



Sustainability Report 2022  
Varun Beverages Limited



*Sustainably Refreshing.  
Refreshingly Sustainable.*

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Read or download the report at:

[www.varunpepsi.com](http://www.varunpepsi.com)

# Varun Beverages in Numbers



**1.4 Billion+**  
Consumers Served



**802 Million**  
Cases Sold\*



**3 Million+**  
Retail Outlets Catered



**37**  
Manufacturing Facilities  
producing our Beverages



**11,500+** People  
Employed



**6 Countries**  
Presence across

\*A unit case is equal to 5.678 liters of beverage divided in 24 bottles of ~237 ml each.

# Sustainably Refreshing. Refreshingly Sustainable.

**Refreshing the world has always been our passion and purpose. We are refreshing 1.4 billion+ customers, representing 1/6<sup>th</sup> of the global population, with a vast portfolio of beverages touching all age groups. We have positioned our winning growth portfolio for success and growing our brands through focused execution and targeted innovation.**

As we do this, we strive to make the world a better place for everyone, everywhere. We ensure a sustainable ecosystem with a positive impact on our planet and well-being. ESG remains core to what we do. Our ESG goals are embedded in how we operate as a business.

We are generating and distributing value by implementing initiatives on environmental well-being, pushing for social dimension and by becoming a future-ready, agile and effective organization with a strong determination to drive progress on our priorities. Staying focused on key actions at the heart of our beverage strategy, our achievements so far give us confidence that our best years are yet to come.

We continue to evolve as a beverage company by keeping pace with evolving needs and tastes, responding to consumers' desires for more choices across categories, optimizing our product mix while providing more drinks with nutrition benefits and focusing on our high-priority ESG issues.

**A passion to sustainably fresh the world, and create a more sustainable business.**





# We Are Varun Beverages Limited

**We are PepsiCo’s second largest franchisee (outside US), possessing rights to manufacture, distribute and sell carbonated soft drinks, fruit juice-based drinks, packaged drinking water, sports drinks and energy drinks.**

We are a key player in the beverage industry with our operations spanning across 6 countries and 2 continents, with access to a combined population of 1.4 billion+. Of these, 3 are in the Indian sub-continent (India, Sri Lanka and Nepal) and 3 in Africa (Morocco, Zambia and Zimbabwe).



## Company Facts

Over a **31-year** strategic association with PepsiCo

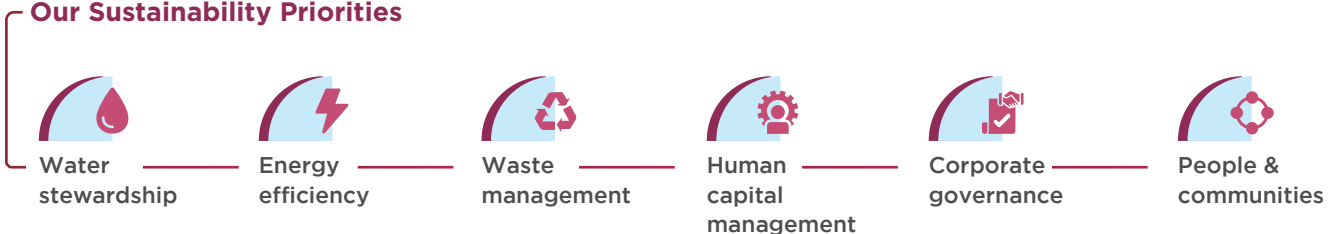
Presence in **27 States and 7 Union Territories** in India

Accounting for **~90%** of PepsiCo India’s beverage sales volume in India

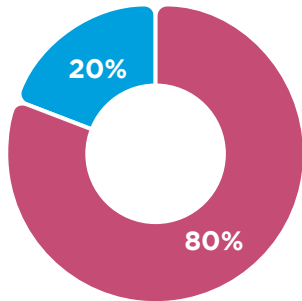
**3 Million+** Retail outlets access

Presence in **5 international countries**

## Our Sustainability Priorities



**Performance**  
Contribution to Net Revenue



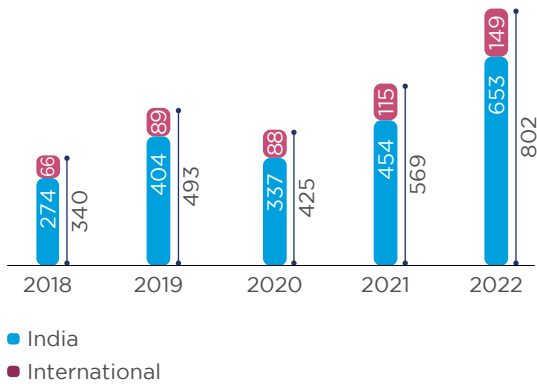
**Volume Growth**

**~24%**  
(CAGR 2018-2022)

We are confident of delivering sustainable and healthy volume growth across all product categories and further strengthen our market position in the beverage industry.

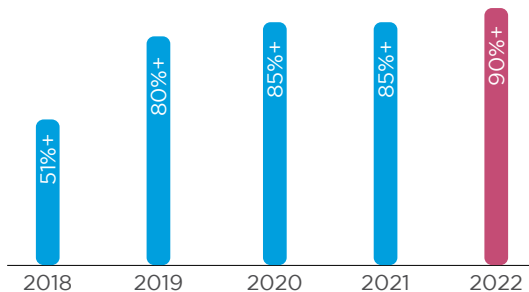
● International ● India

**Total Sales Volume** (In Million Cases)  
2018-22: Sales Volume CAGR - 24%



● India  
● International

**Increasing contribution in PepsiCo India's Beverage Sales Volume**



# Our Journey of Evolution

With three decades of our fascinating journey, we are sustainably refreshing our consumers across markets. Our year-on-year initiatives on improving market share, building infrastructure and expanding reach continues to hold us in good stead, and helps deliver strong and sustainable growth.

How we distribute and sustain value

## 2021

- Incorporated a new subsidiary – Varun Beverages RDC SAS in the Democratic Republic of Congo

## 2019

- Acquired PepsiCo India’s previously franchised territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts) and parts of Madhya Pradesh (3 districts)
- Acquired PepsiCo India’s sub-territories across seven states – Gujarat, parts of Maharashtra, parts of Karnataka, Kerala, Tamil Nadu, Telangana and parts of Andhra Pradesh and five union territories of Daman & Diu, Dadra and Nagar Haveli, Puducherry (except Yanam), Andaman & Nicobar Islands and Lakshadweep

## 1998

PepsiCo acquired 26% stake in Devyani Beverages Limited\*  
(\*Merged with VBL in 2004)

## 1999

Started operations in Alwar, Jodhpur and Kosi

## 1991

Bottling and Trademark Licensing Agreement with PepsiCo through a Group Company

## 1995

Incorporated Varun Beverages Limited as a Public Limited Company

## 1996

Commenced operations in Jaipur



## 2022

Entered into an agreement to distribute and sell Lays, Doritos and Cheetos for PepsiCo in the territory of Morocco.

Commenced commercial production of Kurkure Puffcorn at the manufacturing plant in Kosi, Uttar Pradesh for PepsiCo.

## 2018

- Acquired PepsiCo India's sub-territories in the state of Jharkhand (with production facilities), Chhattisgarh and Bihar
- Acquired sales and distribution rights of Tropicana, Gatorade and Quaker Oats Milk
- Set up a Greenfield production facility in Nepal and Zimbabwe

## 2017

- Acquired PepsiCo's Indian sub-territories across the states of Madhya Pradesh (certain parts) and Odisha
- Acquired the incremental 30% shareholding in Varun Beverages (Zambia) Limited

## 2016

- Acquired 60% shareholding in Varun Beverages (Zambia) Limited
- Public listing on NSE and BSE

## 2015

- Received investment from AION Investment
- Acquired PepsiCo's Indian sub-territories in parts of Uttar Pradesh, Uttarakhand, Himachal Pradesh, parts of Haryana, Punjab and the Union Territory of Chandigarh

## 2011 & 2012

- Investment by Standard Chartered PE in Varun Beverages (International) Limited (VBIL)\*

(\*Merged with VBL in 2012)

## 2012

- Sub-territories of Goa, three districts of Maharashtra and North-East India were consolidated, subsequent to merger of a group company
- Also, three companies having the territories of Nepal, Sri Lanka and Morocco became Subsidiaries
- PepsiCo sold 26% stake in VBL to VBIL\*

(\*Merged with VBL in 2012)

## 2013

Acquired the Delhi sub-territory (remaining parts)

## 2014 & 2015

Capital infusion of ₹ 4,500 million by Promoter Group

# Chairman’s Message



**Ravi Jaipuria**  
Non-Executive Chairman

Dear Shareholders,

It gives me immense pleasure to place before you the 28<sup>th</sup> Annual Report of the Company.

## Overview

We are pleased to share that we have delivered exceptional performance throughout the year. Strong demand for our products across markets and normalcy in day-to-day activities translated to solid volume growth in CY 2022. Furthermore, our investments in the business, despite pandemic-led disruptions in the previous years, combined with significant expansion in the distribution network contributed to increased

sales. We also undertook price hikes on select SKUs and rationalized discounts & schemes to address the cost pressures we faced during the year. These efforts, coupled with higher sales volumes and a favorable product mix, resulted in a 49% increase in our net revenues in CY 2022.

In terms of profitability, despite the challenges posed by higher costs of raw materials, we witnessed limited impact on our gross margins. Our prudent raw material sourcing

strategy, as well as selective price increases on specific products, helped us to improve our realization per unit and mitigate the impact of rising costs on our margins. In addition, higher operating leverage due to high volume growth led to better EBITDA margins. On the balance sheet front, our leverage ratios remained healthy as we registered strong cash flows during the year.

We are delighted to state that on the product portfolio front, Sting has emerged as a key growth driver for the Company. It has outperformed expectations this year, recording remarkable sales volume. Furthermore, our value-added Dairy and Juices segment received a positive reception from consumers. We are confident that these products will continue to drive growth for our Company in the future.

## Successfully Commissioned New Capacities

In a key development, we successfully commenced operations at our greenfield facilities in Bihar for manufacturing beverages and in Jammu & Kashmir for backward integration during the year. This strategic move enabled us to not only strengthen our reach and customer base but also enhance our presence in the under penetrated markets.

## Signed an Agreement to Distribute & Sell “Lays, Doritos and Cheetos”

During the year, the Board of Directors approved the proposal to enter into an agreement by Varun Beverages Morocco SA (a wholly owned subsidiary of the Company) to distribute & sell “Lays, Doritos and Cheetos” for PepsiCo in the territory of Morocco with effect from January 2023.

## Awards and Accolades

In recognition of our operational excellence, end-to-end execution capabilities, governance practice, and strong track record, VBL received an award from PepsiCo for the 'Best Bottler in Africa, Middle East and South Asia (AMESA) region' for the year 2021.

In addition, the Company has received the following three prestigious Corporate Governance Awards for CY 2022:

- CFI.CO (UK) for the 4<sup>th</sup> Consecutive Year for Best FMCG Corporate Governance (India)
- Business Brand Awards for Best Corporate Governance Practices

**We are delighted to state that on the product portfolio front, Sting has emerged as a key growth driver for the Company. It has outperformed expectations this year, recording remarkable sales volume.**

**Furthermore, our value-added Dairy and Juices segment received a positive reception from consumers. We are confident that these products will continue to drive growth for our Company in the future.**



- CNBC TV 18 – Incredible Brands of India Awards for Best Corporate Governance of the Year

## Emphasis on Sustainability

As a leading beverage company serving over 1.4 billion customers globally through an extensive network of over 3 million retail outlets, we are committed towards safeguarding our environment and promoting sustainability in all our operations. One of the key ways is that we are doing this by investing in PET recycling and implementing measures to improve energy and water efficiency. Our goal is to have a net positive impact on the environment, and we are continuously evaluating and implementing new ways to minimize our ecological footprint.

## Dividend & Bonus Issue

In order to benefit all of our stakeholders, we conduct our business with a focus on sustainability. We believe a critical aspect of creating value for our shareholders and gaining their trust in the long term is by distributing part of profits in a consistent and transparent manner. To achieve this, the Board of Directors of the Company in their meeting held on August 9, 2017 approved a formal dividend distribution policy. Since then, we have consistently declared dividends to our shareholders.

For CY 2022, in line with the guidelines of dividend policy, the Board of Directors recommended an interim and final dividend of ₹ 3.50/- per share, resulting in cash outflow of approx. ₹ 2,273 million.

In addition to this, the Company on June 9, 2022 issued and allotted 216,516,540 bonus equity shares

of ₹ 10 each as fully paid-up bonus equity shares in the ratio of 1 (One) equity share of ₹ 10/- each for every 2 (Two) existing equity shares of ₹ 10/- each.

## Message to Stakeholders

Throughout the year, we have achieved good results by streamlining our operations, expanding our distribution, and broadening our product offerings. As we move forward, we will capitalize on our strong market position, including our presence in high-growth markets, solid infrastructure and well-established distribution network. In the coming years, we will focus on consolidating our position as a key player in the beverage industry and are confident in our ability to create sustainable value for all our stakeholders in the future.

## Vote of Thanks

I would like to express my deepest appreciation to all of our stakeholders including shareholders, investors, bankers, and creditors, for their unwavering support. I would also like to express our appreciation to our employees for their tireless efforts, dedication, and commitment to making our Company stronger. I also extend my sincere gratitude to our Board for their invaluable guidance and insights that have been instrumental in helping us navigate new opportunities and move forward with confidence.

Warm regards,

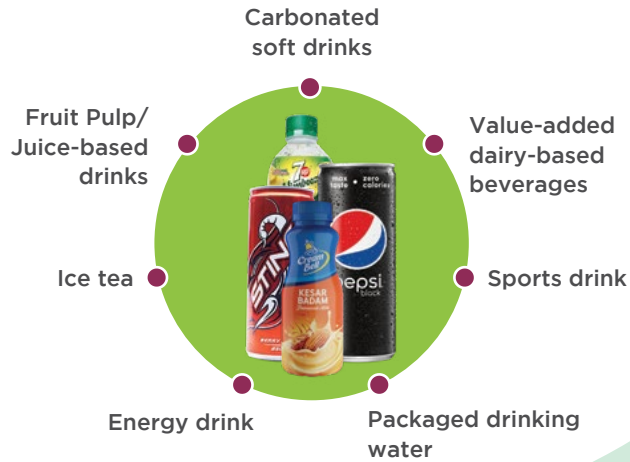
**Ravi Jaipuria**

Non-Executive Chairman

# Refreshing the World, Consistently

We are refreshing the world through a portfolio of key beverages and optimizing our mix of products and keeping pace with the evolving needs and tastes of our consumers. In this fast-changing marketplace, we have organized our beverage line-up into 7 key categories and curated global and regional brands with huge potential to scale up.

## 15+ Brands across the following beverage types



## Creating products that positively impact the world

### Carbonated Soft Drinks



Pepsi



Pepsi Black



Mountain Dew



Mirinda



7UP



Evervess



7UP Nimbooz Masala Soda

**Fruit Pulp/Juice-Based Drinks**



Tropicana 100%



Tropicana Delight



Slice



7UP Nimbooz

**Sports Drink**

Gatorade →



Blue Bolt



Lemon



Orange

**Packaged Drinking Water**



Aquafina

**Energy Drink**



Sting

**Lipton Ice Tea**



Peach



Lemon

**Value-added Dairy-based Beverages**



Mango Shake



Cold Coffee



Belgian Choco



Kesar Badam

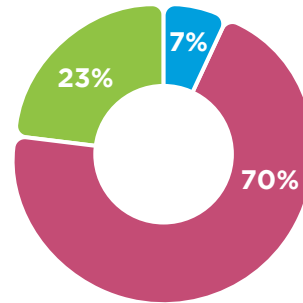


Elaichi

# Refreshing Times, Resounding Growth

CY 2022 has been a year of achievements. Our continuous effort to invest in the business despite the pandemic disruptions in the past two years translated into robust demand and growth in the consolidated sales. Improvement in realization per case also helped increase our net revenue.

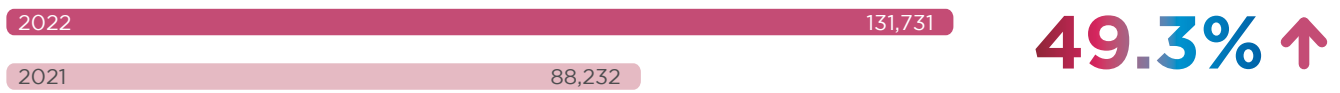
Segment-wise Sales Volume



- Carbonated Soft Drinks
- Packaged Drinking Water
- Non-Carbonated Beverages

## Key Financial Highlights

### Net Sales (₹ Million)



### EBITDA (₹ Million)



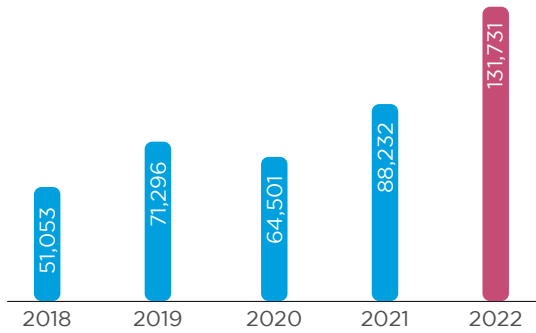
### Profit After Tax (₹ Million)



## 5-year Financial Highlights

### Net Revenue

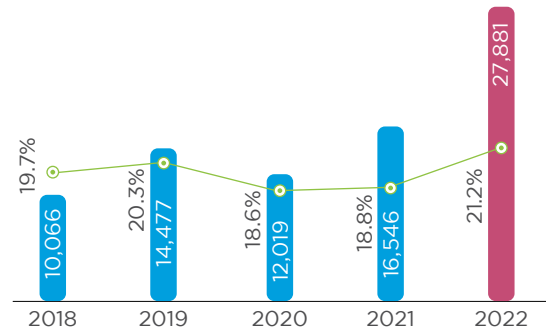
CAGR 2018-22: 26.7%



(₹ Million)

### EBITDA and EBITDA Margin

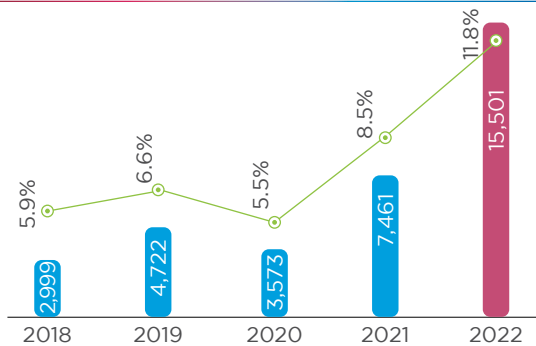
CAGR 2018-22: 35.1%



(₹ Million) —○— (%)

### PAT and PAT Margin

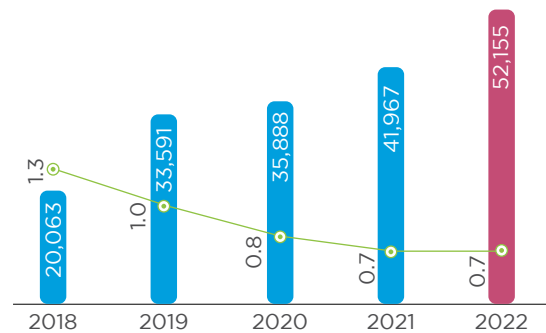
CAGR 2018-22: 50.8%



(₹ Million) —○— (%)

### Net Worth and Net Debt Equity Ratio

CAGR 2018-22: 26.9%



(₹ Million) —○— (times)

# Decisive Roadmap, Definite Progress

## Strengthened Infrastructure

**110+**  
Depots

**2,400+**  
Primary Distributors

**2,500+**  
Distribution Vehicles

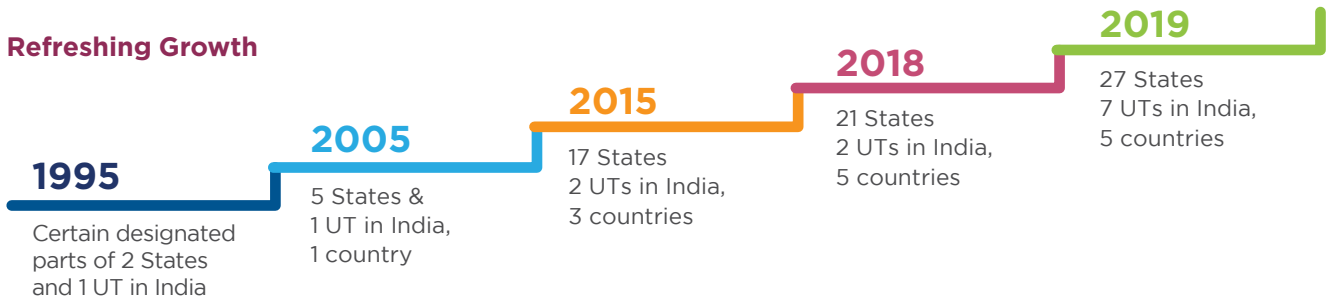
**925,000+**  
Visi-Coolers

## Our Presence

**South Asia**  
India — Nepal — Sri Lanka

**Africa**  
Morocco — Zambia — Zimbabwe

## Refreshing Growth



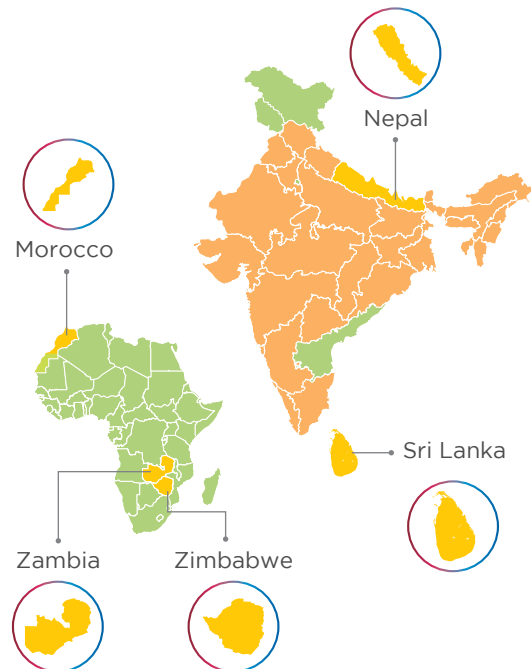
## Presence Across Territories

PepsiCo reciprocates its confidence in VBL by regularly granting us additional territories and product licenses. Presence in adjoining territories helps us undertake initiatives on capacity and logistics optimization and achieve better cost efficiencies.

