

Responsible Marketplace Practices



Consumers at the Drink Sensibly booth at Arthur's Day 2011.

Product Responsibility

DRINK SENSIBLY

In order to advocate sensible drinking, we have formulated our actions around our Statement of Intent:

- GAB is committed to ensuring its employees understand the nature and effects of alcohol and expects sensible drinking behaviour from all its employees at all times
- GAB is committed to raising awareness regarding sensible drinking amongst its stakeholders
- GAB ensures that all its activities and communication meet legal requirements and do not encourage irresponsible drinking

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

OUR CODE OF MARKETING PRACTICE

We encourage self-regulation by GAB’s employees, as well as by agencies, distributors and others who engage customers and develop communication messages on our behalf. Our guidance strictly adheres to the rules set out and monitored by the Malaysian Advertising Standards Authority and is embedded in the GAB Code of Marketing Practice, which among other things states that marketing and promotions should:

- Not encourage the excessive consumption of alcohol
- Not be directed at young people nor in any way encourage them to start drinking. Anyone shown drinking should be at least 25 years old
- Not adversely implicate those who do not accept the challenge of a particular drink
- Not emphasise the stimulant effects of any drink nor should they encourage over-indulgence
- Not imply that a drink is being recommended mainly for its intoxicating effect or that drinking is necessary for social success or acceptance
- Not use the alcoholic strength of a drink as the principal subject of an advertisement
- Not associate drinking with driving
- Not claim or suggest that drinking can contribute to better sexual performance

- Not target Muslims in advertising and promotion of our alcoholic products
- Greetings for cultural and religious festivals should not associate alcohol with the festivals

COMMUNICATING THE CODE TO EMPLOYEES AND PARTNERS

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. As part of our commitment to “walking the talk”, in FY2011 we implemented a policy of no drinking during working hours, including at customer meetings. Over the coming years, we intend to roll out an engaging and aggressive training programme to ensure that all staff is fully aware of our commitment to sensible drinking. We intend to introduce awards and rewards to those who are strong ambassadors for our Drink Sensibly initiative.

Regular dialogues are held with our marketing agencies to ensure compliance with the Code of Marketing Practice, and there are strict approval processes in place. From FY2012, it will be mandatory for all agencies to undergo detailed training.



Pre-implementation of the Code of Marketing Practice.

Post-implementation of the Code of Marketing Practice.

Responsible Marketplace Practices



We have rolled out Drink Sensibly to our consumers, employees, trade partners, distributors and suppliers.



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

COMMUNICATING TO CONSUMERS

In FY2011, we launched the Drink Sensibly website to promote sensible drinking, with interactive content to help consumers understand the impact of various levels of alcohol intake. We also launched a series of radio advertisements during the year-end festive season to raise awareness of sensible drinking.

We engage extensively with our trade partners, such as bars and restaurants who are at the forefront of consumers' contact with our brands. They are in the best position to influence attitudes towards sensible drinking. A Sensible Drinking and Serving module is incorporated into the training given by the GAB Academy – our flagship training programme for trade partners – providing service industry front liners with knowledge of the alcohol content of various drinks, responsible bartending skills and methods on how to engage with difficult customers.

PROGRESS AGAINST REPORTED TARGETS IN 2010 – MARKETPLACE

Targets set for FY2011	Status	Comments
We will continue to ensure that the Code of Marketing Practice is strictly adhered to.	●	We have a strict internal approval process for all brands advertisements before they are published to check for compliance.
We will have annual refresher briefings for all staff and relevant agencies.	●	We held a briefing for the Marketing Department in FY2011. In FY2012, this briefing will be extended to the rest of the organisation and relevant agencies.
We will be rolling out a responsible drinking programme which will involve the participation of our trade partners.	●	Drink Sensibly, GAB's responsible drinking initiative, was launched to employees, trade partners, distributors, media and suppliers in June 2011.

