

TOYOTA FINANCIAL SERVICES INDIA LIMITED  
**CORPORATE GOVERNANCE INTERNAL  
GUIDELINES**

Version 2.0

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**I. INTRODUCTION**

As per Reserve Bank of India (RBI) Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, Non-Banking Financial Company (NBFCs) are required to frame internal guidelines on corporate governance approved by the Board of Directors. In accordance with the said circular and other applicable laws or regulations Toyota Financial Services India Limited (the Company) has framed Corporate Governance Internal Guidelines.

The internal guidelines set the framework to achieve the Company's goal by adopting best practices with emphasis on transparency, accountability, and integrity.

**II. PHILOSOPHY**

The Company believes in maintaining high standards of corporate governance, which is key to ensure its long-term success and is committed to protecting and maximizing the interest of its stakeholders. The Company aims at achieving not only the highest possible standards of legal and regulatory compliance, but also of effective management through effective policies or guidelines and procedures conforming to the applicable laws.

**III. BOARD OF DIRECTORS**

The Board of Directors are responsible to exercise their judgment, act in the best interests of the Company and its stakeholders. The Board of Directors, along with its committees constituted provide direction and guidance to the Company's leadership team and further direct, supervise as well as review the performance of the Company.

**IV. BOARD COMPOSITION AND RESPONSIBILITIES**

The Board of Directors shall have an optimum combination of Executive, Non-executive and Independent Directors in line with the requirements of the provisions of the Companies Act, 2013 (hereinafter referred to as the Act), Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as SEBI LODR Regulation), RBI Guidelines and Articles of Association of the Company, as amended from time to time. The Company shall have at least one-Woman Director as one of the Board of Directors and at least one of the Directors shall have experience of having worked in a bank/ NBFC. The Board of Directors shall periodically review the compliances of all applicable laws to the Company. The Company shall hold the minimum number of four meetings of its Board of Directors every financial year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings, or such other timeline as may be notified under the applicable regulations.

Executive Directors shall not hold any office in any other NBFC-Middle Layer or NBFC-Upper Layer and Independent Director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. The composition of the Board shall be guided by the Board Diversity Policy of the Company.

**1. Committees of the Board:**

The Company has constituted the following committees, in accordance with the provisions of the Act, applicable laws and directions issued by RBI from time to time. Each committee has its own charter which sets forth the constitution, roles, and responsibilities of such committees. The periodicity of the respective committee meetings is defined hereto. The Minutes of the Committee meetings shall be placed before the Board of Directors for noting.

**A. Audit Committee:**

- a) In compliance with the provision of the Act, SEBI LODR Regulation and RBI Guidelines, the Audit Committee shall comprise a minimum of three Directors and at least two-thirds of the Members of the Audit Committee shall be Independent Directors.
- b) The Chairperson of the Audit Committee shall be an Independent Director. All the Members of the Audit Committee shall be financially literate and at least one Member shall have accounting or related financial management expertise.
- c) The Audit Committee shall meet at least four times in a financial year and not more than one hundred and twenty days shall elapse between two consecutive meetings.
- d) The Audit Committee charter shall be in line with the Act, SEBI LODR Regulation and RBI guidelines, as amended from time to time.

**B. Nomination and Remuneration Committee (NRC):**

- a) The NRC shall be responsible to deal with nomination, appointment or re-appointment and remuneration of Directors, Key Managerial Personnel and Senior Management.
- b) The NRC shall comprise of not less than three Directors and at least two-thirds of the Directors shall be Independent Directors. All the Members of the NRC shall be Non-Executive Directors.
- c) The Chairperson of the NRC shall be an Independent Director.
- d) The Chairperson of the Company may be appointed as a member of the NRC, however, shall not chair the NRC.
- e) The NRC may meet as and when necessary, minimum of one such meeting shall be held in each financial year.
- f) The NRC charter shall be in line with the Act, SEBI LODR Regulation and RBI guidelines, as amended from time to time.

