Dis-Chem
PHARMACIES

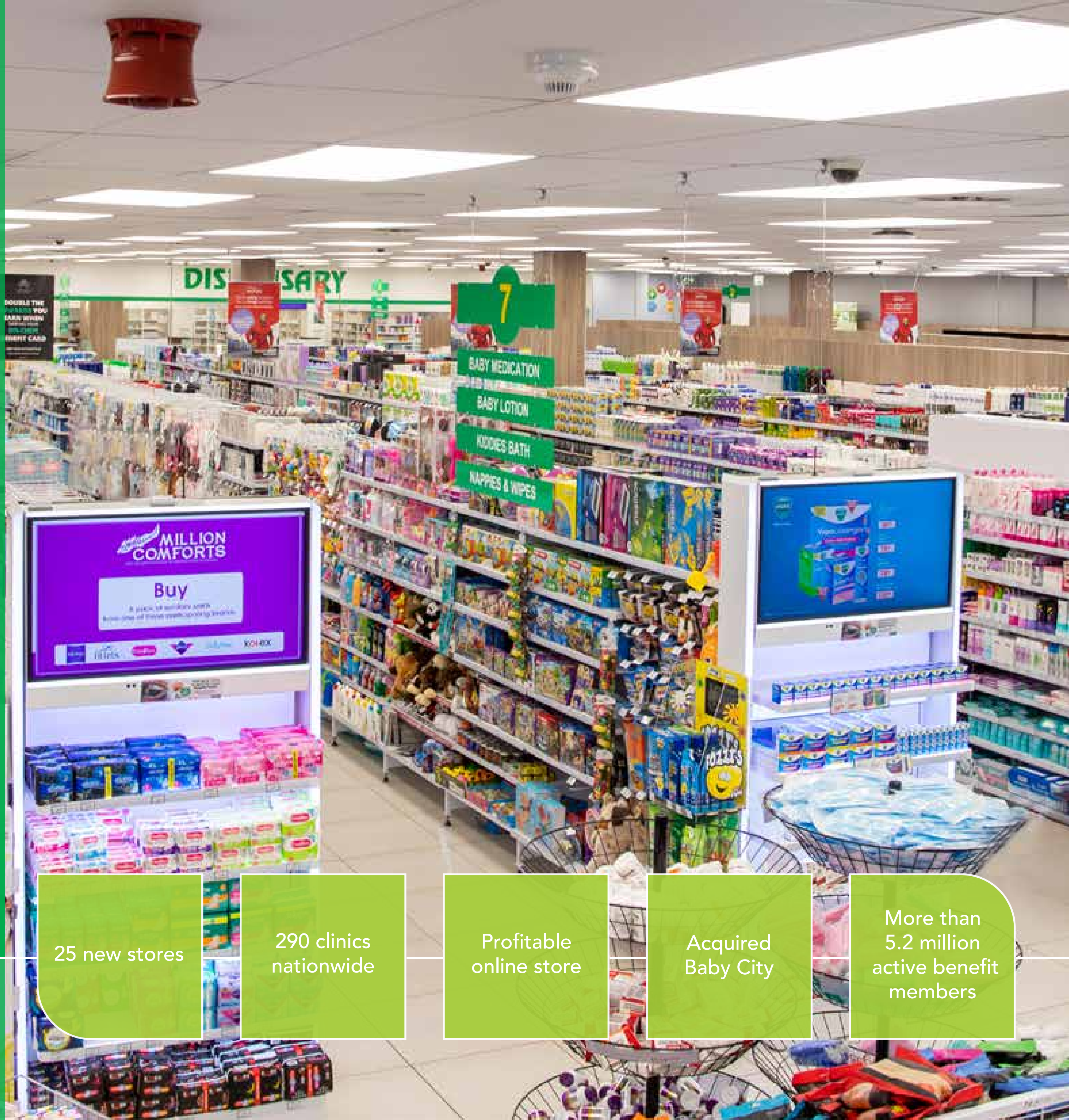
2021 Integrated Report

for the financial year ended
28 February 2021

Contents

01

Overview of the Group



- 25 new stores
- 290 clinics nationwide
- Profitable online store
- Acquired Baby City
- More than 5.2 million active benefit members

About this report

We delightedly present our Integrated Annual Report ("IAR") for the financial year ended 28 February 2021 to our stakeholders, locally and abroad. The purpose of the report is to demonstrate how the Group continued to create value for shareholders and give an overview of business performance and achievements this past financial year, and future targets and opportunities.

The COVID-19 pandemic continued to have a profound impact on South Africa - physically, emotionally and financially. Dis-Chem showed its resilience and continued to provide its customers with quality service, competitive prices and an extensive range of products.

The report is aimed primarily at our shareholders, who are the principal providers of the Group's financial capital. Our objective is to provide shareholders with insights into how the Group intends to create value in the short-, medium- and long-term.

We continue to improve our disclosure and strive for the highest reporting standards. However, the report excludes information which could lead to loss of the Group's competitive advantage.

The scope of the report

The IAR covers the operating performance of Dis-Chem and its principal operating segments for the audited 2021 financial year. It is also supplemented by the Group's Annual Financial Statements ("AFS") available on the Group website at www.dischemgroup.com. The report also covers material information relating to Dis-Chem's Vision, Mission and Values, strategy, business model, stakeholder relationships, material issues, corporate governance and shareholder information.

Where applicable, the report has been prepared per the King Code of Corporate Governance ("King IV"), the Johannesburg Stock Exchange ("JSE") listing requirements and the Companies Act. It draws on the International Integrated Reporting ("IR") Framework of the International Integrated Reporting Council ("IIRC"), which was considered but not adopted in the preparation of the report. The summary financial information is reported according to International Financial Reporting Standards ("IFRS").

Materiality

The IAR intends to provide concise and material information on the Group's strategy, performance and prospects. The Board and senior management have applied the Sustainable Development Goals ("SDGs") in determining the issues that could affect the Group's ability to create and sustain value for its stakeholders. In deciding its material issues, the Board considers internal and external factors which consists of both financial and non-financial risks.

The Group's material issues are reviewed each year by the executive and senior management. The outcomes of the review are considered and endorsed by the Board.

Integrated reporting framework

The Board believes that the IAR complies in all material respects with the IR Framework of the IIRC. Key to the framework is reporting with respect to the six capitals, strategic matters, values and the applicable SDGs applied in creating value for the Group and is covered in the relevant sections of this report.

Assurance

Dis-Chem applies a combined assurance model which seeks to optimise assurance obtained from management and external assurance providers. The Group's external auditor, Ernst & Young Inc. ("EY"), expressed an unmodified audit opinion. They reported on the accuracy of the summary financial information in the IAR extracted from the AFS.

About this report (continued)

PricewaterhouseCoopers ("PwC"), the Group's internal audit providers, provided additional assurance for the Group through the approved internal audit plan. Certain non-financial information, such as market share statistics, was supplied by accredited service providers, while management has verified the processes for measuring all non-financial information.

The Dis-Chem Board and senior management have reviewed the IAR's content, but it has not been independently assured.

Forward-looking information

Dis-Chem's IAR contains certain forward-looking information and statements concerning the financial condition and results of operations of the Group. Dis-Chem has made every reasonable effort to ensure the accuracy of the information in the report. Still, forward-looking information by their very nature involves risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Past performance is not indicative of future results.

No assurance can be given that the forward-looking information will prove correct, and undue reliance should not be placed on such information. Factors that could cause actual results to differ materially from those in the forward-looking information include, but are not limited to: global and local economic conditions; changes in legislation; changes to IFRS and interpretations; changes in trading space availability; changes in working capital and changes in margins achieved.

Dis-Chem does not undertake to update or revise any of the forward-looking information, whether to reflect new or future events. The Group accepts no liability for direct or consequential loss arising out of reliance on all or any part of the information contained in this report.

Directors' approval

As part of the Board Charter, the Board is responsible for the IAR's integrity and acknowledges this responsibility. The Board confirms that they have collectively assessed this report's content and approved it for release to stakeholders.

The audit and risk committee, which has oversight responsibility for the IAR, recommended the report's approval to the Board. The Board approved the IAR on Wednesday, 30 June 2021 and was signed on its behalf by:

Larry Nestadt
Independent Non-executive Chairman

Ivan Saltzman
Chief Executive Officer

About this report (continued)

King IV

Good corporate governance is embedded in the Group's ethos, and the Board recognises the requirement to monitor and improve as the business develops and grows.

We include the King IV overview at the start of the report to guide stakeholders on the King IV principles' general applications and disclosures as required.

We believe that the impact of poor corporate governance ultimately equates to poor business. The outcomes-based and holistic approach of King IV requires corporate governance to be integrated into the daily aspects of the company to achieve the realisation of an ethical culture, good performance, effective control and legitimacy. The Group continually seeks to improve and adjust its corporate governance practices according to best practice and stakeholder expectations.

King IV's application has been integrated throughout the report.

King IV reference guide:

Principle		Pages
1	Leadership	36 – 40
2	Organisational ethics	40, 52
3	Responsible corporate citizenship	24, 25, 42, 51 – 53
4	Strategy and performance	20 – 25
5	Reporting	3, 40
6	Board	36 – 40
7	Board composition	36 – 40
8	Board committees	36 – 40
9	Board performance evaluation	38
10	Appointment and delegation to management	36 – 37
11	Risk governance	27 – 28
12	Technology and information governance	41 – 42
13	Compliance governance	40
14	Remuneration governance	43 – 50
15	Assurance	3, 40 – 41
16	Stakeholders	26

Highlights for the year

Financial Capital

Revenue
9.6% R26.3bn

Total income
8.5% R7.4bn

Total income margin
28.3%

Increase in operating profit

HEPS
11.8% 77.8 cents

Return on invested capital paying off

Net working capital days
30

Market capitalisation
R19.3bn

Manufactured Capital

New stores opened
25

More than
408m
units sold

3
Mediclinic pharmacies opened

Store base
194

Total pharmacy floor space
21 847m²

Substantial investment in online over the past five years

Online store profitable

Primary healthcare VideoMed consults gaining good traction

290
clinics

380 registered nurses

Human Capital

Permanent, fixed-term and casual employees
> 18 800

491
learners who completed learnership agreements

62.6%
of employees are women

> R0.5m
bursary grants to pharmacy students

> R19m
spent on training and education

Highlights for the year (continued)

Intellectual Capital

> 200
years' experience among eight Board members

Strong brand awareness

Quality relationships with stakeholders

Top qualified individuals and process experts

Natural Capital

> 4 600 tons
of recycling

Ethical waste management

Energy management initiatives

Water waste management

Social and Relationship Capital

> R268m
redeemed through our benefits programme

5.2m
active benefit members

10.9m
customer profiles

Dis-Chem Foundation projects

Engagement with regulators

Just under
R26m
donated to the Dis-Chem Foundation

Strong relationships with suppliers

Various social campaigns

Trusted brand

Group profile

About Dis-Chem

Dis-Chem is a leading retail pharmacy Group in South Africa with its head office based in Midrand, Gauteng. The Group was co-founded in 1978 by pharmacists, husband and wife Ivan and Lynette Saltzman, and follows a "Pharmacy First" approach.

