2016-17, Toyota Institute India has trained

20276 people

including key stakeholders suppliers, dealers and community which is

28346

total man days trained



Launch of **48th**
Toyota - Technical Education Program [T-TEP]

Installed road safety in
30,000
school children through
T-SEP
(Toyota - Safety Education Program)



30,600
children trained on Hygienic Sanitation Practices through
Project ABCD



We are certified with
ISO 9001:2015 QMS with
Zero non-compliance

24/7
counseling support through
AASARE
for TMs under
Psychological distress



Involved more than
1600+ students
on environment activities



25 acres
Eco park at TKM premises



CSR Excellence Award
for 6 consecutive year by CII ITC

Trained 147 Supplier Project Experts [SPEs],
that is **89%** of our supplier base



The rate of attrition is **1.42%**
in FY 16-17, which is lower than the
industry average of 12%



Rejuvenation of
Linggowdanakere Lake
3.5 acres

COMPANY PROFILE

Toyota Kirloskar Motor Pvt. Ltd (TKM) subsidiary of Toyota Motor Corporation [TMC], is one of the leading automobile manufacturers in India. TKM entered Indian market in 1999 with their revolutionary world-class vehicles meeting the needs of Indian customer in Quality, Safety and Innovation.

OVERVIEW OF THE COMPANY

Company Name

Toyota Kirloskar Motor Private Limited

Corporate Identification Number

U34101KA1997PTC022858

Equity Participation

Toyota Motor Corporation: 89%, Kirloskar Group: 11%

Date of Incorporation and Establishment

6th October 1997

Company Address-Head Quarters

Plot No.1, Bidadi Industrial Area, Pin : 562109
Ramanagar District,
Karnataka State

Land Area

Approx. 432.303 acres
(approx. 1,700,000 m²)

Total Installed Production Capacity

Upto 3,10,000 units

Markets Served

India, South Africa, Mauritius,
Bhutan, Nepal and Brunei

ANNUAL POLICY 2016-17

“STEPPING TOWARDS EXCELLENT COMPANY”

- Be role model to take safety to next level by thorough elimination of accidents inside and outside work place for all members across supply chain
- Strengthen “Never-Compromise-Quality” mind for products, services and processes beyond SOP and set a smooth transition from compliance to governance in all areas of operation
- Place extreme priority for human development (TKM, Dealers and Suppliers), employees’ motivation enhancement and gender diversity/ sensitivity to make Team Toyota a learning organization rooted in TBP and Toyota Way
- Raise the bar of profitability target/ structure and sustain it by the unified effort of all members through cost ownership and ROI mindset
- Be the most chosen company by customers, society and business partners through our capability enhancement and relentless effort in delivering the best-by-far
- Ensure robust mid-long term planning (Year 2025-30) mechanism in all functions aligning with company’s vision and through cross functional collaboration to build a future-ready organization
- Develop true professional with Gemba oriented approach, domain expertise and leadership

Team TOYOTA Vision 2025

GROW INDIA & GROW WITH INDIA

DEALERS

SUPPLIERS

Team TOYOTA

TKM

FAMILIES



TOYOTA

Toyota India will contribute to enrich the quality of life in India and help solve the societal problems by establishing high standards of Safety, Technology, Quality and Corporate Social Responsibility.



With a spirit to constantly Learn, Teach, Improve and Innovate, all our stakeholders and families will collaborate to help make India a better place.



We will strive for excellence in sustainability ensuring we are eco friendly in our products, services and customer experiences.

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.

Regional Office [RO] - IS Office, Bengaluru | Regional Parts Depot and Training Centre [West], Pune | Regional Office [RO], Mumbai | Regional Parts Depot and Training Centre [North], Manesar | Regional Office [RO], North, Gurgaon | Regional Office [RO], East, Kolkata | Regional Parts Centre, Neemrana

PRODUCT LINE UP

The Innova has been the best selling model in the MPV segment for the past twelve years in succession and Fortuner has been the best selling model in the SUV segment in India since 2009. In India, the manufacturing of Etios commenced in December 2010. Toyota's luxury

car Camry and Camry Hybrid is also assembled in TKM premises.

We also import and sell Land Cruiser, Land Cruiser Prado, Prius and Lexus as Completely Built Units [CBUs] throughout our dealership network in India.



LAND CRUISER 200

The Pride of the World



PRADO

All-Terrain Luxury



FORTUNER

True SUV True Style



CAMRY HYBRID

A New Kind of Luxury, Ahead of its Time.



PRIUS

The Planet's Favourite Hybrid



INNOVA CRYSTA

Luxury meets Power



COROLA ALTIS

The New Benchmark



ETIOS CROSS

Born with Attitude



ETIOS LIVA

Designed Stylish. Built Safe.



PLATINUM ETIOS

The Most Dependable Sedan.