## Presence Across Territories

- |                     |                              |
|---------------------|------------------------------|
| 1 Punjab            | 20 Odisha                    |
| 2 Himachal Pradesh  | 21 Chhattisgarh              |
| 3 Uttarakhand       | 22 Jharkhand                 |
| 4 Delhi             | 23 Bihar                     |
| 5 Haryana           | 24 Sikkim                    |
| 6 Rajasthan         | 25 Gujarat                   |
| 7 Arunachal Pradesh | 26 Karnataka                 |
| 8 Assam             | 27 Kerala                    |
| 9 Meghalaya         | 28 Tamil Nadu                |
| 10 Manipur          | 29 Telangana                 |
| 11 Mizoram          | 30 Daman & Diu               |
| 12 Nagaland         | 31 Dadra and Nagar Haveli    |
| 13 Tripura          | 32 Puducherry (except Yanam) |
| 14 Uttar Pradesh    | 33 Andaman & Nicobar Islands |
| 15 West Bengal      | 34 Lakshadweep               |
| 16 Maharashtra      |                              |
| 17 Goa              |                              |
| 18 Chandigarh       |                              |
| 19 Madhya Pradesh   |                              |

## VBL's International Territories



Map not to scale



**Manufacturing Proficiencies**

As on December 31, 2022, we have a total of 31 plants across our territories, with state-of-the-art technologies.

**31 Manufacturing Facilities in India**

**6 Manufacturing Facilities in International Geographies**

**Manufacturing Facilities**

**INDIA**

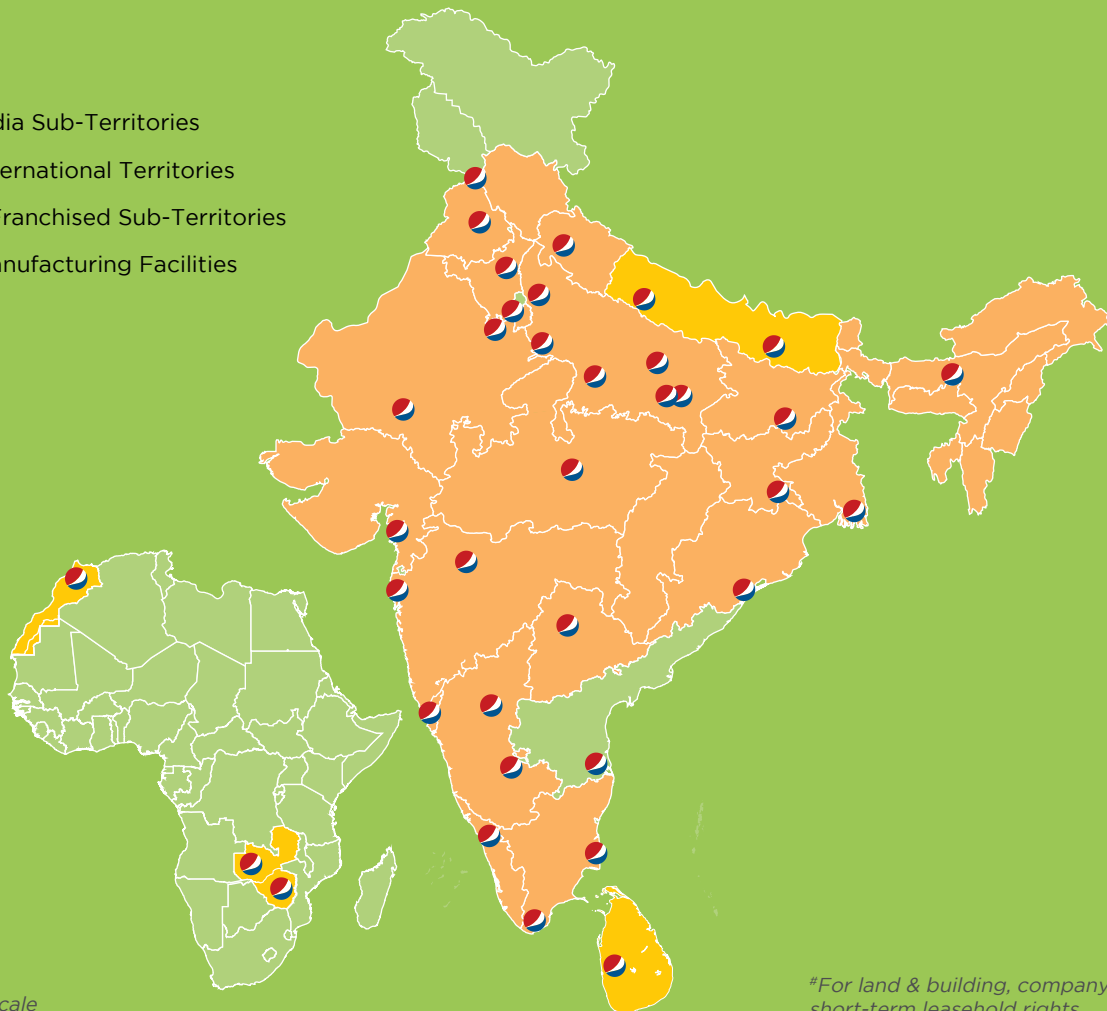
- Pathankot
- Phillaur
- Nuh
- Panipat
- Greater Noida I
- Greater Noida II
- Jainpur
- Bazpur
- Sathariya
- Sathariya II
- Kosi
- Sandila
- Jodhpur
- Bhiwadi
- Mandideep
- Jamshedpur

- Cuttack
- Kolkata
- Guwahati Unit I & II
- Goa
- Tirunelveli
- Dharwad
- Bharuch
- Begusarai
- Aurangabad
- Mahul#
- Nelamangala
- Palakkad
- Mamandur
- Sangareddy
- Sri City

**INTERNATIONAL**

- Nepal I
- Nepal II
- Sri Lanka
- Morocco
- Zambia
- Zimbabwe

- VBL India Sub-Territories
- VBL International Territories
- Other Franchised Sub-Territories
- VBL Manufacturing Facilities



Map not to scale

#For land & building, company has short-term leasehold rights

# Amplifying Strengths, Multiplying Outcomes

With enhanced consumption trends across markets, we continued to implement strategic initiatives to solidify our market position as a key player in the global beverage industry. We remain confident of continuing our journey of sustainable value creation for all the stakeholders.

## Sustaining operational efficiency through



**Manufacturing**  
37 state-of-the-art manufacturing facilities



**Distribution & Warehousing**  
Depots, owned vehicles, primary distributors



**Customer Management**  
Visi-coolers; local level promotion and instore activation



**In-Market Execution**  
Reaching out to every 6<sup>th</sup> person in the world; Responsible for growth in categories and volume



**Cost Efficiencies**  
Backward integration; production optimization; innovative packaging



**Cash Management**  
Working capital efficiencies, disciplined capex management, acquiring new territories



**PepsiCo**

**Creating Demand**

- Trademarks
- Formulations through concentrate
- Product and packaging innovation through R&D investment
- Consumer pull management – Brand development



**VBL**

**Delivering Demand**

- Production facilities
- Sales and distribution – GTM and Logistics
- In-Outlet management – Visi Coolers
- Consumer push management – Market share gains



**Towards a brighter future by:**



# Board of Directors



**Ravi Jaipuria**  
Promoter & Chairman

He is the Promoter & Chairman of the Company and has over four decades of experience in conceptualizing, executing, developing and expanding food, beverages and dairy business in South Asia and Africa. He has completed higher secondary education from Delhi Public School, Mathura Road, New Delhi. He has an established reputation as an entrepreneur and business leader and is the only Indian Company's promoter to receive PepsiCo's award for International Bottler of the Year, awarded in 1997. He was also awarded the 'Distinguished Entrepreneurship Award' at the PHD Chamber Annual Awards for Excellence 2018.



**Varun Jaipuria**  
Promoter, Executive Vice-Chairman and Whole-time Director

He is the Promoter, Whole-time Director & Executive Vice Chairman of the Company. He has been actively working with the Company since 2009 and has been instrumental in comprehensive development of Company's business including acquisitions and integration of acquired territories.

Under his leadership, Varun Beverages was awarded PepsiCo's Best Bottler in AMESA (Africa, Middle East and South Asia) sector in 2021 in recognition of Company's operational excellence, governance practices and sustainability initiatives.

He is a Harvard Alumni and had attended Program for Leadership Development (PLD), 2018-2019 batch from Harvard Business School, Boston.



**Raj Gandhi**  
Whole-time Director

He is a qualified Chartered Accountant of 1980 batch. He also did management program with Harvard Business School. Out of his total 42 years of experience, 30 years of experience is with the RJ Corp Group itself. He is instrumental in formulating company's strategy, diversification, expansion, mergers and acquisitions, capex planning and capital/fund raising. He enjoys longstanding relationship with institutional investors and lenders.



**Rajinder Jeet Singh Bagga**  
Whole-time Director

He holds a master's degree in mechanical engineering from the Indian Institute of Technology, Kanpur. He has been associated with the Company since 1996 and is currently heading technical operations since 2003. He has an experience of 26 years with the Company in managing technical operations and execution of projects. Prior to this, he was associated with Eveready Industries India Limited for approximately 10 years and was last working in the capacity as their production manager.



**Dr. Naresh Trehan**  
Independent Director

He holds a bachelor's degree in Medicine and Surgery from the University of Lucknow and has been certified as a renowned Cardiothoracic Surgeon by the American Board of Thoracic Surgery. He has trained and practised at New York University Medical Center at Manhattan USA from July 1, 1971 to June 30, 1975 and is an honorary fellow at the Royal Australasian College of Surgeons. He has received many prestigious awards, including the Padma Bhushan Award, presented by the Government of India.



**Pradeep Sardana**  
Independent Director

He holds a bachelor's degree in mechanical engineering from the Indian Institute of Technology, Delhi. He has 52 years of experience (41 years in service and 11 years in consultancy). He is presently the CEO of PM Consulting, a consultancy firm in the field of food, beverages, FMCG and other industries. Previously worked at senior management level with renowned companies including Polyplex Hydro Group, PepsiCo, Hindustan Lever Limited and Union Carbide and has successfully handled diverse assignments.



**Dr. Ravi Gupta**  
Independent Director

He holds a Bachelor's degree and a Master's degree in commerce from the University of Delhi. He also holds a Bachelor's degree in law from the University of Delhi, a diploma in labor law from the Indian Law Institute, a Master's degree in business administration from the Faculty of Management Studies, University of Delhi and a doctorate in philosophy for his thesis on 'Country Risk Analysis in Investment Financing Decision Making' from the University of Delhi. He was employed as an Associate Professor in the commerce department of Shri Ram College of Commerce, University of Delhi. He was appointed by the Government of India as a member of the committee constituted for simplification of Income Tax Act.



**Sita Khosla**  
Independent Director

She holds Bachelor's of Arts degree from St. Stephen's College and LLB from the Faculty of Law, University of Delhi and is enrolled with the Bar Council of Delhi. She practices in the areas of corporate, contract and commercial laws since 1992. She has been involved in providing advice on a wide range of issues from company formation, corporate governance and regulatory compliance to mergers and acquisitions, corporate restructuring, joint ventures, foreign investments, exchange control regulations and securities laws. She has acted as India legal advisor to major players in the civil aviation sector including international commercial airlines, MRO organizations and ground handling operators in respect of their operations in India.

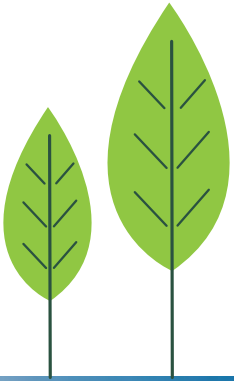


**Rashmi Dhariwal**  
Independent Director

She holds a bachelor's degree in Arts from the University of Delhi and is a practising advocate at the Calcutta High Court since 1978. She is also the trustee of a non-profit organization called Prayatn which provides education to underprivileged children. She has also worked in several leading firms in India including Khaitan & Co, Calcutta and Delhi, Mulla & Mulla, Mumbai and also in the Philippines.



# TOWARDS A NET ZERO TOMORROW





# NET ZERO

**Sustainability is a core principle of our business model. We have integrated sustainability across our businesses and are collaborating across the globe to make inroads in the transition to a sustainable economy and society.**

**We continued to take efforts towards improving energy & water efficiencies and recycling of plastic waste, with an ultimate goal of having a net positive impact on the planet.**



# About the Report, Scope and Boundary

**This is Varun Beverages Limited’s first report to integrate the overall business and sustainability performance, data and context, reflecting our continued journey towards driving sustainable business practices into our core strategy.**

## Our Approach to ESG

Stewardship is core to what we do. We recognize that to serve our consumers better, we need to take a long-term view on a wide range of issues that affect our business and the communities in which we operate. To do this, we maintain a proactive dialogue with our stakeholders – consumers, employees, communities and the government – to ensure that we are managing these issues sustainably and delivering long-term value.

Further information on how we engage with our stakeholders can be found on Page 30.

## Reporting Guidelines and Principles

This ESG Report marks our progress in communicating various sustainability initiatives concerning our stakeholder groups. The Report discloses our sustainability performance across the identified

material topics. We also capture detailed information on the practices followed as a responsible beverage business, a people company, an environmental steward, and a corporate citizen.

We have also made disclosures of our data and processes in line with SEBI’s new mandate through our Business Sustainability and Responsibility Report voluntarily exclusive of our ESG report.







### Content of the Report

Our key ESG issues can be categorized into the following areas: Water Management, Carbon Footprint & Emissions, Product Safety & Quality, Consumer Health & Nutrition, Corporate Citizenship, Employee Health & Safety, Packaging Lifecycle Management, Business Performance, Corporate Governance, Business Ethics.

### Scope and Boundary of Reporting and Reporting Period

The Report covers financial and non-financial information and activities of Varun Beverages Limited for the period January 1, 2022 to December 31, 2022. The financial information has been audited by M/s. Walker Chandiok & Co. LLP and M/s. O.P. Bagla & Co. LLP, our joint statutory auditors. The reporting scope and boundary for our disclosures, unless otherwise stated, covers the operations of Varun Beverages Limited.

### Geographies Covered

Our entire operations in India.



# Executive Vice Chairman’s Message

**Committed to Creating a Better, More Sustainable Future for the Planet**



Dear Stakeholders,

We understand that a sustainable, inclusive and resilient value system is vital to the future of humanity. At Varun Beverages, our purpose and strategy are centered on our commitment to the ESG principles. We have made significant strides on our ESG performance in the past few years, as we remained committed to work with our stakeholders across the value chain to build sustainable pathways forward.

Now, more than ever, we need to find viable ways to meet the needs of current and future generations. We connect economics with ecological value to make a difference. Today, as we refresh billions of our consumers daily with a huge portfolio of

beverages touching all age groups and ensuring the highest quality and freshness, we ensure a sustainable ecosystem with a positive impact on the planet through our initiatives focused on the environment, social and governance agenda.

## **Towards a Net Zero Tomorrow**

We have formalized our ESG strategy and commitments in four key pillars and strategic areas of action: Environmental Protection, Human Capital Development, Community and Governance. Our core values lay the foundation for seeking and creating value on our key ESG pillars. We are embedding ESG into our company’s policies and driving progress. These sustainability metrics have been incorporated into our strategic and operational goals. Our key focus areas reflect how we are working as a team to deliver solutions to key challenges and create lasting value for our customers, communities, employees and our businesses.

In the following pages, you will read about meaningful developments on our environmental & social initiatives and our governance framework. Further, with earlier milestones achieved, we are now working on more ambitious plans, which encompasses positive water balance and plastic waste management goals for 2025; and reduction of carbon emission and enhancing renewable energy goals for 2030.

## **Our Environmental Initiatives**

We implemented sustainable practices to strengthen the ecological foundation of our planet. We are also constantly looking at newer ways to be a good steward of the environment. During the year, we actively worked on improving the sustainability of our operations, reducing carbon emissions and expanded our efforts to use renewable sources of energy, water stewardship and recycle plastic waste. Moreover, our key areas also include supply chain management and responsible sourcing to procure raw materials

from suppliers who have undertaken robust sustainability measures in their respective operations.

### Our Social Initiatives

We spent the year fostering a collaborative, deeply-rooted and thriving culture of caring for our employees. We remained focused on creating an inclusive, safe and engaging workplace where every employee has the opportunity to learn, grow and remain healthy.

We deeply care about our customers and the communities in which we operate. We have actively engaged with DuPont Safety Solutions for implementing best practices in safety at larger manufacturing plants over a period of 18 months and have adopted “train the trainer” approach to cascade the process to other plants.

We aspire to be a model for inclusion and diversity, while also ensuring the safety, health and wellness of our employees. Being a manufacturer, we bolster a culture of sustainability by facilitating product safety and quality at each step - production, sale and consumption. Likewise, as we optimize our mix of products, we provide a portfolio of great-tasting and healthy beverages with nutrition benefits that have the greatest potential to scale and grow.


### Our Governance Framework

With a strong corporate governance structure, we strive every day to further strengthen our policies and practices and enhance compliance and transparency to our shareholders and stakeholders. We have inculcated a vision-led governance framework by expanding the scope of our robust policies to contractors and suppliers

with an ESG focus. Further, our corporate governance practices and enhanced disclosures have won many accolades. During the year, we were recognized by PepsiCo as the Best Bottler in AMESA Sector for Year 2021 for operational excellence, business efficiency and sustainability initiatives.

We are also carrying out various activities as part of our CSR initiatives. Since 2003, we have imparted free education to 25,000+

**We aspire to be a model for inclusion and diversity, while also ensuring the safety, health and wellness of our employees. Being a manufacturer, we bolster a culture of sustainability by facilitating product safety and quality at each step - production, sale and consumption. Likewise, as we optimize our mix of products, we provide a portfolio of great-tasting and healthy beverages with nutrition benefits that have the greatest potential to scale and grow.**



children of economically weaker sections by sponsoring evening education at DPS Schools through SHIKSHA KENDRA, an initiative by DPS Society. Further, through the initiative ‘Pravah’, we provide a structured, sustainable and scalable framework to the unemployed youth from marginalized families adding them to the mainstream workforce.

In the healthcare domain, we have launched “AARU Clinic”, with an aim to provide free access to medical assistance to the underprivileged and economically weaker sections of the society. Till date, there are 2 centers at Kosi and Bhiwadi.

### The ESG Journey Continues

We have made significant progress on the ESG front, but there’s still a lot to do. Our achievements are only the beginning of long-term goals and achievements. There is a long road ahead and we need to take immediate action. As we move forward on our ESG journey, our mission will be to generate long-term value and build an even better company.

As demonstrated, we remain steadfast in our commitment to act and operate. Moving forward, our mission is to create value with measurable outcomes that drive and deliver sustainable growth. We will strive to maintain a key position in the sustainability space, continuing to drive improvement in our own organization, while also encouraging others to join in the movement to build a sustainable future.

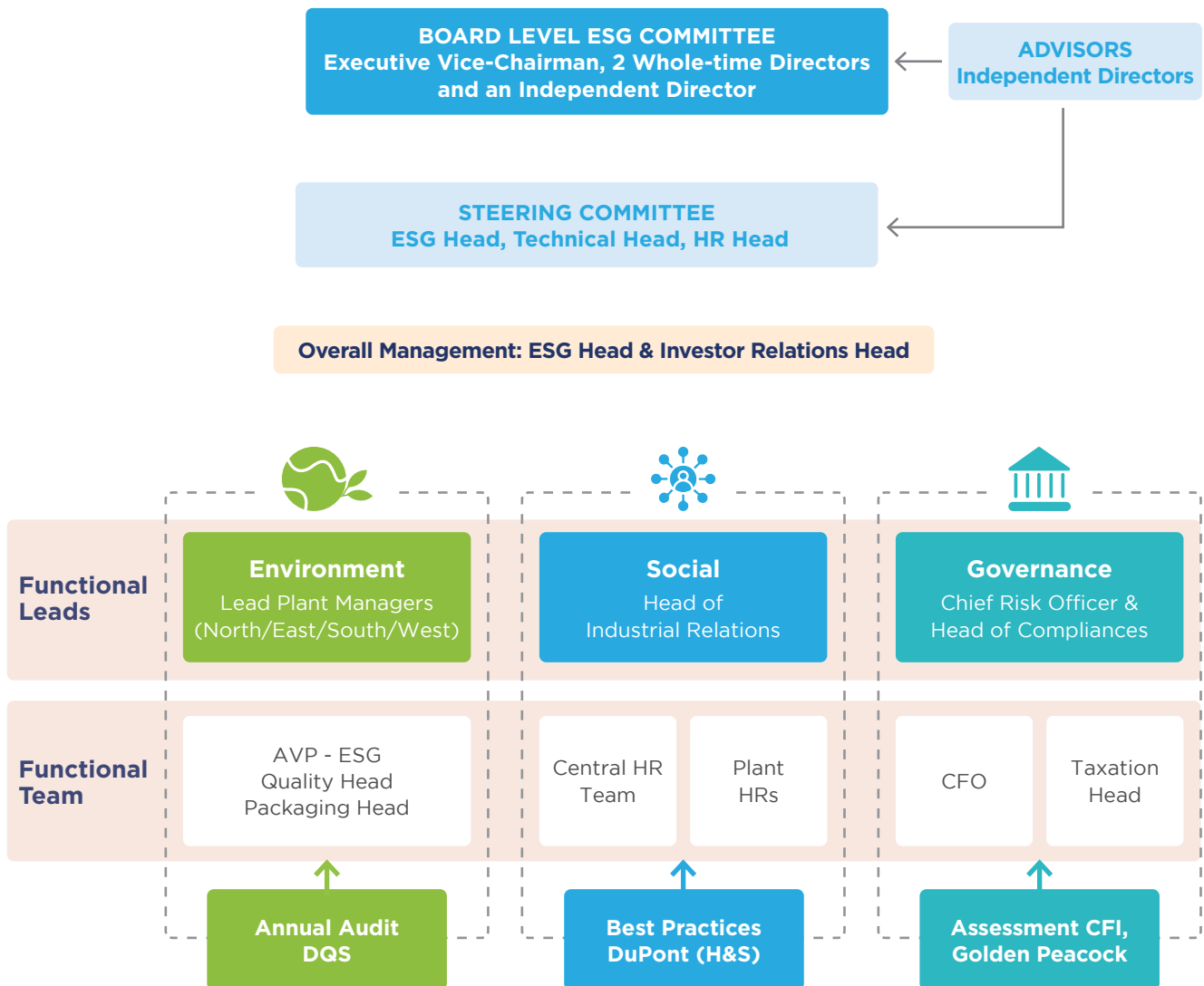
Warm Regards,

### Varun Jaipuria

Promoter, Executive Vice-Chairman and Whole-time Director

# Our Cross-functional ESG Taskforce

As ESG touches every area of our business, the leadership of VBL too is strongly involved in instilling the ESG priorities throughout the business. With increasing demand for transparency and associated regulatory risks, we not only optimized the team to achieve success in ESG efforts, but created an ESG team with representation from across the organization's functional areas. The Board has constituted an ESG Committee to navigate the Company's ESG journey and identify opportunities & risks to the Company's operations, its reputation and its corporate responsibility. The Steering Committee identifies its existing capabilities and strengths, identifies gaps in processes and data, and creates a comprehensive roadmap to execute the overall ESG strategy.



