

# OUR APPROACH TO TAX

## 2021



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### Note:

In this document references to “Distell”, the “Distell Group”, the “Group”, “we”, “us” and “our” are to refer to either Distell Group Holdings Ltd and its subsidiaries and/or those who work for them generally, or where it is not necessary to refer to a particular entity, entities or persons. The use of those generic terms herein is for convenience only, and is in no way indicative of how the Distell Group or any entity within it is structured, managed or controlled.

## 1. Introduction

Distell Group Holdings Limited, the ultimate holding company for the Distell group of companies, is incorporated as a South African public company and is listed on the Johannesburg Stock Exchange.

Our approach to tax applies to all Distell Group Holdings Limited's subsidiaries, joint ventures, and/or entities where Distell exercises management control.

This approach to tax is aligned with the Group's values and purpose, Code of Conduct, business strategy and Sustainability Strategy.

This approach forms the foundation on how we:

- effectively manage the tax cost for the Group within the ambit of all applicable tax legislation;
- ensure the integrity of all reported tax positions and timely compliance with all relevant statutory tax obligations;
- control and manage tax risks and the Group's reputation through appropriate policies, communication and robust defense;
- influence governments and tax authorities constructively and positively in the interest of all our stakeholders;
- through business partnering facilitate the growth and development of the Group's business activities in a tax-efficient manner;
- develop and enhance our people professionally and personally; and
- act, where possible, in meeting the above objectives in a way that will enhance our customers' experience.

### **UK Finance Bill 2016**

Publication of this approach complies with the requirements set out in paragraph 16(2) Schedule 19 of the Finance Act 2016 for the Distell Group of managed companies and legal entities and relates to our accounting period ended 30 June 2021.

The UK activities consist of Distell International Holdings Limited, an investment holding company and its shareholding in various subsidiaries as well as other subsidiaries in the Group as set out in Annexure A.

### **King IV Report on Corporate Governance for South Africa 2016**

We take a responsible approach to the management of taxes, supporting the principles of transparency and active and constructive engagement with our stakeholders to deliver long term sustainable value. Our approach to tax demonstrates the Group's commitment toward ethical leadership.

## 2. Our Business Philosophy

### 2.1. Who we are

We are Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTDs) beverages, enjoyed responsibly by people across the world.

Our portfolio of brands offers consumers a choice for every occasion and provides unique moments of social enjoyment. The value we create also enriches the lives of our employees, shareholders and the communities in which we live and work.

Our values reflect what we stand for as an organisation and act as guiding principles. At the foundation of these values is a total commitment to our consumers and customers, characterised by an unwavering passion to serve their needs with integrity and excellence.

## **2.2. Where we operate**

Our head office is situated in Stellenbosch, South Africa. Across Africa, we have offices in Namibia, Botswana, eSwatini, Angola, Kenya, Nigeria, Mozambique and Zambia. Outside of Africa, we have offices in the UK, USA, Brazil and Taiwan – these provide support and give direction to a network of agents in more than 80 countries. We further own significant production facilities in Scotland and Kenya. We operate various distribution depots in South Africa and neighbouring countries. Most of the Group's revenue (72.7%) is generated in South Africa.

## **3. Economic Development Contribution**

The Group is committed to conducting its business operations to the highest ethical standards. These are brought to life by our well and continually communicated business values and supported by strong corporate governance protocols. We have embedded a culture of good governance across the business that extends beyond compliance; and we ensure that our practices in this regard are informed by international best practice.

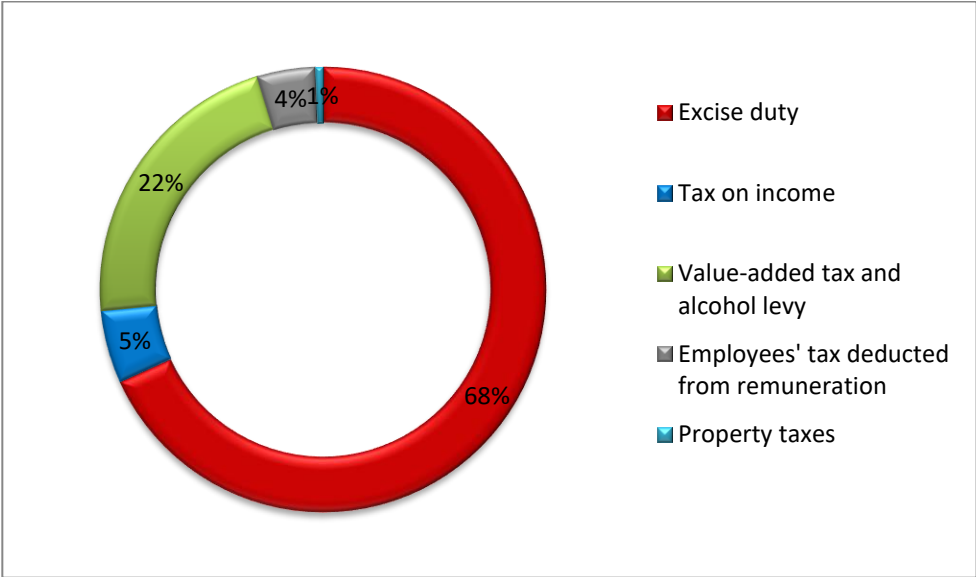
Sustainability remains a key strategic business priority for us. From an environmental perspective, Distell has done extensive work to assess key areas in the value chain impacted by climate change over the long term. Several initiatives have been successfully implemented to manage our carbon footprint.

