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Corporate Sustainability Track

1st Place

Florida Ice & Farm: Sustainability Champion from an Emerging Economy

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Ramón Mendiola, CEO of Florida Ice & Farm Company (FIFCO), was seated in the front row of the packed auditorium where the "Annual Meeting of the New Champions" was taking place. He could not overcome his surprise at finding himself in Dalian, China, participating in this world event. It was September 2011, and Mendiola had been invited to the meeting—organized by the World Economic Forum in conjunction with the Boston Consulting Group—to receive an award. FIFCO, Costa Rica's largest beverage group, was chosen as one of "Sixteen New Sustainability Champions."

In a rigorous contest, the company was selected from among 1,000 organizations in emerging countries. Participating firms were using innovative practices to achieve not only economic results, but also social and environmental improvements in the communities in which they operated. Selection criteria included sustainability, innovation, and scalability. It was FIFCO's "triple bottom line" strategy, initiated by Mendiola three years earlier, that placed the firm among the winners. The company's development and use of a sustainability 'balanced scorecard' to implement the strategy played a key role in its selection.

While satisfied with the results achieved over the past three years, Mendiola was already looking ahead to new challenges. Many of the company's suppliers and customers had not yet adopted sustainability practices. Should FIFCO work with its business partners to extend these practices to other participants in the company's value chain?

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Company background

FIFCO was founded in 1908 as an ice plant and tropical farm in Limón, Costa Rica by four brothers of Jamaican descent. The company acquired a brewery and, with capital from local investors, soon came to dominate the national beer industry. Considered a great employer for its generous benefits and working conditions, FIFCO became a source of pride for Costa Ricans. Employees described the company culture as "brotherly and democratic," with everyone sharing Costa Rican values of solidarity and egalitarianism (a briefing on Costa Rica is presented in **Appendix A**).

The company enjoyed a leadership position throughout the past century, with the only locally-produced beer brands in the Costa Rican market. However, the early 2000s saw the entry of global giants in the surrounding countries of Central America. The world's largest brewery, Anheuser-Busch InBev (ABI), a Brazilian-Belgian consortium, was challenging established local brands in Guatemala and Nicaragua with aggressive prices, but with limited success. In El Salvador, Honduras, and Panama, the national breweries were acquired by South African Breweries, which had merged with the Miller Breweries of the U.S. to become the world's second-largest producer.

In 2003, FIFCO's Board of Directors announced the sale of 25 percent of the company shares to Heineken N.V. of the Netherlands and the retirement of FIFCO's long-time general manager. He was replaced by Mendiola, a young Costa Rican executive with an MBA from Northwestern University's Kellogg School of Management. Mendiola was formerly Regional Vice President of Kraft for Central America and the Caribbean. He was an avid tennis player, with an energetic and competitive personality.

After spending his first week on delivery trucks, Mendiola concluded that the company needed a better sense of its priorities. His first action was to replace the functional organization with four strategic business units: beer, non-alcoholic beverages, sales and distribution, and finance and corporate services. He then proceeded to hire managers whose profiles matched the new decentralized structure.

At Mendiola's suggestion, FIFCO's Board of Directors hired the international consulting firm McKinsey & Co. to validate the new structure. The scope of the consultancy was later broadened, at Mendiola's urging, to include a search for efficiencies "at every link in the value chain." McKinsey initially identified savings opportunities of US$6 million (of total costs of $116 million), but working together with FIFCO's management team, the consulting firm uncovered additional savings of $16 million, including a workforce reduction from 2,480 to 2,025.

Mendiola invited former colleagues from multinationals in Mexico to share their experiences with the latest technological advances that industry leaders were pioneering worldwide. "This was a wake-up call," he recalled. "We realized how far behind we were, so we began an in-depth diagnosis of our organization to find areas needing improvement." In September 2003, a strategic planning workshop was organized to discuss the results of the diagnosis. The company's 60 managers committed themselves to the long-term vision of becoming the most important beverage company in Central America in terms of both volume and profitability, while maintaining corporate values of innovation, responsibility, passion, recognition, and teamwork.

Fiscal year 2003-04 (ending September 30) was dedicated to reorganization. The company turned a small operating profit but showed a loss in economic value added (EVA) when the cost of capital employed was subtracted (income statements and balance sheets for the years 2003-2011 are shown in **Exhibits 1** and **2**). Mendiola promptly announced that for the first time in the company's recent history, there would be no year-end bonus. "Not a cent, for any of us," he said. "We wanted to send a clear message."

In September 2004, the company organized a strategic-planning retreat in which ambitious cost-cutting goals were set for the next two-year period. All 60 managers participating in the retreat made a firm commitment to the budget. Actions included the installation of SAP, an enterprise resource planning tool and a change in the compensation system for sales employees varying from 30 to 70 percent. "There was strong resistance to this change," recalled Mendiola. "So we told salespeople that they could keep the 30% system during a trial period, but we also showed them what they would have earned under the 70% variable system during that same period. Within two months they were all convinced that the change was to their benefit."

In September 2006, a second strategic-planning retreat was held. Having met cost-reduction goals, Mendiola challenged the management team by setting a goal of doubling sales revenues and profits in two years. This came as a surprise since it had previously taken the company seven years to double sales. This ambitious goal was achieved partly through acquisitions such as Kern's in Guatemala and Pepsi bottling company in Costa Rica. The former was a food and beverage company with a strong presence throughout Central America. The latter was purchased from South African Breweries, along with Reserva Conchal, a real estate project that included a beach hotel and resort on the Pacific coast.

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Much of the company's growth during this two-year period was generated internally, through organic growth of the beer and non-alcoholic businesses. The company's business units and major brands, including an investment division, are shown in **Exhibit 3**.

The Triple Bottom Line

By August 2008, FIFCO had achieved its goal of doubling sales and profits, and Mendiola began to search for a new goal. Not satisfied with generating economic value, he began to consider the company's social and environmental impact. Influenced by John Elkinson's book, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, he incorporated a triple bottom line strategy in FIFCO's business model. This strategy would require the integration of the firm's environmental and social performance with the company's financial results. In Elkinson's view, the wealth generated by business could not come at the sacrifice of the planet or the abuse of its inhabitants. Companies accepting this view recognized that the triple bottom line had important implications for strategic resource allocation. If an investment did not meet one of the three criteria—economic, environmental and social—it would not be approved.

