

# Message from the Managing Director



This year is a special one for GAB, as we celebrate 10 consecutive years of growth in revenue, profit and market share. I am very proud of our financial performance, especially as they are accompanied by equally impressive achievements in our corporate responsibility performance.

This year, we made significant headway in our quest to encourage sensible drinking. We reached out to all of our employees and business partners to ensure that all of our activities support the Drink Sensibly message. We have also launched a Drink Sensibly website, and we have enhanced our internal marketing policies, as well as guidelines for alcohol consumption during working hours.

With regards to our environmental performance, we are seeing further improvements. In a world where resources are scarce and climate change looms as a major threat to our way of life, I am pleased that our continued innovation has resulted in a continued reduction in energy use, water and waste. Such reductions minimise our impact on the environment, and also provides efficiencies and cost savings – a win-win for all.

We continue to see high levels of staff engagement and low employee turnover rates, but we understand that there are still challenges ahead: We operate in a highly competitive labour market and it is a high priority to continue to attract and retain the best and the brightest Malaysians. I take note of the suggestions from our employees that they want further engagement, and more opportunities to contribute their ideas. Our focus on a safe and healthy workplace also continues: We have introduced an employee wellness programme and strengthened no-smoking policies. Although we did not match last year's zero-accident record, we are pleased to see that our efforts to reduce severe accidents continue to pay off.

We have also seen progress in our community programmes. We engage with communities – through our volunteering activities and the Big Day Out, and through the GAB Foundation, which supports long-running activities such as our river rehabilitation programme, W.A.T.E.R and our English Improvement Programmes. These activities create long-term and sustained impacts, and we make a point of evaluating them to ensure they deliver maximum value to communities.

Our financial results and our corporate responsibility achievements were made possible through the hard work and support of our stakeholders. This year, we have therefore embarked on a structured stakeholder engagement exercise, to ensure that we understand the concerns and challenges of these important partners. This has been a great learning, as it helped us identify areas where we can improve, as well as areas where we need to enhance our communication to avoid misunderstandings.

To continue our performance, we will aim for growth and continual improvement. This requires us to constantly examine our performance across all aspects of operations. Our 10 years of growth is no reason to be complacent. On the contrary, this obliges us to continue our quest to become an Icon in Business – in Malaysia and globally.

I would like to thank each and every one of our employees, suppliers, customers, distributors, and investors, as well as our local communities for their continued support in GAB's road towards excellence. I look forward to continuing the journey.

**Charles Henry Ireland**

Managing Director

# Responsible Marketplace Practices

- Our licence to operate depends on our efforts in marketing our brands responsibly and in driving sensible alcohol consumption
- Delivering transparent and sustained financial performance drives share prices higher and shareholder loyalty
- Product safety procedures are crucial in ensuring that our consumers consume products that are of high quality and safety standards

## PRODUCT RESPONSIBILITY

### Drink Sensibly

We want to make our beer and stout a source of enjoyment for our consumers and wish to take a lead in preventing adverse effects of alcohol. We promote a sensible drinking culture to create a more responsible place for alcohol in society.



### Highlights of the year

- Implemented a policy of no drinking during working hours for staff.
- Launched a series of radio advertisements during the year-end festive season to raise awareness on sensible drinking.
- Incorporated a Sensible Drinking and Serving module into the training given by the GAB Academy – our flagship training programme for trade partners. Trained 2,500 people in FY11.



Launched the Drink Sensibly website to promote sensible drinking, with interactive content to help consumers understand the impact of various levels of alcohol intake.

### Our Code of Marketing Practice

The Code outlines strict guidelines by which employees and company representatives are to follow when marketing and promoting GAB's products. Each new employee is familiarised with the Code of Marketing Practice through our induction programme and existing employees have annual refresher courses and briefings to ensure the Code is fully understood.

### Engaging the Authorities

We engage with relevant authorities regularly to update and inform them on the following:

- Drink Sensibly
- Code of Marketing Practice
- Role of the Industry in the economy, and in promoting the F&B industry and tourism
- Excise Duty

### Engaging suppliers

We expect our suppliers to have excellence and integrity. Our Code of Conduct for vendors and suppliers outline our expectations.



We asked all our suppliers to respond to a survey and presented the results to them at a Supplier Appreciation event.

### No to bribery and corruption

We are committed to transparent and fair business practices and have a zero-tolerance policy on bribery and corruption. Corporate values which emphasise ethical behaviour are set out in the Management Handbook and our Code of Conduct. All employees are made aware of our Code of Conduct on a regular basis.

