

# CORPORATE SUSTAINABILITY PHILOSOPHY

The 'Toyota Guiding Principles', are the fundamentals of Toyota's corporate sustainability philosophy. They are derived from the 'Five Main Principles of Toyoda' which embody the thinking of Mr. Sakichi Toyoda, founder of the Toyota Group. The guiding principles have been communicated far and wide across all Toyota affiliates to implement in their daily operations. So far, the Guiding Principles have been transformed and also have formed the basis of other guiding tools such as the 'Toyota Way', 'Toyota Code of Conduct', 'Toyota Earth Charter' and 'Toyota Global Vision'.

## 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.

**RESPECT FOR PEOPLE**

Respect  
Team work

**CONTINUOUS IMPROVEMENT**

Challenge  
Kaizen  
Genchi Genbutsu

## TOYOTA CODE OF CONDUCT

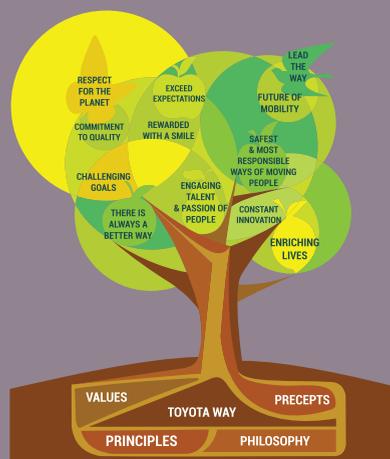
The Toyota Code of Conduct (issued in 1998, revised in 2006) details out the basic code of conduct to be adhered by all the people working at Toyota in their daily business operations to practice and fulfill the social responsibilities. The details are further elaborated in Corporate Governance chapter.

## 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 EARTH CHARTER

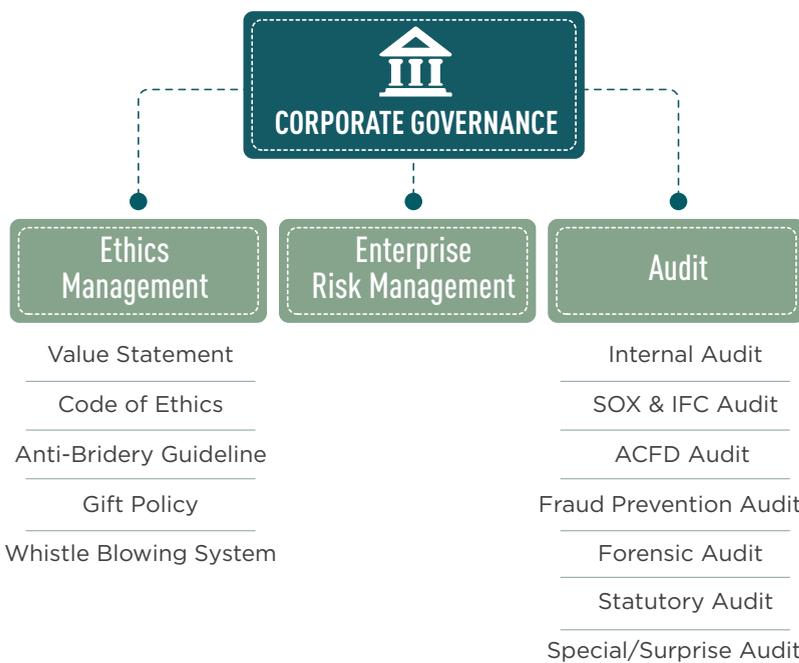
Toyota established the Toyota Earth Charter (issue in 1992, revised in 2000) as the action plan for global environment and has formulated policies for environmental initiatives. It is shared among 559 Toyota consolidated affiliates around the world



"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."

# ETHICS AND GOVERNANCE

We recognize good governance as a sine qua non for sustainability. 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. The established internal control mechanisms ensure conformance to the norms of corporate governance.



