

FOR THE YEAR ENDED 31 MARCH 2016

KING III - PRINCIPLES

TOYOTA FINANCIAL SERVICES (SOUTH AFRICA) LIMITED

(TFSSA)

To be read in conjunction with the 2016 Integrated Report

Toyota Financial Services (South Africa) Limited: King III Principles

1 ETHICAL LEADERSHIP AND CORPORATE RESPONSIBILITY

Responsible leadership

- 1.1 The Board should provide effective leadership based on an ethical foundation. The Company Secretary provides guidance to the Board of Directors with regard to best practices. The Board sets the tone for the executive committee (Exco) and staff to act ethically, and on an annual basis signs a Board ethics statement. The Exco and Management Committee (Masco) are tasked with the oversight of ethical practices.

The Board should ensure that the company is and is seen to be a responsible corporate citizen and TFSSA has a well-formulated strategy that incorporates an integrated sustainability strategy. The Board's conduct is governed by the Board Ethics Statement, Code of Ethics, and Corporate Responsibility Policy.

- 1.2 The group has an ethics program covering implementation of the Code of Conduct, the Conflicts of Interest Policy and the Gift Policy. In 2016, a risk assessment will be conducted by the TFSSA Risk Office to establish the ethical risks in the company and appropriate improvement initiatives to mitigate these risks.

2. BOARDS AND DIRECTORS

Role and function of the board

- 2.1 The Board should act as the focal point for and custodian of corporate governance. The Board, through Exco, implements and monitors the governance practices within the Company. The General Manager: Corporate Affairs is a permanent member to Exco and regularly reports to the Board and the relevant committees about the state of governance in the Company.
- 2.2 The Board should appreciate that strategy, risk, performance and sustainability are inseparable and annual strategy and business planning sessions provide all business heads with the opportunity to incorporate key strategic issues. The Exco, guided by the Board is involved in the planning sessions and has insight into and understanding of the interplay of risk, performance and sustainability.
- 2.3 The Board should provide effective leadership based on an ethical foundation (principle 1.1).

- 2.4 The Board should ensure that the Company is and is seen to be a responsible corporate citizen (principle 1.2).
- 2.5 The Board should ensure that the company's ethics are managed effectively (principle 1.3).
- 2.6 The Board should ensure that the Company has an effective and independent audit committee and that the effectiveness of the committee is assessed annually.
- 2.7 The Board should be responsible for the governance of risk and the Board is ultimately accountable for risk and with the help of the Company' Assets and Liabilities Committee, oversees and monitors risk within the group.
- 2.8 The Board is responsible and accountable for information technology (IT) governance and oversees and monitors the governance of IT in the Company.
- 2.9 The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. The Company has a dedicated Corporate Governance Office and a Risk Officer to implement, monitor and report on regulatory programmes and various supervisory codes. This function of the

Board is delegated to the Corporate Governance Office to oversee and monitor relevant compliance.

2.10 The Board ensures that there is an effective risk-based internal audit function, the monitoring of which is delegated to the Audit Committee (AC), who in turn provides oversight for internal audit. Internal Audit (IA) develops a 12-month rolling audit plan using a risk-based methodology, taking into consideration specific regulatory requirements pertaining to internal audit, as well as including any risks or control concerns identified by management and the board.

2.11 The Board appreciates that stakeholders' perceptions affect the company's reputation. The Board has a clear understanding of its responsibility to internal and external stakeholders. It is part of the Board agenda to discuss and debate issues around stakeholder perceptions. The integrated report defines its stakeholder groups and the Companies interaction with these groups. The Company is defining a dedicated Reputational Risk Policy, which will provide guidelines to staff to deal with reputational issues.

2.12 The Board ensures the integrity of the Company's integrated report. This function of the Board is delegated to the Financial & Treasury Department and Internal Audit Department (IA). The integrated report

is audited by an external audit company on an annual basis as appointed by the Board.