### Role of the Cross-functional ESG Taskforce

The cross-functional group develops and executes our ESG strategy with a co-ordinated approach to meet the changing ESG demands and to align cross-functional perspectives. The cross-functional group collaborates to share expertise and different perspectives, and to develop and implement a more coherent ESG strategy for the Company.

The Taskforce creates a common language, approach, and understanding of the business and sets foundational principles and concepts around ESG. It ensures complete coordination, consistency and accuracy across regulatory reporting and stakeholder communication.



### Members of Steering Committee



### ESG Priorities – An Overview

Our ESG report focuses on four strategic areas of action: Environmental Protection, Inclusion & Diversity, Community and Governance. These areas reflect how we are working as a team to deliver solutions to key challenges and create lasting value for our customers, communities, employees and our businesses.

### Our Mission

**While refreshing billions of consumers with a vast portfolio of beverages touching all age groups, we shall ensure a sustainable ecosystem with a positive impact on our planet and well-being.**



<b>Environment</b>	<b>Social</b>	<b>Governance</b>
<ul style="list-style-type: none"> <li>• Water stewardship</li> <li>• Waste management</li> <li>• Carbon emission reduction</li> <li>• Renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Human capital management and diversity</li> <li>• Health &amp; safety</li> <li>• Community engagement</li> <li>• Nutrition and product safety</li> </ul>	<ul style="list-style-type: none"> <li>• Transparency, responsibility, and accountability</li> <li>• Trainings on key policies including Code of Conduct, Anti-bribery, FCPA, POSH and Insider Trading</li> <li>• Corporate governance</li> <li>• Risk management</li> </ul>

## Instilling ESG priorities into our business practices

Our sustainability goals drive us to continually improve on our ESG-related achievements. Having achieved our milestones of CY 2022, we are now working towards new, more ambitious plans, including our 2025 goals on water positivity and plastic waste management; and our 2030 goals on reducing carbon emissions and enhancing renewable energy.



### Our Focus Areas and Future Roadmap for ESG

Being Water Positive	Recycling Plastic Waste	Carbon Footprint	Enhancing Renewable Energy
<p><b>2022 Highlights</b></p> <p><b>1.70 liters</b> of water used per liter of Beverage Production</p> <p>(Improvement of 10% over 2021)</p>	<p><b>2022 Highlights</b></p> <p><b>80%</b> Recycling of used PET bottles</p> <p>(10% points increase over 2021)</p>	<p><b>2022 Highlights</b></p> <p><b>36%</b> Reduction of carbon emissions/liter over base year - 2020</p> <p>(29% reduction over 2021)</p>	<p><b>2022 Highlights</b></p> <p><b>21 mn</b> units from renewable resources</p> <p>(~17% increase over 2021)</p>
<p><b>Roadmap to 2025</b></p> <ul style="list-style-type: none"> <li>Sustaining Water Recharge of more than 2.00x by 2025</li> <li>Reducing Water Usage Ratio from 1.92x in 2020 to 1.60x by 2025</li> </ul>	<p><b>Roadmap to 2025</b></p> <p>100% recycling of used PET bottles by 2025 (66% in 2020)</p>	<p><b>Roadmap to 2030</b></p> <p>Reducing Carbon Emissions per liter of beverage produced by 50% by 2030 over base year - 2020</p>	<p><b>Roadmap to 2030</b></p> <p>Increasing contribution from Renewable Energy to 25% by 2030 (Vs 7% in 2020)</p>

# Sustaining a Continuous Dialogue with our Stakeholders

**Creating an open and meaningful dialogue with all our stakeholders helps us steer our strategy in a way that creates the most sustainable value for our business – now and in the future. This also helps us maintain agility, respond to opportunities and safeguard the Company against possible threats.**

At Varun Beverages, our constant aim is to maintain an open and positive dialogue with all our stakeholders, consider their key interests and communicate with them on a regular basis. Maintaining a continuous dialogue with all our stakeholders helps us build trust and respect. It also helps make choices that further shape the role we play in the society.

## Identifying key stakeholders

We identified five key internal and external stakeholder groups that are directly able to influence our decision-making, and should be engaged in the materiality

assessment. The Company identified ESG-related key issues and formulated issue-wise improvement targets for itself, which have been duly communicated to all the stakeholders.

## Strategies for engaging with stakeholders

As the level of access and time required to engage diverse stakeholder groups varies, DQS developed a catered strategy for communicating with each group.



### Assess the most material issues

Start by conducting a materiality analysis to identify and prioritize the issues



### Report on your impact

Use reporting frameworks developed by organizations



### Be realistic, set clear goals

Use an industry standard framework in developing goals and objectives



### Align to your business strategy






Your sustainability strategy should support your business goals



### Involve your teams

Empower employees to make decisions based on sustainability goals



	Stakeholder	Engagement Pattern	Major Concerns
Internal	 Management	Interviews, Board meetings	Business Performance
			Business Ethics
			Supply Chain Management
			Carbon Footprint & Emissions
			Energy Management
			Waste Management
	 Employees	Facilitated discussions, Surveys, Townhall meetings, Leadership meetings, Email communications, Employee engagement activities, Webinars	Resource Use & Conservation
			Occupational Health & Safety
			Freedom of Association
			Diversity & Inclusion
External	 Suppliers	Individual and broad-based communications, Supplier trainings, assessments, and remediation processes	Talent Management
			Community Engagement
			Employee Engagement & Development
			Human Rights & Fair Labor Practices
			Product Safety & Quality
			Human Rights & Fair Labor Practices
			Responsible Sourcing
	 Retailers/Consumers	Surveys, Corporate websites, Marketing activities & communication, social media	Sustainable Agriculture
			Packaging Lifecycle Management
			Regulation & Taxation
			Environmental Stewardship
	 Industry Association	Surveys, Annual & Sustainability Reports, Ratings, rankings and other indices, social media	Diversity & Inclusion
			Product Labeling
			Responsible Marketing
Consumer Health & Nutrition			
Corporate Citizenship			
Product Safety & Quality			
		Business Performance	
		Innovation and R&D	
		Human Rights & Fair Labor Practices	
		Sustainable Initiatives	

# Materiality Assessment

We conducted a Materiality Assessment with support from Deutsch Quality Systems (DQS) and in alignment with GRI principles for CY 2022. DQS India is an internationally reputed independent field expert and the Indian subsidiary of DQS Holding GmbH, one of the leading Management System Certification, Assessment and Training organizations globally.

The key goal is to determine economic, social, and environmental aspects material to the Company.

During the process, DQS identified key stakeholders, brainstormed material aspects, evaluated their potential impact, and established priority topics to guide the management in goal-setting and corporate strategy development.

Based on suggestions from DQS, the Company will re-evaluate the material aspects on a regular basis and will continue to engage with stakeholders to stay relevant on current business needs and the industry climate, and also to ensure that any emerging stakeholder concerns and considerations are consistently incorporated into overall business strategy.

## Approach to finalize material matters

### The process

DQS created a specific process to identify stakeholders, devise engagement techniques, identify material elements, and interpret the outcomes. Materiality assessment was conducted in two aligned workstreams: stakeholder engagement and impact assessment. Five stakeholder groups were surveyed to determine which material aspects were considered priorities, and nearly 29 metrics were assessed to evaluate potential impact of VBL’s business on the material aspects identified. However, material aspects indicated in this assessment may vary over time with changes in internal and external circumstances.

## Top material priorities

### Five Key Pillars of Material Aspects

After reviewing other relevant materiality assessments in the beverage industry, a list of relevant material aspects was developed and mapped their alignment with GRI and UNSDGs. These material aspects have been defined and categorized into five key pillars.

<b>Environmental</b>	<b>Social Capital</b>
<ul style="list-style-type: none"> <li>Water management</li> <li>Carbon footprint</li> <li>Energy management</li> <li>Waste management</li> <li>Ecological impact</li> </ul>	<ul style="list-style-type: none"> <li>Product safety and quality</li> <li>Consumer health and nutrition</li> <li>Corporate citizenship</li> <li>Human rights and fair labor practices</li> <li>Product labeling</li> <li>Responsible marketing</li> <li>Sanitation and hygiene</li> <li>Data privacy and information security</li> <li>Rural livelihood and generation</li> </ul>

### United Nations Sustainable Development Goals catered to:



### Human Capital

- Employee health and safety
- Diversity, equity and inclusion
- Employee engagement and development
- Talent recruitment and retention

### Business Model and Innovation

- Packaging lifestyle management
- Business performance
- Responsible sourcing
- Supply chain management
- Innovation and R&D
- Sustainable agriculture
- Resource use and conservation

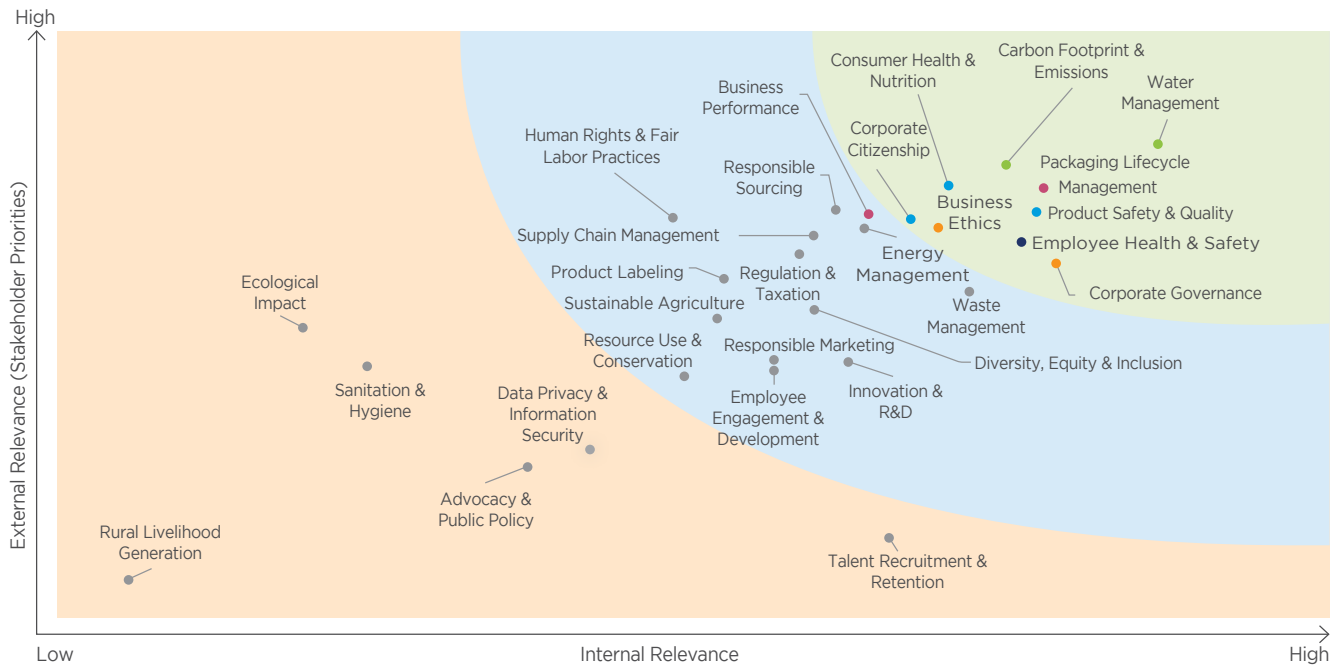
### Leadership and Governance

- Corporate governance
- Business ethics
- Regulation and taxation
- Advocacy and public policy

### United Nations Sustainable Development Goals catered to:



### Materiality Matrix



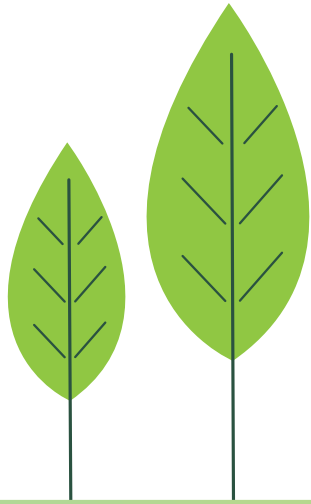
Pillar	Material Aspects	Ranking
Environment	Water Management	1
	Carbon Footprint & Emissions	2
Social Capital	Product Safety & Quality	4
	Consumer Health & Nutrition	5
	Corporate Citizenship	9

Pillar	Material Aspects	Ranking
Human Capital	Employee Health & Safety	6
Business Model and Innovation	Packaging Lifecycle Management	3
	Business Performance	10
Leadership & Governance	Corporate Governance	7
	Business Ethics	8

● Environment ● Social Capital ● Human Capital ● Business Model and Innovation ● Leadership and Governance

# ENVIRONMENT





# VBL's Contribution to Mother Earth



💧 Mother Earth provides life-sustaining resources including water to environment for its survival and is a lifeline.

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India being a tropical country, gets enough rainfall, substantial part of which is left to flow to ocean without any addition to the Earth's water reservoir.

VBL through its various initiatives harnesses the rainwater specifically to enable recharging of the groundwater levels.

Last year, VBL effectively recharged 12.79 bn liters of water into the ground water against its utilization of < half for its beverage production, leaving the balance to the precious reservoirs.



Our plan is to continue scaling up water recharge levels in tandem with our volume growth through improving water usage ratio coupled with adding to existing portfolio of ponds for rejuvenating, maintenance and upkeep and creating more water bodies. We have undertaken on ourselves to continuously sustain/improve upon existing water recharge ratio of 2:1 (water recharge : water drawn)

OUR PRIORITIES & PROGRESS

# Water Conservation and Management

At Varun Beverages, we followed our pioneering goal to **replenish more water than we use in the manufacturing** of our beverages. We also set targets to use water more efficiently, leverage impactful opportunities to replenish fresh water and treat our wastewater in our production processes.

### Being Water Positive Matters

The world is at a critical juncture and needs environmental leadership from all sectors. Water resources are increasingly under pressure from population growth, economic development and changing climate conditions. In times of huge pressure on global water resources, we, as a beverage company, respect the right to water for people who could potentially be affected by our activities, including our employees, and the neighboring communities.

Today, we need only **1.70 liters** of water per **1 liter** of final product for beverage production, an improvement of **10%** over 2021.

**12.79 Billion Liters**  
Water replenished in 2022

**116**  
Water bodies adopted and maintained

**2.02 times**  
Water Recharge Ratio

**1.70 times**  
Water Usage Ratio



As part of our “Water Positive” commitment to put more water into areas we operate than we take out, only half of the water recharged is consumed for our beverage production.



**Reduce water consumption; Improve water efficiency**

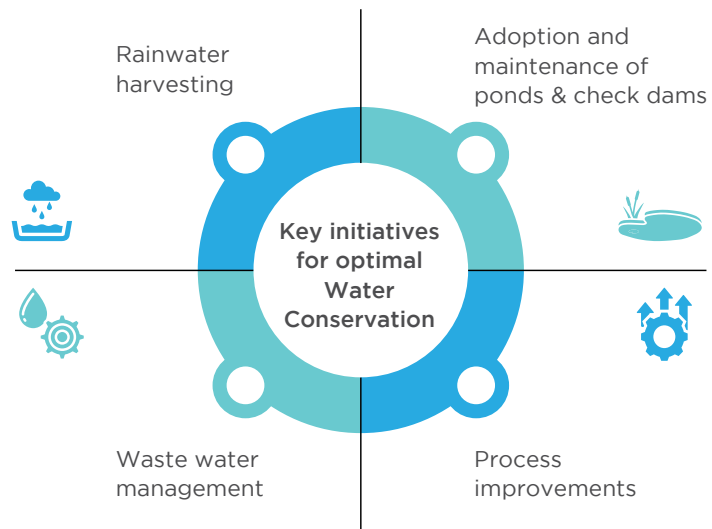
We have made a promise to ourselves to decrease our water consumption in the region and replenish whatever we use. Our goal is not just to use minimum amount of water; it is to minimize the negative impact associated with the use of water.

We actively manage our freshwater demands in areas of perennial water stress and scarcity. We are taking action to become even more water efficient. We own the responsibility and opportunity to take action and lead the industry in areas where our expertise can make a difference.

**Promoting water resilience**

Clean water is a basic human right and essential for thriving bio-diversity. We understand our responsibility to conserve water, reuse and recycle wherever possible, and keep it clean for future generations. We have been working to reduce our water impact across each part of the value chain.

**Key Principles of Water Conservation**



**Our Enablers for Water Stewardship**

**Improve Water Recharge**

- **12.79** billion liters rainwater recharged back to ground
- Adopted 116 ponds and Check Dams
- **50%** ponds rejuvenated in water-stressed zones

**Reduce Water Usage**

- Implemented **150+** process improvements
- Connected all filters (ACF / PSF) for water recovery
- Optimized drainage timing at ACF / PSF
- Bottle washer recovery in glass lines
- Reuse ETP water in utilities
- Improved RO efficiency wherever RO recovery is less than designed recovery
- Sensors / Foot operated taps for hand wash at plants

### Continuing Water Efficiency

(In Million liters)

	CY 2021	CY 2022
Water withdrawal by source		
Surface water	1,490	1,928
Groundwater	3,366	4,393
Third-party water	-	-
Seawater	-	-
Others	-	-
Total water withdrawn	4,856	6,321
Total water consumed (Beverage Produced)	2,566	3,728
Water intensity - Per rupee of turnover*	0.04	0.04
Water intensity	1.89	1.70

\*=(Beverage production mn Liters/ Total Turnover mn ₹)

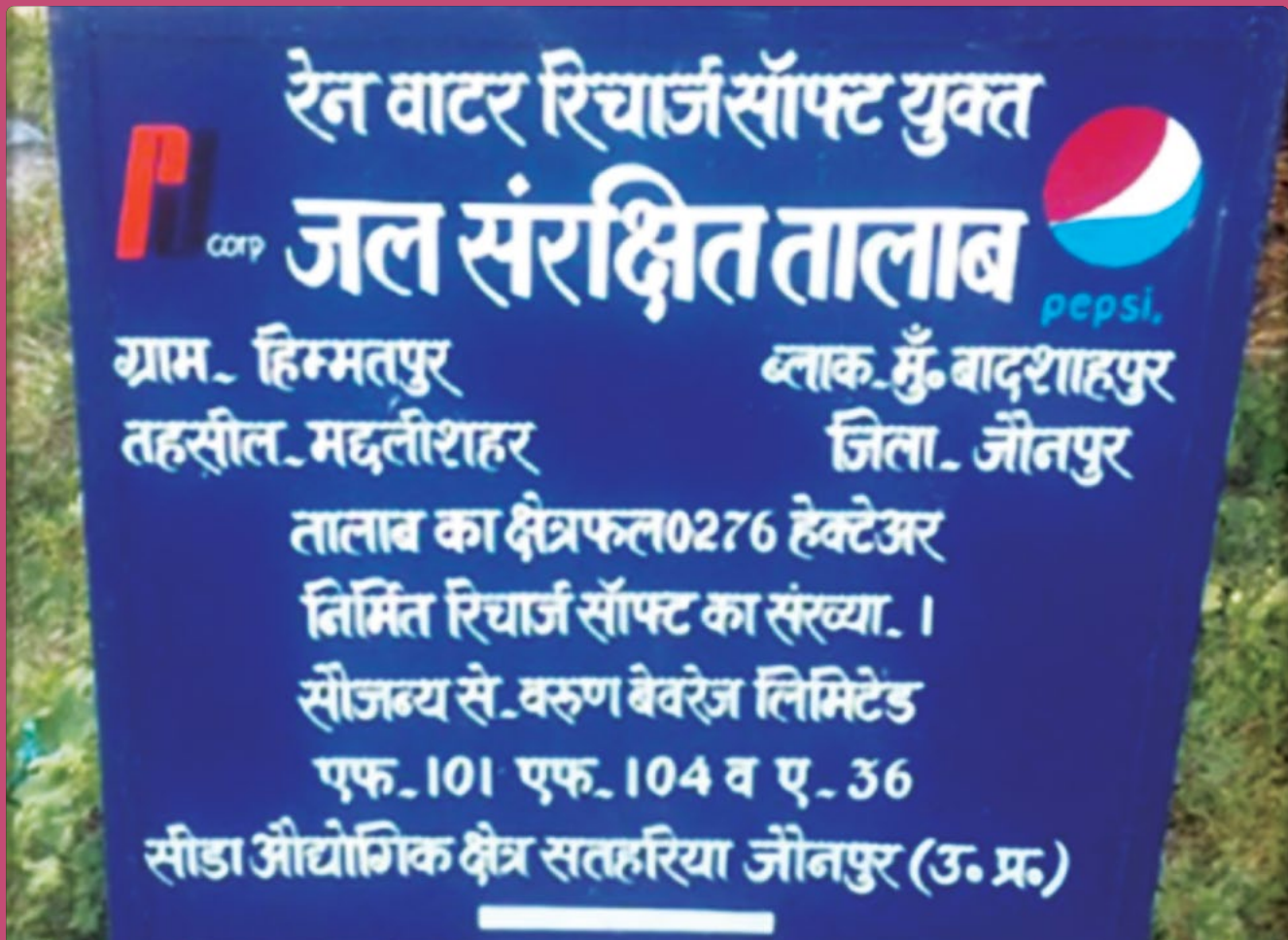
### Water Discharged

(In Million liters)

	CY 2021	CY 2022
To ETP (treated) and reused in plants	2,290	2,593
To groundwater	-	-
To seawater	-	-
Sent to third parties	-	-
Sent to others	-	-
Total water discharged	-	-

### Conducting Water Audit

We have engaged with DQS India to certify our water footprint assurance and validate the initiatives adopted towards water conservation and water recharge in CY 2022. The scope of this audit covered all our manufacturing plants in India. Previous years are audited by TUV India Pvt. Ltd.



