

2015 SUSTAINABILITY REPORT



DISTELL

Table of contents

ABOUT THIS REPORT.....	2
<i>Background and scope</i>	2
<i>Reporting principles</i>	2
<i>Report assurance</i>	2
<i>Integrated annual report</i>	2
<i>Further information</i>	2
CORPORATE RESPONSIBILITY	3
PROMOTING RESPONSIBLE DRINKING	7
<i>Reducing underage drinking</i>	9
<i>Preventing fetal alcohol spectrum disorder</i>	9
<i>Controlling the sale and marketing of alcoholic beverages</i>	11
<i>Reducing drinking and driving</i>	12
EXCISE AND ILLICIT TRADE	13
<i>Economic impact of high excise duty</i>	13
<i>Rise in illicit trade</i>	13
SUSTAINING OUR COMMUNITIES	14
OUR PEOPLE	25
<i>Employee relations</i>	26
<i>Fair employment practices</i>	28
<i>Talent management</i>	29
<i>Skills training and career development</i>	32
<i>Employee wellness</i>	36
<i>Ethics</i>	38
TRANSFORMATION	40
<i>Broad-based black economic empowerment</i>	40
<i>Employment equity</i>	44
<i>Talent management</i>	45
<i>Skills development</i>	45
RESPONSIBLE SUPPLY CHAIN MANAGEMENT	46
<i>Primary production activities</i>	47
<i>Secondary production activities</i>	51
<i>Upholding human rights</i>	52
PRESERVING OUR ENVIRONMENT	56
<i>Compliance with changing legislation</i>	56
<i>Managing our environmental responsibility</i>	58
<i>Climate change and carbon footprint</i>	60
<i>Energy efficiency</i>	64
<i>Water usage and sustainable water supplies</i>	68
<i>Waste management</i>	70
<i>Effluent and waste water</i>	75
<i>Conservation of biodiversity</i>	77

About this report

Background and scope

This is our fifth 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 2014 to 30 June 2015. 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 2013 to June 2014. These are valid until December 2015.

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.

As in 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 and have clearly stated where we have included non-financial data from these wineries.

There have been no significant changes from the 2014 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 2015 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. We appeal to consumers who have chosen to drink alcohol to enjoy our products responsibly.

Corporate responsibility

In our industry issues relating to corporate responsibility are as important to our future prosperity as the financial and other business issues reported on Pages 14 to 19. By understanding the legal environment, managing our risks and engaging with our various stakeholders, we have identified seven key issues contributing to the corporate responsibility pillar of our value-based management approach: promoting responsible drinking, excise and illicit trade, sustaining our communities, our people, transformation, responsible supply chain management, and preserving our environment.

This table provides a synopsis of our corporate responsibility issues, followed by a more detailed discussion below. In-depth information can be found at www.distell.co.za.

Material issues	Stakeholders	Our response and performance
Promoting responsible drinking <ul style="list-style-type: none"> Reducing underage drinking Preventing fetal alcohol spectrum disorder (FASD) Controlling the sale and marketing of alcoholic beverages Reducing drinking and driving <p>p. 7</p>	<ul style="list-style-type: none"> Government: Ministries and Departments of Trade and Industry (dti) (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 Non-Governmental Organisations (NGOs) Association for Responsible Alcohol (ARA) and the South African Liquor Brand Owners Association (SALBA) Liquor wholesalers, retailers and smaller outlets 	<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 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. Distell's input is included in SALBA response to the Draft National Liquor Review Document (submitted on 13 August, 2015). We invest in FASfacts, a non-profit organisations specialising in raising awareness among communities and providing treatment and counselling to those affected. FASfacts' Pregnant Women Mentoring Programme (PMWP) serves 120 mentees. A 77% success rate amongst the 79 women recruited was achieved, measured in terms of their refraining from alcohol during pregnancy and breastfeeding. Currently, 76 women (63%) stopped drinking during pregnancy. Of the 21 pregnant teenagers who took part in the project, 11 (52,4%) stopped drinking during pregnancy. Of the 13 (61,9%) school-goers, 6 went back to school.
Excise and illicit trade <ul style="list-style-type: none"> Economic impact of high excise duty Rise in illicit trade 	<ul style="list-style-type: none"> National treasury Industry associations Communities 	<ul style="list-style-type: none"> Excise tariffs in Southern Africa increased by 6% for cider, 7% for wine and 8.5% for spirits in 2015. Distell participated in the Southern African Customs Union's (SACU) tax policy review, advocating that further increases in excise tax are unlikely to reduce the misuse of alcohol products and may lead to serious unintended consequences, such as increased illicit trade, as well as job losses from reduced production activities.

p. 14		<ul style="list-style-type: none"> Develop, in collaboration with all stakeholders, a framework of action to quantify and mitigate the risk to the industry posed by the illicit liquor trade.
<p>Sustaining our communities</p> <ul style="list-style-type: none"> Service to communities Addressing unemployment <p>p. 15</p>	<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 educational institutions, research institutions and arts practitioners Employees 	<ul style="list-style-type: none"> Supported financially (and in-kind) 69 corporate social investment (CSI) programmes through the Distell Foundation. Total spend for 2015 financial year was R16,67 million (2014: R16,41 million). Supported various arts 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 the Chrysalis Academy, FASfacts and Goedgedacht Trust's Path-out-of-Poverty programme (POP). In December 2014, 541 students from Khayelitsha, Nyanga, Stellenbosch, Macassar, Mitchell's Plain, Worcester and the Eden District graduated from the Chrysalis Academy. An evaluation of the Goedgedacht Trust's POP programme showed significant improvement attendance and graduation from the Riebeek River Valley school, while teen and pre-teen pregnancy rates have also dropped significantly. Social cohesion was judged to have improved commensurately.
<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. 26</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"> Engage with staff through various media, including in-house magazines, workplace forums, union-management meetings, 284 mission-directed work teams and our on-site Full Circle Communications Model. Employee numbers increased to 5 520 *(2014: 5 284), with approximately 88,50% located in South Africa. Staff turnover increased to 11.14% (2014: 8,96%). Union membership decreased marginally to 33,08%. No strike action. Training spend increased by 56% to R24,5 million, with 81% of our training spend allocated to previously disadvantaged individuals (PDI). Lost-time injuries increased marginally to 149 (2014: 146), while the number of lost days increased to 1 701. 72 matters were reported for investigation, a significant increase following an awareness campaign. Of these, 34 were reported through the Ethics Line. There were no known instances of human rights violations by Distell.

		<ul style="list-style-type: none"> 44 cases were referred to the Commission for Conciliation, Mediation and Arbitration (CCMA), with 41 resolved in favour of Distell. <p>* Figure includes LUSAN</p>
<p>Transformation</p> <ul style="list-style-type: none"> Broad-based black economic empowerment Integrated transformation <p>p. 41</p>	<ul style="list-style-type: none"> Employees Suppliers Government: Departments of Labour, and Trade and Industry Communities 	<ul style="list-style-type: none"> Of our total South African staff complement, 73,1% are historically disadvantaged individuals (HDI) and 19,04% are female HDIs. Over 90% of all new appointments and 86% of all promotions were awarded to PDIs (74,4% to HDIs). Management comprises 35,8% females (2014:35,4%). Improved our B-BBEE score to 68,14 (2013: 64,06) and improved our contributor status from Level 5 to Level 4. Department of Trade and Industry (dti) introduced government's Revised Codes of Good Practice for B-BBEE. When in effect, our contribution level will drop and in response we have put in place a strategy to further transform our leadership and achieve Level 4 B-BBEE status under the revised codes by 2020.
<p>Responsible supply chain management</p> <ul style="list-style-type: none"> Primary production Secondary production Upholding human rights <p>p. 47</p>	<ul style="list-style-type: none"> Suppliers Employees United Nations Global Compact (UNGC) 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 	<ul style="list-style-type: none"> Spend in excess of R2,3 billion on raw materials in our primary production phase. Spend more than R3 billion on packaging materials (secondary production phase). Secured 370,2 million litres of grape, wine and wine-related products, 93,7% of which was sourced locally in South Africa. Sourced 90% of our wine requirements from independent wine cellars, 8,5% from independent grape growers, and 2,0% from our own farms. All grape and wine suppliers comply with IPW certification system. 83% (2014: 66%) 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 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. Certified the Papkuilsfontein farm as Fairtrade and market two Fairtrade-accredited wines: Place in the Sun and Earthbound. The latter is an organic wine brand. Both directly benefit the Papkuilsfontein farm workers through the Fairtrade standard.

		<ul style="list-style-type: none"> Limited trade recall of wine produced on a single bottling line representing 4,8% of total wine production and following a 0.33% incidence of small glass particles detected in a quality assurance test by our agent in Japan.
<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. 57</p>	<ul style="list-style-type: none"> Municipalities Suppliers Government: Departments of Environmental Affairs and Water and Sanitation , and Agriculture, Forestry and Fisheries Consumers Local communities NGOs 	<ul style="list-style-type: none"> Embedded the use of a 'site services' database for detailed measurement and reporting at our sites. Established and embedded ISO 14001-compliant management structures, with nine sites fully ISO 14001 certified and seven more sites advancing well towards certification. New revised 2020 resource usage targets were set after reaching the previous targets for 2018 in 2014. Against our new 2020 per-product reduction targets (using 2014 as base year) achieved a: <ul style="list-style-type: none"> 7,8% reduction in on-site fossil fuel energy usage, against a target of 20%; 5,5% reduction in electricity usage, against a target of 20%; 7,2% reduction in GHG emissions against a new target of 25%; and 5,9% reduction in water usage, against a target of 15%. Carbon footprint (scope 1 and 2) of 159 787 tonnes carbon dioxide emissions (CO₂e). Captured 4 698 tonnes (2014: 3 908 tonnes) of carbon dioxide (CO₂) at our cider production facility. Reused 154,2 million bottles, representing 27% (2014: 28,4%) of our total glass requirements in weight this year. Effluent discharged per litre of packaged product amounted to 2,55 litres (2014: 2,32 litres).

Promoting responsible drinking

Key focus areas:

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

Distell 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, and manufacturers and marketers 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 and believe government wishes to act prudently. That is why we have welcomed an opportunity to make submissions in respect of the new National Liquor Policy document which cabinet approved for consultation with all affected role-players.

In May 2015, the dti published the National Liquor Policy Review, a discussion document for public consultation. This document makes a number of recommendations:

1. The Minister of Trade and Industry must be empowered to determine the restrictions and parameters for advertising and marketing of liquor products, subject to the outcome of the Control of Marketing of Alcoholic Beverages Bill. This recommendation is intended to “provide flexibility in setting parameters and restrictions in a manner guided by the extent of the problem faced.”
2. Liquor premises must be located at least 500 m away from schools, places of worship, recreation facilities, rehabilitation or treatment centres, residential areas and public institutions. No licences to be issued to petrol service stations and premises near public transport.
3. Manufacturers may not supply to unlicensed traders and the manufacturer, distributor and trader would bear the liability for harm or damages as a result of intoxication.
4. Uniform trading hours and days within zoned areas, integrated in national, provincial and municipal legislation.
5. Review of the national minimum legal drinking age from 18 to 21 years.
6. The establishment of a government-managed fund to support activities to combat alcohol abuse.
7. Provision for the National Liquor Authority to provide for education, awareness and capacity building initiatives.
8. Alignment of legislation across provinces to facilitate seamless enforcement.

Demonstrating government’s desire to reconcile the various interests and considerations in the liquor industry, the dti invited the public and the liquor industry to submit comments on the Draft National Liquor Review Document by 13 August 2015. SALBA is making a submission on behalf of its members; this will include Distell’s input and reflect the views of the company (this submission was not available at the time of this publication).

Distell has indicated its willingness to work with government to find appropriate solutions to alcohol-abuse-related challenges, and it appears that other industry roleplayers are taking a similar view. We believe that the

liquor policy that can emerge after intense consultations will offer sound guidelines for managing economic opportunities in the liquor industry, while at the same time addressing health and social issues.

Key aspects of the proposed policy which we need to address include:

- Transformation of the industry
- Alcohol abuse and related harm (see Sustaining our communities)
- Responsible drinking
- Trading regulation (trading days and hours in regulated zones)

We have noted the dti's assertion that it will be very firm in its approach to transformation in the liquor industry, as expressed in the proposed liquor policy. We expect to continue engaging with dti in this regard. In the meantime we have developed a comprehensive integrated transformation strategy to ensure that Distell addresses its own transformation aspirations, as well as those of government.

A Transformation Council has been established to ensure that the strategy is implemented effectively. The Council's members include Distell's Group Managing Director, as well as several other of Distell's directors. Further reporting in this regard can be found in the Transformation section on page 41.

Alcohol abuse and related harm is linked to our socio-economic programmes and our membership of the ARA. Distell notes government's intention, expressed in the proposed national liquor policy, to establish a government-managed fund that will focus on education and awareness, intended to promote not only responsible drinking amongst people who have chosen to drink alcohol, but also amongst people who have chosen not to drink alcohol.

In focusing on these issues, government has also indicated that it is giving strong consideration to issues of, accessibility, availability, marketing and price.

Once the dti has analysed the submissions, it will circulate an updated document to the provinces. Only after that round of engagement is it expected that the policy will be turned into legislation.

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 CSI activities contribute towards this goal in some form or another. These are outlined in this chapter and *Sustaining our communities* on page 14.

We define four key issues under the sustainable management of responsible drinking:

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

These four issues are discussed below.

Internal policy and approach to responsible drinking

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 ARA.

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.

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. A wide spectrum of stakeholder groups, including the WHO, international bodies, NGOs, parents and communities continue to raise valid concerns around the economic and social impact of underage and binge drinking among the youth.

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:

- Raising the drinking age limit from 18 to 21 years
- Banning the advertising of alcohol
- Introducing more restrictive trading hours, days and distribution hours.

We acknowledge the concerns raised 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.

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.

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.

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, 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

FASD is the most common preventable form of mental disability in the world. FASD includes a wide range of intellectual, emotional and physiological disabilities in children whose mothers drink alcohol during pregnancy, and its cost to society is substantial.

The most severe manifestation of FASD is Fetal Alcohol Syndrome (FAS). The main effect of FAS is permanent damage to the central nervous system. Given that prenatal alcohol exposure can affect any fetal organ development, people with FAS can also experience visual, hearing, cardiac problems. People with FAS are afflicted with lifelong intellectual, learning and behavioural challenges, thus contributing to many of the social ills faced by communities, including unemployment, crime and violence.

It has been estimated by the Foundation for Alcohol-Related Research (FARR), that as many as one in every four South African women is a heavy drinker and that about two million people are impacted by drinking during pregnancy.

As a member of ARA, we acknowledge concerns related to FASD. In response, we invest in FASfacts, a programme to raise awareness and support pregnant women throughout the duration of their pregnancies, and we also support the Goedgedacht Trust, an NGO that has similar objectives.

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.

FASfacts

FASfacts, a Worcester-based not-for-profit organisation established in 2002, works with local communities at risk to raise their awareness about the impact of alcohol consumption during pregnancy. The organisation is reliant exclusively on donor funding and Distell has been one of its major benefactors since 2008. FASfacts uses a range of educational materials and experiential learning initiatives to raise awareness of FASD and the steps to prevent it.

In certain high-risk rural areas, it is estimated that anywhere between 40% and 72% of children may have symptoms of FASD of which permanent brain damage is the most predominant.

FASfacts directs a substantial amount of its resources towards its **Pregnant Women Mentoring Programme (PWMP)**, being run in partnership with community members and their leaders, schools, youth, as well as several church groups, and also taverners.

During the first two years of the PWMP, close to 100 people a year underwent the voluntary mentorship, although this has been stepped up to 120 in 2015 and the aim is to increase the intake and the number of mentors annually.

After a three-day training programme, mentors recruit pregnant women through consultations with community and family members and door-to-door campaigns. The mentors educate the mentees regarding the severe damaging influence of alcohol on the unborn baby, and guide them to abstain from alcohol during pregnancy and breastfeeding. FASfacts provides the mentors and participants with educational material in this regard. Participants have to pledge not to drink while pregnant. They are closely monitored to ensure they comply and are provided family counselling.

Key to PWMP's sustainability has been the increasing inclusion of men in the initiative. They are also mentored and, in turn, can become mentors themselves. By sharing the responsibility for the unborn child, both members of the couple are involved; this reduces the temptation for the expectant mother to start drinking again.

The PWMP is managed by a social worker and currently there are 30 female and 10 male mentors working with a group of 120 mentees. In 2014, FASfacts' PWMP trained 30 female mentors. A 77% success rate amongst the 79 women recruited was achieved, measured in terms of their refraining from alcohol during pregnancy and breastfeeding. Currently, 76 women (63%) stopped drinking during pregnancy. Of the 21 pregnant teenagers

who took part in the project, 11 (52,4%) stopped drinking during pregnancy. Of the 13 (61,9%) school-goers, 6 went back to school.

The PWMP empowers women on many levels in the Worcester community. It gives women the knowledge to look after their own health, as well as the health of their unborn babies. By making healthy choices during their pregnancies, they deliver healthy babies, decreasing the burden on the community as well as on the state by decreasing the secondary consequences caused by FASD.

We will do studies of our key prevention and remediation programmes to assess their impact. Where the results show programmes are effective, we will extend their reach in order to tackle harm more effectively. Our work in this regard forms part of our corporate social investment activities, as discussed on pages 16 - 21.

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. The debate between industry and the South African government centres on whether or not there is a causal link between alcohol advertising and the volume alcohol consumed.

The government contends that advertising glamourises the use of liquor and encourages the youth and vulnerable communities to use and abuse alcohol. All role-players agree that irresponsible alcohol advertising creates false impressions and promotes practices that can give rise to some of the social concerns related to alcohol abuse.

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.

The industry recognises that the government is searching for a policy that reduces self-harm, while promoting economic interests. Within this context, both the industry and the government have commissioned studies to understand the effectiveness of an outright ban on liquor advertising in combating alcohol abuse.