● Fully achieved ● Partially achieved ● Not achieved

ENGAGING THE AUTHORITIES

We are in on-going dialogue with authorities on the role which we can play in promoting safe drinking practices to consumers and have updated them on the progress of our Drink Sensibly programme, and the implementation of our Code of Marketing Practice. We have highlighted to the authorities that the current alcohol taxation system lacks equity where lower alcohol content beverages, such as beer, are taxed 6.5 times higher on a per standard drink basis than compounded hard liquor, which has more than 8 times the alcohol content. We are particularly concerned as this has driven consumers to switch to cheaper and higher alcohol content beverages, which may lead to negative health and social problems.

PRODUCT SAFETY

We are committed to producing the highest quality of product, using pure and safe ingredients. We were the first brewer in Malaysia to be certified to the HACCP standard, ensuring that every step of our supply chain and our production processes meet the highest hygiene and safety standards.

Meeting expectations of socially responsible investors

We believe that investors will increasingly be concerned about our sustainability reporting. In Malaysia, we believe that the impending ESG Index to be launched by Bursa Malaysia will drive a growth in Socially Responsible Investments (SRI) over the coming years. At the same time, mainstream investors are starting to see the financial sense in preserving resources and reducing cost and building a strong license to operate.

We were pleased to be listed as the leading beer producer in Asia in a 2010 report by investment research house Responsible Research http://www.responsibleresearch.com/Beverages_in_Asia-Issues_for_Responsible_Investors.pdf. In the same report, we were listed as leaders for both energy and water, due to our pro-active approach.

Investor Interview: Consistent Messages and Very Accessible

I have covered GAB on and off for the past 15 years, and have a comfortable relationship with the management. Alignment of management and focus has improved and evolved in the last five years, and the Company's impressive financial results clearly show that management has successfully focused on improving operational processes, teamwork, marketing and financial controls.

GAB has changed their approach to investor relations. 10 years ago, GAB was behind the competition in this area, but is now a leader, giving consistent messages at their twice-a-year investor relations meetings. We find GAB more accessible and transparent than many of its peers in the fast moving consumer goods industry. Our local and foreign clients find management both approachable and insightful.

Overall, we don't have any real concerns about the Company, noting that GAB operates in a regulated and mature industry. But it is positive to see an energetic management which ensures continuous modest growth and gains in market share.

IS CORPORATE RESPONSIBILITY IMPORTANT TO INVESTORS?

The investment community generally does not focus on Corporate Social Responsibility (CSR)

- they focus more on financial performance. Nevertheless, we monitor CSR as the lack of CSR could potentially imply business risks. We know that a socially undesirable event could be detrimental to the perception of a company's products or to company's reputation, and can undo all the good things that a company has painstakingly built. The suicide cases at Foxconn's operations in China are a case in point (attributed to poor working conditions), which leads to a sharp rise in labour costs and eventually penalises the company's bottom line. We probably don't give enough credit for good behaviour. However, a company with bad behaviour will be penalised.

For GAB, we particularly value their environmental target (resource conservation) and community projects. For their customer base, Chinese education funding is a critical aspect. We are also happy with the Sensible Drinking programme.

It is important that initiatives are executed in a sustainable manner, and I'd like to see more youth programmes to instill values at school level (e.g. green schools, sports, charity and entrepreneurship).

Transparent reporting and constant communication is important. I find the GAB Foundation website very informative, but would like to see the latest status updates on all the projects or upcoming activities.

About Vincent Khoo

Vincent Khoo is the Head of Research for Malaysia at UOB Kay Hian. He covers Market Strategy, selected consumer stocks and oversees the production of a full suite of research products.

Vincent has around 20 years' experience in equity research, including a 4-year stint in the US. Prior to joining UOB Kay Hian, he headed the research teams at Hwang DBS Vickers Research, and more recently, Maybank Investment Bank, where he successfully led the team to prominence, topping The Edge Malaysia's Polls as the top-rated local research house in 2008. He was also rated as one of the top analysts in the Asiamoney Brokers Poll 2008, as well as best analyst and one of the top strategists, consumer and auto analysts in The Edge Malaysia Polls in 2007-08.