**C. Stakeholders Relationship Committee (SRC):**

- a) The SRC shall be responsible to consider and resolve the grievances of the shareholders, debenture holders and other security holders of the Company and also to assist the Board of Directors and the Company in overseeing the existing redressal mechanism in relation to stakeholders of the Company.
- b) The SRC shall comprise of at least three Directors as Members with at least one being an Independent Director.
- c) The SRC may meet as and when necessary, a minimum of one such meeting shall be held in each financial year.
- d) The SRC charter shall be in line with the Act, SEBI LODR Regulation, as amended from time to time.

**D. Corporate Social Responsibility Committee (CSR):**

- a) The CSR Committee shall decide upon the CSR activities of the Company and the CSR expenditure to be incurred by the Company and recommend the same to the Board of Directors for its consideration and approval.
- b) The CSR Committee shall be responsible for preparing and monitoring the CSR Policy of the Company.

- c) The CSR Committee shall consist of three or more Directors.
- d) The CSR Committee shall meet at least thrice in a financial year to approve, allocate and monitor the CSR budget.
- e) Detailed terms of reference and functioning of the CSR Committee shall be decided by the Board of Directors in accordance with the provisions of the Act and applicable laws, from time to time.

**E. Information Technology Strategy Committee (ITSC):**

- a) The responsibilities of the ITSC inter-alia are guided by the Information Technology (IT) Framework for the NBFC issued by the RBI which includes approval and monitoring of Information Technology Strategy and policy documents, monitor processes and practices to ensure IT delivers value to the business, ensure that IT investments represent a balance of risks and benefits, determine and utilize the IT resources required to achieve strategic goals and managing IT related risks.
- b) The Chairperson of the ITSC shall be an Independent Director and comprise of such other Members as approved by the Board of Directors.
- c) The Committee shall meet at least on a quarterly basis.

**F. Risk Management Committee (RMC):**

- a) The Company is into the lending business and as such exposed to various risks viz. credit risk, market risk, operational risk and other risks associated with the business.
- b) To manage the risk, the Company has constituted a committee to be known as the Risk Management Committee.
- c) The RMC shall be responsible for implementing the Risk Management Policy and managing the risk at every level within the Company.
- d) The RMC comprises a minimum of three members with majority of them being Directors, including at least one Independent Director.
- e) The Chairperson of the RMC shall be a Director and Senior Executives of the Company may be Members of the Committee.
- f) The RMC shall meet at least twice a financial year.
- g) The meetings of the RMC shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings.
- h) The RMC charter shall be in line with the Act, SEBI LODR Regulation and RBI guidelines, as amended from time to time.

**G. Review Committee:**

- a) The Review Committee is constituted in compliance with the RBI Master Direction on Treatment of Wilful Defaulters and Large Defaulters dated July 30, 2024.
- b) The Review Committee's primary objective is to review and evaluate the proposals made by the Identification Committee regarding the classification of borrowers as wilful defaulters or large defaulters, ensuring the process is transparent, fair, and consistent with regulatory guidelines.
- c) The Review Committee shall consist of the following members:
  - i. Managing Director & Chief Executive Officer
  - ii. Two Independent Directors or Non -Executive Directors
- d) The Chairperson of the Review Committee shall be the MD & CEO of the Company and in

his absence, the members may choose one amongst themselves as the Chairperson.

- e) The Review Committee may invite such other executives as it may deem fit for the meeting.
- f) The Review Committee will meet whenever it is necessary, based on the cases mentioned by the Identification Committee.

