



ANNUAL REPORT

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Delivering Consumer
& Shareholder value through
innovative solutions.



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& Shareholder value through
innovative solutions.

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Highlights of Our 95th Anniversary Celebrations.



Students from the Calabar Infant and Primary School celebrate GraceKennedy's anniversary on 14 February 2017.

Giving back to the Environment

We celebrated our 95th anniversary with a number of activities throughout 2017, including a contribution to improving environment by distributing 500 fruit and ornamental tree saplings to customers across the island and 95 saplings to the Environment Club at the Calabar Infant, Primary and Junior High School in downtown Kingston.

By encouraging the planting of trees, we contributed to Jamaica's Vision 2030 national goal of a healthy natural environment and the United Nations' global effort of planting one billion trees worldwide each year.

Returning Thanks

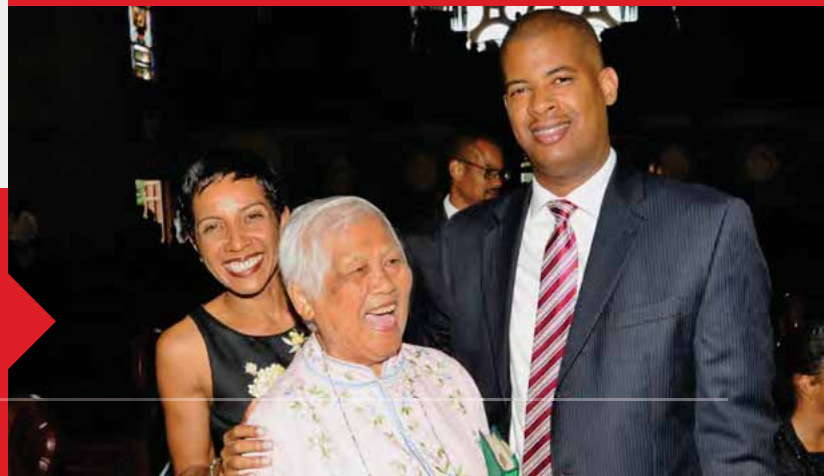
A special Mass of Thanksgiving was observed at the Holy Trinity Cathedral on Sunday 12 February 2017 in Kingston, Jamaica. The homily, delivered by Reverend Ronald Thwaites, was entitled "Grace in name and Grace in nature."

It illustrated the love that GraceKennedy has demonstrated for Jamaica through nation building and by exemplifying its core values of honesty, integrity, trust, humility and commitment. Thanksgiving services were also held at the City Church of God in Miami, Florida and at the Lenox Road Baptist Church in New York.

Frank James, Group CFO and his wife, Stacy James, greet Mable Tenn (centre), former member of the Board of Directors of GraceKennedy.



From left: Professor the Hon. Gordon Shirley, Chairman of the GraceKennedy Group; the Hon. Douglas Orane, retired Chairman & CEO and current member of the Board; and Donald Wehby, Group CEO.



Rewarding Excellence

A special 95th Anniversary CEO Excellence Award was offered to staff globally in the categories of Leadership, Service and Support, Sales, and Spirit of GraceKennedy.

Nominated by their peers and managers, the winners in each category were:

Leadership	Sales	Service and Support First Place	Service and Support Second Place	Spirit
First Place - Domestic Zak Mars Head of Innovation & Global Sourcing for GK Foods	Second Place - Domestic Janneth Edwards-Cole Sales Representative for Grace Foods & Services	First Place – Domestic (Foods) Kimberley Lue Lim Acting Global Category Manager for GK Foods Central	Second Place - Domestic Nadarni Headlam Acting Brand Manager for GK Foods Central	First Place – Domestic Crystal-Gayle Williams Project Officer for GK Foundation
First Place - International Nimal Amitirigala Global Category Manager for Grace Foods UK	First Place - Domestic Bruce Boyd Sales Representative for Grace Foods & Services	First Place – Domestic (Financial) Sheldon Millington Acting Accounts Payables Supervisor for GKRS	Second Place - International Kevin Green Assistant Buyer for Grace Foods UK	First Place – Domestic Lucinda Clarke Security Manager for GKRS
	First Place – International Ray Hammond Territory Sales Manager for Grace Foods UK	First Place – International David Pinnington DC Operator Inventory Control for Grace Foods UK		

Honouring Service!

In keeping with the longstanding tradition of rewarding hard work and loyalty, Grace Foods Canada Inc. marked the anniversary by honouring staff with a luncheon and the presentation of special awards to long serving employees to thank them for their dedicated service and commitment to the success of the company.

Members of the Canadian team led by Lucky Lankage, President (first row, third from right).



Ten-Year Financial Review

2017-2013

	'000	'000	'000	'000	'000
	2017	2016	2015	2014	2013
Number of Shares (including treasury shares)	994,887	994,887	992,837	993,669	1,000,977
Shareholders' Equity	45,222,812	42,063,925	38,047,441	36,533,101	32,765,684
Percentage increase over prior year	7.5%	10.6%	4.1%	11.5%	6.7%
Market Capitalisation	43,615,846	40,083,997	26,889,363	20,214,540	18,374,601
Total Borrowings	16,515,615	13,242,037	13,936,107	11,064,160	11,571,790

PROFIT AND LOSS ACCOUNT

REVENUES	92,475,652	88,267,589	79,742,230	70,839,886	67,257,502
Percentage increase over prior year	4.8%	10.7%	12.6%	5.3%	9.6%
PROFIT BEFORE TAXATION	5,819,562	6,103,330	4,303,813	4,588,432	5,075,199
Percentage increase over prior year	-4.6%	41.8%	-6.2%	-9.6%	23.7%
PROFIT AFTER TAXATION	4,772,100	4,534,862	3,254,020	3,799,127	3,794,064
Percentage increase over prior year	5.2%	39.4%	-14.3%	0.1%	0.2%
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS	4,116,101	4,004,539	2,759,498	3,285,174	3,221,634
Percentage increase over prior year	2.8%	45.1%	-16.0%	2.0%	-7.4%
DIVIDENDS PAID TO STOCKHOLDERS	1,121,519	1,010,423	820,030	770,239	727,660
Percentage increase over prior year	11.0%	23.2%	6.5%	5.9%	9.3%

IMPORTANT RATIOS

Return on Equity	9.4%	10.0%	7.4%	9.5%	10.2%
Profit before Taxation/Sales	6.3%	6.9%	5.4%	6.5%	7.5%
Profit after Taxation/Sales	5.2%	5.1%	4.1%	5.4%	5.6%
Dividend Payout Ratio	27.2%	25.2%	29.7%	23.4%	22.6%
Earnings per Stock Unit - basic (\$)	4.15	4.04	2.78	3.30	3.22
Productivity per Employee (US\$'000)	17.01	16.46	11.80	14.19	17.48
Number of Employees	1,894	1,940	1,996	2,080	1,827
Debt-to-Equity Ratio	36.5%	31.5%	36.6%	30.3%	35.3%
Shareholders' Equity per Stock Unit (excluding treasury shares) : J\$	45.56	42.39	38.36	36.79	32.91
Closing Stock Price - JSE : J\$	43.84	40.29	27.08	20.34	18.36
Closing Stock Price - TTSE : TT\$	3.00	2.67	1.35	1.22	1.15
Price-Earnings Ratio	10.56	9.97	9.73	6.16	5.70

2012-2008

	'000	'000	'000	'000	'000
	2012	2011	2010	2009	2008
Number of Shares (including treasury shares)	1,005,957	996,990	995,133	995,118	993,681
Shareholders' Equity	30,702,837	28,601,255	26,697,805	23,697,642	19,799,405
Percentage increase over prior year	7.3%	7.1%	12.7%	19.7%	-1.2%
Market Capitalisation	16,769,303	20,936,790	16,917,261	13,434,093	14,408,375
Total Borrowings	10,338,328	11,808,923	13,764,164	17,227,287	15,670,367

PROFIT AND LOSS ACCOUNT

REVENUES	61,340,268	58,216,732	55,318,408	57,406,415	53,462,279
Percentage increase over prior year	5.4%	5.2%	-3.6%	7.4%	9.7%
PROFIT BEFORE TAXATION	4,102,404	4,032,443	3,259,648	3,653,867	2,478,893
Percentage increase over prior year	1.7%	23.7%	-10.8%	47.4%	-48.4%
PROFIT AFTER TAXATION	3,786,332	2,992,473	2,396,256	2,722,823	1,780,886
Percentage increase over prior year	26.5%	24.9%	-12.0%	52.9%	-49.6%
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS	3,478,888	2,748,813	2,250,176	2,574,955	1,674,475
Percentage increase over prior year	26.6%	22.2%	-12.6%	53.8%	-51.3%
DIVIDENDS PAID TO STOCKHOLDERS	665,937	494,874	445,007	378,838	378,313
Percentage increase over prior year	34.6%	11.2%	17.5%	0.1%	0.8%

IMPORTANT RATIOS

Return on Equity	11.7%	9.9%	8.9%	11.8%	8.4%
Profit before Taxation/Sales	6.7%	6.9%	5.9%	6.4%	4.6%
Profit after Taxation/Sales	6.2%	5.1%	4.3%	4.7%	3.3%
Dividend Payout Ratio	19.1%	18.0%	19.8%	14.7%	22.6%
Earnings per Stock Unit - basic (\$)	3.47	2.78	2.28	2.61	1.70
Productivity per Employee (US\$'000)	21.13	17.56	14.03	15.76	10.88
Number of Employees	1,850	1,823	1,841	1,844	2,103
Debt-to-Equity Ratio	33.7%	41.3%	51.6%	72.7%	79.1%
Shareholders' Equity per Stock Unit (excluding treasury shares) : J\$	30.57	28.69	26.83	23.81	19.93
Closing Stock Price - JSE : J\$	16.67	21.00	17.00	13.50	14.50
Closing Stock Price - TTSE : TT\$	1.18	1.43	1.20	1.00	1.35
Price-Earnings Ratio	4.80	7.55	7.46	5.17	8.53

Notice of Annual General Meeting.

NOTICE is hereby given that the **Annual General Meeting** of GraceKennedy Limited will be held at 73 Harbour Street, Kingston, Jamaica on Wednesday, **30 May 2018 at 4:00 p.m.** for the following purposes:

1. **To receive the Audited Group Accounts for the year ended 31 December 2017 and the reports of the Directors and Auditors circulated herewith.**

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

RESOLUTION NO. 1

"THAT the Audited Group Accounts for the year ended 31 December 2017 and the reports of the Directors and Auditors circulated with the Notice convening the meeting be and are hereby adopted."

2. **To declare the interim dividends paid on 18 May 2017, 26 September 2017 and 11 December 2017 as final for the year under review.**

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

RESOLUTION NO. 2

"THAT as recommended by the Directors, the interim dividends paid on 18 May 2017, 26 September 2017 and 11 December 2017 be and they are hereby declared as final and no further dividend be paid in respect of the year under review."

3. **To elect Directors.**

The Directors retiring from office by rotation pursuant to Article 102 of the Company's Articles of Incorporation are Messrs. Frank James, Everton McDonald and Gordon Shirley who, being eligible, offer themselves for re-election.

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

RESOLUTION NO. 3 (a)

"THAT the Directors retiring by rotation and offering themselves for re-election be re-elected en bloc."

RESOLUTION NO. 3 (b)

"THAT Messrs. Frank James, Everton McDonald and Gordon Shirley be and they are hereby re-elected Directors of the Company."

4. To fix the fees of the Directors.

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

RESOLUTION NO. 4

"THAT the amount shown in the Accounts of the Company for the year ended 31 December 2017 as fees of the Directors for their services as Directors be and is hereby approved."

5. To appoint Auditors and authorise the Directors to fix the remuneration of the Auditors.

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

RESOLUTION NO. 5

"THAT PricewaterhouseCoopers, Chartered Accountants, having signified their willingness to serve, continue in office as Auditors of the Company pursuant to Section 154 of the Companies Act to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company."



By Order of the Board

Gail Moss-Solomon (Mrs)

Corporate Secretary

Dated: 1 March 2018

Any member of the Company entitled to attend and vote at this meeting is also entitled to appoint one or more proxies to attend and vote in his/her stead. Such proxies need not be members of the Company. Instruments appointing proxies (a specimen of which has been circulated to members along with the Company's Annual Report) must be deposited with the Corporate Secretary of the Company, at 73 Harbour Street, Kingston, Jamaica, not less than forty-eight (48) hours before the meeting.

Stockholders' Report.

The financial year 2017 presented a number of opportunities and challenges for the GraceKennedy Group in all our business segments. The Group was proactive in maximizing on the opportunities that were presented, and in reducing the effect of external factors on our businesses through proper and effective risk management. We remained focused on our strategic plans and achieved several of the objectives that we had set for ourselves during 2017. Our operational strategy for 2017 was focused on strengthening and optimizing domestic and international foods operations, improving operational efficiencies across the Group, accelerating the introduction of digital products and channels, and executing our financial inclusion strategy.

Net profit after tax was J\$4.77 billion for 2017 an increase of 5.2% over the prior year. Performance for the year was negatively affected by the unprecedented impact of two major hurricanes within the Caribbean region which increased the value and number of claims for our Insurance segment. In addition, as previously reported, a non-recurring gain was realized in 2016 on the dissolution of some non-operating subsidiaries. Without this gain, net profit would have increased by 15.2% or J\$625.9 million, as shown in the table below. This was driven by improved operating performance in our Food Trading and Banking and Investments segments, a non-recurring gain on the successful acquisition of Consumer Brands Limited as well as the recognition of tax credits of J\$416M under Jamaica's Urban Renewal (Tax Relief) Act (URA). Under this Act companies which carry out development in areas designated under the Act for the improvement of those areas are able to receive one-third of the eligible capital expenditure in the form of tax credits. GraceKennedy Limited remains committed to Downtown Kingston, Jamaica and is investing over J\$3 billion in the construction of its new corporate headquarters. The majority of this capital expenditure has been approved as eligible under the URA and as such additional tax credits will be realized by the Group in 2018.

Excluding the non-recurring gains on liquidation and acquisition, net profit would have increased by 5.0% or J\$207.41 million as shown in the table below.

	2017 \$'000	2016 \$'000	Change \$'000	Change %
Net Profit After Tax, as reported				
One-off items (after-tax):	4,772,100	4,534,862	237,238	5.2%
- Non-recurring gains on liquidation of non-operating subsidiaries (after tax)	36,558	425,193		
Net Profit After Tax, excluding non-recurring liquidation gains	4,735,542	4,109,669	625,873	15.2%
- Non-recurring gains on acquisition of subsidiary	418,460	-		
Net Profit After Tax, excluding non-recurring gains	4,317,082	4,109,669	207,413	5.0%

FINANCIAL HIGHLIGHTS:

- ◇ Group Revenue for 2017 was J\$92.48 billion, representing an increase of 4.8% or J\$4.21 billion over 2016 (J\$88.27 billion).
- ◇ Net profit attributable to the shareholders of the Company was J\$4.12 billion for 2017 compared with J\$4.00 billion for 2016. Earnings per share was J\$4.15 in 2017 compared with J\$4.04 in 2016, a 2.7% increase.
- ◇ Shareholders' equity increased by 7.5% or J\$3.16 billion moving from J\$42.06 billion in 2016 to J\$45.22 billion in 2017.
- ◇ Total assets grew by 2.8% or J\$3.51 billion from J\$126.48 billion in 2016 to J\$129.99 billion in 2017.
- ◇ Dividends totaling J\$1.12 billion or J\$1.13 per share were paid in 2017 compared with J\$1.01 billion or J\$1.02 per share in 2016, an increase of 11.0%.
- ◇ At the end of 2017, the GraceKennedy stock price closed at \$43.84. This represented an 8.8% increase over prior year.

The Food Trading segment grew in both revenue and profitability when compared to 2016.

Our Foods business in Jamaica showed growth in both revenue and profit, despite being impacted by the temporary ban on corned beef from Brazil during the first half of 2017. Growth was achieved through strong performance from other key products such as Grace vienna sausages, mackerel and frankfurters, as well as new product innovations. Our objective of increasing our share of the retail supermarket space was supported by our ongoing renovation of our Hi-Lo Food Stores. The previously renovated stores located at Manor Park in St. Andrew and Fairview in St. James experienced growth in their customer numbers. The Hi-Lo Barbican store location in St. Andrew was negatively affected by a major road upgrading project being undertaken by the Government of Jamaica, which commenced in the fourth quarter of 2017. During 2017, GraceKennedy acquired Consumer Brands Limited, a large player in the distribution business. This acquisition brings with it the strong

line of Proctor and Gamble (P&G) products and other international brands. The Consumer Brands business has now been successfully integrated into the GraceKennedy Group, and is proving to be a natural fit.

Our International Foods companies, while showing overall improved revenue growth, were impacted by the performance of Grace Foods UK which experienced a decline in both revenue and profit. The Company was affected by lower sales from the Grace-Owned "Nurishment" branded nutritionally enriched milk drink. Sales of Nurishment are expected to grow in the coming months with investments in the brand for new promotional activities. GraceKennedy Foods (USA) LLC, experienced growth over 2016, driven by the Grace and La Fe brands. Grace Foods Canada Inc. was successful in establishing a relationship with Costco, one of the largest warehouse clubs in North America, while other listings in Canada continue to show good growth prospects. Growth within the North American market, is a key strategic objective for the Group, and we are positive that through further investment and focus this will continue to be realized.

The GraceKennedy Financial Group's focus on expanding financial inclusion, increasing use of technology and delivering innovative and convenient solutions to customers' needs was the key driving force for our financial businesses during 2017. To enhance this focus, the GK ONE initiative, launched on November 10, 2017, allows customers to access a range of banking, insurance, bill payment, remittance, investment and cambio services at select locations islandwide.

Our Insurance segment reported flat revenue and a reduction in profit when compared to 2016. Profit was primarily impacted by increased claims activity from Caribbean territories that were affected by destructive Hurricanes Irma and Maria in September 2017. Consistent with our approach to Enterprise Risk Management, and through our robust reinsurance programme, GK General Insurance is satisfying their customers' claims while lessening the impact of these losses on our bottom line.

The Banking and Investments segment achieved growth in both revenue and profit. First Global Bank (FGB) showed an increase in revenue and profit when compared to 2016. The Company's objective of being the #1 bank in terms of customer convenience guided the Company's decisions during 2017. During December 2017 FGB received a license to pursue Agent Banking Activities and will actively roll-out this new business model as part of our financial inclusion strategy in 2018. In order to expand our banking footprint from our current branch network, FGB launched the first two of its "Money Link" locations in August 2017. These "Money Link" locations will be a system of mini integrated branches located within existing infrastructure occupied by other companies within the GraceKennedy Group. Adding to the strength of the FGB team, we welcomed career banker Mr. Peter Moses who assumed the role of Chairman effective September 19, 2017.

The Money Services segment reported flat revenue and moderate growth in profit relative to 2016. The performance of the segment was affected by decreased transaction volumes from our Jamaican remittance operations, GraceKennedy Remittance Services (GKRS). This was offset by the strong performance of our Trinidad and Guyana money services operations. GraceKennedy Money Services (GKMS) and Western Union temporarily suspended money transfer services in some agent locations in Jamaica during 2017 in an ongoing effort to increase oversight for the protection of our customers while strengthening compliance efforts throughout our network of agencies. By the end of 2017 GKRS was able to reopen 8 of the 10 locations whose services had

been suspended. While these suspensions have had a negative impact on profitability in the short term, we are determined to maintain a strong and efficient compliance model which will protect the reputation of financial services in the Caribbean region and also serve as a competitive advantage for our remittance business.

On December 11, 2017 the Judicial Committee of The Privy Council handed down its judgment in the matter of Paymaster Jamaica Limited's claim against GraceKennedy Remittance Services Limited (GKRS) which was commenced in 2000. The Privy Council ruled unanimously in favour of GKRS, allowing our appeal and dismissing Paymaster's counter appeal. This decision reaffirms that we acted in accordance with our core values of honesty, integrity and trust.

The following senior management changes within the GraceKennedy Group took effect on January 1, 2018. Andrea Coy was appointed CEO of GK Foods International, a position previously held by Ryan Mack, who assumed the role of CEO of the GK Foods Domestic business. Also, Steven Whittingham was appointed to the Company's Executive Committee and continues in his roles as Chief Investment Officer for the GraceKennedy Group and Managing Director of GK Capital Management Limited and GK Investments Limited.