Import

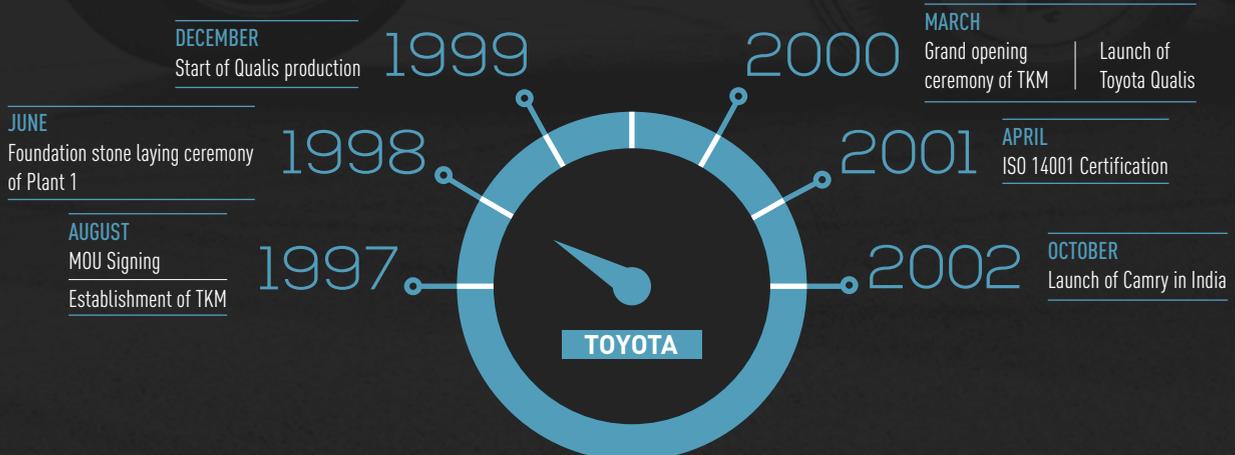
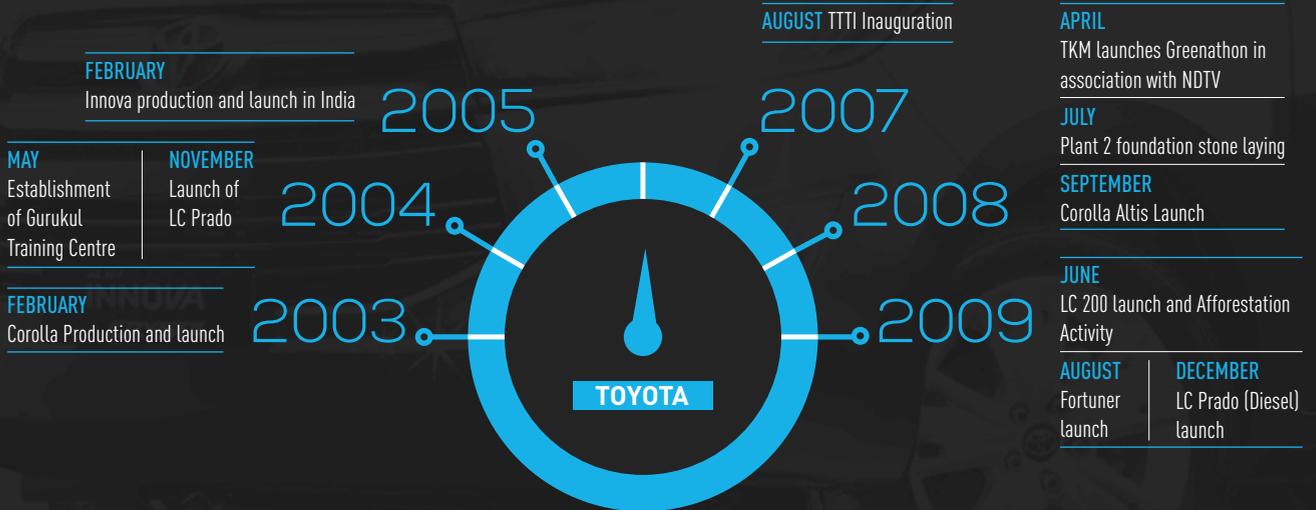
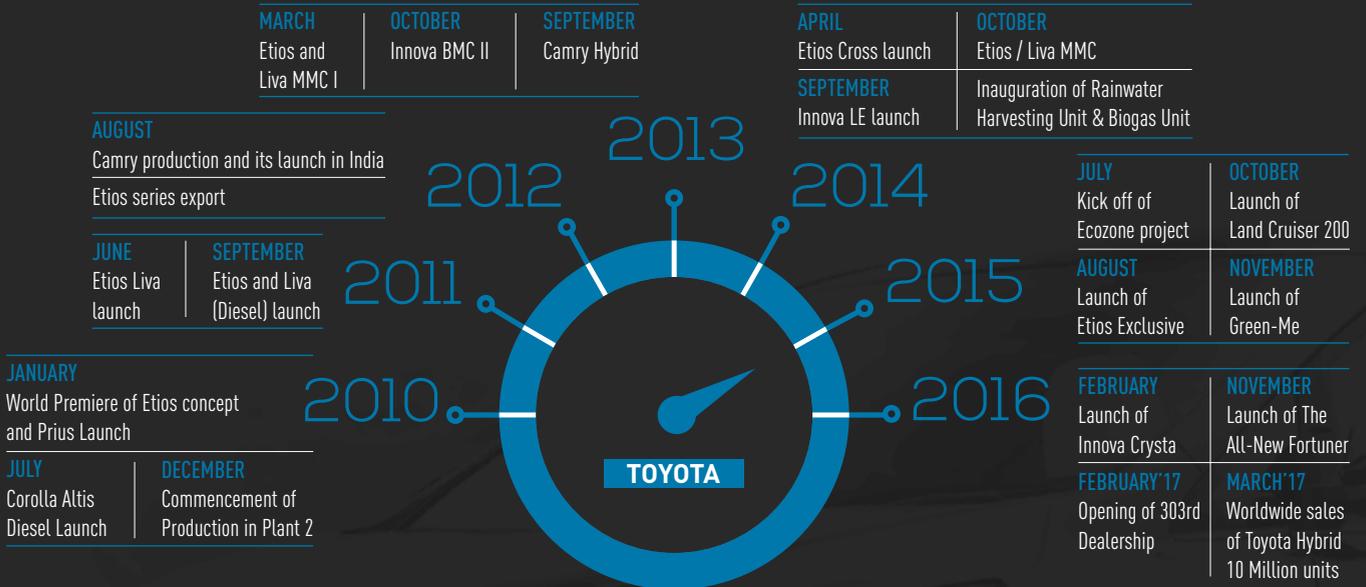


