



Caring Outlook + Responsible Conduct = Exemplary CSR Commitment



Sustainability Report

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MESSAGE FROM THE MANAGING DIRECTOR

GAB has fully embraced Corporate Social Responsibility (CSR) and it has now become a fully integrated part of how we operate. We believe that it is our duty as a business to contribute towards sustainable social and economic development. We are sensitive to the needs of our various stakeholders in operating our business in order to enrich the community in which we operate.

In the year under review, GAB continued to make good progress in numerous CSR programmes as outlined in the following economic, environmental and social sustainability sections of this report. Our vision to become an icon in business for delivering exceptional growth in people, brands and performance is reflected in our commitment towards sustainability.

In terms of people, we invested substantially in training and development to ensure that our people are given the opportunity to grow to their full potential in their roles. Our brands play a significant part in contributing towards the community. Our Tiger Sin Chew Chinese Education Charity Concerts raised RM7.5 million while our GUINNESS Torch Fund has raised more than RM6 million to-date to benefit Chinese education in the country.

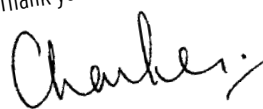
Our Total Productive Management programme initiatives have significantly improved our operations by reducing our water and electricity consumption while improving our fuel consumption. We also improved efficiency by producing more in less time, further reducing energy usage.

GAB is now connected to the national natural gas pipeline and this has greatly reduced our dependence on fuel oil while reducing our emission of carbon dioxide into the atmosphere.

In the coming years, we will continue to improve our reporting methods to make GAB more transparent to all our stakeholders without compromising confidential information that could benefit our competitors. Our ultimate goal is to achieve 100 per cent transparency in reporting for each financial year.

CSR is a core part of GAB's business. We will continue to invest in and improve on our CSR implementation in the coming years.

Thank you.



Charles Henry Ireland
Managing Director



Economic Sustainability



1.0 Economic Policy and Governance

GAB's Management reports to our Board of Directors, which currently has eight members of which two are Executive Directors. Four out of the remaining six Non-Executive Directors, including the Chairman, are independent.

Regular meetings are held between Management and the Board of Directors during which operational performance and related matters are discussed. Each year, Management prepares a three-year strategic and operational plan, where targets are defined in terms of key performance indicators (KPIs) such as Earnings Before Interest and Tax (EBIT), market share and brand volume.

These KPIs are tracked closely throughout the financial year. GAB operates in a highly competitive and challenging environment where we are faced with various business operational risks, which include competition, fiscal policies as well as legislative risks. These risks are reviewed and evaluated on a regular basis when formulating our strategic plans.

2.0 Key Figures

Please refer to pages 86 to 123 for GAB's Financial Statements for the financial year ended 30 June 2007.

3.0 Dialogue with Stakeholders

GAB aims to publish its financial and non-financial information in a timely and consistent manner through various media such as press releases, regular briefings and via its website at www.gab.com.my.

The information we provide to shareholders includes important facts and figures relating to our operations. Analyst briefings are held shortly after the publication of our interim and full-year results. One-on-one briefings are also held on an ad-hoc basis, upon request.

At each Annual General Meeting (AGM), the Board presents a report on the performance of the Company and holds a question and answer session to give shareholders the opportunity to seek clarification and share their thoughts and opinions with the Board.

A press conference, hosted by the Chairman, Managing Director and Finance Director, is also held immediately after each AGM to respond to media questions.

4.0 Risk Management

GAB's risk management process is managed by a Risk and Control Workgroup (RCW) headed by the Finance Director. Members of this group comprise cross-functional Senior Managers.

The RCW identifies the key risks faced by the Group and adopts a pro-active approach in managing these business risks.

Economic Sustainability

4.1 Reputational Risk

The good reputation of our brands and products is crucial to the success of the Company. Production and logistics are subject to rigorous quality standards and monitoring procedures to ensure that we constantly and consistently deliver products of the highest quality.

GAB remains the first and only brewery in the country to have received the ISO9001:2000 and the Ministry of Health's Hazard Analysis Critical Control Point (HACCP) certifications, two internationally recognised standards.

In our continuing efforts to be a responsible corporate citizen, we have in place a Code of Marketing Practice to ensure that we market and promote our brands in a responsible manner. We also have in place a Code of Conduct, which outlines the manner our employees go about their day-to-day activities.

4.2 Currency and Interest Risks

We have a Treasury Risk Committee comprising representatives from Finance, Technical, Purchasing and Sales Departments. This committee, which meets once every quarter, reviews risks of cash flows, foreign currency exposure and interest rates.

The Company engages in an Exchange Rate hedging programme to minimise our exposure to exchange rate fluctuations.