As a responsible corporate citizen, we recognise our role in upholding industry standards, while contributing to an improved quality of life in the communities where we operate. We adopt environmentally-friendly and sustainable business practices and champion responsible alcohol consumption.

We acknowledge the importance of the social and economic impact we have on the communities in which we operate in contributing towards wealth creation. Our contribution includes job creation, investment, acquiring of goods and services and knowledge and skill transfers.

4. Total Tax Contribution

<b>2021 : R11,462m</b> <b>Total Tax Contribution</b> 2020 : R8,751m	<b>2021 : R7,817m</b> <b>Excise Duty</b> 2020 : R6,095m
<b>2021 : 25,1%</b> <b>Effective Tax Rate</b> 2020 : 43,6%	<b>2021 : R603m</b> <b>Taxes on Income</b> 2020 : R413m



## 5. How we manage our Tax Affairs

Distell operates in various countries and is subject to multiple tax regimes and regulations. Tax is embedded in almost every aspect of doing business and heavily impacts the key financial data and performance of the Group. Our key objective is to ensure full compliance with the tax rules and regulations of all countries in which we operate. Government is an important stakeholder for the Group and we will always co-operate with tax authorities by:

- adhering both to the letter and spirit of prevailing laws and regulations
- cultivating a good and long term relationship with tax authorities and public bodies.

Our Tax Policy and Tax Code of Conduct is based on the Group's [Code of Conduct](#) which sets out the required standard all Distell employees should adhere to.

### 5.1. Tax Governance

The Distell Group Holdings Board approves the overall Group Tax approach to tax management and is ultimately accountable for the Group's compliance with such approach.

The Chief Financial Officer (CFO) is responsible for tax at Board level and this includes updates on the tax affairs and risks of the Group to ensure that tax risk is controlled and managed at the appropriate level. The Audit and Risk Committees monitor the integrity of Distell's financial reporting system, internal controls and risk management framework which includes elements relating to taxation.

On an operational level, accountability for ensuring compliance with our approach is delegated to the Group Tax Manager (GTM) who is responsible for managing the tax affairs of the Distell Group.

### 5.2. Tax Responsibility

A global centralised tax function has been established to ensure effective implementation of policy. It further assists with the management of tax risk and the creation of a Group view of tax matters. The GTM ensures that appropriate procedures and guidelines are established, and suitable training and education provided to support the key principles above.

#### OUR TAX PRINCIPLES

- Full compliance with tax laws and regulations within the countries we operate
- Safeguarding of the Group's reputation as a responsible taxpayer
- Existence of a sound organisational set-up for appropriate tax management and planning and compliant with tax laws
- Policies aimed at controlling and limiting tax risk and effective identification and management of key risks
- Development and maintenance of professional working relationships with tax authorities, governments and related third parties
- The adoption of tax planning with a sound commercial objective that can be robustly defended
- Full disclosure of inadvertent errors to Tax Authorities

### 5.3. Risk

The Board of Directors of Distell has committed the Group to a process of risk management that is aligned with international best practice.

By understanding and managing risk, we provide greater dependability and credibility to shareholders, employees, customers and other stakeholders. Risk appetite and tolerance levels for strategic business objectives have been set in alignment with the strategic goals of our Group, and are used in line with the framework.