Vincent is a Certified Financial Analyst and holds a MBA in Finance from the University of Cincinnati.



An analyst briefing by GAB.

Responsible Marketplace Practices

Engaging the Government

INDUSTRY INSIGHTS

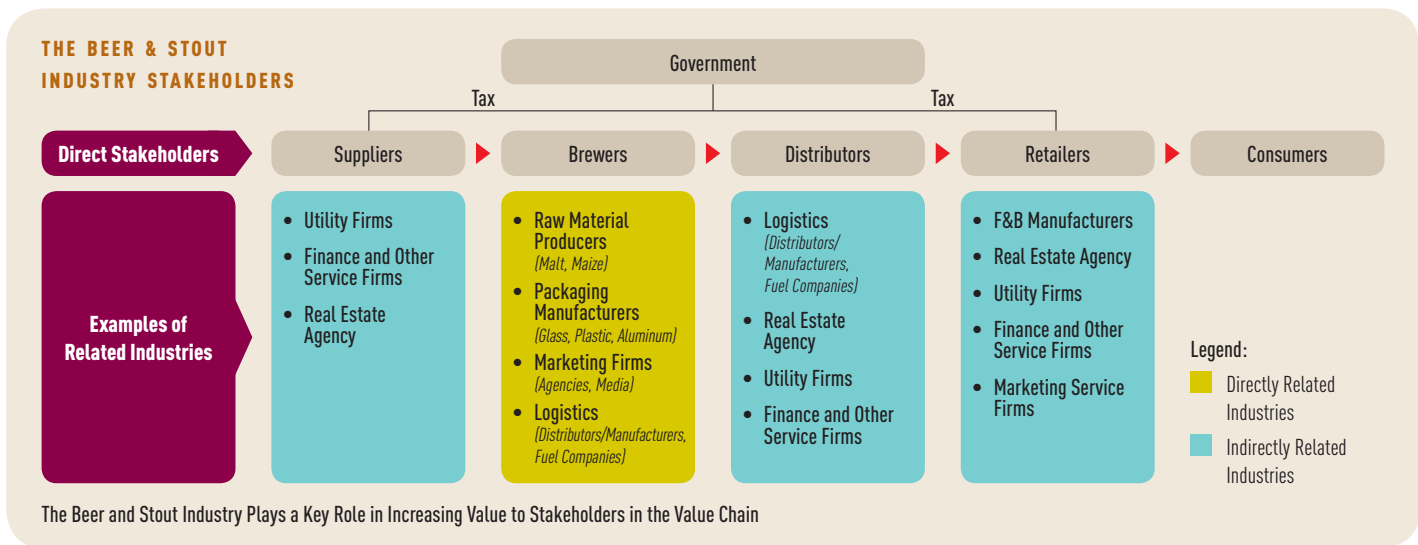
We engage with the Government on issues that are pertinent to our business and that include discussions on the impact of high excise duty on industry and the Malaysian economy. Malaysia has the highest excise duty on Beer and Stout in Asia Pacific and the second highest in the world. High excise duty has driven the price of Beer and Stout to be one of the most

expensive in the region. The high price differential between duty-paid and duty-not paid products has also created incentives for illicit activities, resulting in loss of revenue for the Government.

ECONOMIC CONTRIBUTION

In our engagement with the Government, we also showcase how we contribute to Government revenue in the form of excise duty and sales tax. Our excise

duty and sales tax contribution has gone up year-on-year. Over the past 10 years, it has increased by around 150%. GAB also plays an important role in helping to grow and sustain supporting industries. It was reported in our 2010 CR Report that GAB contributed towards sustaining 30,000 jobs in 2009. We have not assessed the number of jobs indirectly sustained by GAB since 2009, but in terms of direct employment, GAB has created over 330* additional jobs since then.