The Group has grown into a well-established, desired brand amongst South African consumers underpinned by excellent customer service, product variety and our Everyday Low Price ("EDLP") strategy. We pride ourselves in being a destination discount brand and target customers in the mid to upper Living Standards Measure ("LSM") categories.

Timeline

1978
- First store opened in Mondeor, south of Johannesburg

1984
- Second store opened in Randridge Mall

1989
- Product offering expanded to include non-pharmaceutical, front-shop products

1997
- Dis-Chem private label line of non-pharmaceutical products introduced

2003
- Benefits programme launched

2004
- First store in Cape Town opened, initiating a national footprint

2006
- Dis-Chem Foundation is established

2008
- Partner store concept conceived

2010
- Opened Midrand DC

2013
- Online shopping platform introduced
- Purchased controlling stake in CJ Group

2014
- First franchise store in Namibia opened

2016
- 100th store opened
- Acquisition of remaining stake in CJ Group
- Opened KZN DC
- Listed on the JSE

2017
- Issued the first IAR
- Opened first corporate TLC store
- Opened Cape Town DC

2018
- First share scheme introduced to key management
- Invested in HealthWindow to encourage adherence management
- Acquired basket of supplements and health brands in partnership with USN
- Acquired Bemax
- Acquired independent wholesaler Quenets
- Partnered with Total through our Benefits programme
- Introduced Click and Collect
- Celebrated 40th birthday

2019
- Introduced company-funded primary care health insurance
- Introduced Telemedicine

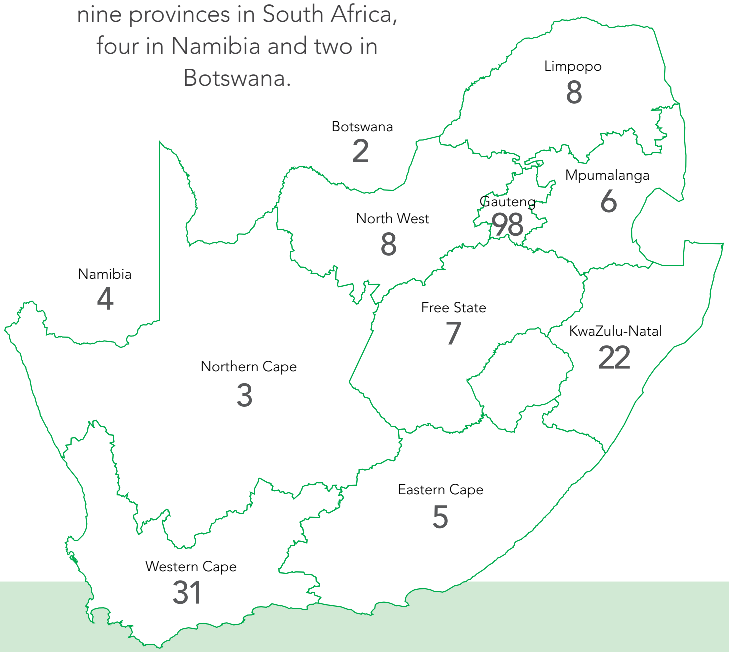
2020
- EBITDA breakeven in Wholesale

2021
- Acquired Baby City

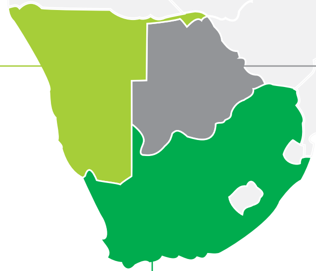
Group profile (continued)

Number of stores

We have 188 stores across all nine provinces in South Africa, four in Namibia and two in Botswana.



Where we operate



NAMIBIA	SOUTH AFRICA	BOTSWANA
2.5m (in 2020)	59.6m (in 2020)	2.4m
4	188	2
1 391m²	1 332m² (excluding Mediclinic pharmacies)	822m²
87	18 647	64
102k	5m	57k

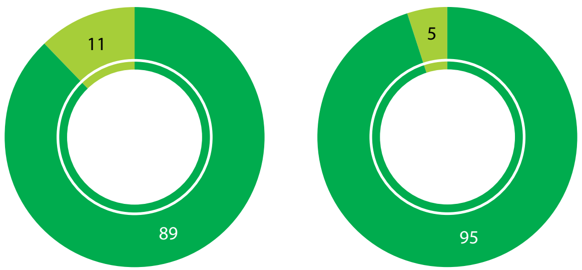
Population · Stores · m² Average store size · Employees · Active benefit members

STORE SIZE	< 150m²*	151m² – 500m²	501m² – 1 000m²	1 001m² – 1 500m²	> 1 500m²	Total
Product range	No ancillary	75% core / No ancillary	95% core / No ancillary	Full core / ancillary	Full core / ancillary	
Number of stores	3	7	41	78	65	194
Total floor space	295m²	1 690m²	34 161m²	101 882m²	116 735m²	255 143m²
Trading density ('000)	R2 861/m²	R60 750/m²	R78 279/m²	R88 280/m²	R90 431/m²	R87 643/m²

** Mediclinic stores*

Operational structure

Dis-Chem operates two main segments, namely Retail and Wholesale. The Retail segment contributes the most significant share to total Group revenue.



Retail

Dis-Chem's retail segment comprises retail pharmacy stores, primary healthcare clinics, Baby City, Dis-Chem Direct, e-commerce and ancillary services. We offer our customers a wide variety of products and services at our everyday low prices.

Retail pharmacy stores

At the end of the financial period, the Group had a store base of 194 stores, including two Mediclinic pharmacies. Our store sizes range from 70m² to over 2 500m².

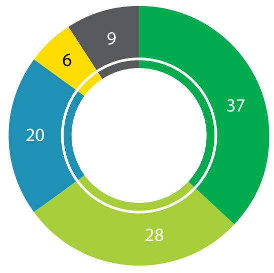
Group profile (continued)

Our retail pharmacy stores are split into four core categories:

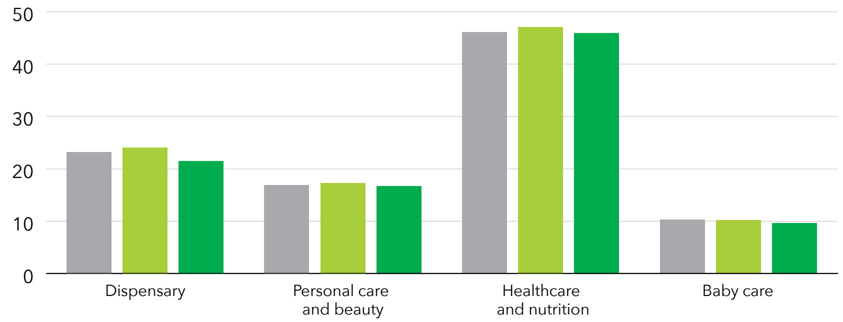
- Dispensary
- Personal Care and Beauty
- Healthcare and Nutrition
- Baby Care

Dispensary is the most significant contributor to total Group revenue. All of these categories have continued to gain market share.

CATEGORY REVENUE CONTRIBUTION (%)



CATEGORY MARKET SHARE (%)



Source: Nielsen

Dispensary

The dispensary category contributes the majority share to total Group revenue. It is a highly regulated category with the Department of Health ("DOH") regulating both scheduled drug prices and the dispensing fee.

Scheduled drug prices are determined by the Single Exit Price ("SEP"), calculated using a formula incorporating inflation and currency exchange rates and is revised annually.

Additionally, the DOH uses a four-tier pricing structure to determine the dispensing fee charged by pharmacies. In many instances, Dis-Chem will discount its allowable dispensing fee to gain designated service provider ("DSP") status with medical aid Groups, driving feet into the stores.

The chronic script adherence technology business, Health Window, in which the Group is invested, has proven successful and continues to gain traction.

Group profile (continued)

Personal Care and Beauty

The personal care category is highly competitive. To remain relevant in that space, we use a combination of EDLP and competitive promotional pricing, including percentage off promotions and promotional campaigns.

We continue to increase our exclusive brand assortments in key sub-categories by developing and growing ranges based on consumer behaviour trends.

Our beauty category focuses on three main areas: colour cosmetics, face care and fragrances. We are currently perceived as the leading fragrance destination, and we continue to grow market share in this space.

Healthcare and Nutrition

Dis-Chem is a market leader in the South African Healthcare and Nutrition category. Core strengths include depth of range and availability of speciality products, best in class service from well trained and knowledgeable staff and highly competitive every day low pricing reinforced by aggressive promotional activity. Extensive exclusive and own brand ranges with high coverage offer consumers great value and quality products across the market segments from value to premium.

Significant growth in Healthy Foods, Vitamins and Supplements, and Sports Tech and Equipment sub-categories has been supported by the ongoing consumer trend towards living a healthier lifestyle. The Covid-19 pandemic has further increased consumer awareness around their health and wellness and this has been evident in the increase in healthcare share of basket and short term mix changes.

Baby Care

The baby care category remains one of our fastest-growing categories supported by an aggressive promotional strategy. We have invested meaningfully in this space to increase range and grow our private label brand,Baby Things.

