

Governance

Governance: Corporate Governance

■ Fundamental Approach

Aim

- ✓ Establishment of a corporate governance structure that supports sustainable growth and the stable, long-term enhancement of corporate value.

Initiative

- ✓ Establishment and improvement of corporate governance structure, proper operation of the Board of Directors, incentives, committees, processes, roles and responsibilities and value, etc. to enhance corporate governance.

■ Corporate Governance Structure

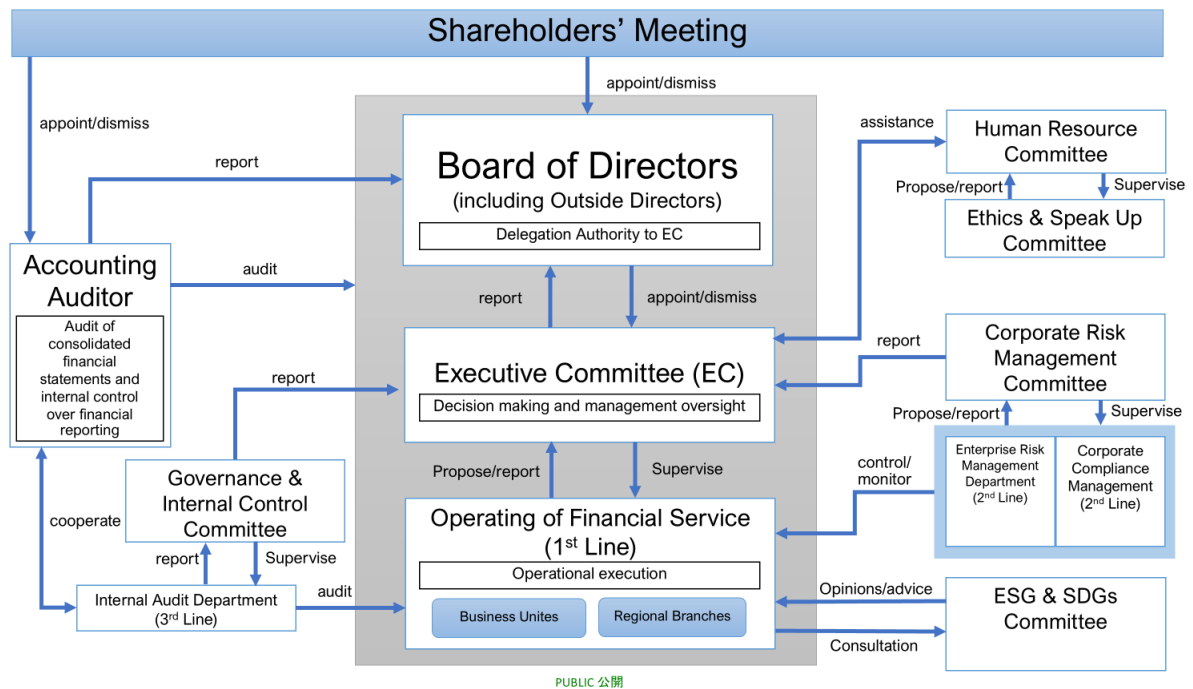
Aim

- ✓ Put in place a structure that enables customer opinions and on-site information to be swiftly communicated to management in order to realize timely and accurate management decision-making, and to review whether such management decisions are accepted by the customers and society.

Initiative

- ✓ The president, executive vice presidents and chief operating officers, to whom authority is delegated by the Board of Directors, realize prompt decision-making, and promote initiatives.
- ✓ The Board of Directors, which includes Outside Directors, delegates the authority to Executive Committee to supervise the execution of business operations.

Corporate Governance Organizational Diagram



■ Board of Directors

Aim

- ✓ Carry out the acceleration of decision-making and appropriate supervision by delegating the authority to the Executive Committee to realize sustainable growth through transformation into a “mobility company”.

Initiative

- ✓ Internal executives who have been long engaged in and have deep knowledge of financial services and outside executives who are capable of providing advice for the creation of new value from a broad perspective participate in well-balanced decision-making at the Board of Directors meetings.
- ✓ Delegate Authority by establishing an “Executive Committee” in which a majority of the members are Members of the Board of Directors in order to enhance the governance system. The committee has the duty to supervise and approve any operating execution and will report to the Board of Directors to acknowledge and get direction as necessary.