4.3 Fiscal Policy Risk

The malt liquor market (MLM) is subject to sales and excise duty taxes. Currently, Malaysia has the second highest taxes on beer in the world, which has resulted in high beer and stout prices. This has adversely affected consumption levels and caused the market to decline.

GAB, through the Confederation of Malaysian Brewers Bhd (CMBB), continues to have regular dialogues with the relevant Government agencies to highlight the issues faced by the industry in this area. We will also continue to communicate with the relevant authorities through the various trade organisations.

5.0 Summary

GAB closely monitors and tracks financial and economic indicators that may have an impact on its business. It also maintains close contact with its shareholders as well as analysts and media to gauge feedback on the Company and its performance. This ensures that, in the event of any economic pressure that may impact its business, appropriate measures are employed to overcome it and safeguard GAB against such an impact. This keeps GAB alert to perform at an optimum level at all times.

Environmental Sustainability



Environmental Sustainability

1.0 Environmental Policy & Governance

1.1 Policy Statement

GAB has a safety, health and environment (SHE) policy which is shared with its employees. This policy adopted by GAB affirms that the Company and its people adopt the safest and healthiest conditions in compliance with relevant statutory and Company requirements in all its production and non-production activities.

This encompasses the maintenance of plant equipment, the provision of training, the provision of adequate facilities and welfare arrangements as well as the development of safety awareness programmes. These procedures and processes are monitored, reviewed and audited regularly for continuous improvement.

GAB has also established a safety and environment pillar under Total Productive Management (TPM) to further improve safety and environment matters in all its operations.

1.2 Organisation

The said policy was developed by the SHE Committee, in which the Technical and HR Departments as well as the GAB in-house Union Committee are represented. This Committee, which is chaired by the Supply Chain Director, meets periodically to review issues resulting from SHE audits and to agree on preventive measures.

1.3 Targets

GAB employs TPM, a system that assists the Company in identifying and preventing loss through wastage in order to reduce production costs.

Under TPM, working groups are formed to address specific problem areas where targets are set and incorporated into a plan, which sets out the actions needed to achieve them. Once these targets have been met, the group will be closed.

TPM gets people on the shop floor to be responsible for their respective work areas, be appropriately trained and respond faster in repairing and getting machinery and equipment up and running.

1.4 Monitoring

Internal Audits on the TPM groups are conducted regularly throughout the year to monitor their progress. In addition, safety and hygiene audits are also carried out regularly to ensure that the safest and healthiest work conditions are maintained.

2.0 Energy

2.1 Thermal Energy

GAB uses heat for brewing, cleaning bottles and pasteurising. In the past, heat was mostly generated from medium fuel oil. In 2006, GAB undertook the initiative to convert its energy source from fuel oil to natural gas and is now connected to the national natural gas pipeline.

The immediate effect of using natural gas is the reduced emission of carbon dioxide (CO₂) into the atmosphere, in keeping with global CO₂ emission reduction initiatives. A bonus is the substantial cost savings to GAB as natural gas is cheaper than fuel oil.

Besides natural gas, renewable gas, mainly biogas, is used to generate some of the heat required. Biogas is obtained from the anaerobic treatment of wastewater at the effluent treatment plant.

Thermal Energy Generation in 2006/07

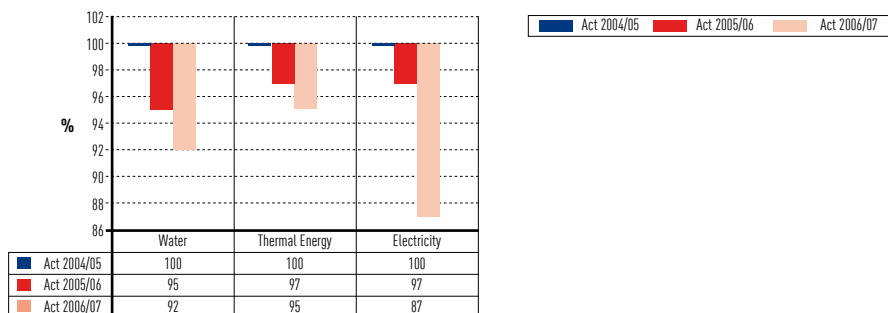


2.2 Electricity

Electricity is mainly used for refrigeration, water treatment, driving compressors and other machinery, liquefying carbon dioxide, lighting and office equipment.

Overall, electricity specific consumption in the brewery was reduced by 3.85% compared to year 2005/06 mainly due to the contribution of TPM teams focusing on electricity reduction.