**2. Other Management Committees:**

**A. Asset and Liability Management Committee (ALCO):**

- a) The ALCO shall monitor the asset liability composition of the Company’s business and determine actions to mitigate risks associated with the asset liability mismatches.
- b) The detailed terms of reference and functioning of the ALCO shall be decided by the Board of Directors in accordance with the applicable laws and directions issued by the RBI from time to time and shall be as per the Asset Liability Management (ALM) Policy.
- c) The Policy envisages the creation of an ALCO under the leadership of the Managing Director & Chief Executive Officer (MD & CEO) reporting to the Board.
- d) The ALCO shall comprise the following members:
  - i. Managing Director & Chief Executive Officer
  - ii. Whole-Time Director & Deputy Chief Executive Officer
  - iii. Executive Vice President - Business Enhancement
  - iv. Executive Vice President - Business Enabling, Credit & Collections, IT
  - v. Executive Vice President - Business Enabling, FTA, CP
  - vi. Chief Financial Officer
  - vii. Chief Risk Officer
  - viii. Chief Treasury Officer

The following stakeholders shall participate in the meetings:

  - i. Head - Treasury Fund Raising and Investor Relations
  - ii. Head – Treasury Operations
- e) In addition to the above members, other group or division heads and members of the ALCO support group etc. may be invited to the ALCO meetings on need basis.
- f) The Chairperson of the ALCO shall be the MD & CEO of the Company and in his absence, the Members may choose one amongst themselves as the Chairperson.
- g) The ALCO shall meet at monthly intervals.

**B. Credit Committee:**

- a) The Credit Committee is responsible for critical analysis and review of monthly trends of key performance variables for credit and operations.
- b) The Credit Committee shall consist of the following members:
  - i. Managing Director & Chief Executive Officer
  - ii. Whole-Time Director & Deputy Chief Executive Officer
  - iii. Executive Vice President - Business Enhancement
  - iv. Executive Vice President - Business Enabling, Credit & Collections, IT
  - v. Executive Vice President - Business Enabling, FTA, CP
  - vi. Chief Compliance Officer
  - vii. Chief Risk Officer
  - viii. Chief Credit Officer
  - ix. Chief Collection Officer
  - x. Head - Credit & Operations

The following stakeholders shall participate in the meetings:

- i. Head - Retail Credit
- ii. Senior Manager - Credit & Operations
- c) The Chairperson of the Credit Committee shall be the MD & CEO of the Company, in his absence, the Members may choose one amongst themselves as the Chairperson.
- d) The Credit Committee may invite such other executives as it may deem fit for the meeting.
- e) The Credit Committee shall meet at monthly intervals.

**C. Customer Service Committee:**

- a) The Customer Service Committee is responsible for managing and reviewing monthly trends of key performance variables for customer service.
- b) The Customer Service Committee shall consist of the following members:
  - i. Managing Director & Chief Executive Officer
  - ii. Whole-Time Director & Deputy Chief Executive Officer
  - iii. Executive Vice President - Business Enhancement
  - iv. Executive Vice President - Business Enabling, Credit & Collections, IT
  - v. Executive Vice President - Business Enabling, FTA, CP
  - vi. Chief Compliance Officer
  - vii. Chief Risk Officer
  - viii. Chief Credit Officer
  - ix. Chief Collection Officer
  - x. Head - Credit & Operations
  - xi. Internal Ombudsman

The following stakeholders shall participate in the meetings:

  - i. Head - Customer Service
  - ii. Team Member - Customer Service
- c) The Chairperson of the Customer Service Committee shall be the MD & CEO of the Company and in his absence, the Members may choose one amongst themselves as the Chairperson.
- d) The Customer Service Committee may invite such other executives as it may deem fit for the meeting.
- e) The Customer Service Committee shall meet at monthly intervals.

**D. INF Credit Committee (Dealer Inventory Finance - INF)**

- a) The INF Credit committee is responsible for discussing about limits for the existing dealership entities by way of annual review and/or annual review with enhancement approvals or new limits acquisition approvals for new dealers.
- b) The INF Credit committee is also responsible for the analysis of the wholesale funding portfolio in terms of their financial performance with the Company by monitoring their Days Past Due (DPD) or overdue trend and stock audit performance and any other information which deem fit.
- c) The INF Credit committee shall consist of the following members:
  - i. Managing Director & Chief Executive Officer
  - ii. Whole-Time Director & Deputy Chief Executive Officer
  - iii. Executive Vice President - Business Enhancement
  - iv. Executive Vice President - Business Enabling, Credit & Collections, IT
  - v. Executive Vice President - Business Enabling, FTA, CP
  - vi. Chief Risk Officer
  - vii. Chief Credit Officer

viii. Head - INF Credit & Operations

The following stakeholders shall participate in the meetings:

- i. Lead - INF Credit
- ii. INF - Credit Managers
- iii. Respective CBO representatives
- d) The Chairperson of the INF Credit committee shall be the MD & CEO of the Company and in his absence, WTD & Deputy CEO shall act as the Chairperson.
- e) The INF Credit Committee may invite such other executives as it may deem fit for the meeting.
- f) The Committee shall meet at weekly intervals.

## V. AUDITORS

### 1. Statutory Auditors:

- A. The Board of Directors and the Audit Committee of the Company shall be responsible to appoint Statutory Auditors.
- B. The Company shall review the independence and performance of the Statutory Auditors and the effectiveness of the audit process periodically.
- C. A declaration shall be obtained from the Statutory Auditors affirming their eligibility to be appointed as the Statutory Auditors of the Company and demonstrate professional ability and independence.

### 2. Internal Auditor:

- A. The Board of Directors and the Audit Committee of the Company shall appoint Internal Auditor in accordance with the provisions of the Act and RBI guidelines, who shall perform independent and objective assessment of the internal controls, processes and procedures instituted by the Management and accordingly monitor its adequacy and effectiveness.
- B. The reports of the Internal Audit shall be placed before the Audit Committee and the Board for their review.

### 3. Secretarial Auditors:

- A. The Board of Directors shall appoint a Secretarial Auditors who shall be an independent Peer Reviewed Company Secretary in practice or a firm of Company Secretaries in practice, in accordance with the provisions of the Act and SEBI LODR Regulation to conduct a Secretarial Audit of the Company.
- B. The Secretarial Auditors shall provide their report in the form and manner prescribed under applicable laws.
- C. The Secretarial Audit Report shall be annexed to the Annual Report and the Board's Report which shall be circulated to the Members or Shareholders of the Company.

## VI. OTHER POLICIES AND CODES FORMULATED BY THE COMPANY

### 1. Policies:

In accordance with the applicable provisions of the Act, the Regulation, directions or guidelines issued by the RBI for-NBFC – Middle Layer, for internal requirements and operational convenience, the Company has framed and adopted the following policies which shall be updated or revised as and when required under the applicable laws or due to change in the functioning or the structure of the Company. Some of the important policies of the Company are as follows:

<b>Sl. No.</b>	<b>Policy</b>
1.	Scorecard Policy
2.	Borrowing / Resource planning Policy
3.	Derivative Risk Management Policy
4.	Outsourcing Policy
5.	Outsourcing Risk Management Framework
6.	Risk Management Policy
7.	Nomination and Remuneration Committee Charter
8.	Compliance Manual
9.	Compliance Policy
10.	Interest Rate Policy
11.	Information Governance Framework
12.	Information Technology Strategy Committee Charter
13.	Information Steering Committee Charter
14.	Information Security Committee Charter
15.	IT & IS Risk Management Framework
16.	Privacy Policy
17.	Information Technology Policy
18.	Change and Patch Management Policy
19.	IT Outsourcing Policy
20.	IT Vendor Risk Management Framework
21.	Compromise Settlement and Write-Off Policy
22.	Retail Used Car Credit Policy_MSIL
23.	Data Migration Policy
24.	Policy on Prevention of Workplace Harassment
25.	Crisis Management Policy
26.	Retail Credit Policy Lexus
27.	Corporate Governance Internal Guidelines
28.	Daksh User Access Management Policy
29.	Cyber Crisis Management Policy
30.	Cyber Security Policy
31.	Information Security Policy
32.	Code of Conduct Policy
33.	Product Approval and Review Process
34.	Risk Based Internal Audit Policy & IA Risk Assessment Framework
35.	Standards of Professional Conduct for Directors & Senior Management (Code of Conduct for Board & Senior Management)
36.	Internal Ombudsman Policy
37.	Inventory Funding Policy
38.	Retail Used Car Credit Policy - Toyota (Open Market Sourcing addendum)
39.	Wholesale Term Loan Policy
40.	Retail New Car Credit Policy - MSIL
41.	Retail New Car Credit Policy - Toyota
42.	Retail Credit Policy - Kinto