MALAYSIA'S ECONOMIC TRANSFORMATION PROGRAMME (ETP)

GAB contributes to the ETP through activities, investments and on-going initiatives. Our contribution supports three Tourism** Entry Point Projects (EPP) as illustrated below:

EPP



Targeting more international events

Investment in outlets (Contributing towards establishing dedicated entertainment zone)

Investment in human capital development to support the tourism sector

Investment	RM20.6 million per annum	RM20.6 million per annum	RM2.4 million
Impact to the Economy	Additional RM29.2 million ¹	approx. 7,000 outlets	>4,000 service staff

¹ Based on tourism multiplier of 1.42, measuring all direct, indirect and induced effects of each tourist Ringgit spent estimated by research paper "Does Tourism contribute significantly to the Malaysian economy?" from the International Journal of Business and Management.

Source: GAB

* Includes full-time and part-time employees

** Tourism has been identified as one of the National Key Economic Activities of the ETP.

Engaging Suppliers

Maintaining good relationships with suppliers is key to our success. From high-quality raw materials, to operations maintenance, logistics and marketing, we rely on our partners to achieve excellence.

Being a supplier to GAB requires excellence and integrity. Our Codes of Conduct for vendors and suppliers outline our expectations. In addition to commercial requirements such as price and quality, our expectations are laid out below:

Labour Standard and Practices	Environmental Policy	Health and Safety	Competition Law
They do not employ child labour, exploit children, or adopt any form of abusive labour practices.	Usage and disposal of materials and products in a safe and legal manner.	Factories comply with laws with regards to working conditions: <ul style="list-style-type: none"> • Health and safety of workers • Sanitation • Fire safety • Risk Protection • Work surface lighting • Personal Protective Equipment • Ventilation and structural safety 	All suppliers are to compete in business through offering innovation and competitive prices, without interfering with the market forces of supply and demand.

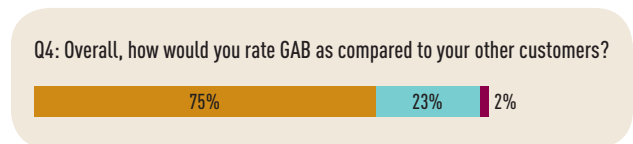
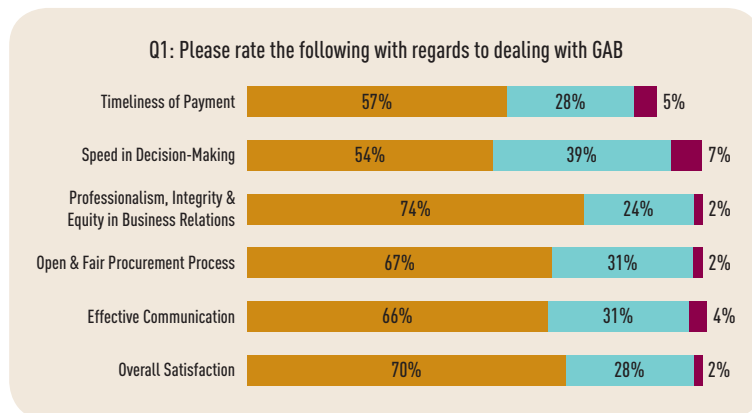
These aspects are incorporated into our supplier audits. GAB is also a member of SEDEX (Supplier Ethical Data Exchange) – an online tool for suppliers to report against our Code of Conduct requirements.

We recognise that audits are not the most effective way of encouraging good practice. We believe that two-way dialogue is needed to ensure compliance and improvement.

We are in on-going dialogue with our suppliers, and ask all suppliers to respond to a survey, once every two years, to help us improve as business partners. In March 2011, we asked all of our 770 suppliers to give us their anonymous view on our relationship and 409 responded. Generally, the feedback was positive, but some highlighted timeliness of payment and decision-making as issues of concern.