Utility Performance Index



Environmental Sustainability

2.3 Climate

The use of non-renewable fuel generates CO_2 , NO_x and SO_x , which can cause climate changes. GAB has taken a proactive step to migrate from fuel oil to natural gas, which has reduced its emission of CO_2 into the atmosphere.

3.0 Water

3.1 Water Consumption

Water is the main raw material in our products. It is also used for cleaning process tanks, packaging, production equipment and utility installation. Improved efficiency during the brewing process and the setting up of a TPM group focusing on water have successfully reduced GAB's water consumption by an additional 2.8%, compared with the previous year.

3.2 Wastewater

GAB's wastewater is treated at its wastewater treatment plant to ensure that harmful substances are not discharged from its brewery. There are two ways of biological treatment used at the wastewater treatment plant.

The first is through anaerobic treatment where biochemical reactions take place in the absence of oxygen. The organic carbon is converted to CO_2 and CH_4 and biomass.

The second is through aerobic treatment where oxygen is associated in biological reactions. The organic carbon is converted to CO_2 and biomass.



4.0 Packaging

The packaging forms used by our products are glass bottles, kegs and cans. With glass bottles, the crown cork and label form part of the primary packaging. Secondary packaging includes cardboard and plastic film for transportation. All our packaging meets the highest quality standard and complies with statutory guidelines while meeting ISO 9001:2000 and HACCP requirements.

All our bottling, kegging and canning production lines registered more than 10% improvement in efficiency, mainly because of TPM. This has led to increased productivity.

The use of known or expected carcinogenic, or otherwise harmful substances, such as solvents and pigments are prohibited. The coatings and inks used for packaging materials such as labels and cans are free of heavy metals. The printing inks for labels intended for use on returnable bottles is free of copper to prevent waste water treatment plant problems. We do not use any form of PVC in our crown corks liners.

Kegs and glass bottles are returnable. After use, they are sent back to the brewery where they are cleaned and reused. Rejected cans, bottles, crown corks and labels during production are separated and sold to assigned contractors for recycling. Broken kegs are sold as scrap metal.

5.0 Bi-products and waste

Brewing creates a number of bi-products, namely spent grain and yeast. Spent grain is sold as animal feed while the spent yeast is treated in the wastewater treatment plant.

Non-recycled waste such as activated sludge and solid waste, removed from wastewater by settling or filtration, is sent to the landfill.

6.0 Summary

GAB is fully aware that its business impacts the environment. It has implemented various measures to minimise this impact. Among these measures are concerted efforts to reduce energy and water consumption and converting from fuel gas to natural gas to reduce the emission of CO₂ into the atmosphere. GAB realises that there is still room for improvement and will continue to work relentlessly towards environmental sustainability.

Social Sustainability



Reporting Basis

The information presented in this report refers to our financial year ended 30 June 2007, except for the Safety Report, which is for the 2006 calendar year.

1.0 Social Responsibility Policy

GAB acknowledges that in its business today, it has an important social responsibility to its stakeholders. Corporate Social Responsibility (CSR) is a form of self-governance, which ensures that GAB operates as a business which is aware of the impact it makes to the environment, society and community in which it operates. GAB has in place policies and procedures, which ensure that it runs its business in a socially responsible manner.

2.0 Code of Operations

2.1 Advertising and Marketing

GAB only advertises and promotes its products responsibly and to consumers of legal drinking age.

It has in place a Code of Marketing Practice that lists out the rules on how GAB communicates to consumers in a responsible manner. This initiative by GAB self-regulates its communication, in order to be responsible to its consumers and other stakeholders.

2.2 Code of Conduct

GAB has a clear and comprehensive Code of Conduct which is shared with all employees.

This is an extension of GAB's Code of Corporate Governance and it outlines the best practices with regard to the Company and its subsidiaries. It outlines the way in which our employees go about their day-to-day business.

Our objective for formulating this Code is so that decisions and judgements made by employees comply with the highest ethical standards. It is to ensure that GAB behaves as a responsible corporate citizen and to assure our stakeholders of the Company's ethical business conduct.

Social Sustainability

2.3 Malaysian International Chamber of Commerce and Industry (MICCI) Ethics Charter

GAB is one of seven companies in the pioneer batch to officially adopt the Ethics Charter, launched by the MICCI at its 33rd annual general meeting on 23 May 2006.

The Ethics Charter is a standard guide for MICCI member companies when conducting business. A draft code was first developed by studying the codes of conduct and key business ethical values of the MICCI and its member companies and the Charter was finally completed in April 2004.

The Charter calls for MICCI members to pursue their corporate and business interests with VIGOUR, the acronym for the following business values: Value Creation, Integrity, Governance, Obligation, Understanding and Responsibility.