GraceKennedy was awarded the 2016 PSOJ/JSE Corporate Governance Award at the Jamaica Stock Exchange's Best Practices Awards in 2017.

This award recognizes companies that demonstrate and practice outstanding corporate governance. We are honoured to have received this recognition and remain committed to complying with best practises that balance the interest of the Company, our numerous stakeholders and the wider society. We were also recognized as 1st Runner Up in the Corporate Disclosure & Investor Relations category. This award recognizes companies that maintain good

investor relations with the wider investing public and make timely and accurate reports and announcements to the Jamaica Stock Exchange.

Through our Grace & Staff and GraceKennedy Foundations we continue to contribute proudly and actively to the development of our communities in the areas of education, sports and the environment. During 2017, through our two foundations we were able to provide scholarship and bursary support to over 480 students at the tertiary and secondary school levels.

We have launched 2018 under the theme "Delivering Consumer and Shareholder Value through Innovative Solutions". We believe that in order for GraceKennedy to remain innovative and successful in this ever changing environment we must be forward-looking to ensure an agile, efficient and high-performing corporate structure. We have made significant strides in our goal of becoming a Global Consumer Group and are confident in our strategies for achieving this.

We thank our shareholders, employees and customers for their continued commitment and support. We are committed to our core values of Honesty, Integrity and Trust as our platform for continued growth.



Gordon V. Shirley, oJ
Chairman



Donald G. Wehby, cO
Group Chief Executive Officer



March 01, 2018

SECTION 05

Management Discussion and Analysis.

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FUTURE
OUTLOOK

2020 Campaign Map.

2017

Performance Driven Organisation

- Develop a culture of Accountability and Execution
- Align all employees with the Strategy and Vision
- Build expertise to support global expansion
- Implement effective feedback and reward system aligned with strategy and performance
- Develop effective leaders and staff at all levels through professional development
- Create an environment conducive to innovation

2018

Consumer Centricity & Innovation

- Transform the Company into a marketing-led organisation
- Develop global market research capabilities
- Design solutions rooted in consumer needs, attitudes and behaviors
- Seek cross-product synergies and technological solutions
- Ensure high levels of consumer satisfaction
- Create digital platform for the Group

Growth & Sustainability

- Grow GraceKennedy-owned brands
- Grow our international food business
- Develop strategic partnerships
- Mobilise financial resources
- Grow financial and money services domestically and regionally

Operational Excellence

- Develop project management skills within the Group
- Leverage IT platforms and improve efficiency
- Manage Capital effectively
- Enhance Risk Management and internal controls
- Standardise Operating Procedures across the Group
- Optimise Group structure
- Target International benchmarking for operational excellence

2019

Globally Rationalise Operations

- Optimise IT platforms
- Internationalise policies and procedures to ensure compliance in all jurisdictions

2020

Global Consumer Group

Caribbean Financial Services Group

Jamaican Trading Group

Rebalance Jamaica vs International

- Internationalise systems
- Expand Globally Mobile Human Resource Pool

Disclosures

The management of GraceKennedy Limited is responsible for the integrity and objectivity of the information contained in the Management Discussion and Analysis (MD&A). The information presented herein has been reviewed by the Group's Audit Committee on behalf of the Board. Management believes that this information represents an objective review of the Group's past performance and future prospects.

All monetary figures are presented in Jamaican dollars, unless otherwise stated.

Who We Are

GraceKennedy Limited is a publicly listed company on the Stock Exchanges of Jamaica and the Republic of Trinidad & Tobago. The Company was founded on 14 February 1922, and is the parent company of a Group of subsidiaries operating mainly in the food and financial services industries. The Group's operations are structured into two areas:

FOOD TRADING

This comprises the business of food manufacturing through our own factories, as well as through external suppliers; the distribution of Grace and Grace-owned brands in Jamaica and internationally; and the operation of retail outlets through our Hi-Lo Supermarket chain in Jamaica. The Group also manufactures and distributes third party brands in Jamaica and internationally. The Food Trading segment operates primarily in Jamaica, the Caribbean, Central America, North America, Africa, the United Kingdom, and several European countries.

FINANCIAL SERVICES

This comprises our commercial banking, general insurance, insurance brokerage, investment banking, remittance, cambio and payment services businesses.

Our financial services subsidiaries presently operate within the English-speaking Caribbean.



Our Vision.

“To be a Global Consumer Group, delivering long-term consumer and shareholder value through brand building and innovative solutions in food and financial services, provided by highly skilled and motivated people.”

Our Vision embodies the focus of GraceKennedy's team, grounded in our firm commitment to our stakeholders:

OUR STAFF: We will promote teamwork, mutual respect, care, open communication, empowerment and accountability.

OUR CUSTOMERS AND CONSUMERS: We will maintain high product and service standards as we honour our commitments.

OUR SHAREHOLDERS: We will provide our shareholders with competitive rates of return over the medium-to long-term.

OUR COMMUNITIES: We will be a socially responsible, caring and environmentally conscious corporate citizen.

OUR CREED: We will operate with Honesty, Integrity and Trust.

Our Mission.

"To deliver the taste and experience of Jamaican and other international foods to the world, and leading financial services to our region."

Our Executive Committee utilises the Balanced Scorecard tool to evaluate and monitor Group performance. The Balanced Scorecard, as applied in GraceKennedy, focuses on Learning and Growth, Internal Processes, Customer, and Financial Objectives.

- ♦ **LEARNING AND GROWTH:** Our team is critical to our success. This segment of the Balanced Scorecard monitors the relationship with our team. We, therefore, monitor retention and development of the team, as well as staff engagement. To better gather insights into what is important to our employees, we carried out our first employee engagement survey during 2017. This will be conducted annually and is expected to be a strengthening of our previous employee satisfaction survey.
- ♦ **INTERNAL PROCESSES:** The focus of this aspect of our scorecard is to increase the efficiency of our internal business processes and strengthen risk management within the Group.
- ♦ **CUSTOMER:** Critical to our strategy, is our focus on the customer and consumer. This is central to the delivery of our products and services, and as such, the Group consistently monitors customer experience and service levels to ensure that we anticipate the needs of our customers and consumers, delighting them in all segments of our business.

Performance Measurement.

- ♦ **FINANCIAL OBJECTIVES:** The focus of this aspect of our scorecard is to assess how well the Company's strategy, implementation, and execution have maximised shareholder value. The key metrics evaluated, relate to our revenue strategy and productivity levels. The Group carefully monitors revenue earned through existing and new markets, our ability to translate revenue to profit, and our allocation of capital. These measures are in keeping with the Group's long-term vision to provide investors with a competitive return on equity.

Key Expectations for 2017 - How We Did.

During 2017, we embarked on several strategic initiatives aimed at strengthening our market position and improving efficiencies. A summary of our performance is below.

2 0 1 7 R E P O R T C A R D

GOALS

STATUS



Accelerating the introduction of digital products/channels to ensure that our customers can have seamless user experiences

Significant investments were made in technology aimed at enhancing the customer's overall experience.

GK MPay, which allows users to conduct various transactions using their mobile phones, was launched with an initial focus on engaging customers and building awareness in the market. First Global Bank increased the number of intelligent teller machines available for its clients' use in keeping with its goal to be number one in convenience. During 2017, the Group did significant work to build the foundation for digital products and channels to be released during 2018.



Improving operational efficiency through the use of technology

In 2017, First Global Bank optimised Flexcube, its core banking software, in order to automate more services and improve productivity and service delivery. Hi-Lo Food Stores, our retail supermarket chain of stores in Jamaica, invested in an Enterprise Resource Planning (ERP) software which streamlined processes and strengthened operational efficiency throughout all the stores. Elsewhere in our Food Trading segment, we continued the rollout of Electronic Data Interchange (EDI) with large customers in North America and the United Kingdom, which automates the ordering, invoicing and payment processes.



Strengthening the Domestic Food operations through increased customer engagement, improvements to the distribution centre, and investment in our retail stores

The domestic food operations improved brand affinity with our younger consumers through the "Go Hard" promotional campaign, and event sponsorships such as the ISSA/GraceKennedy Boys' and Girls' Athletic Championships (Champs).

Hi-Lo remains focused on providing its customers with a great shopping experience, focusing on delivering on its FS5 promise to its customers—Fresh Stores, Full Shelves, Frequent Savings, Fast Service and Friendly Smiles. During 2017, we completed the renovation of the Hi-Lo Portmore, St. Catherine location. The distribution centre, which is located in Spanish Town, St. Catherine, is to be expanded during 2018 to accommodate the growth in our domestic food business.

2 0 1 7 R E P O R T C A R D

GOALS

STATUS



Executing our financial inclusion strategy through agency banking channels to target the unbanked and underbanked

The GraceKennedy Financial Group's focus on expanding financial inclusion, increasing use of technology and delivering innovative and convenient solutions to meet the needs of our customers was the key driving force for our financial businesses during 2017. To enhance this focus, the GK ONE initiative was launched on 10 November 2017. This initiative will allow customers to conduct banking, insurance, bill payment, remittance, investments and cambio services at selected locations islandwide. During December 2017, First Global Bank (FGB) received its licence to pursue Agent Banking Activities from the Bank of Jamaica, and will actively roll-out this agency banking model in 2018.



Extending our financial services reach in the Caribbean through entry into new countries

During 2017, our rebranded Eastern Caribbean operation, GK Insurance Eastern Caribbean Limited, was launched in St Vincent and the Grenadines and is licensed to operate in two additional Eastern Caribbean islands, Antigua and Grenada.



Optimising our distribution channel in the United States through increased investments in warehousing and logistics, and a focus on building brand equity for the La Fe and Grace brands

In 2017, we utilised third-party logistics operators to assist in optimising the distribution network across the business, and continued to work closely with them to achieve improved efficiencies in that regard. We continue to assess the best strategic options to optimise our warehouse operations going forward and expect to make great strides in this regard in 2018/2019. The re-launch of the La Fe Brand is now slated for 2018, in addition to the launch of a global campaign for the Grace Brand, which has already started.



Pursuing growth opportunities in Europe and building on already established platforms in the region

Europe reported 27% growth over 2016. The key markets of operations are Germany, Holland, France and Italy. Plans are in place for 2018 to make Spain a priority market within Europe.



Strengthening the Group's talent pool by identifying, planning, and developing skill-sets to support global expansion

Greater emphasis has been placed on cross-company and cross-border assignments for overseas exposure and cultural immersion. We have leveraged and dedicated more resources to three of GraceKennedy's internal development programmes: the Diamonds Programme, Senior Leadership Development Programme, and Supervisory Development Programme.

2017 Financial Performance

Revenue grew by 4.8% to total \$92.48 billion for the year. Pre-tax profit showed a decline of 4.7% which was primarily due to hurricane-related claims on our Insurance segment, lower non-operating gains and reduced foreign exchange gains. The performance of the Insurance segment was off-set by the Banking & Investments and Food Trading segments. Net Profit for the Group increased by 5.2% due to the recognition of tax credits under Jamaica's Urban Renewal (Tax Relief) Act related to the construction of the Group's Corporate Headquarters in downtown Kingston. Non-controlling interest for the year increased by 23.7%, representing a change from \$530.32 million in 2016 to \$656.00 million in 2017, while profit attributable to shareholders increased from \$4.00 billion to \$4.12 billion, representing a 2.8% increase.

Total assets grew by 2.8% or \$3.51 billion, moving from \$126.48 billion in 2016 to \$129.99 billion in 2017. During the year, the Group's liabilities remained relatively flat while the capital base grew by 8.0%. Capital comprised shareholders' equity of \$45.22 billion and non-controlling interest of \$1.79 billion. Return on equity for 2017 was 9.4% compared to 10.0% for 2016, while earnings per share increased from \$4.04 to \$4.15.

How We Earned

The Group's revenue growth was driven by increases in revenue in all segments, except Money Services, which showed a marginal decline. The Banking & Investments segment reported the highest growth rate of 7.1%, followed by Food Trading and Insurance, which showed growth rates of 5.5% and 0.2% respectively. Food Trading continues to be the dominant contributor to revenue accounting for 78.5% of total Group revenue.

Other income decreased by 12.4% during the year, due to lower non-operating gains and reduced foreign exchange gains.

Statement of Financial Position Review

During 2017, the increase in the Group's asset base was mainly attributable to an increase in receivables, primarily due to reinsurance recoverables related to Hurricanes Irma and Maria, and the growth in the Food Trading segment relating to the Consumer Brands acquisition. Other asset lines, including loans receivables and fixed assets, showed an increase primarily due to the growth of First Global Bank's loan portfolio, the construction of the Corporate Headquarters, and the renovation of Hi-Lo stores respectively.

The Group increased its use of debt in 2017, resulting in a debt-to-equity ratio of 36.5%, compared with 31.5% in 2016. This increase in debt is due to the increased use of external funding for the Banking & Investments segment, as well as borrowings, to finance the construction of our Corporate Headquarters. First Global Bank (FGB) increased its customer deposit base and reduced its use of securities sold under repurchase agreements. Bank and other loans increased by 24.7% to total \$16.52 billion, while deposits grew by 9.4% to total \$33.53 billion.

The Group's equity base increased by 7.5% during the year to total \$45.22 billion in 2017, compared with \$42.06 billion in 2016. The capital growth for the Group in 2017, was mainly driven by an increase in retained earnings of 9.5%. Non-controlling interest increased by 21.3% to total \$1.79 billion in 2017, due to improved profitability of the GK Remittance Services Group, in which GraceKennedy has a 75% shareholding.

Shareholder Return

GraceKennedy's stock price recorded an 8.8% increase on the Jamaica Stock Exchange (JSE) during 2017, closing at \$43.84 on 31 December 2017 (\$40.29 on 31 December 2016). The Group also increased its dividend payment during the period by 11.0% with a dividend pay-out of over \$1.12 billion.

The stock as at 31 December 2017, traded at a price-earnings multiple of 10.56 times on the Jamaica Stock Exchange (JSE), an increase over the 2016 multiple of 9.97 times. The stock as at 31 December 2017, traded at 96% of its book value per share of \$45.56, compared with a price-to-book ratio of 95% in 2016.

Segment Analysis

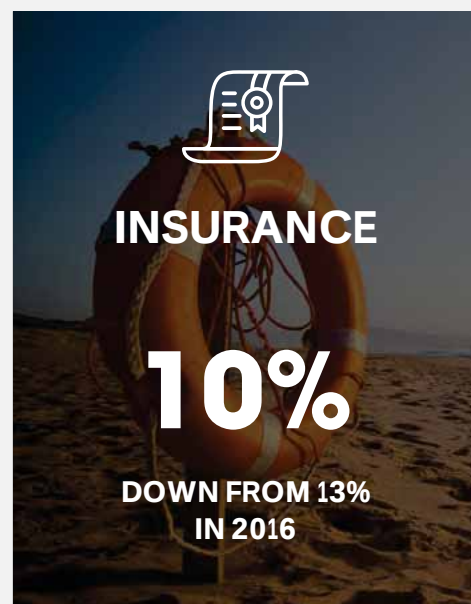
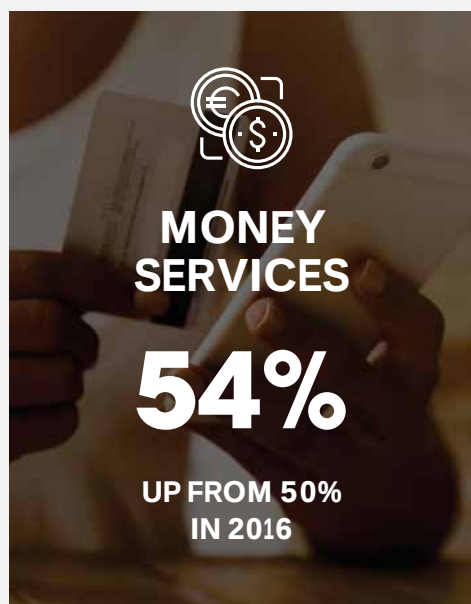
The GraceKennedy Group earns in four major segments: Food Trading, Banking & Investments, Insurance, and Money Services. All segments, with the exception of Money Services, showed an increase in revenue. All segments, with the exception of Insurance, showed an increase in pre-tax profit. The summary segment performance is as follows:

- i. Our Food Trading segment increased by 16.9% in pre-tax profit due to growth in revenue and improved operating margins.
- ii. The Banking & Investments segment experienced an increase of 78.7% in pre-tax profit due primarily to growth in the loan portfolio, higher investment income and gains on securities sold, as well as a reduction in provision for credit losses.
- iii. The Insurance segment experienced a reduction of 28.2% in pre-tax profit due to increased claims following the passage of two catastrophic hurricanes, Irma and Maria, in the Caribbean region.
- iv. The Money Services segment reported a 3.4% growth in pre-tax profit driven by growth in inbound transactions and foreign exchange gains in GraceKennedy (Trinidad and Tobago) Limited and GraceKennedy Remittance Services (Guyana) Limited. Our remittance business in Jamaica was however, adversely impacted by the temporary suspension of operations of some agent locations as a consequence of increased compliance measures and monitoring.

Overall, the Food Trading segment generated the largest share of revenue, accounting for 78.5%, compared with 78.0% in 2016. Pre-tax profit was earned in the following proportions:

- ◇ Money Services : 54%, up from 50% in 2016
- ◇ Food Trading : 27%, up from 22% in 2016
- ◇ Insurance : 10%, down from 13% in 2016
- ◇ Banking & Investments : 12%, up from 6% in 2016
- ◇ Corporate and other : -3%, down from 9% in 2016

SEGMENT ANALYSIS: SHARE OF PRE-TAX PROFIT



Food Trading Segment

The Food Trading segment experienced improvement in both revenue and pre-tax profit. Revenue was primarily driven by our Jamaican, Canadian, and United States food distribution businesses and Jamaican retail business. Our domestic food business was the major source of profitability for this segment.

JAMAICA

We currently operate in the Jamaican market through our distribution and retail business units namely Grace Foods and Services, World Brands Services, and Consumer Brands Limited, as well as our supermarket chain Hi-Lo Foods Store. These business units are supported by our five factories located across Jamaica, including Grace Food Processors (Canning), Grace Food Processors, National Processors, and Grace Agro-Processors, as well as Dairy Industries (Jamaica) Limited, which is an associated company.

Our total Jamaican Food Trading subsidiaries reported growth in both revenue and pre-tax profit for 2017. Sales of our core Grace products, including Vienna Sausages, Coconut Milk Powder, Frankfurters, Ketchup and Mackerel, showed an increase in case volumes and were the key drivers of revenue growth. We maintained market leadership in the majority of our core product markets. Revenue from our Grace Corned Beef was negatively affected by the temporary ban on corned beef from Brazil that took place during the first half of 2017. This temporary ban led to an over J\$500 million reduction in sales of our Grace Corned Beef. The health and safety of consumers remain of primary importance to us. We have always, and will continue to ensure that suppliers conform to internationally recognised food safety standards, including the British Retail Consortium Standard (BRC). Our value brand, Caribbean Choice, did well during the year as price-sensitive consumers continue to see the value in this brand. New products that were launched in 2017, included Grace Food Drink and Grace Fully Cooked Bone-In Picnic Ham.

World Brands Services (WBS) recorded a decline in revenue, but an increase in pre-tax profit when compared to 2016. This decline in revenue was mainly attributable to our discontinuing the SM Jaleel portfolio of beverages early in 2017. During the year, WBS became the sole distributor for Lucozade and received awards for Top Sales Growth Performer and Best Local Market Implementer from Schweppes International Limited, the manufacturer of Lucozade. Effective promotional activities throughout the year, as well as strong relationships with our principals and customers, have resulted in the growth of some of our principal brands.

Our newly acquired distribution subsidiary, Consumer Brands Limited, contributed to both improved revenue and profitability performance for the Food Trading segment. The Proctor & Gamble line of products is a natural fit with our existing principal brands and we expect to see continued strong growth in this portfolio for 2018.

