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Adam Smith Awards 2025

Highly Commended Winner

Best Foreign Exchange Solution

Coca-Cola

Aaron Wells, Sr. Director Financial Risk Management

THE Coca-Cola COMPANY

The Coca-Cola Company is an American multinational corporation founded in 1892. Its stock is listed on the New York Stock Exchange and is a component of the DJIA and the S&P 500 and S&P 100 indexes.

Coca-Cola refreshes FX strategy with new value-add framework

The challenge

In the early 2020s, Coca-Cola's treasury team realised that growth, digitisation and volatile markets meant the company needed to overhaul its FX programme. The team began working on a new solution in 2023 that has significantly improved productivity and communication with the C-suite. It has also freed the FX team to evaluate and manage currencies in a way that adds value to the business.

Coca-Cola's well-established hedging programme already protected against FX volatility in the 200 countries in which it operates. The FX risk management team actively manages risk with each member responsible for a bloc of currencies. However, the team needed to adapt how it communicated its strategy and value proposition to the CFO and board to maintain confidence it was stewarding risk in the best way possible.

It needed an objective and easy-to-apply risk assessment framework to ensure consistent, high-quality decisions. The company also identified quantitative, data-driven risk analysis, performance reporting and FX market assessment as key requisites under the new framework. Previously, decisions involved much ad hoc and qualitative analysis, leading to subjectivity and inconsistency.

In a third wish, the team sought automated and secure data gathering for analysis. Previously, information was stored in disparate sources that were cumbersome and hard to update. Finally, treasury wanted performance tracking and benchmarking that better aligned with the company's strategic KPIs.

The solution

In response to these challenges, Coca-Cola worked with Citi and other banking partners to develop a digitised risk and hedge assessment framework to drive improvements in quality and consistency of risk management decisions. The new process assimilates data and analytics and uses quantitative metrics to assess the impact of FX risk and proposed hedging strategies on the company's KPIs. It gives guidance, which is presented to the CFO, on the effect of FX on earnings per share (EPS) and income growth. Over the last two years, this has enabled Coca-Cola to make large strides in consolidating and visualising data to support FX trade decisions and in automating reporting via cloud flows. Much of that information is now embedded in reporting dashboards shared with the CFO quarterly. The process eliminates considerable manual effort and frees the team for scenario and cash flow planning and analysis.

Furthermore, Coca-Cola has clarified the range of FX outcomes it targets. It has used analysis, such as a value-at-risk model, to set upper and lower limits – on dollar strength sensitivity risks, for example. That helps the company manage a range of outcomes in alignment with the goals of the treasurer and CFO, which in turn fosters buy-in from other senior leaders. These leaders now know treasury has a framework to ensure FX positions won't be over or under hedged at any time. This framework also allows the team discretion and flexibility to optimise hedging costs and pick the right instrument for each circumstance, enabling them to add significant value to the business.

Best practice and innovation

Coca-Cola's new solution defines a consistent, objective process for comparing trading strategies, plus qualitative factors to support decision-making. Many companies have rigid hedging strategies, for example, in the type and timing of derivatives used. However, Coca-Cola covers so many markets it needed a more dynamic structure. Its new solution is unique in the way it allows team members discretion to tailor strategy – on hedging amounts, for example – based on real-time market information. Using derivatives, which can be expensive, on a rigid basis can lose companies money and dilute value. Coca-Cola's programme allows dynamic adaptation to avoid this problem, while ensuring consistency in outcome and communication with the business. This helps maintain or add value, rather than diluting it.

However, markets are unpredictable. Guardrails, determined by historical analyses of hedging strategy performance, protect against overconfidence in the team.

This combination of digitisation, flexibility and consistency makes the programme unique.

Key benefits

- Process efficiencies.
- Increased automation.
- Risk mitigated.
- Improved visibility.
- Manual intervention reduced.
- Increased system connectivity.
- Future-proof solution.
- Improved key performance indicator (KPI) metrics.

The new solution includes a straight-through, macro-based data model that Coca-Cola developed with Citi to pull, sort and organise FX risk management information. Treasury can now share that data with the CFO, which has improved the company's risk management dialogue and enabled better understanding of treasury program goals among senior management. It also helps increase clarity and frequency of internal reporting.

"Our FX traders are passionate about solving the complex puzzles in currency markets. This framework provides space to make bold decisions to add value, while remaining grounded in a disciplined risk management approach. As markets continue to evolve, we have deep confidence in the value of our framework in any environment," concludes Aaron Wells, Sr. Director Financial Risk Management.

A dynamic FX risk management programme is crucial in today's volatile global environment, ensuring that it is in alignment with a company's core and evolving KPIs. Coca-Cola's new FX solution provides a consistent framework for identifying effective hedging strategies by incorporating internal and external quantitative and qualitative factors. Citi was honoured to have worked with Coca-Cola on their journey, aiding in the implementation of bespoke analytical models and best in class treasury performance analysis. Automation and technology integration resulted in a 14% workload reduction, allowing greater focus on the holistic impact of FX and closer alignment with Coca-Cola's strategic KPIs.

Matthew Novack, Director, Corporate FX Sales – North America
Citi

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