# Best Practice in the Workplace

- We need to attract and retain the best talents in Malaysia. This is achieved by offering competitive development opportunities and benefits in the market
- Promoting a healthy and safe workplace means that we achieve maximum productivity and avoid costly absences

## Our HR Pillars

### HR PILLARS

### KEY INITIATIVES IMPLEMENTED

#### Grows People

- Career advancement internally and internationally
- Personal and development plan for staff
- GAB Academy has trained our people and frontline staff of our outlets

#### Pays Well

- Salary benchmarking with industry peers
- Reward good performance through healthy bonus payouts and promotions

#### Cares for People

- Diversity and flexi-hours
- Nursing rooms for working mothers
- Making health and safety a priority
- HR Wellness programme
- Drink Sensibly programme for employees

#### Fair & Reasonable

- Trained all employees on Code of Conduct
- Reviewed appraisal ratings
- Hiring talent from within first

#### Great Two Way Communication

- Monthly breakfast meetings
- Townhall meetings and regular management briefings
- Employee newsletters
- Annual values survey

#### Delivers Great Performance

- TPM Programmes to improve work processes, quality and performance
- Sales Reorganisation for greater efficiency
- Implementation of projects to reduce paper-work and improve efficiency

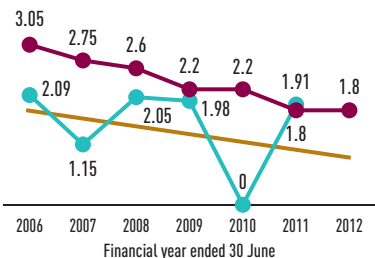
#### Lives its Values

- We work to ensure that all our actions are consistent with our values

## MAKING HEALTH AND SAFETY A PRIORITY

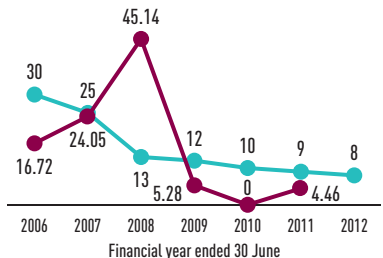
We have a zero accident target. We apply Heineken's Total Productive Management (TPM) safety pillar.

Number of accidents per 100 full-time employees



● Lost time accidents (LTA)  
● Target LTA      ● Linear (LTA)

Tackling severe accidents (average lost days per accident)



● Target severity rate  
● Severity rate

# Good Environmental Performance

- **Efficient use of inputs, such as energy and water, is a vast cost saver and it reduces dependency on fluctuating prices**
- **Protecting and preserving local waterways is crucial in maintaining access to water and in forging strong relations with communities**

We have implemented a number of significant projects to improve efficiencies, including the installation of an upgraded Economiser which increases energy efficiency, a new Freon-free air-conditioning system with no ozone-depletion and no global-warming potential, and the building of a carbon dioxide plant which recovers CO2 from fermentation for use in bottling.

We continue to focus on the reduction of electricity, thermal energy and water consumption.

	FY10	FY11	Percentage (%)
Thermal energy consumption	94.14MJ/HL	91.60MJ/HL	-2.7
Electricity consumption	11.19KwH/HL	11.27KwH/HL	+0.7
Water consumption	4.92HL/HL	4.71HL/HL	-4.5
Total co-products, packaging & industrial waste	18.12kg/HL	18.00kg/HL	-0.7

## RIVER REHABILITATION

- This three year project commenced in Dec 2007, in collaboration with Global Environment Centre (GEC).
- GAB Foundation adopted the entire 2.5km stretch of Sungai Way
- Adopted a three pronged approach:
  - Emphasise the importance of water source conservation
  - Empower stakeholders to take ownership of their water source
  - Educate future generation to adopt good water usage habits



The project has forged a stronger community, transcending racial differences, as a result of people working together to clean up the river.



The project has seen real improvements in water quality, from Class IV-V (extremely polluted) to Class III (suitable for living organisms), as well as improvements in biodiversity in and around the river.

We have also successfully engaged business entities and Government agencies to actively participate in this project.

The project steering committee comprises representatives from the following Government agencies:

- Department of Irrigation and Drainage (JPS)
- Department of Environment (DOE)
- Petaling Jaya City Council (MBPJ) through LA21
- Selangor Water Management Authority (LUAS)
- Department of Fisheries Selangor (DOF)
- National Integration & Unity Department of Selangor (JPN)
- Local community groups from Desa Ria, Desa Mentari, Kg Lindungan, SS3 and SS9A

2010 marked the end of our 3-year Sungai Way rehabilitation project. The 'Handbook on Urban River Management Through Local Community Participation', which documents the lessons and successes of the project, was published and launched on April 7th 2011, by the Deputy Minister of Natural Resources and Environment Malaysia, YB Tan Sri Datuk Seri Panglima Joseph Kurup.