■ Internal Control

Aim

- ✓ Establish a system for ensuring the appropriateness of business operations as a corporate group and the proper implementation of that system in accordance with the “Basic Policies and the 3 lines of defense Framework on Establishing Internal Control

Initiative

- ✓ Integrate the principles of problem identification and continuous improvement into the business operation process and train employees who will put these principles into practice.
 - Survey the internal policy each business year to ensure that the operational process design is up to date and ensure proper internal controls.
 - Confirm that the organizational units responsible for implementing internal controls are functioning autonomously and are enhancing internal controls as necessary.
- ✓ Adopted the 3 lines of defense into the company for effectiveness of internal control.
 - 1st line: Management (process owners) has the primary responsibility to own and manage risks associated with day-to-day operational activities. Other accountabilities assumed by the first line include design, operation, and implementation of controls.
 - 2nd line: The second-line function enables the identification of emerging risks in daily operation of the business. It does this by providing compliance and oversight in the form of frameworks, policies, tools, and techniques to support risk and compliance management.
 - 3rd line: The third-line function provides objective and independent assurance, and advisory service designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. While the third line's key responsibility is to assess whether the first- and second-line functions are operating effectively, it is charged with the duty of functional reporting to the Governance & Internal Control Committee, as well as providing assurance to regulators and external auditors that the control culture across the organization is effective in both its design and operation.

■ Risk Management

Fundamental Approach

Aim

- ✓ Reinforcing our risk management to handle the increasing uncertainty while responding to expectations to take on new challenges amid a period of tremendous change in the conditions and values of the financial service industry, including the push toward carbon neutrality.

Initiative

- ✓ Protecting the interests of our stakeholders, including customers and employees, even in the event of a risk occurrence through the improvement of the organizational structure and the operation of the risk management system.

