www.distell.co.za

WE ARE DISTELL

Distell is a business with deep roots in South Africa with a growing African and international presence. We are Africa's leading producer and global marketer of wines, spirits, ciders and other ready-to-drink beverages (RTDs).

CREATING AND SHARING VALUE

Our purpose captures the customer and consumer experience associated with our award-winning brands. It recognises our role as a corporate citizen and our obligation to act responsibly and pursue excellence in everything we do.

OUR PERFORMANCE IN 2020

The year has been undoubtedly challenging. However, it also presented an opportunity for us to realign the Group's strategy. Distell has proven to be a resilient African business with a strong and diverse portfolio. This will enable us to thrive in the long term.

DISTELL INTEGRATED REPORT 2020

INTEGRATED REPORT 2020

DISTELL
CRAFTING BRANDS SINCE 1925

This report reflects the performance of Distell Group Holdings Limited (Distell or the Group) for the financial year ended 30 June 2020 and our prospects for the future. The socio-economic context within which we bring you our 2020 integrated report is unlike anything we have seen before. A stressed South African economy coupled with the Coronavirus Disease 2019 (COVID-19) pandemic has brought about an inevitable shift in our value creation story, which presents both short-term risks but also long-term opportunities for the company.

As our financial results show, the year has been undoubtedly challenging. However, the pandemic also presented an opportunity for us to realign the Group's strategy.

Among other things, it re-emphasised the need for a behavioural shift towards safer consumption. We see Distell as a key facilitator in driving change in societal behaviour while, at the same time, protecting and creating jobs in our industry to offset the inequality and poverty the pandemic has exacerbated.

Distell has proven to be a resilient African business with a strong and diverse portfolio. This will enable us to thrive in the long term. We are guided by a comprehensive plan of action to mitigate the risks associated with the pandemic, and our key priorities are the health and safety of our employees, the support of our customers and suppliers and the protection of shareholder value.

WELCOME TO OUR 2020 INTEGRATED REPORT

OUR PERFORMANCE IN 2020

Group revenue

↓ **14,6%**

Group volumes

↓ **22,5%**

Reported EBITDA

↓ **23,0%**

Reported headline earnings

↓ **63,9%**

Normalised EBITDA adjusted for forex[1,2]

↓ **49,0%**

Normalised headline earnings adjusted for forex[2]

↓ **74,0%**

Return on invested capital (normalised)

↓ **8,5%**

Total dividend

↓ **58,9%**

B-BBEE

↓ **Level 4**

Revisions to the broad-based black economic empowerment (B-BBEE) codes impacted the skills development element. Compounded by COVID-19, these changes decreased our previous skills development score.

↑ **39%**

We achieved a 39% increase in spend on black women-owned enterprises. We delivered this increase despite lower lockdown.

Founding member of SA Plastics Pact

Distell is a founding member of SA Plastics Pact, a collaborative initiative launched in January 2020 that aims to keep plastic in the economy and out of the natural environment.

✔ **Included on the FTSE4Good Index Series**

Distell is now a constituent of the FTSE4Good Index Series. The FTSE4Good Index Series measures the performance of companies demonstrating strong environmental, social and governance practices.

[1] *Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) refers to EBITDA adjusted for the: (a) profit or loss on disposal and impairment of property, plant and equipment (PPE), intangible assets and subsidiaries; (b) Group restructuring, retrenchment and other one-off costs; (c) expected credit loss on Zimbabwe financial assets; (d) the implementation of IFRS 16: Leases, which resulted in lease operating expenses being replaced by depreciation and interest; and (e) impairment of the investments in Best Global Brands Limited (BGB) and TD Spirits LLC.*

[2] *Foreign currencies and abnormal transactions affect the Group's performance. Where relevant in this report, adjusted non-IFRS measures are presented. These adjusted measures represent pro forma financial information. A reconciliation of the pro forma financial information to the equivalent IFRS metrics is provided in note 3 to the condensed financial statements.*

CONTENTS

CHANGE · EVOLUTION · IMPACT

ABOUT THIS REPORT

This report is aimed at all Distell's stakeholders, particularly our shareholders and the local and offshore investment community who provide our financial capital. It focuses on the financial and non-financial performance of the Group, including our extensive worldwide distribution network, supported by local production capability in South Africa, Scotland, Angola, Kenya and Nigeria. We also have joint-venture and associate partnerships in countries that include Tanzania, Mauritius, Zimbabwe and Angola.

This report is part of a suite of publications we produce to best meet our stakeholders' needs and expectations. These publications are available online at www.distell.co.za/investor-centre.

This report, which includes our summary consolidated annual financial statements. It is Distell's PRIMARY REPORT TO STAKEHOLDERS and conveys our VALUE CREATION STORY.

Our SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS and NOTICE TO SHAREHOLDERS, and separate PROXY FORM, which provide information to enable shareholders to participate in the annual general meeting (AGM).

Our complete ANNUAL FINANCIAL STATEMENTS, a comprehensive report of the Group's financial performance for the year.

Our SUSTAINABILITY REPORT, which highlights Distell's non-financial performance for the year.

Our statement of COMPLIANCE WITH THE KING IV REPORT on Corporate Governance™ for South Africa, 2016 (King IV)[1].

[1] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

Additional information relating to presentations, events and results can also be found in the investor centre section of our website.

Reporting on the impact of COVID-19

COVID-19 and, in particular, the South African government's restrictions on the trading of alcoholic beverages, had a significant impact on Distell's results for the second half of the financial year.

The global pandemic of coronavirus disease 2019 (COVID-19) was first reported on 31 December 2019 by the World Health Organisation (WHO) in Wuhan City, China. Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was confirmed as the causative virus of COVID-19. In March 2020, concerned by the severity of the disease and the alarming rate at which it was spreading, the WHO declared COVID-19 a pandemic. As the pandemic spread, governments took unprecedented measures to limit the spread of the virus, ramping up health systems and restricting the movement of millions.

On 15 March the president of South Africa, Cyril Ramaphosa, declared a national state of disaster, and on 17 March government established the National Coronavirus Command Council to lead the nation's plan to contain the spread and mitigate the negative impact of the pandemic. On 27 March the country started a phased lockdown. In order to reduce the impact of alcohol abuse on the country's health system, the sale of alcoholic beverages was halted.

We commend government's swift humanitarian decision to impose a strict lockdown and enable the Department of Health to harness its resources in preparation for the inevitable fallout from the spread of the pandemic. However, the total ban placed on the sale of alcohol and e-commerce brought devastating economic repercussions across the sector as it struggled to survive in the vacuum created during lockdown.

The South African alcohol industry is complex and its value chain wide and deep. It employs almost a million people – from farming communities to tavern owners; from merchandisers to freight and logistics, and more. This is the reason Distell advocates for achieving a balance between economic activities that drive a positive contribution to job creation whilst confronting the realities of the pandemic.

Industry engagements with the Department of Trade, Industry, and Competition (dtic) and the Department of Cooperative Governance and Traditional Affairs (CoGTA) yielded an agreement on the controlled resumption of alcohol trade on 1 June.

However, due to a continued rise in COVID-19 cases, on 12 July the president announced renewed restrictions, including another ban on alcohol sales, which was lifted on 17 August.

Throughout this report, we explain how Distell is working to balance the short-term survival of the Group with our medium- and long-term goals and stated purpose and values

Short term
Stabilise
How immediate concerns have been tackled

Medium term
Optimise
How we have optimised business operations through the crisis to safeguard sustainability

Long term
Revolutionise
How we will adapt to the changed business and economic environment and adapt to thrive

Content guidance

We consider, use and apply a range of content guidance documents in the preparation of our reporting elements:

- The integrated report considers the requirements of the International Integrated Reporting Council's (IIRC) Integrated Reporting (<IR>) Framework.
- The summary consolidated annual financial statements presented in this report are prepared in accordance with:
  - International Financial Reporting Standards (IFRS);
  - the reporting guides provided by the South African Institute of Chartered Accountants (SAICA) and the Accounting Practices Committee (APC), where applicable;
  - the South African Companies Act, No. 71 of 2008, as amended (the Companies Act); and
  - the JSE Listings Requirements.
- We have applied the principles outlined in King IV

Assurance

While third-party assurance has not been sought for all information contained in this report, certain information has been independently assessed and verified:

- The summary consolidated annual financial statements were reviewed by the external auditors, PricewaterhouseCoopers Inc. (PwC), and an unqualified opinion has been issued.
- Broad-based black economic empowerment (B-BBEE) performance was independently assessed and verified by AQRate.
- In adherence to the principle of combined assurance, we follow an audit trail for non-financial disclosures and performance data and validate this information through an internal audit process.
- The content of the report has been reviewed by the board of directors and management to confirm the reliability and completeness of the information included and to ensure that we continue to meet the reporting and disclosure needs of local and international investors.
- Refer to page 121 for a full list of our accreditations and certifications.

Forward-looking statements

Due to the future-orientated principle of integrated reporting, many of the statements in this report constitute forward-looking statements. These are not guarantees or predictions of future performance. The Group faces risks, opportunities and other factors beyond its control. These or other uncertainties may cause our actual future results to be materially different from those expressed in this report. Readers are therefore advised not to place undue reliance on forward-looking statements as we do not undertake to update these.

The Distell board approved this report

The board of directors reviewed the report's contents, preparation and presentation, including the appropriateness of the reporting frameworks used. The board believes the report is an accurate representation of the prospects and performance of the Group. The audit committee, which has oversight responsibility for integrated reporting, recommended the report for approval by the board. The board approved the 2020 integrated report in Stellenbosch on 26 August 2020 for release to shareholders on 18 September 2020.

Jannie Durand
Chairman

Richard Rushton
Group chief executive officer (CEO)

Catharina Sevillano-Barredo
Chairperson of the audit committee

Feedback

Your feedback is important to us and we welcome your input to enhance our reporting content and processes. Please send your comments to Investor.Relations@distell.co.za or call +27 21 809 7000. Readers can also interact with us on the following social media platforms:

Follow us on:

Facebook
LinkedIn
Twitter
Instagram
YouTube

CHANGE · EVOLUTION · IMPACT

Distell is a business with deep roots in South Africa with a growing African and international presence. We are Africa's leading producer and global marketer of wines, spirits, ciders and other ready-to-drink beverages (RTDs).

WE ARE DISTELL

The Group first listed on the JSE Limited (JSE) in 2001 under the consumer goods sector, and relisted as an investment holding company on 1 June 2018 due to the collapse of the Capevin/Distell shareholding structure. Distell is an operating subsidiary of Remgro Limited, which holds an economic interest of 31,4% of the Group's shares.

DISTELL'S COMPETITIVE ADVANTAGES

OUR DECENTRALISED OPERATING MODEL

Through three broadly regional business divisions, Distell's decentralised operating model enables us to respond quickly to evolving consumer and competitor conditions and macro-economic shifts in our priority market segments and countries. This model helps to reduce duplication and increase efficiency because the decision-making processes reside in the respective divisions.

South Africa

We are proudly South African.

Distell is the only South African-owned and operated multi-category alcoholic beverages company. Maintaining market share and returns in the local market is one of our key strategic ambitions.

Most of the Group's revenue (71,0%) is generated in South Africa.

Africa

We pioneer new markets in Africa.

We are Africa's leading producer and marketer of wines, spirits, ciders and RTDs. Africa gives us a strong base from which to accelerate platforms for future growth. This includes measured investment with local partnerships in local production and route-to-market, with a wide-ranging product portfolio, including strong local brands. This gives us flexibility, which is a competitive advantage on the continent.

Our African markets comprise 17,7% of Group revenue.

Venture Business

We have refocused our international business division to be targeted and deliver better margins.

Through the Venture Business, we:

- concentrate on premium spirits in select international markets;
- leverage our focused export portfolio; and
- advance a premium spirits portfolio for future growth in South Africa.

The International Business contributes 11,3% to Group revenue.

See the divisional performance section from page 44 for detail on how each business division performed during the year.

OUR FOCUSED PORTFOLIO OF BRANDS

Our balanced repertoire of brands resonates with a broad spectrum of consumers with different taste profiles, plays across the price continuum and helps create memorable moments at mixed-gender drinking occasions worldwide. Distell's brands are divided into three categories:

Wines

Our wines, with their rich heritage, are sold on every continent.

Distell owns key wine brands, including:

- Nederburg
- Durbanville Hills
- Plaisir De Merle
- Alto
- Fleur du Cap
- Pongrácz
- Drostdy-Hof
- 4th Street
- Autumn Harvest Crackling
- Original Paarl Perlé

Spirits

Our premium and accessible spirit brands include local brands in key African markets.

Our key spirits brands include:

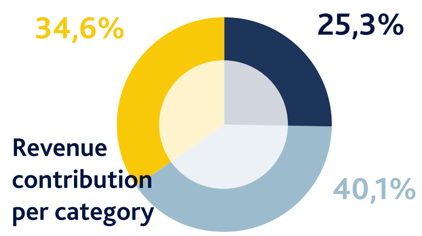
- Amarula
- Bain's Cape Mountain Whisky
- Bunnahabhain
- Cruz
- Klipdrift
- Old Buck
- Richelieu
- Scottish Leader
- Viceroy
- Three Ships

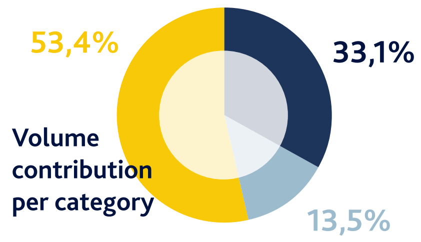
Ciders and RTDs

We pioneered the cider category in South Africa to become the second largest global producer of ciders.

Of our key cider and RTD brands, the following are the top-performing:

- Bernini
- Extreme
- Hunter's
- Savanna
- Esprit





Wines | Spirits | Ciders and RTDs

Portfolio optimisation and premiumisation

Distell's brands range from accessible, scale brands that enjoy wide-ranging popularity to premium brands that are crafted with the connoisseur in mind.

We conduct a continual process of analysis, adjustment and improvement across our brands. The aim is to streamline our portfolio, build our core brands and identify which brands to promote in each geography. This results in efficiency and scale and supports our strategic ambition to achieve sustainable growth and returns.

The consumer loves balance and discovering new, interesting experiences. See page 22 for an analysis of the latest industry and consumer trends. Based on data-driven research, we innovate to meet consumers' evolving needs, for example:

- We continue to expand our non-alcoholic and low-alcohol offerings. See pages 46 and 49 for the latest innovations.
- The success of 4th Street is largely because Distell has demystified wine and created a product that meets mainstream consumer needs for a sweeter taste profile and lower levels of alcohol.
- As a multi-category Group, we are positioned to innovate across categories. For example, since the popularity of gin and juniper-flavoured products continues to grow, we have developed a juniper-flavoured RTD. See page 46.
- As cannabis acceptance continues to grow around the globe, we invested in an innovative local cannabis business, Afriplex.

The scope of our portfolio also provides a natural journey. Given time, a consumer who enjoys our more accessible brands might move to easy-drinking yet more sophisticated brands and eventually to premium brands. Consumers can also trade up or down, depending on their disposable income at the time. This creates a natural risk hedge, since we aim to retain their spend.

For detail on brand innovations and brand category performance, see the divisional performance reports from page 44.

All Distell products mentioned in this integrated report are not for sale to persons under the age of 18 years. We appeal to consumers who choose to drink alcohol to enjoy our products responsibly

CHANGE · EVOLUTION · IMPACT

OUR SUSTAINABILITY STRATEGY

For Distell to thrive, we require prosperous communities and consumers. We therefore aim to stimulate economic prosperity and ensure communities are better off because we are there. Sustainability is a critical enabler of this and supports our broader business strategy (See page 20).

We have identified key areas along our value chain where we believe we can make the most significant impact and contribute towards sustainable development, supported by our employees. These areas shape our contribution to the United Nations (UN) Sustainable Development Goals (SDGs), which aim to end global poverty, protect the planet and ensure prosperity for all.

We have identified specific targets per goal as well as key internal performance indicators that will be used to track our contribution to our chosen SDGs. These performance indicators are aligned to our sustainability strategy and support our 2025 targets.

- Promoting responsible drinking
- Achieving transformation
- Empowering communities
- Managing our supply chain sustainably
- Building our people

We are taking big steps to align all areas of our business with our SDG journey to ensure an integrated approach. These include allocating oversight of our primary SDGs to members of our executive committee and identifying performance targets related to our primary SDGs for our short- and long-term remuneration incentive schemes (read more from page 70). Another significant step planned for 2021 is to map the various elements of the B-BBEE scorecard to our priority SDGs.

To find out more about these areas and our commitments, see our 2020 sustainability report online at www.distell.co.za.

Key:

Our **primary SDGs** include SDGs 3, 6, 8 and 12

Our **secondary SDGs** include SDGs 1, 4, 7, 9 and 13

SDGs 5 and 17 are **foundational goals** that cut across our value chain

OUR AWARDS

Spirits

- Distell won the **Brandy Grand Master Award** at the 2020 Spirit Business Awards
- 2020 World Whiskies Awards achievements:
  - **Three Ships Premium Select Five-Year-Old** was the category winner for 12 years and under
  - **Bain's Cape Mountain Whisky, Bunnahabhain Toiteach A Dha** and **Three Ships Premium Select** were all category winners for whiskies with no age statement
  - **Ledaig Ten-Year-Old** was named category winner for whiskies from the Scotch Islands
  - **Three Ships Whisky** won the Icons of Whisky Campaign Innovator Award
  - **James Sedgwick Distillery** won the Icons of Whisky Sustainable Distillery Award
  - **Andy Watts** won the Icons of Whisky World Whisky Ambassador Award
- **Van Ryn's 12-Year-Old** won both the World's Best Brandy and Best Extra Old category Awards at the 2020 World Brandy Awards
- **Amarula Vanilla Spice** won the World's Best Cream Liqueur Award at the 2020 World Liqueur Awards

Wines

- **Nederburg** Winemasters Carignan Rosé 2019 achieved double gold at the 2019 Rosé Rocks Challenge
- **Pongrácz Desiderius** won double gold and the trophy for Best Brut at the 2019 Amorim Cap Classique Challenge
- **Fleur du Cap** Series Privee Pinotage 2016 was a top ten winner at the Absa Top Ten Pinotage Awards
- 2019 Michelangelo International Wine and Spirits Awards achievements:
  - **Nederburg Winemasters Noble Late Harvest** won a platinum award
  - Double gold awards:
    - **Durbanville Hills** Cape Honey Bee 2018
    - **Plaisir De Merle** Cabernet Sauvignon 2015
    - **Nederburg** The Young Airhawk Sauvignon Blanc 2017
    - **Zonnebloem** Shiraz Mourvèdre Viognier 2017
- 2019 Veritas Awards achievements:
  - Double gold winners:
    - **Pongrácz** Desiderius 2011
    - **Fleur Du Cap** Series Privee Sauvignon Blanc 2017
    - **Nederburg** Auction Reserve Private Bin R163 Cabernet Sauvignon 2014
    - **Allesverloren** Single Vineyard Block 51 Red Muscadel 2019
  - Double gold museum class winners:
    - **Nederburg** Ingenuity Italian Red Blend 20017
    - **Nederburg** Private Bin Eminence Muscadel Noble Late Harvest 2009
    - **Durbanville Hills** Caapmans Cabernet Sauvignon/Merlot 2006
    - **Durbanville Hills** Rhinofields Cabernet Sauvignon 2009
    - **Nederburg** II Centuries Cabernet Sauvignon 2008
    - **Nederburg** Private Bin R121 Shiraz 2009
    - **Nederburg** Ingenuity Italian Red Blend 2009
    - **Nederburg** Private Bin Edelkeur Noble Late Harvest 2009

CHANGE · EVOLUTION · IMPACT

Our purpose captures the customer and consumer experience associated with our award-winning brands. It recognises our role as a corporate citizen and our obligation to act responsibly and pursue excellence in everything we do.

OUR VALUE-CREATING BUSINESS MODEL

DISTELL'S PURPOSE: CREATING MEMORABLE MOMENTS, CRAFTING A BETTER FUTURE

Our values

Customer and consumer focus
We are passionate about our customers and consumers.

Excellence
We are committed to excellence in everything we do.

One Distell
We win by collaborating with integrity, honesty and respect.

The behaviours that underpin our values

- We delight our consumers by putting them first.
- As our customers grow, we grow.
- We think and act like business owners.
- We challenge, then commit.
- We are digitally fluent.
- We fail fast and learn faster.
- We dare to care.
- We build trust together.
- Together, we play to win.

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

THE RESOURCES ON WHICH WE RELY

To craft our distinctive brands and fulfil our purpose, we make use of resources through the business activities and processes along our value chain. These activities are guided by our strategic ambitions, goals and drivers, as described on page 20.

In everything we do, the Distell board takes great care in ensuring good governance, which underpins how we live our corporate values and deliver on our purpose. In a volatile world, governance requirements continually evolve and present new challenges, especially with Distell's growing footprint in regions with high operating risks. The board applies integrated thinking as promoted by King IV™, and Distell's governance practices, risk and compliance frameworks, policies and controls exist to:

- support the Group to achieve our strategic ambitions;
- ensure the sustainability of the Group; and
- optimise value for our shareholders and other stakeholders.

Read more in our governance report from page 58.

Financial resources

Funding from providers of capital includes equity raised, retained earnings and access to debt funding.

Distell is rigorous regarding capital usage. We invest financial resources in accordance with our strategy, economic value added (EVA) and return on invested capital. We allocate capital to support our business activities, maintain our assets and enhance and scale them in Africa. To grow, we invest in a select portfolio of brand assets and markets.

The Group chief financial officer (CFO) report on page 36 includes a review of our financial performance for 2020, and our summary consolidated annual financial statements from page 96 provide a detailed overview.

Manufactured resources

Manufactured resources include our corporate office buildings, information technology (IT) infrastructure and the physical assets we use to produce, cellar, package, warehouse, sell and distribute our brands.

We continually optimise our asset portfolio. Detail on capital investments, upgrades and consolidation of assets can be found in the divisional performance reports from page 44.

Social and relationship resources

Our social and relationship resources take the form of a network of internal and external relationships we develop and maintain with stakeholders.

These relationships are guided by our purpose and values and shape our reputation and legal and social licence to operate. Distell's material stakeholder groups and our engagement with each are discussed from page 12.

Intellectual resources

Our experience and operational knowledge, systems, protocols and intellectual property, including our brands, constitute Distell's intellectual resources.

To enhance our competitive advantage, the decentralised model enables prompt decision-making, heightened commercial responsibility and improved brand resonance with consumers.

A dedicated growth and innovation function manages the application of intellectual resources in line with changing consumer preferences, evolving market trends, quality control and product innovation. We have invested significant financial resources in a multi-year end-to-end digital transformation journey. Detail can be found in the CEO report and divisional reports on pages 32 and 44.

Human resources

Distell's human resources include the expertise, well-being, attitude and innovation of our people, the board, management and employees.

Information on engagement with employees and matters addressed during 2020 can be found in the stakeholders section on pages 12 to 14.

Natural resources

Distell's natural resources comprise the land, water, energy and agricultural produce, such as apples and grapes, upon which we depend for our production, packaging and manufacturing processes.

We understand that our long-term sustainability is intrinsically linked to the environment and these natural resources, from farm to consumer and back again. The depletion of these resources would threaten the Group's business model.

Material developments are highlighted in our sustainability initiatives and can be found in our sustainability report online at www.distell.co.za.

OUR BUSINESS ACTIVITIES

Research and development

To deliver breakthrough brand and product innovations, our newly established growth and innovation function uses research platforms, methodologies and advanced marketing analytics to gain consumer insights.

At our various 'centres of excellence', subject matter experts bring new and innovative product and packaging ideas to the market. This ensures we continue to produce award-winning wines, spirits, ciders and RTDs. Read more in the strategy section on page 20.

Procurement

Our vision for procurement is to drive sustainable value through smart spend management that enables innovation and builds quality partnerships along our value chain.

The bulk of our raw materials is sourced locally, particularly in South Africa, but also in other markets where we have production facilities. Distell's inclusive purchasing strategy results in the growth of our preferential procurement pool and creates market accessibility, particularly for small and medium-sized black-owned and black women-owned businesses.

Detail on how we achieve this can be found in the stakeholders section on page 14 and our sustainability report at www.distell.co.za.

Cellaring, distilling and bottling

We process, cellar, mature and package per brand, and have an employee safety, health and wellness programme and a comprehensive occupational health and safety strategy in place.

To preserve the natural resources we depend on, we must ensure our supply chain practices are efficient, agile and geared to protect the planet while meeting our customers' requirements in full. We invest in the sustainable use of resources at our production facilities by implementing interventions to reduce water and electricity usage and by applying the 'three Rs' of waste management: reduce, reuse, recycle.

Specific initiatives are outlined in our 2020 sustainability report, available online at www.distell.co.za.

Marketing

Liquor legislation and best practice differ per market and guide us in marketing alcoholic brands responsibly. This includes informing and encouraging consumers to make the right choices when enjoying our brands. We shape our engagement options to comply and to continue sharing impactful and educational messages that are appropriate to the consumer, environment and new channels.

Sales and distribution

We distribute our products through an outsourced distribution model, which we are in the process of streamlining by negotiating new logistics contracts and developing an in-house e-bidding system. Our objective is to reduce transport costs by 10%, and we give priority to black-owned and black women-owned suppliers.

Our brands are sold in select markets across the world using multiple channels. These include wholesale as well as off-trade (retail outlets) and on-trade (bars, taverns, restaurants).

The footprint maps on pages 10 and 11 detail our areas of operation.

Consumption

We support our communities with awareness campaigns around responsible alcohol consumption and harm reduction. We are a member of Aware.org.za and have developed transformational partnerships with FASfacts and the Foundation for Alcohol Related Research (FARR). We are also focused on developing a circular economy for post-consumer waste through responsible recycling programmes. These are profiled in our sustainability report at www.distell.co.za.

Business support functions

At 'The Hive', our central, multi-functional centre in Cape Town, our systems streamline human resources, customer services, credit management and accounts payable, among others.

The proper use of technology and data is central to the Group, since this is where all functions in the business intersect. For the past few years, we have invested heavily in automation, systems and cyber security. Our digital transformation journey uses data-driven insights to improve internal business processes as well as customer and consumer experiences.

CHANGE · EVOLUTION · IMPACT

WHERE WE DO BUSINESS:
OUR FOOTPRINT AND SUPPLY CHAIN

Employees
4 845

Wineries
4

African offices
9

Distilleries
8

International offices
5

Distillery and operations:

South Africa
- Worcester
- Goudini
- Van Ryn's, Stellenbosch
- Wellington
- Monis, Paarl
- Durbanville Hills

Scotland
- Tobermory, Isle of Mull
- Bunnahabhain, Islay
- Deanston, Stirling

Angola

Nigeria

Operations and packaging:
- Adam Tas
- Nederburg
- J.C. Le Roux
- Port Elizabeth
- Springs
- Wadeville

19
distribution centres (including four in Namibia)

2 mega distribution centres

24
trade express sites (including one in Eswatini)

3
dedicated export warehouses

Responding to COVID-19

We solicited the help of the WHO to develop COVID-19 risk management protocols for all our facilities. These ensure minimum contact through break lines, shift systems and the use of face masks and sanitisers.

Our global supply chain is dependent on imports, mostly of apple juice concentrates and flavourings from China. We acted quickly by sourcing local substitutes to prevent a disruption in supply. We were able to source 88% of materials in South Africa. This did have a cost implication, but a positive outcome is that Distell is supporting local suppliers who are also impacted by the economic effects of the pandemic.

A highlight – and testament to Distell's agility – is that we repurposed production facilities to produce hand sanitisers and ethanol for the use of other hygienic products:

- In South Africa, 105 000 litres of sanitiser were allocated to government and NGOs.
- In Scotland, 1 200 litres of hand sanitiser were distributed to care centres, vulnerable homes and community groups.
- In Kenya, 131 000 litres of sanitiser were produced for distribution to government.

This initiative generated R21 million in revenue in the reporting period. We also sold alcohol and sanitiser to a range of businesses to support their own hygiene practices.

We are investigating this as a sustainable business opportunity going forward.

THE OUTPUTS AND OUTCOMES OF OUR BUSINESS MODEL

Outputs

Distell's main outputs are its diverse portfolio of wines, spirits, ciders and RTDs, as outlined on page 5. As a result of our operations, we also produce by-products and waste, and we remain committed to reducing our environmental impact. Read about our initiatives to manage our supply chain sustainably in our sustainability report online at www.distell.co.za.

Outcomes

The main outcome of our business model is in the value created for our stakeholders. The stakeholders section that follows describes how Distell creates value per stakeholder group.

CHANGE · EVOLUTION · IMPACT

Transformation is integrated into every aspect of our business and along our value chain. In practice, this means accepting differences, recognising the value of diversity, and accelerating lasting socio-economic growth in the key markets and communities in which we operate.

We have provided a high-level profile of each stakeholder group and a summary of our stakeholder management approach for each. The social and ethics committee oversees and monitors the implementation of the Group Stakeholder Management Framework, which outlines our philosophy and guides our relationships with stakeholders.

For material developments in the financial year, including how we supported and worked with stakeholders to respond to COVID-19, also see the divisional performance reports from page 44.

OUR ENGAGEMENT APPROACH

Our approach to stakeholder engagement is aimed at building and maintaining sound, transparent relationships that help us achieve more and do better. The goal of engagement initiatives is to understand stakeholder needs and expectations and respond accordingly. We welcome feedback and take it seriously because it is invaluable to our continued success.

Responding to COVID-19

Traditionally, engagement and communication happened through a range of personal interactions at corporate level and at touch points across our business. However, stakeholder engagement changed significantly with the advent of COVID-19. It is likely that certain types of engagements, for example conferences, large group training, roadshows, etc., will not occur for some time to come. Keeping the health and safety of all stakeholders, particularly our employees, as a priority, we have adapted our engagement methods where necessary with the aim to keep communication channels open.

EMPLOYEES

Our employees are critical in enabling us to create memorable moments and craft a better future.

At Distell we promote a culture of respect, trust and mutual understanding through open, two-way communication and encouragement. We are committed to creating a positive and safe work environment, free of harassment or discrimination, and with opportunities for career development.

Health and safety are paramount, and to guide our conduct we have a comprehensive occupational health and safety strategy in place. On-site clinics provide occupational health services to employees who work in operations.

We encourage work-life balance and develop employee capabilities to ensure a sustainable talent pool. Annual education sessions and our employee assistance programme (EAP) offer employees the chance to address personal issues impacting their work.

To grow Distell's future leaders, we invest in training programmes that include internships, learnerships, skills development programmes, apprenticeships and adult basic education.

Through our employee volunteer programme, employees are able to make a significant contribution to their communities. Distell ForGood is an online platform that enables employees to sign up and contribute to more than 380 non-profit organisations on the platform. Employees can volunteer time, goods or funds. Alternatively, they can choose another way to make a lasting difference.

We continue to evaluate our Employee Value Proposition (EVP) with a specific focus on crafting a differentiated future-fit value proposition. This includes flexible working arrangements as well as rewards and benefits relevant to changing business needs and attracting younger generations entering the workplace. Our current EVP focus areas are:

Employer of choice → Holistic well-being → Exciting and meaningful work → Learning in the flow of life → Our reward offering

Distell's ability to deliver on its strategic ambitions is dependent on a diverse group of stakeholders who all have a legitimate interest in the way we conduct our business.

OUR STAKEHOLDERS

Number of employees
4 845
(2019: 4 936)

Female
32,3%
(2019: 33,2%)

Male
67,7%
(2019: 66,8%)

Black
75,1%
(2019: 73,2%)

White
24,9%
(2019: 26,8%)
In South Africa

People with disabilities who participated in learnerships
37
(2019: 87)

How we engage

- Team meetings and one-on-one engagements, held online or in a responsible socially distanced manner
- The Distell employee intranet portal
- Quarterly town hall engagements through webcasts for the foreseeable future, as well as CEO communication through various digital channels
- Topic-specific webcasts
- Monthly newsletters
- Training and development programmes
- Formal performance evaluations
- Ongoing engagement with labour unions

Employee priorities

- Alignment with the Group's purpose and values
- Communication around change
- Functional role clarity, career opportunities, skills development and employee wellness
- Fair remuneration and benefits
- Health and safety
- Transformation

How we assess the quality of these relationships

- Employee surveys measure the relevance and efficacy of our engagement initiatives, and test employee affiliation and commitment to Distell.

Our culture change journey – to encourage innovation and creativity and to improve the agility, effectiveness and efficiency of the Group – was embedded during the first half of the year. We followed a transparent and inclusive process, which resulted in buy-in from all parties.

We continue with this journey to successfully embed our values and drive a high-performance culture:

- We rolled out functional onboarding workshops to embed our purpose, values and desired behaviours.
- Our executive team understand the crucial role they play in shaping our culture and leading by example. To this end, our Executive Leadership Accelerated 360 Questionnaire was launched and completed by our executive team. The second phase will include cascading this questionnaire to the next-level leadership.

Looking ahead, our focus will shift to the new world of work – what the challenges and opportunities will be, how we can continue to support our employees, and what skills we need to develop further. To this end, we created a capability map of the Group's current skillset and highlighted some critical skills we lack.

We will launch the Distell Leadership Top 120 journey. This will focus on building leadership capabilities that are best-in-class, future-fit and demonstrate the right behaviours and levels of empathy – a need that has been emphasised by the impact of COVID-19.

Our foundational aspiration to empower women informs the activities across our value chain. Distell endorses the UN Women's Empowerment Principles (WEP), which help businesses understand how to empower women in the workplace.

We used the WEP Gender Gap Analysis Tool in November 2018 to assess gender equality within our business. Our efforts in this regard fall under the Distell Gender Inclusivity Flagship Programme. This programme frames our conversation around diversity and the importance of inclusivity and also guides our approach to ensure projects along our value chain are relevant for women and viable for our business.

CHANGE · EVOLUTION · IMPACT

Employees continued

Responding to COVID-19

All employees received their full salaries throughout the various lockdown levels in the reported period.

The Distell board, Group CEO and executive committee sacrificed up to 30% of their salaries, for three months, to enable Distell to donate this money to the Solidarity Fund.

Employees were enabled to work from home, measures were put in place ahead of the gradual return of employees, and our human resources policies and employee support programmes were improved to include the necessary protocols required to manage COVID-19.

We also realigned our value offering during the crisis as follows:

- **Policy and practices reviewed:** To support the well-being of our people and the sustainability of our business, we reviewed our leave and remote work policies and implemented return to work and physical distancing policies.
- **Working from home:** We developed a guideline for working from home, which includes ensuring our employees are equipped with the necessary IT resources and systems.
- **Flexible work arrangements:** We adjusted our working hours to allow for more flexibility and to support work-life balance during this crisis.
- **Workplace readiness:** We ensured all working environments are safe and offer sufficient protection against exposure to COVID-19. This includes, for example, floor demarcations, sanitising stations, provision of personal protective equipment, on-site health questionnaires and temperature testing.
- **Employee wellness:** To manage anxiety and uncertainty arising from the pandemic, we designed and implemented a wellness toolkit.
- **Employee development:** We ensured all employees could continue with their development during lockdown, learning in the flow of life by leveraging our already robust online learning platform.
- **Zero Harm Ambassadors:** We appointed internal safety ambassadors across the business and developed a health and safety toolkit, which provides guidance on our approach to safety in the workplace and tips to minimise exposure to COVID-19.

We realise our business will never be the same, and that aspects such as remote work, optimisation of work spaces, cross-functional teaming, leveraging talent as and where needed and alternative work models will become our new normal. We are confident that the resilience of our people, our world class resources and our agility will pull us through this crisis.

SUPPLIERS

Our supplier base ranges from small to large businesses that supply services and raw materials for the production and marketing of our brands.

Our suppliers benefit from long-term and mutually beneficial relationships with Distell and can be assured of ethical behaviour and practices.

Preferential procurement is a priority element of the B-BBEE scorecard and an important aspect of our commitment to enterprise and supplier development. The Distell E+Scalator programme empowers and escalates small- and medium-sized enterprises (SMEs) within our value chain, thereby ensuring their long-term viability. Our Agri+Gator programme aims to provide structured engagement and direct support to improve the yield, output, participation, access to market and growth of empowered apple and grape farmers within our value chain.

We collaborate with our suppliers to ensure all our products are harvested and manufactured to the same environmental, ethical and human rights standards. This includes collaboration with leading industry players such as the Wine and Agricultural Ethical Trade Association (WIETA).

More detail can be found in our sustainability report at www.distell.co.za.

Preferential procurement

+8%

in black-owned enterprises – this resulted in a 19% increase in B-BBEE spend

(2019: +11%, +36%)

+39%

in black women-owned enterprises – this resulted in a 48% increase in B-BBEE spend

(2019: +12%, +10%)

How we engage

- Supplier visits and audits, conducted to safety standards
- E+Scalator, our local enterprise and supplier development programme
- Collaboration on B-BBEE and preferential procurement requirements
- Supplier conferences and workshops will be considered when it is legal and safe to host them again
- Supplier engagement sessions on key issues – for example, transformation, climate change and land reform

Supplier priorities

- Certainty of supply
- Fair treatment and payment terms
- Loyalty and collaboration
- Transformation

How we assess the quality of these relationships

- We encourage and act on honest feedback
- We establish joint targets with our suppliers and assess their performance in our sustainable sourcing programme
- An increase in preferential procurement spend means our supplier development programmes are effective

Responding to COVID-19

In support of our commitment to government and the SA Liquor Traders Association, we extended safety protocols to retailers and taverners and supported 34 500 taverns with care packs that include personal protective equipment, sanitisers, masks and edu-packs.