A study by Econometrix, commissioned by the ARA, showed no causal link between alcohol advertising and the volume of alcohol consumed. 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.

The South African government has also looked into the effects of alcohol advertising, as well as the effectiveness of awareness programmes to reduce alcohol abuse. In 2013, an anti-substance abuse programme, known also as the National Drug Master Plan, was tabled to Cabinet. Earlier this year the National Department of Health developed a draft Control of the Marketing of Alcohol Beverages Bill to the Cabinet's Inter-Ministerial Committee (IMC) calling for the restriction of advertising of alcoholic beverages and the prohibition of sponsorship and promotion of alcoholic beverages. The Bill was received by cabinet who instructed that a study to assess the economic impact be conducted. The study was completed in 2014. While the results of that study have not been made public, it can be assumed that this research has informed the development of proposed legislation currently under discussion (see National Liquor Policy Review).

Our current 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. One issue under discussion relates to the size of health warnings on product packaging. The Department of Health has claimed that health warnings are too small. The industry responded by providing samples for assessment and comment. So far there has been no responding comment from the DoH.

Together with industry, we urge government to take a more precautionary approach and consider the industry's submission on the National Liquor Policy draft document proposed by the National Liquor Authority.

Reducing drinking and driving

Context to recognise and qualify the importance of the issue

According to a burden of disease study conducted in 2007 by the Western Cape Department of Health, driving while intoxicated is the biggest contributor to accidents in South Africa; indeed, the majority of motor accidents involve at least one driver confirmed to be under the influence of alcohol. However, the picture is not so clear cut, for recent research by Stats SA has shown that pedestrians under the influence of alcohol are actually the main risk facing safety on the country's roads, accounting for approximately a third of all road fatalities in South Africa.

Nonetheless, government has proposed 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.

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. Rather, we call for effective enforcement of existing laws to improve road safety. This should include more effective awareness and prevention campaigns aimed at pedestrians. We encourage the inclusion of drinking and driving awareness in driver's licence exams.

Finally, we contend that imposing a zero-tolerance policy on all drivers runs the risk of potentially criminalising the actions of responsible and productive citizens.

Distell and other ARA members continue to run campaigns raising awareness about drinking and driving. These road safety campaigns include pedestrian safety. 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.

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

National Treasury has revised the tax burden targets for alcoholic beverages in February 2015 by excluding the VAT component and as such they have not been materially adjusted upwards. The new targets for beer, wine and spirits are 23%, 11% and 36% respectively. The targets are measured using excise as a percentage of the retail selling price. The revised tax targets supported excise tariff increases of 6% for cider, 7% for wine and 8.5% for spirits in 2015.

Economic impact of high excise duty

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 continued to decline in 2015. 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 ending 2014 has resulted in a loss of R1,56 billion in economic value add to the South African economy and a loss of over 7 500 job opportunities.

Rise in illicit trade

Increases in excise tax are an important catalyst for illicit trading and the consequent evasion of tax on a large scale. According to the 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.

Distell, along with its industry peers and SALBA, has participated in the SACU tax policy review, with the aim of providing constructive inputs that objectively consider all the consequences of excise policy, unintended as well as intended. We are awaiting the finalisation of the SACU tax policy on alcoholic beverages.

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

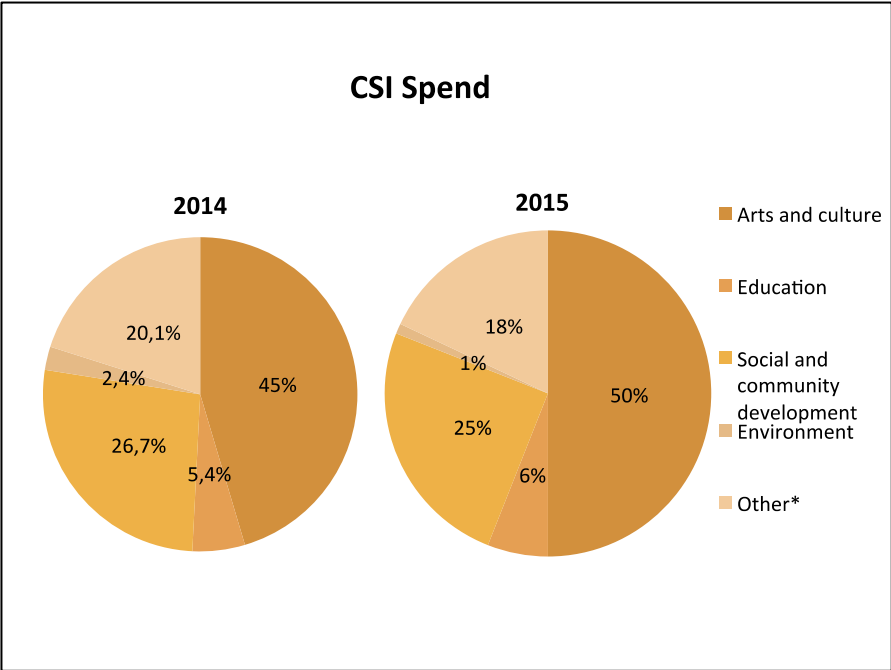
Strong and healthy communities offer a measure of protection or prevention against abusive practices, including alcohol abuse. Distell’s approach to socio-economic development is therefore to participate constructively in the communities in which operate, supporting their welfare. Our total spend for 2015 financial year was R16,67 million (2014: R16,41 million).

The 69 CSI projects we supported during the year under review are the responsibility of the Distell Foundation. The Foundation’s CSI activities fall under the Company’s corporate and regulatory affairs division and the Foundation reports to Distell’s Social and Ethics committee.

In focussing on life skills and programmes related to alcohol-usage, we seek to achieve better alignment between our business and our affected communities. Our strategy for achieving significant impact, especially amongst the youth, is to support programmes that have a holistic impact on communities and individuals. A number of aspects, such as education, life skills, technical skills, job creation, entrepreneurship and environmental awareness, are therefore often the outcomes of many of our projects.

Further, considering our involvement in the South African arts and culture world for 50 years, we draw on the power of arts and culture to focus on specific social issues such as education, unemployment, health and the awareness of responsible drinking. Indeed, half of our CSI budget supports programmes related to arts and culture.

Over the past two years, the Foundation has been collaborating with Distell’s environmental unit to promote environmental awareness in our communities. Such projects, in protecting and rehabilitating the immediate, local environment, often also yield direct social benefits.



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

The tables below summarise our projects within our various focus areas, and also show their impact across multiple developmental aspects, contributing towards our holistic development strategy.

Life skills development for the youth

Our investment in youth development programmes involves teaching life skills training to support youth at risk. These programmes are intended to better equip the youth with the necessary tools to make responsible life choices by managing peer pressure and challenging social issues.

Providing a safe, enabling environment to vulnerable youth can enhance their chances of becoming responsible and functional adults who are able to contribute positively to their communities, the broader society and their own futures.

Name programme/project	Arts & culture	Education	Skills development	Job creation (entrepreneurship)	Youth development	Environment
Chrysalis Academy Life skills development for youth supported mainly by the Western Cape provincial government	Poetry and writing as part of trauma relief	Further study opportunities	Technical and life skills	Place in jobs (internships)	Build resilience in youth exposed to substance abuse and gang violence	
FASfacts FASD prevention Programme		Education about dangers of alcohol to the unborn child. Support is also given through a mentorship programme			Vulnerable pregnant women	
Goedgedacht Trust's Path-out-of-Poverty (POP) programme. Prepares rural children for school, supporting them throughout their school careers and keeping them at school	Drama therapy programme (including technical aspects)	Assist with homework after school.	Life skills and leadership		School holiday programme to develop youth leadership	Awareness of environment a strong focus area
Vision Afrika Focus on youth development (Grade 9 -12) (Distell supports the greater Stellenbosch community, Grade 10)		Homework and research assistance for school projects	Life skills		Yes	
The South African Life College Group Mindset and attitudes for secondary school students at the Siyabonga High School in Braamfontein			Mindset and attitudes (psychosocial skills)		Preparation for work life	
Siyazenzela Programme (previously Umzi Wethu) at the Sustainability Institute, Stellenbosch		Focuses on studies (how to get access)	Strong lifeskills component	Helps vulnerable youth who are job seekers, to effectively access the job market or further education and training.	Focus on leadership and livelihood	Focus on experience in ecology.
Prochorus Jonkershoek		Assists children with homework and studying after school	Life skills, including education and sport		Young school learners	
Anna Foundation	Drama Therapy; Art	Homework assistance and	Strong life skills component,		Children on farms	

		extra school work according to curriculum	including sports development			
Pebbles Project	Drama therapy and art	Homework assistance and extra school according to curriculum.	Strong life skills component, such as physical exercise		Assists children on farms and rural areas Crèches with special educational needs.	

Entrepreneurship /job creation

High unemployment and poverty in South Africa make it critical that we support capacity building projects to grow business skills as a way of accelerating job creation. We support small-scale producers of goods by funding workshops that focus on product development, quality control, marketing and management skills to ensure the sustainability and growth of such micro/small businesses.

Name programme/project	Arts & culture	Education	Skills development	Job creation (entrepreneurship)	Youth development	Environment
Stellemploy Training Centre Distell supports the food preparation course to prepare unskilled and unemployed for the catering industry			Technical skills Food preparation skills	On successful completion, students placed in jobs		
Bergsicht Training Centre Distell supports the Catercare course to prepare unskilled and unemployed for the labour market			Catering skills	On successful completion, students are placed in jobs		
Worcester Institute for the Blind		Students are trained to prepare them for the formal job market	Life skills and technical skills.	Various industries/factories on their premises where blind people manufacture products that are sold for income.		
South African Wildlife College Enterprise development programme			Entrepreneurial skills	Strengthen businesses on the border of the Kruger National Park (KNP). These businesses also become vendors / service providers of the KNP.		Conservation
Horison House for Intellectually Challenged Adults Distell supports the transportation of adults from Kayamandi to work at the recycling area.			Life skills and technical skills	Various workshops where they do work in a safe environment – also generates income for the home that forms part of their sustainability plan.		
University of Stellenbosch's Business School's Small Business Academy Distell Foundation is one of the Gold Sponsors of the project			Hard skills/ technical business skills; strong mentorship component	Entrepreneurship; Development of owners of small existing businesses		

Environmental programmes

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

Name programme/project	Arts & culture	Education	Skills development	Job creation (entrepreneurship)	Youth development	Environment
River Cleaning project with Stellenbosch Night Shelter			Yes	Nightshelter occupants are paid a fee for cleaning the Plankenbrug River, twice a week		Yes
Insect study on Pappegaaiberg		Yes	Yes	Yes		Yes
Water Collaborative (rehab of Plakenberg fresh water sources) Wildlands Trust		Yes	Yes	Yes		Yes

Arts and Culture

Distell's contribution to South Africa's cultural development is based on the belief that the arts are a catalyst for individual, social and environmental transformation, playing an important role in building mindfulness and responsible living. We currently support various creative arts initiatives which focus mainly on growing the arts sector. In the future, however, our Arts & Culture support will be integrated into programmes that create awareness around our main focus areas: FASD and youth development. These will include Edu-tainment and art therapy intervention programmes which will promote and focus on the responsible interaction with alcohol on various levels.

Performing and visual arts, design and craft development projects are supported at the Oude Libertas Centre in Stellenbosch and through the annual Fleur du Cap Theatre Awards and Nederburg Concert Series.

The various Arts & Culture projects the company supports focus on different aspects such as education, skills development, job creation, youth development and environment.

Name programme/project	Arts & Culture	Education	Skills Development	Job Creation & Entrepreneurship	Youth Development	Environment
Job Creation and Entrepreneurship Projects: LivingIt - Afrigani Project Uvuyo Women's' Handwork Project Kayamandi Craft Curio Collective Keiskamma Art Project	Craft, film, photography and design	Training and educational workshops around small business development Environmental and life skills education through film	Craft and handwork skills Product Development Marketing and Sales	Income is generated through products sold at selected shops and markets	Some projects have youth development components	The Afrigami and Keiskamma Art Project draw their inspiration from environmental conservation and especially South African Fauna and Flora
Awards Recognising excellence in professional theatre and in other genres of the creative arts industry	Fleur du Cap Theatre Awards – in its 50 th year. Annual awards given to professional theatre productions which take place in the Cape region in 20 different categories. Arts and Culture Trust Awards - presented to individuals under the age of 30, operating in				Emerging and young artists also receive recognition through these various awards	

	<p>South Africa and in the first five years of their professional careers</p> <p>Naledi Theatre Awards – annual awards for professional theatre which happen in the Johannesburg area.</p> <p>BASA (Business and Arts South Africa) Awards – Awards given to corporate companies which support the arts in SA.</p>					
<p>Theatre development programmes:</p> <p>Emerging Director's Bursaries via Theatre Arts Admin Collective</p> <p>Assitej SA – Inspiring a New Generation</p> <p>Buya Theatre Academy</p> <p>Magnet Theatre Training Programme</p> <p>Kayamandi Creative District by ATi (Arts Township International)</p> <p>Showcasing emerging artist at Oude Libertas Amphitheatre</p> <p>Art Festivals</p>	<p>For the past 50 years, the company has been instrumental in launching and developing many South African artists' careers through its investment in the arts sector.</p>		<p>Projects which provide training in theatre craft, directing, administration and technical abilities</p> <p>Many projects have a strong life skills component which adds value to the development of individuals</p>	<p>Opportunities for on the job training</p>	<p>Youth from township and rural areas</p>	
<p>Music development programmes Classical, jazz, contemporary and Africa music</p>	<p>Cape Philharmonic Orchestra</p> <p>Cape Town Opera</p> <p>*International Chamber Music Festival</p> <p>Nederburg Concert Series</p> <p>Rainbow Arts Organisation</p> <p>Rietenbosch Music Project</p> <p>Stellenbosch Heritage Festival – E' Bosch Choir Festival</p> <p>Cape Classic Concerts</p>		<p>Training programmes</p>	<p>Some projects lead to professional employment</p>	<p>Emerging artists</p>	
<p>On-the-job training for university students</p>				<p>Drama, hospitality and photography students from University of</p>		

				Stellenbosch (US), University of Cape Town (UCT), Stellenbosch Academy of Design & Photography, Northlink and Varsity College get a chance to work at big events such as the annual Fleur du Cap theatre Awards.		
Oude Libertas Showcase professional and emerging artists Host skills development workshops	All aspects of arts and culture are supported		Various workshops are hosted to improve skills on many levels	Emerging artists receive opportunities to grow their skills in a professional environment	Children's Theatre inspire the youth. Support are given to emerging talent	
Bursaries	Emerging theatre directors *Visual arts at US	Ad Hoc tertiary education bursaries are awarded to selected individuals who partake in projects the company supports			Emerging artists receive bursaries	

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.

Name programme/project	Arts & culture	Education	Skills development	Job creation (entrepreneurship)	Youth development	Environment
North West University's Ikateleng project		Extra classes in maths, science etc.	Life skills component		Students	
University of Free State's (UFS) University Preparation programme (UPP)		Preparation for mainstream university	Life skills component		Students	
Rapport Educational Fund		Funding to assist with studies in teaching			Students	
Rural Education Access Programme (REAP)		Access to bursaries/ funding for studies	Strong life skills and mentorship component		Rural students	
Nelson Mandela Metropolitan University Trust		Financial aid for studies			Students	
Helpmekaar Study Fund		Financial assistance for studies			Afrikaans speaking previously disadvantaged students	
Universtity of Western Cape (UWC) Jakes Gerwel Education, Endowment and Development Fund		Financial assistance to study further at UWC.			Previously disadvantaged students	
Vuya Endaweni	Utilises art	Conservation			Children from	Conservation

	classes as a catalyst	education on Papegaaiberg in order to protect the Rhenosterveld			Kayamandi and Nkanini	of Rhenosterveld on Papegaaiberg.

Philanthropy

Name programme/project	Arts & culture	Education	Skills developmnet	Job creation (entrepreneurship)	Youth development	Environment
Employee volunteer programme						
Crisis response This year we assisted the Volunteer Wildfire Services during March 2015 with the devastating fires that blazed around Cape Town and Stellenbosch. We contributed towards fuel and first aid materials etc.						yes

** These projects, in particular: University of Stellenbosch's Business School's Small Business Academy, Woordfees, International Chamber Music Festival, Visual Arts Bursary, etc. are partnerships with the University of Stellenbosch*

Employee Volunteer Programme:

In the year under review more than 190 staff members participated in our employee volunteer programme in various ways.

During our Employee Volunteer Month of September staff members were encouraged to reach out to their communities. Staff could nominate their own projects, or adopt a project identified by the CSI department. The total also includes ad-hoc projects (not necessarily associated with the Volunteer Month), as well as a Breast Cancer Awareness Walk that was arranged by one of our staff members and in which more than 150 staff members registered to participate. The registration fee was donated to the Cancer Association of South Africa and the Distell Foundation also matched the funds raised through the individual's efforts.

Further, when a staff member or group of staff members donate their personal funds, or raise funds to a particular cause, we also undertake match the funds to the organisation to strengthen and acknowledge the effort of the individual or group.

Staff contributed their finances, personal as well as company time, and skills to around 20 projects throughout the year, and more than 500 recorded company working hours were donated to various community projects.

The Employee Volunteer Programme is ongoing throughout the year and staff can participate at any given point.

Ad-hoc Donations

We also supported nine charity projects on a once-off basis with a smaller amount than in the case of a social investment. An ad-hoc donation is made when an organisation does not necessarily operate in one of our focus areas, but does valuable work in close proximity to one of our premises. There are no contractual agreements involved and these projects are not managed within our project management framework.

Significant projects profiled this year

For reporting on FASFacts, see Responsible Drinking on page 10.

