



**Distell Group Holdings Limited
(Distell)
Application of the KING IV Code Principles**

The Board is committed to complying with the requirements of the Companies Act, 71 of 2008, as amended, the JSE Listings Requirements and the **King Report on Corporate Governance for South Africa 2016 (King IV)** which it does through processes and frameworks which ensure the on-going sustainability of the business and maximise value for shareholders and other key stakeholders, while also contributing to national prosperity.

The principles of King IV are adopted and applied by Distell as disclosed in this document.



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Leadership, Ethics and Corporate Citizenship

Principle 1	<p><i>Leadership</i></p> <p>The Board should lead ethically and effectively.</p>	<p>The Board of Directors leads ethically and effectively, adhering to the duties of a director by acting with due care and diligence and maintaining a sufficient working knowledge of Distell and its industry and remaining informed about matters for decision making.</p> <p>The Board is competent to steer and set the strategic direction of Distell and oversee the implementation of approved strategies by management, ensuring accountability for the Group’s performance. The Board is mindful of the impact of Distell’s activities on society and the environment, considering key risks and opportunities, and seeks to ensure sustained value creation for all stakeholders.</p> <p>In terms of the Board charter, each director signs an annual declaration, declaring any interests or confirming that there are no conflict of interest and also declares any potential conflicts to the company secretary on an ad-hoc basis (if applicable). Directors, executives and senior management are not allowed to deal in securities during prohibited periods, as governed by the adopted Price-sensitive Information policy.</p> <p>The Board, its Committees, its chair and individual members are subject to a formal evaluation process, either externally facilitated or self-evaluation at least every 2 years. The results are discussed and actioned by all concerned.</p>
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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Principle 2</p>	<p>Organisational Ethics</p> <p>The Board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board ensures that Distell's ethics are managed effectively and provides effective leadership based on an ethical foundation.</p> <p><u>An ethical corporate culture is promoted and sustained through:</u></p> <ul style="list-style-type: none"> • endorsing the values of the Group documented in <i>the Code of Ethics and Conduct</i>; • the Code is published on the website and incorporated by reference in employee contracts; • endorsing internal policies, specifically around <i>Anti-bribery and Corruption, Gifts and Entertainment and Whistle-blowing</i> to tackle practices inimical to ethical conduct more efficiently; • monitoring and reporting on the measures taken by the Group to achieve adherence thereof (through the Social and Ethics and Audit Committees); and • all business conducted by the Board and management aligns with the values of the Group. <p>The implementation and execution of the <i>Code of Ethics and Conduct</i> and related policies are delegated to management.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Principle 3</p>	<p>Responsible Corporate Citizenship</p> <p>The Board should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board ensures that the Group is, and is seen to be, a responsible corporate citizen. The Board endorse the values, strategy and conduct which are congruent with being a responsible corporate citizen.</p> <p><u>The Board assesses the consequences of the Group's activities by monitoring performance against measures and targets in the following areas:</u></p> <ul style="list-style-type: none"> • <i>workplace</i> [including, but not limited to, employment equity, fairness of remuneration principles, development of and the health and safety of employees]; • <i>economy</i> (including, but not limited to, economic transformation, fraud and corruption practices and policies, approving a responsible and transparent tax policy); • <i>society</i> (including, but not limited to, public health and safety, consumer protection, protection of human rights); and • <i>environment</i> (including, but not limited to, responsibilities in respect of pollution and waste disposal). <p>The monitoring of above activities is delegated to the Social and Ethics Committee.</p>



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Strategy, Performance and Reporting

<p>Principle 4</p>	<p><i>Strategy and Performance</i></p> <p>The Board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p><u>The Board appreciates that strategy, risk, performance and sustainability are inseparable and gives effect to this in the following manner:</u></p> <ul style="list-style-type: none"> • providing strategic direction by assessing and approving the Group's Strategy submitted by top management; • in approving the Group Strategy, the Board challenges it constructively with reference to, amongst others, the timelines and parameters which determine the meaning of short, medium and long-term respectively, availability of resources and relationships connected to the various forms of capital, the expectations of material stakeholders and the impact on transformation that may result from the execution of the proposed strategy; • assessing the impact (risk and opportunities) of the short, medium and long-term strategy and responding to negative consequences on the economy, society and environment; • approving policies and plans to implement the Strategy, including key performance measures for assessing the achievement of the strategic objectives; • upon approval, the Board empowers top management to implement the said Strategy and to provide it with timely, accurate and relevant feedback on progress; and • establishing sub-committees to assist in discharging its duties and responsibilities.
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Principle 5	<p><i>Reporting</i></p> <p>The Board should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</p>	<p>The Board delegates the governance and approval of the Integrated Annual Report to the Audit Committee.</p> <p><u>The Audit Committee discharge its duties by:</u></p> <ul style="list-style-type: none">• ensuring that the Group issues a report annually;• assessing the integrity of external reports (including nature, scope and extent of assurance, legal requirements, intended user);• approving the reporting frameworks adopted by management;• ensuring that all issued reports (online or printed) comply with legal requirements and meet the legitimate and reasonable information needs of material stakeholders;• approving the threshold of materiality used for purposes of disclosing information or not; and• overseeing the assurance provided by the Internal Audit department on sustainability reporting and disclosure.
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Governing Structures and Delegation

