



SUSTAINABILITY REPORT
2014



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About this report

Background and scope

This is our fourth annual sustainability report. It covers the corporate responsibility performance of Distell Group Limited, its subsidiaries, associates and joint ventures (collectively referred to as 'Distell', 'we' or 'our') for the period 1 July 2013 to 30 June 2014. 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 2012 to June 2013. These are valid until December 2014.

The majority of our products are manufactured within South Africa, but we do 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 2013 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 principles

This report contains indicators from the Global Reporting Initiative's (GRI) G3.1 reporting guidelines.

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.

Although 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 2014 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.

E-mail: info@distell.co.za

Tel: +27 (0)21 809 7000

All products mentioned in this annual report are not for sale to persons under the age of 18 years. As we always do, we appeal to consumers who have chosen to drink alcohol to enjoy our products responsibly.

Corporate responsibility

The following table provides a synopsis of our corporate responsibility issues.

For more information on other material issues from a financial perspective, please refer to our 2014 integrated annual report available online.

Material issue	Stakeholders	Focus areas	Our response and performance
Promoting responsible drinking <ul style="list-style-type: none"> Reducing underage drinking Preventing fetal alcohol spectrum disorder Controlling the sale and marketing of alcoholic beverages Reducing drinking and driving <p>p. 6</p>	<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 Various parliamentary committees Communities NGOs ARA and the South African Liquor Brand Owners Association Liquor wholesalers, retailers and smaller outlets 	<ul style="list-style-type: none"> Access to, and consumption of, alcohol amongst the youth and the social and economic impact thereof High rate of Fetal Alcohol Spectrum Disorder in South Africa, especially in rural communities Advertising practices that advocate the responsible consumption of safe and legal alcoholic beverages Advocate and support initiatives to improve road safety and reduce the number of people driving under the influence Concern remains around the proposed regulatory and legislative amendments and the future of alcoholic beverage advertising 	<ul style="list-style-type: none"> A strict alcohol consumption policy is in place that applies to all employees. Distell is a member of the Association for Responsible Alcohol use (ARA) and actively participates and collaborates with industry bodies and distributors to promote the responsible consumption of alcohol. Our marketing strategy is aligned with the ARA's Code of Commercial Communication and we support only licensed outlets operating within the confines of national and provincial legislation. This year no complaints related to Distell were registered at the ARA and no Distell advertisements were withdrawn. We regularly engage government and the industry on various levels regarding effective legislation and the regulation of the industry. We promote responsible drinking through our marketing and advertising activities and ARA started with an Age Watch campaign across all ARA associate members' retail stores in 2012, aimed at preventing alcohol being sold to anyone under the age of 18. We partner with recognised non-profit organisations specialising in raising awareness among communities and providing treatment and counselling to those affected. This year FASfacts serviced two areas in which 30 mentors and 98 pregnant women participated. In total, 77% of these women refrained from drinking during their pregnancy and breastfeeding period.
Excise and illicit trade <ul style="list-style-type: none"> Economic impact of high excise duty Rise in illicit trade <p>p. 11</p>	<ul style="list-style-type: none"> National treasury Industry associations Communities 	<ul style="list-style-type: none"> We remain concerned about exorbitant excise levies that are likely to lead to undesirable consequences. These include dwindling margins for legitimate farmers, job security within the industry and an increase in illicit and potentially dangerous alcohol trading 	<ul style="list-style-type: none"> Advocate that further increases in excise tax are 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. Distell, along with its industry peers and the South African Liquor Brand Owners Association (SALBA), continues to participate in the Southern African Customs Union's (SACU) excise policy reviews. Collaboratively develop a coherent framework of action to quantify and mitigate the risk to the industry posed by the illicit liquor trade.
Sustaining our communities <ul style="list-style-type: none"> Service to communities Addressing unemployment 	<ul style="list-style-type: none"> Communities NGOs Government: Departments of Trade and Industry, Health, Social Development, Transport, Labour, Arts and Culture, Agriculture, Forestry and Fisheries Various organisations, including 	<ul style="list-style-type: none"> Address the welfare of our communities, helping them protect themselves against abusive practices, including alcohol abuse, and develop the skills required for meaningful employment Our key concern remains the social ills within our wider community that in turn lead to abusive practices, such as the abuse 	<ul style="list-style-type: none"> Supported financially (and in-kind) more than 80 corporate social investment (CSI) programmes through the Distell Foundation. Supported various art and culture projects consisting of five arts awards, six festivals and other platforms such as Oude Libertas Centre to strengthen the creative arts industry. Increased our focus on life skills and alcohol-usage-related programmes such as FARR and FASfacts that combat fetal alcohol syndrome. Engaged external evaluators to assess the social impact of Chrysalis, FARR and

p. 12	<ul style="list-style-type: none"> educational institutions, research institutions and arts practitioners Employees 	of alcohol	<p>Goedgedacht, our three flagship projects.</p> <ul style="list-style-type: none"> Made social investments to develop life skills amongst the youth and combat unemployment. Conducted restoration work at Nederburg, Mon Repos, Plaisir de Merle and three other sites in Stellenbosch to preserve heritage buildings of historical importance. More than 100 employees voluntarily committed over 700 working hours in total to 27 social investment projects during the year.
<p>Our people</p> <ul style="list-style-type: none"> Employee relations Fair employment practices Talent management Skills training and career development Employee wellness Ethics <p>p. 18</p>	<ul style="list-style-type: none"> Employees Learners and graduates Government: Departments of Labour, and Trade and Industry Education institutions 	<ul style="list-style-type: none"> We aim to provide a conducive working environment that nurtures career development, innovative thinking and develops a diverse and engaged workforce We are mindful of South Africa's skills shortage, and we aim to attract top talent by improving our reputation as an employer of choice, equipping individuals with the skills we require, and looking after our talent 	<ul style="list-style-type: none"> Engage with staff through various media, including in-house magazines, workplace forums, 284 mission-directed work teams and our on-site Full Circle Communications Model. Employee numbers increased to 5 284 (2013: 5 066), with approximately 90% located in South Africa. Staff turnover increased to 8,96% (2013: 7,4%). Union membership decreased to 33,8% and we experienced one unprotected strike involving 85 employees. Training spend increased by 8% to R15,7 million, with 97% of our training spend allocated to previously disadvantaged individuals (PDI). Lost-time injuries increased marginally to 146 (2013: 139), while the number of lost days dropped to 1 534. Our ethics hotline received 23 calls, seven of which related to human resources grievances. There were no known instances of human rights violations. 21 cases were referred to the CCMA, with 20 resolved in favour of Distell Embarked on a mentorship programme as part of our succession planning strategy.
<p>Transformation</p> <ul style="list-style-type: none"> Broad-based black economic empowerment Integrated transformation <p>p. 29</p>	<ul style="list-style-type: none"> Employees Suppliers Government: Departments of Labour, and Trade and Industry Communities 	<ul style="list-style-type: none"> Integrate transformation into all aspects of the business and nurture an inclusive corporate culture capable of attracting and retaining diverse talent Deliver on our broad-based black economic empowerment (B-BBEE) goals and regain our B-BBEE Level 4 status 	<ul style="list-style-type: none"> 71,8% of our total South African staff complement are historically disadvantaged individuals (HDI) and 12,57% are female HDIs. Over 86% of all new appointments and over 90% of all promotions were awarded to PDIs. Improved our B-BBEE score to 64,06 and maintained our Level 5 contributor status. Through our annual transformation roadshow we engaged 506 managers. Work with suppliers to help them align their records with the dti Codes. Implement our five-year employment equity plan, which includes strategic recruitment, succession planning, senior and middle management development and retention strategies.
<p>Responsible supply chain management</p> <ul style="list-style-type: none"> Primary production 	<ul style="list-style-type: none"> Suppliers Employees United Nations Global Compact (UNGC) 	<ul style="list-style-type: none"> Responsibly and efficiently source, procure, produce, label, package and distribute alcohol beverages Reduce the environmental impact of our 	<ul style="list-style-type: none"> Improved our sales forecast accuracy from 78,6% to 80,5% and reduced our packaging inventory cover from 30 to 25 days. Secured 350,2 million litres of grape, wine and wine-related products, 95,9% of which was sourced locally in South Africa.

<ul style="list-style-type: none"> • Secondary production • Upholding human rights <p>p. 34</p>	<ul style="list-style-type: none"> • Wine Industry Ethical Trade Association (WIETA), Integrated Production of Wine Scheme (IPW), Biodiversity and Wine Initiative (BWI) • Government: Departments of Labour, and Trade and Industry • Consumers 	<p>products and packaging</p> <ul style="list-style-type: none"> • As a member of the United Nations Global Compact (UNGC), uphold the human rights of farm workers involved in our products • Continued to drive ethical trade by advocating leading social and environmental management practices to all our wine producers 	<ul style="list-style-type: none"> • Sourced 90% of our wine requirements from independent wine cellars, 8,2% from independent grape growers, and 1,8% from our own farms. • All grape and wine suppliers must comply with the IPW. • 66% (2013: 18%) of our wine producers are WIETA-accredited (targeting 100% by 2017). • Set aside a total of 39% or 2 017 hectares of the land that is either wholly or partly owned by us for conservation through BWI or other conservancies. • Continue with our shared-ownership schemes, and embarked on a long-term process of developing new agricultural enterprises in the Northern Cape. • Introduced our second Fairtrade-accredited wine brand, called Earthbound, which directly benefits the Papkuilsfontein farm workers.
<p>Preserving our environment</p> <ul style="list-style-type: none"> • Compliance with changing legislation • Managing our environmental responsibility • Climate change and carbon footprint • Energy efficiency • Water usage and sustainable water supplies • Waste management • Effluent and waste water • Conservation of biodiversity <p>p. 42</p>	<ul style="list-style-type: none"> • Municipalities • Suppliers • Government: Departments of Environmental and Water Affairs, and Agriculture, Forestry and Fisheries • Consumers • Local communities • NGOs 	<ul style="list-style-type: none"> • We are committed to reducing our impact on the environment through our environmental management policy and comply with national legislation and leading environmental management practices • Reduce the risk associated with climatic changes through product diversification • With the cost of energy escalating, we have to explore all viable opportunities to improve our efficiency across our operations and reduce our resource usage, with specific focus on electricity, fossil fuel and water 	<ul style="list-style-type: none"> • Continued to implement and embed the use of a 'site services' database for detailed measurement and reporting at our sites. • Established and embedded ISO 14001-compliant management structures, with eight sites fully ISO 14001 certified and six more sites advancing well towards certification. • Against our 2018 per-product reduction targets (using 2009 as base year) achieved a: <ul style="list-style-type: none"> • 25,7% reduction in on-site fossil fuel energy usage, exceeding our 25% target; • 11,33% reduction in electricity usage, against a target of 15%; and • 8% reduction in water usage, against a target of 10%. • Carbon footprint (scope 1 and 2) of 153 646 tonnes CO₂e. • Captured 3 908 tonnes (2013: 5 087 tonnes) of CO₂ at our cider production facility. • Reused 111,3 million bottles, representing 24,4% (2013: 23,8%) of our total glass requirements in weight this year. • Saved 2 120 tonnes of glass through light weight of bottles. • Effluent discharged per litre of packaged product amounted to 2,32 litres (2013: 2,30 litres). • A total of 2 017 hectares, or 39% of the total area that is either wholly or partially owned by us, has been set aside for conservation (2013: 1 595 hectares).

Promoting responsible drinking

Key focus areas:

- Reducing underage drinking
- Preventing fetal alcohol syndrome
- Controlling the sale and marketing of alcoholic beverages
- Reducing drinking and driving

Distell, as a manufacturer and marketer of wine, spirit and alcoholic beverages, respects the right of adults to choose whether or not to consume alcoholic beverages as an acceptable and enjoyable way to celebrate and relax. As a key player in the alcohol beverages industry in South Africa, Distell adds significant value to the economy in terms of direct and indirect job creation and tax contributions.

Notwithstanding these benefits, we recognise that alcohol abuse can have a harmful impact on the health and well-being of individuals, families and the communities.

The World Health Organisation (WHO), giving effect to its concern over alcohol-related harm in society, has endorsed a global policy and strategy on the sale and consumption of alcohol. Political, administrative and community leaders, including retailers such as Distell, agree that alcohol-related harm must be prevented, or at least reduced. In addition, too many young people, the leaders of tomorrow, are indulging in underage or binge drinking.

The South African government, which is grappling with social challenges in the country, such as health, education and job creation, expects the alcohol and beverage industry to contribute towards reducing the burden its products have on the welfare of all South Africans. We take this responsibility seriously.

It is incumbent upon us to encourage a culture of responsible drinking and this starts with our employees. We have a strict alcohol consumption policy that applies to all employees, especially those who by the nature of their work regularly consume alcohol. These include winemakers, quality controllers, and marketers conducting tastings for clients. We promote responsible drinking through our marketing and advertising activities and actively participate in industry bodies such as the Association for Responsible Alcohol use (ARA).

We endeavour to identify the societal stresses in our local communities that lead to alcohol abuse, and guide people's energy towards constructive activities as an alternative outlet of expression. In order to reduce the harmful impact of alcohol abuse, we partner with recognised non-profit organisations (NPO) specialising in raising awareness among communities and providing treatment and counselling to those affected. 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 communities* on page 12.

We welcome broad-ranging consultations among all stakeholders and, together with leading international manufacturers, regularly engage with and urge government to address the irresponsible production, marketing and consumption of liquor.

To this effect, the government has embarked on various policy interventions focusing on the following four key issues:

- Reducing underage drinking
- Preventing fetal alcohol syndrome
- Controlling the sale and marketing of alcoholic beverages
- Reducing drinking and driving

Reducing underage drinking

Underage drinking and alcohol abuse among the youth is a significant problem in South Africa. According to the government, the cost to taxpayers is approximately R17,2 billion a year.

Government's view and response	Distell's view and response
<p>Government shares the concerns raised by WHO, international bodies, NGOs, parents and communities around the economic and social impact of underage and binge drinking among the youth.</p> <p>Through the Departments of Health, Social Development, Transport, National Treasury and Trade and Industry, various measures to limit the availability and access to alcohol have been proposed, including:</p> <ul style="list-style-type: none">• Raising the drinking age limit from 18 to 21 years.• Banning the advertising of alcohol.• Introducing more restrictive trading hours, days and distribution hours.• Announcing strict record-keeping requirements for traders.	<p>We share these concerns and agree that underage drinking is a serious challenge. We also believe that it can be prevented if it is addressed through collaboration between retailers, government, law enforcement agencies, parents, educators and community leaders.</p> <p>We encourage stronger enforcement of the ARA's Code of Conduct and, as an ARA member, we comply with and promote the ARA Code of Conduct among our distribution channels.</p> <p>We endorse the current legislation against alcohol being sold to anyone under the age of 18 and encourage enforcement of this legislation as being a more effective strategy than adding legislation.</p>

Although the Department of Social Development is of the view that increasing the drinking age from 18 to 21 will curb underage drinking, the Department of Trade and Industry (dti) affirmed, in its norms and standards, that the drinking age limit should remain at 18. This is further supported by the dti's recent radio campaign wherein it warns against selling alcohol to youth under the age of 18, serving alcohol to visibly pregnant women, and drinking and driving.

