

# DESNOES & GEDDES LTD.

ANNUAL  
REPORT

2011



# Results at a Glance

	2011 \$'000	2010 \$'000
Turnover	13,272,380	13,332,436
Profit Before Tax	1,446,941	1,182,374
Profit attributable to stockholders	1,015,690	789,398
Profit per stock unit calculated on net profit attributable to stockholders	36.16¢	28.10¢
Dividends per stock unit	-	25.00¢
<b>STOCKHOLDERS' EQUITY</b>		
Share Capital	2,174,980	2,174,980
Capital and Other reserves	3,162,606	3,197,315
Revenue Reserves	2,380,979	1,304,784
	<b>7,718,565</b>	<b>6,677,079</b>





# Table of Contents

Results At A Glance.....	Inside Front Cover
Company Profile.....	2
Our Purpose, Values and Strategy.....	3
Chairman's Statement.....	4
Management's Discussion and Analysis.....	6
Notice of Annual General Meeting.....	10
Corporate Data.....	12
Ten-Year Statistical Summary.....	13
Board of Directors.....	14
Board of Directors' Profiles.....	16
Disclosure of Shareholdings.....	18
Directors' Report.....	19
Executive Leadership Team.....	20
Executive Leadership Team Profiles.....	22
Distribution Centres.....	23
Sales – Breaking new ground to forge amazing relationships with our customers.....	24
Marketing – Staying fresh, relevant and engaging.....	28
Enriched Communities – A step change in empowering and engaging Jamaicans.....	32
Supply – Building solid customer relationships.....	36
Exports – Unlocking growth to expand our customer footprint.....	40
Our People – Developing talent to create amazing opportunities.....	42
Our Policies:	
• Responsible Drinking.....	45
• Diageo Employee Alcohol Policy.....	46
• Corporate Social Responsibility.....	48
Board Charter and Corporate Governance Guidelines.....	50
Auditors' Report.....	55
Company Statement of Financial Position.....	57
Group Statement of Financial Position.....	58
Company and Group Income Statement.....	59
Company and Group Statement of Comprehensive Income.....	60
Company Statement of Changes in Equity.....	61
Group Statement of Changes in Equity.....	62
Company Statement of Cash Flows.....	63
Group Statement of Cash Flows.....	64
Notes to the Financial Statements.....	65
Form of Proxy.....	99

# Company Profile

---

**R**ed Stripe, a Diageo company, is the manufacturer of an outstanding range of premium alcohol brands, spanning beers, stouts and ready-to-drinks. We also market and distribute an unparalleled collection of internationally renowned premium spirit brands from our parent company Diageo plc, the world's foremost premium drinks company.

Our great range of brands means that people can celebrate with our products at every occasion no matter where they are in the world. This is why 'celebrating life every day, everywhere' is at the core of what we do.

We are distinctly Jamaican and all our brands reflect the warmth and colourful vibrancy of our diverse people. We employ over 600 talented people with offices and distribution centres in the four major town centres in Jamaica. The people who work for us really care for the legacy of each of our brands. We want them to be enjoyed by consumers for generations to come, which means we also take our role as a producer of alcohol very seriously. Red Stripe is at the forefront of industry efforts to promote responsible drinking. We are deeply committed to the enrichment of our communities and ensuring positive consumer experiences from all our products.

Our iconic flagship market leader, Red Stripe® lager beer was first brewed in Jamaica in 1928, and is now found in over 20 markets around the world. This great Jamaican beer has earned the distinction of having some eleven Monde Selection Gold Medals to its credit.

Red Stripe, is the trading name of Desnoes and Geddes Limited in which Diageo plc holds the majority shares. Diageo is listed both on the London and New York Stock Exchanges. Red Stripe, located at 214 Spanish Town Road, in Kingston is listed on the Jamaica Stock Exchange.





## **Our Purpose**

**Celebrating Life,  
Everyday,  
Everywhere**

## **Our Values**

- **Valuing each other**
- **Be the best**
- **Proud of what we do**
- **Passionate about consumers and customers**
- **Freedom to succeed**

## **Our Strategy**

- **Amazing Relationships, Bringing out the Best**
- **Great Times, Great Experiences**
- **Enriched Communities**





## Chairman's Statement



*"In spite of these challenges the company intensified its efforts at pursuing operational and cost efficiencies. [This] resulted in a reduction in our cost of goods sold and a 4% improvement in gross profit margin, with a 36% increase in trading profit and a 29% increase in profit after tax."*

RICHARD BYLES  
Chairman

**T**he economic challenges facing Jamaica impacted Red Stripe during the last fiscal year. Along with the discriminatory SCT regime for the beer and stouts category our domestic business, net sales value declined 1% versus last year. Performance in the export segment was marginally better as net sales value increased 3% versus the previous year.

In spite of these challenges the company intensified its efforts at pursuing operational and cost efficiencies. In July 2010, we made the difficult decision to reduce our manufacturing workforce due to the decline in volume. These efficiencies resulted in a reduction in our cost of goods sold and a 4% improvement in gross profit margin, with a 36% increase in trading profit and a 29% increase in profit after tax.

Despite the challenging environment, we continue to maintain spend to support the longer term growth of our brands. We are also exploring opportunities to serve our markets more efficiently. An example of this is the spirits bottling line that was installed at the Red Stripe plant at the end of fiscal year 2011. Local manufacturing will result in more cost effective production of Smirnoff and other spirits.

For our part, the Board has worked hard to ensure that the company's financial performance remains solid, and although we are more satisfied with this year's profit performance, we are determined to halt the slide in our domestic sales in order to ensure sustained profitability going forward. It will not be an easy task given current economic conditions in Jamaica, but you are assured that you have the full commitment of all of us to do our best.





## Corporate Update

The Ministry of Labour & Social Security acknowledged our HIV Voluntary Compliance programme with two Gold Awards in both our Workplace Policy and Programme and Best Practices in Care and Support categories.

The Jamaica Exporters' Association also recognized Red Stripe for the quality of our exports and the initiatives undertaken to ensure compliance with global standards and the integrity of our export cargo. At their Annual Awards banquet the JEA conferred top honours on Red Stripe:

- o The highest tonnage usage of the Port Bustamante (4<sup>th</sup> consecutive year)
- o Champion Manufacturing Category 3
- o The Governor General's Cup for Champion Exporter for 2010 (4<sup>th</sup> time in the history of the awards)

In our continued efforts to promote responsible drinking, Red Stripe partnered with the exciting new game show **Cash Cab** as the vehicle for our responsible drinking messages, an innovative way of bringing awareness to the problem of drink driving. This was further reinforced by visits from two-time Formula One champion, Mika Häkkinen, and legendary West Indies batsman and captain, Sir Viv Richards, both Johnnie Walker Responsible Drinking Ambassadors. Through their campaigns "Join the Pact" and "Be a Giant", Häkkinen and Richards delivered the message of responsible drinking in new and exciting ways.

Changes were made to the membership of the Board of Directors and the Senior Management of the company during the year. Mr. Renato Gonzalez was appointed Managing Director of Red Stripe as at July 1, 2011. He replaces Mr. Alan Barnes who was transferred to another Diageo location and therefore resigned his position as a Director of Red Stripe. We wish to record our appreciation to Mr. Barnes for his contribution to Red Stripe over the past two years.

We take this opportunity to thank all our customers for their support of our brands and pledge to serve you even better in the year to come. Our appreciation to all our team members who continue to give their best in operating this first-class brewery and distribution business.

## Members Of The Audit Committee

Damien King - Chairman  
Jed Dryer  
Oliver McIntosh  
Peter K. Melhado

## Members Of The Governance Committee

Peter Melhado - Chairman  
Alan Barnes  
Richard Byles  
Jed Dryer  
Gary "Butch" Hendrickson  
Patrick Van Schie





# Management's Discussion and Analysis



*“Trading profit was \$1,423 million, a 36% year-on-year increase, primarily driven by reductions in sales and marketing costs. Net profit after tax amounted to \$1,016 million, an increase of 29% over the previous year.”*

RENATO GONZALEZ  
Incoming Managing Director

## Summary Performance

This year was another challenging one for our business as the domestic alcohol drinks market remains in contraction due to the difficult economic environment. Turnover was \$13,272 million representing a \$60 million (0.5%) decline versus the prior year. The Net Sales Value (NSV) of \$11,156 million was flat versus last year, however we experienced a 3% growth in export sales as we continued penetration in our overseas markets. Despite the decrease in domestic Total Beverage Alcohol consumption we managed to hold our NSV position.

In December 2010, the Government changed the tax regime for alcohol beverages to one based on alcohol volume, with different rates corresponding to three categories of alcohol drinks. This new framework reduced the anomaly that existed between the beer and stouts category and other alcohol beverages, but the regime is still discriminatory as beer and stouts pay more SCT per alcohol content than the other categories. This disparity serves to disadvantage the company's

products in a fiercely competitive market, and we will continue to lobby for a level playing field in the interest of fairness, conformance to internal best practices and public health.

Trading profit was \$1,423 million, a 36% year-on-year increase, primarily driven by reductions in sales and marketing costs. Net profit after tax amounted to \$1,016 million, an increase of 29% over the previous year.

## Cost of Sales

Cost of sales reduced by \$332 million or 5% when compared with last year. In July 2010 a restructuring was implemented in the Supply function to help right size the business in light of the volume reduction. This, coupled with additional production and distribution efficiency initiatives helped deliver the decrease in the cost of sales. Procurement savings were also supported by the revaluation of the Jamaican dollar. The gross profit margin improved by 3 percentage points on last year to 31%.







## Marketing Costs

The total marketing cost was \$1,484 million (2010: \$1,499 million), of this amount \$832 million was spent in the domestic segment as we continued to invest behind our core brands.

The export marketing cost of \$652 million was 5% higher than last year, as we supported the launch of Red Stripe Light in the key North American market.

## Overheads

General Selling and Administration expenses were \$1,253 million; a 10% increase on prior year, this increase resulted from inflationary wage increases and a higher depreciation charge from the upgrading of personal computers.

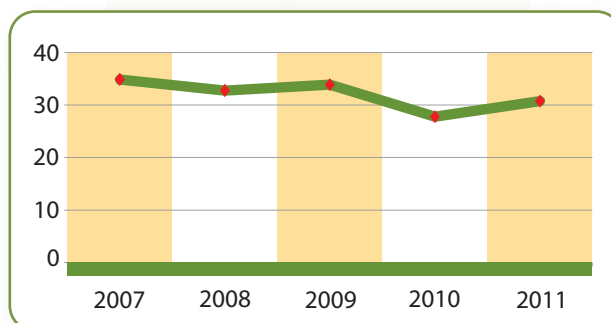
## Risk Footprint

Red Stripe has adopted Diageo's Global Risk Management Policy which is geared at proactively assessing and mitigating risks that could significantly impede our ability to achieve current or future business objectives. To this end, we have created a Risk Footprint that provides direction on where resources need to be employed to ensure the following risk management objectives are met:

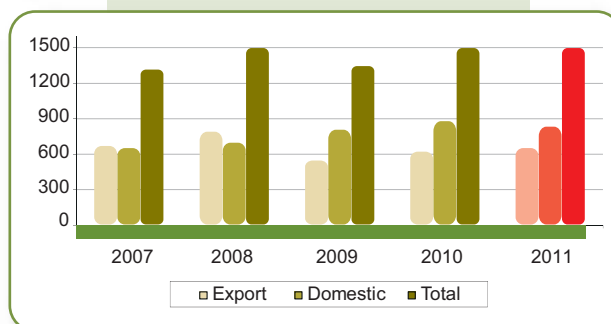
- Avoid losses of, or damage to, our reputation, our brands, or our economic profit;
- Maximize the benefit from new opportunities, challenges and initiatives;
- Take appropriate risk for appropriate return;
- Reduce uncertainty or volatility and increase resilience to external events; and
- Provide the assurance that we understand and are effectively managing our risks required for the best corporate governance.

The total business Risk Footprint is updated formally on a quarterly basis by the Leadership Team and presented to the Audit Committee for review and approval.

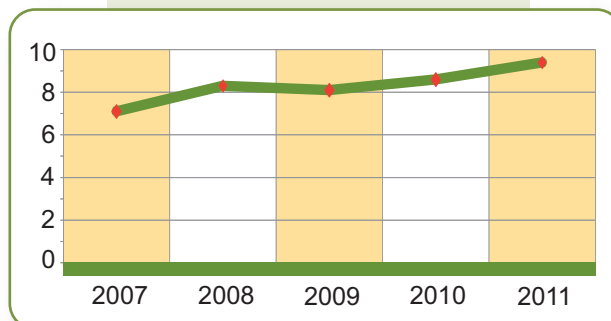
## GROSS PROFIT MARGIN (%)



## MARKETING COSTS (\$ MILLIONS)

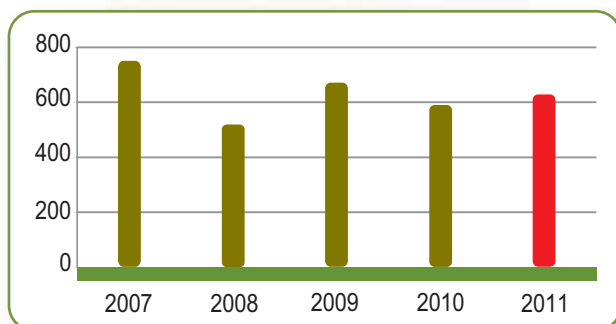


## GENERAL, SELLING & ADMINISTRATION EXPENSES (AS A PERCENTAGE OF TURNOVER)

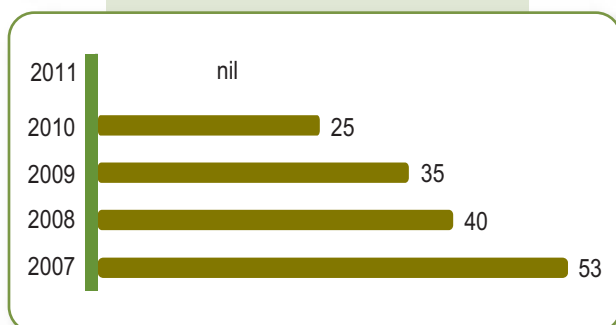




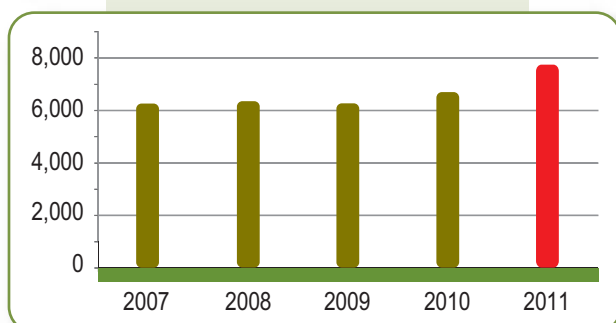
## CAPITAL INVESTMENTS (\$ MILLIONS)



## DIVIDEND PER STOCK UNIT (CENTS)



## SHAREHOLDERS' EQUITY (\$ MILLIONS)



## Enriched Communities

We continue to make a significant difference in the communities we serve through the various programmes and projects of the D & G Foundation – Diageo Learning for Life projects and the Red Stripe Employees: Advocates of Care and Hope (REACH).