Principle 6	<p><i>Primary Role and Responsibilities of the Board</i></p> <p>The Board should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board is the custodian of corporate governance in the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Distell. The charter is reviewed annually.</p> <p>Distell's governance practices are disclosed in its Integrated Report.</p>
Principle 7	<p><i>Composition of the Board</i></p> <p>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Board comprises a chairperson and a balance of executive and non-executive members, with the majority being non-executive of whom most are independent.</p> <p>Directors are appointed through a formal process. The Nomination Committee and/or professional recruitment firms assist in identifying suitable candidates and final approval of appointment resides with the entire Board. All effort is taken to ensure the composition of the Board comprise the appropriate mix of knowledge, skills and experience (business, commercial and industry) which are sufficient to deliver on strategies and create long term shareholder value. Targets are also set to more adequately reflect the demographics of South Africa. The Board comprises of a minimum of 9 Directors with no maximum.</p> <p>Distell has adopted a <i>Promotion of Gender Diversity policy</i> at Board level which seeks to achieve a voluntary target of 40% female representation by the end of 2020. A policy on <i>Race Diversity</i> will be adopted during 2018.</p> <p>Non-executive directors are appointed until the retirement age of 70 (seventy), but retire by rotation in terms of the Company's MOI (at least one third of the directors resign annually at the Annual General Meeting (AGM)). The Nomination Committee makes recommendations regarding the re-election of the retiring directors considering performance, meeting conduct, etc. The independence and performance of non-executive directors who have served on the board for more than 9 years is subjected to a rigorous review.</p>



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<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Principle 7 (continued)</p>	<p><i>Composition of the Board (continued)</i></p> <p>The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The Chair is not an independent, non-executive member of the Board and a Lead Independent Director (LID) was thus appointed. The Chairman, as well the LID, are elected by the Board on an annual basis.</p> <p>A formal induction programme exists for all new directors. Upon their appointment new directors receive an induction pack consisting of, inter alia, agendas and minutes of the previous board and sub-committee meetings, the latest Integrated Annual Report, relevant insurance information, strategic documents, relevant policies and charters, and 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 management.</p> <p>The roles and responsibilities of the chair and the CEO are separated.</p> <p>The CEO and CFO are executive members of the Board.</p> <p>The Board ensures that succession plans are in place for the Chairman and CEO positions, as well as for other members of the Management Board.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Principle 8</p>	<p><i>Committees of the Board</i></p> <p>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>The Board has delegated particular roles and responsibilities to Board Committees, which operates under Board approved Terms' of Reference, setting out the nature and extent of the responsibilities delegated and decision-making authority. The Terms of Reference of each Board Committee is reviewed annually. The Board ensures that each Board Committee has the necessary skills, experience and knowledge to discharge their duties effectively. Committee members are nominated by the Nomination Committee and appointed by the Board, except for the Audit Committee whose members are elected by the shareholders.</p> <p>The Committees comprise an Audit Committee, Risk and Compliance Committee, Nomination Committee, Remuneration Committee, Social and Ethics Committee and an Investment Sub-Committee.</p> <p>This delegation by the Board of its responsibilities does not constitute a discharge of its accountability.</p>