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Gisela Sánchez, a young Costa Rican woman with an MBA in strategy and marketing from Kellogg Graduate School of Management at Northwestern University, was hired as FIFCO's Director of Corporate Affairs. Before joining FIFCO, Sánchez worked as a consultant for governments, NGOs and companies in the areas of competitiveness and corporate social responsibility. She also worked at the AVINA Foundation, supporting the development of social entrepreneurs in Latin America, and as a researcher and project coordinator for the Latin American Center for Competitiveness and Sustainable Development at INCAE Business School in Costa Rica.

As Director of Corporate Affairs, Sánchez reported directly to Mendiola, was a member of FIFCO's Executive Committee, and supervised the Environmental Management area. She was also responsible for managing FIFCO's social investments and coordinating the firm's relationships with its many stakeholders, and she was given responsibility for leading FIFCO's triple bottom line strategy. Working closely with Mendiola, she developed a five-step process to implement the strategy:

Step 1: Consultations and dialogue with stakeholders. The purpose was to understand public perceptions and expectations regarding FIFCO's social and environmental footprints. Interviews and focus groups were conducted among four stakeholder groups: business partners (including suppliers and employees), clients and consumers, civil-society groups, and government and regulatory agencies. While there were concerns among some stakeholders about the company's environmental impact, the major footprint identified by all stakeholders was the social impact of irresponsible alcohol consumption.

Step 2: Strategic planning. In September 2008, FIFCO's 90 top managers participated in the third strategic-planning retreat, held at the newly-acquired hotel resort on the Pacific coast. At this event, Mendiola laid down the challenge of the triple bottom line, supported by data from consultations with stakeholders. The mood was one of optimism. The company

had just completed the most successful year in its 100-year history, and despite rumblings in the U.S. financial markets, the future of Costa Rica seemed bright.

FIFCO managers took up the challenge of the triple bottom line, spending one day working on each of the three dimensions. The retreat ended with the participants' commitment to communicate the strategy to the other 2,200 members of the organization in what Mendiola called "the evangelization." Rolando Carvajal, Director of the Beverages Division, explained, "We are not imposing this, but rather looking for ways to get people enjoying, innovating, and supporting the design of the program, before defining any performance indicators."

A new mission statement also came out of this strategic-planning meeting. FIFCO was to become the industry leader in beverages and food conserves in the Central American region—not just in volume and profits, but "in terms of economic, social, and environmental value added, exceeding consumer expectations in benefit of its clients, workers, shareholders, and communities where it operates."

Step 3: Definition of strategic objectives. A major outcome of the workshop was the setting of 12 strategic objectives. Three objectives were defined for the economic dimension, three for the environmental, and six for the social dimension, which was subdivided in internal objectives (related to the company's responsibility to employees and their families) and external objectives (involving responsibility to the broader society, including the promotion of responsible alcohol consumption). The objectives are shown in **Exhibit 4**.

Step 4: Measuring impact. In 2006, FIFCO introduced a balanced scorecard that was used by the Department of Human Resources as a means to align employee performance with strategic objectives. Under the triple bottom line strategy, this tool was adapted to monitor goal achievement along each of the three dimensions. The Director of the Human Resources Department, Scarlet Pietri, explained that ". . . based on the new company vision, we set the goal of migrating from a traditional Kaplan & Norton[1] scorecard to a triple bottom line model."

The HR Department began by identifying those indicators already monitored at the plant level, which were consolidated in a macro indicator known as "Eco-Florida" and were used to evaluate the company's environmental performance (See **Exhibit 5**). "The organization already had experience [with] measuring something besides purely economic variables," commented Pietri. "There is this idea that initiatives in the social and environmental areas can't be measured—that they are ethereal and not tangible like sales or profits, but that is just not true. We are measuring such indicators as water usage throughout Florida's operations."

With the new sustainability balanced scorecard, the variable portion of employee annual compensation was tied directly to meeting economic, social, and environmental goals. In the case of the CEO, this variable portion was 65 percent. "Top management has a very high percentage of variable compensation because we should *walk the talk*," Mendiola commented.

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[1] Refers to the authors of the original book on the concept "The Balanced Scorecard," by Robert Kaplan and David Norton.

Step 5: Accountability to society. As a publicly-traded company, FIFCO made its financial statements available to the general public. After adopting a triple bottom line strategy, the company decided to communicate its social and environmental performance to its stakeholders. For greater credibility, the company chose to adopt the Global Reporting Initiative (GRI) standard. The GRI established uniform sustainability reporting practices worldwide, using grades of A, B, or C depending on the number of indicators reported. When a plus sign (+) accompanied the grade, it meant that the company's sustainability reports were audited by an external firm.

The double crisis

In late 2008, the financial crisis affecting the U.S. still seemed remote to most Costa Ricans. With their savings protected by a nationalized banking system with strong regulations, growing trade relations with China, a continuing influx of European eco-tourists, and an economy unburdened by defense expenditures, most citizens had little knowledge or concern as to what was happening on Wall Street. The first warning signs were the drop in exports of gourmet coffees and the sudden cancellation of construction projects on the beaches of Guanacaste, a preferred destination for U.S. retirees. Then, the Costa Rican banks' international credit lines began to dry up. Still, as the December holidays approached, beer sales continued to flow smoothly. Mendiola and other FIFCO executives could leave on vacation for a well-deserved rest.

When Mendiola returned to work on January 5, 2009, he encountered a double crisis. Costa Ricans, aware of the credit shortage and the growing economic uncertainty, had cut back on consumption in the New Year. But it was the second crisis that had been the major contributor to this decline in beer consumption: On December 23, the National Congress had suddenly passed several articles of a new traffic law enforcing heavy fines and penalties for driving under the influence of alcohol.[2] Mendiola had been aware of the bill, which had been under discussion since March 2007 and which was aligned with his initiatives for responsible alcohol consumption. However, approval had not been expected for another ten months.

The bill imposed penalties that were among the world's most severe. Penalties of up to ten years' imprisonment could be imposed for driving under the influence of alcohol and causing physical injury to a third party. The law imposed the loss of one's driver's license for driving under the influence, plus fines that were equivalent to over a month's salary of a typical middle-class Costa Rican.

In the face of this double crisis, Mendiola asked FIFCO managers to find savings and efficiencies in their respective areas. The goal was to maintain the same operating profit as in 2008, which meant reducing total operating costs by 20 percent. In February 2009, they presented an eight-point plan to: (1) increase operating efficiency; (2) reduce non-strategic costs; (3) improve employees' productivity; (4) negotiate better input prices; (5) rationalize capital investments; (6) strengthen the client and consumer base; (7) protect cash; and (8)

[2] *Proyecto de Ley, Reforma de los Artículos 44, 111, 123, 124 y 125 del Código Penal.*

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reduce risk, particularly in the company's Pacific real estate investments. The cost reductions meant laying off 430 employees, in direct contradiction to the social (internal) dimension of the triple bottom line strategy. Mendiola asked Pietri for ideas to reduce the number of layoffs.