2.13 The Board reports on the effectiveness of the Company's system of internal controls. The Combined Assurance Forum provides assurance through the Audit Committee on the systems and effectiveness of internal controls.

2.14 The Board and its directors should act in the best interests of the Company at all times. Furthermore, the relationship between the Company and its shareholders: WesInvest Holdings Proprietary Limited (33.3%), Toyota South Africa Motors Proprietary Limited (33.3%) and Toyota Financial Services (UK) PLC (33.3%) is governed by sound businesses principles.

2.15 The Company has a Code of Conduct that applies to all directors. The Code of Conduct addresses the conflicts of interest within the Company. The conduct of each director is also stipulated in the appointment policy and letter of each director.

2.16 The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act, 71 of 2008. The Assets

and Liability Committee (ALCO), monitors the liquidity and the capital adequacy of the Company.

2.17 The Board should elect a Chairman of the Board who is an independent non-executive director. The Chief Executive Officer (CEO) of the company should not also fulfill the role of Chairman of the Board. The Chairmanship of the Company rotates on an annual basis in line with the Memorandum of Incorporation.

2.18 The Board should appoint the chief executive officer (CEO) and establish a framework for the delegation of authority. The role and responsibility of the CEO and Chairman have been separated and formalised. There is a formal policy, adopted by the Board that addresses delegation of authority.

2.19 The Board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.

2.20 The TFSSA Board comprises 14 Board members and 12 are non-executives. Three of the 12 Board members are independent and the Board believes that they are independent of management and mind, so that shareholder interests (including minority interests) are protected.

Board appointment process

- 2.21 Directors should be appointed through a formal process approved by shareholders and should ideally be subject to Board continuity programmes designed to address all Board appointments.
- 2.22 The induction of and ongoing training and development of directors should be conducted through formal processes. A formal induction programme should be developed and organised by the Company Secretary and Board education is organised through Board and committee meetings during the year.
- 2.23 The board should be assisted by a competent, suitably qualified and experienced company secretary. The TFSSA Board has appointed a company secretary, C. Low and she is assisted by a Company Secretarial Office.

Board committees

2.24 The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities. TFSSA's Board structure consists of various committees to attend to the business of the Board. In the governance and ethics review of the integrated report, this structure is addressed in detail.

2.25 A governance framework should be agreed between the Company and its subsidiary committees. The Corporate Governance and Compliance Office is to align Governance processes with those of the main TFSSA Board. Furthermore, the Risk Management Framework governs structures and risk processes.

Remuneration of directors and senior executives

2.26 Companies should remunerate directors and executives fairly and responsibly and TFSSA has a remuneration policy that is reviewed on

an annual basis by the Remuneration Committee, which is also responsible for the Remuneration Report.

2.27 Companies should disclose the remuneration of each individual director and certain senior executives in their Annual Integrated Report.

2.28 The TFSSA Remuneration Report is fully compliant with both the disclosure of executive directors' and prescribed officers' remuneration.

2.29 Shareholders should approve the company's remuneration policy.

3. INDEPENDENT AUDIT COMMITTEES

3.1 The board should ensure that the company has an effective and independent audit committee. The Board has an independent audit committee and its effectiveness is reviewed on an annual basis.

Membership and resources of the audit committee

3.2 Audit committee members should be suitably skilled and experienced independent non-executive directors.

3.3 The Audit Committee members are three independent directors with the necessary skill and expertise which comprises A.W. Hedding, (Appointed 21 March 2014), N.D.B. Orleyn (Appointed 21 March 2014) and C.W.N. Molope (Appointed 21 March 2014).

3.4 The audit committee is chaired by an independent non-executive director, Mr. Allan Hedding.

3.5 Ongoing board and committee training takes place and the committee relies on executive directors and management, being attendees, for guidance as required.