Through the Red Stripe Employees Advocates of Care and Hope (REACH) and our Diageo Learning for Life (DL4L) programmes, Red Stripe continued its rich legacy of supporting long-term sustainable initiatives in our communities. DL4L programmes moved from impacting 80 lives in 2010 to graduating 1,234 students this year. In addition to the graduates, an additional 469 students were enrolled in the programme at the end of May bringing to 1,705 the number of at-risk young people in depressed communities islandwide enrolled in 2011 alone.

## Our People

Our fiscal year 2011 Talent agenda was focused on the “Double our Leadership” capability programme designed to support leaders in career conversations, performance management and better alignment within teams. As a complement to our talent agenda, we enhanced our compliance commitment by having every employee in Red Stripe complete mandatory training in Code of Business Conduct and key policies that impact them day to day. This focus on Compliance and Ethics resulted in the Values Survey question, ‘My manager helps me understand how the Diageo Code of Business Conduct applies to my role’ being the most improved item in the annual Diageo Values Survey.

It is with pride that Red Stripe was an active contributor to the global talent strategy to build leaders with international experience and through benchmarking. Over the last year, seven (7) talented Red Stripe employees were selected for international assignments, short term secondments and benchmarking visits. Our teams were also recognized internationally for major contributions in Diageo such as the Jamaica-based Innovation Team which stood out for delivering the highest number of innovations in Diageo for Jamaica





and other markets in Northern Latin America & the Caribbean.

Last, but by no means least, we want to recognize that our Team has been superbly resilient in the face of many market challenges. They understood the need for right sizing and allowed the business to transition smoothly at the start of the year. Our sincere gratitude for having a #1 Team!

### Future Strategy

We enter the new financial year with increased drive and optimism, which we have branded as “The Year of the Beer”. During this year our major focus will be on transformation of our business through three main areas: (i) Brand Value Creation; (ii) End-to-End Efficiencies; and (iii) Profitable Export Growth.

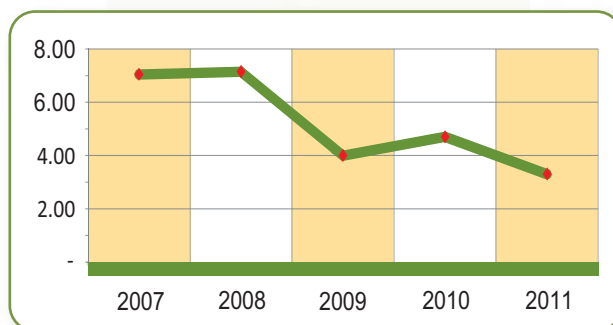
**Brand Value Creation** – We will revive the Red Stripe brand through an aggressive media advertising campaign, major sponsorships, and an increased focus on activations and visibility in our communities.

**End-to-End Efficiencies** will see us further reducing operational costs. The funds saved from this cost reduction will be reinvested in our brands. We will also continue to focus on equalization of the taxes on alcohol beverages, and will be seeking alternatives to be more cost competitive in the Caribbean.

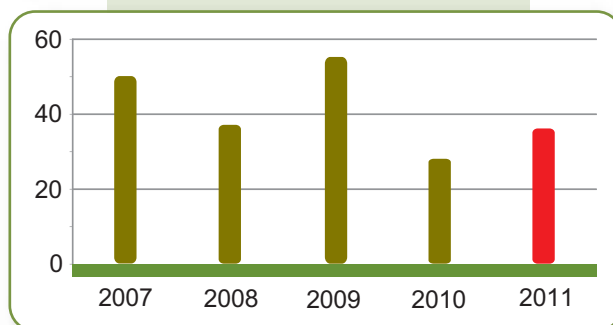
**Profitable Export Growth** – We will be reviewing our US export model and strengthening our export partnerships across different major beer players in the UK, Germany, and Brazil while seeking other major opportunities to enhance our brand penetration.

This new focus will ensure that we have a stronger more profitable business in 2012, with an even stronger international brand.

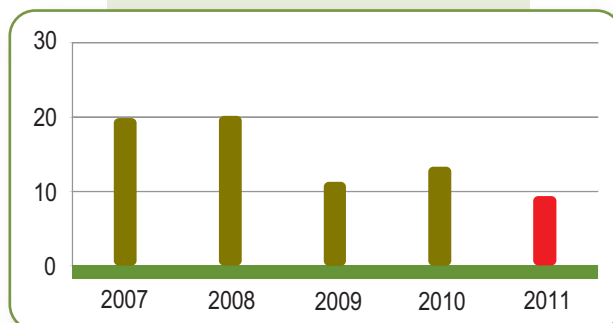
### STOCK PRICE (\$ DOLLARS)



### EARNINGS PER STOCK UNIT (CENTS)



### MARKET CAPITALIZATION (\$ BILLIONS)







# Notice of the Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Ninety-Second Annual General Meeting of Desnoes & Geddes Limited will be held at 214 Spanish Town Road, Kingston 11 on Friday, October 28, 2011 at 10:00 a.m. for the following purposes:

## **1. Audited Accounts for the Year Ended June 30, 2011**

To receive the Audited Financial Statements for the year ended June 30, 2011 together with the reports of the Directors and Auditors thereon. To consider and, (if thought fit) to pass the following resolution:

“THAT the Audited Financial Statements for the year ended June 30, 2011 together with the reports of the Directors and the Auditors thereon, be and are hereby adopted.”

## **2. Remuneration of Directors**

To fix the remuneration of the Non-Executive Directors: To consider and, (if thought fit) pass the following resolution:

“THAT Directors’ fees in the amount of \$5,436,000 payable for the year to all Non-Executive Directors of the company, be and are hereby approved.”

## **3. Election of Directors**

In accordance with Article 108 of the Company’s Articles of Incorporation, the directors retiring by rotation are Messrs. Alan Barnes, Hamish McDonald, Patrick Van Schie and Mrs. Lisa Soares Lewis who being eligible, with the exception of Mr. Barnes offer themselves for re-election.

To consider and (if thought fit) pass the following resolutions:

3(a) “THAT the retiring director Mr. Hamish McDonald be and is hereby re-elected a Director of the company.”

3(b) “THAT the retiring director Mr. Patrick Van Schie be and is hereby re-elected a Director of the company.”

3(c) “THAT the retiring director Mrs. Lisa Soares Lewis be and is hereby re-elected a Director of the company.”

*Cont’d on page 11*





In accordance with Article 109 of the Articles of Incorporation, Mr. Renato Gonzalez who was appointed to the Board of Directors with effect from July 1, 2011 must retire at this Annual General Meeting, and being eligible offers himself for election.

To consider and (if thought fit) pass the following resolutions:

3(d) "THAT the retiring director Mr. Renato Gonzalez be and is hereby elected a Director of the company."

#### **4. Remuneration of Auditors**

To fix the remuneration of the Auditors and to consider and (if thought fit) pass the following resolution:

"THAT KPMG, having agreed to continue in office as Auditors, the Directors be and are hereby authorized to agree their remuneration in respect of the period ending with the conclusion of the next Annual General Meeting be and is hereby approved."

#### **By Order of the Board**

Gene M. Douglas  
Corporate Secretary

Dated this 1st day of September 2011

Any member entitled to attend and vote is entitled to appoint a proxy to attend and on a poll, vote instead of the member. A proxy need not be a member of the Company. An appropriate form of proxy is enclosed.

The proxy form must be signed, stamped and deposited at the registered office of the Company situated at 214 Spanish Town Road, Kingston 11 addressed to "The Company Secretary" not less than 48 hours before the time of holding the meeting. The stamp duty is \$100.00 and may be paid by affixing a postage stamp to the proxy form.





# Corporate Data

## CORPORATE DATA

31 July 2011

### Board of Directors:

Richard O. Byles  
Renato Gonzalez  
Noel daCosta  
Jed Dryer  
Alberto Gavazzi  
Gary C. Hendrickson  
Damien W. King  
Lisa A. Soares Lewis  
Hamish I. McDonald  
Oliver L. S. McIntosh  
Peter K. Melhado  
Patrick Van Schie

Chairman  
Managing Director

### Company Secretary:

Gene M. Douglas, F.C.I.S.; M.B.A.

### Registrar & Transfer Agent:

NCB Jamaica (Nominees) Ltd.  
32 Trafalgar Road,  
Kingston 5

### Auditors:

KPMG Chartered Accountants  
6 Duke Street,  
Kingston

### Bankers:

Bank of Nova Scotia Jamaica Ltd.  
Corner Duke & Port Royal Streets,  
Kingston

Citibank NA  
63-67 Knutsford Boulevard,  
Kingston 5

National Commercial Bank Jamaica Ltd.  
37 Duke Street,  
Kingston

### Attorneys-at-law:

Patterson Mair Hamilton  
7th Floor, Citigroup Building,  
63-67 Knutsford Boulevard,  
Kingston 5

Myers Fletcher & Gordon  
21 East Street,  
Kingston

### Registered Office:

214 Spanish Town Road,  
Kingston 11





# Ten-Year Statistical Summary

Financial Year	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000
<b>OPERATING DATA</b>										
Turnover	13,272,380	13,332,436	13,447,889	12,488,766	11,313,276	10,114,372	9,135,115	7,866,540	6,845,998	5,650,264
Profit before taxation	1,446,941	1,182,374	2,211,442	1,670,350	2,093,226	2,324,401	2,503,442	1,860,864	1,459,601	1,100,847
Provision for taxation	(431,251)	(392,976)	(660,118)	(627,901)	(684,686)	(112,554)	(150,388)	(307,906)	(131,489)	287,797
<b>PROFIT AFTER TAXATION</b>	1,015,690	789,398	1,551,323	1,042,449	1,408,540	2,211,847	2,353,054	1,552,958	1,328,112	1,388,644
Dividend	-	702,293	983,208	1,123,668	1,488,860	1,601,227	2,163,061	1,545,044	1,545,044	1,012,780
Net dividend cover	-	1.12	1.58	0.93	0.95	1.38	1.09	1.01	0.86	1.37 ***
<b>BALANCE SHEET DATA</b>										
Net current assets / (liabilities)	631,733	(415,922)	(402,938) *	(753,650) *	248,829	940,008	745,412	786,712	1,197,571	1,606,505
Property, plant and equipment	6,536,478	6,644,362	6,661,480 *	6,531,660 *	5,682,522	3,550,418	3,379,297	3,380,300	3,064,080	2,778,579
Long term liabilities	-	-	-	-	-	-	-	-	2,277	6,830
Stockholders' equity	7,718,565	6,677,079	6,246,636	6,332,871	6,537,303	4,784,763	4,147,944	4,334,801	4,459,587	4,690,394
No. of stock units in issue	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171	2,809,171
<b>PER ORDINARY STOCK UNIT</b>										
Profit for the year	36.16¢	28.10¢	55.22¢	37.11¢	50.14¢ **	78.74¢	83.76¢	55.28¢	47.28¢	49.43¢ ***
Stockholders' equity	\$2.75	\$2.38	\$2.22	\$2.25	\$2.33 **	\$1.70	\$1.48	\$1.54	\$1.59	\$1.67 ***
Dividends	Ordinary - Interims	25¢	35¢	40¢	53¢	57¢	77¢	55¢	20¢	15¢
	Finals	-	-	-	-	-	-	-	-	35¢
<b>OTHER</b>										
Return on Equity	13.62%	11.82%	24.83%	16.46%	21.52%	46.23%	56.73%	35.83%	29.78%	29.61%
Closing Stock Price	\$3.30	\$4.70	\$4.00	\$7.15	\$7.05	\$7.79	\$9.50	\$6.90	\$5.40	\$7.06
Number of employees	624	694	759	767	762	734	750	802	732	552

\* Restated due to change in accounting treatment of returnable packaging      \*\* Restated due to prior year adjustments.      \*\*\* Restated on account of dividend paid and IFRS reported profit.

Dividend Cover = PAT/Dividend  
Profit for the year per stock unit = PAT / No. of shares  
Return on Equity = PAT/Stockholders' Equity  
Stockholders' Equity per stock unit = SHE/No. of shares





# Board of Directors



ALBERTO GAVAZZI

OLIVER MCINTOSH

NOEL daCOSTA

PETER MELHADO

JED DRYER

ALAN BARNES  
Managing Director/Outgoing

HAMISH MCDONALD

GARY "BUTCH" HENDRICKSON

DAMIEN KING

LISA SOARES LEWIS

RICHARD BYLES  
Chairman

RENATO GONZALEZ  
Managing Director/Incoming

(PATRICK VAN SCHIE - Missing)





## Board of Directors

### **RICHARD BYLES** - Chairman

Richard Byles is the President and CEO of Sagicor Life Jamaica Limited. He is the Board Chairman of Pan Caribbean Financial Services Limited and a Director of Pan Jamaican Investment Trust Limited. He holds a Bachelors degree in Economics from the University of the West Indies and a Masters in National Development from the University of Bradford, England.

### **ALAN BARNES** - Managing Director/Outgoing

Alan Barnes has twenty years experience in the alcohol beverage industry and has worked across sales, innovation, marketing and general management in businesses in thirty-one countries throughout Europe and Africa. Alan was previously on the boards of Sierra Leone Breweries Ltd., Phoenix Beverage Ltd. (Mauritius), C.M.M.U.D.V (Reunion) and Seychelles Breweries Ltd. He has represented the private sector on government para-statal boards covering the Environment and Waste Management in Seychelles. He has a Bachelor of Arts with Honours degree in Economics from the University of Nottingham, England.

### **RENATO GONZALEZ** - Managing Director/ Incoming

Renato Gonzalez has twenty years experience in the consumer goods market in large multinationals across the world. He has a wide range of experience in supply chain management having designed and successfully implemented procedures and processes. Prior to his appointment, he was the Customer Operations Director of Diageo's Global Supply Chain based in Amsterdam. He was responsible for order management and supply planning of Diageo's number one brands and export from multi-plants worldwide. While he was Supply Chain Director for Diageo, Mexico he received two leadership awards for excellence in execution and inspirational leader. He has a degree from the Universidade de Cidade, Rio de Janeiro, Brazil and speaks fluent Portuguese and Spanish.

