



SUSTAINABILITY REPORT 2013



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About this report

Background and scope

This is our third annual sustainability report. It covers the corporate responsibility performance of the Distell Group Limited, its subsidiaries, associates and joint ventures (collectively referred to as 'Distell', 'we' or 'our') for the period 1 July 2012 to 30 June 2013. One exception to the standard reporting period used in this report is the Broad-based Black Economic Empowerment (B-BBEE) statistics measured for the period July 2011 to June 2012. These are valid until December 2013.

While the majority of our products are manufactured within South Africa, we have a worldwide distribution network and investments in countries that include Tanzania, Kenya, Namibia, Zimbabwe, France, Scotland and Mauritius.

However, similar to previous years, the non-financial data and statistics in this report relate to Distell's operations within Southern Africa only, unless otherwise stated.

We have a 50% share in Lusan Holdings Proprietary Limited. Where we have included non-financial data from these wineries it is clearly stated so.

There have been no significant changes from the 2012 integrated annual report that would affect or alter our reporting for this year. A number of minor restatements of figures from past years' have been made. These are clearly marked and explained in this report.

Reporting in accordance with the Global Reporting Initiative

The contents of this report are based on Global Reporting Initiative's (GRI) G3.1 reporting guidelines. In determining the issues presented, we applied the principles of materiality, stakeholder inclusiveness and sustainability. Our GRI (G3.1) content index table can be found on our website, www.distell.co.za. Based on the information available this report and our online integrated annual report, Distell achieved a self-declared Level C compliance.

Report assurance

Following the principles of combined assurance, we have introduced an audit trail for non-financial disclosures and performance data and validated this information through an internal audit process. Additionally, Distell's audit and risk committee reviewed the report.

While the Group has not sought third-party assurance over this report, certain information, such as that relating to B-BBEE, has also been independently assessed and verified.

We continue to develop Group reporting standards and will make our disclosures increasingly meaningful and measurable for Distell's stakeholders.

Integrated annual report

As in the past, this report should be read in conjunction with our 2013 integrated annual report for a comprehensive overview of Distell's performance. All our reports are available online at www.distell.co.za.

Further information

For any comments or queries regarding our annual reports, contact our corporate affairs department.

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All products mentioned in this annual report are not for sale to persons under the age of 18 years. Enjoy our products responsibly.

Corporate responsibility

The following table provides a synopsis of our corporate responsibility issues and link to the fuller discussion of individual topics. For more information on other material issues from a financial perspective, please refer to our 2013 integrated annual report available online.

Material issue	Our response	Stakeholders	Performance for 2013	Actions and initiatives
Responsible drinking <ul style="list-style-type: none"> Fetal alcohol syndrome (FAS) Underage and binge drinking among the youth Responsible advertising Driving while intoxicated (DWI) 	<ul style="list-style-type: none"> Promote only the responsible enjoyment of alcohol, discourage consumption by pregnant women and discourage selling to minors or intoxicated individuals. Continue to be active members of Industry Association for Responsible Alcohol Use (ARA) and comply with their stringent code of commercial communication and conduct. Observe the contents of the Substance Abuse Programme of Action 2012—2016 and the National Drug Master Plan 2013-2017, and align our interventions and initiatives with these, or invest in initiatives that complement or support these. Engage stakeholders regularly and invest in inclusive initiatives aimed at preventing or minimising alcohol abuse. 	<ul style="list-style-type: none"> Government: Ministries and Departments of Trade and Industry (including the National Liquor Authority), Agriculture, Forestry and Fisheries, Social Development, Arts and Culture, Police, Health and Transport at national, provincial and local level. Parliamentary portfolio committees and select committees. Communities NGOs ARA and the South African Liquor Brand Owners Association (SALBA) Liquor wholesalers, retailers and smaller outlets 	<ul style="list-style-type: none"> Refined our responsible drinking positioning statements to 11 issues of concern to both government and Distell's business. Actively collaborated with industry and partners on a range of effective initiatives. Assisted with the ARA-commissioned Econometrix study into possible causal links between alcohol advertising and volume of alcohol consumed. Improved the alignment between our corporate social investment initiatives and our responsible drinking aims. <p><i>Concern remains around the proposed regulatory and legislative amendments and the future of alcoholic beverage advertising.</i></p>	<ul style="list-style-type: none"> Engage with government departments and other stakeholders and explored co-operative ventures to address alcohol abuse, illicit trade and develop suitable excise policy for South Africa. Focused on supporting communities in three areas: children aged four to 11 years, youth aged 12 to 18 years and pregnant women. We will continue to support FAS education and prevention, youth education, life-skills programmes, and complementary art, drama and music therapy programmes. Vigorously monitored all brand advertisements to ensure compliance with ARA Code of Commercial Communication and Conduct.
Excise and illicit trade <ul style="list-style-type: none"> Economic impact of high excise duty Rise in illicit trade 	<ul style="list-style-type: none"> Collaboratively work with industry associations and government on a local, provincial and national level to solve concerns related to excise and illicit trade. 	<ul style="list-style-type: none"> National treasury Industry associations Communities 	<ul style="list-style-type: none"> Participate in the Southern African Customs Union's (SACU) excise policy reviews. <p><i>We remain concerned about exorbitant excise levies that are likely to lead to undesirable consequences. These include dwindling margins for legitimate farmers and an increase in illicit and potentially dangerous alcohol trading.</i></p>	<ul style="list-style-type: none"> Continue to advocate that further increases in excise tax is unlikely to reduce the misuse of alcohol products and may lead to serious unintended consequences. Build relationships and work collaboratively to find appropriate solutions to curb both alcohol abuse and illicit trade.
Sustaining our communities <ul style="list-style-type: none"> Service to communities Addressing unemployment 	<ul style="list-style-type: none"> Address the welfare of our communities, helping them protect themselves against abusive practices and develop the skills required for meaningful employment. 	<ul style="list-style-type: none"> Government: Departments of Trade and Industry, Health, Social Development, Transport, Labour, Arts and Culture, Agriculture, and Forestry and Fisheries. 	<ul style="list-style-type: none"> Supported a total of 48 art and culture projects consisting of five arts awards, seven festivals and other platforms such as Oude Libertas Centre to strengthen the creative arts industry. Made social investments to combat unemployment through 19 projects in higher 	<ul style="list-style-type: none"> Increased our support to educational initiatives by focusing on three distinct levels: higher education, the unskilled and unemployed, and illiterate farmworkers. Incorporated more life-skills programmes and alcohol-specific programmes into our

		<ul style="list-style-type: none"> • Various organisations including educational institutions, research institutions and arts practitioners. • Communities • NGOs • Employees 	<p>education, skills development and employment creation, 13 in life skills and responsible alcohol use. We support a total of 32 community integrated CSI projects.</p> <ul style="list-style-type: none"> • Employees participated voluntarily in a total of 16 social investment projects during the year. <p><i>Our key concern remains the social ills within our wider community that in turn lead to abusive practices, such as the abuse of alcohol.</i></p>	<p>project portfolio.</p> <ul style="list-style-type: none"> • We will continue to allocate more than 50% of our CSI budget to arts and culture-related initiatives and plan to further increase our support of arts, drama and music therapy initiatives in communities affected by FAS and alcohol misuse.
<p>Our people</p> <ul style="list-style-type: none"> • Employee relations • Employee satisfaction • Talent management • Skills training and career development • Employee wellness • Ethics 	<ul style="list-style-type: none"> • We aim to provide a healthy and conducive working environment that nurtures career development, innovative thinking and develops an engaged workforce that is committed to the Distell business. 	<ul style="list-style-type: none"> • Government: Departments of Labour, and Trade and Industry • Education institutions • Employees • Learners and graduates 	<ul style="list-style-type: none"> • Staff turnover decreased to 7.4%. • Training spend increased by 15% (2012: 3%), with 67% of our training spend allocated to previously disadvantaged individuals (PDI). • Lost time injuries decreased by 15% to 139, but the number of lost days more than doubled. • We experienced no significant industrial action and union membership decreased to 34.9%. • Our ethics hotline received 26 calls; 13 of which related to human resources grievances. No material control breakdowns or financial losses were identified. <p><i>Distell is mindful of South Africa's skills shortage, and we aim to attract top talent by improving our reputation as an employer of choice, equip individuals with the skills we require, and look after the talent we have.</i></p>	<ul style="list-style-type: none"> • Finished the roll-out of our 'Full Circle' internal communications model to a fourth production site. • Engaged employees through various channels, including in-house magazine, work teams, forums, surveys and collective bargaining agreements. • Increased the number of training programmes on offer to staff and other individuals through internships, learnerships and apprenticeships.
<p>Upholding human rights and economic equity</p> <ul style="list-style-type: none"> • Human rights • Broad-based Black Economic Empowerment 	<ul style="list-style-type: none"> • Support the ten principles of the United Nations Global Compact (UNGC). • Advocate Wine Industry Ethical Trade Association (WIETA) requirements in certain parts of our supply chain. • We invest strongly in education and skills development as a strategy for improving our transformation performance in the medium and long term. 	<ul style="list-style-type: none"> • UNGC • Government: Departments of Labour, and Trade and Industry. • Businesses • Suppliers • Employees • Communities 	<ul style="list-style-type: none"> • Became a member of the UNGC, committed to uphold human rights. • Dropped to a Level 5 B-BBEE rating after a review of the dti compliance targets in February 2012. • Strongest improvement shown in the areas of equity ownership, skills development and socio-economic development. • 71.15% of our South African staff are historically disadvantaged individuals (HDI), and of these 17.64% are female. • 86.94% of all new appointments were PDIs, and 89.31% of all promotions were awarded to PDIs. • 18% of our wine producers are accredited by the WIETA (targeting a 100% by 2014). 	<ul style="list-style-type: none"> • Regain a Level 4 B-BBEE rating by improving our skills development and socio-economic activities. • Increase the number of education and skills training opportunities that address unemployment in South Africa. • Review and align existing socio-economic development projects that were not recognised under the dti Codes. • Work with suppliers to help them align their records with the dti Codes. • Implement our new five-year employment equity plan, that includes strategic recruitment, succession planning, senior and middle management development and retention strategies.

			<p><i>Following the introduction of the dti's new B-BBEE compliance targets in February 2012, we have to improve our employment equity, skills development and preferential procurement scores to regain our B-BBEE Level 4 status.</i></p>	<ul style="list-style-type: none"> Continued to drive ethical trade by advocating WIETA accreditation to all our wine producers.
<p>Preserving our environment</p> <ul style="list-style-type: none"> Climate change and carbon footprint Energy efficiency Water usage and sustainable water supplies Waste management Effluent and waste water Conservation of biodiversity 	<ul style="list-style-type: none"> We are committed to reducing our impact on the environment through our five-point policy. Reduce Distell's risk associated with climatic changes through product diversification. Reduce Distell's resource usage, with specific focus on water, electricity and fossil fuel energy. 	<ul style="list-style-type: none"> Government: Departments of Environmental and Water Affairs, and Agriculture, Forestry and Fisheries. Municipalities Businesses Suppliers Employees NGOs Society Communities 	<ul style="list-style-type: none"> Achieved the following against our 2018 per-product reduction targets (using 2009 as base year): <ul style="list-style-type: none"> 18% reduction in on-site fossil fuel energy usage (target 25%); 13% reduction in electricity usage (target 15%); and 11% reduction in water usage, resulting in us reaching our stated target five years ahead of target (target 10%). Scope 1, 2 and 3 carbon footprint: 160 531 tonnes CO2e. Seven sites fully ISO14001 certified, while three more sites are advancing well towards certification. Captured 5 087 tonnes (2012: 4 393 tonnes) of CO2 at our cider production facility in Paarl. Saved 2 239 tonnes of glass through light weight of bottles (2012: 7 991 tonnes). Reused 139.9 million bottles, up 5% from 2012. This represents 23.8% of our total glass requirements in weight this year. A total of 2 017 hectares, or 39% of the total area owned or part-owned by Distell, is now set aside for conservation (2012: 1 184 hectares, or 24%). 168 hectares are certified organic and 209 hectares farmed conventionally but using sustainable farming practices. <p><i>With the cost of energy escalating, we have to explore all viable opportunities to improve our energy efficiency across our operations.</i></p>	<ul style="list-style-type: none"> Finalised Distell's resource reduction targets for 2018. Expanded our Greenhouse Gas reporting database to include some Scope 3 categories and submitted our second report to the Carbon Disclosure Project (CDP). Continued to implement and embed the use of a 'site services' database for detailed measurement and reporting at all fully owned Distell sites. Established and embedded ISO14001-compliant management structures and systems at three fully owned Distell sites. Piloted and evolved new waste-to-energy technology. Ongoing development of alternative cultivars suited to changing climatic conditions.
<p>Corporate governance</p> <ul style="list-style-type: none"> Board and committees Risk management Regulatory environment Stakeholder engagement and 	<ul style="list-style-type: none"> The board is committed to applying the highest standards of professionalism, integrity, ethics, fairness and social responsibility to the way Distell conducts its business. 	<ul style="list-style-type: none"> Shareholders Employees Wider society 	<ul style="list-style-type: none"> In accordance with the requirements of the new Companies Act, the board established a Social and Ethics and approved our memorandum of incorporation (MOI) at our October 2012 AGM. The board, to the best of its knowledge, has 	<ul style="list-style-type: none"> Continue to apply our systematic and integrated enterprise-wide risk management process that focuses on identifying, assessing, managing and monitoring all known forms of risk across the Group.

<p>investor relations</p>	<ul style="list-style-type: none"> • The board considers itself fully accountable to stakeholders in its ongoing commitment to applying the principles laid out in the King III Code of Governance (King III). 		<p>applied or is embedding processes in support of the relevant principles of King III. Cases of partial compliance and/or non-compliance have been reported in the governance report.</p> <ul style="list-style-type: none"> • Sustainability reporting – self-declared application Level C according to the GRI G3.1. • Following principles of combined assurance, achieved validation of information disclosed in the sustainability report by internal audit. • Ethical leadership – no material control breakdowns or financial losses were identified during investigations into calls received from the ethics line. • During the year under review, nothing came to the attention of the board, external or internal auditors to indicate any material lapse in the functioning of internal financial controls. <p><i>Strengthen compliance with King III and the Companies Act.</i></p> <p><i>Focus on IT challenges, notably data link failures at external service provider and data security on mobile devices.</i></p>	<ul style="list-style-type: none"> • The audit and risk committee, in line with the requirements of King III, annually assesses and reports on the effectiveness of internal financial controls. • External legal advisers assisted and continue to assist management with the implementation of the new Companies Act.
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Responsible drinking

Concerns:

- Fetal alcohol syndrome
- Under-age and binge drinking among the youth
- Responsible advertising
- Driving while intoxicated

As a major producer of alcoholic beverages, it is incumbent upon Distell to do its utmost to encourage a culture of responsible drinking. By this we mean the moderate consumption of alcohol as an acceptable and enjoyable way to celebrate and relax.

In contrast, where alcohol is abused, it can harm people who drink irresponsibly, as well as others around them. In response, Distell endeavours to address issues of irresponsible drinking, thereby supporting the communities it serves.

The government's thinking is summarised in its 'Anti-substance Abuse Programme of Action, 2011–2016', which was released after the Inter-Ministerial Committee's Biennial Summit on Substance Abuse in Durban in March 2011. The programme sets out specific objectives and outcomes aimed at reducing the level and impact of substance abuse. Concerns raised by government include South Africa's abnormally high rate of FAS, DWI, under-age and binge drinking among the youth, and irresponsible advertising.

The government's position, together with our response, is summarised in the accompanying table.

Issue	SA Government's position	Distell's position and response
Fetal Alcohol Syndrome	South Africa has an abnormally high rate of fetal alcohol syndrome.	Distell remains concerned about the risks that alcohol consumption can pose to unborn infants. FAS is irreversible but preventable, and abstinence from alcohol during pregnancy is therefore advisable. Distell is involved in FAS education through the Foundation for Alcohol-related Research (FARR), FASfacts and the Goedgedacht Trust, and supports programmes that address the learning and social adjustment difficulties children with FAS suffer. See page 10 for more details regarding Distell's response to FAS.
Driving while intoxicated	Most motor accidents involve at least one driver confirmed to be under the influence of alcohol.	Distell is opposed to people driving while intoxicated. This message is communicated constantly to Distell employees and to consumers. See page 12 for more details regarding Distell's response to the issue of DWI.
Underage and binge drinking among the youth	South Africans are easily exposed to alcohol and enjoy access to it at a young age.	Distell recognises the dangers of under-age and binge drinking and actively supports the ARAs work in this regard. See page 12 for more details regarding Distell's response to the issue of alcohol abuse among the youth.
Increasing the lower age limit for alcohol consumption from 18 to 21	The drinking-age limit should be increased in order to prevent abuse among young people between the ages of 18 and 21.	Distell believes that increasing the lower age limit will not achieve the desired effect and would be inconsistent with the majority of age thresholds linked to prudent decision-making such as entering into contracts, driving and voting. See page 12 for more details regarding Distell's response to the issue of alcohol abuse and the young.
Compliance with the Code of Commercial Communication and Conduct (CCCC)	Government is considering the establishment of a body to monitor compliance.	Distell is one of the founding members of the ARA, and complies with the CCCC as part of its self-regulation. The Code is communicated to all marketing and sales staff and all advertising agencies working for ARA members. See page 11 for more details regarding Distell's response to the issue of responsible advertising.

Issue	SA Government's position	Distell's position and response
Stricter restrictions or a complete ban on alcohol advertising	Some government departments believe that liquor advertising increases abuse and support the banning of all liquor advertising.	Distell is opposed to banning alcohol advertising as a method of combating alcohol abuse. Distell agrees with the findings of a recent Econometrix study which states there is no causal relationship between alcohol advertising and the volume of alcohol consumed. We also identify with earlier findings of the dti study stating that there is no causal link between alcohol abuse and advertising. Advertising also affords new market entrants an opportunity to showcase their products. An advertising ban will favour those products which are well established and prejudice new entrants. See page 11 for more details regarding Distell's response to the issue of responsible advertising.
Reducing access to alcohol by increasing excise duty and other taxes	Increasing the excise duty on alcohol would reduce alcohol-related harm by making it less affordable.	Distell is opposed to increases in excise tax and the introduction of minimum taxes as a method of combating alcohol abuse. Research, evidence and experience in other societies show this strategy to be ineffective and possibly counterproductive. We regularly engage government as a member of the South African Liquor Brand-owners Association (SALBA) and supported independent research in this regard. See page 13 for more details regarding Distell's response to the issue of excise and illicit trade.
Illicit alcohol products	Government is concerned about alcohol products that are illegally manufactured and sold, both from a health and safety perspective and from a regulatory perspective.	Distell is opposed to the production and sale of illicit alcohol, and supports SARS and the Department of Agriculture in combating this. We share government's concern that increased excise duties and regulations might increase the amount of illicit and possibly dangerous products, especially in impoverished communities. Our sales representatives collect illicit products which are then analysed and reported to SARS and the Department of Agriculture. See page 13 for more details regarding Distell's response to the issue of excise and illicit trade.
Unregistered and illegal alcohol vendors and private collectors	Informal alcohol outlets located in residential communities should be relocated or banned. A 'quantity of product' limitation should be instated. Business zones should be created as condition for trading.	Distell supports a 'high street model', with drinking establishments allowed in designated business nodes along arterial roads, and supports a transition period to encourage illegal traders and informal alcohol outlet owners to enter the legitimate alcohol-vending market. See page 13 for more details regarding Distell's response to the issue of excise and illicit trade.
Reducing access to alcohol by limiting trading hours	Some provincial governments in South Africa are restricting the trading times for liquor outlets.	Distell is opposed to restrictions aimed at limiting access to alcohol except in the case of pregnant women, people under the age of 18 and people who are already intoxicated. International experience shows that restricting trading times as a means of combating alcohol abuse does not deter abuse and could increase the illicit trading of alcohol products.

We support the Department of Trade and Industry's (dti) acknowledgement that society wishes to live in an environment where alcohol is available to adults who make an informed choice to drink responsibly and in moderation. The dti also recognises the significance of the economic contribution of the alcohol beverage industry, both in terms of its contributions to the Treasury as well as to job creation.

We endeavour to identify societal stresses in our local communities that may lead to alcohol abuse, and guide energies towards constructive activities as an alternative outlet for expressing creative energy. Most of our corporate social investment (CSI) activities contribute towards this goal in some form or another. These are outlined in this chapter and *Sustaining our people* on page 14.

We welcome the broad-ranging consultations held by the dti, aimed at achieving a balanced response to the challenges posed by alcohol abuse.

Concerns regarding national legislation

We support the World Health Organisation's (WHO) position that government should lead the development of a legal framework to reduce the harmful and inappropriate use of alcohol.

By the end of the period under review, we had engaged with all the key government stakeholders mentioned above. The core message that has emerged from these engagements is that political, administrative and community leaders urgently want to prevent, or at least reduce, alcohol-related harm. A secondary, but very important message is that too many young people, the leaders of tomorrow, are indulging in underage or binge drinking.