3.0 Employee Training and Welfare

At GAB, its people are crucial to its success and its human resource strategy seeks to continually develop and harness each individual's potential.

As at 30 June 2007, the Company had in total 493 employees.

3.1 Training

Training is an on-going process at GAB to ensure that its people are able and capable in all that they do, whether handling customers or distributors, sales and marketing, knowing the technical aspects of the business or even increasing safety, health and environmental awareness.

During the financial year ended 30 June 2007, GAB took measures to improve its training programmes in order to help further increase its people's effectiveness at work and make more efficient use of its resources.

3.2 ViVA

Our Vision and Values (ViVA) sets out the basic principles of GAB's corporate and marketing philosophy. During the financial year ended 30 June 2007, GAB had set itself a new vision while setting deliverable missions for each department within GAB for the next five years.

3.3 Sexual Harassment Policy

At GAB, employees are protected against such abuse by having specific policies and procedures in place to provide protection for employees.

There is a complaints procedure designed specifically for complaints related to sexual harassment, supported by specific procedures, which ensure that these complaints are dealt with promptly and in a transparent manner.

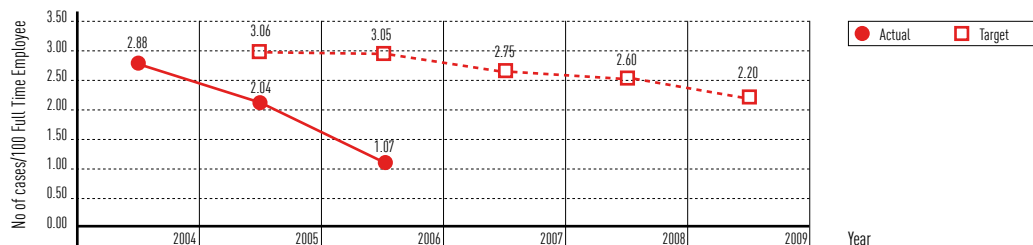
4.0 Safety

GAB gives high priority to raising awareness, providing training and changing behaviour to reduce work-related accidents and incidents. Protective equipment is provided where necessary to all employees and contractors. GAB is working constantly, through monitoring, to achieve better safety performance and reduce the number of work-related accidents. GAB has successfully reduced the number of accidents from four in 2005 to one in 2006.

In the area of industrial safety, frequent safety briefings are held for all contract workers to outline safety procedures. The Fire Brigade conducts annual inspections on the Brewery to check for our readiness in the event of a fire.

With regard to logistics and our safety environment, GAB is in the process of improving traffic and logistical flow of vehicles within its premises to one way for all incoming and outgoing trucks. A separate car park for employees and visitors have been built.

Accident Frequency



5.0 GAB in the community

GAB's community comprises all its stakeholders which consist of its employees, consumers, trade partners, investors, shareholders and the Government. GAB's profitability and sustainability depend on the support of these communities and it aims to enrich the community in which it operates.

GAB's CSR to the community encompasses three main areas namely charitable works, investments in promoting education and environmental conservation. GAB monitors its progress and reports it regularly, publicly and transparently to its stakeholders. Over the past financial year, GAB had continued its initiatives towards such community efforts.

Tiger Sin Chew Chinese Education Charity Concerts (CECC) organised another round of concerts to raise funds for Chinese schools throughout the country. The Tiger Sin Chew CECC now has a strong and dedicated following among the community who have come to realise the financial benefits it brings to Chinese education in the country and staunchly support its initiatives.

Since its inception in 1994, it has successfully raised over RM160 million for the benefit of more than 350 schools. The funds raised from these concerts were used to improve infrastructure, invest in educational facilities, build multi-purpose assembly halls and contribute towards needy students.

The GUINNESS Torch Fund, which was set up in 1996, launched its tenth fund in 2006/2007 and raised RM180,000 during the year. The Torch Fund provides financial assistance to Chinese school students. Since its inception, the fund has raised more than RM6 million to help more than 1,300 students.

6.0 Employees Alcohol Policy

In early 2007, GAB rolled out its Employees Alcohol Policy. The objective of this policy is to encourage responsible drinking and behaviour among GAB employees. It covers areas such as responsible serving of alcohol; preventing inappropriate levels of alcohol consumption; drinking and driving; alcohol dependency and rehabilitation; and discrimination and harassment regarding alcohol abuse.

7.0 Summary

GAB's objectives are to enrich the community in which it operates and to ensure that it runs its business in a socially responsible manner. This is why it has a social responsibility policy to govern its business. Currently, GAB's external social efforts encompass charity and education while internally it employs responsible business behaviour in sales, marketing and distribution for all its brands. GAB will continue to improve its efforts to operate in a socially sustainable manner.