### **NOEL daCOSTA**

Noel daCosta is a management consultant, who was previously employed to Desnoes & Geddes/Diageo in many roles including: Central American and Caribbean Corporate Relations Director for Diageo; Chief

Engineer, Brewmaster, Technical Director, and Corporate Relations Director for D&G. A Chartered Engineer, he is a Fellow of the Institution of Chemical Engineers (UK), and a past President and Fellow of the Jamaica Institution of Engineers. He has postgraduate degrees in Engineering, Business Administration and Insurance. He is a former President of the Jamaica Chamber of Commerce and has served on the boards of many companies in the public and private sector. He currently serves on the board of the Victoria Mutual Building Society and is the Chairman of United Way of Jamaica.

### **JED DRYER**

Jed Dryer was appointed Finance Director of Red Stripe in September 2010. Prior to this he was the Diageo Finance Director of Northern Latin America and Caribbean and the Financial Controller for Latin America and Caribbean. He also worked on Strategy, Business Development and Decision Support projects in the Global Business Support Group in Miami and London. Prior to joining Diageo, Jed worked in the Financial Services industry in London and New York. He holds a Bachelors degree from the University of Texas at Austin and a Master of Business Administration from the University of Chicago.

### **ALBERTO GAVAZZI**

Alberto Gavazzi, General Manager Diageo WestLAC, is responsible for the Western Latin America, Central America and the Caribbean markets. Alberto oversees a turnover of over £300M and more than 1,000 people, leading a variety of businesses including Beer, Wine and Spirits brands.

He joined Diageo in 1993 to guide the Diageo Brazil innovation agenda and has extensive experience leading teams while implementing global, regional and local sales and marketing programmes. He has been the General Manager with extended responsibilities over the South Cone of Latin America and the Global Marketing Director, Whisky and Gin, in The Netherlands. Before joining Diageo, Alberto worked for Colgate-Palmolive and Unilever. Alberto studied for his undergraduate degree in both São Paulo, Brazil and Milan, Italy, earning his Business Administration degree at The Catholic University of São Paulo in 1989.

*Cont'd on page 17*







### GARY “BUTCH” HENDRICKSON

Gary “Butch” Hendrickson is the Chairman and CEO of Continental Baking Co. Ltd. and Coconut Bay Beach Resort & Spa in St Lucia. He currently serves as Board Chairman of the National Export-Import Bank of Jamaica (EX-IM Bank) and sits on the Boards of Rainforest Seafoods, The King’s House Foundation and the St Patrick’s Foundation. He was educated at Jamaica College, Miami Military Academy and Fordham University.

### DAMIEN KING

Damien King is Senior Lecturer and Head of the Department of Economics at the University of the West Indies, Mona. His teaching and research have been in the areas of macroeconomics, growth, trade, poverty, and development. He is also a Senior Research Fellow at the Caribbean Policy Research Institute and member of the Board of Directors of BizWear Ltd. Damien previously served on the boards of Dyoll Group, Dyoll Insurance Company, the National Export-Import Bank of Jamaica, the Jamaica Mutual Life Assurance Society, and the University Hospital of the West Indies.

### LISA SOARES LEWIS

Lisa Soares Lewis has been the Human Resources Director for Diageo since November 2008. Her management experience spans 19 years and includes management consulting, human resource management, corporate and commercial banking. She was formerly the Vice President HR at Cable & Wireless Jamaica Limited (now LIME) and also led their Foundation’s Employee Volunteer Programme. She has lectured MBA students in International Human Resource Management at UWI and has held several offices for the Jamaica Employers’ Federation, including First Vice President. She is a Director of Pan Caribbean Financial Services Limited as well as a Pension Trustee on two plans. She has a B.Sc. in Industrial Engineering (First Class Hons) and an MBA (Distinction) in Finance and Marketing from UWI, and holds the SPHR (Senior Professional in HR) designation.

### HAMISH MCDONALD

Hamish McDonald is the Regional Finance Director for Diageo Latin America & the Caribbean. He is a member of The Institute Of Chartered Accountants Of Scotland and has held a number of senior finance, commercial and general management roles in the beverage alcohol industry over the past 30 years. Hamish has been working in Latin America & Caribbean for the past 11 years, having previously worked in Europe, Asia Pacific and African markets.

### OLIVER MCINTOSH

Oliver McIntosh is the President & CEO of SportsMax Limited, since the company’s start-up in 2003. He has over 10 years experience in business development and investment banking. He was previously a Vice President at Merrill Lynch International in London, a business development and mergers & acquisitions officer for Home Depot, U.S.A. and has worked at Salomon Brothers Inc, where he focused on the Diversified Industrials and Media & Entertainment sectors. He holds an M.B.A. from Harvard Business School and a B.B.A. in actuarial science from Howard University.

### PETER MELHADO

Peter Melhado is President and CEO of the ICD Group. He was responsible for the growth and development of the Manufacturers’ Group, which was a leading financial and asset management company. He is Chairman of Pan Caribbean Bank, West Indies Home Contractors and Mavis Bank Coffee Factory. His current directorships include British Caribbean Insurance Company and CGM Gallagher Group. He is a former Vice President of the Private Sector Organization of Jamaica and holds a degree in Mechanical Engineering (McGill University) and a Masters in Business Administration (Columbia School of Business).

### PATRICK VAN SCHIE

Patrick Van Schie is the General Manager Exports, Caribbean and Central America for Heineken Caribbean Inc. He has been employed to Heineken for over 20 years having worked progressively in senior roles in Marketing and Sales. Patrick, who resides in Puerto Rico, holds a Masters Degree in Business Law.





# Disclosure of Shareholdings

as at June 30, 2011

## Shareholdings of Directors

Richard O. Byles (Chairman)	1,500,000
Alan Barnes	125,195
Noel daCosta	440,000
Jed Dryer	Nil
Alberto Gavazzi	Nil
Gary C. Hendrickson	Nil
Damien W. King	500,000
Lisa Soares Lewis	Nil
Hamish McDonald	Nil
Oliver L.S. McIntosh	Nil
Peter K. Melhado	Nil
Patrick Van Schie	Nil

## Ten (10) Largest Shareholders

Udiam Holdings AB	1,625,549,827
Heineken Finance N V	303,454,633
Heineken International B V	130,578,508
National Commercial Bank Proprietary A/C	100,773,750
Bardi Limited (In Bankruptcy)	84,255,986
LOJ PIF Equity Fund	45,441,367
National Insurance Fund	31,709,129
Jette Limited	26,254,292
Vicsol Services Limited	21,657,946
Ivn Nom Ltd. A/C Las. Henriques ET AL S/F	21,647,931

## Shareholdings Of Senior Managers

Alan Barnes	125,195
Cedric Blair	165,300
Jomo Cato	Nil
Marguerite Cremin	Nil
Jed Dryer	Nil
Lisa Soares Lewis	Nil
Brian Pengelley	1,784





# Directors' Report

The Directors are pleased to submit their Report and Audited Accounts for the year ended June 30, 2011

	2011 (millions)	2010 (millions)
The profit of the Company before tax was	\$1,447	\$1,182
Net Profit of the Company after tax was	\$1,016	\$789

## Dividends

The Directors did not recommend any dividend for the year under consideration.

## The Board

Pursuant to Article 108 of the Articles of Incorporation of the Company, one-third of the Directors or the number nearest to one-third, where their number is not a multiple of three, shall retire from office each year. Messrs. Alan Barnes, Hamish McDonald, Patrick Van Schie and Mrs. Lisa Soares Lewis will retire, and being eligible, with the exception of Mr. Alan Barnes, offer themselves for re-election. Mr. Barnes resigned as director of the company with effect from June 30, 2011.

The Directors of the Board as at June 30, 2011 comprised:

Mr. Richard O Byles	Chairman
Mr. Alan Barnes	Managing Director
Mr. Noel daCosta	
Mr. Jed Dryer	
Mr. Alberto Gavazzi	
Mr. Gary C. Hendrickson	
Dr. Damien W. King	
Mrs. Lisa A. Soares Lewis	
Mr. Hamish I. McDonald	
Mr. Oliver L. S. McIntosh	
Mr. Peter K. Melhado	
Mr. Patrick Van Schie	

Pursuant to Article 109 of the Articles of Incorporation, Mr. Renato Gonzalez who was appointed to the Board of Directors with effect from July 1, 2011 must retire at this Annual General Meeting, and being eligible offers himself for election.

## Auditors

Messrs. KPMG, the present Auditors have indicated their willingness to continue in office and offer themselves for re-election.

The Directors wish to express their appreciation to the management and staff for the work they have done during the year.

## By order of the Board

Gene M. Douglas  
Corporate Secretary

Dated this 1st day of September 2011





# Executive Leadership Team



SEATED FROM L - R: Lisa Soares Lewis, Marguerite Cremin and Renato Gonzalez (Incoming Managing Director)

STANDING FROM L - R: Jomo Cato, Alan Barnes (Outgoing Managing Director), Jed Dryer, Cedric Blair and Brian Pengelley





## Executive Leadership Team

### **CEDRIC BLAIR** - Supply Director

Cedric Blair was appointed Supply Director in September 2010. Since joining Red Stripe in 1995, he has worked in various roles mostly in Engineering and Operations. In 2005 Cedric was seconded to Diageo North America where he worked in the spirits industry for five years. He spent eighteen months in Diageo Relay, Maryland as a Change Manager (Process Improvement) and three years in Menlo Park, California as Director of Operations. He has a Bachelor of Science with Honours in Chemical Engineering from the University of the West Indies, St Augustine.

### **JOMO CATO** - Head of Marketing

Jomo is a seasoned marketer with multi-industry experience including telecoms and beverages. He has led the development and roll out of pioneering marketing campaigns across 20 markets in Latin America and the Caribbean. His track record includes 10 years experience working with global brands including Coca Cola, Appleton Rums, Samsung, Heineken, Guinness, Hennessy, and Digicel. His career also includes a Brand Strategist role at Dunlop Corbin Communications Caribbean and managing his own business, Dreammakers, a marketing consultancy. A graduate of UWI Cave Hill, Barbados, Jomo holds a BSc degree in Economics and Management (Honours).

### **MARGUERITE CREMIN** - Head of Corporate Relations

Marguerite joined Red Stripe in October 2009 with experience in successful brand launches locally and overseas. Prior to her appointment, she worked for mobile phone giant, Vodafone, in Ireland with responsibility for Marketing and Sponsorship. Her move to Jamaica saw her helping to establish Digicel as one of the region's most visible brands. She has also managed JMMB's Marketing, Sponsorship and Product Development. Marguerite holds a Bachelor of Business Studies from Trinity College, Dublin.

### **BRIAN PENGELLEY** - Sales Director

Brian was appointed Sales Director in September 2009. He joined Red Stripe in 1996 and has over the years, variously managed the company's Distribution, Sales and Supply Chain functions. His current role gives him responsibility for Red Stripe's domestic sales and islandwide distribution. He is the President of the Jamaica Manufacturers' Association, representing Red Stripe there for the past six years. Brian has worked in North America in the industrial chemical industry for over twenty-five years. His early training was in veterinary medicine for which he holds a Diploma.

**Others:** Alan Barnes (Outgoing Managing Director), Renato Gonzalez (Incoming Managing Director), Jed Dryer and Lisa Soares Lewis. (*See Board of Directors' Profiles*)



# Distribution Centres

---

## MONTEGO BAY

### Christopher Thomas

Reading, Montego Bay

Tel: (876) 952-5245 / 979-1152/3

Mobile: (876) 382-7478

Fax: (876) 971-1055

Email: christopher.thomas@diageo.com

## ST. ANN

### Gary Allwood

Discovery Bay, St. Ann

Tel: (876) 973-3050 / 2001 / 2340

Mobile: (876) 852-1277

Fax: (876) 973-3223

Email: gary.allwood@diageo.com

## MANCHESTER

### Richard Nixon

Grey Ground, Mandeville

Tel: (876) 963-3288 / 963-3477

Mobile: (876) 852-1296

Fax: (876) 963-3512

Email: richard.nixon@diageo.com

## KIDD

### Basil Bailey

214 Spanish Town Road, Kingston 11

Tel: (876) 514-2128 / 514-2252

Mobile: (876) 855-0223

Fax: (876) 514-2250

Email: basil.bailey@diageo.com







## **SALES** - Breaking New Ground to Forge Amazing Relationships with our Customers



*Red Stripe employees with route customer during Visibility Day 2010.*

**“We are building a stronger relationship between ourselves and our customers who are a significant part of the tapestry of Red Stripe’s business sustainability. Our customers, our consumers and ourselves are all inter-related, growing and supporting each other to win in all areas of the market and to beat the competition.”**

Sales Director – Brian Pengelley

The Sales organization has put in place a comprehensive sales strategy to further advance the symbiotic relationships with our customers; this through more robust sales executions, strategic partnerships and exceptional service bolstered by significant trade investments. During the outgoing financial year we focused on: the formation of promotions teams, expanding our spirits portfolio, launching our one-of-a-kind Red Stripe Bartending Academy and restructuring the sales organization into channel specific teams. With these strategies fully embedded in our ways of working we are looking forward to FY12.

### **Direct-To-Retail Strategy**

The first phase of the reorganization of sales into channel specific teams in line with the rest of the Diageo Sales organization was effected in October 2010. The strategy to enhance the customer experience and the

*Cont'd on page 25*







speed between concept and implementation will provide accountability, clarity and excellence in execution in each of these channels.

The new organizational structure moves us from regionally based teams selling to a broad cross section of customers, into one that is completely channel focused. To ensure a smooth transition, the new structure was implemented as a managed change, placing employees in best fit roles considering their career interests and similarity of roles. Regrettably some roles have diminished or no longer exist.

Following these changes we have developed a multilayered strategy that will empower us to leverage the economic upturn forecasted for the next 12 to 18 months. The approach will position us as the number one supplier to both the on and off-trade, and drive the business back to growth. We will also strengthen our route selling activities as part of an aggressive focus on direct-to-retail; this to deliver on our strategic goal of building amazing relationships through a deliberate focus on meeting our customers' needs in our presell operations.

These two initiatives are critical to bringing back our business to healthy growth. Our goal is to grow our business, beat the competition, and deliver on our Breakthrough Strategy to become the most celebrated business in Jamaica.