In identifying with these concerns, we direct many of our community initiatives at preventing harm or minimising harmful exposure to youth and pregnant women.

In South Africa, legislation concerning alcohol abuse is managed at all three tiers of government – local, provincial and national. Government's aim is to harmonise legislation across the country in such a way that it addresses all stakeholders' interests. However, progress remains slow as the provisions proposed by the various provinces lack consensus.

One of government's dilemmas is that, when it legislates to prevent health or social harm, it should not inadvertently cause economic harm through the unforeseen consequences of its actions. Thousands of workers in the Western Cape are dependent on the health of the industry. We are in full support of efforts by government to develop interventions that integrate social, health and economic considerations.

A constructive initiative this year was a set of commitments by the Global Alcohol Producers Group (GAP-G) aimed at reducing alcohol-related harm. Although not a committed GAP-G member, Distell has expressed support for the commitments made by some of the existing alcohol-producing groups. During the period under review, Distell also participated in a GAP-G run Africa-wide workshop, where these commitments were analysed and discussed with a view to local implementation during 2013/14.

Working with alcoholic beverages

Leading practice starts at Distell. Many of our employees have access to, or are exposed to, alcohol within the workplace during the production of wine, spirits and RTDs. We have a strict company-wide alcohol policy, enforced by management, and we supplement employee education and training programmes with practical interventions to ensure responsible employee behaviour. See page 12 for more detail regarding the ARA.

Working at all life stages

Distell's programmes, outlined in the sections below, are aimed at three main life stages: in the womb to protect unborn babies during the mother's pregnancy; children that can be easily influenced; and vulnerable adults in society.

Fetal alcohol syndrome

FAS is a preventable mental disability, caused when a mother consumes alcohol during pregnancy. The neurological damage it causes is irreversible and can worsen many of the social ills communities face, including unemployment, crime and violence. Awareness, prevention and treatment programmes for women addicted to alcohol can dramatically reduce the incidence of FAS.

We have increased our corporate social investment spend on projects that reduce the impact of alcohol abuse by pregnant mothers. This is done through a variety of awareness and prevention programmes running in communities with high FAS-prevalence rates. Apart from our involvement with the ARA's initiatives, we support the Foundation for Alcohol-related Research (FARR), FASfacts and the Goedgedacht Trust's FAS prevention programme, which works with pregnant women and at-risk youth in the Swartland region.

Our support has allowed an additional 54 pregnant women to join FARR's FAS prevention programme in the Kimberley area. This year, two-thirds of the 36 pregnant women who took part in FASfacts' mentoring programme managed to abstain from using alcohol during their pregnancy.

Further, the Chrysalis Academy, the Anna Foundation and the Pebbles Project Trust specifically focus on youth affected by FAS by creating awareness around alcohol use within their life-skills programmes. For more details regarding the various life-skills programmes we support, see page 16.

Our intention is to maintain our present portfolio of FAS initiatives, and we will increase funding to those that deliver the best results. We will continue to look for opportunities where we can link our life skills, art, music and drama therapy projects to FAS prevention and responsible drinking awareness programmes. Our overall aim is to systematically establish a more holistic support framework for communities at risk.

Underage and binge drinking among the youth

Distell works closely with the ARA to address alcohol abuse among teenagers, focusing on the importance of parents and guardians as role models for teenagers. Three projects stand out.

Distell contributes to the life-skills education element of the Chrysalis Academy, a youth development programme supported by the Western Cape Provincial Government. This year, the Academy provided 501 young people with basic technical and life skills in an effort to provide alternatives to substance abuse and crime. The Academy successfully placed 77% of its graduates in employment, and 388 graduates of the total 501 were assisted, either in terms of job placement, internships or opportunities to study further.

We also funded the Pebble Project Trust and the Anna Foundation, both of which provide support and skills training to local farmworkers' children and township crèches. Their life-skills programmes focus on the dangers of alcohol abuse among the youth and include special education projects for children affected by FAS. Distell supported the Pebble Project's After-school Clubs where 255 children from nine wine farms are involved in sport, art, life-skills activities and supplementary academic assistance.

Our contribution to the Anna Foundation helped provide academic and social support and job creation opportunities to 580 children and 28 women from disadvantaged primary schools and communities respectively. We also contribute 50% of the Foundation's project costs for the work they do at the Neethlingshof and Stellenzicht wine farms. For more detail regarding the various life-skills programmes we support, see page 16.

Responsible advertising

Advertising is an effective method to raise brand awareness and influence consumers in making informed purchasing decisions. Irresponsible alcohol advertising can create false impressions of alcohol, increasing social problems. On the other hand, responsible advertising can inform consumers about the dangers associated with alcohol abuse and influence consumers to switch from illicit, unregulated and potentially dangerous substances to legal, safe and regulated products.

Our strategy is aligned with the ARA's Code of Commercial Communication and Conduct and we only support licensed outlets. Training on this code has been implemented with all relevant parties. Whether an outlet we support is a member of the ARA or not, our sales representatives will supply them with copies of the ARA Retail Code of Conduct and we expect them to adhere to the code.

Our work in this regard is proving effective. We have noticed a drop in the number of advertising complaints we receive when compared to prior years. All advertising complaints are investigated and ARA members found deviating from the code are reported to the ARA for further investigation. If required, the ARA will refer cases of non-compliance for independent arbitration or legal action. This year, none of our advertisements were withdrawn.

Responsible drinking campaigns

During the year under review, we financed a series of effective responsible drinking campaigns developed by the ARA. These can be viewed online at www.ara.co.za/projects.

Liquor advertising regulations

A leaked draft of the Control of Marketing of Alcoholic Beverages Bill, which effectively proposes a complete ban on alcohol advertising, was expected to appear before Parliament during 2013. While this did not materialise, uncertainty remains. In response to conflicting opinions regarding cause and effect, the ARA commissioned Econometrix to conduct research into the relationship between advertising expenditure and the consumption of alcohol in South Africa.

According to the ARA, the "econometric research by Econometrix proves empirically that there is no statistical relationship between advertising expenditure and the consumption of alcohol in South Africa". Econometrix's literature review of key international studies supported these findings. The ARA's full report is available at www.ara.co.za. From this research, we conclude that policy efforts to reduce per capita alcohol consumption levels by means of regulating or banning liquor advertising will prove ineffective.

Distell's advertising is aimed at persuading consumers who have chosen to drink alcohol to choose its products over those of its competitors.

Industry Association for Responsible Alcohol use (ARA)

The ARA is a registered non-profit organisation focusing on the prevention of the negative consequences of alcohol abuse. Established in 1989, the ARA has been combating the misuse and abuse of alcohol beverages and promoting responsible use to reduce alcohol-related harm. ARA has more than 200 members, which include the majority of South Africa's alcohol beverage manufacturers, brand owners as well as a number of distributors.

ARA focuses on creating awareness through a variety of projects and campaigns, targeting vulnerable youth and adults that are at highest risk of suffering the negative consequences of alcohol abuse. Distell is actively involved with the ARA. Our manager of regulatory affairs currently serves as ARA's chairperson and many of our social investment projects are linked to ARA initiatives.

As a member we subscribe to stringent rules on advertising, packaging, promotions and media use. This code is available online at <http://www.ara.co.za/industry-tips/code-of-conduct>.

Any suspected failure to comply with the code can be reported to ARA's toll-free complaints line 0860 272 237.

Driving while intoxicated

Distell maintains that people should not drive while intoxicated. We recognise that keeping road users and pedestrians safe requires a multi-stakeholder approach that focuses on effective law enforcement.

Going beyond our support for the ARA, we communicate the dangers associated with both alcohol abuse and drinking and driving by putting warnings on our product labels and in our advertising and marketing material. Billboards and pamphlets carry responsible drinking messages and distribution staff members are trained to discourage patrons from excessive consumption and driving while intoxicated.

When hosting company-related events, sales staff members have access to a driver service to ensure they do not drink and drive, and to set an example for their clients to follow.

Excise and illicit trade

Concerns:

Economic impact of high excise duty
Rise in illicit trade

In 2010, National Treasury announced a review of SACU's excise policy. Among the key issues was the benchmarking of South Africa's alcoholic beverage excise tax against international norms. The review process led to the announcement, in February 2012, of new tax incidence targets of 48% and 35% for spirits and beer respectively. Wine remains at 23%. To achieve this target, an increase of 10% excise tax on spirits was announced in the 2013 Budget.

Economic impact of high excise duty

The South African Government, supported by some concerned stakeholder organisations, advocates for the continued increase in excise tax to tackle harmful drinking. Although we strongly support the objective of reducing the misuse of alcohol, we question the use of excise tax to achieve this goal. Excise increases generally fail as a punitive measure, and penalise all alcoholic beverage consumers for the behaviour of the minority that abuse alcohol. This latter group, meanwhile, is significantly less responsive to price increases.

Employment in the local wine industry will be severely affected by increases in excise tax. Considering it takes an average of five litres of wine to produce one litre of brandy, a small loss of international market share resulting from the tax burden on South African spirits will have a significant knock-on effect on the South African wine industry. In the domestic market, high excise duties are causing retailers to curtail suppliers' margins in an effort to keep products affordable, further depressing the agricultural industry.

South Africa has among the highest income inequalities in the world, with a large proportion of the population living in poverty. Low-income households spend a significantly larger proportion of their disposable income on consumables, including alcoholic beverages. Tax increases on alcoholic beverages therefore hit low-income households significantly harder than their higher income counterparts.

Rise in illicit trade

Beyond the negative economic impact of increasingly high excise duties, the latest increases in excise tax will provide yet another catalyst for illicit trading that results in tax evasion on a large scale. According to the World Health Organisation (WHO), illicit trade in alcoholic beverages in South Africa is estimated to be 26% of total alcohol volumes per capita (in litres of pure alcohol) consumed over the period 2003–2005.

Illicit trade in alcohol results not only in foregone revenue to the government, it also poses serious health risks, since producers of illicit products seldom adhere to South Africa's manufacturing regulations, designed to ensure products are safe for human consumption. The larger the unregulated informal alcohol sector, the more difficult it is for government to reduce alcohol abuse. We maintain it is crucial that issues linked to non-commercial alcohol are addressed by government, law enforcement and the alcohol industry.

Distell's response

Distell, along with its industry peers and the South African Liquor Brand Owners Association (SALBA), continues to participate in the government's review of SACU's excise policy, with the aim of providing constructive inputs that objectively consider all the consequences of excise policy, unintended as well as intended.

In collaboration with key government and non-government stakeholders, the industry works to develop a coherent framework of action to mitigate the strategic risk to the industry posed by the illicit liquor trade in South Africa.

We commend government's recent policy changes to streamline excise duties on alcoholic beverages. The change effectively prevents producers from attempting to sell higher-alcohol content beverages at a lower tax rate typically associated with beers and ciders.

Sustaining our communities

Concerns:

Service to our communities
Addressing unemployment

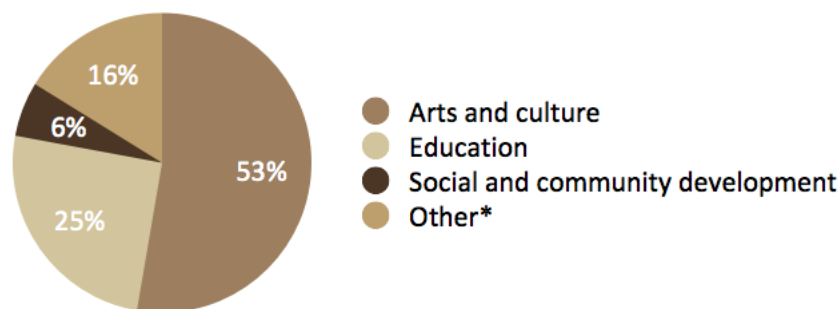
We endeavour to participate constructively in the communities in which we serve and operate. We reach out and support the welfare of our communities, because strong and healthy communities offer a measure of protection or prevention against abusive practices, including alcohol abuse.

With investments and in-kind support for more than 60 projects, Distell aligns with the United Nations' Millennium Development Goals and the 12 key outcomes of the South African Government's 'Programme of Action'.

The Distell Foundation is an umbrella body for Distell's corporate citizenship activities, and our social responsibility strategy aims to improve the welfare of our communities, while minimising and mitigating any potentially negative impacts of our operations. We are including more life skills and alcohol-specific programmes to achieve better alignment between our business and our affected communities.

Distell's CSI activities fall under the responsibility of the company's corporate affairs division, with the Distell Foundation board exercising an oversight role.

2013 CSI spend



* Other includes Enterprise development, employee volunteerism, and non-sector specific donations and grants.

Distell has been involved with the South African art world for over 47 years, and programmes related to arts and culture make up more than 50% of our CSI budget. We also focus on specific social issues such as education, unemployment, health and responsible drinking awareness campaigns – all of which we discuss in more detail below.

Service to communities

By increasing our focus on issues around alcohol abuse, we are able to strategically invest in social initiatives to the benefit of both the communities and our business. This allows us to make medium- to long-term commitments for sustained impact. We serve our communities with an holistic set of programmes, sponsoring a variety of cultural events to nurture the creative arts and investing in programmes that develop life skills among the youth.

Furthermore, we preserve multiple heritage sites and support initiatives that address some of the pertinent health-related issues facing our communities, including alcohol abuse and HIV/Aids. Distell employees also continue to volunteer their time to a variety of causes.

Nurturing the creative arts

Distell aspires to be a leading contributor to the cultural development of South African communities. Arts and culture is a catalyst for social transformation that helps people to understand human behaviour and cultural norms. Through the expression of art, people are able to address some of the social issues our communities face and learn valuable life skills that foster social cohesion.

In terms of article 27 of the Universal Declaration on Human Rights, everyone has the right to freely participate in the cultural life of the community, to enjoy the arts and to share in its benefits. With this in mind, we regularly engage with a variety of important stakeholders: the Department of Arts and Culture, leading arts organisations and selected partners. Our aim is to enrich communities and together act as agents of change in our country's transformation journey.

Our Oude Libertas Centre in Stellenbosch plays an important role in the development of the creative arts and entertainment industry. The centre hosts a variety of events that range from major theatre productions, presented at the open air Amphitheatre, to small community-based projects and art exhibitions showcasing new, upcoming and professional artists. The local community also has access to a variety of cultural activities that we sponsor. These include a weekly fresh goods market, entrepreneurial and mentoring workshops, visual arts and design projects for disadvantaged and rural communities, and resources to support community arts projects and small businesses.

We sponsor five annual awards recognising excellence in arts. These included the Fleur du Cap Theatre Awards (now in its 48th year); the Arts and Culture Trust Awards; the community theatre category of the Naledi Theatre Awards; Business and Arts SA Awards (BASA); and the Impumelelo Sustainability Awards.

This year we have supported seven art festivals across South Africa, including the Darling Voorkamerfest, the National Arts Festival in Grahamstown, Woordfees, Aardklop, Cederberg Art Festival, Suidoosterfees and the Kalfiefees in Hermanus.

We provide platforms where young talent can develop and inspire others through projects like the LivingIt Ubuntu Teen Film Festival, the Assitej Inspiring a New Generation Theatre Project and the Infecting the City Youth Outreach Programme.

We also proudly support the develop of classical, jazz, contemporary and African music through the following music initiatives: the Jazz programme at the Rainbow Arts Organisation; the Youth Classical and Jazz Music Festivals in collaboration with the Artscape Theatre; the International Chamber Music Festival; the Cape Town Opera; the Cape Philharmonic Orchestra; the annual Nederburg Concert Series and a mass choir project where 700 young voices partake in the annual Heritage Festival hosted in Stellenbosch.

We continue to link the arts with life skills education by adding drama therapy programmes to life-skills programmes run by the Goedgedacht Trust. Other drama therapy programmes target vulnerable young people affected by social issues associated as a result of alcohol abuse in the Vlottenburg, Jamestown and Lynedoch areas in Stellenbosch. One of these projects is an arts and crafts gift-making project for 8–14 year olds with learning disabilities as a result of FAS. The gifts are sold at pop-up shops and the revenue ploughed back into the project.

Developing life skills among youth

Children from dysfunctional families often live under challenging conditions without necessary resources or support. Life-skills programmes empower them with skills so they can choose to rise above their circumstances.

In line with our responsible drinking aims, knowledge around the dangers of underage alcohol use and the effects of alcohol abuse is included in most of the life-skills programmes we support.

This year we financially supported the following life-skills programmes:

Life-skills programmes	
Chrysalis Academy	The Chrysalis Academy is a youth development programme supported by the Western Cape Provincial Government. This year, the Academy provided 501 young people with basic technical and life skills. The Academy successfully placed 77% of its graduates in employment, and 388 graduates of the total 501 were assisted, either in terms of job placement, internships, or opportunities to study further. (See also page 10)
Goedgedacht Trust's POP programme	Since 1998, the Goedgedacht Trust's Path Out of Poverty (POP) programme has prepared disadvantaged children for school, supporting them throughout their school careers. The programme has reduced school dropout and teen pregnancy rates. This year our support was invested in a three-week structured and educational holiday programme. We believe that holiday programmes make a significant, positive contribution to helping children and young people make it through the tough three-week holiday period and that such programmes increase the chance that children will return to school for the second half of the academic year. The rural Path Out of Poverty (POP) youth programme is positively changing the lives of more than 1 000 youth from 11 different rural communities.
Vision A	Vision A is a youth development programme for grade 9 to 12 learners from previously disadvantaged backgrounds. Our funding was utilised as part of a life-skills programme that specifically focused on grade 10 learners from the Vlottenburg community.
Kohin International Agencies	Kohin focuses on youth and child development as well as substance abuse and fetal alcohol syndrome interventions in the early intervention level. Our investment contributed towards the training and placement of a youth coach in a Paarl high school.
The South African Life College Group	The Life College focuses on mindset and attitudes (psycho-social skills) as a key point of departure to improve readiness for life and work. It aims to unlock the principle-centred champion mentality in individuals and teams. Our funding supports this process at the Siyabonga Secondary School in the Braamfischer informal settlement, Soweto.

We also supported other skills development projects such as the Pebble Project Trust and the Anna Foundation, discussed on page 10, as well as the Trauma Centre.

In line with our arts and culture drive, we continue to seek opportunities to develop skills and create jobs in music, drama, visual arts, crafts and design for impoverished local communities. Our efforts to nourish our communities through creative arts are discussed in more detail on page 15.

Preserving our heritage

Ten of our wine estates own heritage buildings of historical importance. We also look to protect various cultural artefacts such as old wine presses and other wine-making devices. We maintain these regularly and undertake restoration where required. Recent projects include the 2012 restoration of the Plaisir de Merle Manor House and De Oude Drostdy.

Supporting health initiatives

We endorse the South African Department of Health and the Millennium Development Goals by making an effort to combat HIV/Aids, malaria and other diseases. The majority of our employees have access to on-site or mobile clinics, while we also support a number of community-based initiatives such as:

- Keiskamma Trust promoting health and hope in and around the village of Hamburg in the Eastern Cape through art, music, HIV/Aids treatment, poverty alleviation projects and educational initiatives;
- The Care Attendant Scheme of the Cape Town Association for the Physically Disabled;
- Trauma Centre for Survivors of Violence and Torture with projects linked to alcohol abuse; and
- FARR co-ordinating awareness and prevention programmes, clinical diagnostic and research services linked to Fetal Alcohol Spectrum Disorder (FASD).

Employee volunteerism

This year, some of our employees participated in a total of 16 social investment projects, either as individuals or in teams. Employees chose projects they felt passionate about and we donated various materials to eight of these projects. We are committed to matching the funds raised or personally donated by our employees, up to a maximum of R5 000 per employee.

Beneficiary organisations included orphanages, animal welfare, early childhood development centres and township sports development programmes.

Addressing unemployment

Goal One of the UN's Millennium Development Goals aims to "eradicate extreme poverty and hunger". Our approach is to help people trapped in the poverty cycle gain the education and skills required to find employment, particularly in our own and related industries.

Education

Distell works with a number of established skills development and education projects, providing support in the form of funding as well as in-kind resources such as the use of premises. Our approach to this issue is multifaceted, and ranges from supporting candidates in higher education to addressing the needs of unskilled and unemployed candidates and combating illiteracy among farmworkers.

Education programmes	
University of Stellenbosch Business School's Entrepreneurship Programme	This year we committed to support the University of Stellenbosch's Business School's Small Business Academy (SBA) for a period of five years. The project aims to help small business owners in townships to manage their businesses better, stimulating the economy of the township and South Africa as a whole. Twenty candidates from the Khayelitsha Township studied at the SBA for nine months.
North West University's Sediba Project	The University of the North West trains teachers who work in previously disadvantaged communities from the North West Province, in science, mathematics and technology. Distell contributed to the programme, whereby approximately 150 first and second year maths and science teachers were trained. With the right skills in place, these teachers are able to have a much bigger impact in their communities and help pupils to succeed.
University of Free State's University Preparation Programme	The University of Free State has a well-established bridging programme for students from historically disadvantaged communities struggling to meet the admission requirements of higher education institutions. The programme provides a variety of courses to more than 800 students annually. In the 2012 calendar year, they achieved a 77% pass rate. Distell contributed to the university's natural science programme, providing two full bursaries and supplying 52 students with their administration fees, textbooks and scientific calculators.
Film and television production	Through a Distell bursary, one student at the City Varsity reached his final year of film and television production studies.
Emerging theatre directors' bursaries	We supplied two bursaries to students studying to become theatre directors, through a collaborative programme presented by the Theatre Arts Admin Collective, the Baxter Theatre and Gordon's Institute for Performing and Creative Arts.