Chrysalis Academy

Based in Tokai, Western Cape, the Chrysalis Academy's youth development programme teaches life skills to marginalised young men and women, who may have been exposed to substance abuse, family, gang and community violence, as well as facing disappointment and rejection associated with unemployment. The three-month holistic healing course that seeks to address physical, emotional, practical and spiritual needs, is essentially an initiative to provide resiliency skills.

It also seeks to place graduates in jobs. Those who haven't completed their schooling are encouraged to do so, or to enrol at Further Education & Training colleges or universities.

While the Distell Foundation is a major contributor, the academy is also unded by the Western Cape provincial Department of Community Safety with various other Western Cape provincial departments also providing support, as well as from private sector donations.

Away from their families and living on campus in Tokai, Chrysalis students are given psycho-social support to equip them, when they return to their regular lives, to make better, more informed decisions. In 2014, 574 students from Khayelitsha, Nyanga, Stellenbosch, Macassar, Mitchell's Plain, Worcester and the Eden District were enrolled; 541 graduated.

Distell contributes to the three month programme that offers a holistic developmental response centred on the needs of the students who enter the Academy Programme. Our funding is specifically directed towards life skills training for both the men and women groups that are enrolled. The 12 weeks are structured into a three-week orientation phase, a two –week adventure outdoor phase; a four-week skills phase and a three-week community and exit phase. The three courses offered during the year under review brought about a deepening and strengthening of the core aspects of the programme.

Goedgedacht Trust

The Goedgedacht Trust, headquartered at Kasteelberg near Malmesbury, is a Western Cape community development trust, established 23 years ago. Its focus is on helping rural children and youth in West Coast and Boland towns to break free from the entrapment of the long-entrenched cycle of generational poverty.

Its innovative POP programme takes a multi-faceted approach and is based on the premise that appropriate early intervention in education, health care, personal development and environmental awareness can lead to transformed rural communities and substantial savings in social spending by Government. The Distell Foundation is a major supporter of this initiative.

Working with vulnerable youth in the Swartland, Riebeek Kasteel, Riebeek West, Paarl and the Cederberg, the programme focuses on life-skills training to improve decision-making. It runs projects during the school term, as well as on weekends and holidays, and includes drama therapy interventions. Participants are also taught skills in theatre craft, from acting, directing and script-writing to more technical skills such as sound, lighting and management, enhancing their career and job opportunities.

As far as possible, POP centres are staffed by young people from their local communities. This approach develops young men and women with integrity, who are passionate about making a contribution in their own environment. The long-term vision is to have rural communities with young, healthy, confident and educated people who have completed the POP programme and can take up leadership positions in their own communities.

Each centre provides those in its care one nutritious meal a day and runs surrogate parenting projects that provide safe spaces for very poor children, many of whom have been badly damaged by poverty.

An important element of the POP programme is the focus on caring for the planet. With predictions that the west coast of Southern Africa will become progressively hotter and drier, poverty in the region may be exacerbated. Against this background, POP also teaches children how to take care of their physical environment in a way that makes them eco-aware through its energy-saving and biodiversity conservation programmes.

The POP programme is yielding good results. For example: In 1998 virtually all farm children from the Riebeek River Valley dropped out of school before the fifth academic year. Now all POP members go to high school, many complete their matric or at least reach Grade 10 and go on to get jobs.

Teen and pre-teen pregnancy has dropped and increasingly POP graduates are having their first babies in their 20s, as sober women, equipped to nurture their babies. These results show that the POP programme is making a difference by encouraging social cohesion, stability and the healing of past hurts.

USB Small Business Academy

The Small Business Academy (SBA), established in 2012, focuses primarily on providing business education and business development support to township entrepreneurs. Conceived and run by the University of Stellenbosch Graduate School of Business (USB), it provides practical Africa-based solutions, backed by the rigour of theory.

The Distell Foundation is a principal funder of the SBA, which targets the owners of small and micro businesses who have been in operation for at least two years, have at least a Grade 12 certification, and are 25 years or older.

The premise is that successful small businesses can stimulate broader job creation and economic growth. Given South Africa's low level of entrepreneurship compared with other developing countries, small businesses are generally not achieving the growth required for increased job creation. The SBA hopes to transform the viability of such businesses by building business skills, in the process promoting a stronger culture of entrepreneurship or business ownership.

The SBA's Development Programme is a nine-month course, currently available to eligible business owners, in Khayelitsha and Mitchells Plain, Strandfontein, Langa, Phillipi, Gugulethu and Du Noon. It is underpinned by one-on-one mentorship provided by USB alumni, specifically trained for the purpose.

The programme is built on direct, personal engagement, providing context to the theory and allowing candidates to evolve at their own pace. Covering training in business essentials from computer literacy to administration and financial management, marketing and networking, the programme runs regular workshops for participants, giving them access to resources and facilities. A unique feature are the 12 face-to-face mentorship sessions of at least an hour at a time, volunteered by Masters Business Administration (MBA) and other graduates from the USB.

The mentoring process is very structured and disciplined and both mentor and mentee receive training in their roles, responsibilities and commitments, and in setting dependency parameters. Each party is required to sign a contract that they will fulfil their obligations within the prescribed time.

In addition to the work assignments and workshops, candidates have to attend what amounts to 28 days of classes at USB in Bellville, set in week-long modules during the nine month training period. At the end of the course, the students submit and present a business plan to a USB panel. Graduates are awarded a National Quality Framework (NQF) Level 5 certificate from the SBA.

Even after they graduate, SBA maintains contact with the small business owners, sharing with them news of work, funding and further learning opportunities.

To date 51 participants have completed the programme. There are 22 candidates enrolled in 2015. Although it has begun modestly, the plan is to replicate the model for the Development Programme elsewhere in South Africa and ultimately across Africa. In that way foreign USB alumni can continue to advance entrepreneurship when they return to their native countries.

Rehabilitation of the Plankenberg River

Water related problems are a major challenge facing South Africa. This is affecting Stellenbosch where pollution and degradation of rivers in the Eerste River Catchment threatens our collective environment, health, economy and heritage. Downstream communities, agri-business, jobs and riparian ecosystems within our highly sensitive lowland Fynbos are at risk, exposed to the impact of pollution and degradation in our rivers.

The Stellenbosch River Collaborative (SRC) is a collaborative of like-minded people and organisations concerned about the deteriorating water quality and riverine environment of the rivers in the Eerste River catchment. As stewards in this space the aim of those involved is to develop a collaborative governance response to the water quality issues and the environment in the catchment. Guided by this long term view, the SRC investigates actions and adopts a learning-by-doing approach to meet the action orientation of this group.

Projects undertaken to date, include:

- Alien-clearing initiative on Papegaaiberg;
- Restoration of Plankenbrug River embankment through alien tree removal and planting of more than a 1000 indigenous trees which were grown / nurtured by members of the local community;
- Establishing a monitoring program to identify the sources of water pollution through community engagement (enviro-champs) guided by the principles of citizen science;
- Developing a pilot water treatment facility to rehabilitate the water-quality of the Plankenbrug River based on bio-mimicry principles; and
- Developing a water stewardship program through extending/transferring management of the Eerste River Catchment by forming sustainable partnerships with business, interested and affected groups and jointly taking care of river health.

Collaborators include Stellenbosch Municipality, Wynland Water User Association, Department Water & Sanitation, Department Environmental Affairs & Development Planning, Cape Nature, WWF-SA, Stellenbosch University Water Institute, Distell, Spier, Wildlands, Isidima and Living Lands.

Fleur du Cap Theatre Awards and theatre development initiatives

The Fleur du Cap Theatre Awards, amongst the most coveted within the South African performing arts fraternity, have been honouring theatre excellence since 1965. Support for the theatre also has a broader significance. Long before our democracy was entrenched, the theatre could give a voice to the otherwise unheard. Today, it continues to provide powerful and challenging insights and helps to transform the public consciousness.

Every year, Fleur du Cap winners are chosen after an evaluation of around 90 productions staged at some 20 venues in and around Cape Town. The judging panel comprises local critics, journalists, writers and drama educators.

Theatre practitioners are recognised for acting, directing, staging and technical abilities. Outstanding contribution to South African theatrical development and excellence is also celebrated.

The occasion also provides a platform for emerging directors to gain experience by assisting and working alongside a professional director. Further, emerging artists are provided the opportunity to showcase their talent by joining professional entertainers on stage at the awards ceremony, hosted annually in March.

A Commemorative publication, which will celebrate the 50th year of the awards in 2015, will be launched. It contains recipes and photographs of previous winners over the past 50 years. It is currently available in book stores countrywide.

Oude Libertas Centre

Situated in Stellenbosch on the slopes of the Papegaaiberg, surrounded by vineyards and oak trees, the Oude Libertas offers the visitor a collection of artistic, theatre and lifestyle experiences as well as a vital insight into community and environmental development initiatives.

It annually hosts a Summer Season programme at the ever popular Oude Libertas open-air Amphitheatre under the stars, regular art exhibitions at the art gallery and the Slow market on Saturdays between 9:00 – 14:00. It is also the home of the Distell Foundation, the umbrella body for Distell's corporate social investment activities.

Creative Arts Therapy Interventions

Distell supports drama, music and creative arts therapy programmes, whereby vulnerable youth and individuals, living under difficult circumstances, have the opportunity to acquire the tools to transform their lives.

The art therapy work we support is mostly linked to projects Distell Foundation already supports. Professional art therapists facilitate interactive therapeutic play sessions, making it possible for creative exploration and expression to happen in a safe and focused context.

Interventions encourage mindfulness, creativity, conflict-resolution, self-awareness and personal growth.

University of the Free State's University Preparation Programme

The University Preparation Programme (UPP) was founded in 1992 and falls under the Centre for Teaching and Learning (CTL). The UPP is an access programme that offers historically disadvantaged learners a second chance at gaining admission to tertiary education. Students enrolled in the UPP originate from mostly dysfunctional schools and their school-leaving exam results are often not a true reflection of their potential. The UPP offers a very structured programme that affords to students the opportunity to demonstrate their ability to be successful at university.

The UPP operates in Bloemfontein and in five regions in the Free State and Northern Cape provinces. In 2014, 1 093 young people benefitted from the program and many of these young people went on to register as mainstream students.

UPP students do not qualify for National Student Financial Aid Scheme (NSFAS) funding and the UFS is committed to source alternative assistance for the students.

During the financial year under review the Distell Foundation supported two students (best performing students) with bursaries to study Natural Science. Further, we funded Chemistry text books and scientific calculators for 32 deserving students.

The UPP is the only one-year access program of its kind in South Africa that offers access through recognition of performance on such a programme. Successful UPP students enter the second year of study in the mainstream extended degree programs at the UFS with full recognition of all module credits taken during the UPP access year. In sub-regions, students can continue at the Further Education and Training College (FET) institution if unsuccessful in the university modules, but successful in the N4 FET modules.

Our people

Key focus areas:

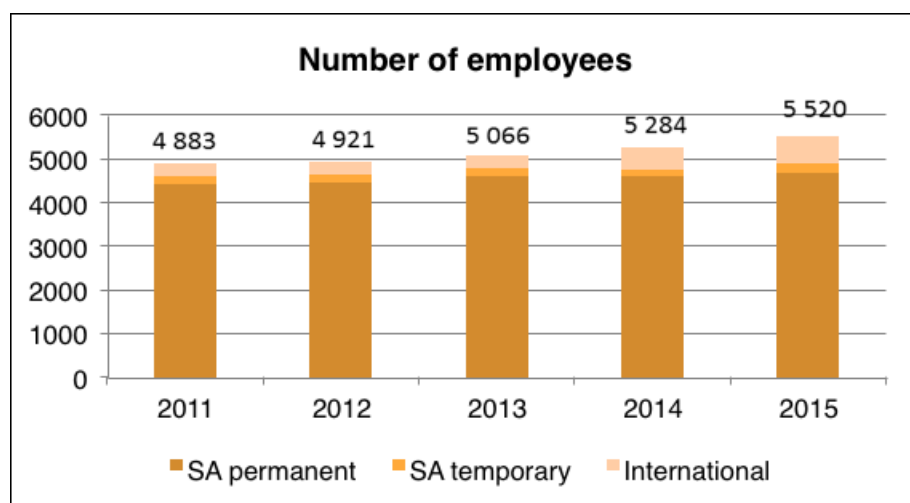
- Employee relations
- Fair employment practices
- Talent management
- Skills training and career development
- Employee wellness
- Ethics

We are responsible for providing a working environment that is fair, safe and without risk or prejudice to our employees. The key people-related issues we discuss 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 5 284 in 2014 to 5 520*; of which approximately 88.5% are located in South Africa.

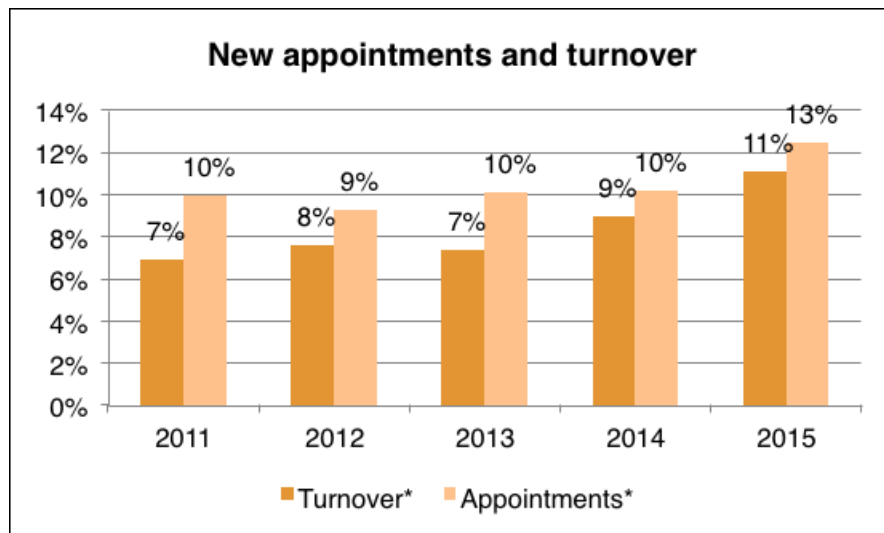
Staff turnover increased to 11.14% (2014: 8.96%) and appointments increased to 12.50% of our total permanent headcount for the year.

* Figure includes LUSAN



Number of employees*		2010	2011	2012	2013	2014	2015
SA	Permanent	4342	4433	4464	4592	4608	4696
	Temporary	206	187	195	201	159	189
International		236	263	262	273	517	635
Total		4784	4883	4921	5066	5284	5520

* Figures include LUSAN



*Only our South African-based operations, including LUSAN

Breakdown of employees*											
	Male				Female				Foreign		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	1	3	2	33				8	1		48
Senior management	2	6	2	69		2		18			99
Professionally qualified and experienced specialists and mid-management	33	36	8	190	10	18	3	133	3	1	435
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	240	236	24	350	95	161	17	288	1	3	1415
Semi-skilled and discretionary decision-making	650	635	11	43	126	194	10	107	6		1782
Unskilled and defined decision-making	364	284	2	9	87	171					917
Total permanent	1290	1200	49	694	318	546	30	554	11	4	4696
Temporary employees	43	19	5	20	22	22	2	54		2	189
Offshore											635
Grand total											5520

*Figures include LUSAN

Employee relations

Distell is committed to sound employee relations and fair employment practices in line with relevant labour legislation, our Code of Conduct, conditions of employment, collective bargaining agreements and our corrective action code.

Line management is responsible for engaging directly with employees across the business to ensure satisfactory working conditions and mutually beneficial employer-employee relationships.

Employee engagement

We engage our employees through a range of communication channels. They include in-house magazines (*Brandcrafters' Edition* and *Brandcrafters' Briefcase*), letters from the managing director, the intranet (*Brandcrafters' Online*), workplace forums, mission-directed work teams (MDWT), union-management meetings and annual negotiations with representative trade unions.

Employees are given the opportunity to influence their working conditions through annual negotiations around wages and conditions of employment. Our worker management forum engages with unionised employees on matters of mutual interest through regular meetings at site level. Employment equity forums are tasked with matters relating to both employment equity and skills development.

We have 284 MDWTs operating across the business. They have been successful in enhancing employee performance, encouraging a sense of ownership and accountability, increasing co-operation and fostering a climate of mutual respect. One of the positives to emerge from this interaction has been an improved ability to innovate and solve problems.

We carry out regular communication audits to monitor the effectiveness of our employee engagement.

Employee benefits

We sign a contract of employment with each of our employees and our staff benefits meet and in most instances exceed the requirements stipulated by the Basic Conditions of Employment Act. We also adhere to the agricultural sector's conditions of employment.

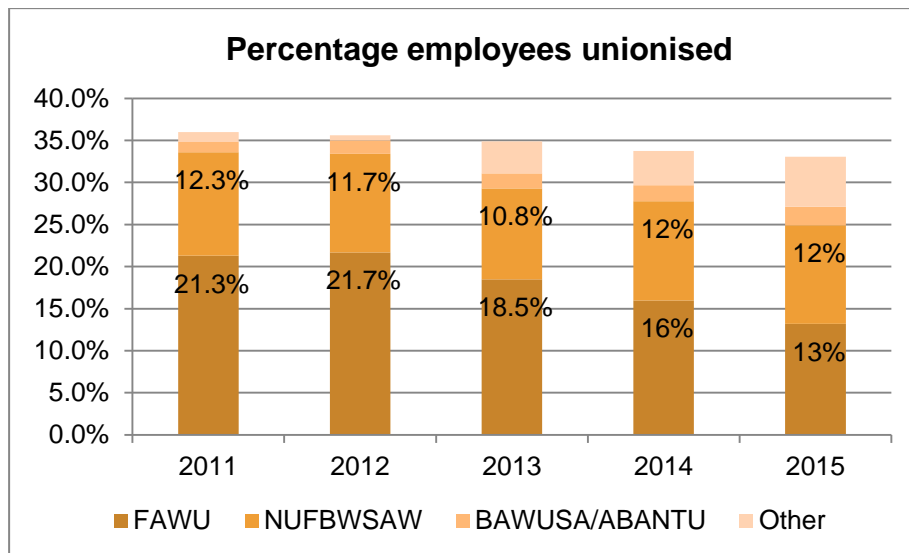
All permanent employees have access to a subsidised retirement or provident fund, which provides death, disability and savings benefits. All permanent employees have subsidised access to the Group's closed medical aid scheme. Leave benefits for most leave types exceed the minimum legislative requirements. We also provide 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 54.