Throughout the lockdown, we supported our more vulnerable customers with extended payment terms.

As the largest procurer of grapes for wine we also honoured a payment plan with our long-term suppliers in the wine-farming industry. We are proud to say we fulfilled all our payment commitments to 58 farm owners from grape growing regions such as Darling, Stellenbosch, Paarl, Somerset West, Durbanville and Ceres. This was during a critical time when the pandemic hit South Africa in the middle of the harvest.

STRATEGIC BUSINESS PARTNERS

We enter into strategic partnerships along our value chain, particularly in Africa, where we partner to establish local manufacturing and route-to-market platforms.

Our strategic geographic goals rely on opportunities for mutually beneficial relationships that are long term in nature and respectful in character.

Distell is signatory to the dtic's Guidelines for Good Business Practice in Africa, which encourage South African companies to align their involvement and practices with the South African government's integration and development objectives in Africa, and to build mutual confidence, trust and benefit for the companies and societies in which they operate.

Detail on the performance of our strategic partnerships can be found in the Africa regional report on page 47.

How we engage

- Regular forum and one-on-one meetings, which have been taking place online recently
- Roadshows and conferences as a form of engagement will be revisited when they become legal and safe again

Strategic business partner priorities

- Ongoing business support
- Return on investment
- Local community support and reinvestment

How we assess the quality of these relationships

- Volume growth in the markets where we have partnerships is an indication that the partnerships are effective

TRADE CUSTOMERS

Our trade customers, including wholesalers, retailers and tavern owners, are the interface between Distell and our consumers.

Our engagement with trade customers facilitates a thorough understanding of our brand portfolio and focuses on demand trends to ensure supply consistency.

Distell's customer loyalty programmes, Bansela and Upsella, build relationships with tavern and counter service outlets in South Africa. Customers are incentivised to trade responsibly and to stock, price and display a specially selected portfolio of Distell products to earn 'Bansela bucks'.

Our Taverner Training Programme is designed to empower female taverners with basic business and in-trade execution skills to grow their businesses sustainably.

Detail on the Taverner Training Programme can be found in our sustainability report at www.distell.co.za.

20 600

Bansela and Upsella members

(2019: 22 923)

How we engage

- Regular site and facility visits
- One-on-one meetings and joint business planning meetings
- Training initiatives
- Customer surveys
- Trade customer conferences will be resumed if and when they become legal and safe again

Trade customer priorities

- Brand insights and marketing collaboration
- Consistently reliable supply
- Fair treatment and payment terms
- Rewards for loyalty
- Transformation

How we assess the quality of these relationships

- One-on-one engagement and surveys convey the level of satisfaction trade customers have with our brands and help us to better support them

INVESTORS

As providers of financial capital, investors have a vested interest in Distell.

We build investor confidence by demonstrating that we adhere to the highest standards of corporate governance and by keeping investors informed about our operational and financial performance, approach to capital allocation, sustainability and how we ensure shareholder value.

The investor relations function at Distell falls under the management of the Group company secretary. This relationship enables meaningful engagement, as investor feedback is relayed directly to the appropriate board committees, thus speeding up the Group's response to such feedback.

We engage in a transparent manner, in compliance with JSE Listings Requirements. We believe open and transparent engagement can enhance the valuation of our Group, thereby improving our access to capital.

Investors are encouraged to attend and actively participate in the AGM. The AGM in October 2020 will be held online. Investors are able to submit questions either prior to or during the AGM through a webcast or open question and answer session. The chairpersons of the Group's audit, risk and compliance, social and ethics, remuneration and nomination committees are always present to respond to questions.

An analysis of Distell's shareholders is available on page 119.

Total dividend
-58,9%

Return on invested capital (ROIC) normalised and adjusted for forex
5,0%

Normalised headline earnings adjusted for forex
-74,0%

How we engage

- Frank Ford, Group general manager: investor relations, proactively and regularly engages with the investment community
- Our dedicated investor website provides mandatory information about the Group
- We provide regular market updates and host interim and annual results presentations and an AGM
- Trade and site visits and investor conferences will be replaced by conference calls and webinars for the foreseeable future
- Investors have access to management teams to gain a deeper understanding of Distell's investment proposition

Investor priorities

- Prudent capital allocation
- Return on investment
- Evidence of good corporate citizenship
- Executive remuneration

How we assess the quality of these relationships

- Active engagement at the AGM
- Annual dividends and total shareholder returns

In September 2019, we accompanied 18 fund managers on a site visit to our facilities in Kenya, hosted by Investec Securities. A tour of production facilities took place with an engagement session with local senior management. A short trade visit took place to demonstrate KWAL's growing route-to-market work and to assess the potential opportunity for expansion in future.

In November 2019, we engaged with the international investment community in the United Kingdom (UK). Management attended the Investec Securities SA CEO Conference and engaged with 25 fund managers from 20 buy-side institutions. We also hosted a successful evening engagement with 12 foreign sell-side analysts.

CONSUMERS

Consumers of Distell's brands are people from all walks of life who enjoy mixed-gender drinking occasions around the world.

We remain consumer focused by offering value, quality and innovative products. We engage across traditional and digital channels and value consumer feedback on our product offerings so we can improve their experience of our brands. In response to consumer needs, we expand our portfolio to offer consumers greater choice, for example recyclable packaging, premium non-alcoholic and low-alcohol brands and beverages with less sugar.

As a key player in the alcoholic beverages industry, we understand our responsibility to be part of the solution to reduce the harmful impact alcohol abuse can have on health and well-being. We promote responsible enjoyment of our products and invest in harm reduction initiatives, including responsible advertising.

We are a proud member of Aware.org.za. In addition, we have developed transformational partnerships with FASfacts and FARR.

Read more about our brand innovations on pages 46, 49 and 51 and about our harm reduction initiatives in our sustainability report at www.distell.co.za.

Over
R22 million
spent on harm reduction initiatives
(2019: over R20 million)

How we engage

- We appeal to consumers through responsible marketing and promotional campaigns
- We receive consumer feedback through our dedicated customer-care line and social media platforms
- We gauge consumer preferences through data-driven insights and consumer satisfaction surveys

Consumer priorities

- Quality brands that provide memorable moments
- A variety of choice at different price points
- Good corporate citizenship
- Responsible marketing campaigns

How we assess the quality of these relationships

- Sales growth shows our brands appeal to consumers
- Consumer satisfaction survey results and data-driven insights to help us meet consumer needs
- Reputation measures enhanced by our investments in harm reduction, transformation and communities

GOVERNMENT

Positive relations between government and the private sector are good for the development and growth of South Africa

Distell engages with all spheres of government, including national and regional governments and government agencies. We are a significant tax contributor in South Africa.

We support government's National Development Plan and the country's transformation goals. Our efforts to align the UN SDGs along our extended value chain show our commitment to work together internally and with other stakeholders to respond to the national and global challenges of poverty, inequality and environmental degradation.

South Africa continues to grapple with the impacts of alcohol abuse. In response, the National Liquor Policy was proposed in 2014 and subsequently approved by Cabinet and published for public comment in 2016. The proposed Bill recommends several measures to limit the availability of and access to alcohol and includes restricting alcohol advertising. We understand the challenge government is facing and are committed to working collaboratively to find sustainable solutions.

See the Group CEO report on page 32 for engagement in 2020.

R6,1 billion
excise duty paid
(2019: R6,9 billion)

R413,0 million
tax paid on income
(2019: R633,9 million)

How we engage

- Engagement with our industry to investigate challenges and opportunities
- Partnering with government to support job creation and harm reduction platforms
- In-country visits and engagements with African ministers and presidents where possible
- Assisting governments in South Africa and the rest of Africa with crisis management or disaster relief initiatives as necessary

Government priorities

- Tax compliance
- Transformation
- Harm reduction
- Good corporate citizenship
- Regulatory compliance

How we assess the quality of these relationships

- Policy decisions in the best interest of the industry and its stakeholders show our efforts to engage with government are yielding results

COMMUNITIES

We believe the communities in which we operate should be better off because we are there.

We focus on sustainable economic initiatives that create positive and long-lasting socio-economic impact, build enterprising communities, support local economies and empower women.

We believe in the potential of arts and culture to drive sustainable development and create inclusive job opportunities, while acting as a catalyst for individual and social empowerment that benefits community upliftment.

By empowering and educating communities, the Distell Development Trust (the Trust) contributes to our integrated B-BBEE strategy.

For detail see our sustainability report online at www.distell.co.za.

R57 million

Corporate social investment (CSI) spend (2019: R67 million)

How we engage

- Collaboration with partners along our value chain
- Through our 'brands with purpose' initiatives
- Collaboration with the Trust

Community priorities

- Investment in community upliftment and support
- Job creation
- Environmentally responsible operations

How we assess the quality of these relationships

- Social return on investment measurements track the real benefits of our initiatives against the costs of achieving those benefits
- CSI spend and investment in communities, monitored by our sustainability council

THE ENVIRONMENT

We understand that our long-term sustainability is intrinsically linked to the environment and the natural resources on which we depend, from farm to consumer and back again.

We must therefore ensure our supply chain practices are efficient, agile and geared to protect the planet, while meeting our customers' requirements in full.

We are a member of the Consumer Goods Council of South Africa (CGCSA) and support President Cyril Ramaphosa's 'Good Green Deeds Campaign', which aims to raise awareness of the need to protect the environment and promote a cleaner and litter-free South Africa. We are a founding member of SA Plastics Pact, a collaborative initiative launched in January 2020 that aims to keep plastic in the economy and out of the natural environment. We also fund GreenUP, our recycling programme based in Khayelitsha, Western Cape. This programme aims to create employment, prosperity and cleaner environments by formalising an effective value chain for the collection, separation and processing of recyclable post-consumer waste in the informal sector.

Detail on our environmental initiatives for 2020 can be found in our sustainability report at www.distell.co.za.

+8%

Our water usage per litre of production was more than in 2019 and we did not reach our 2020 target. However, usage is 13% lower than our 2014 base year and we are on track to achieve our overall 2025 aspirational goal.

+15%

Our non-renewable electricity usage per litre of production was more than in 2019 and we did not reach our 2020 target. However, usage is 3% lower than our 2014 base year and we are on track to achieve our overall 2025 aspirational goal.

-10%

We discharged less wastewater organic load per litre of production than in 2019 and just missed our 2020 target. However, discharges are 14% lower than our 2017 base year and we are on track to achieve our overall 2025 aspirational goal.

Lower volumes related to COVID-19 and the government's ban on alcohol production had an adverse effect on production throughput and associated environmental targets.

How we engage

- Partnerships along our value chain
- Through our dedicated email address: environmental@distell.co.za
- Regular engagement and interaction with relevant environmental regulatory bodies and local authorities, either directly or through industry bodies
- Collaboration with leading industry players on matters of environmental compliance, such as the Biodiversity and Wine Initiative (BWI) and Integrated Production of Wine (IPW) Scheme

Environmental priorities

- The responsible use of natural resources
- Waste management

How we assess the quality of these relationships

- Water usage
- Electricity usage
- Greenhouse gas (GHG) emissions
- Reduction in effluent discharged

INDUSTRY BODIES

Through industry bodies, we engage on matters relating to, among others, promoting responsible drinking, supplier and enterprise development, industry regulation, social compliance and matters of environmental concern.

Distell is represented on several industry bodies, including Business Unity South Africa, Business Leadership South Africa, the South African Liquor Brand Owners Association (SALBA) and the Consumer Goods Council of South Africa (CGCSA).

We engage on wine strategy and transformation with various organisations, including VinPro, WIETA, Wines of South Africa and SALBA.

We prioritise social compliance and employees are encouraged to exercise their right to freely associate with a union of their choice or to refrain from union membership. The collective bargaining associated with significantly represented unions is governed through bi-annual forums that address employee rights and allow for collective solution-driven discussions.

For detail on how we engaged as an industry during COVID-19 lockdown measures, see the Group CEO report on page 32.

How we engage

- Regular meetings
- Task teams (issue dependent)

Industry body priorities

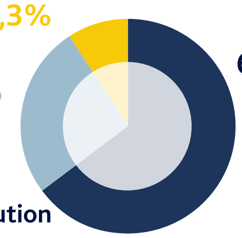
- Proactive and collaborative engagement on pertinent issues

How we assess the quality of these relationships

- Through feedback and by measuring the stability and predictability of the environments in which we trade and operate

CASH VALUE-ADDED STATEMENT

	Notes	GROUP 2020 R'000	GROUP 2019 R'000
Cash generated			
Cash derived from sales		23 173 115	25 870 068
Net financing cost paid		(424 975)	(282 549)
Income from investments		2 538	4 211
Cash value generated		22 750 678	25 591 730
Cash payments to suppliers of materials and services		(12 569 946)	(12 948 844)
Cash value added/wealth created		10 180 732	12 642 886
Cash utilised to:			
Pay excise duty to the state		6 095 234	6 864 258
Pay tax on income to the state		413 035	633 935
Remunerate employees for their services		2 630 684	3 006 129
Provide shareholders with a return on the use of their risk capital		938 270	891 705
Cash disbursed among stakeholders		10 077 223	11 396 027
Net cash retained from operating activities		103 509	1 246 859
Reconciliation with cash generated			
Cash value added (above)		10 180 732	12 642 886
Less: Remuneration to employees for their services		(2 630 684)	(3 006 129)
Net financing costs paid		424 975	282 549
Payment of excise duty to the state		(6 095 234)	(6 864 258)
Cash generated from operating activities		1 879 789	3 055 048
State taxes			
Excise duty		6 095 234	6 864 258
Tax on income		413 035	633 935
Value-added tax and alcohol levy		1 626 024	1 588 752
Employees' tax deducted from remuneration		557 331	524 587
Property taxes		59 479	58 867
Channelled through the Group		8 751 103	9 670 399



CHANGE · EVOLUTION · IMPACT

OUR AGILE STRATEGY

Distell's strategy sets out how we respond to the expectations and priorities of our stakeholders, as outlined in the previous section. It is agile and responsive to the world we work in, which includes the socio-economic operating contexts in the regions we do business, the prevailing trends in our industry and our material risks, as set out in this chapter.

THE WORLD WE WORK IN

DISTELL'S SOCIO-ECONOMIC OPERATING CONTEXT

The COVID-19 pandemic is inflicting high human costs worldwide, and the necessary protection measures are severely impacting economic activity.

According to the International Monetary Fund (IMF), the global economy is projected to contract sharply by 4,9% in 2020, which would be negative growth even greater than experienced during the 2008/2009 financial crisis.

According to the IMF, in a baseline scenario, which assumes the pandemic fades in the second half of 2020 and containment efforts can be relaxed gradually, the global economy is projected to grow by 5,4 in 2021 as economic activity normalises.

An International Wine and Spirits Record (IWSR) drinks market analysis, published in June 2020, predicts that volume consumption of alcohol is expected to decline by almost 12% in 2020. This is after global consumption grew by 0,1% in 2019. As restrictions ease, long-term recovery is expected to be slower than the initial bounce-back. The analysis forecasts that it will take until 2024 for global alcohol volume consumption to recover to 2019 levels.

Even before the advent of COVID-19, trading conditions were increasingly tough. The South African economy grew by just 0,2% in 2019 and was characterised by high unemployment levels, rising household costs, constrained consumer spending, low growth and muted investor confidence. In March 2020, South Africa was downgraded by both Moody's and Fitch ratings agencies, retaining a negative outlook given the ongoing risks, particularly in the light of the COVID-19 pandemic.

Volatile trading relationships between the world's largest economies added to the global economic slowdown, which made international investors apprehensive about emerging equity markets.

South Africa

-8,0% Gross domestic product (GDP) growth

2,14% Consumer price index (CPI) inflation

-33,0% Consumer confidence index (CCI)

44,7% Household debt to nominal GDP

30,1% unemployment

South African annual GDP growth (%)

'15	1,2
'16	0,4
'17	1,4
'18	0,8
'19	0,2

Source: Statistics South Africa

Household debt to disposable income (%)

'15	78,0
'16	74,4
'17	71,9
'18	71,9
'19	72,8

Source: tradingeconomics.com

Africa

GDP growth in Africa (%)

'15	1,3
'16	2,1
'17	3,5
'18	3,5
'19	2,4

Source: African Development Bank

International

Growth projections (%)

	Global economy	Advanced economies	Emerging markets and developing economies
'19	2,9	1,7	3,7
'20	3,3	1,6	4,4
'21	3,4	1,6	4,6

Source: International Monetary Fund

Illicit trade

Illegal alcohol products pose a serious risk to the health and safety of individuals as they contain potentially dangerous substances.

Global market research company Euromonitor International undertook a study to determine the impact of the illicit trade of alcohol in 24 countries, including South Africa.

The study, released in 2018, concluded that one in four bottles of alcohol consumed globally is illicit, representing 25,8% of the market. In addition, it found that the South African economy suffered a fiscal loss of R6,4 billion in 2017 due to illicit alcohol activities.

Economic loss due to the illicit trade in alcohol was exacerbated by trade restrictions in response to COVID-19, since demand remained the same but supply shifted into the control of the illicit industry. Police reported an increase in contraband being smuggled into South Africa from its neighbours and a spate of burglaries of stores stocking alcohol.

Responsible trading by registered traders, bound by laws and regulations, is far preferable to illicit trade, which does not comply with industry guidelines and promotes irresponsible consumption.

Partnerships with governments in all our key markets, particularly in Africa, are vital to address challenges linked to alcohol abuse and its impact on the health sector and to combat illicit trade. Through industry bodies like SALBA in South Africa, we play an important role in managing and coordinating industry initiatives to prevent the illicit trade in alcohol.

Outlook

The World Bank published its latest Global Economic Prospects report in June 2020, painting a bleak picture for global growth. The bank's baseline forecast for global growth shows a 5,2% contraction in 2020. According to the African Development Bank (AFDB), real GDP in Africa is projected to contract by 1,7% in 2020.

In South Africa, economic activity is expected to contract by 7,1%. However, growth is expected to rebound in 2021, helped in part by government's fiscal stimulus package to soften the impact of the pandemic and help set the stage for a robust recovery.

Wines

A long-term global decrease in wine consumption continued in 2019, posting a 1,1% volume decline, though value increased by 0,6%. Sparkling wine, however, saw growth of 1,4% in volume in 2019.

According to the IWSR drinks market analysis, the category is expected to see continued volume decline and will likely not recover to 2019 levels until after 2024.

Spirits

Global spirits consumption declined by about 2,5% in volume in 2019, but value increased by more than 6,0%. The volume decline is linked mostly to a sharp decline in the consumption of the Chinese spirit baijiu. Excluding baijiu, volumes for global spirits grew by 1,0% in 2019.

The IWSR forecasts subdued retail value growth for spirits globally. Excluding national spirits (of which 78% is baijiu), the main categories that are expected to be most severely affected in 2020 are brandy, rum, whisky and gin. Of these categories, whisky and gin will likely rebound fastest.

Ciders and RTDs

In 2019, ciders and RTDs were the fastest growing category for the third consecutive year, growing by 19,6% in volume and 18,8% in value. Innovation, affordability, refreshment, convenience and youth appeal have contributed to sales growth.

Category volume consumption is expected to keep growing, with key hotspots around the world driving continued growth. These include the United States, India, Japan, Germany and South Africa.

Category trends

Consumer trends

The rise of e-commerce

Based on a study of 16 countries, including South Africa, published in 2019 by the IWSR, the alcoholic beverages e-commerce channel was worth over US$21 billion. That is almost twice the size of the global travel retail channel, pre-COVID-19. At the time, the IWSR expected the channel to be worth US$45,5 billion by 2024. The pandemic will most likely boost this trend, with consumers avoiding stores and preferring to order online.

Health

Consumers increasingly seek to care for their physical and mental health. Consumption-focused consumers call for premium non-alcoholic and low-alcohol experiences. We continue to grow our offering and provide consumers with an expanded selection of non-alcoholic and low-alcohol products, without compromising authenticity, quality and exclusivity.

A study conducted by Beverage Dynamics found that the pandemic has prompted a return to familiarity for many consumers. Concerned about their health, consumers who previously browsed craft products have turned to better-known brands, preferring quality and consistency. Distell's brands, with their rich heritage, provide consumers with the comfort of products crafted to the highest standards.

Climate change

Climate change and the resultant droughts and floods severely impact agriculture and the supply of raw materials. Rapid urbanisation and a growing disparity between classes mean that many people in emerging markets experience the reality of pollution daily.

Consumers look for brands that are responsible and respectful of the environment. They use their spending power to effect the change they want to see. As a result, sustainability has become an opportunity for companies to connect with consumers who are excited about change.

Distell's environmental policy commits us to preserving and protecting environmental resources. Detail on initiatives undertaken in the 2020 financial year can be found in our sustainability report at www.distell.co.za.

Wine in cans

Canned wine is a trend linked to sustainability. Previously, bottles were seen as the premium beverage packing unit; however, the millennial generation places a premium on convenience and sustainability rather than perception. In Beverage Dynamics' 2019 State of the Industry Survey, alternative packaging emerged as the third most popular trend impacting alcohol retailers.

We have responded to this trend by launching canned options for both 4th Street and J.C. Le Roux.

CHANGE · EVOLUTION · IMPACT

OUR STRATEGIC RISKS

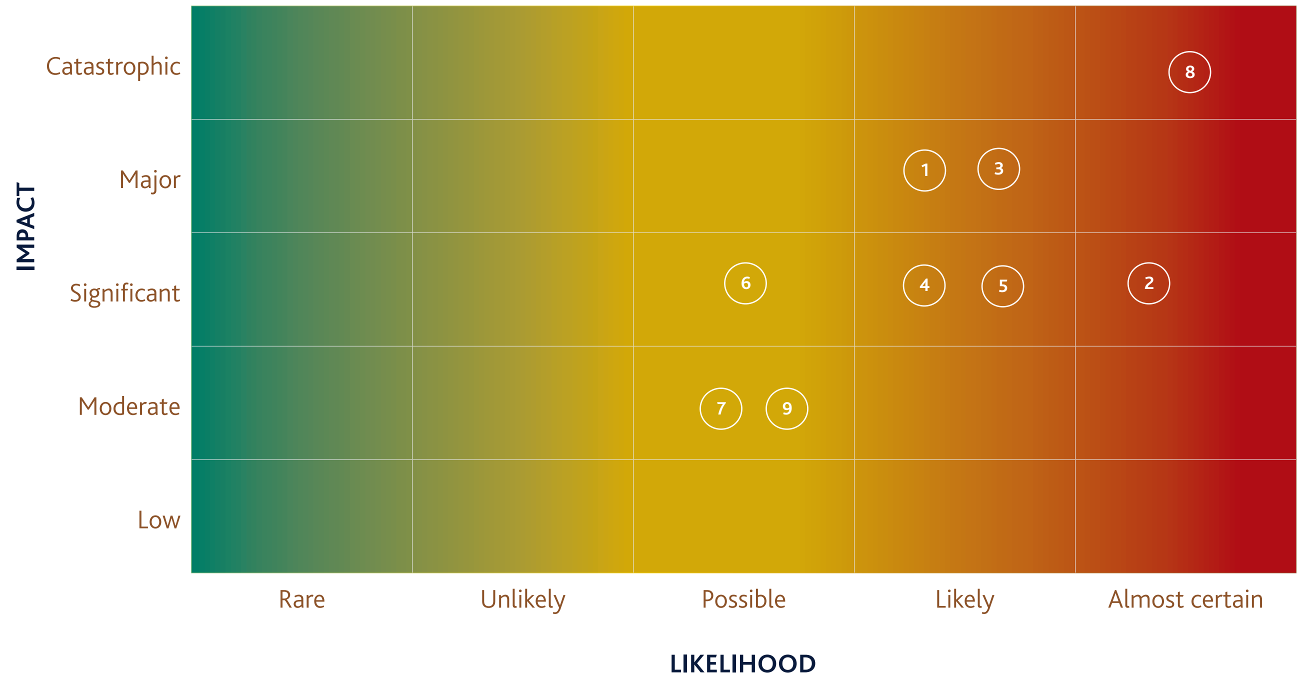
Managing Distell's strategic risks enables the Group to achieve our strategic ambitions and goals. Risk management requires achieving an appropriate balance between realising opportunities for gains and minimising adverse impacts.

The table below contains risks that could have a material impact on Distell over the next few years. For this financial year, we have included the potential impact of the COVID-19 pandemic on each risk.

These risks, as well as the Group's risk appetite and tolerance levels, are reviewed annually and submitted to the board for approval. Read more about our risk management processes and our approach to risk management as an essential element of sound corporate governance in the risk and compliance committee report on page 87.

Risk	The impact of COVID-19	In response	Risk owner
1. Increased competition Our market share and cost to compete are affected by aggressive pricing and increased trade investment in promotions and discounts by our competitors Consumers will be looking for value from well known brands. Global brewers and distillers invest in premiumisation.	We expect our competitors to continue with or increase price discounting. Some small wine players might cease business activities or might have to merge to survive.	We will realign our pricing to be competitive through innovative value packs. Consumers are more alert to what brands stand for; we are focusing on brands with a purpose including buy local campaigns.	Managing director: southern Africa
2. Innovation The rise of the fourth industrial revolution is disrupting traditional industries and business models. Our potential inability to stay abreast of innovation could result in market share loss.	We expect a shift in consumer preferences due to constrained disposable incomes. We anticipate alcohol policy changes. Consumer focus on wellness will be highly relevant post COVID-19. There will be a requirement for agile and insights-driven decision-making based on scenarios and assumptions.	We pursue step-change innovation, with non-alcoholic and low-alcohol innovation as a priority. We invest in a multi-year end-to-end digital transformation of the Group.	Director: growth and innovation Director: corporate services
3. Limited geographic diversification Organic business growth is unlikely to significantly reduce our exposure to South Africa.	We expect the mergers and acquisitions space to be subdued. Alternatively, a number of opportunities will arise from a distressed sale and liquidation perspective.	The mergers and acquisitions department is the main driver of geographic diversification. We are retaining close tabs on existing opportunities and monitoring for value adding opportunities. We continue to explore diversification on the African continent and partner in our premium spirits business.	Group CFO
4. Talent, capability and organisational effectiveness Impact of the 4th Industrial Revolution on skills and people profile. Attracting and retaining talent to pursue our growth strategy is crucial.	Familiar ways of working are a thing of the past. Capabilities and office spaces will be redefined. Technology will be more crucial than ever. All elements of employee engagement, team dynamics, training and performance management will need to be adjusted.	We established a functional team to define what the future world of work looks like for Distell. We strengthened our employment policies and practices and our reward systems to ensure the right talent is identified, recruited, developed and retained. Skills gaps are identified and filled through talent management and recruitment processes. We have leadership capability and development processes in place. Effective change management initiatives support and enable our change journey. Our talent management process is used to protect critical skills.	Director: human resources
5. Information and cyber security The disruption of IT systems and loss of valuable and sensitive information and assets are risks to the Group. Failing to comply with tightening IT and cyber security legislation poses a threat of significant financial penalties or restrictions.	IT service availability has become crucial. Working from home poses risks for the loss of information and exposure of confidential company information and communication tools.	We implemented an advanced web and email security solution that protects our employees wherever they are. We invest in data leakage prevention technology to avoid the sharing of highly confidential information. We have an established cyber security internal control framework that is aligned to industry best practice and frameworks that govern internal roles, responsibilities and procedures.	Director: corporate services
6. Brand equity erosion A fragmented portfolio erodes the health of our core brands as well as decreased investment and limited on con occasions.	The risk of erosion will occur if we don't: • design brand positions with cut through unique selling propositions, including brand purpose; • focus the portfolio choices and sustain our investment spend behind future stars; and • excel at execution through the line messaging to consumers and customers.	We have focused portfolio strategies in place. We reduce the size of our brand portfolio and asset base to enable renewed focus and effective investment support to build brand equity.	The managing directors of southern Africa, Africa and Venture Business

Risk	The impact of COVID-19	In response	Risk owner
7. The African market In Africa, depressed commodity prices due to lower demand from China contribute to weaker currencies and rising foreign currency shortages. This results in the inability to extract foreign exchange from certain key markets, combined with lower growth in undiversified economies. Specific high risk relates to the devaluation of currency in Zimbabwe.	The COVID-19-related alcohol restrictions in South Africa impacted our ability to transport and export to key African countries during the lockdown bans.	Expanding our routes-to-market by diversifying in key markets beyond Angola and Nigeria. In Angola, we will be prudent in terms of further investment and have invested in and commenced with local production. We reduce our dependence on imports of raw materials. We invest in local route-to-market and production facilities to gear for future market recovery. In Zimbabwe, we continually consider the extent of our business activities to limit exposure, while ensuring our brand equity remains intact.	Managing director: Africa
8. The alcohol policy landscape Proposed changes to alcohol legislation could result in higher taxes, restrictions in alcohol marketing and packaging, a change in the legal drinking age and a limitation on licensed outlets.	We expect increased anti-alcohol lobbying in South Africa ahead of the 2024 elections. The current alcohol restrictions in South Africa are uncertain and it is difficult to predict when they will be lifted.	Distell formed a dedicated Alcohol Responsibility task team to drive stakeholder engagement, execution of campaigns and to participate in industry lobby efforts. We drive our commitment to B-BBEE and transformation in our value chain. We develop our innovation pipeline, remaining cognisant of regulatory changes, like alcohol percentages, health warnings, etc., and invest in digital marketing and expanding our trade marketing efforts.	Director: corporate and regulatory services Director: growth and innovation
9. Our international markets European Union (EU) instability (Brexit) leaves uncertain trade agreements between the UK and rest of world (possible profitability impact due to import margins). Rising United States (US) trade protectionism could lead to loss of duty free access for South African wines under the African Growth and Opportunity Act (AGOA).	Predicting trends becomes an unknown moving target. Consumers will respond and adapt as the situation changes in each country. Premiumisation may slow or stall.	We will focus on growing our differentiated premium spirits portfolio in key markets in south east Asia. We have a clear channel strategy and our core innovation pipeline is full across all categories.	Managing director: Venture Business



OUR STRATEGY

STRATEGY PROCESS

Distell's strategy is owned by the people who execute it.

The Group strategy is developed centrally, with broad targets and category plans. We use proven processes, premised on 'where to play' and 'how to win' principles to enable strategic choices. Our processes have proven effective over time, given the successes we have achieved in Africa.

Using insights gained from customer and consumer interactions and experience in the market, each business division designs its own strategy in support of the Group strategy.

The board assesses and approves the Group strategy and empowers management to implement it. The board and executive management take two days annually to debate, assess and refine the strategy. The board constructively challenges the strategy with reference to, among other things:

- the timelines and parameters that determine the meaning of short, medium and long term;
- availability of resources;
- relationships connected to the various forms of capital;
- the expectations of material stakeholders; and
- the impact on transformation and the environment that may result from the proposed strategy.

Our strategy has not changed materially in response to COVID-19, but executive management and the board have been in regular contact around minor shifts.

SHARPENING OUR FIVE-YEAR STRATEGY

OUR PURPOSE:
Creating memorable moments, crafting a better future

Strategic ambitions
'How to win'

Sustainable growth and returns
Revenue, nominal South African GDP %, ROIC

Purpose-led brands
Embedded in our top 10 brands

Geographic goals
'Where to play'

Defend and grow in South Africa
Market share

Expand in Africa
Profit

Build international premium spirits
Strategic partnerships

Strategic drivers

Grow consumer love for our brands
Sustained equity in our top 10 brands

Growth through innovation
Contribution to revenue

Leverage our asset base
Real conversion cost decline

Foster a winning culture
Customer and consumer focus, one Distell, execution excellence

Transform our strategic capabilities
Digitally enabled, future-fit

Care and contribute
Eco-efficient, a force for good in society

A STRATEGY FOR THE FUTURE

The newly established growth and innovation function will lead the development of an integrated corporate growth strategy, with a focus on building the business of tomorrow. Growth will be found in new sources of revenue generated through breakthrough innovation and digital transformation. We will support the business of today through best-in-class marketing capability development. We will also drive best practice insight methodologies and develop deep consumer analytics capabilities.

Our response to the COVID-19 pandemic is managed through a newly established COVID-19 crisis management team. (For detail, see the risk and compliance committee report on page 87.) One of the functions of this team has been to develop scenarios detailing what the Distell of the future will look like.

In developing these scenarios, the team considered the work we do, our workforce and the way we work to shape opportunities within our current business model, and reimagine what Distell could become:

REIMAGINING OUR CORE BUSINESS FOR IMPROVED:
- Corporate and brand purpose
- Agile culture
- Sustainability
- Digital transformation
- Policy response and license to thrive

DEVELOPING NEW AND ADJACENT GROWTH OPPORTUNITIES THROUGH INNOVATIONS:
- Sanitiser
- Low- and non-alcohol beverages
- New alcohol categories

TRANSFORMING THE GROUP FOR AGILITY AND SUSTAINABILITY THROUGH:
- Transformational innovation
- Experiential platforms
- Partnerships

CHANGE · EVOLUTION · IMPACT

FROM OUR CHAIRMAN

No governance framework can guarantee that a company does the right thing. From a board perspective, it is much more important that we appoint the right people in executive positions. We know we have achieved this when we see the tenacity and ingenuity with which Distell's executive management team is leading the Group through the challenges of the COVID-19 pandemic.

OUR WORLD IN 2020

Last year, I opened my message by saying that the global economy is uncertain. Little did we know then how uncertain it would become.

Leading up to COVID-19, and for the past few years in South Africa, Distell was operating in a low- to no-growth environment. Many of the issues responsible for South Africa's economic challenges, like economic policy uncertainty, unreliable electricity supply and currency weakness, have resulted in economic decline.

To avoid further effects on earnings in this environment, it became clear to the board that Distell needed to reset to become more flexible and agile, and to ensure sustainability to capture future growth. We recognised that a changing landscape creates opportunities as well as challenges. As a result, we set a number of initiatives in motion to equip the Group and its people to be a sustainable African business.

As the extent of the pandemic and the measures needed to mitigate harm and save lives became clear, we realised that much of what the Group had been doing in terms of culture, technology and efficiency initiatives would prove invaluable.

The board and management team recognise that we need to have a clear vision for the future of the Group, while remaining adaptable enough to withstand volatile external factors. For this reason, we encourage a diversity of views in board discussions, because we believe in-depth deliberation can help anticipate and mitigate risks.

COLLABORATION TO TAKE SOUTH AFRICA FORWARD

It is important that Distell is, and is seen to be, a responsible corporate citizen and above reproach so that investors can be confident in the level of governance we maintain.

Distell's management teams have long been working with industry peers and governments to manage the societal impacts of irresponsible alcohol consumption and to create a cycle of growth for our business and the communities in which we do business.

Consequently, Distell took a leading role in the South African alcoholic beverages industry in engaging with government on trade restrictions due to COVID-19. The financial impact of the restrictions reached far beyond Distell and across the Group's value chain, affecting livelihoods in industries like agriculture and packaging. The board is proud of the way the Group collaborated with other industry players to come to an amicable solution.

Distell takes a definite stance against the irresponsible consumption of alcohol. When consumed responsibly, alcohol has a role to play in creating memorable moments for consumers. We believe the commitments the Group has made to assist government in harm reduction can make a real difference, while allowing consumers freedom of choice and protecting the livelihoods of almost a million South Africans who depend on the industry for jobs.

It is crucial that the industry works together to find a responsible way forward. Government buy-in and private-public partnerships are also critical. If the private sector and government do not pull together over the next year to bolster the economy, South Africa will be in trouble. Collaboration is the only way our country will survive and ultimately thrive.

THE ROLE OF THE DISTELL BOARD

For Distell and its shareholders to get the most value out of the work of the board, we continue to focus on three responsibilities:

- To oversee the allocation of capital, particularly financial and human capital
- To challenge the Group strategy by asking management the right questions and, once the strategy we sign off is implemented, stress testing it for business sustainability
- To delegate governance matters to the appropriate board committees for focused attention

THE ALLOCATION OF CAPITAL

The board encourages a long-term, measured approach to capital allocation. This allows Distell's executive management team to pursue sustainable opportunities, rather than short-lived gains, and ensures credibility, stability and continuity during challenging trading periods.

Investing in Africa

To achieve the Group's strategic ambition for geographic growth, and to make it worthwhile to allocate money and management's time, it is critical for Distell to expand into markets where there is potential for growth and where risks can be managed effectively.

Africa (excluding South Africa) was the Group's most resilient performing region during COVID-19. This validates further investment and strategic focus. The current trading environment has shown the board that we should prioritise the rest of Africa as a long-term risk hedge for the South African market. The Group's growing and diversified presence in Africa not only mitigates geographical and economic risk but is also a proactive push into where we see future growth potential.

The board is, however, diligent in selecting the markets Distell enters, and the pace of investment.

Investing in technology and innovation

For the past few years, the board has supported Distell's digital transformation journey, because we recognise that technology and innovation facilitate the intersection of all functions in the business. As a board, we have encouraged flexibility and creativity and promoted innovative thinking, while managing risk within our agreed appetite.

However, COVID-19 indicated that we need to accelerate digital transformation without delay, to ensure agility and responsiveness. The board is fully supportive of this initiative. Kees Kruythoff, who was appointed as non-executive director in the previous financial year, was recruited to the board specifically for his expertise in this field. His insights have proven invaluable to executive management.

REVIEWING THE GROUP STRATEGY

The Group's journey to be an agile, future-fit business is built on the solid platform we created through consistently reviewing and implementing its strategy over the past four years. Our annual two-day review is where we debate and sign off the strategy. Once implemented, we analyse it quarterly to see whether implementation is delivering as expected.

