

TOYOTA FINANCIAL SERVICES INDIA LIMITED

**DIRECTORS APPOINTMENT,
RE-APPOINTMENT AND EVALUATION POLICY**

Version 1.4

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Objective

In accordance with the provisions of the Companies Act, 2013, the “Director’s Appointment, Re-Appointment and Evaluation Policy” (“the Policy”) has been formulated.

The objective of the Policy is to:

- Provide criteria for selection of a director at the time of their appointment and re-appointment.
- Provide the manner of evaluation of the Board of Directors.

Board Constitution

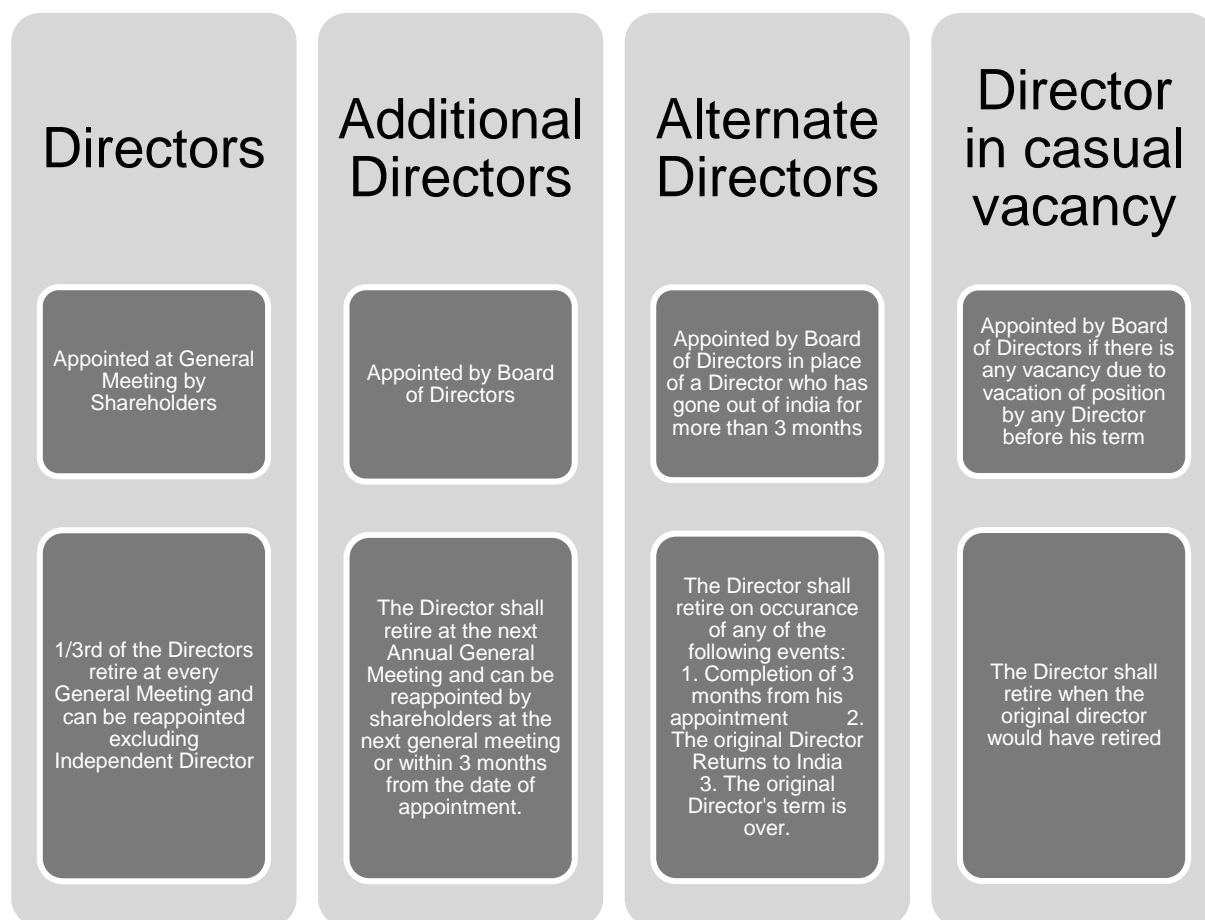
The constitution of the Board of Directors (‘the Board’) shall be in adherence to the norms laid under the Companies Act 2013 (‘the Act’), Reserve Bank of India (‘RBI’) Regulations and the SEBI Listing Obligations and Disclosure Requirements Regulations, 2015 (‘SEBI LODR’), as amended from time to time. The Board shall have at least one-Woman Director and not less than fifty per cent of the Board shall comprise of Non-Executive Directors. Where the Chairperson of the Board is a Non-Executive Director, at least one-third of the Board shall comprise of Independent Directors and where no regular Non-Executive Chairperson is appointed, at least half of the Board shall comprise of Independent Directors. The composition of the Board shall be in accordance with the Board Diversity Policy of the Company and at least one of the Directors in the Board shall have experience of having worked in a Bank/ NBFC. The Board shall consist of minimum number of Directors as specified under applicable laws., In case due to resignation or removal of any Director or any other reason, the constitution becomes non adherent to the statutory requirements, the Company shall endeavour to become compliant at the earliest as legally required.