Export



Manufacture

KEY MILESTONES OF TOYOTA



AWARDS AND ACCOLADES 2016-2017



CATEGORY : PRODUCTS



MUV OF THE YEAR
Toyota Innova Crysta



FULLSIZE SEDAN OF THE YEAR
Toyota Camry Hybrid, 2016



FAMILY CAR OF THE YEAR
Toyota Innova Crysta



BEST OF 2016
Toyota Innova Crysta



MVP OF THE YEAR
Toyota Innova Crysta



BEST MVP OF THE YEAR
Toyota Innova Crysta



UTILITY VEHICLE OF THE YEAR
Toyota Innova Crysta



MUV OF THE YEAR
Toyota Innova Crysta



MULTI UTILITY VEHICLE OF THE YEAR
Toyota Innova Crysta



CATEGORY : MANUFACTURING



CATEGORY : EXPORT



CII KAIZEN CONFERENCE AND COMPETITION
First place in 'Breakthrough kaizen' and second in 'Innovative'
CII TPM CLUB
Breakthrough Kaizen Award



INDIA MANUFACTURING EXCELLENCE AWARDS
Future Ready Factory- Platinum Award- Automotive Sector, Mega Large Business



MERCHANT EXPORTER CATEGORY
Star Exporter Award For The Year 2015-16



NATIONAL AWARD FOR ENGINEERING EXPORT EXCELLENCE
Top Exporter Award 2014-15 and 2015-16
Star Performer Award 2015-16



FIRST AND SECOND POSITION IN INDIA SKILLS 2016



TOYOTA ASIA PACIFIC ENVIRONMENT AWARD
No. 1 among Toyota Affiliates for 3 Consecutive Years



CATEGORY : HEALTH AND SAFETY



BY AROGYA WORLD
Healthy Workplace Gold 2016

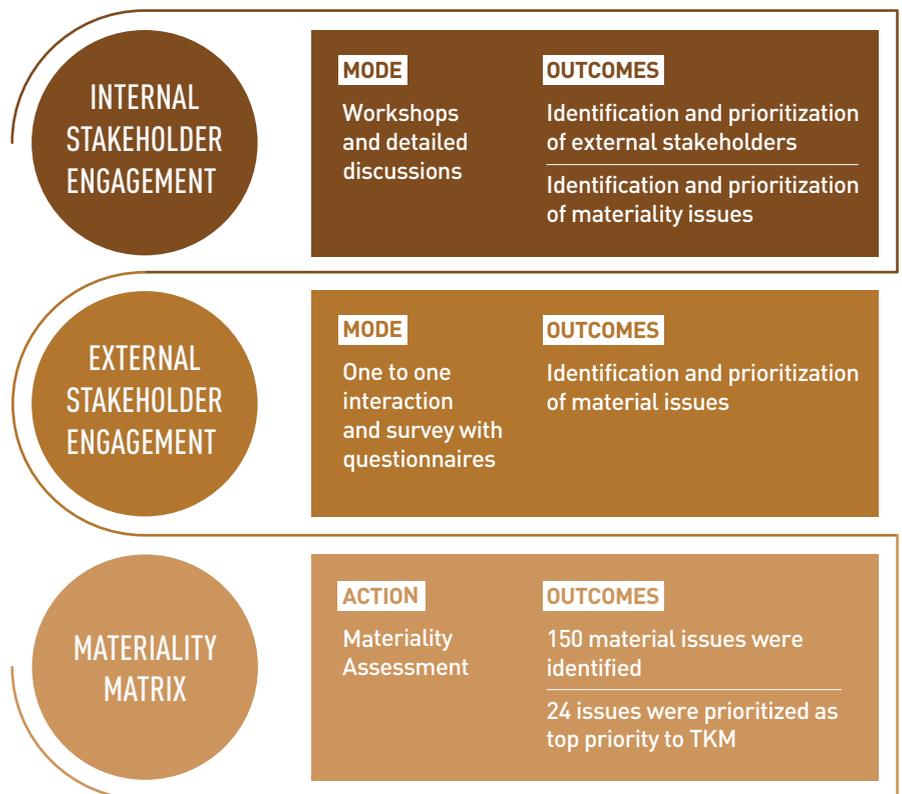
STAKEHOLDER ENGAGEMENT AND MATERIALITY

Toyota Kirloskar Motor has always viewed its' stakeholders as partners in growth. We believe that stakeholders are instrumental in business development, building brand reputation and trust. With the philosophy of 'Nurturing Inclusive Growth', we engage, collaborate and involve our stakeholders to develop strategies, bring about continuous improvements in processes and be a part of our sustainability agenda.

The report covers the aspects which are material to TKM. We have identified boundaries for each material aspect. The scope of this report is limited to our manufacturing operations in Bidadi, India.