Our baby programme is a key component to attract new mothers.

With the recent acquisition of Baby City, we can significantly impact the baby market. Baby City is one of the few true destination outlets, offering an extensive range of quality products – together with everyday low prices. The intention is to continue on the same path and invest significantly in technology and new store expansion.

More detail on the Baby City acquisition on page 13.

Group profile (continued)

The retail pharmacy stores are complemented by qualified staff members, our loyalty benefits programme and our private label and exclusive brands.

Dis-Chem staff members

The Group's strength lies in its team of 18 800 employees. In these ever-changing, dynamic times we live in, we believe it is our human capital that differentiates us from our competitors. Employee efficiency and talent determines the pace and growth of the organisation.

Loyalty benefits programme

The Group first launched its loyalty benefits programme in 2003. We currently have 5.2 million active benefit members. These members are responsible for around 70% of total retail sales and have a higher spend per basket and increased shopping frequency than non-benefit members.

The benefits of being a member include Benefit points earned on all qualifying front shop purchases, instant cash discounts, a quarterly *Benefits magazine*, an exceptional baby programme, exclusive offers, *ad hoc* double and bonus points, as well as automatic entry into competitions. We can engage with customers through the programme to ensure we target the correct people with the right information.

By shopping and swiping your Loyalty Benefit card, a certain percentage will be donated to the Dis-Chem Foundation to assist worthy causes.

The Group differentiates its Benefit programme from others in the market through its real-time earn and redeem, its range of programme partnerships and customer-specific focus Groups. Strategic partners include Discovery Vitality, Legacy Lifestyle, School-Days, Total, Momentum Multiply, Bestmed, Medihelp and the Dis-Chem Foundation.

Private label and exclusive brands

Dis-Chem's strategy has always been to cultivate the correct balance between private label, exclusive and national brands. Our approach is to ensure high-quality products within a better value proposition. Private label brands bring variety and exclusivity onto our shelves. Our private label brands include well known brands like Softi, Medic, Biogen, Baby Things and many others. We source our private label and exclusive products from local and international manufacturers, distributors and suppliers, and we have more than 10 000 SKUs. In tough economic times, consumers tend to opt for private label brands instead of the national brand equivalent.

Group profile (continued)

Baby City

Our acquisition of Baby City came into effect on 1 January 2021.

We intend to continue increasing our total share of the baby market. Baby City is a specialist destination for mom's and baby's every need and continues to offer an extensive range of quality products – all at 'Every Day Low Prices. We plan to invest significantly in technology, additional services and increase the national store footprint to achieve our objective.

Dis-Chem Direct

Dis-Chem Direct is the Group's courier service doing nationwide delivery of chronic and prescription medication. It services medical aids, corporates, individuals, healthcare providers and the government.

E-commerce

We have invested significantly in our online platform over the past five years. During the global pandemic, the shift in consumer shopping behaviour to online propelled us to double our fulfilment hubs and partner with third-party technology firms for additional efficiencies. Consumers can shop from the comfort of their homes and use our delivery or our Click & Collect services.

Ancillary services

Ancillary services include our hair and beauty salons. These salons are managed by qualified and experienced stylists and therapists with excellent industry knowledge.

Group profile (continued)

Primary healthcare clinics

Dis-Chem has one of the largest clinic networks in the country. We have 336 clinic rooms and 380 registered nurses staffing these clinics.

Our clinic service offerings are split into three key focus areas:

Wellness Clinic

- Diabetic care and dietary advice
- Vitamin injection
- Medical aid health assessments
- Blood pressure monitoring
- Glucose screening
- Cholesterol screening

Baby Clinic

- Immunisation schedules
- Breastfeeding
- Potty training advice
- Teething

Wound Care Clinic

- Wound dressing
- Burn care

Healthforce

Our acquisition of 87.5% of Healthforce came into effect after the reporting period, on 1 March 2021. This acquisition presents the Group with an investment in a strategic asset through which we can advance our ambitions to be at the forefront of innovation in the delivery of care.

Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology also includes a telemedicine capability, which provides real-time video connections between patients and nurses and an on-demand remote doctor network.

In addition to the core clinic management capability, Healthforce provides the platform for us to offer an integrated primary care solution that spans dispensary and clinic, placing the patient at the epicentre of the Dis-Chem healthcare experience.

Investment case

Dis-Chem offers local and international investors exposure to the Food and Drug Retail sector in South Africa.

Our investment case is complemented by our longer-term growth drivers and the defensive nature of the business, which in our view, will continue to benefit the Group.

Entrepreneurial, Founder-Led Management Team

Our highly experienced founders, Ivan and Lynette Saltzman, are supported by a highly skilled, competent and professional management team.

Operate In Resilient Markets

The Food and Drug Retail industry is relatively resilient and protects against a weak economic environment.

Winning Retail Business Model

We pride ourselves in having an extensive product range at everyday low prices.

Strong Market and Industry Positioning

We are a recognised brand in South Africa, targeting consumers in Living Standards Measure ("LSM") 6 – 10, a fast-growing LSM range. We also benefit from increased healthy living awareness, urbanisation, a higher disease burden and an ageing population.

Customer-Centric Strategy

Our category-specific customer service excellence is an ethos upon which the company was founded and is embedded into our corporate culture.

Pharmacy First Approach

We have a dispensary in every store with the same operating hours as the front shop

Just under 400 full-time pharmacists employed

More than two million scripts filled on average monthly*

Our focused approach to pharmacy differentiates us

The dispensary is the biggest driver of feet into our stores

Qualified Staff

The Group employs highly qualified staff and continues to invest in training to improve service standards.

Proven Financial Metrics and Track Record

Strong compound growth in earnings and dividends from our cash generative operations. Large footfall and leading trading densities.

Organic and Acquisitive Growth

The Group's strong organic growth is complemented by our strategic acquisitions and the ability to integrate these acquisitions vertically.

Well Invested Asset Base

We have invested in our infrastructure to cater for growth mainly through new stores, warehouses and information technology.

* *Excluding oncology, courier, Springbok, Medipark and international stores*

Macro trends and the external environment

COVID-19 Vaccination Rollout

In answering the Government's call for the private sector to play a meaningful role in the COVID-19 vaccine rollout, Dis-Chem opened our first dedicated vaccination site on the first day of the national roll-out, 17 May 2021. We have subsequently opened a further 9 dedicated sites, at which we have administered more than 58 000 first doses of the Pfizer vaccine to healthcare workers and over 60s over a five-week period.

Subject to the availability of vaccines and the timing of entering new phases of the national rollout, Dis-Chem will open further dedicated vaccination sites at key locations, and will introduce COVID-19 vaccine administration from our in-store clinics.

Primary Healthcare

COVID-19 has highlighted that individuals and companies alike, are more prepared than ever to spend on healthcare. Through our differentiated physical clinical infrastructure, and the strategic acquisitions announced in the past period, Dis-Chem is well positioned to play a leading role as an integrated primary healthcare provider, making quality primary healthcare accessible to more South Africans.

With 12.4 million employed uninsured people in SA, the need for quality affordable primary healthcare is essential to the wellbeing of many who consume healthcare on a cash basis. When considering that medical scheme membership has been stagnant over the past decade, the market opportunity to offer attractively-priced benefit-rich primary health insurance to those who have traditionally consumed healthcare on a cash basis, is significant.

Dis-Chem continues to invest in primary healthcare assets and partnerships, to advance our ambitions to be at the forefront of affordable and convenient healthcare delivery.

Acquisitions

Dis-Chem acquired 100% of Baby City on 1 January 2021 for R422 million. Baby City is a specialist destination baby retailer that operates a network of 33 stores across South Africa, selling a comprehensive range of branded baby products at reasonable "Everyday Low Prices". The brand's focus is primarily on first-time parents and caters for moms and babies' every need. All Baby City stores have completed the migration onto the Group's common technology platform, positioning both brands to start realising the planned synergistic benefits.

On 1 March 2021, Dis-Chem acquired 87.5% of Healthforce for R48 million. Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology includes telemedicine capability, which provides real-time video connections between patients and nurses and an on-demand remote doctor network.

On 14 December 2020, Dis-Chem entered into a binding agreement to acquire 100% of the equity in Medicare, for a purchase consideration of R282 million. The transaction includes a net working capital guarantee to ensure that the working capital metrics align with those of Dis-Chem. Medicare is a healthcare and pharmacy group, operating 50 pharmacies across four provinces. Many of the stores in the Medicare portfolio are in convenience centres, in geographies where Dis-Chem is currently under-represented, giving the Group access to new markets. For the year ended 28 February 2021, Medicare generated revenue of R1.1 billion, with dispensary contributing approximately two thirds. The transaction is currently with the Competition Authorities.

Dis-Chem has entered into agreements with the shareholders of Kaelo Holdings in which it will acquire 25% of the equity of Kaelo, for a purchase consideration of up to R195 million, subject to company performance hurdles in each of the FY21 and FY22 periods. Upon closure, an initial amount of R120 million will be payable. The transaction was filed with the Competition Authorities on 18 May 2021. Kaelo houses a complementary portfolio of health assets, including benefit-rich gap and primary health insurance products, occupational health clinics, and is the owner of the AskNelson psychological wellbeing platform. Kaelo has delivered impressive and consistent annual performance, with CAGR product revenue growth of 30% over the last 3-years.

02

Creating sustainable value

Pharmacy First approach

Destination store

Target to open 20 new stores per year

22 000 m^2 space growth

Vision, mission, and values

Dis-Chem aims to provide customers with the best quality products and service at affordable prices.
In fulfilling this, we adhere to all applicable regulations, legislation and guidelines governing the industry in which we operate.

Our vision, mission and values provide direction for our day-to-day operations to keep everyone focused on where the organisation is going and what we are trying to achieve.

Vision

Our vision is to be the preferred and leading retail pharmacy Group in Southern Africa, and

1. To be the preferred partner for our customers, employees, suppliers, the communities in which we operate, our shareholders and regulators
2. To lead the market in terms of product innovation and range, superior customer service and loyalty rewards
3. To be the destination outlet of choice for health, beauty and other personal needs of our customers without losing the advantage of convenience
4. To operate in Southern Africa to take advantage of supply chain and other operating efficiencies

Mission

Our mission is to be a committed and caring team that strives to provide consistent value, low prices and service excellence for our customers' health and beauty needs while caring for the communities and environments in which we operate.