We also supported the following education initiatives:

- Drostdy-Hof Bursary Scheme for students studying chemical engineering and winemaking.
- Rapport Educational Fund supporting students through teacher training.
- United Church of Stellenbosch Bursary Scheme that funds and mentors promising PDI students around Stellenbosch.
- Rural Education Access Programme that assists students from rural areas to access funding for further studies.
- Vaal University of Technology by providing financial support to students.
- Durbanville Hills Workers Trust which pays the high school fees of farmworkers' children in the Durbanville area.
- Nelson Mandela Metropolitan University Trust.
- Helpmekaar Study Fund.

Employment creation

We support a number of life-skills and education programmes in order to improve the lives of people from impoverished communities. Programmes like the Stellemploy and Bergzicht training centres, and the Goedgedacht Trust's POP (discussed on page 16), teach individuals valuable skills to make them more employable. Beyond these projects we invested in the follow direct employment creation projects:

Employment programmes	
Stellemploy Training Centre	Distell contributed to a 12-month pilot project in Food Preparation and Cooking at Stellemploy. Five of the ten students passed the international exam with distinction and the rest with merit. Nine of the ten recently qualified chefs now work in restaurants in the Stellenbosch area, while the other individual is working as a chef at a private hotel school. All are currently earning in excess of R5 000 per month.
Bergzicht Training Centre	At the Bergzicht Training Centre, destitute individuals from the Stellenbosch area are taught basic food preparation and catering skills. Distell contributed to the training of six students in November and December of 2012. Four of the students completed the course and three have been placed in jobs.
Umzi Whetu	The Umzi Whetu programme focuses on boosting the employability of young people affected by HIV/Aids and poverty. Through the programme, Distell contributed to the training of two of the 14 young people. The project offers skills and job placement in the hospitality sector for young people between the ages of 18 and 22. The current intake is still in training and will complete the course in November 2013. Eight out of ten of the previous students successfully found employment.
Varsity College	In collaboration with Varsity College, an on-the-job training programme gave 35 first-year students the opportunity to work at big events such as the annual Fleur du Cap Theatre Awards Ceremony. Here they gained experience, confidence and knowledge, increasing their opportunity to enter the workplace in the hospitality industry.
Cause Craft Activation Project	We supported the Cause Craft Activation Project where about 30 entrepreneurs in the Boland area of the Western Cape attended workshops in small business management and product development. Their products are additionally sold at a variety of pop-up shops in and around Stellenbosch.
Magnet Theatre	Assistance is given to a few theatre development initiatives such as the Magnet Theatre full-time training programme involving training actors from townships in and around Cape Town. Each intake delivers between eight to 16 young theatre makers who received training to improve their theatre craft, admin and/or technical abilities.
River-cleaning project with Stellenbosch Night Shelter	Started in 2009, the project provides jobs for residents from the Stellenbosch Night Shelter. Twice a week, four residents from the night shelter clean the Plankenburg River near our Bergkelder premises for a small wage. This year, 41 people participated in the programme.
Horizon House	Our contribution to Horizon House helped transport nine workers from previously disadvantaged areas in Stellenbosch to Horizon House's recycling programme.

We also supported the following initiatives:

- Elsenburg Women's Clothing Project for skills development.
- Worcester Institute for the Blind.

Our people

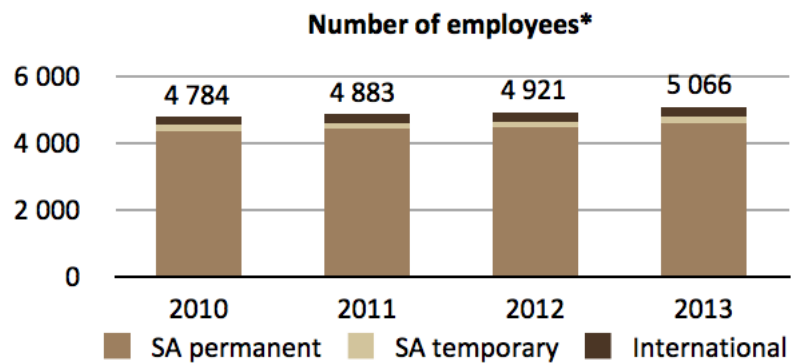
Concerns:

- Employee relations
- Employee satisfaction
- Talent management
- Skills training and career development
- Employee health and wellness

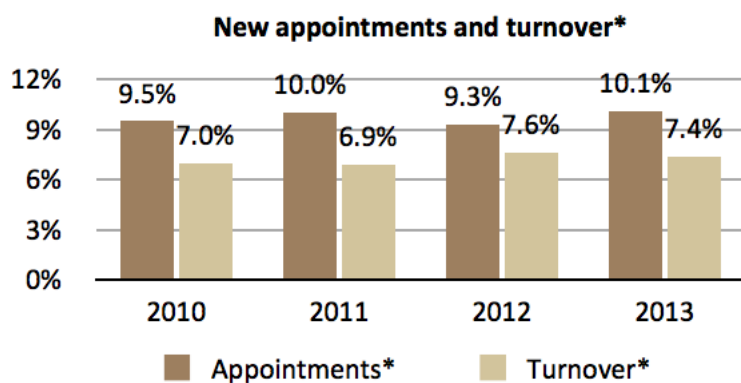
It is our responsibility to provide a working environment that is fair, safe and without risk or prejudice to our employees. Key issues discussed in this report are employee relations, employee satisfaction, talent management, skills training and career development, and employee health and wellness.

Distell's staff complement remains stable at just over 5 000, with the majority (95%) located in South Africa.

Staff turnover decreased marginally to 7.4 % (2012: 7.6%), and appointments were slightly up, at 10.1% of our total permanent headcount for the year.



* Figures include LUSAN.



* Only our South African-based operations, including LUSAN.

Breakdown of employees*											
	Male				Female				Foreign		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management		2	2	28				5			37
Senior management	3	3	1	50		1		17	1		76
Professionally qualified and experienced specialists and mid-management	32	30	4	209	5	15	3	112	3	1	414
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	218	229	34	391	67	136	11	307	1	1	1 395
Semi-skilled and discretionary decision-making	579	634	6	42	99	198	12	139	2		1 711
Unskilled and defined decision-making	373	300	7	14	80	184		1	1		959
Total permanent	1 205	1 198	54	734	250	534	26	581	8	2	4 592
Temporary employees	42	32	0	27	32	18	2	48	0	0	201
Offshore											273
Grand total											5 066

* Figures include LUSAN.

Employee relations

Distell is committed to sound employee relations as governed by our Code of Conduct, conditions of employment, collective bargaining agreements and corrective action code. Line management is responsible for engaging directly with employees throughout the business to ensure satisfactory working conditions and mutually beneficial employer-employee relationships.

Employee engagement

Distell has various communication structures for engaging with staff, including in-house magazines (*Brandcrafters' Bulletin* and *Brandcrafters' Briefcase*), letters from the managing director, the intranet (*Brandcrafters' Online*), workplace forums, mission-directed work teams (MDWT) and annual negotiations with representative trade unions.

Employees are given the opportunity to influence their working situation through annual wage and conditions-of-employment negotiations. Our worker management forum liaises with unionised employees through monthly meetings at the site level, engaging on matters of mutual interest. A number of employment equity forums are in place and tasked with matters relating to both employment equity and skills development.

We have 292 MDWTs in operation across the business. These have been successful in enhancing employee performance, encouraging a sense of ownership and accountability, increasing co-operation and fostering a climate of mutual respect. A result of this interaction has been an improved ability to innovate and solve problems.

Over the past four years, we implemented an internal communications tool, known as the Full Circle Communications Model, at our four largest production sites, namely: Springs, Greenpark, Adam Tas and Ecowash. It consists of visually attractive news boards carrying site-specific information about employee achievements as well as corporate and brand news. The system features monthly or bi-monthly employee feedback sample surveys and, in some instances, highly targeted surveys to review the effects of new site-specific initiatives. Half-yearly communication audits are conducted to monitor the effectiveness of the system.

The surveys enable us to gauge employee satisfaction levels and establish how well informed they are regarding Distell corporate practices, brand performance and ongoing improvement projects.

Employee benefits

We have a signed contract of employment with each of our employees and our staff benefits exceed the standard requirements as stipulated in the Basic Conditions of Employment Act. We also adhere to the agricultural sector’s conditions of employment.

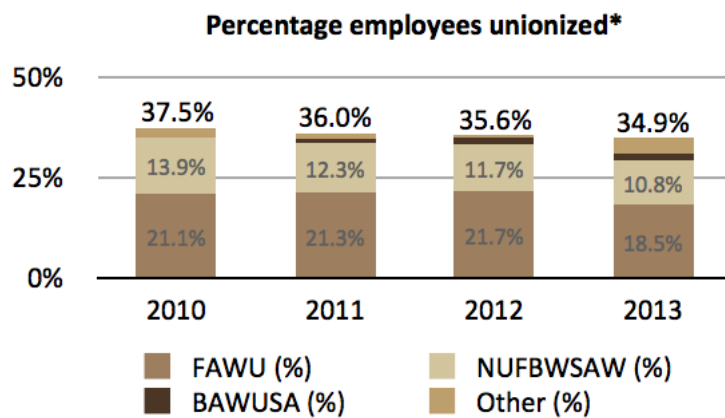
All employees have access to a subsidised retirement or provident fund, which provides death, disability and savings benefits. All employees have subsidised access to the group’s closed medical aid scheme. Leave benefits for most leave types are in excess of the minimum legislative requirements. Distell also provides bursaries, study assistance and study leave for employees who are actively pursuing their own personal development.

Farmworker specific benefits are discussed in detail on page 29.

Industrial relations

We aim to manage employee issues fairly through our internal processes. We fully support our employees’ right to freedom of association and collective bargaining. Nederburg Wine Farms Limited (wholly owned) and Lusan Holdings (Proprietary) Limited (50% joint venture) also endorse the principle of freedom of association and every employee has the right to participate in forming a trade union and to join a trade union. Several unions are represented across these farms.

Distell’s employee base in South Africa is 35% unionised, and several unions are represented. Signed collective agreements address organisational rights and conditions of employment, while labour legislation regulates union recognition across our operations. We have formalised our relationships with the Food and Allied Workers Union (FAWU), National Union of Food, Beverages, Wine, Spirits and Allied Workers (NUFBWSAW) and Bawsi Agricultural Workers Union of South Africa (BAWUSA).



* Only our South African-based operations, including LUSAN.

Management regularly meets with the respective union representatives at plant level. By managing employer-employee relationships constantly and consistently, and wanting to resolve problems at the lowest level possible, Distell aims to ensure harmonious industrial relations and reduce the likelihood of any conflict situation arising.

Despite tough economic and labour market conditions, the company has not been affected by any industrial action and all wage negotiations were concluded successfully.

Employee satisfaction

Satisfied employees, in a positive working environment, work more productively and are more likely to pursue their careers with Distell. We therefore work hard to create an atmosphere conducive to innovative thinking and retaining valued skills.

To ensure that salaries are competitive, we participate in annual salary surveys that enable us to continuously assess the fairness of our remuneration levels.

Our Employee Value Proposition (EVP) incorporates our entire employee value offering, from the way we attract new employees, develop existing staff, continuously engage, reward and retain staff to maintaining appealing working conditions. We conducted a company-wide employee satisfaction survey to discover what employees value most and identify shortcomings. The results have assisted us in making various recommendations to the board to improve Distell's EVP. We have communicated some of the recommendations to staff already and we expect to implement our updated EVP during the next fiscal year, pending board approval.

Dispute resolution

Our Corrective Action Code and Procedure provides the framework for our workforce to operate in a principled and ethical environment. The code is available on our intranet and updates are communicated via our internal communication channels. This ensures employees clearly understand the process for dealing with disputes.

Our line management and human resources practitioners are well trained in the application of the Corrective Action Code. This year, 16 cases were referred to the CCMA and all were resolved in favour of Distell. This represents a 45% reduction in the number of cases compared to last year.

CCMA cases				
	2010	2011	2012	2013
Number of referred CCMA cases	23	26	29	16
Number of cases in favour of the company	21	23	26	16
Percentage of cases in favour of the company	91.3%	88.5%	89.7%	100%

Talent management

Talent management review forums

In order to ensure continuity and effective organisational performance, we identify, assess and develop talent for future critical roles through our established talent management process. Our managing and divisional directors attend regional and global cross-functional talent management review forums. During these annual forums, we review our talent management landscape, succession planning and employee utilisation. Our succession plans focus on identifying and developing talent to fill critical roles to ensure continuity and effective organisational performance.

Our middle and senior management development programmes are fundamental to growing our talent pipeline and are designed to provide theoretical and practical training to high-potential employees. These programmes prepare employees for middle and senior management positions. Our employee training and development activities are discussed in more detail on page 23.

Talent attraction

We aim to attract high-achieving individuals into our workforce. We do this by participating in career fairs at tertiary education institutions around the country, interacting with students and teaching staff alike. During the period under review, we participated in university career days at:

- Nelson Mandela Metropolitan University
- Central University of Technology
- University of Johannesburg
- University of Cape Town
- University of KZN Westville
- University of Witwatersrand

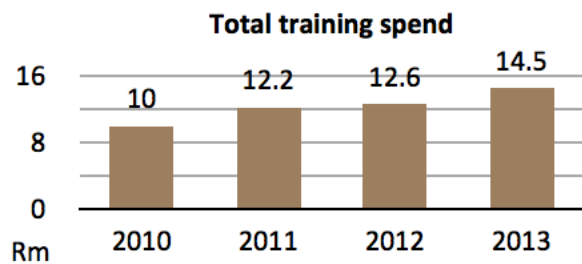
We also target more experienced potential employees through a number of channels and events.

Skills training and career development

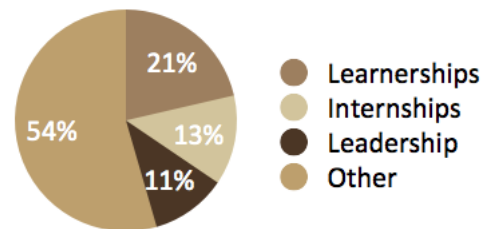
We continue to invest in training programmes in response to the severe skills shortages in the engineering and science fields. We invest at all levels, from artisans to professionals.

This year our training spend increased by 15% to over R14.5 million.

We offer a number of training programmes for staff including internships, learnerships, skills programmes, apprenticeships and adult education. Training programmes focus on leadership development, sales and marketing, and behaviour and self-awareness skills.



Breakdown of training spend



Breakdown of training spend				
	2010	2011	2012	2013
Learnerships				
Spend (R million)	3.0	2.6	3.2	3.1
Number of learnerships	78	69	111	114
%PDI	80%	80%	97%	95%
Internships				
Spend (R million)	1.6	1.4	0.9	1.9
Number of internships	37	36	32	60
%PDI	97%	92%	100%	95%
Leadership				
Spend (R million)	1.0	1.7	1.7	1.6
Number of employees	15	12	15	14
%PDI	93%	92%	100%	100%
Other				
Spend (R million)	4.4	6.5	6.8	7.9
Total training spend (R million)	10.0	12.2	12.6	14.5
% spend on PDI total	80%	83%	78%	67%
% spend on PDI females	34%	29%	36%	20%

Learnerships

Through learnerships we assist both employed and unemployed individuals to develop work-related skills and achieve National Qualifications Framework (NQF) certification. This year 114 (2012: 111) learners, 35% of whom were unemployed, completed learnerships through a combination of studies and workplace training in a variety of areas within the organisation.

Learnerships programmes			
Business unit	Programme	NQF level	Number of learners
Primary production	Winemaking	3	9
	Spirits production	3	10
Secondary production	Packaging operations	3	63
	Generic management	4	8
	Manufacturing management	5	3
Distribution	Wholesale/retail distribution	2	13
	Freight handling	3	8
Total			114

In line with the growth in demand for cider products and our increased production capacity at our Springs facility, we focused on offering learnerships in these production areas over the past two years. As a result, 27 learners were trained at our Wadeville and Springs facilities this year.

Internships

We recruit recent graduates, or students in their final year of study, as interns to participate in our workplace experience programmes. We offer this programme in conjunction with the Food and Beverages Sector Education and Training Authorities (SETA). Internships last 12 months and provide participants with practical work experience in sales, marketing, quality assurance, food technology, logistics and supply chain management, engineering, production management, operations management and human resources.

During 2012, it was decided to change from a financial year cycle to a calendar year cycle; therefore, during the financial year 2012/2013, two groups (intakes) of interns are reported on here.

Internships		
Year	Total interns	Appointed permanently
2012 intake	31	10
2013 intake	29	2

Leadership development

We offer two leadership development programmes in partnership with the University of Pretoria's Gordon Institute of Business Science (GIBS).

Our middle-management development programme, introduced in 2010, prepares high-potential employees for management roles and provides them with both theoretical and practical training. Since the programme's induction, 50 employees have participated in the programme. Eighty-eight per cent were HDIs and half were female. Eight employees are currently enrolled. On completion, candidates are tracked and supported by continued interventions to enhance their individual development.

This year we introduced a senior leadership development programme to speed up transformation at strategic levels within Distell. Six employees are partaking in the programme, five of whom are HDIs.

Leadership development programmes	
Programme	Number of learners
Middle management	8
Senior leadership	6
Total	14

Other training activities

We spent a total of R7.9 million on a wide range of other training initiatives at a regional and operational level. This spending was over and above our investment in learnerships, internships and leadership development. These activities includes statutory training such as occupational health and safety training, as well as team effectiveness workshops, behavioural skills training and skills programmes.

Skills programmes

In addition to our learnership programme, we obtained NQF accreditation for additional secondary production, technical training programmes and currently offer them as skills programmes. These programmes form the foundation for a full learnership qualification. We offered the following skills programmes during the period under review:

Skills programmes		
Programme	NQF level	Number of learners
Filling and closing	3	41
Labelling and coding	3	35
Packing and unpacking	3	8
Bottle washing and inspection	3	6
Machine operations	3	8
Total		98

Apprenticeships

Based on information received annually from the Food and Beverages SETA, artisan skills have been identified as scarce. As part of our commitment to addressing this shortage, we have six trade-specific apprentices receiving practical exposure in the workplace to prepare themselves to complete a trade test and enter the job market as tradesmen.

Behavioural and self-awareness training

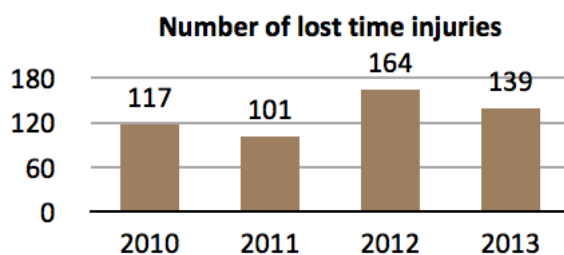
Distell is committed to its ongoing skills implementation programme, as well as its behavioural and leadership training in order to further the personal and career development of its staff. Annually, various in-house and external courses relating to self-management and leadership development are presented to staff at the junior-, middle and senior-management level.

Employee wellness

The physical and psychological health of our employees has a direct impact on their productivity. It is Distell's responsibility as an employer to provide a working environment that is safe and without risk to our employees' health.

Occupational health and safety

Our concerted effort to identify the causes of accidents and put preventative measures in place has yielded results. We experienced a 15% decrease in the total number of lost time injuries to 139 (2012: 164). Although the lost time injuries decreased, the severity of the injuries was unfortunately higher, resulting in the significant increase in number of lost days. The majority of these incidents happened at our high volume production sites.



Health and safety performance				
	2010	2011	2012	2013
Lost time injuries	117	101	164	139
Occupational diseases	5	3	6	4
Lost days	1 299	1 385	695	1 601
Work-related fatalities	0	0	0	0
Claim cost	R112 932	R100 237	R58 734	R78 927
Incidents	433	436	429	293

We provide occupational health and safety (OHS) training to our employees. We also promote OHS through various education initiatives across the business as well as offer health interventions to reduce the incidence of illness. Established health and safety committees and first-aid workers are located throughout the business in accordance with OHASA provisions.

We adhere to the principles as set out by the Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act 36 of 1947 regarding training, protection against toxic agricultural chemicals, testing and safe disposal or removal, and we subject ourselves to external third-party audits as part of the Integrated Production of Wine (IPW) certification system.

Wellness

We have established on-site clinics at our bottling cellars, primary production sites and our larger distribution sites. All operational staff at these sites have access to these clinics. In 2013, nursing staff carried out 29 546 consultations, addressing a variety of health-related issues, including voluntary counselling and testing (VCT) for HIV/Aids. Their work is supported by Distell's peer educators.