# Enriching Communities

- **The community is made up of our current and future employees, suppliers, shareholders, trade partners and consumers. Their trust and confidence in us are crucial for our continued performance and long-term success.**

## THE GAB FOUNDATION

Established in 2007 to ensure that our investment in communities is structured and sustained for long-term impact. The Foundation functions as a spearhead for our community initiatives and aims to create an impact on the lives of people around us, reflecting our corporate values of striving for excellence, acting with integrity and having a genuine respect for people, society and its diversity.

The Foundation's focus is structured around three pillars: environmental conservation, education and community. More information on the Foundation is available at [www.gabfoundation.org](http://www.gabfoundation.org)

## EDUCATION

### Reading Corners

- The reading corners provide English reading materials including textbooks, encyclopaedias, dictionaries, storybooks and general knowledge books to facilitate sharing of knowledge among school children.
- In 2010, the GAB Foundation expanded the project to East Malaysia in collaboration with the Association of Research and Development Movement of Singai Sarawak (REDEEMS), a non-profit organisation that oversees the development affairs of the Bidayuh community and Borneo Child Aid Society, a Sabah-based NGO.
- In 2010, 18 reading corners were set up, bringing the total reading corners set-up to-date to 36, across Malaysia.



### English Programme

The English Programme assists primary school children improve their English skills through extra after school hours English classes run by volunteer facilitators. We are supporting 200 school children from 5 schools. In addition to the extra classes, we also organised a holiday camp to help these children apply what they have learnt, to further improve their English proficiency and confidence.



### Partial Scholarship Scheme

We have awarded scholarships to 38 students with total scholarships worth more than RM310,000.

## COMMUNITY

### The Big Day Out

This is an annual event in which GAB employees across the country are challenged to come up with impactful activities with a non-profit organisation or a charity of their choice. Employees work in teams and are allocated seed money to use for their activity.

In FY2011, we had more than 500 employees and 100 of our business partners across the country participate in 33 different community projects that included planting of mangrove tree seedlings, conducting health screening for village folks, building a physical therapy area for a school and clearing drains along Sungai Way.



# Who We Are

## OUR WORLD AND OUR VISION

GAB is the market leader of the Malaysian beer and stout industry. We operate across Peninsular Malaysia, as well as Sabah and Sarawak, with a workforce of 562 employees. GAB produces, sells and markets leading brands: Tiger, Guinness, Heineken, Anchor Smooth, Anchor Strong, Kilkenny, Anglia Shandy and Malta.

We also market imported brands Paulaner, Strongbow and Sol. The majority of our employees are based at our headquarters - the Sungei Way Brewery in Selangor, which started operations in 1965.

This year, we celebrate 10 consecutive years of growth. For the financial year ended 30 June 2011, we reported revenues of almost RM1.49 billion – an increase of 9.6% from 2010 (RM1.36 billion).

Our pre-tax profits were also significantly higher at RM243 million (2010: RM205 million).

	Financial year ended 30 June									
	2011 RM'000	2010 RM'000	2009 RM'000	2008 RM'000	2007 RM'000	2006 RM'000	2005 RM'000	2004 RM'000	2003 RM'000	2002 RM'000
Revenue	<b>1,488,720</b>	1,358,633	1,285,423	1,194,602	1,072,112	976,013	952,113	886,208	796,595	788,060
Profit before taxation	<b>242,883</b>	204,991	191,178	168,898	152,159	142,211	140,519	129,254	107,363	93,718
Taxation	<b>61,505</b>	52,300	49,190	43,041	39,598	14,014	32,551	30,835	29,357	21,317
Profit after taxation	<b>181,378</b>	152,691	141,988	125,857	112,561	128,197	107,968	98,419	78,006	72,401
Dividends	<b>163,133</b>	135,944	123,860	109,873	99,239	91,354	90,871	91,837*	84,831*	82,655*
Net Dividend per stock unit (sen)	<b>54.0</b>	45.0	41.0	36.4	32.8	30.2	30.1	30.4*	28.1*	27.4*
Earnings per stock unit (sen)	<b>60.0</b>	50.5	47.0	41.7	37.3	42.4	35.7	32.6	25.8	24.0
Reserves	<b>365,567</b>	319,879	291,252	260,285	234,060	213,246	176,403	159,064	146,200	124,748
Shareholders' funds	<b>516,616</b>	470,928	442,301	411,334	385,109	364,295	327,452	310,113	297,249	275,797
Net assets per stock unit (sen)	<b>171.0</b>	155.9	146.4	136.2	127.5	121.0	108.0	103.0	98.4	91.3