Hi-Lo Food Stores continued to reap the benefits of the renovation exercise with revenue growth being strongly supported by our renovated Fairview, Montego Bay location. The renovation of our Portmore location during 2017, negatively impacted sales for that location. However, since the completion of the renovation, we have received positive feedback from our customers and continue to see improvement in sales. Our newly renovated Barbican store in St. Andrew, was affected by major road works which commenced in the fourth quarter of 2017, and is expected to continue into 2018. Our renovated stores have created a more appealing and comfortable environment for our shoppers, and we have recorded an increase in customer count from these locations. Our focus on fresh produce and meats continues to be our competitive advantage. We will remain focused on the renovation process for the remaining stores with the goal of becoming the number one supermarket chain in Jamaica.

Our Jamaican manufacturing division showed an increase in both revenue and pre-tax profit. Strong demand for our products, both in Jamaica and internationally, contributed to the positive performance. Grace Vienna Sausages and 'This is Really Great!' Yogurt continue to be strong performers with sales surpassing that of 2016. The successful hedging in the world raw material market positively contributed to the manufacturing division's performance by allowing our factories to remain price competitive. During the year, we acquired a plant in Denbigh, Clarendon, which is expected to open up new opportunities in agro-processing and exports. The factories remain focused on maintaining and improving their international certification for food safety management, investing in upgrading their facilities, as well as improving efficiency.



INTERNATIONAL MARKETS

The international Food Trading subsidiaries showed mixed results with our operations in the United States and Canada showing improved performance over 2016, whereas our operation in the United Kingdom, Grace Foods UK, showed a reduction in profitability. Significant strides were made in 2017, in terms of utilizing a more unified approach to brand growth and development across the Group. We believe this will be valuable as we continue to manage a portfolio of global brands across multiple markets with some of our notable brands, specifically: Grace, Dunn's River, Nurishment, Aloe, Encona, La Fe and Caribbean Choice.

Grace Foods (USA) LLC experienced growth in both the Grace and La Fe brands, and other principal brands. Sales of our Grace patties, which were introduced during the year; coconut products; and the re-imaged Grace Tropical Rhythms; led the Grace-owned brand category growth. Growth in principal brands was led by the introduction of Yaucono, a premier Puerto Rican coffee brand, across the subsidiary's network and the expansion of sales of Power Malt. The subsidiary continues to see an expansion in chain stores sales with an increased number of listings in Walmart, Winn Dixie and Publix. Creating and maintaining strong and lasting ties with the Hispanic and Caribbean communities is a key focus area for this subsidiary as we seek to be a brand of choice for these expanding market segments.

GraceKennedy (Ontario) Inc., was renamed Grace Foods Canada Inc. during 2017. The subsidiary had a good year, recording growth in both revenue and pre-tax profit. Sales to key chains, including Walmart and Loblaws, contributed positively to this outcome as did the effective implementation of key strategic initiatives such as the subsidiary's Western Canada expansion, and strengthened focus on coconut products. Our role as Walmart's Category Advisor - Caribbean and Ethnic, has provided a great opportunity to strengthen and expand our relationship with Walmart. The subsidiary performed well despite supply challenges with Corned Beef. The listings secured in Costco business centre continues to show good growth prospects, as well as the investment in the third-party logistics warehouse in Western Canada, which has already resulted in new listings within key retailer, Sobeys West.

Our Food operations in the United Kingdom experienced some challenges during 2017. The subsidiary's key product, our Grace-owned, Nurishment brand of nutritionally enriched milk, experienced a reduction in sales. We have strengthened the marketing support behind this brand and expect to see a recovery in sales for this product during 2018. During 2017, the Encona brand performed well with new listings and the Encona Limited Edition Carolina Reaper Chilli Sauce continuing to drive growth. The Dunn's River Brand also had strong performance, driven by its expanded seasonings range. Grace Aloe retained its number one position in the market, despite competitive pressures. Our operations in Europe recorded growth over 2016. In light of the expected changes from Brexit, growth in Europe through the establishment of our own operations within the European Union, remains a key objective which we expect to realise in 2018.

GK Ghana's performance during 2017 did not meet our expectations. Our operation in Ghana remains strategically important and we are relooking at the business model to determine the most efficient structure for our operations.

GraceKennedy (Belize) Limited experienced a decline in both revenue and pre-tax profit. Newly introduced products such as Roma Hot Chocolate and Grace Pasta are showing great potential for 2018.

GF LACA, our division responsible for food distribution in the Caribbean and Latin America, delivered marginal growth in both revenue and pre-tax profit with revenue being positively impacted by sales to Guatemala, a new market that we entered during 2017. The division was affected by the temporary ban on corned beef imported from Brazil, which impacted sales in several of our markets. Since the lifting of the ban, we are seeing a recovery in these markets. In addition to this, our markets in St Maarten, British Virgin Islands and Dominica were significantly affected by the passage of Hurricanes Irma and Maria. Following the passage of Hurricanes Irma and Maria, the GraceKennedy Group responded immediately to appeals through the donation of food items and cash donations to the Western Union Foundation.

The business continued to seek growth across the Caribbean and Latin America.

As a Group, we have created a healthy food roadmap which will focus on providing alternatives with reduced sugar and sodium. This will expand our healthy alternative product portfolio, which already includes Grace Low Sodium Corned Beef and Grace No MSG Cock Soup mix. Our primary focus is to meet the needs of our consumers, wherever they may be, by providing convenient food solutions and healthy food alternatives.

Financial Services Segments.

INSURANCE, BANKING & INVESTMENTS AND MONEY SERVICES

The Financial Services segments showed growth in both revenue and pre-tax profit. Pre-tax profit for all three segments showed an overall increase of 4.3%, moving from \$4.24 billion in 2016, to \$4.42 billion in 2017. This increase in profit was driven by the performance of both the Money Services and Banking & Investments segments. Revenue showed an overall increase of 2.4% over 2016. The Money Services segment reported a decline in revenue, while the Insurance segment showed a decline in pre-tax profit.



INSURANCE

The Insurance segment reported an increase in revenue and a decline in pre-tax profit over 2016. During the latter half of 2017, two Category 5 hurricanes swept across portions of the Eastern Caribbean, causing significant damage to several countries, including the Turks and Caicos and Dominica, where we operate. This impacted the profit performance of our underwriting business which operates in both these countries. GK General Insurance Company Limited recorded double-digit growth in its motor business and successfully launched a new micro-insurance product, RemitCare. RemitCare offers truly innovative coverage, and is a personal accident insurance policy which provides remittance payments to a receiver in the event that the sender sustains any bodily injuries caused by a covered accident, which lead to either disability or death. The product was designed in response to the fact that remittance is a major source of income for many Jamaicans. The product is available through GraceKennedy Payment Services Limited.

In keeping with the segment's rebranding strategy, our Eastern Caribbean operation, EC Global, was renamed GK Insurance Eastern Caribbean Limited (GKI-EC). GKI-EC recorded growth in pre-tax profit, driven by the performance of its motor portfolio. The subsidiary also officially launched operations in St Vincent and the Grenadines, and is licensed to operate in two additional Eastern Caribbean islands, Antigua and Grenada.

Allied Insurance Brokers Limited recorded a decline in pre-tax profit primarily due to reduced commission income.



BANKING & INVESTMENTS

The Banking & Investments segment achieved growth in revenue and pre-tax profit over prior year. First Global Bank (FGB) reported growth in revenue over prior year, primarily due to higher net interest income stemming from the increase in size of the loan portfolio and higher investment income. FGB further enhanced its product portfolio by launching its mortgage product to the public during the year. The Liguanea branch is one of our new fully automated model of branches equipped with Video Teller Machines (VTM) and Automated Teller Machines (ATM). ATM and VTM transactions increased by 130% and 20% respectively over 2016. Profitability was further driven by strong loan delinquency management. FGB continued its thrust to safeguard cardholders from counterfeit fraud by being one of the first banks in Jamaica to introduce EMV (Chip) cards for both its debit and credit products. We also introduced a Chip and PIN solution for our debit Visa product, and a Chip and Signature solution for our credit

products (Classic, Gold, and Platinum). In 2017, FGB continued its network expansion strategy with the opening of three locations: one full service branch in Portmore, outfitted with a video teller machine and an intelligent deposit ATM; and two mini-branch satellite locations, branded as First Global Money Link in Santa Cruz, St Elizabeth and Cross Roads, St. Andrew. First Global Money Link is FGB's financial inclusion initiative, designed for underbanked Jamaicans. We welcomed Peter Moses, who has been appointed Chairman of the Board of FGB. Mr Moses is a well-known and highly respected career banker, who served for many years as Citibank's Country Manager in Jamaica.

For the year 2017, GK Capital Management and GK Investments reported a combined increase in revenue, but a decline in pre-tax profit. The subsidiaries executed well on their strategic focus of expanding the existing core business, while introducing new revenue lines. GK Investments led the structuring, arranging and establishment of a facility at the Central Sorting Office, which involved the renovation and refurbishment of approximately 60,000 square feet for leasing to a major Business Process Outsourcing provider based in the United States. Within the energy sector, GK Capital Management is leading the financing and development of a cogeneration natural gas power plant for The University of the West Indies, Mona Campus, which will generate significant energy savings annually for the University. In 2017, GK Capital Management continued to grow both its fixed income and equities businesses. The credit portfolio grew by 79% during the year, and positively impacted revenue growth through material increases in net interest income. The equities business saw a 20% increase in revenue growth over 2016, with positive incremental contributions from stockbrokerage commissions and proprietary investments. During the second quarter of 2017, the subsidiary expanded the range of services that it offers to include institutional asset management.



MONEY SERVICES

The Money Services segment reported marginally lower revenue, but slightly higher pre-tax profit when compared to 2016. The performance of the segment was affected by decreased transaction volumes from our Jamaican remittance operations. This was offset by the strong performance of our Trinidad and Guyana money services operations. GraceKennedy Remittance Services Limited (GKRS) remained the dominant player in the Jamaican remittance market and continues to be strategically focused on protecting its market-leader position, increasing market share, identifying opportunities for expansion, and enhancing delivery of services through digitisation. GraceKennedy Money Services (GKMS) received approval to carry-out remittance operations in Bahamas in 2017. We commenced operation in Bahamas in January 2018. GKMS and Western Union temporarily suspended money transfer services in some agent locations in Jamaica during 2017, in an ongoing effort to increase oversight for the protection of our customers while strengthening compliance efforts throughout our network of agencies. By the end of 2017, GKRS was able to reopen eight of the ten locations where services had been suspended. In December 2016, the Bank of Jamaica (BOJ) approved GKMS' mobile wallet application. The product, GK MPay, was launched to the general public in February 2017, providing the convenience for Jamaicans to carry out payments and other money services on their mobile phones. While this product has not met our expectations to date, we will be enhancing its product offering to better meet the total needs of our customers.

On 11 December 2017, the Judicial Committee of The Privy Council handed down its judgment in the matter of Paymaster Jamaica Limited's claim against GraceKennedy Remittance Services Limited (GKRS), which was commenced in 2000. The Privy Council ruled unanimously in favour of GKRS, allowing our appeal and dismissing Paymaster's counter appeal.

Our money services businesses have developed a robust programme to detect and deal with money laundering and other fraudulent schemes. These activities are a real risk to the money services industry and to our economy,

and we remain vigilant in establishing strong measures and putting in place the right processes, technology and infrastructure to reduce the impact of these on our business. We remain committed to meeting all our regulatory responsibilities, following best practices and market standards in areas of accountability, transparency and business ethics.

Where We Earn

Revenue by Geographical Area (J\$ Millions)	2013	2014	2015	2016	2017	2017 % Contribution to Revenue
Jamaica	43,041	37,497	40,248	45,344	47,657	51.5%
North America	9,042	14,205	19,744	22,218	24,023	26.0%
Europe including UK	11,165	14,282	14,290	14,058	13,862	15.0%
Other Caribbean countries	3,798	4,538	5,248	6,339	6,673	7.2%
Africa	79	183	96	164	125	0.1%
Other countries	133	134	116	145	135	0.1%
Total	67,258	70,840	79,742	88,268	92,476	100%

GraceKennedy's vision of being a Global Consumer Group includes achieving 60% of our revenue outside Jamaica. For 2017, our Group generated 49% of its revenue outside Jamaica, a similar portion to that of 2016.

North America accounted for a larger share of our revenue, 26.0% in 2017 compared to 25% in 2016, as revenue increased by 8.1% for 2017 over 2016. This is due to the growth in revenue from both the Grace and the La Fe brands through GraceKennedy Foods (USA) LLC and Grace Foods Canada.

Revenue from the European (including UK) markets accounted for 15.0% of revenue in 2017, compared to 15.9% in 2016. This is primarily due to lower sales from our Grace Foods UK operations, stemming from reduced sales of our Nurishment product.

Corporate Social Responsibility

GraceKennedy's core values are grounded in the firm commitment to be a socially responsible, caring and environmentally conscious corporate citizen. As such, GraceKennedy believes that its own success must be matched by the growth of its staff, the people of the communities in which its businesses are located, and also in the growth of its home base, Jamaica.

GraceKennedy Foundation

The GraceKennedy Foundation is one of the channels through which the Company contributes to nation building. In keeping with its mission, the Foundation focuses on contributing to national development through the areas of education and environmental stewardship.

EDUCATION

Collectively, the portfolio of projects embraces public education and discourse, tertiary and secondary level training with emphasis on the former, and early childhood education with specific project areas being: the Annual Lecture Series; scholarship and bursary programmes; funding of professorial chairs at The University of the West Indies; investment in early childhood education through the STEAM Programme, and the Birthright Programme.

The 2017 GraceKennedy lecture was delivered by Dr Michael Abrahams, obstetrician gynaecologist and comedian on 8 March 2017. Dr Abrahams took an insightful and scholarly approach to the complex subject, "Humour, Laughter and Life", identifying the benefits of laughter in promoting health and well-being. In selecting the topic for the lecture, the Foundation sought to tackle a subject that would contribute to an understanding of the coping skills of the Jamaican and Caribbean psyche in the face of rapidly escalating crime and economic hardship.

In 2017, the Foundation invested just under \$20 million in scholarships to 84 students for study at the tertiary level. Additionally, the Foundation awarded 48 merit scholarships, previously known as bursaries. There were five first-time recipients of full scholarships and 13 renewals. Eighteen students received final-year scholarships, including two enrolled at the Caribbean Maritime University.

The Foundation, on 14 September 2017, awarded \$1.6 million to 27 children under the Carlton Alexander Memorial Awards for the 2017/2018 academic year. High school students from Grades 7 to 11, received J\$40,000 each; students in Sixth Form received \$70,000 for each of their two years; and students attending tertiary-level institutions received a bursary of \$100,000 each year.

The Foundation continued to fund two professorial chairs at The University of the West Indies (UWI)—the Carlton Alexander Chair in Business Management and the James S. Moss-Solomon Chair in Environmental Management in the amount of \$11 million annually.

The Chairs continued to be proactive and creative in exploring appropriate solutions to address the vulnerabilities faced by the region by successfully developing and fostering partnerships locally and internationally in the areas of research, innovation and community development.

Professor Ian Boxill undertook a number of important research initiatives and analyses for both public and private sector bodies, including, the Jamaica Manufacturers' Association, the Electoral Office of Jamaica, and the Edna Manley College of the Visual and Performing Arts. The results of the recently completed study, "Towards a more sustainable tourism in the historic town of Falmouth", were presented at the United Nations World Tourism Organization (UNWTO) Conference on Sustainable Development, held in Montego Bay in November 2017.

The Foundation forged a partnership with the Dudley Grant Memorial Trust on a new early childhood education project with the objective of encouraging children between the ages of 3 and 6-years to develop an interest in science, technology, engineering, arts and mathematics (STEAM). In January 2017, a pilot project was started, involving basic and infant schools and infant departments in the community surrounding the GraceKennedy Parade Gardens STEM Centre in downtown Kingston, to train teachers and parents of young children on how to teach science in an exciting way. In preparation for their work with the children, teachers and parents attended workshops showing them how to utilize the STEM Centre effectively to assist with learning objectives, to make learning easier and more fun.

The 2017 Birthright Programme saw Menelik Graham, a freshman at Princeton University (USA); Matthew Robinson, a junior at Georgetown University (USA); Cleveland Douglas, a sophomore at Imperial College (UK); and Tianna Thomas, a junior at Brock University (Canada), visiting Jamaica between 5 July and 7 August 2017. The programme afforded these second-generation Jamaican university students internships in their chosen career paths at GraceKennedy, while also exposing them to a dynamic cultural experience through a range of activities.

ENVIRONMENT

The work of the James Moss-Solomon Snr Professor in Environmental Management Chair, Professor Dale Webber, is the Foundation's primary contribution to environmental stewardship. In 2017, the Chair continued to make critical contributions to important areas of research, innovation, teaching and outreach for the enhancement of the Jamaican environment. Much of the work of the Centre for Marine Research, which falls under the auspices of the Chair, conducted by Professor Mona Webber and her team, focused on the rehabilitation and protection of various aspects of the coastal and marine environment including the island's mangrove stock and coral reefs.

Since 2013, the GraceKennedy Foundation has participated in six beach clean ups and collected more than 2,200 lb of plastic and 4,153 lb of garbage in total.

The recycling programme, which was introduced in the GraceKennedy Group in 2014, continues to engage the interest and commitment of staff. In 2017, the eight subsidiaries involved in the programme collected 21,541 lb of plastic. Since 2014, over 48,000 lb of plastics has been collected among the subsidiaries. Students at nine secondary and tertiary level educational institutions have also been trained and are coordinating recycling initiatives at their respective schools.

Grace and Staff Community Development Foundation

Through partnerships and the kind support of GraceKennedy's staff, the Foundation continues to impact thousands of lives through contributions to education and community development. The benevolence of staff extends to their volunteering with the Foundation. Over 200 staff participated in the various activities carried out during the year, supporting community development in the areas that we live and work, including the parish of Clarendon, as GraceKennedy expands within this area.

Approximately 500 tertiary and secondary students received tuition and bursary support during the year, amounting to over J\$10 million. Another 750 students benefited from the Science, Technology, Engineering, and Mathematics (STEM) programmes at our Youth Development Centres.

Over 3,000 participants supported the ninth staging of the GraceKennedy Education Run on 9 July 2017. The event yielded a surplus of over \$3 million in support of our bursary and tuition programmes.

In contributing to other areas of empowerment, growth, and development, another J\$13 million was invested in projects and donations. This allowed for further exposure of our early childhood institutions within the Central Kingston and Rae Town communities to benefit from a new STEM programme. Schools across different communities benefited from educational tours, children and community treats, and Labour Day projects, and we continued our quarterly contribution to the Rae Town Salvation Army Geriatric Clinic. Sustained support is also available to community development committees and local community based organisations. Partnerships and collaborations resulted in the successful hosting of summer camps and the growth of our STEM Club.

The Grace and Staff Community Development Foundation continues to make contributions to community dialogue and development through strategic partnerships and involvement with public organisations such as the Social Development Commission and the Planning Institute of Jamaica.

Sports

Recognising the potential of sports as a channel of opportunity, hope and development for young people, GraceKennedy has partnered with Inter-Secondary School Sports Association (ISSA) through its sponsorship of the ISSA/GraceKennedy Boys' and Girls' Athletics Championships and the ISSA/Grace All-island Schoolboy Cricket Competitions. This funding contributes to better preparation of and exposure for emerging athletes. Excelling in sports is a gateway for many young people, including those from rural and poor communities, to access scholarships, tertiary education and careers in track as well as other fields.

Risk Management and Internal Controls

Risk is inherent in all business activities. It is not always possible or desirable to eliminate all risk in developing and executing business strategies. However, there are some risks that can and should be managed. It is therefore critical that all events, whether they are risks or opportunities, are properly identified, measured and managed, in order to minimise losses and maximise opportunities.

GraceKennedy's business activities span diverse industries, cultures and geographies, and to mitigate against inherent risks, the Group maintains a comprehensive risk management strategy inclusive of a Board-approved framework, regular reviews, policies, standards and testing. The sections below outline GraceKennedy's risk management governance structure.

