



**Distell Group Ltd**  
**Our Approach to Tax**  
**2017**



## SCOPE

Distell Group Ltd, 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.

This strategy applies to all Distell Group Ltd subsidiaries and joint ventures with an interest of 50% or more, or where there is management control. Reference to 'Distell' or 'the Group' is applicable to all these entities.

This strategy applies from the date of publication until it is superseded. For the purposes of this strategy, tax is defined as all charges or levies (direct and indirect) including Excise Duty, Customs Duty, Corporate Tax, VAT, Employees' taxes, Stamp duty, Property tax and any similar taxes and duties paid and collected by us on behalf of governments in the territories we operate.

### UK Finance Bill 2016

The Finance Bill 2016 introduced the requirement for certain businesses in the United Kingdom (UK) to publish their tax strategy as it relates to or affects UK taxation. Principles applicable to the Group are equally applicable to our UK operations.

The UK activities consist of an investment holding company and a Scottish whisky distillery which also distributes and markets the Group's brands.

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

Our approach to tax demonstrates the Group's commitment toward ethical leadership.

## OUR BUSINESS PHILOSOPHY

### Who we are

The Distell Group is South Africa's and Africa's leading producer and marketer of wines, spirits, ciders and other ready-to-drink (RTD) beverages, sold across the world.

#### OUR MISSION

We craft distinctive alcoholic beverage brands, enhance memorable moments and inspire responsible enjoyment. The value we create enriches the lives of our people, shareholders and the communities within which we live and work.

#### OUR VISION

We are a proud African alcoholic beverages company with heritage, global reach, world-class people and the ability to do extraordinary things!

#### OUR PURPOSE

We exist to provide unique moments of social enjoyment through the responsible marketing of well-crafted wines, spirits and ciders.

#### OUR VALUES

- **Customer and consumer focus**  
We are passionate about our customers and consumers.
- **Courage**  
We are enterprising and courageous in the way we tackle challenges and opportunities.
- **Responsibility**  
We take ownership of our words, actions and commitments.
- **Respect**  
We respect people's views, attitudes and opinions.
- **Integrity**  
We act with integrity at all times.
- **Collaboration**  
We are one Distell team!



## Where we operate

Our head office is situated in Stellenbosch, South Africa. Across Africa, we have offices in Angola, Ghana, Kenya, Nigeria and Mozambique, with additional staff in Zimbabwe and Zambia. Outside of Africa, we have offices in the United Kingdom, France, USA, Brazil, Taiwan and Singapore – these provide support and give direction to a network of agents in more than 80 countries. We further own production facilities in France, Scotland and Kenya. We operate 37 trading depots in South Africa, with a further five in the BLNS countries. There is one independent distribution agent in South Africa, and elsewhere in Africa we make use of various distributors. Most of the Group's revenue (71,6%) is generated in South Africa.

## Our Brands

With a diverse portfolio of brands with rich provenance and authenticity, our products are priced across the pricing continuum to cater to a broad spectrum of consumers.

# 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.

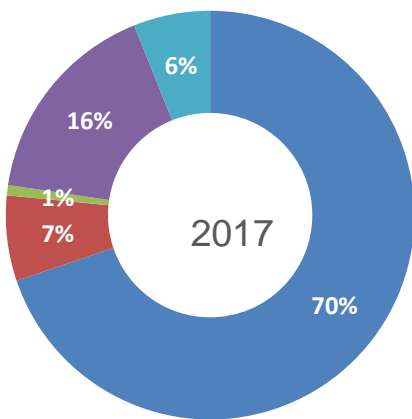
Sustainability remains a key strategic business priority for us. From an environmental perspective, Distell has done excellent work to assess key areas of the value chain impacted by climate change over the long term. Several initiatives have been successfully implemented to manage our carbon footprint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

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.

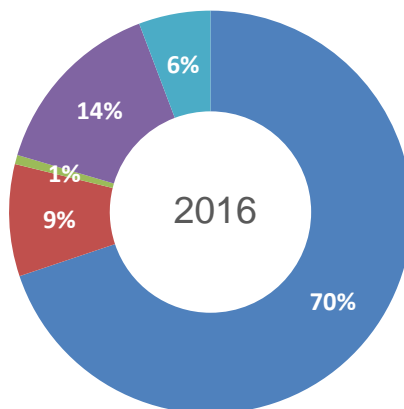
We acknowledge the importance of the social and economic impact we have on the communities in which we operate in contributing towards wealth creation. Our contribution includes job creation, investment, acquiring of goods and services and knowledge and skill transfers.

# TOTAL TAX CONTRIBUTION

<p><b>R7 417m</b> Total Tax Contribution 2016 : R6 856m</p>	<p><b>R5 177m</b> Excise Duty 2016 : R4 795m</p>
<p><b>32,2%</b> Effective Tax Rate 2016 : 29%</p>	<p><b>R500m</b> Taxes on Income 2016 : R617m</p>



- Excise duty
- Tax on income
- Property taxes
- Value added tax and alcohol levy
- Employees' tax deducted from remuneration



# HOW WE MANAGE OUT 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. The basic principle underlying our responsibility towards public authorities as stakeholder is our respect for and willingness to co-operate with government 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

## Tax Governance

The Chief Financial Officer (CFO) is responsible for tax at Board level which includes updates on the tax affairs and risks of the Group that ensures that tax risk is controlled and managed at the appropriate level. The Audit and Risk

Committees monitors the integrity of Distell's financial reporting system, internal controls and risk management framework which includes elements relating to taxation.

The day-to-day implementation of the Tax Strategy has been delegated to the Group Tax Manager (GTM) and an in-house team of tax professionals, who is qualified in a combination of accounting, tax and legal.

## 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.

## 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 will 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 should be used in line with the framework.

## 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 robustly be defended
- Full disclosure of inadvertent errors to Tax Authorities



The Risk and Compliance Committee of Distell Group Ltd 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 has implemented a risk management infrastructure, effective frameworks, policies and plans and adequate enterprise risk management processes and activities 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 review of the activities and processes, and recommends 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.

## 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, developments in the Distell business and interpretation of the law in relation to all relevant taxes.

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 meetings were held with tax authorities during the year relating to various aspects of tax, which include audits, queries and exchange of information.

## 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 complications on other business areas.

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.

## Cross-border transaction with related parties

Distell mainly has manufacturing activities in 3 territories. These territories sell to related distributors globally. Furthermore certain support functions are centralised enabling the Group to utilise 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 members in the Group's profit are aligned to the economic activities and value creation within that territory (ie aligns with functions performed, risks assumed and assets employed). This ensures that all members in the Group's transfer pricing position will be defensible

## 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.

## Tax havens

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