\* Includes special dividends

## OUR OPERATIONS

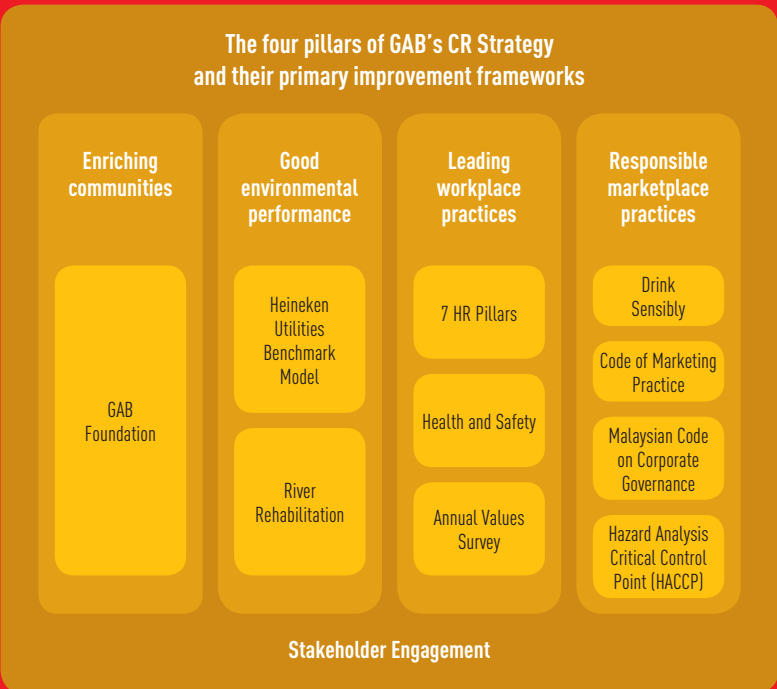
At our brewery in Selangor, close to Kuala Lumpur, we produce a range of well-known beer and stout brands, in bottles, cans and kegs. Through our 16 sales offices, we distribute our products through our network of distributors to bars, restaurants and the retail trade across Malaysia. Our relationship with the trade extends across a vast range of services – from promotions and marketing, to technical support of cooling systems and the collection and recycling of kegs and bottles.



# Our Approach to Corporate Responsibility (CR) and Strategy

## OUR VISION

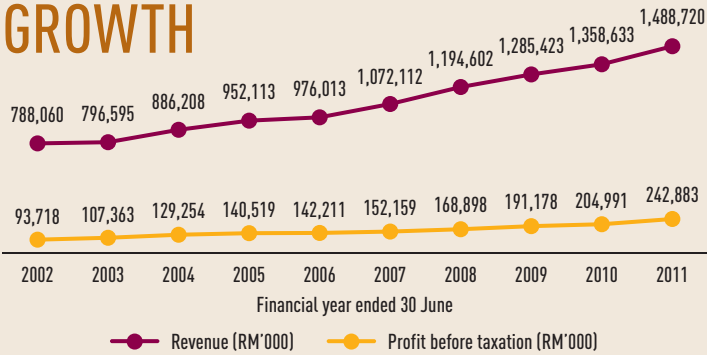
GAB is an Icon in Business. Respected the world over for delivering exceptional growth in People, Brands and Performance.



# Our Achievements at a Glance

10 consecutive years of

## GROWTH



### REDUCING ENVIRONMENTAL IMPACT

FY09 – FY11

**4.9%**  
less energy

**10.1%**  
less waste

**8.9%**  
less water

### IMPROVING HEALTH AND SAFETY

FY07 – FY11

**8.6%**  
fewer accidents

**73.3%**  
reduction in severity  
of accidents

### DRINK SENSIBLY

FY09 – FY11

**4,000**  
front-line staff of outlets  
trained on sensible drinking  
and sensible serving

**All GAB employees**  
trained on sensible  
drinking

### COMMUNITY

FY08 – FY11

**36** reading corners  
set up in Peninsular and East Malaysia

**500** students  
from 15 schools have  
benefitted from the  
English Programme

5 communities and close to **7,000** people  
educated and engaged through the WATER Project

**38** scholarships  
worth RM310,000 awarded

# About this Report

This document provides an overview of GAB's Corporate Responsibility (CR) strategy and activities. The full report can be found at [www.gab.com.my](http://www.gab.com.my) and a printed copy is available upon request.

GAB has published an annual CR report since 2004. The report has become an integral part of our corporate disclosure and reporting practice.

## REPORTING BOUNDARIES

This overview covers GAB's operations in the financial year ended 30 June 2011.

## INVITING YOUR FEEDBACK

We welcome stakeholders' views on our report and our approach to CR. To give your comments, please contact:

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together, we progress sustainably



**2011**

Corporate Responsibility  
**OVERVIEW**