Vision, mission, and values (continued)

Values

Our values are core to the business's success and ensure that it remains aligned with its strategic direction. The following values are the foundation in achieving our vision:

Excellence

Achieve Excellence by maintaining high Quality and Professionalism in everything we do, staying Committed and having Passion for what we do.

Quality:
- Adhere to standard operating procedures, compliance policies and procedures.

Professionalism:
- Recognise the need for procedures and follow relevant procedures.
- Deliver information and services in a professional manner.

Commitment:
- Meet performance targets.
- Care, attention and dedication even over "the little things".

Passion:
- Go above and beyond the call of duty.
- Remain dedicated to projects and work tasks.

Customer service

Maintain excellent Customer Service by conveying Respect, Empathy and a constant desire to improve.

Display Engagement and Be the Brand.

Respect:
- Treat customers with courtesy, politeness and kindness.
- Provide quality service to all customers.

Be the brand:
- Consitently deliver on promises.

Engagement:
- Increase levels of customer satisfaction through quality orientation.

Empathy:
- Care for and understand customer needs.
- Listen to and assist customers.

Do the right thing

Always Do the Right Thing by maintaining Integrity, honesty and loyalty. Ensure Delivery through Teamwork and accept Accountability.

Integrity:
- Demonstrate honesty in an ethical and trustworthy manner.
- Blow the whistle on suspicious behaviour.
- Maintain confidentiality of private company information.

Accountability:
- Take responsibility for work tasks and deadlines.
- Take responsibility for our decisions and actions.

Teamwork:
- Build constructive working relationships and remain a team player.
- Show care and respect for co-workers.
- Appreciate cultural richness and diversity.

Delivery:
- Reliably deliver on commitments and work tasks.
- Focus on results and desired outcomes and how to best achieve them.

Entrepreneurial spirit

Display an Entrepreneurial Spirit through:

Innovation – being innovative in your approach to business and coming up with new ideas to stay ahead of the pack and be unique.

Accomplishing more with less by making the most of available resources and achieving goals.

Being Flexible, adaptable and Resilient in order to remain Competitive.

Innovation:
- Develop new/enhance existing solutions.

Unique:
- Encourage and develop new ideas.

Flexible:
- Provide solutions to all types of workplace challenges.
- Effectively deal with change and diverse people.
- Adapt to changing business needs, conditions and responsibilities.

Resilient:
- Cope well with pressure and recover quickly from difficulties.
- Learn from mistakes and celebrate success.

Competitive advantage

Range

Our wide range of products make us a destination store satisfying all customer needs

- Specialist buying teams
- Active dialogue through social and digital media

Value

Everyday low price strategy

- Quality products offered at the best prices
- Large order quantities and higher sales volumes to keep prices low

Accessibility

All stores have a pharmacy with operating hours the same for front shop and dispensary

- No division between the front shop and dispensary

Customer service

Our high employee to customer ratio sets us apart from competitors

- Experienced and knowledgeable staff in all categories

Strategy

Dis-Chem's strategy is built on six pillars. The successful implementation of the strategy should result in a diversified earnings profile, improved shareholders' returns, and more value for stakeholders.

Our strategy is supported by strong human capital, information technology and sound financial and capital management. The Group applies its strategy throughout the financial year, and the Board confirms that the strategy remains relevant and unchanged for the year ahead.

1 Increase store footprint

- Our target is to open on average 20 new stores per year, excluding acquisitions
- We have secured 18 new Dis-Chem and four new Baby City stores for FY2022 so far
- We will add approximately 20 000 m^2 of floor space

2 Drive secondary retail opportunities through innovation

- Retain first to market, innovative practices to deliver revenue diversification
- Enhance customer convenience through Dis-Chem Direct and our clinics
- Continue to enhance our e-commerce platform
- Increase contribution from speciality medicines

3 Drive revenue, margin and market share growth

- Continue to leverage off the existing head office infrastructure cost base
- Negotiate better commercial terms with vendors
- Continue with EDLP strategy to drive volumes and grow market shares

4 Achieve strategic advantage through our integrated supply chain

- Distribution cost savings
- Potential to expand into new geographies
- National footprint allows us to enter the pre-distribution market
- Potential industry consolidation
- Growth in TLC franchise

5 Practice good corporate citizenship

- Focus on environmental protection
- Partner with government through the NHI

6 Create sustainable value for all our stakeholders

- Strong cash generation
- Drive customer loyalty
- Create strong brand recognition

Targets

Retail

Short- to medium-term financial and operational targets

- Open on average 20 new stores per year
- Improve volume growth
- Improve trading densities
- Gain market share in all core categories
- Leverage off the existing head office cost base
- Enhance and grow e-commerce platform
- Drive secondary retail opportunities
- Increase the number of loyalty partnerships
- Drive and grow customer loyalty
- Look for consolidation opportunities
- Look for potential acquisitions
- Train and motivate employees
- Improve stock turn in retail stores

Wholesale

Short- to medium-term financial and operational targets

- Leverage our infrastructure
- Negotiate better commercial terms with vendors
- Gain scale through acquisitions
- Capture the supply chain by adding TLC franchisees
- Invest in price to attract independent volume
- Focus on productivity and cost-efficiency
- Focus on supplier management to improve supplier profitability
- Improve ROIC

Business model

Dis-Chem's business model is underpinned by our PHARMACY FIRST approach. We have a pharmacy in every store and pride ourselves in quality staff and service.

Financial Capital

Key stakeholders

- Shareholders and the investment community
- Suppliers

We aim to create value for our stakeholders by increasing revenue and profitability through expansion, both organically and acquisitively. Our goal is to manage our financial capital in such a way that we can sustain long term economic growth.

Inputs

- Funds received from capital providers
- Funds available through cash flow generated from operations
- Debt funding
- Reserves

Business activities

- Financial discipline and controls
- Capital deployment decision-making process
- Seek investment opportunities
- Focus on working capital management
- Organic growth prospects

Outputs

- Distribution to shareholders
- Sustained earnings growth
- Funding opportunities at competitive rates
- Strong free cash flow generation enabling strategic deployment

Outcomes

- REVENUE ^ 9.6% TO R26.3BN
- OPERATING PROFIT R1.3bn
- TOTAL INCOME ^ 8.5% TO R7.4BN
- HEADLINE EARNINGS PER SHARE ^ 11.8% TO 77.8c
- WEIGHTED TRADING DENSITY R96 000 PER M²
- CASH GENERATED FROM OPERATIONS R1 124m
- CAPITAL EXPENDITURE R401m
- NET DEBT/EQUITY 28.4%

Business model (continued)

Manufactured Capital

Key stakeholders

Employees, associates and partners · Customers · Suppliers

The continued investment in our distribution centres and retail stores is a key enabler in supporting our mission to produce high quality, superior customer service.

Inputs

- National distribution footprint with warehouses in four major provinces
- Retail stores across South Africa, Namibia and Botswana
- External supply chain contracts with independent pharmacies and TLC franchisees
- Advanced e-commerce capabilities
- Partly automated warehouses

Business activities

- Distribution of stock to own retail stores and independent pharmacies
- Vertical integration between wholesale and retail
- Growth and maintenance of external contracts
- Continuous investment in warehouses and retail stores – IT, refurbishments
- Continuous improvements to remain cost-competitive
- Effective cost management

Outputs

- Economies of scale for key products
- Competitive, scalable and flexible warehousing facilities providing a competitive advantage
- Margin maintenance

Outcomes

- 80 479m² OF WAREHOUSE SPACE
- ADDED 25 NEW STORES INCREASING OUR STORE FOOTPRINT TO NETT 194
- SPACE GROWTH OF 21 967m²
- OPENED THREE PHARMACIES IN MEDICLINIC HOSPITALS
- AIRPORT PHARMACIES BRANDED AS DIS-CHEM

Human Capital

Key stakeholders

Employees, associates and partners · Government and society

Our people are our biggest asset and our goal is to provide a safe and rewarding environment for all of our employees.

Inputs

- Appropriate skill sets and integrity in Wholesale and Retail
- Training and development
- Strong and diverse leadership team
- Organisational structures throughout the Group
- Well established culture

Business activities

- Appropriate remuneration, incentive and performance management practices
- Continued investment in skills development and training
- Focus on achieving diversity in the workforce
- Constructive engagement with employees

Outputs

- Competitive remuneration paid to employees
- Safe and healthy workforce
- Retention of skills
- Skilled, capable and diverse teams motivated to achieve objectives and able to deliver high quality service
- Low staff turnover
- Accredited training programmes for pharmacists and store managers

Outcomes

- 18 800 EMPLOYEES
- MORE THAN 7 000 EMPLOYEES TRAINED INTERNALLY & EXTERNALLY
- MORE THAN > R205m PAID IN EMPLOYEE BENEFITS
- OVER R19m SPENT ON TRAINING AND EDUCATION
- MORE THAN > R0.5m IN BURSARY GRANTS TO PHARMACY STUDENTS
- 66.6% OF EMPLOYEES ARE BLACK
- 62.6% OF EMPLOYEES ARE WOMEN

Business model (continued)

Intellectual Capital

Key stakeholders

Employees, associates and partners | Customers | Suppliers

By embracing technology and market shifts, we lead through innovation.

Inputs	Business activities	Outputs
• Goodwill • IT solutions • Entrepreneurial founder-led management team • Established Dis-Chem brand	• Responsible marketing and promotion of products • Integration of acquired businesses into our value chain • Identification of acquisition opportunities • White space exercise to identify new store space • Continuous IT investment • Efficient product sourcing	• E-commerce growth • Click and Collect in every store • Extensive range of products that meet our customer needs • Market share gains in key and sub-categories

Outcomes

- INCREASED CLICK & COLLECT HUB STORES
- APPROXIMATELY R210 MILLION SPENT ON IT CAPEX

Natural Capital

Key stakeholders

Employees, associates and partners | Customers | Government and society

We are committed to reduce our impact on the environment through responsible environmental management.

