RISK MANAGEMENT POLICY

A. PREAMBLE

Section 134(3)(n) of the Companies Act, 2013 ("**Act**") requires that the report by the Board of Directors laid at the general meeting shall include a statement on the development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company. Section 177(4)(vii) of the Act provides that Audit Committee shall evaluate the internal financial controls and risk management systems of the company. Regulations 17(9)(a) and 21 of the Securities and Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**"), inter alia, mandates laying down the procedures for risk assessment and minimization. Further, Regulation 17(9)(b) of the SEBI LODR Regulations states that the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the company.

The Board of Directors ("the **Board**") of Hindustan Coca-Cola Holdings Limited ("**Company**") has adopted this Policy in accordance with Regulation 17(9) of the SEBI LODR Regulations as well as Section 134(3)(n) and other applicable provisions of the Act. It serves to facilitate the proactive identification, assessment and management of risks in accordance with the Company's business objectives. Further, this Policy establishes and implements a robust risk management framework and stipulates regular reporting to the Board on the framework's performance and any associated exceptions. The Board may amend this Policy from time to time.

B. DEFINITIONS

"**Act**" means the Companies Act, 2013 and rules and regulations framed thereunder, and any amendments thereto

"**Company**" means Hindustan Coca-Cola Holdings Limited.

"**Risk**" means a probability or threat of damage, injury, liability, loss, or any other negative occurrence that may be caused by internal or external vulnerabilities; that may or may not be avoidable by pre-emptive action.

"**Risk Management**" is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

"**Senior Management**" means officers/personnel of the Company who are members of its core management team, excluding the Board, comprising all members of management one level below the Chief Executive Officer or Managing Director or Whole-time Director or Manager, including the functional heads and shall specifically include company secretary and Chief Financial Officer.

"**Audit Committee**" means the Audit Committee constituted by the Board of Directors of the Company under Section 177 of the Act, as amended from time to time, and Regulation 18 of the SEBI LODR Regulations, as amended from time to time.

"**Risk Management Committee**" or "**RMC**" or "**Committee**" means the committee formed by the Board in accordance with Regulation 21 of the SEBI LODR Regulations and this Policy.

"Subsidiary" means a subsidiary company as defined under Section 2(87) of the Companies Act, 2013. As of the date of this Policy, Hindustan Coca-Cola Beverages Private Limited ("**HCCB**") is the principal Subsidiary of the Company.

"Material Subsidiary" means a subsidiary whose turnover or net worth exceeds ten percent (10%)

of the consolidated turnover or net worth, respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year, as defined under Regulation 16(1)(c) of the SEBI LODR Regulations. HCCB is a Material Subsidiary of the Company.

All other words and expressions used but not defined in this Policy, but defined in the Securities and Exchange Board of India Act, 1992, the Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be. .

C. OBJECTIVE AND PURPOSE

In line with the Company's objective towards increasing stakeholder value, this Policy has been framed in an attempt to identify the key events/ risks impacting the business objectives of the Company and to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks. The Company's objective also includes ensuring that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company. To monitor and oversee implementation of this Policy, including evaluating the adequacy of risk management systems.

D. POLICY STATEMENT

The Company is committed to developing an integrated Risk Management Framework:

1. To achieve the strategic objective while ensuring appropriate management of risks.
2. To ensure protection of stakeholder's value.
3. To provide clear and strong basis for informed decision making at all levels of the Company.
4. To strive towards strengthening the Risk Management System through continuous learning and improvement.

Every employee of the Company is recognized as having a role in Risk Management, for identification of risk to treatment and shall be invited and encouraged to participate in the process.

There will be a corporate-level risk steering committee to determine key risks, communicate Policy, objectives, procedures and guidelines and to direct and monitor implementation, practice and performance throughout the Company.

The Audit Committee and the Board will review the Policy and procedures periodically.