Organizational Structure

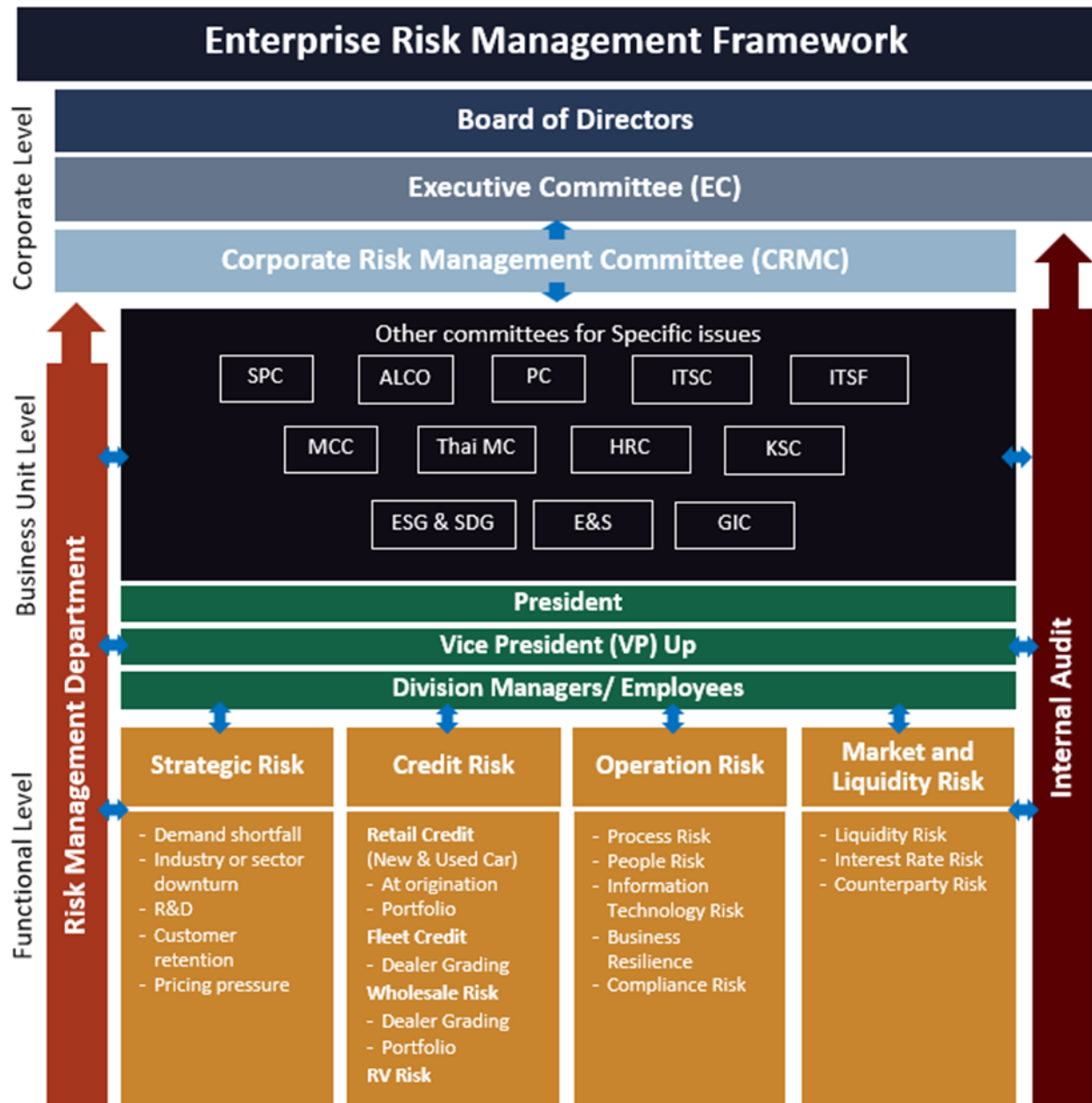
Aim

- ✓ Preventing, mitigating, and reducing risks that could arise in Toyota's business activities from a global perspective through collaboration and mutual support among regions, functions, and in-house companies.

Initiative

- ✓
 - Persons responsible for risk management: Chief Risk Officer (CRO)
 - Person responsible/in charge of risk management function: Chief officer/risk manager within the company.
- ✓ Significant risks requiring a quick response are reported by the CRO and discussed in the corporate risk management committee meeting.

Organizational Structure



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■ Risk Management System

Aim

- ✓ Identifying, assessing, and handling significant risks through the development of Enterprise risk management policy, structure, and operating procedures.

Initiative

- ✓ Estimating, identifying, and assessing risks in accordance with the Toyota Global Risk Management Standard (TGRS), an enterprise risk management framework based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission).

⇒ Significant risks

- Advancing company-wide initiatives in terms of the following matters: climate change, natural disasters, and geopolitical conflicts to supply chains, business continuity management (BCM) at the head office, Group companies, and business partners to respond to a wide range of risks, cybersecurity risks, privacy protection, and internal control risks parallel with business risk assessment.

■ Business Continuity Management (BCM)

Aim

- ✓ Assure quick recovery in business operations despite limitations on resources in preparation for large-scale disasters such as earthquakes and floods.

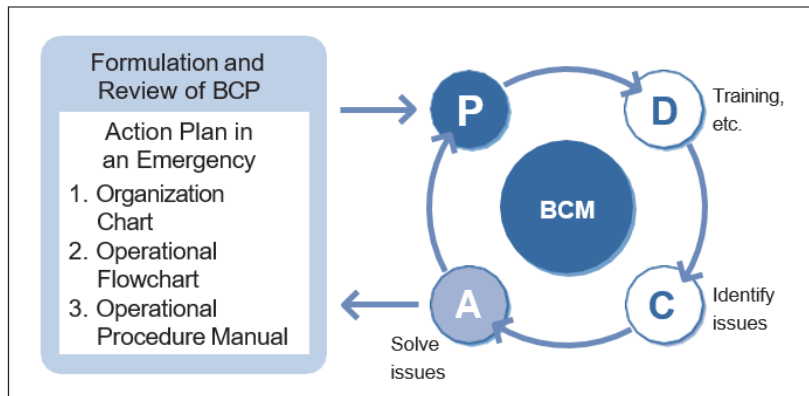
Initiative

Preparation for major disasters

- ✓ Strong focus on preparedness for major disasters by developing the systems and processes needed from first responses to the resumption of operations.