While the pandemic has not fundamentally changed the Group's strategic direction, it has made the board aware of operational areas that will need to be scrutinised, such as distribution channels and e-commerce. In other words, although the Group's execution of the strategy may change, its strategic ambitions will not.

DELEGATING TO BOARD COMMITTEES

Each committee has an independent role with accountability to the board. Each committee operates as an overseer and makes recommendations to the board for its consideration and final approval. The board has confidence in each committee's skills and experience and ability to take responsibility for relevant governance matters. Where necessary, the board will challenge and debate committee decisions.

Ethics is about doing the right thing. Though voting at the 2019 AGM was overwhelmingly in favour of Distell's remuneration policy and implementation, the board decided to engage with investors on remuneration. The remuneration committee considered investor feedback and the board approved amendments to the policy. Distell will be one of the first companies worldwide to explicitly link remuneration targets to the SDGs.

APPRECIATION

I would like to express my appreciation to the executive management team, who have been going the extra mile to protect the Group's people and its balance sheet. We appreciate the way the team handled engagement with the board during stringent lockdown measures. Swift decisions were enabled through weekly updates and established contact points between board members and management.

As always, the board, the management teams and I extend our thanks to our employees, shareholders, partners, customers, suppliers and consumers for their ongoing support.

Jannie Durand
Chairman
Stellenbosch

18 September 2020

CHANGE · EVOLUTION · IMPACT

FROM OUR GROUP CEO

I am proud to say that, in a time of unprecedented uncertainty and disruption due to the COVID-19 global pandemic, Distell has emerged as an agile and resilient Group. I remain confident that we are positioned for long-term success.

Despite the impact of the pandemic on our financial results, the board, executive management team and all our employees have worked tirelessly to respond to challenges as they arise. This is testament to the quality of our people, our strong foundational business practices and the effective implementation of our strategy.

Our priority is looking after the health and well-being of our employees, while safeguarding their jobs and moving quickly to ensure the financial sustainability of the Group.

The pandemic acted as a catalyst for internal capability shifts that were already underway at Distell. The work we have been doing over the past years – in terms of manufacturing capacity, efficiencies, innovation and our culture change and digital transformation journeys – fortuitously positioned us to survive and thrive in a new post-pandemic world.

As a successful multi-category African business, from wines to spirits to ciders, Distell's strength is its ability to meet consumer needs across these categories in the accessible and premium price tiers. Navigating this space requires continual review, agility and innovation, and often necessitates difficult decisions and trade-offs.

2020 IN REVIEW

South Africa

Stabilising and positioning our South African business for future growth are core tenets of our strategy.

Revenue generated from our South African operations was R15,9 billion, unsurprisingly 18,2% down from the previous year.

South African consumers are under more economic pressure now than ever before. More often than not, this leads to a market conduct of unsustainable discounting. In contrast, Distell's strong portfolio of brands, our ability to innovate and the strides we are taking in terms of digital transformation will allow us to withstand the need for excessive discounting across our portfolio.

We are confident that the organisational shifts we were making even before the outbreak of the pandemic will help us thrive as trading conditions normalise.

Detailed performance for South Africa is discussed from page 44.

Africa

We made strong progress on our geographic goal to expand in Africa.

Revenue generated from our African operations was R4,0 billion.

The total African alcoholic beverage market, including South Africa, is expected to grow by 12% in volume by 2023. This provides an opportunity to leverage our regional reach and route-to-market for well-known accessible and premium brands.

We now have route-to-market platforms in Nigeria, Zambia, Angola, Mozambique, Kenya, Tanzania and Uganda and we continue to expand our distribution partnership network and identify opportunities for local sourcing. Our African business division showed commendable top- and bottom-line performance. The region's contribution to Group revenue increased to 17,7%, which gives us confidence in this strategic goal.

Detailed performance for Africa is discussed from page 47.

Venture Business

We have made intentional choices and trade-offs in establishing the Venture Business.

International revenue generated under the Venture Business was R2,5 billion.

To create a more focused business division with higher quality margins, we evaluated where Distell should be playing both in terms of brand categories and geographies. This led to the decision to exit lower margin categories and geographies and to invest in niche areas where we can achieve growth and returns, thereby effecting a more focused approach.

We are investing in our premium spirits manufacturing facilities and distilleries in South Africa and Scotland and have seen progress through the growth of premium spirits, led by single malt whisky and gin. We are also driving innovation in premium spirits, specifically Amarula and single malt whisky. In Asia, and specifically in Taiwan, our brands continue to gain momentum.

Distell plays a leading role in the wine category in South Africa and wine has a key strategic role to play in driving Distell's success, contributing 33,1% of total Group volumes and 25,3% of Group revenues. We have leading brands in the wine category, and we intend to grow our consumers' love for these brands.

We have reintegrated Libertas Vineyards and Estates (LVE) back into Distell. Established as a standalone entity, LVE did an important job to focus the portfolio, build real wine capabilities across the Group, and drive the premiumisation of our brands.

Nederburg, Durbanville Hills and Pongrácz play an important role in Distell's wine portfolio and support the premium and accessible end of the offering. The smaller heritage assets of Fleur du Cap, Zonnebloem and Chateau Libertas will remain in our portfolio.

The Alto and Plaisir de Merle estates were put on the market to be sold. These iconic, ultra-premium brands compete and focus in the super-premium categories, which are not at the heart of Distell's strategy. To ensure these brands thrive and grow, we would like to see them in the hands of owners better positioned to win with these assets.

As COVID-19 has shown, recession-proofing the Group is essential. We believe the strategy to focus on larger, more asset-light brands will enhance our return on invested capital and reduce complexity in the Group. This will increase our ability to leverage our strengths and deliver sustainable growth.

We are sensitive to the fact that this decision may have implications for our people and partners. We will work closely with them to minimise the impact on our employees and critical stakeholders. The wine industry remains important to Distell – and to South Africa – in creating jobs and we will not curtail our passion, role, and involvement in the sector.

Detailed performance for the Venture Business is discussed from page 50.

Distell has not only survived the initial impact of COVID-19 but is also well positioned to be sustainable.

WHAT WE INVESTED IN

We are cognisant of the need, now more than ever, to contain costs, preserve cash and protect the balance sheet, and have taken stringent measures in this regard. However, to remain sustainable, we also believe it necessary to continue to invest in future-fit strategic capabilities to pursue and position us for growth opportunities. We continue to take a long-term, measured approach to capital allocation:

We invest in our brands – Our growth and innovation and marketing functions manage brand and product innovations in line with evolving consumer and market trends. This ensures we develop our portfolio to offer consumers greater choice. Several brand renovations and product innovations launched during the year are a testament to this.

We invest in Distell's digital transformation journey – Adopting a digitised mind-set for the future, we have invested significant financial resources in end-to-end digital systems and innovations. These improve both internal efficiencies and the consumer experience.

We invest in our asset base – In South Africa and Scotland, we invested in our manufacturing and distribution platform to be best-in-class in innovative and sustainable technologies. We also invested in local blending and bottling lines in Angola and Nigeria, and received approval for the development of a new site for our production operations in Kenya. We are confident these production facilities will continue to capture growth opportunities. We also invested in sustainability and transformation as critical drivers of the Group strategy and wider alignment to our chosen SDGs.

OUR COMMITMENT TO PROMOTING RESPONSIBLE DRINKING

Alcohol can form part of a balanced lifestyle when consumed responsibly. However, maintaining this balance can be challenging for some consumers, leading to health and social problems and burdening health systems. Like the majority of South Africans, we are concerned about certain consumer behaviours, especially society's general tolerance of heavy drinking and the prevalence of drinking and driving.

Distell's purpose is 'creating memorable moments, crafting a better future'. In order to help make the world a better place, we acknowledge and accept our role to ensure alcohol is consumed responsibly. We stand firmly against the irresponsible consumption of alcohol and are committed to harm reduction partnerships, responsible marketing and offering non-alcoholic and low-alcohol choices.

Distell partners with various organisations on harm reduction and has been doing so for many years. However, the pandemic has caused an introspective review of how our industry responds to health issues and alcohol policy and regulation risks. This has led to an effort to harmonise and bolster the industry's commitments and initiatives, which is a positive development.

This critical time calls for the industry, government, and all stakeholders to address these issues together.

We are fully supportive of the government's programmes and aim to be an African champion that leads society to a more responsible relationship with alcohol. In this, we participate directly with government and in an industry collective to proactively monitor alcohol policy trends in the public space. Through a formal task team, we engage decision-makers to gain appropriate alignment.

APPRECIATION AND OUTLOOK

We have an assertive plan to be responsive to the new consumer and customer environment. We believe that within the next two years, by pursuing our strategy with intent, Distell will emerge as a stronger and more agile business. I would like to thank the board for their support and dedication in this regard.

This year has emphasised the need for stakeholders to communicate and work together to craft a better future. Thank you to all those with whom we have engaged for their commitment to our shared responsibilities. Specifically, I appreciate the work of all our employees in facing undoubtedly the biggest challenge of all our careers. I urge you to remain energised about the diversity, youthfulness and entrepreneurial spirit of Distell's future journey.

I am immensely proud of the efforts of our executive management team and all employees during the year.

Richard Rushton
Group CEO

Stellenbosch
18 September 2020

CHANGE · EVOLUTION · IMPACT

FROM OUR GROUP CFO

Distell's financial strategic ambition is to achieve sustainable growth and returns through revenue drivers and strong returns on invested capital.

INTRODUCTION

In our drive to create financial value, we focus on core indicators to inform investment decisions. We use these financial and non-financial KPIs to monitor our performance and track progress. The KPIs provide a measurable link to strategic initiatives and are integrated into our short-term and long-term incentive schemes, as discussed in the remuneration report from page 70.

The financial KPIs by which we measure ourselves are:

			MARGINS	
	R'000	% change	2020 %	2019 %
Revenue	22 370,2	(14,6)		
EBITDA	2 102,4	(40,2)	9,4	13,4
EBITDA adjusted for forex	1 844,1	(49,0)	8,2	13,6
Gross profit	6 304,5	(22,1)	28,2	30,9
Operating profit	1 342,7	(51,8)	6,0	10,6
Headline earnings	667,6	(62,8)	3,0	6,8
Headline earnings adjusted for forex	485,1	(74,0)	2,2	7,0
Return on invested capital (ROIC) adjusted for forex			5,0	13,5

Note: Normalised

As expected, these results have been significantly impacted by COVID-19 and the resulting alcohol ban. Revenue is down by 14,6%, volumes by 22,5% and headline earnings per share (HEPS) is 64,0% or 417,6 cents per share lower than the reported 652,9 cents per share of the previous year.

This is not only due to COVID-19. Before the impact of the pandemic, the Group's headline earnings were down year-on-year due to strained economic conditions and increased competition in the South African consumer market.

Responding to COVID-19

We estimate to have lost about 100 million litres of sales volumes and about R4,3 billion in revenue as a consequence of the restrictions imposed on the sale of our products to curb the spread of the COVID-19 virus.

Liquidity, cash flow protection and the resilience of Distell's strong balance sheet are key in mitigating the impact on the Group. There is also an immediate need to be stringent in managing our portfolio, costs, expenses and behaviours. We will maintain these sound business practices going forward.

We negotiated with our key banks to increase our debt facility to R7,75 billion to provide sufficient liquidity. The South African Revenue Service extended our excise duty payment terms by 90 days.

We had open orders to the value of approximately R440 million after the easing of export regulations under level 4 of lockdown. We managed to fulfil only 54% of the value of these orders because local ports were operating at reduced capacity and because some customers cancelled orders due to the delay caused by the restrictions.

Since trading for Distell – and numerous other sectors of the economy – resumed from 1 June 2020, more of our debtors than expected have paid backlogs, thus increasing our cash flows. This means we are also able to pay our suppliers. We continue to support vulnerable customers and suppliers with customised payments dependent on size and their liquidity restrictions.

To further lighten the strain on liquidity, we have deferred over R300 million of capital expenditure, stopped all discretionary spend and implemented salary reductions of between 10,0% and 12,5% from 1 September 2020 for all South Africa based personnel. We have also made good progress with the sale of the two premium wine farms Alto and Plaisir de Merle.

This pandemic has reiterated that to be sustainable, businesses cannot focus only on the bottom line. It is imperative to our survival as a Group that we do the right things for consumers, customers and our country.

GROUP FINANCIAL PERFORMANCE

Doing the right things to move in the right direction: Distell creates shareholder value by improving its operating margin, while driving revenue growth and the efficient use of assets. This strategic objective has not changed, but our immediate priority as we navigate the aftermath and ongoing impact of COVID-19 and uncertain economic growth is to protect ourselves, recover, fight to survive and build strength to ultimately thrive again.

Throughout this report, references are made to 'normalised' and/or 'adjusted for forex' and/or 'comparable' metrics.

Normalised items refer to metrics as reported, but adjusted for:

- retrenchment and Group restructuring costs following an extensive review of our operating model, mainly in the previous financial year;
- the expected credit loss recognised relating to:
  - » the investment in a savings bond of the Reserve Bank of Zimbabwe following currency restrictions that prevented African Distillers Limited to settle all its trading debt owed to Distell; and
- the impairment of the investments in Best Global Brands Limited (BGB) and TD Spirits LLC (TDS).

The results of the Group are also impacted by changes in foreign exchange rates. Certain metrics are therefore reported on a constant currency basis to eliminate severe currency movements. These adjusted measures represent pro forma financial information.

CHANGE · EVOLUTION · IMPACT

We evaluated the impact of, and applied, the following new accounting standard and change to accounting policy (see note 12 to the summary financial statements):

- IFRS 16: *Leases* was adopted retrospectively from 1 July 2019, but comparatives for the 30 June 2019 reporting period were not restated as permitted under the specific transition provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.
- The Group has changed its accounting policy for the recognition and measurement of returnable glass containers to better reflect the underlying economic substance and to be in line with the general industry practice for such items. This change was applied retrospectively and the prior year financial results were therefore restated as disclosed in the notes to the financial statements.

Total shareholder return (TSR)

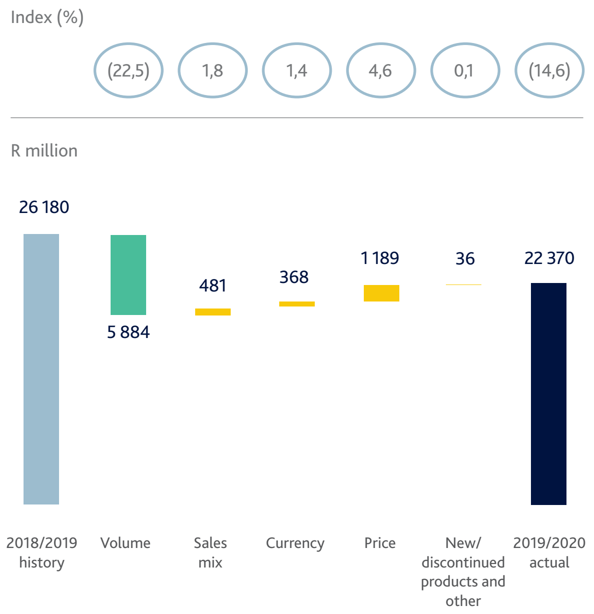
Sustainable value creation for our shareholders is best measured by TSR, a combination of share price appreciation and dividends paid over the medium to longer term. Over a ten-year period, Distell has delivered a TSR of 6,3% per annum, down from last year's reported average of 13,0% per annum, as a result of the decline in the share price in the last five months of the financial year.

Revenue

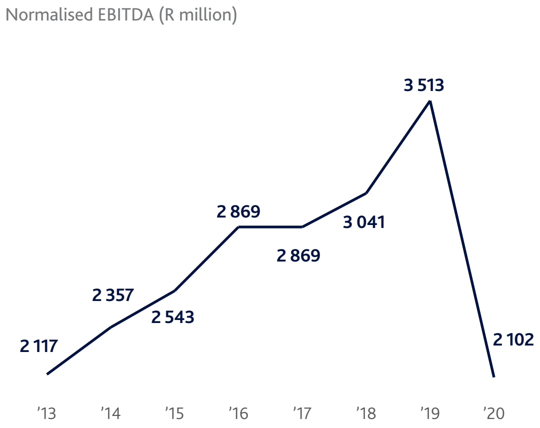
Revenue declined by 14,6% to R22,4 billion on the back of:

- 22,5% lower sales volumes;
- revenue decline of 18,2% in South Africa;
- revenue growth of 6,6% in the rest of Africa, excluding BLNE countries; and
- an improved sales mix as overall spirits revenue was down only 3,5%.

Drivers of revenue growth



EBITDA growth impacted by COVID-19



Profit

Gross profit declined by 22,1% (2019: 3,9% increase), while operating profit, as reported, decreased to R980,9 million from R1,7 billion in 2019, mainly as a result of the impact of lost revenue due to weaker consumer demand and restrictions imposed on the sale of alcohol in efforts to reduce the spread of COVID-19.

Normalised operating profit decreased by 51,8% to R1,3 billion (2019: R2,8 billion).

Impact of COVID-19 and events subsequent to statement of financial position date

Following the reopening of trading in South Africa on 1 June 2020 after an initial six-week prohibition on the sale of alcohol, the government introduced a further immediate ban on the sale of alcohol effective from 13 July to 17 August 2020. COVID-19 and the further subsequent ban impacted the following elements of the financial statements:

Expected credit losses

The overall provision for expected credit losses on trade and other receivables increased from R104,6 million to R173,7 million as it is expected that customers across the various distribution channels will be financially constrained, specifically if they do not have other major sources of income. Although total trade receivables decreased from those of the previous year, amounts past due increased by 25,4%.

Inventory provisions and reduced overhead recovery

The Group increased its provision for obsolete and slow-moving inventory by about R124 million as certain products have a limited shelf-life or may not be utilised for the purposes for which they were acquired. The lower throughput of volumes resulted in additional write-offs as production overheads could not be fully recovered to inventory.

Impairment of intangible assets and investments

Cash flow forecasts used in the impairment assessment of intangible assets and investments were adjusted. None of the capitalised intangible assets were required to be impaired, although the excess above carrying values was lower than in the previous year. The investment in associate BGB was further impaired by R143,8 million, mainly due to Angola-specific market factors as explained further on in this report.

Borrowings

Due to increased borrowings and lower earnings, mainly as a result of the impact of COVID-19, the Group was at risk of breaching its covenants relating to its South African medium-term loans. The debt to EBITDA covenant of 2,75:1 for its June 2020 measurement period was amended to 5:1 by the financial institutions that are part of the funding structure. The actual debt to EBITDA ratio at year-end was 3,1:1.

The Group was also able to increase its overall committed banking facilities for its South African operations by R2,85 billion to R7,5 billion to meet its ongoing liquidity requirements. Of this, R4,8 billion, net after cash and cash equivalents and money market funds, was utilised at year-end.

Overall financing cost increased from R270,9 million to R380,9 million.

EBITDA

Normalised EBITDA declined by 40,2% to R2,1 billion (2019: R3,5 billion), and normalised EBITDA adjusted for foreign currency movements declined by 49,0% to R1,8 billion (2019: R3,6 billion).

OPERATING COSTS

Operating costs declined by 11,3% to R21,2 billion (2019: R23,9 billion). Excise duties also declined by 11,3%, in line with other operating costs.

To build our brands for the long term, we continue to invest in customer and consumer facing sales and marketing initiatives while shifting our marketing mix to digital and a more focused portfolio of brands.

Overall sales and marketing costs declined by 6,1% as we pulled back on certain marketing activities following the introduction of restrictions on the sale of our products during lockdown.

We have made further progress to improve the efficiencies of the supporting functions throughout the Group. We are in the process of rolling out centralised procurement management software, which will make cost control, compliance and spend management easier and more effective and provide suppliers with a platform to track orders and payments and streamline the invoicing process. On the customer facing front we are implementing an integrated customer relationship management solution that will provide customers with one e-portal to access the status of their orders, stock availability, new promotions, available credit limits and enhanced ability for online ordering.

Foreign currency translation gains amounted to R266,3 million (2019: R25,4 million).

OTHER GAINS AND LOSSES

The further devaluation of about 50% of the Angolan kwanza against the US dollar in the current financial year and its impact on the Angolan economy have again negatively impacted the earnings of BGB, the owner of the Best brand, in which Distell acquired a 26% interest in 2017. Although BGB has grown volumes and maintained market share since Distell's investment, the Group impaired an additional R143,8 million (2019: R524,0 million) of the value of its investment in BGB. The carrying value of the BGB investment is R213,4 million, which includes a shareholder loan of R54,1 million.

The Group has also decided, by mutual agreement, to terminate its joint venture, TDS, in the USA and an impairment provision of R58,7 million was recognised for its 50% interest in this entity.

The gain on the disposal of Anhui Dangshan Distell Haisheng Co. Limited (China) was R10,5 million and the loss on sale and impairment of property, plant and equipment was R17,4 million.

SHARE OF EQUITY-ACCOUNTED EARNINGS

The Group's share of equity-accounted earnings comprises our share of the after-tax profits of associated companies and joint ventures.

ASSOCIATES

Distell's share of after-tax profits from associated companies increased to **R47,1 million** (2019: R23,4 million).

Our investment in associated companies includes:

- 35% share in Tanzania Distilleries Limited (TDL)
- 26% interest in BGB
- 26% interest in the Mauritian company, Grays Inc. Limited

JOINT VENTURES

Distell's share of profits from joint ventures increased to **R49,9 million** (2019: R38,1 million).

Joint ventures include:

- African Distillers
- TDS
- Tonnelerie Radoux
- Solamoyo Processing Company

Finance costs and taxation

Finance costs and taxation paid decreased to R838,0 million (2019: R916,5 million).

Finance costs

The Group's interest-bearing debt, net of cash and cash equivalents and money market funds, was R5,9 billion (2019: R3,9 billion), including R358,7 million of lease liabilities introduced with the implementation of IFRS 16: *Leases* on 1 July 2019. With a debt-to-debt plus equity ratio of 32,9% (2019: 24,6%), it is our immediate priority to reduce the overall increased debt level, largely as a result of the impact of COVID-19, to about 2,5 times EBITDA (currently 3,1) over the medium term.

The Group has access to R4,25 billion of short-term committed banking facilities, R1,9 billion of which remains unutilised at year-end. We have sufficient borrowing capacity available to service our ongoing funding and liquidity requirements.

Distell's debt consists mainly of medium-term loans, and we utilise short-term bank credit facilities to manage the cyclical nature of our cash flows during the year. We match funding requirements with the currency of the underlying operations or assets to be financed, when these are considered cost-effective, to obtain natural currency hedges. Most of our interest-bearing debt is fully secured by fixed properties, trade receivables and inventory.

The interest rates of about 50% of the medium-term borrowings were fixed by way of interest rate swaps in 2019.

Medium-term borrowings

R4 892 million

(2019: R4 524 million)

R3,5 billion

rand denominated and R1,4 billion UK pound denominated

Short-term net debt

R616 million

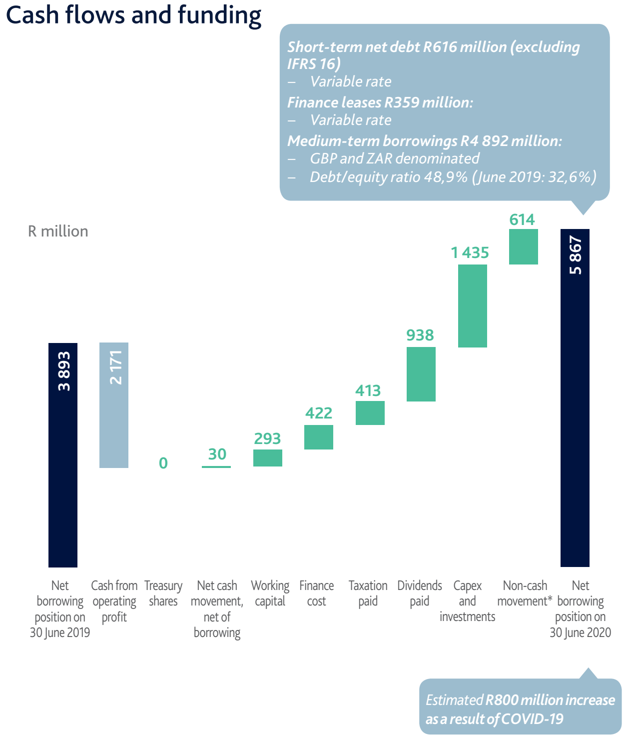
(2019: R631 million net cash)

Variable rate

5,14%

* *Excludes lease liabilities of R359 million.*

Cash flows and funding



* *Mainly IFRS 16 lease liabilities: initial value, interest and foreign exchange.*

	2020 R million	2019 R million
Funding structure		
Bank overdrafts and call accounts	**(2 350)**	(522)
Cash and cash equivalents and investment in money market funds	**1 734**	1 153
Medium-term bank loans	**(4 892)**	(4 524)
Short-term bank loans	**–**	–
Lease liabilities	**(359)**	–
Total	**(5 867)**	(3 893)
Medium-term debt maturity profile (excluding lease liabilities)		
Within one year	**–**	–
Between one and two years	**(2 592)**	–
Between two and three years	**(1 100)**	(2 224)
Between three and five years	**(1 200)**	(2 300)

Taxation

The effective tax rate increased from 41,9% in 2019 to 43,6%. This is largely attributable to the R202,6 million impairment of BGB and TD Spirits, which is not tax deductible.

Cash flow

Distell is generally a strong cash-generative business. However, following the period from the end of March 2020 to the end of May 2020 in which we were prohibited from trading in South Africa and exporting to international markets, net cash generated from operations, after working capital movements, decreased by 38,5% to R1,9 billion (2019: R3,1 billion).

Cash outflow before financing activities was R958,1 million (2019: R410,1 million inflow) following capital expenditure of R1,4 billion.

Headline earnings

Reported headline earnings declined from R1,4 billion in 2019 to R516,8 million.

Normalised headline earnings adjusted for currency movements declined from R1,9 billion in 2019 to R485,1 million and by 74,0% per share to 220,9 cents (2019: 849,5 cents).

Return on invested capital

ROIC reflects the operating performance of the business, stated before exceptional items and finance charges, and after applying the tax rate before exceptional items for the year.

Average total invested capital is calculated using the average derived from the consolidated statements of financial position at the beginning, middle and end of the year.

Average capital employed, or average total invested capital, comprises average net assets for the year (excluding post-retirement employment net liabilities/assets) and average net borrowings.

Assets

Total assets increased by R1,7 billion to R25,3 billion, a 7,1% change from the previous year. Net operating assets (i.e. fixed assets, intangible assets, inventory and receivables less payables, including assets held for sale) increased by 12,6% to R17,7 billion.

Economic profit

Economic profit is determined to assess the Group's returns from our asset base, compared to a standard cost of capital charge. It is calculated as the difference between the standard capital charge on the average total invested assets and the actual returns achieved by the Group on these assets.

The standard capital charge applied to the average total invested capital is 11,2% (2019: 10,8%). Calculations for return on average total invested capital and economic profit are as follows:

	2020 R million	2019 R million	% change
Economic profit			
Normalised headline earnings adjusted for currency movements	**485,1**	1 865,0	(74,0)
Interest (after tax)	**272,3**	193,7	40,6
Adjustments for non-controlling interest and retirement benefits	**58,5**	0,2	29 509,6
Actual returns achieved	**815,9**	2 058,9	(60,4)
Capital charge at 11,2% (June 2019: 10,8%)	**1 847,0**	1 651,0	11,9
Economic profit	**(1 031,1)**	407,9	(352,8)
Average total invested capital	**16 453,4**	15 287,2	7,6
Return on average total invested capital	**5,0%**	13,5%	

CHANGE · EVOLUTION · IMPACT

CAPITAL EXPENDITURE

Capital expenditure amounted to R1,4 billion (2019: R1,4 billion). Of this, R458,1 million (2019: R665,7 million) was spent on the replacement of assets and a further R900,6 million (2019: R722,4 million) was directed to capacity expansion in our manufacturing and distribution capabilities.

Working capital

We manage our working capital carefully. Investment in working capital resulted in a cash outflow of R293,3 million (2019: R458,3 million). Net working capital increased by 6,9% to R7,0 billion (2019: R6,5 billion). Inventory, the main component, was up 3,3% to R8,5 billion (2019: R8,2 billion). Bulk spirits in maturation increased by 12,5% to R3,2 billion, mainly as a result of the conversion of whisky stock in Scotland to the rand at year-end. Investment in bottled stock and packaging material decreased by 16,0% to more normal levels following the stock build in the previous year not to disrupt trading while we were in the process of consolidating production facilities.

Trade and other receivables declined by 21,6%, while trade and other payables and provisions declined by 18,2% as the Group utilised the cash it received from debtors in June 2020, when the ban on alcohol sales was lifted, to pay all amounts due to suppliers that were extended as we had to carefully manage our cash position. Excise duty payments due in May and June 2020 in South Africa were extended by three months by the South African Revenue Service.

Investments

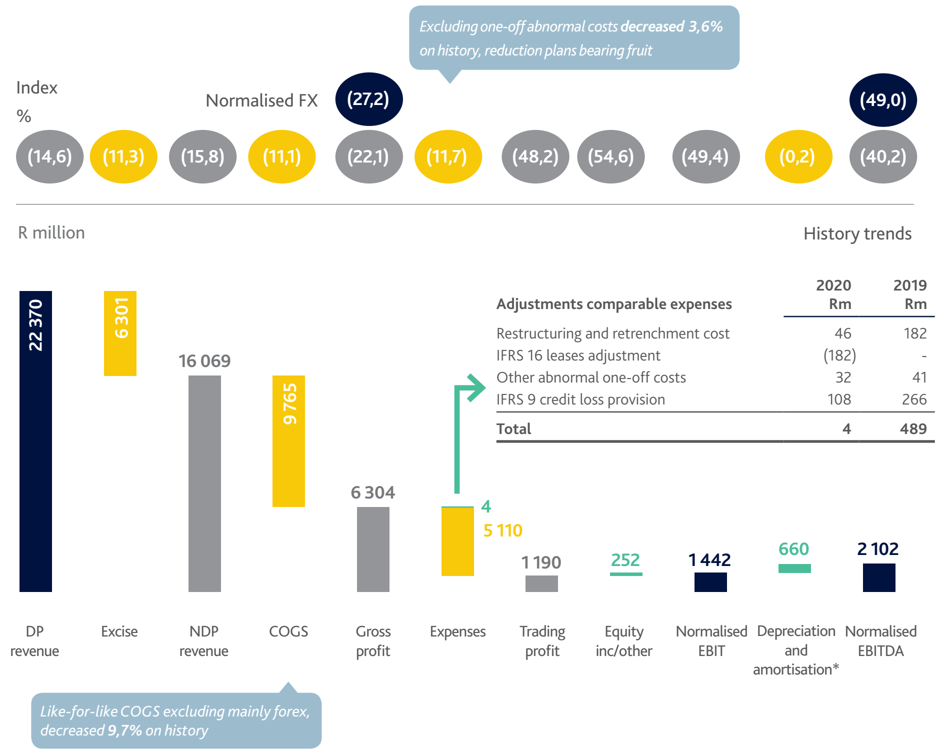
Cash outflow from investment activities, excluding capital expenditure on PPE and investment in money market funds, was R178,1 million (2019: R360,3 million).

This included:

- R66,8 million loans advanced to associates and as part of the Group's enterprise supplier development programme; and
- R112,5 million software acquired during the year.

MARGIN

One of our key strategic objectives in the business remains margin enhancement. We were not able to improve this key metric during the year under review given the prevailing circumstances, and our normalised duty paid EBITDA margin declined from 13,4% to 9,4%. We continue to optimise our brand portfolio by value engineering products to reach targeted price points that consumers can afford and by discontinuing brands with low margins. Gross profit margin declined to 28,2% (2019: 30,9%) as the trading and economic conditions did not allow us to fully pass on cost increases to consumers.



Adjustments comparable expenses	2020 Rm	2019 Rm
Restructuring and retrenchment cost	46	182
IFRS 16 leases adjustment	(182)	-
Other abnormal one-off costs	32	41
IFRS 9 credit loss provision	108	266
Total	**4**	**489**

* *Includes normalisation.*

	DP revenue	Excise	NDP revenue	COGS	Gross profit	Expenses	Trading profit	Equity inc/other	Normalised EBIT	Depreciation and amortisation*	Normalised EBITDA
NDP % CY			100,0	60,8	39,2	31,8	7,4	(1,6)	9,0	(4,1)	13,1
NDP % PY			100,0	57,6	42,4	30,4	12,0	(3,0)	15,0	(3,4)	18,4
DP % CY:	100,0	28,2	71,8	43,6	28,2	22,9	5,3	(1,1)	6,4	(3,0)	9,4
DP % PY:	100,0	27,1	72,9	42,0	30,9	22,1	8,8	(2,1)	10,9	(2,5)	13,4

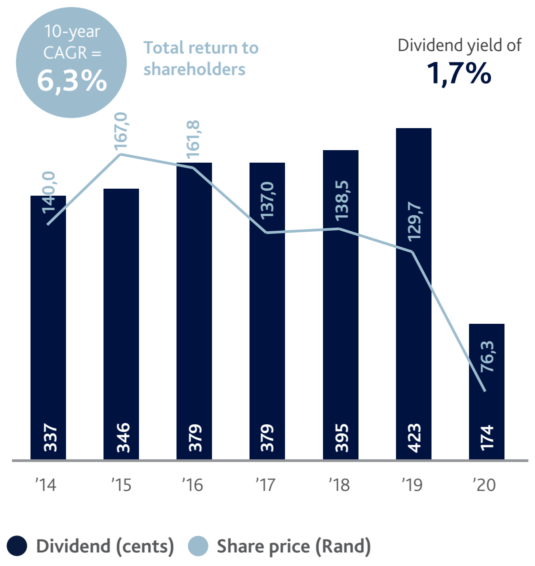
DP: Duty paid
NDP: Non-duty paid

DIVIDEND

As part of the measures introduced to improve the liquidity of the Group following the impact of COVID-19, the board decided to temporarily suspend the payment of dividends.

The interim dividend paid in March 2020 was 174,0 cents per share (2019: 174,0 cents per share interim dividend and 249,0 cents per share final dividend). Our guideline is to achieve a dividend cover of between 2,0 and 2,5 times normalised headline earnings and to return to this over the medium term once debt levels have stabilised.

Rewarding shareholders



Total dividends paid to shareholders of the Group amounted to R929,5 million (2019: R887,7 million), an increase of 4,7% on the prior year.

OUTLOOK

The South African economy will be under extreme pressure for the foreseeable future. We need to put renewed effort into driving growth internationally, specifically in the rest of Africa.

In the short term, our focus will be on managing costs rather than on returns. We aim to reduce costs in line with anticipated volume decline. Operating expenditure is already reduced, at 11,7% lower than in 2019.

We will significantly reduce capital expenditure and focus our spend on completing ongoing projects like digital transformation and critical maintenance of our assets where needed. We will also review our position on planned strategic initiatives and refocus to use excess capacity in different ways, for example to produce sanitiser.

We are confident in the Group's ability to manage the short-term challenges the business is facing, with measures in place to position Distell for a full recovery once trading patterns begin to normalise.

Lucas Verwey
Group CFO

Stellenbosch
18 September 2020

DIVISIONAL PERFORMANCE

SOUTH AFRICA

The strategic ambition for Distell's South African business is to defend and grow our market share.

Revenue
-18,2%
(2019: +9,5%)

Volumes
-25,0%
(2019: -0,9%)

Contribution to Group revenue
71,0%
(2019: 74,1%)

Best performing brand by revenue
Esprit at +361%
(2019: Bernini at +70,6%)

WINES

The wine category was affected by deep discounting by major beer producers, due to the strong interaction of the categories. As a result, we sacrificed substantial volume and market share because we protected brands through responsible pricing. These price increases were fairly high as a result of substantial increases in input costs, which affected volume performance negatively.

4th Street's new 'wine-in-a-can' innovation shows promising early stage performance.

SPIRITS

We gained volume share within Vodka.

Our whisky strategy is built mainly around local brands, as illustrated by the Three Ships' tagline "made exceptional, made here". This speaks to a trend towards localisation, which has been amplified by COVID-19. Our local whisky portfolio, including Harrier, Three Ships and Bain's Cape Mountain Whisky, consequently gained market share.

In the brandy category, many of our competitors reduced in-market pricing, sacrificing margin for volumes. However, we made the decision to maintain and improve margins, which cost us some volume growth against our competition.

Flavour innovations in vodka have proven to be popular and Count Pushkin grew in both revenue and volume. We have relatively low market share and therefore further room to grow in the local vodka category.

CIDERS AND RTDs

Discounted beer pricing also affected ciders and RTDs. However, Savanna continued its strong momentum by gaining volume share, demonstrating that our focus on building brand equity rather than engaging in aggressive price cutting is effective.

We continued to invest in brand enhancements – through marketing and brand innovation – for Hunter's, which contends in a highly competitive sub-category against sweeter offerings in the RTD space. In the last few months of the year we saw a positive turn in Hunter's brand equity results, an early signal that we can expect growth from the brand in future.

While growing off a low base, both Esprit and Savanna non-alcoholic demonstrated phenomenal growth to become meaningful revenue contributors to the overall RTD portfolio.

BRAND AND MARKETING DECENTRALISATION

We further decentralised our marketing model, enabling us to gain consumer insights, target our portfolio at consumer needs and deliver superior service instead of partaking in unsustainable discounting.