### **Mobile Sound Machines Creating Great Times, Great Experiences**

Through the establishment of our promotions team and the investment in four mobile sound machines we create great

times and great experiences for our customers and consumers. Our objective is to provide a party atmosphere that will entice consumers to our customers' outlets so that they can enjoy our brands. The first of its kind in Jamaica, the mobile sound machines represent an investment of \$8 million. They are managed and operated by experienced deejays six days a week. As a result of the introduction of these machines, approximately 47,000 consumers were engaged and 7,000 cases sold during the period November 2010 to June 2011. This was largely driven by the H1 "Christmas on the Rock Portfolio Promotion" and the H2 "Guinness® in the Streets promotion." The mobile units visited 600 route/community bar outlets via Bar Crawls and have delivered 118 brand promotions islandwide.

### **\$5 Million Investment in Red Stripe Bartending Academy**

Red Stripe, in partnership with the Small Business Association of Jamaica (SBAJ) and the HEART Trust/NTA, launched the quintessential Red Stripe Bartending Academy under the Diageo Learning for Life brand.

This first-of-its-kind training initiative is a \$5 million investment designed to reinvigorate and enhance the viability of the community bar business throughout Jamaica. Through this programme, about 1,000 community bar owners and bartenders will be trained over nine months. Initially, the Red Stripe Bartending Academy provided training to 100 bar owners and bartenders in eastern parishes and by the end of our financial year we rolled out the programme to central and western parishes.



*Mobile Sound Machine.*



*Happy Route Academy graduates beaming with their certificates.*

*Cont'd on page 26*







*Baileys in-store promotion.*



*Branding key on-trade location-JoJo's.*



*Ease-Of-Shop at Brooklyn Supermarket.*

Through a three-month, six module training curriculum, the Academy develops the capability, knowledge and skill set of Red Stripe's community bar customers. Graduates receive the HEART Trust certified Statement of Competency, premium visibility items to improve the image of their bars and a chance to share in over \$500,000 in prizes at the Red Stripe Route Academy graduation.

Training covers The World of Bartending, Making Your Money Work for You, Basic Marketing & Sales Skills for both owners and bartenders, Customer Service, Alcohol and the Law, the fundamentals of Quality, Distribution and Visibility. It includes a two-hour session on Responsible Drinking and Serving adapted from Diageo's award-winning alcohol awareness programme DRINKiQ.

Speaking at the launch, Al Barnes said to the bar owners, bar operators and bartenders, "Patrons always return to the bar that provides a great experience and good customer service. There is a fantastic opportunity to create the ideal experience for the patron, and you have the power to create ideal experiences. The Route Academy will help you unleash that potential, and empower you with the tools to create great times and great experiences for your customers," he said.

### **Re-Branding and Ease-Of-Shop**

In pursuing the ultimate relationship with our customers we partnered with key on-trade outlets: Redbones, Fiction, Margaritaville and the newly opened Tracks and Records to create tasteful brand communications platforms for our premium brands – Johnnie Walker®, Zacapa®, Guinness® and Red Stripe.

Last year we rolled out Ease-of-Shop in our supermarkets, directly addressing shoppers' needs in the off-trade channels. 'Ease of Shop' (EoS) makes it easier for the shopper to find, choose and buy the category. This means in collaboration with our customers we optimize their range of products and space, and in selected stores provide navigation through signage and interruptions. Our intention is to increase our rate of sales for our customers and demystify the aisles for our consumers.

### **Focus on Hotel and Tourism Industry**

To further reinforce the Jamaican tourism experience and to grow our brewed and spirits business in the hotel and tourism industry, Red Stripe partnered with industry giants supplying them with our entire Diageo portfolio.

### **Spirits Portfolio Growth**

In December we added the French wine: Barton and Guestier (B&G), one of the longest established suppliers of high-quality wines to our portfolio. Through utilizing direct selling to consumers, we have successfully added wines to our portfolio and we are now putting plans in place to further grow this segment in FY12.

### **Our People Power**

We believe that when our employees are engaged and committed to our successes, the result is superior performance. This year we had great success in developing the capabilities of our people both internally and externally. Andray MacKenzie – our Sales & Operational Planning Manager was rated Number Two of 43 markets in demand forecasting.

*Cont'd on page 27*







Simone Heaven was appointed project manager for Latin America and the Caribbean to ensure consistency in branding and velocity in the delivery of value-added packs (VAPs) throughout the region.

Jermaine Gray, Route Accounting System (RAS) Coordinator developed a sales tracking system which provides real time sales performance data to members of our senior leadership team. Updated every two minutes with data on all our brands, the tracker allows for immediate sales analysis thereby enhancing quicker decision making and problem solving.

### Rock Star Treatment for Our Customers

For the first time, Red Stripe hosted over 450 customers and their guests at two spectacular Customer Appreciation banquets at Iberostar in Montego Bay and the Jamaica Pegasus, Kingston. Themed “It’s Star Time”, the guests were treated like true stars from the red carpet entry where they were greeted in Oscar-like style complete with photos and red carpet interviews, to delectable food,

glitz, glamour and spectacular entertainment.

Connecting customers from across all channels; restaurants, hotels, supermarkets, wholesales, community bars and other on-trade outlets – the events are slated to become a staple in the Sales Annual Calendar of Events in keeping with the customer-centric focus throughout Diageo.

Said Brian Pengelley, Sales Director, “These events are part of our strategic imperative to build amazing relationships that are collaborative in approach. We want to refocus our thinking to intentional alliances and business partnerships, with our customers at the centre of everything we do from concept to final execution. It’s all about growing both our businesses for mutual benefit and sustainability.”

Customers received spot prizes for years of partnering with Red Stripe for over 40 years, on-the-spot jingle creation and the most “swaggerific” male. The “Star Time” entertainment featured Christopher Martin and one of reggae’s most durable and soulful singers, Freddie McGregor.

Three lucky customers also won gate prizes courtesy of the Ritz Carlton Hotel, the Jamaica Pegasus and British Airways. Each guest was issued a personalized Red Stripe pen and a framed magazine cover photograph of themselves on the red carpet.



Ken Crooks of Ken's Wildflower with guest at Customer Appreciation Banquet, Kingston.



Peaches Shirley-Stewart of MovieStar Lounge and guest at the Customer Appreciation Banquet, Kingston.



Renato Gonzalez (R) speaks with Albert and Rosa Lim of Progressive Grocers Ltd.



Brian Pengelley (L) with his customers.



## MARKETING - Staying Fresh, Relevant and Engaging



**"The best way that we  
can serve our customers  
is by always working  
with them as partners to  
make sure that they  
benefit and that we are  
continuously creating a  
demand for our products."**

- Jomo Cato Head of Marketing

**R**ed Stripe has a reputation for strong execution of our marketing campaigns. Our strategic focus in partnership with our customers during FY11 was to leverage stellar events, effect innovative product launches and utilize powerful sponsorship platforms to help us stay fresh, relevant and

engaging. It was a stand-out year for us as we repartnered with 'the greatest reggae show on earth', Sumfest, with an increased investment and innovative digital activation. We also ramped up our contact in the consumer spaces of sports, social media and community bars.

### POWERFUL SPONSORSHIP PLATFORMS

Red Stripe's brands have had strong associations with spectacular calendar musical events of all genres creating strategic platforms for increased consumer engagement and long-term volume growth. Incident-free with great consumer connections and strong positive vibes, these sponsored events are a clear indication of Red Stripe's commitment to and support of Brand Jamaica.

**Reggae Sumfest 2010 (July 22-24):** Red Stripe returned as the main sponsor of the festival staged under the banner 'Escape Thru Music'; celebrating Jamaica and our music. According to Safia Cooper, Brand Manager for Red Stripe, the company continued its association with the festival, delivering an exceptional music product that embodied good vibes, camaraderie and good fun. "We are committed to the

*Cont'd on page 29*







development of our music and culture; Reggae Sumfest figures highly in this. We are happy to be back on board as a major sponsor of The Greatest Reggae Show on Earth, primarily with our brand Red Stripe Beer." As the headline sponsor Red Stripe added its own flavour to the event with Star Performers showcasing why Red Stripe is a top entertainment brand. Delivering phenomenal branding and outstanding bars, the over 30,000 consumers who converged on the Catherine Hall Entertainment Complex in Montego Bay were wowed by the dynamic and innovative experiences we created throughout the venue just for them.

**Jamaica Jazz and Blues Festival (January 27-29):** As one of the region's premier events Red Stripe signed on as exclusive alcohol sponsor to the tune of JA\$15 million (US\$175,000). Johnnie Walker, Baileys® and Heineken® took the lead as platinum sponsors of the event unveiling great consumer experiences to the thousands of patrons at the 15<sup>th</sup> jazz fest.

**The Johnnie Walker Lounge** featured Johnnie Walker ambassador, Arturo Savage from Venezuela, who hosted a tasting experience of Johnnie Walker Black Label and Blue Label. According to Brand Manager Safia Cooper, "the Johnnie Walker lounge was very well received and the feedback from our consumers was great. It was seen as the hot spot of the jazz fest, amazing, classy and the place to be. We treated over two thousand patrons each night. The 'Taste More experience', where consumers learned more about the flavours and aromas of Scotch, was a highlight of the event," she added.

**Heineken** made a big splash this year branding the Talent Stage as the Heineken Star Stage. The stage at the front of the Heineken booth, which was in the shape of the very popular Heineken draught keg on sale, was the place to be in between acts on the main stage. The colours and characteristics were quite similar to the actual keg and according to Heineken

Brand Manager Keri-Ann McKenzie-Evans, "Our booth this year was a great way for Jazz patrons to connect with music through our brand. A taste of Heineken World awaited patrons inside and the Star Stage provided a great platform for some of our current stars such as Tessanne Chin and Etana." Heineken also offered VIP access for three lucky patrons who visited the booth, giving them the opportunity to mingle with stars backstage.

**The Baileys' Lounge** in the Gold section of the venue offered delectable Baileys cocktails and a warm, comfort zone for patrons to enjoy the entire festival.

## LEVERAGING EVENTS

### A Toast to Greatness in Celebration of Arthur Guinness Day

In a celebration befitting Sir Arthur Guinness, the creator of the iconic Guinness Stout, some of the greatest Reggae and Dancehall acts displayed their talent at the Greatness in Concert on October 23 at the National Stadium. "Guinness stands firm on a great 251-year legacy, and helping to lead the Caribbean-wide celebration were some of the most inspirational dancehall talent, who themselves represent greatness and strength of character to succeed," said Guinness Brand Manager, Gary Dixon. Red Stripe employees also joined in the commemoration of greatness and at 17:59 on September 23, 2010, "To Arthur" was their toast in celebration of the Day. Over 300 employees were on the football field enjoying the much loved Guinness brand that Arthur Guinness gave to the world.

### Heineken Green Synergy 2010

Heineken Green Synergy kicked off with auditions in Montego Bay, Mandeville and Kingston. This year's competition brought out some very skilled and enterprising DJs. Known for creating some of the biggest names on the turntables the Heineken Green Synergy competition is the premier DJ competition throughout the region. The finals of the 2010 competition were held on



Two-time Formula One champion, Mika Häkkinen, visited Jamaica for the launch of Diageo's responsible drinking campaign.



Beenie Man with Guinness girls at the Guinness Greatness in Concert.



Arthur Guinness celebration.

Cont'd on page 30





Marguerite Cremin, Head of Corporate Relations, Vybz Kartel (C) and Sean Chung at the Red Stripe Bold Stand Out Concert.



Aerial artistes from Florida at Smirnoff Exclusive Daydreams.



Smirnoff booth at Bacchanal Jamaica 2010.

October 29 at the National Indoor Sports Centre. The disc jockey showdown saw DJ 47 and DJ Jerry vying for over J\$1 million in cash and prizes, as well as an internship at FAME-FM radio station. The finals also featured performances by the internationally renowned Grandmaster Flash, DJ Qbert (Multi World DMC Champ), DJ Delano (of Renaissance Disco) and DJ Kurt Riley. After all the votes were counted, it was DJ Jerry who walked away victorious in a hotly contested battle.

### Flow Championship Cup

Red Stripe sponsored the Flow Champions Cup, an islandwide knockout football competition which gives small parish clubs the opportunity to gain national exposure. The contest comprises the twelve Premier League teams and the champions from all the island's parishes. Head of Marketing at Red Stripe, Jomo Cato pointed out that Red Stripe was keen on using the football tournament as a platform for strong community connections.

### Bacchanal Jamaica

Smirnoff® teamed up with Bacchanal Jamaica as the title and exclusive vodka sponsor of Beach J'Ouvert. Heineken was the official beer for the series of carnival events which were themed Bacchanal Treasures. In keeping with the theme revelers were hosted in a two-tiered bar and club at the Mas Camp. "Over the years Heineken and Smirnoff have set the standard on the party scene. The brands are known the world over for bringing innovative and original entertainment encounters to events," said Marsha Lumley, Smirnoff's Brand Manager.

**Red Stripe Bold® Concert:** Heavy-weight Jamaican entertainers performed on December 12 at the free Red Stripe Bold Concert in support of the launch of the brand's 'Stand Out' campaign. Red Stripe Bold kicked off the holiday season as the concert headlined by DeeJay Vybz Kartel featured acts including dancehall stars, Cham, I-Octane, Tarrus Riley and Lady

Saw. The campaign also featured models Jaunel McKenzie and Nicole Grey, DJ Liquid and P'nut Brown, promoter of MoBay's Shorts Circuit, among others. According to Red Stripe Bold's Brand Manager, Safia Cooper, "These artistes are bold individuals who have achieved great success in their respective industries. They each embody the look and feel of Red Stripe Bold and that Jamaican ambition that the brand represents."

### Whiskey Ambassador Arturo Savage Gives Scotch Lesson:

Johnnie Walker Ambassador, Arturo Savage visited Jamaica for the first time in January 2010 to host "Taste More Experiences" at the island's top bars and lounges as well as at Jamaica Jazz and Blues Festival, where he hosted these unique tasting sessions for consumers.

Savage, a Venezuelan trained in the culinary arts, unlocked the rich complexities in Johnnie Walker whisky, revealing the bounty of flavours in the luxurious brand's different labels.

Branded as a bespoke blend experience, Savage captured the imagination of participants and piqued their interests as he delved into the rich history of Johnnie Walker. Dressed in a kilt in honour of the brand's Scottish heritage, Savage employed the '3 Serve' methodology.

### Smirnoff Dream Weekend - A Real Dream (July 30 to August 2):

Red Stripe made a statement in the summer of 2010 with its Smirnoff Dream Weekend in Negril. This premium four-day event of day and night parties served as the platform for "Smirnoff Be There" activations. The seven parties: Smirnoff Flavours, Twisted Spiritz, Daydreams, Heineken Yush, Xtreme Wet 'n' Wild, Heineken Beer Vibes and Smirnoff Xclusive each had record turnouts. Some of the major attractions included aerial artists at Smirnoff Xclusive. The team was flown from Florida to Jamaica for the event where they 'wow-ed' the audience with their dazzling display of acrobatics.