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<p>Principle 8 (continued)</p>	<p><i>Committees of the Board (continued)</i></p> <p>The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p><i>Audit Committee</i> - a statutory requirement and comprises at least 3 independent, non-executive directors which have the necessary financial literacy, skills and experience to execute their duties effectively. The Chair is an independent, non-executive director. One or more members of the Risk and Compliance Committee are also a member of this Committee for more effective functioning. The performance of the Audit Committee is described in the Integrated Report.</p> <p><i>Risk and Compliance Committee</i> - comprises executive and non-executive directors, with the majority being non-executive. One or more members of the Audit Committee are also a member of this Committee for more effective functioning. The Committee is accountable for the risk management process, which includes a comprehensive risk management system that incorporates continual risk assessment, evaluation and embedding of internal controls.</p> <p><i>Nomination Committee</i> - all members are non-executive directors with the majority being independent. The primary responsibility of the Committee is to review and recommend the size and composition of the Board, succession plans for executive and non-executive directors and the evaluation of the performance and independence of the Board, its Committees and individual members.</p> <p><i>Remuneration Committee</i> - all members are non-executive directors with the majority being independent. The Chair is an independent, non-executive director. The primary responsibilities include reviewing and approving short- and long-term incentive plans (and related performance targets), recommending changes to employment contracts and approving individual remuneration levels of executives and top management.</p> <p><i>Social and Ethics Committee</i> - a statutory requirement and comprises executive and non-executive directors, with the majority being non-executive. The Committee's main focus areas include sustainability, employment equity, skills development and health and safety.</p> <p><i>Investment Sub-Committee</i> - comprises 7 non-executive directors, the CEO and CFO. The Committee meets on an ad-hoc basis and is responsible for the approval of new investments and disposal of significant assets within the Group.</p> <p>Additional information on the Committees is disclosed in its Integrated Report.</p>
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<p style="text-align: center;">Principle 9</p>	<p><i>Evaluations of the performance of the Board</i></p> <p>The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>The Board, Board Committees, its chairs, the company secretary and its individual members are subject to a formal evaluation process, either externally facilitated or self-evaluation at least every 2 years. The Nomination Committee leads the evaluation process.</p> <p>Each director is required to comment on the Board structure and responsibilities, processes, practices and culture of the Board, overall performance, the structure, resources and performance in respect of statutory duties of the Committees.</p> <p>The Lead Independent Director (LID) facilitates the evaluation process of the chairman of the Board.</p> <p>The results of the evaluations are discussed with the Board as a whole and suggested changes and comments are actioned.</p>
<p style="text-align: center;">Principle 10</p>	<p><i>Appointment and delegation to management</i></p> <p>The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board appoints the CEO, the CFO and members of the Executive Committee on recommendation of the Nomination Committee.</p> <p>The Executive Committee comprise the CEO, CFO and nominated business unit and function heads who are responsible to implement and execute the approved strategy and discharge all duties and functions as delegated by the Board. The Committee meets on a monthly basis.</p> <p>The role and responsibility of the CEO are specified in the Board charter. The performance of the CEO and the members of the Executive Committee is evaluated by the Nomination Committee against pre-approved KPIs.</p> <p>The Board approves and annually reviews the Approval Framework that specifies decision-making authority.</p> <p>The Board believes the company secretary is suitably skilled, qualified and experienced enough to fulfil the role competently, that she is independent and maintains an arm's length relationship with the directors.</p>