E. SCOPE AND EXTENT OF APPLICATION

The Policy guidelines are devised in the context of the present business profile of the Company, future growth objectives and new business endeavors/ services that may be necessary to achieve the goals and the emerging global standards and best practices amongst the comparable organizations. This Policy covers all the events within the Company and events outside the Company which have a bearing on the Company's business. In addition, this Policy and the Risk Management Framework established hereunder shall also apply to HCCB, being a Material Subsidiary of the Company. HCCB shall adopt and implement a risk management framework that is consistent with, and aligned to, this Policy, and shall report on its risk management activities to the Risk Management Committee of the Company at such frequency as the RMC may prescribe.

F. ROLES AND RESPONSIBILITIES

The Board and/or Risk Management Committee shall be responsible for framing, implementing and monitoring this Policy for the Company. The Risk Management Committee should ensure that

adequate risk management systems exist. The Risk Management Committee shall review risk management systems periodically. The Audit Committee shall be responsible for evaluation of internal financial controls and risk management systems. The Board of Directors of HCCB shall be responsible for overseeing the implementation of the risk management framework within HCCB, consistent with this Policy. The Chief Executive Officer and Chief Financial Officer of HCCB shall be responsible for identifying, assessing and escalating material risks within HCCB to the Company's Risk Management Committee, at least on a half-yearly basis or more frequently as circumstances may require.

G. RISK MANAGEMENT FRAMEWORK

Risk Management will protect and add value to the Company and its stakeholders by supporting the Company's objectives through improving decision-making, planning and prioritization by comprehensive and structured understanding of business activity, volatility, and project opportunity/threat.

It will provide a framework that enables future activity to take place in a consistent and controlled manner. The framework will help in creating an environment in which Risk Management is consistently practiced across the Company and where Senior Management can take informed decisions to reduce the possibility of surprises.

The components of Risk Management are defined by the Company's business model and strategies, organizational structure, culture, risk category and dedicated resources. An effective Risk Management framework requires consistent processes for assessment, mitigation, monitoring and communication of risk issues across the Company. Essential to this process is its alignment with corporate direction and objectives, specifically strategic planning, and annual business planning processes. Risk Management is a continuous and evolving process, which integrates with the culture of the Company.

An effective Risk Management Framework comprises of:

(i) Risk Management process; and

(ii) Risk Management organization structure.

Risk Management process can be defined as the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

Risk Management Organization Structure: The Risk Management process shall be supported by a Risk Management structure which primarily comprises of:

- Team structure of the Risk Management Function
- Roles and responsibilities
- Risk Management activity calendar

H. RISK MANAGEMENT PROCESS

Effective Risk Management process requires continuous and consistent assessment, mitigation, monitoring and reporting of risk issues across the full breadth of the enterprise. Essential to this process is a well-defined methodology for determining corporate direction and objectives. Hence, an enterprise wide and comprehensive view will be taken of Risk Management to address risks inherent to strategy, operations, finance and compliance and their resulting organizational impact.

The Risk Management process adopted by the Company has been tailored to its business processes. Broadly categorizing, the process consists of the following stages/steps:

- Establishing the Context
- Risk Assessment (identification, analysis and evaluation)
- Risk Treatment (mitigation plan)
- Monitoring, review, and reporting
- Communication and consultation

1. Establishing the Context

Articulate the objectives and define the external and internal parameters to be taken into account when managing risk and set the scope and risk criteria for the remaining process.

1.1. *Establishing the External Context*

Understanding the external context is important to ensure that the objectives and concerns of external stakeholders are considered when developing risk criteria. It is based on the organization wide context, but with specific details of legal and regulatory requirements, stakeholder perceptions and other aspects of risks specific to the scope of the Risk Management process.

The external context can include, but is not limited to:

- Social and cultural, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local, environmental, pandemic, communal;
- Key drivers and trends having impact on the objectives of the Company; and
- Relationships with perceptions and values of external stakeholders.

1.2. *Establishing the internal context*

The Risk Management process should be aligned with the Company's culture, processes, structure, and strategy. Internal context is anything within the Company that can influence the way risks are managed.

It is necessary to understand the internal context. This can include, but is not limited to:

- Governance, organizational structure, roles, and accountabilities.
- Policies, objectives, and the strategies that are in place to achieve them.
- Capabilities, understood in terms of resources and knowledge (e.g., capital, time, people, processes, systems and technologies).
- The relationships with perceptions and values of internal stakeholders; the Company's culture; information systems, information flows and decision-making processes (both formal and informal); standards, guidelines and models adopted by the organization.
- Ethics and values.