## ETHICS MANAGEMENT

### CODE OF ETHICS

The Code of Ethics is 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 communicate 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. Please find the link to previous Sustainability Report 2017 to view our Code of Ethics under Corporate Governance chapter, **P.No.21** <https://www.toyotabharat.com/toyota-in-india/environment/sustain-report/>

## VALUE STATEMENT



### 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.

## ANTI-BRIBERY POLICY

TKM has and continues to believe in zero tolerance towards bribery and corruption. We assess all our operations for risks related to bribery and corruption. Under our anti-bribery policy, the employees are prohibited from accepting/receiving or giving/offering bribes, kickbacks, or similar payment or consideration of any kind anywhere in the world from or to any person or entity that do business or seeking business with TKM. Under the Anti-bribery policy, there is a prohibition on bribing or being bribed including bribing a public official/servant (Government official), bribing through a Third party and supporting bribery. The policy also prohibits facilitation payments and kickbacks, and prohibition of charitable contributions/donations.

In order to maintain the highest standards of integrity, with respect to any dealings with a Third party, we conduct due diligence inquiries to review the integrity records. This engagement process is fully documented and also has the final

approval of the selection of Third Party. We also manage records with an effective system of internal accounting to avoid any off-the-book, fictitious or otherwise falsified transactions.

The policy and procedures laid out by the company are made available to employees in the internal web portal, for them to follow in a responsible manner.

We also communicate our anti-bribery policies, company values, and code of conduct during the induction for all our employees.

We also send out the anti-bribery policy to all our employees and management from time to time. Every person, to whom the policy applies, is encouraged to raise a concern about any issue or suspicion or malpractice or wrongdoing at the earliest possible stage through the reporting manager, Corporate Governance division or through whistleblowing channels.

## WHISTLE BLOWER POLICY (WBP)

### WHO CAN REPORT

EMPLOYEE

DEALER

VENDOR

We have a well-established “Whistle Blower Policy” in place to ensure the protection of our employees, dealers, and vendors, thus ensuring the company values are always adhered to. This gives the stakeholders an opportunity to report fearlessly on any unethical behavior noticed by them. Please find the link to view our detailed WBP <https://www.toyotabharat.com/toyota-in-india/wbp/>

## AUDITS - INTERNAL CONTROL MECHANISM

These audits are conducted to strengthen internal control systems by identifying the process deficiencies, if any, and improve the same by implementing effective countermeasures.

### 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 explanations are reported to the Audit Committee on a half-yearly basis, enabling the management to take corrective actions.

**Audit Committee:** It is responsible for overseeing the financial reporting process and disclosure of the

financial statements, to ensure the correctness of the financial statements.

### 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. We also report on the design and operating effectiveness of internal controls as per The Companies Act 2013. Statutory Auditors are also required to report without solely relying on

management / Board report about:

- An established internal control framework
- Adequate internal financial controls
- Operating effectiveness of internal financial controls

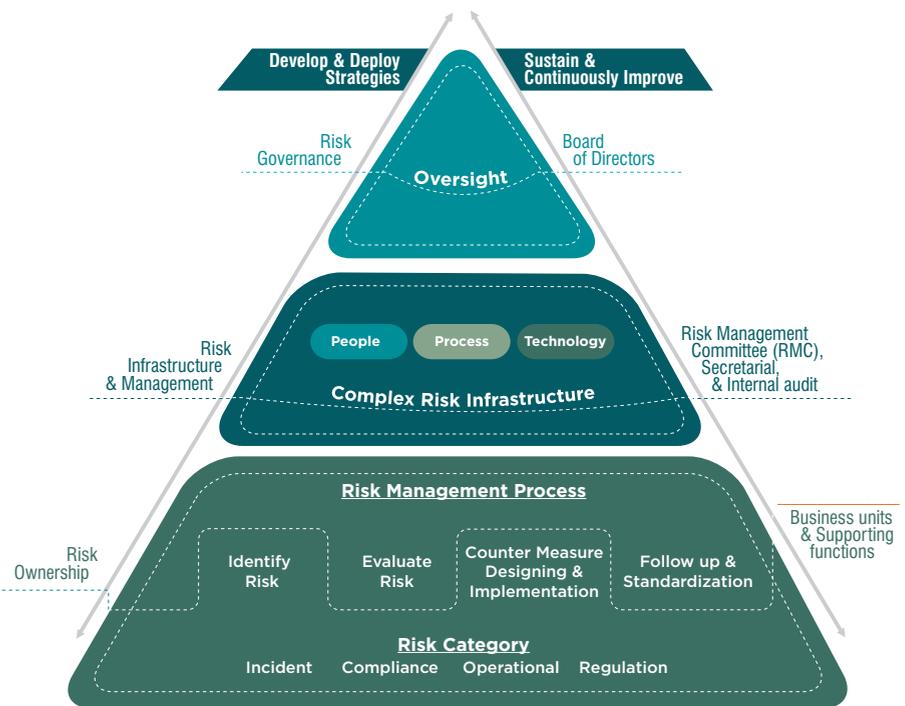
### OTHER AUDITS

We also conduct various other audits based on the TMAP-MS/ TMC requirements and/or required as per the Companies Act 2013.