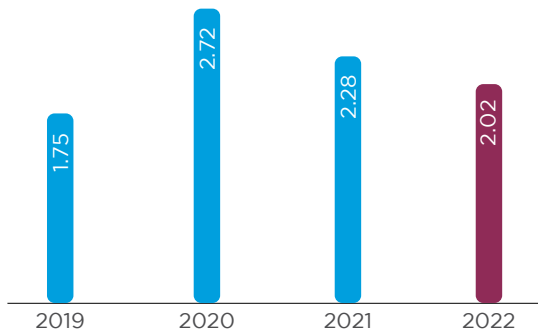
### Key Findings of the Report

	Water consumption (In Billion liters)	Beverage production (In Billion liters)	Water usage ratio	Water recharge (In Billion liters)	Water recharge ratio	No. of ponds adopted
CY 2019	4.12	2.12	1.94 times	7.22	1.75 times	103
CY 2020	3.74	1.95	1.92 times	10.19	2.72 times	108
CY 2021	4.86	2.57	1.89 times	11.10	2.28 times	110
CY 2022	6.32	3.72	1.70 times	12.79	2.02 times	116

### Water Recharge and Usage

At VBL, 100% of the water discharged from all the manufacturing facilities across India goes to effluent treatment plants that ensure sufficient quality of discharged water. Our efforts towards water recharge continued, resulting in over 2 times water recharge ratio even after high growth in sales volumes in CY 2022.

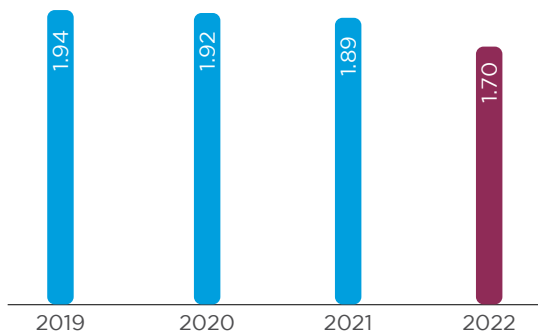
#### Water Recharge Ratio\*



\*Water recharged per liter of water consumed

### Target 2025 Sustaining Above 2.00

#### Water Usage Ratio\*

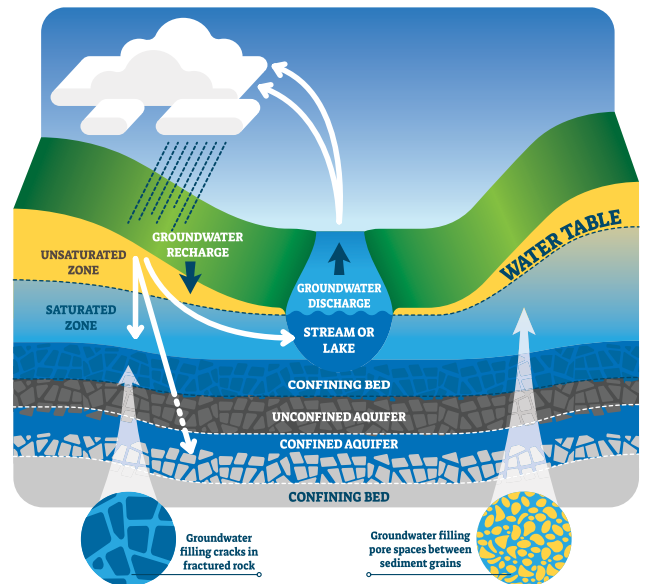


\*Liters of water consumed per liter of beverage produced

### Target 2025 1.60x



**21 Manufacturing Plants fall in “Safe” category of Central Ground Water Authority of India or use surface water**



## Impact Assessment of Water Ponds: Key Objective

The key aim of the Impact Assessment Report is to analyze the current situation of the adopted water ponds and also to understand the impact of the Water Rejuvenation Project on the local communities.

### Methodology and Sample Approach

#### Framework

Implemented the IRECS Framework (Inclusiveness, Relevance, Expectation, Convergence and Service Delivery)

Conducted primary household survey for understanding socio-economic and environmental impact of intervention on villages in the vicinity

#### Developing Digital Data Collection Tools

Developed detailed survey questionnaire based on interactions with VBL team and secondary references

Survey CTO app selected as data collection tool, considering various features such as offline data collection, image capturing and geo-tagging

### Pilots and Data Collection

Designed data collection tool, underwent multiple rounds of validation and test surveys (August 2022)

Final HH survey started from September 1, 2022

FGDs and IDIs were conducted with relevant stakeholders

### Sampling Methodology

For the primary survey, the team interacted with more than 180 households to create a holistic and comprehensive picture of the community.

Unstructured interviews and FGDs provided a deeper understanding of the socio-economic and environmental impact of the intervention

**Methodology and Sample Approach**

**Construction of Ponds and Deepening and Maintenance of Ponds - Key Observations**

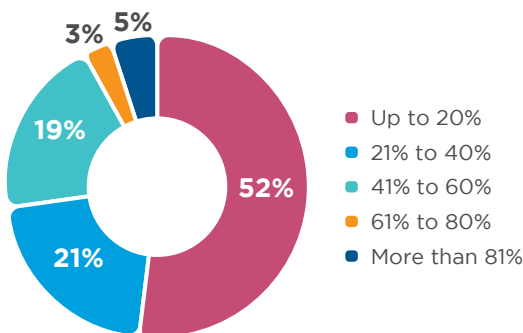
**A. Socio-Economic Impact**

<p><b>Output</b></p> <p><b>7</b> Ponds constructed in villages</p> <hr/> <p><b>3</b> Ponds constructed in plant premises</p>	<p><b>Outcome</b></p> <ul style="list-style-type: none"> <li>• Better access to irrigation facilities</li> <li>• Increase in crop productivity</li> <li>• Enhanced crop diversification</li> <li>• Increased area under irrigation</li> <li>• Better land productivity and soil fertility</li> <li>• Increase in green cover and bio-diversity</li> <li>• Increase in water storage and conservation</li> <li>• Increase in level of ground water and surface water level</li> <li>• Increase in livestock productivity and product yield</li> <li>• Increase in income and savings of the household</li> </ul>
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**Impact**



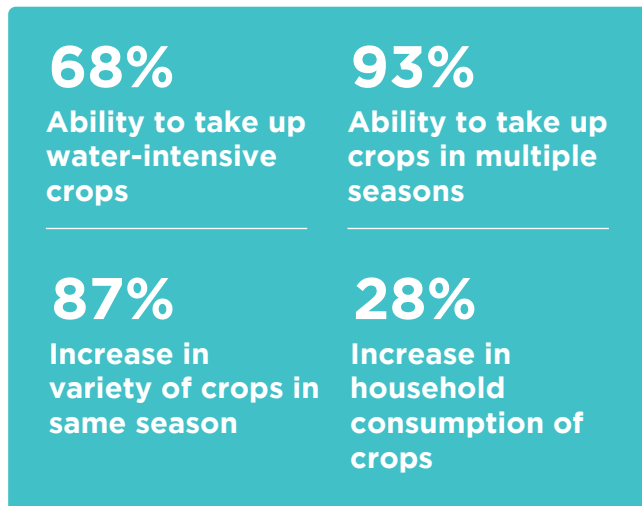
**Increase in crop yield**



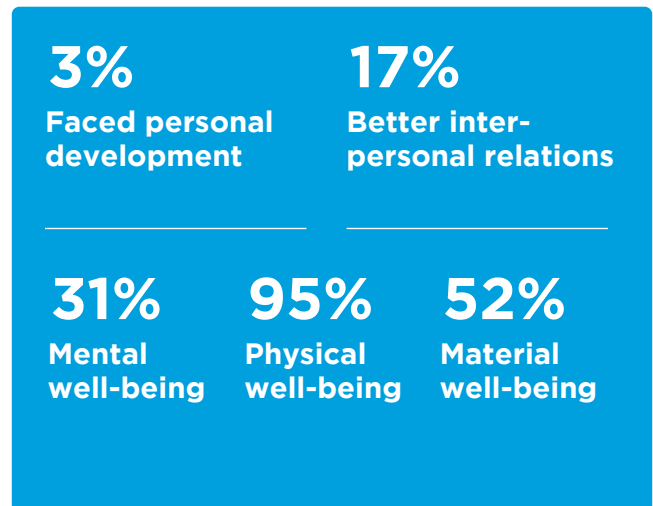
**Change in cropping pattern**

	Before	After
Spices	13%	16%
Oilseeds	54%	57%
Flowers	3%	2%
Fruits	4%	9%
Vegetables	37%	49%
Commercial	21%	22%
Pulses	54%	56%
Cereals	100%	100%

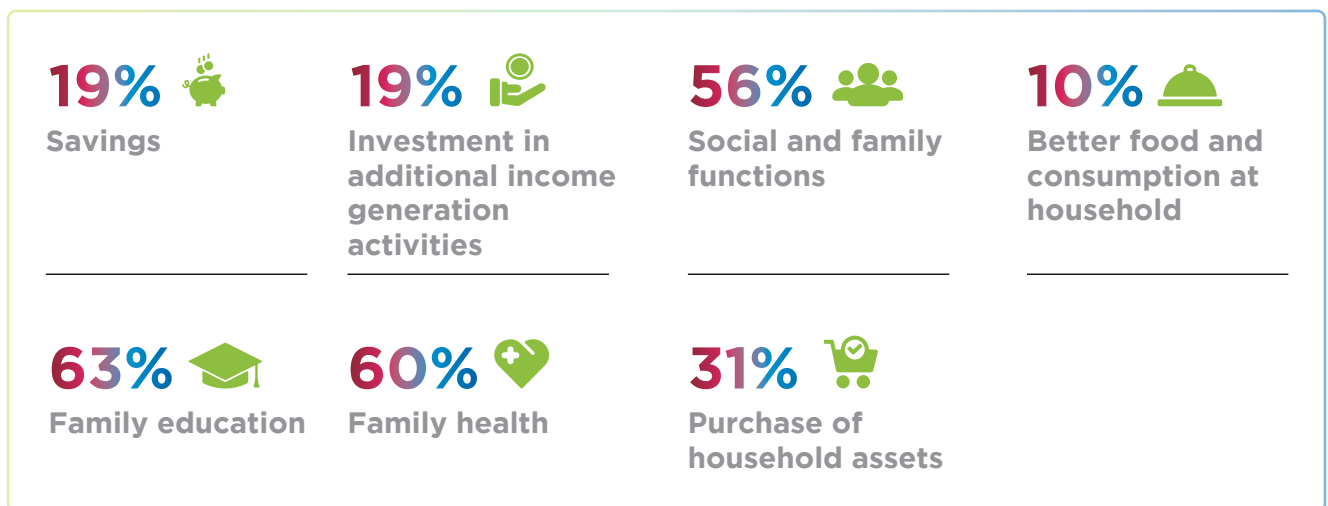
### Impact on Small and Marginal Farmers



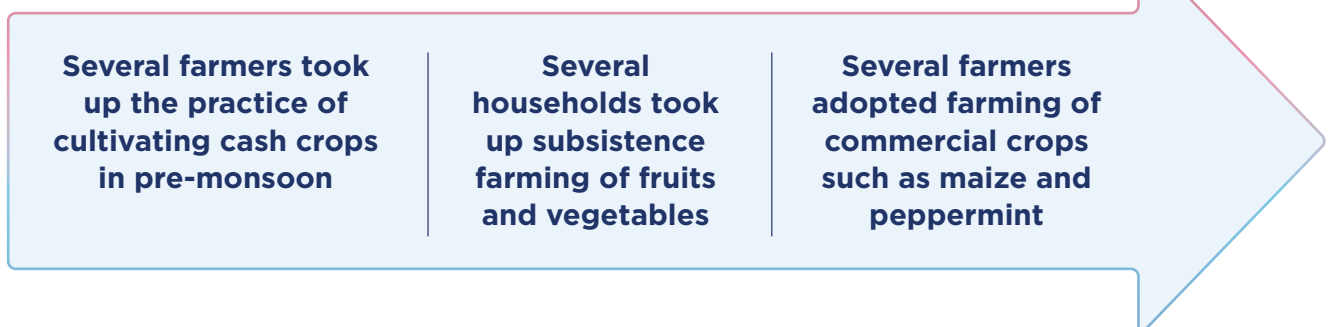
### Improvement in Quality of Life



### Utilizing additional income



### Key takeaways



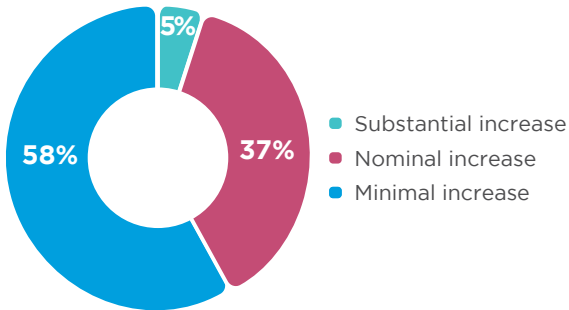
**B. Environmental Impact**

**Construction of Ponds and Deepening and Maintenance of Ponds - Key Observations**

<p><b>Output</b></p> <p><b>7</b> Ponds constructed in villages</p> <hr/> <p><b>3</b> Ponds constructed in plant premises</p>	<p><b>Outcome</b></p> <ul style="list-style-type: none"> <li>• Increase in birds and insects</li> <li>• Increase in riverine/aquatic animals</li> <li>• Increase in terrestrial animals</li> <li>• Increase in types of flowers</li> <li>• Increase in green cover</li> <li>• Increase in tree/plant species</li> </ul>
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**Impact**

**Increase in groundwater level**



**Sources showing increase in water level**

Hand pump	61%
Water body	50%
Farm pond	31%
Dug well	55%
Borewell	81%

**Key takeaways**

<b>Efforts to access water from handpumps decreased significantly</b>	<b>Accessibility to water in ponds improved</b>	<b>Wells showed increase in water level throughout the year</b>	<b>Time required for irrigation from borewells decreased</b>
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## Pond Rejuvenation - Key takeaways

18% 

Farmers took up cropping in lean season

44% 

Families stopped migration with water available throughout the year

66% 

Households increased area under irrigation

66% 

Farmers managed to cut cost on irrigation

43% 

Saved money on electricity cost on irrigation

65% 

Experienced an increase of up to ₹50,000 in income

## Improvement in environmental impact

38%

Improved aesthetic beauty of area

9%

Water conservation

17%

Improvement in micro-climatic conditions

9%

Resilience to water logging/ floods during rains

46%

Improvement in fertility and quality of soil

91%

Increase in level of surface water sources

93%

Increase in level of groundwater

## Increase in bio-diversity observed

39%

Increase in birds and insects

15%

Increase in riverine/aquatic animals

72%

Increase in livestock

50%

Increase in terrestrial animals

31%

Increase in types of flowers

90%

Increase in green cover

91%

Increase in tree/ plant species

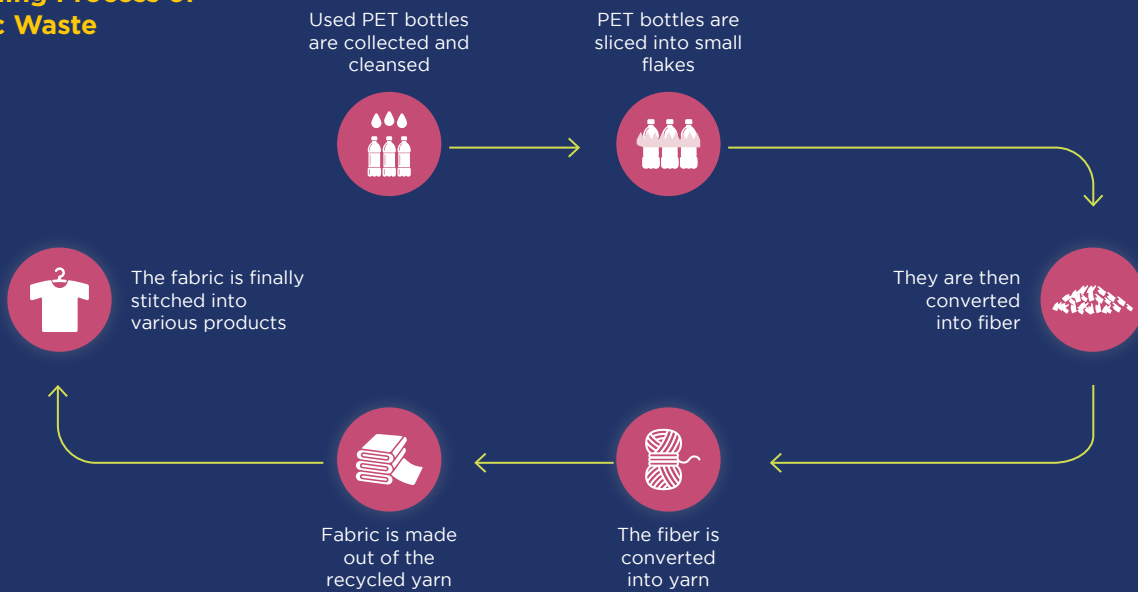
OUR PRIORITIES & PROGRESS

# Management and Recycling of Plastic Waste

We have a responsibility to keep plastic waste out of the environment and retain its value as a resource by delivering circular economy solutions. Our goals are aimed at reducing the use of plastic derived from non-renewable sources as well as recycling of used PET bottles.

Eliminating plastic waste is about more than just recycling and reusing. It is about creating innovative solutions that are sustainable and investing in the circular economy through recyclability and efficiency for plastic packaging.

## Recycling Process of Plastic Waste







## Priority Levers for Change

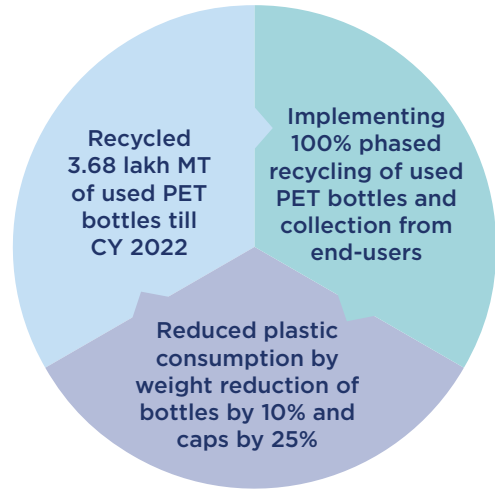


**Key Enablers - Moving beyond compliance**

**Progress upto CY 2022**

**A. Weight Reduction**

			
<p><b>Rationalize</b></p> <p>Weight reduction of Pre-forms by 10% and Closures by 25%</p>		<p><b>Recycle</b></p> <p>Tied up with GEM Enviro for phased implementation of 100% recycling of used PET bottles</p>	



**Initiatives taken**

Placed dustbins or direct vending machines	Enabled direct collection from institutions	Spread awareness through government agencies	Entered into JV with IDVB Recycling Operations Pvt. Ltd. for recycling of used PET bottles
--------------------------------------------	---------------------------------------------	----------------------------------------------	--------------------------------------------------------------------------------------------

**Weight reduction of Pre-forms (Grams)**

**Reduction of 10% to 20%**

In packs of 600 ml to 2.25 liters (2010 to 2022)

**Weight reduction of Closures (Grams)**

**Reduction of 20% to 25%**

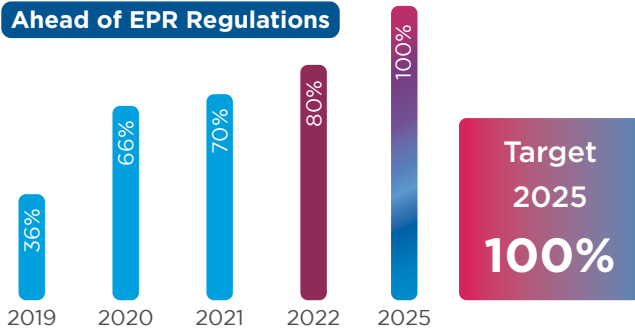
In CSD/Juices/Water (2010 to 2022)



## B. Recycling of Plastic Waste (%)

### Plastic Waste Recycled (%)\*

#### Ahead of EPR Regulations



\*Plastic waste recycled per Kg of PET sold in finished products. Plastic waste includes PET, shrink film, plastic closures, labels and laminates post consumption

### Recycling of Plastic Waste

During CY 2022, we consumed ~147,500 MT PET Resins for the finished product and recycled ~118,392 MT of PET bottles (80%), which is much ahead of Extended Producer Responsibility (EPR) Regulations laid by CPCB. PET Resins, one of the main raw materials used as packaging material, are high-quality, food-grade, virgin PET chips that can be easily recycled for manufacturing products for diverse industries.