We created agile teams, who are in touch with consumers in terms of age and diversity. We also positioned a portion of the team in Johannesburg, where they are closer to a large number of our consumers.

Savanna, Klipdrift, Bernini and 4th Street all ran popular digital first campaigns.

WE ARE DIGITISING OUR SALES SUPPORT MEASURES

We are implementing a phased digitisation of our South African sales support models to improve service levels for our trade customers.

The first phase of our digital transformation project is complete: We delivered a step change in capabilities with both the introduction of our automated business-to-business website www.thesipselection.co.za and the transformation of our shared service centre into a fully-fledged customer interaction centre.

Together, these two initiatives create an enriched, integrated and seamless interaction across multiple channels, significantly enhancing our customer experience. The user adoption rates of our business-to-business system are ahead of global benchmarks and we have already enrolled a substantial portion of our active customer base. We aim to have all appropriate customers enrolled by 30 June 2021.

As we evolve in our digital journey our focus will shift towards enabling our sales force to fundamentally change the nature of face-to-face interactions with both customers and consumers. The second phase will include the launch of a customer interaction centre where customers will be able to conduct all transactions online with minimal human intervention.

WE CONTINUED WITH THE OPTIMISATION OF OUR SUPPLY CHAIN

Historically, Distell's South African supply chain and distribution network was fragmented and cumbersome, with operations distanced from the market. To improve efficiency and unlock growth potential, we continued with our structured process to consolidate and improve the efficiencies of our supply chain.

We increased our production capacity in the northern region, and established a mega distribution centre. We also consolidated our Western Cape manufacturing network and repurposed our Greenpark production facility into another mega distribution centre.

Efficiency initiatives are in a stabilisation phase, which will lay the groundwork for a more efficient supply chain and improved customer service.

CHANGE · EVOLUTION · IMPACT

Hunter's Chilled

To continue delivering on the brand promise of *Refreshing like Nothing on Earth*, Hunter's Chilled was launched in June 2020. In response to consumption-conscious consumers seeking a great tasting 'adult' beverage, coupled with the popularity of the non-alcoholic category, **Hunter's Chilled non-alcoholic** delivers on all fronts!

Cruz Manhattan Blossom

The first authentic craft vodka to be launched in South Africa, Cruz Manhattan Blossom is an American grain vodka infused with notes of juniper and rose, which is best enjoyed with crushed ice and a splash of tonic. It challenges the conventions of traditional vodka, which are built on pure, neutral spirits. The brand taps into the "pink trend" and consumers' desire for bespoke luxury offerings. Cruz recently signed celebrity rapper Moozlie to the brand. She is introducing more than a million followers on social media to this new offering.

Savanna Jean juniper flavoured cider

Savanna launched the first juniper-flavoured cider in the South African market, challenging category norms and innovating in line with evolving consumer needs and category trends.

Savanna Jean offers a crisp apple taste with a hint of juniper berries. The name was consumer-generated in a number of research groups the brand held before launching this new variant.

BRAND INNOVATIONS

Responding to COVID-19

It is one of Distell's strategic ambitions to build purpose-led brands: Our brands are partnered on initiatives to help lighten the load of many South Africans during the pandemic.

Nederburg Wines donated R100 000 to the Eat Out Restaurant Relief Fund to help restaurants survive trading restrictions and to support community feeding schemes.

Durbanville Hills partnered with SA Harvest and Mould Empower Serve and adapted its facilities to be a distribution centre for food drives in Durbanville, Dunoon, Mamre, Bothasig and Tableview, Cape Town.

We made facilities available for community testing.

LOOKING AHEAD

Distell showed agility and innovation in its response to COVID-19 and the subsequent lockdown levels.

These unprecedented circumstances present an opportunity for introspection. The complete paradigm shift has meant that we can look at our business, our portfolio, and our ways of working and reset where we think it is necessary.

Our view is that we need to be bold in terms of innovation to differentiate Distell brands from the competition. Distell has excellent research and innovation capabilities and we are positioning ourselves to leverage broad-ranging data insights.

Just as we were quick to respond and realign in response to the pandemic, we should be agile in responding to consumer needs.

Wim Bührmann
Managing director: southern Africa

AFRICA

One of Distell's main strategic goals for Africa is to enhance route-to-market expansion in key countries to compete effectively. We achieve this by investing on a pareto basis to deliver on market share aspirations and maximise returns. Distell's African footprint includes a focused presence in Kenya, Angola, Nigeria, Mozambique, Zambia and Uganda, with a diversified local and imported product portfolio supported by a competitive service package.

Revenue
(including Botswana, Namibia, Lesotho and Eswatini)
-3,0%

Revenue
(excluding Botswana, Namibia, Lesotho and Eswatini)
+6,6%

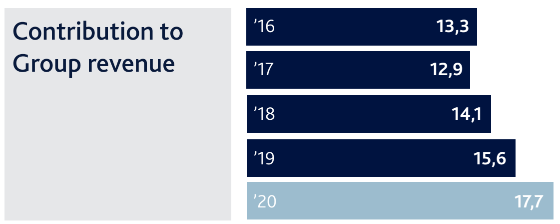
Volumes
(including Botswana, Namibia, Lesotho and Eswatini)
-14,7%

Volumes
(excluding Botswana, Namibia, Lesotho and Eswatini)
-10,1%

Contribution to Group revenue
17,7%

Best performing brand by revenue
Chamdor at
106,4%

Revenue growth in Africa (%)



ENHANCED GROWTH THROUGH INVESTMENT IN PARTNERSHIPS, LOCAL PRODUCTION AND ROUTE-TO-MARKET EXPANSION

The Africa business unit at Distell strives to be a progressive and disciplined 21st century African champion. We are passionate about the value we create on this diverse continent.

Despite the extraordinarily challenging trading conditions created by the COVID-19 pandemic, our Nigerian, Angolan, Kenyan and Mozambican expansion investments yielded comparable revenue growth of 21,2% on sales volumes, which were up by 1,7%. These results validate our African growth ambitions.

All our achievements are made possible by the development of in-country capabilities through partnerships that are based on a deep understanding of the local cultures, consumer demand and ways of working. This enables local decision making, which is critical to ensure the longevity and sustainability of our business and partnerships, and to protect local businesses and serve consumers.

We have invested in local production, end-to-end route-to-market expansion platforms and local brands with market equity, while practising prudent cost and risk management. This has enabled us to meet consumer demand through availability, accessibility and affordability.

In 2020:

- We continued to invest in our brands, while also revaluating the effectiveness of our portfolio. We reworked and simplified our offering with the reduction of 62 stock keeping units. This enables us to focus on brands that are relevant and speak to our consumers in specific markets.
- We invested in local production facilities in Angola, Kenya and Nigeria, which we are confident will continue to provide growth opportunities. Our production facility in Nigeria was commissioned to be able to blend and bottle wines. In Angola, a returnable and non-returnable RTD blending and bottling line became fully operational in July 2020. We received approval for the development of a new site for our production operations in Kenya.
- We continued to build our route-to-market platforms with tailored service packages. This ensures we service the market more effectively and drive reliability in the sourcing of our products.
- We sourced and added additional warehousing space in key markets. This enabled us to house an additional four million litres of cider, wines and spirits closer to the point of consumption.
- To support the penetration of our brands into key markets, we invested in over 700 fridges for trade customers.
- We continued to invest in improving our sales force automation, based on the diverse needs of each country. This enables better in-trade execution and gives us line of sight of key performance metrics to enable accurate modelling and costing.
- We introduced a digital platform for managing and tracking stock, supported by a mobile platform for use by our own sales force and our customers' sales representatives. A sustainable, well governed digital platform is crucial, as it enables us to market Distell's brands to our customers and consumers, despite challenging network reliability across the continent.
- We developed our in-market capability through route-to-market and commercial awareness training of over 250 Distell employees. We also appointed additional distributor sales employees.

CHANGE · EVOLUTION · IMPACT

Number of customers	
'18	9 000
'19	14 000
'20	24 000

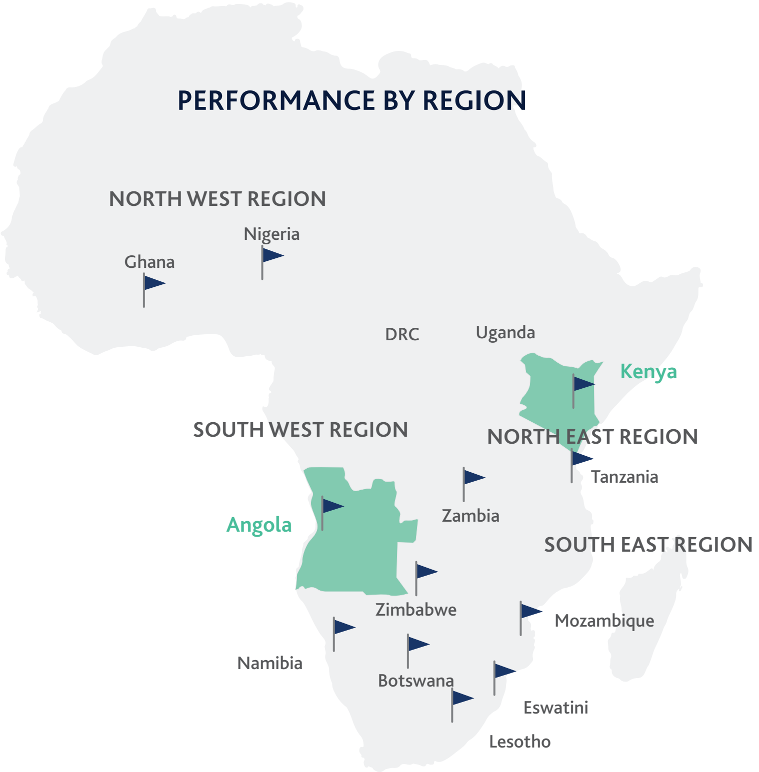
Number of sales representatives (Distell and appointed distributor for key markets)	
'18	90
'19	123
'20	165

Number of key appointed distributors	
'18	17
'19	19
'20	28

Number of warehouses	
'18	33
'19	45
'20	50

Number of delivery vehicles for key markets	
'18	62
'19	90
'20	108

PERFORMANCE BY REGION



Botswana, Namibia, Lesotho, Eswatini

More than 50% of this region's revenue is generated from Namibia, where there was a protracted ban on alcohol sales due to COVID-19. Both revenue and volumes were adversely affected by -13,6% and -19,1% respectively.

North West region

Nigeria

Nigeria performed commendably, with sales volumes increasing by 54,3% and revenue by 103,8%. Both locally manufactured Chamdor and 4th Street have performed well, and we will sustain this momentum through planned brand activations.

Ghana

Our route-to-market partnership agreement with Kasapreko progressed, and we plan to increase route-to-market coverage and local production agreements.

North East region

Kenya

We continue to show strong momentum in east Africa, where our majority stake in KWA Holdings E.A. Limited (KHEAL) provides distribution, production and route-to-market platforms.

Revenue increased by 20,9%, while sales volumes increased by only 6,6%, primarily due to COVID-19 and resultant trade restrictions. Local spirits, Kibao and Hunter's Choice, delivered an exceptional performance by growing ahead of both the white and brown spirits categories.

Tanzania

Our partnership with Coca-Cola Beverages Africa (CCBA) to establish broader route-to-market platforms continues to grow from strength to strength and yielded volume growth of 128,3%.

South West region

Angola

It has not been an easy year for the Angolan economy, yet Best Global Brands (BGB) showed volume growth of 12,4%. Distell has 26,0% equity ownership in BGB, which has a significant presence in Angola. This provides a platform for our growth ambitions through well-established pan-African spirits brands that have scale in both Angola and Nigeria and significant growth opportunities in Mozambique, Kenya and Zambia.

We established our local production facility with full electricity availability, which had previously proven a challenge. We also established a new route-to-market partnership with Distribuidora De Mercadorias (DDM), a local family-owned distribution company. This provided a platform to prepare for an imminent official launch of Mustang, our locally produced mainstream RTD in returnable format.

South East region

Mozambique

Our business in Mozambique yielded volume growth of 7,0% but revenue declined by 2,0% due to the increased contribution of RTDs to our portfolio. We consider it an attractive and growing country and increased our sales execution footprint to fuel future expansion plans.

Zambia

Zambia is our second largest volume market after Kenya, with 13,3 million litres sold in 2020. However, volumes and revenue did see a year-on-year decline of 9,3% and 5,1% respectively. This was largely due to COVID-19 restrictions causing lengthy border delays. In-market sales performed admirably.

Zimbabwe

While we remain open to the long-term opportunities Zimbabwe offers, we will wait to see an improvement in currency flows and a plan of action to address the issues the country faces before we consider further investment.

LOOKING AHEAD

We take pride in what we have accomplished in Africa, and aim to build on the growing momentum we have on the continent. Nurturing and growing local footprints have helped us weather the significant impact of COVID-19. We will continue our strategy to aggressively and deliberately develop and expand on capabilities in key markets.

More importantly, we do not want to lose our human touch. Our distributors, customers and consumer relationships are critical to sustaining and growing our presence in the rest of Africa and we will continue to foster them. We also support a General Africa Fair Trade Agreement, which will support our aspirations to drive business continuity.

Len Volschenk
Managing director: Africa

Responding to COVID-19

COVID-19 and the subsequent trade restrictions had a short-term impact on our geographic goal to expand in Africa.

We did see a major shift to localisation and an emphasis on local supply chains. Our local production facilities proved valuable when logistics were restricted to local area deliveries in many of our markets. Because of local production, we were able to supply key markets to a much larger extent than we would have otherwise. Within these markets, throughout the strict lockdown period from March to June 2020, volumes declined by only 0,1% and revenue still grew by 21,2%.

In Kenya, a donation to government of 105 000 litres of ethanol for the production and distribution of hand sanitisers, and a R1,6 million donation to the COVID-19 relief fund went a long way in cementing our relationships with stakeholders.

Despite the challenges the pandemic presented, we want to maintain the momentum we generated over the past few years.

BRAND INNOVATIONS

4th Street Sparkling Wine and Sparkling Non-alcoholic (Nigeria)
An extension of the established 4th Street brand to tap into the growing non-alcoholic and low-alcohol trends.

Caribia Cane (Kenya)
An accessible offering in the growing cane category.

Mustang (Angola)
A local, insight-driven RTD, to complement Distell's established premium cider portfolio with an accessible offering.

We focused our international business to develop Amarula and our Scotch whisky portfolio, and improve margins. The strategic aspiration of the business is to build our international premium spirits portfolio in select geographies.

VENTURE BUSINESS

Revenue
-8,8%

Volumes
-13,1%

Contribution to Group revenue
11,3%

Best performing brand by revenue
Bunnahabhain at
+2,0%
(2019: Bunnahabhain at 20,8%)

OUR MAIN STRATEGIC FOCUS IS THE GROWTH OF PREMIUM SPIRITS IN SELECT INTERNATIONAL MARKETS

Our single malt whisky strategy continues to bear fruit and performed resiliently under challenging trading conditions. Bunnahabhain, our flagship single malt whisky, showed revenue growth of 2,0%. Deanston, another key single malt brand, grew revenues and volumes by 25,4% and 21,2% respectively. In line with strategy, brand income (gross profit less marketing spend) from single malt whiskies now contributes to 21,1% of total international brand income, compared to 17,5% in 2019.

This category is projected to continue global growth, and with increased investment in our mature whisky inventory over the past years Distell is well placed to continue to deliver strong growth in this category.

In Scotland, we are completing construction of a new blending and warehousing facility in East Kilbride. This will enable a more integrated bottling and blending operation, and increase our warehousing capacity by 45 000 casks, resulting in cost savings in third party storage.

Blended whiskies delivered a stable performance, despite the category pressures and the impact of COVID-19 on our business in Taiwan. Scottish Leader is the second largest Scotch whisky in this market, and was materially impacted by the closure of on-consumption channels due to COVID-19 restrictions. Despite these challenges, Scottish Leader delivered a resilient performance, and protected its market share, firmly entrenching its leading position.

Our Scotch whisky portfolio including Bunnahabhain and Scottish Leader delivered strong growth in China and we are encouraged by this potential. In the US, both Bunnahabhain and Amarula did well with strong growth in in-market sales.

Amarula is a key brand in our spirits portfolio and delivered good growth in the UK. However, the brand's overall performance was heavily impacted by the suspension of travel retail, as well as our inability to supply to international markets as a result of South African lockdown measures on exports. Brazil is a very important market for Amarula, and the impact of COVID-19 lockdown measures in Latin America had a significant impact on brand performance. We are responding to these challenges by growing our online sales channels, which have accelerated significantly in this time; as well as through brand innovation.

WE AIM TO LEVERAGE OUR FOCUSED EXPORT PORTFOLIO

As a result of our strategic reorganisation, we reduced both brands and categories in the international portfolio. In particular, we have exited the cider category in the United Kingdom, and rationalised wine businesses that had unattractive margins. This allows management to focus on building our spirits portfolio and to maintain key wine brands and market positions. Overall volume and revenue declines were largely driven by our exit from the cider category and the further reduction of non-strategic wine businesses.

The rationale for the reintegration of the Libertas Vineyards and Estates business back into Distell is explained in the CEO report on page 33. In short, the strength of Distell's wine portfolio lies in the accessible and premium price segments. We remain disciplined in maintaining our existing wine export position and profitability. Where there are profitable business opportunities in wine, we will pursue them in a disciplined manner.

WE ADVANCE A PREMIUM SPIRITS PORTFOLIO FOR FUTURE GROWTH IN SOUTH AFRICA

Henry Tayler & Ries is a South African spirits business which delivered both volume and profit growth over the performance period despite COVID-19 related lockdown restrictions. Old Buck gin in particular delivered double-digit growth, which will be supported by ongoing brand innovation. Henry Tayler & Ries is being transformed into our domestic platform for premium spirits, and will bolster the future performance of Distell's premium Scotch whisky assets. Henry Tayler & Ries distributes a select portfolio of third party brands which are strategically chosen to enhance portfolio gaps.

Deanston Dragon's Milk
A new beer-cask-finished whisky from Deanston, finished in former Dragon's Milk casks for six months.

Dragon's Milk Stout is an extremely popular, bourbon-barrel-aged stout beer from New Holland Brewing out of Michigan. It is a type of beer made to pair well with a heavier whisky, particularly the right Scotch.

The sweet, roasted maltiness of the beer marries with the honeyed, fruity style of the whisky. The result is a golden, hoppy single malt, full of fruit and caramel notes.

Bunnahabhain Elements 39 Year-Old
An exclusive limited edition piece, the first release in the Elements series from our Bunnahabhain distillery on Islay. It is crafted around the importance of various elements impacting on the character of each Bunnahabhain whisky.

Distilled in 1978 and matured for 39 years, this expression has been finished for six months in a Spanish sherry octave, personally selected by Master Blender Kirsty McCallum. Bottled by hand at the distillery, this extremely limited edition is presented in a beautifully crafted crystal decanter with a wave design embedded in the glass. Only 26 decanters were produced.

BRAND INNOVATIONS

Amarula flavour innovations
Raspberry Chocolate Baobab

Sweeter flavoured styles, berry flavour profiles and high quality ingredients will increasingly be a key growth area in attracting younger consumers in the drinks category.

Experience the unique taste of Africa. Indulgently creamy Amarula with Raspberry, Chocolate and Baobab, Africa's "Tree of Life". The taste of real marula fruit blended with creamy chocolate, a hint of raspberry and citrus-infused notes of Baobab. Carefully crafted to preserve the rich and distinctive cream liqueur taste of Amarula, using only sustainably sourced ingredients from Africa. Enjoy chilled over crushed ice or in an exotic cocktail.

Responding to COVID-19
COVID-19 first impacted Distell's international markets in January in Taiwan, followed by global travel retail and mainland Europe and the UK. Our first priority was to ensure the safety and well-being of our employees and we have reorganised our ways of working to allow for this, including in our manufacturing environment.

All of our markets were affected by the pandemic, Latin America, and in particularly Brazil, has been most impacted and while most of our other markets are stabilising, challenges in Latin America continue. Our travel retail business has also been severely impacted due to travel restrictions, and we expect to return to normal trading only in the 2021 calendar year.

As a second key imperative, we focussed heavily on managing cash flow, and tightly controlled discretionary spend and other operating expenses. We were supported by government schemes in the UK, and reduced or temporarily ceased operations where possible in order to preserve cash.

A positive development has been our rapid step-up response to the demand for online sales in UK. This yielded real success, generating 500% sales revenue growth from this channel. The capability we have had to rapidly build in this space has accelerated our digital journey, and this is a benefit to us going forward.

LOOKING AHEAD

We delivered a resilient performance this year and our disciplined focus on clear key strategic choices will continue. We expect COVID-19 to be an ongoing reality for the next fiscal, and will continue to respond to these challenges by working with our customers and partners in an agile and responsive manner.

Ongoing initiatives to increase our operating efficiency include a particular focus on effective sales and operational planning. Adapting our ways of engaging consumers will accelerate, and our digital focus will allow us to build our core brands in a targeted and relevant way. Top line delivery and the ongoing management of costs are key objectives of the year ahead.

Kate Rycroft
Managing director: Venture Business

EXECUTIVE MANAGEMENT TEAM

1. **RICHARD RUSHTON (57)**
   Group CEO
2. **KATE RYCROFT (47)**
   Managing director: Venture Business
3. **DONOVAN HEGLAND (45)**
   Director: growth and innovation
4. **ANDRÉ OPPERMAN (47)**
   Director: human resources
5. **WIM BÜHRMANN (54)**
   Managing director: southern Africa
6. **LEN VOLSCHENK (49)**
   Managing director: Africa
7. **KERSHEN PILLAY (37)**
   Director: corporate services
8. **LUCAS VERWEY (46)**
   Group CFO
9. **BRIDGITTE BACKMAN (57)**
   Director: corporate and regulatory affairs
10. **JOHAN VAN ZYL (48)**
    Director: supply chain

RICHARD RUSHTON (57)

Group CEO

Richard has a BCom. He was appointed to the board in 2013 following various leadership roles at SABMiller in Africa, Asia and Latin America since 1997. He initially held leadership positions at Barclays and Adcock Ingram before joining SABMiller. Richard's role is to ensure the company delivers on its key strategic objectives and to build a high-performance culture within the company.

Richard is responsible for SDG 8

LUCAS VERWEY (46)

Group CFO

Lucas holds a BCompt (Hons), a CA(SA) and a CFA. He joined Distell in 2014 from Remgro, where he was an investment executive overseeing a specific portfolio of investments since 2008. Lucas was appointed to his current position and to the board in September 2015. He oversees the financial sustainability and growth of Distell through financial planning, reporting, mergers and acquisitions, risk management and investor relations.

Lucas is responsible for SDG 7

BRIDGITTE BACKMAN (57)

Director: corporate and regulatory affairs

Bridgitte holds a BSc (Chemistry), an HDE, and an MBA. She joined Distell in 2016 and is responsible for the overall reputation management, stakeholder and corporate citizenship strategy of the company. She has multi-industry experience in different functional, business and executive roles and her areas of expertise include general business, fast-moving consumer goods, manufacturing, transformation, risk management and sustainability.

Bridgitte is responsible for SDG 17

JOHAN VAN ZYL (48)

Director: supply chain

Johan holds a BEng (Chemical), a PrEng and an MBA. He joined Distell in 2016 as the head of manufacturing and was appointed as director: supply chain in 2017. He is responsible for optimising Group supply chain operations across procurement, planning, manufacturing, warehousing, logistics and technical centres of excellence (intrinsics, engineering, capital projects and safety, health, environment, risk and quality). He began his career at Anglo American, and then joined SABMiller where he held manufacturing and general management roles, and Cadbury/Kraft Foods overseeing the supply chain for sub-Saharan Africa. He also held general management roles at Anglo Vaal Industries. Johan's areas of expertise include general business, fast-moving consumer goods, integrated supply chains, manufacturing and operations.

Johan is responsible for SDG 6

KERSHEN PILLAY (37)

Director: corporate services

Kershen holds a BCom, a BCom (Hons), CA(SA) and an MBA. He joined the Distell team in July 2015 as financial manager in New Germany. In April 2016 he moved to head office in South Africa as financial manager. He was promoted to director: corporate services in April 2019. This newly established function is the catalyst for Distell's digital transformation. His areas of expertise include financial markets and investments, general business and risk management.

Kershen is responsible for SDG 13

DONOVAN HEGLAND (45)

Director: growth and innovation

Donovan qualified with a BCom (Hons) (Business Economics). He joined Distell as marketing director: southern Africa in 2010. In 2015 he moved on to head up the Africa business. Donovan took over the global marketing function at the end of 2017 and transitioned the role into growth and innovation for the Group, focused on transformational strategy, foresight and insight development, health and profitability of the brand portfolio, break out innovation, digital transformation and marketing capability development. His areas of expertise include Africa, general management, marketing and sales, innovation and digital transformation, human resources and agile leadership.

Donovan is responsible for SDG 12

LEN VOLSCHENK (49)

Managing director: Africa

Len holds a BCom (Hons) (Marketing). He joined Distell as head of sales and operations in March 2017 before moving on to his current role as managing director: Africa in May 2018. Before joining Distell, Len held various leadership roles within SABMiller, the latest of which was managing director for Namibia.

His areas of expertise include general business, mergers and acquisitions, wholesale and retail operations, trade marketing and marketing, sales and operational, people and team capability building, commercial and business acumen.

Len is responsible for SDG 9

WIM BÜHRMANN (54)

Managing director: southern Africa

Wim holds a BAcc (Hons) and CA(SA). He joined the Group in 1994, was appointed head of new business development in 2007, and took up his present position in July 2010. He is responsible for our business functions in South Africa and Botswana, Namibia, Lesotho and Eswatini, including sales, distribution and marketing operations. His areas of expertise include general business, mergers and acquisitions, and manufacturing.

Wim is responsible for SDG 3

KATE RYCROFT (47)

Managing director: Venture Business

Kate holds a BSocSci (Hons) and an MBA. She joined Distell in 2003, prior to which she worked in the banking sector in the United Kingdom. She was director: corporate development, responsible for Group strategy and mergers and acquisitions. She is responsible for executing key strategic changes in the Venture Business under a renewed operating model.

Kate's areas of expertise include business management, mergers and acquisitions, strategy development and execution, business transformation, deal integration and deal origination.

Kate is responsible for SDG 5

ANDRÉ OPPERMAN (47)

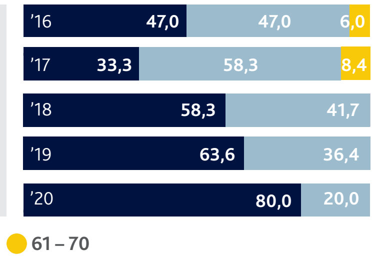
Director: human resources

André has a BA (Hons) (Industrial Psychology). He was appointed to his current position on 1 April 2019. His career highlights include head of HR for British American Tobacco in Zimbabwe, HR director at RACEC and head of HR for Distell South Africa. His areas of expertise include general business, fast-moving consumer goods and human resources.

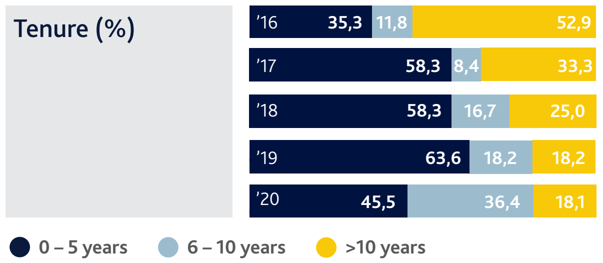
André is responsible for SDG 1

Executive management team composition

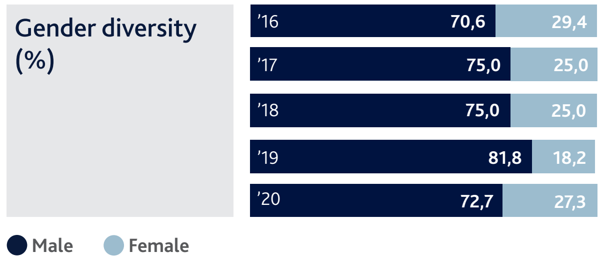
Age (%)



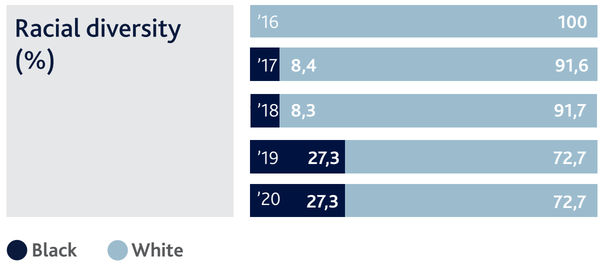
Tenure (%)



Gender diversity (%)



Racial diversity (%)



BOARD OF DIRECTORS

JANNIE DURAND (53)
Non-executive chairman
Qualifications: *BAcc (Hons), MPhil (Oxon), CA(SA)*

Tenure and committees: Appointed to the board, as member of the remuneration committee and the nomination committee in 2012 and as member of the investment subcommittee in 2015. Appointed as chairperson of the board in 2016 and as chairperson of the investment subcommittee in 2015.

Other: Chief executive officer of Remgro and a director of, among others, RCL Foods, RMI Holdings Limited and Mediclinic International PLC.

GUGU DINGAAN (44)
Independent non-executive
Qualifications: *BCom (Acc), H Dip Acc, CA(SA)*

Tenure and committees: Appointed to the board in 2005, as member of the audit committee in 2006, as chairperson of the social and ethics committee in 2012, as member of the risk and compliance committee in 2016, as member of the investment sub-committee in 2015 and as member of the remuneration committee and the nomination committee in 2017.

Other: Investment executive at WIPHOLD and non-executive director of various WIPHOLD investee companies.

PRIEUR DU PLESSIS (65)
Independent non-executive
Qualifications: *BSc (QS), MBA (Cum laude), Doctor of Business Administration (DBA) – Finance, CD(SA)*

Tenure and committees: Appointed to the board in 2015, as member of the audit committee in 2016, as chairman of the risk and compliance committee in 2016 and as member of the social and ethics committee in 2016.

Other: Chairperson of Plexus Holdings, an investment management business he founded in 1995. He also serves as director of Professional Provident Society (PPS) Insurance Company and PPS Investments. He is a member of the advisory board of the University of Stellenbosch Business School (USB), chairperson of the audit and risk committee and a member of the investment committee of Stellenbosch University. Additionally, he is professor extraordinaire at the USB, Honorary Consul General of Slovenia for South Africa and Deputy Dean of the Consular Corps of Cape Town.

KEES KRUYTHOFF (51)
Independent non-executive
Qualifications: *Business Economics, Erasmus University in Rotterdam, Holland*

Tenure and committees: Appointed to the board and as member of the investment subcommittee in 2019.

Other: Chairman of Enactus, chairman of Mr Green Africa and chairman of Foods United.

PIETER LOUW (51)
Non-executive (alternate for Jannie Durand)
Qualifications: *CA(SA)*

Tenure and committees: Appointed to the board, as alternate director for Jannie Durand, in 2014, to the investment subcommittee in 2015 and to the risk and compliance committee in 2016. He attends the audit, remuneration and nomination committee meetings as an invitee.

Other: Board member of RCL Foods Limited and Head of Corporate Finance at Remgro.

JOE MADUNGANDABA (62)
Independent non-executive
Qualifications: *CPA(SA)*

Tenure and committees: Appointed to the board in 2000.

Other: Group chief executive officer of Community Investment Holdings Group, non-executive chairman of Schneider Electric, non-executive deputy chairman of Jasco Electronics Holdings and non-executive director of Air Liquide Healthcare and of AfroCentric Limited.

ETHEL MATENGE-SEBESHO (65)
Independent non-executive
Qualifications: *MBA (Brunel) and CAIB(SA)*

Tenure and committees: Appointed to the board in 2015 and as member of the risk and compliance committee in 2016 and the audit committee in 2018.

Other: Director on the boards of FirstRand and FinMark Trust.

CHRIS OTTO (70)
Independent non-executive
Qualifications: *BCom LLB*

Tenure and committees: Appointed to the board in 2011 and as member of the investment subcommittee in 2015.

Other: Founder director of PSG Group, Capitec Bank Holdings and Zeder Investments. He is also non-executive director of Kaap Agri Investments, and serves on selected audit and remuneration committees.

ANDRÉ PARKER (69)
Independent non-executive
Qualifications: *MCom*

Tenure and committees: Appointed to the board in 2008 and as lead independent director in 2016. He was appointed as chairman of the remuneration committee in 2013 and as chairman of the nomination committee in 2017. He has been a member of the investment subcommittee since 2015.

Other: Retired managing director of SABMiller Africa and Asia, where he served on several boards of SABMiller subsidiaries, and was also an executive committee member of SABMiller PLC. He is also a director of Standard Bank.

CATHARINA SEVILLANO-BARREDO (57)
Independent non-executive
Qualifications: *BCom (Hons), CA(SA)*

Tenure and committees: Appointed to the board in 2008, as chairperson of the audit committee in 2009, as member of the risk and compliance committee in 2016 and investment subcommittee in 2015.

Other: Founder, director and chief financial officer of the Universal Healthcare group of companies and formerly a director of WIPHOLD and Concor. She was also a member of WIPHOLD's audit committee and chaired the Concor audit committee.

CORPORATE GOVERNANCE REPORT

MESSAGE FROM OUR LEAD INDEPENDENT DIRECTOR

Dear Shareholders

On behalf of Distell's board of directors, we thank you for your continued investment in and support for our company.

Our continued commitment to the company was again evident in the collaborative effort by our board, management and employees which is enabling us to navigate our way through the impact of the COVID-19 pandemic on our Group and the industry.

Our governance processes and principles remained intact throughout the year under review and contributed to an ethical culture that stretches beyond compliance to the principles of true accountability, transparency and fairness.

Our competitive advantage is not only our brands, but also our people and culture, and I am confident in our ability to achieve our strategic aspirations, despite the headwinds being experienced as a result of the pandemic.

I am honoured to serve as lead independent director; our board serves on your behalf and we do our best to ensure we carry out our fiduciary duty to oversee our company.

OBSERVATIONS SINCE MY APPOINTMENT IN 2016

✔	We have implemented a robust succession plan for the CEO, executive management and non-executive directors.
✔	When identifying candidates to become board members, we look for skills that not only reflect today's business environment, but individuals who bring experience that will take the company into the future. Our appointment of Kees Kruythoff, who brings a wealth of experience in fast-moving consumer goods (FMCG), marketing and international business experience, is such an example.
✔	A rigorous independent board evaluation was conducted in 2019 and we have committed to follow the same process every two years in compliance with the King IV principles.
✔	Governance requirements continually evolve and present new challenges, especially with Distell's growing footprint in regions with high operating risk. Our audit and risk committee has been split into two separate committees to ensure greater focus on risk management and compliance.

KEY BOARD TOPICS FOR THE 2020 FINANCIAL YEAR

JULY 2019

The board attended a bi-annual strategic session with the executive management team

AUGUST 2019

- The audit committee considered and recommended for approval the 2019 annual financial results, financial statements, integrated report and final dividend
- The risk and compliance committee had oversight of the Group strategic risk register
- The remuneration committee approved the 2019 short-term incentive payment
- The social and ethics committee considered and approved the 2019 sustainability report

OCTOBER/NOVEMBER 2019

- Group AGM
- The board discussed Group CEO succession and chairman evaluation
- The audit committee considered the quarterly internal audit and forensic auditor's report (these reports are reviewed at each meeting)
- The remuneration committee considered and approved the mandate for remuneration increases for the executive committee and all employees
- The nomination committee discussed potential candidates for non-executive director appointments, considered Group CEO succession planning and reviewed the performance of the Group CEO
- The social and ethics committee assessed a report on labour practices

FEBRUARY 2020

- The board had oversight of the Group's five-year financial aspirations and endorsed the Group's strategic choices. They monitored the progress of the Group's transformation journey and approved the Regulatory Compliance policy
- The audit committee considered and recommended for approval the 2020 interim results and interim dividend and approved the Group's tax strategy
- The risk and compliance committee received training on combating illicit trade
- The remuneration committee considered investor community feedback on Distell's remuneration policy
- The social and ethics committee monitored progress made on employment equity

APRIL 2020

The remuneration committee considered proposals in the event of an extended COVID-19 lockdown

JUNE 2020

- The board considered the impact of COVID-19 on the industry and the Group and monitored the progress of resetting the Group's strategic aspirations
- The audit committee discussed amendments to the JSE Listings Requirements
- The audit committee further: Evaluated the performance and effectiveness of PwC, internal audit, the CFO and the finance function; completed the evaluation of the chief audit executive's performance and approved his remuneration; and reviewed the external audit fees and non-audit services
- The risk and compliance committee had oversight of the maturity assessment done on the state of the Group's cyber security situation, considered the impact of COVID-19 on the strategic risks of the Group, and assessed the new risks that emerged because of the pandemic

Responding to COVID-19

Distell's response to the pandemic has shown the ability of the board and executive management to respond to a crisis:

- Board meetings were convened on a secure online platform.
- The board is closely monitoring the impact of the pandemic on Distell through weekly communications with the newly established COVID-19 management team and reports from the Group CEO.
- The Group's pre-COVID-19 shift to a more decentralised model enabled prompt decision-making processes.
- To ensure that Distell remains a sustainable business, cash flow management has been identified as a priority.
- The board supports the executive management team in its commitment to be agile and innovate to adapt to the new normal.

Further responses and steps taken by Distell are discussed throughout this report.