Inputs	Business activities	Outputs
• Natural resources used • Paperless warehouses	• Monitoring of emissions • Responsible water management and usage across manufacturing sites • Promotion of waste recycling initiatives	• Utility management • Ethical waste management • Recycling of packaging • Reduction of carbon footprint

Outcomes

- MORE THAN 4 600 TONS RECYCLED
- OVER 940 000 LITRES OF OIL SAVING
- OVER 78 000 TREES SAVED
- 29 127 m^3 LANDFILL SAVING

Business model (continued)

Social and Relationship Capital

Key stakeholders

- Shareholders and the investment community
- Government and society

We strive to build and maintain relationships with our stakeholders and are committed to social initiatives. We believe that responsible corporate citizenship is key to ensure sustainable growth.

Inputs

- Relationship with all our stakeholders through various platforms
- Responsible corporate citizenship
- More than 750k Facebook and 228k Instagram followers

Business activities

- Ongoing engagement with all our internal and external stakeholders
- Social campaigns run through the Dis-Chem Foundation

Outputs

- Upliftment of communities in which we work
- Programmes of engagement such as roadshows

Outcomes

- MORE THAN 95% OF INVENTORY IS SOURCED LOCALLY
- 336 CLINIC ROOMS
- 380 REGISTERED NURSES
- 5.2m ACTIVE BENEFIT MEMBERS
- R268m REDEEMED THROUGH THE BENEFIT PROGRAMME
- ALMOST R26m DONATED TO THE DIS-CHEM FOUNDATION

Stakeholder relationships

Our key stakeholders include:

- Shareholders and the investment community
- Employees, associates and partners
- Customers • Government and society • Suppliers

The Group needs to include our stakeholders in our daily activities to create sustainable value in the short, medium and long term. We identify our key stakeholders through ongoing engagement with all internal and external parties. We have a decentralised approach to engaging with stakeholders to form part of the various divisional operations and support functions. Ultimately, the Board is responsible for stakeholder management to ensure the approach balances the needs, interest, and expectations of stakeholders and remains in the company's best interest. The implementation and monitoring of stakeholder engagement are entrusted to management.

Key stakeholders	Why we engage	How we engage	Value creation measurement
Shareholders and the investment community Our primary providers of financial capital and the broader investment context and fraternity in which they exist. Non-public vs. public shareholders are 66% and 34%, respectively. The split between local and offshore investors are 84% and 16%.	• To create an informed view of the Group • To disclose company performance, prospects and strategy timeously • To disclose Group returns • To give a view on the economic, social and environmental outlook	• Results presentations • Local and offshore roadshows • One-on-one meetings • Conference calls • Integrated Annual Report • Annual General Meeting • Investor Relations website • SENS announcements • Trading updates • Conferences and investor days	• Investor Relations team • Investor days • Strong investment case • Good performance • One-on-one meetings • Investor calls
Employees, associates and partners The primary source of our human, social and relationship capital that drive our day-to-day operations and have face-to-face interactions with our customers. Our 18 000 plus employees create value by living our vision, mission and values.	• To enhance their sense of value, commitment and motivation • To align thinking with the Group strategy • To receive feedback on areas for workplace and performance improvement • To discuss competitive and fair remuneration and incentives • To instil trust in management	• Management and team meetings • Internal publications • Performance reviews • Intranet • Training and development	• Market remuneration benchmark exercise done annually • Effective intranet to facilitate communication across the Group • Staff wellness programme • Share incentive schemes • Bonus payments
Customers The primary market to which we provide products and services. They assist the Group in generating sustainable, value-creating business. The primary market that we provide products and services to and that help us create a sustainable, value-creating organisation. They are the primary source of the Group's revenue.	• To understand what customers value • To meet customer needs and increase long term loyalty • To enhance the Group's brands and grow market share • To encourage product and quality feedback • To improve customer service levels	• Direct engagement with customers • Online and social media interaction • Call centres • Dis-Chem magazines • Advertising and promotional campaigns	• Customer complaint line monitored by senior management • Investment in social media teams • Promotional activities • Increase range • Internal quality control team ensuring product quality and credibility • Market share increase in core categories • Loyalty Benefits Programme
Government and society Our broader national community and the representatives that serve their interests in public institutions. We work closely with the government to ensure we maximise our positive impact on the communities in which we operate.	• To fulfil legislative requirements • To contribute to community upliftment • Return through taxes • Transformation • Pharmacy licenses	• Regular meetings with MCC, the South African Pharmacy Council and the Department of Health • Engagement with the Department of Labour	• Internal relations department has active engagement with the Department of Labour • Compliance teams in place to ensure adherence to regulation • Donating to the foundation • Clinic services • Taxes paid R235m • 90% local sourcing
Suppliers Members of our supply chain that drive our operations through the supply of, and connection to, key means of production. We have more than 2 000 suppliers.	• To gain visibility into order quantities, factory capacities, product costs and quality • To improve supplier performance • To track core competencies • To enhance quick response times • To enhance safety and quality	• Regular meetings with suppliers • Site visits • Electronic communication • Quality audits and product testing	• Category-led business model encouraging engagement with suppliers • Consistent site audits by quality check team to ensure supplier standards are maintained

Material issues

The Group's material issues are reviewed annually by the Board and senior management, where all relevant internal, industry and macroeconomic factors are evaluated. These are the key operational risks, both financial and non-financial, which could have the largest material impact on the Group's ability to create and sustain value for its stakeholders.

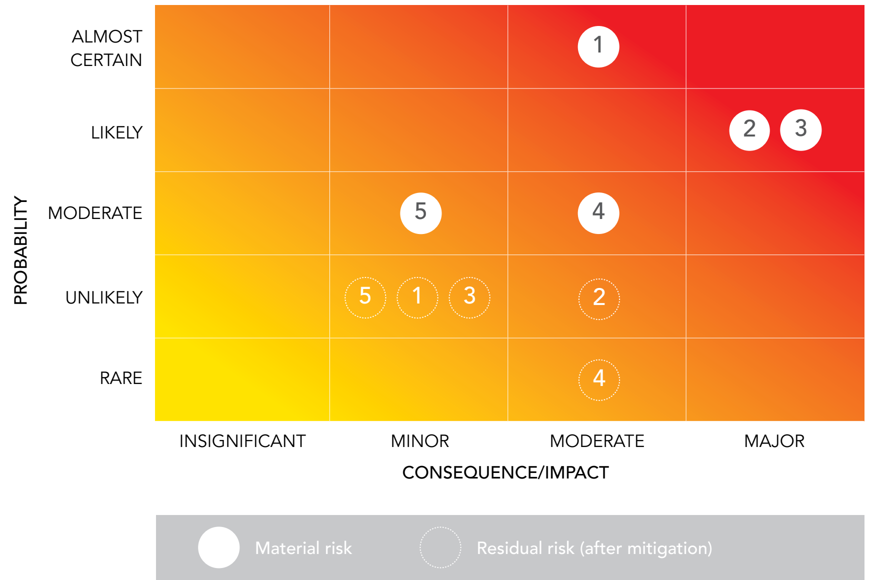
The Audit and Risk Committee plays an integral role in the risk management process and oversees the development and annual review of the risk policy and plan to manage the Group's risk. The Committee also ensures that senior management maintains a risk register and considers and implements appropriate risk responses.

The Board, sub-committees and senior management considered the following factors in identifying the Group's material issues:

- Political and macro-economic environment
- Current and expected trading environment
- Competitive landscape
- Business strengths, weaknesses, opportunities and threats
- Capital resources
- Regulation
- Key risks as detailed in the Group's risk register
- Strategic objectives

The following material issues have been obtained from our risk register and could significantly impact the Group's ability to create and sustain value:

1. Brand loss
2. Shortage of retail space
3. Competition
4. Skills shortage
5. Regulations



Material issue	Principal risk	Mitigation/opportunity
1 Brand loss	Dis-Chem's financial performance is influenced by the image, perception and recognition of the Dis-Chem brand, which, in turn, depends on many factors. These factors include: • the ability to maintain high levels of service in-store; • the ability to offer a wide range of products and services responsive to customers' needs; • the quality of its products; • the ability to offer competitive pricing; • the availability of stock in-store; • the image of its stores; • the perception of its loyalty programme; and • the strength of its communication activities, including advertising campaigns. Any failure to maintain favourable brand recognition could have a material adverse effect on Dis-Chem's business, results of operations and financial condition.	Dis-Chem focuses on having a wide range of products that meet its customers' needs: • Deliveries to stores are made regularly to ensure the availability of stock in store. This will be further enhanced in areas outside of Johannesburg with the KwaZulu-Natal, Delmas and Cape Town warehouses that are operational • Dis-Chem prides itself on excellent customer service with a large staff complement in all of its stores • Loyalty programme gives benefit back to customers for shopping in Dis-Chem stores • Dis-Chem has an "Everyday Low Price" strategy

Material issues (continued)