### Partnering with GEM Enviro Management

We engaged GEM Enviro Management Private Limited for phased implementation of 100% recycling of used PET bottles. Headquartered in Delhi, GEM Enviro is a Central Pollution Control Board (CPCB) recognized Producer Responsible Organization (PRO) specializing in collection and recycling of packaging waste and promotion of recycled green products. It makes T-shirts and bags made from recycling of waste material, such as used PET bottles.

#### Action taken

##### 1. Collection of waste

Collected waste directly from end-users by placing dustbins and reverse vending machines, and by way of direct collection from institutions (such as hotels, banquet halls and exhibitions).

##### 2. Awareness on disposal of plastic waste

Conducted programs with 680+ participants across Nagar Nigam, sanitation staff, ragpickers and their families in Uttar Pradesh, Rajasthan and Haryana. A combination of welfare initiatives such as Swachhta



Abhiyan, talks, slogan writing, display, and distribution of pet-recycled products and creative programs.

##### 3. Launched Ragpickers Awareness Program

We launched the Ragpickers Awareness Program to improve the livelihoods of ragpickers. We provided a fair price to them for the waste collected and submitted by them. We also provided them with healthy working conditions.

##### 4. Raised awareness on collection and proper disposal of plastic waste

##### 5. Raised awareness on clean and green city

##### 6. Installed bottle crushing machine

##### 7. Conducted program on skill development

##### 8. Distributed recycled merchandise (t-shirts, masks, safety kits, food items)

Raised awareness for

**500+**   
Ragpickers

**1,000+**   
General public

**IMPACT CREATED**

Empowered 500+ ragpickers

Motivated ragpickers for increased collection through incentives

Increased income of ragpickers by helping them connect with buyers requiring waste as raw material

Creating a clean and pollution-free environment

### Weight Reduction of Pre-forms (In grams)

Pack size	2010-14	2015-19	2020-22	Net reduction (%)
600 ML	25.5	22.2	22.2	12.9
750 ML	34.7	30.7	27.1	21.9
1.0 L	21.0	21.0	19.0	9.5
1.25 L	36.0	34.7	32.5	9.7
2.25 L	52.5	50.7	47.0	10.5

### Weight Reduction of Closures (In grams)

Category	2010-14	2015-19	2020-22	Net reduction (%)
CSD/Juice	3.15	2.75	2.35	25.4
Water	1.70	1.50	1.35	20.6

### Products and packaging reclaimed at end-of-life products

Input material	CY 2021			CY 2022		
	Reused	Recycled	Safely disposed*	Reused	Recycled	Safely disposed*
Plastics (in metric tons)	-	65,768 (70%)	-	-	1,18,392 (80%)	-
Hazardous waste - Sludge	-	-	795	-	-	1,152

\*Safely disposed through authorised vendors.







**OUR PRIORITIES & PROGRESS**

# Improving Energy Efficiency

## Enhancing Renewable Energy

As a part of our transition to Net Zero, we strive to make use of renewable energy for our energy requirements and aim to expand our renewable energy portfolio further. Each of our manufacturing and office premises are striving to increase the use of renewable energy. We have taken conscious steps to make our manufacturing and production processes even more sustainable, making use of renewable energy (RE) and introducing innovation in the production practices.

### Key Enablers for Solar/Wind Energy

 <p><b>Installing Solar Rooftop</b></p>	 <p><b>Open Access RE Contracts</b></p>
 <p><b>Latest Technology Energy Efficient Machines</b></p>	 <p><b>Process Improvements</b></p>

### Progression in 2022



**Generated ~21 million Units of electricity through renewable sources - this is equivalent to annual power consumption of 10,000+\* households**

(\*as per Company estimates)



**Planted ~80,000 tree saplings in 2022 vs ~32,000 saplings in 2021**

## Improving Energy Efficiency

We continuously work to implement new energy-saving measures across our offices, warehouses, and manufacturing facilities. These certifications are a testament of our commitment towards energy efficiency.

### Further initiatives on enhancing Energy Efficiency

- Increase in Energy Efficient Machines
- Increase in Energy Efficient Visi-Coolers
- Use of frequency drive in ammonia and air compressor which saves electric energy.
- Use of frequency drive in boiler for ID and FD fan which saves electric energy.
- Heat recovery from hot compressed gases and used for heating water.
- Beverage filling at ambient temperature leading to huge power savings in refrigeration.
- Replacement of CFL/FTL lamps with LED lamps.
- Improving efficiency on critical resources like water and energy by doing water recoveries and optimizing energy consumption.
- Installation of steam-operated pump trap - SOPT for better steam condensate recovery across all units.

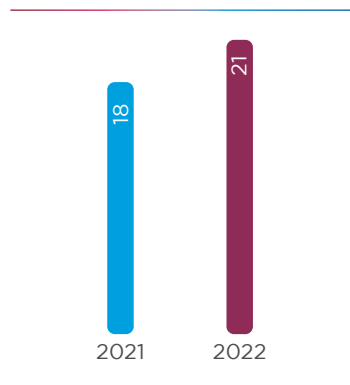


## Reducing Energy Consumption

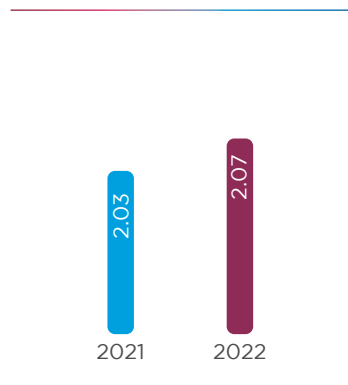
### Renewable and Non-Renewable Sources

	CY 2021	CY 2022
<b>RENEWABLE</b>		
Electricity consumption	18 mn kWh	21 mn kWh
Fuel consumption (Briquette, Firewood, LPG, PNG)	61 mn Kg	74 mn Kg
<b>NON-RENEWABLE SOURCES</b>		
Electricity consumption	193 mn kWh	283 mn kWh
Fuel consumption (HSD Diesel)	3.7 mn Liters	5.5 mn Liters

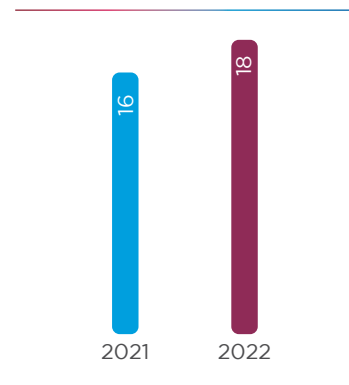
Renewable Energy Generated (in Million KW)



Energy Efficiency (8 Oz cases produced per kWh of energy consumed)



Increase in Solar Power (in MW)



We are investing in Electric Vehicles through our distributors to further reduce our carbon footprint. We are building a fleet of **600+** Electric Vehicles for last-mile delivery and sustainable distribution of our beverages and save **~1 million ton** carbon emissions per year.

# Climate Sustainability - A Study on Carbon Footprint

**Climate change is a key priority for Varun Beverages. As a global company, we have set a long-standing strategy to reduce our carbon footprint. We enable this by reducing our impact on climate change and by collaborating with key stakeholders to initiate new actions.**

The transition toward a low-carbon economy remains one of the fundamental challenges of our society. At Varun Beverages, we are continually ensuring a positive environmental footprint. Having achieved our initial goal to reduce carbon emissions by 36% by 2022 base year 2020, we are now working towards our 2030 target to reduce absolute greenhouse gas (GHG) emission by 50% and increase contribution of electricity from renewable sources to 25%.

In addition to continuously finding ways to reduce emissions from our operations, we are investing in new technologies and processes that will decarbonize our industry. At the same time, we are also helping our distributors reduce their emissions by adopting Electric Vehicles for last-mile distribution of products. As a manufacturer and distributor of beverages, this is a complex challenge and we are determined to succeed in this.

As an organization, we are constantly adopting methods and measures to save electricity. We invest and adopt energy conservation methods related to enhance electricity efficiency.

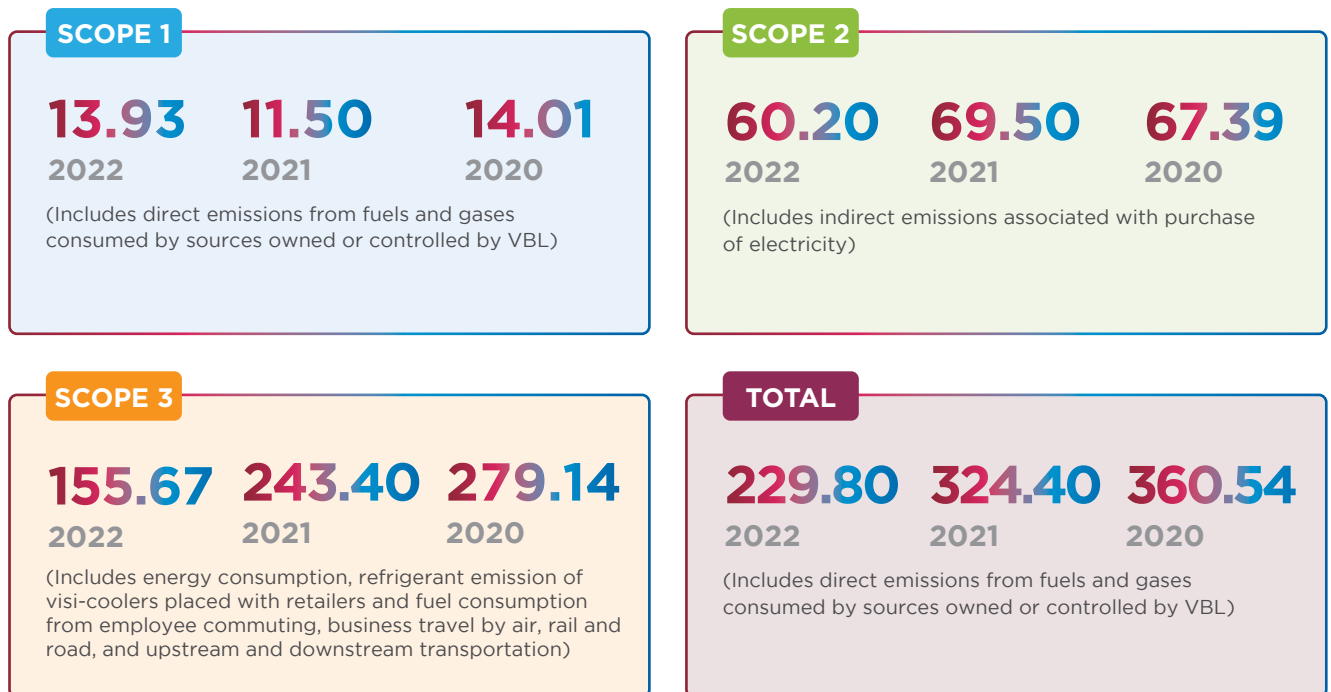


## GHG Emissions

VBL engaged with Deutsche Quality Systems (India) Pvt. Ltd. (DQS India) to conduct carbon footprint assessment and validate carbon footprint emissions for 6 of our manufacturing facilities in India. This was carried out in accordance with the combination of ISO 14064:2006 and GHG protocol.

DQS India is an internationally reputed independent field expert and the Indian subsidiary of DQS Holding GmbH, one of the world's leading management system certification assessment and training organizations.

### Operational boundaries across different scopes

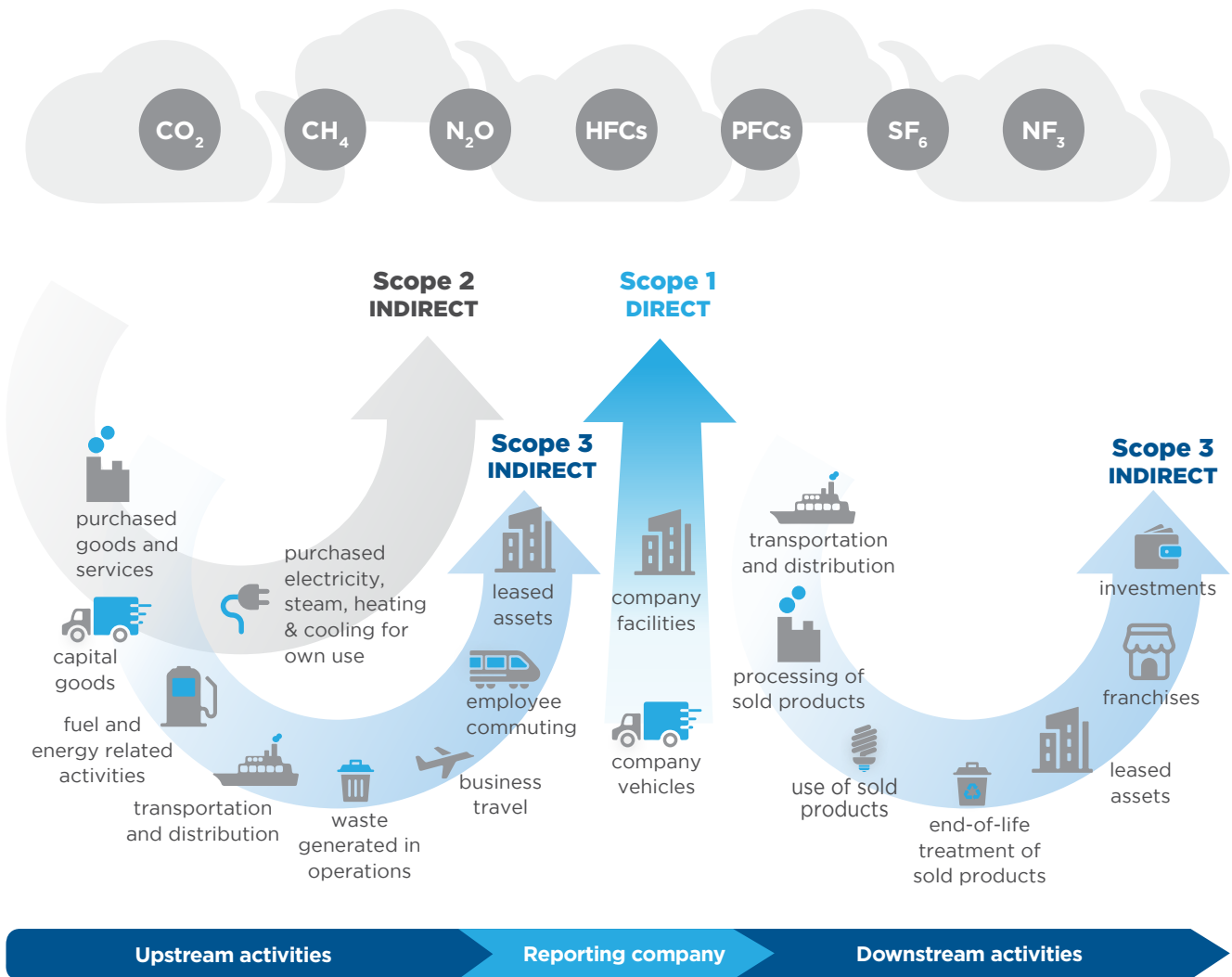


Figures in grams of CO<sub>2</sub>e/liter

### Intensity of GHG emissions per liter production of beverages - Key observations



**~36% Reduction Achieved in CY 2022 vs CY 2020 (Base year)**



**Carbon Footprint - Key Goals for 2030**

**GOAL 1 Reducing GHG Emissions**  
 50% reduction in total emissions per liter of beverage produced by 2030

**GOAL 2 Enhancing Renewable Energy**  
 Increase in contribution of electricity from renewable sources to 25% by 2030

## Change Enablers

### Enhancing the use of Renewable Energy

- Increasing contribution of renewable energy through rooftop solar and open access Power Purchase Agreements
- Reducing emissions by improving energy efficiency; deploying energy-efficient hi-tech machines and process improvements using less units of electricity
- Deploying best practices for energy efficiency including chiller optimization, air compressors, high efficiency motors and drives, LED lights, among others



### Downstream Transportation

#### Optimizing Network Route

- To service market more efficiently
- Less miles driven to result in lesser fuel consumption

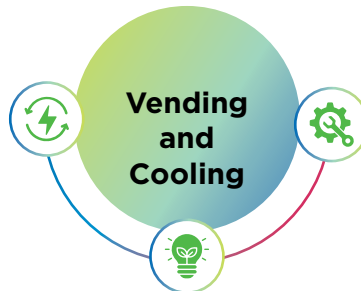
#### Optimizing Existing Fleet

- Improving efficiency by reducing static weight and better aero-dynamics
- Maintaining and servicing trucks for better performance

#### Using Alternative Fuels

- Moving to lower carbon intensive fuels
- Electrification using renewable electricity

Accelerating roll-out of energy-efficient visi-coolers, including inverter-based technology, better insulation and green refrigerants

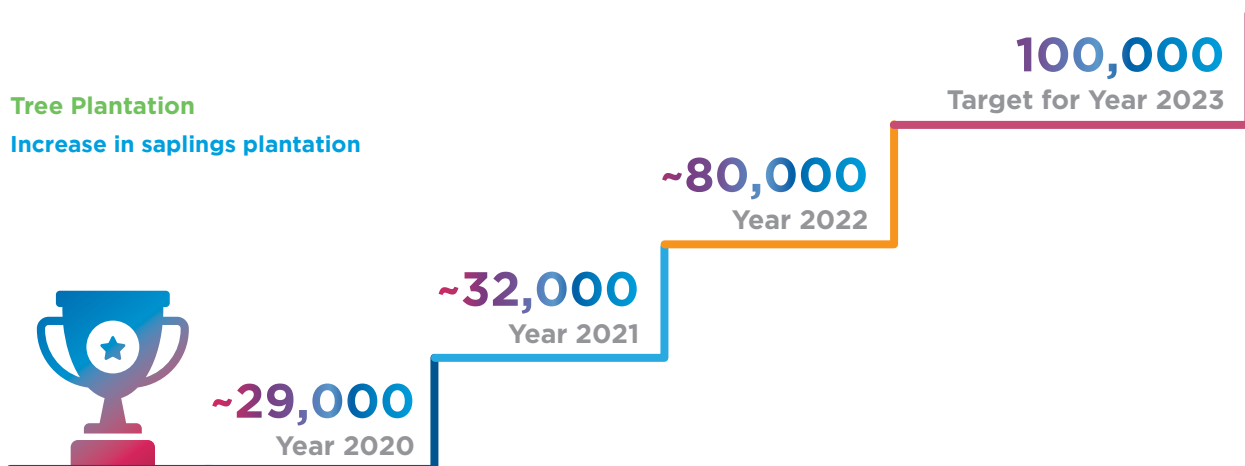


Evaluating options and roll-out renewable energy based visi-coolers

Establishing mechanism to better track and record utilization of coolers

### Tree Plantation

Increase in saplings plantation



**OUR PRIORITIES & PROGRESS**

# Responsible and Sustainable Sourcing

**Supply chain management and responsible sourcing are our key focus areas to procure raw materials from suppliers who practice robust sustainability guidelines. Our approach with supply chain management is to drive sustainability, transparency, competitiveness and resilience, while also creating a positive social impact on all the communities.**

Ethical sourcing is aimed at ensuring that products and materials purchased are sourced responsibly and sustainably throughout the supply chain. Incorporating value-driven sustainable practices into our sourcing and procurement operations and securing a sustainable supply chain is fundamental to the future growth of our business and to achieve a positive impact.

All our major ingredient suppliers are geared to achieve their sustainability targets with various initiatives aimed at reducing energy consumption, water usage, waste management and creating a net positive impact on the environment. We are closely tracking the progress of our responsible sourcing goals for major raw material and packaging material suppliers, which represent almost 90% of our total raw material / packaging material purchases and align suppliers with future sustainability targets.

## Supplier Code of Conduct

At Varun Beverages, we believe acting ethically and responsibly is not only the right thing to do, but also the right thing for our business. Accordingly, Varun Beverages has adopted PepsiCo's Global Supplier Code of Conduct which sets expectations for suppliers in the areas of business integrity and anti-corruption, labor practices, health and safety, and environmental management. All suppliers have to follow the Code and all other relevant policies as a condition of doing business with PepsiCo and its affiliates. Suppliers have to communicate and apply the Code and relevant policies throughout their supply chain.

## Environmental Impact Assessment

Suppliers are engaged in responsible sourcing and technical intervention to procure raw materials which are less harmful to the environment. They are continuously working towards sustainable raw material sourcing keeping in mind the quality standards as per PepsiCo's guidelines. They responsibly follow statutory guidelines on environmental well-being such as proper disposal of hazardous waste, air and water pollution acts and take utmost precautionary steps to ensure compliance.

They are expediting their environment sustainability goals such as plantation and renewable energy to reduce carbon footprint on the environment. They procure electricity from the grid along with fast-paced implementation of solar power panels and windmills to reduce their dependency on conventional method of electricity. They use environment-friendly briquettes as fuel in their boiler for production of steam. They use third-party water suppliers to fulfill water usage needs, while some withdraw water from the ground or surface, as per the availability.