GraceKennedy Risk Management Framework

GraceKennedy Limited initiated an Enterprise-Wide Risk Management (ERM) programme in 2012. Since then, the risk management framework (RMF) has been continuously reviewed and strengthened. In its current form, it provides a common basis for the ongoing identification, assessment, management, monitoring and reporting of risk. Elements of the RMF include:

- ◊ An approved Risk Policy that governs the management of the Risk Management Framework and outlines the risk management responsibilities of the GraceKennedy Board of Directors, Audit Committee and Management;
- ◊ A Risk Appetite Statement that defines the boundaries within which the Management, Executive Committee and Board of Directors will pursue the strategic objectives of the Group. At the subsidiary level, a risk appetite statement defining the acceptable level of risk;
- ◊ A governance framework that supports formal reporting by company executives on topical risk and control issues, control self-assessments and the results of internal and external audit reports;
- ◊ Monitoring mechanisms that help provide assurance to the Audit Committee and Board about the maintenance of internal controls;
- ◊ The Risk Assessment Reporting Standard that identifies the mandatory requirements relating to risk assessment and mitigation;
- ◊ The Risk Assessment Guidelines that outline how all areas of the business must identify, evaluate, manage, monitor, and report on risks on an ongoing basis;
- ◊ Tools and methodologies that allow for the nimble identification and reporting of material risks to the GraceKennedy Executive Committee, the Business Unit Audit Committees, the Group Audit Committee, and the Board of Directors;
- ◊ Self-Audit Guidelines and accompanying tool kit that has been designed to encourage the Group's subsidiaries and support units to proactively identify and act quickly on process and control weaknesses;
- ◊ Continuous risk and compliance training and reinforcement at the board, executive, and strategic business unit (SBU) levels.

Risk Management Governance

The GraceKennedy Board is ultimately accountable for determining the Group's risk profile and ensuring that management has appropriate policies and internal controls in place. The Board has charged the Group Audit Committee with the responsibility for overseeing the Risk Management Programme on its behalf, in accordance with its Terms of Reference. The Audit Committee holds six regular meetings per year and inquires of management and assurance providers about significant risks or exposures. It also assesses the steps management has taken to minimise the risks to the GraceKennedy Group. The Group operates within the Three Lines of Defence operating model, and through this, ensures adequate processes are in place across the Group to capture, measure and assess risk data.

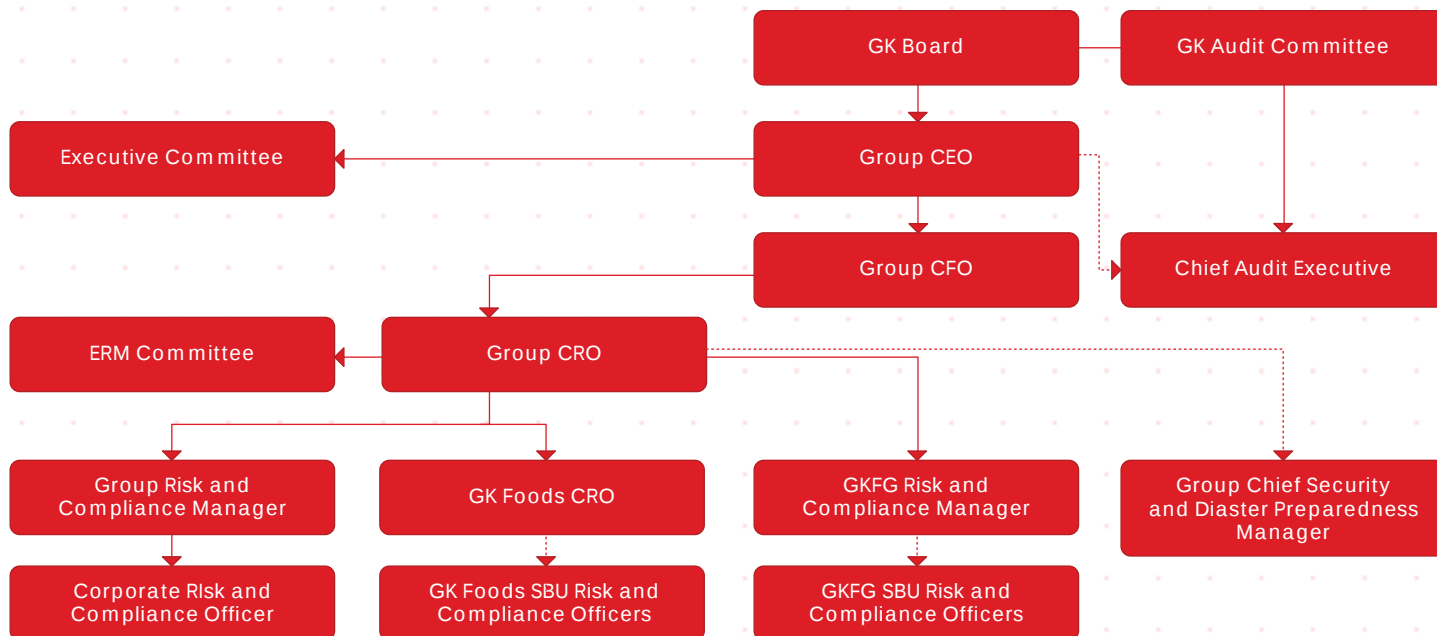
THE THREE LINES OF DEFENCE

GraceKennedy's first line of defence in managing risk is its management. Management is responsible for identifying, assessing, quantifying, reporting, and managing all risks within the lines of business. They are accountable to the Board for designing, implementing, and monitoring the risk policy and the process of risk management and integrating it into the day-to-day activities of the Group. They ensure alignment of business strategy with corporate culture, appetite, and policy.

The Group's risk management and compliance team provides the second line of defence and is responsible for creating a framework in which the management and staff can deliver on the Group's strategy while still managing the risks that accompany the opportunities available. The Enterprise Risk Management Committee is chaired by the Group Chief Risk Officer and its mandate is to provide oversight of the implementation and operation of the Group's risk management framework. The ERM Committee meets five times a year and monitors the progress of the Group's ERM programme.

The third line of defence, is the Group Internal Audit Department, which is charged with providing independent, objective assurance by delivering an objective evaluation of the risk and internal control framework of the Group. Group Internal Audit's assessment of internal controls is based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Framework, and all audits are conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2017 GraceKennedy Risk Structure



Milestones and Challenges in 2017

To support GraceKennedy's vision of being a Global Consumer Group by 2020, the Risk Management and Assurance functions of the Group have to be robust and flexible enough to act as an enabler in the execution of the Group's strategy. As such, in 2017, the Group actively pursued four risk management initiatives:

- ✦ Capacity-building of the Risk and Compliance team across the Group, specifically around emerging risks, effective control testing, self-audit techniques and root cause analysis;
- ✦ Engagement across the Group to proactively communicate with all members of staff about their roles and responsibilities in managing risk, and to conduct on-going training of staff in the use of the risk management tools;
- ✦ Enhancing compliance management across the Group;
- ✦ Further due diligence on possible Governance Risk and Compliance software solutions to enhance the efficacy of the Group's ERM programme.

Key Risks

GraceKennedy operates in various geographical regions across several industries. The Group monitored the following external risks quite carefully throughout 2017:

- ✦ Loss of key banking relationships in the financial services industry across the developing world and effects this loss may have on GraceKennedy;
- ✦ The rapid disruption of established industries by digitalisation (4th industrial revolution);

- ◊ The effects that terrorism, mass migration and climate change may have on supply chain management and expansion plans;
- ◊ Changing consumer needs or preferences around healthier food products and digital channels for its financial products;
- ◊ The rise of populism and changes that it brings to the political, economic and environmental landscapes in the markets in which the Group operates.

Risk assessments are done both at the Group level and by the individual subsidiaries, where keen monitoring of identified risks is undertaken. The Group operates within the financial services sector as well as food manufacturing and distribution. These areas have their own unique risk considerations. The major risks affecting the Group are strategic, operational, insurance, credit, liquidity, and market risk. These are briefly defined below:

STRATEGIC RISK

As the Group pursues its strategic objectives, both internal and external forces could prevent the achievement of these overall strategic imperatives. Risks which could impede GraceKennedy's ability to achieve its strategic objectives, are referred to as strategic risks. The management of same is critical to the enterprise-wide risk management effort, as successful strategic risk management protects shareholder value by ensuring the business has properly assessed potential pitfalls to the Group Strategy. Risk management is a valuable partner in the Group's annual strategic planning sessions, at the subsidiary, segment and Group levels, and conducts regular assessment's throughout the year to ensure continued relevance.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The Group's Risk Management Framework supports the mitigation of Operational Risk by establishing the standards for assessment, management, monitoring, and the provision of assurance that the risk and internal controls frameworks are operating as intended. Each subsidiary is required to implement a comprehensive Business Continuity Plan to ensure that in the event of a hazard that disrupts operations, the business will recover in the shortest possible time. The Group ensures that all employees are held accountable for managing the risk and internal control environment with regular audits by our internal audit department. Employees are also empowered to raise concerns of breaches of policies and procedures through an independent whistleblowing protocol.

INSURANCE RISK

Within the GraceKennedy Group, factors that increase insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location. Management maintains an appropriate balance between commercial, personal policies and type of policies based on guidelines set by the Board of Directors. Insurance risk arising from the Group's insurance contracts is, however, concentrated within Jamaica. Within the solvency requirements of the insurance regulators, an appropriate reinsurance programme has been established to reduce exposures in all classes of business thereby reducing capital exposure to an acceptable level, using very highly rated international reinsurers. The Insurance segment is also seeking to diversify risk through regional expansion.

CREDIT RISK

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from customers, agents, the amounts due from reinsurers, amounts due from insurance contract holders and insurance brokers, lending and investment activities. There is also credit risk in off-statement of financial position financial instruments, such as loan commitments. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to geographical and industry segments.

Credit-related commitment risks arise from guarantees which may require payment on behalf of customers. Such payments are collected from customers based on the terms of the letters of credit. They expose the Group to similar risks to loans and these are mitigated by the same control policies and processes.

LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month, respectively, as these are key periods for liquidity management. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Research and Treasury departments which carry out extensive research, and monitor the price movement of financial assets on the local and international markets. Market risk exposures are measured using sensitivity analysis.

CURRENCY RISK

Currency risk refers to when the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Canadian dollar and the UK pound sterling.

Foreign exchange risk arises from future movements of the exchange rate associated with various currencies which impact commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk is managed by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The GraceKennedy Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency

translation risk. Currency exposure arising from the net assets of foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

INTEREST RATE RISK

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed rate instruments expose the Group to fair value interest risk.

The GraceKennedy Group manages interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments and also manages the maturities of interest bearing financial assets and liabilities. The respective Boards within the Group set limits on the level of mismatch of interest rate re-pricing that may be undertaken. As interest rates globally remain depressed, effective management of interest rate risk will be critical to maximise profits.

Group Internal Audit.

Management and directors acknowledge their overall responsibility for maintaining and establishing systems of internal control for the Group and for reviewing the effectiveness of these controls. These controls which are designed to assist in the evaluation, management and mitigation of risk to achieving business objectives provide reasonable assurance against misstatement or loss.

As an integral part of the Group's corporate governance structure, the Group Internal Audit Department and its activities are guided by its Charter as approved by GraceKennedy Limited (the Board), to whom it reports independently (through the Audit Committee) on the effectiveness of the governance structure and risk management framework and further provides independent, objective assurance by delivering an objective evaluation of the risk and internal control framework of the Group. This includes reviews of the operational and financial performance, key business, strategic and enterprise-wide risks as well as the compliance framework of the Group.

The Group's system of internal control is based on the control criteria, COSO Internal Control Framework. The system is designed to provide reasonable assurance that:

- ◊ Transactions are appropriately authorised and recorded;
- ◊ Assets are safeguarded;
- ◊ Accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with accounting principles generally accepted.

Group Internal Audit's assessment of internal controls is based on the standards set by COSO. This model evaluates the internal control measures adopted by management, with all audits being conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. Further, management continues to maintain these internal controls through self-audits and ongoing monitoring.

Internal Audit meets regularly with the various Subsidiary Audit Committees throughout the Group as well as with the Group Audit Committee, providing information on key risks identified during the course of the audits along with the implementation status of recommendations made. The Group Audit Committee met seven (7) times in 2017.

The Group Audit Committee oversees the Internal Audit function, reviewing Internal Audit's assessment of the adequacy and effectiveness of the Group's internal controls, compliance with legal, statutory, regulatory and other requirements, and management of risk. The Audit Committee's composition meets the independence and skill requirements of the Group's Corporate Governance Code. Control issues identified through the work of the internal and external auditors are reviewed by and discussed with the Audit Committee. The Committee, during the course of its activities, also received reports from various members of management on significant accounting and tax, legal, regulatory, risk, fraud, and whistleblowing-related matters, as well as matters pertaining to information technology and security. The Group Audit Committee Chairman also reports to the Board on all significant issues considered by the Committee.

The Terms of Reference of the Group's Audit Committee are reviewed annually by the Committee and approved by the Board. The various Audit Committees of the Group have oversight responsibility for:

- i. Reliability and integrity of the accounting principles and practices, financial statements and other financial reporting;
- ii. Internal audit functions of the subsidiaries and the Group;
- iii. Risk management functions and processes of the subsidiaries and the Group;
- iv. Qualifications, independence and performance of the external auditors of the subsidiaries;
- v. System of internal control and procedures established by Management and reviewing their effectiveness;
- vi. Group's compliance with legal and regulatory requirements.

GraceKennedy's commitment to internal controls, ethics and integrity are reinforced through our GraceKennedy Code of Ethics, Anti-Fraud and Whistleblowing policies, and use of our whistleblowing hotline.

SIGNIFICANT ACTIVITIES AND MILESTONES

Internal Audit continued to improve its quality and effectiveness during 2017, with a focus on continuous improvement, greater use of technology to drive efficiency and continued client support and relationship building. The activities in 2017 included on-going internal quality assurance and peer reviews, as well as programmes of continuous education and exposure for the department.

During 2017, we had the External Quality Assessment of our unit, which is undertaken every five years by Group policy; this was completed by the Institute of Internal Audit (USA) in March 2017. The Institute opined in its final report dated 31 May 2017 that our Internal Audit Department "generally conforms to the standards and definitions of internal audit." This is the highest quality rating issued by the Institute.

OTHER SIGNIFICANT ACTIVITIES OF 2017 INCLUDED INTER ALIA:

- ◊ Formulated and agreed with the Audit Committee, the audit plan, strategy and scope of work; ensuring the annual internal audit plan is designed to assist in attaining the Group's strategic objectives;
- ◊ Reviewed compliance with internal policies, procedures and standards, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control system;
- ◊ Conducted assurance reviews, as well as analysed and assessed certain key business processes, and made recommendations to improve their effectiveness and efficiency;
- ◊ Reviewed the adequacy and effectiveness of management's processes for risk management, internal control and governance;
- ◊ Reviewed the internal audit charter for possible modification and approval by the Audit Committee;
- ◊ Reviewed means of safeguarding the Group's assets;
- ◊ Coordinated audit efforts with those of, and provided support to the external auditors;
- ◊ Provided consultative support to management by way of reviews, preparation of thought-leadership research articles and newsletters, fraud awareness training initiatives and support provided prior to, and post major system implementations, to evaluate the extent to which adequate controls have been incorporated in the respective systems;
- ◊ Presented training opportunities and provided exposure to internal controls for business unit team members by facilitating short-term rotation opportunities to work in internal audit;
- ◊ Facilitated rotation of Internal Auditors in the business to increase business knowledge.

FOR 2018, THE FOCUS OF THE INTERNAL AUDIT DEPARTMENT CONTINUES TO BE:

- ◊ Continuous Risk Assessment, Enhancing Risk Management and Governance practices;
- ◊ Addressing Key Stakeholder Priorities;
- ◊ Optimising Internal Audit Processes and Resources;
- ◊ Leveraging Technology Efficiently.

With an overriding vision to enhance partnerships in delivering business excellence and align with the Group's strategic objectives, Group Internal Audit also provided support through various consulting engagements throughout the year which included special reviews and investigations. At the end of 2017, Group Internal Audit had conducted some 89 audits, with significant focus on Compliance, Cyber Security, Food Safety and the general control environment.

Our People.

We celebrate our people as our greatest asset and competitive advantage. In recognition of our 95th anniversary, there were special engagement initiatives for the year, including the CEO's Excellence Awards to showcase and acknowledge persons across the world in the categories of Leadership, Service and Support, Sales, and Spirit of GraceKennedy.

The strategic shift from assessing Employee Satisfaction to Employee Engagement has provided a clearer insight into levels of commitment and satisfaction across the Group. This move was critical, in light of the reliance on our people assets to sustain and support GraceKennedy's strategy.

As the Group continues on its journey towards improving operating efficiencies across all business segments, we have been identifying, planning, and developing the skill sets required in tandem with leveraging talent across subsidiaries and borders. One example of this was the streamlining of our marketing capabilities under one umbrella for our foods and financial subsidiaries. Our internal development programmes are tailored to meet the needs of our subsidiaries. Our Diamonds Programme, which predominantly targets the millennial generation, was launched in 2016. Participants of the inaugural cohort had the opportunity to make presentations and recommendations to the Executive Committee at the start of 2017. We are proud of this programme and how it develops the thoughts and minds of our candidates for succession management. The Supervisory Development Programme (SDP), which provides training to employees who are being groomed to undertake supervisory responsibilities, has highlighted impeccable innovation within the Group. Participants of the Senior Leadership Development Programme (SLDP) demonstrate the highest advancement rates in the Group at 78%, advancing to levels up to, and including, Business Unit Heads. One of the SLDP projects has formed a part of the Group's Digitalisation Strategy, which will support cross-selling and thereby strengthen our competitive advantage.

We welcomed 92 new team members from the acquisition of Consumer Brands in September 2017.

Future Outlook

Certain statements contained in the Management Discussion & Analysis of financial condition and results of operations are forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industries, businesses and future financial results. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in other sections of this Annual Report.

Throughout 2017, the GraceKennedy Group continued to execute on our mission, making progress toward our strategic objective of delivering long-term consumer and shareholder value. The Financial Services segment was able to expand its physical reach with GraceKennedy Money Services (GKMS) entering The Bahamas, its twelfth regional market; GK Insurance establishing operations in St Vincent and the Grenadines, and receiving approval for operations in two additional Caribbean countries, Antigua and Grenada; and FGB opening three new locations. The Food Trading segment was able to strengthen its current standing in the local market through partnerships and acquisitions while entering new channels and markets overseas. Plans for 2018 will be guided by our vision of becoming a Global Consumer Group and a Regional Financial Group. To realise our vision, we have developed a cohesive strategy across the following four pillars of success:

- ◇ Growth and Sustainability
- ◇ Customer Centricity and Innovation
- ◇ Operational Excellence
- ◇ Performance-driven Organisation

GROWTH AND SUSTAINABILITY

After a strategic review of the Group's Vision and Mission statements, the GraceKennedy Executive Management team decided to make two important revisions to our Mission statement from 2018 onwards. We recognise that for truly sustainable growth, capturing the heart of the customer is paramount and as customer expectations change, so should our approach. The first change acknowledges that we aim to not only be known for exceptional taste and flavour, but also for memorable and immersive culinary experiences. Secondly, our food operations now distributes products across a variety of international cuisines around the world. Our revised Mission statement better reflects this broader scope.

Across our Food Trading and Financial Services segments, we will work towards solidifying our presence in the Jamaican market while building our brand in other territories. Plans include First Global Bank increasing its footprint islandwide by opening more satellite branches and agency locations. GK Capital Management, the Group's investment management and advisory arm, will seek to attract new clients through the addition of new products. GK Insurance will be pursuing the registration of operations in other regional countries while introducing

additional products to its clients. GKMS will also be exploring opportunities to grow its retail network and build out GK MPay's ecosystem through strategic alliances.

On the International food side, we will pursue new markets, channels, and partnerships in Latin America and the Caribbean, North America and Europe. In Canada, we will expand our distribution arm into Western provinces and increase product offerings to the market. A major initiative for GK Foods (USA) LLC will be the launch of the La Fe brand refresh campaign with a new logo, packaging, and a focus on engaging our retail partners and consumers. For our Ghanaian operations, we will be assessing the best way to improve the distribution of Grace products throughout the country. In the United Kingdom, we will reinforce our presence with the Jamaican diaspora through consumer engagement and marketing, while building our brand in Europe. Plans for our Jamaican food business includes the completion of expansion work at our distribution centre and the new frozen foods factory in Denbigh, Clarendon which will begin production later this year. These initiatives are aimed at increasing our product offerings and the efficiency of our distribution process.