We conduct educational sessions covering different wellness topic every year. Over 800 employees voluntarily attended the sessions this year.

Wellness educational sessions	
2013	
Theme	Mental Health
Number of attendees	883

Personal problems are detrimental to employee productivity. Our Employee Assistance Programme (EAP) offers employees the opportunity to address their personal problems through occupational and welfare service providers such as facilitators, social workers and health sisters. Line managers and the Human Resource department are also involved in implementing appropriate interventions with such employees. The EAP consists of both a social programme, and a disease and disability management programme.

Employee assistance programmes						
	Social EAP			Disease and Disability Management Programme (Medical WAKE)		
	2011	2012	2013	2011	2012	2013
	The Social EAP is a counselling service available to any employee experiencing personal or work-related problems. A social worker or counsellor conducts on-site visits to meet employees in need.			WAKE™ is a unique telephonic EAP that focuses on disease and disability management. The aim is to help affected employees return to work as quickly as possible or assist in cases where a person is unable to work, and to retain employees.		
New cases	180	197	206	50	59	52
Finalised cases	167	208	182	44	58	54
Employees remaining on the programme*	92	84	108	54	49	45
New disability applications	-	-	-	18	12	18
HIV cases currently registered on WAKE*	-	-	-	15	17	15

* At year-end figures.

Ethics

We use two independent organisations, Fairtrade and the WIETA, to monitor our wine farms and to ensure fair conditions of employment are maintained. We discuss this in more detail on page 29 under *Upholding community rights and economic equity* and page 14 under *Sustaining our communities*.

We ensure all prospective employees are above the legal working age before they can receive an offer of employment. Minimum human rights standards are included in the service level contracts of labour contractors. At all our operations, relevant labour legislation is placed on all notice boards, accessible to employees.

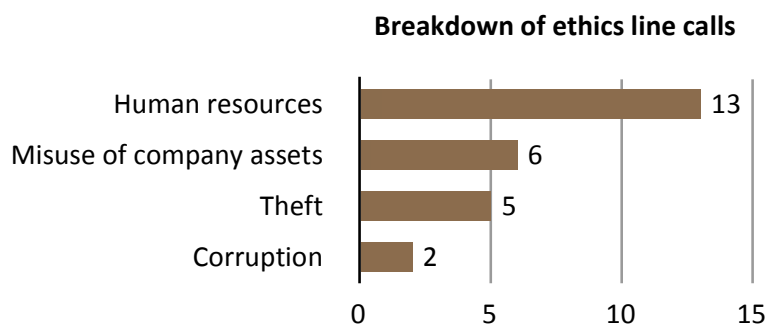
Ethics line

In upholding our company's values, we encourage all staff members to remain vigilant and 'blow the whistle' on fraud, theft and corruption by reporting it to our toll-free ethics line. An independent third party manages the line 24 hours a day, every day, ensuring anonymity and confidentiality.

Now in its fifth year, the ethics line is actively used by staff to report both ethical concerns and human resource issues. Grievances relating to an employee's working environment, salary or wellness are channelled to our HR department for resolution. All other concerns or irregularities reported are addressed by internal risk managers, the internal audit department, or external consultants, determined by the nature of the complaint/allegations.

This year we received 26 calls, 13 related to human resources grievances. All calls were investigated. At the end of the reporting period, two calls were still under investigation. The company suffered no financial losses, or material breakdown of existing management controls. Of the completed calls, responses included two dismissals and we identified and resolved certain systemic issues during our investigations. There were no known instances of human rights violations by Distell during the period under review.

Total calls for the period 1 July 2012 - 30 June 2013 include the following types of misconduct:



Supply chain ethics

All the independent grape producers and wine cellars that supply us with grapes and wine are IPW-accredited. We visit farmers and cellars regularly to give guidance on technical aspects of supply planning and to expose them to Distell's principles of fair labour practices.

In 2010, we decided to follow similar principles for WIETA that we follow with IPW. Our aim is for all our producers to be WIETA-accredited by 2014. More information regarding WEITA is available on page 31.

Upholding human rights and economic equity

Concerns:

Human rights
Broad-based Black Economic Empowerment

The dti has led the journey to transform South Africa’s economic landscape through its B-BBEE Codes of Good Practices (CoGP) and Distell has monitored its progress against these codes throughout its development. There is now also increasing scrutiny on the treatment of workers and their communities throughout the supply chain, in particular on the farms that supply product to the agricultural processing industry. This year, we have included reporting on human rights in our supply chain as a key issue closely related to the issue of economic equity.

Our drive towards upholding human rights and economic equity is the responsibility of the social and ethics steering committee chaired by the managing director.

Human rights

This year Distell became a member of the UNGC. We have thereby formally committed ourselves to “support the protection of internationally proclaimed human rights” and committed to ensuring that we “are not complicit in human rights abuses”.

We are a major player in the South African beverage industry and respect the basic human rights of all individuals and embrace the ten principles of UNGC.

While there were no known instances of human rights violations by Distell during the period under review, this report provides further detail to back up our commitment to reducing the risk that such violations could occur. Further, it describes the programmes and processes we have in place to uplift farmworkers and their communities.

Farmworker rights and benefits

All prospective employees must submit proof of identification to ensure that they are of legal working age before being employed.

All employees have a contract of employment and the benefits provided to employees exceed the standard requirements stipulated in South Africa’s Basic Conditions of Employment Act. We also adhere to recommendations set out in the Code of Good Practice for the agricultural sector and abide by the South African Bill of Rights as enshrined in our Constitution.

We have stringent measures in place to ensure compliance with all laws pertaining to employment in South Africa. At all of our operations, the relevant labour legislation is visibly displayed on notice boards and accessible to all employees.

Depending on their employment grade, our farmworkers earn between 20% and 74% more than the amount prescribed by law. In addition, we offer the following benefits beyond what the Basic Conditions of Employment Act prescribes:

- Annual leave, five days more per annum;
- Family responsibility leave, three to six days more per annum;
- An annual bonus (13th cheque); and
- Maternity leave, between 33% to 50% more than prescribed.

Employees from our wholly owned farms as well as those from LUSAN farms can participate in the Distell Provident Fund. The Fund's board of trustees consists of ten elected member employee trustees and four appointed employer trustees. The objective of the Fund is to provide benefits for the members upon their retirement (whether on account of age or ill health), or for their dependants or nominees upon the death of such members.

Farmworkers can join subsidised medical funds, and mobile clinics provide additional health support to labourers. Functional literacy programmes are also available to workers across all of our farms.

Employment-linked housing is made available, and in some instances is available rent free, including water and electricity. Some farms provide free transport to assist farmworkers with their weekend shopping and attending sports, school, religious and cultural events.

The legal structures that are relevant to these issues include:

- Occupational Health and Safety Act
- Compensation for Occupational Injuries and Diseases Act
- Basic Conditions of Employment Act
- Labour Relations Act
- Employment Equity Act
- Skills Development Act
- Unemployment Insurance Act
- Pensions Fund Act

All employees, including farmworkers from our wholly owned farms and the LUSAN farms (where we do not have full management control), have the right to join or form a trade union. The majority of the farmworkers are represented by the following five trade unions: BAWUSA, FAWU, UWF, SAEWA and NUFBWSAW.

In respect of the farms, these rights include the following:

- Trade union access to the workplace;
- Deduction of trade union subscriptions; and
- Collective bargaining.

Managing the occupational health and safety of farmworkers

The Human Rights Watch (HRW) report of 2011 asserted that "farmworkers are routinely exposed to toxic pesticides and are denied proper safety equipment". Based on the management systems we have in place, it is unlikely that this assertion would apply to farms in Distell's supply chain. The statement cannot be verified as the sampling base was not revealed in the HRW report.

We strictly adhere to the principles as set out by Fertilisers, Farm Feeds, Agricultural Remedies and Stock Remedies Act 36 of 1947 regarding training, protection and testing. Our farms are subject to external third-party audits as part of the IPW certification system. All hazardous chemicals, such as post-process laboratory chemicals, are stored in dedicated storage areas. Used chemicals are removed by an external contractor on a regular basis, treated and disposed of at certified hazardous-waste sites. Safe disposal certificates are kept on record.

Independent suppliers

Independent suppliers produce the majority of our raw material and products. We have service level agreements in place with all our suppliers and service providers to ensure all our products are harvested and manufactured to the same high ethical standards we have established on the farms we own. These agreements include human rights standards.

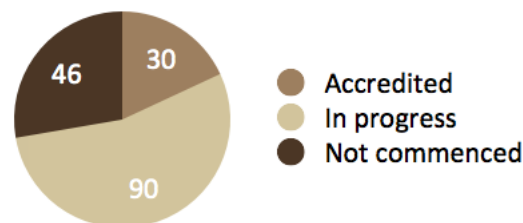
We have engaged two external organisations to monitor the ongoing commitment of suppliers to ethical labour practices across our supply chain, especially wine farms. RUDNET, founded by Distell and a network of non-governmental organisations (NGO), has been working towards enhancing the quality of life on farm communities by providing a cohesive and sustainable programme of integrated development services. Distell worked with RUDNET until 2009.

At the same time, the WIETA arose out of an Ethical Trading Initiative (ETI) pilot project. The pilot project assisted the ETI and its South African partners in learning about, developing and refining inspection methodologies. It was also instrumental in bringing together stakeholders in the Western Cape wine industry to discuss and debate issues around ethical trade. Distell has been part of WIETA since its inception, and all the farms we own comply with WIETA principles.

In 2011, we introduced WIETA principles across our supply chain. By 2014, all our wine producers must be WIETA accredited to remain a Distell supplier. With one year remaining, 30 of our 166 suppliers (2012: 21) have achieved WIETA-accreditation.

Suppliers struggling to fulfil all the requirements are given guidance as to how to rectify the situation within a reasonable timeframe. We have yet to consider introducing measures to address non-compliance such as reporting the matter to the Department of Labour for follow-up action or terminating purchasing agreements.

WIETA accreditation status of suppliers



Furthermore, all the independent grape producers and cellars supplying us with grapes and wine must be IPW accredited to ensure environmentally sound farming practices are adhered to. Refer to *Preserving our environment* on page 53 for more information regarding IPW accreditation.

Enabling workers to share in the benefits and enhance their quality of life

Economic equity also extends to our farming operations. Distell is the joint owner of Papkuilsfontein Vineyards, a 975-hectare farming venture, together with a group of Gauteng entrepreneurs and a local community trust. Established in 1998, the project is underpinned by an extensive transfer of skills, including wine-growing, wine farm management, winemaking and marketing.

The venture has its own label, Tukulu, which is fully Fairtrade accredited, and supplies top quality grapes to the Nederburg brand. The personnel policy applied to Papkuilsfontein is also applied to all our wholly owned farms and has been given a clean audit by Department of Labour inspectors. Our labour practices on LUSAN farms are based on the same principles followed at all Distell wine farms.

A shared-ownership scheme has been part of the Durbanville Hills company structure since its inception, and includes all grape suppliers to Durbanville Hills. In addition, 50 000 shares (five per cent of total shares) have been issued to the Durbanville Hills Workers' Trust. A director elected by the employees represents the farmworkers on the board of directors. The Workers' Trust drives several development initiatives within the farmworker community, including adult education programmes and the funding of high school fees for children on the supplier farms.

Distell recently released a new Fairtrade-accredited range, under the 'Place in the Sun' label, while it produces Fairtrade-accredited wines for some of its larger brands, such as Nederburg (Growers' Selection). The premium paid to growers is used to accelerate upliftment among wine farmworkers and their families.

Equity for employees through ownership

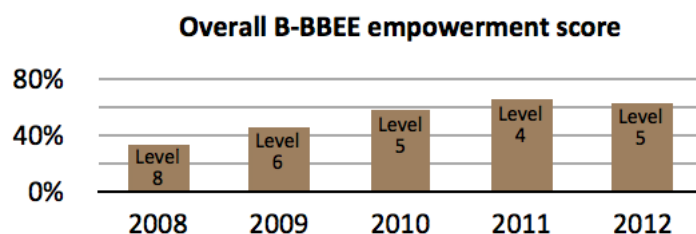
As early as 2005, Distell was among the first of the listed companies to include employees in its B-BBEE share deal through the Employee Share Ownership Programme. Every employee with more than one year's service is a beneficiary in a trust that holds units on behalf of the employees until the share deal matures.

Broad-based Black Economic Empowerment

As expected, our B-BBEE score decreased to Level 5 (2011: Level 4) due to the revised dti compliance targets which came into effect in February 2012. Our overall score is down 2.45 points as we struggled to perform against the new employment equity and preferential procurement targets.

We did, however, improve our equity ownership, skills and socio-economic development scores by increasing investment in training and development and black female education. We increased our spend on socio-economic development activities in the form of grants, donations and direct project costs.

We are actively working towards regaining our B-BBEE Level 4 status by focusing on long-term performance in areas such as skills development, employment equity and socio-economic development.



B-BBEE empowerment scores							
Empowerment element	Scorecard	2008	2009	2010	2011	2012*	
Equity ownership	20.00	12.92	18.07	15.40	18.70	19.12	▲
Management and control	10.00	3.17	3.29	3.54	3.33	3.33	-
Employment equity	15.00	1.91	2.03	2.13	2.20	1.89	▼
Skills development	15.00	2.15	4.55	8.98	8.17	9.36	▲
Preferential procurement	20.00	5.47	6.76	11.73	16.26	11.56	▼
Enterprise Development	15.00	3.40	9.28	15.00	15.00	15.00	-
Socio-economic development	5.00	4.23	1.32	1.58	1.66	2.61	▲
Total	100	33.25	45.30	58.36	65.32	62.87	
Contribution level		8	6	5	4	5	
B-BBEE contributory status		10%	60%	80%	100%	80%	

Our latest B-BBEE score reflects our 2011–2012 fiscal year activities and is valid until year-end 2013. Our 2012–2013 fiscal year's B-BBEE score will be available in December 2013 only after it has been externally verified.

Equity ownership

This year, we improved our score to 19.12 (2011:18.70), our highest equity ownership score yet. For the first time, the dti's flow-through principle was taken into account. The principle recognises that our B-BBEE shareholders have an effective stake in all business shares Distell holds. This, along with our improved debt-to-equity ratio, resulted in the significant increase in our equity ownership score.

Management and control

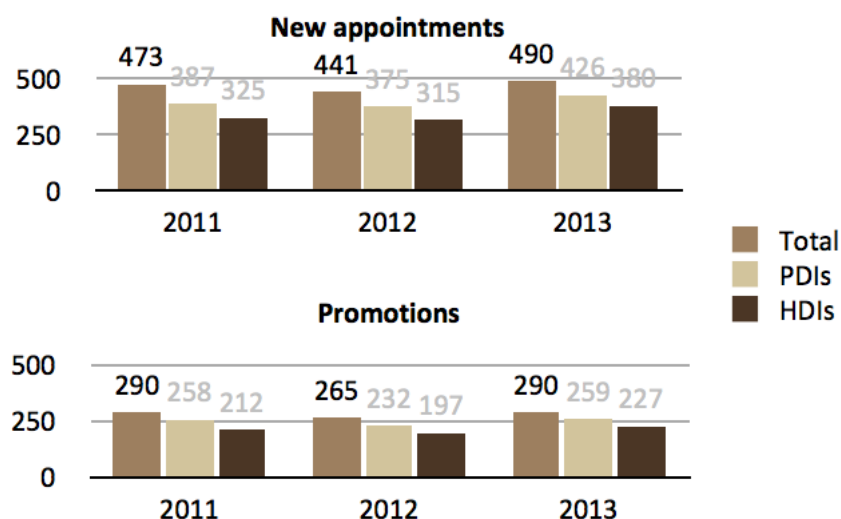
Distell's management control score remained unchanged at 3.33. Our low management turnover rates pose a challenge in the sense that we struggle to recruit black managers as a result of few managerial vacancies. We are, however, confident that our skills development investment and internal promotion strategy will produce sustainable results in the medium to long term.

Employment equity

Our employment equity (EE) score weakened to 1.89 this year (2011: 2.2), due to the new dti compliance targets (six to 10-year target). This remains one of our most challenging B-BBEE performance areas due to our low turnover rate at senior management level.

We remain committed to grooming the future leaders of Distell. Our strategy focuses on retaining black technical staff through competitive salaries and benefits while developing skills internally to provide a talent pipeline of competent black staff ready for management. As discussed on page 23, 67% of our training spend and 95% of internship spend is allocated to previously disadvantaged individuals (PDI).

Of our total South African staff complement, 71% are historically disadvantaged individuals (HDI¹) and 18% are female HDIs. During the year, 87% (2012: 85%) of all new appointments were PDIs, of which 78% (2012: 71%) were HDIs. Eighty-nine per cent of all promotions were awarded to PDIs, while 78% were awarded to HDIs. Our management consists of 33.9% females (2012: 32.7%).



¹ HDIs refer to black people (Indian, coloured and African).

To improve our EE performance and achieve our 2012–2017 transformation goals, we have a new EE strategy in place that our line managers must execute. Our EE strategy goals include:

- Enhancing our diversity culture
 - Implement transformation and diversity awareness workshops.
 - Consistently communicate transformation and diversity messages.
 - Capacitate EE Forum chairpersons and management to implement the EE Plan successfully.
- Appointment of people from designated groups and fast tracking diversity
 - Continued focus on talent management.
 - Identify and work with coaches and mentors in the business units.
 - Focused approach to learnerships/internships.
- Pipelining, growing tomorrow's talent
 - Capacitate and develop employees in order to create a pipeline.
- Promotion of people from designated groups
 - Capacitate and develop employees in order to advance within the organisation with specific emphasis on designated groups.
- Retention strategies for key diversity talent
 - Enhance the Distell brand as a preferred employer.
 - Attract and retain qualified diversified talent.
- Reasonable accommodation: Women and disabled persons
 - Focus on recruitment of people with disabilities.

This year we focused on our senior-leadership and middle-management development programmes through which we develop our high-potential candidates to increase our pool of suitably qualified managers.

Skills development

We improved our skills development score to 9.36 (2011: 8.17) by investing more in skills programmes, learnerships and apprenticeships. We developed and implemented a senior management development programme to speed up our transformation agenda at strategic levels within the organisation. More details on skills development can be found on page 23.

Performance development plans and management systems are key to ensuring that the right skills are being developed for the future needs of the company. Individual performance scorecards are agreed in consultation with staff outside the bargaining unit and formal performance reviews are conducted at least twice a year.

Preferential procurement

Our preferential procurement score decreased by 4.70 points to 11.56 due to the new dti compliance targets.

The increased six- to ten-year preferential procurement target set by the dti had a major impact on our B-BBEE score and those of our suppliers. We continue to persuade our suppliers to obtain and provide us with valid BEE certificates. We are in the process of making this a mandatory requirement in order to do business with Distell.

Enterprise Development

For the fourth consecutive year, we have received the maximum score for Enterprise Development (ED). We have also exceeded the three per cent NPAT spending benchmark by contributing 3.15% (2011: 3.37%) of our NPAT to the development of small and medium enterprises.

Our Enterprise Development spend amounted to R53.3 million. However, due to restrictions in the ED scorecard criteria as well as time constraints, only R27.1 million was recognised in terms of B-BBEE. Our total ED activities consist of the following three key objectives as defined in our ED policy.

Enterprise Development activities	
Objective	Spend (R million)
Early payments Our EME and SMME service providers and suppliers benefit from receiving payment within seven days of us receiving an invoice.	12.5
Papkuilfontein vineyards venture We provide long-term financial support to our joint partners – a group of black entrepreneurs and a community trust.	14.6
Independent redistributors We provide competitive trading terms to qualifying small black-owned redistributors which enable them to compete with more established businesses.	26.2
Total	53.3

Socio-economic development

Our total weighted contributions came to R4.69 million, representing 0.52% of NPAT. As a result of our efforts, we achieved our highest score for socio-economic development (SED), 2.61 (2011: 1.66). This is largely due to an increase in our SED funding activity.

More information regarding our SED activities is available on page 17.

Preserving our environment

Concerns:

- Climate change and carbon footprint
- Energy efficiency
- Water usage and sustainable water supplies
- Waste management
- Effluent and waste water
- Conservation of biodiversity

The production of wines and alcoholic beverages relies heavily on the growing region's climate. Environmental processes and resources such as the soil, climate, water and energy form the basis of our products. Clearly, from farm to consumer, Distell is wholly dependent on the long-term health of the environment.

Specifically, changes in climate and the quality and supply of water have a major impact on our operations. We recognise these changes are at least partly a result of industrial activity, from the burning of fossil fuels to the negative effects of emissions, effluent and waste.

Distell is acutely aware of the impact the rising cost of energy has on its business. We are continually improving our production processes for optimal cost-efficiency. A major component of this includes improving the energy efficiency of our production processes and substituting fossil fuel with renewable energy solutions where possible.

We are also cognisant of society's concerns with practices that are harmful to the environment. Our consumers are increasingly more knowledgeable and demand that sustainable environmental practices be followed, even as the South African Government debates various forms of legislation for the way companies interact with the environment.