2. Risk Assessment

The Risk assessment is the overall process of the following phases:

2.1. Risk identification

2.2. Risk Evaluation

2.3. Risk mitigation

2.1. *Risk Identification*

Current and potential risk identification includes all internal and external risks specifically faced by the Company, which inter alia includes financial, operational, legal and regulatory, sectoral, sustainability (particularly, ESG (Environmental, social, governance) related risks), information, cyber security risks, socio cultural, political, geopolitical and economic policies, ethics and values , governance or any other risk as may be determined by the Risk Management Committee. All events that can have an adverse impact on the achievement of the business objectives will be treated as risk associated with business. All Head of Departments/ Senior Managers shall identify all possible risks associated with their area of operation and report the same to CEO/Managing Director, CFO or Company Secretary. All identified risks will be documented for evaluation.

2.2. *Risk Evaluation*

"**Risk Evaluation**" means the overall process of risk analysis and evaluation. It includes the determination of the impact, if the risk occurs, on the business / likelihood of the risk occurrence. All identified risks shall be evaluated periodically by Key Managerial Personnel/Senior Management led by Managing Director or Chief Executive Officer. Based on the evaluation, each of the risks can be categorized as - low, medium and high.

2.3. *Risk Mitigation*

The following framework shall be used for implementation of Risk Mitigation.
All identified Risks should be mitigated using any of the following Risk mitigation plan.

(a) Risk avoidance:

By not performing an activity that could carry risk.

(b) Risk transfer:

Mitigation by having another party accept the Risk, either partial or total, typically by contract or by hedging / insurance.

(c) Risk reduction:

Employing methods/solutions that reduce the severity of the loss.

(d) Risk retention:

Accepting the loss when it occurs. Risk retention is a viable strategy only for small risks or if approved by the Board.

3. **Risk Treatment**

Risk treatment involves selecting one or more options for modifying risks and implementing those options. Once implemented, treatments provide or modify the controls.

Risk treatment involves a cyclical process of:

- Assessing risk treatment.
- Deciding whether residual risk levels are tolerable.
- If not tolerable, generating a new risk treatment.
- Assessing the effectiveness of that treatment.

Based on the Risk level, the Company should formulate its Risk Management strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances.

Following framework shall be used for risk treatment:

3.1. *Avoidance (eliminate, withdraw from, or not become involved)*

As the name suggests, risk avoidance implies not to start or continue with the activity that gives rise to the risk.

3.2. *Reduction (optimize – mitigate)*

Risk reduction or "optimization" involves reducing the severity of the loss or the likelihood of the loss from occurring. Acknowledging that risks can be positive or negative, optimizing risks means finding a balance between negative risk and the benefit of the operation or activity; and between risk reduction and effort applied.

3.3. *Sharing (transfer – outsource or insure)*

Sharing, with another party, the burden of loss or the benefit of gain, from a risk.

3.4. *Retention (accept and budget)*

Involves accepting the loss, or benefit of gain, from a risk when it occurs. Risk retention is a viable strategy for risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against, or the premiums would be infeasible. This may also be acceptable if the chance of a very large loss is small or if the cost to insure for greater coverage amounts is so great it would hinder the goals of the Company too much. Any risk retention decision that is not in ordinary course of business should be referred to the Board.

4. **Monitoring and Review**

To ensure that Risk Management is effective and continues to support the Company's performance, processes shall be established to:

- Measure Risk Management performance against the key risk indicators, which are periodically reviewed for appropriateness.
- Periodically measure progress against, and deviation from, the Risk Management plan.

- Periodically review whether the Risk Management framework, policy and plan are still appropriate, given the Company's external and internal context.
- Report on risk, progress with the Risk Management plan and how well the Risk Management policy is being followed.
- Periodically review the effectiveness of the Risk Management framework.
- Structured scientific and analytical tools may be used for this purpose.