[https://www.pepsico.com/docs/default-source/supplier-code-of-conduct/pepsico-global-scoc-final\\_english.pdf](https://www.pepsico.com/docs/default-source/supplier-code-of-conduct/pepsico-global-scoc-final_english.pdf)

### Key Initiatives on Responsible Sourcing by Suppliers:



Electricity generation from renewable energy sources like solar power and wind power



Installation of energy efficient machineries in production lines



Installation of water treatment plants



Implementing Pressurized Jet Sprays for cleaning purpose instead of direct water usage



Use of treated water for gardening and sanitation purposes



Adoption of ponds in nearby villages and recharging groundwater



Tree plantation drives to maintain green belt around manufacturing units



Rainwater harvesting to improve groundwater level



Using bagasse cane residue as biofuel for generating steam through boilers



Proper recycling of all kinds of waste like plastic waste, e-waste, hazardous waste



Supplier	Material Supplied	Initiatives Taken
PepsiCo India	Concentrate	<p>PepsiCo has taken various initiatives on environment, social and sustainable practices including:</p> <ul style="list-style-type: none"> <li>• Reduction in energy consumption</li> <li>• Reduction in water usage</li> <li>• Developing rain water harvesting pits and ponds</li> <li>• Manure Machine for recycling of food waste</li> </ul>
Reliance Industries Limited	PET Resin	<p>As a part of the Net Zero and New Energy plans, Reliance has committed to establishing 20 GW of solar energy generation capacity by 2025, which will be entirely consumed for our captive needs of round-the-clock (RTC) power and intermittent energy for Green Hydrogen.</p>
DCM Shriram	Sugar	<ul style="list-style-type: none"> <li>• Sets rotary dryer for bagasse drying, utilizing waste flue gas from boilers. Fresh bagasse's moisture content of 48% to 50% is reduced to 12% with more efficient utilization of bagasse biofuel. This is a unique, one-of-its-kind initiative to reduce fuel consumption.</li> <li>• Owns Bio-Lab which produces bio-fungicides and bio-pesticides instead of chemical fungicides and pesticides used by farmers for cane crop.</li> <li>• Awarded Best Energy Efficient Plant in sugar sector by Bureau of Energy Efficiency (BEE), for being the lowest power consumption per ton cane.</li> </ul>
Triveni Engineering	Sugar	<p>Diverts B-category heavy molasses to distillery for ethanol blending in petroleum products</p>
Tetra Pak	Packaging material	<p>Procures 100% paper board from Forest Stewardship Council certified supplier and 100% Aluminum foil from Aluminum Stewardship Initiative member supplier.</p>
Tasa Foods	Fruit pulp	<p>Uses dried mango seeds as biofuel and decomposing fruit waste into manure provided to farmers</p>
SIDEL Blowing Services S.A.S.	Manufacturing lines	<ul style="list-style-type: none"> <li>• Committed to ISO 14001 environmental certification to reduce impact on the environment and promote sustainability development. It is committed to recycling PET (notably with the development of PET recycling line: rPET).</li> <li>• Uses 100% Green energy for all processes. It has taken measures to make energy efficient equipment to help in reduction of energy consumption. For example, Blowers with 45% energy saving, AQflex conveyors with 70% saving, Shrinkwrapper with 52% saving.</li> </ul>
HUSKY Injection Molding Systems SA	Packaging Lines	<ul style="list-style-type: none"> <li>• Supports use of bio-resins in hot runner applications. Optimized hot runner systems to reliably run bio-resins and accommodate challenges arising in production.</li> <li>• Launched UltraMelt platform to lower the risk of melt degradation, oxidation and discoloration; a highly effective solution to meet processing needs of bio-resins consistently.</li> </ul>



**Value chain partners  
assessed for Environmental  
and Social Impact**

**90%+**

**Raw material suppliers**

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**90%+**

**Distributors covered**

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**90%+**

**Capex suppliers**

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### Social Impact Assessment

Our suppliers have policies and practices aligned with human rights. Major policies related to Freedom of Association and Rights to Collective Bargaining, Child and Forced Labor, Gender Equality and Non-discrimination are followed. With clean, hygienic and employee-friendly environment, suppliers provide healthy work conditions to employees and workers. The maximum number of working hours as per the Government norms are 48 hours per week (with overtime reimbursement, if required, under special circumstances). Occupational health and safety standards are ensured within the organization.

Regular training is carried out at fixed intervals (usually quarterly, half-yearly) for employees on company policies such as POSH, OHAS and Industrial Hygiene. SOPs and policies are well defined and readily available to the employees. Many of our suppliers are ISO 45001:2018 certified which specifies requirements for an occupational health and safety (OHAS) management system, and gives the guidance for its use to enable the organizations to provide a safe and healthy workplace by preventing work-related injury and ill health, and proactively improving its OHAS performance.



### Few of the initiatives undertaken by Suppliers:



Regular health check-up camps for employees



Dispensary and mobile vans for employees



Safety drills to check emergency preparedness for any mishappening

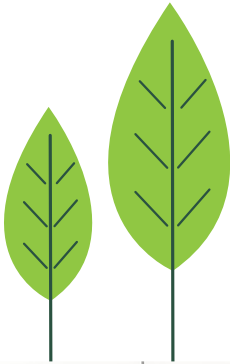


Regular trainings on anti-bribery, corruption, industrial hygiene



Taskforce teams to resolve employee grievances

# SOCIAL INITIATIVES





**OUR PRIORITIES & PROGRESS**

# An Engaged and Empowered Workforce

**At Varun Beverages, we pride ourselves on our unique culture, rooted in a deep sense of purpose, a passion for winning, and a personal connection to our brands and each other. Our top priority is the health and well-being of our people, and have implemented progressive policies to safeguard them.**

Supporting employees' well-being and creating a safe and healthy working environment is of paramount importance at Varun Beverages. We take a holistic approach to health in the workplace, recognizing that it is a complex blend of physical, psychological and social factors. We also offer a variety of programs that support our employees' well-being and encourage healthier lifestyle choices.

### Unlocking the full potential of our people

Together, we are shaping a culture of inclusion and togetherness at VBL, with genuine interactions and where our employees can be themselves and can deliver superior results. By unlocking the full potential of our people, we have embarked on a journey to create a workplace and culture that attracts, develops and retains talent. With this, we seek a purpose and value-driven organization providing a world of opportunities.

### Embedding an ESG-linked framework

Even as we refresh billions of consumers with a vast portfolio of our beverages, we ensure a sustainable ecosystem with a positive impact on our planet and well-being. To achieve our objective, we are embedding an ESG-led culture in our day-to-day working. The Board approved a policy to establish robust ESG-linked incentive framework. The policy is applicable to all employees including the KMPs and Board of Directors.

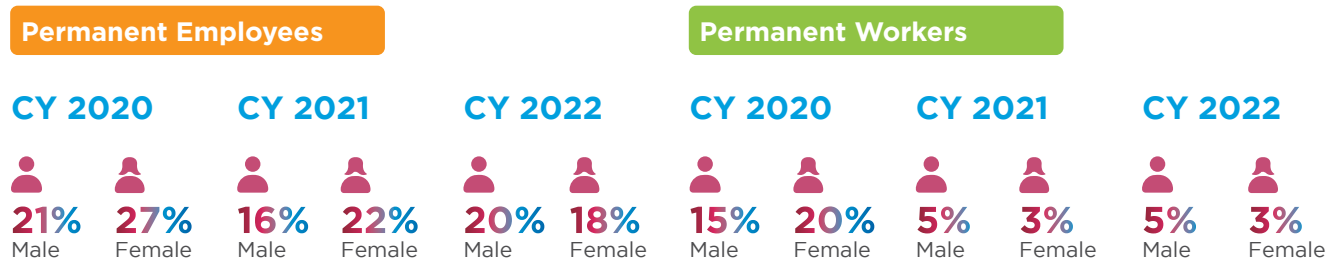


### Broad aspects of the ESG-linked KRAs and incentives

- ESG-related key issues have been identified and formulated issue-wise improvement targets.
- Due weightage is accorded to achievement of respective targets.
- Based on global benchmarks and PepsiCo's best practices, issue-based targets are rolled out in an integrated manner for ESG-related aspects.
- Achievements on these targets are periodically reviewed at appropriate times for deciding on incentives, increments and growth.



### Turnover Rate



### Return to work and Retention rates of permanent employees and workers that took parental leave



### Investing in Training & Development

Training and development of our workforce by upskilling and reskilling them is significant. By embedding a continuous learning culture, we offer learning opportunities to our people which promote speed of performance and help deliver business growth.

### Performance Management

	CY 2021	CY 2022
Career development	100%	100%

(in manhours)

	CY 2021	CY 2022
Health & Safety	167,626	197,366
Skill Upgradation	62,860	74,012
Others (includes training related to Environment and Governance)	188,579	222,037
<b>Total</b>	<b>419,065</b>	<b>493,415</b>

### Priority Levers for Change



### Key Enablers to manage social priorities

#### Diversity

- Fixed cross-functional targets to hire diverse employees across
  - Gender
  - Differently-abled individuals
- Targeting to double the existing mix (base year 2020) across by Year 2025

#### Employee wellness

- Initiated full-body medical check-ups and doctor consultations
- Started Visit Health App for employees for doctor consultations and check-ups
- Provided coaching on mental health and wellness
- Covered all workers under the Factories and Food Safety Acts

## Key Aspects of Varun Beverages' Competency Framework

# COMPETENCY FRAMEWORK

- 1 ENTREPRENEURIAL & OWNERSHIP MINDSET**

DEMONSTRATES 'OWNERSHIP'. IS DECISIVE AND AGILE TO ENHANCE MARKET SHARE, PROFITABILITY, QUALITY, EFFICIENCY.
- 2 BUSINESS ACUMEN & DATA ORIENTATION**

SETS OBJECTIVES IN RESPECTIVE AREAS, ANALYSES DATA TO SPOT AND CAPITALIZE OPPORTUNITIES
- 3 ADAPTABILITY**

DISPLAYS RESILIENCE AND ADAPTS TO CHANGING ENVIRONMENT QUICKLY
- 4 CUSTOMER ORIENTATION**

UNDERSTANDS THE NEEDS OF CUSTOMERS ALONG WITH ALL INTERNAL & EXTERNAL STAKEHOLDERS TO PARTNER FOR SUCCESS
- 5 DRIVING RESULTS**

TAKES ACCOUNTABILITY AND OWNERSHIP TO CONSISTENTLY DELIVER ON TARGETS
- 6 SELF & TEAM LEADERSHIP**

FOCUSSES ON SELF AND TEAM DEVELOPMENT TO LEAD, MOTIVATE AND EMPOWER TEAMS TO DRIVE HIGH PERFORMANCE
- 7 CULTIVATES COLLABORATION**

PARTNERS TO INFLUENCE, PERSUADE AND ALIGN CRITICAL STAKEHOLDERS TO ACHIEVE SHARED GOALS





### Talent management

Progress of our internal talent continues to be a key focus of the management, besides also providing employees with opportunities to grow their careers. We run a series of talent management programs aimed at providing insights into our people and their strengths. We also assess development needs and identify actions needed to unlock future growth and development of the employees.

### Performance management

Our performance management framework has been strengthened, helping our teams adapt faster to changing consumer and business needs and focusing on growth opportunities. Leaders set focused priorities and meet their teams regularly to review progress, thus providing employees with frequent performance feedback conversations.



OUR PRIORITIES & PROGRESS

# Employee Health & Safety

As part of Health & Safety, we set up a governance structure with a Steering Committee, Corporate Sub-Committees, and Plant APEX Committees. We approved charters and deliverables of each sub-committees for driving safety improvements. We finalized standards for Incident Management, Safety Interactions, General Safety Rules, Work at Height, Document Control and Contractor Safety Management. We also conducted trainings on Incident Management Standard and Safety Interaction. A Safety Perception Survey was carried out in 10 plants for 4,000 employees and contractors, which led to finalization of charters for all the Plant Committees. A Cluster Leadership Workshop was carried out for 150+ employees.



### Work at Height and General Safety Rules

The standard describes the principles used to protect employees from the hazards of working at a height, with an elevation difference of 1.8 meters or more. The system identified hazards and risk assessment, planning and preparation, protective equipment, training and certification, inspections and special requirements. The General Safety Rules covered the reporting of safety hazards, injuries, incidents, emergency awareness, hazardous material and chemicals, special procedures, and good housekeeping, among others.

### Incident Management System

We conducted training for the nominated members from each plant and implemented the system to learn and drive injury-free environment. The standard covers the injury types, communication matrix for information sharing, process for incident investigation, roles and timeline for incident investigation, among others.

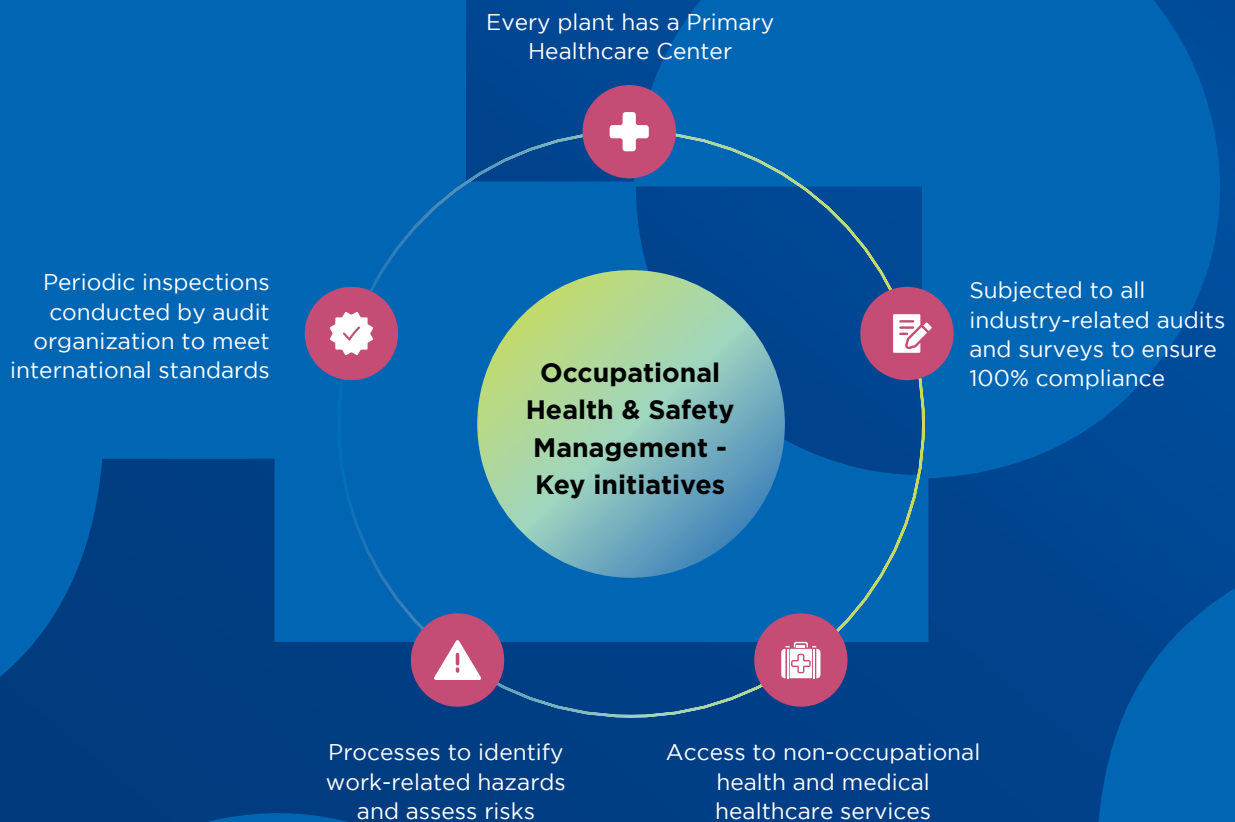
### Safety Interaction System

We also finalized the standard for Incident Management, conducted trainings for nominated members from

each plant, and started implementation of Incident Management System to learn and drive an injury-free environment. The standard covers the process for interacting with shopfloor employees and contractor by leadership for safety discussions. It also defined frequency of scheduled interaction for each plant by the leadership, and the tracking of observations and analyzing the trends.

### Employee Passport and Contractor Safety Management

We also implemented the Employee Passport System to track and improve the training needs for contractors and employees. This apart, we have initiated a structured approach for reducing the risk associated with Contractor Safety Management with processes that include contractor selection, contract preparation, contract award, orientation and training, work coordination and auditing and contract evaluation.



**Safety**

- Initiated Phase 1 by engaging DuPont Safety Solutions for implementing best practices in health & safety at 6 of our large manufacturing plants over a period of 18 months
- Adopted “Train the Trainer” approach to cascade this program to all other manufacturing plants



**Safety transformation**

Safety remains our number one priority, and there is nothing more important than the health and safety of our people. Our goal is to invest in leadership capacity to drive zero fatal accidents and injuries at work. Our safety strategy focuses on implementing programs, processes and tools to address key risks including road safety, contractor safety as well as developing strong health and safety leadership and culture.

**Key achievements**

- Conducted Leadership Workshop on Leading Safety Efforts for 24 Senior Leaders
- Set up governance structure for Steering Committee, Corporate Sub-Committees, and Plant APEX Committees
- Ensured control measures by implementing Incident Management and Safety Interaction Systems
- Driving Work at Height and General Safety Rules for basic safety improvements at all plants
- Implemented Employee Passport System to track and improve training needs for contractors and employees
- Enabled structured approach for reducing risks associated with Contractor Safety Management

**For Sub-Committees**

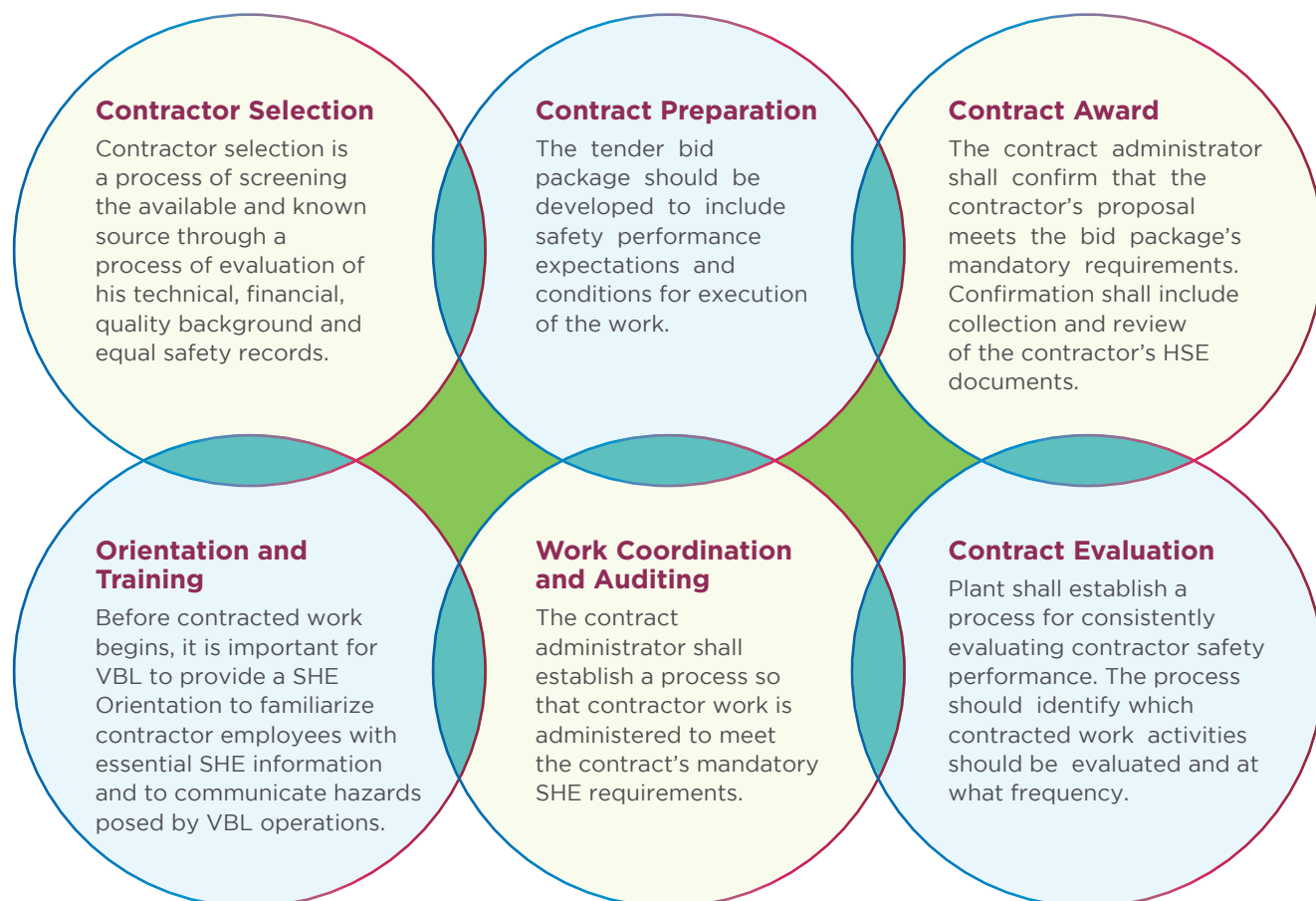
- Approved charters and deliverables for each sub-committee
- Action plan made for functioning of all sub-committees
- Finalized standards for Incident Management, Safety Interactions, General Safety Rules, Work at Height, Document Control, Contractor Safety Management
- Completed training on Incident Management Standard
- Completed 2-day training on Safety Interaction

**For APEX Committees**

- Finalized charters for all plant committees
- Conducted plant/cluster leadership workshops for 150+ employees in 6 plants
- Ensured functioning of all committees with action items

Safety Incident/Number	Category	CY 2021	CY 2022
Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	Employees	0	0
	Workers	0	0
Total Recordable work-related injuries	Employees	1	0
	Workers	2	1
No. of fatalities	Employees	0	0
	Workers	2	2
High consequence work-related injury or ill health (excluding fatalities)	Employees	0	0
	Workers	0	1

### Structured approach for reducing the risk associated with Contractor Safety



OUR PRIORITIES & PROGRESS

# Product Safety and Quality

Product Safety and Quality is of paramount importance at VBL. We adhere to comprehensive management systems and policies to ensure the highest standards of food safety.



## Supply Chain and Sourcing

We strive to continuously improve our quality systems across the supply chain network to better our processes and enhance food safety capability. Risk-based controls are fundamental to our food safety management systems and are designed to mitigate potential hazards and risks in the manufacturing and support processes. All our suppliers are

screened through a comprehensive certification process by PepsiCo and VBL is committed to source raw materials as well as packaging materials only from the approved suppliers of PepsiCo.