Implementation: 2009-2011

One alternative to the massive layoff was to decrease the number of working hours, reducing everyone's take-home pay. Pietri discovered an article in the Costa Rican labor law that allowed for such a reduction, but only if employees unanimously voted to do so. A company appeal for solidarity was successful, and the layoffs, while not eliminated altogether, were reduced to 130 employees, which was the usual number that left the firm each year as a result of the company's rigorous performance review process. As a part of the reductions in working hours, the company closed on Fridays at noon. To further reduce salary costs, executives' variable pay was eliminated, which represented up to 50 percent of total compensation for top management.

In the face of the double crisis, Mendiola made an announcement to demonstrate commitment to the triple bottom line strategy: In 2009, the social dimension in the new corporate sustainability balanced scorecard would count for 30 percent of the company-wide performance evaluation, and by 2011, the environmental dimension would count for an additional ten percent, with the remaining 60 percent for the economic dimension. In later years, the distribution would be 20 percent environmental, 30 percent social and 50 percent economic.

These percentages would apply to the corporation as a whole—including the CEO. Additionally, managers had a customized scorecard with indicators from the three dimensions that were relevant to their individual responsibilities. Managers' variable compensation was subject to the achievement of the goals established in the sustainability scorecard—at both the corporate and the individual levels. The goals established in the scorecard were firm commitments and did not change during the year. As Carvajal explained, "We did not impose goals for our employees, but we set them together with our teams. After people became involved in the first stage of this process of change, the rest was a smooth ride. FIFCO managers are very serious about committing to goals." The example of a sales manager's sustainability balance scorecard is shown in **Exhibit 6.**

By 2011, 580 of the company's 2,300 employees were included in the sustainability balanced scorecard, representing the top 13—out of 24—hierarchical levels in company. Each year, FIFCO published annual sustainability reports under the standards of the Global Reporting Initiative, audited by Deloitte. The company's first report, issued in 2010 (with data from 2009), was graded "B." Its second report, issued in 2011, was graded "A+." Out of 583 reports submitted worldwide in 2011, FIFCO's was one of only 135 companies (and 19 in Latin America) to achieve this grade.

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The sustainability reports included a broad range of initiatives in non-economic dimensions. Three of the firm's programs, which both Mendiola and Sánchez believed were representative of the triple bottom line strategy, were: 1) responsible consumption; 2) a volunteer program, "Choose to Help"; and 3) water neutrality. The first two programs belonged to the social dimension, while the third one was environmental. These programs addressed some of the firm's most visible footprints, according to the feedback gathered in the consultations and dialogue with stakeholders.

1. Responsible Consumption

Stakeholders reported that the company's most highly visible footprint was excessive alcohol consumption. Data showed that alcohol consumption in Costa Rica was infrequent and was associated with festive occasions where drinking could be excessive, sometimes resulting in automobile accidents or domestic violence (see **Exhibit 7** for data on beer consumption in selected countries).

Since 1999, FIFCO has sponsored "designated driver" campaigns in which groups of friends going to party at night would select one of their numbers, who would not consume alcohol, to drive back. Some company executives felt this was a passive approach, but they were unsure how to encourage responsible alcohol consumption without damaging business in the long term. Research on international best practice revealed a successful program, Éduc'Alcool, in Québec, Canada. According to José Pablo Montoya, manager of alcoholic beverages:

These people have been able to enter into dialogue with government authorities and to establish programs for consumer education. When you look at the indicators for Québec vs. those for Costa Rica, you see that Québécois have a higher consumption per capita than Costa Ricans, but with a more moderate consumption pattern. We found in Educ'Alcool a model that we should replicate because it will allow us to continue growing as an industry while minimizing the social footprint of excessive alcohol consumption.

Based on the Canadian experience, FIFCO conducted a baseline study to measure patterns of alcohol consumption in Costa Rica in 2009, and changes in these consumption patterns were monitored annually. The company also launched a campaign entitled "Moderation as a Value," with the goal of reinforcing moderation as a value within the Costa Rican culture, not only as it pertains to alcohol consumption. This campaign was launched through a strategic alliance with the Ministry of Health, with FIFCO inviting other participants in the alcoholic beverage industry to participate in the creation of an organization equivalent to Educ'Alcool in Costa Rica. All activities were coordinated by the Department of Corporate Relations and the strategic business unit for alcoholic beverages. The former was in charge of the educational component and of managing relations with stakeholder groups; the latter was responsible for sales and marketing of the company's major brands (some of these activities are described in **Exhibit 8**).

In one case, a promotional campaign for one of FIFCO's beers was canceled because the theme of the campaign ("pay for one, take three") was inconsistent with moderation. Juan Chinchilla, a sales representative, estimated that around seven to eight percent of beer sales at festive occasions were lost by eliminating this type of promotion. This decision created some confusion and discontent in the Sales and Distribution Division, whose members were

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responsible for achieving both the "frequency of consumption" goal and the sales goal established in the sustainability balanced scorecard. Tensions were felt among members of the sales force, who were expected to meet short-term volume quotas while also promoting moderation.

2. The "Choose to Help" Program

Florida developed a volunteer program called "Choose to Help" because it gave employees an array of options for offering community service. According to FIFCO managers and employees, this program added a human element to the triple bottom line strategy by allowing FIFCO staff to "live the company's footprints." Some believed that it was through this volunteer program that FIFCO consolidated its social and environmental practices through an array of twelve programs that captured the essence of the triple bottom line strategy.

"Choose to Help" was officially launched after a devastating earthquake destroyed the home of a FIFCO employee in January 2009. The company provided time off and resources so that co-workers could rebuild the house. This effort was expanded to help other families in the region and soon involved 1,100 employees--including CEO Mendiola—who donated a total of 8,880 hours as volunteers in the reconstruction of 13 houses near the earthquake's epicenter.

Following this emergency response, the company developed a portfolio of strategic projects. Any volunteer project had to contribute to a given social or environmental goal of the firm's triple bottom line. For instance, the project "aqueduct in the indigenous community of Gavilán Canta" contributed to the goal of water neutrality (described below). The project "remodeling the driving education center" contributed to the goal of highway safety (see **Exhibit 8** for more information on the road safety program).