# ENTERPRISE RISK MANAGEMENT [ERM]

TMC has established the Global Risk Management Committee appointing Regional Chief Risk Officers with reporting the frequency of twice a year i.e., October and March. As a leader, our regional headquarter TMAP has established a Risk Management Policy for all affiliate companies in the Asian region. To comply with Companies Act 2013 requirement on risk management, we identify risks and develop mitigation plans on a continuous basis for effective management of risk.

In the reporting year, we revisited our ERM policy (issued in 2015, revised in 2017) to become a Risk Intelligent Company. Through this, we aim to enhance our capability of “Prediction, Prevention, and Treatment” to counter each risk while adhering to “Safety as our first priority”.



*Our Risk Management Framework encompasses three main pillars of responsibilities that cascade the scope of activities from the highest governance body to the employees.*

## RISK GOVERNANCE

The Board is vested with guiding and providing continuous oversight for implementing and sustaining a successful risk management program. Whereas, the Audit Committee is entrusted with continuous evaluation of the risk management program, to provide insights and direct the Risk Management Committee [RMC]

## RISK INFRASTRUCTURE & MANAGEMENT

This establishes the link between the Risk Governance and Risk Ownership.

**Risk Management Committee:** It oversees and sets the direction for

risk management activities. It also establishes the company’s highest priority risk list, which is shared with the Board of Directors twice a year and is reported to the regional HQ annually.

### Risk Management Secretariat:

It provides consulting support towards the implementation of risk management activities, by evaluating the risk management sheet from each function and evaluating the appropriateness of the countermeasures.

### Corporate Governance Division:

It is responsible for the periodic assessment of risk management policy and evaluates controls and risk response plans for high priority risks. The report is submitted

to the Board Directors and Risk Management Committee.

## RISK OWNERSHIP

It regulates and ensures the effective implementation of critical risk management processes. It documents the risks related to internal and external stakeholders, reviews and approves each function’s prioritized risk list.

With this policy, along with all relevant stakeholders’ contribution, we aim to maintain the high standard and quality of risk management activities.

## PRECAUTIONARY APPROACH

The organization has a robust Risk Management and mitigation system in place which identifies organization-wide risks and corrective mechanisms.

RISKS	MATERIAL TOPICS	REFERENCE
Changing market trends	Product performance & innovation strategy	Customer Delight
Climate Change	Natural calamities & Climate Change	Envisioning Environment Sustainability
Energy	Availability of Grid Electricity	Envisioning Environment Sustainability
Water Scarcity	Water availability	Envisioning Environment Sustainability
Breach of information security		Customer Delight
Legal compliance in value chain	Compliance	Envisioning Environment Sustainability Responsible Procurement Practices
Emissions regulation		Envisioning Environment Sustainability

## 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.

The remuneration of the Directors is approved by the shareholders using special resolutions. Remuneration for consultants is decided in consultation with global HR [TMC] as per set policy. As of 2017-18, TKM has no monetary or non-monetary fines for non-compliance with laws.

There have been significant changes in organization structure and ownership in the reporting period.

## ANTI-COMPETITIVE BEHAVIOR

The Company is in compliance with the requirements of the provisions of Competition Act 2002.

### COMMITTEES OF THE BOARD

The committees of the Board are constituted in line with the requirements of the organization.

#### 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.

NAME OF THE COMPANY DIRECTOR (Member of Board of Directors)	DESIGNATION & FUNCTIONAL RESPONSIBILITY	CATEGORY (Executive / Non-Executive)	MEMBER OF THE COMMITTEE
Mr. Susumu Matsuda*	Chairman	Non-Executive	■
Mr. Vikram S Kirloskar	Vice Chairman	Non-Executive	■ ■ ■
Mr. Akito Tachibana	Managing Director	Executive	■ ■ ■
Mr. Shekar Viswanathan	Vice Chairman and Whole-time Director	Executive	■
Mr. Yoshihiro Horinouchi	Deputy Managing Director	Executive	■
Mr. N. Raja	Deputy Managing Director*	Executive	■ ■ ■
Mr. Kan Asaine	Director & SVP	Executive	■ ■ ■
Mr. Raju B Ketkale*	Director & SVP	Executive	■
Mr. Hideaki Nakamura*	Director & SVP	Executive	- - -
Mr. Atul C Kirloskar	Director	Non-Executive	- - -
Mr. Tatsuro Takami	Director	Non-Executive	- - -
Mr. Hiroyoshi Ninoyu	Director	Non-Executive	- - -