5. **Communication and Consultation**

Communication and consultation with external and internal stakeholders should take place during all stages of the Risk Management process. Therefore, plans for communication and consultation should be developed at an early stage, in consultation with the Board. These should address issues relating to the risk itself, its causes, its consequences (if known), and the measures being taken to treat it. Effective external and internal communication and consultation should take place to ensure that those accountable for implementing the Risk Management process and stakeholders understand the basis on which decisions are made, and the reasons why particular actions are required.

I. RISK REPORTING

All identified risks, with analysis, evaluation, and risk mitigation plans should be reported to Risk Management Committee periodically, for their review and recommendations. The Risk Management Committee shall meet at least twice in a financial year, and not more than 210 (two hundred and ten) days shall elapse between any two consecutive meetings. The Committee shall have powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it is considered necessary.

J. RISK MANAGEMENT ORGANISATION STRUCTURE

(i) Board Of Directors

The Board, through the Audit Committee, shall oversee the establishment and implementation of an adequate system of Risk Management across the Company. The Board shall comprehensively review the effectiveness of the Company's Risk Management system on an annual basis, i.e., at least once in every financial year, in accordance with Regulations 4(2)(f)(ii)(7) and 17(9)(b) of the SEBI LODR Regulations.

(ii) Audit Committee

The Audit Committee shall periodically review the risk assessment and minimization procedures across the Company after review of the same by the Risk Management Committee. The Audit Committee shall assist the Board in independently assessing compliance with Risk Management practices. It will also act as a forum to discuss and manage key risks.

(iii) Risk Management Committee

3.1. The Board shall constitute an RMC. The RMC shall assist the Board in framing policies, guiding implementation, monitoring, and reviewing the effectiveness of Risk Management policies and practices. The Committee shall act as a forum to discuss and manage key strategic and business risks.

3.2. The RMC shall prepare a business continuity plan, and present it to the Board for its

approval.

3.3. The RMC shall ensure that the risk management framework adopted by the Company is also extended to and implemented by the subsidiaries of the Company, to the extent applicable, in accordance with Regulation 21(2) of the SEBI LODR Regulations.

3.4. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the RMC.

3.5. The RMC shall have minimum 3 (three) members with majority of them being members of the board of directors, including at least 1 (one) independent director. If the Company has outstanding SR equity shares, having superior voting rights compared to all other equity shares issued by the Company, at least 2/3rd (two thirds) of the Risk Management Committee shall comprise independent directors.

3.6. The RMC shall keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

3.7. The Chairperson of the RMC shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

3.8. The RMC is chaired by an Independent Director, and it shall meet at least twice in a financial year or at such intervals as may be required by applicable law.

(iv) **Meetings**

4.1. The quorum for a meeting of the RMC shall be either 2 (two) members or one third of the members of the Committee, whichever is higher, including at least 1 (one) member of the Board in attendance.

4.2. The meetings of the RMC shall be conducted in such a manner that on a continuous basis not more than 210 (two hundred and ten) days shall elapse between any 2 (two) consecutive meetings.

4.3. The Board shall define the role and responsibility of the RMC and may delegate monitoring and reviewing of the Risk Management plan to the Committee and such other functions as it may deem fit, including cyber-security risks, review of cyber security incidents, if any, and measures taken to address them.

(v) **Internal Auditor**

Key responsibilities of Internal Audit Group related to Risk Management shall include:

5.1. Implement a risk-based approach to planning and executing the internal audit process.

5.2. Internal audit resources to be directed at those areas which are key and/or significant as brought out periodically through the Risk Management process.

K. BROAD PRINCIPLES

The Board shall review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

Risk Identification should start with all vertical and functional heads who with the inputs from their team members are required to report the material risks to the RMC along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by the CEO/Chairman/Managing Director

through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk and Audit Committee.

L. BOARD APPROVAL

The Risk Management strategy and Risk Management plans shall be approved by the Board before communication to the personnel for implementation.
The Board shall approve the Risk Management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

M. REVIEW OF THIS POLICY

This Policy shall be reviewed by the Board and Risk Management Committee periodically, at least once in 2 (two) years, including by considering the changing industry dynamics and evolving complexity.