Material issue	Principal risk	Mitigation/opportunity
2 Shortage of retail space	Part of Dis-Chem's growth strategy is to increase the number of stores it has by opening new stores or by acquiring existing independent pharmacies and converting them into Dis-Chem pharmacies. Dis-Chem's ability to acquire or open profitable new stores in line with its strategy depends on many factors, including its ability to identify and secure attractive acquisitions and locations for new stores. If Dis-Chem does not open new stores on a timely or profitable basis, it may not realise its growth strategy.	• 18 new Dis-Chem and four new Baby City stores have already been identified and secured for FY2022 • Growth in Dis-Chem brand has made it an anchor store in malls • Concluded a deal with Mediclinic to take ownership of their outpatient pharmacies. • Realised a franchise agreement to rebrand all airport pharmacies to Dis-Chem pharmacies • Should reach 200 stores by 2021/2022
3 Competition	The level of competition faced by Dis-Chem's network of retail pharmacy stores and its e-commerce website, its corporate wellness clinics and its courier service is high. This affects pricing, product range and quality, store location and format, customer service levels and advertising. Dis-Chem competes at the local, regional and national levels with a wide variety of retailers of differing sizes and with differing but competing offerings, including other pharmacy Groups, independent pharmacies, courier prescription providers and various other retailers such as grocery stores convenience stores and online retailers. If Dis-Chem cannot respond adequately to these multiple sources and types of competition. This could have a material adverse effect on Dis-Chem's business, results of operations and financial condition.	• Dis-Chem continues to look for opportunities to be price competitive, including 2-plus-1 sale items and promotional reward campaigns • Dis-Chem focuses on having a wide range of products that meets its customers' needs • Loyalty programme gives benefit back to customers for shopping in the Dis-Chem stores • Dis-Chem prides itself on excellent customer service • 100% of stores have Click & Collect, thereby ensuring convenience for customers • Dis-Chem works closely with key suppliers to optimise supply chain efficiency • Dis-Chem has an "Everyday Low Price" strategy
4 Skills shortage	Dis-Chem's operations depend on the efforts, ability, and experience of the professionals it employs, particularly pharmacists, qualified pharmacy assistants, and store managers. Dis-Chem competes with other employers, including other pharmacies, healthcare providers and the government, in recruiting and retaining these professionals. Suppose Dis-Chem cannot hire qualified personnel when needed or experiences a higher than normal turnover rate for its employees. This could have a material adverse effect on Dis-Chem's business, results of operations and financial condition.	• Competitive remuneration paid to employees • Short-term and long term incentives in place, including the introduction of a share scheme participation for senior management (refer to Remuneration section) • Implementation of measures to encourage and develop the pharmacy profession, such as through running an undergraduate bursary programme for pharmacy students and by facilitating ways for employees to fulfil continuing professional development requirements • Accredited training programmes for store management
5 Regulations	The healthcare industry in South Africa is subject to extensive government regulation. Dis-Chem is subject to and incurs costs to comply with numerous laws and regulations, such as the Pharmacy Act, the Medicines Act and the Consumer Protection Act. There is uncertainty regarding the coming into force (either in their current form or at all) of various draft regulations issued by the National Department of Health and the SAPC. Untimely compliance or non-compliance with these laws and regulations could result in increased expenditure or the imposition of civil and criminal penalties that could adversely affect the continued operation of Dis-Chem's business, such as loss of licences, inability to obtain new licences or significant monetary fines. Any changes in the legislation, regulation or healthcare policies in South Africa, or the imposition of further requirements or restrictions on Dis-Chem, could have a material adverse effect on Dis-Chem's business, results of operations and financial condition.	• Dis-Chem actively monitors regulation changes to ensure awareness of any upcoming changes, including any issued draft regulations • The Group has regular meetings with the Department of Health and the South African Pharmacy council • There is an internal quality assurance and check team to administer the compliance programme and audit

03

Corporate governance

Energy management initiatives

Use recycled plastic bags

Support people with disabilities

Chairman's statement

The COVID-19 pandemic continued to have a profound impact on South Africa – physically, emotionally and financially. Not a single individual or company has been left untouched.

Larry Nestadt

Revenue	EPS	Dividend reinstated at	Staff vouchers and donations
9.6%	11.8%		
R26bn	77.8c	31.1cps	R25.5m

As a global corporate citizen, Dis-chem continues to feel the impact of the Corona Virus pandemic on its stakeholders and business.

Our thoughts are with the families and friends of those who have lost their lives, and with the millions who continue to suffer the effects of social and economic disruption as South Africa experiences its worst recession in over 100 years.

Despite the deepening economic recession and the COVID-19 pandemic directly overlapping the reporting period, Dis-Chem continued to show its resilience with a healthy 9.6% increase in revenue, as quality service, competitive prices and an extensive range of products resulted in market share recovery and gains across most categories.

We continue to take every possible step to safeguard the well-being of our employees, customers and patients. Besides ensuring our people have appropriate personal protection equipment, we have also provided COVID-19 screening and testing, while vouchers valued at R25.5 million were distributed to all staff as support during these difficult times, and as an acknowledgement of their commitment to the front-line fight against the virus.

The country experienced fewer cases of cold and flu across the winter months than in previous years, as the lockdown kept more people at home and South Africans took extra precautions. Although this impacted over-the-counter sales, this was partially offset by strong chronic drug adherence.

Our proven, Everyday Low Price strategy has continued to see us through the challenging environment and management has adapted the business to meet the demands of any prolonged economic hardship. During the period, the Group has taken several steps to strengthen its financial position and maintain financial liquidity, assisted by lower interest rates, while the focus on Return on Invested Capital (ROIC) has positioned us well to adapt to fast changing trading patterns.

COVID-19 has, naturally, thrown additional challenges at Dis-Chem.

Dis-Chem has witnessed a digital transformation across all sectors. The pandemic has dramatically affected consumers' purchasing behaviour, driving a massive shift to online shopping, which is particularly evident in the retail sector.

Dis-Chem's ongoing investment in its online platform paid off as the Group saw significant online sales growth of 260.7% this year.

Chairman's statement (continued)

The move to online shopping has not affected brand loyalty and it is encouraging to see that the Dis-Chem brand is stronger than ever. Adherence to our loyalty benefit programme is a strong indicator, with membership now at 6.2 million, up from 5.5 million the previous year. While the loyalty redemption rate declined as a result of COVID-19-related consumer shopping patterns, there was a significant increase in app downloads as more members opted for digital engagement with Dis-Chem.

There's no doubt that e-commerce is here to stay, and the Group will continue to invest in technology solutions to drive innovation and enhance the customer experience, while improving profitability and efficiency.

Operating environment

The ongoing COVID-19 pandemic has continued to have a devastating impact on the economic and social well-being of the global population. In South Africa, official unemployment continued to rise to an all-time high, while the economy contracted 7% in 2020 and is only expected to reach pre-COVID levels in 2023.

The pandemic has highlighted the need to solve for increased, lower priced healthcare delivery to more South Africans. We believe our telemedicine offering will play an important role in the delivery and growth of the primary care market within South Africa's healthcare system.

With the increasing trend towards a healthier lifestyle amongst South Africans, the COVID-19 pandemic has further altered consumer behaviour. Customers are more focused on their wellness, and the change in mix towards vitamins, supplements and healthy foods has increased significantly.

The South African government and industry collaboration have been significant during the pandemic period. It is difficult to remember a time when industry, government, labour and civil society worked this closely in pursuit of a common cause. While the base platform for this was established during last year's reaction and response to the pandemic, it has been significantly amplified during the current vaccine roll-out process.

Dis-Chem has partnered with government in the COVID-19 vaccine roll-out as we have an important role to play in assisting government to meet its vaccination targets. We are collaborating on the Electronic Vaccination Data System (EVDS), which is used to register all eligible people for the vaccination.

> The Group's expansion targets remain on track, with plans to add 22 new Dis-Chem and Baby City stores in FY2022.

Since 17 May 2021, the Group has been vaccinating the over 60-year-old population as well as healthcare workers. We have secured 32 dedicated vaccination sites, while additional capacity from in-store clinics will be added, when the J&J vaccination becomes available. Operating at full capacity, we will be able to administer up to 800 000 vaccines per month.

Long-term sustainability

Through the Dis-Chem Foundation, Dis-Chem has continued to provide care and support aimed at improving the lives of individuals and communities in need.

The Foundation is a beneficiary of Dis-Chem Pharmacies' Benefits Programme. The millions of active loyalty members, who earn points on what they spend at Dis-Chem Pharmacies, contribute a percentage of the value purchased which is then donated to selected charities on their behalf.

This year members received benefits to the value of R268 million, while the Foundation was able to donate just under R26 million to worthy causes. This included the donation of 5 200 blankets for distribution to 33 organisations nominated by Dis-Chem's Facebook followers, and Dis-Chem Pharmacy employees.

The Group has continued its strong focus on water and energy management initiatives, while our ethical waste management initiative has seen us recycle more than 4,600 tons of waste.

It is worth noting that more than 95% of Dis-Chem's inventory is sourced locally.

Chairman's statement (continued)

Ethics, leadership and corporate governance

The Board believes that poor corporate governance ultimately equates to poor business and that achieving the highest corporate governance standards is a journey that requires continued monitoring and improvement. With the Board's guidance and oversight, the Group is steadfast in its commitment to achieving the outcomes-based and holistic approach of King IV that requires corporate governance to be integrated into the daily aspects of the business.
This ultimately achieves the realisation of an ethical culture, good performance, effective control and legitimacy.

The Board has a duty to ensure that Dis-Chem's growth and development strategy creates value for our shareholders. The Group's strategic direction has continued to benefit from the diverse skills, knowledge and 200 years of collective experience and wisdom of our eight Board members.

Mr Mahomed Gani, who made a significant contribution to the board during his tenure, resigned as a non-executive director of Dis-Chem on 9 September 2020 due to ill-health. Sadly, he subsequently passed away and we extend our condolences to his family and friends.

On 12 January 2021 we welcomed Ms Alupheli Sithebe as an independent non-executive director.

Prospects

We expect that the third COVID-19 wave, along with ongoing load-shedding and hefty fuel price increases, will continue to put pressure on the economy and consumers in the short to medium term. We do not anticipate a material change in consumers' ability to substantially increase spending patterns and it will take some time before we see any major improvement. Much depends on the effectiveness of South Africa's vaccine programme.

Good progress has been made in the implementation of the Group strategy. The defensive nature of our business, along with the resilient nature of the markets in which we operate, has allowed us to adapt to the challenging operating environment, while the Group's focus on ROIC and our strong brand position us for continued success in the future.

Dis-Chem's well respected brand, its competitive pricing strategy, large and diverse portfolio of offerings, together with its entrepreneurial spirit, will ensure that we are well prepared for the full economic recovery.

Acknowledgements

Dis-Chem owes its strength to the outstanding efforts of its leadership team and all our people who work tirelessly to deliver great results consistently.

My fellow Board members and I applaud our employees for their dedication and relentless commitment over the past unpredictable and challenging year. They faced the most testing of times as they continued to deliver world-class service and keep our company operating smoothly throughout the pandemic.

We thank all our customers, shareholders, suppliers and regulators for their ongoing support.