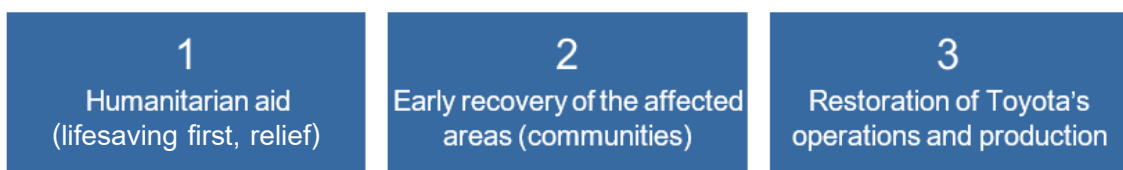
Formulation of the Business Continuity Plan (BCP)

- ✓ Developing risk-resilient organizations and workplaces
 - Improving the effectiveness of the BCP by implementing PDCA through training employees and the group companies and suppliers.
 - Developing risk-resilient individuals.
 - The protection of employees and stakeholders that the highest priority.
 - Resilience of process to serve customers.



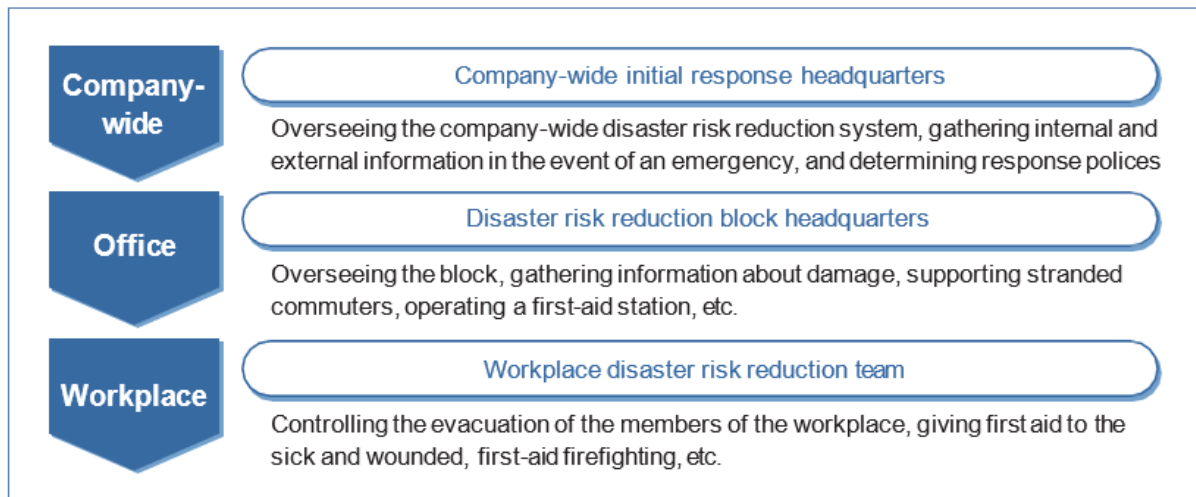
- ✓ Toyota's Basic Guidelines (priorities during a disaster)
 - In the event of a disaster, we support the recovery of local communities and then steadily resume in-house production while making the protection of employees' safety the highest priority.

Toyota's Basic Guidelines (priorities during a disaster)



- ✓ Disaster risk reduction system and implementation of emergency drills
 - Establishment of an initial response system divided into three levels: company-wide, office, and workplace levels.
 - ⇒ Through company-wide emergency drills (once a year), in which these three levels are linked together, and emergency drills held by each disaster risk reduction block organized at the office level, we work toward improving the accuracy and effectiveness of our initial responses.