Aligned with our mission, we aim to delight our customers and bring more smiles with products that are safe and delicious.

## Quality Assurance

We oversee food safety and quality in all manufacturing and logistics center. Each site must maintain its own food safety manufacturing system which conforms to PepsiCo's global standards as well as to regulatory requirements in India.

All VBL's production facilities strictly follow and adhere to PepsiCo's Global Food Safety Policy which covers raw material sourcing, manufacturing process, storage, shelf life, etc. Apart from world class internal testing facilities at each production facility, these are subject to regular Food Safety

audits by independent third parties. The leaders and employees at VBL's manufacturing sites are responsible for incorporating food safety principles into manufacturing processes each day.

 [https://www.pepsico.com/docs/default-source/policies/global-food-safety-policy.pdf?sfvrsn=d7853172\\_3](https://www.pepsico.com/docs/default-source/policies/global-food-safety-policy.pdf?sfvrsn=d7853172_3)

## Nutrition and Labeling Requirements


We are continuously looking for ways to improve our labeling standards for better consumer awareness. We follow PepsiCo's Global Labelling Policy as well as the applicable laws and regulations in India such as FSSAI guidelines. Our labeling policy in connection with our products is as follows:

Our products will provide on the side or back of our packaging nutrition information on the amount of energy (as calories, kilocalories or kilojoules), protein, carbohydrate, total sugars, total fat, saturated fat and sodium per 100g/ml or per serving. Additionally, we will include nutrition information for nutrients for which a health or nutrition claim is made.

Our products will include information on energy (as calories, kilocalories or kilojoules) per 100g/ml or per serving.

We will provide the percentage of the official Guideline Daily Amounts, Daily Values or equivalents for energy, total fat, saturated fat, sodium/salt and total sugars on either the front, side or back of pack in countries where such values are available.

We strive to educate our consumers on the use of key nutrients in each product fit in a balanced and healthy diet. We will continue to work with industry, governments, and other stakeholders to seek opportunities for providing nutrition information and education to consumers.

 [https://www.pepsico.com/docs/default-source/policies/pepsico-nutrition-criteria.pdf?sfvrsn=54fa599a\\_3](https://www.pepsico.com/docs/default-source/policies/pepsico-nutrition-criteria.pdf?sfvrsn=54fa599a_3)

[https://www.pepsico.com/docs/default-source/policies/pepsico-global-labeling-policy.pdf?sfvrsn=b73cdde1\\_3](https://www.pepsico.com/docs/default-source/policies/pepsico-global-labeling-policy.pdf?sfvrsn=b73cdde1_3)

## Responsible Marketing and Sales

As a multinational beverage company with global brands that millions of consumers enjoy every day, we understand that it is vital to communicate responsibly about our products and healthy eating. VBL adheres to the PepsiCo's Policy on Responsible Advertising and Marketing to Children as well as PepsiCo's Global Policy on the Sale of Beverages to Schools. We also adhere to all relevant laws and regulations in India in this regard. Requisite trainings are conducted for all employees to ensure compliance to the above.

As per the franchise agreement with PepsiCo, above the line (ATL) marketing activities are PepsiCo's responsibility. PepsiCo believes children are a special audience and takes particular care in developing advertisements and evaluating programming that carries messages to children under 13 years of age. Therefore, to encourage the consumption of healthier food and beverage products, PepsiCo is committed on a global basis to only advertise to children under 13 those products that meet the International Food and Beverage Alliance (IFBA) Common Nutrition Criteria. Also, only plain water, fruit or vegetable

juice, and dairy-based beverages may be marketed, consistent with the International Council of Beverages Associations (ICBA) Marketing to Children Guidelines. Additionally, PepsiCo will not advertise any products (regardless of nutritional profile) to children who are under the age of 6.

 [https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-policy-on-responsible-advertising-and-marketing-to-children.pdf?sfvrsn=f7901072\\_3](https://www.pepsico.com/docs/default-source/sustainability-and-esg-topics/pepsico-policy-on-responsible-advertising-and-marketing-to-children.pdf?sfvrsn=f7901072_3)

[https://www.pepsico.com/docs/default-source/policies/pepsico-global-policy-on-the-sale-of-beverages-to-schools.pdf?sfvrsn=c29ab1b6\\_3](https://www.pepsico.com/docs/default-source/policies/pepsico-global-policy-on-the-sale-of-beverages-to-schools.pdf?sfvrsn=c29ab1b6_3)

OUR PRIORITIES & PROGRESS

# Consumer Health and Nutrition

As we optimize our mix of products, we provide a portfolio of great-tasting and healthy beverages with nutrition benefits that have the greatest potential to scale and grow. We also provide our consumers with clear information on nutrition.

## Serving nutrition by

### Offering a portfolio of beverages with nutrition and hydration benefits

We are offering health-based, fruit-pulp and juice-based drinks, energy and sports drinks, dairy-based beverages as well as packaged and purified drinking water to our consumers.

### Sharing information on nutrition with consumers

We place clear nutrition information on our packages to help our consumers make informed choices.

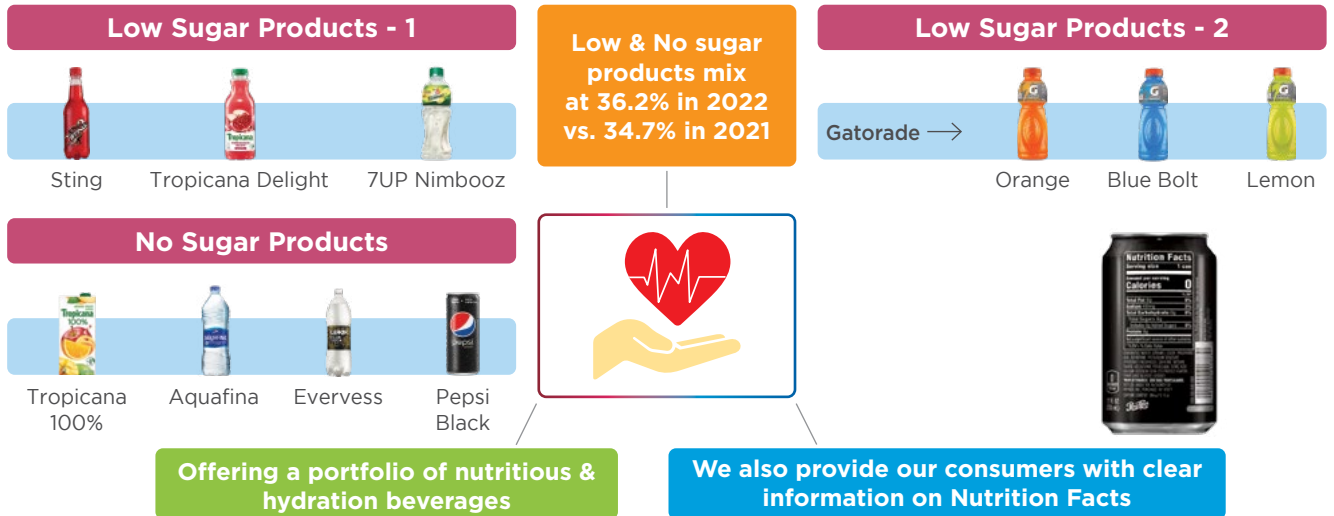
**With our nutrition-based portfolio, our aim is to improve the dietary habits of our consumers and help them interpret the nutrition quality of our products with simplified information on nutrition**





## Reducing Sugar

### Keeping Pace with Evolving Needs and Taste Positive Choices



### Focus on Nutrition

To diversify our product portfolio to meet changing consumer needs and deliver more nutritious choices, PepsiCo is guided by the PepsiCo Nutrition Criteria (PNC), which is also followed by Varun Beverages. This represents high nutrition standards guiding reduction of nutrients to limit and the increase of nutrients and food groups to encourage for the entire PepsiCo portfolio.

### PepsiCo Nutrition Criteria

The PepsiCo Nutrition Criteria provides nutrition guidelines for our beverages, including nutrients to limit and specific guidelines for food groups and nutrients to encourage. This includes:

#### STANDARDS FOR NUTRIENTS TO LIMIT

Nutrients that have been well-established as dietary factors that can contribute to the risk of certain non-communicable diseases, when consumed in excess.

For nutrients to limit, the criteria is based on a model diet of 2,000 kcal per day, with saturated fat and added sugars at or below 10% of total energy, sodium at or below 2,000 mg per day, and no industrially produced partially hydrogenated oils (PHOs).

#### STANDARDS FOR FOOD GROUPS TO ENCOURAGE

Food groups that have been well-established as contributing to healthier diets.

#### STANDARDS FOR NUTRIENTS TO ENCOURAGE

Nutrients that have been identified as being commonly under-consumed in a given population. They can vary by market or region, and are often called “shortfall nutrients”, contributing to healthier diets.

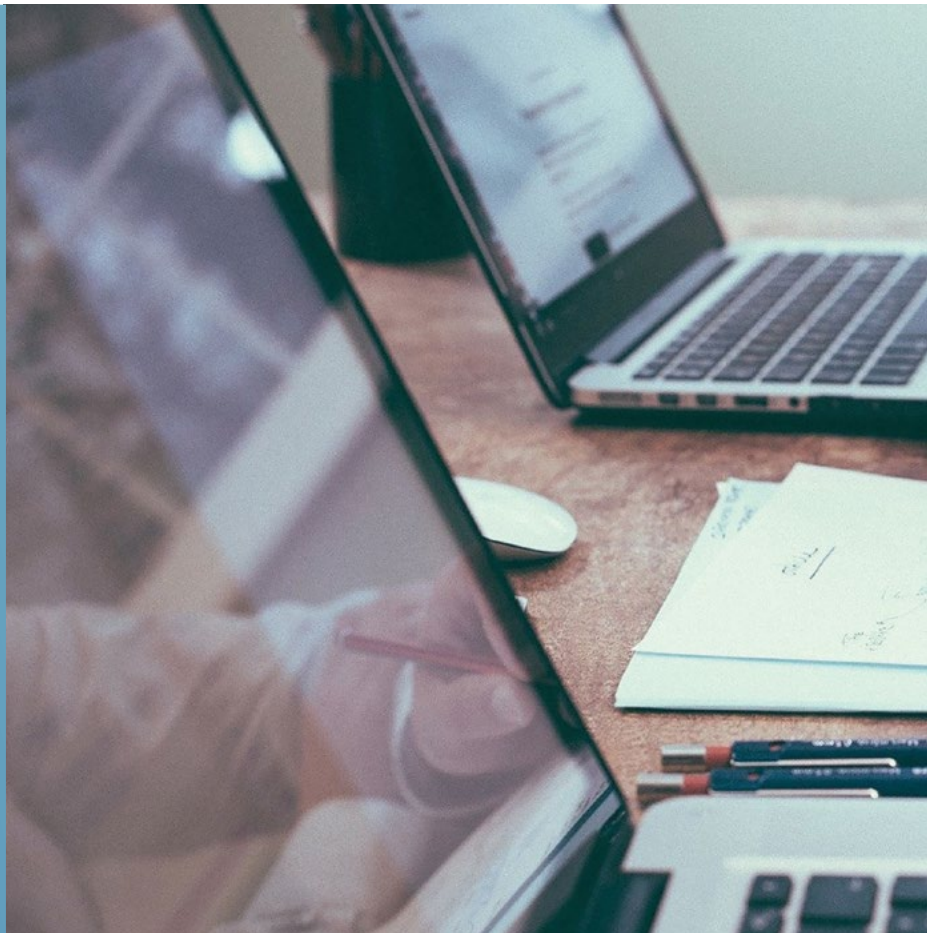
### Guidelines on Sugar Content:

1. **WHO** - 10% of total energy contribution.
2. **The Healthy Choice Standards** - Less than 4.5g/100g.
3. **Beverages category for PepsiCo** - 1g-7g/100 ml (assuming 1cc liquid weighs 1g)



[https://www.pepsico.com/docs/default-source/policies/pepsico-nutrition-criteria.pdf?sfvrsn=54fa599a\\_3](https://www.pepsico.com/docs/default-source/policies/pepsico-nutrition-criteria.pdf?sfvrsn=54fa599a_3)

# GOVERNANCE





**OUR PRIORITIES & PROGRESS**

# Ensuring Robust Corporate Governance

**Our sound governance and committed leadership enables us to integrate a cohesive ESG strategy and practices across the Company. We are committed to ‘setting the tone from the top’ to create a culture of integrity throughout the organization by engraining good corporate governance systems and principles in our business operations and culture, including our ESG practices.**

At Varun Beverages, we believe that good governance takes both a top-down and bottom-up approach and we demonstrate that in various aspects of our ESG approach. We have put several mechanisms in place to ensure our sustainability strategy is integrated across the organization and our progress is transparently reported and properly measured.

Our sound business principles and commitment to ethical behavior, accountability and transparency foster an innovative and collaborative culture. Our ESG Policy assists us in overseeing our policies and programs and related risks concerning environmental, social, regulatory and public policy matters, including progress made against our ESG goals.

We evaluate and review information pertaining to social and environmental trends, with oversight over ESG goals and human rights practices. This helps us deal with issues that may affect our business, shareholders, broader stakeholder community or even the general public.

**Key takeaways**



**Key enablers to manage our social priorities**

**National-level initiatives on promoting:**

-  **HEALTHCARE**
-  **EDUCATION**
-  **ENVIRONMENT SUSTAINABILITY**
-  **RURAL DEVELOPMENT**

**Assessment on various initiatives done by an expert or an independent agency.**

**Implementing best practices in ESG**



**ENVIRONMENT**

Annual Audit by DQS for carbon footprint study & water assurance footprint



**SOCIAL**

Best practices in health and safety by DuPont Safety Solutions



**GOVERNANCE**

Assessment by CFI and Golden Peacock  
Assessment on various initiatives done by an expert or an independent agency



Business Brand Award for Best Corporate Governance - 2022



CFI.CO (UK) for Best FMCG Corporate Governance (India) 2022



Business Leader of the year Awards for Best Corporate Governance Practices (FMCG) - 2022

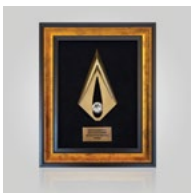
Golden Peacock National Quality Award - 2022



India Achievers' Award 2022 for Best Corporate Governance



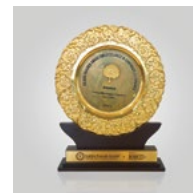
Responsible Business Award for Best Corporate Governance - 2022



PepsiCo's Best Bottler in AMESA Sector for the year 2021



CFI.CO (UK) for Best FMCG Corporate Governance (India)- 2021



Golden Peacock Award Excellence in Corporate Governance - 2021

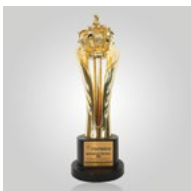
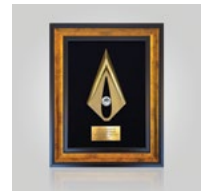
Award for Achievement in Continuous Improvement - 2021



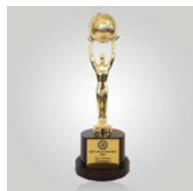
Global Best Employer - 2020



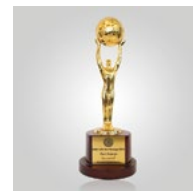
PepsiCo's Best Bottler in AMESA Sector for the year 2019



PepsiCo's Best Bottler of the year - 2019



PepsiCo's Best Bottler of the year - 2014



PepsiCo's Best Bottler of the year - 2011

## A Diverse and Value-Creating Board

Our diversified Board and its Committees supervise our business with the key objective of enhancing our stakeholder value. We have several functional Committees in place which comprise members with relevant experience. We conduct an annual evaluation of the Board and the senior management to monitor progress made on broad organizational objectives. Corporate policies are readily and easily available to respective stakeholders of the Company. Our employees have an easy access to interact with the senior management and voice their suggestions and opinions.

## Board of Directors

Member	Icons of Committee they are members of	Area of Expertise
<b>Ravi Jaipuria</b> Promoter & Non-Executive Chairman	M C	L S I G F C
<b>Varun Jaipuria</b> Promoter, Executive Vice Chairman & Whole-time Director	M M C	L S I G C
<b>Raj Gandhi</b> Whole-time Director	M M C C M	L S I G F C
<b>Rajinder Jeet Singh Bagga</b> Whole-time Director	M M	L S I G C
<b>Dr. Naresh Trehan</b> Independent Director	M	L S G F C
<b>Dr. Ravi Gupta</b> Independent Director	C M	L S F C
<b>Pradeep Sardana</b> Independent Director	M	L S I G C
<b>Rashmi Dhariwal</b> Independent Director	M M C M M M	L S F C
<b>Sita Khosla</b> Independent Director	M C	L S F C

- Audit, Risk Management and Ethics Committee
- Stakeholders Relationship Committee
- Nomination and Remuneration Committee
- Corporate Social Responsibility Committee
- Investment and Borrowing Committee
- Share Allotment Committee
- Environmental, Social and Governance Committee
- Chairperson
- Member

L Leadership   S Strategic Planning   I Industry   G Global Business   F Finance & Legal   C Corporate Governance

## Key Managerial Personnel

Sr. No.	Name	Designation
1	Mr. Raj Gandhi	Whole-time Director
2	Mr. Rajesh Chawla	Chief Financial Officer
3	Mr. Ravi Batra	Chief Risk Officer & Group Company Secretary

## Board Committees

### Audit, Risk Management and Ethics Committee

- Oversight of the Company's financial reporting process, examination of the financial statement and the auditors' report thereon and the disclosure of its financial information to ensure that its financial statements are correct, sufficient and credible.
- Recommendation for appointment, re-appointment and replacement, remuneration and terms of appointment of auditors of the Company and approval of payment for any other services rendered by the statutory auditors of the Company.
- Reviewing with the Management the quarterly/annual results and annual financial statements and Auditors' Report thereon before submission to the Board for approval. This would, inter-alia, include reviewing changes in the accounting policies and reasons for the same, major accounting entries involving estimates based on exercise of judgement by Management, significant adjustments made in the financial statements.
- Review the Management's Discussion and Analysis of financial condition and results of operations.
- Scrutiny of inter-corporate loans and investments.
- Evaluation of internal financial controls and risk management systems.
- Reviewing the functioning of the whistle blower/ vigil mechanism.
- Formulate a detailed risk management policy which shall include:
  - Framework for identification of internal and external risks.
  - Measures for risk mitigation including systems and processes for internal control of identified risks.
  - Business continuity plan.

- Evaluate and review the risk management plan, the risk management system, including risk policy, risk process (risk identification, assessment, mitigation and monitoring), cyber security processes and risk registers laid down by the Management.
- Recommendation for appointment, removal and terms of remuneration of the Chief Risk Officer.

### Stakeholders' Relationship Committee

To consider and resolve the grievances of security holders of the Company including but not limited to complaints related to transfer / transmission of shares, non-receipt of annual report, non-receipt of declared dividends and review of services rendered by the Registrar and Share Transfer Agent.

### Nomination and Remuneration Committee

- Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommendations to the Board of Directors a policy relating to the remuneration of the directors, key managerial personnel and other employees and for evaluation of the performance of independent directors and the Board of Directors;
- Devising a policy on diversity of the Board of Directors;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board of Directors their appointment and removal, and specify the manner for effective evaluation of performance of Board, its committees and individual Directors and review its implementation and compliance;
- Determine whether to extend or continue the term of appointment of the independent directors on the

basis of the report of performance evaluation of independent directors; and

- Framing suitable policies and systems to ensure that there is no violation by an employee as well as by the Company of any applicable laws in India or overseas, including:
  - (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
  - (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.

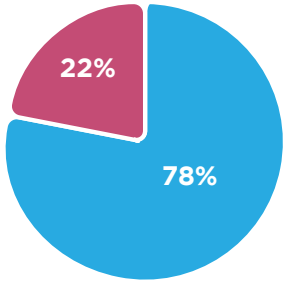
### CSR Committee

To formulate and recommend to the Board, a Corporate Social Responsibility (CSR) Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013 recommend the amount of expenditure to be incurred on the CSR activities and monitor the CSR Policy of the Company from time to time.

### Environment, Social and Governance Committee

- Approve the Company's ESG strategy (the 'ESG Strategy') including related targets and incentives;
- Provide oversight of the execution of the ESG Strategy and the Company's progress on its long-term ESG commitments and targets;
- Provide oversight of the key policies and programs required to implement the ESG Strategy;
- Provide advice and direction to the Company's management on implementation of the Company's ESG Strategy;
- To identify opportunities and risks to the Company's operations, its reputation and its corporate responsibility.

### Board Diversity



Male



Female

### Evaluating climate-related risks and opportunities

Our business model and evaluation strategy help us manage climate-related risks and enhance our ability to identify as well as mobilize and harness climate-related opportunities. Our ability to effectively manage climate risks and opportunities is imperative in serving our stakeholders and efficiently safeguarding our assets, while creating opportunities for further growth.

### Diversity and Inclusion

A key strategic business priority at Varun Beverages is to achieve diversity and inclusion and to create a workplace where every individual can fully demonstrate their potential. Gender, age and differently abled are priority diversity-related topics at VBL.

In gender diversity, we hope to construct an environment where women’s perspectives are reflected in all aspects of our business operations.

### Principles of Business Conduct of PepsiCo

- To maintain awareness and comply with all applicable laws and regulations of the countries of operation
- To maintain confidentiality of all PepsiCo’s and its partners information
- To compete fairly for PepsiCo’s business and conduct all such business on behalf of PepsiCo in a lawful manner
- To encourage a diverse workforce and provide a workplace free from discrimination, harassment or any other form of abuse
- To treat employees fairly, including with respect to wages, working hours and benefits
- To prohibit all forms of forced or compulsory labor
- To prohibit use of child labor
- To respect employees’ right to freedom of association and collective bargaining
- To provide safe and healthy working conditions
- To carry out operations with care for the environment and to comply with all applicable environmental laws and regulations
- To maintain accurate financial books and business records
- To deliver products and services meeting applicable quality and food safety standards
- To support compliance with Supplier Code of Conduct
- To observe policies regarding gifts and entertainment and conflicts of interest
- To ensure that all land acquisitions meet IFC Performance Standards
- To report suspected violations of the Code



### Business Continuity Plan

Considering the highly volatile and unpredictable nature of environmental and ecological disasters, Business continuity is one of the utmost priorities for any organization in the event of occurrence of any natural disaster, pandemic, or any other likely event. In case of any high risk event, to ensure there is no disruption in the major business operations

including sales, production and financial related functions, we have a detailed Business Continuity Plan in place to implement the mitigation plan immediately, restore the impacted operations within the defined time limits and ensure all functions are operating well like back-up IT servers, office facilities, raw material suppliers, etc.

