Hindustan Coca-Cola Holdings Limited

Charter of the Audit Committee

("Charter")

Effective – _____

Classified - CONFIDENTIAL

1. Purpose:

I. The Audit Committee ("**Committee**") of the Board of Directors ("**Board**") of Hindustan Coca-Cola Holdings Limited ("**Company**") is constituted to assist the Board in fulfilling its oversight responsibilities in respect of the Company, relating to:

II. The integrity of the Company's financial reporting and disclosures.

III. The adequacy of accounting and internal control systems.

IV. The audit process, including the appointment and performance review of statutory and internal auditors.

V. Compliance with applicable legal and regulatory requirements.

The Committee functions under the overall supervision of the Board and shall perform such roles and responsibilities as may be delegated by the Board or required under applicable law from time to time.

2. Composition:

I. Each member of the Committee must be a member of the Board.

II. The Audit Committee shall comprise minimum 3 (three) directors as members.

III. At least two-third of the members of Audit Committee shall be independent directors.

IV. All members of Audit Committee including its chairperson ("**Chairperson**") shall be persons with ability to read and understand the financial statements and at least one member shall have accounting or related financial management expertise.

V. The Committee shall have a chairperson who shall be an independent director, and shall be appointed as the chairperson in accordance with the Articles of Association of the Company. The Chairperson shall preside over all the meetings of the Committee. In case the Chairperson is unable to attend a particular meeting, the Committee members present may choose another member nominated in accordance with the Articles of Association of the Company to be the chairperson for that meeting only. Chairperson of the Committee shall be present at the annual general meetings to answer shareholder queries, however, it shall be up to the chairperson to decide who shall answer the queries.

VI. The Company Secretary shall act as the Secretary to the Committee.

VII. The Committee may, at its discretion, invite the finance director or head of the finance function, the head of internal audit, a representative of the statutory auditor and such other executives to attend its meetings. Provided that occasionally the Committee may meet without the presence of any executives of the Company.

The Committee shall act within the authority delegated by the Board and in accordance with this Charter. Its powers include those vested in the SEBI LODR Regulations and the Act, including but not limited to the following:

I. Access to relevant information, records, and personnel necessary to perform its oversight role, subject to Board approval where required.

II. Investigate any activity within its terms of reference, seek information from any employee; obtain outside legal or other professional advice, and secure the attendance of outsiders with relevant expertise, if considered necessary.

III. Reviewing and discussing audit observations with management and auditors.

IV. Recommending the appointment and remuneration of auditors to the Board.

V. Seeking external professional advice, when necessary.

3. Role of the Audit Committee:

The Committee shall assist the Board in fulfilling its oversight responsibilities related to financial reporting, internal financial controls, risk management systems, audit and compliance with listing and other legal requirements relating to financial statements. Its role shall be primarily advisory and recommendatory in nature. The Committee shall exercise the oversight, review, advisory, approval and recommendatory functions assigned to it under Regulation 18 read with Part C of Schedule II and other applicable provisions of SEBI LODR regulations, Section 177 and other applicable provisions of the Companies Act, 2013 ("**Act**"), including the following:

I. **Financial Statements & Reporting**

i. Oversight of the Company's financial reporting process (including the consolidated financial statements incorporating HCCB) and the disclosure of the Company's financial information, to ensure that the standalone and consolidated financial statements are correct, sufficient, and credible.

ii. Recommend to the Board the appointment, remuneration, and terms of appointment of auditors of the Company, for approval by the Board and ratification by members at the general meeting in accordance with applicable law.

iii. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

iv. Review, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:

(a) matters required to be included in the director's responsibility statement to be included in the Board's report in terms of clause (c) of sub-section (3) of Section 134 of the Act;

(b) changes, if any, in accounting policies and practices and reasons for the same;

(c) major accounting entries involving estimates based on the exercise of judgment by management;

(d) significant adjustments made in the financial statements arising out of audit findings;

(e) compliance with listing and other legal requirements relating to financial statements;

(f) disclosure of any related party transactions; and

(g) modified opinion(s) in the draft audit report.

v. Review, with the management, the quarterly financial statements before the submission to the Board for approval.

vi. Mandatorily review management discussion and analysis of financial condition and results of operations.

II. **Internal & External Audit**

i. Discussion with auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

ii. Review management letters / letters of internal control weaknesses issued by statutory auditors.

iii. Discuss with the internal auditors any significant findings and follow-up thereon, and review internal audit reports relating to internal control weaknesses.

iv. Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority if the official heading the department, reporting structure coverage and frequency of internal audit.

v. Evaluate internal financial controls and risk management systems, and review, with management, the performance of the statutory and internal auditors and the adequacy of internal controls.

vi. Review the appointment, removal and terms of remuneration of the chief internal auditor.

III. **Compliance & Governance**

i. Review and monitor the auditor's independence and performance, and effectiveness of the audit process.

ii. Review, with the management, the statement of uses /application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public issue or rights issue or preferential issue or qualified institutions placement, and making appropriate recommendations to the Board to take up steps in this matter.