Responsibilities of the audit committee

3.6 The audit committee should oversee the integrated reporting reporting process and review the audited annual financial statements included in the integrated report. It should also receive reports from the Company Transformation, Social and Ethics Committee, which reviewed the disclosure of sustainability issues in the integrated report.

3.7 The latter committee should also ensure that external assurance provider, were engaged on material sustainability issues and for reporting on the key performance indicators.

3.8 The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

3.9 The audit committee should satisfy itself of the expertise resources and experience of the company's finance function and the Board must review this at least on an annual basis as per the charter.

- 3.10 The audit committee should be responsible for overseeing of internal audit function to provide for the independence of IA function.
- 3.11 The Internal Auditor of the company is accountable to the Company Audit Committee and reports functionally to the Company Internal Audit Chairman and to the Chief Executive Officer from an administrative point of view.
- 3.12 IA submits the 12-month rolling audit plan to AC and the Chairman of Internal Audit for review and approval prior to the commencement of a calendar year. All changes to the annual audit plan are submitted to AC for approval.
- 3.13 The AC monitors whether the internal audit function is effective in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organization.
- 3.14 The AC is responsible for risk management of the Company and gives feedback and assurance to the Exco and the Board. External audit gives the AC assurance regarding risks and whether these risks are mitigated.
- 3.15 IA has a responsibility to develop a 12-month rolling audit plan using a risk-based methodology, taking into consideration specific regulatory requirements pertaining to internal audit, as well as

including any risks or control concerns identified by management and the Board.

3.16 The key functions of the AC are to assist the Board in its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the group in the day-to-day management of its business.

3.17 With regard to internal control, the AC is to monitor that management creates and maintains an effective internal control environment throughout the Company and that management demonstrates and stimulates the necessary respect for this. It also monitors the identification of weaknesses and breakdown of systems and internal controls.

External assurance providers

3.18 The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process and the AC report provides for this as per the charter.

Reporting

3.19 The audit committee should report to the board and shareholders on how it has discharged its duties and the AC report is included in the integrated report.

4. THE GOVERNANCE OF RISK

The Board's responsibility for risk governance

4.1 The Board is responsible for the governance of risk and risk management and delegates this function to the Company Risk Committee (RC) or Department to oversee and monitor. A risk register must be developed to reflect all risk issues and this is to be discussed at the respective board committee meetings.

4.2 The Board should determine the levels of risk tolerance and measures various performances against set risk limits or guidelines.

4.3 The risk committee and audit committee should assist the Board in carrying out its risk responsibilities and should meet four times a year

as a minimum to provide the Board with assistance in carrying out the risk duties.

Management's responsibility for risk management

- 4.4 The Board should delegate to management the responsibility to design, implement and monitor the risk management plan as Risk is an enabler and one of the key strategic focus areas of the Company.
- 4.5 This cascades into management scorecards and is tracked at monthly meetings.
- 4.6 The IT system solution for operational and receivables risk partly resides within WesBank which is used to manage and monitor various risks effectively and must be monitored by management.
- 4.7 The Risk Committee (RC) processes enable and obligate managers to monitor risk in their areas and report it.

Risk assessment

- 4.8 The Board should ensure that risk assessments are performed on a continual basis and the formal planning process has to include a formal risk planning component.
- 4.9 Risk and control assessment is ongoing in the form of the Process, Risk, Control, Identification and Assessment methodology and is embedded in the organisation.
- 4.10 The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.
- 4.11 The Company Risk Management Framework establishes formal governance, procedures and processes for all risks, both known and unpredictable.
- 4.12 Quarterly risk committee meetings take place in conjunction with WesBank business in all business units and risk categories to assess all risks on a quarterly basis. The Risk Department will facilitate discussion by members.

Risk response

4.13 The Board should ensure that management considers and Implements appropriate risk responses. This is a requirement that is achieved through the implementation of the risk strategy and the risk assessments conducted during the strategy and business planning processes by the Risk Office.