<b>Sl. No.</b>	<b>Policy</b>
43.	Fair Practices Code
44.	Policy on treatment of wilful defaulters and large defaulters
45.	Succession Planning Policy
46.	Compensation Policy
47.	Inter Company Transfer Secondment of Employees
48.	Policy on Grant of Loan to Directors, Officers, and Others
49.	Risk Management Committee Charter
50.	Risk Appetite Statement
51.	Authorization Matrix
52.	Investment Policy
53.	Asset Liabilities Management Policy (including Liquidity Contingency Plan)
54.	Policy for Preservation of documents
55.	Policy on Know your Customer (KYC)/Anti Money Laundering (AML)/Combating the Financing of Terrorism (CFT)
56.	Anti-Trust/Competition Law Compliance Policy
57.	Directors Appointment & Evaluation Policy
58.	Corporate Social Responsibility Policy
59.	Debt and Service Management Group Manual and Policy
60.	Archival Policy
61.	Board Diversity Policy
62.	Policy on Related Party Transactions
63.	Policy on Exposure Norms
64.	Operational Risk Management Policy
65.	Policy on Framework for dealing with unclaimed amounts on NCDs
66.	Code of Conduct of Prevention of Insider Trading
67.	Expected Credit Loss Policy
68.	Policy for appointment of Statutory Auditors of the Company
69.	Internal Capital Adequacy Assessment Process (ICAAP) Policy
70.	Disciplinary Policy
71.	Audit Committee Charter
72.	Stakeholder Relationship Committee Charter
73.	Code of Practice and Procedure for Fair Disclosure
74.	IRDAI Open Architecture Policy
75.	Information System Audit Policy
76.	Whistle Blower Policy
77.	Fraud Risk Management Policy
78.	Succession Plan
79.	Policy Framework for Identification of Stressed Assets and Guidelines for Restructuring
80.	Anti-Bribery Policy
81.	Information Protocol

The above-mentioned policies shall be reviewed, as and when required, to assess the adequacy of these policies and make any necessary amendments to ensure they remain consistent with the requirement of RBI, the Board's objectives, current law, and best practices.

**2. Fit and Proper Criteria of Directors:**

The Company has adopted 'fit and proper' criteria as issued by the RBI. The Company shall ensure the fit and proper status of proposed or existing Directors. It shall obtain a declaration and undertaking from the Directors giving certain information on the Directors. The declaration and undertaking shall be in the line of the format prescribed by the RBI from time to time. Further, quarterly statements shall be furnished to the Regional Office of the RBI within 15 days of the close of the respective quarter on change of Directors and a certificate from the MD & CEO of the Company stating that fit and proper criteria in selection of the Directors has been followed.

**3. Guidelines on Compensation of Key Managerial Personnel and Senior Management:**

In order to address issues arising out of excessive risk taking caused by misaligned compensation packages, NBFCs are required to put in place a Board approved compensation policy. In accordance with the RBI guidelines the Company has formulated a Policy on Compensation of Key Managerial Personnel and Senior Management.

**4. Disclosures and transparency:**

The Board of Directors of the Company reviews, records, and adopts the Minutes of certain committee meetings. As part of the Corporate Governance, a compliance requirement has been put in place, wherein a quarterly report regarding compliance with all laws applicable to the Company is placed before the Audit Committee and the Board of Directors for their review. The Management Discussion & Analysis Report of the Company is duly included in the Boards' Report covering necessary matters of the Company. The Company ensures transparency and good governance in all business matters.

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