IV. **Other Matters**

i. Approval of appointment of chief financial officer after assessing the qualifications, experience and background of the candidate.

ii. Review the functioning of the whistle blower mechanism, and ensure that adequate safeguards are provided against victimisation of persons who approach the Audit Committee under the Company's whistleblower Policy.

iii. Scrutinise all inter-corporate loans, advances and investments, including in particular: (i) any loans or advances made by the Company to HCCB or by HCCB to the Company or to any other group entity; (ii) investments by the Company in the share capital, debentures or other securities of HCCB; and (iii) guarantees or security provided by the Company in connection with any loan availed by HCCB, in each case in compliance with the Act and the terms of any approval granted by the Board or shareholders.

iv. Look into the reasons for substantial defaults in the payment to the depositors, debenture

holders, shareholders (in case of non-payment of declared dividends) and creditors.

v. Perform such other roles as may be specifically delegated by the Board or required under applicable law.

vi. Carry out any other function as is mentioned in the terms of reference of the audit committee.

vii. Approval or any subsequent modification of transactions of the listed entity with related parties in accordance with the Act and the SEBI LODR Regulations, including without limitation all transactions between the Company and HCCB (which, being a wholly-owned subsidiary, is a related party of the Company within the meaning of Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI LODR Regulations). Further, where the Committee grants omnibus approval for related party transactions proposed to be entered into by the Company or its subsidiary, the Committee shall review, at least on a quarterly basis, the details of related party transactions entered into pursuant to each such omnibus approval, in accordance with Regulation 23(3)(d) of the SEBI LODR Regulations.

viii. Valuation of undertakings or assets of the Company and, where required by applicable law, of the undertakings or assets of HCCB, including in the context of any intra-Group transfer of assets, restructuring, or determination of transfer pricing arrangements between the Company and HCCB.

ix. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

x. Review the management letters / letters of internal control weaknesses issued by the auditors.

xi. Review the utilisation of loans and / or advances from investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments existing as on the date of coming into force of this provision.

xii. Consider and comment on the rationale, cost-benefits and impact of schemes involving merger, demerger, amalgamation etc. of the Company and its shareholders.

xiii. Review the statement of deviations –

- quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**").

- Annual statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice in terms of Regulation 32(7) of the SEBI LODR Regulations.

4. Meetings & Quorum:

I. The Committee members shall meet at least 4 (four) times in a financial year and not more than 120 (one hundred twenty) days shall elapse between two consecutive meetings.

II. At least 7 (seven) days' prior written notice of a Committee meeting shall be given to each member and his/her alternate (if any), provided that a Committee meeting may be convened by giving less than 7 (seven) days prior notice with the written consent of majority of the members in accordance with the Articles of Association of the Company. The quorum of each meeting shall either be two members or one third of the members of the Committee, whichever is greater, with at least two independent directors, and as per such other requirements as may be mentioned in the Articles of Association of the Company.

III. A duly convened meeting of the Committee of the Company at which the requisite quorum is present shall be competent to exercise all or any of the authorities, power and discretion vested in our exercisable by the Committee.

5. Oversight of Subsidiaries:

In accordance with Regulation 24 of the SEBI LODR Regulations and applicable provisions of the Act, the Committee shall exercise the following oversight functions with respect to subsidiaries of HCCH:

I. **Review of Financial Statements of unlisted subsidiary.** The Committee shall review the financial statements of its unlisted subsidiaries, in accordance with Regulation 24(2) of the SEBI LODR Regulations. In conducting such review, the Committee shall give particular attention to: (a) significant accounting policies adopted by the unlisted subsidiary and any changes thereto; (b) material audit observations and qualifications, if any, in the unlisted subsidiary's audit report; (c) the impact of the unlisted subsidiary's financial results on the consolidated financial statements of the Company; and (d) any contingent liabilities or off-balance sheet arrangements at the unlisted subsidiary level that could have a material effect on the Company.

II. **Monitoring of Loans, Advances and Investments.** In accordance with Item A(21) of Part C of Schedule II of the SEBI LODR Regulations, the Committee shall review the utilisation of all loans, advances and investments made by the Company in a subsidiary where the aggregate amount exceeds rupees 100 crore or 10% of the asset size of the subsidiary as per the latest audited balance sheet, whichever is lower, and shall confirm that such funds have been deployed for the purposes communicated to shareholders or the Board. Where any utilisation deviates from the stated purpose, the Committee shall report such deviation to the Board with its recommendations.

6. Recordings:

The Committee shall provide the record and its summaries of recommendation to the Company Secretary to place it before the Board, which will be incorporated as a part of the Minutes of the Board of Director's Meetings of the Company, as deemed fit.

7. Reporting on Audit Committee Performance:

The Committee shall provide an annual summary report to the Board outlining key discussions and observations from the year.

8. Review/Amendment/Modification:

This Charter shall be reviewed and accordingly amended by the Board from time to time so that it remains compliant with the applicable law. Notwithstanding anything contained to the contrary herein, this Charter shall automatically stand amended to incorporate any changes to the requirements prescribed under applicable law to the extent that such provision does not require the Board to exercise its discretion. If there is any change in provisions of applicable law that require the Board to exercise its discretion, the Board shall promptly review such provisions and adopt necessary changes to the Charter.