While an optimal solution demands agreement and collaboration between all stakeholders, including parents, teachers and wider society, Distell and ARA are convinced that enforcing our existing laws would be the most effective means of reducing underage drinking. In support of this stance the ARA started with an Age Watch campaign across all ARA associate members' retail stores in 2012, aimed at preventing alcohol being sold to anyone under the age of 18.

Working closely with the ARA to address alcohol abuse among the young, we focus on the importance of parents and guardians as role models for teenagers. Not only has the ARA used experts to produce educational books on youth and alcohol, it has also contracted Life Talk, a non-governmental organisation (NGO), to educate parents, schools and community groups about the harmful effects of underage drinking.

We support a variety of life skills and youth development programmes through the Distell Foundation. Programmes such as Chrysalis Academy, the Goedgedacht Trust, the Pebble Project Trust and the Anna Foundation address underage drinking by redirecting the youth's energy, building their resilience and empowering them to make healthy lifestyle choices.

We will continue to work with government, the ARA and NGOs to develop, promote and disseminate educational materials and programmes designed to prevent underage alcohol purchases and reduce underage consumption.

Preventing fetal alcohol spectrum disorder

The high reported rate of Fetal Alcohol Spectrum Disorder (FASD), which can be caused when a mother consumes alcohol during pregnancy, is a pressing socio-economic issue in South Africa. The neurological damage is irreversible and can worsen many of the social ills faced by communities, including unemployment, crime and violence.

As awareness, prevention and treatment programmes for women addicted to alcohol can dramatically reduce the incidence of FASD, we increased our investment in projects addressing alcohol abuse by pregnant women.

Government's view and response	Distell's view and response
<p>The South African government is concerned about the high rate of FASD and believes that FASD can be avoided.</p> <p>The national and provincial Departments of Health and Social Development have embarked on awareness campaigns through partnerships with a number of NGOs.</p>	<p>As a member of ARA, we acknowledge concerns related to FASD. In response, we invest in the Foundation for Alcohol-related Research (FARR) to help raise awareness around the consequences of drinking while pregnant. We also support the Goedgedacht Trust and an NGO called FASfacts that has similar objectives.</p> <p>We urge our sales and distribution network not to sell alcohol to visibly pregnant women. A strict policy directive in this regard would, however, be problematic, since there is no way to assess this condition accurately at the point of sale.</p>

The Distell Foundation partnered with FASfacts to raise awareness and support pregnant women throughout the duration of their pregnancies. The programme started in 2012 in the Worcester area in the Western Cape with ten women. The programme continues to expand and this year FASfacts serviced two areas in which 30 mentors and 98 pregnant women participated. In total, 77% of these women refrained from drinking during their pregnancy and breastfeeding period, while 72% continued to abstain from drinking alcohol in the monitoring period following this crucial phase in their babies' lives.

FARR has been successful in reducing fetal alcohol syndrome (a subcondition within FASD) by 30% in De Aar and has been applauded for its achievement both locally and internationally. Our intention is to maintain our present portfolio of FASD initiatives, and increase funding to projects that deliver excellent results. We aim systematically to establish a more holistic support framework for communities at risk by finding opportunities to link our life skills, art, music and drama therapy projects to FASD prevention and responsible drinking awareness programmes.

Our work in this regard forms part of our corporate social investment activities, as discussed on page 12.

Controlling the sale and marketing of alcoholic beverages

Advertising is an effective method to raise brand awareness and influence consumers in making informed purchasing decisions. Irresponsible alcohol advertising creates false impressions and promotes practices that could give rise to some of the social concerns discussed throughout this chapter.

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.

Government's view and response	Distell's view and response
<p>The South African government contends that advertising glamourises the use of liquor and encourages the youth and vulnerable communities to use and abuse alcohol.</p> <p>In the past year some provincial governments have introduced more stringent liquor trading days and hours. The Department of Health also tabled the Control of Marketing of Alcohol Beverages Bill in which it proposes an outright ban on all liquor advertising.</p>	<p>We maintain that an outright ban on liquor advertising will not be effective in combating alcohol abuse and agree with the findings of a recent Econometrix study which states that there is no causal relationship between alcohol advertising and the volume of alcohol consumed.</p> <p>A study conducted by the dti confirmed these findings, adding that a ban on advertising is likely to result in unintended consequences such as job losses, reduced taxes and an increase in illicit alcohol products.</p>

Our marketing strategy is aligned with the ARA's Code of Commercial Communication and Conduct and we support only licensed outlets operating within the confines of national and provincial legislation. Whether an outlet we support is a member of the ARA or not, our sales representatives will supply them with copies of the Code of Conduct and we expect them to adhere to it. In addition, our marketing channels and material are tailored towards specific target markets, which exclude the youth and communities at high risk.

This has resulted in a noticeable drop in the number of advertising complaints registered at the ARA that relate to Distell and its brands. We investigate all advertising complaints internally. In addition, any 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 the complaints registered at the ARA related to Distell and none of Distell's advertisements was withdrawn.

In spite of these efforts, the Department of Health proposed the draft Control of Marketing of Alcohol Beverages Bill and Mini Drug Master Plan 2011 – 2014. Some provincial governments have already introduced more restrictive trading days and hours and the Department of Social Development introduced the Draft of Anti-Substance Abuse Programme of Action, 2011 – 2016. In addition, the Department of Trade and Industry proposed the Draft Strategy to Combat Alcohol Abuse, a set of norms and standards applicable on a national level, and the National Liquor Regulation, 2013 to restrict the distribution of alcohol.

While we promote industry-wide regulation, we are concerned about the negative and unforeseen consequences of overly restrictive marketing regulations. According to the Econometrix study, an outright ban will prejudice new entrants in the legal liquor market, as they will not be able to showcase their products. This is expected to lead to loss of jobs, and promote the illicit trade in liquor.

Together with industry, we urge government to take a more precautionary approach and consider the ARA Code of Conduct as an alternative to the bill proposed by the Department of Health. In February 2014, the draft Control of Marketing of Alcohol Beverages Bill was still pending as Cabinet had requested a full risk impact assessment (RIA) and endorsement from the Council of Provinces before taking the matter further.

Reducing drinking and driving

Driving while intoxicated is the biggest contributor of accidents in South Africa; indeed, the majority of motor accidents involve at least one driver confirmed to be under the influence of alcohol.

Government's view and response	Distell's view and response
<p>Drunk driving is seen as one of the biggest threats to road safety in South Africa.</p> <p>The large number of motor vehicle accidents involving intoxicated drivers has prompted the government to propose a reduction in the blood alcohol concentration (BAC) limit for drivers from 0,05 to 0,02 grams of alcohol per 100 millilitres and that for novice drivers to zero.</p>	<p>We firmly maintain that people should not drive while intoxicated. People often enjoy alcohol beverages with their meals, and do so responsibly. While we support government's proposal for novice drivers, we oppose the intended reduction for all other drivers and call for effective law enforcement of existing laws to improve road safety, as imposing a zero-tolerance policy on all drivers runs the risk of potentially criminalising the actions of responsible and productive citizens.</p> <p>We have furthermore proposed that drinking and driving awareness should be included in driver's licence exams.</p>

The proposal to lower the BAC is still pending. However, Distell and other ARA members continue to run campaigns raising awareness about drinking and driving. These road safety campaigns include pedestrian safety as pedestrians account for approximately a third of all road fatalities in South Africa.

We regularly 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 staff members in our distribution chain are trained to discourage patrons from excessive consumption and driving while intoxicated.

Our internal alcohol policy prohibits drinking while on duty and makes provision for random testing to establish whether or not an employee has consumed alcohol. Breaches of Distell's alcohol policy by employees are investigated. This could lead to corrective measures or dismissal if there are no mitigating factors. Certain employees, such as winemakers and sales representatives, by the nature of their duties, often have to consume alcohol while on duty during tastings and product promotions. When hosting company-related events, our sales teams have access to a driver service to ensure they do not drink and drive, and to set an example for clients to follow.

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, including the majority of South Africa's alcohol beverage manufacturers and brand owners, as well as a number of distributors.

The ARA focuses on creating awareness through a variety of projects and campaigns, targeting vulnerable youth and adults that are at the highest risk of suffering the negative consequences of alcohol abuse.

Distell is actively involved with the ARA. Our chief executive officer of Distell Southern Africa currently serves as a member of ARA's board 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 the ARA toll-free complaints line 0860 272 237.

Excise and illicit trade

Key focus areas:

Economic impact of high excise duty
Rise in illicit trade

The 2010 National Treasury review of the excise policy in the Southern African Customs Union (SACU) 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 these targets, increases of 10% and 12% excise tax on spirits were announced in 2013 and 2014 respectively.

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 use of alcohol. Although we strongly support the objective of reducing the misuse of alcohol, we question the efficacy of excessive excise tax increases to achieve this goal. Excise increases penalise all alcoholic beverage consumers for the behaviour of the minority who abuse alcohol. This latter group, meanwhile, is significantly less responsive to price increases.

South Africa has among the highest income inequalities in the world, with a large proportion of the population living in poverty. Tax increases on alcoholic beverages hit low-income households hardest as they spend a significantly larger proportion of their income on consumables, including alcohol.

The South African brandy industry has been severely impacted by real increases in excise on spirits and sales volumes have fallen by 8,4%. This has significant implications for the local wine industry, considering that it takes on average five litres of wine to produce one litre of brandy. The Department of Agricultural Economics at the University of Stellenbosch estimate that the decline of brandy in South Africa over the past eight years has resulted in a loss of R1,56 billion in economic value add to the South African economy and a loss of 7 526 job opportunities.

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 (unrecorded) trade in alcoholic beverages in South Africa was estimated to have accounted for 26% of total alcohol volumes per capita (in litres of pure alcohol) consumed in 2010.

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 for government, law enforcement and the alcohol industry to address issues linked to illicit alcohol.

Any assessment of the effectiveness of excise increases, as a policy intervention to curb alcohol abuse, needs to take into account the above-mentioned economic and socio-economic considerations, as well as the government's capacity and determination to effectively contain probable increases in illicit trade.

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 in 2014, with the aim of providing constructive inputs that objectively consider all the consequences of excise policy, unintended as well as intended.

We also work as an industry to develop, in collaboration with key government and non-government stakeholders, a coherent framework of action to quantify and mitigate the strategic risk to the industry posed by the illicit liquor trade in South Africa.

Sustaining our communities

Key focus areas:

- Service to communities
- Addressing unemployment

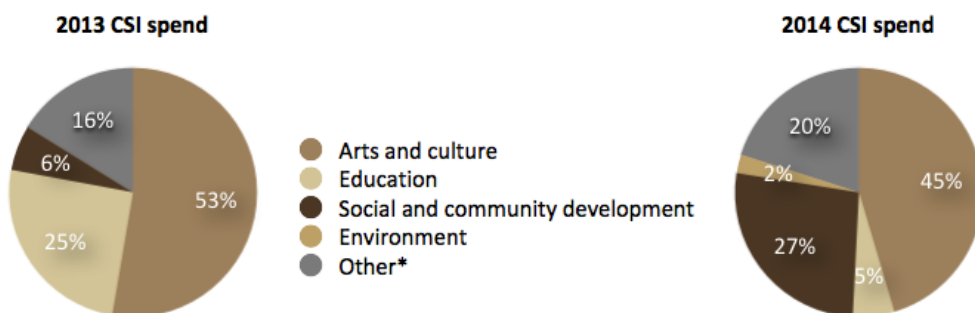
We endeavour to participate constructively in the communities in which we serve and operate. We reach out and support the welfare of our communities, because strong and healthy communities offer a measure of protection or prevention against abusive practices, including alcohol abuse.

Distell continues to align with the United Nations' Millennium Development Goals and the 12 key outcomes of the South African government's Programme of Action. During the year under review, Distell financially and in-kind supported more than 80 projects.

The Distell Foundation is the umbrella body for Distell's corporate social investment (CSI) activities. The Foundation is actively involved in projects to improve the welfare of local communities, while minimising and mitigating any potentially negative impacts Distell's operations might have. Over the past three years we have shifted our CSI focus towards life skills and alcohol-usage-related programmes to achieve better alignment between our business and our affected communities.

Furthermore, Distell has invested in and been involved with various environmental protection and rehabilitation programmes. These projects often yield direct social benefits. This year the Foundation started collaborating with Distell's environmental unit to develop and invest in projects that deliver improved environmental and social benefits.

The Foundation's CSI activities fall under the Company's corporate affairs division and the Foundation reports to Distell's social and ethics committee, while the Distell Foundation board oversees all its activities.



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

Distell has been involved with the South African art world for over 48 years, and programmes related to arts and culture now make up 45% 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 use and 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 a 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 skills and both Company and personal 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 are a catalyst for social transformation that help people 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 participate freely in the cultural life of the community, to enjoy the arts, and to share in its benefits. With this in mind, we engage regularly 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. For more than two decades, we have been donating the infrastructure (amphitheatre, stage, dressing rooms, cloakrooms and parking facilities) and providing financial support to the Centre.

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, namely the Fleur du Cap Theatre Awards (now in its 49th year); the Arts and Culture Trust Awards; the community theatre and new emerging artist category of the Naledi Theatre Awards; Business and Arts SA Awards (BASA); and the Impumelelo Sustainability Awards. This year we have supported six art festivals across South Africa, including the Darling Voorkamerfest, the National Arts Festival in Grahamstown, Woordfees, Cederberg Art Festival, Suidoosterfees and the Kalfiefees in Hermanus.

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

We also proudly support the development 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 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 between 500 and 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 and the Breytenbach Centre. Other arts and music therapy programmes target vulnerable young people affected by social issues associated with alcohol abuse in the

Vlottenburg, Jamestown and Lynedoch areas in Stellenbosch. One of these projects is an arts and crafts gift-making project for special needs children with learning disabilities as a result of FAS. The gifts are sold at pop-up shops and the revenue ploughed back into the project.

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.

Assistance was given to a few theatre development initiatives such as the Baxter Theatre's Zabalaza Festival, and the Klein Libertas and Magnet Theatre programmes which train actors from townships in and around Cape Town and the winelands. Each programme delivers young theatre makers who received training to improve their theatre craft, administration and technical abilities.

Developing life skills among youth

Youth from disadvantaged backgrounds 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.

During the last quarter of the year under review, we engaged professional external evaluators to assess the social impact of Chrysalis, FARR and Goedgedacht – our three flagship projects aimed at helping individuals to make healthy lifestyle choices. We expect that the findings will allow us to make well-informed investment decisions for improved social benefit.

This year we financially supported the following life skills programmes:

Life skills programmes	
Chrysalis Academy	The Chrysalis Academy is a youth development programme supported mainly by the Western Cape provincial government. This year, the Academy provided 541 young people with basic technical and life skills. The Academy successfully placed 90% of its graduates in employment, and 502 graduates of the total 541 were assisted, either in terms of job placement, internships, or opportunities to study further.
Goedgedacht Trust's POP programme	<p>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.</p> <p>This year our funding was used to provide a three-week school holiday programme during the June–July school holiday. In total 80 young leaders received servant youth leadership training, enabling them to facilitate a two-week school holiday programme for more than 1 000 children and youth living in 13 rural communities in the Western Cape.</p>
Vision Afrika	Vision Afrika 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.
The South African Life College Group	The Life College focuses on mindset and attitudes (psychosocial 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, specifically the student development aspect of it, at the Siyabonga Secondary School in the Braamfischer informal settlement, Soweto.