Larry Nestadt

Our Board

Laurence Michael Nestadt (70)

Appointed to the Board in November 2016

Chairman

Independent non-executive director

Committee:

Background: Larry has a long and successful global corporate career. He is a co-founder of Investec Bank Ltd and has been instrumental in the creation and strategic development of a number of listed companies.

Other boards: Global Capital, Blue Label Telecoms, Universal Partners, National Airways Corporation, Morecorp Group, Melrose Motor Investments, SellDirect Marketing, Cell C.

Ivan Leon Saltzman (71)

DipPharm

Appointed to the Board in November 2016

Chief Executive Director

Co-founder of Dis-Chem

Committee:

Background: As co-founder of Dis-Chem and a pharmacist, Ivan has over 40 years of experience in the retail, pharmaceutical industry. He is fully committed to the business and is involved in the daily operations and decision making of the Group.

Lynette Frances Saltzman (69)

DipPharm

Appointed to the Board in November 2016

Managing Director

Co-founder of Dis-Chem

Committee:

Background: Lynette is a co-founder of Dis-Chem with over 40 years of experience in the retail pharmacy industry. She is also the founder and director of The Dis-Chem Foundation and heads up the Beauty category as well as marketing for the Group.

Rui Manuel Morais (37)

BCom, CA(SA)

Appointed to the Board in November 2016

Chief Financial Officer

Executive director

Background: Rui has over ten years of experience in the retail pharmacy industry and has been with Dis-Chem for nine years. Before joining Dis-Chem he had various senior managerial roles at Ernst & Young.

Alupheli Sithebe (38)

BCom, CA(SA), MBA

Appointed to the Board in January 2021

Independent non-executive director

Committee:

Background: Alu is a private equity investment professional with extensive experience in mergers and acquisitions. She was most recently Principal at African Phoenix Investments Limited. She began her career with EY where she qualified as a CA(SA) in the Retail & Consumer Products division. Alu is currently Managing Director of her investment holding business named Kamva Investments.

Other boards: Metair Investments Limited, AIH Capital, IDM Academy

Audit and risk committee | Nominations committee | Remuneration committee | Social and ethics committee | C *Chairman*

Our Board (continued)

Anuschka Coovadia (44)

MBChB, MAP, MSE

Appointed to the Board in November 2016

Independent non-executive director

Committees: C

Background: Dr Anuschka is a partner at Usizo Advisory Solutions, an independent health advisory consultancy. She was the former Head of Healthcare for Africa for KPMG International, a healthcare investment development fund director – Ayurveda Investments and a member of a global task team on Universal Health Coverage. She has more than 15 years of experience in the health and research industry.

Other boards: CAPRISA, Dawi clinics, Kendra Business Forum, St Johns DSG. Durban Girls College, Anton Lembede Academy of Maths and Science

Joe Mthimunye (55)

BCompt (Hons), CTA, CA(SA)

Appointed to the Board in November 2016

Independent non-executive director

Member of: C

Background: Joe is the co-founder and executive chairman of AloeCap, a boutique corporate finance and investment company. Before AloeCap he was one of the founding partners of Gobodo Inc, the accounting and auditing practice that is a forerunner to the newly merged SNG Grant Thornton.

Other boards: Blue Label Telecoms, Cell C, Hatfield Holdings, Interfile, Mining Pressure Systems.

Mark Bowman (55)

BCom, MBA

Appointed to the Board in November 2016

Independent non-executive director

Member of: C

Background: Mark has over 24 years of experience in the South African corporate sector through his roles like senior executive at SABMiller.

Other boards: Tiger Brands, Mr Price, Grand Parade Investments.

Saul Eytan Saltzman (41)

BCom

Appointed to the Board in November 2016

Alternate executive director to Lynette Saltzman

Background: Saul has 19 years of experience in the retail, pharmaceutical industry, all of which have been at Dis-Chem. Saul has had numerous strategic roles in the business, including heading up the import division and focusing on the Group's private label strategy.

Audit and Risk Committee | Nominations Committee | Remuneration Committee | Social and Ethics Committee | C *Chairman*

Governance report

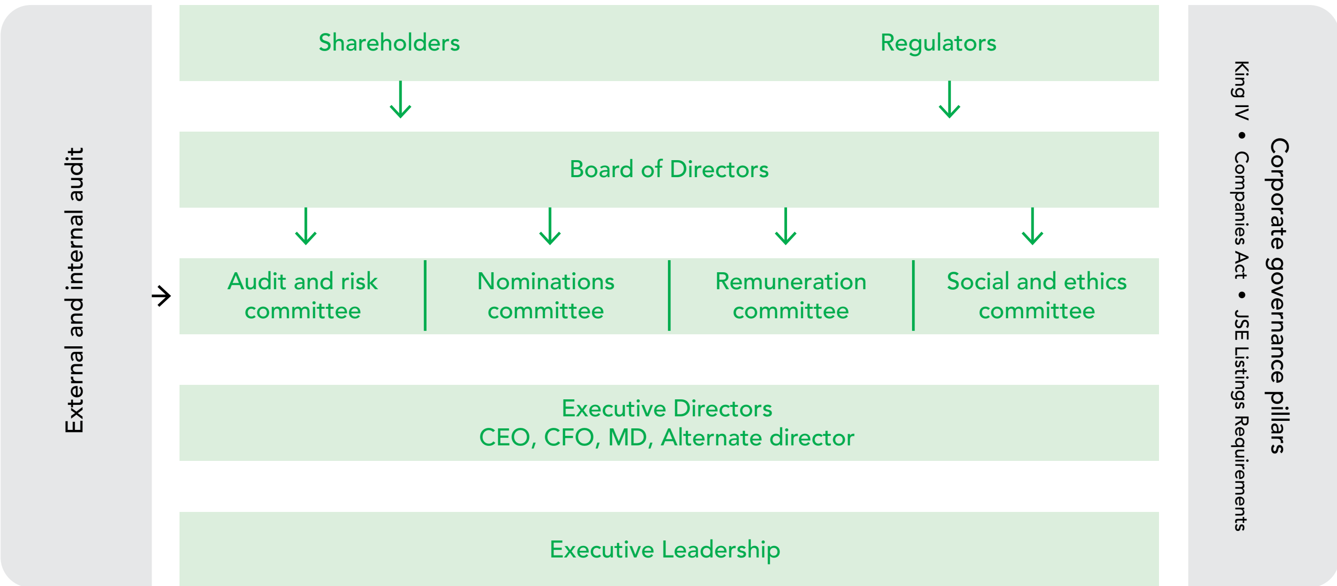
Dis-Chem is committed to best practice governance as it drives us to continuously improve the way we manage our business to create sustainable value. We aim to create an ethical culture where decisions are taken openly and transparently and lead to good performance.

Framework and principles

The Group's governance framework is structured in such a way that it achieves our strategic objectives within compliance requirements. It balances our stakeholders' interests to minimise and avoid conflicts of interest and practice good corporate behaviour.

We aim to maintain a standard of reporting and disclosure, keeping in mind our stakeholders' best interests. The Board ensures that reports issued by Dis-Chem enable stakeholders to make informed assessments of the Group's performance and its short-, medium- and long term prospects. We are committed to fully complying with the JSE Listing Requirements.

Governance structure



Concerns

Our shareholders and investors have brought to our attention their concerns within the Group regarding our corporate governance. We have tried our best to address legitimate and reasonable concerns and clarify any processes involved. The table below summarises these concerns and how we addressed them:

Concern	Solution
Succession planning	The Nominations Committee and the Board have approved that Rui Morais will succeed Ivan Saltzman as the CEO when he steps down.

Key issues addressed in the 2021 financial year

1. Related party leases
2. POPIA compliance

Governance report (continued)

Board of Directors

The Board of Directors recognises that ethical and practical leadership is the starting point of good corporate governance and should be monitored, adapted and improved continuously. Board members, collectively and individually, are expected to conduct themselves in a manner that sprouts integrity, competence, responsibility, accountability, fairness, and transparency, resulting in achieving strategic objectives and positive outcomes over time.

Dis-Chem's unitary Board structure consists of eight directors: five independent, non-executive directors and three executive directors. There is also one alternate director. Independent, non-executive director, Larry Nestadt, is the Chairman of the Board. Each director's age, tenure, experience, and expertise are briefly set out on pages 33 and 34.

The requirements of the non-executive directors include dedicating sufficient time and energy to the concerns of the Board. They are allowed to serve on other boards provided that their other duties do not inhibit their commitment to adding value to the Dis-Chem Board.

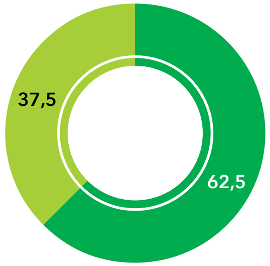
The Group has a controlling shareholder with direct shareholder representation on the Board.

Appointment

The Board has adopted a policy detailing the procedures for appointments to the Board to ensure a balance of power and authority within the Board composition. Such appointments should be formal and transparent, and a matter for the Board assisted by the Nominations Committee who recommend such appointments.

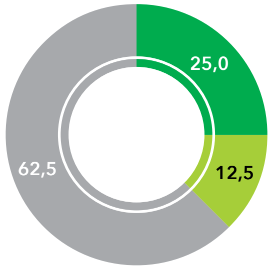
Diversity

GENDER
(%)



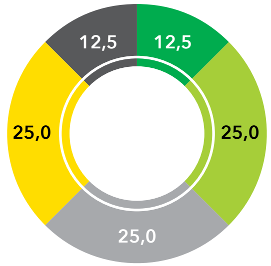
Male Female

RACE
(%)



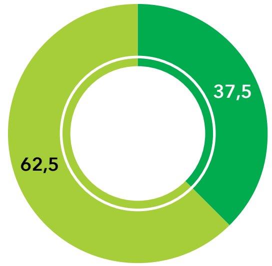
Black Indian White

AGE
(%)



30 – 40 years 41 – 50 years
51 – 60 years 61 – 70 years
70+ years

EXECUTIVE VS NON-EXECUTIVE
(%)



Executive directors
Non-executive directors

Skills

The Board possesses the extensive business experience and specialist skills across various sectors, including accounting, finance, retail, and healthcare. The balance of knowledge, skills, experience, diversity and independence enables them to provide objective and independent advice and judgement in the decision-making process.