CUSTOMER CENTRICITY AND INNOVATION

The focus on serving our customers remains central to GraceKennedy's strategy and is evident in this year's theme, "Delivering Consumer and Shareholder Value through Innovative Solutions". In 2018, the Financial Services segment's initiatives will be centred on delivering a more unified customer experience both in our physical and digital channels. Our first step towards the goal was achieved in 2017, with the opening of the first GK ONE location. GK ONE allows customers to conduct banking, insurance, bill payment, remittance, investment, and cambio services at a single location. GK ONE satisfies our strategic goals to promote financial inclusion and increase cross-selling throughout the GraceKennedy Group. Throughout the year, there will also be enhancements to, and the introduction of new digital channels of each subsidiary to ensure that the customer has a fully integrated experience.

The Foods Trading segment launched a new global campaign, "Flava with a Beat", which highlights the global appeal of Jamaica's culture to celebrate the wide array of products offered by GraceKennedy Foods. This new theme with a refreshed, energetic vibe, encapsulates our mission of delivering the experience and great taste of our products to the consumer. Throughout 2018, we will be launching new products in various markets that seek to satisfy consumers' needs. Our new Denbigh factory will play a role in this plan through the production of frozen foods aimed at providing nutritious, convenient products for the market. As we work towards our goal of being a marketing-led organisation, we will continue to utilise our Group loyalty programme, GraceKennedy Value Rewards, as a business intelligence hub to garner insight about our customers so we can anticipate changing needs and provide innovative solutions.

OPERATIONAL EXCELLENCE

Consistently delivering value to both our consumers and shareholders requires a commitment to improving efficiency across all levels of the organisation. GraceKennedy will strengthen its operational excellence through the use of technology and the implementation of cost transformation initiatives to ensure an agile, efficient and high-performing corporate structure. In 2018, GraceKennedy Money Services will be automating several processes to increase productivity and improve service delivery to our customers. In our factories, we will be implementing process improvements and exploring automation to reduce waste and increase production output. First Global Bank will also continue to optimise its core banking software, Flexcube, in an effort to enhance customer experience.

PERFORMANCE-DRIVEN ORGANISATION

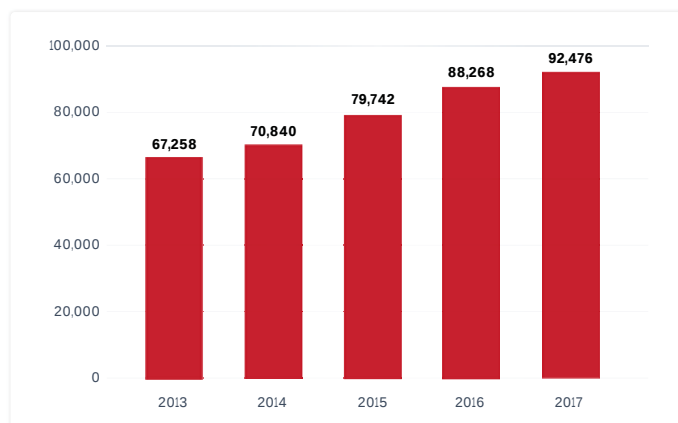
Creating a results-driven culture, where employees are aligned to the Group's vision and strategy, and are motivated to excel, is the base of the Group's success. The continued engagement of our employees is key, and we constantly seek ways to improve performance-based rewards and recognition and ensure accountability. Career development is also a major focus of the Group as we aim to provide the necessary resources to help individuals grow within their chosen field. As GraceKennedy expands, we recognise that our employees are our most valued assets, and we will develop our talent pool ensuring that we have the right skill-set to flawlessly execute our mission across the globe.

KEY EXPECTATIONS FOR 2018

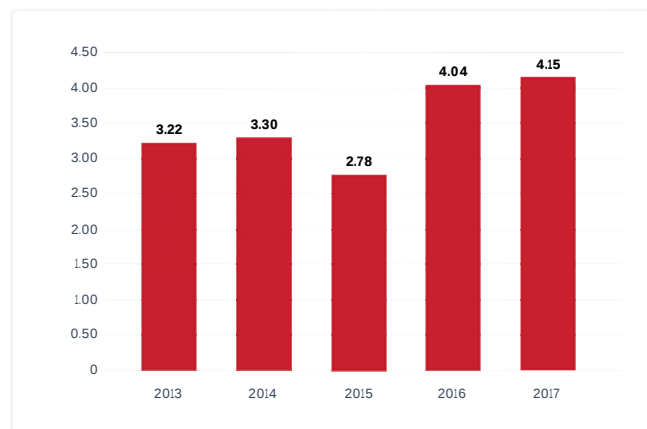
- ◊ Executing a cross-selling strategy geared at marketing our wide range of products and services to existing and potential customers;
- ◊ Introducing new products and channels within the Financial Services segment and extending our financial services reach in the Caribbean through entry into new countries;
- ◊ Investing in the Grace-owned brands, including La Fe, to solidify our current standing in the local market and provide a platform for marketing efforts in other territories;
- ◊ Executing our financial inclusion strategy through GK ONE, agency banking, and GK MPay to target the unbanked and underbanked;
- ◊ Deploying new digital products and channels and increasing the services offered through current digital channels to improve customer experience;
- ◊ Completion of the construction of Corporate Headquarters in downtown Kingston, Jamaica and the realisation of further benefits under Jamaica's Urban Renewal (Tax Relief) Act;
- ◊ Achieving greater operational efficiency throughout the GraceKennedy Group through the use of technology and the implementation of cost transformation programmes to ensure an agile, efficient, and high-performing corporate structure;
- ◊ Executing on the results of our Employee Engagement survey: Total Rewards, Meaningful Work, People Management, Positive Work Environment, Growth Opportunity, and Trust in Leadership.

Revenue

(J\$ MILLIONS)

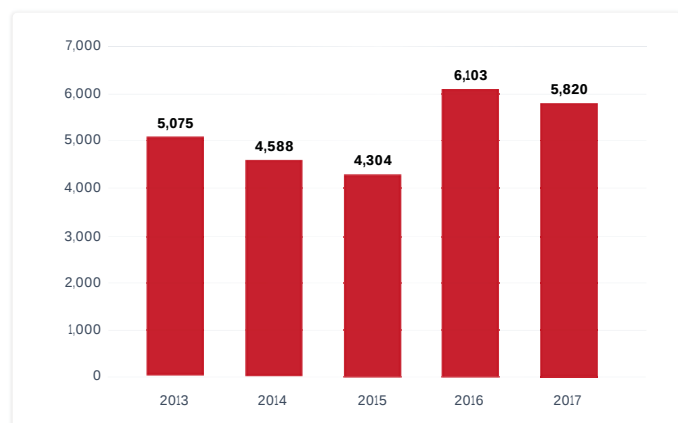


Earning Per Stock



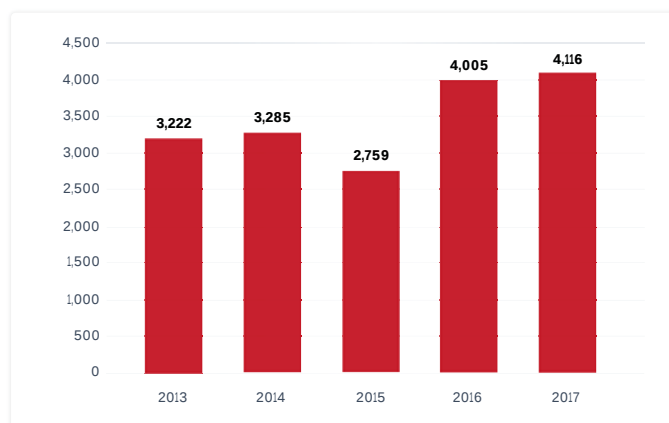
Profit Before Tax

(J\$ MILLIONS)



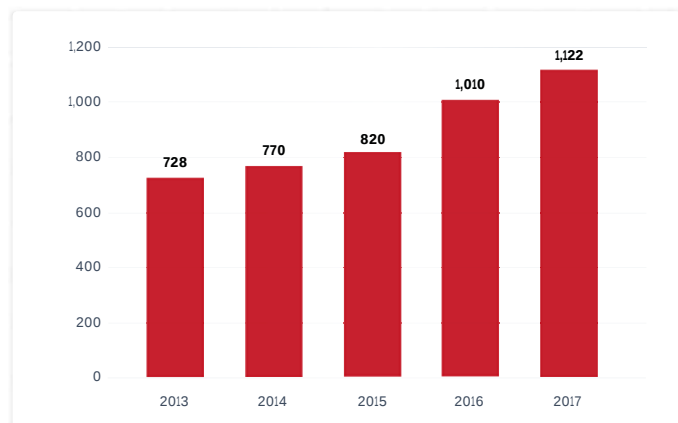
Net Profit Attributable to Stockholders

(J\$ MILLIONS)



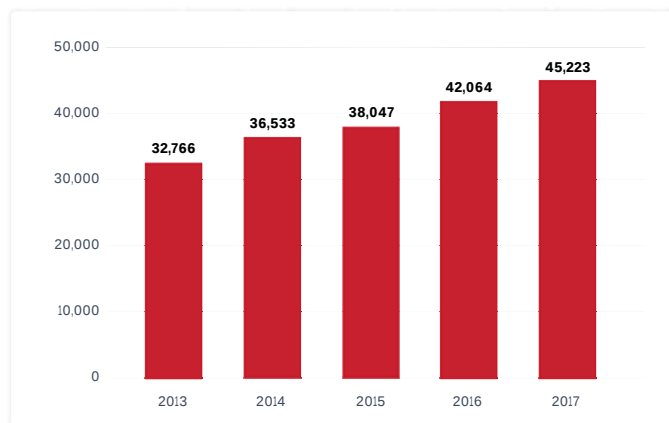
Dividend

(J\$ MILLIONS)

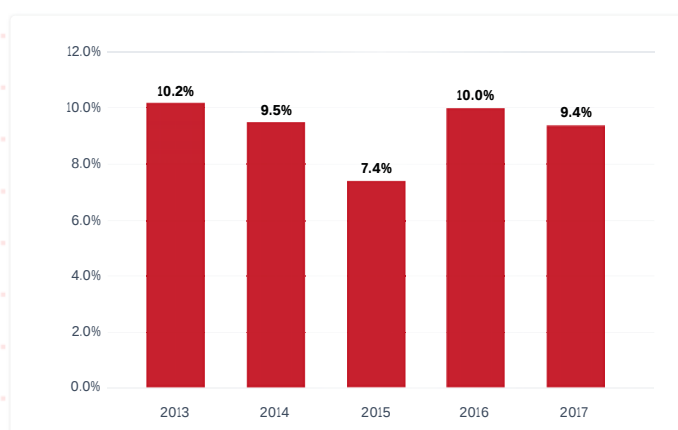


Shareholders' Equity

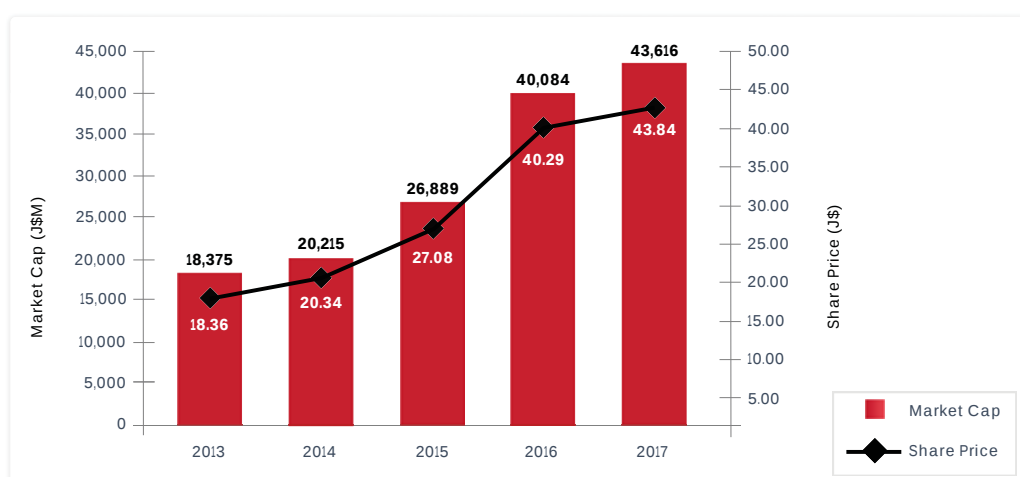
(J\$ MILLIONS)



Return on Equity

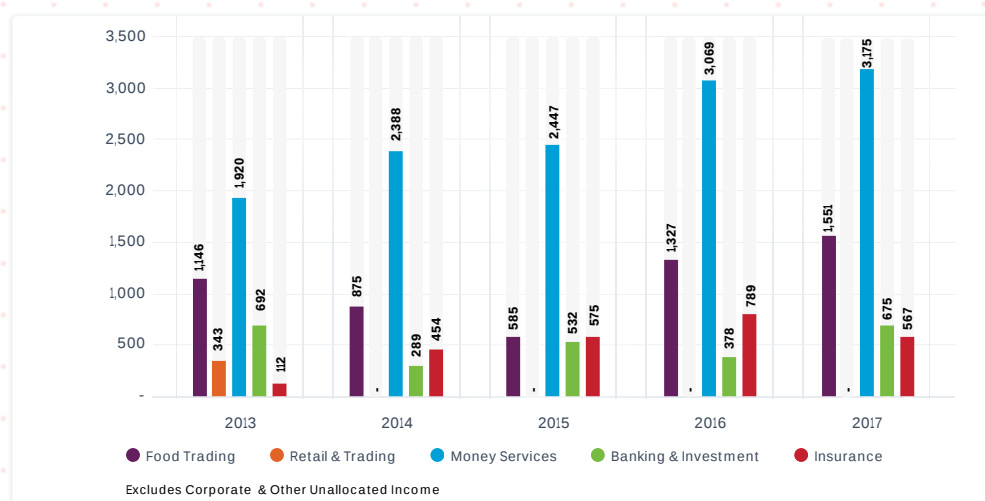


Market Capitalisation



Contribution to Pre-Tax Profit by Segment

(J\$ MILLIONS)



SECTION 06

Leadership Team & Corporate Data.

Board of Directors

AS AT 1 MARCH 2018



Gordon V. Shirley, OJ

Chairman, GraceKennedy Limited. President & Chief Executive Officer of the Port Authority of Jamaica.

Chair of GraceKennedy's Compensation Sub-Committee and Member of GraceKennedy's Corporate Governance & Nomination Committee.



Donald G. Wehby, CD

GraceKennedy Group Chief Executive Officer.



Mary Anne V. Chambers, O.Ont., MSM

Retired bank executive, former Ontario Cabinet Minister (Canada) and a resident of Canada. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee.



Joseph P. Esau

Consultant on new project financing and mergers and acquisitions and a resident of Trinidad & Tobago. A member of GraceKennedy's Corporate Governance & Nomination Committee.



Frank A. R. James

GraceKennedy Group Chief Financial Officer.



Parris A. R. Lyew-Ayee Jnr

Director of the Mona GeoInformatics Institute and Senior Lecturer at The University of the West Indies, Jamaica. A member of GraceKennedy's Audit Committee and Corporate Governance & Nomination Committee.



Everton L. McDonald, OD

Financial Consultant and retired Public Accountant. Chairman of GraceKennedy's Audit Committee, a member of the Corporate Governance & Nomination Committee and Compensation Sub-Committee.



Douglas R. Orane, CD, JP

Retired company executive, member of GraceKennedy's Corporate Governance & Nomination Committee, Audit Committee and Compensation Sub-Committee, and Chairman of the Boards of Trustees of the GraceKennedy Pension Schemes.



Gina M. Phillipps Black

Attorney-at-law and Partner in the law firm, Myers Fletcher & Gordon. Chair of GraceKennedy's Corporate Governance & Nomination Committee.

Directors & Corporate Data

AS AT DECEMBER 31, 2017

DIRECTORS

Professor The Hon. Gordon V. Shirley, OJ
Chairman

Donald G. Wehby, CD
Group Chief Executive Officer

Mary Anne V. Chambers, O.Ont., MSM

Joseph P. Esau

Frank A. R. James

Dr. Parris A. R. Lyew-Ayee Jnr

Everton L. McDonald, OD

Hon. Douglas R. Orane, CD, JP

Gina M. Phillipps Black

AUDITORS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Kingston, Jamaica

ATTORNEYS

DunnCox
48 Duke Street
Kingston, Jamaica

BANKERS

The Bank of Nova Scotia Jamaica Limited

Citibank N.A.

FirstCaribbean International Bank (Jamaica) Ltd.

First Global Bank Limited

National Commercial Bank Jamaica Limited

CORPORATE SECRETARY

Gail Moss-Solomon

REGISTERED OFFICE

73 Harbour Street
Kingston, Jamaica

REGISTRAR & TRANSFER OFFICE

GraceKennedy Limited
73 Harbour Street
Kingston, Jamaica

WEBSITE

www.gracekennedy.com

GraceKennedy Limited Senior Management

AS AT MARCH 1, 2018

CORPORATE OFFICE

Donald Wehby, CD

Group Chief Executive Officer

Frank James

Group Chief Financial Officer

Cassida Jones

Group Chief Human Resources Officer

Gail Moss-Solomon

General Counsel & Chief Corporate Secretary

Steven Whittingham

Chief Investment Officer

Klao Bell-Lewis

Head of Corporate Communication

Radcliffe Daley

Chief Audit Executive

Cathrine Kennedy

Group Chief Risk Officer

Andrew Messado

Group Comptroller

Michael Ranglin

Executive Chairman, GraceKennedy Properties Limited

Simon Roberts

Group Chief Information Officer

Andrew Ho

Senior General Manager, Manufacturing

Naomi Holness

Senior Human Resources Business Partner

Stanley Beckford

Chief Risk Officer

Debra Dodd

Divisional Chief Financial Officer

Dianne Robinson

Chief Supply Chain Officer

Zak Mars

Head of Innovation & Global Sourcing

Angeline Gillings

Managing Director, Grace Foods Limited

DAIRY INDUSTRIES (JAMAICA) LIMITED

Andrew Ho

General Manager

GK FOODS & SERVICES LIMITED

Ryan Mack

Managing Director

Andrew Wildish

General Manager, Grace Food Processors (Canning) Division

Radcliffe Walker

General Manager, Grace Food Processors Division

Renee Nathan

General Manager, Hi-Lo Food Stores Division

Dave Mitchell

General Manager, National Processors Division

Tamara Garel Thompson

General Manager, World Brands Services Division

GK FOODS

FOODS DOMESTIC

Ryan Mack

Chief Executive Officer, GK Foods Domestic

Tamara Garel Thompson

General Manager, Consumer Brands Limited

Taji Alleyne

General Manager, Grace Agro-Processors Division

FOODS INTERNATIONAL

Andrea Coy

Chief Executive Officer, GK Foods International Business

Danielle Longman

Head of Planning & Strategy, GK Foods International Business

GRACEKENNEDY FOODS (USA) LLC.

Derrick Reckord

President & Chief Executive Officer

Gavin Jordan

Chief Financial Officer

Ricardo Bryan

Senior Vice-President, Northern USA

David Hernandez

Senior Vice-President, Brand, Marketing & Business Development

Carl Barnett

Senior Vice-President, Manufacturing

Alberto Young

Vice-President, Southern USA

Denise Spencer

Vice-President, Human Resources

GRACEKENNEDY (BELIZE) LIMITED

Gilroy Graham

Executive Chairman

GRACE FOODS CANADA INC.