Crisis Management teams are formed which will be in immediate action at the time of any disaster. Regular training is provided to them to ensure the clarity of roles and responsibilities of all the teams for quick response. Also, mock drills are conducted to check the preparedness to tackle such situations.



OUR PRIORITIES & PROGRESS

# Creating a Positive Impact through our CSR Initiatives

**Our CSR initiatives promote education, environmental sustainability, rural development across different sections of the society.**

## Education

### Setting up of Shiksha Kendra

Shiksha Kendra, a school for the under-privileged children, has been set up and is implemented by the Delhi Public School, Gurgaon (DPS). Since 2003, we have provided free education to 30,000+ children of economically weaker sections of the society through Shiksha Kendra, an initiative by DPS Society. All the infrastructure of DPS and other resources such as books, uniform and transportation is made available to the students of Shiksha Kendra. The key motive of the program is to assist the under-privileged children to develop themselves into educated, confident and responsible citizens.

#### Work done:

- Provided free education to 30,000+ children
- Sponsored evening schools at Delhi Public Society for economically weaker sections

## AARU Clinic

Our objective of AARU Clinic is to start Health Centers in rural areas where the manufacturing plants are located. This is a mark of our commitment to improve general health conditions of the under-privileged and benefit the society's economically weaker sections. Till date, two such centers have been opened at Kosi and Bhiwadi.



### MISSION

To provide free access to medical assistance, i.e., access to medical consultation, essential medicines, pathology and diagnostic tests to people in the community and villages close to the plants, with an aim to improve the overall health index of the communities.



### VISION

To predominantly offer free healthcare support to the underprivileged and economically weaker sections of the society by providing easy access to medical care.



### Sustainable and Scalable framework through Pravah

Pravah Skill Development Center is an initiative aimed at upliftment of the youth and the society. Through the initiative 'Pravah', we provide a structured, sustainable and scalable framework to the unemployed youth from marginalized families, adding them to the mainstream workforce.

The Center's mission is to train the maximum skilled workforce to meet domestic regional requirements of a growing economy and become a leading skill development center at a national level. The Center assists in empowering and enriching the learning process. Over 16,000+ students have successfully passed and benefitted from this initiative.



### Courses offered by Pravah Skill Development Center

#### Computer Course

To acquaint students with basic knowledge of computers



#### Fashion Designing

To make students learn to stitch all types of garments related to men, women and children



#### Beauty Care

To give women an opportunity to pursue their interests



#### English Communication Skills

To help participants understand various aspects of communication and refresh their communication skills



#### Job Assistance

To help students get placed in respective jobs through assistance in job placement



OUR PRIORITIES & PROGRESS

# Managing and Responding to Risks & Opportunities

The key aim of the risk assessment process is to evaluate the principal risks, and to minimize the level of potential impact of it by adding control and preventive measures. We have established an ongoing process for identifying, evaluating and managing risks faced.

Risk assessment is a systematic process of evaluating the potential risks that may be involved in our activities. It is applicable to all our functions (production and distribution) and in all countries where we operate. Assessment and management of risks drives better decisions and helps us create a growing and sustainable business model.

**Holistic framework for managing risks across operations and processes**



**Key Risks and Mitigation Plan**

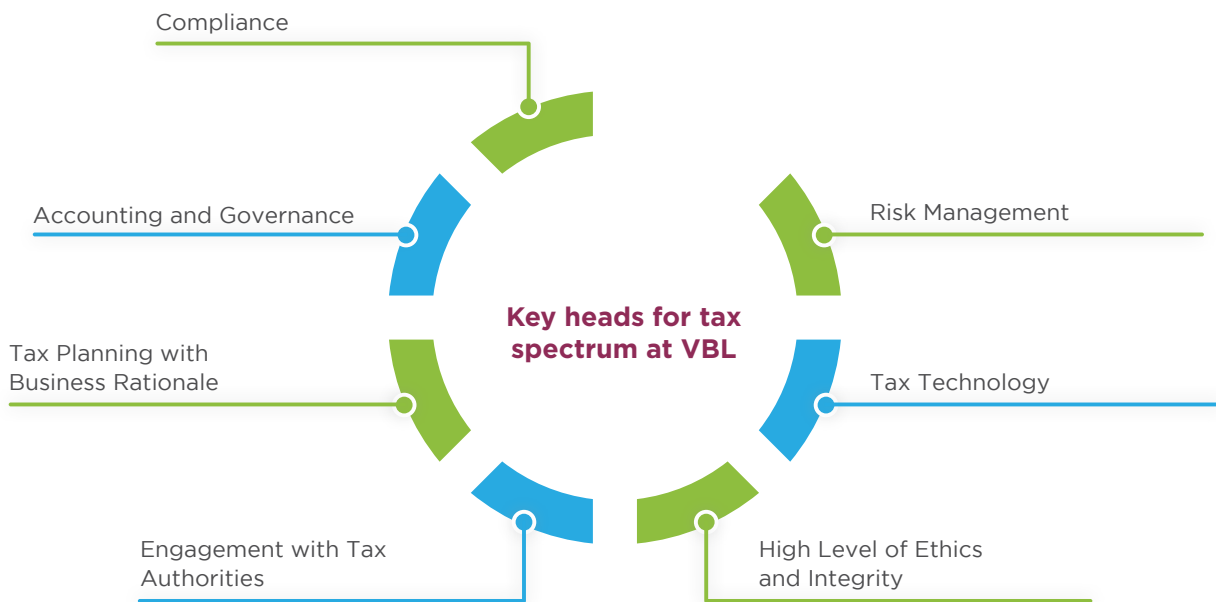
Risk	Description	Mitigation Plan
Demand Risk	A cyclical downturn can lead to a slowdown in the Company’s target markets and impact its sales velocity.	Over the years, the Company has demonstrated its ability to drive significant growth in sales volumes by aiming to provide the right brand, the right price, the right product, and the right channel. In addition, the business is present in relatively under-penetrated markets with favorable demographics, climatic conditions and the rising population which should witness steady demand growth. Further, its wide range of product portfolio enables it to cater to diverse consumer segments.
Business Agreement Risk	The Company relies on strategic relationships and agreements with PepsiCo. Termination of agreements or less favorable renewal terms could adversely affect profitability.	Over the last three decades, the Company has partnered with PepsiCo, consolidating its market relationship with them, increasing the number of territories and sub-territories, producing, and distributing a wider range of PepsiCo beverages, adding multiple SKUs into the portfolio, and expanding its distribution network. The proven ability of the business to substantially strengthen the market share of PepsiCo enables it to be a reliable partner. The business maintains a symbiotic relationship with PepsiCo, working closely as active development partners, investing in joint projects and business planning with a focus on strategic issues. In 2019, the bottling appointment and trademark license agreement for India with PepsiCo India has been extended till April 30, 2039, from October 2, 2022, earlier.

Risk	Description	Mitigation Plan
Regulatory Risk	Regulations on consumer health and the risk of the Company's products being targeted for discriminatory tax and packaging waste recovery may adversely impact business.	The Company proactively works with PepsiCo, and the government and regulatory authorities to ensure that the facts are clearly understood and that its products are not singled out unfairly. VBL adheres to sustainable manufacturing practices and takes the environmental issues related to packaging waste recovery / recycling, water management and greenhouse gases emissions very seriously. The Company consistently works along with stakeholders to establish sustainability solutions that focus on protecting the environment, including NGOs and the communities in which it operates. PepsiCo's strategy of introducing healthier and "zero sugar" variant of products also augurs well for the Company's future. The Company has undertaken certain sustainability initiatives such as engaging with GEM Enviro Management Pvt. Ltd. for phased implementation of 100% recycling of used PET bottles, and with Deutsch Quality Systems (India) Private Limited for measurement and improvement of its carbon footprint as well as water footprint assurance.
Business Viability Risk	The inability to integrate the operations of, or leverage potential operating and cost efficiencies from, the newly acquired territories and sub-territories may adversely affect the Company's business and future financial performance.	The clear strategy and financial requirements of VBL ensures that all the future acquisitions or collaborations are value-added and in compliance with the acquisition guidelines of the Board. The Company also spends considerable management time and financial resources to ensure performance of the newly acquired activities, develop local market strategies (including for possible cultural and language barriers), and assimilate business practices to ensure business viability.
Consumer Preference Risk	Failure to adapt to changing consumer health trends and address misconceptions about the health effects of soft drink consumption may adversely affect demand.	In order to remain relevant, VBL's sales team works closely with PepsiCo to assess evolving consumer habits and continually concentrate on product innovation and increasing product range. In addition, the new product plan of PepsiCo lays more emphasis on healthy products with zero / limited calorie content and sugar content.
Raw Material Risk	An interruption in the supply or significant increase in the price of raw materials or packaging materials may adversely affect the Company's business prospects, results of operations and financial condition.	An integral part of VBL's strategy is to maximize cost efficiencies, focusing on actively reducing the cost of goods sold, minimizing operating expenses efficiently and increasing cash flows. Hence, the Company has pursued many programs for this purpose, including backward integration and consolidated sourcing of materials. It also leverages on its scale of operations to achieve better bargaining power with suppliers, resulting in better working capital management. The Company is focused on optimally utilizing its assets to help achieve higher operating efficiency and to amortize overheads costs on a wider case. In addition, the Company continues to invest in innovative solutions to boost operational efficiencies and work processes in its activities, ensuring consolidated operational data from production, scheduled sourcing, and superior monitoring of the supply of goods from manufacturers to the retail point of sale.

**OUR PRIORITIES & PROGRESS**

# An ESG-focused Tax Reporting

The need for tax compliance, strategy and technology has been a key priority for VBL. Our tax policies demonstrate our approach to tax and is integral to our sustainable tax practices and our ESG commitment.



### Compliance

We endeavor to adhere to all the tax regulatory compliances, periodical filings and reporting for all the applicable tax laws to ensure a long-term and sustainable business. Our robust compliance tracking tool comes with a pre-defined escalation matrix which ensures there is zero tolerance for any non-compliance.

### Accounting and Governance

Our dedicated team of tax experts is responsible for proper accounting of taxes on all fronts - input, output, corporate and withholding taxes as per the applicable laws and

accounting standards. In the process of any change in tax laws, the internal tax team review, assesses its implication on business transactions and circulates the updated SOPs to relevant stakeholders in order to implement the changes.

### Tax Planning with Business Rationale

VBL has a transparent procedure for tax risk management and risk assessment, which is an important part of overall tax planning. As a principal, the Company does not take any aggressive tax position to ensure zero tolerance on

non-compliance and tax evasion. We avail only those tax incentives in respective jurisdictions that are aligned with the Company's overall business objective.

### Engagement with Tax Authorities

We regularly engage with tax authorities and provide full support, to understand the business model and tax positions with relevant authority of law. One of the key objectives of our tax team is also to build VBL's brand as "the most trusted and tax compliant company" in the areas we operate within.



### Risk Management

VBL has established an internal control process and escalation matrix to ensure that key risks are identified, quantified, analyzed and managed appropriately, and there is a continuous mitigating and monitoring of key risk areas. There is a process of review by the Audit, Risk Management & Ethics Committee, Internal Auditors and Statutory Auditors to ensure all transactions are falling either in “no risk” or “low risk” category for all tax compliances.

### Tax Technology

In today’s environment of online governance, tax technology is playing an importance role in sustainable growth of every organization. VBL has been making substantial investments in tax technology to ensure proper recording and reporting of all transactions through the system.

#### 1. Vendor Management:

VBL has a robust vendor management process which includes onboarding of new

vendors with strong KYC documentation and verification of historical compliances under the GST laws. All vendors are mapped with correct HSN/SAC code and GST rates. All service vendors are mapped with correct withholding tax codes to ensure proper deduction of withholding tax while recoding the transaction in the books of accounts.

#### 2. Identification and Recording in Correct Ledger:

VBL has a robust identification process through SAP which starts from issuance of PO using correct HSN/SAC and tax code. The internal team identifies the transaction and controls the input tax entitlement through the system to ensure no wrong availment of input tax credit which is not permitted as per GST laws.

#### 3. System generated Sale Invoices, E-invoices and E-way bills:

VBL SAP is integrated with the E-invoicing portal and E-way bill

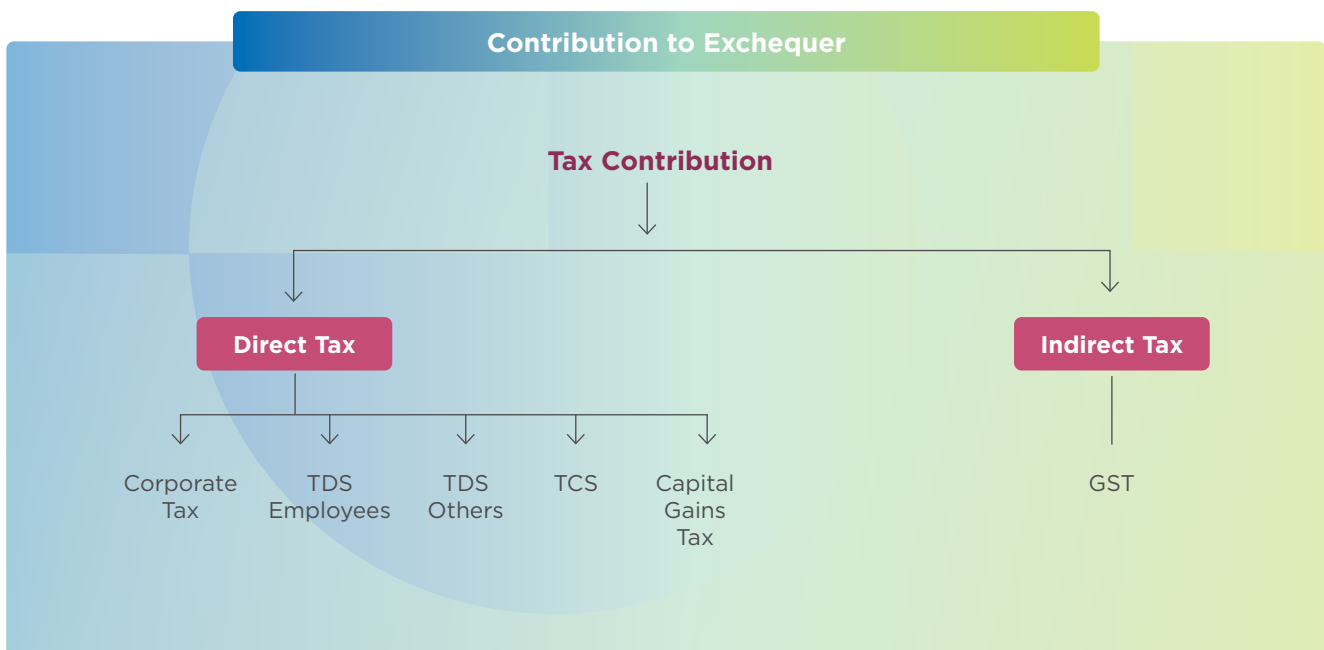
portal of the government. The system is configured in a way that not even a single invoice can be generated without an E-invoice and E-way bill, as prescribed under the GST laws.

#### 4. Reporting on GST Portal:

GST returns for all the outward supplies are being filed basis the system generated sales register. This ensures that all the recorded outward supplies get reported along with the correct tax liability.

### High Level of Ethics and Integrity

VBL maintains high level of ethics with its strong accounting principles with complete transparency. The Company has a zero-tolerance policy on integrity while dealing with vendors, customers or third-party consultants and with government authorities. No employee or third-party working for and on the behalf of the Company can indulge in any unethical practice and should maintain the highest level of integrity.





### Corporate Taxes, TDS, TCS, Capital Gains Tax and Dividend Distribution Tax

Over the years, VBL has made a significant contribution to the exchequer by way of Corporate Tax, TDS on Employees, TDS on others, TCS, Capital Gains and the Dividend Distribution Tax. Given an increase in turnover in the last five years, its Corporate Income Tax has more than doubled - from ₹ 488.5 million in FY 2017-18 to ₹ 1,383.9 million in FY 2021-22.

#### Tax trends in the last five years:

(₹ Million)

Description	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Corporate Tax (Excluding Interest u/s 234A/234B/234C)	488.5	855.9	934.5	347.2	1,383.9
TDS on Employees (As per Tax Audit Report)	181.6	227.7	430.1	454.9	561.0
TDS on Others (As per Tax Audit Report)	148.1	193.8	310.6	245.7	484.7
TCS (As per Tax Audit Report)	1.6	1.8	2.6	29.6	72.2
Dividend Distribution Tax	92.9	54.7	91.7	-	-
Capital Gains Tax (Including in Corporate Tax mentioned above)	0.1	-	0.1	1.2	0.1

### Indirect Tax - GST

The key product of VBL is taxable at a higher rate of 28% GST with 12% cess. In the last five years, the total payment of Gross GST on outward supplies stands at ₹ 102,861.5 million. This has increased from ₹ 8,126.1 million in the first year (July 2017 - March 2018) of implication of GST to ₹ 31,918.8 million in Financial Year 2021-22.

#### Tax trends in the last five years:

(₹ in Million)

Financial Year	Gross Tax Payable (₹)	Paid through Cash (₹)	Paid through ITC (₹)
2017-18	8,126.1	3,851.9	4,274.2
2018-19	14,845.4	8,491.4	6,353.9
2019-20	23,280.4	12,024.5	11,255.9
2020-21	24,690.8	12,309.6	12,384.1
2021-22	31,918.9	15,639.0	16,276.9

# Awards & Recognition

As every year, this year too we received recognition for our strong business processes, governance and ability to execute in the marketplace at scale, while delivering on our sustainability goals.

## 2022

- AMESA award
- Golden Peacock award for Quality
- Golden Peacock award for Corporate Governance
- CFI.CO (UK) for the 4<sup>th</sup> Consecutive Year for Best FMCG Corporate Governance (India)
- Business Brand Awards for Best Corporate Governance Practices
- CNBC TV18 - Incredible Brands of India Awards for Best Corporate Governance of the Year



## 2021

- Winner of Best FMCG Corporate Governance India 2021 awarded by Capital Finance International (UK) (third successive year)

## 2020

- Winner of Best FMCG Corporate Governance India 2020 awarded by Capital Finance International (UK)
- Winner of Bottler of the Year, 2019 by PepsiCo in AMESA sector (Africa, Middle East and South Asia) received in 2020

## 2019

- Varun Beverages Limited – Bottler of the Year 2019 by PepsiCo in South Asia Region
- Winner of Best FMCG
- Corporate Governance India 2019 awarded by Capital Finance International (UK)
- Varun Beverages Limited – Global Best Employer Award

## 2018

- National Best Employer Award by ET Now, in collaboration with World HRD Congress
- Distinguished Entrepreneurship Award in the PHD Annual Awards for Excellence 2018 to Mr. Ravi Jaipuria

## 2017

- Varun Beverages (Nepal) Private Limited – Best Unit of the Year
- Varun Beverages Lanka (Private) Limited – Donald M Kendall Award by PepsiCo for Small Developed Markets
- VBL Sonarpur Plant – Best Plant of the Year
- VBL Sonarpur Plant – CII Award for Food Safety

## 2016

- VBL India – FOBO Unit of the Year
- Varun Beverages Lanka (Private) Limited – FOBO Country of the Year

## 1997

Mr. Ravi Jaipuria, the only Indian Company's promoter to have received PepsiCo's International Bottler of the Year Award in 1997

# Corporate Information

## Board of Directors

Category	Name of Directors
Non-Executive Chairman	Mr. Ravi Jaipuria
Executive Vice Chairman & Whole-time Director	Mr. Varun Jaipuria
Executive / Whole-time Directors	Mr. Raj Gandhi Mr. Rajinder Jeet Singh Bagga
Non-Executive, Independent Directors	Dr. Naresh Trehan Dr. Ravi Gupta Mr. Pradeep Sardana Ms. Rashmi Dhariwal Ms. Sita Khosla

### Chief Financial Officer

Mr. Rajesh Chawla

### Chief Risk Officer & Group Company Secretary

Mr. Ravi Batra

### Joint Statutory Auditors

#### M/s. Walker Chandiok & Co LLP

Chartered Accountants,  
New Delhi

#### M/s. O.P. Bagla & Co LLP

Chartered Accountants,  
New Delhi

### Corporate Office

RJ Corp House, Plot No. 31,  
Institutional Area, Sector-44,  
Gurugram - 122 002

### Registered Office

F-2/7, Okhla Industrial Area, Phase-I  
New Delhi - 110 020

### Registrar and Share Transfer Agent

#### KFin Technologies Limited

Selenium Tower B, Plot Nos. 31 & 32,  
Financial District, Nanakramguda,  
Serilingampally Mandal,  
Hyderabad - 500 032

**Toll Free No. :** 1800 309 4001

**Email:** einward.ris@kfintech.com

**Website:** www.kfintech.com

**SEBI Registration No.:** INR000000221

### Bankers

Axis Bank Limited

DBS Bank Limited

HDFC Bank Limited

ICICI Bank Limited

IDFC FIRST Bank Limited

IndusInd Bank Limited

JPMorgan Chase Bank N.A.

Kotak Mahindra Bank Limited

RBL Bank Limited

Standard Chartered Bank

The Hongkong and Shanghai Banking Corporation Ltd

The Federal Bank Limited

YES Bank Limited



[www.varunpepsi.com](http://www.varunpepsi.com)