ASSESSING OUR MOST MATERIAL

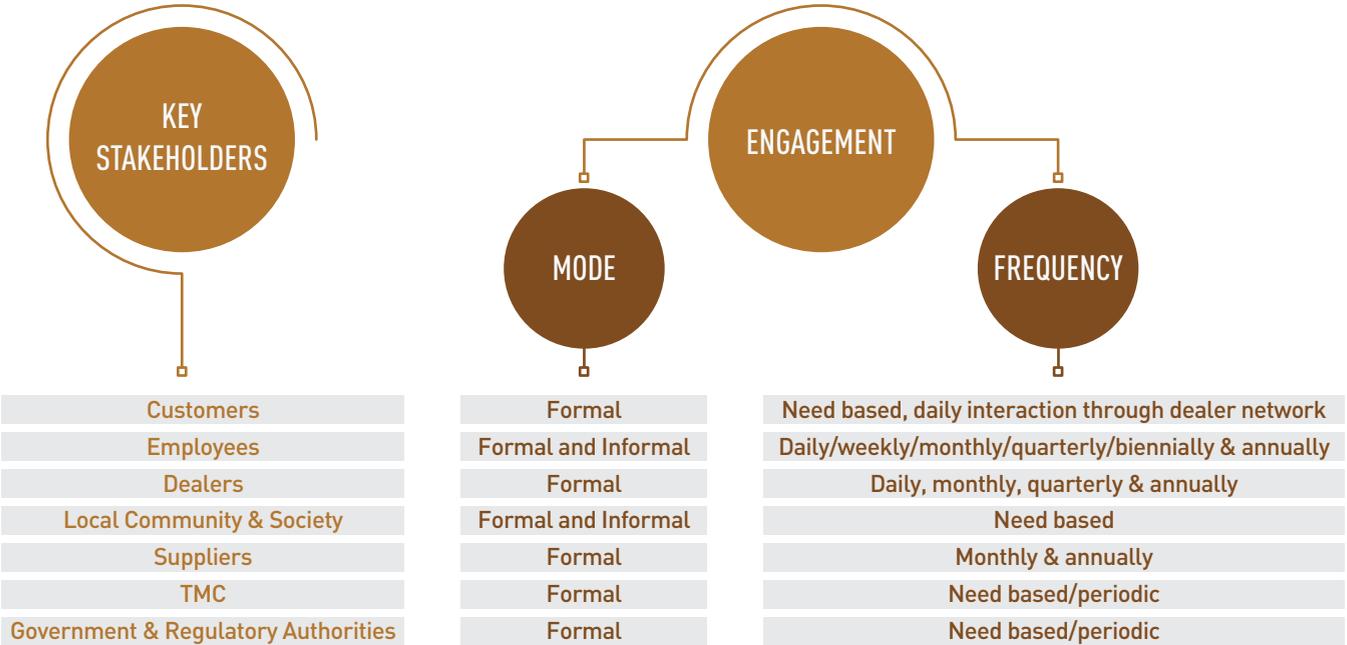
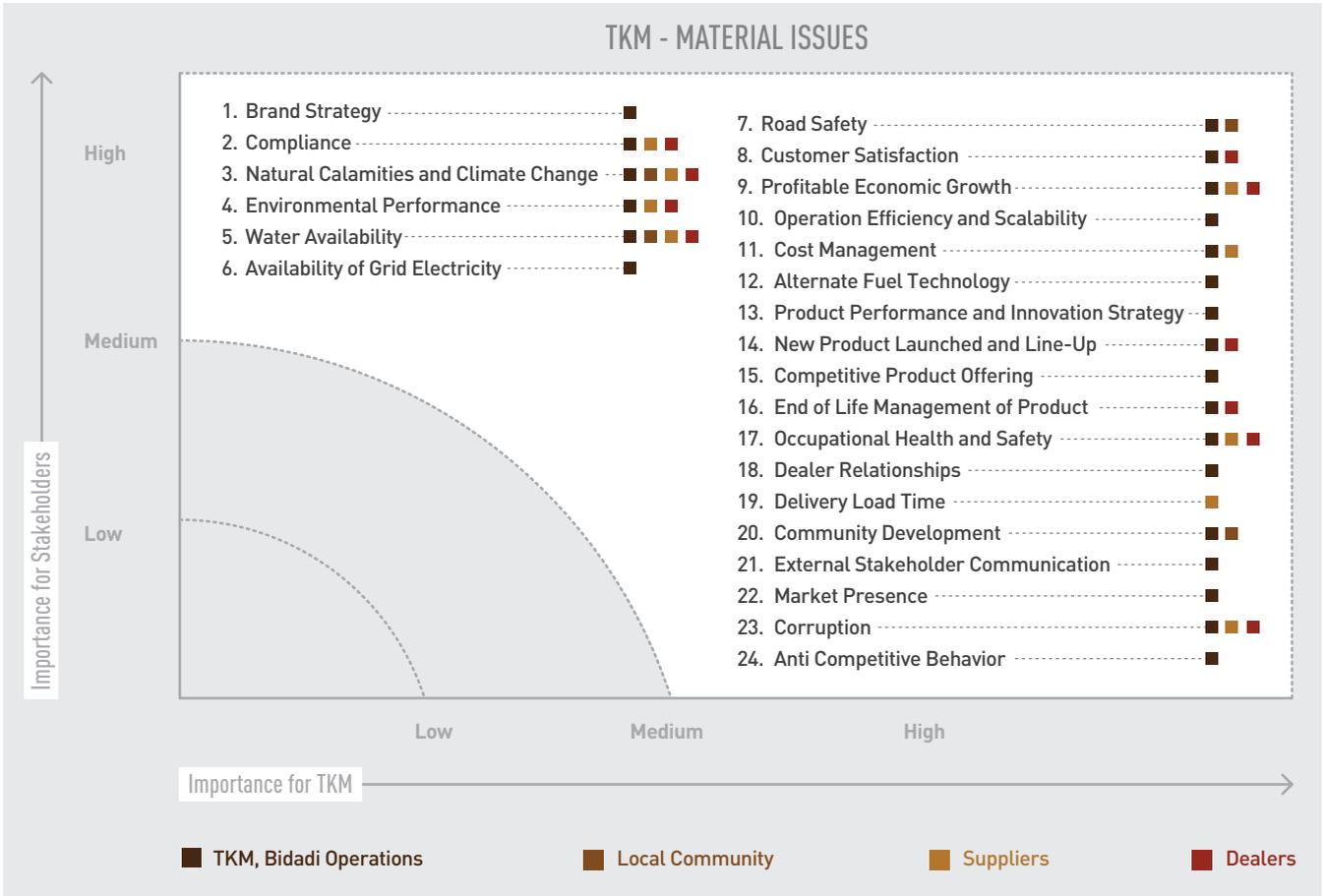
Stakeholder engagement and materiality assessment was conducted in the previous reporting year. We have continued with the results of this exercise this year as well. We engage with our key stakeholders round the year through various formal and informal channels. The key internal stakeholders comprise of our senior management and employees.



Important sustainability issues for TKM were selected based on sector trends, peer analysis, and the aspects identified by key internal stakeholders. The materiality matrix was developed

by plotting the responses considering both internal and external stakeholder engagement, which was further reviewed and validated by our senior management.

ASPECT BOUNDARIES



CORPORATE SUSTAINABILITY PHILOSOPHY

'Sustainability' is an integral part of Toyota's Corporate Management Philosophy and is communicated across departments and generations as 'Toyota Guiding Principles'. The Guiding Principles are derived by the 'Five Main Principles of Toyoda' which embody the thinking of Mr. Sakichi Toyoda, founder of the Toyota Group.