Organizational Structure



- ✓ Utilization of the Safety Confirmation System
 - In case a large-scale disaster or incident occurs, the system enables employees working, living, or staying in the affected area to report to the company if they and their family members are safe using their computers or smartphones.
 - Conducting a call tree confirmation drill for all employees every year

✓ Enhancing awareness of disasters

Distribution of the BCP Handbook	<ul style="list-style-type: none"> • Main contents of the BCP Handbook Disaster prevention information explaining how to safely evacuate in the event of disasters including earthquakes, typhoons, heavy rains, and fires, first aid for injured personnel, and methods to contact family members, etc. ○ How to use the call tree. The handbook can be viewed on a smartphone (SharePoint)
Raising awareness by displaying information on a computer screen	<ul style="list-style-type: none"> ○ Basic knowledge in consideration of recent years' increased severity of extreme events
Discussions at each workplace	<ul style="list-style-type: none"> ○ Discussions on simulations for disasters

Initiatives to Mitigate the Impact of Disasters on Buildings and Equipment

- ✓ We work to mitigate the impact of disasters on buildings and equipment in order to reduce any human injury and property damage in the event of a disaster and resume production immediately after shifting to the business restoration phase.
- ✓ The know-how regarding the mitigation of the impact of disasters on buildings and equipment is being put to use in assessing risks and devising measures at affiliates in each country.

Response to Infectious Diseases

- ✓ Infection prevention and support for frontline medical workers
 - We work to prevent infection and support frontline medical workers while placing the highest priority on the safety and security of our employees and their families, customers, suppliers, and other stakeholders
 - The internal emergency headquarters takes various measures in line with the instructions of national and local governments and other countries/regions.
 - In preparation for any employee or anyone working with us being infected, a manual that indicates where to report the infection and the method of disinfection is distributed to all workplaces.
- ✓ Business Continuity Management for Pandemic
 - We set business continuity plan in case of pandemic situation to ensure company processes continuity and reduce impact for employee and all stakeholders by specify strategy such as work from home and team separation etc.

Compliance

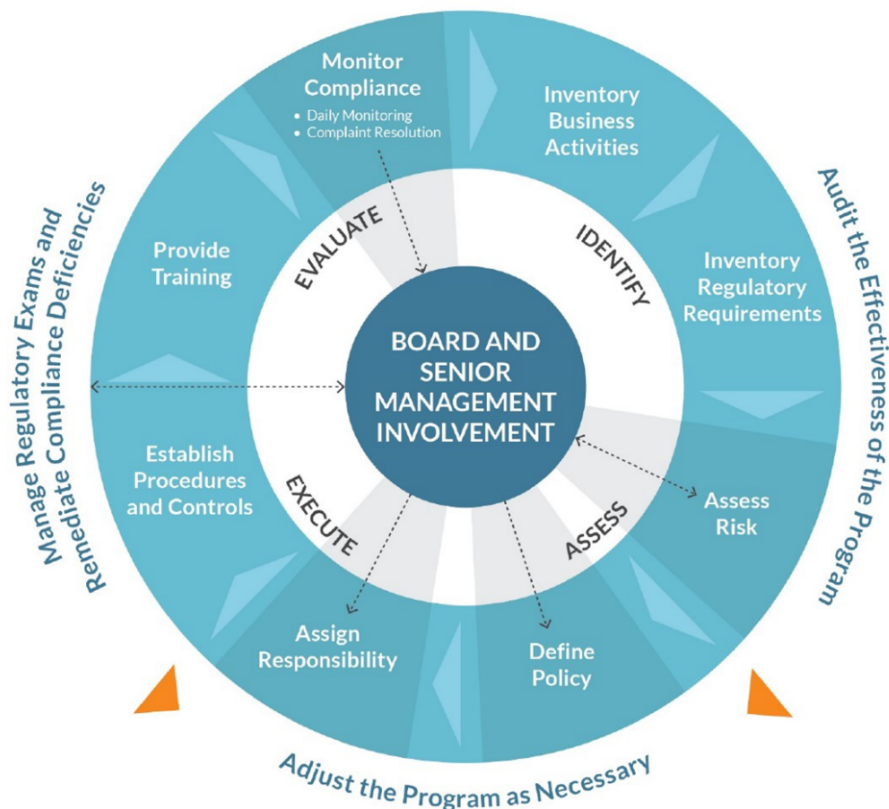
■ Fundamental Approach

Aim

- ✓ Carry out and fulfill the corporate social responsibility and compliance principles expected of Toyota Leasing.