We also support other life skills development projects such as the Pebble Project Trust and Anna Foundation, as well as the Jonkershoek Prochorus project.

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 13.

Preserving our heritage

A number of our properties house heritage buildings of historical importance. During the year restoration work was done at Nederburg, Mon Repos, Plaisir de Merle and three other sites in Stellenbosch.

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
- FARR co-ordinating awareness and prevention programmes, clinical diagnostic and research services linked to FASD.

Investing in the environment

Closer collaboration between the Distell Foundation and the Innovation division, responsible for environmental sustainability, will lead to a more integrated approach to CSI that promotes both social and environmental well-being.

This year the Stellenbosch River Collaborative was established; a partnership between Distell, Spier, Stellenbosch municipality, WWF, governmental departments and various nature conservation organisations and water user associations. Aimed at addressing the deteriorating water quality in the Eerste River catchment area, the collaborative was set up after the Adopt a River programme became inoperative.

The Wildlands Conservation Trust recently secured funding from the National Department of Environmental Affairs for a water stewardship programme in the Plankenburg River, an Eerste River tributary. We will co-fund this project that will commence in the new financial year.

We envision that the project will improve the ecological condition of the river, as well as provide opportunities for social upliftment in the Enkanini community in Kayamandi through environmental education, job creation and skills development.

Employee volunteerism

We encourage employees to volunteer for community outreach, and they are free to choose social investment projects they feel passionate about.

This year more than 100 Distell volunteers committed approximately 700 working hours to 27 projects, either individually or as teams, in addition to their own personal time. Distell donated materials or provided employee-matched funding to a number of these projects. In general we provide matched funding to projects up to a maximum of R5 000 per employee. From time to time we increase the amount of matched funding we give, depending on the extent of the efforts made by our volunteering employees.

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 to 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 farm workers.

Education programmes	
University of Stellenbosch Business School's Entrepreneurship Programme	<p>The University of Stellenbosch's Business School's Small Business Academy (SBA) intends to help small business owners in townships to manage their businesses better, stimulating the economy of the township and South Africa as a whole.</p> <p>Last year 23 candidates from the Khayelitsha Township studied at the SBA for nine months, of which 14 graduated successfully. This was our second year into a five-year commitment to support the SBA, which saw 25 new students enrol in March 2014.</p> <p>Currently 21 participants remain, with 13 from Khayelitsha, six from Mitchell's Plain and two from Langa.</p>
North West University's Ikateleng Project	<p>The Ikateleng Project provides a number of tertiary preparation programmes to Grade 10, 11 and 12 learners in natural and economic sciences.</p> <p>The programmes run over a period of 20 consecutive Saturdays. Distell's funding supports the life skills programme, with the third and final phase of the programme presented at the following four campuses: Vanderbijlpark; Potchefstroom; Mafikeng and Kimberley.</p>
University of Free State's University Preparation Programme	<p>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.</p> <p>More than 800 students annually attend a variety of courses and in the 2013 calendar year the programme achieved an overall pass rate of 83%.</p> <p>Distell has been supporting this programme for the last four years, contributing to the university's natural science programme, providing two full bursaries and funding the administration fees and costs of textbooks and scientific calculators of an additional 52 students.</p>

We also supported the following education initiatives:

- Girl Power Project develops high school girls in the Mitchell's Plain area in maths and science and then helps them to get access to funding that will enable them to study further in the science focus area.
- Rapport Educational Fund supports students through teacher training.
- United Church of Stellenbosch Bursary Scheme funds and mentors promising PDI students around Stellenbosch.
- Rural Education Access Programme assists students from rural areas to access funding for further studies.
- Durbanville Hills Workers' Trust pays the high school fees of farm workers' children in the Durbanville area.
- Nelson Mandela Metropolitan University Trust's financial aid office.
- Helpmekaar Study Fund.
- University of Western Cape's Extended Curriculum Programme enables promising but underprepared students to complete their bachelor of science degree in four years rather than three years. The

funding will be utilised to appoint two teaching assistants for a period of five months (basically from July – December 2014);

- Vuya Endaweni educates schoolchildren from the Kayamandi area in nature conservation, especially the conservation of the endangered renosterveld on top of the adjacent Papegaaienberg in Stellenbosch.

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 14), teach individuals valuable skills to make them more employable. Beyond these projects we invested in direct employment creation projects.

Employment programmes	
Stellemploy Training Centre	<p>Distell supported the centre's food preparation and cooking course. The course is accredited by the City and Guilds and internationally acknowledged.</p> <p>Of the 11 candidates who were enrolled this year, ten successfully completed the course, four enrolled into the chef training course and three took up temporary employment.</p>
Bergzicht Training Centre	<p>At the Bergzicht Training Centre, unemployed individuals from the Stellenbosch area are taught basic food preparation and catering skills.</p> <p>Our funding allowed seven students to partake in the advanced Cater Care course to prepare them for employment in the hospitality industry. Six students took up employment after completing the course.</p>
Umzi Whetu programme	<p>The Umzi Whetu programme focuses on boosting the employability of people affected by HIV/Aids and poverty, and offers skills and job placement in the hospitality sector for young people between the ages of 18 and 22.</p> <p>Twelve of the 14 students who started in 2013 took up employment at the Spier wine estate and one started his own business in Khayelitsha. The 2014 intake is expected to complete the course in November 2014.</p>
On-the-job training opportunities for university students	<p>In collaboration with educational institutes such as the University of Cape Town and University of Stellenbosch, an on-the-job training programme gave drama students the opportunity to work at 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 and arts industry.</p>
Craft Activation Project	<p>We supported the Craft Activation Project where entrepreneurs in the Boland area of the Western Cape attended workshops in small business management and product development. Their products are also sold at a pop-up shop at the Oude Libertas market on Saturdays.</p>
River-cleaning project with Stellenbosch Night Shelter	<p>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 facilities for a small wage. During the past financial year, 27 people participated in the programme.</p>
Horizon House	<p>Our contribution to Horizon House helped transport 18 intellectually challenged individuals from previously disadvantaged areas in Stellenbosch to Horizon House's recycling programme.</p>

We also supported the following initiatives:

- Elsenburg Women's Clothing Project for skills development
- Worcester Institute for the Blind
- South African Wildlife College Enterprise Development Programme – with the aim of strengthening the wildlife economy along the Western boundary of the Kruger National Park
- Westlake United Church Trust.

Our people

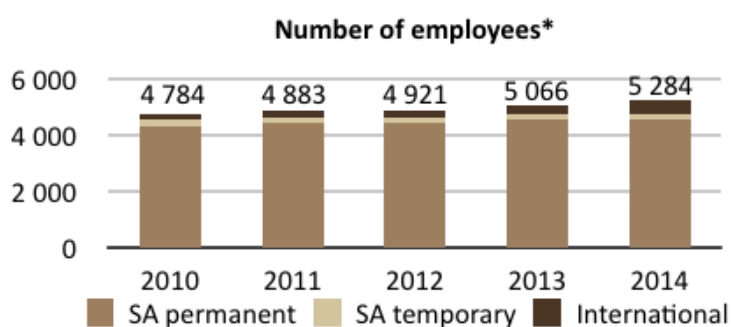
Key focus areas:

- Employee relations
- Fair employment practices
- Talent management
- Skills training and career development
- Employee wellness
- Ethics

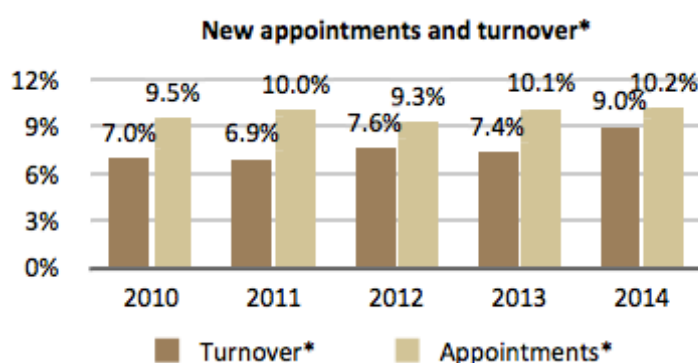
It is our responsibility to provide a working environment that is fair, safe and without risk or prejudice to our employees. Key issues discussed in this report are employee relations, fair employment practices, talent management, skills training and career development, and employee wellness and ethics.

Our staff complement increased from 5 066 in 2013 to 5 284 after acquiring Burn Stewart Distillers (BSD) in Scotland, while approximately 90% of all our employees are located in South Africa.

Staff turnover increased to 8,96% (2013: 7,4%), and appointments remained stable at 10,19% of our total permanent headcount for the year.



Number of employees*		2010	2011	2012	2013	2014
SA	permanent	4342	4433	4464	4592	4608
	temporary	206	187	195	201	159
International		236	263	262	273	517
Total		4784	4883	4921	5066	5284



Breakdown of employees*											
	Male				Female				Foreign		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management		2	2	27				4			35
Senior management	3	3	2	50		2	1	20			81
Professionally qualified and experienced specialists and mid-management	32	32	8	210	8	19	3	123	2	1	438
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	244	244	34	376	82	152	11	306		1	1 450
Semi-skilled and discretionary decision-making	547	650	7	47	103	198	13	125	2		1 692
Unskilled and defined decision-making	355	290	5	11	74	175		1	1		912
Total permanent	1 181	1 221	58	721	267	546	28	579	5	2	4 608
Temporary employees	29	15	2	21	18	25	2	45	1	1	159
Offshore											517
Grand total											5 284

*Figures include LUSAN

Employee relations

Distell is committed to sound employee relations and fair employment practices, as governed by relevant labour legislation, 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' Edition* 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 the annual wage and conditions of employment negotiations. Our worker management forum engages with unionised employees on matters of mutual interest through monthly meetings at site level. Employment equity forums are tasked with matters relating to both employment equity and skills development.

We have 284 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.

We implemented an internal communications tool, known as the Full Circle Communications Model, at our four largest production sites: Springs, Green Park, 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 bimonthly employee feedback sample surveys and, in some instances, highly targeted surveys to review the effects of new site-specific initiatives. Communication audits are conducted to

monitor the effectiveness of the system. This year Green Park and Adam Tas were audited, while Springs and Ecowash will be done in the next financial year.

These surveys enable us to gauge employee satisfaction levels and establish how well informed they are regarding Distell's 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.

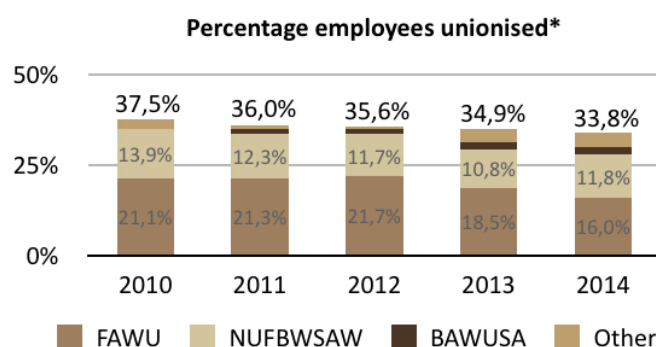
All employees have access to a subsidised retirement or provident fund, which provides death, disability and savings benefits. All employees have subsidised access to the Group's closed medical aid scheme. Leave benefits for most leave types are in excess of the minimum legislative requirements. Distell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

Farm worker-specific benefits are discussed in detail on page 40.

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 33,76% 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).



Percentage employees* unionised	2010	2011	2012	2013	2014
FAWU	21,10%	21,30%	21,70%	18,50%	15,99%
NUFBWSAW	13,90%	12,30%	11,70%	10,80%	11,80%
BAWUSA	0%	1,20%	1,60%	1,80%	1,89%
Other	2,50%	1,20%	0,60%	3,80%	4,08%
Total	37,50%	36,00%	35,60%	34,90%	33,76%

Management regularly meets with the respective union representatives at plant level. By managing employer-employee relationships constantly and consistently, and resolving 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, wage negotiations were concluded successfully and without industrial action. Due to their participation in an unprotected strike and unlawful conduct, 80 employees were dismissed at our Springs branch after due process was followed.

Fair employment practices

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) is all-encompassing, from the way we attract new employees, develop existing staff, continuously engage, reward and retain staff, to maintaining appealing working conditions. This year the look and feel of our EVP was revitalised, repackaged and distributed to staff within Distell.

Improving and keeping our EVP relevant is an ongoing process, and we will continue to pay close attention to the needs of current and prospective employees.

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 while simultaneously ensuring that these are managed in a manner that is procedurally fair.

Our line management and human resources practitioners are well-trained in the application of the Corrective Action Code. This year, 21 cases were referred to the CCMA, with 20 resolved in favour of Distell.

CCMA cases					
	2010	2011	2012	2013	2014
Number of referred CCMA cases	23	26	29	16	21
Number of cases in favour of the Company	21	23	26	16	20
Percentage of cases in favour of the Company	91,3%	88,5%	89,7%	100%	95,2%

Talent management

We identify, assess and develop talent for future critical roles through our established talent management processes. Our succession plans focus on identifying and developing talent to fill critical roles and to ensure continuity and effective organisational performance.

Talent management review forums

Annual talent management review forums are held to review our talent management landscape, succession planning and employee utilisation. The purpose of the forums are to review and assess our talent management strategy for its ongoing alignment with our business strategy.

In March 2014, regional talent review forums were held around the globe, and a global talent management review forum is scheduled for August 2014. The reviews include aspects such as human resource requirements to meet future growth projections, leadership pipelines, career and succession planning, skills development and employment equity.

Talent attraction

We aim to attract and retain talented, diverse and motivated staff who find career fulfilment in delivering outstanding quality product for Distell. We do this by participating in career fairs at tertiary education institutions around the country, interacting with students and teaching staff alike.

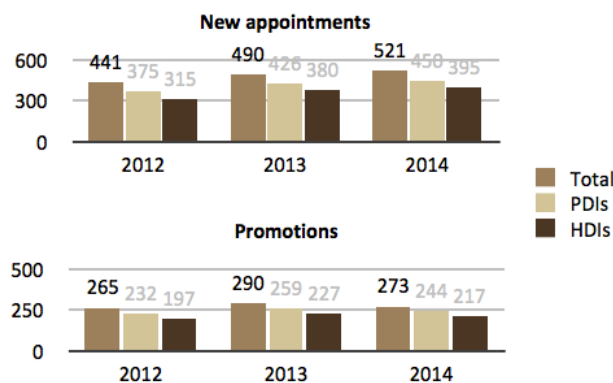
During the period under review, we participated in university career days at:

- Nelson Mandela Metropolitan University
- Central University of Technology
- University of Johannesburg
- University of Cape Town
- University of KwaZulu-Natal Westville
- University of the Western Cape
- University of Witwatersrand.

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

Of our total South African staff complement, 71,79% are historically disadvantaged individuals (HDI) and 12,57% are female HDIs. During the year, 86,37% (2013: 87%) of all new appointments were PDIs, of which 75,82% (2013: 78%) were HDIs. 90,71% of all promotions were awarded to PDIs, while 79% were awarded to HDIs.

Our management consists of 35,38% females (2013: 33,9%).



More information regarding our integrated transformation strategy is available on page 29.

Leadership development programmes

Our middle and senior leadership development programmes are fundamental to growing our talent pipeline and are designed to provide theoretical and practical training to high-potential employees.

All line managers are currently attending performance management and talent management training to ensure that parties understand their roles and responsibilities regarding these critical HR practices and processes.