N. BUSINESS CONTINUITY PLAN

The Company shall indicate development of such plans in its Risk Management policy. The plan should cover recovery plans in the event of any major disruption faced by the Company. A mention of such a plan would assure the policy users of the Company's preparedness of risks arising in all perceivable circumstances.

O. RISK MANAGEMENT FRAMEWORK FOR SUBSIDIARIES

(i) **Applicability and Adoption**

The risk management framework adopted by the Company under this Policy shall extend to, and be implemented by, HCCB. The Board shall ensure that HCCB operates within a risk management framework that is consistent with this Policy. The board of HCCB shall formally adopt a risk management policy or framework that is aligned with this Policy and shall review the same at least annually.

(ii) **Risk Identification and Escalation at HCCB**

The Head of Departments and Senior Management of HCCB shall identify and assess risks within their respective areas of operation, including but not limited to: (a) operational risks arising from HCCB's manufacturing, bottling and distribution operations; (b) supply chain and raw material concentration risks; (c) brand and franchise risks arising from the licensing arrangements with The Coca-Cola Company; (d) regulatory and environmental risks including those arising from food safety laws, environmental compliance and labelling regulations; (e) financial risks including foreign exchange, credit and liquidity risks; (f) cyber security and data privacy risks; and (g) human resources and labour relations risks. All material risks so identified shall be reported by the CEO or CFO of HCCB to the Company's RMC on a half-yearly basis or on such earlier occurrence of any material risk event requiring immediate escalation.

(iii) **Oversight by the Risk Management Committee**

The RMC of the Company shall, at least once in every financial year, review the risk management framework implemented at HCCB. The RMC shall: (a) review the risk register maintained by HCCB and assess the adequacy of risk mitigation measures; (b) review any material risk events or near-misses that occurred at HCCB during the preceding period; (c) satisfy itself that HCCB has adequate internal controls and risk oversight mechanisms in place; (d) direct HCCB to take such corrective action as the RMC may consider necessary; and (e) report its findings on HCCB's risk profile to the Board of Directors of the Company as part of the RMC's regular reporting. The CEO or CFO of HCCB may be invited to attend relevant meetings of the RMC to present on HCCB's risk matters.

(iv) **Immediate Escalation of Material Risk Events**

Notwithstanding the regular half-yearly reporting cycle, the CEO or CFO of HCCB shall immediately notify the Company's Chief Financial Officer, Company Secretary and the Chairperson of the RMC

upon the occurrence of any of the following at HCCB: (a) any risk event that has caused or is likely to cause a material financial loss exceeding such threshold as the RMC may specify from time to time; (b) any regulatory action, show-cause notice or adverse order from a government authority that could materially impact HCCB's operations; (c) any significant disruption to manufacturing or supply chain operations; (d) any cyber security breach or data loss incident; or (e) any event that may require disclosure by the Company under the SEBI LODR Regulations. The RMC Chairperson shall bring such matters to the attention of the full Board at the earliest opportunity.

(v) **Integration with Group Risk Register**

The Company shall maintain a consolidated Group-level risk register that integrates the risks identified at the Company level and at HCCB. The consolidated risk register shall be reviewed by the RMC at each of its meetings. Key risks identified at HCCB that have the potential to affect the Company's consolidated financial position, reputation or regulatory standing shall be reflected in the Group-level risk register and included in the risk reporting to the Board and, where required by applicable law, in the disclosures made to stock exchanges and in the Annual Report of the Company.

(vi) **Inter-Company and Concentration Risks**

The RMC shall pay particular attention to the following concentration and inter-company risks: (a) the risk that an adverse event at HCCB will have a direct and material impact on the Company's consolidated financial results; (b) risks arising from inter-company transactions, loans, guarantees or security provided by the Company to or for the benefit of HCCB, which shall be reviewed against the related party transaction policy of the Company; (c) the risk arising from HCCB's dependence on the franchise agreement and brand licence granted by The Coca-Cola Company, including the risk of termination, modification or non-renewal of such agreement; and (d) any systemic operational risks at HCCB that could give rise to material liability or reputational damage for the Company.

P. EFFECTIVE DATE

This policy shall be effective from -

Q. AMENDMENTS TO THE POLICY

This Policy 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 Policy 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 Policy.