Lucky Lankage

President

Jack Zhu

Chief Financial Officer

GRACE FOODS LATIN AMERICA AND CARIBBEAN (GF LACA)

Stephen Saddler

Regional Business Manager

GRACE FOODS UK LTD

Adam Reader

Managing Director

Brian Mitchell

Chief Financial Officer

George Phillips

General Manager Export

GRACEKENNEDY GHANA LIMITED

Robert Walker

General Manager

GK FINANCIAL GROUP

GRACEKENNEDY FINANCIAL GROUP LIMITED

Grace Burnett

Chief Executive Officer

ALLIED INSURANCE BROKERS LIMITED

Amanda Beepat

Managing Director

GK GENERAL INSURANCE COMPANY LIMITED

Grace Burnett

Managing Director

Andrew Leo-Rhynie

General Manager

GK INSURANCE BROKERS LIMITED

Marie Beckford

General Manager

GK INSURANCE (EASTERN CARIBBEAN) LIMITED

Grace Burnett

Managing Director

FIRST GLOBAL HOLDINGS LIMITED

Grace Burnett

Chief Executive Officer

FIRST GLOBAL BANK LIMITED

Mariame McIntosh Robinson
President & Chief Executive Officer

GK CAPITAL MANAGEMENT LIMITED

Steven Whittingham
Managing Director

GK INVESTMENTS LIMITED

Steven Whittingham
Managing Director

GRACEKENNEDY MONEY SERVICES (CARIBBEAN) SRL

Michelle Allen
Chief Executive Officer

GRACEKENNEDY PAYMENT SERVICES LIMITED

Margaret Campbell
Country Manager

GRACEKENNEDY CURRENCY TRADING SERVICES LIMITED

Margaret Campbell
Country Manager

GRACEKENNEDY REMITTANCE SERVICES LIMITED

Margaret Campbell
Country Manager

GRACEKENNEDY REMITTANCE SERVICES (GUYANA) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY (TRINIDAD & TOBAGO) LIMITED

Donald Edwards
Country Manager

GRACEKENNEDY MONEY SERVICES (BVI) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (ANGUILLA) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (ANTIGUA & BARBUDA) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (MONTSERRAT) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (ST KITTS & NEVIS) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (ST VINCENT) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (CAYMAN) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (TURKS & CAICOS) LIMITED

Coleen Patterson
Country Manager

GRACEKENNEDY MONEY SERVICES (BAHAMAS) LIMITED

Coleen Patterson
Country Manager

SIGNIA FINANCIAL GROUP INC *

Paul Ashby
Chief Executive Officer

**Associated Company*

Executive Management.



Donald Wehby, CD
Group Chief Executive Officer.



Grace Burnett
Chief Executive Officer,
GraceKennedy Financial Group.



Andrea Coy
Chief Executive Officer,
GraceKennedy Foods
International Business.



Frank James
Group Chief Financial Officer.



Cassida Jones
Group Chief Human
Resource Officer.



Ryan Mack
Chief Executive Officer, GK Foods
Domestic Business.



Mariame McIntosh Robinson
President & Chief Executive
Officer, First Global Bank Limited.

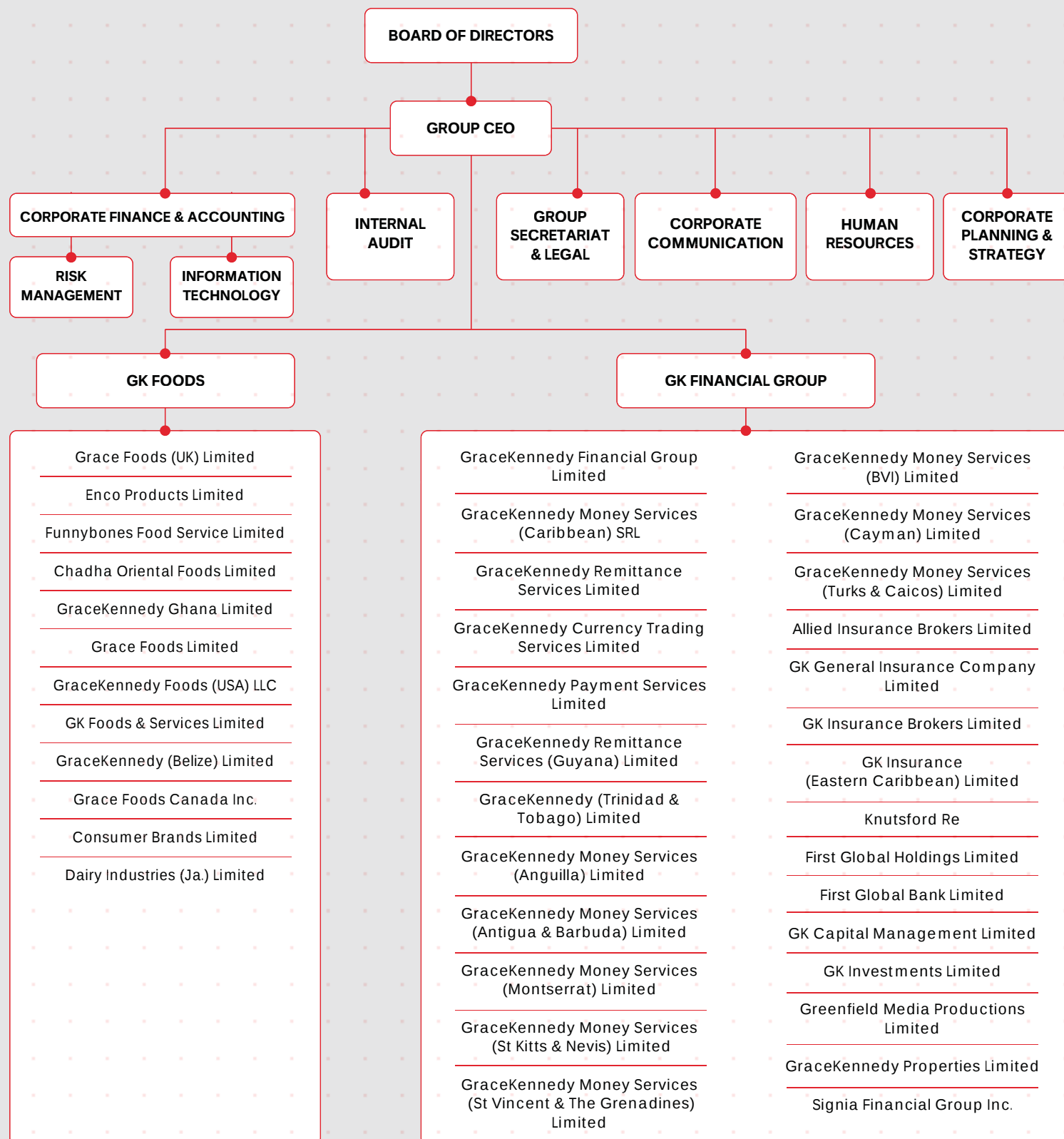


Gail Moss-Solomon
General Counsel & Chief
Corporate Secretary.



Steven Whittingham
Chief Investment Officer.

GraceKennedy Limited Organisational Chart



Shareholdings of Directors.

AS AT DECEMBER 31, 2017

ORDINARY STOCK UNITS OF NO PAR VALUE	TOTAL	DIRECT	CONNECTED PARTIES
Douglas Orane*	21,385,515	20,500,791	884,724
Donald Wehby*	10,929,855	8,575,248	2,354,607
Frank James	2,241,801	2,241,801	-
Gordon Shirley	641,282	641,282	-
Joseph Esau*	464,109	314,109	150,000
Mary Anne Chambers	196,152	196,152	-
Everton McDonald	198,720	198,720	-
Gina Phillipps Black	148,965	148,965	-
Parris Lyew-Ayee	113,070	113,070	-
TOTAL	36,319,469		

*Includes Stockholdings of connected persons

Shareholdings of Executive Committee Members and Senior Officers.

AS AT DECEMBER 31, 2017

ORDINARY STOCK UNITS OF NO PAR VALUE	TOTAL	DIRECT	CONNECTED PARTIES
Donald Wehby*	10,929,855	8,575,248	2,354,607
Frank James	2,241,801	-	-
Ryan Mack	1,049,871	-	-
Cassida Jones	832,631	-	-
Grace Burnett	622,218	-	-
Andrea Coy	553,313	-	-
Mariame McIntosh Robinson	414,708	-	-
Gail Moss-Solomon	0	-	-

SHAREHOLDINGS OF SENIOR OFFICERS**

Cathrine Kennedy	10,365,869	-	-
Andrew Messado	421,059	-	-
Steven Whittingham	323,409	-	-
Janette Taylor	254,193	-	-
Radcliffe Daley	27,000	-	-
Terry-Ann Graver	0	-	-

Total	16,644,397
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*Includes Stockholdings of connected persons

**Pursuant to applicable Regulatory and Listing requirements.

Stockholders' Profile.

AS AT DECEMBER 31, 2017

	STOCK UNITS	%
Insurance Companies, Trust Companies & Pension Funds	325,717,549	32.74%
Private Individuals	292,891,847	29.44%
Investment Companies/Unit Trusts	173,510,674	17.44%
Others	86,155,700	8.66%
Private Companies	65,708,599	6.60%
Directors & Senior Managers	39,792,210	4.00%
Nominee Companies	10,718,615	1.08%
Publicly Listed Companies	391,698	0.04%
	994,886,892	100.00%

Top Ten Stockholders.

AS AT DECEMBER 31, 2017

	NAME	ORDINARY STOCK UNITS	%
1	Sagicor Pooled Equity Fund	63,823,374	6.42%
2	NCB Insurance Co. Ltd. A/C WT109	54,412,956	5.47%
3	National Insurance Fund	46,090,036	4.63%
4	GraceKennedy Limited Pension Scheme	44,922,201	4.52%
5	ATL Group Pension Fund Trustees Nominee Ltd.	25,404,561	2.55%
6	JCSD Trustee Services Ltd - Sigma Optima	22,006,156	2.21%
7	Douglas Orane	20,500,791	2.06%
8	SJIML A/C 3119	20,019,439	2.01%
9	Michele Marie Kennedy	19,696,716	1.98%
10	FredKenn Limited	16,827,381	1.69%
			33.54%

SECTION 07

Philanthropy.



From left: GraceKennedy Jamaican Birthright interns: Mathew Robinson, Cleveland Douglas and Tianna Thomas; Crystal-Gayle Williams, GraceKennedy Project Officer; GraceKennedy Jamaican Birthright intern, Menelik Graham; and Caroline Mahfood, Executive Director of the GraceKennedy Foundation. During their stay, the interns worked with GraceKennedy in various departments and enjoyed local attractions and events across Jamaica, including: the Rose Hall Great House, Devon House, the Grand Gala, Fort Charles, the Port Royal Marine and Biodiversity Lab, the Bob Marley Museum, Dolphin Cove, Chukka Tours, Appleton Estate Rum Tour, Martha Brae, Frenchman's Cove, Dunn's River Falls and the Green Grotto Caves.

GraceKennedy Foundation.

Board of Directors.

Dr Fred Kennedy, Chairman

Caroline Mahfood, Executive Director/Secretary

U. Philip Alexander

Deidre Cousins

Carol Gentles

Noel Greenland

Cathrine Kennedy

Fay McIntosh

James Moss-Solomon, CD, JP

Allison Rangolan

Radley Reid

Chaluk Richards

Elizabeth Thomas-Hope

Hilary Wehby

Making a positive impact in the areas of Education and the Environment.

The GraceKennedy Foundation continues to represent one of the primary avenues through which our parent company exercises its deep sense of corporate citizenship. In keeping with its mission, the Foundation focuses on contributing to national development through the areas of education and environmental stewardship.

Collectively, the portfolio of projects embraces public education and discourse, tertiary and secondary level training with emphasis on the former, and early childhood education with specific project areas being:

- ◇ Annual Lecture Series
- ◇ Scholarships and Bursaries
- ◇ Professorial Chairs
- ◇ Investing in Early Childhood Education
- ◇ The Birthright Programme

ANNUAL LECTURE SERIES

The 2017 GraceKennedy Lecture was delivered by Dr Michael Abrahams, obstetrician, gynaecologist and comedian. Dr Abrahams took an insightful and scholarly approach to the complex subject, "Humour, Laughter and Life", identifying the benefits of laughter in promoting health and well-being. The lecture was well received at the Jamaica Pegasus on 8 March 2017, and was designed to contribute to an understanding of the coping skills of the Jamaican and Caribbean psyche in the face of escalating crime and economic hardship.

SCHOLARSHIPS AND BURSARIES

In 2017, the Foundation invested just under \$20 million in scholarships to 84 students for study at the

tertiary level. There were five first-time recipients of full scholarships and 13 renewals. Eighteen students received final-year scholarships, including two enrolled at the Caribbean Maritime University, which achieved university status in September 2017. Additionally, the Foundation awarded 48 merit scholarships, previously known as bursaries. Scholarships are tenable at The University of the West Indies, the University of Technology, The Edna Manley College of the Visual and Performing Arts, and the Caribbean Maritime University.

Glendon Taylor (University of Technology Scholar); Akeem Kitson (Rafael Diaz Scholar for a student studying Business at The University of the West Indies); Jachin Mullings (Douglas Orane Scholar for a student studying Science, Technology or Engineering at the The University of the West Indies/University of Technology); Ryan Scott (Edna Manley College of the Visual and Performing Arts Scholar); and Jade Francis, (GraceKennedy/Jamaica Scholar) were the new recipients for 2017.

The GraceKennedy Foundation, on Thursday 14 September 2017, awarded \$1.6 million to 27 children under the Carlton Alexander Memorial Awards for 2017/2018 academic year. High School students, from Grades 7 to 11, received \$40,000; students in Sixth Form received \$70,000 for each of their two years, and students attending tertiary-level institutions received a bursary of \$100,000 each year.



Over 120 volunteers participated in the International Coastal Clean Up activity at the Buccaneer and Gun Boat beaches in Kingston on 16 September 2017. In under two hours, more than 2000 lb of garbage and plastics were removed.

PROFESSORIAL CHAIRS

The GraceKennedy Foundation continued funding of the Carlton S. Alexander Chair in Management Studies and the James Moss-Solomon Snr Chair in Environmental Management at The University of the West Indies (UWI). The Chairs are held by Professor Ian Boxill, who has been in the post since 2010, and Professor Mona Webber, who was appointed on 1 October 2016, respectively. Each Chair is funded by the GraceKennedy Foundation at a value of \$5.5 million per annum.

Among Professor Boxill's research and contributions is a programme with the Sandals Group and Island Tours to identify ways of leveraging Jamaica's attractions, improving the tourist experience, expanding linkages and earning more revenue for the country. He has also conducted a needs assessment with the Jamaica Manufacturing Association to identify ways of building capacity and increasing the effectiveness of the sector.

Professor Mona Webber and her team are engaged in life-giving and possibly life-saving work under the sea. Her focus is on the impact of pollution on marine health and includes special investigation of the contents found in the stomachs of fishes found in Jamaica's waters. Already discovered is that some fish are consuming toxic microplastics. Her research will have far-reaching implications for the livelihood of fishermen and the health of consumers of seafood.

INVESTING IN EARLY CHILDHOOD EDUCATION

The Foundation forged a partnership with the Dudley Grant Memorial Trust on a new early childhood education project with the objective of encouraging children between the ages of three and six years to develop an interest in science, technology, engineering, arts and mathematics (STEAM) in the future. In January 2017, a pilot project, involving basic and infant schools and infant departments in the community surrounding the GraceKennedy/Parade Gardens STEM Centre in downtown Kingston, was started to train teachers and parents of young children on how to communicate science in an exciting way. In preparation for their work with the children, teachers and parents attended workshops showing them how to utilize the Science, Technology, Engineering and Mathematics (STEM) Centre effectively to assist with learning objectives to make learning easier and more fun.

BIRTHRIGHT PROGRAMME

The 2017 Jamaican Birthright Programme saw Menelik Graham, a freshman at Princeton University; Matthew Robinson, a junior at Georgetown University; Cleveland Douglas, a sophomore at Imperial College; and Tianna Thomas, a junior at Brock University, visiting Jamaica between 5 July and 7 August 2017. The programme afforded these second-generation Jamaican university students internships in their chosen career paths at GraceKennedy, while also



Carla Jones (second left) and Samantha Smith (right) were the first recipients of the GraceKennedy Foundation's Scholarship offered to the Caribbean Maritime University Final Year Scholars. Seen here with Dr Fred Kennedy (left), Chairman of the Foundation, and Chaluk Richards (second right), Assistant General Manager of GK Insurance. 84 students from tertiary institutions received scholarships valued at \$19 million.

exposing them to a dynamic cultural experience through a range of activities.

Shortlisting finalists and selecting the four winners proved challenging as the applicants were exceptional. The interviews emphasised the awareness of the Jamaican youth diaspora of their Jamaican birthright and their desire to be ambassadors for their native country.

ENVIRONMENT

The work of the James Moss-Solomon Snr Professor in Environmental Management Chair is the Foundation's primary contribution to environmental stewardship. In 2017, the Chair continued to make critical contributions to important areas of research, innovation, teaching and outreach for the enhancement of the Jamaican environment. Much of the work of the Centre for Marine Research, which falls under the auspices of the Chair, focused on the rehabilitation and protection of various aspects of the coastal and marine environment including the island's mangrove stock and coral reefs. Additional funds were invested in the acquisition of equipment, including a mangrove corer, which would help in the determination of carbon storage below the mangroves thus facilitating the assignment of monetary value to the island's stock. These initiatives are all aimed at increasing the island's resilience to natural disasters and the impacts of climate change.

GraceKennedy Foundation partnered with Campion College's GreenGen Environmental Group and the St George's College Environmental Club in cleaning up the Buccaneer and Gun Boat Beaches in observation of International Coastal Cleanup Day on 16 September 2017, an annual global event led by the Ocean Conservancy located in Texas, USA and initiated locally by the Jamaica Environment Trust (JET). The effort, led by Foundation Chairman, Dr Fred Kennedy, saw the involvement of over 120 volunteers. The group collected more than 2,000 lb of garbage and plastics in two hours.

Since 2013, the GraceKennedy Foundation has participated in six beach clean ups and has collected more than 2,200 lb of plastic and 4,153 lb of garbage.

The recycling programme which was introduced in the GraceKennedy Group in 2014 continues to engage the interest and commitment of staff. In 2017, the eight subsidiary companies involved in the programme collected 21,541 lb of plastic. Since 2014, over 48,000 lb of plastics have been collected among the subsidiaries. Nine educational institutions—secondary and tertiary levels—have also been trained and are coordinating recycling initiatives at their respective schools.



Winning members of the Jamaica Cycling Federation receive their prizes following the Cycle Race component of the GK Education Run held 9 July 2017 in downtown Kingston.

Grace & Staff Community Development Foundation.

Board of Directors.

AS AT 1 MARCH 2017

James Moss-Solomon, CD, JP, Director/Chairman

Karen Lowther-Martin, Secretary

U. Philip Alexander

Klao Bell-Lewis

Marsha Cope-Johnson

Noel Greenland

L. Anthony Lawrence

Frank James

Caroline Mahfood

Rachel McKenley

Dave Mitchell

Joan-Marie Powell

Simon Roberts

Caryn Spencer

Inspiring Youth, Inspiring Change.

The Grace and Staff Community Development Foundation continues to impact thousands of lives through its investment in education and community development; strategic partnerships and involvement with public organisations such as the Social Development Commission and the Planning Institute of Jamaica; and the generous support of GraceKennedy's staff, including 200 GraceKennedy staff volunteers who extended a helping hand to participate in various philanthropic activities carried out during the year to support the communities in which we live and work.

Over 3,000 participants participated in the ninth staging of the GraceKennedy Education Run on 9 July 2017, helping to raise funds for, and awareness of the needs of the communities we serve. The event yielded a surplus of over \$3 million in support of our bursary and tuition programmes from which 500 secondary and tertiary students received assistance amounting to over \$10 million during the year.

In contributing to other areas of youth development, the Foundation invested another \$13 million in early childhood education projects and donations, enrolling 750 students in the homework programmes at our Youth Development Centres.



Donation of food items to the canteen of the Calabar Infant, Primary and Junior High School



Tanketa Chance Wilson, General Manager, Grace and Staff Community Development Foundation and Dave Richards, Senior Member of the LICK/SPARK Camera Clubs, admire the top three entries in the annual photography competition. Under the theme, "Leeds through the Lens", over 40 students of the photography programme visited the farming community of Leeds in St Elizabeth, where they focused on flora, animals, places of interest and people. Winners included Patrick Williams "Nuts in the Clouds"; second place awarded to Monifa McKenzie for "Despair", and Courtney Bryan taking third place for "Cherished Moments".