Employee training and development activities are discussed in more detail on page 23.

Mentorship programme

We embarked on a mentorship programme in June 2014 to support talented employees with growth and development potential, and to ensure that we have strong talent that will sustain future Company growth.

Each mentor is required to be a role model and sounding board to individuals (protégés) with potential,

providing objective and unbiased input to their growth. Mentors are individuals who have a passion for people development and who wish to fulfil a psychological, learning and sponsorship role to upcoming talent in the business.

Mentors do not fulfil a performance management or disciplinary role in relation to protégés, as these aspects are the responsibility of the direct line manager. Mentorship is an informal process and works best where the relationship is driven by the protégé via a self-directed approach.

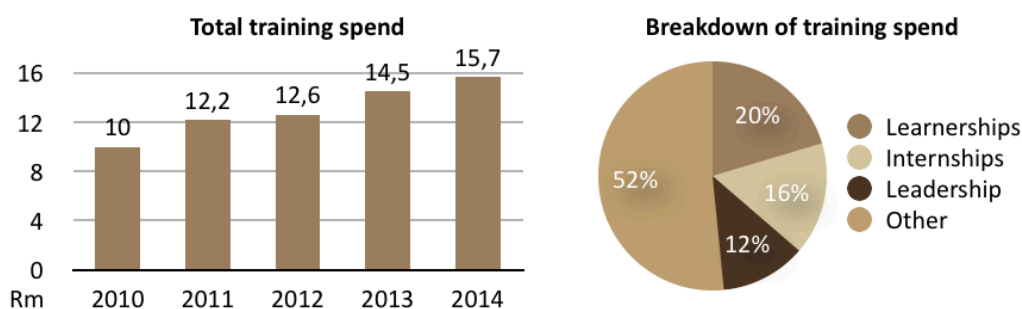
Skills training and career development

We are committed to grooming the future leaders of Distell and invest in various training programmes, including internships, learnerships, skills programmes, apprenticeships and adult education.

This year our training spend increased by 8% to R15,7 million (2013: R14,5 million). In support of our transformation goals, 77% of our training spend and 97% of internship spend are allocated to previously disadvantaged individuals (PDI).

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.

Responding to the severe skills shortage in the engineering and science fields, we provide training in a number of technical fields from artisan to professional level. We also focus on leadership development, sales and marketing, and behaviour and self-awareness skills.



Breakdown of training spend					
	2010	2011	2012	2013	2014
Learnerships					
Spend (R million)	3,0	2,6	3,2	3,1	3,2
Number of learnerships	78	69	111	114	128
% PDI	80%	80%	97%	95%	94%
Internships					
Spend (R million)	1,6	1,4	0,9	1,9	2,5
Number of internships	37	36	32	60	38
% PDI	97%	92%	100%	95%	97%
Leadership					
Spend (R million)	1,0	1,7	1,7	1,6	1,9
Number of employees	15	12	15	14	16
% PDI	93%	92%	100%	100%	94%
Other					
Spend (R million)	4,4	6,5	6,8	7,9	8,1
Total training spend (R million)	10,0	12,2	12,6	14,5	15,7
% spend on PDI total	80%	83%	78%	67%	77%
% spend on PDI females	34%	29%	36%	20%	12,7%

Learnerships

Learnerships are structured learning processes that afford learners the opportunity to obtain a National Qualifications Framework (NQF) certification. Learners gain both theoretical knowledge by attending classes at a college or training centre, and practical experience through on-the-job training at our facilities.

We offer learnerships to both employed and unemployed individuals, with training opportunities across our value chain, from winemaking to retail distribution, as shown below.

Learnership programmes during 2014			
Business unit	Programme	NQF level	Number of learners
Primary production	Winemaking	3	9
	Spirits production	3	10
Secondary production	Packaging operations	3	68
	Generic management	4	8
	Manufacturing management	5	12
Distribution	Wholesale/retail distribution	2	13
	Freight handling	3	8
Total			128

This year a total of 128 (2013:114) people participated in learnerships, of which 42% were unemployed learners.

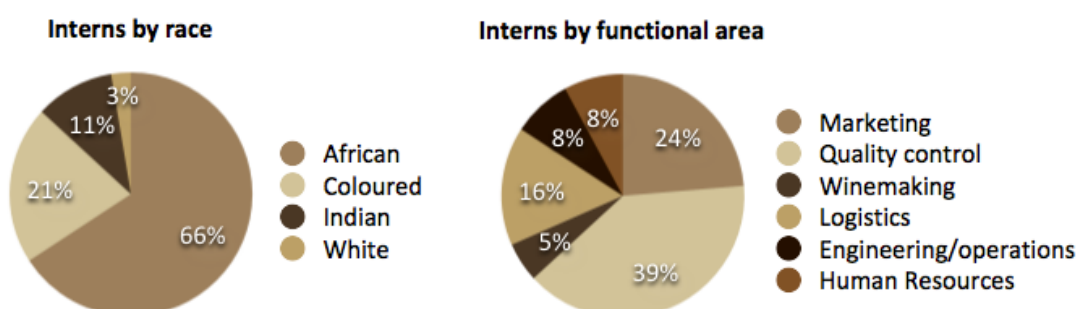
Internships

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

Internships	2012*	2013*	2014*
Number of interns accepted	31	29	38
Interns appointed permanently	10	2	0

*Calendar years

We have 38 students on the current internship programme (running from 1 February 2014 to 31 January 2015). In line with our transformation strategy, 97% of our interns are PDIs.



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, 57 employees have participated in the programme, of whom 89% were HDIs and 47% were female. Eight employees are currently enrolled. On completion, candidates are tracked and supported by continued interventions to enhance their individual development.

In 2013, we introduced a senior leadership development programme to speed up transformation at strategic levels. All six employees from the previous year completed the programme successfully. This year eight employees are enrolled in the 2014 programme, six of whom are HDIs.

Leadership development programmes	
Programme	Number of learners
Middle management	8
Senior leadership	8
Total	16

Other training activities

We spent a total of R8,1 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 include 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 programmes, we have five NQF-accredited technical skills programmes on offer to our employees. These programmes form the foundation for a full learnership qualification. On completion, employees obtain a formal qualification and Distell benefits through improved efficiency and equipment care.

We offered the following skills programmes during the period under review:

Skills programmes		
Programme	NQF level	Number of learners
Filling and closing	3	50
Labelling and coding	3	38
Packing and unpacking	3	34
Bottle washing and inspection	3	1
Machine operations	3	22
Total		145

Apprenticeships

According to the FoodBev SETA, South Africa has a shortage of artisan skills. Distell currently has six trade-specific apprentices receiving practical exposure in the workplace in preparation for their trade tests, after which they will be able to enter the job market as tradesmen.

Behavioural and self-awareness training

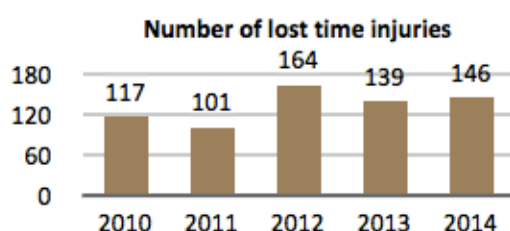
Distell is committed to its ongoing skills implementation programme, as well as its behavioural and leadership training, in order to further the personal and career development of its staff. Annually, various in-house and external courses relating to self-management and leadership development are presented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

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. The injuries resulting in lost time increased marginally to 146 (2013: 139), while the number of lost days decreased from 1 601 (2013) to 1 534 due to less severe accidents requiring shorter periods off duty. This could be attributed to improved safety awareness on the production sites.



Health and safety performance					
	2010	2011	2012	2013	2014
Lost time injuries	117	101	164	139	146
Occupational diseases	5	3	6	4	4
Lost days	1 299	1 385	695	1 601	1 534
Work-related fatalities	0	0	0	0	0
Claim cost	R112 932	R100 237	R58 734	R78 927	R212 381
Incidents	433	436	429	293	535

We provide occupational health and safety (OHS) training to our employees. We also promote OHS through various education initiatives across the business, and 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 and provide occupational health services to all our operational staff. The services range from regular occupational fitness assessments, as required by legislation, to helping staff with managing their chronic illnesses. In 2014, nursing staff carried out 30 932 (2013: 29 546) consultations, addressing a variety of health-related issues, including voluntary counselling and testing (VCT) for HIV/Aids.

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

Wellness educational sessions		
	2013	2014
Theme	Mental health	Substance abuse
Number of attendees	883	1 503

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 resources 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	2014	2011	2012	2013	2014
New cases	180	197	206	163	50	59	52	74
Finalised cases	167	208	182	170	44	58	54	58
Employees remaining on the programme***	92	84	108	101	54	49	45	61
New disability applications	-	-	-	-	18	12	18	18
HIV cases currently registered on WAKE***	-	-	-	-	15	17	15	15

* 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.

** Medical 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.

*** At year-end figures.

Ethics

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.

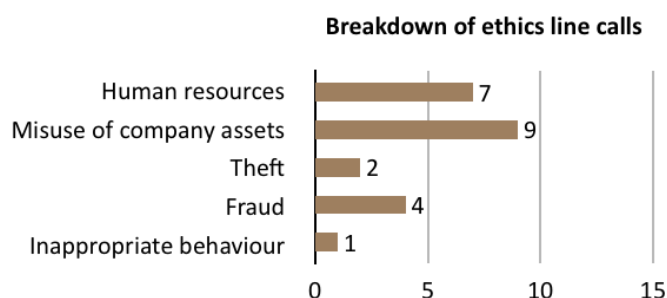
Ethics line

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.

Employees use the ethics line 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. Depending on the nature of the complaint/allegations, all other concerns or reported irregularities are addressed by internal risk managers, the internal audit department or external consultants.

This year we received 23 calls, of which seven related to human resources grievances. All calls were investigated and resolved, except for one call that was still under investigation at year-end. The Company suffered no material financial losses or material breakdown of existing management controls. However, we have identified and resolved certain systemic issues during our investigations and a number of the calls have led to dismissals. There were no known instances of human rights violations by Distell during the period under review.

A breakdown of the calls received during this financial year is shown below:



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.

We also use WIETA, an independent organisation, to monitor our wine farms and to ensure fair conditions of employment are maintained. More information about WIETA compliance across all our own and independent supplier farms is available on page 36.

Transformation

Key focus areas:

Broad-based black economic empowerment
Employment equity
Talent management
Skills development

Our transformation journey is a key strategic initiative aimed at creating an organisation that is globally diverse and inclusive.

We see transformation as a continuous journey, integrated into all aspects of the business. It shapes our corporate culture to be more inviting and welcoming, capable of attracting and retaining diverse talent. It helps us build a high performance culture through effective leadership, communication and commitment to a common set of goals. It also safeguards our reputation as a responsible corporate citizen.

Diversity means Distell strives to be representative of all South Africans and everyone who represents its operations outside the borders of South Africa, irrespective of their origin, belief system, physical abilities, gender or class status in society. This requires that we continuously nurture a workplace that respects and includes differences, recognises the unique contributions that individuals with many types of differences can make, and maximises the potential of all employees.

Progress on transformation is monitored by the social and ethics committee.

Our transformation strategy consists of the following four pillars:

Broad-based black economic empowerment	Employment equity	Talent management	Skills development
<ul style="list-style-type: none"> • Ownership • Management and control • Employment equity • Skills development • Preferential procurement • Enterprise development • Socio-economic development 	<ul style="list-style-type: none"> • Diversity • Promote equal opportunities and fair treatment • Implement affirmative action measures 	<ul style="list-style-type: none"> • Assessments • Bursaries • Career and succession planning • Career counselling • Career management • Coaching • Competency model • Employee Performance Management System (EPMS) • Mentoring • Qualifications management • Regional and global talent management review forums 	<ul style="list-style-type: none"> • Adult Basic Education and Training (ABET) • Apprenticeships • Learnerships • Mission Directed Work Teams (MDWT) • Operational/technical training • Skills development • Workplace skills plan reporting

In order to achieve our transformation goals we focus on the commitments we made in our National Employment Equity Plan 2012 – 2017. These commitments include:

- Enhancing our diversity culture
- Appointing persons from designated groups and fast tracking diversity
- Promoting people from designated groups
- Pipelining – growing tomorrow's talent
- Defining retention strategies aimed at improving diversity in key talent areas

- Making reasonable accommodation for women and people with disabilities.

Our performance against these commitments are discussed below and in the *Our people* chapter on page 19.

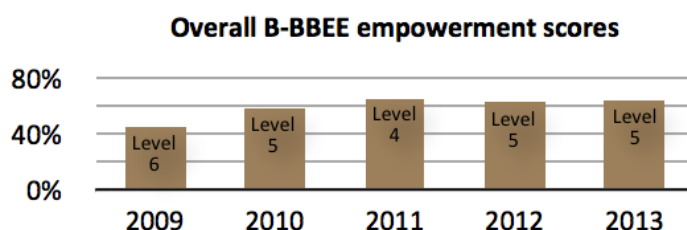
In practice our transformation journey starts with a corporate culture that recognises the value of diversity and a workforce capable of effectively implementing our integrated transformation plan. In 2012, we partnered with The Human Capital Engine, an organisation specialising in organisational transformation, and since then have conducted 78 leadership transformation and diversity workshops across various business units. To date we have reached 1 265 employees. We will continue to roll out these workshops across the business, aiming to reach all employees by June 2017.

This year our annual transformation roadshow comprised 21 sessions with 506 senior, middle and junior managers from various business units across South Africa. During the roadshow we share our integrated transformation strategy with site managers and discuss topics such as employment equity, career planning and B-BBEE regulatory compliance concerns.

Broad-based black economic empowerment

The dti has led the journey to transform South Africa's economic landscape through its broad-based black economic empowerment (B-BBEE) Codes of Good Practices (CoGP). Distell has monitored its progress against these codes throughout its development.

B-BBEE focuses on seven elements of empowerment aimed at bringing more people into the mainstream of the economy. Distell's year-on-year progress and B-BBEE status levels are shown in the accompanying graphs and tables.



B-BBEE empowerment scores								
Empowerment element	Scorecard	2008	2009	2010	2011	2012*	2013	
Ownership	20	12,92	18,07	15,40	18,70	19,12	19,52	▲
Management control	10	3,17	3,29	3,54	3,33	3,33	2,95	▼
Employment equity	15	1,91	2,03	2,13	2,20	1,89	2,01	▲
Skills development	15	2,15	4,55	8,98	8,17	9,36	9,07	▼
Preferential procurement	20	5,47	6,76	11,73	16,26	11,56	12,76	▲
Enterprise development	15	3,40	9,28	15	15	15	15	-
Socio-economic development	5	4,23	1,32	1,58	1,66	2,61	2,75	▲
Total	100	33,25	45,30	58,36	65,32	62,87	64,06	▲
Contribution level		8	6	5	4	5	5	
B-BBEE contributory status		10%	60%	80%	100%	80%	80%	

*In 2012 new and more stringent B-BBEE criteria were introduced

Our overall score increased to 64,06 (2012: 62,87) and we maintained our status as a B-BBEE Level 5 contributor. We are working towards creating long-term empowerment through our integrated transformation strategy and in doing so regain our B-BBEE Level 4 contributor status.

Our latest B-BBEE score is valid until the end of 2014 and reflects our 2013 fiscal year performance. We expect to release our B-BBEE results for the 2014 fiscal year in December 2014, after having been externally verified.