Further, the Guiding Principles also form the basis of 'Toyota Way', the 'Toyota Code of Conduct', which are the most important guiding tools for implementation of the Guiding Principles in business operations; the 'Toyota Earth Charter' and 'Toyota Global Vision' which are implemented in daily business operations to contribute to Greener tomorrow.

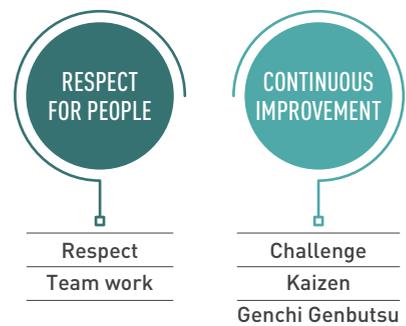
GUIDING PRINCIPLES AT TOYOTA

1. Honor the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in their respective communities.
3. Dedicate our business to providing clean and safe products and to enhancing the quality of life everywhere through all of our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.
5. Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honoring mutual trust and respect between labor and management.
6. Pursue growth through harmony with the global community via innovative management.
7. Work with business partners in research and manufacture to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships

THE TOYOTA WAY

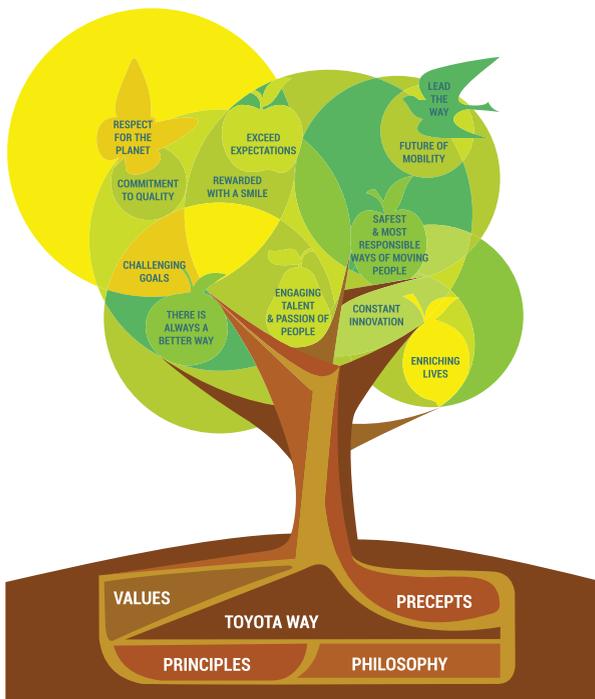
With the rapid growth, diversification and globalization of Toyota in the past decade, values and the business methods that had been passed on as implicit knowledge were identified and defined in 2001 as the 'Toyota Way'.

Toyota is preparing to operate as a truly global company, guided by a common corporate culture. In order to continue fulfilling its role as the backbone of all Toyota operations, Toyota will continue to update the Toyota way in the future to reflect changes in the times to come.



TOYOTA CODE OF CONDUCT

The Toyota Code of Conduct (issued in 1998, revised in 2006) details out the basic code of conduct to be adhered by all the people working at Toyota in their daily business operations to practice and fulfill the social responsibilities. The details are further elaborated in Corporate Governance chapter.



TOYOTA GLOBAL VISION

The Toyota Global Vision (issued in 2011) defines our esteemed values and our actions to make ‘always better cars’ that exceed customer expectations and ‘enriching lives of communities’ leading to a ‘stable base of business’ to achieve sustainable growth of the company.

Toyota will lead the way to the future of mobility, enriching lives around the world with the safest and most responsible ways of moving people. Through our commitment to quality, constant innovation and respect for the planet, we aim to exceed expectations and be rewarded with a smile. We will meet challenging goals by engaging the talent and passion of people, who believe there is always a better way.

TOYOTA EARTH CHARTER

Toyota established the Toyota Earth Charter (issue in 1992, revised in 2000) as the action plan for global environment and has formulated policies for environmental initiatives. It is shared among 559 Toyota consolidated affiliates around the world.

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, base don’t thorough preventive measures and compliance with laws that address environmental issues on the global, national and regional scale and promotes continuous implementation.
- **Working in cooperation with society:** Build close and cooperative relationships with a wide spectrum of individuals and organizations involved in the 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.
 - i. Develop and provide products with top-level environmental performance
 - ii. Pursue production activities that do not generate waste
 - iii. Implement through preventive measure
 - iv. 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
- i. Participate in the creation of a recycling-based society
- ii. Support government environmental policies
- iii. Contribute also to non-profit activities
- **Toward better understanding:** Actively disclose information and promote environmental awareness.

ORGANIZATION IN CHARGE

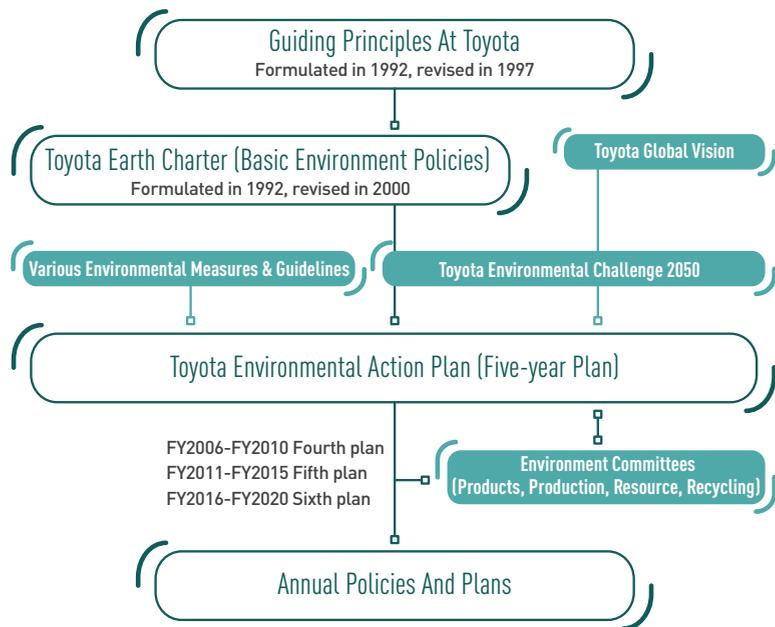
Promotion of environment initiatives by the Toyota Environment Committee, consisting of top management (chaired by the President, TMC).