APPRECIATION

I would like to take this opportunity to express my sincere appreciation to Jannie, my fellow board members and the executive team who worked diligently to navigate our company thought the past financial year; and I extend my thanks to all employees and every stakeholder for your continued support.

André Parker
Lead independent director

18 September 2020

BOARD OF DIRECTORS

Ways of working and board committees

The board is accountable for the Group's overall performance. It comprises individuals elected by shareholders and entrusted to provide direction and leadership.

The board of directors is committed to complying with the requirements of:

- the Companies Act;
- the JSE Listings Requirements; and
- King IV. Our King IV compliance statement, available on our website at www.distell.co.za/investor-centre/annual-report, explains how Distell applies the principles of King IV.

The board believes that, for the period 1 July 2019 to 30 June 2020, these requirements were met. It confirms that the company operated in conformity with the memorandum of incorporation and that the board fulfilled its responsibilities in accordance with the board charter.

DISTELL
CRAFTING BRANDS SINCE 1925

Board of directors

The board delegates specific responsibilities to committees that operate under board-approved charters or terms of reference (TOR). Each of the main committees is chaired by an independent non-executive director (with the exception of the investment subcommittee). The chairperson approves the agenda for each committee meeting to ensure relevant issues are discussed, and that committee members' time is used effectively. The chairperson of each committee:

- reports to the board on the committees' activities and discussions; and
- attends the AGM to respond to shareholder queries.

Committee	Report
Audit committee	Report on page 66
Risk and compliance committee	Report on page 87
Remuneration committee	Report on page 70
Nomination committee	
Social and ethics committee	Report on page 92
Investment subcommittee	

Monthly executive committee meetings and a bi-annual talent review

Executive management

- Executive sales and operations council
- Organisational effectiveness council
- Sustainability council
- Strategy council
- Brand execution forum
- Innovation council
- Capital council
- Brand strategy council
- Digital and ICT council

To support each committee, management councils and forums precede committee meetings on the corporate calendar. This ensures that relevant, accurate and up-to-date information is submitted for discussion at the committee meetings. Each council or forum is chaired by a member of the executive committee who attends the related board committee meetings to provide feedback.

CHANGE · EVOLUTION · IMPACT

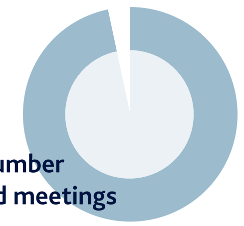
For 2020, changes to council meetings include incorporating an initiatives prioritisation forum into the digital and information, communication and technology (ICT) forum going forward. The intent is to ensure focus and effective spending to support a future-fit Distell. The organisational effectiveness council will be incorporated into normal routines; this relates to the assessment of, and progress made on, capability maturity and gaps. The executive sales and operations council will form part of the monthly executive committee meeting going forward.

Board meetings and attendance

The board meets at least four times per year to review a formal schedule of matters, of which its members are briefed in advance. Effective chairing and a formal agenda with supporting documentation ensure all issues requiring attention are raised and addressed. Supporting documentation is distributed a week before meetings. This enables directors to discharge their fiduciary responsibilities. The board holds ad hoc meetings, if required.

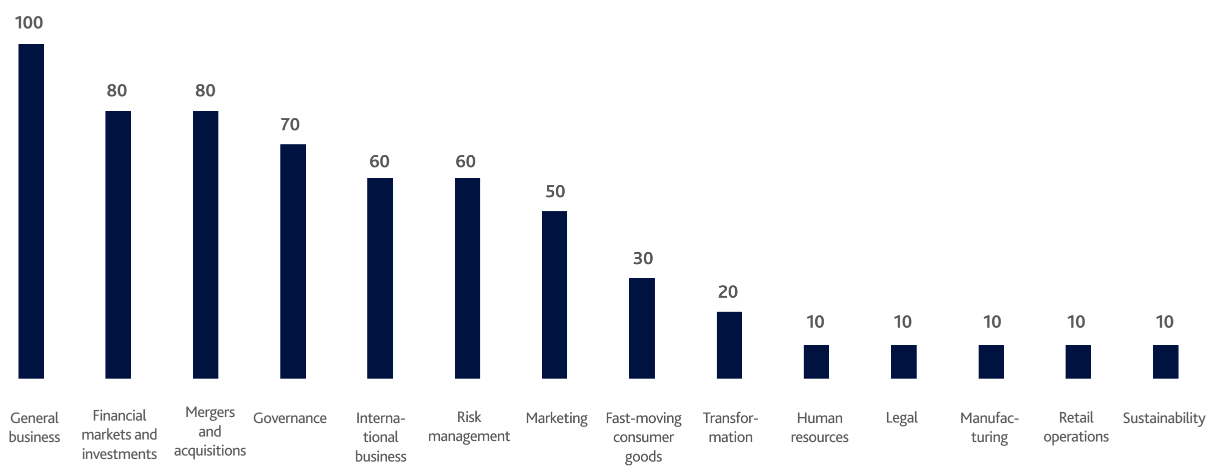
Going forward, a quarterly strategy refresher will be added to the board meetings to ensure the Group's agility and rapid decision-making capability are supported.

A majority of the directors is a quorum for any directors' meeting. Decisions taken at board meetings are confirmed by a majority of votes, with each director having one vote per matter. A majority vote is considered approval of a resolution. In the case of a tied vote, the chairperson may not cast a deciding vote, and such resolution shall fail. A round robin resolution shall be as valid and effectual as if it had been passed at a board meeting duly called and constituted, provided that such resolution is adopted by way of written consent by all board members.



Skills and experience (%)

Area of expertise



Appointment

Board members are appointed transparently and with the full board's consideration. The nomination committee uses reputable recruitment firms to source suitable candidates. When identifying individuals to become board members, the nomination committee considers:

- skills gaps that should be filled to deliver on the Group's strategic initiatives; and
- South Africa's demographics and the voluntary targets stipulated in our policies on the promotion of gender and race diversity. While there is no maximum term for appointment, the retirement age for non-executive directors is 70 years.

Our policy on the Promotion of Gender Diversity seeks to achieve a voluntary target of 40% female representation at board level by the end of 2020. Although formal targets are not set, our Promotion of Race Diversity policy specifies that the nomination committee pursue all opportunities to enhance the racial diversity of the board. Early in the 2020 calendar year, the nomination committee started a process of recruitment to appoint directors to meet these targets.

Composition

Total directors
12

Non-executive directors
10

Independent directors
8

Executive directors
Richard Rushton (Group CEO)

Lucas Verwey (Group CFO)

An external board and director evaluation conducted in 2019 by Heidrick & Struggles, found that the nomination committee should prioritise the appointment of suitably experienced replacements with skills including:

- manufacturing;
- emerging markets;
- hands-on experience in East or West Africa (possibly a national);
- brand marketing;
- business strategy; and
- alcoholic beverages.

Age (%)

	40 – 50	51 – 60	61 – 70
'16	15,4	23,1	61,5
'17	25	16,7	58,3
'18	20,0	30,0	50,0
'19	30,0	20,0	50,0
'20	27,3	27,3	45,4

Tenure (%)

	0 – 5 years	6 – 10 years	>10 years
'16	38,5	23,0	38,5
'17	33,3	33,3	33,3
'18	30,0	40,0	30,0
'19	40,0	20,0	40,0
'20	36,4	27,2	36,4

Gender diversity (%)

	Male	Female
'16	69,2	30,8
'17	66,6	33,3
'18	70,0	30,0
'19	70,0	30,0
'20	73,0	27,0

Racial diversity (%)

	Black	White
'16	30,8	69,2
'17	33,3	66,6
'18	30,0	70,0
'19	30,0	70,0
'20	27,0	73,0

Balance of power

The board ensures an appropriate balance of power and authority exists so that no individual, or block of individuals, has unfettered decision-making powers or undue influence.

CHAIRMAN

The chairman is elected on an annual basis. He is the CEO of Remgro Limited (Remgro), Distell's shareholder of reference, and is therefore not independent. Remgro owns a 31% economic interest with a 56% voting interest. Given his knowledge of the business and extensive experience, the board deems Jannie Durand the best candidate to lead the Group through our change journey. The board considers his input essential to achieving Distell's business objectives.

LEAD INDEPENDENT DIRECTOR (LID)

In applying King IV and complying with the JSE Listings Requirements, and to guard against any perceived conflict of interest, the board annually elects an LID. The current LID is André Parker. The main function of the LID is, among other things, to lead and advise the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest.

Rotation

All non-executive directors retire by rotation in terms of the Group's Memorandum of Incorporation (MOI). At the AGM, one-third of the directors retire and may make themselves available for re-election. The directors who retire are those longest in office since their last election.

The nomination committee makes recommendations regarding the re-election of the retiring directors and considers performance, meeting conduct, etc. The independence and performance of non-executive directors who have served on the board for more than nine years are subjected to a review.

Refer to pages 56 and 57 for the directors in office as at 30 June 2020, as well as their biographical details.

The board is satisfied that all directors have the required qualifications and relevant experience to actively contribute to the success of Distell and that its composition reflects the appropriate mix of knowledge, skills, experience and independence.

Roles and responsibilities

The board has adopted a charter setting out its responsibilities, duties and accountability towards Distell.

The board strives to act in the best interests of the Group. It assesses and authorises the plans and strategies submitted by the executive team, agrees on KPIs, and identifies key risk areas and responses.

The main responsibilities of the board, in terms of its annually reviewed charter, are set out in the respective committee reports, from page 66.

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The Group CEO

The board appoints the Group CEO to appropriately manage the Group on a day-to-day basis. He is responsible for the implementation of the approved strategy. The charter formally stipulates the role of the Group CEO, and a written delegation of authority is annually reviewed and approved to separate the matters on which the Group CEO has final authority from those where the board has final approval.

The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

Orientation and development

All new directors undergo a formal induction programme. Upon their appointment, new directors receive an induction pack that includes agendas and minutes of the previous board and board committee meetings, the latest integrated report, relevant insurance information, strategic documents, and relevant policies, charters and TOR. These directors are informed of their fiduciary duties in terms of the Companies Act and JSE Listings Requirements.

They also visit various production sites and distribution centres and have meetings with executive directors.

Board and director evaluation

The board and its chairman, individual members, and committees are subject to a formal evaluation. The process happens at least every two years and is either a self-evaluation or is externally facilitated. The LID facilitates the chairman's evaluation. The results of the evaluations are discussed with the board, and suggested changes and comments are minuted and actioned by the board.

The previous external board and director evaluations were conducted in 2019 by Heidrick & Struggles. The conclusion was that the board was of a high quality and well-functioning, that strategy formulation was robust, that the board provided appropriate levels of governance and that adjustments needed were of a relatively minor nature. The next independent evaluation will be done in 2021.

A specific outcome of the 2019 evaluation was an emphasis on more formalised chairman and CEO evaluation, transparent succession planning and individual board director development. This was addressed in the following manner:

- The remuneration committee conducted a formal CEO evaluation at their meeting on 26 September 2019. Richard Rushton was found to be motivated and performing at a high level of effectiveness. The process was completed with a one-on-one feedback session between the LID and the CEO.
- At the nomination committee meeting held on 26 September 2019, Richard Rushton presented an overview of CEO succession planning. The committee agreed that Distell is well served as far as CEO succession is concerned, while acknowledging that emphasis needs to be given to the development of suitable B-BBEE candidates. This was again tabled at the board meeting held on 27 November 2019, and the outcome was a meeting between the board chairman Jannie Durand and the Group director: human resources to ensure that:
  - » the development needs of identified candidates are catered for; and
  - » emphasis be placed on the development of B-BBEE candidates.
- The board conducted a formal evaluation of the chairman at its meeting on 27 November 2019. Jannie Durand was found to be performing commendably. The process was completed with a one-on-one feedback session between the chairman of the nomination committee and the board chairman.

Share trading

Distell's Price-sensitive Information policy prevents the abuse of inside information. The policy prohibits directors, senior management, and other employees from trading in the Group's shares during price-sensitive or closed periods.

In terms of the policy, closed periods commence a week before the end of the interim (December) and annual (June) financial periods, and end at the close of the day after the financial results are disclosed on SENS. The company secretary informs all employees of the closed periods.

Additional restrictions on trading may apply where unpublished, price-sensitive information exists in relation to the Group's shares in terms of the policy.

Before dealing in Distell shares:

- executive directors and the company secretary are required to advise the chairman and obtain his clearance;
- executive management and directors of major subsidiary companies are required to advise the Group CEO or the company secretary and obtain clearance; and
- other senior employees require the approval and clearance of the company secretary.

Conflict of interest

The directors are required by the Companies Act to annually disclose their personal financial interests in material contracts or other matters, including interest by persons related to them. This process is facilitated by the company secretary around year-end.

Where a potential conflict of interest exists, directors must recuse themselves from relevant discussions and decisions.

All directors are required to comply with the Code of Ethics and Conduct, the Financial Markets Act, No. 19 of 2012, and the requirements of the JSE Limited regarding inside information, dealings in securities and the disclosure of such dealings.

Every year a Group-wide study of potential conflicts of interest is conducted, which is audited by Distell internal audit. No material conflicts of interest were identified in 2020.

Company secretary's role and responsibilities

The company secretary is responsible to the board and facilitates adherence to proper corporate governance principles that are outlined in the board charter and compliance with relevant legislation.

The company secretary prepares meeting agendas and records minutes. The company secretary also assists with director induction and ongoing training as necessary.

All directors have unlimited access to the advice and services of the company secretary, and they may seek independent professional advice at the Group's expense, when appropriate.

To comply with the King IV principle of having an arm's-length relationship, the company secretary is not a member of the board and is suitably independent. The board confirms that Lizelle Malan, who is a chartered accountant, has an arm's-length relationship with the board, suitably fulfils the role, and possesses the requisite competence and knowledge to carry out the duties of a secretary of a public company. This was confirmed during the external board evaluation.

Meet our Group company secretary, Lizelle Malan (40)

Lizelle holds a BCom (Hons), CA(SA). She joined Distell in 2012. She performs all statutory company secretarial functions and is also responsible for the company's forensic compliance, risk management, SAICA Training Programme and Investor Relations. Her areas of expertise include retail operations, fast-moving consumer goods, manufacturing, risk management, legal and governance.

RISK MANAGEMENT

The company secretary serves as the chief risk officer for the Group and attends all audit and risk and compliance committee meetings. Senior management, supported by the internal audit function, is responsible for identifying, managing and mitigating risks.

Refer to pages 87 to 91.

Responding to COVID-19 risk management

Executive management presented a detailed COVID-19 risk assessment to the board at its June 2020 meeting. This included a review of the emerging risks posed to the Group by the pandemic and government response, as well as the impact on existing strategic risks. Mitigating actions and concomitant opportunities were detailed. Detail can be found in the strategic risk section on page 24.

INVESTOR RELATIONS

Our investors are an integral stakeholder group, and we place significant emphasis on transparency, access to management and proactive communication. Details on how Distell engages with investors, and monitors the quality of these relationships, can be found in the stakeholders section on page 16.

ORGANISATIONAL ETHICS

The Distell board exercises ongoing oversight of the management of ethics and, in particular, the monitoring of adherence to the Group's Code of Ethics and Conduct. It has allocated the oversight of, and reporting on, organisational ethics to the social and ethics committee, whose mandate includes monitoring and reporting on the Group's social performance and bringing material matters to the attention of the board. It therefore includes the governance of ethics.

In 2020, actions to ensure effective ethics management included:

- Refining the Group's purpose statement and values, foundational elements that serve as constant points of reference of who we are, and how we behave as an organisation
- Performing a high-level ethics risk and opportunity review, to enable Distell to implement a complete ethics management framework
- Including ethics-related and values-based interview questions in all recruitment interview guides
- Improved reporting of ethics statistics to governance structures
- Including ethics line and anti-bribery and corruption materials in the new employee induction pack
- Including the Code of Ethics and Conduct in the ethics and fraud awareness curriculum.

Planned initiatives for 2021 to ensure increased ethics awareness and behaviour include:

- Based on the findings of the risk assessment, developing an ethics strategy for the next three years to take the Group from its current state of ethics to a desired end-state
- Developing an ethics management plan to translate the ethics strategy into measurable objectives (activities, responsibilities, timeframes and outcomes) to ensure the Group reaches its goals, mitigates the identified ethics risks and harnesses ethics opportunities.

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AUDIT COMMITTEE REPORT

Chairperson

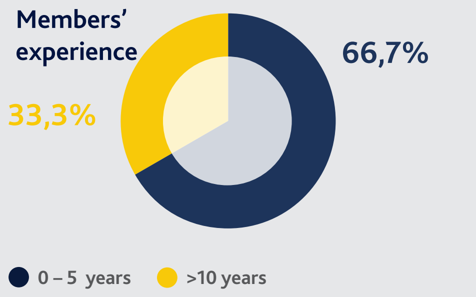
Catharina Sevillano-Barredo (independent non-executive)

In 2020, the audit committee focused on ensuring the integrity of the Group's financial reporting and our core oversight responsibilities, while navigating the impacts of COVID-19. I am pleased to present the Distell Group audit committee report, which sets out how we have worked closely with management and the other board committees to monitor risks and ensure effective controls in a new and complex operating environment.

Members

- Prieur du Plessis (independent non-executive)
- Gugu Dingaan (independent non-executive)
- Ethel Matenge-Sebesho (independent non-executive)

The Group CEO, the Group CFO, external auditors, chief audit executive and selected senior management are invited to attend the meetings.



Meeting attendance

The committee meets at least four times per year.

ROLES AND RESPONSIBILITIES

The purpose and role of the audit committee is to assist the board with discharging its responsibility to:

- Safeguard the Group's assets
- Consider significant financial matters
- Operate adequate and effective systems of internal control, risk management and governance
- Prepare materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards, and enhance the reliability, integrity, objectivity and fair presentation of the affairs of the Group
- Evaluate and approve the integrated report, annual financial statements, interim financial statements and dividends to shareholders
- Monitor compliance with laws and regulations and the business code of conduct
- Provide oversight of the external and internal audit functions and appointments

Internal controls

The board of directors assumes ultimate accountability to ensure the Group maintains adequate systems of controls across the broad spectrum of financial, operational, information and technology, and compliance controls.

Management is tasked with implementing the internal controls to mitigate risks in pursuit of the company's objectives and targets.

The systems of internal controls are generally not expected to eliminate risk entirely or guarantee absolute assurance against misstatement or loss; however, they are designed to manage risks within appetite and tolerance levels to reasonably ensure the Group's:

- Assets are safeguarded
- Objectives will be achieved
- Operations are efficient and effective
- Financial information is reliable
- Compliance with applicable laws and regulations is adequate

The implementation of effective systems of controls involves the following:

- An appropriate control environment is established that demonstrates commitment to high integrity and ethical values; provides the appropriate level of oversight and operating structures; and ensures placement of suitably qualified employees, segregation of duties and clearly defined lines of authority and accountability.
- Business objectives are clearly outlined and formal processes are in place to identify and analyse risks related to the achievement of the objectives.
- Control activities are developed to address the identified risks and, where applicable, formalised policies and procedures are implemented.
- Relevant and accurate information is identified and used in decision making and adequate controls for communication processes and activities are in place for internal and external communication.
- Controls are evaluated on an ongoing basis and deficiencies are addressed promptly and effectively.

The board and management place great emphasis on financial controls and policies. Specifically, Distell's capital expenditure, investment, and exposure to interest rate, liquidity and currency risks are closely monitored. Treasury functions and decisions are guided by written policies and procedures, as well as by clearly defined levels of authority and permitted risk assumption.

While non-leveraged derivatives are purchased periodically to hedge specific interest rate or currency exposures, treasury functions do not undertake speculative financial transactions.

The board has adopted a combined assurance model that is designed to assist in highlighting gaps in assurance coverage of key business risk areas and in identifying opportunities for optimisation.

The model distinguishes the different levels of assurance across the various risk and control owners, internal and independent assurance providers. These are:

Line functions that own and manage risks	Include a comprehensive monthly management control self-assessment checklist covering operational and financial controls at all operations, plants, sites, depots, distribution centres and a number of head office corporate functions. Similar self-assessment processes are being implemented in the Africa and International regions.
Specialist internal functions that oversee and facilitate risk management and compliance	Include risk management, corporate and regulatory affairs, legal and compliance, internal forensic fraud investigators, health and safety and process assessors, etc.
Independent internal assurance service providers	Such as internal auditors.
Independent external assurance service providers	Such as external auditors (PwC), other external assurance providers such as sustainability and environmental auditors, external actuaries, and external forensic fraud examiners and auditors.
Regulatory inspectors	Such as Department of Labour inspectors.

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For the period under review, audit reviews and other assurance obtained did not indicate any material breakdowns in the functioning of internal controls. Where control deficiencies and non-compliance issues were identified, they were reported and appropriately rectified.

Except where identified issues are being addressed by management, the audit committee and the board are satisfied that control systems and procedures were suitably implemented, maintained and monitored by qualified personnel, with appropriate segregation of authority, duties and reporting lines.

Internal audit

Distell internal audit is a significant contributor to the Group's defence systems. Internal audit assists in safeguarding assets; ensures the reliability and integrity of significant financial, managerial and operational information; identifies and protects against factors and behaviour that diminish value; and is the primary assurance provider to the board on the efficiency and effectiveness of governance, risk management and control systems, structures and processes.

Internal audit is a centralised global function with regionally based teams to optimise localised focus on risks and controls and to provide a greater level of support to management. It operates under terms set out in a formal mandate approved by the board, in conformance with the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) for internal audit. This framework includes a Code of Ethics that team members attest to complying with annually. Internal audit's conformance to the IPPF was confirmed by a full external and independent Quality Assessment Review conducted in February 2020.

In addition to the IIA IPPF, the principles outlined in the following leading frameworks are embedded in the overarching internal audit practices, approach and methodologies:

- King IV: governance, risk and controls principles
- COSO: global internal control and risk management framework
- COBIT: information and technology general controls framework

The internal audit team have an average of ten and a half years' internal audit experience, and all employees have either a relevant qualification/certification or extensive industry and technical skills. Resourcing includes trainee chartered accountants participating in the Distell Chartered Accountants Training Programme, which is accredited by the South African Institute of Chartered Accountants (SAICA). This is a three-year programme with internal audit as an elected focus area. During the programme, trainees also rotate to other business functions to gain the necessary competencies as prescribed by SAICA.

Internal audit provides assurance that the key strategic, financial, information and technology, compliance and operational risks are understood, identified, and effectively managed and mitigated. This is achieved through the execution of an annual risk-based audit plan aligned to the Group's goals and objectives. The audit committee approves the audit plan, resources and budget prior to each financial year.

When required, specialist skills are co-sourced.

INDEPENDENCE AND AUTHORITY

Internal audit's organisational positioning and independence are enabled by reporting functionally to the audit committee and administratively to the Group CFO. The chief audit executive and the audit committee formally consider the independence of internal audit annually. Furthermore, internal audit has free and unrestricted access to the board, executive management, information and all areas within the Group.

SCOPE OF WORK

Internal audit assurance can only be reasonable and not absolute and does not supersede the board and management's responsibility for the ownership, design, implementation, monitoring and reporting of governance, risk management and internal controls.

For the financial year ended 30 June 2020, internal audit confirms that sufficient and appropriate audit procedures have been conducted through the completion of the approved risk-based audit plan and evidence gathered to support the audit opinions and conclusions. There were no undue scope limitations or impairments to independence.

ACTIVITIES IN 2020

Internal financial control

- Reviewed the adequacy and effectiveness of the financial reporting process and the system of internal control and satisfied itself that the internal financial controls form a sound basis for the preparation of reliable financial statements.
- Reviewed and approved Distell's integrated report, annual financial statements, interim reports and other financial media releases, and recommended final approval to the board.
- Reviewed and confirmed, during interim and year-end reporting, the Group's current financial position, budgets and cash flow projections and decided whether, to the best of its judgement, there were adequate resources to continue with operations in the foreseeable future.
- Ensured compliance of published information with relevant legislation, reporting standards and good governance.
- Considered any significant legal and tax matters that could have had a material impact on the financial statements.
- Reviewed the external auditor's report and authorised management to sign the representation letter.
- Met separately with management, external audit and internal audit to discuss matters the respective parties believed should be discussed privately for the committee's consideration in satisfying itself that no material control weakness existed.
- Reviewed the following items in relation to the financial statements, which required significant judgement during the year:
  - » JSE Listings Requirements changes
  - » IAS 36: *Impairment of Assets*
  - » IFRS 9: *Financial Instruments* – expected credit loss provision
  - » New disclosure IFRS 16: *Leases* and returnable glass
  - » Cash flow projections – going concern evaluation
- Satisfied itself that the Group does not have an interest in any off-balance-sheet structures and that related-party transactions are arm's-length transactions conducted in the normal course of business.

External audit

- Satisfied itself that PwC is independent of the Group even though PwC has been the auditor of Distell for 32 years. In addition, PwC and its predecessor firms have been the auditor of the Group as a result of its business transacted through Stellenbosch Farmers Winery Group Limited and Distillers Corporation SA Limited, for 75 years. In reaching this conclusion, the committee considered the following:
  - » The current and past designated partners were recent assignments to Distell, i.e. Rika Mare Labuschaigne (current partner – assigned in 2019), Nicolaas Hendrik Doman (immediate past partner – assigned in 2016).
  - » The extent of non-audit services is continually monitored, with no material or excessive engagements noted.
  - » The appointment of the Group CEO in 2013 and the Group CFO in 2015 assists to mitigate the risk of familiarity between the auditor and senior management.
  - » PwC has delivered a high-quality external audit, considering the calibre of the audit team assigned to the audit; the standard of the execution of engagements; scope of activities performed; PwC's independence, its relationship with stakeholders, and understanding of the business; and the extent of non-audit services provided.
  - » The requirements of mandatory audit firm rotation as prescribed by IRBA effective 1 April 2023. The company and the committee are committed to complying with the mandatory auditor rotation rules and agreed to rotate external auditors by no later than the company's financial year ended 30 June 2023. This timing may be influenced by the main shareholder, Remgro's, decision regarding appointing auditors for the Remgro Group before this date.
  - » The committee ensured the appointment of PwC complied will all legislation on appointment of auditors.
- Nominated to the shareholders the reappointment of PwC as the external auditor, and Rika Mare Labuschaigne as the designated auditor. She has remained the audit partner for Distell since July 2018. The audit committee confirms that it has discharged its duty per paragraph 22.15(h) of the JSE Listings Requirements in making this decision. The committee ensured this appointment complied with all legal and regulatory requirements.
- Approved the audit fees of the external auditors, including non-audit services, which had been preapproved by the chairperson of the audit committee (fees paid to the auditors are detailed in note 18.3 of the annual financial statements).
- Reviewed and approved the annual audit plan, the effectiveness of the external auditor and its independence.

Internal audit

- Oversaw the internal audit function and approved the annual internal audit plan and budget.
- Approved the TOR for both internal audit and the audit committee.
- Evaluated the independence, resources, performance and effectiveness of the chief audit executive and the internal audit function.
- Reviewed the cooperation and co-ordination between the internal and external audit functions to avoid unnecessary duplication of work.
- Reviewed and considered the significant findings raised by internal audit as well as the adequacy of management's corrective actions.
- Met separately with the chief audit executive to discuss matters the committee or internal audit believed should be discussed privately.
- Received assurance on the adequacy of internal controls.
- Based on the above, formed an opinion that there was no material breakdown in internal controls, including financial controls.

Combined assurance

- Approved the combined assurance model and arrangements, though the full implementation thereof is still in progress.
- Satisfied itself that the combined assurance plan implementation was adequate and reviewed the progress of the combined assurance methodology and plan to achieve the objective of an effective, integrated approach across the activities of the five levels of assurance.

Expertise of the Group CFO and the finance function

- As required by the JSE Listings Requirements, the committee considered the experience and expertise of Distell's Group CFO, Lucas Verwey, (his biographical details are detailed on page 54) and is satisfied that it is appropriate.
- Reviewed and satisfied itself that the composition, experience and skills of the finance function were able to meet the Group's requirements.

Conclusion

The committee has determined that it discharged both its legal and general responsibilities in terms of its TOR and the Companies Act during the review period. The board is in agreement with this and has approved the interim and year-end financial statements as well as the integrated report.

I wish to convey my appreciation and thanks to the members of the audit committee and management for their contribution towards the committee achieving its goals, especially in view of the additional complexities and new way of work brought about by COVID-19.

Catharina Sevillano-Barredo
Chairperson of the audit committee

Stellenbosch
18 September 2020

BACKGROUND STATEMENT

The latter part of 2020 in particular has been a challenging year for all of our stakeholders: for you as our shareholders, for our executives who worked relentlessly as a result of the impact of the COVID-19 pandemic, for the board who had to and continue to navigate the company despite the economic challenges faced, and for all of our employees and the communities in which we operate. Despite these challenges I am pleased to present the Distell Group's remuneration report for the 2019/20 financial year. This report provides an overview of our remuneration policy, practices and governance and sets out the guaranteed and variable elements of executive remuneration and fees paid to non-executive directors (NEDs).

REMUNERATION REPORT

Internal and external factors influencing remuneration

The restrictions imposed on the sale of alcohol as a part of government's strategy to curb the spread of the COVID-19 virus reduced the trading year by nearly 20%. As a result, the Group lost approximately 100 million litres in sales volumes and R4,3 billion in revenue as a consequence of the lockdown restrictions that were imposed in various countries and in particular in its largest market, South Africa. More detail on the impact can be found in the CEO report on page 32 and the CFO report on page 36.

As the adverse impact of the COVID-19 crisis has evolved, we have had to make difficult trade-offs between protecting our employees and their livelihoods and the pressing need to preserve cash.

From the start of the first lockdown period in South Africa on 27 March 2020, including the imposition of the second alcohol ban on 13 July 2020, all employees received their full salaries. During that time, the Distell board, Group CEO and executive committee agreed to a remuneration / salary reduction of up to 30% for up to three months. The company consequently donated these funds to the Solidarity Fund.

For the initial lockdown period until 16 April 2020, special leave was granted for employees who were not able to work from home. With the extension of the lockdown – and the restriction on trade – to the end of May, further special leave was granted to these employees. However, all employees, including those able to work from home, were requested to forego annual leave. The number of days' leave sacrificed ranged from five to twenty until the end of June 2020, depending on each employee's ability to work. The company also took the decision to not award any increases as a result of the pandemic for the majority of the companies within the Group.

Total guaranteed pay

While the temporary resumption of trade from 1 June to 13 July brought some cash flow relief, the second ban, and the uncertainty around its duration meant that we had to reassess Distell's cash-flow position and the available mitigating options as part of the focus on job preservation. Unfortunately, we had no other option but to impose salary reductions to ensure the sustainability and viability of the Group. The intention is to effect a temporary 10,0% salary reduction for all South African employees, with executive management and non-executive directors taking a temporary 12,5% salary reduction, effective 1 September 2020 until 31 August 2021. From 1 September 2021, the intention is for the salaries to return to what it was prior to the reduction.

Preparation and engagements with employees and unions commenced during the month of July to allow employees time to make the necessary personal arrangements and to ensure compliance with the legislative consultation process. The final outcome of this process will be detailed in the 2020/21 Remuneration Report. As a result of the second alcohol ban in South Africa, further leave management was also necessary for employees that were not able to work.

Reduced company contributions to employee retirement funds, to only cover risk benefits and fees, commenced 1 June and will continue until the end of November. Full company contributions will be reinstated with effect 1 December. From September to November, for employees that accepted the salary reduction, employees' contributions to their retirement funds will also cease to mitigate the impact on their take home pay. Employees will however have the option to continue with their contribution through an additional voluntary contribution for the 3 month period.

We have also applied for government's temporary relief scheme (TERS) for all the applicable periods and have re-instated employee benefits accordingly.

Short Term Incentive (STI)

In light of the economic impact of COVID-19, no STIs will be paid for 2020 for the majority of the companies within the Group.

Long Term Incentive (LTI)

The remuneration committee, together with management and Reward consultants, is currently considering how best to ensure that employees remain motivated and engaged during this challenging time. The final outcome of this process will be detailed in the 2020/21 Remuneration Report.

Feedback on our remuneration policy and measures taken

At the AGM on 23 October 2019, we received 98,97% endorsement for our remuneration policy and 98,99% endorsement for our implementation report.

We engaged in valuable discussions with two stakeholders both before and after the AGM on the alignment of the Group's pay structure for executive management with shareholder returns. Notwithstanding the facts that these parties do not hold significant shareholding in the company, the remuneration committee felt it prudent and responsible to mandate the Investor Relations and Reward departments to work together and canvass wider views on the remuneration policy to ensure alignment not only to its shareholders, but also to global best practice. This was done through one-on-one discussions, no external party was engaged or compensated to conduct this research.

Of the 15 institutional investors that took part in the feedback process:

- 11 hold shares in Distell;
- four are foreign-based, two of which do not hold shares in Distell; and
- three are in the top 100 managers by size globally, two of which are top 15.

Remgro, holding 31,4%, opted to reserve their view for the remuneration committee meeting where they have representation and where comments could be given in full context and discussed in the presence of committee members.

All participants recognised the value of this proactive engagement. Most were in favour of the policy and did not feel there was any material misalignment. There was, however, valuable feedback relating to areas of further alignment:

- Most participants suggested that Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) growth as a performance condition either fall away or be replaced by headline earnings.
- All were supportive of a higher weighting towards Return on Invested Capital (ROIC) as an optimal measurement for returns, rather than the use of Economic Value Added (EVA).
- The majority felt that executive management KPIs were not ambitious enough in relation to the Group's disclosed growth targets.
- A cash generation or cash conversion measurement KPI should be included.
- Most felt that Distell should be benchmarking salaries against industrial and fast-moving consumer goods (FMCG) peers, rather than retailers.
- All recognised that the strategies of the Group's business divisions (South Africa, Africa and Venture Business) have evolved, and that the relevant executive management executives should be measured appropriately in STIs.
- The majority felt the Group should set and track clear non-financial metrics, particularly aligned with our work around the sustainable development goals (SDGs) rather than focus only on B-BBEE.

In response to this feedback, we amended the performance metrics for short-term incentives (STI) and long-term incentives (LTI), as detailed in the policy section on page 72.

The role of the remuneration committee and key focus areas

The remuneration committee, mandated by the board, oversees the proper execution of our remuneration policy and endeavours to ensure that Distell's remuneration principles and practices are aligned to:

- the Group's sustainable, value-creating strategy;
- the achievement of performance objectives on team and individual levels; and
- the legitimate expectations of stakeholders, remaining mindful of income disparities in South Africa.

The remuneration committee plays an active governance role ensuring that:

- internal and external equity is taken into consideration in all reward decisions;
- decisions are based on reliable data and careful scrutiny of external service providers where applicable;
- initiatives and practices are compliant with best practice and appropriate legislation; and
- business is conducted fairly and with integrity.

The remuneration committee also strives for remuneration reporting that is comprehensive, yet simple and transparent.

Key committee focus areas for the year included:

- Implementation of a malus and clawback policy for executive variable pay to align to best practice. Details can be found on page 80.
- Changes to the performance conditions of future awards under the Long Term Incentive scheme to better align with business strategy and shareholder requirements.
- Changes to the performance conditions on the Short Term Incentive scheme to allow for a more focused scorecard for 2020/21.
- Conducting an extensive benefit benchmark and analysis for South Africa based on PwC's 2019 Benefits Survey.
- Commencing with the process of implementing nursing facilities for employees returning to work after maternity leave to support diversity and inclusion in the workplace.
- Completing a detailed Reward analysis for countries outside of SA to track Distell's competitiveness in all locations.

During the year the remuneration committee received advice from PwC on various remuneration matters. The committee is satisfied that PwC's work was conducted objectively and independently.

Future areas of focus:

During the 2021 Financial Year, the remuneration committee will focus on the following:

- The intention of moving the Distell Retirement Fund to an Umbrella fund is well underway. The selected service provider will be proposed to the Remuneration Committee for approval as the next step.
- The alignment of benefits across the group (i.e. globally).
- To review the impact of COVID-19 on our remuneration principles and practices to enable our ability to attract, retain and motivate our employees.

Under exceptionally challenging conditions, the committee continues to assist the board in fulfilling its oversight responsibility to shareholders by ensuring that Distell adopts remuneration policies and practices that create value for all its stakeholders. We believe that Distell's remuneration policy achieved its goals during the financial year. My thanks to the remuneration committee and management for their contribution toward achieving this goal.

André Parker
Chairman of the remuneration committee

Stellenbosch
18 September 2020

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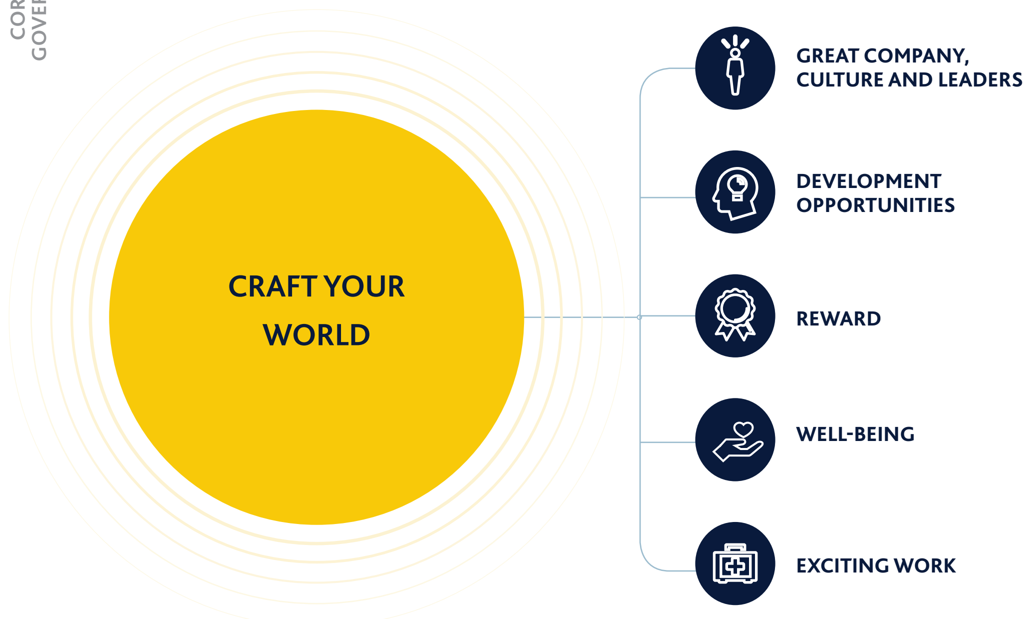
REMUNERATION POLICY

Our Employee Value Proposition (EVP)



Reward forms an integral part of our employee value proposition (EVP) and we will continue to leverage this asset to ensure a competent and talented workforce.