In response, we reviewed and updated our environmental policy in January 2013, to guide the company towards reducing its impact on the environment. Our strategy is based on five key principles, whereby we recognise our responsibility and commit to building and preserving the environmental resources we depend on. Our Environmental Policy is available online at www.distell.co.za.

The Distell environmental working group is responsible for establishing, implementing and managing all environmental practices throughout the organisation. Environmental risk is included in our operational risk control forum, while both the board's social and ethics committee and audit and risk committee ultimately oversee all activities in this regard.

We regularly review all new and proposed environmental legislation, regulations and policies to assess their potential impact on the business, and provide feedback to government where appropriate. This gives us the opportunity to engage with the regulatory bodies and proactively take the necessary steps to ensure compliance. We have examined the impact that the following legislative proposals might have:

- *The National Climate Change Response White Paper*. Published in October 2011, it contains government's position on climate change policy and future legislation, notably the possible introduction of carbon taxes and the establishment of a web-based greenhouse gas (GHG) reporting system. The latter will form part of the larger South African Air Quality Information System (SAAQIS) and will feed into its National Atmospheric Inventory component. More information on the GHG reporting system is yet to be published.
- *The Carbon Tax Policy Paper*. Published on 2 May 2013, for public comment until end of August 2013. The policy paper proposes that an input fuel-based carbon tax for all stationary equipment be implemented on 1 January 2015. Furthermore, the proposed tax rate is R120/t CO₂e levied after an initial 60% tax free threshold. A 10% annual tax rate increase is expected for the first five years, while the 60% threshold will be revised only after five years. We have assessed our direct tax liability based

on the latest proposal, however the impact of the indirect taxation implications remain unclear as this is dependent on the impact on our suppliers and to what extent their increased production costs will be pushed through to their customers.

- The draft *General Authorisation for the Disposal of Waste Water in terms of Section 39*. Published on 4 March 2013, the draft paper will most likely replace the current regulation in terms of the National Water Act, 1998, in the latter half of 2013. The new draft regulation does not fundamentally differ from the existing regulation.
- The *National Waste Information Regulations* in terms of the National Environmental Management: Waste Act, 2008, was published on 13 August 2012. This regulation came into effect in January 2013 and requires that all waste management facilities handling more than 20 kilograms of hazardous waste per day must be registered by 31 March 2013. The legislation applies to all our production sites, due to the very broad definition of hazardous waste, especially in terms of the pH of the waste. We have registered all our production sites online.
- The proposed amendment of the *National Environmental Management: Waste Act, 2008*. Published in September 2012, the document proposes that the list of waste management activities that have, or are likely to have, a detrimental effect on the environment must be amended. We support the proposed amendments.
- The draft regulation in terms of the *National Environmental Management: Air Quality Act, 2004*. Published on 23 November 2012, the draft proposes that small boilers must be declared as controlled emitters. This would have a limited impact on our operations as our boilers are generally smaller than the proposed definition of small boilers.
- The draft *Climate Change Sector Plan for Agriculture, Forestry and Fisheries*. The plan was published on 9 January 2013.
- The proposed regulations under the National Environmental Management: Waste Act, 2008, relating to (1) the classification and management of waste; (2) national norms and standards for the storage of waste; (3) standards for the disposal of waste to landfill; (4) regulations for site assessment and reports; (5) national standards for the remediation of contaminated land and soil; and (6) proposed fees for the application for waste management licences. The final version of the new regulations are yet to be published.

At local authority level, Distell regularly engages the relevant regulatory authorities to improve interaction and proactively manage concerns of mutual importance. These include:

- Drakenstein and Stellenbosch Municipalities regarding their existing and proposed sewage and drainage by-laws. The Drakenstein Municipality implemented the new by-law during the year under review. Accordingly, we applied for and received new effluent discharge permits for our Wellington and Paarl sites discharging effluent to the municipal sewage works. The Stellenbosch Municipality is still drafting its new by-laws. The new by-law will affect our current Environmental Impact Assessment (EIA) for the construction of a new waste water treatment facility in Stellenbosch. The facility is set to reduce the amount of organic waste we discharge to the municipal sewer and produce biogas as boiler fuel. The EIA is expected to be completed during the new financial year.
- The Cape Winelands District Municipality Air Quality Forum. Established in 2010, the forum provides a platform for the District Municipality and industry to discuss aspects surrounding air quality management, including the development of air quality management plans, and the development of new air quality by-laws stipulated by the National Environmental Management: Air Quality Act, 2004.
- The City of Cape Town's Accelerate Cape Town initiative. The initiative aims to enhance the city as a sustainability destination where industry within the greater Cape Town area meets quarterly to discuss sustainability matters and how industry and local government can work together more closely to improve the environment in and around Cape Town and promote sustainable business practices.
- The Stellenbosch Municipality and Department of Water Affairs' Adopt a River programme. The programme aims to manage and improve the conditions of all the rivers within the jurisdiction of Stellenbosch Municipality. Stakeholders meet bimonthly to identify problem areas and discuss the progress of all ongoing improvement projects. The Krom River was recently cleared of litter and invasive alien trees and focus has since shifted to the Plankenbrug River Bank's stability and the potential for erosion in both rivers has now been assessed. The river bank erosion identified at our Bergkelder facility is currently being assessed in more detail.

Measuring and monitoring systems

Since its implementation in July 2010, our greenhouse gas (GHG) reporting database has played a critical role in monitoring and managing our environmental management practices at an operational level. Tracking the GHG emissions for all our South African-based facilities, the database collects data on direct fuel and electricity purchases from our financial SAP system and converts it directly into carbon dioxide equivalent emissions (CO_{2e}).

To improve the detail of our information beyond that which can be obtained from our financial procurement accounts, we have redeveloped and implemented a site services database (SSD) during the year. The SSD operates separately from the GHG database and will be used for monitoring performance against set corporate targets.

Due to data entry complications, the system was unable to record usage on a 'per production line basis' as originally envisaged. The SSD has since been modified to track utility usage on a per site and per site sub-sector basis. The new version is currently being deployed at all our fully owned secondary production sites and will be rolled out to all our primary production and LUSAN facilities commencing next financial year.

The SSD will be deployed in all future production facilities locally and abroad. We are also conducting a feasibility study for the implementation of the SSD at our newly acquired production facilities in Europe.

Environmental certification

We are progressively implementing ISO 14001 certification at all our primary and secondary production facilities. At the end of the reporting period, 41% (2012: 35%) of our sites were externally certified, while in total, 59% (2012: 47%) of our sites have the required structures in place and are operating in accordance with the ISO 14001 system.

ISO 14001

ISO 14001 is an internationally accepted environmental management certification system. Being ISO 14001 certified means that a facility is managing its environmental impact in a formal and documented manner, enabling it to continually reduce its environmental impact and improve its performance.

The latest standard ISO14001:2004 is under review. We expect an updated version to be released in 2015. Once published, we will review all our currently certified sites to align them with the requirements of the new version.

We envision formally certifying one site per annum and we submit sites for the external auditing process once we are satisfied that they meet all the necessary requirements. Our implementation process includes:

- Putting the necessary ISO 14001 systems and structures in place.
- Successfully operating with all systems in place for at least a year.
- Training site personnel on the ISO 14001 standard.
- Conducting an external legal audit and full internal audit.

We will continue to implement the ISO 14001 systems and structures at more than one site per annum where feasible.

While site management is responsible for the day-to-day implementation of all improvement projects, Distell's environmental manager oversees all activities and develops the monitoring structures and related documentation for the individual sites.

The table below highlights our progress towards certifying all our facilities. The order of certification is determined by the size and operational complexity of a site, as well as logistical factors.

Distell production sites: Ownership and ISO 14001 environmental certification				
Facility	Nature of facility	Location	Percentage ownership	ISO 14001:2004
Durbanville Hills	Winery	Durbanville Hills	Partially owned (72%)	Fully certified in 2004
Nederburg	Winery	Paarl	Fully owned	Fully certified in 2005
Plaisir de Merle	Winery	Simondium	Fully owned	Fully certified in 2007
Die Bergkelder	Winery	Stellenbosch	Fully owned	Fully certified in 2007
Green Park	Bottling facility	Epping	Fully owned	Fully certified in 2009
Adam Tas	Winery	Stellenbosch	Fully owned	Fully certified in 2013
Monis	Cider and RTD production	Paarl	Fully owned	Fully certified in 2012
Goudini	Distillery	Goudini	Fully owned	In operation since 2012
Van Ryn	Distillery	Stellenbosch	Fully owned	Initiating in 2013/14
Robertson	Distillery	Robertson	Fully owned	To be determined
Worcester	Distillery	Worcester	Fully owned	In operation since 2012. Certification to commence in 2013/14
James Sedgwick Distillery	Distillery	Wellington	Fully owned	In operation since 2013
J.C. Le Roux	Bottling plant	Stellenbosch	Fully owned	To be determined
Port Elizabeth	Bottling plant	Port Elizabeth	Fully owned	To be determined
Wadeville	Distillery and bottling plant	Wadeville	Fully owned	To be determined
Springs	Bottling plant	Springs	Fully owned	To be determined
Ecowash	Bottle-washing facility	Wadeville	Fully owned	To be determined

Environmental awareness strategy

Employee awareness is an integral part of the ISO 14001 standard and key to successfully managing our environmental impacts. In 2011, Distell established a company-wide “Go Green” movement, and developed training material highlighting Distell’s environmental management programmes across our various facilities. These have been distributed to all sites to create awareness around Distell’s environmental policies, standards and the various ISO requirements.

Furthermore, our environmental training partner, Icologie (www.icologie.com), assisted in developing a two-day sustainability training workshop. As a pilot, two workshops were held during the reporting year, reaching 24 middle and senior management personnel. The training material was subsequently refined and condensed into a one-day programme. It is envisaged that five workshops will be held in the next financial year.

Additionally, a new contractor will engage with staff at site level to create further awareness around water, electricity and fossil fuel usage.

Our Business Improvement office held the second round of our War on Waste campaign, encouraging staff to identify, investigate and present innovations to reduce operational wastage. During the reporting year, 30% of the projects identified focussed on saving natural resources. It is envisaged that the campaign will become an annual event.

We also keep our dedicated intranet knowledge base up to date to communicate information and resources pertinent to environmental management to our employees. We encourage employees and other stakeholders to give feedback and make suggestions on how Distell can further improve via our dedicated e-mail address, environmental@distell.co.za

Climate change and carbon footprint

This year, we submitted our third annual carbon footprint report to the Carbon Disclosure Project (CDP). As with the previous year, the 2012 data was externally verified against the ISO14064-3 standard by Carbon Calculated (www.carboncalculated.co.za). Carbon Calculated provided us with limited assurance on this year's disclosure figures. Some restatements of previous data were necessary, as we continued to refine our measurement processes. All restatements are clearly marked in the carbon footprint table lower down.

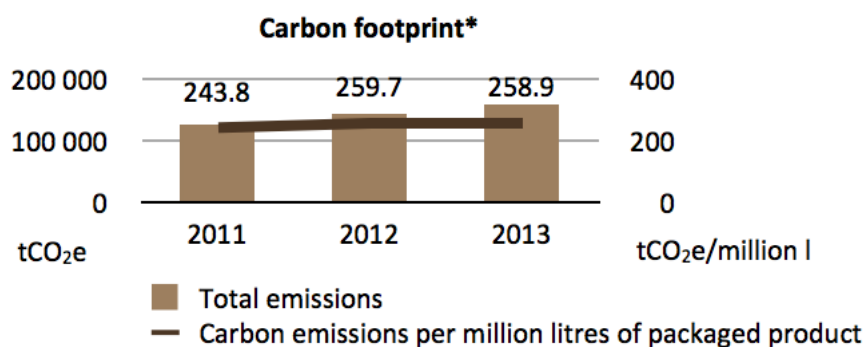
Our direct emissions (Scope 1 and 2) increased by 11% to 160 531 tonnes CO₂e (2012: 145 161 tCO₂e). The increase is primarily due to the amount of electricity required to meet our 11% production volume increase for the year. Electricity accounted for 52.3% (2012: 47.6%) of these emissions, while a further 44.2% (2012: 48.7%) were caused by equipment under our control.

While our direct emissions increased in absolute terms, we managed to reduce our emission intensity per litre of product slightly, by 0.3% to 258.9 tonnes CO₂e per million litres of packaged product. The improvement can be attributed to the various energy reduction initiatives discussed on page 44.

If we include the measured Scope 3 emissions, our total GHG emissions amount to 578 236 tonnes CO₂e (2012: 546 016 tCO₂e). We are still busy refining our Scope 3 calculations, specifically transport related emissions. Initial calculation highlighted a few problem areas, which will be addressed in the next financial year.

The reduction in the non-Kyoto protocol GHG gas emissions associated with Freon gas is the result of the decommissioning of the old Freon cooling system at the Adam Tas facility.

The reasons for the large increase in business travel emissions (Scope 3) are two-fold. Firstly, the number of flights increased partly due to the negotiations around the acquisition of the Burn Steward Distillery group in Scotland in early 2013. Secondly, a revised emission factor for air travel was used. The new emission factor resulted in a 90% increase in the CO₂e factor to account for radiative forcing (the influence of the other climate change effects of aviation, such as water vapour, contrails and NO_x). The 2013 figure is therefore not directly comparable to that of 2012.



Distell's carbon footprint (tonnes CO₂e)			
	2011^{revised}	2012^{revised}	2013
Scope 1 direct emissions			
Equipment owned or controlled by Distell	58 751 ¹	70 699 ¹	70 954
Fuel used in forklifts	1 059 ⁶	768	1 303
Vehicle fleet	4 208 ⁶	4 182	4 030
Fertiliser application on farm	78 ^{5,6}	371	325
Total Scope 1 emissions	64 096	76 020	76 612
Scope 2 direct emissions			
Purchased electricity	62 582	69 140	83919
Total Scope 2 emissions	62 582	69 140	83919
Total Scope 1 and 2 emissions	126 678	145 161	160 531
Scope 3 indirect emissions			
Purchased goods and services, e.g. packaging material	³	393 005 ⁷	402 175
Business travel – airplane flights	³	2 277 ⁴	10 489
Downstream transport and distribution	³	4 631 ⁸	4 793
Total Scope 3 emissions	³	399 914	417 457
Total Scope 1, 2 and 3 emissions	126 678	545 075	577 988
Non-Kyoto Protocol GHG emissions – Freon R22	2 027 ²	942	248
Total emissions	128 705	546 016	578 236
Total revenue (R'000)	12 327 786	14 176 047	15 858 158
Full-time employees (FTE)	4 433 ⁹	4 464 ⁹	4 592
Kilowatt hours electricity consumed	60 759 693	69 838 758	84 766 707
Intensity figures			
kWh per FTE	13 706 ⁹	15 645 ⁹	18 460
Tonnes CO ₂ e per million rand revenue ^{Scope 1 & 2 only}	10.3	10.2	10.1
Tonnes CO ₂ e per FTE employee ^{Scope 1 & 2 only}	28.6 ⁹	32.5 ⁹	35.0
Tonnes CO ₂ e per million litres of packaged product ^{Scope 1 & 2 only}	243.8¹	259.7¹	258.9

- 1 Revised down both 2011 and 2012 figures to exclude the methane gas generated by our waste water treatment. According to the OIV and IWCC protocols, methane that is captured and flared is not considered a Scope 1 emission.
- 2 Revised up the 2011 figure to include the emissions generated by all of site Distell's have full management control over. Previously the 2011 figure incorrectly excluded these and included only LUSAN Premium Wines Pty (Ltd) emissions.
- 3 Not reported in 2011.
- 4 Revised up the 2012 figure to account for the nine per cent uplift factor associated with commercial airline travel.
- 5 Includes emissions from all LUSAN sites, but excluded emissions from Nederburg Wine Farms.
- 6 Minor changes to 2011 figures after the reallocation of costs in our financial system.
- 7 Revised up the 2012 figure after updating the emission factors used for calculating emissions related to packaging material.
- 8 Revised down the 2012 figure after changing the measurement accuracy to four decimals instead of only two.
- 9 Revised due to corrections in the FTE data to exclude temporary staff.

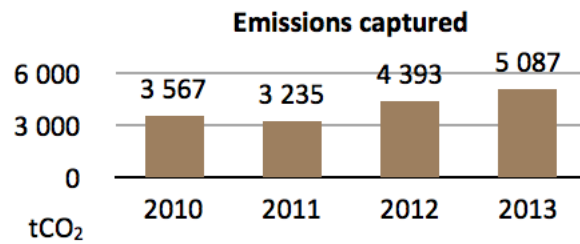
We have a two-pronged approach to dealing with climate change. On the one hand we endeavour to reduce our GHG emissions, while on the other hand we are investing in cultivars better suited to warmer climatic conditions, thereby securing our supply chain of the future.

Reducing our emissions

To reduce both our direct and indirect emissions, we are focusing on reducing our dependence on electricity and fossil fuel energy sources, which account for the vast majority of our emissions.

We are also able to reduce our non-energy related GHG emissions by capturing, purifying and then using the carbon dioxide (CO₂) released during the fermentation of the apple juice to carbonate our products. This in turn reduces our CO₂ purchases.

This year we concluded the expansion of our Monis cider plant in Paarl, with the installation of additional cider fermentation tanks and CO₂ capturing technology. As a result, we managed to capture 15% more CO₂ during the year.



Adapting to changing climatic conditions

To adapt to our changing climate, we are diversifying our supply chain by developing vineyards in new wine-growing areas.

Even though climate change takes place slowly, it holds significant risks for the agricultural sector, and specifically the cultivation of grapes. We therefore need to respond today to ensure a healthy supply chain in the future.

We pioneered wine growing in Elgin over 30 years ago, and more recently established vineyards in Gansbaai with great success. We have several experimental plantings further inland. These are well isolated from other wine-growing areas and therefore less at risk from viral infection. Our dedicated plant nursery in the Cape Winelands develops superior plant material for our farms, as well as the farms of supplier growers. Newly developed and adapted Mediterranean varieties such as Tannat, Tempranillo, Grenache, Mourvèdre, Carignan, Verdelho and Viura have the potential to withstand the warmer growing conditions predicted for the Southern African continent. With access to supplies from regions as climatically diverse as Agulhas and the Northern Cape, we are confident that we will be able to effectively adapt to changing climatic conditions.

Energy efficiency

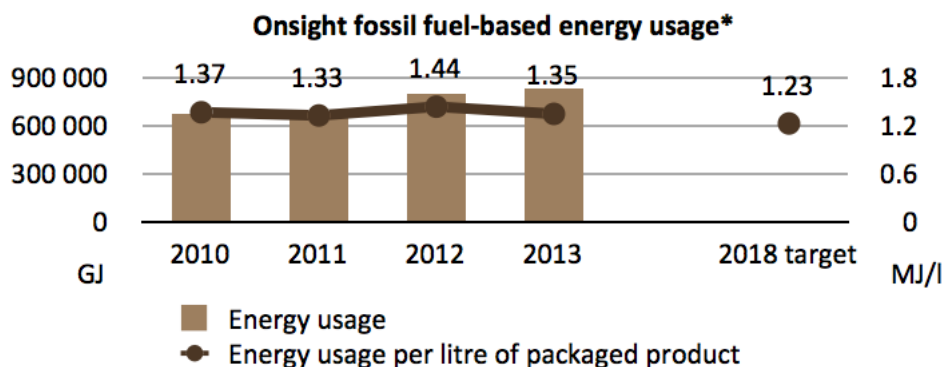
Our largest impact on climate change is caused by burning fossil fuels on-site to generate steam for our boilers, as well as the purchase of mainly coal-based electricity from Eskom. We have set the following intensity targets for 2018 to reduce both our per product electricity and energy usage:

- Reduce on-site energy from fossil fuel by 25% per litre of packaged product (MJ/l).
- Reduce the amount of electricity we purchase by 15% per litre of packaged product (kWh/l).

For both targets we use our 2009 usage figures as base year.

Fossil fuel-based usage

Our fossil fuel-based energy usage fluctuates according to both market demand and forward planning stock management, resulting in a volatile trend towards our target. We have shown a steady improvement of 18% towards our target.



Understanding fluctuating fossil fuel-based, energy intensity figures

Our energy usage depends on the volume of product we produce during the year. Since our products generally require time to mature before they can be bottled and sold (South African brandy, for example, legally requires a minimum of three years maturation), accurate forecasting of future demand is critical to determine current spirit production requirements.

On the other hand, the volume of already matured product we package depends on current market demand and is therefore not directly correlated with current spirit production levels.

Therefore the 'energy usage per litre of packaged product' can vary greatly if predicted future demand differs from current demand.