TOYOTA ENVIRONMENTAL CHALLENGE 2050

We have formulated the Toyota Earth Charter based on the Guiding Principles at Toyota, considering environmental issues as a paramount importance, and have established a promotion structure to address such issues. In the course of perceiving public opinions or world trends while considering our focus in the years to come, we have embarked on new challenges to tackle unsolved environmental issues.

Our ideal goal has grown higher from “Toyota’s presence will not impact environment” to “Toyota’s presence will have a positive impact on the environment”. We are going further with an aim to establish a future society in harmony with nature.

THE TOYOTA ENVIRONMENTAL ACTION PLAN



The Toyota Global Environmental Action Plan embodies the Toyota Earth Charter and is established every five years consisting of three priority themes: “contribution to a low-carbon society,” “contribution to a recycling-based society,” and “environmental conservation and contribution to a society in harmony with nature,” and facilitates Toyota’s global environmental initiatives. In FY2016, Toyota rolled out the Sixth Toyota Environmental Action Plan (2016–2020).



Takeshi Uchiyamada
Chairman of the Board of Directors, TMC

LEADING INNOVATION WITH TECHNOLOGY AND CREATIVITY TO ADDRESS ENVIRONMENTAL CHALLENGES

Since its foundation, Toyota has inherited the corporate philosophy, “Contributing to society through manufacturing of cars.” Similarly, we have embraced unshakable belief of “Leading innovation with technology and creativity.” The first-generation Prius launched in 1997 is one of our achievements. Upholding a mission to “Manufacturing new vehicles for the 21st century,” we developed the HV system not available at that time, and its unprecedented fuel efficiency performance contributed to the reduction of environmental impact.

I believe that the keys to success are to reverse ways of thinking, “to make the impossible possible” and “breakthrough technology.” We will never change this basic stance, “Do what should be done instead of doing what is possible.” This spirit of innovation challenge is the Toyota’s DNA. We wish to continue to be a company that creates a desirable future with our stakeholders and brings smiles to our customers and society.

REALIZATION OF CHALLENGE TO ZERO & BEYOND



With the rising environment risks at the global scale, Toyota has formulated and announced Global Environmental Challenge 2050 in October 2015, its first long-term vision towards environment and social sustainability. It is aligned with the Sustainable Development Goals [SDGs] officially known as Transforming our World: The 2030 Agenda, announced in September, 2015 by United Nations. Out of the 17 universal Goals, 12 goals are directly and indirectly linked to our Challenge 2050.



The challenge personifies Toyota's vision of a greener tomorrow with six challenges in-line with UN-2015 post Sustainable Development Goals [SDGs].

7 RENEWABLE ENERGY

9 INDUSTRY AND INNOVATION

11 SUSTAINABLE CITIES AND COMMUNITIES

CHALLENGE 1

New Vehicle Zero CO₂ Emissions Challenge

90% DOWN!

2010 → 2050

Toyota has decided to challenge itself to reduce vehicle CO₂ emissions by 90% in comparison with 2010 levels, by 2050. We will promote the development of next-generation vehicles and further accelerate the spread of these vehicles

CHALLENGE 2

Life Cycle Zero CO₂ Emissions Challenge

CO₂ = 0

Toyota efforts to reduce to zero not simply the CO₂ emissions produced in travelling and manufacturing but all CO₂ emissions including in the processes of materials production, and disposal and recycling of vehicles

CHALLENGE 3

Plant Zero CO₂ Emissions Challenge

MEASURE-1: Introducing low-CO₂ technologies with on-going Kaizen

MEASURE-2: Adopting renewable energy sources and utilizing hydrogen energy

The two main pillars of our strategy to achieve zero CO₂ emissions at our plants

14 LIFE BELOW WATER

6 CLEAN WATER AND SANITATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

4 QUALITY EDUCATION

13 CLIMATE ACTION

15 LIFE ON LAND

CHALLENGE 4

Challenge of Minimizing and Optimizing Water Usage

In automobile manufacturing, water is used in painting, forging and other processes. Therefore, even a small reduction of its impact on the water environment is important. Our two measures to achieve this are comprehensive reduction of the water used and water purification and returning to the earth.

CHALLENGE 5

Challenge of Establishing a Recycling-based Society and Systems

Toyota has been working for 40 years on the challenge of resource recycling. Going forward, by rolling out to the world the technology and systems evolved in Japan, we will continue working to the challenge of establishing a recycling-based society.

CHALLENGE 6

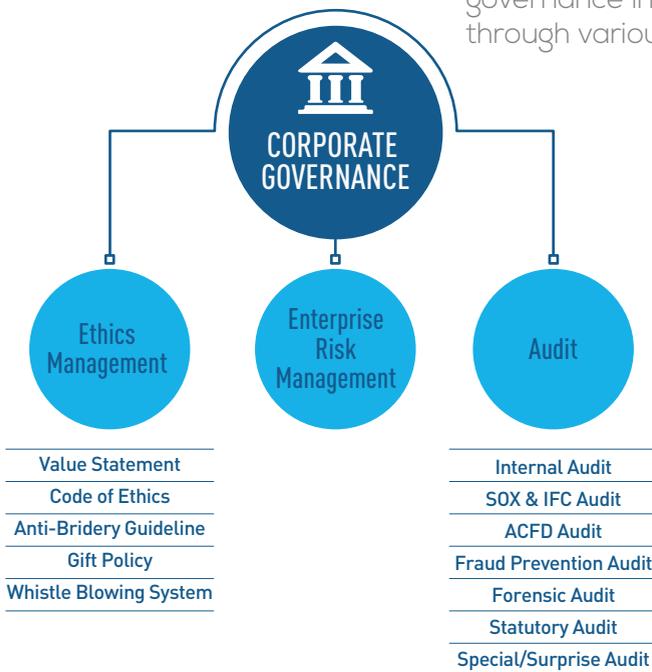
Challenge of Establishing a Future Society in Harmony with Nature

Toyota has engaged in planting tress, environmental conservation activities in plants and surrounding area. To establish a society where humans and nature co-exist in harmony, we are promoting several activities to connect regions, the world and the future.