In most volunteer programs included in the portfolio of options, FIFCO worked or coordinated efforts with other businesses, NGOs or government organizations to leverage the project's impact. In the Gavilán Canta project, for example, the company partnered with *Acueductos y Alcantarillados*, the governmental organization responsible for providing water services to the population. For the remodeling of the driving education center, FIFCO partnered with the Ministry of Public Works and Transport. In both cases, the governmental institutions were in charge of the daily maintenance of the infrastructure, as it was public property.

By 2011, the company's employees were providing two days (16 hours) of voluntary work each year. Participation in this program was scheduled during working hours and was compulsory for all staff members—including the CEO. "Volunteer hours" was an indicator included in every employee's individual balanced scorecard. FIFCO's annual number of volunteer hours reached 48,715 in 2011, showing a significant increase over 2009 (when it was just below 25,000 hours) and making it Costa Rica's number one company in corporate volunteerism. FIFCO's volunteers were known as the "blue tide" because they would arrive uniformed with their blue company T-shirts.

The volunteer program contributed not only to achieving social and environmental goals, but also to increasing the identification of the employees with the company's values and with the triple bottom line strategy. "We no longer see volunteer activities as a sacrifice, but as a

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duty," a company financial analyst explained proudly. According to an organizational climate survey done by Price Waterhouse Coopers, among FIFCO's five values, "responsibility" showed the largest improvement between 2007 and 2009, increasing from 56 to 74 percent. The survey also showed that cultural alignment increased from 53 to 61 percent. FIFCO directors attributed a great deal of these results to the "Choose to Help" program (see **Exhibit 9** for more information on the volunteer program).

As observed in the volunteer and responsible-consumption initiatives, FIFCO often engaged in cross-sector partnerships, either with governments or NGOs, to complement its efforts in the implementation of its social initiatives. Through these relationships the firm accessed technical know-how, increased the scale of its projects, and improved the probability that the project would continue operations for the long run. Along these same lines, FIFCO was a member of the *Asociación de Empresarios para el Desarrollo* (AED), the most important organization promoting corporate social responsibility in Costa Rica. AED's members included some of the biggest local and multinational corporations in the country. Among the objectives of this association were the promotion of management systems to support socially responsible business models and the channeling of its members' social investment through public-private alliances. FIFCO has been represented on the Board of AED since its foundation and has played a strong role in sharing its know-how with other members. Membership in AED offered the company an opportunity to join efforts with other organizations and, thus, leverage its impact in Costa Rican society.

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3. Becoming Water-Neutral

Water was a strategic resource for FIFCO, as it was used not only in the composition of its products, but also in its production process. Water usage also had significant environmental implications for the communities where FIFCO operated. Therefore, the company set as a goal to become water-neutral in 2012.

FIFCO used the method known as "measure-reduce-compensate" to achieve this and other environmental goals, such as the reduction of solid waste and carbon neutrality. The company followed three steps: (1) monitor the current situation and measure the operational footprint; (2) reduce usage of the resource to the lowest possible level; and when further reductions were no longer possible, (3) compensate by generating or saving the resource externally, outside company operations.

In Mendiola's first year as CEO, FIFCO consumed 14 liters of water for every liter of beverage produced, according to the plant-level indicator used at the time. Efforts to reduce water consumption began immediately, reaching 8:1 by 2008. These efforts were accelerated with the introduction of the triple bottom line strategy. By 2011, the figure stood at 4.72:1, approaching the world benchmark of 3.5:1, which FIFCO adopted as its own goal.

To compensate for water usage in its operations, FIFCO used the Water Footprint Assessment Manual, published by the Water Footprint Network, which included definitions and accounting methods. Using the Manual, FIFCO implemented community initiatives for water compensation, such as the construction of the

aqueduct Gavilán Canta, an indigenous community located near Costa Rica's Caribbean coast. As a result of this project, 500 villagers no longer had to walk more than two kilometers to access clean water.

Another way to compensate water usage was through a national program of environmental services, through which payments were given to private owners of forest areas who undertook conservation projects. FIFCO had selected 449 hectares (1,123 acres) of forest in the upper basin of the Segundo River and 370 hectares in Santa Cruz as areas for providing environmental services.

The Future

Having received global recognition as a Sustainability Champion and reviewing the achievement of goals for 2011 (shown in **Exhibit 10**), it was now time to consider the next great company goal. Mendiola was preparing for an upcoming annual retreat. The entire management team would attend the meeting. He needed to establish a new long-term goal for FIFCO; if he did not, the company could lose momentum. FIFCO had become goal-driven, and the triple bottom line strategy could stagnate without a clear objective for the next two years. In a worst-case scenario, the progress made could be lost.

One option was to promote the triple bottom line strategy among the company's suppliers and/or its distribution channels, thus ensuring that the gains made by the company were not lost in other parts of the total farm-to-final- customer value chain. It was also a way to continue the "evangelization" process outside the company's boundaries. However, it would be necessary to develop a business case for the Board of Directors and for the entire management team, not all of whom would agree that this was the responsibility of the company.

The company had already developed a manual of social responsibility for suppliers, a code for responsible suppliers and had even evaluated 90 suppliers with sustainable business practices. Sánchez commented:

Before the triple bottom line, we had an ABC for our suppliers which told us how much they bought and how important their material was for the uninterrupted operation of our business. Now our ABC tracks which among these suppliers least affect our water and carbon footprints because we want to work with these suppliers.

On the distribution side, FIFCO worked with networks of large retail chains such as Walmart and AutoMercado, a Costa Rican supermarket chain. At the other end of the spectrum, the company distributed its products to thousands of small liquor stores and traditional mom-and-pop stores, called "pulperías," located throughout the country. FIFCO had already begun point-of-sale recycling initiatives with all types of retailers, and the employees of some outlets even participated as volunteers in recycling programs.

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Some supporters of the triple bottom line within FIFCO, while not opposed to spreading this philosophy to business partners in the value chain, believed that priority should be placed on further consolidating the strategy inside the company.