Reward Philosophy

Distell's Reward Philosophy is aimed at driving a high-performance culture by ensuring that our employees are motivated and committed to the success of our company.

Reward Strategy

Distell's Reward Strategy is designed to attract, develop, motivate and retain talented employees who enable us to pursue and achieve our strategic objectives, and thereby enhance shareholder value.

Reward Policy

Distell's Reward Policy is transparent and based on the principles of market competitiveness, internal equity and pay for performance.

Remuneration governance

The remuneration committee primarily consists of non-executive directors who review and oversee the remuneration policy of Distell. The chief executive officer (CEO) and other executives may attend remuneration committee meetings by invitation, but do not vote, and are not present when their own remuneration is discussed.

The remuneration committee held four meetings during the year and the committee composition and attendance are reflected on page 62.

The terms of reference of the remuneration committee is reviewed annually and includes, among others, the following responsibilities:

- Ensuring that an appropriate comparator group is selected when comparing remuneration levels.
- Reviewing and approving STI and LTI plans, including applicable hurdle-rates and targets of the incentive plans.
- Satisfying itself with regards to the accuracy of recorded performance measures that govern the vesting of shares or other incentives.
- Considering and recommending material changes to contracts of employment, as well as retention and termination policies and procedures.
- Reviewing and approving the individual remuneration levels of the CEO, and other executives who report directly to the CEO.
- Reviewing and recommending to the board the fees for the non-executive directors (NEDs), including independent NEDs, for shareholder approval at the AGM.

The remuneration committee's full terms of reference is available on: https://www.distell.co.za/corporate-governance/.

Linking remuneration to our strategy

Based on Distell's positioning as a global business with roots in South Africa, and on the Group's strategy, as set out on page 28, there is a clear requirement for the board and executive management to balance growth with returns. The Group's divisions are in different stages in terms of strategic focus:

In South Africa and the Venture Business, we have made significant investments over the past few years to facilitate growth. We invested in our asset base, in appointing and retaining the best people and in consolidating and optimising brands. We expect these investments to now start showing return on invested capital, which will be the strategic focus going forward.

Africa is in a growth phase and given the Group's route-to-market strategy in key African markets, revenue, volume and market share growth are Distell's strategic ambitions on the continent.

Achieving this balance is reflected in the adjustments made to executive remuneration, as described in this report.

Fair and responsible remuneration

We are committed to the principle of fair and responsible remuneration at Distell, and therefore consider the fairness of executive remuneration in the context of the remuneration of all employees.

Ongoing initiatives to ensure responsible and fair remuneration practices include:

1. Continuous assessment of remuneration of employees at the same level, in accordance with the principle of 'Equal Pay for Work of Equal Value' to identify and address any unjustifiable remuneration disparities. If unjustifiable remuneration discrepancies are identified, a plan will be developed to ensure that such disparities are rectified over an appropriate period of time.
2. Sensitivity to the significant wage gap in South Africa between senior managers and the lowest-level employees. We therefore continuously monitor these multiples to determine how Distell compares to benchmarks in this regard.
3. Collectively agree with recognised trade unions on a fair and responsible minimum wage.
4. Investment in people initiatives, in line with Distell's EVP for all employees, which includes talent initiatives, mentoring, on-the-job training, structured training courses, and wellbeing programmes. Improving the skills and the capability of employees throughout the business will facilitate the advancement of the careers of general employees, and bolster remuneration.
5. Employee engagement and education on all elements of Distell's EVP, to provide understanding of our fair and responsible approach to holistic reward.
6. All variable pay is subject to the achievement of stretching performance conditions, carefully calibrated and selected by the committee ensuring a close alignment with shareholder value creation over the long-term.
7. The committee and ultimately the board, reviews and approves the remuneration of directors and senior management, ensuring independence and transparency.
8. The link between pay and performance is publicly disclosed by the company in its remuneration report.
9. Although remuneration is benchmarked, affordability is a key consideration in any pay adjustments.
10. Variable pay is subject to malus (reduction) and clawback (recoupment).

Components of total remuneration

Total remuneration comprises all elements of remuneration, including guaranteed remuneration and variable remuneration such as short- and long-term incentives.

TOTAL REWARD

1. SALARY
2. BENEFITS
3. SHORT-TERM INCENTIVES
4. LONG-TERM INCENTIVES

Total guaranteed package

The total guaranteed package (TGP), which every Distell employee receives, forms the basis of our total reward offering. The TGP consists of a fixed salary and a range of benefits tailored to the individual's role profile and position within the company.

The selection of benefits offered is determined by the company's requirement to be in line with, or better than market practice. Benefits provided are not identical in each country, and benefit-sets for a specific country are determined by taking local labour legislation and market best-practice into consideration.

We pride ourselves on our benefit offering and design and we provide the following benefits as part of our standard offering in South Africa:

Retirement fund	It is compulsory for all Distell employees to belong to either the Distell Provident Fund or Distell Retirement Fund. In addition to assisting employees to save for retirement, these funds also provide extensive death and disability benefits. Both funds have preservation options when exiting the fund and we encourage members to make use of this option.
Medical aid fund	All Distell employees are eligible for membership of the Distell medical aid scheme, Remedi. The scheme provides three different options from which members may choose. These options aim to accommodate the different healthcare needs and affordability levels of the diverse membership.
Company cars	Sales employees are required to travel extensively for business and these employees are provided with a company-allocated car, which may also be used (within limits) for private purposes.
Travel allowance	Employees at management level, who are required to travel for business purposes, receive travel allowances as part of their guaranteed package.

In order to remain relevant, competitive and aspirational, we continuously study market trends and best practices, and will make adjustments to our policies and procedures where necessary.

The Group's benchmarking exercises are based on independent surveys that are conducted on a continuous basis in the different geographies where people are employed. We currently make use of PwC REMchannel for South Africa and Korn Ferry for all other geographies.

The success of any reward offering is determined by the extent to which it complies with the principles of internal and external equity. Our reward levels compare favourably with the general market as well as our market comparator group (only applicable to certain markets) which has been selected and approved by the remuneration committee.

Annual salary increases for employees outside of the bargaining unit are based on merit and directly related to the employee's continued performance assessment determined by our Employee Performance Management System (EPMS). Salary increases for employees within the bargaining unit are determined by a process of collective negotiations with the applicable union(s). As mentioned in the Background Statement, this year due to the COVID-19 pandemic, there will be no increases for the majority of the companies within the Group.

Short-Term Incentive Scheme (STI)

All employees, including employees in the bargaining unit, excluding employees with a specific sales focus, participate in a scheme where the size of the annual bonus is determined by the achievement of the pre-determined corporate and functional team objectives. All scorecards (corporate and functional) are approved by the board and cascaded into strategic or operating plans, budgets and individual employee performance scorecards.

The objective of our STI scheme is to incentivise and reward all employees for the achievement of performance targets. Our scheme complies with the principles of the King IV™ Code of Corporate Governance, evidenced by the following:

- The bonus component of total reward is structured in such a way that a flexible bonus plan is operated i.e. where performance does not meet minimum standards, no bonus is payable.
- Annual bonuses clearly relate to performance against objectives consistent with long-term value for shareholders.
- Performance conditions and targets are tailored to the needs of the business and revised regularly to ensure they remain relevant.
- Performance targets for threshold, target and stretch performance are robustly set and monitored.

The STI pool is self-funded and only accrues to the extent to which the budgeted financial performance conditions are met. STI awards are capped as a multiple of an individual's total guaranteed package.

Details of the caps for the executive directors are set out below.

Level
CEO and CFO

On-target as % of TGP
62% and 52%

Maximum as % of TGP
123% and 104%

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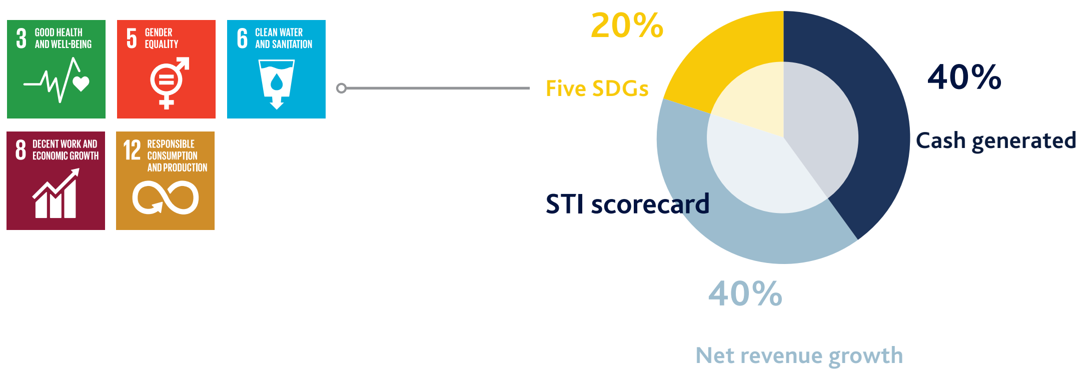
Performance targets for STIs (2020/21)

As a result of the COVID-19 pandemic and the immense impact it has had and continues to have on our business, a single scorecard was approved to drive focused and aligned performance across all functions for the new financial year.

We continued to align our business activities and programmes with the United Nations sustainable development goals (SDGs) as a global benchmark for sustainable business. This includes allocating oversight of our primary SDGs to members of the executive team. To drive "One Distell" and ensure that each employee takes responsibility for our performance and overall sustainability, we will institute a single company-wide STI scorecard. This will include a focus on two key financial performance indicators (net revenue growth and free cash generation) as well as non-financial measures.

These non-financial measures are based on our four primary SDGs (SDG 3, 6, 8 and 12) and one of our foundational SDGs (SDG 5), and contribute 20% to the overall STI scorecard. The STI scorecard is aligned to our broader sustainability strategy, which is unpacked in detail in our sustainability report at www.distell.co.za.

We are also very proud to be one of the leaders with regards to the inclusion of sustainable development goals as a key performance target.



The table below indicates our approved short-term incentive performance conditions for 2020/21, which is aligned to the Group's long term strategic and financial objectives.

Performance conditions and weightings

Performance conditions	Weighting
Achieve Net Revenue growth as per the approved budget	40%
Free Cash Generated	40%
SDGs - Achieve specific targets set for: • Good Health and Wellbeing [SDG3] • Gender Equality [SDG5] • Clean Water & Sanitation [SDG6] • Decent work & Economic Growth [SDG8] • Responsible Consumption & Production [SDG12]	20%

Due to the commercial sensitivity of disclosing forward-looking performance condition targets, these targets will be disclosed retrospectively in Part 3 of the 2021 Remuneration Report.

STI scheme for employees with a sales focus

Employees with specific sales focus (i.e. sales managers and sales representatives) participate in a sales incentive programme which rewards participants upon the achievement of set sales targets by volume, gross income, distribution, etc. This scheme has a shorter payment cycle and employees can receive their incentives monthly and quarterly.

STI payments on termination of employment

Any employee (including executive directors) who leaves Distell's employ during the financial year, as a result of death, disability, retrenchment and retirement will receive a pro rata incentive bonus. Employees who leave for reasons other than those listed above, are not eligible for any bonus payment.

Distell STI and LTI matching scheme

In order to achieve further alignment between shareholder value and executive reward/interest, Distell may further incentivise members of the executive team, by providing them with the opportunity to place all or a portion of their STI allocation at risk, through the deferral of a portion of the STI into the Conditional Share Plan (CSP), in terms of the Distell STI matching scheme.

In addition to the normal corporate STI scorecard, there is a further, more stringent, corporate performance scorecard (see below) which acts as a gatekeeper and which needs to be met in order for there to be participation in this scheme. If the out-performance condition is achieved, the employee can elect to defer a part or all of his / her pre-tax STI payment into CSPs. For each amount the employee elects to convert to CSPs, Distell will further match the value in the form of a CSP allocation. If the out-performance scorecard is not achieved, the normal STI payment will be made in cash.

Vesting of these shares will be in equal tranches (1/3) in years three, four and five after grant date.

Performance measures:

	Weighting	100% allocation
EBITDA growth rate required	100%	NGDP + 6%
Be employed		✔

1. *Distell's average actual year-on-year performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches of the CSPs.*
2. *Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year and include inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.*

No awards have been made in terms of this scheme to date.

Long-Term Incentive Scheme (LTI)

From 2010 to 2017, Distell operated a Share Appreciation Rights (SAR) scheme for selected senior managers. After an extensive market practice review, the shareholders approved the implementation of a Conditional Share Plan (CSP) at the October 2017 Annual General Meeting. Effective 1 November 2017, all LTI awards are made in terms of the rules and conditions of the CSP. The SAR scheme is therefore being phased out, as no new allocations or top-ups will be granted based on this scheme.

The CSP provides for three different instruments, namely normal CSP awards, retention awards and out-performance awards. The three different instruments under the CSP are detailed in the table below:

CSP Instruments

Design

Normal: Participants are granted a right to delivery of shares on vesting date, to the extent that the performance conditions are met and they remain employed. Therefore, if, for example, 1 000 conditional shares are awarded and the performance conditions for vesting are achieved (at stretch), 1 000 Distell shares will be delivered upon vesting. Performance shares (subject to stretch financial performance conditions) are awarded annually.

Retention: The remuneration committee may grant ad hoc awards to selected employees for retention purposes. These participants are selected by considering their criticality to the business in terms of mission-critical key roles, retention risk, talent and employment equity.

Participants are granted a right to delivery of shares on vesting date, to the extent that the performance conditions set out below are met and they remain employed.

Out-performance: In order to drive out-performance, the remuneration committee may grant ad hoc awards to selected employees. These participants are selected based on their direct responsibility for revenue and profitability of the business, including their ability to step-change the organic and inorganic performance of the company.

Participants are granted a right to delivery of shares on vesting date, subject to the stretch-performance conditions set out below being met, and the individual remains employed.

Vesting

Normal: Equal tranches (1/3) in years three, four and five after grant date.

Retention and Out-performance: Equal tranches (1/3) in years three, four and five after grant date.

Performance conditions for vesting

Normal: The rules of the CSP enable the remuneration committee to set performance conditions. These include, but are not limited to, earnings or return conditions. The following performance conditions will be used for all future awards from July 2020. The performance period will align to the company's financial year from 1 July to 30 June.

	Weighting	100% Vesting	75% Vesting	50% Vesting	0% Vesting
HLE growth rate required	30%	NGDP +1%	NGDP +0,75%	NGDP +0,5%	NGDP
Revenue growth rate required	30%	NGDP +1%	NGDP +0,75%	NGDP +0,5%	NGDP
Return on invested capital	40%	WACC +2%	WACC +1%	WACC +0,5%	≤WACC
Be employed		✓	✓	✓	✓

- Vesting percentages will be applied pro-rata (on a linear basis) based on the actual performance against performance condition hurdles set out in the tables above.
- Distell's average actual year-on-year performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches.
- HLE = Headline Earnings
- Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year, including inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.
- WACC = Targeted weighted average cost of capital.

Retention and Out-performance: The rules of the CSP enable the remuneration committee to set performance conditions. These include, but are not limited to, earnings or return conditions. The following performance conditions will be used for all future awards from July 2020. The performance period will align to the company's financial year from 1 July to 30 June.

Retention:

	Weighting	100% Vesting
HLE growth rate required	30%	NGDP
Revenue growth rate required	30%	NGDP
Return on invested capital	40%	≥WACC
Be employed		✓

Out-performance:

	Weighting	100% Vesting	75% Allocation
HLE growth rate required	50%	NGDP +4%	NGDP +2%
Return on invested capital	50%	WACC + 2,5%	WACC + 1,5%
Be employed		✓	✓

- Vesting percentages will be applied pro-rata (on a linear basis) based on the actual performance against performance condition hurdles set out in the tables above.
- Distell's average actual year-on-year performance measured over a rolling 3-year period (financial year) will be used to determine the vesting of each of the three tranches.
- HLE = Headline Earnings
- Nominal gross domestic product (NGDP) is a measure that reflects the value of all goods and services produced by an economy in a given year, including inflation. Assume inflation (CPI) is 6% and real GDP is 1%, then the NGDP target is 7%.
- WACC = Targeted weighted average cost of capital.

Number of participants

Normal: 128 employees individually selected by senior managers and approved by the remuneration committee.

Retention: 48 employees individually selected by senior managers and approved by the remuneration committee.

Out-performance: 18 employees individually selected by senior managers and approved by the remuneration committee.

Allocations of awards

Normal: For all participants, excluding the CEO and CFO, the award multiples range from 0,6x to 2,6x TGP. The award allocation policy allows for top-up grants to be made to a participant annually in order to maintain their award multiple (top-up method). Multiples for the CEO and the CFO are 3,6 and 2,6 respectively.

Retention: Allocations are made on an ad hoc basis. The final allocation quantum is determined at the discretion of the Remuneration Committee.

Out-performance: Allocations are made on an ad hoc basis. The final allocation multiple is determined at the discretion of the Remuneration Committee.

Early termination of employment

Normal: In the event of resignation or just-cause dismissal, all unvested awards lapse. In the event of death, disability or retrenchment, unvested awards will vest pro rata, based on the extent to which performance conditions were met and proportion of vesting period lapsed.

In the event of retirement (normal or early), the remuneration committee has the discretion to allow for employees to continue to participate in the CSP until vesting.

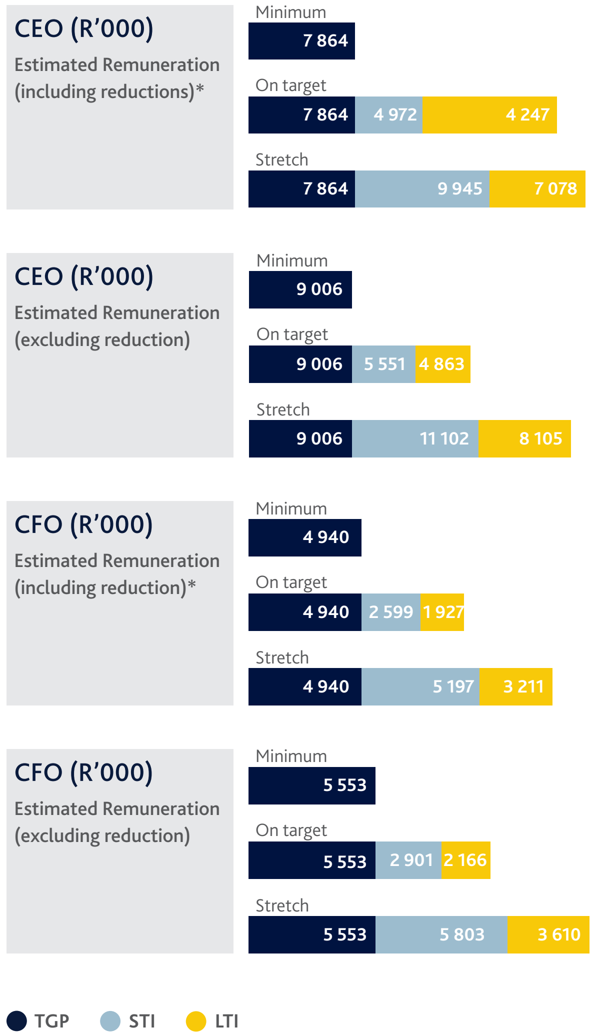
Retention and Out-performance: In the event of resignation or just-cause dismissal, all unvested awards lapse. In the event of death, disability or retrenchment, unvested awards will vest pro rata, based on the extent to which performance conditions were met and proportion of vesting period lapsed.

In the event of retirement (normal or early), the remuneration committee has the discretion to allow for employees to continue to participate in the CSP until vesting.

Forward-looking pay mix

Below, the pay mix of Distell's executive directors is illustrated in terms of a single total figure of remuneration for a minimum, on-target and maximum performance outcome.

Element	Minimum	On Target	Stretch
TGP	Annual estimated total guaranteed package as at July 2020 taking into account salary reductions effective 1 September as well as temporary reduced employer contribution to the retirement fund for the period July to November.		
STI	Nil	52% or 62% of TGP	104% or 123% of TGP
LTI	Nil	LTI multiple divided by the average vesting period (4 years) multiplied by the annual TGP, multiplied by 60% (which assumes an on target vesting).	LTI factor divided by the average vesting period (4 years) multiplied by the annual TGP.



* *The reduction in TGP and resulting variable pay will be as a result of the 12-month salary reduction as well as reduced company contributions. The intention is for these remuneration elements to revert back to the estimated (excluding reduction) graphs at the end of this 12-month period.*

Malus and clawback

As part of Distell's journey of continuously monitoring and implementing good governance practices, the remuneration committee implemented a standalone malus and clawback policy during 2020. It allows the company to reduce or recoup variable remuneration in specified circumstances where a 'trigger event' takes place. Malus provisions apply before awards have vested or been paid to an employee whilst Clawback provisions apply to awards that have already vested or been paid to an employee.

The trigger events that will result in the application of the malus or clawback provisions include but are not limited to:

- a material misstatement of the financial results resulting in an adjustment in the audited consolidated accounts of the Company or the audited accounts of any member of the Group; and/or
- the fact that any information used to determine the quantum of an incentive remuneration amount was based on an error, or inaccurate or misleading information; and/or
- action or conduct of a participant which, in the reasonable opinion of the Board, amounts to serious misconduct or gross negligence; and/or
- events or behaviour of a participant or the existence of events attributable to a participant which led to the censure of the company or a member of the Group, by a regulatory authority or have had a significant detrimental impact on the reputation of the company.

Executive and senior management service agreements

Notice periods

The notice period for the current CEO is three months. However, subsequent to his appointment, our policy with regards to notice periods was changed to three months for senior and top management, and six months for the CEO and CFO. The notice period for the current CFO, who was appointed after the policy change, is six months.

Payments on termination of employment

The employment contracts of members of executive management do not compel Distell to make any payments in the event of termination of employment on account of their failures. Upon termination of employment, any payments to that executive will be made in terms of legislation. The consequences of unvested variable remuneration will be governed by the rules of the incentive plans, and the basis for the termination of employment.

Non-executive directors' fees

Non-executive directors (NEDs) all receive the same fixed annual board retainer, which is augmented by fees for services rendered as members of subcommittees of the board (i.e. committee retainers). These committee fees are based on an assessment of the committee members' additional time, commitment and responsibilities. A premium is paid to the chair of the board subcommittees and to the lead independent director. The chairperson of the board elected to only receive a fee equal to the fee received by members of the board. The fees of the lead independent director are fully inclusive of the subcommittees on which he serves. No fees are paid per meeting attended.

NEDs do not receive performance incentive payments (short- or long-term), pension fund benefits, loans or preferential terms, expense allowances or any other form of financial assistance. Direct expenditure incurred by NEDs to attend meetings or carry out their duties is carried by Distell.

The fees for NEDs are reviewed on a regular basis for market comparability to ensure these are fair and competitive. In conducting this market analysis, various factors are taken into account, including the size of Distell, and the complexity of the work performed by NEDs.

The proposed NED fees for the 2020/21 financial year are set out below. Due to the fact that Distell will not be granting increases during 2020 and, in addition, will be implementing a salary reduction of 12,5% and 10% for executive directors and employees respectively, a 12,5% reduction has also been applied to NED fees. These have been approved by the board, and will be tabled to shareholders for approval by special resolution in line with section 66(9) of the Companies Act. Please note these fees are VAT exclusive and where VAT has to be charged by the NED, based on the SARS ruling, this will be charged by the NED in addition to these fees.

	2019/20	2020/21	% change
Board chairperson	323 989	283 490	(12,5)
Board member	323 989	283 490	(12,5)
Lead independent director	1 425 020	1 246 893	(12,5)
Audit chairperson	328 967	287 846	(12,5)
Audit member	163 569	143 123	(12,5)
Remuneration chairperson	232 294	203 257	(12,5)
Remuneration member	122 260	106 978	(12,5)
Social and ethics chairperson	183 391	160 467	(12,5)
Social and ethics member	109 056	95 424	(12,5)
Investment chairperson	328 967	287 846	(12,5)
Investment member	163 569	143 123	(12,5)
Risk and compliance chairperson	328 967	287 846	(12,5)
Risk and compliance member	163 569	143 123	(12,5)

Shareholder engagement and voting

Our 2020 remuneration policy, as well as our implementation report on the remuneration policy will be subject to two separate non-binding advisory votes at our AGM. As per global best practice, the Group Company Secretary and the Investor Relations Manager proactively seek both buy-side and governance rating agency views in and outside the AGM solicitation period, to ensure our approach aligns with their mandates and expectations. However, should the remuneration policy or implementation report be voted against by 25% or more of the votes exercised at the AGM, the company will, in its voting results announcement, extend an invitation to dissenting shareholders to engage with the company via a conference call.

IMPLEMENTATION REPORT

Total Guaranteed Pay

The Total Guaranteed Packages (TGP) for the executive directors were as follows:

	2019 R'000	2020 R'000	% change	2020* reduced TGP R'000	% change
RM Rushton	8 528	**9 006**	5,6	**8 082**	(5,2)
LC Verwey	5 262	**5 553**	5,5	**5 120**	(2,7)

* *Note that these values are reflecting the actuals for the period October 2019 to September 2020. A voluntary salary reduction of 30% and 20% on the salary of the CEO and CFO respectively, were made by them for the months of April to June 2020 as a result of the COVID-19 pandemic. These funds were paid to the Solidarity Fund by the employer company. Due to this salary reduction and the reduced company contribution to the retirement fund, the levels on the guaranteed package of RM Rushton and LC Verwey decreased by 5,2% and 2,7% respectively even though increases of 5,6% and 5,5% would otherwise have been noted. The company-wide reduction in salaries will only be applied effective 1 September 2020 to 31 August 2021 and the full impact will be disclosed in next year's report.*

STI outcomes (2019/20)

The table below indicates the 2019/20 performance conditions as well as actual performance versus targets. As the hurdle indicator was not achieved, no STIs will be paid for 2019/20 for the majority of the companies within the Group.

		PERFORMANCE REQUIRED			
	Weighting %	Threshold R	On target R	Stretch R	Actual performance R
Revenue	10	27 877 221	28 464 109	29 344 443	22 446 304
Headline Earnings	40	1 958 230	2 014 179	2 113 023	485 084
Cash invested	10	1 842 210	1 674 737	1 507 263	2 535 273
B-BBEE	10	78,0	80,0	85,0	80,4*
Strategic initiatives	30	–	–	–	–
Total	100	–	–	–	–

* *Projected score of 80,43 which is a low Level 4. Score to be verified by mid-September 2020.*

STI Matching Scheme

No awards were made in terms of the STI matching scheme for 2019/20.

LTI outcomes

The tables below provide an overview of the SAR and CSP awards where the performance period ended during the financial year, although the awards might only vest later. Please note that all these awards were allocated with performance conditions.

Achievement for performance measures

The tables below set out the achievement of performance measures, calculated as a three year rolling average, for the CSPs granted in 2017, of which the first tranche (1/3) vests in November 2020:

Normal CSPs Performance measure	Weighting %	Performance target for 100% vesting	Actual performance % (average for 3 years)	Actual vesting %
Revenue growth	40	NGDP + 1%	66,7	26,7
EBITDA growth	40	NGDP + 2%	30,6	12,2
ROIC	20	WACC + 2%	66,7	13,3
Total				52,2

Retention CSPs Performance measure	Weighting %	Performance target for 100% vesting	Actual performance % (average for 3 years)	Actual vesting %
Revenue growth	40	NGDP	66,7	26,7
EBITDA growth	40	NGDP	33,3	13,3
ROIC	20	>= WACC	66,7	13,3
Total				53,3

Out-performance CSPs Performance measure	Weighting %	Performance target for 100% vesting	Actual performance % (average for 3 years)	Actual vesting %
EBITDA growth	80	NGDP + 5%	–	–
ROIC	20	WACC + 2,5%	64,2	12,8
Total				12,8

CEO

Award date	Award price	Numbers of Instruments/shares to vest	Vesting date	Value of shares* R
SARs				
22 Oct 2015	R170,30	47 372	22 Oct 2020	–
5 Oct 2016	R165,02	15 289	5 Oct 2020	–
CSPs				
8 Nov 2017	R128,69	19 061	7 Nov 2020	759 173
Retention CSPs				
8 Nov 2017	R128,69	45 021	7 Nov 2020	1 830 910
Out-Performance CSPs				
8 Nov 2017	R128,69	41 686	7 Nov 2020	407 122
Total				2 997 205

CFO

Award date	Award price	Numbers of Instruments/shares to vest	Vesting date	Value of shares* R
SARs				
22 Oct 2015	R170,30	18 817	22 Oct 2020	–
5 Oct 2016	R165,02	18 438	5 Oct 2020	–
CSPs				
8 Nov 2017	R128, 69	6 858	7 Nov 2020	273 145
Retention CSPs				
8 Nov 2017	R128,69	17 873	7 Nov 2020	726 857
Out-Performance CSPs				
8 Nov 2017	R128,69	38 854	7 Nov 2020	379 464
Total				1 379 466

* *Based on share price of R76,30 at 30 June 2020.*

LTI

The tables below indicate the CSPs granted during the year, and the CSPs and SARs not yet vested or exercised (outstanding at indicative value). It further illustrates the cash value of SARs exercised during the year, if any.

CEO

Date of grant	Final vesting date	Expiry date (SARs only)	Numbers of Instruments/ shares awarded	SARs: Strike price/ CSP: price on grant	Total face value on grant R	Total fair value on grant R	Number of instruments/ shares vested and/or vested and exercised	Number of instruments lapsed	Closing number of unvested and/or vested but unexercised instruments/ shares	Indicative fair value of unvested and/or unexercised instruments/ shares R	Number of awards exercised/ settled in year	Share price on date of exercise/ settlement R	Cash value of instruments/ shares exercised/ settled in year R
SARs													
Feb 2014	Feb 2019	Feb 2021	342 834	139,00	47 653 926	14 673 295	342 834	–	342 834	7 776 618	–		–
Oct 2014	Oct 2019	Oct 2021	28 941	129,00	3 733 389	1 065 029	28 941	–	28 941	509 940	–		–
Oct 2015	Oct 2020	Oct 2022	142 116	170,30	24 202 355	7 333 186	43 490	51 158	47 468	626 103	–		–
Oct 2016	Oct 2021	Oct 2023	45 867	165,02	7 568 972	2 504 338	7 139	8 148	30 580	593 252	–		–
CSPs													
Nov 2017	Nov 2022	n/a	57 183	128,69	7 358 880	6 616 073	–	–	57 183	6 616 073	–		–
Oct 2018	Nov 2023	n/a	118 638	108,33	12 852 055	11 377 384	–	–	118 638	11 377 384	–		–
Apr 2019	Apr 2024	n/a	34 761	129,44	4 499 464	4 164 368	–	–	34 761	4 164 368	–		–
Oct 2019	Oct 2024	n/a	45 756	136.39	6 240 661	5 605 110	–	–	45 756	5 605 110	–		–
Retention CSPs													
Nov 2017	Nov 2022	n/a	135 063	128,69	17 381 257	15 626 789	–	–	135 063	15 626 789	–		–
Apr 2019	Apr 2024	n/a	5 325	129,44	689 268	637 935	–	–	5 325	637 935	–		–
Out-performance CSPs													
Nov 2017	Nov 2022	n/a	125 058	128,69	16 093 714	14 469 211	–	–	125 058	14 469 211	–		–

CFO

Date of grant	Final vesting date	Expiry date (SARs only)	Number of instruments/ shares awarded	SARs: Strike price/ CSP: Price on grant	Total face value on grant R	Total fair value on grant R	Number of instruments/ shares vested and/or vested and exercised	Number of instruments lapsed	Closing number of unvested and/or vested but unexercised instruments/ shares	Indicative fair value of unvested and/or unexercised instruments/ shares R	Number of awards exercised/ settled in year	Share price on date of exercise/ settlement R	Cash value of instruments/ shares exercised/ settled in year R
SARs													
Mar 2015	Mar 2020	Mar 2022	48 450	152,00	7 364 400	1 782 960	48 450	–	48 450	1 154 079	–		–
Oct 2015	Oct 2020	Oct 2022	56 451	170,30	9 613 605	2 912 872	17 276	20 320	18 855	248 697	–		–
Oct 2016	Oct 2021	Oct 2023	55 314	165,02	9 127 916	3 020 144	8 610	9 826	36 878	715 433	–		–
CSPs													
Nov 2017	Nov 2022	n/a	20 574	128,69	2 647 668	2 380 412	–	–	20 574	2 380 412	–		–
Oct 2018	Nov 2023	n/a	35 631	108,33	3 859 906	3 417 013	–	–	35 631	3 417 013	–		–
Apr 2019	Apr 2024	n/a	24 925	129,44	3 226 292	2 986 015	–	–	24 925	2 986 015	–		–
Oct 2019	Oct 2024	n/a	13 449	136,39	1 834 309	1 647 503	–	–	13 449	1 647 503	–		–
Retention CSPs													
Nov 2017	Nov 2022	n/a	53 619	128,69	6 900 229	6 203 718	–	–	53 619	6 203 718	–		–
Apr 2019	Apr 2024	n/a	467	129,44	60 448	55 947	–	–	467	55 947	–		–
Out-performance CSPs*													
Nov 2017	Nov 2022	n/a	116 562	128,69	15 000 364	13 486 223	–	–	116 562	13 486 223	–		–

* *Please note that the details regarding the out-performance shares for the CFO incorrectly reflected those of the CEO in the table of unvested awards in the 2019 remuneration report due to a typographical error. The error has been corrected and the reflected shares in the above table are correct.*

Single figure remuneration

The Group senior executive team comprises two members, the CEO and CFO, who are also members of the Distell Group Holdings Limited board. Their compensation is disclosed in note 34 of the Group annual financial statements. The total remuneration of the executive directors is as follows:

1 July 2019 – 30 June 2020

	Salaries R'000	Retirement Fund Contribution R'000	Medical aid contribution R'000	Vehicle benefit R'000	TGP R'000	STI R'000	LTI R'000	2020 total R'000
RM Rushton	6 980	735	42	454	8 211	–	2 997	11 208
LC Verwey	4 347	454	54	341	5 196	–	1 379	6 575

Please note that this table reflects the actual 12 months figures including the salary reduction (April to June) and reduced company contributions (June).

1 July 2018 – 30 June 2019

	Salaries R'000	Retirement Fund Contribution R'000	Medical aid contribution R'000	Vehicle benefit R'000	TGP R'000	STI R'000	LTI R'000	2019 total R'000
RM Rushton	7 143	787	40	441	8 411	5 118	7	13 536
LC Verwey	4 339	478	49	330	5 196	2 488	–	7 684

Malus and clawback

No awards were forfeited or clawed back during 2019/20.

Non-executive directors' fees

The actual fees (excluding VAT) for the non-executive directors (NEDs) for the 2019/20 financial year are set out below:

	2020*				
	Fees R'000	Other R'000	Total R'000	2019 R'000	% change
J J Durand	668	20	688	765	(10,1)
P E Beyers	–	–	–	494	**
G P Dingaan	1 096	25	1 121	1 108	1,2
D P du Plessis	901	17	918	916	0,2
K Kruythoff	496	5	501	77	***
PR Louw	913	17	930	923	0,8
M J Madungandaba	300	–	300	351	(14,5)
E G Matenge-Sebesho	744	25	769	752	2,3
C A Otto	586	36	622	608	2,3
A C Parker	1 348	25	1 373	1 384	(0,8)
C E Sevillano-Barredo	956	1	957	968	(1,1)

* *The June 2020 payment included the remuneration reduction.*
** *PE Beyers retired 30.06.2019*
*** *K Kruythoff appointed 01.04.2019*

RISK AND COMPLIANCE COMMITTEE REPORT

Risk is a fact of business life. Distell's risk and compliance committee assists the board to ensure risk is managed in such a way as to support the Group in setting and achieving its strategic objectives. and thereby creating value without compromising long-term sustainability.