Our year-on-year progress per element is as follows:

Ownership

Equity ownership is concerned with the percentage of Distell's business owned by black South African citizens.

19,52/₂₀
Up from 19,12

Over the past four years we have consistently and progressively improved our Ownership score from 15,40 to 19,52 out of 20 in 2014.

This is the highest score we have ever achieved and includes the (maximum three) available bonus points for new black entrants and the extent of participation in our Employee Ownership Trust.

The rest of the score is the result of our B-BBEE empowerment deal with Women's Investment Portfolio Holdings Limited (WIPHOLD), our empowerment partner dedicated to the empowerment of black women.

More information on our B-BBEE deal is available on page 33.

Management control

Management control is concerned with the extent to which Distell is controlled by black South African citizens.

2,95/₁₀
Down from 3,33

Our Management control score slipped by 0,38 to 2,95 out of 10.

The external verification of our B-BBEE scorecard revealed that we did not distinguish between senior top management and other top management in our approach. As a result, and with no black females being appointed at senior top management level, our final score for Management control was adjusted down.

Employment equity

Employment equity is concerned with the extent to which Distell's entire workforce, from our unskilled labourers to board members, is representative of the racial groups in South Africa.

2,01/₁₅
Up from 1,89

Our Employment equity score improved to 2,01 out of 15, mainly due to improved equity levels at junior management level, in line with our desire to facilitate long-term empowerment.

More information regarding our Employment equity activities is available on page 18.

Skills development

Skills development, according to the B-BBEE scorecard, is concerned with the development of skills of Distell's black employees.

9,07/₁₅
Down from 9,36

Even though our Skills development score doubled over the past five years, our score dropped by 0,29 to 9,07 points out of 15.

Our score was negatively affected by limited black female participation in our learnerships and our overall skills development expenditure for the 2013 financial year. In addition, no disabled employees took part in any of our learnerships or skills training this year, further impacting on our score.

More information regarding our Skills development activities is available on page 23.

Preferential procurement

Preferential procurement is concerned with Distell's selection of suppliers for goods and services.

12,76_{/20}
Up from 11,56

Our Preferential procurement score improved to 12,76 points out of 20 on the back of increased procurement from certified B-BBEE suppliers with a score of more than 30%.

Our goal is to procure locally where feasible and the bulk of our primary production requirements are met through local suppliers. However, as a major player in the South African market we are limited in the number of existing local suppliers capable of supplying us with the right quantity and quality we require.

We are actively involved in developing local suppliers (see Enterprise development below) in order to meet our future growth projections and 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.

For more details regarding our supply chain activities, refer to page 34.

Enterprise development

Enterprise development is concerned with the development of black-owned and B-BBEE compliant business.

15_{/15}
Unchanged

For the fourth consecutive year, we received the maximum score, 15 out of 15, for Enterprise development (ED). Our qualifying ED contributions amounted to 4,51% of Net Profit after Tax (NPAT), exceeding the B-BBEE scorecard's 3% target.

Our ED score is based on the following key activities:

Enterprise development activities	
Activities	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.	12,7
Papkuilsfontein vineyards venture We provide long-term financial support to our joint partners – a group of black entrepreneurs and a community trust.	14,8
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	53,7

Socio-economic development

Socio-economic development (SED) is concerned with making contributions to charities and other social programmes aimed at making a difference in the lives of the poorest of society.

2,75_{/5}
Up from 2,61

Our Socio-economic development (SED) score has steadily improved over the past five years, in line with our increased annual SED expenditure. Our qualifying SED expenditure amounted to 0,55% of NPAT, against a target amount of 1%.

More information regarding our SED activities is available on page 38 and 41.

Equitable ownership

Distell's B-BBEE deal

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. The B-BBEE deal has subsequently been restructured and matured in February 2014.

In our next report we will discuss the impact and changes that resulted after this deal matured.

Durbanville Hills Workers' Trust

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 percent of total shares) have been issued to the Durbanville Hills Workers' Trust. A director elected by the employees represents the farm workers on the board of directors. The Workers' Trust drives several development initiatives within the farm worker community, including adult education programmes and the funding of high school fees for children on the supplier farms.

In addition, our Fairtrade initiatives are discussed on page 41.

Employment equity

We are 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.

To fast-track our transformation process, we focus on appointing people from designated groups¹ and providing talented individuals with targeted coaching and mentoring.

Refer to page 18 for more information on Distell's Employment equity performance.

Talent management

Talent management plays an integral part in the transformation of Distell. Recruiting the right talent, developing leadership pipelines and establishing succession plans for key roles will ensure that, over time, our workforce is not only representative of a diverse South African community, but also effective in crafting leading liquor brands worldwide.

Refer to page 21 for more information on Distell's talent management strategy.

Skills development

We invest in various training programmes, including internships, learnerships, skills programmes, apprenticeships and adult education. 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.

Refer to page 23 for more information on skills training and career development.

¹ African, coloured and Indian males and females as well as white females and employees with disabilities

Responsible supply chain management

Key focus areas:

- Primary production activities
- Secondary production activities
- Upholding human rights

Our approach

Distell exerts influence over, and invests in, its supply chain to secure raw materials at the correct quality, volume and price. In the case of our super premium products we will own, partially own, or advise managers of independent wine farms to produce in a style and quality required for a particular brand. These farms grow, harvest and deliver grapes to our cellars where our winemakers take care of the wine production process.

In other quality categories, we advise the independent cellars how to produce the wine components according to our specifications. We then buy the wine, blend it according to our needs and package and brand it for distribution.

In defining our supply chain, we differentiate between primary production and secondary production. Primary production refers to the sourcing, procurement, production and blending of alcohol beverages up to the point where it is ready for bottling. Secondary production refers to all production processes from bottling to final distribution. Our supply chain is therefore an integral part of our business and inseparable from our production processes.

What we buy

For our primary production phase, we spend in excess of R1,3 billion on raw materials consisting of:

- **Grapes** – The grapes produced by own farms and independent farms are used to produce wine for our brands.
- **Wine** – We purchase wine in bulk from independent cellars and use it in our brands.
- **Grape juice concentrate** – We purchase grape juice concentrate from independent cellars to sweeten specific wine brands.
- **Distilling products** – We source and use a variety of agricultural products, such as barley, grapes and marula fruits, to produce whisky, brandy and other beverages.
- **Apple juice concentrate** – Apple juice concentrate forms the base of all our cider brands and we therefore maintain long-term relations with key local and international producers of apple juice concentrate.
- **Cream** – We make use of large quantities of cream in the production of our cream liqueurs.

Our secondary production phase is mainly concerned with the labelling and packing of products for distribution and sale. Annually we spend more than R3 billion on packaging materials; in order of spend, this consists of glass, cans, cartons, closures, labels and various other packaging items such as foils and shrink-wrap plastic.

The rest of our supplier spend goes into other goods and services, including:

- **Bulk transport** – Transport of bulk product from the manufacturing plants to the bottling plants are contracted to a number of third party service providers. We strive to increase the quantity of bulk product transported by rail.
- **Packed product transport** – We make use of a number of third party service providers to transport packed product from our bottling plants to the distribution centres scattered around South Africa. In many cases we deliver product from our production facilities directly to customer warehouses to save on transport and handling costs.

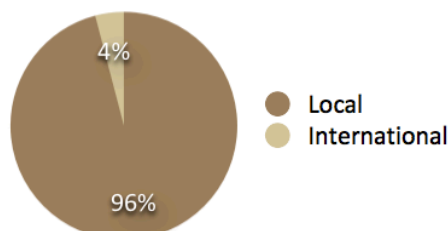
- **Business support services** – A number of service providers are used in support of our primary business activities, which include consultancy services, travel and accommodation, stationery, security and cleaning services.
- **Marketing** – We spend a large amount on merchandising material and gifting as well as on media and sponsorship to promote our brands.

Primary production activities

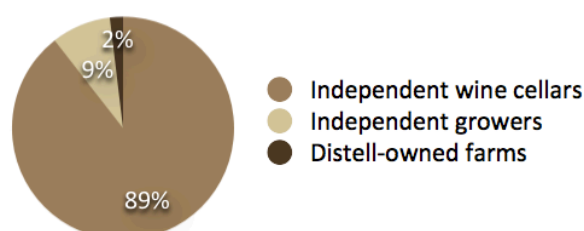
This year we secured a total of 350,2 million litres of grape, wine and wine-related products, 95,9% of which was sourced locally and 4,1% had to be imported as suitable local supplies were not available. Put in perspective, South Africa's total wine production² amounts to 1 156,5 million litres, of which we utilise approximately 29% per annum.

The bulk of our raw materials are sourced locally, providing us with greater stability and control over our production, and ensuring that we can source the volumes we require at the right quality and price to meet our product demand forecasts. By sourcing locally we are also able to reduce our exposure to exchange rate fluctuations and the more complex logistics associated with internationally sourced material.

Grape and wine supplies by region



Grape and wine supplies by source



Approximately 90% of our raw material comes from independent wine cellars through our team of wine buyers. Our buyers work closely with these cellars to produce wine to our requirements. A further 8,2% (2014: 29,1 million litres) is sourced from independent grape growers who are guided by a team of viticulturists to produce the grapes we require. These grapes are then processed in our cellars. Only 1,8% or 6,4 million litres of the wine come from our own farms.

Promoting responsible agricultural practices and wine production

We adhere to various environmental, social and governance standards across our farms. We furthermore promote and, where feasible, demand that our independent suppliers adhere to the same standards.

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 environmental, ethical and human rights standards we have established on our farms.

In particular we engage with and participate in the following initiatives:

Integrated Production of Wine Scheme

All Distell farms are registered with the Integrated Production of Wine Scheme (IPW), a voluntary environmental sustainability scheme established by the South African wine industry in 1998. The IPW is in line with international environmental sustainability criteria developed for wine industries, such as the *Global Wine Sector Environmental Sustainability Principles* that was published by the International Federation of Wine and Spirits³ and the International Organisation for Vine and Wine⁴.

² According to the South African Wine Industry Statistics (SAWIS) (www.sawis.co.za)

³ International Federation of Wine and Spirits (www.fivs.org)

IPW promotes biodiversity conservation and aims to reduce the environmental impact of agricultural activities as well as the amount of industrial inputs that go into the farming (in our case, vine-growing) system. The scheme requires accurate record-keeping of all vineyard activities and since the 2010 vintage, all of Distell's certified wines carry the IPW sustainability seal issued by the Wine and Spirit Board.

The environmental impact of our farms is discussed in detail in the *Preserving our environment* chapter on page 42.

In order for us to certify our wines under the new South African wine industry sustainability seal, all our independent suppliers must be IPW-accredited and ensure that environmentally sound farming practices are adhered to. Since 2001, all our purchasing contracts stipulate that suppliers must comply with and supply proof of IPW adherence. No purchasing contracts are implemented with new suppliers if they cannot prove IPW compliance; and current suppliers are monitored and assisted where necessary to maintain IPW compliance.

Biodiversity and Wine Initiative

Spread across 13 farms, more than 5 000 hectares of land, either wholly or partially owned by Distell, fall within the Cape Floral Kingdom (CFK). In addition, many of our independent suppliers also reside within the CFK.

UNESCO has identified the CFK as one of the world's 18 biodiversity hot spots, with 69% of the estimated 9 000 plant species in the region being found nowhere else in the world. Of these endemic species, 1 435 are threatened. The Biodiversity and Wine Initiative (BWI) was formed in 2004 through a partnership between the South African wine industry and the conservation sector in order to contribute to the protection of this national heritage.

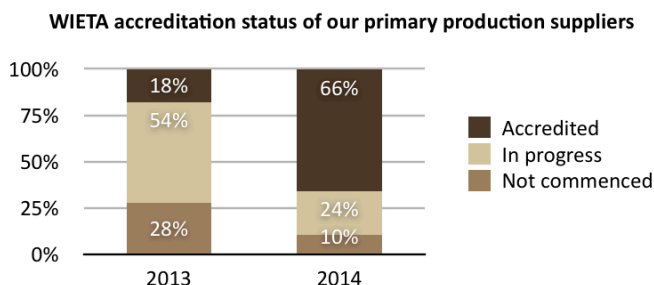
We have set aside 39% or 2 017 hectares of the land we either wholly or partly own for conservation through BWI or other conservancies.

Refer to page 57 for more details regarding biodiversity conservation.

Agricultural ethical trade initiative

The Wine Industry Ethical Trade Association⁵ (WIETA) was formally established in 2002 and was 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 the WIETA principles to the rest of our grape growers and wine producers. Our target is to ensure that all of these suppliers adhere to WIETA principles by 2017. We are on track, with only 10% of our suppliers still to commence with the accreditation process, 24% are in process and 66% (2013: 18%) have already been accredited.



*Our primary production suppliers consist of 164 (2013: 166) grape growers and wine producers.

⁴ International Organisation for Vine and Wine (www.oiv.int)

⁵ Wine Industry Ethical Trade Association (www.wieta.org.za)

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.

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 Vineyard's 166,3 ha 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 area of 5,6 ha is expected to be SGS-accredited within the next three years.

The 2014 harvest saw the introduction of a new organic and Fairtrade wine brand called Earthbound⁶ with grapes primarily sourced from the Papkuilsfontein farm. This is discussed in more detail on page 41.

Adapting to changing economic and climatic conditions

Over the short to medium term, we expect primary production costs to continue rising faster than inflation owing to our dependency on fuel, electricity and labour costs. To remain financially viable in these economic conditions, demands astute business management and innovation from our producers.

We assist growers by providing viticultural expertise and technical innovations to improve production quality and yield, and decrease input costs. As a result, independent growers have implemented a new vine trellis system on more than 1 000 ha of suitable land in the coastal wine belt.

We also award the best growers from our cellars, host study groups, conduct pre- and post-season workshops, provide producer study tours to selected countries, and regularly visit our growers to give guidance and plan production.

In the long term, climate change 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. To adapt to our changing climate, we are diversifying our supply chain by developing vineyards in new wine-growing areas. 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, thereby reducing risk from viral infection.

We have access to a dedicated plant nursery in the Cape Winelands which is developing superior plant material for our farms, as well as the farms of independent growers that supply us. 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.

⁶ www.earthboundwines.co.za

While we have sold this dedicated vine nursery and plant improvement business to avoid the direct cost of ownership, we have a preferential supply agreement in place to ensure a consistent supply of good quality vine plant material and first mover advantage on scarce cultivars.

One of the major impacts expected from climate change is more extreme weather conditions. We continue to look at innovative methods and equipment that can assist us in making informed business decisions and protecting the natural resources we depend on.

With access to supplies from regions as climatically diverse as Agulhas and the Northern Cape and with the knowledge of more accurate irrigation management, we are confident that we will be able to effectively adapt to changing climatic conditions.

Developing new agricultural enterprises

In order to promote the entry of new role players in grape and wine supply, we embarked on a long-term process of assisting the establishment of new vineyards in the Northern Cape region in 2003.

Funds and land are supplied by government; technical expertise and training are provided by viticulturists from a nearby independent cellar, and grapes produced are processed by the cellar. Distell purchases the wine produced. We have played a leading role in bringing together the respective stakeholders and managing the respective working groups.