Initiative

- ✓ Adoption of the Toyota Code of Conduct that outlines the basic mindset to be held by all members of the company.
 - Post the content on the intranet and distribute the booklet to ensure that all employees, including secondees and dispatched employees, are thoroughly familiar with the Toyota Code of Conduct.
 - Provision of various training and education programs, operation of the Speak Up Channel, and strengthening of compliance through checks.
- ✓ Formulation of the company compliance policy by respecting all employees through compliance with all applicable laws and regulations and open and fair corporate activities.
 - Establish and provide the compliance policy and framework for the company to ensure the company complies with applicable laws and regulations by establishing an appropriate compliance organization and processes.



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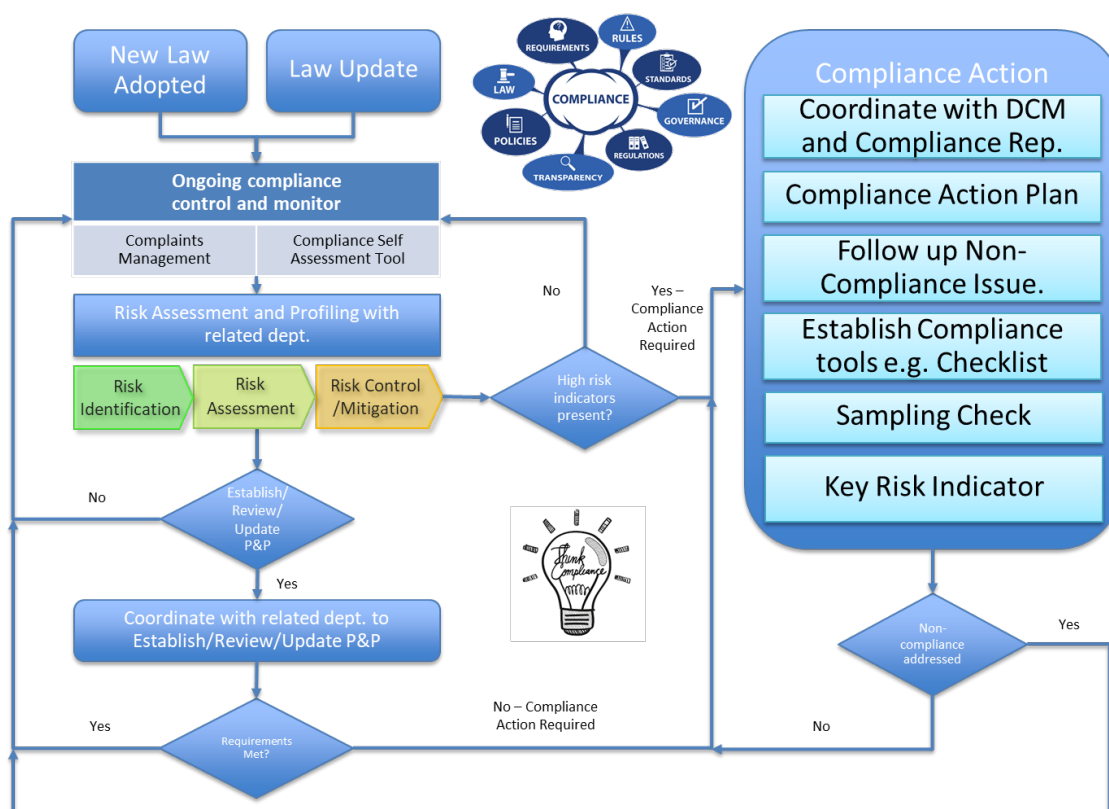
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- Promotion of compliance activities to ensure that all people working at Toyota Leasing act responsibly in compliance with the Toyota Code of Conduct, etc., under the leadership of the Chief Compliance Officer.
- Appoint the head of each department to be the Department Compliance Manager (DCM) as a compliance representative to coordinate, communicate, and support compliance activities.
- Develop and implement compliance risk management by establishing a Compliance Program to assess and identify compliance risk as well as creating the compliance tool to control and monitor to ensure the company complies with laws and regulations.



■ Compliance Education

Aim

- ✓ Ensure that awareness of compliance extends throughout the company from top management to each employee.