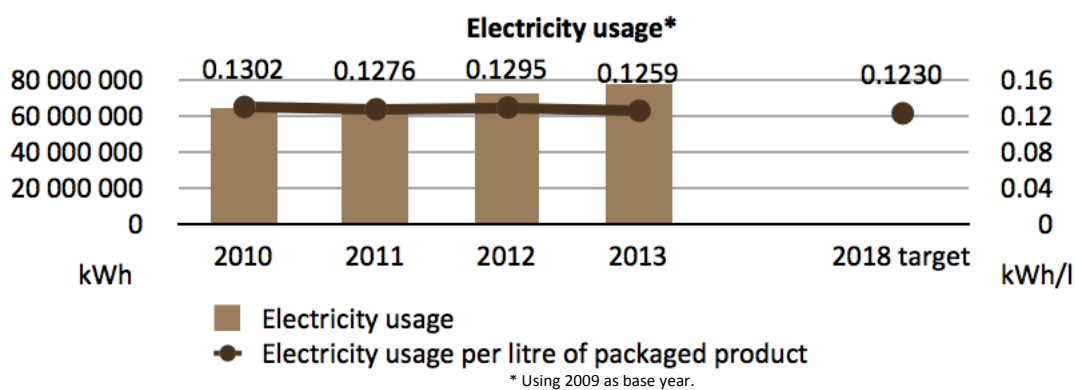
Our three biggest distilleries, the Worcester, Wellington and Goudini facilities, implemented a number of projects to improve their energy efficiency and reduce the amount of coal required. At Worcester the flash steam that was previously vented to the atmosphere is now being recovered and lagging installed in the distilling columns to reduce heat loss to the atmosphere. At Wellington hot water rather than steam is now used for specific applications, while at Goudini, a thermo compressor was installed to improve the heat recovery. Together these projects are estimated to reduce our annual coal usage by approximately 660 tonnes. This represents approximately two per cent of our total annual coal usage.

We finalised our investigation into the proposed plan to use the methane gas generated by our waste water treatment facility in Wellington as boiler fuel. The integration of the methane boiler into the existing coal boiler plant was found to be sub-optimal and coupled with fluctuating steam requirements, would result in other production inefficiencies. A decision was therefore taken to cancel the project and rather use the methane gas to generate electricity on site. This project is planned for implementation in the new financial year.

Another alternative fuel project, based on using methane from waste water treatment at our Adam Tas site, is discussed on page 46.

Electricity usage

The amount of Eskom-supplied grid electricity that Distell uses, and our progress towards attaining our usage reduction target, is presented in the tables and graph below. This year we managed a 13% reduction in electricity usage per litre of packaged product.



The planned implementation of an ISO 50001 energy management system at our Adam Tas site is progressing well and the energy management team has developed the required savings targets and objectives.

We undertook energy audits at six production facilities during the year as part of the Industrial Energy Efficiency Project, a co-operative project between the United Nations Industrial Development Organisation (UNIDO), UK Aid and the South African and Swedish Governments. The audits identified a number of energy-saving opportunities and a number of projects have already been implemented. Together they resulted in a significant electricity saving of approximately 887 000kWh. This included installing variable speed drives (VSD) on cooling compressor fans, switching to energy-efficient lighting at our distribution warehouses and installing timers on cooling compressors to switch them off when they are not in use. We also implemented some production process changes reducing our cooling requirements.

We contracted a dedicated individual to co-ordinate the energy audits, track the implementation of projects together with the site engineering staff, and assist in energy awareness training to reduce electricity usage by changing the behaviour of fellow Brandcrafters.

The new financial year will see the implementation of more energy savings projects. This includes the installation of a methane-to-electricity generator at the Wellington facility. A further six energy audits at other facilities are also planned.

Water usage and sustainable water supplies

Distell recognises its obligation to use water responsibly and, in particular, treat and dispose of waste water sensibly.

Distell is dependent on water for the agricultural production of its raw materials, and for its production processes. The importance of securing a reliable supply of water – and ensuring that the quality of the water is protected – is critical as climate variability becomes more evident. The availability of good quality water is already limiting agricultural expansion, and the situation is likely to deteriorate further, especially considering that water availability will be significantly affected by climate change.

There are a number of risks related to water management which could affect Distell. Most notably, these are:

- Changes in physical climate parameters such as temperature, average rainfall and precipitation patterns and extremes (flooding and droughts) which may affect our ability to produce quality products.
- Changes in the water legislation which could affect our activities.
- Any water-related changes which may affect our reputation.

The implementation of the National Water Act, 1998, and specifically its compulsory licensing requirements, could severely impact Distell's long-term sustainability. Competition for water for environmental, social and economic needs is a complex issue, particularly in relation to the historical distribution of water and its link to land ownership. Redressing this situation could have a negative impact on agriculture and agricultural industries if it is not managed proactively and judiciously.

Systems to measure performance and regulate usage

All water usage at the different Distell sites is measured and recorded on a continuous basis, to allow for improved management and reporting of water usage at a corporate level. In order to determine water usage per individual production unit over time, Distell has developed a site services database to record all site and point-of-use water measurements. Due to a technical complication, the database had to be redeveloped during the reporting year. Changes to the system's data entry methodology and certain components of the software require additional work that will be done in the new fiscal year. While the company-wide system is being updated, sites are required to store all applicable data on Distell's intranet system for access across the business.

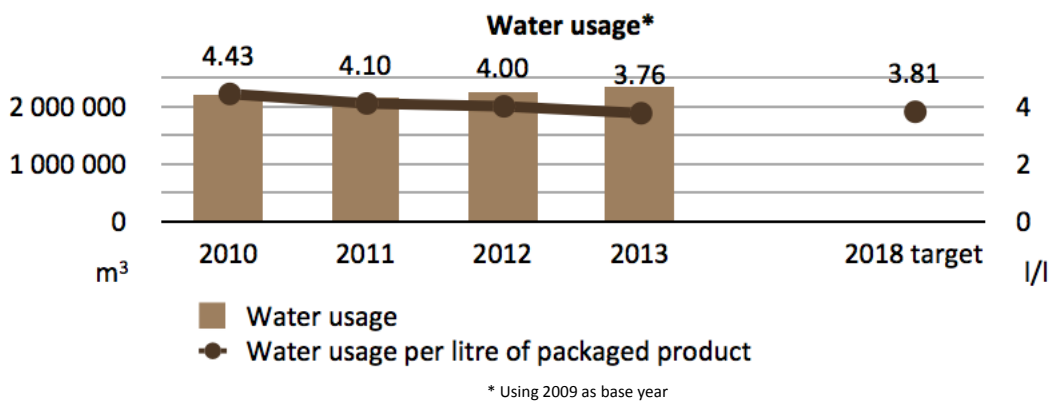
Water usage and sources affected

The origin of water we use per site is listed in the following table:

Water sources per production site		
Production process	Production site	Water source
Wine production	Adam Tas	Stellenbosch Municipality
	Die Bergkelder	Stellenbosch Municipality
	Nederburg	Four boreholes and Drakenstein Municipality (Paarl)
	Plaisir de Merle	Borehole
	Durbanville Hills	City of Cape Town via Voëlvllei water scheme
	LUSAN – Le Bonheur	Borehole
	LUSAN – Uitkyk	Borehole
	LUSAN – Stellenzicht	Two mountain springs and water from Theewaterskloof dam
	LUSAN – Alto	Fountain in mountains
	LUSAN – Neethlingshof	Stellenbosch Municipality
Spirit production	James Sedgwick Distillery (Wellington)	Drakenstein Municipality and Berg River

	Worcester Distillery	Breede Valley Municipality
	Goudini Distillery	Two boreholes
	Robertson Distillery	Langeberg Municipality
	Wadeville Distillery	Ekurhuleni Municipality
	Van Ryn Distillery	Stellenbosch Municipality
Cider and RTD production	Monis	Drakenstein Municipality
Bottling	Green Park	City of Cape Town
	J.C. Le Roux	Borehole
	Springs	Ekurhuleni Municipality
	Wadeville	Ekurhuleni Municipality
	Port Elizabeth	Nelson Mandela Metro
Second-hand bottle washing	Ecowash	Ekurhuleni Municipality

Our water usage increased by four per cent to 2.3 million cubic metres. We have set a target to reduce our water usage intensity (on a per litre of packaged product basis) by 10% by 2018, using 2009 as the base year. Our progress towards this target is presented below:



With the continued decline in water usage per litre of packaged product, we have reached our original 10% reduction target five years ahead of schedule. We will continue monitoring our water usage to ensure the savings are sustainable and consider reviewing our original target.

As part of our internal War on waste programme employees identified and were involved in the implementation of a new water recycling project at our Springs production facility. Hot water released from our pasteurisers, and previously discharged as municipal sewage, is now used again after it is pumped through cooling towers. We estimate that the amount of water saved as a result of this project is approximately 100 000m³ per annum. The team of employees who initiated this project were awarded first prize for their innovative proposal.

Waste management

We generate various types of waste during the production, packaging and distribution of our products. The majority of our waste consists of organic primary waste as well as inorganic waste like glass bottles and other packaging waste.

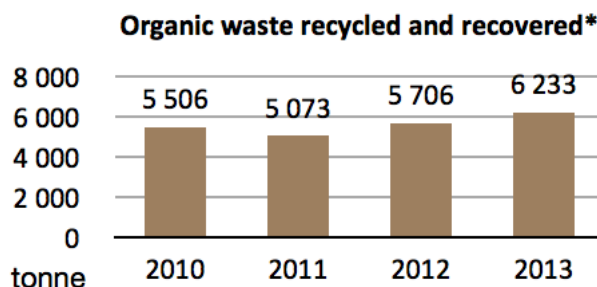
Primary waste management

Primary waste mainly consists of grape skins, stalks and seeds left over after we have extracted the juices we use in our products. This waste is organic and can be composted or used elsewhere.

We send most of our grape skins to Brenn-O-Kem where alcohol, calcium tartrate and grape seeds are recovered. They produce tartaric acid and grape seed oil from the calcium tartrate and grape seeds respectively.

Finally, the dry grape skin is used as boiler fuel. Some of the organic waste is transferred to dedicated composting sites and ultimately reused as a soil conditioner. Filtration waste is disposed of by certified waste contractors.

The reporting year saw a nine per cent increase in the volume of organic waste recycled and recovered.



* The volume of primary waste produced relates directly to the volume of grapes pressed which depends on grape yield per vintage; this, in turn, is subject to varying climatic conditions.

The accompanying table shows how the individual sites handle their organic waste.

Organic waste treatment methods	
Site	Treatment method and site treated
Adam Tas	Since 2012, grape skins and seeds have been moved by contractor to Seed Oils South Africa for the manufacturing of grape seed oil, while stems are taken to the Weltevrede nursery for composting
Bergkelder	Since 2011, the waste has been taken by contractor to Brenn-O-Kem
Nederburg	Taken by contractor to Brenn-O-Kem
Durbanville Hills	Since 2011, the waste is removed by contractor to Brenn-O-Kem
Plaisir de Merle	Composted on-site for use in own organic vineyards
LUSAN – Le Bonheur	Composted on-site for own use
LUSAN – Uitkyk	Taken by contractor for composting
LUSAN – Stellenzicht	Composted on-site for own use
LUSAN – Alto	Composted at Stellenzicht
LUSAN – Neethlingshof	Taken by contractor for composting

Packaging material

Packaging material waste is generated during secondary production processes, such as the bottling and packaging of our products. We have introduced a range of initiatives to reduce, recycle and re-use packaging material, without compromising the quality of our products or the image of our brands. Where appropriate, we have switched to materials that are more environmentally friendly, or reduce volume and weight to landfill.

Glass

This year we used a total of 326 592 tonnes (2012: 325 517 tonnes) of glass bottles, of which 77.2% was new glass, and the remaining 77 802 tonnes (2012: 74 552 tonnes) were reused bottles.

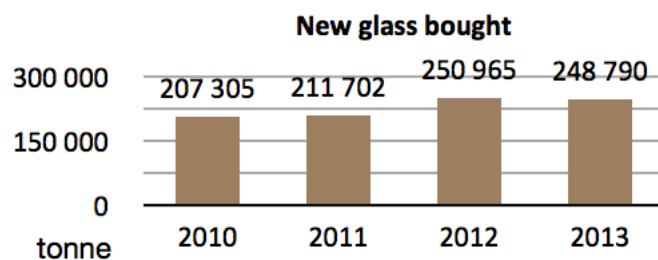
We are actively working towards reducing the impact of our glass packaging, by employing the three R's of waste management:

- Reduce;
- Re-use; and
- Recycle.

Reducing the amount of new glass we require

While our production volumes increased by approximately 11% this year, we bought only 248 790 tonnes of new glass, a decrease of 0.9% from last year. The reduction can be attributed to a number of factors, including:

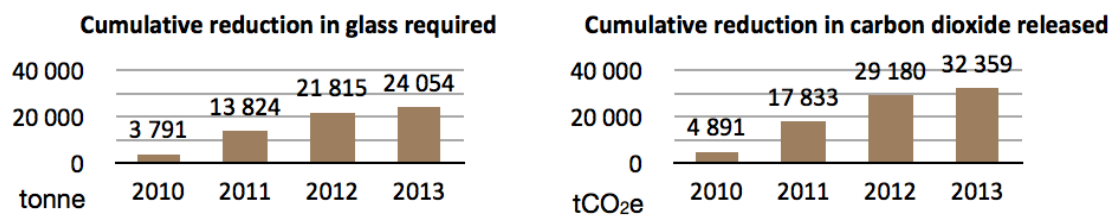
- Implementing 18 weight reduction projects during the year, whereby we use lighter glass to package our largest brands. These projects reduced the amount of glass we required by 2 239 tonnes.
- Re-using glass bottles collected through our ongoing 'Give back, Get back' (GBGB) initiative. We re-used a total of 77 802 tonnes of glass, or 139.9 million bottles, this year, representing 23.8% of our total glass requirements.
- Introducing alternative 'Bag in a box' (BIB) packaging for wine, cans for ciders, and making use of larger volume packaging such as 500 ml cider bottles and 440 ml cider cans.
- Exporting our products in bulk containers for bottling overseas.



We worked closely with our suppliers to reduce the amount of glass used as a result of changing to light-weight glass bottles. Of the 18 projects we implemented this year, two were in the spirit segment, 12 in the wine segment and four in the cider and RTD segment. Since we've introduced light-weight glass bottles in 2009, our total glass requirements reduced by 24 024 tonnes in total, representing approximately eight per cent of our annual glass requirement.

We continually investigate opportunities to reduce the amount of glass required per bottle. Although some opportunities still exist, we have exhausted the bigger saving opportunities available, as is shown in the incremental drop in savings achieved this year.

By reducing the amount of new glass we use, we correspondingly reduced the amount of CO₂e required to produce the glass in the first place. Our reduction efforts this year prevented a total 3 179 tonnes of carbon dioxide equivalent emissions to be released into the atmosphere.



* The emissions factor used to determine the amount of CO₂e vary per type of glass. In some instances we have used accurate factors provided by specific suppliers rather than industry averages.

Re-using glass through bottle returns

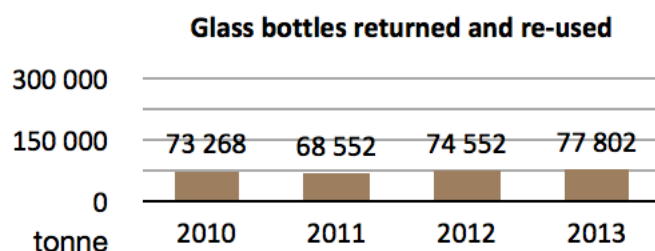
Three of our plants, Ecowash, Green Park and Port Elizabeth, are equipped to wash used bottles. This year, the number of bottles washed at the three facilities enabled us to re-use a total of 139.9 million bottles (2012: 132.7 million). In doing so, we reduced the amount of glass we had to purchase by 77 802 tonnes (2012: 74 552 tonnes). This equates to a saving of 116 212 tonnes of CO₂e that would have been emitted if new bottles had been produced.

Through our GBGB initiative, we encourage consumers to return used glass containers to retailers in return for a deposit. All bottles suitable for this type of recycling are clearly marked on the product's label. All returned bottles undergo stringent quality checks during the washing, sterilisation, rinsing and drying processes to ensure they meet stringent food safety criteria, before they are deemed suitable for re-use.

Some bottles are not re-used immediately, while others break during washing, or might not meet the stringent quality criteria. All broken and rejected bottles are sent to glass recycling plants. These volumes we report as recycled glass below.

We will continue to expand this programme and create awareness across our distribution network. This will require that we:

- Increase awareness across our larger independent liquor stores such as Mass Cash's Club10 and Liquorland taverns, where the sales price of our products is lower when returning our empty bottles. High-level discussions are ongoing to look into rolling out this process across all stores. In the meantime we supply point of sale (POS) material to all Mass Cash stores.
- Continue building relationships with bottle merchants to increase returns and assist with marketing activities. This is a continuous process where sales reps go out looking for new business, create bottle merchants and assist them to grow.
- Ensure more aggressive in-store activation at our own distribution centres and TradeXpresses.



Glass bottles returned and re-used				
	2010	2011	2012	2013
Number of bottles (millions)	132.3	125.6	132.7	139.9
Amount of glass (tonnes)	73 268	68 552	74 552	77 802
CO ₂ e reduction achieved (tonnes)	111 079	103 440	111 843	116 212

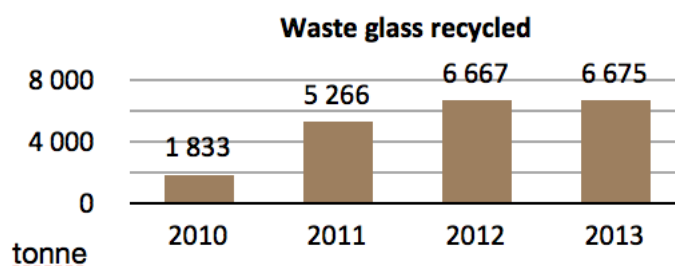
Note: The three facilities wash bottles only on demand as required by our production sites, and the above data reflects the actual number and weight of bottles re-used and not the total number of bottles being returned. The volume of waste glass returned might be higher.

Recycling glass

Waste glass resulting from production activities on our sites is collected, sorted and stored on site until collected for re-use or recycling by dedicated contractors. All broken or unsuitable bottles are sold to glass recycling companies to melt and make new glass bottles. Any funds secured in this way are used to expand our recycling system.

As we improve our recycling systems across our sites, we expect the amount of glass recycled to increase. However, an increase in recycling figures can also be the result of higher than expected production wastage. Preventing wastage by improving production standards and eliminating wasteful practices is a priority for Distell.

In partnership with the Glass Recycling Company (GRC) we aim to reduce the amount of glass waste that we send to landfills. The GRC creates public awareness, runs various capacity-building initiatives and provides infrastructure, such as glass banks, where people can take waste glass for recycling. We serve on the board of GRC and provide a substantial portion of the funding for this job-creation venture.



Other packaging and production waste

Our activities also generate other packaging waste, such as the shrink-wrap placed around new bottles, empty plastic drums or cartons containing consumables (corks and screw caps). Once cartons are empty, they are sorted and stored on site until they are removed by dedicated recycling companies.

The popularity of the Mainstay cocktails, packaged in one litre Tetra Pak containers, brought a new environmental challenge. The multi-layer containers are ideal for keeping liquid products fresh but are more difficult to recycle. New Era Packaging, an Atlantis-based company, collects and recycles the Tetra Pak production waste generated at our Adam Tas site. During the reporting year, a total of 4.6 tonnes (2012: 2.2 tonnes) of waste was removed for recycling.

The introduction of cider in cans during the reporting year resulted in further production waste, and we sent 170.8 tonnes of metal cans from this production line for recycling.

An increase in the amount of plastic waste recycled reflects the waste resulting from the packaging of consumables that Distell bought from suppliers, rather than waste associated with our own production practices. The fluctuation in weight from year to year should be read in this context.

Other packaging material recycled (tonnes)				
	2010	2011	2012	2013
Cartons	783	1 376	1 577	1 684
Plastic	571	549	862	857
Tetra Pak	*	*	2.2	4.6
Metal cans	*	*	*	170.8

* No production waste generated as these packaging lines were not operational at the time.

Effluent and waste water

The absolute volume of waste water we produced increased during the reporting year to 1 430 153 m³ (2012: 1 389 256 m³), but the volume of waste water per litre of packaged product, expressed as an intensity value, decreased to 2.30 litre of effluent per litre of packaged product (2012: 2.48l/l).

If it is not handled, stored, treated and disposed of in a responsible manner, effluent can negatively impact the environment in a number of ways. Untreated, it can pollute surface water or leach into groundwater, resulting in pollution plumes that upset natural biomes and downstream water environments. Ongoing fermentation and anaerobic digestion of waste water also produces CO₂ and methane, a greenhouse gas with more than 20 times the potency of CO₂.

The volume of effluent produced is related to the volume of water used. As we reduce our water usage per litre of packaged products, as per our group targets, we expect a similar reduction in waste water produced.

Waste water is generated primarily as a result of washing and cleaning in place (CIP) practices at the different sites. CIP is critical to ensure our products comply with product quality and health and safety standards.