Overall, the conclusions we drew from the feedback was that we have valuable relationships with our suppliers, but that we can be even more proactive in creating partnerships. As a follow-up to the survey, we organised a supplier appreciation event in April 2011. At this event, we also issued awards to suppliers, based on their products, service levels and willingness to engage.

Extract from GAB's Supplier Satisfaction Survey 2011



■ Excellent
 ■ Neutral
 ■ Poor

Responsible Marketplace Practices

Supplier focus Group: GAB is a Good Customer – But Listen More to Our Ideas

Working with GAB is a positive experience. The people we deal with are professional, open and ambitious, and do not act selfishly in the exchange of information. We seldom experience unreasonable demands, and there are clear KPIs and fair assessments. We do not have any issues with payments, but late purchase orders can be a problem.

GAB places a lot of emphasis on their Sensible Drinking campaign and GAB's Code of Marketing is very strict, banning any sexual content and inclusion of young people. This has made it more challenging to develop campaigns, but has also forced more creativity, so this is not a problem but a positive challenge. Links to the international brands can be more of a challenge. Because campaigns must be aligned to international standards, it sometimes clashes with the local

context and requirements, and we have to spend a lot of time on agreeing on a solution.

We are pleased to be working with GAB – they are one of our best customers. However, we feel that we could contribute more if we were included earlier in the decision-making process, enabling better planning. Communications can be an issue and it would be good to have more avenues for feedback and ideas for product development. Although there are a lot of good initiatives, such as the national sales conference and supplier forum, more recognition of good performance and social events, e.g. karaoke nights, could forge a closer relationship.

From our perspective, it is certainly important that GAB acts as a responsible company. It seems that the area that should be focused on most is environmental protection, particularly on packaging and recycling. It is also important that there is continuity. Once you start an initiative, for example the Chinese Charity Concert, there is an expectation that

it is followed up with – otherwise you create resentment. It also seems that GAB has a lot of good initiatives but don't really talk about them – it would be valuable to make some of these initiatives more visible in the marketplace.

GAB should be proud of the brand they have built. The Company and its products have a strong presence across the industry. People are proud to be associated with GAB and there are many loyal brand followers.

About the Supplier Group

Suppliers were invited to participate in the focus group, selected and prioritised based on turnover. Three participated, representing packaging, media and advertising. The suppliers had been with working with GAB an average of 12 years. No GAB representatives were present in the focus group, and the meeting was held under Chatham House rules (no attribution of comments to individuals).



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. We believe that this is the best way of earning respect and being listened to, both in the marketplace and by regulators who we have to engage with on a regular basis.

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. Those who face external stakeholders, such as regulators, suppliers or customers are expected to comply with our strict policy on gifts and entertainment. GAB employees are not allowed to receive or offer gifts of cash or cash equivalents. GAB discourages the acceptance of gifts by employees, except where it is clearly related to a business purpose. Employees who receive gifts worth more than RM500 must report it to their line manager and all gifts to or from Government must be registered in a central gift register. Our Vendor Code of Conduct requires all our suppliers to disclose any gifts or favours requested, or other questionable behaviour exhibited by employees of GAB. Such disclosure should be made in writing to the Human Resources Director.

Although we have not identified bribery and corruption as a major risk and have not had any reported cases in recent years, we understand that it is every company's obligation to combat corruption in all forms. To ensure compliance, we have therefore developed a whistle-blowing procedure, to provide an avenue for employees to report any breach, or suspected breach, of any law or standards in the Code of Conduct or any of our policies and procedures, in a safe and confidential manner. All complaints are investigated and breaches can lead to disciplinary measures, including dismissal. In FY2011, we did not have any reported breaches related to bribery, but one employee was dismissed as a result of embezzlement.

To ensure we are free of conflicts of interest, we do not make financial contributions to political parties or political causes, neither directly nor indirectly through our Foundation.

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