Industrial relations

We aim to manage sound employee relations through our internal processes. We fully support our employees' right to freedom of association and accordingly recognise the right of individuals to belong to the union of their choice or to refrain from union membership. 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.

In South Africa, 33,08% of Distell's permanent employee base is 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 Agricultural Broadbased & Allied National Trade Union (ABANTU).



Percentage employees* unionised	2011	2012	2013	2014	2015
FAWU	21,30%	21,70%	18,50%	15,99%	13,20%
NUFBWSAW	12,30%	11,70%	10,80%	11,80%	11,70%
BAWUSA	1,20%	1,60%	1,80%	1,89%	0%
ABANTU					2,21%
Other	1,20%	0,60%	3,80%	4,08%	5,97%
Total	36,00%	35,60%	34,90%	33,76%	33,08%

* Only our South African-based operations, excluding LUSAN

Our managers meet regularly 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.

Despite tough economic and labour market conditions, wage negotiations were concluded successfully and without industrial action.

Fair employment practices

Satisfied employees who enjoy a positive working environment are more productive and are more likely to pursue their careers with Distell. Therefore, we work hard to create an atmosphere conducive to innovative thinking and retaining valued skills.

To ensure that our 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.

Improving and keeping our EVP relevant is an ongoing process, and we pay close attention to the needs of current and prospective employees. Accordingly, due to the expansion of our business internationally and in Africa, we will be initiating another project in the next fiscal year that will focus on revitalising and refreshing our EVP from a global perspective.

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, 46 cases were referred to the CCMA, with 42 resolved in favour of Distell.

CCMA cases					
	2011	2012	2013	2014	2015
Number of referred CCMA cases	26	29	16	21	44
Number of cases in favour of the Company	23	26	16	20	41
Percentage of cases in favour of the Company	88,5%	89,7%	100%	95,2%	93,2%

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 is to review and assess our talent management strategy to ensure it aligns with our business strategy.

During May and June 2015, regional talent review forums were held around the globe, and a global talent management review forum is scheduled for October 2015. The talent reviews cover aspects such as human resource requirements to meet future growth projections, leadership pipelines, career and succession planning, skills development and employment equity.

Line managers and employees received performance management and talent management training to ensure that parties understand their roles and responsibilities regarding these critical Human Resources (HR) practices and processes.

Introducing SuccessFactors talent suite

After a thorough vendor selection process, Distell chose SuccessFactors as the technology to drive talent processes within our company. Optimising the Employee Value Proposition is paramount and the following essential modules will be implemented: Performance & Goals, Recruitment, Marketing & Execution, Succession and Career Planning, Onboarding, LMS and Compensation Planning. Bundled with both employee self-service (ESS) and manager self-service (MSS) functionality.

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.

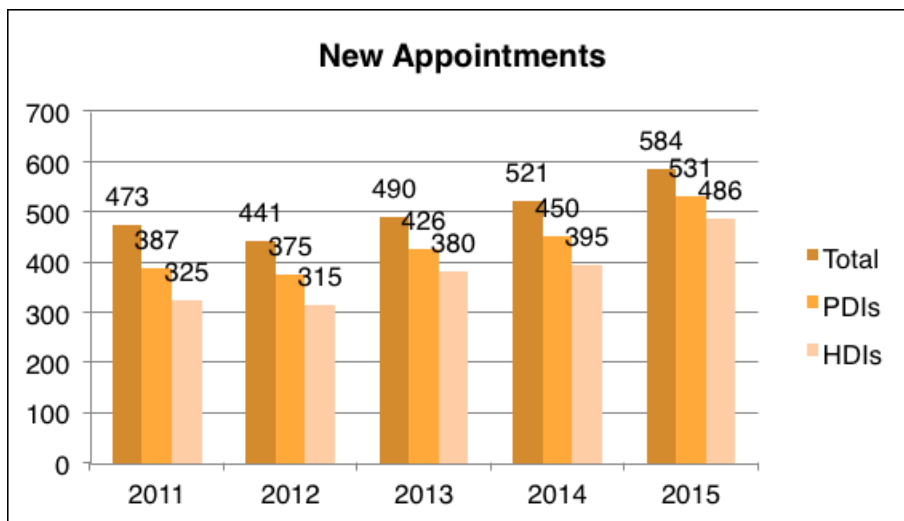
During the period under review, we participated in university career days at:

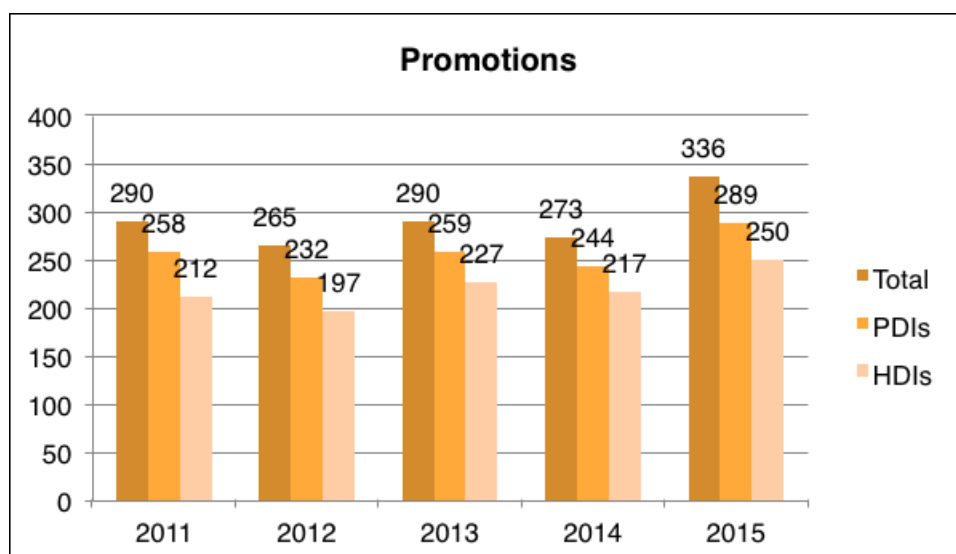
- Nelson Mandela Metropolitan University
- Cape Peninsula University of Technology
- University of Cape Town
- University of Witwatersrand
- University of Stellenbosch
- University of Pretoria

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

Of our total South African staff complement, 73,10% are historically disadvantaged individuals (HDI) and 19,04% are female HDIs. During the year, 90,92% (2014: 86,37%) of all new appointments were previously disadvantaged individuals (PDIs), of which 91,53% (2014: 75,82%) were HDIs. 86,01% of all promotions were awarded to PDIs, while 74,40% were awarded to HDIs. Our management consist of 35,78% females (2014: 35,38%).

Our management consists of 35,78% females (2014: 35,38%).





**including Lusan*

More information regarding our integrated transformation strategy is available on page 41.

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 received 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 32.

Mentorship programme

The first Distell mentorship program was launched in June 2014. Feedback from protégés were collated during April and May 2015, where inputs on progress and benefits were provided. A second mentorship program will be implemented during the second half of 2015.

Fifteen protégés were selected for phase one of the programme via Distell's Talent Management processes. Training was provided to protégés, their line-managers and mentors. Protégés personally selected their mentors, and we set up development plans for each of them.

Mentors are individuals who have a passion for people development and who wish to fulfil a psychological, learning and sponsorship role for our business's upcoming talent. Each mentor is required to act as a role model and sounding board for their protégé, providing objective and unbiased input into their growth.

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

At the end of May 2015, the protégés presented their progress and the benefits they had derived from the programme. A second mentorship programme will be implemented during the second half of 2015.

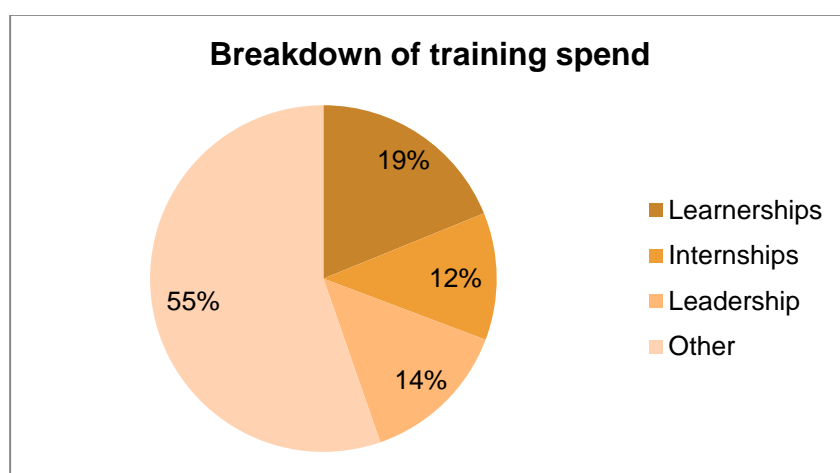
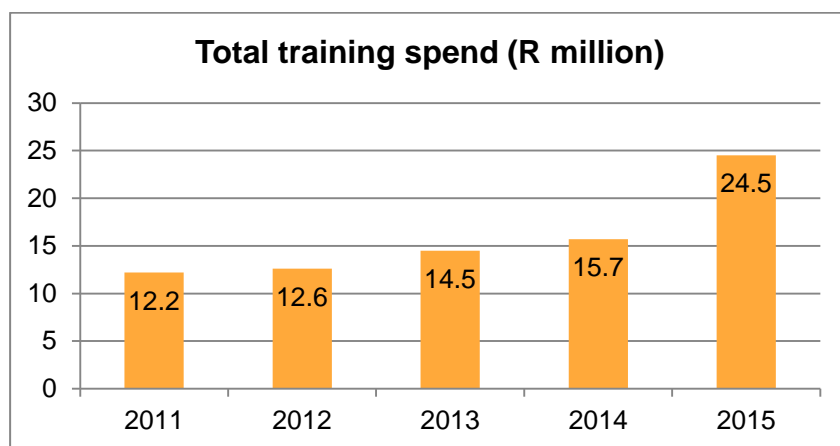
Skills training and career development

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

This year our training spend increased by 56% to R24.5million (2014: R15.7 million). In support of our transformation goals, 81% of our training spend and 100% of internship spend is allocated to PDIs.

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

In response 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	2015
Learnerships						
Spend (R million)	3,0	2,6	3,2	3,1	3,2	4,6
Number of learnerships	78	69	111	114	128	84
% PDI	80%	80%	97%	95%	94%	94%
Internships						
Spend (R million)	1,6	1,4	0,9	1,9	2,5	2,9
Number of internships	37	36	32	60	38	34
% PDI	97%	92%	100%	95%	97%	100%
Leadership						
Spend (R million)	1,0	1,7	1,7	1,6	1,9	3,4
Number of employees	15	12	15	14	16	15
% PDI	93%	92%	100%	100%	94%	100%
Other						
Spend (R million)	4,4	6,5	6,8	7,9	8,1	13,6
Total training spend (R million)	10,0	12,2	12,6	14,5	15,7	24,5
% spend on PDI total	80%	83%	78%	67%	77%	83%
% spend on PDI females	34%	29%	36%	20%	12,7%	35,35%

Learnerships

Learnerships are structured learning processes that give learners the opportunity to obtain NQF certification. Learners gain 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 employed and unemployed individuals, with training opportunities across our value chain, from winemaking to retail distribution, as shown below.

Learnership programmes during 2015			
Business unit	Programme	NQF level	Number of learners
Primary production	Winemaking	3	0
	Spirits production	3	0
Secondary production	Packaging operations	3	63
	Stores & Warehousing	3	7
	Supervisory Development	4	3
	Manufacturing management	5	11
Distribution	Wholesale/retail distribution	2	0
	Freight handling	3	0
Total			84

This year, a total of 84 (2014:128) people participated in learnerships, of which 64% were unemployed learners.

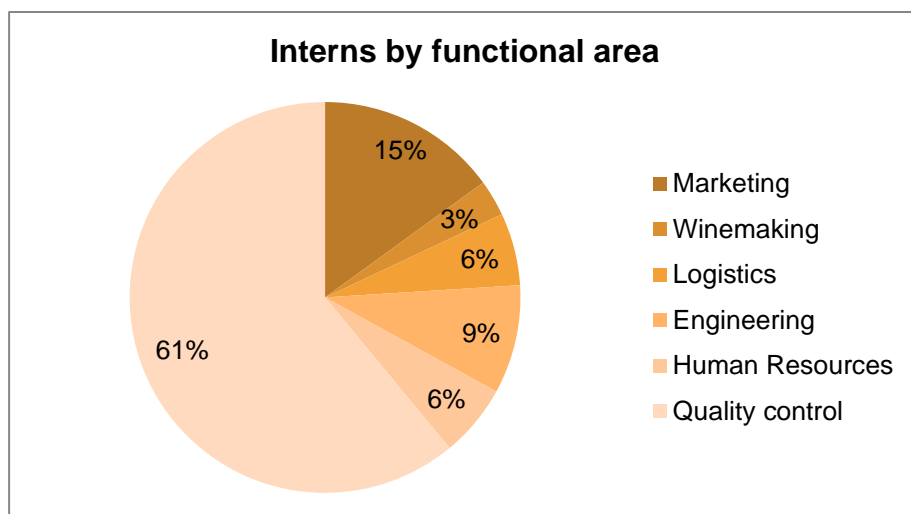
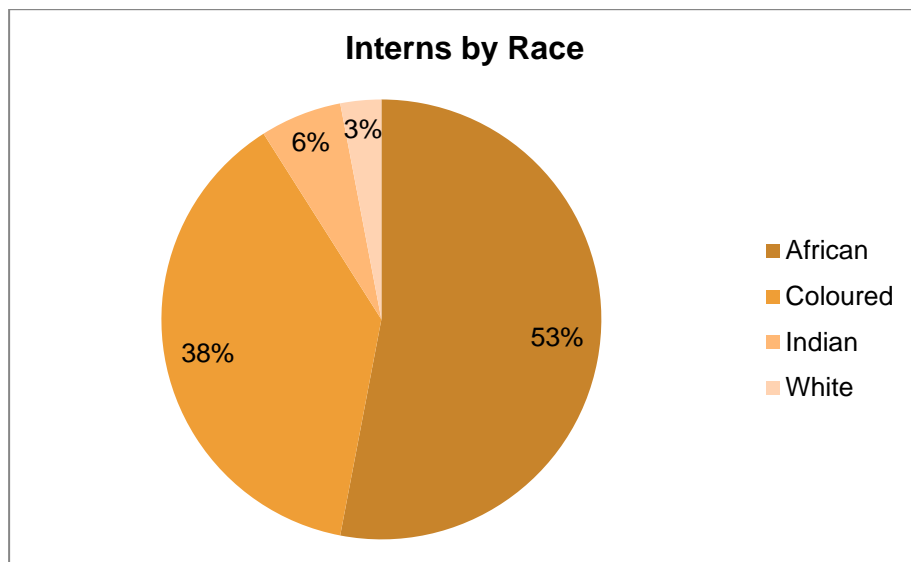
Internships

We recruit recent graduates, or students in their final year of study, to participate in 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 interns 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*	2015*
Number of interns accepted	31	29	38	36
Interns appointed permanently	10	2	0	13

*Calendar years

We have 34 students on the current internship programme (two of the 36 resigned), which runs from 1 February 2015 to 31 January 2016. In line with our integrated transformation strategy, 100% 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), as well as the University of Stellenbosch Business School.

Our middle-management development programme, introduced in 2010, prepares high-potential employees for management roles and provides them with theoretical and practical training. Since the programme's introduction, 66 employees have participated in the programme. Of these, 89% were HDIs and 47% were female. Nine 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 Senior Occupational levels. All six employees from 2013 completed the programme successfully, as did the eight who enrolled in 2014. This year, six employees are enrolled on the 2015 programme, all of them HDIs.

Leadership development programmes	
Programme	Number of learners
Middle management	9
Senior leadership	6
Total	15

Other training activities

We spent a total of R13.6 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 offer six NQF-accredited technical skills programmes 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	NQF Level	Total
NQF 3 Basic Machine Operations Skills Programme	3	11
NQF 3 Beverage Filling & Closing Skills Programme	3	24
NQF 3 Labelling & Coding Skills Programme	3	20
NQF 3 Operate a Fill and Seal Machine Skills Programme	3	10
Packing & Unpacking Skills Programme	3	19
Leadership: Managing Others	5	14
Total		98

Apprenticeships

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

Behavioural and self-awareness training

To further our employees' personal and professional development, we remain committed to our ongoing skills implementation programme, as well as behavioural and leadership training. 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.

Launching our TOPP programme

Distell has been awarded accreditation through the South African Institute for Chartered Accountants (SAICA) to provide a Training Outside of Public Practice (TOPP) programme within our Financial Department. The aim: to give individuals the opportunity to qualify as chartered accountants through a structured programme. In the current reporting period, Distell recruited three individuals into the programme. The programme runs over three years and it is envisaged that we will recruit three individuals annually.

Managing change management

To ensure we follow a consistent and holistic approach to managing planned and emergent change, we are actively building the change capability we need to be an agile and resilient organisation. With this in mind, we are developing a group of competent Change Enablement Practitioners, Change Activists and Change Leaders capable of supporting change and developing a highly engaged workforce. To date, we have trained a total of 42 Change Enablement Practitioners.

The Change Management team will also be embarking on a journey to engage the entire global organisation on the Distell corporate strategy, individual business unit strategies and the revised corporate values. This initiative will be rolled out during the later part of 2015 and early 2016.