We envisage that this project will lead to the establishment of approximately 500 ha of vineyards. By year-end, a total of 86,6 ha had already been established through the following projects:

- | | |
|--------------------|--|
| - Blucuso Trust | Established 23 ha out of the planned 40 ha |
| - Eksteenkuil | Established 19,5 ha out of the planned 43 ha |
| - Eiland Wine | Established 5,9 ha out of the planned 9,9 ha |
| - Lemoendraai Wine | Established 16 ha out of the planned 40 ha |
| - Valley Junction | Established 16,2 ha out of the planned 20 ha |
| - Realeboga | Established 22 ha |

More land is being identified to fulfil the total requirements.

Contributing to evolution of the wine industry

Our viticulturists and winemakers play an active role in industry bodies to support or promote the industry as a whole. Many of our technical experts plough their expertise into WINETECH technical committees; industry study groups, such as the Independent Viticulturist Society; various wine societies, such as the Pinotage Association; marketing bodies, such as Wines of South Africa (WOSA); and the technical committee of South African Wine Industry Statistics (SAWIS).

We also support learnerships and post-graduate projects of various tertiary institutions. Please refer to page 24 for more details regarding our learnerships.

Secondary production activities

Distell buys packaging materials and ingredients used in the manufacture and packaging of its products from a large number of suppliers. The bulk of the purchases are from local manufacturers or converters, although some items are imported.

For key commodities, such as glass, labels, cartons and closure, among others, we have specific sourcing strategies in place which take into consideration not only cost and continuity of supply, but also other aspects such as local supplier development, preferential procurement and lead time considerations. These strategies are updated regularly.

Mitigating supply chain risks and managing quality

Where feasible we source materials as close to our production sites as possible to reduce logistical costs. Local supply also assists in limiting our exposure to foreign exchange fluctuations.

Despite the general preference for locally sourced and produced materials, a portion of materials has to be imported. This includes materials currently not produced in South Africa, as well as materials where insufficient capacity exists in the local industry, necessitating imports to meet our demand. We actively monitor the quality and on-time delivery of all supplies to ensure that the material we receive meets our requirement for each product type. We also conduct on-site audits and, where necessary, assist suppliers to improve their production processes for consistency of quality.

Reducing the environmental impact of our packaging materials

We are proactive in reducing the environmental impact associated with our products and the packaging materials we use. Glass represents the bulk of our packaging material. As such we have various ongoing initiatives to improve recycling efforts and reduce the need for and costs associated with new glass. These initiatives are discussed further on page 52.

Supply chain efficiency

Over the last two years, we focused on improving our sales forecasting system. Together with regular demand reviews and sales and operations planning meetings, we managed to improve our sales forecast accuracy from 78,6% to 80,5% over the past year.

Distell embarked on a cider supply chain optimisation project last year. It included all aspects of the supply chain, such as production, packaging, transport as well as the supporting forecasting and planning processes. Management procedures and controls were also put in place to ensure continuous improvement. As a result, the throughput of our ready-to-drink beverage (RTD) supply chain improved by 12%.

Towards the end of the financial period, we initiated a strategic network optimisation project where we use advanced modelling tools for strategic decision-making on infrastructure and route-to-market options. Various improvements in the stability and reliability of our outbound supply chain have allowed us to improve our service levels to retailers and reduce our packaging inventory cover from 30 to 25 days.

Upholding human rights

Distell embraces the United Nations Global Compact (UNGC), and officially became a member in 2013.

Through its commitment to the 10 principles of the UNGC, Distell undertakes to respect human rights and to ensure that the Company is not complicit in human rights abuses. Human rights-related reports are submitted twice annually to the social and ethics committee.

There were no known instances of human rights violations by Distell during the period under review.

Farm worker rights and benefits

The treatment of workers and their families on farms that supply the agricultural processing industry remains a controversial issue.

To ensure we uphold the human rights of all workers, especially on our farms, we adhere to and exceed the standard requirements set out in the South Africa's Basic Conditions of Employment Act.

- 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 Fund provides 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.
- Farm workers 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 farm workers with their weekend shopping and attending sports, school, religious and cultural events.
- Depending on their employment grade, our farm workers earn between 20% and 74% more than the amount prescribed by law.
- 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)
 - Annual bonus (13th cheque)
 - Maternity leave (33% to 50% more than prescribed).

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 and each employee has a contract of employment. All prospective employees must submit proof of identification to ensure that they are of legal working age before we will consider employing them.

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. 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 farm workers 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 farm workers 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
- Collective bargaining.

Managing the occupational health and safety of farm workers

The Human Rights Watch (HRW) report of 2011 asserted that “farm workers 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 set out by the 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 IPW certification. 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.

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

Economic equity extends to our farming operations. Distell is the joint owner of Papkuilsfontein Vineyards, a 975 ha 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 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 (5% of total shares) have been issued to the Durbanville Hills Workers’ Trust. A director elected by the employees represents the farm workers on the board of directors. The Workers’ Trust drives several development initiatives within the farm worker community, including adult education programmes and the funding of high school fees for children on the supplier farms.

Developing Fairtrade labels

We have certified Papkuilsfontein farm as Fairtrade, and following the successful introduction of our Fairtrade-accredited Place in the Sun wine brand in 2011, we introduced our second Fairtrade-accredited wine brand this year, called Earthbound. This organic wine brand is produced primarily from the grapes from the Papkuilsfontein farm.

Fairtrade⁷ is a global movement that stands for sustainability and development through trade. Wines are certified against our strict Fairtrade Standard, requiring a percentage (currently R0,60 per bottle) of the final shelf price to be channelled directly back to the farm labourer.

The Fairtrade premiums are channelled to a farm workers’ trust, which is managed by farm labour according to Fairtrade principles. The premiums received since 2011 have been used for the following projects on the farm:

- Securing computer facilities and appliances for the recreation room
- The building of a community hall is in the final stage of planning
- Worker skills training such as literacy, health, safety, first-aid and life skills
- Study loans to assist children with tuition, books and uniforms.

⁷ Fairtrade (www.fairtradelabel.org.za)

Preserving our environment

Concerns:

- Compliance with changing legislation
- Managing our environmental responsibility
- Climate change and carbon footprint
- Energy efficiency
- Water usage and sustainable water supplies
- Waste management
- Effluent and waste water
- Conservation of biodiversity

Distell is wholly dependent on the long-term health of the environment from farm to consumer. 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.

Changes in climate and the quality and supply of water have a major impact on our operations. We recognise that these changes are at least partly as 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. Improving the energy efficiency of our production processes and substituting fossil fuel with renewable energy solutions where possible, have become a major focus.

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. Our environmental 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.

Distell's social and ethics committee oversees all its environmental practices. We manage our production activities according to the ISO 14001 environmental management system (EMS). Our compliance with the ISO 14001 EMS is internally and externally audited and in most cases externally certified. See page 45 for more detail.

Compliance with changing legislation

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. This reporting year saw the amendment of all the primary environmental legislation as well as the promulgation of a vast number of new regulations in terms of these Acts.

We have assessed the impact of these legislative changes on our business activities and below highlighted the most significant impacts:

Carbon Tax and offset

The Carbon Tax policy paper was published in May 2013 and recommended that a Carbon Tax be introduced in 2015. However, the Ministry of Finance has since indicated that the Carbon Tax will come into force only in 2016. The proposed tax rate is R120/t CO₂e levied after an initial 60% tax-free threshold. A 10% annual tax rate increase has been proposed for the first five years, while the 60% threshold will be revised only after five years.

Provision has been made for companies to reduce their direct carbon tax liability by offsetting up to 10% of their tax liable emissions through carbon offset schemes. The offset schemes refer to investments in emission

reduction or emission capturing/sequestration projects external to a company's business. A draft Carbon Offset Paper, published in April 2014, provided further guidance on how the carbon offsetting schemes will operate.

Our focus remains on reducing our emissions first and foremost, before considering emission offset schemes.

Environmental management legislation

The reporting year saw the amendment of the National Environmental Management Act, 1998 (Act 107 of 1998) and the promulgation of a number of new regulations. These regulations have amended the list of activities that require an environmental authorisation before they may commence.

One such amendment is the threshold size for waste water treatment facilities, which has been adjusted upward in line with the General Authorisations prescribed by the National Water Act, 1998 (Act 36 of 1998). The higher threshold is advantageous as most of Distell's facilities produce effluent volumes below the new threshold and therefore no longer require a full environmental impact assessment before we can commence with these activities.

The regulations also put forward a new application fee structure to cover authorisation costs, thereby increasing the financial burden of compliance.

Air quality legislation

The reporting period saw the amendment of the National Environmental Management Air Quality Act, 2004 (Act 39 of 2004) (NEMAQA) and the promulgation of new regulations in terms of NEMAQA.

We own and operate a number of small boilers which have now been declared 'controlled emitters'. Consequently our boiler emissions will have to be monitored and additional emission mitigating measures taken. Ozone-depleting substances, such as Freon-R22 refrigeration gas, will also be phased out. A number of our cooling and refrigeration units across the business still use Freon-R22 gas. These have been earmarked for replacement, further increasing our administrative reporting responsibilities and compliance-related costs.

Waste management legislation

The National Environmental Management Waste Act, 2008 (Act 59 of 2008) (NEMWA) was amended during the reporting period and a number of new regulations published related to the classification, management and disposal of waste.

The waste amendment act defines the waste generated from the production of alcoholic beverages as general waste and how such waste must be handled. The legislative changes necessitate the introduction of revised waste-monitoring methods at our sites and our site services database system has to be modified accordingly.

Water legislation

During the reporting period the National Water Act, 1998 (Act 36 of 1998) (NWA) was amended and the revised General Authorisations, relating to the disposal of waste water, promulgated.

The revised regulation does not fundamentally differ from the previous regulation and caused no material change to the way we currently operate.

Local authority engagement

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

- Informal engagement with the Stellenbosch municipality relating to proposed new effluent by-laws – not yet available for public comment. As a result, the effluent discharge permits of facilities in the area have been extended until new permits can be issued. The new by-laws will also have an impact on our proposed new effluent treatment facility at our Adam Tas site. The full impact on our proposed effluent treatment facility is not yet known.

- Quarterly meetings with other industry players as part of the City of Cape Town's Accelerate Cape Town initiative to enhance the city as a sustainability destination 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 establishment of the Stellenbosch River Collaborative aimed at addressing the deteriorating water quality in the Eerste River catchment area. See page 15 for more detail.

Distell is also an active member of the Cape Winelands District Municipality Air Quality Forum. The forum did not meet during the reporting period.

Managing our environmental responsibility

Measuring and monitoring systems

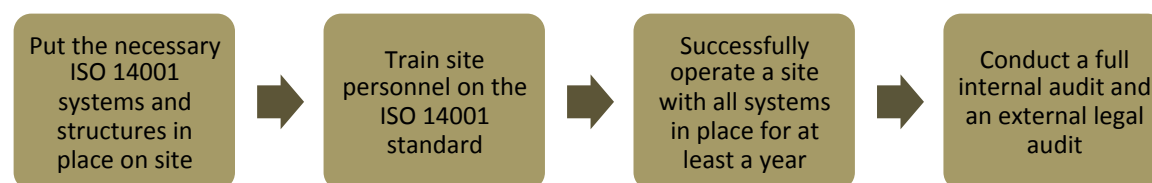
Since its implementation in July 2010, our greenhouse gas (GHG) reporting database has played a critical role in monitoring and managing our environmental management practices at an operational level. Tracking the GHG emissions for all our South African-based facilities, the database collects data on direct fuel and electricity purchases from our financial SAP system and converts it directly into carbon dioxide equivalent emissions (CO₂e). Non-financial activities, such as the application of fertiliser and the business-related travel, are tracked separately and feed into the GHG database on a daily basis.

In addition, we developed a site services dashboard (SSD) to monitor our performance against our resource usage reduction targets related to water, electricity and fossil fuel-based energy.

The roll-out of the SSD system to all our fully owned secondary production sites and the majority of our cider and spirit primary production sites has been completed. The LUSAN sites and our last outstanding primary production sites will come on line during the new financial year. The SSD is also being implemented at our new Ghana production facility and we will be rolling it out to our international facilities in France and Scotland soon.

Environmental certification

We are progressively implementing ISO 14001 certification at all our primary and secondary production facilities by formally certifying at least one site per annum. We prefer to submit sites for the external auditing process when we are satisfied that they meet all the necessary requirements. Our implementation process is depicted below:



In total, 88% of our sites (2013: 59%) are actively busy implementing ISO 14001. Forty-seven per cent (2013: 41%) have already been externally certified, while an additional 12% of our sites have all the required structures and systems in place and operate in accordance with the ISO 14001 system.

During the reporting year, we focused on our four secondary production sites located outside of the Western Cape to ensure that these sites comply with all the relevant environmental legislation. Supported by an external service provider, we conducted legal compliance audits and compiled the required ISO 14001 documentation, including an aspect register and environmental management plan, for each site.

In the new financial year all four sites will be taken through the rest of the ISO 14001 implementation process, starting with our Springs facility.

The table 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				
Production process	Facility	Location	Percentage ownership	ISO 14001:2004
Winery	Durbanville Hills	Durbanville Hills	72% owned	Fully certified in 2004
	Nederburg	Paarl	Fully owned	Fully certified in 2005
	Plaisir de Merle	Simondium	Fully owned	Fully certified in 2007
	Die Bergkelder	Stellenbosch	Fully owned	Fully certified in 2007
	Adam Tas	Stellenbosch	Fully owned	Fully certified in 2013
Cider and RTD production	Monis	Paarl	Fully owned	Fully certified in 2012
Distillery	Worcester	Worcester	Fully owned	Fully certified in 2014
	Van Ryn	Stellenbosch	Fully owned	Implementation commenced in 2014
	James Sedgwick Distillery	Wellington	Fully owned	Certification to be undertaken in 2015
	Goudini	Goudini	Fully owned	In operation since 2012
	Robertson	Robertson	Fully owned	To be determined
Bottling facility	Green Park	Epping	Fully owned	Fully certified in 2009
	Port Elizabeth	Port Elizabeth	Fully owned	Implementation commenced in 2014
	Wadeville	Wadeville	Fully owned	Implementation commenced in 2014
	Springs	Springs	Fully owned	Implementation commenced in 2014
	J.C. Le Roux	Stellenbosch	Fully owned	Implementation to commence in 2015
Bottle-washing facility	Ecowash	Wadeville	Fully owned	Implementation commenced in 2014

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

ISO 14001

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

The latest standard ISO 14001:2004 is currently 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.

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.

We also contracted an external organisation to raise awareness around water, electricity and fossil fuel usage at our sites. Due to the project's success, we plan to appoint someone permanently to engage staff at site level.

We continued with our sustainability training programme during the reporting year and held three workshops with 34 middle and senior managers. Since 2013, a total of 62 middle and senior managers have attended

these workshops. In order to speed up the roll-out of our sustainability training, we are working with our environmental training partner to convert the material into an e-learning module. We will introduce our new sustainability e-learning module in the new financial year.