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Exhibit 1: Florida Ice & Farm Company, S.A. and Subsidiaries: Statements of Income and Expenses, 2003-2011

(years ending September 30, in billions of Costa Rican colones)

Statements of Income and Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales:									
Beer and beverages	68.8	75.1	93.2	116.8	163.7	198.6	208.2	231.1	258.7
Foods	-	-	-	4.4	27.7	33.4	34.4	34.4	35.8
Real estate	-	-	-	-	12.3	45.6	33.4	22.3	19.9
Other	0.0	0.0	0.6	1.1	0.8	2.1	1.7	2.0	2.6
Total sales	69.0	75.4	93.8	122.3	204.6	279.7	277.8	289.8	317.0
Cost of Goods Sold									
Beer and beverages	19.9	21.8	33.8	42.6	64.1	77.2	81.6	85.9	95.9
Foods	-	-	-	3.3	19.8	24.0	25.9	25.1	26.0
Real estate	-	-	-	-	4.1	22.4	14.6	10.0	9.7
Other	0.0	0.0	0.5	0.7	1.2	1.6	1.4	1.4	1.7
Total cost of goods sold	19.9	21.8	34.3	46.7	89.2	125.1	123.5	122.4	133.3
Gross Profit	**49.1**	**53.6**	**59.4**	**75.6**	**115.3**	**154.6**	**154.3**	**167.4**	**183.7**
Sales and marketing expenses	24.1	22.3	25.6	33.2	47.8	64.4			
Administrative expenses	8.7	8.3	9.6	10.9	21.8	32.3			
Total Operating Costs	32.8	30.6	35.2	44.1	69.6	96.6	95.6	101.1	112.8
Operating Profit	**16.4**	**23.0**	**24.2**	**31.5**	**45.7**	**58.1**	**58.7**	**66.3**	**70.9**
Other income / expenses (net)	64.6	0.0	0.8	3.2	16.1	-11.4	-11.2	-4.8	-6.8
Profits before taxes	**81.0**	**23.0**	**25.1**	**34.7**	**61.8**	**46.7**	**47.5**	**61.5**	**64.1**
Taxes	3.5	6.8	6.5	8.1	13.6	14.1	15.8	21.9	22.1
Net after-tax profits	**77.5**	**16.2**	**18.5**	**26.6**	**48.2**	**32.6**	**31.6**	**39.5**	**42.0**
Less: minority interests	1.2	2.9	3.4	4.8	10.5	8.4	8.7	12.8	12.8
Net profits for shareholders	**76.3**	**13.3**	**15.1**	**21.8**	**37.7**	**24.2**	**22.9**	**26.7**	**29.2**

(1) Note: The extraordinary income in 2003 was due to gains in the sale of shares.

Exchange rate, average (Sept. - Sept.)	388.2	427.5	466.8	503.0	518.1	533.0	566.1	542.2	506.6

Source:

(1) Financial statements published on FIFCO's webpage (www.florida.co.cr)

(2) Exchange Rate: Banco Central de Costa Rica (www.bccr.fi.cr)

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Exhibit 2: Florida Ice & Farm Company, S.A. and Subsidiaries: Balance Sheets, 2003-2011

(years ending September 30, in billions of Costa Rican colones)

Balance Sheets	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assets:									
-									
Cash	7.2	3.2	1.6	3.0	6.3	7.5	6.7	34.3	54.3
Financial assets	-	-	-	39.3	15.3	12.9	29.1	12.6	-
Accounts receivable	6.7	8.2	10.4	17.9	24.1	34.7	28.7	29.1	30.6
Inventories	11.7	8.2	8.8	16.0	25.1	34.7	32.3	31.3	34.0
Properties for sale (short-term)	-	-	-	-	13.8	7.6	5.4	2.1	1.7
Other current assets	80.6	62.0	64.7	3.0	5.5	8.0	9.2	9.5	20.6
Total Current Assets	106.3	81.6	85.4	79.2	89.9	105.4	111.4	118.9	141.2
Plant & equipment; real estate	61.4	59.9	57.7	65.6	161.1	171.6	183.6	168.2	172.0
Other fixed assets	37.8	54.9	63.2	100.5	148.7	158.9	167.4	157.7	156.3
Total Fixed Assets	99.2	114.8	120.9	166.1	309.8	330.5	351.0	326.0	328.3
Total Assets	**205.4**	**196.4**	**206.3**	**245.4**	**399.7**	**435.9**	**462.3**	**444.9**	**469.5**
Liabilities and Capital:									
Short-term debt	5.0	3.8	5.1	37.9	74.2	44.3	16.3	12.4	18.8
Accounts payable	9.6	7.2	8.2	8.2	19.8	20.1	14.0	16.6	22.4
Other current liabilities	7.9	9.7	12.1	17.1	45.4	31.1	25.8	30.9	27.2
Total Current Liabilities	22.5	20.7	25.4	63.2	139.4	95.5	56.1	59.9	68.4
Long-term debt	25.2	12.8	9.5	6.0	30.6	87.8	124.3	108.6	108.6
Deferred taxes	-	-	-	-	4.9	12.8	16.1	9.1	10.8
Other long-term liabilities	6.4	8.0	9.4	13.2	0.0	0.0	0.0	0.0	0.0
Total Long-Term Liabilities	31.6	20.8	18.9	19.2	35.5	100.6	140.4	117.8	119.4
Capital shares in circulation	39.2	38.5	39.1	39.0	38.8	38.8	38.8	38.3	38.2
Additional paid-in capital	0.0	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Reserves	5.9	6.0	28.8	33.0	63.2	61.8	73.8	58.7	61.5
Undistributed profits	82.4	79.4	80.5	74.7	97.6	108.8	119.5	134.8	145.3
Minority interest	11.7	13.0	13.4	16.2	25.2	30.3	33.7	35.3	36.7
Other capital	12.0	16.9							
Total Capital	151.2	154.3	161.9	162.9	224.9	239.7	265.8	267.2	281.7

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Total Liabilities and Capital	**205.3**	**195.8**	**206.2**	**245.3**	**399.7**	**435.9**	**462.3**	**444.9**	**469.5**
Exchange rate US$, as of Sept. 30th	407.77	446.98	486.40	519.73	516.39	549.59	582.49	502.55	508.36

Source :

(1) Financial statements published on Florida Ice & Farm's webpage (www.florida.co.cr)

(2) Exchange rate: Banco Central de Costa Rica (www.bccr.fi.cr)