Early childhood institutions within the Central Kingston and Rae Town communities were exposed to the educational and cognitive skill development benefits of a new Science, Technology, Engineering and Mathematics (STEM) programme, designed to equip students with the subjects needed for non-traditional career paths. In partnership with the Scientific Research Council and Supreme Ventures, joint summer camps were hosted at the STEM Centre.

Students of 12 schools, including Holy Family, St Michael's Infant, Majesty Gardens Infant, and Windward Road Primary Schools benefited from educational tours, children's and community treats, and Labour Day projects. Calabar Infant, Primary and Junior High School's Grade 6 block received a facelift, and shade trees were planted in support of the environment club's efforts. This was done with the support of teams from the school community, as well as from GK Insurance and GK Capital Management.

Our community support continued with our quarterly contribution of \$90,000 to the Rae Town Salvation Army Geriatric Clinic, and the provision of sustained support through product donations, capacity building sessions and skills training, made available to community development committees and local

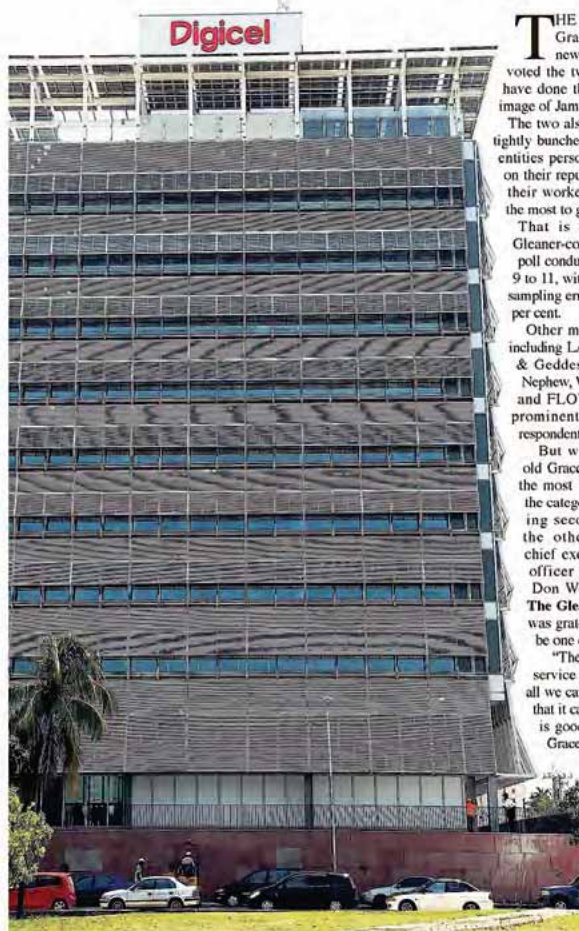
community based organisations.

Among the notable achievements in 2017, was the Foundation's repeat victory at the eleventh staging of the Council of Voluntary Social Services (CVSS) Summer Games held at the UWI Mona Bowl on Saturday 8 July 2017.

One hundred and twenty participants from the Grace and Staff Community Development Foundation's programmes excelled in track and field and artistic events. The Games brought together at-risk youth from a wide cross-section of underserved and vulnerable communities. The event aimed to build self-esteem, encourage positive behavior and interaction through sport.

Supporting Communities.

Survey: Grace, Digicel top GOOD CORPORATE CITIZEN



Digicel's headquarters in downtown Kingston.

THE LONG-ESTABLISHED GraceKennedy and relative newcomer Digicel have been voted the two corporate entities that have done the most to create a good image of Jamaica around the world.

The two also share the top spots in a tightly bunched field as to the corporate entities persons would vote for based on their reputations for how they treat their workers and which have done the most to give back to Jamaica.

That is according to a recent Gleaner-commissioned Bill Johnson poll conducted islandwide from June 9 to 11, with 1,500 respondents and a sampling error of plus or minus of two per cent.

Other major corporate entities – including LASCO, Red Stripe-Desnoes & Geddes, Tankweld, J. Wray & Nephew, Wisynco, NCB, Scotiabank, and FLOW/LIME – also figured prominently in the minds of the respondents in one or all categories.

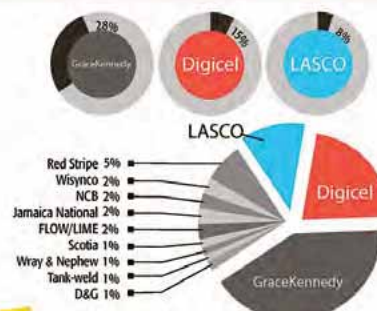
But with the 95-year-old GraceKennedy getting the most 'likes' in two of the categories and finishing second in the other, its chief executive officer (CEO), Don Wehby, told

The Gleaner that the entity was grateful for the opportunity to be one of Jamaica's flag bearers.

"The creed by which we live is service to our country and doing all we can to make Jamaica the best that it can be. We believe that what is good for Jamaica is good for GraceKennedy, and our unyielding faith in our beloved country guides us to deepen our stakes where possible," said Wehby.

"We will continue to invest significantly in Jamaica and are positioning ourselves to do more with the construction of new, larger corporate headquarters on the Kingston waterfront

Since Independence, which Jamaican companies do you think have done the most to create a good image for Jamaica around the world?



and the opening of our sixth factory next year."

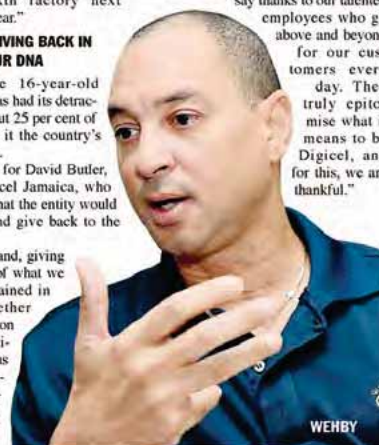
GIVING BACK IN OUR DNA

The 16-year-old Digicel has had its detractors over the years, but 25 per cent of respondents deemed it the country's best corporate citizen.

That is good news for David Butler, group CEO of Digicel Jamaica, who told our news team that the entity would continue to uplift and give back to the nation.

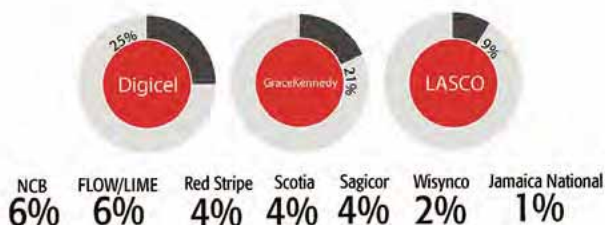
"As a Jamaican brand, giving back is at the heart of what we do. It's deeply ingrained in our DNA. Whether through our foundation or sponsorship activities, we believe that as we grow, our customers, and by extension, our country, should grow, too," said Butler.

"This is also an honour, and we must say thanks to our talented employees who go above and beyond for our customers every day. They truly epitomise what it means to be Digicel, and for this, we are thankful."

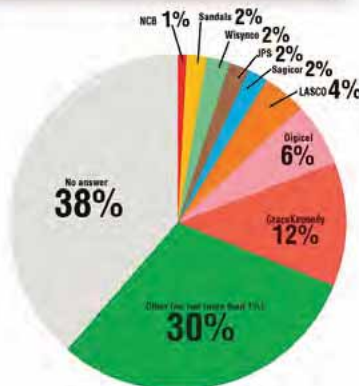


WEHBY

Which Jamaican companies do you think have done the most to give back to Jamaican society and help and support people? In other words, which Jamaican companies are the best corporate citizens?



If you had the opportunity, which company or organisation in Jamaica would you really like to work for based on the reputation it has for how it treats its workers?



The Grace Foods and Reach Society Scholarship at Brunel

Grace Foods UK, the United Kingdom's leading supplier of Caribbean food and drink, marked its 10th anniversary by announcing a collaborative scholarship with Brunel University London. The scholarship, in conjunction with the Reach Society, addresses an under-representation of male British students of Caribbean background in UK Higher Education and provides financial support to fully cover the cost of tuition at the university. The scholarship includes a paid internship of up to 10 weeks, at the end of the first or second year.



Group CEO, Donald Wehby (left) and Grace Foods UK Managing Director, Adam Reader (right) presenting the first Grace Foods and Reach Society Scholarship to Rio Riveira.

I-PLEDGE Facilitates Healthy Debate Among Primary School Youth.

George Headley Primary of Duhaney Park, St Andrew, rose from a field of 14 competing schools to emerge the winners of the 2017 Western Union Primary Schools Debate Competition. The final moot, "Be it resolved Jamaica is the best place in the Caribbean to live, work and do business", was proposed by George Headley Primary, and successfully defended by Kaytanna Edwards, Yasheema Leslie, and Nakiata Gordon. The all-girl team and their head coach, Andre Plummer, took home the championship title, 1st Place trophies and a cash award of \$300,000 for their school. Corinaldi Avenue Primary received runner-up trophies and a cash award of \$150,000; and their first speaker and head girl, Kimberly Simms, was awarded Best Speaker.



The Western Union Debate Champions George Headley Primary School with CEO of GKMS, Michelle Allen (left) marketing manager for Western Union, Vinette Rowe (right) and team coach, Andrae Plummer.

Western Union's Debate Competition gives primary school children an outlet to express their opinions on issues which affect them and the country at large, and is one of the initiatives of the I-PLUDGE (I Promise to Lend Encouragement to Develop Growth in Education) which seeks to promote and enhance literary skills in the primary education system.

GK Belize - Serving Communities

GraceKennedy Belize maintained a strong presence in the community throughout the year as part of its 35th anniversary outreach and community activities. In addition to observing the 95th Anniversary, GK Belize observed its 35th anniversary with a tree planting at the roundabout on Philip Goldson Highway.



From left: Luis Thompson, Parks Manager, Belize City Council; Myra Blanco, Material Requirements Analyst; Luis Ugarte, Sales Manager; Harsha Vaswani, Marketing Coordinator; Wayne Garbutt, Grace Brand Assistant; Gilroy Graham, Executive Chairman; Councilor Kevin Singh, Belize City Council; Trudy Swaso, Senior Brand Manager-Grace Brand.

GraceKennedy Foods (USA) LLC

GraceKennedy Foods (USA) is integrated within the Caribbean and strengthening links within Latin American communities. Among its many outreach activities are support to the Florida Caribbean Students Association, Indian Trace Elementary School, Caribbean American Cultural Group, Ole Farmers Association, and the Centro De Avivamiento Cristiano. Through the Florida-based Latin Chamber of Commerce and Industry of USA (CAMACOL) and along with other partners, 3000 families in need received baskets of groceries for Christmas.



Alberto Young, Senior Vice-President of Sales for South East USA for GraceKennedy Foods (USA) LLC (front, right) accepts an award on behalf of the company from Oscar Echevarria, President of CAMACOL (fourth from left)

Labour Day

GraceKennedy Limited threw its support behind the National Labour Day Projects on Tuesday 23 May 2017 by improving the environment of three primary schools and providing refreshments for the 500 volunteers who signed up for the National Projects in Kingston.

Grace Foods provided refreshments for volunteers at the Ward Theatre and the Central Police Station in Kingston. Both the Ward Theatre and Central Police Station were visited by the Most Honourable Andrew Holness, Prime Minister of Jamaica and the Most Honourable Peter Phillips, Leader of the Opposition, along with other elected officials. The Prime Minister stopped by the booth at Central Police Station to commend Grace Foods for their support. He further identified with the volunteers by sharing a meal with them. At the Calabar Infant, Primary and Junior High School on Sutton Street, more than 30 team members from the Grace and Staff Community Development Foundation, GK Insurance and GK Capital Management painted the Grade 6 classroom block, planted trees and cleaned up the premises.

At the Seaward Primary and Junior High School in the Kingston 11 area, more than 40 team members, under the Global Cares banner, painted a section of the Grade 4 block, cleaned up the surrounding school grounds, initiated a new greenhouse and vegetable garden; and oversaw the mounting of a new playground.

Dairy Industries (Jamaica) Limited led a team of 15 staff and 16 community members in improving the security and aesthetics of the Drew's Avenue Infant and Primary School located in Kingston 20. Dairy Industries covered the costs for the installation of a chain link fence, while the staff and community team spread top soil, planted flowers and started a vegetable garden. Members of the community also worked on constructing an office for guidance counselling.



Mariame McIntosh Robinson, President and CEO of First Global Bank, working at Seaward Primary and Junior High School in Kingston.

'This is Really Great!' Yogurt Assists Young Sunshine Girls

Dairy Industries (Jamaica) Limited's brand, 'This is Really Great!' Yogurt, assisted the Young Sunshine Girls U-21 Netball Team in their bid for the Netball World Youth Cup held in Botswana in July 2017. Sponsorship was valued at \$3 million.



From left: Carlalee Tingling, Vice-Captain of Under-21 Sunshine Girls; Head Coach, Janet Guy; Dr Paula Daley-Morris, President of Netball Jamaica; Nadine Roberts, Marketing Manager of Dairy Industries; and General Manager, Andrew Ho, engage in discussion during a sponsorship conference at the dairy company's Washington Boulevard plant recently.



GKI (EC) Ltd. sponsors Chess in Saint Lucia.

Winners of the 2017 GKI (EC) Ltd. Chess in Schools Programme. More than 70 students from primary and secondary schools across the country entered the annual competition which was organised by the National Community Foundation of Saint Lucia.



PRIMARY SCHOOL CATEGORY

Bradon Chastanet
International School
(Right)



Kurt Emmanuel
R.C Boys Primary School
(Front – Second from Right)



Neige Annerville
RichFord Primary School
(Front – Second from Left)

SECONDARY SCHOOL CATEGORY

Sven Fevrier
Castries Comprehensive
Secondary School
(Back Row - Left)

Eli Adampoulos
Leon Hess Secondary School
(Back Row - Right)

Andy Rose and
Clendon Mason Secondary
School
(Front - Left)



Coaches and principals of schools that broke records at the ISSA/GraceKennedy Boys' and Girls' Athletic Championships 2016/2017 with GraceKennedy and ISSA representatives.

GK Rewards 'Champs' Record Breakers.



From left: Prynce-David Royal, Marketing Officer, GraceKennedy Money Services; David Reid, Business Development Manager, Grace Foods and Services; Andrea Coy, CEO of Grace Foods (Domestic); Walton Small, Principal of Wolmer's Trust High School for Boys; Colleen Montague, Principal of Wolmer's Trust High School for Girls; and Klao Bell-Lewis, Head of Corporate Communications.

GraceKennedy Limited awarded a total of \$1,325,000 to schools that broke records in the 2016 and 2017 ISSA/GraceKennedy Boys' and Girls' Athletic Championships.

In 2017, 28 records were broken by 14 schools, while 25 records were broken by 15 schools in 2016; totaling 53 records broken over the two years.

Record breakers in 2016 were: Calabar High School, Convent of Mercy (Alpha), Edwin Allen High School, Excelsior High School, Hydel High School, Morant Bay High School, Muschett High School, Petersfield High School, Rhodes Hall High School, St Jago High School, Holmwood Technical High School, Vere Technical High School, Jamaica College, Kingston College, and Munro College.

The 2017 record breakers came from: Calabar High School, Edwin Allen High School, Excelsior High School, Grange Hill High School, Hydel High School, Mannings High School, Petersfield High School, Queens High School, Spaldings High School, St Jago High School, Wolmer's Trust High School For Boys, Jamaica College, Kingston College, and Vere Technical High School.

GraceKennedy currently commits \$100 million in support annually through the partnership of Grace Foods, First Global Bank and Western Union.

SECTION 08

GraceKennedy Ltd. Directors' Report.

Directors' Report.

1. The Directors are pleased to present their report for the year ended 31 December 2017 and submit herewith the Consolidated Income Statement and Consolidated Statement of Financial Position for GraceKennedy Limited and its subsidiaries as at that date.

2. **OPERATING RESULTS**

	\$'000
Revenues	92,475,652
Profit Before Taxation	5,819,562
Net Profit After Tax	4,772,100
Net Profit After Tax Attributable to Stockholders	4,116,101

3. **DIVIDENDS**

THE FOLLOWING DIVIDENDS WERE PAID DURING THE YEAR:

- ♦ \$0.30 per ordinary stock unit was paid on 18 May 2017
- ♦ \$0.38 per ordinary stock unit was paid on 26 September 2017
- ♦ \$0.45 per ordinary stock unit was paid on 11 December 2017

The Directors recommend that the interim dividends paid on 18 May 2017, 26 September 2017 and 11 December 2017 be declared as final for the year under review.

4. **DIRECTORS**

The Directors as at 31 December 2017 were as follows:

Gordon Shirley, OJ
Chairman

Donald Wehby, CD
Group Chief Executive Officer

Mary Anne Chambers, O.Ont., MSM

Joseph Esau

Frank James

Parris Lyew-Ayee Jnr

Everton McDonald, OD

Douglas Orane, CD, JP

Gina Phillipps Black

In accordance with Article 102 of the Company's Articles of Incorporation, Messrs. Frank James, Everton McDonald and Gordon Shirley will retire by rotation and, being eligible, offer themselves for re-election.

5. **AUDITORS**

Messrs. PricewaterhouseCoopers, the present Auditors, have signified their willingness to continue in office pursuant to Section 154 of the Companies Act, 2004.

6. The Directors wish to express their appreciation to the management and staff for their achievements during the year.



By Order of the Board
1 March 2018
Gordon V. Shirley, OJ
Chairman

Group Audit Committee Report

YEAR ENDED DECEMBER 31, 2017

COMPOSITION

The Group Audit Committee consists of four non-executive, independent Board members, one of whom is a financial expert, “a person with an understanding of financial statements and applicable accounting principles and experience in preparing, auditing, analyzing or evaluating financial statements” and the others, financially literate, in accordance with the Terms of Reference of the Committee.

The Terms of Reference of the Committee, by which it is guided, are reviewed annually by the Committee and approved by the Board and comply with applicable laws, rules and regulations, including the Private Sector Organisation of Jamaica's Code on Corporate Governance and the Jamaica Stock Exchange's Corporate Governance Guidelines.

MANDATE

The Group Audit Committee assists the Board in fulfilling its oversight responsibilities in respect of the Company and its subsidiaries (The Group) in relation to:

- ♦ Reliability and integrity of the accounting principles, processes and practices, financial statements and other financial reporting;
- ♦ Internal audit;
- ♦ Enterprise risk management functions and processes;
- ♦ Qualifications, independence and performance of the external auditors and approval of fees for audit and non-audit services;
- ♦ Systems of internal controls and procedures established by management and their effectiveness;
- ♦ Compliance with legal and regulatory requirements.

In performing its work, the Committee is assisted by the Chief Audit Executive, who functions as head of the Internal Audit Department, the Group Chief Executive Officer, the Group Chief Financial Officer and other members of management as required, all of whom have unrestricted access to the Committee.

The Committee has the authority to engage at the Company's expense external legal, accounting and other professional expertise, when deemed necessary for the effective discharge of its responsibilities.

ACTIVITIES

The Committee met seven times in 2017 including a special meeting for the purpose of reviewing the annual Management Discussion and Analysis. The attendance of the members is indicated on page 79. Senior representatives of the external auditors attended all six regular meetings.

DURING THE YEAR THE COMMITTEE:

- ♦ Assessed the independence, performance, and scope of the annual audit plan of the external auditors and recommended their appointment by the stockholders and approval of their fees to the Board;
- ♦ Approved the scope of the annual audit plan of Internal Audit and related budget and staffing;
- ♦ Reviewed internal audit reports covering financial, information technology (IT), operational and compliance audits in respect of which recommendations for improvements were made to management and the Board which were accepted and either implemented or are in the process of being implemented;
- ♦ Reviewed management letters from the external auditors relating to internal control issues and findings.