Cont'd on page 31







### Mika Häkkinen invites Jamaicans to 'Join The Pact':

Two-time Formula One champion, Mika Häkkinen, visited Jamaica for the launch of Diageo's responsible drinking campaign, 'Join the Pact'. The campaign is aimed at getting people to pledge to never drink and drive by logging on and signing up to [jointhepact.com](http://jointhepact.com). Driving for McLaren, Häkkinen, 42, was the Formula One champion in 1998 and 1999. The Finnish driver's Formula One career spanned a decade, 1991-2001, during which he had 161 starts, 20 wins and 51 podium finishes. He dedicates his time trying to save lives that can potentially be lost by driving while under the influence of alcohol. "I signed up to become the Johnnie Walker Responsible Drinking Ambassador because drinking and driving is a serious issue," said Häkkinen. During his visit to Jamaica he hosted a press conference with members of Government and he also made a public appearance at Emancipation Park, with members of the Jamaica Race Drivers' Club.

### INNOVATIVE PRODUCT LAUNCHES

**Celebrating with Nuvo®:** Nuvo, the world's first sparkling liqueur considered a lifestyle choice for trendy individuals, celebrated its official launch in March at Pier 1 on the Montego Bay waterfront. Endorsed by Marion 'Lady Saw' Hall and Latifa 'Tifa' Brown, Nuvo's creator Raphael Yakoby flew into the island to officially launch the brand and to host an exclusive session on the 'NUVO perfect serve'. A new addition to the

Red Stripe spirits portfolio, Nuvo is well known as a premium brand in the United States and Latin America and has already generated an even larger following in Jamaica.

**Rum Fire® Launch:** The latest addition to the white rum market, Rum Fire was officially launched at the Hampden Estate, Trelawny in March. It is produced by Hampden Estate and distributed exclusively by Red Stripe. Red Stripe's Sales Director, Brian Pengelley, said Rum Fire marks a new chapter in Red Stripe's drive to round out its spirits portfolio.

**"Christmas On The Rock":** Designed to offer rewards to our consumers, Christmas on the Rock was launched in December 2010. The campaign was led by brewed brands Red Stripe, Red Stripe Light, Red Stripe Bold, Heineken and Guinness. "Our beer brands have always played an integral role in the celebratory moments of the season and our consumers now have more to cheer about with instant savings in a time when it is really needed," Jomo Cato said. Consumers had chances to win on-the-spot prizes in supermarkets, bars and restaurants, including \$200 cash back with the purchase of any two six-packs. There were also two-for-one parties at several bars on Friday nights. Red Stripe also rewarded some of its biggest customers in the route channel by investing heavily in refurbishing select establishments and hosting weekly Friday night parties in community bars.



*Rum Fire Launch - (from L) Al Barnes, Managing Director of Red Stripe; Hon. Daryl Vaz, Minister of Information; Mrs. Ruth Hussey, CEO of Hampden Estates and Hon. Christopher Tufton, Minister of Agriculture.*



*Consumers receiving cheque from the Christmas on the Rock promotion.*



*Marsha Lumley, Smirnoff Brand Manager (L) and Kamal Powell (R), ABM Smirnoff, with promo girls at Smirnoff-sponsored **Frenchmen**.*







## ENRICHED COMMUNITIES - A Step Change in Empowering and Engaging Jamaicans



*Jed Dryer, Finance Director, 'Teacher for the Day' at the Cockburn Gardens Primary and Junior High School.*

**"Red Stripe's success depends greatly on the economic stability of the citizens in our communities and the strength of the great relationships we have cultivated through our Learning for Life (DL4L) and REACH projects. This year we have made a huge step change in helping to change over one thousand lives."**

- Marguerite Cremin, Head of Corporate Relations

**R**ed Stripe has a strong tradition of sustainable investment in the social welfare of Jamaican communities, helping to solidify our reputation and enhance our relationships with stakeholders. The fantastic rollout of a slew of Diageo's Learning for Life (DL4L) philanthropic community training programmes and the tireless work of employees through Red Stripe Employees Advocates of Care and Hope (R.E.A.C.H.), our staff volunteer group, were the landmarks of FY11 achievements.

### **Diageo's Learning For Life**

DL4L programmes moved from impacting eighty lives in 2010 to graduating 1,234 students this year. In addition to the graduates, an additional 469 students were enrolled in the programme at the end of May bringing to 1,705 the number of at-risk young people in depressed communities islandwide enrolled in 2011 alone. Arming them with transferable skills, training and National Vocational Qualification of Jamaica (NVQJ) certification for either self-employment or job placement, the Learning for Life Programmes have opened doors through which these Jamaicans have stepped into more productive lives. The curriculum was divided into: Project Bartender, Project Entrepreneur (Construction and Design) and Project Tourism (Hospitality, Housekeeping, General Administration, Introduction to Supervisory Management, Food and Beverage Service and Landscaping and Grounds Maintenance.)

*Cont'd on page 33*







**Project Bartender, Project Entrepreneur** (Design and Construction) and **Project Tourism** (Housekeeping, Grounds Maintenance/Landscaping, General Office Administration, Customer Service, Supervisory Management and Food & Beverage Service) draw on the strengths and core competencies of our company, our people and our resources to make the biggest positive impact on the community. Funded by the Desnoes & Geddes and Diageo Foundations, the projects are bolstered by strong partnerships with educational and training institutions: HEART Trust/NTA, Institute for Workforce Education & Development (IWED), Bars-To-Go Training Institute and the Social Development Commission. Wide-ranging endorsements have also come from the Ministries of Tourism; Information, Culture, Youth and Sports; the Office of the Prime Minister and the Jamaica Hotel and Tourist Association.

#### Project Entrepreneur

Our proactive response to the fallout from the upsurge in violence in Western Kingston and its environs was the rollout of **Project Entrepreneur**. The primary objective of **Project Entrepreneur**, which stood on the twin pillars of Projects **Construction** and **Design**, was to empower and engage one hundred and twenty residents in a personal economic repositioning strategy to ultimately strengthen micro businesses in these communities. Both **Project Construction**, which focused on plumbing and tile-laying as well as **Project Design**, which covered the areas of Soft-Furnishings and Drapery-making, were executed in partnership with HEART Trus/NTA Portmore and GARMEX Academies.

#### Project Bartender

This year we launched the second cohort of **Project Bartender** and took the show on the road in partnership with the Bars-to-Go Training Institute and Trade Winds Citrus Ltd. The \$7 million project launched islandwide, trained seven hundred and

forty-two (742) bartenders over six weeks in a widely relevant curriculum including: Customer Service, Bar Operation, the Preparation and Service of Non-Alcohol, Alcohol Beverage and Responsible Drinking. The expanded programme trained residents in Montego Bay, Ocho Rios, Negril, Port Antonio and Mandeville. It was also rolled out to twenty University of the West Indies (UWI) students as part of the UWI Health Centre's Safe and Responsible Drinking programme.

For the first time since the start of the Programme, students enrolled in Project Bartender II boasted an almost impeccable record of attendance. At the first quarter prizegiving ceremony, 99% of the students were commended for never being absent.

#### Project Tourism

Providing hands-on training in Housekeeping, Grounds Maintenance/ Landscaping, Office Administration, Customer Service, Supervisory Management and Food & Beverage Service for 920 participants, **Project Tourism** provides an opportunity for new and more viable means of livelihood for participants. The training helps them to engage in and benefit from existing economic opportunities in the sector. "The ever-expanding tourism sector is in dire need of a cadre of professionally trained individuals. Through **Project Tourism**, Red Stripe, in collaboration with our training partners, is guaranteeing relevance and quality assurance to meet the growing needs of industry stakeholders," said Marguerite Cremin. The programme, executed in partnership with the Institute of Workplace Education and Development Ltd. and the Bars-To-Go Training Institute cost Red Stripe close to \$8 million. In addition to the free tuition, students receive a weekly stipend, uniform, and meals.

The graduates' stories of success (below) are testimony to the impact the programmes have had on them.



*Diageo Learning For Life Project Design graduates.*



*HEART Trust/NTA and Red Stripe executives examine the work of Project Design student.*



*Diageo Learning For Life Project Construction graduates.*

*Cont'd on page 34*





Marlon Dunkley (L) and Ryan Mitto (2<sup>nd</sup> R) are congratulated by Marguerite Cremin, Head of Corporate Relations (2<sup>nd</sup> R) and Janelle Prieto, Learning For Life Manager, Latin America and the Caribbean (R).



UWI students of DL4L Project Bartender UWI Programme share a laugh with Dianne Ashton-Smith, Communications Manager (3<sup>rd</sup> L) and Patrice Wilson-McHugh, Managing Director of Bars-2-Go (R).



Diageo Learning for Life Graduation, June 2011.

### Marlon Dunkley

Marlon Dunkley couldn't believe his ears when his name was called for the Upliftment Award for being the Most Improved Student in **Project Entrepreneur's** Plumbing Class of 2011. "When I heard, I was overwhelmed; tears ran down my face as I walked to the stage. To top it all, Mayor Desmond McKenzie offered me a plumbing position at that moment," recounts the appreciative Marlon who was unemployed since 2006.

He grew up in West Kingston in the rough inner-city community of Beckford Street in a single parent home. Thanks to a hard-working mother who makes a livelihood selling coal, he was sent to school when she could afford to do so. Unfortunately, he did not graduate from high school as he was often absent due to asthma.

For him, **Project Entrepreneur** was a God-send. "Red Stripe changed my life. It has made a huge difference and a real turnover for me and my family." Marlon has been working with the KSAC since February 28, 2011 and says, "It's nice to be earning a salary ...so I can now help my daughter and mother."

### Ryan Mitto

Ryan Mitto, 31, could perhaps have had a very different life had he not been a part of Diageo's skills-training initiative. Mitto, who is from Myrie Avenue in West Kingston, and a graduate of Ardenne High School had high hopes for his career. However, his CXC results proved inadequate.

It was while job hunting that Mitto was asked by a friend to temporarily oversee the bar in his restaurant. However, with no experience as a bartender, he said: "I didn't know how to mix anything. I would **Google** search whenever someone ordered, and the customers got frustrated. Then one day a few Red Stripe employees came for a function. My service was terrible, but instead of getting upset, they told me about **Project Bartender**. That completely changed my life," he recalls.

One of 162 graduates, he was named 2011 class valedictorian and with his new outlook on life and a job with the Bars-to-Go Group of Companies, Mitto is very grateful for the exposure. "I never dreamed I could be the valedictorian for anything, Diageo's Learning for Life has given me more than a skill. For the first time in my life I have found an area where I can excel," he says.

### Awards

The successes of our Learning for Life programmes have caught international attention. The Organization of American States (OAS): Trust for the Americas, named Diageo Latin America and the Caribbean, the winner of the 2010 Corporate Citizen of the Americas Award in the education category. The award recognizes the company for initiating an innovative programme, which benefits the community and serves as a model for socially responsible practices.

### Employees Reach For A Fresh Start At Basic School

Their "playground" was like an obstacle course with piles of smoldering debris. Housed in an unfinished structure with no windows and doors, the tiny tots enrolled in the Fresh Fire Basic School were exposed to the elements having to hide from the rain and seek shelter.

The school came to REACH's attention when it was nominated in the company-wide, 'Nominate a Charity Competition' in FY11. With the help of employees who donated cases of brew and bottles of spirits from their allotment, and who attended the volunteer group's series of Give and Let Live Parties, REACH volunteers raised funds to make the school habitable. "Partnering with students from the landscaping and ground maintenance curriculum in **Project Tourism** was a stroke of genius," said Nicholas Bogle, chair of the REACH organizing committee. "The thirteen students, armed with their machetes, rakes and pick axes transformed the dump into a beautifully landscaped play area complete with a stunning garden."

Cont'd on page 35







School principal, Khadia Bailey was exuberant, "We really appreciate this amazing transformation. REACH has truly made a difference for these students and the volunteers have created an environment that is more amenable to effective learning."

### Drop Everything and Read (DEAR)

REACH continued its association with the Cockburn Gardens Primary and Junior High School at Three Miles, just 5 minutes away from the Red Stripe Brewery. DEAR allows REACH volunteers to read for 15 minutes from literature for children from 6-15 years old. Done Mondays, Wednesdays and Fridays, REACH volunteers read over the PA system with support volunteers in the classrooms. So far the team has spent a total of 40 voluntary hours impacting 500 children.

Employees from the Finance Department also volunteered at the school, taking over the teachers' classes for an entire day. The team donated two computers to the school's computer lab.

### Seaview Gardens

We have continued our commitment to the Seaview Gardens Primary School, which last April benefited from the \$5million facelift of that school's community. Computers and scholarships were donated to three hundred students in Grades 3 and 5; this to prepare them for the 2012 Grade Six Achievement Test and the Grade 4 Numeracy and Literacy Assessments through access to the website GSAT Ready.com. The online study

programme consists of high quality examination questions and exercises supplemented by detailed study resources covering the entire Grades 4, 5 and 6 syllabi.

### D&G Staff Outreach Fund

This year the D&G Staff Outreach Fund, which is primarily funded by employees' monthly contribution as well as fundraising activities, assisted seven students who have been recognized by their schools for their outstanding academic performance and conduct. The Fund aims to help High School students who are academically talented but are experiencing severe financial challenges. In partnership with Guidance Counsellors, Principals and Red Stripe staff, the Fund identifies suitable beneficiaries who are currently enrolled in Excelsior High School, Wolmer's Boys, Kingston College, St. Andrew High School For Girls, The Queen's School and St. George's College.

### Chain Of Hope

Our Managing Director, Al Barnes raised close to \$5.4 million to help pay for heart surgeries for five children through the Chain of Hope charity. Al and a team of cyclists, including his brother Gordon Barnes, rode a total of 400.4 miles over 32 hours and 44 minutes around Jamaica. He led the team of cyclists on their journey twice, in August 2010 and May 2011.



*Diageo Learning for Life Project Tourism (Housekeeping) graduates present a gift basket to their teacher, Karen Lounds - Institute for Workforce Education and Development Limited.*



*REACH volunteers at Cockburn Gardens Primary and Junior High School.*



*Al Barnes (R) and Mavin Anderson on the all-island cycle ride.*



## SUPPLY - Building Effectiveness and Quality of Manufacturing



Supply Excellence performance board

**“Given the challenges we have had over the past year, we have made great progress in our employee productivity, cost per unit, engagement and service to our consumers. We are bullish on the great relationships we are building with our customers and optimistic about Red Stripe’s future.”**

– Cedric Blair, Supply Director

### Maximizing Diageo Value

Over the past year we have employed innovative strategies to improve the levels of customer and consumer confidence in the quality of the brands we produce. The Perfect Plant programme, which was implemented to create a culture of continuous improvement in the effectiveness and quality of our manufacturing, has served to enhance this process. FY11 highlights included technological improvements as well as strategic investments in equipment and machinery. We have also sought to get closer to our customers and respond to their feedback as the effective use of customer insights is essential to the sustainability of the business.