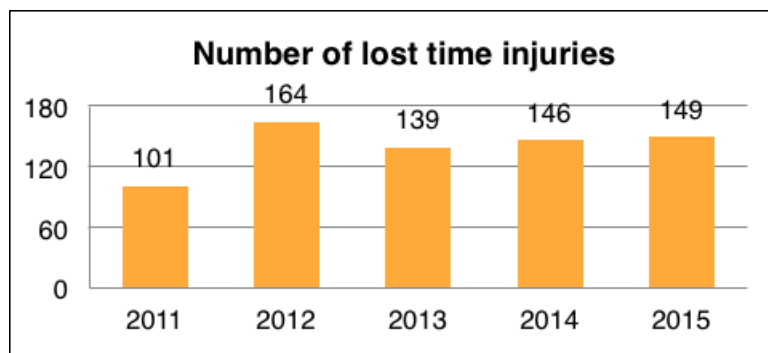
Employee wellness

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 efforts to identify the causes of accidents and put preventative measures is aimed at improving safety awareness on our production sites. The number of injuries resulting in lost time remained stable at 149 (2014: 146), while the number of lost days increased from 1 534 (2014) to 1 701 due to more serious accidents that required longer periods of off-duty rehabilitation.

In line with our Occupational Health (OH) strategy, we placed particular emphasis on documenting the occupational health and safety risks that our employees are exposed to during occupational health risk assessments. Six-monthly progress reports were put in place and communicated at the end of June and December respectively.



Health and safety performance						
	2010	2011	2012	2013	2014	2015
Lost time injuries	117	101	164	139	146	149
Occupational diseases	5	3	6	4	4	5
Lost days	1 299	1 385	695	1 601	1 534	1701
Work-related fatalities	0	0	0	0	0	0
Claim cost	R112 932	R100 237	R58 734	R78 927	R212 381	R281 741.99
Incidents	433	436	429	293	535	524

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 Occupational Health and Safety Act (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 IPW certification system.

Wellness

We have established on-site clinics at our bottling cellars, primary production sites and our larger distribution sites, where we provide OH 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 2015, nursing staff carried out 30 124 (2014: 30 932) consultations with the main focus on (OH) and addressing a variety of health-related issues. Voluntary counselling and testing (VCT) for HIV/Aids was conducted during the year. The continued focus on HIV/AIDS is supported by Distell's Peer Educators. Ongoing training sessions and refresher courses were also held during 2015.

We conduct educational sessions covering a different wellness topic every year. Over 750 employees voluntarily attended this year's sessions, which focused on emotional intelligence.

Wellness educational sessions			
	2013	2014	2015
Theme	Mental health	Substance abuse	Emotional intelligence
Number of attendees	883	1 503	760

We recognise that personal problems have a negative impact on employees' productivity at work. In response, 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 employees who have such problems. The EAP comprises a social programme as well as a disease and disability management programme.

Employee Assistance Programmes										
	Social EAP*					Disease and Disability Management Programme (Medical WAKE)**				
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015
New cases	180	197	206	163	179	50	59	52	74	65
Finalised cases	167	208	182	170	155	44	58	54	58	58
Employees remaining on the programme***	92	84	108	101	1106	54	49	45	61	68
New disability applications	-	-	-	-	-	18	12	18	18	19
HIV cases currently registered on WAKE***	-	-	-	-	-	15	17	15	15	17

* 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.

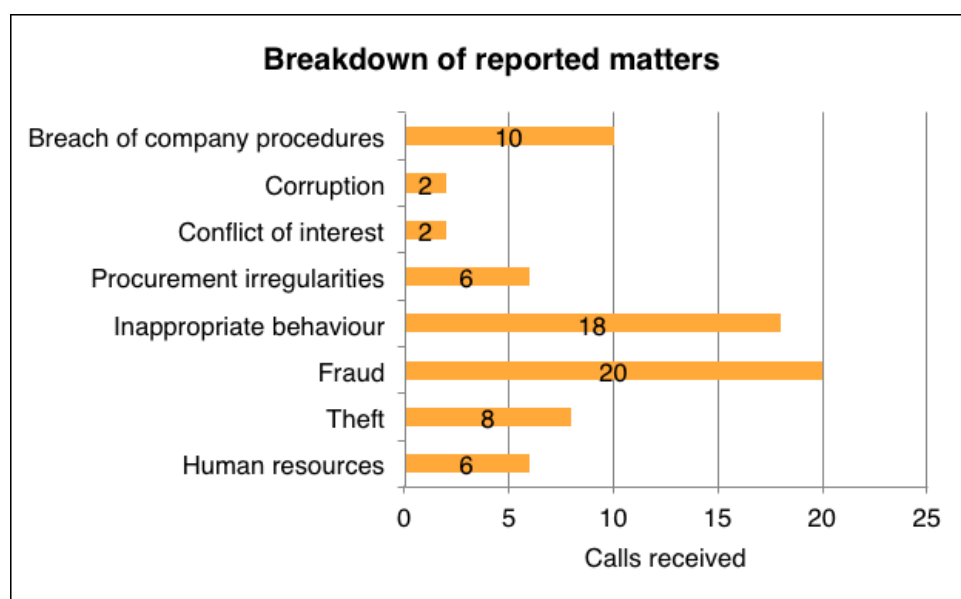
** Medical WAKE™ is a unique telephonic EAP that focuses on disease and disability management. The aim is to help affected employees return to work as quickly as possible or assist in cases where a person is unable to work, and to retain employees.

*** Figures at year-end

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 for labour contractors. At all our operations, relevant labour legislation is placed on all notice boards, where it is accessible to employees.

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



Ethics Line

In upholding our values, we encourage all employees to report fraud, theft and corruption via the Distell Ethics Line. Independently managed by Deloitte's Tip-Offs Anonymous division, its purpose is to combat fraud, theft, corruption and unethical behaviour.

Distell's Whistle Blowing Policy acknowledges the fact that the decision to report a concern can be difficult to make, not least because of fear of reprisal from those responsible for the concern. Distell will not tolerate harassment or victimisation and will take action to protect employees when they raise a concern in good faith.

Distell has appointed a forensic auditor who investigates all matters, except matters related to Human Resources. The forensic auditor will allocate HR-related reports to the relevant HR representatives for their investigation and feedback. The forensic auditor will continue to monitor and track the status of these calls and include them in the statistical records.

This year, 72 matters were reported for investigation. Of these, 34 matters were reported through the Ethics Line. The increase in the number of calls received can be attributed to an Ethics Line awareness campaign that we ran during the year. Investigations into 51 matters have been completed and 21 remain open and under investigation.

Investigations resulted in a number of dismissals and other disciplinary actions, as well as the implementation of improved controls in certain business processes and the blacklisting of vendors.

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

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 50.

Transformation

Key focus areas:

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

Our transformation journey is a key strategic initiative that aims to create an organisation that is globally diverse and inclusive, while reflecting South Africa's demographics. We see transformation as a continuous journey, integrated into all aspects of the business. It informs the way we do business and aligns us with South Africa's national transformation goals.

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 a commitment to a common set of goals. It protects our licence to operate and also safeguards our reputation as a responsible corporate citizen.

We strive to be representative of all South Africans and everyone who represents its operations outside the borders of South Africa. Achieving this demands that we continuously nurture a workplace that respects and includes differences and recognises the unique contributions that individuals make.

Broad-based black economic empowerment

On 1 May 2015, the Department of Trade and Industry (dti) brought the government's B-BBEE Revised Codes of Good Practice into effect. These codes are set to significantly transform South Africa's transformation landscape. Among other changes, the previous seven elements have been reduced to only five elements, with Preferential Procurement now forming part of Enterprise and Supplier Development and Employment Equity integrated into Management Control.

Although our last B-BBEE audit was conducted against the old codes, we remain fully committed to the spirit and the letter of the revised codes. While they are more stringent and present new challenges, we understand their importance to the country's future.

We responded swiftly to the revised codes by launching an integrated transformation strategy that aims to demonstrate transformation leadership by implementing flagship initiatives that are aligned to our business strategy and that impact on the communities living and working near the company's operations. The strategy's ultimate purpose is to guide our business towards achieving Level 4 B-BBEE status under the revised codes by 2020.

Significantly, our integrated transformation strategy also takes into account recent moves by the dti to reinforce the drive towards transforming South Africa's liquor industry. The department's commitment to achieving this objective is laid out in its National Liquor Policy Review document, which was published in May 2015 and presented to parliament in June. As the document states: 'The dynamics of ownership of the South African liquor industry have over the years made it almost impossible for new players to emerge and retain their place in the industry.' Looking ahead, we hope our business will have the opportunity to engage with the dti in this vitally important area.

Meanwhile, the development, implementation and evaluation of our integrated transformation strategy are the core responsibilities of the Transformation Council. Established in October 2014, this council is made up of the Group managing director working alongside various other directors. Progress on transformation is also monitored by the social and ethics committee with the emphasis on going beyond the B-BBEE scorecard.

Our integrated transformation strategy comprises these four pillars:

Broad-based black economic empowerment*	Employment equity	Talent management	Skills development
<ul style="list-style-type: none"> •Ownership •Management 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 • MDWTs •Operational/technical training •Skills development •Workplace skills plan reporting

*On 1 May 2015, these seven codes were streamlined into five codes, as follows: Ownership, Management control, Skills development, New enterprise and supplier development, Socio-economic development.

To achieve our transformation goals, we focus on the commitments we made in our National Employment Equity Plan 2012-2017. These commitments include:

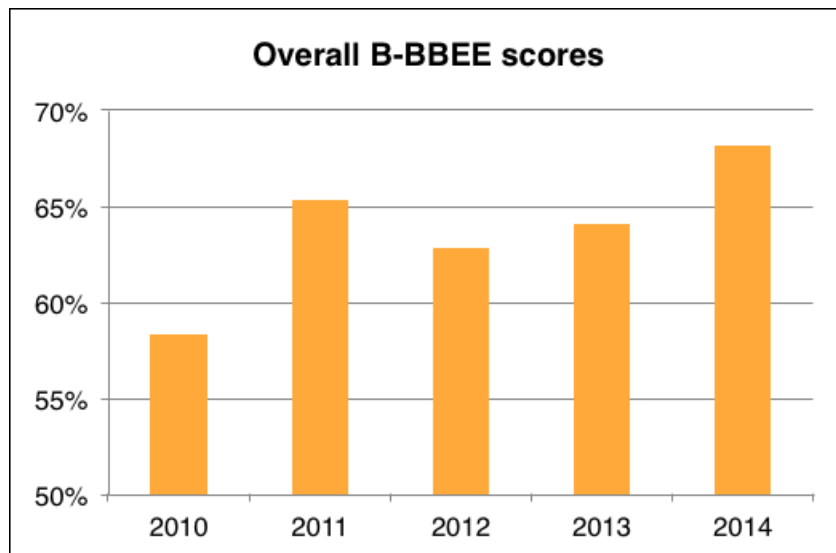
- Enhancing our diversity culture
- Appointing persons from designated groups and fast tracking diversity
- Promoting people from designated groups
- Pipelining – growing tomorrow’s talent
- Defining retention strategies aimed at improving diversity in key talent areas
- Making reasonable accommodation for women and people with disabilities.

Our performance against these commitments is discussed below and in the *Our people* chapter on page 26.

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. Between July 2014 and June 2015, we facilitated 50 workshops that were attended by 812 employees from across the business. We will continue to roll out these workshops across the business, aiming to reach all employees by June 2017.

The dti has led the journey to transform South Africa’s economic landscape through its B-BBEE Codes of Good Practices (CoGP). Distell has monitored its progress against these codes throughout its development to ensure the business plays its part in bringing more people into the mainstream economy.

Distell’s year-on-year progress and B-BBEE status levels are shown in the accompanying graphs and tables.



Empowerment element	Scorecard	2012*	2013	2014	
Equity ownership	23	19,12	19,52	21,84	▲
Management control	11	3,33	2,95	2,95	-
Employment equity	18	1,89	2,01	2,14	▲
Skills development	15	9,36	9,07	9,44	▲
Preferential procurement	20	11,56	12,76	13,81	▲
Enterprise development	15	15	15	15	-
Socio-economic development	5	2,61	2,75	2,96	▲
Total	100	62,87	64,06	68,14	▲
Contribution level		5	5	4	▲
B-BBEE contributory status		80%	80%	100%	▲

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

Our overall score increased to 68,14 (2013: 64,06) and we successfully regained our status as a Level 4 B-BBEE contributor. Our latest B-BBEE score is valid until the end of 2015 and reflects our 2014 fiscal year performance.

Our year-on-year progress for each element is as follows:

Equity ownership

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

21,84/23
(20 + 3 bonus points)
Up from 19,52

This score includes the available bonus points for new black entrants and black designated groups. Black shareholding from the two legs, Distell Group Limited, Distell Beverages and all the intervening companies under these two entities, contributed towards the final ownership score. The score of 6,84 points achieved for current equity interest had a positive effect on the overall score.

Management control

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

2,95/11
(10 + 1 bonus point)
Unchanged

Our Management control score remained unchanged. Black board member participation contributed to the score at top management level. No distinction was made between senior top management and other top management. Therefore, the two indicators were collapsed into one, with no black women representation at top management level. The adjusted recognition for gender (ARG) weighting had a negative impact on the score due to a relatively low representation of black women on the board and no representation at top management level.

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.

2,14/18
(15 + 3 bonus points)
Up from 2,01

We received points for junior management categories, but no points were awarded for senior management, middle management or black disabled employees because we failed to meet the applicable thresholds. Our final score was negatively impacted by the increased 6-10 year employment equity targets introduced from 9 February 2012.

More information regarding our Employment equity activities is available on page 45.

Skills development

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

9,44/15
Up from 9,07

The high quality of evidence we presented to the external B-BBEE auditor helped us to increase our Skills development score for the second successive year. In general, however, scoring was negatively affected because the applicable targets set by the B-BBEE codes are higher than the gender-weighted spends on black employees. Our score was also negatively affected by limited representation of black females covered by overall Skills development expenditure and learnerships. And because no disabled employees are covered by learnerships and skills training, none of the three available points could be awarded in this area.

Looking ahead, we are set to make this area one of our key priorities. More information regarding our Skills development activities is available on page 33.

Preferential procurement

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

13,81/20
Up from 12,76

We achieved 55,21% of the 70% target for overall B-BBEE Procurement from all suppliers and 11,53% of the 15% target for B-BBEE procurement from exempted micro-enterprises (EME) and qualifying small enterprise (QSE) suppliers. We also achieved a total of 5,91% of the 12% target for B-BBEE procurement spent with suppliers that are more than 50% black-owned and a total of 2,25% of the 8% target for B-BBEE procurement spent with suppliers that are more than 30% black women-owned.

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 to meet our future growth projections and we continue to persuade our suppliers to obtain and provide us with valid B-BBEE certificates.

Enterprise development

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

15/15

Unchanged

We received the maximum award of 15 points for this element because our qualifying contributions exceeded the target of 3% of net profit after tax (NPAT), achieving 3% in total.

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.

2,96/5

Up from 2,75

Our SED score continues to rise. In 2014, we achieved a score of 2,96 points out of a possible five points because our qualifying contributions totaled 0,59% of the net profit after tax (NPAT) against a target of 1%.

Looking ahead, we will continue to reinforce our support towards all the communities we serve. More information regarding our SED activities is available on page 15.

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.

Under the new structure 17,7 million shares were issued to members of the B-BBEE consortium. The transaction was structured to ensure that Distell's B-BBEE ownership credentials are maintained under the revised codes. It will also enable the Distell Development Trust (previously the CSI Trust) to effectively fund its corporate social investment programme.

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 45 for more information on Distell's Employment equity performance.

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

Talent management

Talent management plays an integral part in transforming Distell. Recruiting the right talent, developing leadership pipelines and establishing succession plans for key roles will ensure that, over time, our workforce reflects South Africa's diversity and is also effective at crafting leading liquor brands worldwide.

Refer to page 29 for more information on Distell's talent management strategy.

Skills development

Developing our people's skills remains a key business priority for our business. Accordingly, we invest in various training programmes, including internships, learnerships, skills programmes, apprenticeships and adult education. During the year, our total spend on training was R24,5 million versus R15,7 million the previous year.

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 33 for more information on skills training and career development.

Responsible supply chain management

Key focus areas:

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

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.

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.

Previously these functions, while integral to the business, were separate divisions. This year we restructured the organisation such that both primary and secondary procurement form part of one entity, the Distell Supply Chain division. Quality management has also been incorporated into the new Supply Chain division. This will realise significant value as this integrated approach allows us to optimise our supply chain from end to end.

What we buy

We spend in excess of R2,3 billion on raw materials in our primary production phase. These comprise:

- **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. We spend more than R3 billion on packaging materials annually. 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 budget is spent on suppliers of 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 our distribution centres scattered around South Africa. In

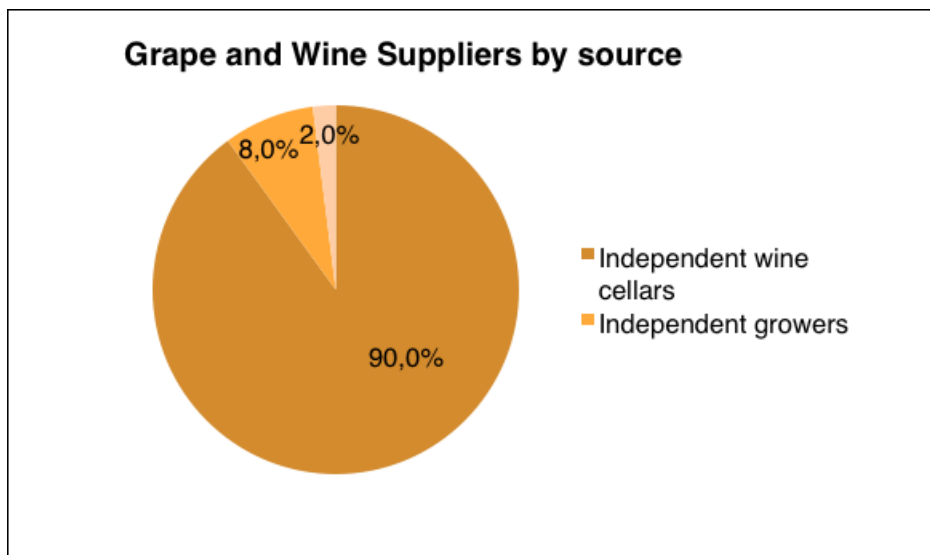
many cases we deliver product from our production facilities directly to customer warehouses to save on transport and handling costs.