Our dedicated intranet knowledge base is expanding and will also be used more extensively once the new position has been filled and the e-learning module has been completed. 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

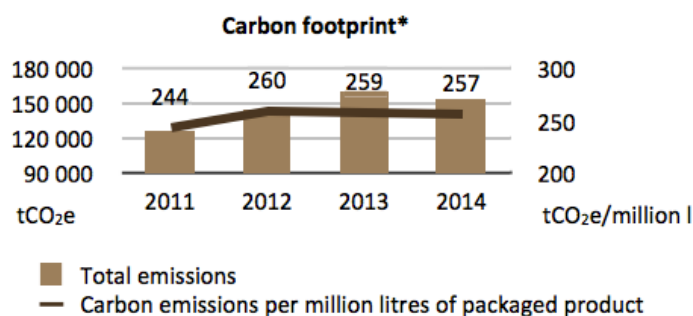
This year, we submitted our fourth annual carbon footprint report to the Carbon Disclosure Project (CDP). As with the previous year, Carbon Calculated⁸ externally verified our 2013 data against the ISO 14064-3 standard and provided us with limited assurance on the 2013 disclosure figures.

As we continue to refine our measurement processes, some restatements of previous data were necessary. All restatements are clearly marked in the carbon footprint table below.

Our direct emissions (Scope 1 and 2) decreased by 4,4% to 153 646 tonnes CO₂e (2013: 160 636 tCO₂e). We also managed to reduce our emission intensity per litre of product slightly by 0,8% to 257 tonnes CO₂e per million litres of packaged product. The decrease is primarily due to the 9,23% reduction in the coal used in our production boilers and the 0,29% reduction in electricity usage. This could be ascribed to the implementation of electricity and fossil fuel energy reduction projects as well as a 3,6% decrease in our production volumes.

Electricity accounted for 53,9% of our emissions, while a further 42,5% was caused by equipment under our control.

Our total GHG emissions, including Scope 3 and “out of scope” emissions, amount to 448 723 tonnes CO₂e (2013: 576 994 tCO₂e). We are still busy refining our Scope 3 disclosure, specifically transport-related emissions. We are confident that we can improve the accuracy of our Scope 3 data in the new financial year.



⁸ www.carboncalculated.co.za

Distell's carbon footprint (tonnes CO ₂ e)				
	2011	2012	2013	2014
Scope 1 direct emissions				
Equipment owned or controlled by Distell	58 751	70 699	70 954	65 287
Fuel used in forklifts	1 059	768	1 303	1 152
Vehicle fleet	4 208	4 168 ³	4 022 ³	3 959
Fertiliser application on farm	78 ¹	371	325	455
Total Scope 1 emissions	64 096	76 006	76 604	70 853
Scope 2 direct emissions				
Purchased electricity	62 582	69 314 ⁴	84 032 ⁴	82 793
Total Scope 2 emissions	62 582	69 314	84 032	82 793
Total Scope 1 and 2 emissions	126 678	145 320	160 636	153 646
Scope 3 indirect emissions				
Purchased goods and services, e.g. packaging material	2	393 005	402 175	284 962
Business travel – airplane flights	2	2 277	9 128 ⁵	4 573
Downstream transport and distribution	2	4 631	4 806 ⁶	5 081
Total Scope 3 emissions	2	399 914	416 109	294 616
Total Scope 1, 2 and 3 emissions	126 678	545 234	576 745	448 262
Non-Kyoto Protocol GHG emissions – Freon R22	2 027	942	248	176
Outside of Scope 1, 2 and 3 – Biomass (wood chips)				285
Total emissions	128 705	546 176	576 994	448 723
Full-time employees (FTE)	4 433	4 464	4 592	4 608
Kilowatt hours electricity consumed	60 759 693	70 014 458 ³	84 880 943	82 793 193
Intensity figures				
kWh per FTE	13 706	15 684	18 485	17 967
Tonnes CO ₂ e per FTE employee <small>Scope 1 & 2 only</small>	28,6	32,6	35,0	33,3
Tonnes CO ₂ e per million litres of packaged product <small>Scope 1 & 2 only</small>	243,8	260,1	259,0	257,0

1 Includes emissions from all LUSAN sites, but excludes emissions from Nederburg Wine Farms.

2 Not reported in 2011.

3 Litres of petrol and diesel used have been updated to reflect new ownership percentage in Lomond Wines Estate as from 2012.

4 Electricity usage updated to reflect new ownership percentage in Lomond Wines Estate as from 2012.

5 Correction of two category emission factors as part of the business travel.

6 Update of the emission factors for downstream transport to reflect financial year and not calendar year data.

We decommissioned our old Freon-R22 cooling-gas-based refrigeration system at the Adam Tas facility, resulting in a reduction in the use of this ozone-depleting gas. As an alternative to coal, we tested the viability of using biomass (wood chips) to power the boilers at our Worcester and Robertson facilities. Currently wood chips do not have an approved Scope 1 emission factor but the upstream emissions were calculated using the recognised emission factor and reported as “outside of Scope” as per the agreed GHG protocols.

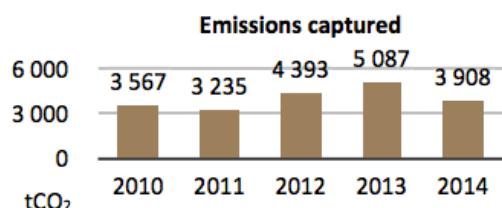
Our Scope 3 emissions associated with the packaging material reduced by 30%. This can be linked to the 3,6% reduction in the production volumes which lowered our glass bottle requirements, as well as the 20% reduction in the weight of new glass bought. We also introduced ciders-on-tap during the reporting year, using returnable kegs and not bottles or cans.

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. The latter is discussed in detail on page 37.

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. Our progress towards our reduction goals is detailed in the relevant sections below.

We 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 for cider production to carbonate our products. This in turn reduces our CO₂ purchases.



This year the volume of CO₂ captured was 23% lower. This is primarily due to lower annual production volumes. This was further compounded by periods of high production where the amount of CO₂ produced exceeded the maximum rate of CO₂ our infrastructure is capable of capturing, and low production periods where CO₂ levels fell below the minimum threshold where our infrastructure can start capturing CO₂ emissions.

Energy efficiency

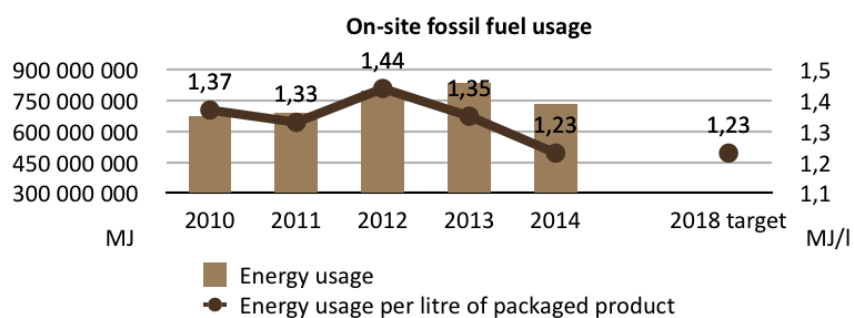
Our largest impact on climate change is caused by burning fossil fuels on site to generate steam for our boilers, as well as the purchase of mainly coal-based electricity from Eskom. We have set the following intensity targets for 2018 to reduce per product energy usage:

- 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).

Our base year for both targets is 2009.

Fossil fuel-based usage

Our fossil fuel-based energy usage fluctuates according to both market demand and forward planning stock management, which leads to an unsteady trend towards our target. This year we exceeded our original 2018 target by achieving a total reduction of 25,2%, four years ahead of time.



On-site fossil fuel usage	2010	2011	2012	2013	2014	2018 target
Energy usage (MJ)	675 059 757	690 450 743	802 314 741	836 507 295	734 926 303	
Energy usage per litre of packaged product (MJ/l)	1,37	1,33	1,44	1,35	1,23	1,23
% reduction*	17%	19%	13%	18%	25,2%	25%

*Calculated from the 2009 base year

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.

During the year we insulated additional steam pipelines at our Worcester, Goudini and Wellington distilleries to minimise heat losses and thereby reduce the amount of coal required by our boilers to compensate for the losses. As a result, we were able to reduce the amount of coal we needed across the three sites by approximately 550 tonnes.

We entered into an agreement with the National Business Initiative (NBI) and, as part of its Private Sector Energy Efficiency (PSEE) programme, will undertake a steam optimisation project at one of our secondary production sites to develop lead practice guidelines for the management of steam systems. The plan is to implement the guidelines at all our secondary production sites.

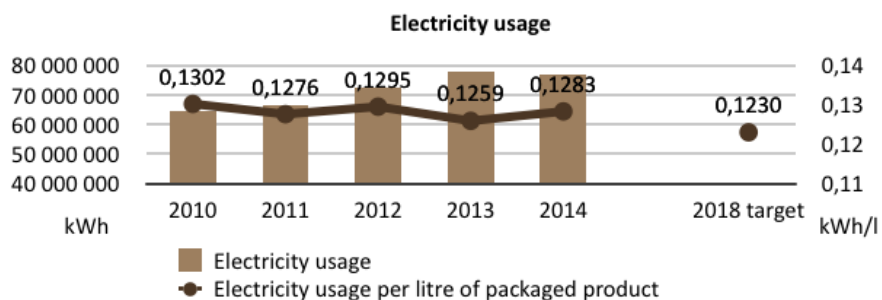
To reduce our dependence on coal, we tested the viability of using wood chips as a renewable fuel source for the boilers at our Worcester and Robertson distilleries. Tests where we used a mix of coal and wood proved successful; however, the moisture content of wood chips remains problematic as the wood's oil tends to settle in the boiler tubes, which reduces their system's heat transfer efficiency. We will continue our tests to find a suitable alternative.

We have furthermore found a suitable method of integrating a proposed new biogas (methane) boiler with our existing coal-based boilers at our Wellington site and plan to implement this dual system during the course of the next financial year. This will further reduce our coal requirements.

We are investigating the feasibility of generating methane gas at a waste water treatment facility at our Adam Tas site as yet another alternative fuel source. The current status of this project is discussed on page 57.

Electricity usage

Our progress towards achieving our electricity usage reduction target is presented in the graph and table below. Due to the reduction in our production volumes, our total electricity usage declined; however, our electricity intensity per litre of packaged product increased to near 2012 figures, despite the implementation of a number of electricity-saving projects. As a result, our overall energy reduction since 2009 is 11,33% against our 2018 target of 15%.



Electricity usage	2010	2011	2012	2013	2014	2018 target
Electricity usage (kWh)	64 388 773	66 267 095	72 372 784	78 090 306	76 715 095	
Electricity usage per litre of packaged product (kWh/l)	0,1302	0,1276	0,1295	0,1259	0,1283	0,123
% reduction*	10,02%	11,87%	10,49%	12,98%	11,33%	15%

*Using 2009 as base year

We installed a specialised freezer unit capable of extracting water from our fermented cider base. The unit will lead to a reduction in the cost of transporting fermented cider base to bottling plants in Port Elizabeth and Springs. While the unit will reduce our transport-related GHG emissions, it has increased our electricity usage substantially and is partially responsible for the increase in our electricity intensity figure.

An estimated saving of 1 678 MWh of electricity was achieved during the reporting year by implementing the following projects:

- Energy-efficient lighting upgrades at Green Park, Adam Tas, Durbanville Hills, Nederburg, Port Elizabeth and Worcester
- The optimisation of the refrigeration plant at Adam Tas
- The installation of various variable speed drives (VSD) on motors and pumps.

We completed energy audits at seven production sites to identify energy optimisation opportunities, of which some will be implemented during the new financial year.

Water usage and sustainable water supplies

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 (Act 36 of 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.

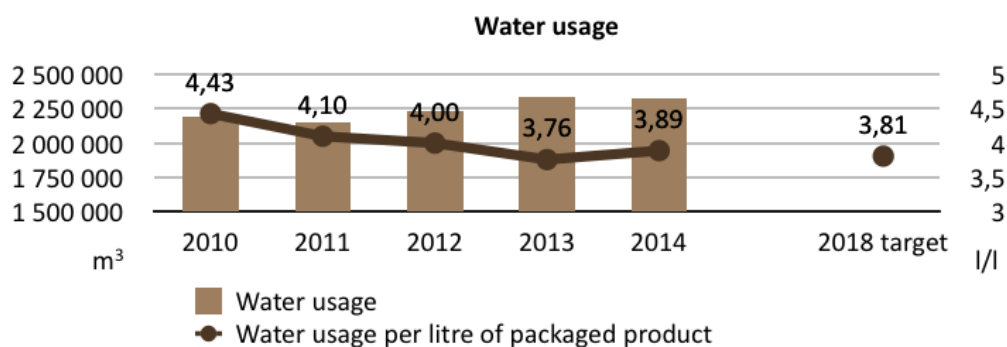
We recognise our obligation to use water responsibly and, in particular, treat and dispose of waste water sensibly.

All water usage at our different sites is measured and recorded on a continuous basis, to allow for improved management and reporting of water usage at a corporate level.

Water usage and sources affected

Our total water usage decreased marginally to 2,3 million cubic metres. However, by factoring in the 3,6% decrease in our overall production volumes, water efficiency declined to 3,89 litres of water per litre of packaged product.

This equates to an 8% reduction in water usage compared to 2009, against our 2018 target of 10%. The graph and table below summarises our progress over past five years.



Water usage	2010	2011	2012	2013	2014	2018 target
Water usage (kl)	2 189 532	2 151 211	2 236 709	2 334 652	2 326 599	
Water usage per litre of packaged product (l/l)	4,43	4,10	4,00	3,76	3,89	3,81
% reduction*	-4,70%	2,00%	5,30%	11%	8%	10%

*Using 2009 as base year

We reduced our water usage at various sites. At our Goudini site we installed a pressure reduction system on the irrigation network used for its lawns. This alone reduced the site's groundwater usage by an estimated 11 000 m³.

In general, our farms use groundwater supplies for drinking purposes and industrial usage in our wineries and bottling facilities, except for Groenhof and J.C. Le Roux farms where a portion of our irrigation needs is met by groundwater. All our farms are dependent on surface water for irrigation purposes.

The origin of the water we use on our farms and production sites is shown in the following tables:

Water source per farm			
Farm	Total water used, split by source		Detailed description
	% groundwater	% surface	
Papkuilsfontein	0%	100%	Surface water from Voëlvlei Dam (Berg River) via the West Coast District Municipality pipeline is used for both domestic use and irrigation.
Ernita	5%	95%	Borehole water is used for domestic purposes. Irrigation water is sourced from the Spruitriver via the Spruitriver Water Users Association.
Groenhof	20%	80%	Borehole water is used for domestic purposes and irrigation. Surface water from Knorhoek and Driesprong Rivers is used for irrigation.
Nederburg	1%	99%	Borehole water is used for the winery and domestic purposes. Irrigation water is sourced from the Palmiet irrigation scheme and farm dams that catch run-off from the area.
Plaisir de Merle	2,5%	97,5%	Borehole water is used for the winery and domestic purposes. Irrigation water is sourced from farm dams that catch run-off from the area.
J.C. Le Roux	30%	70%	Borehole water is used for domestic water and irrigation purposes. Surface water from Theewaterskloof Dam system via Wynland Water Users Association and some water from the Stellenbosch Municipality is used for irrigation.
Lomond	0%	100%	All water is sourced from the Kraaibosch Dam which is filled by the

			Uilenkraals River.
LUSAN – Le Bonheur	10%	90%	Borehole water is used for winery and domestic purposes. Natural run-off is stored in farm dams for irrigation.
LUSAN – Uitkyk	10%	90%	Borehole water is used for winery and domestic purposes. Natural run-off is stored in farm dams for irrigation.
LUSAN – Stellenzicht	10%	90%	Water from two springs is used for winery and domestic use. Irrigation water is sourced from Theewaterskloof Dam system and surface run-off stored in farms dams on site.
LUSAN – Alto	10%	90%	Spring water is used for winery and domestic use. Irrigation water is sourced from Theewaterskloof Dam system via Wynland Water Users Association.
LUSAN – Neethlingshof	0%	100%	The natural run-off stored in farm dams account for 20% of the farm's needs, while the rest is sourced from Theewaterskloof Dam system via Wynland Water Users Association.
LUSAN – Olives	0%	100%	Natural run-off is stored in farm dams for irrigation and domestic use.