CHAIRPERSON

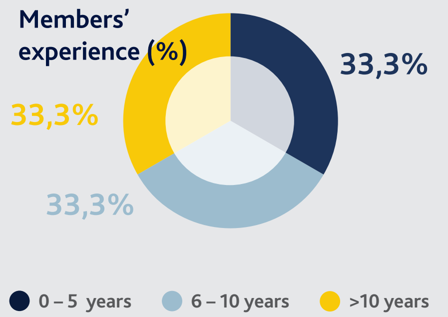
Prieur du Plessis (independent non-executive)

MEMBERS

- Bridgitte Backman (executive management)
- Gugu Dingaan (independent non-executive)
- Pieter Louw (non-executive)
- Ethel Matenge-Sebesho (independent non-executive)
- Richard Rushton (executive director)
- Catharina Sevillano-Barredo (independent non-executive)

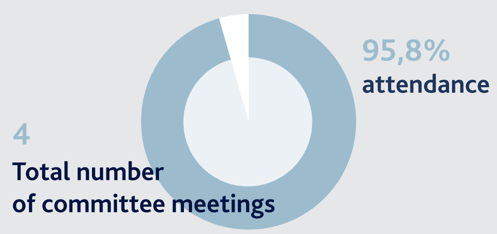
The committee operates under a board-approved TOR, which is based on the principles of King IV and International Organisation for Standardisation (ISO) 31 000 and reviewed annually (latest update 11 June 2020).

The chairperson of the audit committee is also a member of this committee, and the chief risk officer is separate from the chief audit executive. The CEO and Bridgitte Backman, who is responsible for corporate and regulatory affairs on the executive committee, are members. Other executives as well as experts may attend the meetings by invitation.



Meeting attendance

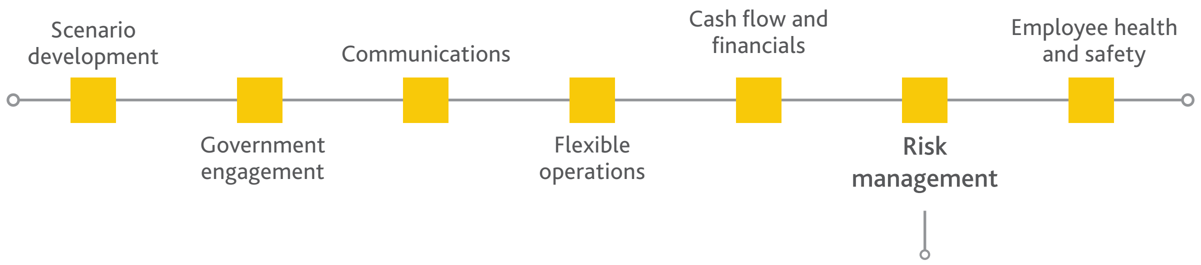
The committee meets once every quarter.



Responding to COVID-19 – risk management

Distell's overall response to the COVID-19 pandemic is managed through a newly established COVID-19 crisis management team.

This team identified seven key accountabilities or 'work streams' across the Group and along each stage of the pandemic. Progress is tracked to ensure readiness against timelines, with key issues raised and actioned accordingly. The work streams are:



In terms of enterprise risk management (ERM), these exceptional times call for a different set of priorities. Executive management and the board have had to function outside of the normal annual routine to contribute to business continuity, provide insights into the changed risk and opportunity landscape and promote a risk culture.

Executive management presented a detailed COVID-19 risk assessment to the board at its June and August 2020 meetings (convened on a secure online platform). This included a review of the emerging risks posed to the Group by the pandemic and government response, as well as the impact on existing strategic risks. Details can be found in the strategic risk section on page 24.

HOW THE GROUP MANAGES RISK

Risk management involves achieving an appropriate balance between realising opportunities for gains and minimising adverse impacts. The board appreciates that the Group is exposed to certain risks as it operates in the fast-moving consumer goods industry across the African continent and other countries.

Our framework

The responsibility and accountability for implementation of risk management rest with all levels of management and employees. Our ERM policy and framework provide a basis for management to deal effectively with the uncertainty of associated risks and opportunities, thereby enhancing its capacity to build value. The ERM policy and framework are supported by the committee's TOR, which extends to the company and to all its subsidiaries, affiliates and/or joint ventures who are required to have a risk and compliance committee.

Risk management principles

Risk appetite and risk tolerance levels

Risk appetite is the amount and type of risk a business is willing to take to meet its strategic objectives. Risk tolerance is the willingness of a business to accept or avoid risk.

Distell's risk appetite and tolerance levels are reviewed annually and submitted to the board for approval. The board approves specific risk appetite and tolerance levels for each category of risk. These categories include revenue growth, earnings sustainability, brand protection, corporate reputation, environmental sustainability and protection, and health and safety, among others.

All significant business decisions are risk based, with formal consideration of the implications for Distell's risk profile.

The annual work plan

The risk management plan includes a 'risk calendar' or 'work plan' that documents the year's scheduled risk activities and initiatives to mature the risk management process. This work plan is approved by the committee and forms part of its TOR.

Functional risk registers

Each function and business unit within the Group are responsible for creating, updating and mitigating their risk registers. Each unit assigns an owner to the register and each risk has an owner and action owner. These risk registers are reviewed and discussed by the committee on an annual rotation calendar. Any ad hoc emerging risk will be disclosed to the committee when it arises and included in the relevant risk register.

A Risk Champion Forum was created during this financial year. It will meet quarterly and comprises a senior representative from each business unit or function. The purpose of this forum is to share emerging risks and agree on the cross-functional impact and mitigation. This will also form the basis for the combined assurance model and arrangements approved by the audit committee during 2020.

Rating methodology

A risk-rating matrix is used to determine the severity of risks based on the potential impact and probability.

The potential impact is based on a combination of financial indicators, reputation, brand protection, compliance and people. Probability varies from frequently to rare and is based on the likelihood of the event happening within a certain timeframe.

Bearing in mind that the operations in South Africa, the rest of Africa and our international footprint have varied impacts on the business, bespoke rating methodologies are used to determine the severity of the risk per country and the Group as a collective.

This new rating methodology and updated indicators were approved during April 2019 and was fully implemented by November 2019.

PURPOSE, ROLE, COMMITMENTS AND RESPONSIBILITIES

Purpose and role

The risk and compliance committee provides oversight of Distell's risk governance and ERM processes, Information, Communication and Technology (ICT) governance and regulatory compliance.

The board of directors delegated its responsibility to this committee to ensure the Group implements a risk management infrastructure, effective frameworks, policies and plans for ERM, ICT governance and legislative compliance, and adequate ERM processes and activities to enhance the company's ability to achieve its strategic objectives.

Top and senior management, supported by the internal audit function, are responsible for identifying, managing and mitigating risks.

The company secretary serves as the chief risk officer for the Group and attends all audit and risk and compliance committee meetings.

Responsibilities

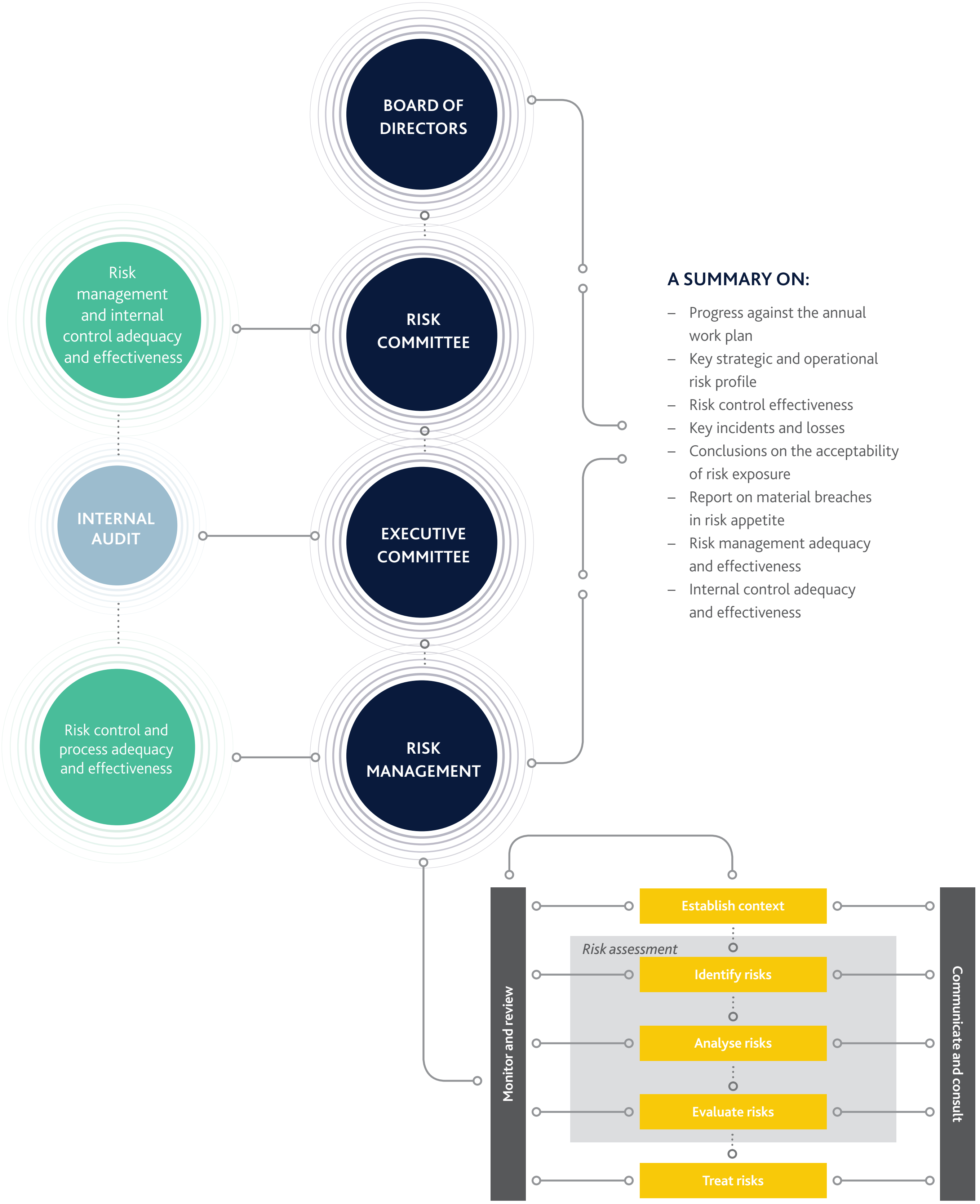
No significant changes were made to the committee's responsibilities, which are detailed in the TOR and include, among others:

- Helping to set the tone and developing a culture pertaining to risks of the company, specifically by promoting open discussions regarding risks and ensuring the integration of risk management into the Group's objectives and goals;
- Evaluating the adequacy of communication about escalating risk and the company's crisis preparedness, disaster recovery and business continuity processes and plans;
- Continually obtaining reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed, and the risk management plan is integrated in the daily activities of the company;
- Reviewing and assessing the company's risk maturity, i.e. the effectiveness of the company's enterprise-wide risk assessment processes and risk management;
- In collaboration with the audit committee, understanding how the company's internal audit work plan is aligned with the risks that have been identified and with risk governance information needs;
- Ensuring the ICT strategy is aligned with the performance and sustainability objectives of the company, including making sure the ICT strategy is integrated with the company's strategic and business processes;
- Monitoring and evaluating significant ICT investments and expenditure;
- Ensuring the promotion of an ethical legislative compliance culture;
- Reviewing and approving a legal compliance framework and policy and ensuring they are implemented by management;
- Monitoring the company's compliance with applicable laws, rules, codes and standards and considering adherence to instances where these are non-binding; and
- Reviewed risks emerging from the COVID-19 pandemic and how these risks were elevated to and mitigated as part of the key strategic risks process.

This list is not exhaustive.

Reporting and information flow

The following structure and information flow have been implemented to ensure the efficient management of risk within the Group:



A SUMMARY ON:

- Progress against the annual work plan
- Key strategic and operational risk profile
- Risk control effectiveness
- Key incidents and losses
- Conclusions on the acceptability of risk exposure
- Report on material breaches in risk appetite
- Risk management adequacy and effectiveness
- Internal control adequacy and effectiveness

ACTIVITIES IN 2020

ERM maturity assessment

At the request of the committee, internal audit conducted an audit on the maturity of the ERM process. The review involved both an assessment of the process maturity level as well as the operating effectiveness of its controls. The Deloitte ERM framework was used as a basis to determine the maturity level and the risk management controls were measured against the ISO 31000 framework and principles.

The conclusion resulted in Level 2 (of 3) Top Down. Recommendations are to be addressed in the next 18 months.

Technology, communication and information governance

Overview

Distell's IT ecosystem has evolved due to the implementation of its digital transformation strategy and the acceleration of the dynamic workforce during COVID-19. In addition, the promulgation of data protection regulations worldwide, including the ever-changing cyber threat landscape, has forced companies to prioritise IT risk management, considering the potential risk with every significant decision.

Digital risk landscape

Distell is making steady progress in digitally transforming key business processes, expanding on e-commerce, moving IT workloads (and technical debt) to the cloud and maturing data and analytics capabilities. Public-facing digital assets are being consolidated, streamlined and risk adjusted.

Dynamic workforce

COVID-19 is having a profound impact on the way Distell does business. When the COVID-19 lockdown was announced, Distell responded swiftly, leveraging already-in-place capabilities. Employees were equipped to work from home given the various requirements for connectivity, hardware, access, etc. This allowed them to perform their duties from anywhere, anytime and securely.

Communication and collaboration platforms for communicating, socialising, sharing and saving information have become more important than ever. Distell is responding by implementing industry-leading solutions.

Business resilience

In the cyber risk space, the virtual security perimeter is becoming redundant as workloads move to the cloud and more end users work remotely. Third-party (supply chain) risks are becoming more important. Distell performed and passed a number of cyber assessments and audits to confirm that its cyber programme is aligned with these changes and risks. Information system availability capabilities were optimised in 2020. This changed the way disaster recovery is done, focusing on business process recovery instead of system recovery.

ICT risk profile going forward

Robotic process automation, e-commerce, cloud-based operations and the convergence of information systems with operational manufacturing technology are developing rapidly at Distell. Emerging risks relate to the remote workforce, the use of personal devices and employees' lack of understanding of new cyber threats. Supply-chain risk is unfolding, and combating this threat requires an understanding of risks posed by third, fourth and fifth parties, and new levels of due diligence around upstream providers.

Our technology and information risk outlook will focus on:

- cyber attack risks;
- dynamic workforce risks;
- data privacy risks;
- process automation risks;
- third-party risks;
- compliance risks;
- cloud-related risks; and
- business resiliency risks.

Compliance with laws and regulations

The committee completed its first annual review of the Group's regulatory universe, which was compiled in 2019. The regulatory universe was reviewed and each applicable law was classified as high, medium or low based on the Group's exposure and the responsible department identified. Monitoring of compliance is done through self-evaluation, internal audit validation or external verification. No significant non-compliance was identified.

The committee further confirmed the continued compliance with the EU's General Data Protection Regulation, and with the commencement date of the Protection of Personal Information Act (POPIA) being 1 July 2020, the committee reviewed the status and project implementation plan as our journey to become fully compliant, within 12 months from the commencement date, with POPIA continues.

THE EFFECTIVENESS OF THE RISK MANAGEMENT PROCESS

The board, via the committee, has considered the ERM process, policies and procedures and is satisfied that the risk management process implemented in the Group was effective during the reporting period. The committee is satisfied that it fulfilled its responsibilities in accordance with its terms of reference.

Prieur du Plessis
Chairman of the risk and compliance committee

Stellenbosch
18 September 2020

SOCIAL AND ETHICS COMMITTEE REPORT

Distell is committed to continuous growth as a good corporate citizen for the benefit of all its stakeholders. The Social and Ethics Committee (the committee) supports the board in this commitment by monitoring the Group's environmental, social and governance (ESG) performance.

The Chair of the committee presents the report below, prepared in accordance with the requirements of the Companies Act (No. 71 of 2008 and regulation 43 of the Companies Regulations, 2011) and King IV, and describes inter alia how the committee has discharged its statutory duties in terms of the Companies Act and its duties assigned to it by the Board in respect of the financial year ended 30 June 2020.

The committee's oversight role includes the monitoring of any relevant legislation, other legal requirements or prevailing codes of best practice, In executing its responsibilities, the committee considered and monitored Distell's activities with respect to SHERQ (Safety, Health, Environment, Risk, Quality), sustainability, social and economic development, labour and employment, good corporate citizenship, consumer relations, B-BBEE, Employment Equity, ethics and stakeholder relationships while having due regard to relevant legislation, human rights and prevailing best practice.

The committee monitored compliance with the goals and purposes of the 10 principles of the United Nations Global Compact (UNGC) and the Organisation for Economic Co-operation and Development's recommendations regarding corruption. Distell is a participant of the UNGC and an active member of the local network, Global Compact Network South Africa (GCNSA).

ROLE AND RESPONSIBILITIES

The committee's role and responsibilities are governed by a formal terms of reference as approved by the Board. The terms of reference document is subject to an annual review by the Board.

PUBLIC REPORTING AND ASSURANCE

The committee, together with the Audit committee and Risk and Compliance committee, is responsible for reviewing and approving the sustainability content included in the Integrated Annual Report and published on the Company's website, as well as determining and making recommendations on the need for external assurance of the Group's public reporting on its sustainable development performance.

The committee is also required to report to the Company's shareholders on the matters within its mandate at the Company's Annual General Meeting to be held on 21 October 2020. In the notice of the Annual General Meeting included in the Integrated Annual Report, shareholders are referred to this report by the committee, read with the detailed Sustainability Report published on the Company's website. Any questions to the committee may be sent to the Company Secretary.

MEMBERS OF THE COMMITTEE AND MEETING ATTENDANCE

The committee comprises five suitably skilled and experienced members appointed by the Board, the majority of which appointees are, as recommended in King IV, not involved in the day-to-day management of Distell. The chairman of the committee is Ms G P Dingaan, an independent, non-executive director.

Name	8 August 2019	26 November 2019	18 February 2020	3 meetings
Ms G P Dingaan (chair)*	–	✔	✔	2
Ms E G Matenge-Sebesho*	✔	✔	✔	3
Dr D P du Plessis*	✔	–	✔	2
Mr R M Rushton (Group CEO)	✔	✔	✔	3

* *Abridged curriculum vitae of all the directors of the Company are outlined on page 56.*

In accordance with its mandate, the SEC met thrice during the year under review. Overall, the committee is satisfied that Distell is fulfilling its social and ethical obligations as a good corporate citizen. During the year under review the committee received and review reports with respect to the areas outlined above and an extract overview and summary are outlined below.

SOCIAL & ECONOMIC DEVELOPMENT

B-BBEE

The Department of Trade and Industry published new amendments to the Amended B-BBEE Codes of Good Practice late in 2019. Based on the impact of these amendments, management provided a comprehensive mitigation strategy to attain level 4 status. An increased focus and target was set for preferential procurement for FY20 as part of this plan.

The Distell Development Trust (the Trust) is an important contributor to Distell's B-BBEE score. As the Trust is required to operate as a B-BOS (Broad-based Ownership Scheme), it contributes toward the ownership element. The B-BBEE points are awarded provided the Trust fulfils its mandate. This is assessed independently by an Independent Competent Person's Report.

Employment Equity (EE) and management control

Distell's revised National Employment Equity Plan 2020 – 2024 has been rolled out across all business functions and sets key workforce transformation milestones. Transformation and diversity targets include a 75% directive on African, Coloured and Indian (ACI) appointments and promotions; and a 50% female directive on appointments and promotions. Over the past 12 months 81 % of management appointments have been ACI candidates and 75 % of promotions have been ACI candidates. In addition Distell has made great strides to bridge the gap between male and female employees, with 39% of appointments and 49% of promotions going to women. Future plans to accelerate women within Distell include:

- On-going engagement with 30% Club Southern Africa
- Collaborating with the United Nations Women Programme
- Establishment of the Distell Women Network Forum
- Increasing African female learners

The oversight of targets and performance against targets for top management will remain an area of focus in the new financial year. The Department of Labour's Director-General review and audit were successfully completed. The revised EE plan up to June 2024 has been approved by the Department of Labour. The committee noted the revised targets of the Group's EE plan on how to ensure the sectoral targets are reached.

Skills Development

High-potential employees are supported to fast-track and accelerate their career development through various training and development interventions. Highlights for 2020 are:

- Of the 11 employees enrolled in Distell's Accelerated Development Programme, 10 are African, Coloured and Indian employees and three are female employees.
- 97% of all learnerships, 100% of all internships were awarded to African, Coloured and Indian employees.
- R24,6 million invested in training initiatives.
- Other notable initiatives in this space include setting up of internal academies, known as distilleries, across certain areas of the business (human resources, marketing and sales). The main focus of these distilleries is to develop core functional and behavioural skills to improve capability.

Enterprise and Social Development (ESD)

A new strategy -ESD beyond the scorecard- that includes a focus on job creation, market access, financial inclusion and business development support services was approved by the committee.

Preferential Procurement (PP)

Distell is committed to improving its preferential procurement contribution sustainably. The new strategic approach, to increase expenditure on black owned and black women owned by 50% was noted and approved. Distell will also assist suppliers with transforming their own scorecards.

Socio-Economic Development (SED)

Performance against the integrated SED strategy, which includes a robust Theory of Change, Social return on Investment (SROI) and impact analysis, was tracked and reported.

Sustainable Development Goals (SDGs)

Management's focus and approach of an integrated model for sustainability, delivering sustainable value across people, planet and profit within its purpose was noted and approved by the committee. Distell has identified 4 primary SDGs and 2 foundational SDGs as part of its strategy.

Plastics Pact

Distell is the only alcoholic beverage company that is a signatory to the plastic pact for South Africa. (Re-cycling, up-cycling and specific targets for usage in our value chain). The Plastics Pact has set the following 2025 targets:

- **Eliminate** unnecessary and problematic plastic packaging
- **100%** of plastic packaging to be reusable, recyclable or compostable
- **70%** of plastic packaging effectively recycled
- **30%** average recycled content across all plastic packaging

CHANGE · EVOLUTION · IMPACT

ENVIRONMENT, PUBLIC HEALTH AND SAFETY

Management presented the *must win* initiatives for the FY2020, which included

- the Distell ZERO HARM strategy and approach,
- embedding foundational SHERQ practices in the rest of Africa and the international operations
- enhanced consumer quality by measuring the trade quality index and delivering a holistic consumer care programme amongst others.
- The committee noted the impact of the COVID-19 lockdown with respect to alcohol production and the sales ban which impacted production volume throughput. Unfortunately none of the environmental sustainability targets for F20 were reached – primarily due to the reduced production volume.
- Distell's 2020 efficiency targets have been revised and updated with 2025 aspirational goals.

Quality is a critical component to ensure Distell delivers superior products and packaging. Distell's quality scorecard was carefully monitored and its performance against targets tabled e.g. explaining the root causes and mitigating actions taken and how Distell manages potential crisis situations and communication to its customers, consumers and employees.

An update on the effluent treatment plant in Worcester was noted by the committee. The committed noted that there were zero health, safety and environment related fatalities but noted with concern an increase in attempted robberies. Management has put an enhanced security approach in place to address the latter in and this will be a continued focus for FY21.

The committee noted that as part of its FY 21 focus Distell is

- creating a best-in-class, company-wide social standards framework to align its standards with all major national and global social compliance frameworks.
- collaborating with producers, suppliers, manufacturers and distributors to ensure that all its products are harvested and manufactured to these same environmental, ethical and human rights standards.
- implementing best practice social compliance practices on its farms.

STAKEHOLDER RELATIONS

The committee noted and approved the detailed stakeholder segmentation strategy and approach as well as updates on key stakeholder relations interfaces.

LABOUR AND EMPLOYMENT

The committee received reports on employment relationships, organised labour and the International Labour Organisation Protocol on decent work and working conditions. The committee noted the reports on human rights, labour and employment.

GOOD CORPORATE CITIZENSHIP

Compliance, Governance and Ethics

The committee noted that Distell strives to create a culture which facilitates the disclosure of information by employees relating to criminal and other irregular conduct in the workplace in a responsible manner, by providing clear guidelines for the disclosure of such information and protection against reprisals as a result of such disclosure. The committee thanks management for establishing a quarterly ethics committee that reviews all reported matters in detail and to provide feedback to this committee for consideration. For the year under review the committee noted the detailed illicit trade reports, anti-bribery and anti-corruption updates.

Focus for 2021

The committee and the board exercise on-going oversight of the management of ethics and in particular, the monitoring of adherence to its Code of Ethics and Conduct. In 2021, actions to ensure effective ethics management, Distell will:

- Perform a high-level ethics risk and opportunity review, including ethics-related and values-based interview questions in all recruitment interview guides.
- Focus on detailed reporting of ethics statistics to governance structures.
- Include ethics line and anti-bribery and corruption materials in its employee induction pack.
- Include the Code of Ethics and Conduct in Distell's ethics and fraud awareness curriculum

COVID-19

Distell solicited the help of the World Health Organisation to develop COVID-19 risk management protocols for all its facilities to ensure the on-going safety and well-being of employees. These ensure minimum contact through break lines, shift systems and the use of face masks and sanitisers. Distell repurposed production facilities to produce hand sanitisers and ethanol for the use of other hygienic products in South Africa, Kenya and Scotland.

Distell supported local suppliers who are also impacted by the economic effects of the pandemic. In support of Distell's commitment to government and the SA Liquor Traders Association, it extended safety protocols to retailers and taverners and supported taverns with care packs. Throughout the lockdown, Distell supported small and more vulnerable customers with extended payment terms. As the largest procurer of grapes for wine, Distell also honoured a payment plan with its long-term suppliers in the wine-farming industry.

It is one of Distell's strategic ambitions to build purpose-led brands. Accordingly, its brands partnered on initiatives during the pandemic. Nederburg Wines donated to the Eat Out Restaurant Relief Fund to help restaurants survive trading restrictions and to support community feeding schemes. Durbanville Hills partnered with SA Harvest and Mould Empower Serve and adapted their facilities to be a distribution centre for food drives in vulnerable communities.

To enforce positive messaging around COVID-19, Distell developed a series of social media campaigns. These campaigns addressed each stage of lockdown and promoted responsible drinking, discouraged drink driving and enforced safety guidelines such as physical distancing, sanitising and staying home. Through Aware.org.za, Distell launched a national awareness campaign urging consumers to 'Choose Responsibly' in line with government's nationwide lockdown. An increased focus on alcohol harm reduction programmes will form part of FY21 approach.

MATTERS BROUGHT TO THE ATTENTION OF THE BOARD

During the reporting period the committee brought the following key matters to the attention of the board through the committee chairman's reports at board meetings:

- COVID-19 response plan
- Changes to B-BBEE Codes, and a mitigation strategy applicable to the Group's South African operations to attain level 4.
- SDG proposal and integration of an indicator and monitoring framework for the focus SDGs.

  Primary SDGs: SDG 3 Good Health and Well-being, SDG 6 Clean Water and Sanitation (resource and water stewardship), SDG 8 Decent work and economic Growth (linked to B-BBEE, ESD, PP, SED), SDG 12 Responsible Consumption and Production (environmental stewardship).

  Foundational SDGs: We will drive gender equality and empower women (SDG 5) and collaborate to create value through public and private partnerships (SDG 17).

Gugu Dingaan
Independent non-executive

18 September 2020

These summary consolidated annual financial statements, prepared in terms of IFRS, are extracted from our full set of consolidated annual financial statements available online at www.distell.co.za/investor-centre.

SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

for the year ended 30 June 2020

The summary consolidated annual financial statements of the Group are the responsibility of the directors of Distell Group Holdings Limited. In discharging this responsibility they rely on the management of the Group to prepare the annual financial statements, separately available on www.distell.co.za, in accordance with International Financial Reporting Standards (IFRS) and the South African Companies Act (No. 71 of 2008). As such, the summary consolidated annual financial statements include amounts based on judgements and estimates made by management. The information given is comprehensive and presented in a responsible manner.

The directors accept responsibility for the preparation, integrity and fair presentation of the summary consolidated annual financial statements and are satisfied that the systems and internal financial controls implemented by management are effective.

The directors believe that the company and Group have adequate resources to continue operations as a going concern in the foreseeable future, based on forecasts and available cash resources. The annual financial statements support the viability of the company and the Group.

The independent auditing firm, PricewaterhouseCoopers Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board, has audited the Group annual financial statements from which the summary consolidated annual financial statements were derived. The directors believe that all presentations made to the independent auditor during this audit were valid and appropriate. PricewaterhouseCoopers Inc.'s audit report is presented on page 98.

The summary consolidated annual financial statements as set out on pages 99 to 116, were supervised by the Group chief financial officer, Lucas Verwey CA(SA), approved by the board of directors and are signed on its behalf:

JJ Durand
Chairman

RM Rushton
Group chief executive officer

Stellenbosch
16 September 2020

CERTIFICATE BY THE COMPANY SECRETARY

I, Lizelle Malan, being company secretary of Distell Group Holdings Limited, hereby certify that all returns and notices of Distell Group Holdings Limited required in terms of the Companies Act, No. 71 of 2008, as amended, have in respect of the year under review, been filed with the Companies and Intellectual Property Commission and that all such returns and notices appear to be true, correct and up to date.

L Malan
Company secretary

Stellenbosch
16 September 2020

CHANGE · EVOLUTION · IMPACT

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF DISTELL GROUP HOLDINGS LIMITED

Opinion

The summary consolidated financial statements of Distell Group Holdings Limited, set out on pages 99 to 116 of the Distell Integrated Report 2020, which comprise the summary consolidated statement of financial position as at 30 June 2020, the summary consolidated income statement, and summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Distell Group Holdings Limited for the year ended 30 June 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 16 September 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 1 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RM Labuschaigne
Registered Auditor
Stellenbosch
16 September 2020

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		AUDITED	
	30 June 2020 R'000	30 June 2019 R'000 *Restated*	1 July 2018 R'000 *Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	8 198 184	7 196 088	6 443 880
Financial assets at amortised cost	84 466	92 326	–
Loans and receivables	–	–	20 391
Financial assets at fair value through other comprehensive income (FVOCI)	49 575	57 800	–
Available-for-sale financial assets	–	–	60 485
Investments in associates	373 928	432 710	862 364
Investments in joint ventures	57 056	105 384	141 165
Intangible assets	2 267 557	1 951 987	2 008 475
Retirement benefit assets	643 936	526 812	522 885
Deferred income tax assets	62 747	108 218	100 154
Total non-current assets	11 737 449	10 471 325	10 159 799
Current assets			
Inventories	8 436 466	8 224 001	7 504 148
Trade and other receivables	2 919 657	3 722 548	3 413 036
Investment in money market funds	565 000	–	–
Current income tax assets	177 432	36 510	35 756
Cash and cash equivalents	1 169 057	1 153 104	1 084 215
Total current assets	13 267 612	13 136 163	12 037 155
Assets of disposal group classified as held for sale	266 776	–	–
	13 534 388	13 136 163	12 037 155
Total assets	25 271 837	23 607 488	22 196 954
EQUITY AND LIABILITIES			
Capital and reserves			
Capital and reserves	11 582 926	11 572 540	11 625 367
Non-controlling interest	409 134	357 464	314 944
Total equity	11 992 060	11 930 004	11 940 311
Non-current liabilities			
Interest-bearing borrowings	5 122 473	4 523 673	4 432 840
Retirement benefit obligations	30 414	27 547	27 800
Deferred income tax liabilities	1 196 469	1 149 363	1 158 401
Total non-current liabilities	6 349 356	5 700 583	5 619 041
Current liabilities			
Trade and other payables	4 238 512	5 199 781	4 317 071
Interest-bearing borrowings	2 478 602	522 288	113 788
Provisions	35 511	212 536	167 973
Derivative financial instruments	154 485	–	–
Current income tax liabilities	23 311	42 296	38 770
Total current liabilities	6 930 421	5 976 901	4 637 602
Total equity and liabilities	25 271 837	23 607 488	22 196 954

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 and 2018 results.

CHANGE • EVOLUTION • IMPACT

SUMMARY CONSOLIDATED INCOME STATEMENT

	AUDITED Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*	Change %
Revenue	22 370 224	26 179 580	(14,6)
Operating costs	(21 179 917)	(23 882 808)	(11,3)
Costs of goods sold	(16 065 724)	(18 090 006)	
Sales and marketing costs	(2 779 851)	(2 960 669)	
Distribution costs	(1 154 545)	(1 239 871)	
Administration and other costs	(955 391)	(1 289 811)	
Net impairment losses on financial assets	(224 406)	(302 451)	
Other gains and losses	(209 399)	(570 498)	
Operating profit	980 908	1 726 274	(43,2)
Dividend income	2 538	4 211	
Finance income	61 128	69 792	
Finance costs	(441 978)	(340 720)	
Share of equity-accounted earnings	97 033	61 529	
Profit before taxation	699 629	1 521 086	(54,0)
Taxation	(305 009)	(637 457)	
Profit for the year	394 620	883 629	(55,3)
Attributable to:			
Equity holders of the company	312 300	870 428	(64,1)
Non-controlling interest	82 320	13 201	
	394 620	883 629	(55,3)
Per share performance:			
Issued number of ordinary shares ('000)	222 382	222 382	
Weighted number of ordinary shares ('000)	219 642	219 543	
Earnings per ordinary share (cents)			
– Basic earnings basis	142,2	396,5	(64,1)
– Diluted earnings basis	142,1	396,2	(64,1)
– Headline basis	235,3	652,9	(64,0)
– Diluted headline basis	235,3	652,4	(63,9)
Dividends per ordinary share (cents)			
– Interim	174,0	174,0	–
– Final	–	249,0	–
	174,0	423,0	(58,9)
Reconciliation of headline earnings:			
Net profit attributable to equity holders of the company	312 300	870 428	(64,1)
Adjusted for (net of taxation):			
Impairment of equity-accounted investments	202 592	524 000	
Impairment of intangible assets	–	7 510	
Impairment of PPE	35 520	8 467	
Gain on previously held equity interest and on sale of investments and subsidiaries	(10 548)	87	
Profit on sale of PPE	(23 024)	22 897	
Headline earnings	516 840	1 433 389	(63,9)

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	AUDITED Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Profit for the year	394 620	883 629
Other comprehensive income (net of taxation)	613 470	(79 413)
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences	623 356	(43 136)
Fair value adjustments of cash flow hedges	(75 301)	(18 251)
Items that will not be reclassified to profit or loss:		
Remeasurements of post-employment benefits	56 836	(13 412)
Fair value adjustments		
– Financial assets through other comprehensive income	9 147	(3 167)
Share of other comprehensive income of associates	(568)	(1 447)
Total comprehensive income for the year	1 008 090	804 216
Attributable to:		
Equity holders of the company	926 114	791 191
Non-controlling interest	81 976	13 025
	1 008 090	804 216

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

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SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	AUDITED	
	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Attributable to equity holders		
Opening balance	11 572 540	11 624 297
Change in accounting policy (note 12)	–	(15 326)
Restated opening balance at the beginning of the financial year	11 572 540	11 608 971
Comprehensive income		
Profit for the year as previously disclosed	312 300	896 645
Change in accounting policy (note 12)	–	(26 217)
Other comprehensive income (net of taxation)		
Fair value adjustments:		
– Financial assets through other comprehensive income	9 147	(3 167)
Cash flow hedge of interest rate swaps	(75 301)	(18 251)
Currency translation differences	623 700	(42 960)
Remeasurements of post-employment benefits	56 836	(13 412)
Share of other comprehensive income of associates	(568)	(1 447)
Total other comprehensive income	613 814	(79 237)
Total comprehensive income for the year	926 114	791 191
Transactions with owners		
Employee share scheme:		
– Shares paid and delivered	1	1
– Value of employee services	15 143	64 631
Share issue costs	–	(2 099)
Dividends paid	(929 460)	(887 711)
Transactions with non-controlling interests	(1 412)	(2 444)
Total transactions with owners	(915 728)	(827 622)
Attributable to equity holders	11 582 926	11 572 540
Non-controlling interest		
Opening balance	357 464	314 944
Profit for the year	82 320	13 201
Dividends paid	(8 810)	(3 994)
Sale of interest to non-controlling interest	(20 158)	–
Currency translation differences	(344)	(176)
Contribution by non-controlling interests	–	37 664
Transactions with non-controlling interests	(1 338)	(4 175)
Total non-controlling interest	409 134	357 464
Total equity at the end of the year	11 992 060	11 930 004

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	AUDITED	
	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000 *Restated*
Cash flows from operating activities		
Operating profit	980 908	1 726 274
Non-cash flow items	1 189 647	1 782 825
Working capital changes	(293 304)	(458 262)
Inventories	(2 107)	(758 478)
Trade and other receivables	817 315	(383 933)
Trade payables and provisions	(1 108 512)	684 149
Cash generated from operations	1 877 251	3 050 837
Net financing costs	(422 437)	(278 338)
Taxation paid	(413 035)	(633 935)
Net cash generated from operating activities	1 041 779	2 138 564
Net cash outflow from investment activities (note 5)	(1 999 878)	(1 728 435)
Net cash inflow from financing activities (note 6)	30 004	132 293
Dividends paid	(938 270)	(891 705)
Decrease in net cash, cash equivalents and bank overdrafts	(1 866 365)	(349 283)
Net cash, cash equivalents and bank overdrafts at the beginning of the year	630 816	970 427
Exchange gains on cash, cash equivalents and bank overdrafts	54 606	9 672
Net cash, cash equivalents and bank overdrafts at the end of the year	(1 180 943)	630 816

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year to 30 June 2020

1. BASIS OF PREPARATION, ACCOUNTING POLICY AND COMPARATIVE FIGURES

The summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*. The directors are responsible for the preparation of the summary consolidated financial statements, prepared under supervision of the Group chief financial officer, LC Verwey CA(SA).

The accounting policies applied in the preparation of the summary consolidated annual financial statements are in terms of IFRS and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the change in the accounting policy for the recognition and measurement of returnable containers which was applied retrospectively and resulted in a restatement of the prior year results as disclosed in note 12.