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Governance Functional Areas

<p>Principle 11</p>	<p><i>Risk Governance</i></p> <p>The Board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board is responsible for the governance of risk. The Board sets the direction for how risk should be approached and addressed in the Group and this responsibility to govern risk is delegated to the Audit Committee and the Risk and Compliance Committee.</p> <p>As detailed in the Terms of Reference of the Risk and Compliance Committee, the Committee is, amongst other things, responsible for:</p> <ul style="list-style-type: none"> • approving the Group's risk appetite and tolerance levels; • assessing risk and opportunities resulting from the triple context applicable to the Group; • evaluating the Group's dependence on resources and relationships; • implementation of business continuity processes; • implementation of appropriate mitigating actions to address the identified risks; • approving the Group's policies and frameworks on technology and information governance and management; • integration of technology, information, processes and people; • ensuring business resilience; • assessment of the value delivered through significant investments in technology; and • the protection and privacy of personal information. <p>As detailed in the Terms of Reference of the Audit Committee, the Committee is, amongst other things, responsible for:</p> <ul style="list-style-type: none"> • enabling an effective internal control environment (combined with an effective risk based internal audit annual work plan); • embedding and assessing the combined assurance model; • overseeing an effective and independent Internal Audit department, led by a suitably qualified chief audit executive; and • nominating and appointing the external auditor, approving the engagement letter and audit as well as non-audit fees. <p>The Board, through the Audit Committee and Risk and Compliance Committee, delegate to management the responsibility to implement and execute effective risk management.</p> <p>Distell's top risks are disclosed in its Integrated Report.</p>
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Principle 12	<p style="text-align: center;"><i>Technology and Information Governance</i></p> <p>The Board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>The Board, through the Risk and Compliance Committee, is responsible to provide direction and oversee all IT-related risks.</p> <p>The task for Directors to govern IT is a broad and ever-evolving discipline, and it is for this reason that international guidelines (such as Control Objectives for IT (CobIT), ITIL and ISO standards) have been created to evaluate and monitor IT controls implementation progress over time. Distell IT has adopted these as guidelines, and report back to the Committee on progress made.</p> <p>Risk response and control levels are balanced against Distell's strategic objectives for enterprise development and innovation. Alignment to effective corporate governance is achieved through the regular measurement of top risk exposures, reporting and communication of risk management performance, which includes progress on risk management plans and improvements to risk management maturity.</p> <p>Key IT governing bodies in the Group include this Committee, Project Prioritisation Forum, Strategy Committee, IT Management Forum and IT Architecture Forum.</p> <p>Global data leakage prevention, legal and regulatory compliance along with identity and access management is the focus with a strong emphasis on confidential information and the availability of core business systems.</p>
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<p>Principle 13</p>	<p><i>Compliance Governance</i></p> <p>The Board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>The company secretary and legal counsel are responsible for guiding the Board in discharging its regulatory responsibilities. The Risk and Compliance Committee monitors the process implemented by management to ensure legal compliance.</p> <p>The regulations to the Companies Act require the Group's Social and Ethics Committee to monitor the implementation of a series of good corporate governance obligations, including the Organisation for Economic Cooperation and Development (OECD) recommendations on reducing corruption as well as the United Nations Global Compact Principles.</p> <p>The Group's compliance is approached and addressed through the following:</p> <ul style="list-style-type: none"> • all major Group policies are reviewed and approved by the Board (on recommendation of a sub-committee); • Distell has appointed a Compliance Officer to oversee all compliance activities and provide training on new requirements and regular updates on existing legislation and adopted, non-binding rules; • the Board approving a legal compliance policy and delegating the responsibility for monitoring to the Risk and Compliance Committee; • compliance with rules, laws and codes and standards is incorporated in the Group's Code of Ethics and Conduct; and • the responsibility to implement, execute and monitor compliance to relevant policies is delegated to management. <p>The Board discloses in the Integrated Report details on how it discharged its responsibility towards governing and managing compliance, areas of focus, and inspections by authorities as well as material or repeated instances of non-compliance.</p>
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<p style="text-align: center;">Principle 14</p>	<p style="text-align: center;"><i>Remuneration Governance</i></p> <p>The Board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>Distell's Reward Strategy is designed to attract, develop, motivate and retain talented employees who enable the Group to pursue and achieve the strategic objectives and thereby enhancing value for all stakeholders.</p> <p>Distell's reward philosophy is aimed at driving a high-performance culture by ensuring that its employees are motivated and committed to the success of the company and promotes remuneration that is fair and responsible. The Reward Policy is transparent and is based on the principles of market competitiveness, internal equity and pay for performance. The Policy ensures that no discrimination occurs and recognises exceptional and value-adding performance. The Board, through the Remuneration Committee, oversee that the implementation and execution of the Reward Policy achieves the set objectives.</p> <p>The remuneration of each director is disclosed in the Integrated Report.</p> <p>As recommended by King IV, both the Remuneration Policy and the Implementation Report will be tabled annually at the AGM for separate non-binding advisory votes.</p> <p>The Remuneration Policy will detail the measures that the Board commits to take in the event that either the Remuneration Policy, the Implementation Report, or both, have been voted against by 25% or more of the voting rights exercised.</p>
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Principle 15	<p><i>Assurance</i></p> <p>The Board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>The Board has adopted a combined assurance model to obtain assurance from various assurance providers that internal controls are efficient and effective, including internal and external audit, regulatory authorities, line functions, etc.</p> <p>Assurance services are overseen by the Audit Committee. The Committee is responsible for, amongst other things:</p> <ul style="list-style-type: none"> • reviewing the adequacy and effectiveness of the financial reporting process and system of internal control; • approving Distell's Integrated Report, annual financial statements, interim reports and media releases and recommend to the Board for final approval; • overseeing the Internal Audit Function and approving the annual work plan; • making recommendations to the shareholders for the appointment of the external auditors and confirming their independence; • confirming the expertise of the CFO and finance department; and • ensuring that the financial reporting procedures are appropriate and that those procedures are effective. <p>Where compliance issues are identified, they are reported and rectified timeously. The Audit Committee and the Board are satisfied that control systems and procedures are suitably implemented, maintained and monitored by qualified personnel, with appropriate segregation of authority, duties and reporting lines.</p>
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Stakeholder Relationships

<p>Principle 16</p>	<p><i>Stakeholders</i></p> <p>In the execution of its governance role and responsibilities, the Board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Board is committed to providing timely, relevant and transparent information on corporate strategy and financial performance.</p> <p>The Board, through the Social and Ethics Committee, governs stakeholder relationships, communication and reporting and delegates to management the responsibility for execution.</p> <p>The Group manages communications with its key financial audiences, including institutional shareholders and financial analysts, by conducting information sessions following the publication of interim and final results. Executive directors, as well as representatives from management, attend these sessions. A broad range of public communication channels are also used to disseminate information. There is also a dedicated investor centre on the website and main newspapers.</p> <p>Shareholders are encouraged to attend and actively participate in the AGM. The Board ensures that the chairpersons of the Group's Audit, Risk and Compliance, Social and Ethics, Remuneration and Nominations committees and the designated external auditor are present at the AGM to respond to questions from shareholders.</p> <p>Shareholders are treated equitably and the minority shareholders enjoy the protection afforded to them in terms of the Companies Act..</p>
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