CORPORATE GOVERNANCE

We promote a culture of high ethical standards, integrity, transparency and accountability in all the business transactions and in compliance with all laws and regulations. We recognize good governance as a sine qua non for sustainability. The Value Statement and Code of Ethics define our value system and reflect our culture and commitment to the values of corporate governance.

We have also established internal control mechanisms to ensure the conformance to the norms of corporate governance and believe in a system driven performance with the highest priority given to these systems. Our objective is to establish good governance in the company and educate all our stakeholders through various initiatives.



ETHICS MANAGEMENT

VALUE STATEMENT

We have released the value statement for the company after due deliberations and with the understanding of all our Stakeholders. These core values are to be cherished and imbibed by its members at all times in their personal and professional life. An oath is taken by all Team Members [TMs] 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.

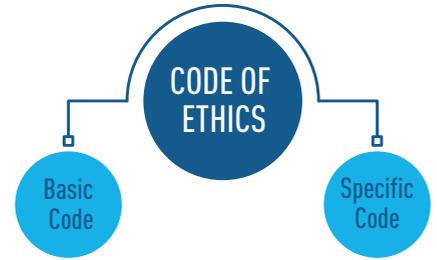


ACCOUNTABILITY

I will take ownership for all my actions.

CODE OF ETHICS

It is based on the Toyota Guiding Principles. The code clearly charts out the manner in which the employees of the company should interact with internal and external stakeholders. 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
- 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

ANTI-BRIBERY GUIDELINES

We at TKM are zero tolerant towards bribery and corruption. 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

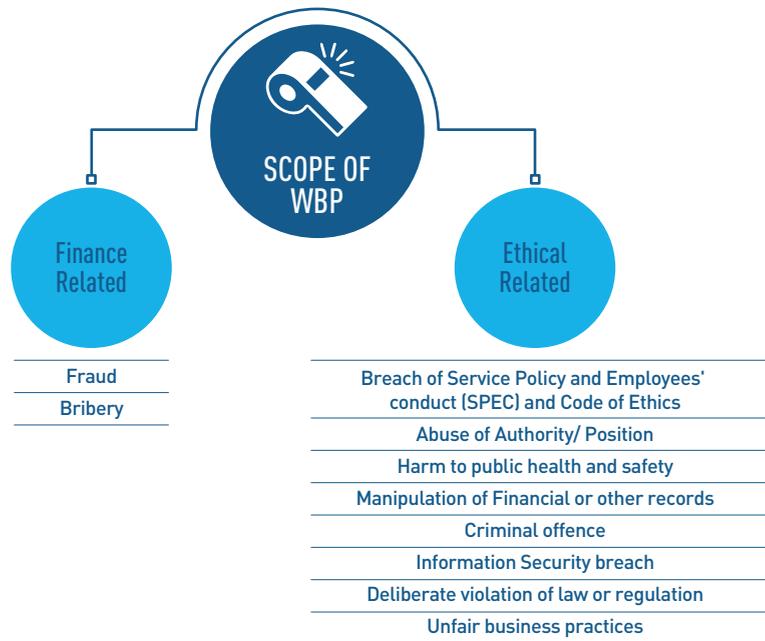
GIFT POLICY

All TKM employees 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 TMs on acceptance of Gifts and Entertainment, Company has laid down guidelines for the Gift Policy.

Since 2015, an e-mail is sent out to all division heads on Gift Policy and they are requested to submit the Gift Declaration in the prescribed format to CGD for themselves and their team. The Gift Declaration is also taken from Management comprising of Vice President and above up to MD.

WHISTLE BLOWER POLICY (WBP)

We have a well-established "Whistle Blower Policy" in place to ensure protection of our people, 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.



WHO CAN REPORT UNDER THIS POLICY?



An Independent Authority [IA] has been appointed to investigate the issues with the advice of Ethics Committee. The investigation report is submitted to the Vice Chairman and MD (Chairman of Ethics Committee for its review and further actions. More information on the process and the reporting channel can be found on [ToyotaBharat website](#)

ANTI-COMPETITIVE BEHAVIOUR

We are complying to the provisions of Competition Act 2002 – a mandatory legislation that deals with anti-competitive behaviour. We have provided open access to our vehicle parts through www.toyotapartsconnect.in, through which any service provider can buy our vehicle parts to fit in to our vehicles.

AUDITS - INTERNAL CONTROL MECHANISM

INTERNAL AUDIT

We practice a risk-based, focused internal audit system and use 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.

SOX AND IFC AUDIT

We conduct the SOX-404 audit based on COSO 2013 internal control framework as part of TMC's global audit requirement. 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]

OTHER AUDITS

We conduct various other audits based on the TMAP-MS/ TMC requirements and/or required as per the Companies act 2013, to strengthen internal control systems by identifying the process deficiencies, if any and improve the same by implementing effective countermeasures. Also the audit report are updated to Top management periodically based the observations noted in these audits.

ENTERPRISE RISK MANAGEMENT [ERM]

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 this Policy is to formulate comprehensive risk profiles and counter measures to achieve organization's objectives. The Board and the Audit Committee have been vested

with specific responsibilities in assessing the robustness of Risk Management Policy, process and systems.

Our purpose is to foresee potential critical risks to business and 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, we have taken initiative in identification and mitigation

of risks by implementing appropriate countermeasures.

We also have ERM policy comprising of important contents such as introduction, scope, purpose, charter, objectives of the Policy, and brief on how to become a Risk Intelligent Company, Risk Management Process, documentation, approval and related documents. With 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 then approved by the Board of Directors.