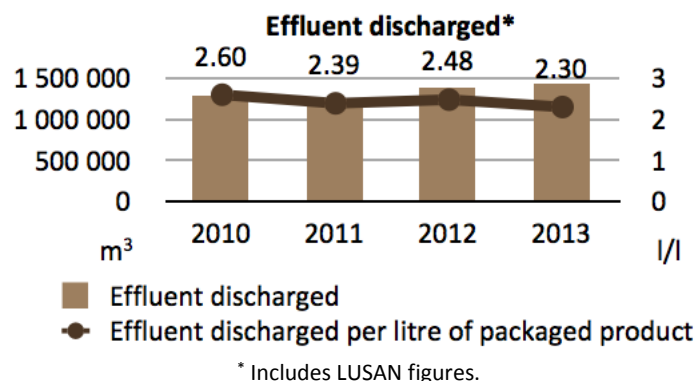
The waste water, produced as a by-product at the brandy distillery, contains a high organic solid content. At Goudini, this type of waste water is further treated and the solids removed for composting by a dedicated contractor. At our other sites, the solids are still being disposed of together with the liquid fraction. We are currently finalising EIAs for two proposed effluent treatment projects at our Adam Tas and Goudini sites. See page 53 for more detail.

All solids generated by our whisky distilling process are sold as animal feed.

Generally, Distell's production sites use two methods to dispose of waste water:

- Discharge to municipal sewer
- Use for crop irrigation

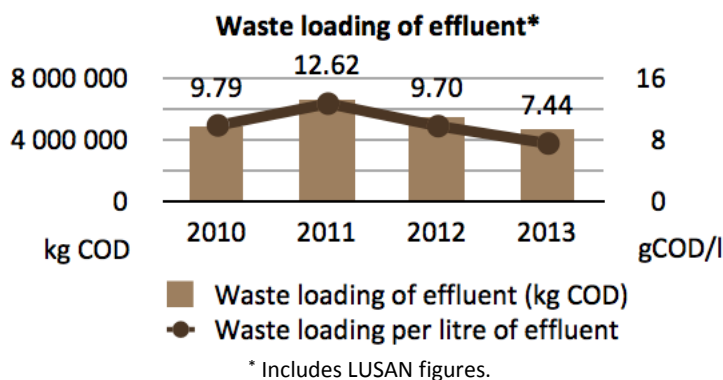
Our approach is to look for ways to reduce the load on the local authorities and use treated waste water for irrigation while minimising our environmental impact. The relevant disposal method depends on the site-specific conditions and the type of effluent.



The amount of organic matter discharged, as measured by its chemical oxygen demand (COD), reduced significantly to 4 629 459 kg COD (2012: 5 436 127 kg COD), despite the fact that the volume of effluent waste water produced increased.

A significant proportion of the improvements can be ascribed to:

- the upgrades at the Durbanville Hills waste water treatment facility;
- the improved waste water management at our Goudini facility;
- the specific focus that the Wadeville production site has placed on improving the waste water quality by reducing spillages of pollutants to the effluent system; and
- the quality of the waste water at our Worcester site also improved.



Annual waste loading* discharged (kg COD)			
2010	2011	2012	2013
4 857 668	6 580 333	5 436 127	4 629 459

* Includes LUSAN figures.

The volume and quality of waste water produced at our sites is measured either by us or by the local authority. All data is kept at the site and currently reported on at the established technical forums within primary and secondary production. The data kept on these spread sheets will be uploaded to the redeveloped site services databases once the redevelopment has been completed. The data is assessed at the respective forums on a monthly basis.

Effluent disposal and treatment initiatives

Our controlled evaporation facility at Klipvlak in Worcester experienced problems due to a design fault. Unsuitable irrigation pumps had to be replaced and a higher than expected inflow of water resulted in unpleasant odours that inconvenienced local residents. An investigation revealed that an underground effluent pipeline had ruptured and allowed water from the river to seep into the pipeline during high flow periods. We repaired the pipeline and worked closely with the local and district municipality to address the problem.

Distell is currently involved in two proposed waste water treatment facility EIAs: one at our Goudini Distillery and the other at our Adam Tas site. The latter will also treat waste water from the Bergkelder and Van Ryn sites, reducing the organic load in the waste water. Both EIAs are close to completion and the final environmental impact report for the Adam Tas project has been submitted to the authorities for final approval. Construction is scheduled to start as soon as the EIA is approved, which we hope will be in the second half of 2013. The Goudini EIA has also progressed as planned. We are finalising the irrigation site and drainage design in collaboration with the Western Cape Department of Agriculture.

In the next financial year, we plan to conduct EIAs for a new treatment facility at our Worcester site and the upgrade of our Wellington site's treatment facility.

Environmental impact assessments

Distell is committed to ensuring that all proposed activities comply with legal requirements. When plans for one of our waste water treatment facilities exceeds thresholds specified in legislation, we undertake the stipulated EIA.

EIAs are prescribed under the National Environmental Management Act, 1998 (Act 107 of 1998), as well as the National Environmental Management Waste Act, 2008 (Act 59 of 2008). The specifics of a proposed activity would determine which Act applies; and in terms of waste or waste water-related activities, both acts apply.

Conservation of biodiversity

Growth in industrial agriculture of necessity impacts the natural environment. Fertilisers, pesticides and the loss of natural habitat are just some of the factors endangering the environment. It is therefore important to establish and support sustainable farming practices that protect the environment for the long-term benefit of all.

The Cape Floral Kingdom (CFK) is both the richest and the smallest plant kingdom on Earth. Recognised both as a global biodiversity hotspot and a World Heritage site, it has come under increasing threat from agriculture, urban development and invasive alien species. Nearly 95% of the South Africa's wine-growing takes place in the CFK.

Sustainable practices

All Distell farms are registered with the Scheme for the Integrated Production of Wine (IPW), a voluntary environmental sustainability scheme established by the South African wine industry in 1998. IPW aims to reduce industrial inputs into the farming (in this case vine-growing) system, reduce carbon emissions, and introduce a more integrated approach to pest management, waste water management, solid waste recycling, health and safety of workers and biodiversity conservation. The scheme requires accurate record keeping of all vineyard activities.

However, as only a small proportion of the raw material we use comes from wholly owned and partly owned Distell farms, our external producers must also comply with IPW for us to be able to certify our wines under the new South African wine industry sustainability seal. Therefore all farms and wineries that supply Distell are required to comply with the IPW. We have signed contractual agreements in place and all our suppliers are IPW compliant.

Since the 2010 vintage, all of Distell's certified wines carry the IPW sustainability seal issued by the Wine and Spirit Board. The seal is displayed only on wines which comply with IPW principles throughout their entire production chain, from farm to cellar and eventual packaging. This guarantees full production integrity.

Distell wholly owns six farms totalling 2 657 hectares, and has a share in a further seven farms, totalling an additional 2 512 hectares. All these farms fall within the Cape Floral Kingdom (CFK).

In 2004, with just four per cent of the CFK's unique Renosterveld habitat remaining, and with many of the lowland ecosystems under treat, the Biodiversity and Wine Initiative (BWI) was formed. BWI is a partnership between the South African wine industry and the conservation sector, which sets out to protect the natural habitat affected by wine farms. Under the BWI, farms voluntarily set aside land for conservation so that the natural habitat can flourish.

The area set aside for conservation, either through BWI or other conservancies, totals 2 017 hectares, or 39% of the total area owned or partly owned by Distell.

Distell farms that are now BWI members include:

BWI membership		
Farm	Membership date	Hectares
Plaisir de Merle	November 2005	299
Lomond	May 2006	465
Papkuilsfontein	April 2006	150
Durbanville Hills	September 2008	409
Neethlingshof	July 2009	127
Uitkyk	December 2009	365
Groenhof	January 2010	102
Nederburg	February 2011	10
Alto	September 2012	90
Total		2 017

In February and November 2011, Uitkyk and Neethlingshof respectively were awarded BWI Championship status for their conservation actions.

Uitkyk and Le Bonheur are also members of the Greater Simonsberg Conservancy, while Plaisir de Merle has applied to become a member. The conservancy focuses specifically on the conservation of the Simonsberg Mountain and the surrounding land.

We are committed to removing alien species on our farms to allow indigenous species to reclaim the land. Clearing alien species is labour-intensive and requires a number of follow-up clearing sessions to remove all the young alien saplings that regrow after the initial clearing. The table below indicates the total number of hectares where we are busy with clearing activities and where we have not yet started.

Clearing of alien species							
Farm	Size (ha)	Area developed (vineyards, roads and buildings)	Area conserved (ha)	Cumulative area (ha) where alien plant clearing is taking place and area where clearing has not yet started*			
				2013	2012	2011	2010
Papkuilsfontein	975	745	225	4.9	4.9	4.9	4.9
Ernita	114	106	0	6 + 2*	6 + 2*	6 + 2*	6 + 2*
Groenhof	269	137	102	45 + 57*	20	15	10
Nederburg	272	262	10	2 + 8*	2	2	2
Plaisir de Merle	974	675	299	93 + 170*	102	102	102
J.C. Le Roux	53	53	0	No aliens	No aliens	No aliens	No aliens
Lomond	964	310	465	260 + 20*	200	200	200
LUSAN – Le Bonheur	162	73	70	62 + 8*	62 + 8*	62 + 8*	62 + 8*
LUSAN – Uitkyk	590	225	365	88 + 231*	45	38	30
LUSAN – Stellenzicht	228	195	33 ¹	21 + 13*	21	13	7
LUSAN – Alto	192	102	90	60 + 30*	40	30	20
LUSAN – Neethlingshof	270	145	127	98 + 30*	40	38	30
LUSAN – Olives	106	88	6	No aliens on farm	No aliens on farm	No aliens on farm	No aliens on farm

1 – Not formally conserved through an initiative such as the BWI, but farm conserves it and manages it as such.

Organic wine production

The Swiss-based Société Générale de Surveillance (SGS), a major international body that certifies organically grown agricultural foodstuffs, requires that organic farming principles be applied for three consecutive years before wines produced from these vines may be labelled as organic.

To acquire SGS certification, organic wine farming projects should not dominate, but co-exist with natural systems. Biological cycles involving micro-organisms, soil, fauna and plants are encouraged. Organic farming projects should sustain or build soil fertility, make use of manure and vegetable waste, follow sustainable production methods and limit the use of the permitted agrichemicals. In addition, pollution and damage to the environment must be minimised, and the use of non-renewable resources reduced by following energy conservation practices and moving towards renewable energy sources.

SGS has again confirmed accreditation of Papkuilsfontein's 166.3 hectares of organically cultivated vineyards, which we jointly own with a consortium of black entrepreneurs and a local community trust, and our Nederburg and Adam Tas cellars, which are accredited for the production of organic wines. An additional 5.6 hectares is expected to SGS accredited within the next three years.

The 2013 harvest saw the production of four popular organic wines: two under the Tukulú label, a Pinotage and a Chardonnay; one as a Drostdy Hof Cabernet Sauvignon; and one as a Fleur du Cap Sauvignon Blanc.

Marula – where the environment, society and business meet

Picking marula fruit is the only source of income for many members of the communities around Phalaborwa. Up to 60 000 people are dependent on it for income.

Distell has a vested interest in preserving the natural environment in which marula trees grow. This includes preserving the symbiotic relationships with surrounding communities and elephants, both of which rely on the marula trees in order to thrive. We therefore established the Amarula Trust in 2010.

The Amarula Trust

The Amarula Trust seeks to promote conservation and sustain communities, through elephant conservation research and job creation respectively. Beyond employing local community members who process the marula nuts, we support social upliftment through a youth development centre, scholarships and other projects.

The Amarula elephant research project

The project contributes to conservation of the African elephant through research directed towards management of elephant in wild areas in South Africa and beyond. Using a team of researchers, PhD and MSc students, it involves government conservation agencies and private game reserves, as well as ecologists, in generating elephant management plans based on data collected through scientific research projects. The programme, which includes elephant collaring and related research, is directed by Professor Rob Slotow from the University of KwaZulu-Natal. In 2013, there were six MSc and eight PhD students registered within the programme; and since 2011, a total of six post-doctoral fellows have worked on the programme.

Kheyi Early Childhood Development Centre and Clinic

The heart of the marula-growing region is Phalaborwa in the Limpopo province of South Africa. The livelihood of local residents is closely tied to the marula tree and it is estimated that close to 60 000 people are supported through the harvesting of the fruit for Amarula.

Working with MIRMA, the Section 21 Company made up of tribal chiefs in the area, the Kheyi Early Childhood Development Centre and Clinic have been built to support the local community. Currently, approximately 90 children attend the Early Childhood Development Centre.

The Amarula Tassel Project

In addition to buying the harvested marula fruit from the communities in and around Phalaborwa, the Trust supports the job-creation project in communities within the Western Cape. Here, 70 women thread, knot and brush out the golden braided tassels placed around the neck of every Amarula bottle. Each of these women produces approximately 1 000 tassels per day. The women are given training in life skills so they can extend support to more people within their community.

Corporate governance

Commitment

The board of directors is committed to applying the highest standards of professionalism, integrity, ethics, fairness and social responsibility to the way Distell conducts its business. It considers itself fully accountable to stakeholders in its ongoing commitment to applying the principles laid out in the King III Code of Governance (King III).

We continue to integrate sustainability into our business strategy as we are conscious of the importance of environmental, social and governance issues to our long-term prosperity. Our social and ethics committee monitors sustainability performance to ensure the Group's continuous improvement towards the highest standards of governance.

We use independent external advisers to monitor regulatory developments, both locally and internationally, thus enabling management to make recommendations to the board on matters of corporate governance. The board is of the opinion that the requirements of the Companies Act (No. 71 of 2008) and the JSE Listings Requirements have been met. In line with the overarching 'apply or explain' principle of King III, the board has, to the best of its knowledge, applied or is embedding processes in support of the relevant King III principles.

The board's audit and risk committee monitors compliance with both the JSE requirements and King III. Our full King III compliance checklist is available online (www.distell.co.za), which indicates any non- or partial compliance with the King III principles for the period under review.

We aim to be transparent in our management process to assure our shareholders and other stakeholders that the company is managed within prudently determined risk parameters, and in accordance with international best practice and ethical norms.

Sustainability

Distell's governing objective is to maximise value for shareholders and other key stakeholders, while also contributing to national prosperity. In striving for this objective, we remain cognisant of Distell's impact on society and the environment. We follow a formal process to identify and assess the major risks that could threaten the sustainability of our operations.

In the year under review we continued to integrate sustainability into our business strategy assisted by the social and ethics committee, which held its first meeting on 15 October 2012. The committee is chaired by an independent, non-executive director and comprises the managing director, the director for corporate affairs, the sustainability manager, group company secretary and three executive management members. More information on the committee appears on pages 62 and 65.

The annual corporate planning cycle, including strategic planning, target setting, business plans, budgeting and performance management, is conducted through a formal process known as the Distell Management Operating System (DMOS). Key risks facing the group are identified in these work sessions and risk mitigating responses are formulated as part of the company's business plans. The formal risk register, which results from this process, is presented to the board for assessment and approval. Risk management is monitored and reported on in appropriate forums throughout the year.

As in 2012, we prepared this report using the Global Reporting Initiative's (GRI) G3.1 guidelines and the recommendations of King III. The information contained in the sustainability report is audited to a large extent by the internal audit department.

The validation of the report has been more thorough than in previous years. Although it is not fully validated, we are confident in our internal control system's capacity and processes to ensure the information it contains does not contradict the financial aspects of the integrated annual report.

Our corporate responsibility issues are summarised on page 3.

Compliance with applicable laws and regulations

The Group company secretary and legal counsel are responsible for guiding the board in carrying out its regulatory responsibilities. Together they have established a legal compliance framework which maintains an inventory of laws and regulations relevant to our business and that set out procedures to monitor compliance and mitigate risk.

We employ external specialists where necessary and conduct compliance training and education to reinforce ethical behaviour across the Group. Courses attended during the year include training on the Companies Act, POPI Legislative Compliance, Law Seminar Briefing, Sustainability Training for Managers, Transformation Workshop and JSE Monitoring of Financial Planning. Management accepts the responsibility for implementing the controls necessary to ensure compliance with the law and convergence with the values of the Group.

This year we established a social and ethics committee and presented the newly required memorandum of incorporation (MOI) at the annual general meeting, thereby fulfilling the latest compliance requirements of the Companies Act. Shareholders approved the MOI on 17 October 2012.

Business ethics and organisational integrity

We are committed to conducting our business with integrity and with proper regard for ethical business practices. The company expects all directors and employees to comply with these principles and to act in the best interests of the company at all times.

Our code of ethics and conduct is designed around a set of values. The code outlines standards of ethical behaviour that Distell requires of our employees in their dealings with one another, with customers, suppliers and society in general.

The code also covers areas of compliance with laws and regulations and provides an administrative process for communication and compliance.

Transparency and accountability through the ethics line

All directors and employees are to avoid conflicts of interest and to refrain from insider trading, illegal anti-competitive activities, bribery and corruption. We encourage all staff members to remain vigilant and 'blow the whistle' on fraud, theft, corruption and other irregularities by anonymously reporting such acts to our independently operated 24-hour toll-free ethics line (Ethics hotline: 0800 004 822/distell@ethics-line.com). Refer to page 28 in the *Our People* chapter for statistics and results regarding the year under review.

Board of directors					
Independent non-executive directors		Non-executive directors		Executive directors	
DM Nurek (Chairman)	(5/6)	PE Beyers	(5/6)	JJ Scannell (CEO)	(6/6)
FC Bayly	(5/6)	Dr E de la H Hertzog	(6/6)	MJ Botha	(6/6)
JG Carinus	(5/6)	JJ Durand *	(5/6)		
GP Dingaan	(6/6)	LC Verwey **	(2/6)		
MJ Madungandaba	(5/6)				
LM Mojela	(4/6)				
CA Otto	(4/6)				
AC Parker	(6/6)				
CE Sevillano-Barredo	(6/6)				
BJ van der Ross	(5/6)				

The roles of the chairman and managing director are separated, with responsibilities divided between them.

The chairman has no executive responsibilities.

For more information on each board member refer to our integrated annual report available online.

* Appointed 1 July 2012.

** Appointed 1 March 2013.

(x/y) Attended x number of meetings out of y number of meetings held.

Board role and responsibilities

The board is ultimately responsible for the performance and affairs of the company, including corporate governance, the process of risk management and the overall success of approved strategies. Sub-committees established by the board assist in discharging its duties and responsibilities.

The board has adopted a charter setting out its responsibilities, accountability and duty towards Distell. It appreciates that strategy, risk, performance and sustainability are inseparable and that the strategic direction it sets for the company must integrate all these elements.

The board strives to act in the best interests of the company. The board assesses and authorises senior management's plans and strategies, agrees on key performance indicators, and identifies key risk areas and responses. Executive management is then charged with the detailed planning and implementation of these strategies in accordance with appropriate risk parameters.

The main responsibilities of the board in terms of its charter are to:

- Determine the company's purpose and key objectives.
- Provide strategic direction to the company.
- Establish committees to assist it in discharging its responsibilities and duties. These are a remuneration and nominations committee, a social and ethics committee and an audit and risk committee (refer to separate sections for the roles these committees fulfil on behalf of the board).
- Prepare annual financial statements that fairly represent Distell's state of affairs by selecting and consistently applying suitable accounting policies.
- Implement internal controls to manage both financial and operational risks and periodically review its adequacy and effectiveness.
- Evaluate the performance and effectiveness of the directors, the board as a whole and its sub-committees on an annual basis.

- Nominate and appoint new directors, including the chair of the board, chairs of committees and the managing director.
- Formulate the Group's remuneration policy.
- Consider and approve Distell's annual business plan and budget as submitted by management, including sustainability initiatives.
- Retain full and effective control of the company, and monitor management's implementation of approved business plans and budgets.
- Oversee risk management and information technology governance.
- Consider significant financial matters such as investment proposals.
- Monitor the company's financial performance and progress on social and environmental issues.
- Evaluate the viability of the company and the Group as a going concern.
- Ensure that the effectiveness of the company's internal controls is assessed and reported on.
- Evaluate and approve the integrated annual report and interim financial statements, thereby ensuring that these reports fairly represent the business.
- Declare dividends to shareholders.
- Review annually the charters of all board committees.
- Ensure sound governance. This includes compliance with all applicable laws and regulations, codes and standards.

Appointment, orientation and development

Board member appointments are transparently made and are a matter for the full board's consideration. Our formal appointment procedure is defined in our board charter which stipulates that every effort should be made to ensure that the board's composition adequately reflects the demographics of South Africa. The board is mindful of the need to continuously infuse fresh thinking and a relevant mix of skills and experience into the board. This ensures that it is adequately equipped to achieve the company's objectives.

Non-executive directors are appointed for their skills, knowledge and experience of other businesses and sectors. They are expected to make effective and independent contributions to decision-making and policy formation. Generally, non-executive directors have no fixed term of appointment, but retire by rotation. At each annual general meeting, at least a third of the directors (those longest in office) retire and, if available, may be considered for reappointment.

In accordance with the memorandum of incorporation, the board appoints a managing director annually. A notice period of one month is specified in the employment contracts of all executive directors. No restraint of trade agreements exist.

Individual performance standards have been set for both executive and non-executive directors. Self-assessment against their individual and collective responsibilities is conducted annually, following the process laid out in the board charter.

All directors have the expertise necessary to fulfil their duties and enjoy significant influence at meetings. This ensures a balance of authority and precludes any one director from exercising undue influence in terms of decision-making.