Risk monitoring

4.14 The Board should ensure continual risk monitoring by management. This is demonstrated through the risk management and risk monitoring committees and risk processes.

Risk assurance

4.15 The Board should receive assurance regarding the effectiveness of the risk management process.

4.16 A good risk culture is strongly endorsed by the Directors in the TFSSA Strategic Framework.

4.17 On an annual basis the AC provides an assurance report to the board and in the integrated report on the risk management processes.

5 THE GOVERNANCE OF INFORMATION TECHNOLOGY

5.1 The Board should be responsible for information technology (IT) governance. The Board is ultimately accountable for the governance of information technology (IT) and, with the help of the Company Information Technology Department, oversees and monitors the governance of IT in the Company.

5.2 This requirement is currently fully met within the current Company IT governance structures. Primary governance forums include the IT Department with links to audit and risk committees.

5.3 IT should be aligned with the performance and sustainability objectives of the company.

5.4 The management of the company must implement and monitor a Enterprise Governance and Compliance Framework.

5.5 Most relevant to IT are the Risk Management Framework, Operational Risk.

- 5.6 The IT strategy process incorporates an assessment of IT assets (asset health checks are done with business users and include a business as well as a technical perspective), application roadmaps (a two to three year view compiled with the relevant operating departments to ensure that it's aspirations are included), and infrastructure roadmaps (which incorporate anticipated technology changes and strategies). These, plus a scan in the environment and competitors, form the basis of the Companies Strategic Plan. The Company Strategic Plan is tabled, discussed and approved annually by both the Exco and the Masco.
- 5.7 The innovation process is facilitated by IT Department, but driven by business units in terms of prioritisation and decision making.
- 5.8 The Board should delegate to management (Exco and Manco) the responsibility for the implementation of an IT governance framework.
- 5.9 The Company IT governance framework takes direction from Company Governance and Risk Departments and encapsulates the principles, policies and standards as prescribed.
- 5.10 The mandates and relationships between the AC, the Risk and Compliance Committee and the IT Committee are documented in the

respective charters. The Company IT Committee is the IT Steering Committee (King III).

5.11 The Board should monitor and evaluate significant IT investments and expenditure. The Group IT Committee agenda in the main covers operational feedback, benchmark results, project feedback, including business case and ROI information, project finance, risk, strategy and outsourcing.

5.12 IT should form an integral part of the company's risk management. Various IT systems are used to manage risks effectively within the company. It must be noted however, that many of these IT systems operate within the WesBank and First Rand Group Environment and must be considered in formulation the IT Framework and Policies.

5.13 The Exco and Manco addresses the continuation of IT systems and business processes should events occur that would disenable processes and IT systems.

5.14 IA follows a risk-based methodology and would include disaster recovery testing in the annual internal audit plan.

5.15 The Board should ensure that Companies information assets are managed effectively. The Exco is the final approver of the Company Information Security Policy as well as the Company Data

Management Policy. These policies are reviewed, like all critical policies, on an annual basis.

- 5.16 All key internal audit findings) are published and discussed at the Exco meetings. Over and above key findings, matters relating to reputational risk are also discussed at IT Committee meetings if and when required – these range from phishing, malware protection, data leak prevention, antivirus to access control (intranet policies).
- 5.17 All data breaches with negative or potential negative reputational impacts are reported to the Exco and Board. As with all other severities, these are investigated, root causes identified and resolved. Details of all severities are published at the Exco, above normal line of management reporting.
- 5.18 The requirements of the Protection of Personal Information Act (POPI) may require enhanced reporting from the date of implementation.
- 5.19 IA submits a report on an annual basis to the AC and the Exco on key IT audit issues raised and how they were addressed.
- 5.20 A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.

- 5.21 The roles and mandates between the Risk Committee and the IT Committee are clear and must be documented. Key IT-related issues are captured and managed like any other key issue in the Key Risk Register.
- 5.22 The IT Committee manages all IT systems and reports to the Audit Committee and the Board. Minutes are discussed and monitored as part of the AC Charter.