\*Changes in the Board structure

■ Audit Committee ■ Share Committee ■ CSR Committee

## GOING BEYOND COMPLIANCE

Compliance with all statutory requirements is of utmost priority to us. Hence, compliance with each and every applicable law is the essence of TKM's operation. For us, compliance policies are integral to company objectives and the TKM Legal Manual acts as a guide to understanding the laws applicable to each division. A good compliance culture is shown by the promotion of a positive attitude towards legal compliance activity at all levels within our organization.

### LEGAL COMPLIANCE MANAGEMENT SYSTEM [LCMS]:

We at TKM, have a de-centralized, exhaustive and comprehensive the legal compliance management system. Under this, 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 employee is entrusted with the responsibility to ensure 100% Legal Compliance.

### LEGAL COMPLIANCE MANAGEMENT TOOL [LCMT]:

LCMT measures and monitors compliance levels across all the divisions. It sends alerts to the responsible person to ensure compliance with daily operations. It also provides compliance status report to the senior management and Directors on a 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.

## MEMBERSHIP DETAILS OF VARIOUS ASSOCIATIONS

 <p><b>SIAM</b> Society of Indian Automobile Manufacturers</p>	Society of Indian Automobile Manufacturers (SIAM)	Mr. A Tachibana Executive Committee Member Mr. Shekar Viswanathan - Alternate Member and Executive Committee Member
	SIAM Co-opted member and CEO Passenger Car Counsel	Mr. Vikram Kirloskar Chairman
	SIAM Taxation Policy	Mr. Shekar Viswanathan - Chairman
	SIAM Economic Research Group	Mr. N Raja - Chairman
	SIAM CSR and SAFE Council	Mr. Naveen Soni - Chairman, CSR committee
 <p><b>CII</b></p>	Confederation of Indian Industry (CII)	Mr. Vikram Kirloskar - Vice President
	CII National Council	Mr. Vikram Kirloskar - Member
	CII Indian Japan Business Leaders Forum	Mr. Vikram Kirloskar - Member
	CII Global Innovation and Technology Alliance	Mr. Vikram Kirloskar - Chairman
	CII Southern Region	Mr. Naveen Soni Management Committee Member
 <p><b>FICCI</b></p>	The Federation of Indian Chambers of Commerce and Industry (FICCI) Karnataka State Council	Mr. Shekar Viswanathan - Chairman
	FICCI Steering Committee Member	Mr. Shekar Viswanathan - Member
	FICCI Electric Vehicle Committee	Mr. Shekar Viswanathan - Chairman
 <p><b>JCCII</b> Japan Chamber of Commerce and Industry in India</p>	Japan Chamber of Commerce and Industry in India (JCCII), Delhi	Mr. A. Tachibana Executive Committee Member
	JCCII, Bangalore	Mr. A. Tachibana - President
	JCCII, Chennai	Mr. Vikram Kirloskar - President
 <p><b>ARAI</b><sup>®</sup> Progress through Research</p>	Automotive Research Association of India (ARAI)	Mr. Vikram Kirloskar President
 <p><b>STS forum</b> Science and Technology in Society Forum 2018</p>	Science and Technology in Society (STS) Forum	Mr. Vikram Kirloskar Management Committee Member
 <p><b>BIEC</b> Bangalore International Exhibition Centre</p>	Bangalore International Exhibition Centre (BIEC)	Mr. Kan Asaine Management Committee Member Mr. Naveen Soni Management Committee Member
 <p><b>BCIC</b></p>	Bangalore Chamber of Industry and Commerce (BCIC)	Mr. Raju B Ketkale Management Committee Member
 <p><b>IACC</b> Apex Bilateral Chamber for Indo-US business</p>	Indo American Chamber of Commerce (IACC)	Mr. Shekar Viswanathan Management Committee Member