Conflict of interest and director share trading

It is incumbent on directors to act in the best interests of the company at all times. All board members are required to sign a declaration disclosing the extent of their shareholdings in Distell, other directorships and any potential conflict of interest between their obligations to the company and their personal interests.

Where a potential conflict of interest does exist, the directors involved must recuse themselves from relevant discussions and decisions. Directors and the company secretary are required to advise the chair and obtain his clearance before dealing in Distell shares. Directors of subsidiary companies are required to advise the managing director and obtain his clearance, while other senior employees require the approval and clearance

of the company secretary before dealing in Distell shares. Clearance is withheld during any closed period or where unpublished, price-sensitive information exists in relation to the company's shares.

Independent advice

In appropriate circumstances individual directors may seek independent professional advice, at the expense of the company, in order to enable them to discharge their responsibilities as directors.

Company secretary's role, responsibilities and competence

The company secretary, Mr CJ Cronjé, is responsible to the board for ensuring that proper corporate governance principles are adhered to. He also assists with director induction and ongoing training as necessary. His qualifications include an MA degree and he was appointed to this role in 1990.

The company secretary prepares and circulates minutes of board and committee meetings and is responsible for ensuring that the board remains cognisant of its duties and responsibilities. He oversees the induction programme for new members of the board and key committees, including subsidiary company directors. Directors receive ongoing training and are kept abreast of relevant changes in legislation and governance best practice. All directors have unlimited access to, and may seek at any time the advice and services of, the company secretary. The company secretary attends all meetings of the board and its committees.

The board has considered and satisfied itself of the competence, qualifications and experience of the company secretary by way of completing a questionnaire regarding the competence of the company secretary and his role in the company. The company secretary demonstrates the requisite skills and knowledge of and experience with statutory and other requirements relevant to the company.

The company secretary maintains an arm's-length relationship with the board and its directors as he is not a director of the company himself. He can therefore execute his responsibilities without influence or undue pressure.

Going concern

Twice a year, the board reviews the Group's current financial position, budgets and cash flow projections and decides whether, to the best of its judgement, there are adequate resources to continue with operations in the foreseeable future.

Board meetings and attendance

The board meets at least every two months to review a formal schedule of matters, of which its members are fully briefed in advance. Effective chairing and a formal agenda ensures that all issues requiring attention are raised and addressed. This enables directors to discharge their responsibilities by determining whether prescribed functions have been carried out according to standards set within the boundaries of prudent, predetermined risk levels and in line with international best practice.

Board of directors					
Independent non-executive directors		Non-executive directors		Executive directors	
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The roles of the chairman and managing director are separated, with responsibilities divided between them.

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* Appointed 1 July 2012.

** Appointed 1 March 2013.

(x/y) Attended x number of meetings out of y number of meetings held.

Group internal audit	External audit	Risk management
Sustainability	IT governance	Compliance with laws and regulations

While the board remains accountable for the performance and affairs of the company, it delegates specific responsibilities to committees which act within agreed mandates and written terms.

The board committees play an active oversight role in the guidance of the company strategy. They operate under board-approved charters, which are reviewed annually and updated when necessary to keep them aligned with current best practice. All committees are chaired by an independent non-executive director who attends the annual general meeting in order to respond to shareholder queries.

The audit and risk committee

The audit and risk committee reviews the adequacy and effectiveness of the financial reporting process and the system of internal control. The committee also oversees the management of financial and operating risks, the audit process, and the company's procedures for monitoring compliance with laws, regulations and Distell's own code of business conduct. The committee makes recommendations to the board on all related matters.

From a risk perspective, the committee regularly evaluates the Group's exposure and response to significant business, strategic, statutory and financial risks, and ensures effective communication between directors, management and internal and external auditors.

The audit and risk committee is a statutory committee under the Companies Act and King III. At each annual general meeting the shareholders elect a new audit and risk committee comprising at least three members. All members are financially literate and have business and financial acumen. The board nominates a chair from time to time. Catharina Sevillano-Barredo has chaired the audit and risk committee since 2009.

The internal and external auditors, the managing director, financial director and company secretary attend each meeting. Members of the management team attend as required.

Audit and risk committee members, as well as the internal and external auditors, have unlimited access to the chair and any information necessary to the discharging of their duties.

Duties and responsibilities

In accordance with its charter the audit and risk committee is required to:

External audit

- Nominate an independent and registered auditor to be appointed as the Group's external auditor under section 90 of the Companies Act. The committee must report on the auditor's independence in the annual financial statements.
- Determine the fees to be paid to the auditor and the auditor's terms of engagement as well as the nature and extent of any non-audit services that the auditor may provide to the company, and to pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company.
- Review the audit scope and approach, and ensure no unjustified restrictions or limitations are placed on that scope.
- Receive all audit reports directly from the external auditor and review annually, and report on the quality and effectiveness of the audit process, including an assessment of the external auditor's performance.
- Ensure a process for reporting any irregularities identified by the external auditor exists.
- Ensure significant findings and recommendations made by the external auditor are received and discussed on a timely basis, and to monitor management's response to these recommendations.

Internal audit

- Review the organisational structure and qualifications of the internal audit function, and to be responsible for the appointment, performance assessment and, if necessary, the dismissal of the Group internal auditor.
- Review the effectiveness of the internal audit function and approve the annual internal audit plan.
- Ensure no unjustified restrictions or limitations are made on executing the approved annual internal audit plan.
- Review internal audit reports submitted to the committee and monitor management's response to recommendations made by the internal auditors.
- Review the Internal Audit Charter annually and approve it before it is recommended to the board for implementation.
- Evaluate the annual review of internal financial controls on behalf of the board and ensure that material weaknesses are reported to the board and are disclosed in the integrated annual report.

Combined assurance

- Ensure a combined assurance model (introduced by King III) is applied to all assurance activities, while monitoring the relationship between internal and external auditors and other assurance providers.

Other matters

- Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to:
 - the accounting practices and internal audit of the company;
 - the content or auditing of the company's financial statements;
 - the internal financial controls of the company; or
 - any related matters.

- Make submissions to the board on any matter concerning the company’s accounting policies, financial controls, records and reporting.
- Perform other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes within the company.
- Report annually to the shareholders on:
 - the discharging of its statutory responsibilities;
 - its role and composition and meetings held;
 - the adherence of financial statements to applicable accounting principles; and
 - the effectiveness of the internal financial controls.
- Review and approve the Group’s integrated annual report, annual financial statements, interim reports and other financial press releases, before final approval is obtained from the board.
- Ensure that the board is aware of any matters, financial or legal, that may significantly affect the financial condition or affairs of the Group.
- Satisfy itself of the effectiveness of the Group’s internal control system, including information technology security and control.
- Review the effectiveness of the system for monitoring compliance with laws and regulations, and the effectiveness of management’s investigation of and action on any non-compliance or fraudulent acts.
- Evaluate annually the experience, expertise and performance of the financial director and the finance function and disclose the results in the integrated annual report.
- Review compliance with JSE Listings Requirements and King III principles.

Independence of external auditor

Distell has a policy relating to the provision of audit, audit-related tax and other non-audit services by its independent auditor. It clearly sets out the services that may and may not be performed by an independent auditor. The committee pre-approves audit and non-audit services to ensure that neither the independence nor the objectivity of the auditors is impaired in the conduct of the audit.

The committee is satisfied with the independence of the external auditor.

The analysis of audit fees and fees for non-audit services is provided in note 19.3 of our annual financial statements online.

Expertise of the financial director and the finance function

As required by the JSE Listings Requirements, the audit and risk committee considered the experience and expertise of the Group’s financial director and is satisfied that it is appropriate. The committee has also reviewed and satisfied itself that the composition, experience and skills of the finance function meet the Group’s requirements.

Discharge of responsibilities

The committee has determined that it has discharged both its legal and general responsibilities in terms of its charter during this financial year. Distell’s board is in agreement with this and has approved the interim and year-end financial statements as well as the integrated annual report.

The information contained in the integrated annual report has been partially validated. In this regard, combined assurance has been obtained from external and internal assurance providers. We are committed to developing Group reporting systems further in order to improve accurate measurement and verification.

The social and ethics committee

The Group established a social and ethics committee, which held its first meeting on 15 October 2012, as required by the new Companies Act.

The committee is responsible for monitoring Distell's social and economic development, its corporate citizenship and its labour relations, as measured against indicators which include:

- The Broad-based Black Economic Empowerment Act
- The Employment Equity Act
- The compliance with relevant legislation, including consumer protection laws
- The Global Compact Principles of business conduct
- The monitoring of the ethics line.

The committee meets bi-annually and is responsible for reporting to shareholders via the integrated annual report.

The remuneration and nominations committee

The remuneration and nominations committee ensures that the Group's directors and senior executives, as well as the non-executive directors, are fairly rewarded for their individual contributions to overall performance in a manner that serves the best interest of shareholders.

The remuneration and nominations committee comprises four non-executive directors and is chaired by the chairman of the board, DM Nurek.

Duties and responsibilities

- Determine and approve the Group's general remuneration policy, and table it at each annual general meeting for approval by the shareholders.
- Review and approve annually the remuneration packages of the most senior executives, including incentive pay and increases, ensuring they are appropriate and in line with the remuneration policy.
- Review annually the remuneration of the non-executive directors of the board and its committees and make proposals to the board for final approval by shareholders at the annual general meeting.
- Recommend the appointment of non-executive directors to the board.
- Perform an annual self-assessment, and report on its findings to the board.
- Approve amendments to the Group share-based incentive plans and subsequent share allocations to employees.
- Perform succession planning functions with regard to senior management.

Remuneration policy

Non-executive directors

Non-executive directors receive a fixed annual retainer. This remuneration is augmented by compensation for services on committees of the board. A premium is paid to the chair of the board as well as the chair of the audit and risk committee. Remuneration is not linked to the company share price or performance and non-executive directors do not qualify for shares under the company's share incentive scheme. The board annually reviews and makes recommendations regarding the remuneration of non-executive directors for approval by shareholders.

Executive management

Our remuneration strategy aims to attract, motivate and retain competent, committed managers who have the ability to provide strategic direction and sustainably drive shareholder value. Accordingly, we seek to reward employees at market-related levels and in accordance with their contribution to the Group's operating and financial performance, by means of basic remuneration and additional short - and long-term incentives.

Share incentives are considered a vital element of executive incentive pay to align their interests with those of the Group's shareholders.

Distell usually structures packages on a total cost-to-company basis, incorporating basic remuneration, car allowance, medical and retirement benefits. Remuneration packages are reviewed annually and a formal system of job evaluation, performance assessment and market comparison ensures that remuneration is fair and sensible.

All permanent employees participate in the Group's employee performance management system, where annual performance bonuses are determined based on the level of achievement against financial and non-financial objectives. Performance targets, aligned to the Group's strategies and business plans, are agreed on annually in advance. If threshold performance levels are not achieved, no bonuses are paid. In addition, employees within the bargaining unit, by collective agreement, qualify for a fixed annual bonus equal to one month's salary.

Long-term incentives

Long-term incentives are awarded in terms of the Distell Group Limited Equity Settled Share Appreciation Right Scheme (SARs). Employees are selected on individual performance and retention criteria. The allocation is subject to the rules of the scheme which have been approved by shareholders.

Recipients are entitled to Distell shares with a value equal to the increase in the market value of a Distell share over the period, multiplied by the number of SARs that were granted at inception and subsequently exercised by each recipient involved. Employees are offered the share appreciation rights at market value on the day of the award. Therefore employees benefit only when additional value is created.

Participants are entitled to exercise SARs granted to them in three tranches, i.e. on the third, fourth and fifth anniversaries of the SARs grant dates. All SARs granted must be exercised by participants before the seventh anniversary of the date on which the SARs were granted.

Distell Limited has 14 executive directors, including the managing director and financial director, who are members of the holding company board. We have disclosed their compensation in total (refer to note 37 in the annual financial statements online). We have not declared the salaries of the three most highly paid employees as required by King III, for the following reasons:

- We consider it our competitive advantage to retain this information.
- Some of our employees are paid in foreign currency overseas and their salaries are therefore not necessarily comparable with domestic remuneration.

Statement of internal control

The board recognises the importance of systems of internal control that support the achievement of the Group's policies and objectives, and is ultimately responsible for implementing and maintaining them.

It should be noted that these systems are designed to manage rather than eliminate the risk of overriding internal controls. They can provide reasonable, but not absolute, assurance against misstatement or loss.

While the board of directors is responsible for internal control systems and for reviewing their effectiveness, responsibility for their actual implementation and maintenance rests with executive management.

The systems of internal control are based on established organisational structures, together with written policies and procedures, and provide for suitably qualified employees, segregation of duties, clearly defined lines of authority and accountability. They also include standard cost and budgetary controls and comprehensive management reporting.

The effectiveness of, and adherence to, internal control systems are monitored by the internal audit department through a process of control self-assessment (CSA). The CSA programme supplements the existing audit evaluation of internal control systems and is designed to assess, maintain and improve controls on an

ongoing basis. Internal control checklists formalise compliance with critical internal controls and require management to report on their own compliance on a monthly basis and provide an audit trail as proof thereof. Significant findings with respect to non-compliance with policies and procedures are highlighted in reports and brought to the attention of both management and the audit and risk committee. The audit methodology provides for independent validation of reported information to ensure reliability of the results.

The Group's treasury department is responsible for managing exposure to interest rate, liquidity and currency risks. Treasury functions and decisions are guided by written policies and procedures, as well as by clearly defined levels of authority and permitted risk assumption. While non-leveraged derivatives are purchased periodically to hedge specific interest rates or currency exposures, Group treasury does not undertake speculative financial transactions.

In the period under review audit reviews did not indicate any significant lapse in the functioning of internal controls. The audit and risk committee and the board are satisfied that control systems and procedures are suitably implemented, maintained and monitored by qualified personnel, with an appropriate segregation of authority, duties and reporting lines.

Internal financial controls

It is the responsibility of both the board and the audit and risk committee to review and approve the annual financial statements. The external auditors, based on their audit, express an independent opinion of these annual financial statements.

Internal financial controls (IFC) are designed to mitigate the risk of material misstatement in the financial statements and disclosures.

The audit and risk committee, in line with the requirements of King III, oversees a formal process that assesses and reports on the effectiveness of our IFCs annually. This entails identifying the risks of misstatement and the controls that address them, assessing the adequacy of the controls and confirming that they are properly maintained.

The evaluation of the effectiveness of the IFCs entails both a top-down and bottom-up approach. Firstly, the financial statement account balances disclosures that are deemed significant. These are analysed to determine the systems and processes that contribute to the transactions being recorded, accumulated and disclosed. Secondly, continuous control activities, carried out by employees on a daily basis, are evaluated by internal audit and are mapped to financial statement accounts.

Combined assurance, adopted as a governance principle, considers all identified key risks and then determines how assurance is best achieved and reported to the board through the audit and risk committee. This co-ordinated approach to the execution of assurance activities involves the participation of management, internal and external auditors, as well as other independent internal assurance providers.

The combined assurance model entails the following:

- Risk-based independent internal audits, covering all transaction cycles. A three-tier audit approach involves independent audits by Group internal audit, regional audits and continuous control self-assessment by management.
- Embedded information technology system controls, tested by the external auditors and independent professional service providers.
- Comprehensive monthly management reporting that follows standard cost- and budgetary control systems.
- Special audit procedures regarding journal entries, reconciliations, manual interventions and year-end processes.
- Transparency of management estimates and judgements.
- An effective complaint-gathering and management system.

This year nothing came to the attention of the board and the external or internal auditors to indicate any material lapse in the functioning of internal financial controls.

Internal audit

Internal audit provides assurance and consulting services, involving an independent review of an organisation's records, operations and procedures to evaluate the efficiency, effectiveness, compliance and the existence of adequate internal controls to mitigate risks in achieving the organisation's objectives.

Internal audit performs a key role in the Group's assurance structure. The mandate of the internal audit function is set out in the internal audit and audit and risk committee charters. The internal audit department functions under the direction of the committee and has unrestricted access to its chair and a standing invitation to attend meetings of the executive committee. However, in order to protect its independence, it is not a member of these committees. Internal audit reports directly to the committee chair and is also responsible to the financial director on day-to-day matters.

The department forms an integral part of the Group's combined assurance framework and, together with the facilitation role performed in the risk management process, establishes a robust, risk-based approach to identifying the risk management processes to be tested and evaluated. This methodology enables internal audit to provide assurance that the key strategic, statutory, financial and operational risks are understood, identified and effectively managed and mitigated. To ensure that internal audit can fulfil its role within the changing environment of the Group, the department appointed three additional employees during the year under review.

The combined assurance framework forms the basis for assessing potential risk areas to include in the yearly risk-based internal audit plan, which is approved in advance by the audit and risk committee.

Each audit assignment is followed by a detailed report to executive management, including recommendations on aspects requiring improvement. Internal audit provides an annual written assessment of the effectiveness of the system of internal controls to the audit and risk committee, which in turn reports the state of internal controls to the board.

External audit

The external auditors express an independent opinion on the annual financial statements and provide reasonable, but not absolute, assurance on the accuracy and reliability of financial disclosures.

Information technology governance

The board, through the audit and risk committee, is ultimately responsible for establishing frameworks and processes to ensure adequate information technology governance.

Information technology risks are governed by the Control Objectives for Information and Related Technology (COBIT) governance framework. The framework provides an end-to-end business view of the governance of enterprise IT that reflects the central role of information and technology in creating value for the enterprise. The controls and procedures are identified and detailed in policy manuals. Compliance is measured against these standards by specialised independent service providers and internal audit. Management reports the progress of internal risk responses to the audit and risk committee.

Risk management

The board, through the audit and risk committee, is ultimately responsible for the governance of risk. The committee ensures that adequate frameworks and methodologies are in place to identify risks, assess the probability of occurrence and review their impact.

The committee reviews the effectiveness of the Group's risk management processes and plans. Risk registers of the Group's significant risks are discussed, as are management's plans to control and mitigate these risks within board-approved ranges of tolerance. The committee then reports to the board on the key risks facing the Group and the responses adopted. A structured, formal and planned approach to risk management

determines the Group's risk profile. The identification, management and reporting of risks are embedded in the Group's formal management processes.

The Group has adopted a continuous, systematic and integrated enterprise-wide risk management process that focuses on identifying, assessing, managing and monitoring all known forms of risk across the Group. This includes economic, environmental, social impacts and opportunities. Management, assisted by external consultants, continues to further develop and enhance its comprehensive risk management framework and related controls. This includes training and communication, continuous control self-assessment by line management and comprehensive reporting.

A central risk manager is responsible for setting risk management and associated financing policies and procedures. The central risk manager reports to the audit and risk committee. A work group supervises the activities of our decentralised risk management and loss control departments. As a line function, the management of operational risk is conducted in compliance with set policies and standards. Performance is measured on a regular basis through independent risk audits carried out by a central risk management function, assisted by independent consultants.

Major risks are the subject of ongoing attention by the board of directors and are given particular consideration in the Group's annual board-approved business plans. The most significant risks currently faced by the Group include those pertaining to:

- The building and protection of the image of our brands.
- Change management to comply with new and changing laws and regulations.
- Legal compliance risks and governance.
- Supply chain and procurement risks.
- Excise risks.
- Illicit trading in alcohol.
- Product tampering, sabotage or contamination risk and their impact on brand reputation.
- The failure to achieve appropriate international strategies and acquisitions.
- Human resource risks such as skills shortages and retention of talent.
- Risk of environmental non-compliance.
- Business interruption risks.
- Information technology risks.
- Financial risks such as currency, interest rate and credit risk.
- Failure due to non-compliance with internal control systems.

These risks and risk responses are also reported on in the integrated annual report (www.distell.co.za), are included in the Group's integrated risk management structure.

The audit and risk committee is satisfied with the effectiveness of the risk management process.

Stakeholder engagement and investor relations

It is important that the board achieves an appropriate balance between its various stakeholder groups and the best interests of the company. The board is also aware of the growing demand for transparency and accountability on sustainability issues and is therefore committed to providing timely and transparent information on corporate strategy and financial performance.

The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts. The goal is to pass timeous, relevant and accurate information to all stakeholders in accordance with the JSE Listings Requirements.

Information sessions are conducted following the publication of interim and final results. Executive directors, as well as representatives from management, attend these sessions. A broad range of public communication channels is also used to disseminate information.

The Group chairman encourages shareholders to attend and actively participate in the annual general meeting. The chairs of the Group's audit and risk, remuneration and social and ethics committees are present to respond to questions from shareholders. Voting at annual general meetings is conducted by way of a show of hands or a poll and the Group proposes separate resolutions on each significant issue. The results of voting and any issues raised at the meeting are released on the JSE's electronic news service, SENS.

Closed periods

In line with its commitment to ethical business conduct, the Group has in place personal account trading and directors' dealings policies to restrict dealing in its securities by directors and employees during closed or price-sensitive periods. Compliance with policies is monitored on an ongoing basis.

General investor interaction during this time is limited to discussions on strategy and historical, publicly available information.



www.distell.co.za