### Overall Equipment Effectiveness

The company invested \$120 million in two major overhauls of our main bottling line over the last year. This investment has significantly contributed to an

Cont'd on page 37

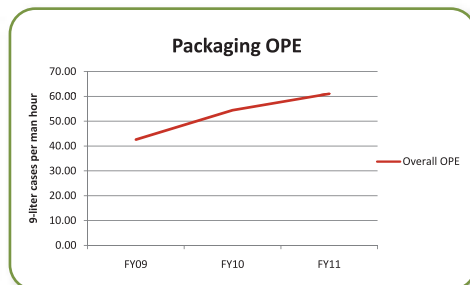
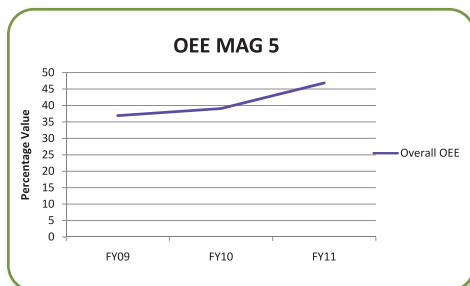






overall improvement in the quality of our products and our ability to detect bottle defects before crating. The progress made has been further enhanced by regular meetings with our suppliers and contractors who have supported us in the establishment of quality standards and defect criteria.

The resulting 27% improvement in Overall Equipment Efficiency (OEE) on our main bottling line (MAG 5) has allowed us to completely shut down one line and improve efficiency on the other, placing us in the Top Twenty Plants in Diageo. Our goal is to be among the Top Ten for OEE across all Diageo plants.



### Production Schedule Adherence

One of the key metrics which indicate that we are delivering on customer needs is an overall improvement in our production schedule adherence (SA). We have achieved 50% growth in this

metric as a result of our dogged focus on SA; reviewing it weekly, including it in our team leaders' performance diagnostics and a quarterly recognition programme for the teams achieving OEE and improved SA. To benchmark against high performing teams and further embed OEE and SA, a six-member team from the Packaging Department visited Diageo's Valleyfield Plant in Montreal, Canada. The Valleyfield Plant is touted as the most efficient in Diageo North America and among the top 5 within Diageo Global Supply.

As a result, keen focus is being placed on root cause problem-solving, performance boards, workplace organization and process confirmations throughout the supply organization.

### Rationalization Reaping Dividends

At the end of FY10, the supply organization underwent a restructuring exercise, which has resulted in annual savings of \$150 million during FY11. We also rationalized our chemical suppliers from three to one, thus realizing annual savings of ~ US\$350,000.

### US\$1.8 million Spirits Blending & Bottling Plant

Red Stripe invested US\$1.8 million in a new state-of-the art spirits blending and bottling plant with a production capacity of 3,600 bottles per hour (bph). Smirnoff Vodka 21, Smirnoff Apple and Cranberry as well as Gold Label® Rum will be bottled on site.

Installation of the new line will allow extension of Red Stripe's spirits production capacities, significantly



*Clifton Martin(R) Brewing Team Leader receives the Supply Director's Safety Award on behalf of the Brewing Department.*



*Packaging employees from left: Dwight Brown, Ainsworth Wright and Omar Robinson pose with the SIRC Champion and OEE trophies.*



*The Hon. Karl Samuda (R), former Minister of Industry, Investment and Commerce examines the Smirnoff bottling line during a tour of the Red Stripe Plant. Explaining the process is Devon Francis (L), Brewing, Technical and Innovation Manager as Cedric Blair (C), Supply Director looks on.*

Cont'd on page 38



*Chris Thomas, Montego Bay DC Manager (R) receives OTIFNE winner award from Cedric Blair, Supply Director.*



*Members of Packaging Team Ultimate Warriors, Brewing Team 2, Utilities Team A and Logistics celebrate with 20/20 Series Winner Trophy.*



*Red Stripe team show off awards from JEA at the Annual Awards Banquet.*

reduce COG's for Smirnoff 21 & Flavours, and allow Red Stripe to become a potential source of Smirnoff to all of CARICOM. A total investment of US\$1.8M, the spirits plant will realize at minimum US\$1.2M return per annum.

The bottling line, which was built in Italy and China, is said to be the most safety compliant spirits operation throughout Jamaica with its high-tech fire suppression and extremely robust access-controlled security systems.

### **BRAND AND DIAGEO REPUTATION: Reduction in Consumer Complaints**

Our Diageo standard is to investigate and where possible, resolve quality issues relating to our brands. In addition to our quality management system that aims to ensure that quality is monitored and targets are set for improvements, the company established a formal "root-cause" problem-solving team. Consisting of representatives from Quality Control, Customer Service and Packaging, the team examines consumer complaints. With the implementation of INFORMANCE, a US\$50,000 electronic performance tracking and reporting system, the team has overall visibility of consumer issues and is able to resolve them on a weekly basis. These new systems and processes have resulted in a year-on-year 8% reduction in consumer complaints and positive reinforcement of our corporate reputation.

### **Awards**

In recognition of the quality of our exports coupled with the initiatives undertaken to ensure compliance with global standards and the integrity of our export cargo, Red Stripe received

highly prized industry awards from the Jamaica Exporters' Association at their Annual Awards banquet. These included:

- The highest tonnage usage of the Port Bustamante
- Champion Manufacturing Category 3
- The Governor General's Cup for Champion Exporter for 2010

### **Zero Harm Culture**

Our goal is to create a 'zero harm' culture through the establishment of mechanisms which mitigate against on-the-job injuries throughout our plant. In keeping with this, we organized a Safety Day in April 2011 for the entire business under the theme, 'Everyone goes home safe, everyday, everywhere'.

The Safety Day was intended to:

- Heighten awareness throughout the business
- Increase ownership of health and safety responsibility for every single employee
- Ensure Zero Harm where everyone goes home safe, everyday, everywhere

Internationally renowned safety expert, Kevin Bailey, was the guest speaker at the event. Kevin shared his own experience and nonchalant attitude towards safety which led to an accident in 1986 that was to change his and his family's life forever. The results: traumatic amputation of his right leg and a series of surgeries to maintain function of his left leg. Kevin's direct and matter-of-fact approach certainly drove the point home; safety policy is an asset and disregarding it and the

*Cont'd on page 39*







simple choices we make can change our lives in an instant.

Coming against the backdrop of four lost time accidents in four weeks, his message was timely and poignant in its delivery: each one of us is responsible for our individual and collective safety both at work and at home.

In addition to the powerful message conveyed by Kevin, members of the Supply Team made presentations through video messages, PowerPoint presentations, quizzes and walk-throughs, focusing on three main areas:

- Hazard Identification – risk assessment and mitigation
- Responsibility – personal and line management
- Behaviours – safe and unsafe

At the end of the day all team members made safety commitments and contributed to formulating the Ten Safety Commandments which will be launched throughout the business in FY12.

### Water Strategy

In the last year, Diageo developed a strategic blueprint to govern the company's approach to managing our water resources. Central to our operations and the manufacturing of our brand, our overall water efficiency improved by 8.3% (compared to the baseline year 2007). Our water usage as at June 30, 2011 was 11.5 hl/hl, a 15% reduction over last year. The target is to reduce this to 9 hl/hl.

Key contributors to this significant drop were:

1. Improvement in plant efficiency;

2. A continuous effort to heighten awareness;
3. Daily, weekly and monthly reviews of consumption by department where action plans are developed.

### Exemplary Services And People Culture Values

Diageo has set out in its Leadership Standard and Capabilities the specific behaviours, skills and knowledge required of employees at all levels. Within Supply there has been a fifty percent improvement in overall people effectiveness (OPE) a measure of productivity. This is a direct result of an innovative Twenty-Twenty competition launched at the beginning of FY11 to incentivize teams which produce the most cases within a stipulated period.

### Supply Excellence Awards

Designed to celebrate accomplishments and progress towards Supply's strategic goals, Supply has implemented Quarterly Excellence Awards. The categories for the awards are:

#### Safety

1. The Safety Improvement Report Card (SIRC) champion award is presented to the Department that has raised their target level of Safety Improvement Report Cards with the highest close-out rate.
2. The Supply Director's Safety Award for role modelling safe operations is presented to the department with consistently high safety audit scores, low lost time accident rate, the highest number of SIRCs raised and SIRC close-out rate.

### Performance

1. The Pace Setter Awards recognize the teams which deliver performance in manufacturing outputs and efficiencies.
2. The Overall Equipment Effectiveness Award is presented to the team that boasts the highest average score for the quarter in review.
3. The Series Award recognizes the team that has achieved the highest number of shifts of 20,000 or more cases packaged.

### Service

1. The On Time In Full No Exceptions (OTIFNE) awards recognise achievements in distribution.
2. The Case Fill Rate award is presented to the team that boasts the highest case fill rate over the period in review. Case Fill rate is the measure of the percentage of cases delivered versus ordered.



*Nicole Lawrence, Electrical Engineer, speaking to employees on Safety Day.*



## EXPORTS - Unlocking Growth To Expand Our Customer Footprint



*Norwegian Snowboard Gala 2010.*

**R**ed Stripe's investment in the export market is expected to gradually bear fruit in the near future. FY11 saw us breaking new frontiers; expanding distribution into Panama, Barbados, Brazil, Norway and Finland for future volume and value growth. Although there have been weaker export sales overall, the smaller markets have shown immense potential and have noticeably expanded our global footprint.

The year-end figures \$4,048 million, indicate that although there have been successes across many of the brands, they have not delivered fully on our expectations. However, in order to provide sustained brand value, our focus remains on the larger markets of the United States, the United Kingdom, Canada and other large potential beer markets. This year we

successfully introduced the U.S. variant of Red Stripe Light (4.1% ABV) and Dragon Spitfire (10% ABV) into more export markets. The plan for FY12 is to increasingly supply other variants on the strength of Red Stripe's success.

**North America:** Our biggest export market, North America represents 80% of Red Stripe export sales. However, their alcohol beverage market has declined over the past twelve months, and with it beer sales. Within North America, the most competitive and complex beer market in the world, there are over 200 distributors of Red Stripe brands throughout 52 states each with their own complex set of liquor laws and distribution regulations. The smaller niche North American market has about 500 brands and to expand our market share

*Cont'd on page 41*







this will require increased investments, strengthened volume growth by outlet and multiplying the number of outlets selling and promoting our brands.

In Canada, we continue to see market share growth in Red Stripe as a consequence of our increased distribution. Our current focus is to expand our portfolio presence through an annual bidding process controlled by the national liquor authorities.

**South America:** We launched Red Stripe in Brazil through a local distributor, Importbeer, and are currently experiencing successes in the on-trade in major cities. Local production would however, be a key growth driver to ensure profitability and sustained volume in this market. On the heels of this tremendous success, distributors in other South American markets are indicating keen interest in our portfolio. This is expected to reap significant dividends in FY12 thereby resulting in further expansion of our global footprint.

**United Kingdom:** Despite a small market share in the UK market, Red Stripe's distributors, Wells and Young, have continued the campaign of connecting Red Stripe with new independent music and cutting edge music festivals. In August 2011 Red Stripe's distribution will be taken over by Diageo GB, which boasts an expansive distribution and sales/

marketing network across the length and breadth of the country. This augers well for our FY12 outlook.

**Europe:** The success in Sweden continues with Red Stripe remaining the fastest growing imported brand. This fantastic performance is a direct consequence of the great relationship that exists between Diageo Europe, Red Stripe and Galatea – our Swedish distributor. In FY11 we extended our footprint to new markets having signed exclusive distribution agreements with distributors in Norway and Finland. In FY12 it is expected that more partnerships will be formalized in other major European countries.

**Panama:** Global Brands is an influential distributor in Panama with an excellent track record, with whom we have forged a distributor agreement for our brands. Already we have reaped some success in this market.

**Caribbean:** Our overall volume growth in the Caribbean has seen a 26% jump over FY10, our main markets being the Cayman Islands and Belize.

With the closure of the Antiguan brewery, we now export directly to the Caribbean from Jamaica ensuring consistency in quality and taste of the brand.

**Asia:** In FY11, beer sales continued to climb in Japan and we expect sustained growth in FY12.



*Swedish Skateboard Gala 2010, Stockholm.*



*Jamaican Deputy Prime Minister, Hon. Dr. Kenneth Baugh (L) delights at Dragon Stout in the UK as he visited Wanis distribution depot, London, UK, Red Stripe's UK Distributor. (Others from left to right): Laurence Jones – JAMPRO European Regional Manager, Joan Thomas Edwards – Jamaican Deputy High Commissioner to the United Kingdom and Sanjay Wadhwani – Managing Director, Wanis Limited.*



*Red Stripe promotion in Belize.*



## Our People - Developing Talent to Create Amazing Opportunities



*Paul Chang-Sang, Financial Analyst (Innovation) seconded on a two-year assignment to Tanzania.*



*Dwight Brown, Supply team member places his signature on the Compliance Commitment Board at our business-wide Compliance Day.*



*Kisha-Ann Brown-Shallangwa (Continuous Improvement Manager) was seconded twice for 4-5 months to Uganda.*

Undoubtedly, our People are at the heart of what we do and the energy behind our brands. We are very proud of the accomplishments of our talent development at Red Stripe and the growth opportunities and recognition that our Jamaican talent has had through international assignments in Diageo businesses across the globe.

### **Leadership Development – our “Double Our Leadership” programme**

In support of our mantra in the F11 business strategy, many parts of the business were challenged to double our effectiveness, impact, growth and speed. We used the same principles to design a fast-track programme entitled “Double our Leadership” to create exciting career conversations, improve performance management and alignment within teams. This was supplemented by “Coaching Essentials” training and a further investment in diversity training to ensure that our key leaders understood the power of diversity, including managing diverse ideas to unleash success and managing diverse consumers to unlock new growth possibilities. This investment in our leaders helped to shape new thinking for functional stretch deliverables, new campaigns and other challenges. We also benefited from executive team development in the Diageo Leadership Performance Programme (DLPP), Kellogg Executive Development programmes and International conferences in building amazing customer relationships.