- ◊ Received reports from management on significant tax, legal, regulatory, enterprise risk, IT, security, fraud and whistle-blowing related matters.
- ◊ Evaluated and discussed the framework presented by management for the implementation of IFRS 9-Financial Instruments, IFRS 15-Revenue from Contracts with Customers, IFRS 16-Leases and the supporting role of the external auditors.
- ◊ Considered the involvement of Internal Audit in special management projects and investigations and the outcome of such activities.
- ◊ Reviewed the composition, duties and responsibilities of subsidiaries' Audit Committees and significant findings from their meetings.
- ◊ Received presentations from the external auditors on significant accounting matters and areas of accounting judgement, including the acquisition of Consumer Brands Limited during the year, the accounting for which was based on a valuation done by other independent auditors.
- ◊ Held separate meetings with the Chief Audit Executive and external auditors, without the presence of management.
- ◊ Reviewed and after consultation with management and external auditors, recommended to the Board, unaudited quarterly financial statements and the 2017 audited annual financial statements for its approval and release to stockholders.

The Committee is extremely pleased to advise that in its final Report dated 31 May, 2017, the Institute opined that our Internal Audit Department "generally conforms to the standards and definitions of internal audit."

This is the highest quality rating issued by the Institute and management and internal audit staff are to be commended on this achievement.

Audit Committee Members:

E. L. McDonald, OD (Chair)

M. A. V. Chambers, O.Ont., MSM

P. Lyew-Ayee Jnr

D. R. Orane, CD, JP

CONTINUING EDUCATION

In keeping with the Committee's mandate and emphasis on continuing education, members of the Group's Audit Committees attended the annual Directors and Management Training Workshop, which included sessions highlighting Emerging Enterprise Risks, IFRS 9-Financial Instruments, Risks Associated with Environmental Changes and Global Compliance Trends and Predictions for 2017/18.

QUALITY ASSESSMENT OF INTERNAL AUDIT

The External Quality Assessment of Internal Audit, which is undertaken every five years per Company policy, was completed by the Institute of Internal Audit (U.S.A) in March 2017.

GraceKennedy's Corporate Governance & Nomination Committee Report.

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STRONG GOVERNANCE STARTS AT THE TOP

Strong governance starts at the top where GraceKennedy Group's guiding values and ethical climate are established. In the context of corporate governance this means that it is the Board's role and responsibility to create a culture that consistently places a high priority on compliance and holds management accountable. The Corporate Governance & Nomination Committee assists the Board in fulfilling its oversight responsibilities by ensuring that its directors are well-informed, focused on strategic matters and operate in a way that seeks to continuously improve governance and ethical practices within the Group.

THE BOARD OF DIRECTORS

The Board's role is to lead the Group, within a framework of prudent and effective controls, to set strategic objectives and monitor performance indicators, using our Balanced Scorecard, to achieve these objectives. The Board must ensure that the Group's core values of honesty, integrity and trust are respected and that companies within the Group act responsibly, with respect and fairness in our dealings with employees, customers, suppliers, shareholders and all other stakeholders in the communities in which we operate globally.

During 2017, the Board of GraceKennedy Limited comprised nine (9) Directors, seven (7) of whom are non-executive Directors. The remaining two (2) Directors are executives Donald Wehby, the Group's Chief Executive Officer and Frank James, the Group's Chief Financial Officer. The Board is led by an independent Chairman, Professor Gordon Shirley.

All non-executive Board members are members of the Corporate Governance & Nomination Committee. All non-executive Board members are considered to be independent having regard to relationships or circumstances which are likely to or could materially affect their objectivity as outlined in our Corporate Governance Code. This independence is important as non-executive Directors are expected to constructively challenge proposals on strategy and monitor indicators of success in meeting agreed objectives through the Group's reporting structures.

The Compensation Committee, which exists as a sub-committee of the Corporate Governance & Nomination Committee, is currently chaired by the Chairman of the Board. That Committee routinely reports to the Corporate Governance & Nomination Committee on its deliberations. The Board also has an Audit Committee. All Committees have documented terms of reference that have been approved by the Board and are reviewed and revised, where appropriate, by the respective Committee and the Board, at least annually.

While the Board currently has a good balance of skills and experience, the Committee is working at ensuring that plans are in place for orderly succession for appointments to the Board, to maintain an appropriate balance of skills and experience, and also to strengthen the Board in areas of competence required to support new opportunities and challenges in our domestic and international markets. The Corporate Governance & Nomination Committee leads the process for Board appointments, maintaining a Competency Matrix to assist in succession preparation and planning. Consideration of potential candidates for the Board includes such factors as diversity in age and gender, skills, knowledge and experience. The Committee is committed to ensuring that potential candidates are persons of high integrity and sound judgment, who are able to devote adequate time to Board matters, including preparing for meetings, and whose interests will not interfere with their independence and the effective discharge of their duties.

The Committee reviewed the plan presented by the Group CEO for succession in Executive positions, including his own. The Committee also discussed steps to be taken by the Group CEO in order to bring persons into readiness and to ensure the skills and experience needed for success.

ETHICS

The Committee conducted its annual review of Directors' knowledge of and adherence to GraceKennedy's Code of Ethics & Guidelines for Business Conduct. During the year, the Committee also reviewed the disclosure by the Group's Directors of business interests and identified no breaches or circumstances that would have affected the Directors' independent judgement.

The Committee revised and clarified the conflict of interest information required in the Disclosure of Business Interest Form as it pertains to employees and the Application Form for Staff was amended to require disclosure of business interests as a condition of employment.

ATTENDANCE

Board members are required to attend Board and assigned Board Committee meetings regularly and to prepare for and participate actively in those meetings. Attendance, as illustrated in the table below as well as the participation of Directors at these meetings, continues to demonstrate their high level of commitment to their responsibilities.

GRACEKENNEDY LIMITED Board and Committee Meeting Attendance					
NAMES OF DIRECTORS & DATES OF APPOINTMENT TO BOARD	EXECUTIVE (E)/ NON-EXECUTIVE (NE)	BOARD	CORPORATE GOVERNANCE & NOMINATION COMMITTEE	AUDIT COMMITTEE	COMPENSATION
Mary Anne Chambers 26-May-11	NE	7/7	5/5	7/7	n/a
Joseph Esau 30-Nov-06	NE	7/7	5/5	n/a	n/a
Frank James 27-Sep-12	E	7/7	n/a	n/a	n/a
Parris Lyew-Ayee Jnr 06-Mar-13	NE	7/7	5/5	7/7	n/a
Everton McDonald 26-May-11	NE	7/7	5/5	7/7	2/2
Douglas Orane 30-May-85	NE	7/7	4/5	7/7	2/2
Gina Phillipps Black 08-Feb-12	NE	7/7	5/5	n/a	n/a
Gordon Shirley 30-May-96	NE	6/7	5/5	n/a	2/2
Donald Wehby 05-Oct-09	E	7/7	n/a	n/a	n/a

The CGNC also reviewed the attendance, at meetings, of Directors of the main operating subsidiaries in the Group.

EVALUATIONS

The Group's Corporate Governance Code requires that a "formal and rigorous" performance evaluation of the Board, its Committees and its individual Directors should be undertaken at least once a year. The evaluation is currently conducted by the Business Intelligence Unit of GraceKennedy Limited and is administered electronically using an online survey tool. In 2016 the Committee decided that an external facilitator would be utilised once every four (4) years for the Board evaluation exercise. The annual process involves an evaluation of the performance of the Board, its Committees and individual Directors. The evaluation is based on criteria developed by the Board, initially with the assistance of international experts, and refined from time to time by the Board to take account of changing circumstances in the Company's business, improved measurement tools and other factors such as whether the responder is an executive or non-executive Director. The evaluation also covers the Group's competitive landscape and the attendant risks affecting the industries in which the Company operates, factors that are aimed at enhancing strategic discussions and decision making. The full format conducted in alternate years involves an assessment of the GraceKennedy Board, a self-assessment of the individual members of the Board, and an assessment of peer Board Members. In the other years, there is less emphasis on the peer review.

After the completion of the Board Evaluation Report, the Group Chairman and the Chairman of the CGNC meet with each Director individually to explore and examine any areas raised by the report which may require further discussion. In the case of the interview of the Group Chairman and the Chairman of this Committee, the Chairman of the Audit Committee sat on the interview panel in the place of the Chairman who was being interviewed.

Arising out of these discussions and where necessary, professional development plans are created to address any opportunities for growth and development on the part of a Director and factored in where necessary into the budgeting process to ensure resources, human or financial, are allocated to allow fulfilment of these plans.

During the course of the year, GraceKennedy's General Counsel & Chief Corporate Secretary, Mrs. Gail Moss-Solomon, briefed the Committee's members on the Jamaica Stock Exchange's launch of the Corporate Governance Index, a system developed to benchmark Corporate Governance. Mrs. Moss-Solomon was appointed Secretary of GraceKennedy Limited effective 1 April 2017, following the retirement of Mrs. Karen Chin Quee Akin.

BOARD TRAINING

Good governance requires Directors to oversee company performance by assessing the right data and to be seized of the relevant information on what lies ahead and how we might prepare for future challenges and opportunities. Our annual Group Directors' Training is an important part of Directors' professional training and attendance is considered important to effective performance by Board members. In 2017 this training covered a range of areas including IFRS standards applicable to the Company, emerging risks and megatrends, risks associated with environmental changes and catastrophe modelling, the use of the balanced scorecard tool to manage risks and a review of compliance trends and GraceKennedy's programme for monitoring compliance. The Grace & Staff Foundation and the GraceKennedy Foundation presented on their work, with testimonials from students and their parents on how the Foundations' programmes have positively impacted their lives.

In addition to the annual Group Directors training, all Subsidiary Board Chairs are encouraged to arrange sector specific training for their respective Boards. Information Technology Security Awareness training remains mandatory for Directors in the Group and is ongoing.

The Board continues to hold a full day Retreat to review and explore with management the Group's strategic plans.

OUR CODE: OUR WORD IS OUR BOND

Our Corporate Governance Code was updated to emphasize our commitment to strong corporate social responsibility (CSR) and sustainability as reflected throughout our internal and external operations, systems and programmes. This includes measures to promote the wellbeing and development of our employees and the communities in which we operate globally and extends to the promotion of responsible behaviour for the protection of the environment. The Group remains committed to providing quality products and services for our customers, clients, consumers and partners who we will treat fairly and with respect. Our word is our bond. Copies of our revised Corporate Governance Code have been submitted to the Stock Exchanges of Jamaica and Trinidad & Tobago, on which the Company is listed.

The current version of the Code is publicly available through the Company's website <http://gracekennedy.com> under the GK Media Centre tab.

In 2017, GraceKennedy was recognised in a Gleaner-commissioned Bill Johnson poll as a top corporate entity based on the reputation it has for how it treats its employees, and the work done by the Company to create a good image of Jamaica around the world.

SHAREHOLDER AND STAKEHOLDER ENGAGEMENT

At the Annual General Meeting (AGM) held on 31 May 2017, our shareholders and investors were updated on the Company's performance and plans. Participation at our AGM is encouraged and stakeholders do avail themselves of the opportunity to do so. Minutes of the meeting, including the questions asked by stakeholders, are available to shareholders at the subsequent AGM. Shareholders may also submit a request for a copy of the minutes via email to gracekennedy@gkco.com and a copy will be emailed to them or may be collected from the Company's Head Office in Jamaica.

Quarterly Investor briefings to discuss published results take the form of an on-line conference, accessible via a live Internet stream. Questions may be submitted via e-mail before or during the broadcast. These briefings are open to the public. The 2017 AGM and Investor briefings are available on YouTube. The Company also actively provides updates on social media and print platforms. We will continue to look for new and effective ways to meaningfully engage with our shareholders and stakeholders and the communities where we do business.

EXECUTIVES' COMPENSATION

The Compensation Sub-Committee has responsibility for reviewing and making recommendations in relation to the total compensation of the Group CEO and Senior Executives as well as the overall policy on compensation within the Group, including oversight of major benefit plans and retention strategies. Deliberations over the year included the review of the Group CEO's performance for the prior year and the setting of objectives for the new year; compensation for the senior executives; incentive plans for executives and key incumbents; talent management strategies across the Group; a review of the rules relating to the Company's long term incentive schemes and the Sub-Committee's own Terms of Reference. The Committee is comprised solely of non-executive Directors, members being Professor Gordon Shirley (Chairman), Everton McDonald and Douglas Orane.

DIRECTORS' COMPENSATION

The table below sets out the compensation paid to non-executive Directors in 2017.

BOARD FEES (Payable to Non-Executive Directors only)	
ANNUAL RETAINERS	
All Directors	\$1,694,879
Additional Retainer Board Chair	\$3,110,704
Additional Retainer Corporate Governance & Nomination Committee Chair	\$394,022
Additional Retainer Audit Committee Chair	\$1,036,901
Additional Retainer Compensation Sub-Committee Chair	\$262,654
ANNUAL RETAINERS	
Board Meetings	None
Audit Committee meetings	\$150,161
Other Committee meetings	\$50,054

Our Corporate Governance Code and that of the Private Sector Organisation of Jamaica, recognise that levels of remuneration of a company's executives and board members should be sufficient to attract, retain and motivate persons of the quality required to support the success of the business. In addition to the fees set out in the table above, each non-executive Director was granted, in respect of the year 2017, an amount of \$847,439 of which the net amount after tax was used exclusively to purchase GraceKennedy shares on the open market. The shares so purchased are subject to a restriction on sale for a period of three (3) years.

Employees who serve on Boards within the Group do not receive additional compensation for service performed in this capacity.

GOOD GOVERNANCE IS A PART OF OUR CULTURE

Adopting sound governance practices has to be a part of the Company's culture. This ultimately creates a framework which supports the Company's commitment to behave ethically and conduct business fairly, while operating as a good corporate citizen.

The Chairman of the Board has continued the practice of convening a meeting of the non-executive Directors immediately following the termination of each Board meeting. This meeting allows non-executive Directors to raise and discuss matters whether arising out of the preceding meeting, or otherwise, in the absence of any member of management.

As the governance authority of this Group, the Corporate Governance & Nomination Committee must ensure that ethical objectives are built into the organisation's structure and strategy. These must be more than statements of our good intentions. Shareholders and other stakeholders demand and deserve good and effective governance.

At the Jamaica Stock Exchange's Best Practices Awards Banquet for 2017, GraceKennedy was joint winner of the coveted JSE/PSOJ Best Practices Award for Corporate Governance and we are pleased that our work in the area of governance has been recognised.

Your Board of Directors and Managers are, with the support of our employees, focused on delivering long-term shareholder value and ensuring a positive impact in the communities where we do business. Despite the challenges of 2017, we look forward to executing on our key strategies in an environment of good governance, consistent with our core values of Honesty, Integrity and Trust.

Gina Phillipps Black

Chair, on behalf of the Corporate Governance & Nomination Committee

1 March 2018

SECTION 09

GraceKennedy Around The World.



The newly upgraded Portmore Pines Hi-Lo Food Store, unveiled to customers on 21 September 2017, boasts a dine-in deli, bakery, juice bar, and a First Global Bank branch, as part of our commitment to making life easier for Hi-Lo shoppers.

Hi-Lo Portmore Opening.



This spacious, 24,000 square foot location saw its main expansion in the Deli & Bakery category, which offers pastries, sandwiches and other ready-to-eat convenience options.

This location employs 60 persons, while more than 600 persons are employed throughout the chain.

Welcome Consumer Brands.



CONSUMER BRANDS

On 1 September 2017, GraceKennedy Group acquired 100 percent ownership of new subsidiary, Consumer Brands Limited, a large player in the local distribution market with sales of over \$2 billion annually. Consumer Brands Limited has consistently achieved significant annual revenue growth since its establishment, distributing products for ten other international and local principals through chain and independent supermarkets, wholesalers, pharmacies, beauty supply outlets, and convenience stores.

This acquisition is a natural fit for GraceKennedy's expertise in managing top tier brands and deep distribution channels, and brings welcome expansion to GraceKennedy's range of products distributed in Jamaica. With a valuable portfolio of brands such as the Procter and Gamble (P&G) line of products, which Consumer Brands Limited has distributed in Jamaica since 1992, the products are expected to continue to perform very well under GraceKennedy Foods. Athol Smith, former Managing Director of Consumer Brands, will remain as Chairman until January 2019.



#IMPAY





RemitCare.

Grace Burnett, CEO, GraceKennedy Financial Group, at the launch of RemitCare in Kingston, Jamaica on 5 July 2017. RemitCare is an accident insurance product that provides remittance payments to a receiver for two months in the event that the sender either dies or sustains any accidental bodily injuries, caused directly and immediately by an accident.

GET A QUOTE ONLINE TODAY



GET MORE VALUE

Earn Points & Get Big Rewards.

WHEN YOU USE YOUR **GK VALUE REWARDS**



Sign up for your
GraceKennedy Value Rewards Card today at
gkvaluerewards.com



GraceKennedy
VALUE Rewards



The team, led by Mrs Grace Burnett, CEO of the GraceKennedy Financial Group at the launch in St Vincent in June.

GK Insurance (Eastern Caribbean) Limited launched in St Vincent & the Grenadines.

The GraceKennedy Financial Group insurance brand, GK Insurance (EC) Limited, was officially launched in St Lucia through its agent, EC Global Insurance Agency in March 2017; and in St Vincent and the Grenadines through affiliate partner Priority Insurance Agency in June 2017. These launches are part of the Group's expansion strategy, and key components in the growth of GraceKennedy's financial services business in the Eastern Caribbean.

This expansion brings to five, the number of Caribbean territories in which we provide insurance security to individuals and companies. The others countries being Jamaica, Dominica and the Turks and Caicos Islands.



From left: Tammara Glaves-Hucey, Assistant General Manager; Andrew Leo-Rhynie, General Manager; and Anne Marie Herman, Agency Manager for EC Global at the launch in St Lucia in March 2017.



FOODS



CANADA

NEW PRODUCTS FROM GRACE FOODS CANADA INC.

Grace Foods Canada Inc. extended its line of organic/ healthy lifestyle products with the launch of **Grace Quinoa** and **Grace Organic Coconut Syrup**. We also launched the new revamped look packaging of our **Grace Plantain Chips**, **Tropical Rhythms**, soup mixes, and new format sleek can coconut water 310ml in keeping with Grace international focus. We also launched the value size 500ml **Grace 100% Coconut Water**.

Coconut syrup is the nectar of the coconut flower, providing a healthy alternative to other sweeteners. Tapped by hand, unbleached, unrefined, vegan, gluten free and GMO free.

Quinoa contains all the nine essential amino acids forming a complete source of protein, double the amount the protein of rice or barley and cooks in under 15 minutes.



UNITED KINGDOM

NEW PRODUCTS FROM UK BEVERAGES

GRACE SAY ALOE REDUCED SUGAR 1,5L: A delicious reduced sugar soft drink, made with real aloe vera pieces and juice with grape flavour. Now consumers can get large packs of aloe with less of the sugar.

GRACE SAY ALOE ZERO ORIGINAL: new formulation with real aloe pieces and improved recipe with zero sugar.

GRACE SAY ALOE MANGO ZERO: A delicious drink made with real aloe vera pieces and juice with mango flavour now with zero added sugar.

GRACE SPARKLING COCONUT WATER: Lightly sparkling coconut water in a range of delicious flavours, with no added sugar.

NURISHMENT ORIGINAL NO ADDED SUGAR VANILLA: There's nothing like the delicious taste of Nurishment but with sugar high on the agenda for UK consumers we've produced a No Added Sugar Vanilla variant to trial. We're proud to say it has the same great taste of Nurishment Original with many people not able to tell the difference in taste tests. With the same 'Rich' claims for vitamins, minerals and protein we

are now offering Nurishment Original with a 66% sugar reduction with sugars coming only from milk with a touch of sweetener. Whatever the Nurishment occasion; everyday active, on the go, time pressured or just crazy for the taste of it - There are so many benefits to Nurishment – Milk with More

NURISHMENT MOJO: With over 4 million consumers looking for a 'healthier milkshake' Nurishment Mojo delivers on the best of both worlds as a delicious creamy milkshake that's 'Rich' in 7 vitamins, 5 minerals and 20g of Protein. The first 'Multi-Vitamin Milkshake' to enter the UK Flavoured Milk Market and conforms with category driving trends such as 'No Added Sugar' and 'Natural' ingredients. 46% of adults take multi-vitamins daily or occasionally in the UK, and they're looking for easier ways to top up their daily vitamin and mineral intake. Nurishment Mojo comes in three flavours – Strawberry, Chocolate Brownie and La La Latte and delivers Milk with More to a new consumer base.