- **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.

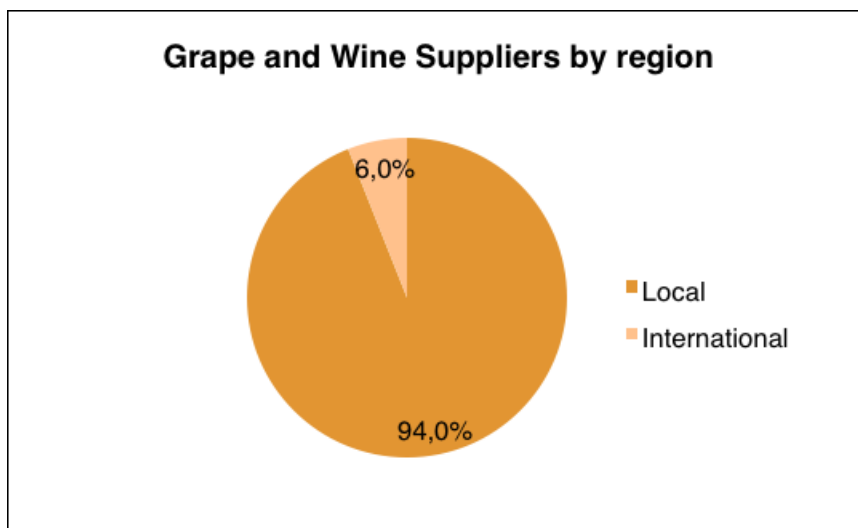
Primary production activities

This year we secured a total of 370,2 million litres of grape, wine and wine-related products (2014: 350,2 million litres), 93,7% of which was sourced locally (2014: 95,9%) and 6,3% imported as suitable local supplies were not available. Put in perspective, South Africa's total wine production² amounts to 1 181,1 million litres, of which we utilise approximately 29,4% 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.



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



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 8,5% (29,5 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 1,9% or 6,7 million litres of wine is sourced 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 key 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 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.

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 system for growing vines. 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 57.

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

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

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

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 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.

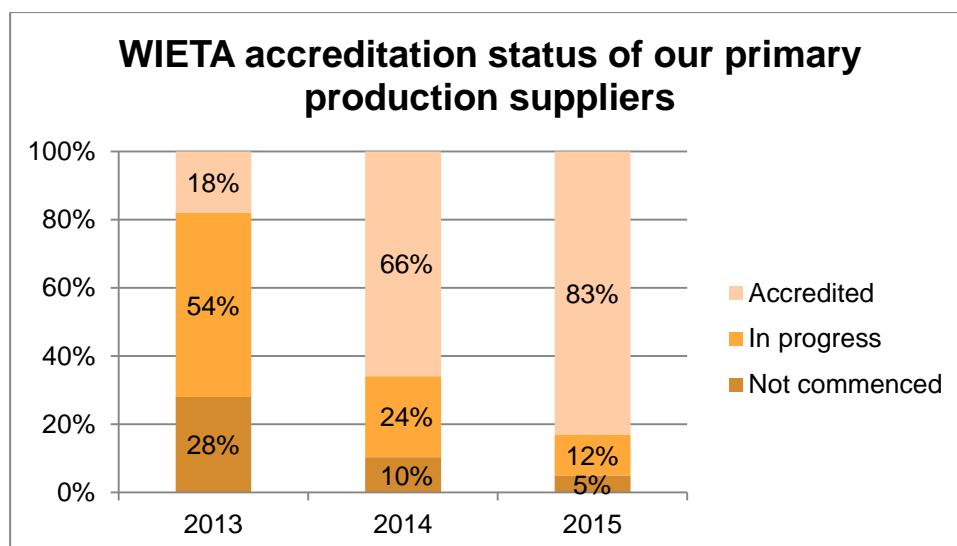
Refer to page 57 for more details regarding biodiversity conservation.

Agricultural ethical trade initiative

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 5% of our suppliers still to commence with the accreditation process, 12% are in process and 83% (2014: 66%) have already been accredited.



*Our primary production suppliers consist of 172 (2013: 166; 2014: 164) grape growers and wine producers.

Suppliers struggling to fulfil all the requirements are given guidance as to how to rectify the situation within a reasonable timeframe.

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 two years.

The 2014 harvest saw the introduction of a new organic and Fairtrade wine brand called Earthbound⁵ with grapes primarily sourced from the Papkuilsfontein farm. This is discussed in more detail on page 55.

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 different vine trellis systems on more than 1 000 ha of suitable land in the coastal wine belt (500 Ha SD, 100 Ha high wire 100 DC 300 Box).

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. 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.

⁵ www.earthboundwines.co.za

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 2014, 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.

A similar approach is being piloted to develop new farmers in the apple growing industry, and a dedicated project team is working on different methods to achieve sustainability in this initiative.

Contributing to the 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).

In a similar fashion we also play an active role in the newly established Wine Industry Strategic Exercise (WISE) focusses on various strategic elements to promote the Wine Industry.

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 are developing a road map to transfer more of our business to black owned suppliers, either by developing new suppliers, or by procuring from those that have higher BEE level scores.

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.

In the second half of the financial year we carried out a limited trade recall as a result of very small glass particles being detected in some of our bottled wine products during quality assurance tests carried out by our agent in Japan. No consumer complaints have been received and expert medical opinion has confirmed that there is no risk of any adverse consequences associated with the ingestion of such small fragments of glass.

The resultant investigations isolated the cause to a small proportion of bottled wines produced on a single bottling line at one of Distell's wine packaging facilities. The problem has since been rectified. This production line represents 4.8% of Distell's total wine production and the incident rate of these particles was less than 0.33%.

We are working with our agents and customers to implement a targeted trade recall of specified batches and are also consulting with the relevant authorities.

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

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.

Our strategic network optimisation project using advanced modelling tools for strategic decision-making on infrastructure and route-to-market options continues to improve the stability and reliability of our outbound supply chain. This has 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.

Distell had been implicated in one reported human-rights-related complaint during the period under review. The complaint was made by a blind patron, who alleged unfair discrimination against disabled people by Durbanville Hills. It had been lodged with the South African Human Rights Commission, which was still investigating.

After careful internal investigation, Durbanville Hills and Distell were satisfied that the company's policy did not discriminate unfairly against disabled people and that its policy had been communicated clearly to the complainant. The social and ethics committee (SEC) was also informed of subsequent steps taken with the help of the Institute for the Blind to sensitise staff members so as to prevent the occurrence of such an incident in the future.

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.

In July 2015, the report: "Farm Workers' Living and Working Conditions in South Africa: key trends, emergent issues, and underlying and structural problems" was published. This was a research project commissioned by the Pretoria office of the International Labour Organisation.

Amongst the report's conclusions were that farms in the Western Cape were found to be more compliant than those in other areas. Most producers in this study complied with minimum wage legislation. The issue that led to the 2012 De Doorns farm worker protest was not one of non-compliance with the minimum wage, but one of a "too low" legislated wage. That key challenge persists because trade liberalisation and deregulation has considerably weakened producers' collective power in the market place. As price takers, they are increasingly on the defensive to protect their dwindling profit margins and consequently struggle to afford a wage of R150 per day, itself barely a living wage.

The research points to the critical role which government must play to enable worker and producers to break this stalemate.

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 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.

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.

Fairtrade⁶ 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.

Managing the occupational health and safety of farm workers

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.

⁶ 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

Understanding our environmental impact

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 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.

Strategy and management

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 60 for more detail.

In 2010 Distell established resource efficiency targets related to the usage of water, electricity and fossil fuel-based energy in our production processes. These targets were intensity targets related to litre equivalents of packaged product produced at Distell's production sites, excluding the LUSAN wineries. The targets related to a base year (2009) and a target year (2018). At the end of 2014 we had reached the relevant targets for water and fossil fuel energy.

It was therefore decided to establish new targets for 2020 based on 2014 as the new base year. At the same time it was decided to introduce a new Greenhouse Gas reduction target, while also including the LUSAN production sites in the scope of resource conservation management. See page 59 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 promulgation of a number of new regulations in terms of relevant 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 Minister of Finance has indicated that the proposed Carbon Tax will be implemented as from 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. A further policy and implementation document is expected.

Our focus remains on reducing our emissions first and foremost, before considering emission offset schemes provided for under the new legislation.

Environmental impact assessment legislation

The reporting year saw the amendment of the Environmental Impact Assessment (EIA) regulations, as well as the associated lists of activities that would require environmental authorisation prior to it commencing.

The amendments have introduced new procedural requirements as well as specific timeframes governing the application and approval process. The new procedures and timelines will impact all applicants and would require more upfront consultation prior to the submission of an application to ensure the process can be dealt with within the specified timeframes. New regulations were also promulgated that would require the payment of an application fee as part of the application process.

Air quality legislation

The reporting period saw the promulgation of new national reporting regulations for atmospheric emissions in terms of the National Environmental Management Air Quality Act, 2004 (Act 39 of 2004) (NEMAQA). The new regulations require entities to register on the web-based National Atmospheric Emission Information System (NAEIS) and to report the relevant emissions assessment result on this system on an annual basis. These regulations are based on the size/capacity of the installed boilers and affect a number of Distell sites. These sites have registered on the database and will report annually, as required.

The emissions that are relevant originate mainly from the boilers we use to produce steam for distilling processes, as well as for cleaning.

Engagement with local authorities

At local authority level, Distell regularly engages with the relevant municipal authorities to improve interaction and proactively manage concerns of mutual importance. This includes:

- 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.

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.

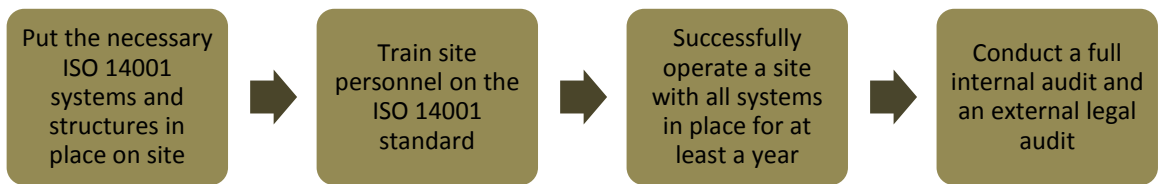
In addition, we developed a site services dashboard (SSD) to monitor our performance against our resource usage reduction targets related to water, electricity and fossil fuel-based energy.

Following the successful roll-out of the SSD system to all our fully-owned secondary production sites and our cider and spirit primary production sites, this year we rolled out the SSD system to our LUSAN and other remaining winery sites.

As part of Project Re-connect and the company restructuring process, a new division called Supply Chain Excellence was created. One of the functions of this division includes the standardisation of best practice across all operations. This includes standardisation of certain reporting indicators, including environmental reporting indicators. It is foreseen that this process will also integrate our African (Ghana) and European (France and Scotland) production facilities.

Environmental certification

We are progressively implementing ISO 14001 certification at all our South African based 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, 94% of our sites (2014: 88%) are actively busy implementing ISO 14001. Fifty three percent (2014: 47%) have already been externally certified. During the new financial year we will undertake external certification at our Goudini distillery with the aim of formally certifying the facility in accordance with the ISO 14001 system.

During the reporting year, we continued our focus on our four secondary production sites located outside of the Western Cape, while also initiating the system at our J.C. Le Roux facility.

In the new financial year a number of these sites wil undergo internal audits to assess compliance with the requirements of the ISO 14001 system.

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 RTDs 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	Fully certified in 2015
	Goudini	Goudini	Fully owned	Certification to be undertaken in 2016
	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 commenced 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 have now appointed a new dedicated staff member to focus on this aspect to ensure that we have knowledgeable staff across all our sites.

During 2012 and 2013 a total of 62 middle and senior managers have attended our externally facilitated sustainability training workshops. In order to speed up the roll-out of our sustainability training, we have been

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 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 fifth annual carbon footprint report to the Carbon Disclosure Project (CDP). As with the previous year, Carbon Calculated⁷ externally verified our 2014 data against the ISO 14064-3 standard and provided us with limited assurance on the 2014 disclosure figures.

Our GHG database was expanded during the reporting year to include all the third party transportation of intermediary products (wine from supplier wineries), packaged products to Distell's distribution centres, as well as packaged products delivered directly to customers' distribution centres.

The method of calculating the previously reported 'Downstream transportation and distribution' of sold products from our distribution centres to the customer's outlet has been revised to be in line with the newly calculated transportation emissions and with international best practice. This resulted in the need to restate the previously reported emissions, noted in the table below.

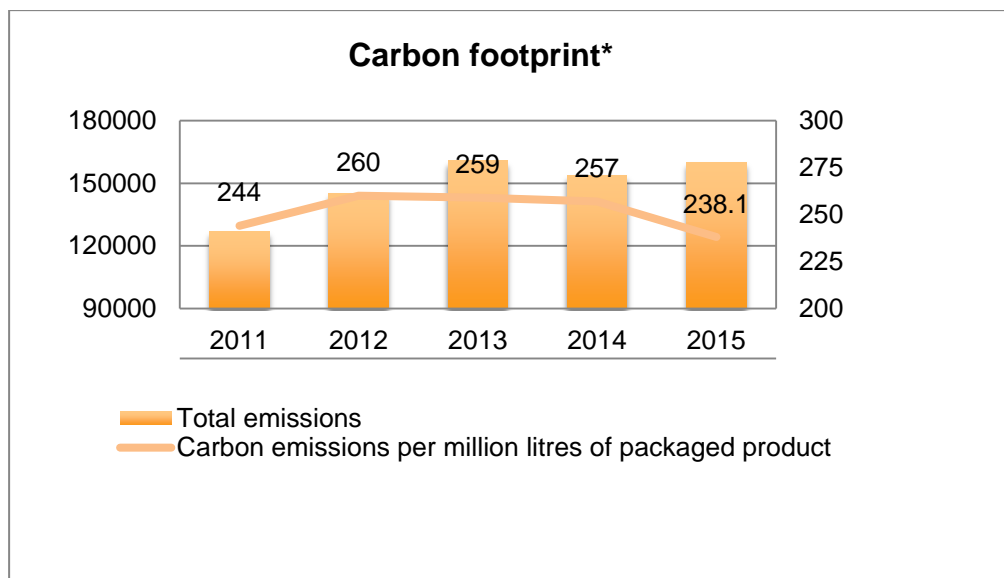
Our largest impact on climate change is caused by burning fossil fuels on-site to generate steam for our boilers (43,2%), as well as the purchase of mainly coal-based electricity from Eskom (52,5%). Our direct emissions (Scope 1 and 2) increased by 4% to 159 787 tonnes CO₂e (2014: 153 646 tCO₂e). However we reduced our emission intensity per litre of product by 7.2% to 238,1 tonnes CO₂e per million litres of packaged product (2014: 256,6 tonnes).

The increase is primarily due to the 6,3% increase in the coal used in our production boilers, a 34,4% increase in fuel used in mobile combustion in our vehicle fleet and the 1,3% increase in electricity usage. This could be ascribed to a 12.1% increase in our production volumes.

Electricity accounted for 52,5% of our Scope 1 & 2 direct emissions, while a further 43,2% was caused by stationary combustion equipment under our control.

Our total GHG emissions, including Scope 3 and "out of scope" emissions, amount to 511 303 tonnes CO₂e (2014: 490 112 tCO₂e).

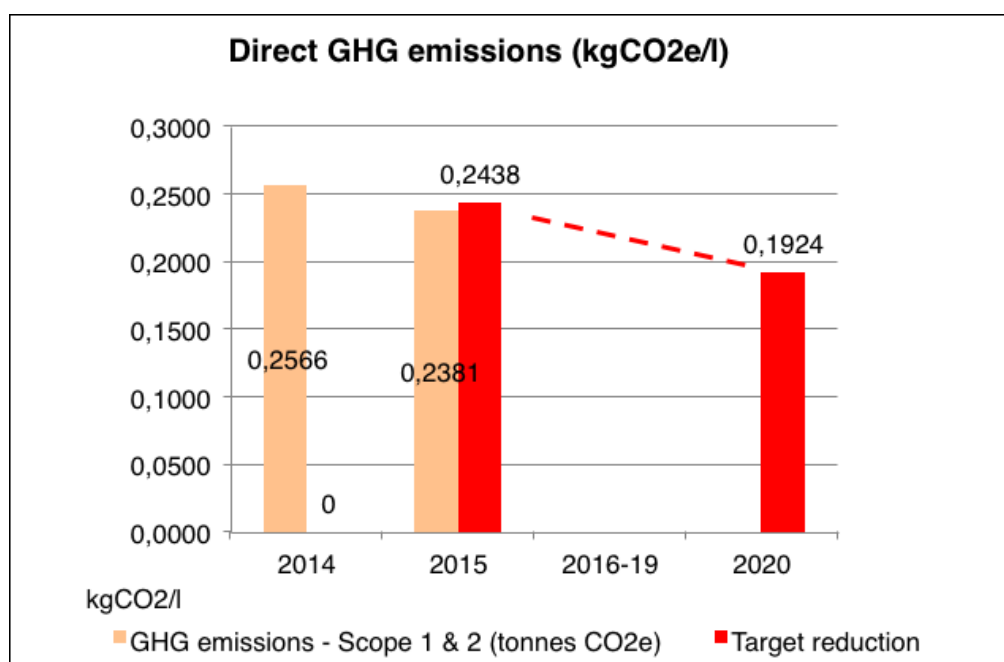
⁷ www.carboncalculated.co.za



*Scope 1 and 2 only

As part of the review of our resource efficiency targets, explained above, we also set a new GHG emission reduction target for 2020 based on the 2014 base year.