Water sources per production site		
Production process	Production site	Water source
Wine production	Adam Tas	Stellenbosch Municipality
	Die Bergkelder	Stellenbosch Municipality
	Nederburg	Borehole and Drakenstein Municipality, Paarl
	Plaisir de Merle	Borehole
	Durbanville Hills	City of Cape Town via the Voëlvele water scheme
	LUSAN – Le Bonheur	Borehole
	LUSAN – Uitkyk	Borehole
	LUSAN – Stellenzicht	Two mountain springs and Theewaterskloof Dam
	LUSAN – Alto	Mountain spring
Spirit production	LUSAN – Neethlingshof	Stellenbosch Municipality
	James Sedgwick Distillery (Wellington)	Drakenstein Municipality and Berg River
	Worcester Distillery	Breede Valley Municipality
	Goudini Distillery	Borehole
	Robertson Distillery	Langeberg Municipality
	Wadeville Distillery	Ekurhuleni Municipality
Cider and RTD production	Van Ryn Distillery	Stellenbosch Municipality
	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

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.

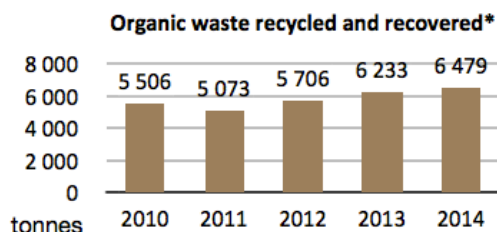
Primary waste management

Primary waste 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 reused as a soil conditioner. Filtration waste is disposed of by certified waste contractors.

The reporting year saw a 3,9% increase in the volume of organic waste recycled and recovered. This directly relates to an increase in the volume of grapes pressed, which depends on the grape harvest as well as the wine production requirements.



*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 table below 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 removed 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 gets removed by a contractor and taken to Brenn-O-Kem
Nederburg	Waste gets removed by a contractor and taken to Brenn-O-Kem
Durbanville Hills	Since 2011, the waste gets removed by a contractor and taken to Brenn-O-Kem
Plaisir de Merle	Composted on site for use in the farm's own organic vineyards
LUSAN – Le Bonheur	Composted on site for own use
LUSAN – Uitkyk	Waste gets removed by a contractor for composting
LUSAN – Stellenzicht	Composted on site for own use
LUSAN – Alto	Composted at Stellenzicht
LUSAN – Neethlingshof	Waste gets removed by a 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, re-use and recycle 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

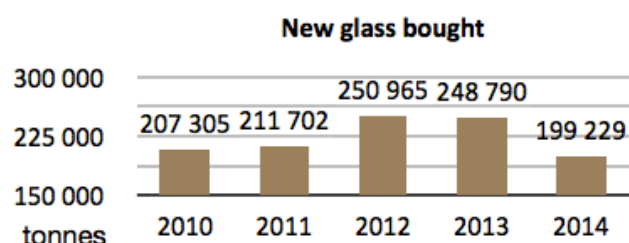
This year we used a total of 263 397 tonnes (2013: 326 592 tonnes) of glass bottles, of which 75,6% (2013: 76,2%) comprised new glass, and the remaining 64 168 tonnes (2013: 77 802 tonnes) comprised re-used bottles. We are actively working towards reducing the impact of our glass packaging by employing the three Rs of waste management: reduce, re-use and recycle.

Reducing the amount of new glass we require

This year we bought 199 229 tonnes of new glass, a 20% decrease compared to last year's 248 790 tonnes. The reduction can be attributed to the following factors:

- A production volume decrease of approximately 3,6%.
- Implementing 16 light-weight projects during the year, whereby we use lighter glass to package our largest brands. These projects reduced the amount of glass we required by 2 120 tonnes (2013: 2 239).

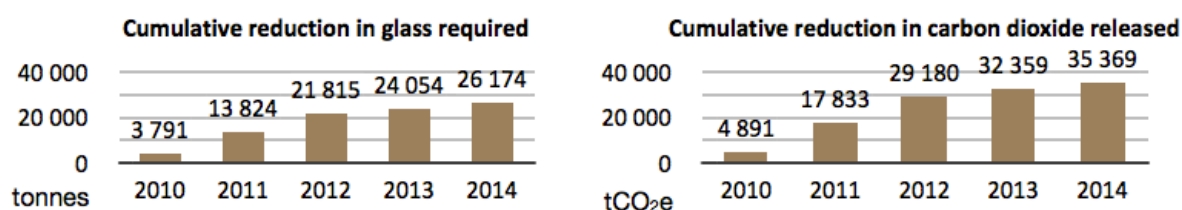
- Re-using glass bottles collected through our ongoing Give back, Get back (GBGB) initiative. We re-used a total of 64 168 tonnes (2013: 77 802) of glass, or 111,3 million bottles (2013: 139,9) this year, representing 24,4% (2013: 23,8%) of our total glass requirements.
- Introducing cider-on-tap, which makes use of returnable kegs instead of glass.
- Introducing bag-in-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 16 projects we implemented, two were in the spirit segment, 11 in the wine segment and three in the cider and RTD segment. Since we've introduced light-weight glass bottles in 2009, our total glass requirements reduced by 26 174 tonnes in total, representing approximately 9,9 percent 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 savings opportunities available, as is shown in the continued 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 3 010 tonnes of carbon dioxide equivalent emissions to be released into the atmosphere.



*The emissions factor used to determine the amount of CO₂e varies 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

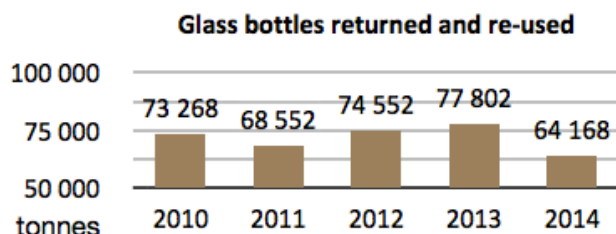
Three of our plants, Ecowash, Green Park and Port Elizabeth, are equipped to wash used bottles. This year, the number of bottles washed at the three facilities enabled us to re-use a total of 111,3 million bottles (2013: 139,9 million). In doing so, we reduced the amount of glass we had to purchase by 64 168 tonnes (2013: 77 802 tonnes). This equates to a saving of 101 007 tonnes (2013: 116 212) of CO₂e that would have been emitted if new bottles had been produced.

Through our GBGB programme, 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. The rest is sent to glass recycling plants as reported on below.

We continue to expand the GBGB programme and create awareness among our **redistributors and distribution partners** by building relationships with bottle merchants, assisting with their marketing activities and running

in-store activation campaigns at our own distribution centres and TradeXpresses. In the next financial year we plan to expand our programme to Botswana.

Our GBGB campaign is augmented by the activities of the Glass Recycling Company (GRC), a national voluntary industry initiative that promotes the sustainable recycling of glass. As an active shareholder and board member, we partially fund the GRC and work together with other major players in the glass industry to increase the rate of returnable glass and broken glass through advertising, training recycling merchants, providing glass banks and encouraging bottle returns through financial incentives.



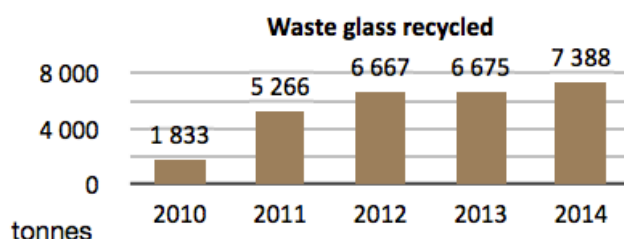
Glass bottles returned and re-used					
	2010	2011	2012	2013	2014
Number of bottles (millions)	132,3	125,6	132,7	139,9	111,3
Amount of glass (tonnes)	73 268	68 552	74 552	77 802	64 168
CO ₂ e reduction achieved (tonnes)	111 079	103 440	111 843	116 212	101 007

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 could be higher.

Recycling glass

Waste glass resulting from production activities 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 and eliminating wasteful practices remains a priority.



Other packaging and production waste

Our activities 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 removed by dedicated recycling companies.

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	2014
Cartons and paper	783	1 376	1 577	1 684	1 761
Plastic	571	549	862	857	875
Tetra Pak	*	*	2,2	4,6	2,4
Metal (including cans)	*	*	*	170,8**	265,8

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

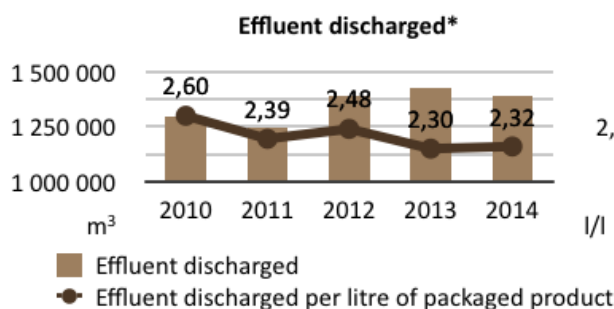
** Includes only metal can waste

Effluent and waste water

Our production processes do produce waste water and effluent as a by-product, but the bulk of our waste water is as a result of washing and cleaning in place (CIP) practices. CIP is critical to ensure our products comply with product quality and health and safety standards and therefore cannot be eliminated.

The volume and quality of waste water produced at our sites are measured either by us or by the local authority. The data is kept on site, uploaded onto our SSD database and reviewed by the management forums within our primary and secondary production business units on a monthly basis.

The absolute volume of waste water and effluent from our sites decreased by 1% during the reporting year to 1 393 562 m³ (2013: 1 430 153 m³), while our waste water intensity increased to 2,32 litres of effluent per litre of packaged product (2013: 2,30l/l).



Effluent* discharged	2010	2011	2012	2013	2014
Effluent discharged	1 294 459	1 248 579	1 389 256	1 430 153	1 393 562
Effluent discharged per litre of packaged product	2,60	2,39	2,48	2,30	2,32
Waste loading of effluent (kg COD)	4 857 668	6 580 333	5 436 127	4 629 459	6 727 104
Waste loading per litre of effluent	9,79	12,62	9,70	7,44	11,22

*Includes LUSAN figures

Effluent and waste water must be handled, stored, treated and disposed of in a responsible manner to prevent environmental contamination. 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 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 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. Together with external consultation, two effluent treatment plants have been proposed and, after successfully conducting EIAs this year, we are now authorised to start their construction. See page 57 for more detail.

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

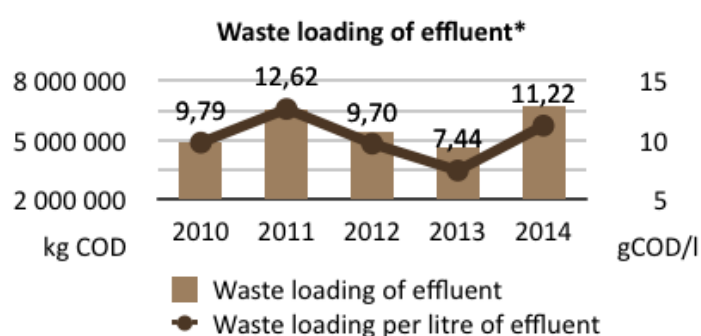
Generally, Distell's production sites use two methods to dispose of waste water:

- 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.

Our effluent volumes directly relate to the volume of fresh water we use. By reducing our water usage per litre of packaged products, we expect a similar reduction in waste water volumes. While decreased volumes of waste water is advantageous, reducing the water component results in increased effluent concentration or organic loading per litre of waste water and the risk of environmental damage if not treated properly.

The amount of organic matter discharged, as measured by its chemical oxygen demand (COD), increased significantly to 6 727 104 kg COD (2013: 4 629 459 kg COD).



*Includes LUSAN figures

Effluent disposal and treatment initiatives

In line with environmental best practice, we established an environmental monitoring committee to oversee/monitor the operation of our controlled evaporation facility at Klipvlak in Worcester and plans are in place to improve the facility's ability to handle periods of intense rainfall. We are also evaluating the feasibility of using an anaerobic treatment system to pretreat the waste water before pumping it to the evaporation site. This will reduce the water's organic load and allow us to produce biogas (methane) for our boilers.

Our plans to construct effluent treatment plants at our Goudini Distillery and Adam Tas sites are progressing well. During the period under review we completed EIAs for both sites and received environmental authorisation to proceed with construction. Our intention is to establish partnerships using the Build, Own, Operate and Transfer (BOOT) model to develop these facilities.

Due to the amended list of activities requiring environmental authorisation in South Africa, we no longer have to undertake EIAs before we construct a new water treatment facility at our Worcester site and upgrade our treatment facility in Wellington. This will have a positive impact on the ongoing feasibility studies related to these two projects and reduce the lead time before we can start with construction.

Conservation of biodiversity

Growth in industrial agriculture of necessity has an impact on 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.

Integrated Production of Wine

All Distell farms and independent suppliers 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, winemaking and wine-bottling activities. More detail is available on page 44.

Biodiversity and Wine Initiative

The Biodiversity and Wine Initiative (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 we have set aside for conservation, either through BWI or other conservancies, totals 2 017 ha, or 39% of the total area owned or partly owned by Distell. Distell farms that are now BWI members are set out in the table below.

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

Uitkyk, Le Bonheur and Plaisir de Merle are also members of the Greater Simonsberg Conservancy and discussions are underway with Groenhof to join the conservancy.

Clearing alien species

We are committed to removing alien species on our farms to allow indigenous species to reclaim the land. The process is labour-intensive and requires a number of follow-up clearing sessions to remove all young alien saplings. The extent of our clearing activities is shown in the table below.

Clearing of alien species				
Farm	Size (ha)	Area developed (vineyards, roads and buildings)	Area conserved (ha)	Cumulative area where alien plant clearing has been completed, and place and area where clearing has not yet started* (ha)
Papkuilsfontein	975	745	225	5*
Ernita	114	106	0	7 + 1*
Groenhof	269	137	102	45 + 57*
Nederburg	272	262	10	2 + 8*
Plaisir de Merle	974	675	299	102 + 123*
J.C. Le Roux	53	53	0	No alien species on farm
Lomond	964	310	465	260 + 20*
LUSAN – Le Bonheur	162	73	70	62 + 8*
LUSAN – Uitkyk	590	225	365	88 + 231*
LUSAN – Stellenzicht	228	195	33**	23 + 10*
LUSAN – Alto	192	102	90	60 + 30*
LUSAN – Neethlingshof	270	145	127	103 + 25*
LUSAN – Olives	106	88	6	No alien species on farm

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

Aan-de-Wagenweg, Stellenbosch 7600

PO Box 184, Stellenbosch 7599

Telephone: +27 21 809 7000

Facsimile: +27 21 886 4611

E-mail: info@distell.co.za

www.distell.co.za