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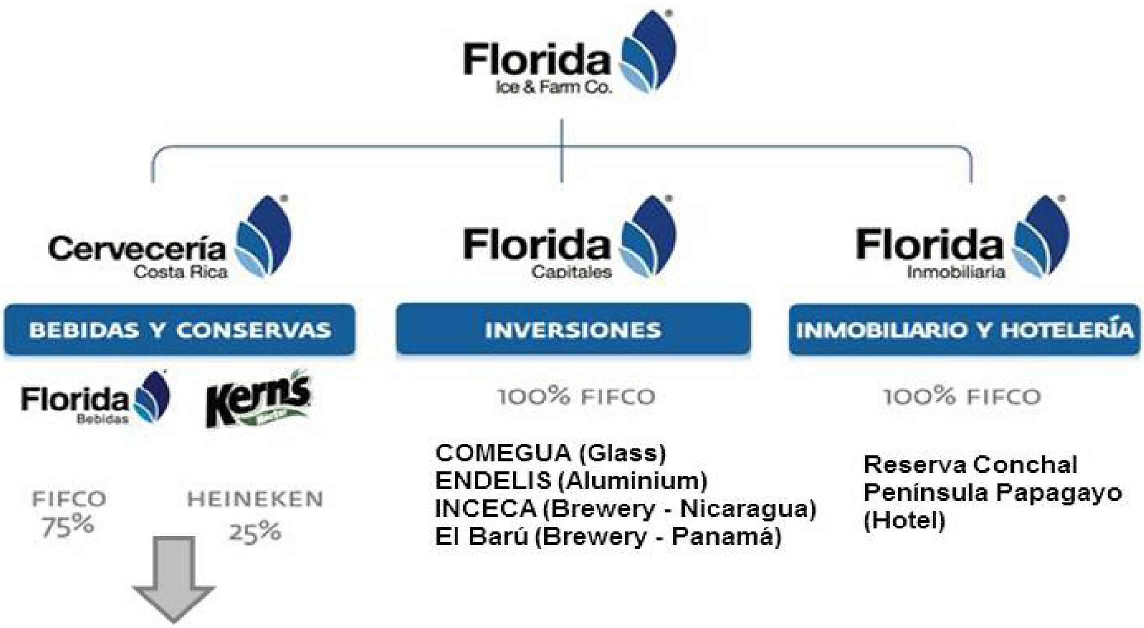
Exhibit 3: Florida Ice & Farm Co.
Business Units and Major Brands



DIVISION	CATEGORY	BRAND
Alcoholic Beverages	Beer	Imperial, Imperial Light, Pilsen, Bavaria Gold, Bavaria Light, Bavaria Dark, Heineken, Rock Ice, Rock Ice Limón y Kaiser.
	Flavoured Drinks	Smirnoff Ice, Bamboo y Cuba Libre.
	Wines	Concha y Toro
Non Alcoholic Beverages	Water	Cristal
	Fruit Drinks, Nectars, Te,	Tropical, Tampico, Kern´s, Lipton
	Carbonated	Pepsi, Pepsi Light, 7 UP, Evervess, Mirinda, Milory
	Others	Maxi Malta, Gatorade, Maxxx Energy y Adrenalina
Food	Tomato Sauce and Pasta	Kern´s
	Beans	Ducal

Source: Adapted from Florida Ice & Farm's triple bottom line presentation, April 2012

Exhibit 4: Florida Ice & Farm Co.:

Strategic Objectives and Goals

Dimensions		Goals	Strategic Priorities		
1. Environmental		Improve Florida´s environmental performance	1. Efficient use of water resource	2. Efficient use of energy and decrease of transmission of greenhouse gases	3. Proper management of solid waste
2. Social	Internal	Improve the quality of life of our employees and their families	1. Aim Culture: Live the company´s values	2. Occupational health and safety	3. Talent Development
	External	Have a positive impact in the communities where we operate	1. Promotion of responsible alcohol consumption	2. Social Strategic Investment	3. Transparency and Ethics
3. Economic		Generate economic value for our shareholders and other stakeholders	1. Creation of economic value	2. Market Leadership	3. Growth in sales and profit

Source: Florida Ice & Farm's annual sustainability report, 2010

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Exhibit 5: Eco-Florida:

Macro Indicators for Environmental Goals

Indicator	Specific Metric	Environmental Goal
Water consumption	• hl water / hl produced	Become water neutral in 2012
Consumption of Electric and Thermal Energy	• kWh o Mj / hl produced	Become carbon neutral in 2017
Emissions of Greenhouse Gases	•Ton CO2 / hl produced	
Post-Industrial Waste	• Kg / hl produced	Become a leader in solid waste management
Packaging Recovery Post-Consumer Non Returnable	• % of packages sent to the market	
Environmental Policy / ISO14001	• Certification award	

Source: Florida Ice & Farm's annual sustainability report, 2009

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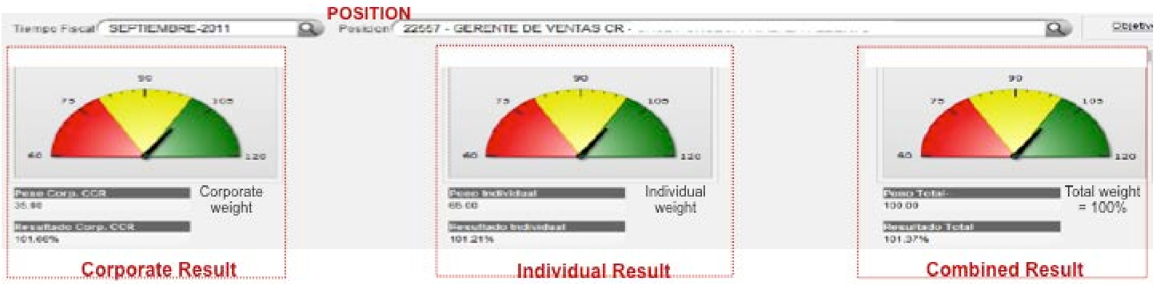
Exhibit 6: Example of FIFCO's Sustainability Balanced Scorecard

As shown below, all employees were able to keep track of their performance and that of their subordinates regularly through the company's intranet system.

Sustainability Balance Scorecard for Sales Manager, Costa Rica

For example, for this person, 15% of his balanced scorecard correspond to corporate goals whilst individual performance weighted 85%.