The Risk and Compliance Committee of Distell Group Holdings Limited is constituted as a sub-committee of the board of directors of the Company. The role of the Committee is to assist the Board to ensure that the Group implements a risk management infrastructure, effective frameworks, policies and plans and adequate enterprise risk management processes and activities in order to enhance the Group's ability to achieve its strategic objectives. The committee further ensures that the disclosure regarding risk is comprehensive, timely and relevant

Tax processes are allocated to appropriate process owners, who identify the key risks by reviewing activities and processes, and recommending mitigating controls.

The Group's policy on taxation is to minimise tax costs within the context of its commercial operations and with full regard to all relevant laws and regulations. A proactive, rather than reactive approach is required, in line with the Distell Group Tax Code of Conduct.

### 5.4. Tax Authority Relationships

The Tax Code of Conduct requires the Group Tax function to establish and manage a good relationship with tax authorities and to ensure that they are professional, respectful and courteous at all times.

It is Distell's policy to pursue an amicable working relationship with tax authorities which is pro-actively managed, minimising the risk of disputes or damage to Distell's reputation, regarding current, future and past tax risks.

Distell discloses all relevant facts when submitting tax returns to tax authorities. In the event of any inadvertent error(s) arising, full disclosure will be made to Tax Authorities. A wide range of interactions took place with tax authorities during the financial year under review relating to various aspects of tax, which include audits, queries and exchange of information.

### 5.5. Managing our Tax Position

Planning is only conducted in territories where adequate established substance exists.

Each tax issue is considered on its merits, including non-tax related complications on other business areas.

We only use business structures that are driven by commercial considerations, which are aligned with business activity and have genuine substance.



There are cases where it is possible to structure, or implement, a transaction in more than one manner and different amounts of tax may be payable depending on the route chosen. In such cases, we will seek to use the structure that gives the desired commercial result at the lowest tax cost.

Tax planning is considered in the context of the Group as a whole. In the event of a conflict between the Group's needs and the needs of a business unit or company within the Group, the Group's requirements will prevail subject to the need to recognise the interest of minority shareholders, if any, in subsidiaries.

### **5.6. Cross-border transaction with related parties**

Except South Africa, Distell also has manufacturing facilities in two other territories that sell products to related distributors globally. Furthermore, certain support functions are centralised enabling the Group to derive efficiencies.

Distell applies the OECD Transfer Pricing Guidelines regarding the arm's length principle to transfer pricing arrangements. We further apply consistent intercompany pricing methodologies to similar intercompany transactions.

We aim to ensure that all companies contributing to the Group's profit are aligned to the economic activities and value creation within that territory (ie aligned with functions performed, risks assumed and assets employed). This ensures that all companies in the Group's transfer pricing position will be defensible.

### **5.7. Uncertain Tax Positions**

Whenever there is doubt regarding the tax treatment of a transaction, we will attempt to establish the relevant tax authorities' view and obtain independent advice from senior counsel and tax advisers in the accounting and legal professions to formalise our position on the matter. We will apply for an Advanced Tax Ruling from Tax Authorities, when deemed appropriate.

### **5.8. Tax havens**

In determining the domicile of new business ventures all applicable matters are taken into consideration. However, commercial factors will predominantly be the determining considerations. Distell has no operating entities in tax havens.



## **Annexure A : United Kingdom registered entities**

### **Distell International Holdings Limited subsidiaries**

Distell International Limited  
Hurlingham International Limited  
Angola Beverages Holding Company Limited  
Distell Wines & Spirits UK Limited  
Burn Stewart (US Holdings) Limited  
Norden McCall Limited  
The Black Prince Scotch Whisky Company Limited  
Crowtherwood Limited  
St Leger & Co Limited  
Albyn Bond (Airdrie) Limited  
St Andrews Distilling Company Limited  
Ingenious Alchemy Company Limited  
Tobermory Distillers Limited  
The Bunnahabhain Distillery Company Limited  
Ledaig Distillery (Tobermory) Limited  
The Wallace Malt Liqueur Company Limited  
Deanston Distillery Company Limited  
Gordon Graham & Company Limited  
Burn, Stewart & Co Limited  
Burn Stewart (Sutton) Limited  
Petnor Blenders (London & Glasgow) Limited  
Tower Blending Company Limited  
Scottish Leader Limited  
Ross Brothers (Blenders) Limited  
Burn, McKenzie & Co Limited  
Highland Tower Co Limited  
Burn Stewart (Marylebone) Limited  
Kitsquare Limited  
Bri Bourne Limited  
Northern Blending Co Limited  
Troutdale Properties Limited

### **Other Subsidiaries within the Distell Group**

Henry C Collison & Sons Limited  
Imperial Distillers Co. Limited