### **Building Jamaican Talent through Global Opportunities**

Red Stripe was an active contributor to the global talent strategy to build leaders with international experience and through benchmarking. Over the last year, several talented Red Stripe employees were selected for International assignments,

short-term secondments and benchmarking visits. These Benchmarking visits allowed employees to observe best practices and draw immediate and practical lessons for implementation to support Red Stripe's growth agenda. In reverse, we also shared our Red Stripe best practices to build capabilities in these overseas markets.

Red Stripe employees who were afforded these opportunities were:

- Damian Graham (Shift Manager) was promoted to start an International Assignment in the US Virgin Islands spirits plant as Sales Director.
- Kermit Grant (HR Manager) was seconded to Diageo Canada as an international transfer to work in the Diageo Office in Toronto for a one year assignment.
- Kisha-Ann Brown-Shallangwa (Continuous Improvement Manager) was seconded twice for 4-5 months to Uganda as Capability Development Specialist building their manufacturing capabilities.
- Paul Chang-Sang, Financial Analyst (Innovation) seconded on a short-term assignment to Tanzania, where he supported the finance team to set up a new Diageo joint venture in Tanzania and he was subsequently offered a 2-year assignment.

Bench mark visits were undertaken by:

- Kevin McLean; (Quality Assurance) - Dublin, Ireland;
- Colin McKoy and Kevin Cooper - Plainfield, California a Diageo Spirits plant;
- Carl Black, Zithroy Brown, Erroldo Manning, Errol Howard, Kisha-Ann Brown-Shallangwa and Jaeanne Bailey - Valleyfield, Canada.







This is what Jaeanne had to say regarding her benchmarking experience to Valleyfield in Canada:

'Being the Best is not just a nice catch phrase here at Diageo; it is a way of life, a core value. It is demonstrated by Red Stripe spending time and money on its people. I am humbled and honoured being a recipient of such investment. I visited Valleyfield, a Diageo plant in Canada earlier this year to benchmark best practices in Operational Efficiency. The visit highlighted things we needed to start as well as some good things we should continue. It made me determined to motivate and inspire my team and those around me to "Be the Benchmark".'

Kisha-Ann had two secondment opportunities to Uganda. This is what she had to say:

'I have always identified with Diageo's values, they mean a lot to me. I love that we set the bar extremely high for ourselves. I see our investment in our people through secondments, international assignments and benchmarking visits as an extension of that value system. It's us as an organization putting our money where our mouth is. It's inspiring to experience that kind of consistency of values and action in real life. Diageo is full of opportunities; there is a lot to learn from our other sites, and also a lot we can teach. Red Stripe has many talented people, some of whom are contributing to our business in unique ways; we need more of this kind of commitment. It could be a real game changer for us. The secondment and benchmarking experiences I had in F11 have inspired me to find my own unique contribution and to challenge others to do the same. I am humbled by the investment Red Stripe and Diageo have made in me. I am very clear about how I feel: PASSIONATE, BEST, PROUD, FREE, VALUED.'

#### **Compliance, Ethics and Reputation**

As a company we strive to demonstrate the highest standards of integrity in the way we behave towards each other and to those outside of the company. Every employee

shares ownership for nurturing our business reputation at Red Stripe and Diageo. Our actions and interactions with our consumers, customers, employees, public officials, suppliers, shareholders and other stakeholders should always reflect our commitment to doing the right thing. With this outcome in mind, we had no hesitation to invest in a series of Compliance Days to offer training to all employees around the Diageo Code of Business conduct and key policies. This focus on Compliance and Ethics resulted in the Values Survey question, 'My manager helps me understand how the Diageo Code of Business Conduct applies to my role' being the most improved item in the annual Diageo Values Survey. Our reputation is further enhanced by our high workplace standards, demonstrated through awards such as the Ministry of Labour & Social Security HIV Voluntary Compliance programme where we won Gold Awards in both our Workplace Policy and Programme, and Best Practices in Care and Support categories.

#### **HR Operations Efficiency - Shared Services**

The HR department maintained its continuous improvement efforts to ensure that the HR Shared Services (First Point) established in 2010 succeeded in delivering services consistently and simpler, faster and better. A recent Customer Satisfaction survey showed a 70% level of satisfaction in terms of user experience with FirstPoint. Some of the key benefits of the Shared Service Centre are:

- Electronic storage of documents and ER files;
- Portal and Knowledge repository that enables consistency of answers, self service, efficiency, absence and leave reporting and tracking; and
- Telephony & Employee Interaction Centre enable multichannel access that is faster and easier for customers, tracking of queries, reporting on trends and issues.

#### **Organizational Efficiency**

As a result of decreasing domestic volumes a right-sizing exercise was done in the Supply organization. This resulted in changes in ways of working and shift patterns, both hours' and days' operations. This sadly resulted in over 70 full-time employees being terminated by reason of redundancy in Q1. Our employees were very resilient in coping with this change and consultations helped us to ensure that our outplacement offers included more helpful support for retraining and start-up support for micro-ventures. We wish to put on record our sincere appreciation to affected team members who left the business through restructuring last year and for their continued interest in the business allowing us to offer call-backs for any peak production demand. As the year ended the Sales teams were restructured to align closer to the channel strategy and build greater strength in customer marketing.

#### **Employee Engagement**

Our super engagement score fell this year from the peak of 63 last year, primarily as a reflection of our difficult change agenda. Employees continued to show unprecedented passion for our brands and played an active part in the success of our Sports agenda and on-site monthly "Big Vibes" events which can reach 5,000 patrons on any given night. Employees actively support Trade Visibility Days and bring our brands to life everyday in their communities. As the new Red Stripe Campaign rolls out in the "Year of the Beer", employees have attended business strategy sessions to understand the F12 plans, joined forces with commercial teams at events for sampling, beer vibes, beer patrol and Route Revellers. The revamped Red Stripe Ambassador programme will be launched in F12 to get employees even more connected to our brand value growth strategy to ensure that we harness their creativity and truly demonstrate our core value of "Valuing each other".



# Our Policies







## Responsible Drinking

**“As a premium drinks company, creating a more positive role for alcohol in society is one of the most important social issues we need to address.”**

**R**ed Stripe believes that our success as a company is measured by more than just financial targets. The positive contribution we can make to lives, communities and the environment through good business is important to our long-term success.

We want alcohol to play a positive role in society and to do this, we seek to minimize alcohol misuse and promote positive drinking attitudes and behaviours. Responsible drinking is a valued and enjoyable part of celebrations in everyday life for most people who choose to drink. However, we recognize that some of our consumers cause harm to themselves and others when they misuse alcohol.

In seeking to change consumer attitudes and behaviours so that adults make responsible choices about drinking – or not drinking, during the last year we implemented some innovative initiatives. These included partnering with the exciting new game show *Cash Cab* to be the vehicle for our responsible drinking messages and bring awareness to the problem of drink driving. “Take a cab home if you plan to enjoy our brands during a night out on the town,” said Red Stripe’s Managing Director, Al Barnes at the launch of the new game show. “We really want to encourage persons to think ahead of how is it they’re going to get home before they start drinking.”

“*Cash Cab* is a really fun, non-preachy way to communicate our responsible drinking message and viewers are going to have loads of fun watching this new exciting show while being reminded of the importance of drinking responsibly,” Barnes reiterated.

This innovative communications platform was further reinforced by visits from two-time Formula One champion, Mika Häkkinen, and legendary West Indies batsman and captain, Sir Viv Richards, both Johnnie Walker Responsible Drinking Ambassadors. Finnish racing star, Mika Häkkinen, met the public at Emancipation Park where he spoke about the Johnnie Walker “Join the Pact” campaign alongside local drivers David Summerbell Jr, Doug Gore and André Anderson. The campaign is a worldwide movement which seeks to deliver the message of not drinking and driving by soliciting signatures from across the globe at [www.jointhepact.com](http://www.jointhepact.com).

We also continued our relationship with the West Indies Cricket Board and West Indies legend Sir Viv. Richards through the Johnnie Walker “Be a Giant: Don’t Drink and Drive” campaign. The message of drinking responsibly is very important to us and we couldn’t have had a better ambassador than Sir Viv. With Johnnie Walker as the official whisky of the West Indies vs India 2011 Series which bowled off on June 4 we used the series as a platform to raise the level of awareness about the importance of not drinking and driving.

As part of the ongoing “Be a Giant” campaign, Sir Viv Richards launched the Johnnie Walker Facebook page, inviting cricket fans and the wider public to join the group and pledge to ‘Be a Giant: Don’t Drink and Drive’. Those that made the special commitment had a chance of bowling the ceremonial first ball to Sir Vivian, just before the Digicel Pearls ODI against India, in front of a packed Sabina Park on June 16. The winners also received VIP tickets to watch the game with Sir Viv in a sky box, before attending an elite Johnnie Walker party after the game.

Said Sir Viv at the party, “Even though the intention is always to have a good time, one must always be cognizant of exercising responsible drinking. I encourage you therefore to step up to the challenge and be giants; don’t drink and drive.”





# Diageo Employee Alcohol Policy

## STATEMENT OF INTENT

Diageo brands are enjoyed by millions of consumers around the world every day. For most people, drinking responsibly is a pleasurable part of a balanced and healthy lifestyle. Responsible drinking is at the heart of our business and we are committed to providing leadership on this agenda both internally and in society at large.

Diageo recognises that most of its employees drink responsibly. This policy sets out the support that will be provided to employees, the standards that are required and the serious consequences, both for the individual and for the business, when these standards are breached.

## SCOPE

The Diageo employee alcohol policy applies to all Diageo employees and employees of subsidiaries and joint ventures where Diageo has a controlling interest. It also covers agency workers and contractors acting on Diageo's behalf or working on Diageo sites.

In joint ventures where Diageo does not have overall control, the leaders and managers of those businesses are strongly encouraged to adopt the same or similar standards.

## MANAGEMENT

This policy is fully endorsed by the Diageo Executive Committee and the Group HR Director is the sponsor of this policy. Members of the Diageo Executive Committee will be responsible for implementing the employee alcohol policy within their respective organization. They are accountable for its outcome and will specify those responsible for embedding the policy in their businesses.

## MONITORING

Any breach of the employee alcohol policy is also a breach of the Diageo Code of Business Conduct. As such, all breaches will be reported to the global

compliance and ethics team through the breach reporting process. The compliance and ethics team will monitor breaches, including issues raised through SpeakUp and engage with business leaders where necessary to ensure that the policy is embedded and being adhered to. The Diageo Audit and Risk Committee will also receive regular reports on compliance to this policy.

Breaches of this policy will be dealt with in accordance with the Diageo internal investigation policy and local disciplinary policies.

## EMPLOYEE EDUCATION AND SUPPORT

We are committed to ensuring that our employees understand the nature and effects of alcohol and that this will support them in drinking responsibly at all times. We also believe that our employees are our ambassadors and can enhance our reputation by showing a responsible attitude to drinking.

To this end we will provide communication and awareness programmes for all employees. It is our intent that all employees will have the opportunity to experience the DRINKiQ programme.

## ALCOHOL AND THE WORKPLACE

All employees must ensure that their performance and their judgment at work are never impaired by alcohol, especially those employees whose jobs involve activities, which impact significantly upon the safety of themselves or others. For example, drivers or operators of moving machinery must ensure that their consumption of alcohol never threatens the safe performance of their duties and that their behaviour never puts themselves or others at risk.

For safety reasons, it will be appropriate that some Diageo locations apply a zero tolerance approach to alcohol consumption in the workplace.

## ALCOHOL RELATED OFFENCES

Any conviction for an alcohol related offence is

*Cont'd on page 47*







considered a breach of this policy and it is mandatory that employees report any such conviction to the company through the HR function. Our first concern will be to support employees, especially to avoid any recurrence, and we will seek to provide guidance or counselling. However, depending on the severity of the offence and its potential impact on Diageo's reputation, it may be considered a disciplinary matter. For example, an alcohol related offence that could bring Diageo into disrepute, or a work related drink driving conviction would be considered gross misconduct and likely to result in dismissal. A second conviction for any alcohol related offense would almost certainly result in dismissal. More detailed guidance is available through the HR function and all cases will be treated individually based on the circumstances.

Employees should never feel that the nature of their job makes it difficult for them to abide by drink driving legislation. Anyone who has a concern about this should consult his or her line manager. Diageo does not condone drinking and driving, even in countries where drink-drive legislation is not in force. We expect our general managers to put appropriate arrangements in place so that their all employees and especially sales staff can operate effectively, without putting themselves or others at risk through drink driving.

We will fully respect the legal drinking age in all markets and will take care not to encourage or condone underage purchase or consumption of alcohol. This is especially the case for any employees under the legal drinking age.

## PROBLEM DRINKING

If an employee has difficulty in meeting Diageo's required standards because of any alcohol related problem, however minor, or is concerned about their drinking, then Diageo strongly encourages the individual to seek medical advice or counselling, from their occupational health centre, or from an external agency. We do our utmost to support to any employee in this situation. A dependency problem may be identified by the employee, or by colleagues or managers.

## DIAGEO'S REPUTATION

The image and reputation of any company is determined at least in part by the way its employees behave and are seen to behave. This is particularly true for a company, which is in the premium drinks business. We are proud of our products and proud of the way we carry out our business. Our employees are our ambassadors and can enhance our reputation by showing a responsible attitude to drinking. In contrast, if our employees drink irresponsibly, they put Diageo's reputation at risk. Employees are expected to recognise this and to behave accordingly.

We expect our employees to promote and role model responsible drinking at all times, whether on company business or not. Putting Diageo's reputation at risk by not drinking responsibly may be viewed as a breach of this policy and could result in disciplinary action. Any disciplinary action will be within the bounds of local legislation.

[DRINKiQ.com](http://DRINKiQ.com)

To find out more about Diageo's responsible drinking activities please contact:

Carolyn Panzer, Director of Corporate Social Responsibility  
[Carolyn.panzer@diageo.com](mailto:Carolyn.panzer@diageo.com)

Policy revised: June 2010





# Corporate Social Responsibility Policies

## 1. Policy Development and Compliance

As part of Diageo, we benefit from a comprehensive collection of world-class codes and policies, which often go further than Jamaican legislation. Policy development involves referring to external codes and best practice and consulting widely both outside and within the business. Broad dialogue with external groups ensures that our policies address the legitimate concerns of stakeholders and where possible, incorporate their expectations as to how we should act on particular issues.

We are subject to the **Diageo Code of Business Conduct** that sets out standards on issues such as conflicts of interest, competition law, insider trading, corrupt payments, money laundering and other illegal practices. In addition, the code acts as an overarching compliance instrument by including a requirement to comply with the company's other main policies. Each year, all Red Stripe employees are required to confirm compliance with the code and other Diageo policies.

