

TOYOTA FINANCIAL SERVICES (SOUTH AFRICA) LIMITED

KING IV™ PRINCIPLES

FOR THE YEAR ENDED 31 MARCH 2018

To be read in conjunction with the year ended 31 March 2018 Audited Annual Financial Statements

Fundamental concept	Principle
Leadership, ethics and corporate citizenship	Principle 1 Leadership
	Principle 2 Organisational ethics
	Principle 3 Reporting corporate citizenship
Strategy, performance and reporting	Principle 4 Strategy and performance
	Principle 5 Reporting
Governing structures and delegation	Principle 6 Primary role and responsibilities of the governing body
	Principle 7 Composition of the governing body
	Principle 8 Committees of the governing body
	Principle 9 Evaluations of the performance of the governing body
	Principle 10 Appointment and delegation to management
Governance functional areas	Principle 11 Risk governance
	Principle 12 Technology and information governance
	Principle 13 Compliance governance
	Principle 14 Remuneration governance
	Principle 15 Assurance
Stakeholder relationships	Principle 16 Stakeholders

King IV™ Principles		Status	Commentary
Principle 1	The governing body should lead ethically and effectively.	Aligned	The Board of Directors provides the standard of ethical leadership. All employees subscribe to the Code of Ethics and interests are declared and approved as and when they occur. In relation to directors, the director declarations are noted and approved annually at the Annual General Meeting.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Aligned	Ethical principles are included in the culture of the organisation and are governed by the Audit, Risk, Social and Ethics committee. The employee induction process incorporates the awareness to the Code of Conduct. During the year, awareness initiatives are conducted in relation to the code of conduct, and the required training.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Aligned	Toyota subscribes to a philosophy of being a good corporate citizen in all territories in which it operates. To this end, TFSSA also subscribes to the rule of law and monitors all legislative requirements for compliance. In addition, TFSSA participates in the Albert Wessels Trust [previously Toyota Foundation], to support initiatives to historically disadvantaged schools. This is done through the medium of the Toyota Teach Project.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Aligned	The Board evaluates the strategy and performance on an annual basis. The Medium-Term Business Plan (MTBP) is used as a basis to provide the framework for the following year. Through the MTBP, risks, opportunities and the sustainability of the organization is discussed.

King IV™ Principles		Status	Commentary
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	<i>Not aligned</i>	TFSSA does not produce an integrated report that underlines the sustainability of the organization. The level of stakeholder engagement and reporting is through the Annual Financial Statements, which are submitted to the respective Regulators and the JSE.
Principle 6	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Aligned	The Board takes ultimate accountability and responsibility for corporate governance practices and principles. Therefore, the Board displaces adequate alignment in terms of its oversight functions and monitoring.
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Aligned	TFSSA has ensured that the composition is aligned with the King IV requirements. The composition spans industry experience and skill, and where vacancies occur, the replacement considers the need for expertise and the requisite skill. On an annual basis, directors are reappointed, and depending on tenure, the shareholders approve such appointments.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Aligned	Delegations are managed through the approved Delegation of Authority. All relevant committees function within the applicable mandates as well as the Terms of Reference.
Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	<i>Not aligned</i>	Evaluation assessments have not been performed in respect of the Board and the Committees. We plan to engage with the Office of the Company Secretary during August 2018 to perform the assessments.

King IV™ Principles		Status	Commentary
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Aligned	Succession planning and continuity matters are addressed by the EAR Management. The CEO performance evaluation is conducted at that level and reports submitted to directors.
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Aligned	Risk management is evidenced through the policies and processes. The risk management framework is discussed at Committee meetings and reports submitted to the Board. A separate Risk Technical Committee exist for the discussion of day-to-day risk matters.
Principle 12	The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	<i>Aligned</i>	Although the IT Steering Committee is in its infancy, progress has been made in relation to IT policies and framework. An IT MTBP document is formulated annually, and is agreed with TFS EAR as the strategy for that year.
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Aligned	The Board governs the compliance framework and provides strategic guidance and recognizes compliance as a material risk to which the company is exposed. To this end, monitoring plays a critical element in understanding the impact of non-compliance. In addition, the Company is licensed with various Regulators, and compliance to statutes is thus compulsory.

King IV™ Principles		Status	Commentary
Principle 14	The governing body should ensure that the organization remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Aligned	The Board has appointed a Remuneration Committee, and its responsibilities are set out in the Terms of Reference. The Committee performs the benchmark in relation to the banking, and manufacturing industries respectively. The Remuneration Committee further has external guidance.
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and external reporting purposes.	Aligned	The Combined Assurance Forum has been established to ensure that assurance services and functions enable an effective control environment, and support the integrity of information. The CAF comprises external audit, internal audit, management, and all relevant persons.
Principle 16	In the execution of its governance role and responsibilities the governing body should adopt a stakeholder inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Aligned	Stakeholder management is performed through various mechanisms, considering that the Board is further constituted by incorporating the respective stakeholders. Areas of improvement on stakeholder management will be identified further, to create excellence in stakeholder engagement.