The Group has adopted all new as well as amended accounting pronouncements issued by the International Accounting Standards Board (IASB) that are effective for financial years commencing 1 July 2019. The impact of the new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2019 is disclosed in note 12. None of the other new or amended accounting pronouncements that are effective for the financial year commencing 1 July 2019 which are not disclosed in note 12 have a material impact on the consolidated results of the Group.

	30 June 2020 R'000	30 June 2019 R'000	Change %
2. SALES VOLUMES (LITRES '000)	554 635	715 449	(22,5)

3. PRO FORMA INFORMATION

The results of the Group are significantly impacted by abnormal or non-recurring transactions and the change in foreign exchange rates.

The Group therefore also discloses adjusted measures in order to indicate the Group's businesses' performance excluding the effect of abnormal transactions and foreign currency fluctuations. These adjusted measures constitute pro forma financial information.

The adjustments below represent abnormal or non-recurring items which significantly impacted the financial results of the Group:

	30 June 2020 R'000	30 June 2019 R'000	Change %
Headline earnings	516 840	1 433 389	(63,9)
Adjusted for (net of taxation):			
Expected credit loss on Zimbabwe savings bonds	77 297	190 262	
Retrenchment, restructuring and other one-off costs	73 415	168 603	
Normalised headline earnings	667 552	1 792 254	(62,8)

The results of the Group are also significantly impacted by the change in foreign exchange rates, mainly relating to the UK pound, euro, USD and Angola kwanza (AOA) for both reporting periods, as a result of:

(a) the translation of foreign operations to the reporting currency; and

(b) the translation of South African monetary assets and liabilities denominated in foreign currency to the reporting currency at period-end.

In the prior year comparative period the income of foreign subsidiaries was converted at an average aggregated daily ZAR/USD exchange rate of R14,19 compared to R15,64 in the current year, and the AOA devaluated from an average aggregated daily AOA/USD exchange rate of 305,7 to 466,7 in the current year.

The adjustments below thus represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates.

	30 June 2020 R'000	30 June 2019 R'000	Change %
Normalised headline earnings	667 552	1 792 254	(62,8)
Adjusted for (net of taxation):			
Prior year restatement to current year aggregated daily average exchange rates	–	48 012	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	(191 842)	(33 650)	
– Kwanza (in associate)	9 374	58 364	
Normalised headline earnings adjusted for foreign exchange movements	485 084	1 864 980	(74,0)

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

	30 June 2020 R'000	30 June 2019 R'000	Change %
3. PRO FORMA INFORMATION *continued*			
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	1 889 062	2 453 350	(23,0)
Adjusted for:			
Impairment and profit on disposal of PPE, intangible assets, investments and gain on previously held interest and subsidiaries disposed	209 399	570 498	
Implementation of IFRS 16 Leases	(182 237)	–	
Expected credit losses on financial assets	108 107	266 100	
Retrenchment, restructuring and other one-off costs	78 100	223 344	
Normalised EBITDA	2 102 431	3 513 292	(40,2)
The adjustments below represent a restatement of the 2019 foreign income using the current year aggregated daily average exchange rates as explained above.			
Normalised EBITDA	2 102 431	3 513 292	(40,2)
Adjusted for:			
Prior year restatement to current year aggregated daily average exchange rates	–	86 092	
Exclusion of effect of conversion of foreign currency monetary assets and liabilities to the reporting currency			
– Other major currencies	(267 745)	(40 882)	
– Kwanza (in associate)	9 374	58 364	
Normalised EBITDA adjusted for currency movements	1 844 060	3 616 866	(49,0)

The pro forma financial information is the responsibility of the board of directors of the company and is presented for illustrative purposes only. Because of its nature, the pro forma financial information may not fairly present the Group's financial position, changes in equity, results of operations or cash flows.

An assurance report (in terms of ISAE 3420: Assurance Engagement to Report on the Compilation of Pro Forma Financial Information) has been issued by the Group's auditor in respect of the pro forma financial information included in this announcement. The assurance report is available for inspection at the registered office of the company and is included in the 2020 integrated report on page 117.

	AUDITED 30 June 2020 R'000	30 June 2019 R'000
4. NET INTEREST-BEARING BORROWINGS		
Interest-bearing borrowings		
Non-current	5 122 473	4 523 673
Current	2 478 602	522 288
	7 601 075	5 045 961
Cash and cash equivalents and investment in money market funds	(1 734 057)	(1 153 104)
	5 867 018	3 892 857
5. CASH OUTFLOW FROM INVESTMENT ACTIVITIES		
Purchases of PPE to maintain operations	(458 115)	(665 748)
Purchases of PPE to expand operations	(900 641)	(722 359)
Proceeds from sale of PPE	102 010	19 957
Purchases of financial assets, money market funds, associates and joint ventures	(641 652)	(330 752)
Proceeds from financial assets	24 714	6 612
Purchases of intangible assets	(120 790)	(36 148)
Proceeds from intangible assets	441	3
Proceeds from disposal of interest in subsidiaries, net of cash	(5 845)	–
	(1 999 878)	(1 728 435)
6. CASH INFLOW FROM FINANCING ACTIVITIES		
Proceeds from ordinary shares issued and share issue costs	1	(2 098)
Shares issued for cash to minorities	–	37 664
Lease payments	(129 903)	–
Proceeds from interest-bearing borrowings	159 906	109 788
Repayment of interest-bearing borrowings	–	(13 061)
	30 004	132 293
7. CAPITAL COMMITMENTS		
Contracted	291 175	675 550
Authorised, but not contracted	800 442	1 752 952
	1 091 617	2 428 502
8. DEPRECIATION OF PPE	702 026	579 876
9. NET ASSET VALUE PER SHARE (CENTS)	5 393	5 365

Note: Refer to note 12 for changes in accounting policies which resulted in a restatement of 2019 results.

CHANGE • EVOLUTION • IMPACT

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

10. SEGMENTAL AND REVENUE ANALYSIS

Operating segments were identified based on financial information reviewed regularly by management for the purpose of assessing performance and allocating resources to these segments. Revenue includes excise duty. The segment information for the prior year has been restated to align with the current year segmentation basis as is currently reported to the chief operating decision-maker. Consequently, in order to ensure comparability between the current and prior year segment information, revenue and costs have been reallocated in the comparative period. In addition, other gains and losses and currency conversion gains and losses were allocated to the various reportable segments from Corporate.

AUDITED YEAR ENDED 30 JUNE 2020

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Europe R'000	Rest of inter-national R'000	Corporate R'000	Total R'000	Change %
Revenue	15 876 373	1 668 575	2 289 026	1 386 960	1 144 209	5 081	22 370 224	(14,6)
Costs of goods sold	(11 351 075)	(1 147 864)	(1 570 303)	(925 572)	(656 101)	(414 809)	(16 065 724)	(11,2)
Material costs and overheads	(11 351 237)	(1 144 957)	(1 639 145)	(973 164)	(639 089)	(584 457)	(16 332 049)	(9,8)
Currency conversion gains and losses	162	(2 907)	68 842	47 592	(17 012)	169 648	266 325	
Gross profit	4 525 298	520 711	718 723	461 388	488 108	(409 728)	6 304 500	(22,1)
Operating costs	(2 407 310)	(227 458)	(404 114)	(324 589)	(490 670)	(1 260 052)	(5 114 193)	(11,7)
Operating profit before allocations	2 117 988	293 253	314 609	136 799	(2 562)	(1 669 780)	1 190 307	(48,2)
Equity-accounted earnings and dividend income	(5 290)	–	86 334	–	14 702	3 825	99 571	
EBIT before allocations	2 112 698	293 253	400 943	136 799	12 140	(1 665 955)	1 289 878	(45,4)
Allocations	(678 775)	(58 702)	(170 159)	(26 681)	(12 682)	946 999	–	
EBIT after allocations	1 433 923	234 551	230 784	110 118	(542)	(718 956)	1 289 878	(45,4)
Other gains and losses	39 409	–	(143 845)	–	(48 199)	(56 764)	(209 399)	
Equity-accounted earnings and dividend income	5 290	–	(86 334)	–	(14 702)	(3 825)	(99 571)	51,5
Operating profit	1 478 622	234 551	605	110 118	(63 443)	(779 545)	980 908	(43,2)
EBIT before allocations attributable to:								
Equity holders of the company	2 091 659	293 253	339 900	136 799	12 140	(1 666 193)	1 207 558	
Non-controlling interest	21 039	–	61 043	–	–	238	82 320	
	2 112 698	293 253	400 943	136 799	12 140	(1 665 955)	1 289 878	
Non-current assets	7 160 660	131 108	1 495 817	2 895 116	54 748	–	11 737 449	

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

AUDITED YEAR ENDED 30 JUNE 2019 (RESTATED)

	South Africa R'000	BLNE R'000	Rest of Africa R'000	Europe R'000	Rest of inter-national R'000	Corporate R'000	Total R'000
Revenue	19 403 289	1 932 130	2 147 968	1 349 974	1 425 143	(78 924)	26 179 580
Costs of goods sold	(13 545 994)	(1 321 693)	(1 464 991)	(866 047)	(793 052)	(98 229)	(18 090 006)
Material costs and overheads	(13 546 013)	(1 324 149)	(1 452 751)	(885 297)	(780 581)	(126 590)	(18 115 381)
Currency conversion gains and losses	19	2 456	(12 240)	19 250	(12 471)	28 361	25 375
Gross profit	5 857 295	610 437	682 977	483 927	632 091	(177 153)	8 089 574
Operating costs	(2 362 615)	(224 994)	(391 811)	(373 583)	(539 118)	(1 900 681)	(5 792 802)
Operating profit before allocations	3 494 680	385 443	291 166	110 344	92 973	(2 077 834)	2 296 772
Equity-accounted earnings and dividend income	(1 625)	–	64 587	20	(2 067)	4 825	65 740
EBIT before allocations	3 493 055	385 443	355 753	110 364	90 906	(2 073 009)	2 362 512
Allocations	(530 762)	(31 454)	(296 427)	(20 896)	(11 840)	891 379	–
EBIT after allocations	2 962 293	353 989	59 326	89 468	79 066	(1 181 630)	2 362 512
Other gains and losses	(25 692)	–	(524 000)	–	(11 027)	(9 779)	(570 498)
Equity-accounted earnings and dividend income	1 625	–	(64 587)	(20)	2 067	(4 825)	(65 740)
Operating profit	2 938 226	353 989	(529 261)	89 448	70 106	(1 196 234)	1 726 274
EBIT before allocations attributable to:							
Equity holders of the company	3 482 694	385 443	353 121	110 364	90 906	(2 073 217)	2 349 311
Non-controlling interest	10 361	–	2 632	–	–	208	13 201
	3 493 055	385 443	355 753	110 364	90 906	(2 073 009)	2 362 512
Non-current assets	7 086 131	100 677	1 051 562	2 226 247	6 708	–	10 471 325

Note: BLNE = Botswana, Lesotho, Namibia and Eswatini (formerly Swaziland)
EBIT = Earnings before interest and taxation

The Group also reports on a measure of revenue per category, which is detailed below:

AUDITED

Category	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000	Change %
Spirits	8 942 612	9 263 061	(3,5)
Wine	5 655 874	7 178 868	(21,2)
Cider and RTDs	7 724 645	9 713 959	(20,5)
Other	47 093	23 692	98,8
Total revenue	22 370 224	26 179 580	(14,6)

CHANGE · EVOLUTION · IMPACT

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

10. SEGMENTAL AND REVENUE ANALYSIS *continued*

	AUDITED	
	Year ended 30 June 2020 R'000	Year ended 30 June 2019 R'000
Corporate operating profit		
Corporate operating profit comprises the following major categories:		
Corporate head office	**(222 584)**	(241 480)
Corporate and shared services	**(384 587)**	(342 123)
Group expenses	**(130 113)**	(204 785)
Group provisions, accruals and credit loss provision on financial assets	**(168 238)**	(423 656)
Supply chain	**(933 906)**	(894 151)
Net foreign exchange gains	**169 648**	28 361
Allocations to geographical regions	**946 999**	891 379
Other gains and losses	**(56 764)**	(9 779)
Operating profit	**(779 545)**	(1 196 234)

Notes:

The corporate categories listed above include the following functions:

1. *Corporate head office: Group human resources (HR), global marketing, corporate governance, growth and innovation, corporate and regulatory affairs and development;*
2. *Corporate and shared services: Group information communication technology (ICT), shared service centre, internal audit, HR training and business improvement;*
3. *Group expenses: Employee share scheme and long-service bonus costs, post-retirement medical costs, legal fees, audit fees, directors' fees, administration offices' service and site costs;*
4. *Group provisions, accruals and credit loss provision: Restructuring and retrenchment costs and the credit loss provision for Zimbabwe bonds,*
5. *Supply chain: Centralised procurement and supply chain management. It also includes production variances from standard, inventory losses and provisions. Certain production variances from standard are allocated from 'Corporate' to the regions and are included in 'Allocations'.*

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The summary consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 30 June 2020. There have been no material changes in the Group's credit, liquidity and market risk or key inputs in measuring fair value since 30 June 2019.

Fair value estimation

Items carried at fair value are classified according to the fair value hierarchy, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable inputs, which reflect the market conditions, including that of COVID-19 in their expectations of future cash flows related to the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets at FVOCI and money market funds are classified as level 1, 2 or 3 and derivative financial assets and liabilities are classified as level 2.

	FAIR VALUE MEASUREMENTS AT 30 JUNE 2020			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Financial assets at FVOCI	2 061	132	47 382	49 575
Investment in money market funds	565 000	–	–	565 000
Derivative financial assets	–	894	–	894
Derivative financial liabilities	–	(154 485)	–	(154 485)
	567 061	(153 459)	47 382	460 984

There have been no transfers between level 1, 2 or 3 during the period, nor were there any significant changes to the valuation techniques and inputs used to determine fair values.

Valuation techniques used to derive level 2 and 3 fair values

Financial assets at FVOCI

These are valued using discounted cash flow techniques or the Group's share in the net assets.

Derivative financial assets and liabilities include the following:

Forward foreign exchange contracts

These are valued using foreign exchange bid or offer rates at year-end.

Interest rate swaps

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows through the use of discounted cash flow techniques using only market observable information.

CHANGE • EVOLUTION • IMPACT

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

11. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The movement in level 3 assets for the period ended 30 June 2020 is as follows:

	2020 R'000	2019 R'000
Opening balance	40 179	40 532
Fair value adjustments	7 354	(353)
Disposals	(151)	–
Balance at the end of the year	47 382	40 179

The fair values of all other financial assets and liabilities approximate their carrying amounts.

12. CHANGES IN ACCOUNTING POLICIES

The Group adopted the new accounting standard IFRS 16 *Leases* with effect from its mandatory implementation date of 1 July 2019. The Group also changed its accounting policy for the recognition of returnable glass containers from being part of inventory to PPE. This change was applied retrospectively in terms of the provisions of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The impact of the adoption of these changes on the Group's financial statements is as follows:

12(a) IFRS 16 *Leases* – Impact of adoption

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the statement of financial position for almost all lease contracts. Previously operating lease expenses were charged to the income statement on a straight-line basis over the term of the lease. The Group leases various farming land, warehouses, machinery, equipment and vehicles under lease agreements.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases that had previously been classified as operating leases under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 8,66%. Lease liabilities of R50,1 million on 1 July 2019 were identified in addition to the R374,8 million disclosed in the 31 December 2019 interim results.

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(b) *Returnable containers* – Impact of change in accounting policy

The Group has changed its accounting policy for the recognition and measurement of returnable glass containers to better reflect the underlying economic substance and to be in line with the general industry practice for such items. The Group sells a limited number, but high in volume, of its products in glass containers which customers can return to the Group for a refund of the original deposit charged for these items.

Previously the glass containers were included in inventory and expensed as part of costs of goods sold. In recent years the Group has improved the return ratios of the returnable glass containers from customers and the bottles are used over several financial years. With the change in accounting policy, the returnable glass containers in circulation are now treated in terms of the measurement and recognition requirements of IAS 16 *Property, plant and equipment (PPE)*. On initial purchase, the returnable glass is capitalised to PPE and depreciated over its expected useful life, generally being five years, and adjusted for impairment losses taking into account expected operational losses and the number of cycles each bottle type is used per year.

A deposit refund liability is recognised under trade and other payables in respect of the obligation to repay the customers' deposits on returnable containers previously allocated to costs of goods sold. The deposit refund liability is adjusted for expected trade losses and non-returned containers.

During the period under review the depreciation on returnable containers amounted to R80,8 million (2019: R101,3 million) and impairment losses were R43,0 million (2019: R104,7 million). The adjustments to the deposit liability amounted to a reduction of the liability by R82,4 million (2019: R79,0 million).

Non-returnable containers continue to be recorded as inventory.

The total financial impact on the Group's retained earnings and other line items on previous reporting periods is disclosed in note 12(c) below.

12(c) Impact on the financial statements

IFRS 16 was adopted without restating comparative information as the Group applied the simplified transition approach in IFRS 16. Right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). The Group has also elected to apply the practical expedient to not reassess the lease definition.

In accordance with the provisions in IAS 8, the Group has retrospectively applied the change in the accounting of returnable glass bottles, and comparative financial information was restated for the financial periods presented.

The following tables show the adjustments recognised for each individual line item in the statement of financial position and income statement. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	30 June 2019 As originally presented R'000	Returnable containers R'000	1 July 2019 *Restated* R'000
Non-current assets			
Property, plant and equipment	7 040 250	155 838	7 196 088
Current assets			
Inventory	8 315 109	(91 108)	8 224 001
Capital and reserves			
Retained earnings	9 280 085	(41 543)	9 238 542
Opening balance	9 287 547	(15 326)	9 272 221
Net movement for the period	(7 462)	(26 217)	(33 679)
Non-current liabilities			
Deferred income tax liabilities	1 130 088	19 275	1 149 363
Current liabilities			
Trade and other payables	5 112 783	86 998	5 199 781

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

12. CHANGES IN ACCOUNTING POLICIES *continued*

12(c) Impact on the financial statements *continued*

Income statement (extract)	30 June 2019 As originally presented R'000	Returnable containers R'000	1 July 2019 *Restated* R'000
Revenue	26 179 580	–	26 179 580
Operating costs	(23 875 292)	(7 516)	(23 882 808)
Costs of goods sold	(18 082 490)	(7 516)	(18 090 006)
Sales and marketing costs	(2 960 669)	–	(2 960 669)
Distribution costs	(1 239 871)	–	(1 239 871)
Administration and other costs	(1 289 811)	–	(1 289 811)
Net impairment losses on financial assets	(302 451)	–	(302 451)
Other gains and losses	(544 806)	(25 692)	(570 498)
Operating profit	1 759 482	(33 208)	1 726 274
Profit before taxation	1 554 294	(33 208)	1 521 086
Taxation	(644 448)	6 991	(637 457)
Profit for the year	909 846	(26 217)	883 629

13. OTHER KEY MATTERS IMPACTING THIS YEAR'S RESULTS

13(a) Impairment of investment in associates

The further significant devaluation of the Angolan kwanza during the current financial year and its impact on the Angolan economy has negatively impacted the earnings of Best Global Brands Limited (BGB), the owner of the Best brand, in which Distell acquired a 26% interest in 2017. Although BGB has grown volumes and maintained market share since Distell's investment, profit margins declined substantially as a large component of raw materials used in production is imported and paid for in foreign currency. The impairment calculations indicated that the carrying value of the investment was not supported by the most recent cash flow projections and a further impairment provision of R143,8 million (2019: R524,0 million) was therefore raised. The impairment is disclosed as part of other gains and losses in the 'Rest of Africa' reportable segment in note 10.

The key assumptions used for the fair value less costs to sell calculations are as follows:

	2020		2019	
	Long-term growth rate	Discount rate	Long-term growth rate	Discount rate
Best Global Brands Limited	3,0%	16,5%	4,0%	16,1%

13. OTHER KEY MATTERS IMPACTING THIS YEAR'S RESULTS *continued*

13(b) Inventory provisions

Certain products in the Group's portfolio have a limited shelf life. Due to the COVID-19 related ban on the sale of our products in some countries, the Group had to make provision for additional obsolete inventory. Higher inventory levels of certain categories of products, mainly in the wine category, resulted in additional inventory provisions due to the impact of vintage changes in the next financial year. COVID-19 is not expected to affect future selling prices in the short to medium term. Net selling prices, after the consideration of sales incentives in the future, are not expected to be lower than the cost of inventories and no further provisions are considered to arise as a result of it. Due to lower production volumes as a result of COVID-19, production overhead costs could not be fully recovered and resulted in additional write offs to the income statement compared to the previous year.

Inventory provisions amounted to R208,8 million (2019: R85,0 million).

13(c) Assets of disposal group classified as held for sale

In March 2020 the Group announced plans to sell the premium wine farms Alto and Plaisir de Merle on the open market. Various parties have shown an interest in the farms and it is highly probable that the farms and related enterprises, including trademarks, will be sold in the next financial year. The operating results of the trademarks and farming operations do not meet the criteria to be classified as a separate major line of business or geographical area of operations and it has therefore not been disclosed separately as a discontinued operation. The disposal group is disclosed in the South Africa segment in note 10.

	2020 R'000
Assets of the disposal group classified as held for sale:	
Property, plant and equipment	193 918
Trademarks (included in intangible assets)	14 900
Inventories	57 958
Total identifiable assets	266 776

14. RELATED PARTY TRANSACTIONS

The Group's most significant related party transactions for the period were for dividends paid on ordinary shares of R295,5 million (2019: R282,2 million) to subsidiaries of Remgro Limited.

CHANGE · EVOLUTION · IMPACT

NOTES TO THE SUMMARY CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

15. EVENTS SUBSEQUENT TO STATEMENT OF FINANCIAL POSITION DATE

On the evening of Sunday, 12 July 2020 the South African government announced new measures to curb the spread of COVID-19. These measures included a ban on the sale of alcoholic beverages, this time with immediate effect, as well as an extension of the state of emergency to 15 August 2020 and a curfew from 22:00 to 04:00. The ban was lifted from Tuesday, 18 August 2020. The Group was still allowed to manufacture products in South Africa and to continue with its normal export activities during the ban. Other major territories in which the Group operates have not been impacted to this extent and the Group is able to trade mostly normally in line with general economic constraints in the various territories.

The Group has evaluated the adverse consequences of the alcohol ban on its liquidity forecast, its assessment of expected credit losses, inventory provisions for slow and obsolete stock and cash flow forecasts for certain intangible assets.

Going concern

Key initiatives for the 2021 financial year will focus on cash preservation and balance sheet management.

These key initiatives include:

Asset efficiency

The distribution model will be aligned to the expected lower volumes and to increase flexibility.

Portfolio focus will be key to drive further inventory optimisation to assist overall cash containment.

Margin optimisation

Focused sourcing and procurement to minimise increase in costs of goods sold.

Value engineering major products to enhance margins during price pressure.

Growth through customers and consumers

Respond to channel shifts, which includes an E-commerce strategy directly to consumers.

Innovation will be leveraged to keep brands relevant and expand into adjacent categories.

Summary

The Group has a strong balance sheet, underpinned by the recent consolidation of and upgrades to its production network, powerful and well-known brands across the portfolio range servicing consumer needs over various price points, channels and geographies.

The Group has access to committed banking facilities of R7,5 billion for its South African operations, of which R4,8 billion (net after cash and cash equivalents) was utilised on 30 June 2020. The board has also reviewed the cash flow forecasts of its major foreign subsidiaries, including Distell International Limited and KWA Holdings E.A. Limited, and is satisfied that these entities will generate sufficient cash and have access to available facilities to be able to operate independently from additional Group support. The Group has further taken various measures as outlined in the commentary to mitigate against existing and emerging risks to the business. Management regards the Group as having sufficient financial and operational capacity to continue operations, albeit in a severely constrained trading environment in South Africa.

The sale of the Alto farm, inventory and trademark referred to in the commentary and disclosed as a disposal group classified as held for sale was concluded, pending Competition Commission approval, on 31 July 2020. The Competition Commission approved the sale on 1 September 2020.

The directors are not aware of any matter or circumstance arising since the end of the financial year that would significantly affect the operations of the Group or the results of its operations.

SUPPLEMENTARY INFORMATION

REPORT ON THE ASSURANCE ENGAGEMENT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE INTEGRATED REPORT FOR THE YEAR ENDED 30 JUNE 2020

TO THE DIRECTORS OF DISTELL GROUP HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Distell Group Holdings Limited (the "Company") by the directors. The pro forma financial information, as set out on pages 105 to 106 of the Integrated Report for the year ended 30 June 2020, consist of the impact of abnormal and non-recurring transactions and the effect of foreign currencies on information disclosed in the financial statements as at 30 June 2020, and related notes. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are specified in the JSE Limited (JSE) Listings Requirements and described in the Integrated Report.

The pro forma financial information has been compiled by the directors to illustrate the impact of abnormal and non-recurring transactions and the effect of foreign currencies on headline earnings and earnings before interest, taxation, depreciation and amortisation ("EBITDA"). As part of this process, information about the Company's financial position and financial performance has been extracted by the directors from the Company's financial statements for the year ended 30 June 2020, on which an audit report has been published.

Directors' responsibility

The directors of the Company are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Integrated Report.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Professional Conduct for Registered Auditors*, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*.

The firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant's responsibility

Our responsibility is to express an opinion about whether the pro forma financial information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the Integrated Report based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the pro forma financial information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

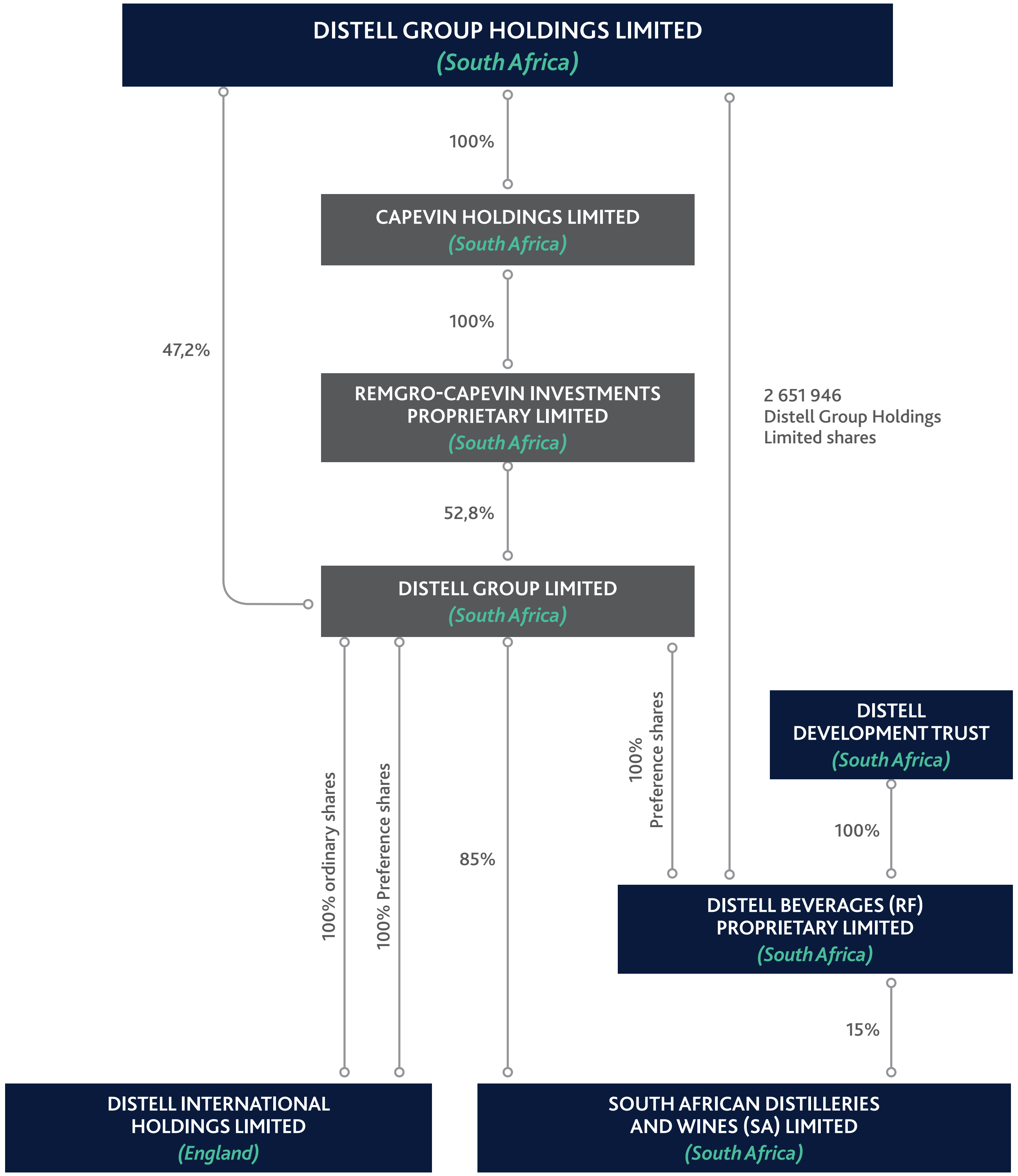
Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the Integrated Report.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RM Labuschaigne
Registered Auditor
Stellenbosch
16 September 2020

GROUP STRUCTURE



The country of incorporation and effective management (unless otherwise indicated) is indicated in green italics

ANALYSIS OF SHAREHOLDERS

at 30 June 2020

	Number of holders	% of holders	Number of ordinary shares	% of issued shares
DISTRIBUTION OF SHAREHOLDERS				
Ordinary shares				
Public shareholders	20 295	99,98	79 293 289	35,66
Non-public shareholders	6	0,02	143 089 067	64,34
Major beneficial shareholders	2	0,01	140 367 972	63,12
Directors, including those of subsidiaries, and their associates	2	0,01	13 600	0,01
Distell share schemes	1	–	55 549	0,02
Distell Beverages (RF) Proprietary Limited	1	–	2 651 946	1,19
	20 301	100,00	222 382 356	100,00
B shares				
Major beneficial shareholders	1	100,00	124 226 613	100,00
	1	100,00	124 226 613	100,00

	2020	2019
NUMBER OF ORDINARY SHARES IN ISSUE FOR EARNINGS PER SHARE CALCULATIONS		
Total number of ordinary shares in issue	222 382 356	222 382 356
Shares accounted for as treasury shares		
Distell share schemes	(55 549)	(162 147)
Distell Beverages (RF) Proprietary Limited	(2 651 946)	(2 651 946)
	219 674 861	219 568 263
Weighted number of ordinary shares	219 641 701	219 542 815

MAJOR BENEFICIAL SHAREHOLDERS

The following shareholders have a holding of greater than 5% of the issued shares of the company:

	Number of ordinary shares	Number of B shares	Number of total shares	% of total economic interest	% of total voting rights
Remgro Limited	69 850 256	124 226 613	194 076 869	31,4	56,0
Public Investment Corporation[1]	70 517 716	–	70 517 716	31,7	20,3

[1] *This number includes shares held by the Government Employees Pension Fund, Unemployment Insurance Fund and Compensation Commissioner Pension Fund*

CHANGE · EVOLUTION · IMPACT

DEFINITIONS AND RATIOS

at 30 June 2020

1) Acid test ratio
Current assets, excluding inventories, divided by total current liabilities.

2) Cash flow per ordinary share
Cash flow from operating activities before dividends paid, divided by the weighted number of ordinary shares in issue. This basis identifies the cash stream actually achieved in the period under review.

3) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call at banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in interest-bearing borrowings under current liabilities.

4) Current ratio
Current assets divided by total current liabilities.

5) Dividend cover
Headline earnings per ordinary share divided by dividends per ordinary share.

6) Dividend yield
Dividends per ordinary share divided by the weighted average price per share during the year.

7) EBITDA
Earnings before interest, tax, depreciation and amortisation and including Distell's share of equity-accounted earnings.

8) Earnings per ordinary share

Basic earnings basis
Earnings attributable to equity holders divided by the weighted average number of ordinary shares in issue.

Headline basis
Earnings attributable to equity holders, after considering the adjustments explained on page 100, divided by the weighted average number of ordinary shares in issue.

Normalised earnings basis
Earnings attributable to equity holders, after considering foreign exchange movements, divided by the weighted average number of ordinary shares in issue.

Normalised headline basis
Headline earnings attributable to equity holders, after considering foreign exchange movements, divided by the weighted average number of ordinary shares in issue.

9) Earnings yield
Headline earnings per ordinary share divided by the closing share price at year-end on the JSE Limited (JSE).

10) Effective tax rate
The tax charge for the year divided by the profit before taxation.

11) Financial gearing ratio
The ratio of interest-bearing borrowings, net of cash and cash equivalents and money market funds, to total equity.

12) Interest-free borrowings to total assets
Interest-free borrowings, excluding post-retirement medical liability, divided by total assets (both excluding deferred income tax).

13) Net asset turn
Revenue divided by net assets at year-end.

14) Net asset value per ordinary share
Total equity divided by the number of ordinary shares in issue.

15) Pre-tax return on equity
Profit before taxation as a percentage of closing equity.

16) Price earnings ratio
The closing share price at year-end on the JSE, divided by headline earnings per ordinary share for that year.

17) Return on equity
Headline earnings divided by closing equity.

18) Total return to shareholders
This represents the internal rate of return over a seven-year period. It is computed by recognising the market price of a Distell ordinary share seven years ago as a cash outflow, recognising the annual cash dividend streams per share and the closing share price at the end of the current year as inflows and then determining the discount rate inherent to these cash flow streams.

ACCREDITATION AND CERTIFICATION

as at 30 June 2020

ISO 9001:2015 Quality Management Systems certified

All Distell's distilleries, wineries, secondary production sites and distribution centres in the Republic of South Africa are ISO 9001:2015 certified. Distell's Namibian facilities in Windhoek, Walvis Bay, Oshakati and Keetmanshoop are also ISO 9001:2015 certified. Our ISO 9001:2015 certification also includes corporate functions, namely: quality management, innovation, procurement, logistics, technical services, export logistics, distribution and Group human resource management.

International Food Standards (IFS) certified

Our Adam Tas and Nederburg facilities are all IFS higher-level certified.

British Retail Consortium (BRC) food safety certified

Our J.C. Le Roux, Nederburg, Durbanville Hills, Plaisir de Merle wineries, and Paarl primary manufacturing facility are all BRC certified.

Wine Industry Ethical Trade Association (WIETA) certified

All of Distell's farms, winemaking cellars and wine bottling facilities are WIETA certified.

Certified organic wine producer

Nederburg cellar, Adam Tas Export and Papkuilsfontein vineyards have been certified to produce and distribute organic wines.

SANS 10330:2007 – HACCP certified

Our secondary sites producing for the South African market - Port Elizabeth is HACCP (Hazard Analysis and Critical Control Points) certified. As a continuous improvement initiative we will be upgrading the HACCP system to an internationally recognised GFSI (Global Food Safety Initiative) Food Safety Management system namely FSSC 22000 (Food Safety System Certification).

Our aim is to have the Port Elizabeth site certified against this standard in November 2020.

FSSC 22000 certified (Food Safety System Certification)

Our Adam Tas Cellar and secondary sites Wadeville and Springs, producing for both the South African and International markets are FSSC 22000 certified

ISO 14001:2015 Environmental Management System certified

Distell successfully transitioned our environmental management system to the new ISO14001:2015 standard. Our Durbanville Hills, Nederburg, Plaisir de Merle, Monis, Adam Tas, Worcester, Wellington and Goudini plants are now all ISO 14001:2015 certified. The ISO 14001:2015 system has been implemented at J.C. Le Roux, Port Elizabeth, Wadeville, Van Ryn's, Springs and Ecowash facilities.

Integrated Production of Wine (IPW) certified

All Distell farms, winemaking cellars, and wine bottling facilities including Port Elizabeth are IPW certified.

Fairtrade certified

Distell Limited and Distell International, as a trader with Adam Tas and Nederburg facilities as sub-contractors are Fairtrade certified.

WWF SA Biodiversity and Wine Initiative (BWI) certified

Nederburg achieved BWI championship status during the reporting year and joins Plaisir de Merle as our second BWI Championship farm.

amfori BSCI – Business Social Compliance Initiative

amfori BSCI enables companies to trade with purpose by improving social performance in their supply chain. It is not a certification scheme but its strong code of conduct consisting of 11 principles helps companies to improve working conditions in their supply chain.

The following facilities have successfully been audited against the amfori BSCI code of conduct for the Amarula production process:

- Mirma Products & Goudini Distillery. The Wadeville facility will be audited in October 2020 to complete the audit process

DATES OF IMPORTANCE TO SHAREHOLDERS

Annual general meeting
21 October 2020

Financial reporting
- Interim report – February 2021
- Preliminary announcement of annual results – August 2021
- Annual financial statements – September 2021

ADMINISTRATION

Distell Group Holdings Limited
Incorporated in the Republic of South Africa
(Registration number: 2016/394974/06)
JSE share code: DGH
ISIN: ZAE000248811

Company secretary
L Malan

Registered office
Aan-de-Wagenweg, Stellenbosch 7600
PO Box 184, Stellenbosch 7599
Telephone: 021 809 7000
Facsimile: 021 886 4611
Email: info@distell.co.za

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag x9000, Saxonwold, 2132
Telephone: 011 370 5000

Auditors
PricewaterhouseCoopers Inc.
Stellenbosch

Listing
JSE Limited
Sector: Consumer Goods – Food and Beverage – Beverages

Sponsor
Rand Merchant Bank (a division of FirstRand Bank Limited)

Website
www.distell.co.za

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