Responsible Governance

Stakeholder Engagement and Materiality

Stakeholders are individuals, groups or organizations who influence or are influenced by our corporate decision-making processes and /or their outcomes. Stakeholder engagement process helps in identifying sustainability challenges, understanding the stakeholder's concerns and developing a broad consensus on the company's initiatives. Thus, we engage with them to understand what social and environmental issues matter most to them about their performance in order to improve decision making and accountability.

Assessing our most material

The stakeholder engagement and materiality assessment was conducted to define the report content and to align our strategy to the stakeholder interests in the FY 2015-16. The same material topics are considered relevant for the current reporting period.

Structured Materiality Assessment Process

TKM's approach towards stakeholder engagement and materiality assessment is developed to assist the organization to align our business strategies in line with the stakeholder expectations. It is also developed to engage our stakeholders in the value creation process through continuous engagement with them on the topics that are material to them. The materiality assessment process is depicted below:

TKM – Material Issues

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

Engaging with academia and community

Stakeholder Engagement

Stakeholders are our 'Partners in Growth'. We ensure sustainable business practices through a collaborative approach with our key stakeholders. They hold a vast amount of business information and knowledge and hence have the power to affect the outcomes of the company. Thus, we engage with them through various formal and informal channels around the year, to understand their concerns and develop a broad consensus on the company's initiatives.

We have identified the material topics that are of concern for our stakeholders in various functions and we engage with them at various platforms to understand the needs of the stakeholders and also take the inputs from the stakeholders which serve as a value addition for our business process. We believe in the creation of value of what we take from the society and informed decision making is key to the successful approach. We have a large supply chain including suppliers, logistics partners and dealers with whom we engage in various issues which are material to them.

Engaging with suppliers

Stakeholder Engagement

Material issues	Platforms of engagement
Employees	
Road Safety Corruption Anti-competitive Behaviour	• Employee engagement activities (Refer to Enablers of Change chapter)
Suppliers	
Brand strategy Compliance Natural calamities & climate change Water Availability Availability of grid electricity Operational efficiency & scalability Cost Management	• Supplier trainings, • Annual Supplier meets • Environment Month activities • Safety month activities (Refer to responsible procurement practices chapter)
Dealers	
Brand strategy Compliance Water availability Customer satisfaction Road Safety Cost Management Occupational Health & Safety End of Life Management of Product Delivery Lead Time Dealer relationships	• Annual Dealer meets • Environment Month & safety month activities • Dealer manpower development programs (Refer to Customer delight chapter)
Regulators	
Compliance End of Life Vehicle Management Alternate fuel Technology	• Policy advocacy through industrial forums • Regular compliance management
Local Community	
Water Availability Environmental Performance Community Development	• CSR Need assessments • CSR activities & engagements
Customers	
Road safety Customer Satisfaction New product launch and line up End of Life Management of product	• Satisfaction surveys • Customer service through dealers

Employee engagement

Activities conducted on Environment Month at dealerships

Corporate Sustainability and Philosophy

The 'Toyota Guiding Principles' reflect the management philosophy, values and methods the company seeks. The Guiding Principles are derived by the 'Five Main Principles of Toyota' which embody the thinking of Mr. Sakichi Toyoda, founder of the Toyoda Group. 'Sustainability' is an integral part of Toyota's Corporate Management Philosophy and is communicated across departments and generations to bring out all the businesses, subsidiaries, associates and joint ventures under its ambit and firmly instill Toyota's objectives in daily operations. Further, the Guiding Principles also form the basis of 'Toyota Way', the 'Toyota Code of Conduct', focusing on business operations; the 'Toyota Earth Charter' and 'Toyota Global Vision', focusing on the daily business operations contributing to Greener tomorrow.

The Toyota Way

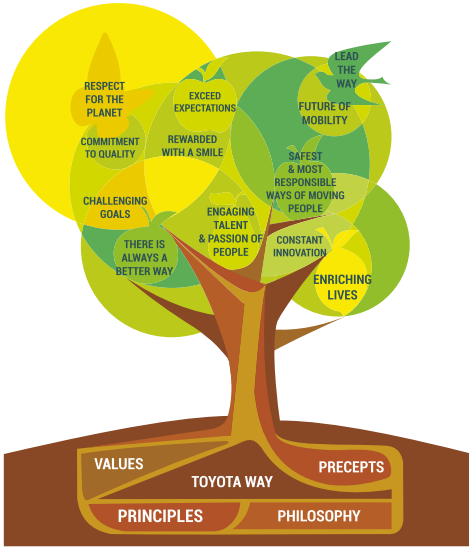
With the rapid growth, diversification and globalization of Toyota in the past decade, values and the business methods that had been passed on as implicit knowledge were identified and defined in 2001 as the 'Toyota Way'. Toyota is preparing to operate as a truly global company, guided by a common corporate 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 (issued 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.

Ethics and Governance

We recognize good governance as a sine qua non for sustainability. We promote high ethical standards, quality products and ensure compliance with all laws and regulations to achieve sustainable development, inclusive growth, integrity, transparency and accountability. 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.