The next section/screen of the Intranet details all the indicators the employees has on its balanced scorecard. An example of one of Florida's employees is presented as follows (just as reference):

Indicator	Weight	Goal_80	Goal	Result	Score	Accomplishment	Objective	Perspective	Dimension
0307 – Star (ECO – Planta)	10%	80	86	86	100%	10%	Keep processes in harmony with the environment	Internal processes	Environmental
0251 - Execution of Projects	10%	80	100	95	95%	9.5%	Assess performance of HR	Learning and Growth	Economic
0065 - Budget Compliance	5%	1473.96	1.431,03	1.436,32	97,54%	4,88%	Reduction of costs and expenses	Financial	Economic
0095 - Savings and Productivity Plan	5%	208.29	219.25	345.42	120%	6%	Reduction of costs and expenses	Financial	Economic
0317 - Star:Quality	5%	60	65	68	120%	6%	Develop successfully new products	Internal processes	Economic
0301 - Operational Performance: Bottles	10%	57	61	60	95%	9.5%	Efficient production	Internal processes	Economic
0302 - Operational Performance: Cans	10%	59	63	62.2	96%	9.6%	Efficient production	Internal processes	Economic
0304 - Overall Productivity (Brewery)	5%	7500	7850	7347	0%	0.0%	Efficient production	Internal processes	Economic
0310 - Audit TPM: Maintenance	10%	65	70	73	120%	12.0%	Efficient production	Internal processes	Economic
0310 - Audit TPM: G.Autonomy	5%	71	76	76	100%	5.0%	Efficient production	Internal processes	Economic
0102 -Satisfaction of the employees	10%	80	100	100	100%	10.0%	Build/shape a goal corporate culture	Learning and Growth	Social

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0204 -Frecuency of accidents at work	5%	4	3.2	1.72	120%	6.0%	Build/shape a goal corporate culture	Learning and Growth	Social
0320 - Volunteerism	5%	14	16	16	100%	5%	Forging corporate culture	Learning and Growth	Social
0135 - Findings of internal audit not resolved on time	5%	80	95	100	100%	5%	Forging corporate culture	Learning and Growth	Social

Source: Florida Ice & Farm's balanced scorecard system, April 2012

Exhibit 7: Data on Beer Consumption

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A) Beer Consumption per capita in Latin American Countries

(Liters / Total Population)

Country	2008	2009
Argentina	43.22	42.65
Bolivia	35.56	33.74
Brasil	52.79	45.21
Chile	35.88	35.55
Colombia	42.61	41.40
Costa Rica	35.39	32.71
Ecuador	35.04	37.98
El Salvador	12.01	11.17
Guatemala	11.44	10.48
Honduras	14.88	15.48
Mexico	60.64	59.76
Nicaragua	17.82	16.38
Panama	65.71	62.36
Paraguay	35.33	37.97
Peru	43.17	39.72
Dominican Republic	39.81	38.38
Uruguay	25.17	25.54
Venezuela	89.95	81.15

Average, Latin America: 37 lts / total population.

Source: Adapted from Cerveceros Latinoamericos, Industry Statistical Information: Index 2010

B) Patterns of Alcohol Consumption, Costa Rica vs. Québec

Country/Region	Costa Rica[3]	Québec[4]
Consumers (%)	57%	82%
Dangerous Consumption	4%	2%
Occasional Excessive	16%	3%
Consumption (drinks/per time)	5	2.5
Frequency (days/week)	1.75	4
Association	"Party"	"Pleasure"

Source: Florida Ice & Farm's triple bottom line presentation, April 2012

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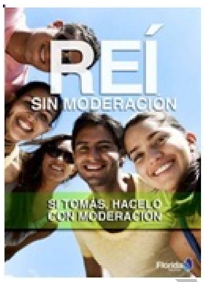
[3] Data provided by Facultad Latinoamericana de Ciencias Sociales (FLACSO)
[4] Data provided by Éduc'Alcool, Quebec

Exhibit 8: Marketing Activities in FIFCO's Responsible Consumption Campaign

- **Moderation as a value**: In the period 2009-2010, FIFCO launched a campaign with the claim "moderation: our next step," in alliance with the Ministry of Health and several media. This initiative was very successful because according to an external firm, the audience reached was 93.7 percent—89 percent of the people who watched a commercial remembered the central message, and more than 75 percent of them considered it relevant.
- **Formula 2 3 4 0:** A campaign to promote responsible consumption among adults, by explaining the different guidelines for men and women. Also, there are groups of individuals for whom "0" applies, meaning that they should not consume alcohol at all. For example, pregnant women, teenagers under 18 and car drivers. FIFCO used mainly brochures, posters and billboards to reach the target audience.



- **Beer Expert Program:** To train Florida's employees to promote moderation and responsible consumption. By 2011, more than 300 employees from the areas of marketing, sales, and beer manufacturing had graduated from this program.
- **Initiatives with customers**: Florida launched several campaigns to promote responsible consumption in the distribution channels. For example, at more than 200 points of sale, they implemented the program "I am responsible, I do not sell alcohol to people under 18." Additionally, the company created another program called "Responsibility in action" to encourage their customers (liquor stores, groceries, others) to reduce dangerous consumption.
- **Highway Safety Programs:** Florida worked in alliance with the Ministry of Public Works and Transport to develop several initiatives as part of the "Choose to Help" program. For example, Florida invested more than US$100,000, and 100 employees collaborated with volunteer hours, to rebuild the center for driving education, and to offer road safety lessons, especially oriented to children.

Source: Adapted from Florida Ice & Farm's annual report, 2010-2011

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Exhibit 9: Data on the "Choose to Help" Volunteer Program

How does the program work?

- FIFCO has a variety of projects to choose from in the social and environmental field.
- Employees also propose projects that they consider relevant and strategic.
- The company offers two working days per year to everybody to do volunteer service.
- The indicator "volunteer hours" is included in the social dimension of the balanced scorecard of every single employee of the company.
- After every activity, a survey is carried out by the Manager of Social Investment.

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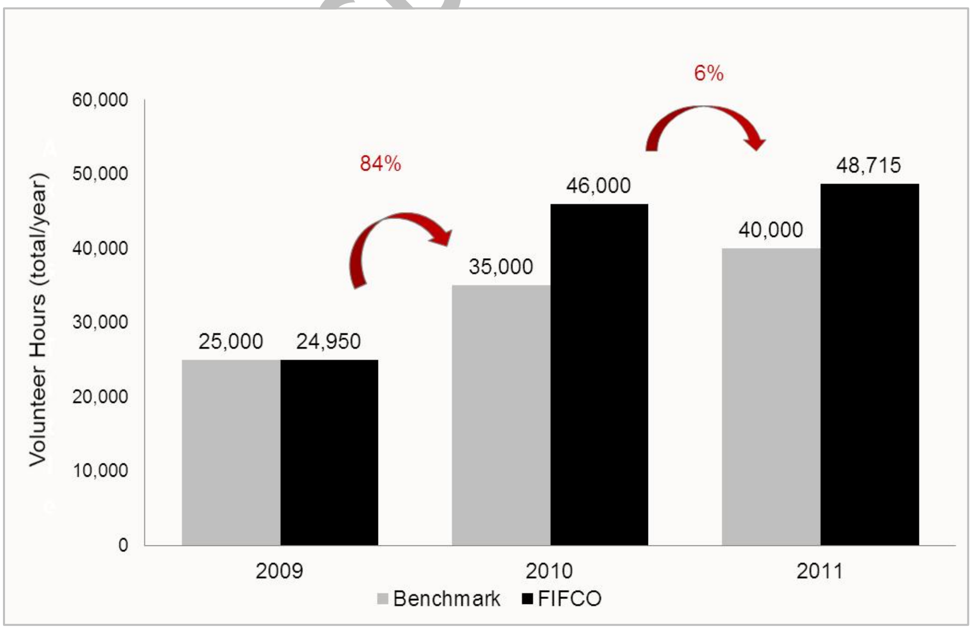
Proud of the achievement of its division, Arnold Prada, Supply Chain Manager, explained that his team was highly motivated:

"According to the "Choose to Help" program, every employee has to complete at ***least 16 hours of volunteer service****, during their working schedule. Last year, the supply chain team completed 939 additional hours"*



Source: Adapted from Florida Ice & Farm's triple bottom line presentation, April 2012

Exhibit 10: Matrix of Goal Achievement – Year 2011

Strategic Objective	Results 2011	Savings vs. 2010	Unit Cost	Economic Impact 2011 (US$/year)	Additional Comments
Reduce the environmental footprint and become the first neutral company in Central America.					
Efficient use of water resource(hlwater/hlproduced)	5.05 (Costa Rica)	1,156,836	0.013 US$/hl	15,198	Savings from water distribution and treatment. It does not reflect the impact in the cost of water, as FIFCO pays a concession fee.
Efficient use of energy and decrease of carbon emissions					
Thermal Energy (MJ/hlp)	161.12 (Costa Rica), 83.8 (Guatemala)	(1)			
Electric Energy (KWh/hlp)	10.95 (Costa Rica), 8.79 (Guatemala)	208,161	0.053 US$/kWh	11,033	
Emissions of CO2 (tonCO2/hlp)	0.0163 (Costa Rica), 0.0095 (Guatemala)	(1)			
Proper management of solid waste					
Reduce to zero our post-industrial waste (Kg/hlp)	0.119 (Costa Rica)	0.100 (Costa Rica)	24.509 US$/MT	610,843	Disposal cost avoided by not sending waste to a landfill. It does not include transportation costs.
	98.5% waste recovery			549,342	Income from selling the recoverable post-industrial waste. It does not include post-consumer waste.
With the support of our customers, we recycle 100% of our post-consumer packaging	42.10%	31% (in 2010)		-128,917	Recycling post-consumer waste has an independent P&L statement. In 2011, revenues were US$ 2.6 million, but the overall operation showed a loss of $130K.

Improve the quality of life of our employees and their families					
Occupational health and safety (incidence and severity)	Incidence: 2.68%, severity: 0.72 days (2)	Incidence: 3.8%, severity: 0.8 days (in 2010)		180,000	Decrease in the amount of the insurance premium for the past six years.

(1) No savings were reported between 2010 and 2011.

(2) Incidence is the percentage of employees that suffered an accident while working. Severity is the number of working days the employee loss due to the accident.

Source: Florida Ice & Farm, May 2012

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Appendix A. Briefing on Costa Rica (2011)

During the past 60 years, Costa Rica has enjoyed political stability and a consolidated democratic regime. The government abolished the army in 1949, and invested heavily in health and education. As Latin America's oldest democracy, Costa Rica has been an oasis of stability in a region that has been constantly degraded by war. The 1987 Nobel Peace Prize awarded to former President Oscar Arias for his role in the Central American peace accords is a point of pride for Costa Ricans and confirms their general appreciation for peace.

Costa Rica has consistently been among the top Latin American countries in the Human Development Index (HDI), ranked 69th in the world in 2011. It was also cited by the United Nations Development Program (UNDP) in 2010 as one of the countries that has attained much higher human development than other countries at the same income levels. Its health care system is ranked higher than that of the United States, despite having a fraction of the U.S. GDP. By the year 2000, social health insurance coverage was available to 82% of the Costa Rican population. The literacy rate in was 94.9%, one of the highest in Latin America. Elementary and high schools are found throughout the country in practically every community. Universal public education is guaranteed in the constitution. Primary education is obligatory, and both preschool and high school are free.

Due to the country's political stability and relatively high education levels, as well as the fiscal incentives offered in the free-trade zones, Costa Rica has attracted one of the highest levels of foreign direct investment per capita in Latin America. Costa Rica used to be known mainly for its production of bananas and coffee. Even though, coffee, bananas, pineapple, sugar, lumber, wood products and beef were still important exports in 2011, such industries as electronics, pharmaceuticals, financial outsourcing, software development, and ecotourism have become the prime industries in the country's economy in recent years. Since 1999, tourism earns more foreign exchange than the combined exports of the country's three main agricultural exports.

In 2011, Costa Rica was highlighted by UNDP for being a good performer on environmental sustainability, and for having a better record on human development and equality than the median of their region. The country is ranked fifth in the world, and first among the Americas, in terms of the 2012 Environmental Performance Index. According to the New Economics Foundation, Costa Rica ranks first in the Happy Planet Index and is the "greenest" country in the world.

Costa Rica developed a system of payments for environmental services where the government offers incentives to farmers or landowners in exchange for managing their land to provide some sort of ecological service. In May 2007, the Costa Rican government announced its intentions to become 100 percent carbon neutral before the year 2030.

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Costa Rica Basic Information:

Land area	51,100 km²
Capital City	San José
Neighboring Countries	Panama (South) Pacific Ocean (West) Nicaragua (North) Caribbean Sea (East)
Population	4.4m (based on the 2000 census)
Official Language	Spanish
Currency	1 colón (C) Average exchange rate in 2011, C508.4:US$1;

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Comparative Economic Indicators 2010:

Economic Indicators	**Costa Rica**	**Guate-mala**	**Nicara-Gua**	**Honduras**	**El Salvador**
Nominal GDP (US$ m)	35.8	41.2	6.4	15.4	21
Real GDP growth (%)	4.2	2.8	4.5	2.8	1.4
GDP per head (US$ at PPP)	10,650	7,187	3,039	3,806	6,398
Consumer prices (end-period; %)	5.8	5.4	9.2	6.5	2.1
Lending interest rate (av; %)	17.1	13.3	13.3	18.9	7.6
Exports of goods fob (US$ bn)	9.4	8.6	3.2	5.7	4.6
Imports of goods fob (US$ bn)	-13	-12.9	-4.8	-8.6	-8.2
Cur-account balance (US$ m)	-1,299	-878	-963	-955	-488
Debt stock (US$ m)	8,593	14,340	4,787	3,748	11,069

Source: Economist Intelligence Unit