## 2. Risk Management

Our aim is to manage risk and control our activities cost-effectively. We do so in a manner that enables us to take up profitable business opportunities, avoid or reduce risks that can cause loss, reputation damage or business failure, support operational effectiveness and enhance resilience to external events. We have established a Risk Management Committee, which meets on a quarterly basis to carry out this objective.

## 3. Diageo Marketing Code

The Code provides marketing and advertising practitioners with guidance on the naming, packaging and promotion of our brands, setting standards, which are in addition to Jamaican laws and regulations. We staged workshops with both external and internal stakeholders that included our sponsors, advertising agencies, and media among others.

## 4. Digital Marketing Code

Diageo's commitment to responsible marketing and promoting responsible drinking extends across all media including digital channels. As more opportunities in the digital environment emerge there is an increasing need for guidance beyond our Diageo Marketing Code (DMC). Recognising this, we created a digital code to help our marketing teams navigate the complexities of operating in a dynamic digital environment. Diageo's digital code provides detailed guidance and clarification on the interpretation of the DMC principles that apply to digital marketing activity including websites, mobile, email, social network sites, blogs, text messaging.

## 5. Records Retention Policy

The purpose of this records retention policy (and associated retention schedules and procedures) is to protect the interests of the company by ensuring the consistent and orderly maintenance and retention of adequate, unaltered and accurate company records for the appropriate periods of time to satisfy relevant statutory and contractual legal, regulatory, financial, operational and research requirements. It is also to ensure the prompt and confidential disposal of records when such requirements have ceased so as to avoid unnecessary costs relating to records maintenance.

## 6. Supplier Standards

The high levels we aspire to in our own behaviour are reflected in the expectations we have of our suppliers. The standards outline Diageo's position on corporate citizenship issues that are currently being phased into our relationship with suppliers.

## 7. Employee Alcohol Policy

The policy ensures that employees fully understand the nature and effects of alcohol and sets out the expectations Red Stripe has for their behaviour.

*Cont'd on page 49*







## 8. Occupational Health And Safety Policy

The policy sets standards for risk assessment, occupational health, hazardous substances, first aid, noise, ergonomics, protective equipment, emergency evacuation, work permits, visitors and contractors and accident reporting.

## 9. Quality Policy

The policy sets a framework for quality management systems and commits every business to continuous improvement in performance.

## 10. HIV/AIDS Policy

This is an enabling policy, which sets out the minimum standards which will be adopted by the company. The objective is to ensure the employees' fundamental rights are not infringed in any way and to ensure that Red Stripe is equipped with the methodology to implement high quality HIV/AIDS workplace objectives.

## 11. External Codes And Charters

Diageo is a signatory to certain external codes that define corporate citizenship principles and standards of conduct. These include the Business Charter for Sustainable Development, the UN Global Compact, the World Economic Forum Leadership Challenge and the Dublin Principles. Further information on these codes is available in the Diageo global corporate citizenship report.

## 12. Measuring Performance

We have measures of our progress covering corporate citizenship and other areas of concern to our stakeholders. The data required for each of these measures are collected at least annually. This allows the integration of corporate citizenship measures into business strategy and forms the basis for monitoring performance improvement.

## 13. Environmental Policy

Red Stripe, being a producer of alcohol and non-alcohol beverages and ready to drink products, is an environmentally responsible company that operates in a way that protects and enhances our people, brands and the communities in which we work and live. We are committed to supporting environmental sustainability and biodiversity. We comply with all applicable legal and other requirements such as the DIAGEO Global Risk Management and Licence to Operate Standards governing Environmental Management and ensure continual improvement and prevention of pollution.

## 14. Harassment Policy

The Company is committed to promoting and providing a working environment where individuals are treated with respect and courtesy by ensuring the fair and equitable treatment of all employees. The company in keeping with our Values considers unacceptable any conduct involving harassment of any employee for any reason. Whilst sexual harassment is one form of harassment, there are many types of harassment in the workplace. Harassment at work is not acceptable on ethical, moral and, in some instances, legal grounds, and its existence in the workplace is a barrier to the effective running of the business.





# Board Charter and Corporate Governance Guidelines

## Board Mission

### 1) Mission Statement

- The Desnoes & Geddes (D&G) Board of Directors represents the owners' interest in maintaining and growing a successful business, including optimizing long-term financial returns and lowering cost of capital. The Board is committed to achieving the highest standards of corporate governance, corporate responsibility and risk management in directing and controlling the business.
- The Board is responsible for determining that D&G is managed in such a way to ensure this result. This is an active, not a passive, responsibility. The Board has the responsibility to ensure that management is capably executing its responsibilities. The Board's responsibility is to regularly monitor the effectiveness of management policies and decisions including the execution of its strategies.
- In addition to fulfilling its obligations for increased stockholder value, the Board has a responsibility to deliver holistic performance embracing corporate responsibility towards D&G customers, employees, suppliers and to the communities where it operates - all of whom are essential to a successful business. All of these responsibilities, however, are founded upon the successful perpetuation of the business.

## Board Functions

### 1) Areas of responsibilities

The Board makes decisions; reviews and approves key policies and decisions of the Company, in particular, in relation to:

- Corporate governance
- Compliance with laws, regulations and the Company's code of business conduct
- Corporate citizenship, ethics, environment
- Strategy and operating plans
- Business development including major investments and disposals
- Financing and treasury
- Appointment or removal of Directors

- Remuneration of Directors
- Risk management
- Financial reporting and audit
- Pensions

### 2) Specific responsibilities for Chairman, Company Secretary and Directors

- The Chairman is principally responsible for the effective operation and chairing of the Board and for ensuring that information that it receives is sufficient to make informed judgments. He also provides support to the Managing Director, particularly in relation to external affairs.
- The Company Secretary is responsible for ensuring that Board processes and procedures are appropriately followed and support effective decision-making and governance. He is appointed by, and can only be removed by the Board. He is also responsible for ensuring that new Directors receive appropriate training and induction into D&G. All Directors have access to the Company Secretary's advice and services and there is also a formal procedure for Directors to obtain independent professional advice in the course of their duties, if necessary, at the company's expense.
- Each Board member is expected to commit sufficient time for preparing and attending meetings of the Board, its Committees and, if applicable, of the Independent Directors. Regular attendance at Board meetings is a prerequisite. Therefore, unless explicitly agreed upfront, a Director should not miss two consecutive regular Board meetings.
- Because in-depth knowledge of the particulars of the Company's business is vital for each Director in making informed and objective decisions, management is to allow direct involvement and review of operational activities. Similarly, management also is to communicate to Board members opportunities to interact in strategy and day-to-day business settings. Board members are strongly encouraged to take advantage of such opportunities as frequently as feasible. The Directors have complete access to the leadership of the company.

*Cont'd on page 51*







## **Selection and Composition of the Board**

The Board is responsible for over viewing of the interest of all stakeholders on the matters as outlined above. The composition of the Board should be such that these interests are best served and therefore the Directors require a diversity in skills and characteristics.

### **1) Size of the Board**

The Board will have a minimum of ten (10) and a maximum of fifteen (15) Directors. Considering the size of the organization and the environment in which it operates, the Board believes such numbers are adequate.

### **2) Executive and Non-Executive Directors**

At any time, the number of Executive Directors should not exceed fifty per cent of the total number of Directors.

### **3) Conflicts of Interest/Disclosure**

Any dealings in the company's shares by any Director must be promptly reported to the Company Secretary who is obliged to disclose such information on a regular basis to the Jamaica Stock Exchange.

With respect to 'block out ' dates, no director should trade in the company's shares during the period from which the company declares the payment of a dividend to the payment date of such dividend.

A Director who has an interest in the company or in any transactions with the company which could create or appear to create a conflict of interest must disclose such interests to the company. These would include:

- Any interest in contracts or proposed contracts with the company
- General disclosure on interest in a firm, which does business with the company
- Interest in securities held in the company
- Emoluments received by the Company
- Loans or Guarantees granted by the company to/for the Director.

Disclosure shall be made at the first opportunity at a Board Meeting in writing and such disclosure shall be recorded in the minutes of the Board Meeting.

The Director shall then excuse himself from the Board meetings when the Board is deliberating over any such contract and shall not vote on any such issue. The disclosure of Director's interest shall include interests of his family and affiliates.

### **4) Election, terms, re-election and retirement**

Election, terms, re-election and retirement of each Board member is conducted in line with the Articles of Association of the company, Articles 92 to 100, with the exception that each Board member is to retire during the financial year, when the Director reaches the age of 70 years, unless a special resolution of exemption to this rule is passed by the Board.

Equally, the maximum number of terms of the Chairman should not exceed 10 successive years, unless a special resolution of exemption of this rule is passed by the Board.

### **5) Board Compensation**

The level of compensation of the Non-Executive Directors reflects the time commitment and responsibilities of the role. It consists of a package appropriate to attract, retain and motivate non-executive Directors of the quality required. The compensation is competitive and subject to regular review to what is paid in comparable situations elsewhere.

No remuneration committee shall be in effect. A review by the Board of the remuneration policies for Executive Directors and the members of the central leadership team as applied by the ultimate parent to the Company, will take place during a regular Board meeting annually.

### **6) Director Orientation and Education**

The Board and Management will conduct a comprehensive orientation process for new Directors to become familiar with the Company's vision, strategic direction, core values, financial matters, corporate governance practices and other key policies and practices through a review of background material, meetings with senior management and visits to the company's facilities.

*Cont'd on page 52*





The Board also recognizes the importance of education for its Directors. It is the responsibility of the Board to advise the Non-Executive Directors about their education, including corporate governance issues. Directors are encouraged to participate in the Directors' continuing education programs.

#### 7) Access to outside advisors and funds

The Company will make such funds available to the Board and in particular the Non-Executive Directors as is reasonably required for those Directors to objectively make decisions. This may include providing funds to access outside advisors and cover cost associated with travel and the gathering of relevant information for the execution of their responsibilities.

#### 8) Code of Conduct

The Board expects all Directors, as well as officers and employees, to act ethically at all times and to adhere to all Diageo codes and policies specifically, including 'The Diageo Code of Business Conduct'; 'The Diageo Marketing Code' and the 'Employee Alcohol Policy.' The Board will not permit any waiver of any of these policies for any Director or Executive officer. If an actual or potential conflict of interest arises for a Director, the Director shall promptly inform the Chairman. If a conflict exists and cannot be resolved, the Director should resign.

#### Board Committees

The Board has established several Committees, each with clearly defined terms of reference, procedures, responsibilities and powers.

#### 1) Audit Committee

On behalf of the Board, the Audit Committee shall:

- Monitor the adequacy and effectiveness of the company's systems of risk management and control, the Business Risk Assurance function and external auditors
- Review the company's annual and interim financial statements and related policies and assumptions and any accompanying reports or related policies and statements
- Monitor and review the effectiveness of the Company's internal audit function

- Monitor and review the external auditor's independence, objectivity and effectiveness
- Develop and implement policy on the engagement of the external auditor to supply Non-audit services.

The Audit Committee shall consist of Non-Executive Directors of the company duly appointed by the Board. The Chairman and Secretary of the Audit Committee shall also be appointed by the Board. The Board Chairman shall not be a member of the Committee. The Committee shall consist of not less than three members.

The Audit Committee shall meet at least four (4) times a year, within twenty (20) days of the end of each quarter and at such other times as any member of the Committee or the external auditors may request.

#### 2) Nomination Committee

This Committee comprises of two Non-Executive Directors and one Executive Director. The Committee is responsible for keeping under review the composition of the Board and succession to it. It makes recommendations to the Board concerning appointments to the Board of Non-Executive Directors, having regard to the balance and structure of the Board and the required blend of skills and experience. The Committee has responsibility to:

- nominate potential candidates and evaluates the suitability of those candidates for future Board membership
- propose suitable candidates to the board for approval prior to approaching the candidate
- approach the future candidate and upon positive response, introduces the future board member to the board.

The nomination of one Non-Executive Director through Diageo and one Non-Executive Director through Heineken are exempt from nomination through the nomination Committee.

The Nomination Committee shall meet in line with election and re-election procedures determine and at such other times as any member of the Committee may request.

#### 3) Evaluation Committee

This Committee comprises of the Chairman, the Managing Director and the Company Secretary. The Committee is responsible for keeping under review the performance of

*Cont'd on page 53*







all Board members. It develops, maintains and executes an annual process of self-evaluation and '360 degrees feedback' between Board members. Results of the self-evaluation are discussed annually in a Board meeting. The Chairman and the Managing Director will present results of the '360 degrees feedback' to the relevant Board member individually. The Evaluation Committee shall meet annually to initiate and assess the outcome of the evaluations and at such other times as any member of the Committee may request.

#### **4) Ad Hoc Committees**

The Board may call any Ad Hoc Committee as it deems necessary. The rules under which such Committee governs will be set out at each occasion by the Board. All committees including those explicitly mentioned above will be subject to the annual evaluation process, similar as applied to the Board itself.

### **Meetings**

#### **1) Frequency of meetings**

During each financial year, there will be a minimum of 4 regular Board meetings. Special Board meetings may occur at such other times as any member of the Board may request.

#### **2) Non-Executive Director meetings**

The Company is to provide opportunity for the Non-Executive Directors to meet Independently of the Executive Directors. On the decision of the Non-Executive Directors, the Managing Director may be invited if they so desire.

#### **3) Operational Review Meetings**

To further engage the Board and strengthen its in-depth knowledge of the particulars of the company's business a

monthly one hour (virtual) meeting on the past month's performance is conducted. This meeting allows direct involvement and review of operational activities. Attendance is on a voluntary basis.

#### **4) Strategy and Operating Plan setting Meeting**

The Board is consulted on a regular basis on matters which are of strategic importance to the company. Annually the Company will set, in coordination with the Chairman, a meeting to review the Company's strategy in depth prior to final agreement of such strategy and annual operating plan with the Company's parent Company.

#### **5) Selection of Agenda Items for Board Meetings**

The Chairman and Company Secretary will establish the agenda for each Board meeting. Each Board member may suggest the inclusion of item(s) on the agenda.

Information important to the Board's understanding of the business will be distributed electronically and or in writing to the Board before the Board meetings. As a general rule, presentations on specific subjects should be sent to the Board members in advance to save time at Board meetings and focus discussion on the Board's questions. On those occasions in which the subject matter is extremely sensitive, the presentation will be discussed at the meeting.

#### **6) Additional attendees to the meeting**

Furthermore, the Board encourages the Management to, where it assists the ability of the Board members, to execute their responsibilities, bring managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) are managers with future potential that the senior management believes should be given exposure to the Board.



---

DESNOES AND GEDDES LIMITED  
**FINANCIAL STATEMENTS**  
JUNE 30, 2011

---