The new target for 2020 is to reduce Direct GHG emissions (kg CO₂e/l) by 25% per liter of packaged product



Direct GHG emissions	2014 (incl LUSAN)	2015	2020 target
GHG emissions - Scope 1 & 2 (tonnes CO ₂ e)	153 646	159 787	
GHG emissions – Scope 1 & 2 per litre of packaged product (kg CO ₂ e/l)	0.2566	0.2381	0,1924
% reduction*		7,23%	25%

This year we achieved a 7,2% reduction from the 2014 base year. This is ahead of the original set glide path aim of 5% reduction by 2015 to ensure we reach our stated 2020 target. We are therefore ahead of schedule to reach our target in 2020

Distell's carbon footprint (tonnes CO ₂ e)					
	2011	2012	2013	2014	2015
Scope 1 direct emissions					
Stationary combustion *	58 751	70 699	70 954	65 287	68 965
Mobile combustion – forklifts *	1 059	768	1 303	1 152	1 191
Mobile combustion - vehicle fleet *	4 208	4 168	4 022	3 959	5 320
Fertiliser application on farm	78 ¹	371	325	455	446
Total Scope 1 emissions	64 096	76 006	76 604	70 853	75 922
Scope 2 direct emissions					
Purchased electricity	62 582	69 314	84 032	82 793	83 865
Total Scope 2 emissions	62 582	69 314	84 032	82 793	83 865
Total Scope 1 and 2 emissions	126 678	145 320	160 636	153 646	159 787
Scope 3 indirect emissions					
Purchased goods and services, (packaging material)	2	393 005	402 175	285 844 ³	301 074
Business travel – commercial airlines *	2	2 277	9 128	4 573	5 588
Third party transport and distribution (Owner driver)*	2	4 173 ⁵	4 361 ⁵	4 466 ⁵	4 271 ⁵
Third party transport and distribution (Bulk transport of unbottled product)*	4	31 650 ^{6&7}	35 960 ⁶	34 103 ⁶	32 767 ⁶
Third party transport and distribution (Bottled product)*	4	5 458 ⁶	6 160 ⁶	6 851 ⁶	7 816 ⁶
Total Scope 3 emissions	2	436 563⁸	457 784⁸	335 837⁸	351 516
Total Scope 1, 2 and 3 emissions	126 678	581 883	618 420	489 493	511 303
Non-Kyoto Protocol GHG emissions – Freon R22	2 027	942	248	176	0
Outside of Scope 1, 2 and 3 – Biomass (wood chips)				285	0
Total emissions	128 705	582 825	618 668	489 944	511 303
Full-time employees (FTE)	4 433	4 464	4 592	4 608	4 696
Kilowatt hours electricity consumed	60 759 693	70 014 458	84 880 943	82 793 193	81 422 070
Intensity figures					
kWh per FTE	13 706	15 684	18 485	17 967	17 339
Tonnes CO ₂ e per FTE employee <small>Scope 1 & 2 only</small>	28,6	32,6	35,0	33,3	34,0
Tonnes CO ₂ e per million litres of packaged product <small>Scope 1 & 2 only</small>	243,8	260,1	259,0	256,6	238,1

* Revised headings to be more in line with ISO 14064-3 standard

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

2 Not reported in 2011.

3. Corrected for weight of barrels and wood products purchased.

4. Not reported in previous years as data is not available

5. Calculation method revised to be based on per km emission factor to correspond with new Third party transport model rather than the derived fuel consumption based calculation method previously used.

6. Transport and distribution undertaken by Third party calculated based on expanded GHG model.

7. Data excludes Bulk transport portion as data is not available.

8. Scope 3 data revised to include additional Third party transport emissions not previously reported as data was not available at the time

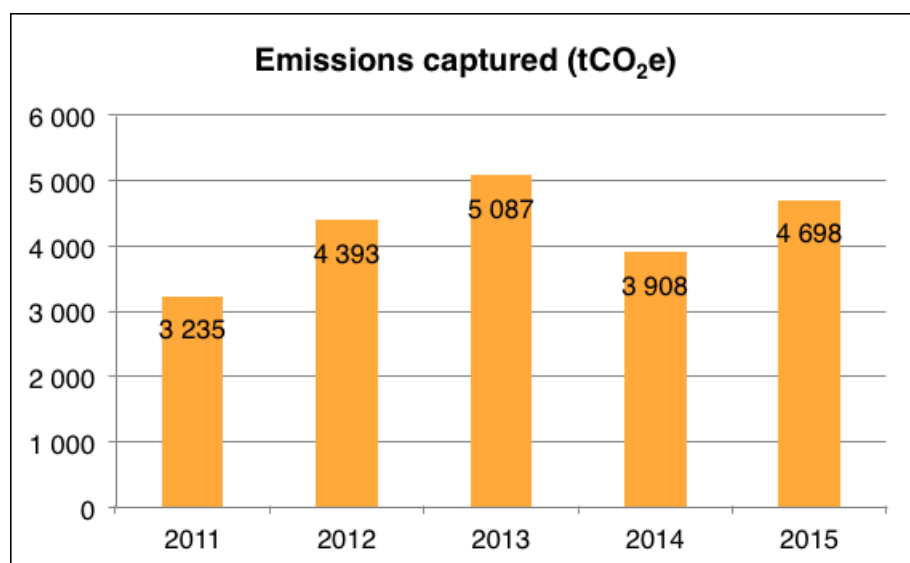
Our Scope 3 emissions associated with the packaging material increased by 5,3%. This can be linked to the 12,1% increase in the production volumes, as well as the 13,1 % increase in the weight of new glass bought.

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 47.

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 we captured 20% more CO₂ from fermentation than in 2014. The challenges we faced when expanding the site's fermentation capacity (the result of a number of construction projects over the last few years), was that large volumes of CO₂ were released through fermentation in relatively short, peak production periods. This often exceeded the rate at which our infrastructure was capable of capturing the CO₂ emitted. Now that construction has been completed, a more stable production process allows us to capture more CO₂ consistently and evenly over longer periods, resulting in the larger volume captured.

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.

Having already achieved our 2018 targets for improvement in energy efficiency (off a base year of 2009) by 2014, we have set new targets for 2020 based on a revised base year of 2014. In addition, the LUSAN production sites are now included in our management scope.

The new targets for 2020 are:

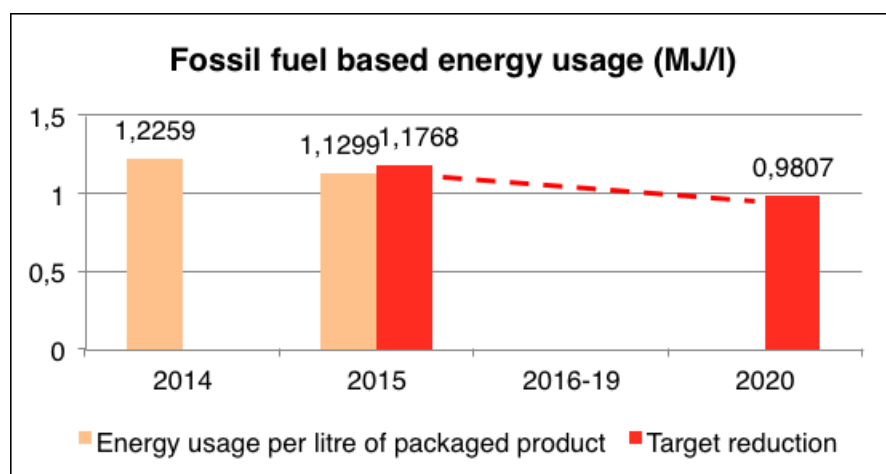
- Reduce on-site fossil fuel based energy (MJ/l) by 20% per litre of packaged product;
- Reduce the amount of electricity we use in the production process (kWh/l) by 20% per litre of packaged product.

The position related to the old targets as at the end of 2014 and the new targets for 2020 is presented below.

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. At the end of 2014 we exceeded our original 2018 target by achieving a total reduction of 25,2%, four years ahead of time.

The new 2020 targets and the performance against these for 2015 are presented below.



On-site fossil fuel usage	2014* (Excl LUSAN)	2014** (Incl LUSAN)	2015	2016-19	2020 target
Energy usage (MJ)	734 926 303	735 240 433	759 598 205		
Energy usage per litre of packaged product (MJ/l)	1,2294	1.2259	1.1299		0.9807
% reduction*			7,83%		20%

*Calculated from the 2014 base year including LUSAN

* The 2014 (excl LUSAN) column represents our performance before restatement to include LUSAN in our performance scope.

** The 2014 (incl LUSAN) column shows our performance restated to include LUSAN within the performance scope. This column becomes our new base year against which our future progress will be measured.

This year we achieved a 7,8% reduction from the 2014 base year. This is ahead of the original set glide path aim of 4% reduction by 2015 to ensure we reach our stated 2020 target. We are therefore ahead of schedule to reach our target in 2020.

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 and valves at our Worcester distillery and Wadeville, Adam Tas, Springs, Ecowash and Port Elizabeth production sites, while improving boiler automation at Wadeville and Green Park.

As a result, we were able to reduce the amount of coal we used across these sites by approximately 470 tonnes.

We completed the system optimisation assessment studies as part of the National Business Initiative's (NBI) Private Sector Energy Efficiency (PSEE) programme, focusing on steam and compressed air optimisation projects at two of our secondary production sites (Springs & Green Park). The outcomes of the assessments were also utilised to develop best practice guidelines for the management of steam and compressed air systems. Training workshops were held in Cape Town and Wadeville to train the site engineering staff on these best practices. The plan is to implement the guidelines at all our secondary production sites.

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. The project was approved at the end of 2015 and we plan to implement this dual system during the course of 2016. This is expected to further reduce our coal requirements.

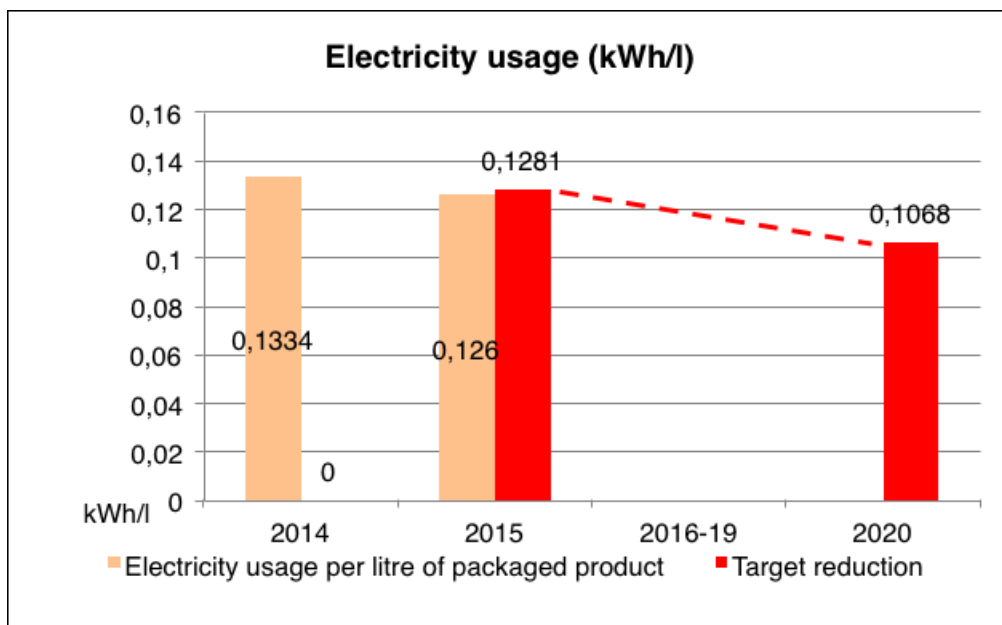
We are investigating the feasibility of generating methane gas at a waste water treatment facility at our Adam Tas site as yet another alternative fuel source (See page 77)

Electricity usage

Progress towards achieving our original electricity usage reduction target by 2018 is presented in the graph and table below. Our overall electricity reduction at the end of 2014 was 11,33% against our 2018 target of 15%. The new restated targets for 2020 is presented below.

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

*Using 2009 as base year and excluding LUSAN



Electricity usage	2014* (Excl LUSAN)	2014** (Incl LUSAN)	2015	2016-19	2020 target
Electricity usage (kWh)	76 715 095	80 036 684	84 726 268		
Electricity usage per litre of packaged product (kWh/l)	0,1283	0.1334	0.1260		0,1068
% reduction*			5,56%		20%

*Calculated from the 2014 base year including LUSAN

* The 2014 (excl LUSAN) column represents our performance before restatement to include LUSAN in our performance scope.

** The 2014 (incl LUSAN) column shows our performance restated to include LUSAN within the performance scope. This column becomes our new base year against which our future progress will be measured.

Our progress towards achieving our electricity usage reduction target is presented in the graph and table above. This year we achieved a 5,5% reduction from the 2014 base year. This is ahead of the original set glide path aim of 4% reduction by 2015 to ensure we reach our stated 2020 target. We are therefore ahead of schedule to reach our target in 2020.

An estimated saving of 1 725 094 kWh of electricity was achieved during the reporting year by implementing the following projects: Energy-efficient lighting upgrades, refrigeration plant optimisation, installation of variable speed drives (VSDs), improved metering and management of usage, compressed air system optimisation across different sites, and installation of natural light harvesters at Adam Tas and Durbanville Hills.

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.

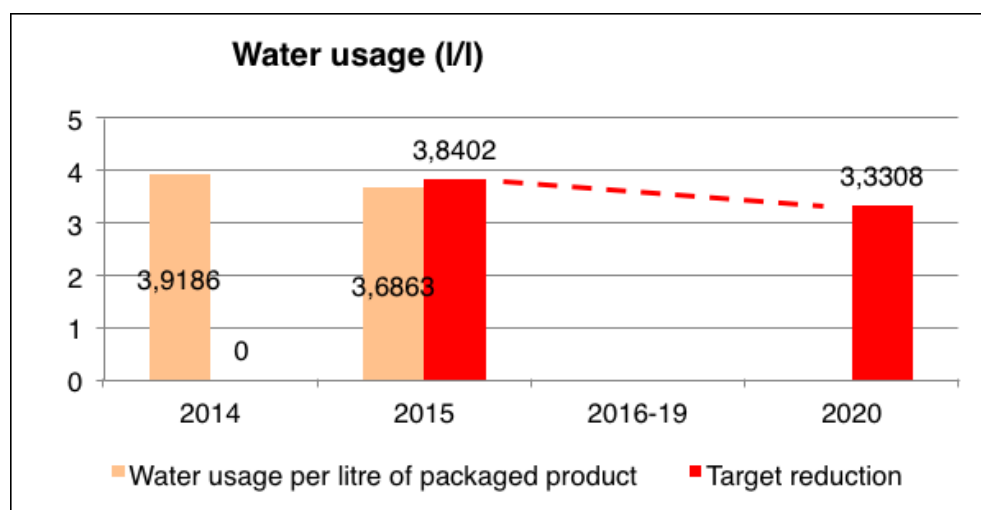
All water usage at our different production sites is measured and recorded on a continuous basis on our SSD system, to allow for improved management and reporting of water usage at a corporate level.

Water usage and sources affected

At the end of 2014 it was decided to restate our resource efficiency targets as indicated above. When we assessed the original targets we found a mistake in the 2009 water usage base year data, with the water usage data for our Ecowash site for 2009 not included. We included the water usage for Ecowash, which effectively reset the base year and the resultant performance for each subsequent year. The result is that we in fact reached a 11.29% reduction in water usage by end 2014, which is ahead of the 10% target originally set for 2018.

The revised target for 2020 based on the new 2014 base year, including the LUSAN production sites is a 15% reduction in usage per liter of packaged product (l/l) by 2020.

The new 2020 targets and the performance against these for 2015 are presented below.



Water usage	2014* (excl LUSAN)	2014 ** (incl LUSAN)	2015	2020 target
Water usage (kl)	2 326 599	2 350 291	2 478 188	
Water usage per litre of packaged product (l/l)	3,8919	3.9186	3,6863	3.3308
% reduction*			5,93%	15%

*Using 2014 as base year including LUSAN

* The 2014 (excl LUSAN) column represents our performance before restatement to include LUSAN in our performance scope.

** The 2014 (incl LUSAN) column shows our performance restated to include LUSAN within the performance scope. This column becomes our new base year against which our future progress will be measured.

Our progress towards achieving our water usage reduction target is presented in the graph and table above. This year we achieved a 5,9% reduction from the 2014 base year. This is ahead of the original set glide path aim of 2% reduction by 2015 to ensure we reach our stated 2020 target. We are therefore ahead of schedule to reach our target in 2020.

We reduced our water usage at our Adam Tas and Green Park sites by approximately 13 570 836 litres through internal projects undertaken by staff as part of their internal Distell problem solving training, based on LEAN and Six Sigma principles.