Appointment of Directors

I. Types of Directors and Authority for their Appointment

The Board shall have optimum combination of Executive and Non-Executive Directors, such as Managing Director & CEO, Whole Time Director, Independent Directors and Non-executive Non-Independent Directors, as may be determined by the Board from time to time.

Manner of appointment and tenure of Directors shall be as below:



Appointment of Independent Directors

Independent Directors shall be appointed by shareholders at Annual General meeting. However, if there is a need to appoint an Independent Director between two annual general meetings, then an Independent Director may be appointed as an Additional Director/ Director in Casual Vacancy by the Board of Directors, but such a Director shall retire at the next Annual General Meeting or within 3 months from the date of appointment, whichever is earlier. At the next Annual General Meeting or within 3 months from the date of appointment, whichever is earlier, the shareholders shall decide whether to re-appoint the Director or not.

The Independent Directors shall be appointed for a fixed term not exceeding a maximum of 5 years at a time. Further, an Independent Director can be appointed only for two consecutive terms. After two consecutive terms he/ she can be reappointed only after a cooling off period of 3 years. During the cooling off period, the Director should not have any direct/ indirect relationship with Toyota Group. In case the Director is appointed for a term shorter than 5 years at a time, it shall still be considered a complete term for determining two consecutive terms. The Independent Directors shall fulfill the criteria of independence specified in the Act and the SEBI LODR . Additionally, Independent Directors are not liable for retirement by rotation.

II. Fit and Proper Criteria for Appointment of Directors

The Company shall ascertain suitability of a person to appoint/ continue to hold appointment for the post of Director by way of qualifications, technical expertise, track record, integrity, etc. and other fit and proper criteria. In order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, the Company shall ensure to appoint a person possessing the highest personal and professional ethics, integrity and values. The Company shall also ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Board:

- a) The Company shall obtain necessary information and declaration from the proposed / existing Directors for the purpose in the format stipulated by Reserve Bank of India from time to time.
- b) The Company shall undertake the process of due diligence at the time of appointment / renewal of appointment to determine the suitability of the person
- c) The Nomination and Remuneration Committee shall scrutinize the declarations given by proposed candidate for Director. The Committee may demand for more information as it may deem necessary to conduct the due diligence.
- d) Based on the information provided in the signed declaration, the Nomination and Remuneration Committee shall decide on the acceptance or otherwise of the Director(s), where considered necessary.
- e) The Company shall obtain annually a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith or alternatively the Company can obtain the complete declaration annually in format prescribed under applicable regulations.
- f) The Board shall ensure in public interest that the nominated/ elected Directors execute the deeds of covenants in the format stipulated by the Reserve Bank of India from time to time.