Code of Ethics

Formed in 1999, the Code of Ethics of TKM consists of principles for doing Ethical Business. The structure and coverage of the Code of Ethics is as below

Coverage

- Suppliers
- TKM Employees
- Dealers

Anti – Bribery Policy

We at TKM are zero tolerant towards bribery and corruption. 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

Whistle Blower Policy (WBP)

"Whistle Blower Policy" ensures 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/

Modes of grievance communication

Toll free hotline
1800 3010 00 19

Dedicated post box
Toyota Kirloskar Motor (Ombudsman)
PO box no.19, Ramanagara - 562159

Dedicate SMS
76 76 00 00 19

Dedicated Email ID
complaint@tkmombudsman.com

Online complaint
www.toyota-kirloskar-corporategovernance.com

Whistle Blower Drop Boxes
Placed at different TKM locations

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 sprit 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.

Audit

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 requirements as per the Companies Act 2013.

Enterprise Risk Management

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

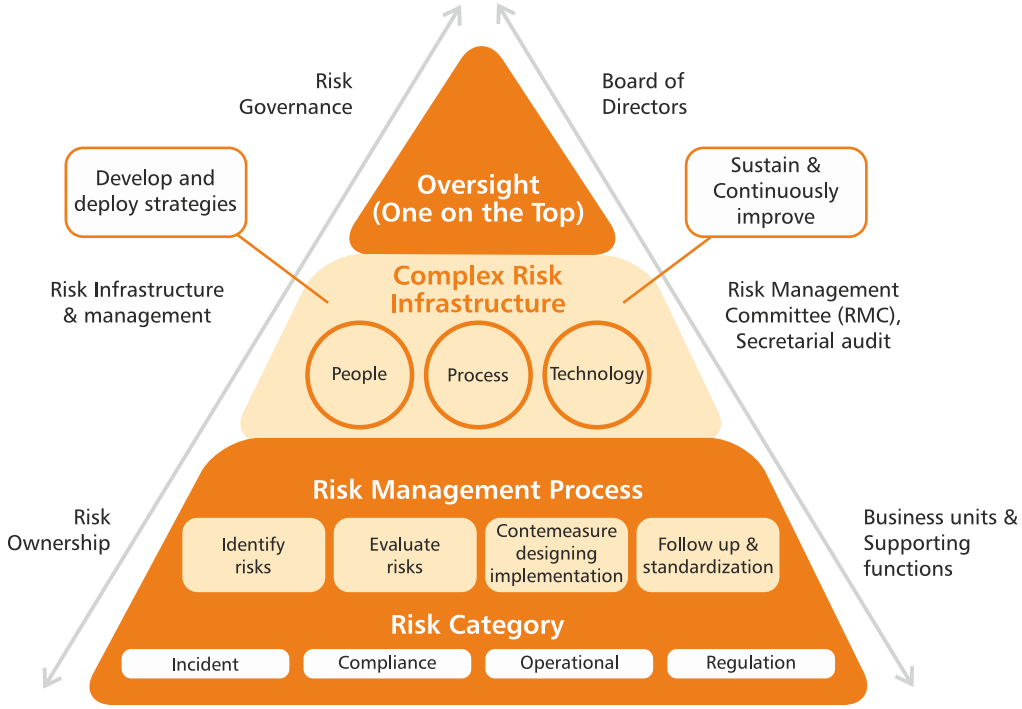
It provides consulting support towards implementation of risk management activities, by evaluating the risk management sheet from each function and evaluates the appropriateness of the countermeasures.

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 of 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, review and approve the each function's prioritized risk list.
With this policy, along with all relevant stakeholders' contribution, we aim to keep high standard and quality of risk management activities.

Through the ERM framework we identify material topics which govern our activities.



TKM Risk Management Framework

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 2018-19, TKM has no monetary or non-monetary fines for non-compliance with laws.

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.

Mr. Susumu Matsuda
Chairman
Non-Executive

Mr. Vikram S Kirloskar
Vice Chairman
Non-Executive

Mr. Masakazu Yoshimura
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. Takuya Nakanishi
Director & SVP
Executive

Mr. Raju B Ketkale
Director & SVP
Executive

Mr. Hideaki Nakamura
Director & SVP
Executive

Mr. Atul C Kirloskar
Director
Non-Executive

Mr. Atsunori Komeie
Director & SVP

Mr. Kohei Yamada
Director & SMC

Going Beyond Compliance

Compliance with all statutory requirements is of utmost priority to us. Hence, compliance with 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

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.

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 ensure that we are 100% compliant to all applicable Indian legal requirements.

TKM representation in various associations & forums

Association / Organization	Mr. Vikram S Kirloskar	Mr. Masakazu Yoshimura	Mr. Shekar Viswanathan	Mr. Takuya Nakanishi	Mr. Raju B Ketkale	Mr. Naveen Soni
CII - President	✓					
CII - South (Management Committee Member)						✓
CII - State (Management Committee Member)						
BIC (Executive Committee Member) [Individual capacity]			✓			
BCIC (Management Committee Member)					✓	
BIC (Management Committee Member)				✓		✓
STS forum (Management Committee Member)	✓					
IACC (Management Committee Member)			✓			
JCCI Delhi (Executive Committee Member)		✓				
JCCI Chennai (Member)		✓				
JCCI Bangalore (President)		✓				
World Business Council for Sustainable Development (WBCSD)			✓			✓
Ananta aspen Centre	✓		✓			✓