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 also met by groundwater. All our other 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 Voëlvele 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
	LUSAN – Neethlingshof	Stellenbosch Municipality
Spirit production	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
	Van Ryn Distillery	Stellenbosch Municipality
Cider and RTDs production	Monis	Drakenstein Municipality
Bottling	Green Park	City of Cape Town
	J.C. Le Roux	Borehole
	Springs	Ekurhuleni Municipality
	Wadeville	Ekurhuleni Municipality
	Port Elizabeth	Nelson Mandela Metro
Second-hand bottle washing	Ecowash	Ekurhuleni Municipality

Waste management

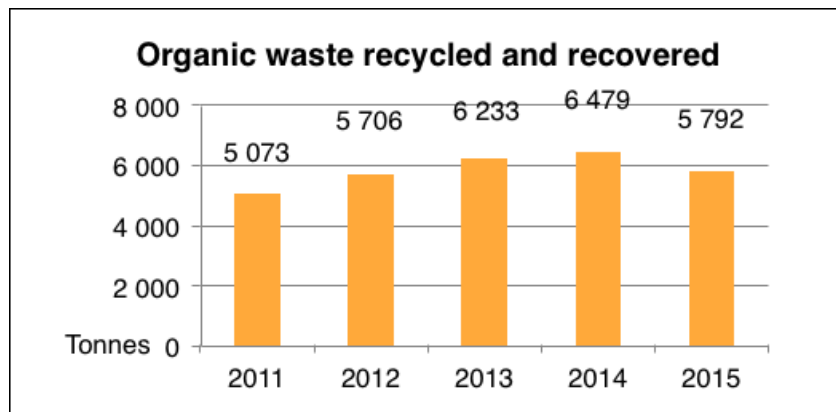
We generate various types of waste during the production, packaging and distribution of our products. The majority of our waste consists of organic primary waste as well as inorganic waste like glass bottles and other packaging waste.

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 10.6% reduction in the volume of organic waste recycled and recovered. This directly relates to a decrease 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 310 900 tonnes (2014: 278 352 tonnes) of glass bottles, of which 73,0 % (2014: 71,6%) comprised new glass, and the remaining 84 891 tonnes (2014: 79 123 tonnes) comprised re-used bottles.

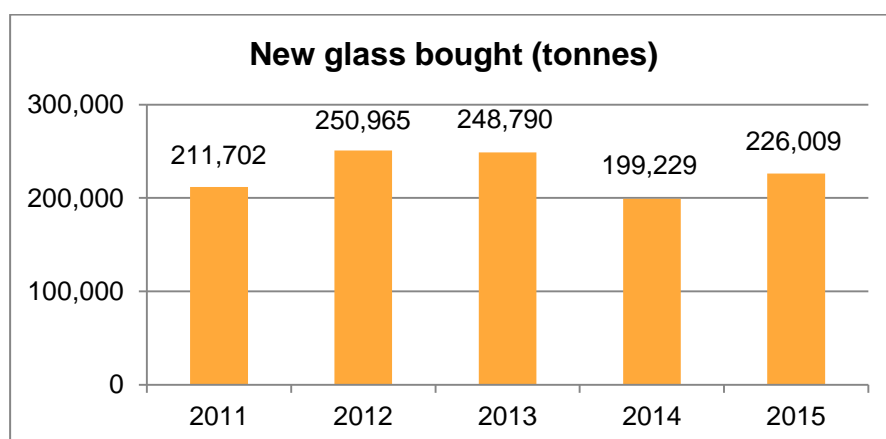
We are actively working towards reducing the impact of our glass packaging by employing the three Rs of waste management: reduce, re-use and recycle.

Reducing the amount of new glass we require

This year we bought 226 009 tonnes of new glass, a 13% increase compared to last year's 199 229 tonnes. The increase can be attributed to the following factors:

- A production volume increase of approximately 12%.

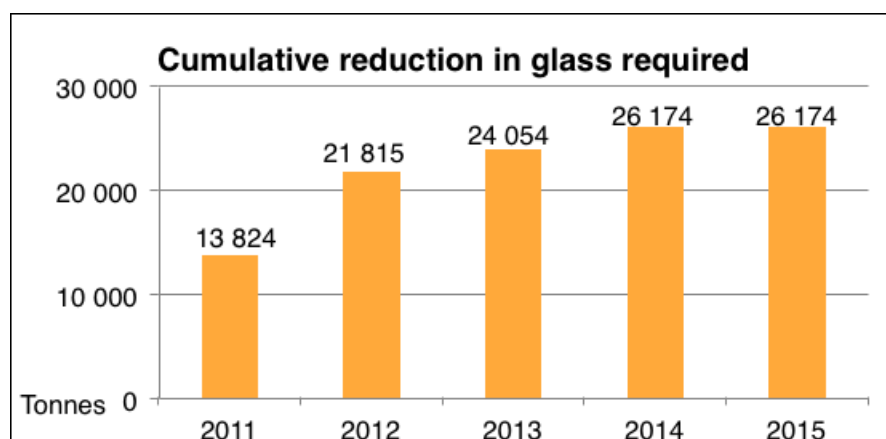
- During 2015 no new lightweighting projects were implemented. Projects developed will only be implemented in the new financial year. As a result there was no reduction in the amount of glass required (reduction in 2014: 2 120).
- Re-using glass bottles collected through our ongoing Give back, Get back (GBGB) initiative. We re-used a total of 84 891 tonnes (2014: 79 123) of glass, or 154,2 million bottles (2014: 141,6) this year, representing 27,0 % (2014: 28,4%) 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.

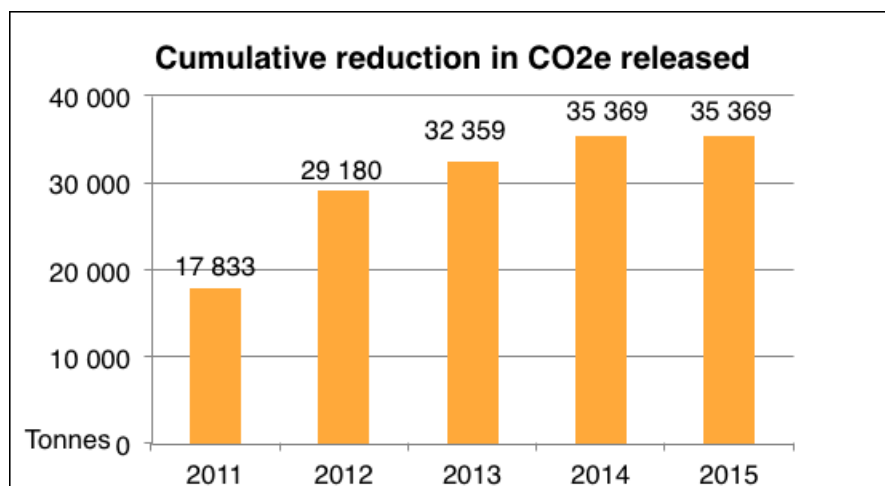


Since we've introduced light-weight glass bottles in 2009, our total glass requirements reduced by 26 174 tonnes in total, representing approximately 8,4 percent of our annual glass requirement.

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 each year. This year we did investigate a number of opportunities, but the relevant projects will only be implemented during the new financial 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. As no new reduction projects were implemented during this year we were not able to reduce the amount of carbon dioxide equivalent emissions related to production of packaging in this way. The graphs below reflect that the cumulative savings have remained the same in 2015 as for 2014.





*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

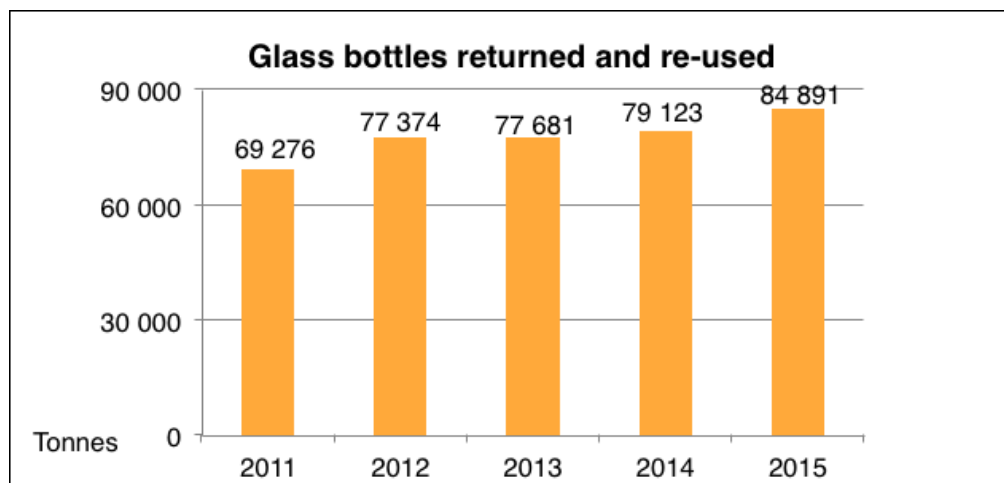
Three of our plants, Ecowash, Green Park and Port Elizabeth, are equipped to wash used bottles. This year, the number of bottles washed at the three facilities enabled us to re-use a total of 154,2 million bottles (2014: 141,6 million). In doing so, we reduced the amount of glass we had to purchase by 84 891 tonnes (2014: 79 123 tonnes). This equates to a saving of 148 353 tonnes (2014: 136 142) of CO₂e that would have been emitted if new bottles had been produced.

Through our GBGB programme, we encourage consumers to return relevant 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.

We have initiated a Business Improvement project specifically looking at the complete GBGB program with the aim of increasing the return ratio of all returnable bottles. As part of this project we will be implementing a new dedicated crate for our 660ml cider products to allow traders to return bottles more directly. This is expected to result in a substantial increase in the return ratio of the 660ml bottles.

Our GBGB campaign is augmented by the activities of The Glass Recycling Company (TGRC), a national voluntary industry initiative that promotes the sustainable recycling of glass. As an active shareholder and board member, we partially fund TGRC 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					
	2011	2012	2013	2014	2015
Number of bottles (millions)	124,1	139,0	139,9	141,6	154,2
Amount of glass (tonnes)	69 276	77 374	77 681	79 123	84 891
CO ₂ e reduction achieved (tonnes)	117 191	131 709	133 030	136 142	148 353

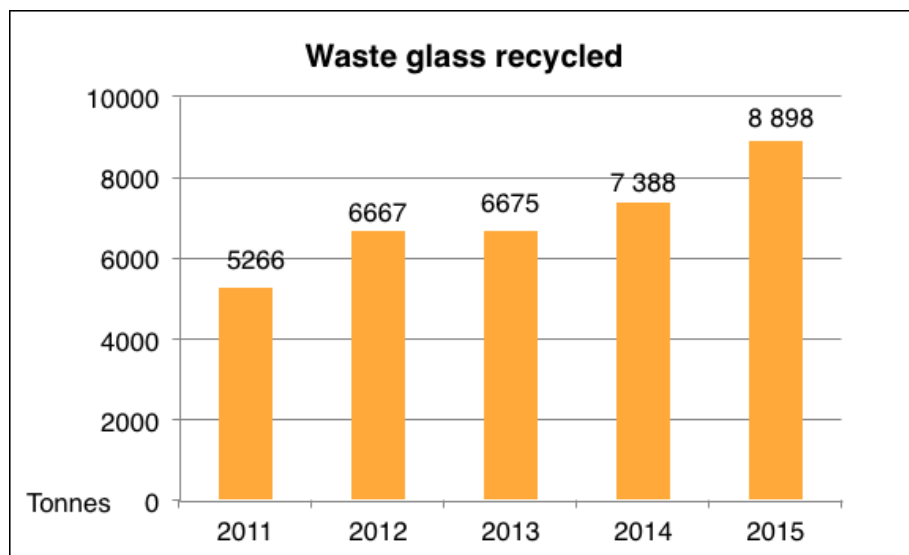
Note: The three facilities wash bottles only on demand as required by our production sites, and the above data reflects the actual number and weight of bottles re-used and not the total number of bottles being returned. The volume of waste glass returned could be higher.

***The data for 2011, 2012 and 2014 has been restated based on revised data analysis.*

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. During 2015 the volume of glass recycled increase to 8 898 tonnes, a 20% increase from 2014 (7 388 tonnes).



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	2015
Cartons and paper	783	1 376	1 577	1 684	1 761	2 030
Plastic	571	549	862	857	875	892
Tetra Pak	*	*	2,2	4,6	2,4	7,32
Metal (including cans)	*	*	*	170,8**	265,8	256.6

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

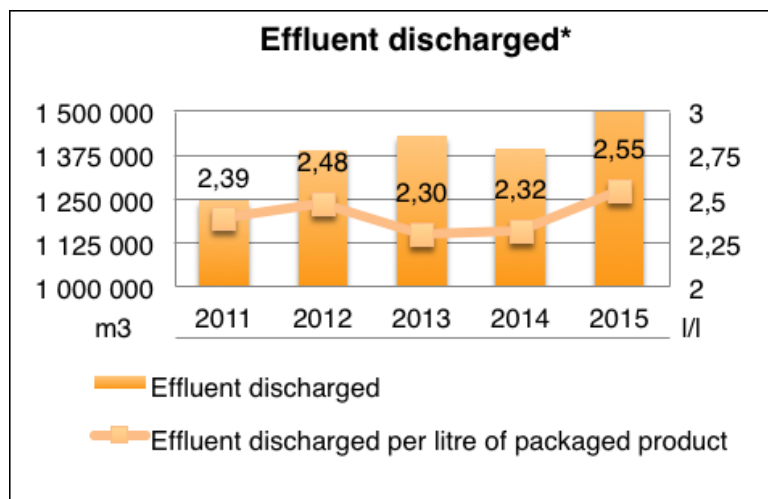
** Includes only metal can waste

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 increased by 23,1% during the reporting year to 1 716 069 m³ (2014: 1 393 562 m³), while our waste water intensity increased to 2,55 litres of effluent per litre of packaged product (2014: 2,32/l).



Effluent* discharged	2010	2011	2012	2013	2014	2015
Effluent discharged	1 294 459	1 248 579	1 389 256	1 430 153	1 393 562	1 716 069
Effluent discharged per litre of packaged product	2,60	2,39	2,48	2,30	2,32	2,55
Waste loading of effluent (kg COD)	4 857 668	6 580 333	5 436 127	4 629 459	6 727 104	8 024 255
Waste loading per litre of effluent	9,79	12,62	9,70	7,44	11,22	11,94

*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.

Together with external consultation, two effluent treatment plants have been proposed and, after successfully conducting EIAs, we are now authorised to start their construction. We will be initiating a detailed technical feasibility assessment for a possible new anaerobic treatment facility at our Worcester facility during the new financial year.

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

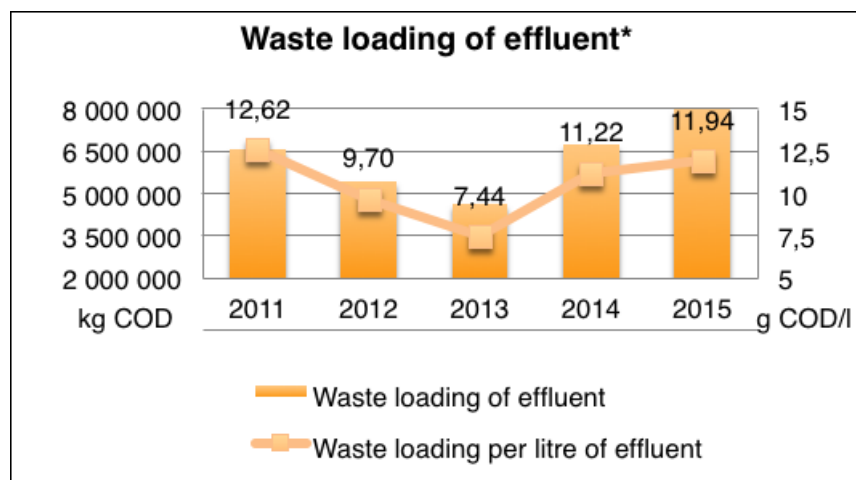
Generally, Distell's production sites use two methods to dispose of waste water:

- Discharge to municipal sewer; and
- 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 except at our distilleries where waste water produced relates to the liquid remaining after the alcohol was distilled off the rabate or distilling wine as input/raw material. The volume of waste water at our distilleries is therefore directly dependent on the volume of product distilled at the site. 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 8 024 255 kg COD (2014: 6 727 104 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. Periods of intense rainfall have challenged our facilities for handling the water volumes and during the new financial year we will continue improving the operational controls at the site. We will also initiate a full technical feasibility study for a possible anaerobic treatment facility to treat the water prior to the discharge to the Klipvlak site to reduce possible odours. 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. An agreement has been entered into with Veolia Water to construct and operate the anaerobic treatment facility at Adam Tas. We expect construction to commence during August 2015.

Due to the amended list of activities requiring environmental authorisation in South Africa, we no longer have to undertake environmental impact assessments (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.

Our approach has always been that each farm, whether owned by Distell or by an independent supplier to Distell, must utilise the best sustainable farming practices. In the context of the South African wine industry, best practice is set out in the guideline of the Scheme for the IPW as described below.

Integrated Production of Wine

All Distell farms and independent suppliers are registered with the scheme for the Integrated Production of Wine 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 vineyards, winemaking and wine-bottling activities. More detail is available on page 59.

WWF and the Biodiversity and Wine Initiative

The Biodiversity and Wine Initiative (BWI) is a partnership between the South African wine industry and the conservation sector under which, farms voluntarily set aside land for conservation so that the natural habitat can flourish. The BWI guideline in terms of best practice regarding conservation of natural areas form an integral part of the IPW guidelines and as such all IPW members must comply. However, BWI has previously also provided additional recognition to farms that set aside land for conservation, so-called BWI Member and Championship farms.

BWI has now indicated that it will reposition itself and stop operating as a separate organisation and will therefore no longer provide separate recognition to BWI Member farms setting aside land for conservation. However, the World Wildlife Fund for Nature (WWF), under who's auspices BWI have operated, have decided that they will continue working with, and giving recognition to, the previous BWI Championship category of farms. These farms, including Neethlingshof and Uitkyk, comply with higher criteria to ensure that critical conservation areas are being conserved for future generations. From 2016 these farms will be known as WWF Champions in Conservation.

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 currently BWI members are set out in the table below. BWI membership status will only be valid until the end of 2015.

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

* BWI champions

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 areas 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	285 + 20*
LUSAN – Le Bonheur	162	73	70	62 + 8*
LUSAN – Uitkyk	590	225	365	111 + 208*
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.