6 COMPLIANCE WITH LAWS RULES, CODES AND STANDARDS

- 6.1 The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.
- 6.2 The Company Risk Appetite makes provision for zero tolerance for compliance risk.
- 6.3 The Board mandated compliance rules takes this even further and mandates compliance with all regulatory requirements.
- 6.4 The monitoring of compliance is done via the Exco, the Governance and Risk Offices and is submitted to the Board of Directors

- 6.5 The Board applies King III principles and these are monitored within the various Board and Exco subcommittees and compliance officers, who are responsible to drive compliance with laws, rules and codes within the Company.
- 6.6 The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.
- 6.7 Experts on applicable law are requested to present to the board as if as and when required.
- 6.8 A quarterly regulatory update is communicated to the Corporate Office to ensure that the Directors are familiar with the general content of applicable laws, rules, codes and standards to discharge their legal duties.
- 6.9 Compliance risk should form an integral part of the company's risk management process. The risk framework makes provision for the compliance risk management procedure.
- 6.10 This procedure details the identification, assessment, management, control, monitoring and reporting of residual and credit risk via the various governance structures, including the ALCOA and Risk Committee and any other relevant Board committees.

7. ENTERPRISE GOVERNANCE

- 7.1 The Board should delegate to management the implementation of an effective compliance framework and processes. The Compliance Policy is a Board-approved policy being implemented across the Company.
- 7.2 Computer-based training is implemented across the Company and addresses key governance and compliance processes and every staff member is required to do this training once they are employed.
- 7.3 An independent Risk function has been established in the Company and is headed by a Risk Officer who is an invitee and / or member of various Exco Committees and Board committees.

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8. INTERNAL AUDIT

The need for and role of internal audit

- 8.1 The Board should ensure that there is an effective risk-based internal audit. The purpose of IA is to provide independent, objective assurance to the Company's Board of Directors via the AC that the governance processes, management of risk and systems of internal control are adequate and effective to mitigate the most significant risks, both current and emerging, that threaten the achievement of the Companies objectives and in so doing help improve the control culture of the Company.
- 8.2 IA receives its authority from the AC, which is a committee of the Board of the Company established, among other things, to review the work of the internal auditors of the Company and to evaluate the adequacy and effectiveness of the Companies financial, operating, compliance, and risk management controls.
- 8.3 IA will comply with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA),

including the IIA's Code of Ethics and the Companies Internal Audit Methodology.

- 8.4 The IIA standards and code of ethics are embedded in the co-developed Company Framework Audit Methodologies and proposed Internal Audit Charter.
- 8.5 All work is required to be performed in line with the methodologies and proposed charter.
- 8.6 IA implements a quality assurance programme to confirm adherence to the Methodologies and IA will maintain current records thereon.
- 8.7 IA maintains a quality a quality assurance programme to confirm adherence to IIA standards.

Internal audit's approach and plan

- 8.8 Internal audit should follow a risk-based approach to its plan.
- 8.9 The objective and scope of work of IA is to determine whether the Companies systems of internal control, risk management and governance, as designed and operated by management, are adequate and effective.

- 8.10 The scope of IA's work is determined by the key risks facing the Company and the requirements of the AC and the Company executive committees.
- 8.11 IA has responsibility to develop a 12-month rolling audit plan using a risk-based methodology, taking into consideration specific regulatory requirements pertaining to internal audit, as well as including any risks or control concerns identified by management and the Board.
- 8.12 Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.
- 8.13 IA reports on a quarterly basis to the AC summarising the results of internal audit activities. With effect from July 2016, IA provides the AC with a written assessment on the system of internal controls and risk management. This assessment will be provided on an annual basis.
- 8.14 The audit committee should be responsible for overseeing internal audit function and its effective operation.
- 8.15 The IIA Standard requires that an external assessment is performed every five years and will commence from the March 2015 Financial Year End Forthwith.