Initiative

- ✓ The Chief Compliance Officer, in conjunction with the relevant Departmental Compliance Managers, develops and implements systematic compliance training and education programs appropriate for each departmental function and each managerial level.

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The program must ensure that each department and associate is responsible for compliance risk management.

The training (E-learning) and education must be conducted regularly.

- ✓ Familiarize employees with various laws and regulations that they must understand when carrying out their tasks.
- ✓ The DCM Annual Meeting, in which lectures are conducted every year to update and awareness training.

■ Bribery / Corruption Prevention Measures

Aim

- ✓ Promote the eradication of bribery/corruption.

Initiative

- ✓ Formulation of Anti-bribery Guidelines
- ✓ Raise and enhance awareness through various training programs and activities.
- ✓ In the payment process, ensure that an authorizer (manager) confirms that the act is not considered bribery.

■ Speak Up

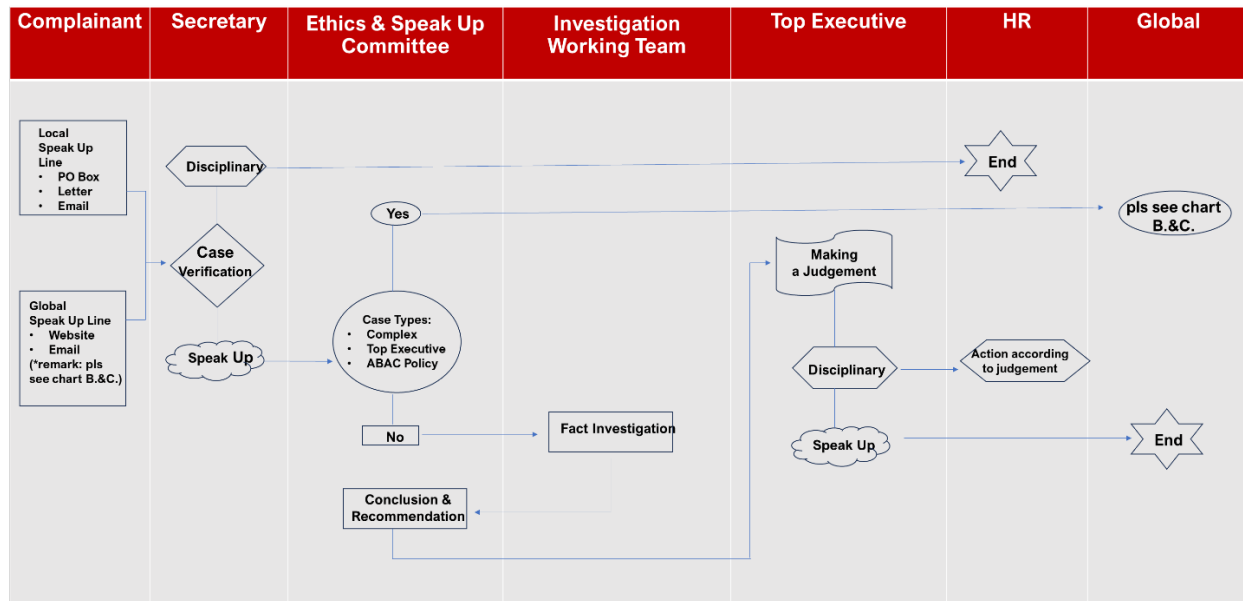
Aim

- ✓ Quickly and appropriately respond to workplace- and duty-related concerns, complaints, or questions that employees and other relevant parties may have.