Additional requirements for Independent Directors

Independent Director should meet all criteria of independence specified in the Companies Act, 2013 and rules made thereunder and the SEBI LODR.

Re-appointment

At the time of re-appointment of a Director, the Nomination and Remuneration Committee shall conduct a due diligence again to determine the Director's suitability for re-appointment.

The re-appointment of Independent Director shall also depend on the report of his/ her performance evaluation, the decision of the Board of Directors and the shareholders.

With effect from April 1, 2024, the continuation of a Director serving on the Board of the Company shall be subject to the approval by the shareholders in a general meeting at least once in every five years from the date of their appointment or reappointment, as the case may be. However, this requirement shall not be applicable to the Whole-Time Director, Managing Director, Independent Director or a Director retiring as per the sub-section (6) of section 152 of the Companies Act, 2013, if the approval of the shareholders for the reappointment or continuation of the aforesaid Directors is otherwise provided for by the provisions of the SEBI LODR or the Companies Act, 2013 and has been complied with. Moreover, this shall not be applicable to the Director appointed pursuant to the order of a Court or a Tribunal or to a Nominee Director of the Government or to a Nominee Director of a financial sector regulator or a Director nominated by a financial institution registered with or regulated by the Reserve Bank of India under a lending arrangement in its normal course of business or nominated by a Debenture Trustee registered with SEBI under a subscription agreement for the debentures.

Any vacancy in the office of a Director shall be filled by the Company at the earliest and in any case not later than three months from the date of such vacancy. However, this shall not apply if the Company fulfils the requirement with respect to composition of the Board as specified under SEBI LODR, without filling the vacancy.

Moreover, if the Company becomes non-compliant with the requirement with respect to composition of the Board as specified under SEBI LODR, due to expiration of the term of office of any Director, the resulting vacancy shall be filled by the Company not later than the date such office is vacated.

Any vacancy in the office of the Chief Executive Officer, Managing Director or Whole Time Director shall be filled by the Company at the earliest and in any case not later than three months from the date of such vacancy. However, the listed entity shall not fill such vacancy by appointing a person in interim capacity, unless such appointment is made in accordance with the laws applicable in case of a fresh appointment to such office and the obligations under such laws are made applicable to such person.

Remuneration to Directors

Nomination and Remuneration Committee shall recommend the remuneration of the Directors. This will be then approved by the Board / shareholders. Prior approval of shareholders will be obtained wherever applicable. The remuneration of the Managing Director and Whole-Time Director shall be in accordance with the Compensation Policy of the Company and shall comply with applicable provisions of the Act, SEBI LODR and the RBI Regulations.

Independent Non-Executive Directors are appointed for their professional expertise in their individual capacity as independent professionals. Independent Non-Executive Directors shall receive sitting fees for attending the meetings of Board and Board Committees as approved by the Board.

Evaluation mechanism

There shall be a performance evaluation of every Director and of Board as a whole and its committees. This performance evaluation shall be conducted annually.

The performance evaluation of Independent Directors shall be done by the Board of Directors, excluding the Director being evaluated and shall include:

- (a) performance of the Independent Directors; and
- (b) fulfillment of the independence criteria as specified in these regulations and their independence from the Management

The Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its Committees and individual Directors to be carried out by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The Independent Directors shall also evaluate effectiveness of Board as a whole, the Chairman of the Board and Non-Independent Directors. This evaluation shall be conducted at a meeting of Independent Directors without the presence of rest of the Board members.

This evaluation shall be in relation to the duties of Directors as specified under the Companies Act, 2013, and SEBI LODR.

Review

This Policy shall be reviewed as and when considered necessary. If any part of this Policy is in conflict with the applicable laws, then it shall override the provisions of this Policy.