There have been no significant changes in organization structure and ownership in the reporting period.

The Board of Directors decide and the shareholders approve the remuneration of Executive Directors by way of special resolution.

As of 2016-2017, TKM has no significant monetary or non-monetary fines for non-compliance with laws.

ANNUAL GENERAL MEETING [AGM]:

It is conducted during every calendar year, a meeting of its members and its importance arises out of the nature of business transacted at this meeting. There are two types of business transacted in AGM.

- **Ordinary Business :** Consideration of financial statements and consolidated financial statements and reports of the Board of Directors

and the auditors, declaration of dividend, appointment of Directors in place of those retiring and approval or ratification of appointment of the Auditors and fixing their remuneration.

- **Special Business :** Any other item of business is referred to as Special Business and may also be transacted an AGM

EXTRA ORDINARY GENERAL MEETING:

A company may also hold any other Meeting of its Members called an Extra-Ordinary General Meeting, as and when required or at the requisition of the Members. An Extra-Ordinary General Meeting is convened for transacting Special or Urgent business that may arise in between two Annual General Meetings. All business transacted at an Extra-Ordinary General Meeting are called Special Business.



AUDIT COMMITTEE

It is responsible for reviewing half yearly and annual financial statements, internal control systems, and 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

It is responsible to issue share certificates to the shareholders after allotment of shares by the Board and to register the transfers of shares as per the Board authorization.

BOARD STRUCTURE

NAME OF THE COMPANY DIRECTOR (Member of Board of Directors)	DESIGNATION & FUNCTIONAL RESPONSIBILITY	CATEGORY (Executive/Non Executive)	MEMBER OF THE COMMITTEE
Mr. Hiroyuki Fukui	Chairman	Non-Executive	■
Mr. Vikram S 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	- - -

■ Audit Committee ■ Share Committee ■ CSR Committee

MEMBERSHIP DETAILS OF VARIOUS ASSOCIATION

MR. A. TACHIBANA

- **Japan Chamber of Commerce and Industry in India - Delhi, Bangalore, Chennai** : Member
- **Society of Indian Automobile Manufacturers (SIAM)** : Exec. Committee Member

MR. T.S. JAISHANKAR

- **CII Karnataka** : Convenor, CSR Panel

MR. N. RAJA

- **SIAM - Economic Research Group** : Chairman

MR. VIKRAM KIRLOSKAR

- **CII National Council** : Member
- **CII India Japan Business Leaders Forum** : Member
- **CII - Global Innovation and Technology Alliance** : Chairman
- **CII Southern Region** : Chairman
- **Automotive Research Association of India** : Vice President
- **Society of Indian Automobile Manufacturers (SIAM)** : Exec. Committee Member
- **SIAM - Passenger Cars CEO's Council** : Chairman

MR. SHEKAR VISWANATHAN

- **FICCI -Karnataka State Council** : Chairman
- **FICCI National Executive Committee** : Member
- **FICCI Steering Committee** : Member
- **Society of Indian Automobile Manufacturers (SIAM)** : Alt Member
- **SIAM - Taxation Policy** : Chairman

LEGAL COMPLIANCE

We believe adherence to law as a top priority issue and hence, compliance of all statutory requirements is of utmost priority to us. The compliance policies are considered integral to company objectives and the TKM Legal Manual acts as a guide to understand the laws applicable to each division. A good compliance culture is shown by the promotion of positive attitude towards legal compliance activity at all levels within our organization.

LEGAL COMPLIANCE MANAGEMENT SYSTEM

To go beyond the legal requirements, the legal compliance management system 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 respective 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 [TM] is entrusted with the responsibility to ensure 100% Legal Compliance.



LEGAL COMPLIANCE MANAGEMENT TOOL [LCMT]

As a measure of monitoring the compliance levels across all the divisions, LCMT is implemented. It sends alerts to the responsible person for compliance activities and also provides real time status report of the compliance management to the senior management and Directors on real time basis.

We aim to achieve 100% compliance to all applicable Indian Legal requirements. We do not restrict ourselves to just fulfill the compliance, but we intend to go beyond it, by aiming at the intent behind the legal requirement.

FINANCIAL PERFORMANCE

Financial performance is the key driver of business and defines success of the organization. It brings in Economic stability and profitability to the company, and helps business survive in a competitive market. Even though economic performance is the prime engine for business stability, embedding the social and environmental aspects in the decision making of the company facilitates sustainable future for the planet.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE

The global scenarios portraying the present and futuristic potential anthropogenic climate change requires businesses to commit and be responsible for their impacts created on the lives of their employees, environment and society at large whilst protecting their economic interest.

As a step towards the collective action to mitigate the climate change, we have set annual targets in our five-year Environment Action Plans to reduce our environment footprint. Over the years, we are driving energy and water conservation, CO₂ emission reduction, and waste minimization at our premises

by investing in effective mitigation strategies. We are bringing in positive changes in the processes, enhancement of operations efficiency and environment positive products to create a low-carbon society and creation of net positive impact on the society.

In Cr. | 2016-17

ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED	
Revenue (through core business segments)	21,151.59
Other income (through other sources)	202.29
Total	21,353.88
Other expenses	19,665.33
Personnel expenses (wages+benefits)	948.71
Interest charges	18.42
Community development/CSR investments	9.901
CONTRIBUTION TO BENEFIT PLAN	
Contribution to provident and other funds	63.40
Staff welfare expenses	105.01
SIGNIFICANCE FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT	
IT exemption	0.00
Land provided at subsidised rate	0.00
Incentive - Sales tax deferral	701.84
Custom, excise duties waived	0.00
Others	0.00

SIGNIFICANT INDIRECT ECONOMIC IMPACTS

We believe in contributing to the society in which we operate. Over the years, we have been contributing towards skill development, road safety, environment conservation, quality education and sanitation through various projects and activities over the years which have impacted our society positively thereby boosting the education, employability, safety and health and hygiene amongst the surrounding communities. The details of our CSR activities are elaborated in 'Our Community Initiatives' chapter.