8.16 The AC is responsible for monitoring that the internal audit function is effective, in terms of its scope, plans, coverage, independence, skills, staffing, overall performance and position within the organisation

Internal Audit's status in the company

8.17 Internal audit should be strategically positioned to achieve its objectives. To provide for the independence of IA the Internal Auditor of the Company is accountable to the Company Audit Committee, reports functionally to the AC Chairman and administratively to the CEO of the Company.

8.18 Financial independence, essential to the effectiveness of internal auditing, is provided by the AC approving a budget for IA to allow IA to meet the requirements of its charter.

8.19 IA is functionally independent from the activities audited and the day-to-day internal control processes of the department and must be able to conduct an assignment on its own initiative, with free and unfettered access to people and information, in respect of any relevant department, establishment or function of the company.

8.20 The afore-mentioned must also be applicable to and including the activities of branches and subsidiaries and outsourced activities as stated as and when this becomes applicable.

8.21 The Internal Auditor and IA staff are authorised to:

- have unrestricted access to all functions, records, property and staff of the Company;
- have full and free access to the AC and attend and participate in audit committee meetings of the Company;
- allocate resources, set frequencies, select subjects, determine scope of work and apply techniques required to accomplish internal audit objectives and o
- obtain the necessary assistance of staff in business units of the organisation where it conducts audits, as well as specialised services from within or outside the group.

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9. GOVERNING STAKEHOLDER RELATINSHIPS

- 9.1 The Board should appreciate that stakeholders' perceptions affect a company's reputation.
- 9.2 Stakeholder's perceptions are closely managed and all stakeholders are surveyed from time-to-time which may include face-to-face interactions with stakeholders to gauge perceptions.
- 9.3 Investor and analyst feedback is given on the annual results and investor road shows are presented by the Executive Team as and when required.
- 9.4 The Integrated Report report is viewed and discussed at board level and this includes stakeholder engagements.
- 9.5 The Board should not delegate to management the communication to proactively deal with stakeholder relationships and this should be maintained at Executive Level.
- 9.6 An external communication policy and a stakeholder engagement policy must be implemented and maintained by the Corporate Office.
- 9.7 Mechanisms and processes are in place for constructive communication with shareholders through the Board of Directors.

- 9.8 Members of the board are present at the annual general meeting, where shareholders are present.
- 9.9 The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company where shareholder interests are appropriately considered.
- 9.10 Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence and the Company is developing a Communications Policy.

Dispute resolution

- 9.11 The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.
- 9.12 Disputes are resolved in conjunction with the Financial Services Board (FSB) and the National Credit Regulator (NCR).
- 9.13 Internally, the Company has the Customer Complaints Centre for clients while for staff there is the Human Resources Department and the grievance procedure.
- 9.14 There are appropriate representatives in place, i.e. Corporate Affairs, IR specialists and the Manco.

10 INTERGRATED REPORTING AND DISCLOSURE

Transparency and accountability

- 10.1 The Board should ensure the integrity of the Company's Annual Integrated Report according in terms of the Companies Act, 71 of 2008, International Financial Reporting Standards (IFRS) and all common frameworks applicable to South Africa. All Board members review the Integrated Report content and assume responsibility for the final approval of content.
- 10.2 The Sustainability Report is reviewed by the Exco which recommends approval to the Board. The Exco specifically reviews and approves the financial data and recommends approval to the Board committee.
- 10.3 The integrated report contents are independently assured by external auditors.
- 10.4 Sustainability reporting and disclosure should be integrated with the company's financial reporting. The integrated report includes all sustainability reporting and disclosure.

10.5 Sustainability reporting and disclosure should be independently assured. The sustainability data, as included in the integrated report, is independently assured by external auditors. The Audit Committee reviews the external auditor requirements.