Initiative

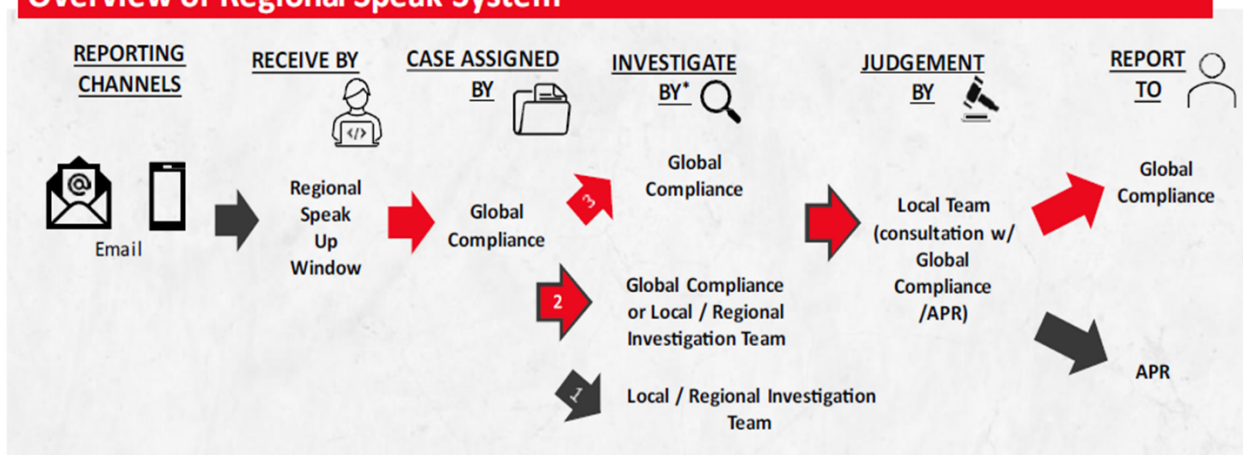
- ✓ Establish the Speak Up policy and provide a Speak Up channel for employees to encourage and allow employees to report compliance-related issues and hotlines for harassment.
- ✓ The Chief Compliance Officer must maintain a Speak Up system by which any associate who learns about an incident of compliance breaches, such as sexual harassment and willful misconduct by managers responsible for areas in financial reporting, can report it without the fear of reprisals. The contact person for the hotline must be informed to all associates.

A. Overview Internal SPEAK UP Process



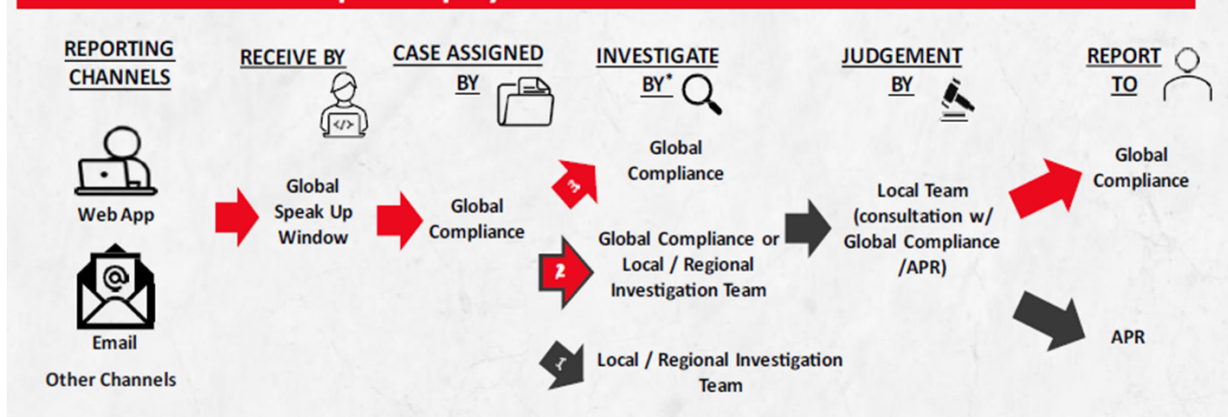
B. Overview of Speak Up Process, received the case by Asia Pacific Region Speak Up System

Overview of Regional Speak System



C. Overview of Speak Up Process, received the case by Global Speak Up System

Overview of Global Speak Up System



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■ Checks to Enhance Compliance

Aim

- ✓ Assess the compliance status of Toyota Leasing and make improvements.

Initiative

- ✓ Conduct the compliance checklist by business unit self-assessments of relevant laws checklist. (Conducted every year)
 - For non-compliance identified through checks that need to be improved, incorporate them to prepare action plans to ensure continuous attention and improvement.
 - Conduct a monitoring process to ensure that the results of checklists are correct and reliable and ensure that the company complies with laws and regulations.