Name	Accounting	Finance	Healthcare	Retail
Alupheli Sithebe	✓	✓		✓
Anuschka Coovadia		✓	✓	
Ivan Saltzman			✓	✓
Joe Mthimunye	✓	✓		
Larry Nestadt		✓		✓
Lynette Saltzman			✓	✓
Mark Bowman				✓
Rui Morais	✓	✓	✓	✓

Governance report (continued)

Responsibilities

The Board is responsible for the Group's performance, its overall strategic direction, values and governance. Its primary function is to exercise prudent control over the company and its affairs. The Board is actively involved in informing and approving the Group's strategy as opposed to passively receiving it from management. It provides the leadership required for the Group to meet its business objectives within the framework of its internal controls.

The Board ensures that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.

The role and duties of the non-executive Chairman and the CEO are separated and clearly defined. The CEO, CFO and Managing Director ("MD") are the most senior decision-making executives in the Group. Assisted by relevant sub-committees they deliberate, take decisions or make recommendations on all matters of strategy and operations. The decisions are referred to the Board for final approval where required, while in other cases the power to take decisions is delegated to the CEO, CFO and MD.

Responsibilities included in the approved Board charter include the following:

- Act as the focal point for, and custodian of, corporate governance by managing its relationship with management, the shareholders and other stakeholders of the Company to build and maintain stakeholders' trust and confidence in the Company along with sound corporate governance principles. In this regard, the Board will be expected to:
  - Acquire a working knowledge and understanding of the company's business and the laws, regulations and processes that govern its activities;
  - Be able to make sound business decisions and recommendations;
  - Exercise judgement independently; and
  - Exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct;
- Appreciate that strategy, risk, performance and sustainability are inseparable and to give effect to this by:
  - Contributing to and approving the strategy;
  - Satisfying itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management;
  - Identifying key performance and risk areas, which includes the responsibility of setting the company's level of risk tolerance and limits for its risk appetite on an annual basis and monitoring the same accordingly;
  - Ensuring that the strategy will result in sustainable outcomes; and
  - Considering sustainability as a business opportunity that guides strategy formulation;
- Provide effective leadership on an ethical foundation;
- Ensure that the company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the company, but also the impact that business operations have on the environment and the society within which it operates;
- Ensure that the company's ethics are managed effectively;
- Ensure that the company has an effective and independent audit committee;
- Be responsible for the governance of risk;
- Be responsible for IT governance, which includes ensuring that information assets are identified, managed and treated as important business assets;
- Ensure that the company complies with applicable laws and considers adherence to non-binding rules and standards;
- Ensure that there is an effective risk-based internal audit for approaching the Group's control environment which must be aligned with the risk assessment process;
- Appreciate that stakeholder's perceptions affect the company's reputation;
- Ensure the integrity of the company's integrated report;
- Act in the best interests of the company by ensuring that individual directors:
  - Adhere to legal standards of conduct;
  - Are permitted to take outside or other independent advice as it deems necessary in connection with their duties following an agreed procedure;
  - Disclose real or perceived conflicts to the Board and deal with them accordingly; and
  - Deal in securities only according to the policy adopted by the Board;
- Commence business rescue proceedings as soon as the company is financially distressed;
- Report on the effectiveness of the company's system of internal control;
- Elect a Chairman of the Board that is an independent non-executive director; and
- Appoint and annually evaluate the performance of the Chief Executive Officer.

The Board is expected to meet at least four times a year. For any specific business issues that may come about between scheduled meetings, additional meetings may be arranged.

Governance report (continued)

Performance evaluation

The Board gets evaluated annually to assess its effectiveness as a unit with the following factors taken into consideration:

- Role and responsibilities
- Composition, size and independence
- Director orientation and development
- Leadership, teamwork, and relationships with management
- Board and committee meetings productivity
- Director evaluation and compensation
- Succession planning
- Ethical leadership and culture
- Stakeholder engagement

Each director is required annually to assess the performance of the Board, its committees, the Chairman and the chief executive officer. This year's assessment indicated that in the opinion of the directors, the Board, its committees and the Company's most senior executives had discharged their responsibilities effectively. The directors believe that the Board is well balanced in terms of skills, qualifications and experience, and makes a meaningful contribution to the Group.

Share dealings

The directors' dealing policy governs directors' dealings in Dis-Chem shares. All directors and the Company Secretary must receive prior written approval from the Chairman before buying or selling Dis-Chem shares. The Chairman is required to obtain consent from the Chairman of the audit and risk committee before undertaking any share dealings. Directors must notify the Company Secretary of any trades in the company's shares. This information is then disclosed on SENS within 24 hours of receipt of such information.

The Group operates a closed period policy in line with the JSE Listing Requirements. During closed periods, directors are prohibited from dealing in Dis-Chem shares. Parties who may have access to confidential or price-sensitive information are cautioned against the possibility of insider trading during these periods. Embargoes may also be placed on share dealings at any other time if directors or executives have access to price-sensitive information which is not in the public domain.

Access to information

The directors have unrestricted access to all Group information, records, documents and property. Information is distributed promptly before Board meetings to enable directors to prepare and apply their minds adequately. The Board recognises that there may be occasions where one or more directors feel it necessary to seek independent, professional advice. The company has agreed to bear the expenses of such advice if specific procedures are followed.

Conflicts of interest

Directors are required to declare any personal financial interest that poses a conflict of interest through a formal disclosure process which will take place periodically. Where a conflict of interest may exist, directors are required to excuse themselves from the meeting. The directors' share dealing policy also requires a declaration of interest.

Governance committees

The Board delegates certain functions to well-structured committees without abdicating its own responsibilities. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

Audit and Risk committee

Members: Joe Mthimunye (Chairman), Alupheli Sithebe, Anuschka Coovadia, Mark Bowman

The role of the Audit and Risk committee is to assist the Board by:

- Providing additional assurance regarding the quality and reliability of financial information used by the Board.
- Reviewing the internal control systems, the financial control systems, the accounting systems and reporting, and the internal audit functions.
- Ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities.
- Liaising with the Group's external auditors, monitoring compliance with legal requirements, ensuring management addresses any identified internal control weakness, assessing the performance of financial management, assessing the company's going concern status.
- Approving external and internal audit fees, budgets, plans and performance.
- Conducting an annual review and assessment of the financial reporting risks the Group faces.
- Ensuring that senior management processes and procedures are adequate to identify, assess, manage and monitor Group-wide risk.

The committee will meet at least once a quarter.

Governance report (continued)

Remuneration committee

Members: Mark Bowman (Chairman), Joe Mthimunye, Larry Nestadt

The role of the Remuneration committee is to assist the Board by:

- Determining the specific remuneration packages for each of the executive directors and the Chairman.
- Considering the bonuses, which are discretionary and based upon general economic variables, the performance of the Company and the individual's performance.

The committee will meet at least two times a year.

Nominations committee

Members: Larry Nestadt (Chairman), Joe Mthimunye, Mark Bowman

The role of the Nominations committee is to assist the Board by:

- Leading the process of Board appointments, composition and balance.
- Considering succession planning.

The committee will meet at least two times a year.

Social and Ethics committee

Members: Anuschka Coovadia (Chairman), Lynette Saltzman, Alupheli Sithebe

The role of the Social and Ethics committee is to assist the Board by:

- Considering matters about the Group's activities having regard to any relevant legislation, other legal requirements and prevailing codes of best practice.
- Advising on all relevant aspects that may have a significant impact on the long term sustainability of the Group.
- Embedding an ethical culture.

The committee will meet at least two times a year.

Board and committee meetings and attendance

1 March 2020 – 28 February 2021

Director	Board meetings	Audit and Risk committee meetings	Nominations committee meetings	Remunerations committee meeting	Social and Ethics committee meeting
LM Nestadt	4/4		2/2	2/2	
IL Saltzman	4/4				
LF Saltzman	4/4				2/2
RM Morais	4/4				
A Coovadia	4/4	4/4			2/2
JS Mthimunye	4/4	4/4	2/2	2/2	
MSI Gani*	0/4	0/4	0/2	0/2	0/2
MJ Bowman	4/4	4/4	2/2	2/2	
A Sithebe**	1/4	1/4			1/2

** MSI Gani resigned from the Board in September 2020 due to health concerns*
*** A Sithebe was appointed to the Board in January 2021*

Governance report (continued)

Accountability and control

The Group's Annual Financial Statements ("AFS") are based on appropriate accounting policies, and the external auditors independently examine the AFS under International Standards of Auditing.

The Board is satisfied that the Group's AFS for the 2021 financial year fairly represents the Group's operational results and financial position.

Company Secretary

All the directors have access to the Company Secretary's advice and services, who acts as a channel between the Dis-Chem Board and the Group and is not a director of the Group. The Company Secretary is responsible for the flow of information to the Board and its committees and ensures compliance with Board procedures.

In line with the JSE Listing Requirements, the Company Secretary's qualifications and experience get formally evaluated by the Nominations Committee and subsequently approved by the Board. The committee evaluates the objective nature of the role explicitly, confirming that there is no affiliation or association to any single Board member, holds no directorship and provides independent advice to the Board as a whole.

The evaluation found that the current Company Secretary is suitably qualified, experienced and fit and proper to perform the Company Secretary's function. An arm's-length relationship with the Board is maintained. The appointment and removal of the Company Secretary is a matter for the Board and not the executive management team.

The Company Secretary coordinates the induction programme for newly appointed directors as well as the annual Board evaluation.

The Board is satisfied with the competence, qualifications and experience of the Group's Company Secretary.

Compliance

The Audit and Risk Committee monitors the Group's compliance risk, managed through the compliance framework and compliance reviews. The legislative landscape is continuously monitored, and the potential impact of new laws and regulations on the Group assessed. All business units, departments and subsidiaries are required to comply with all applicable legislation and regulation.

The Board considered and reviewed the Company's compliance with the Companies Act and is comfortable that it complies with the applicable provisions of the Act in relation to its incorporation and that its operates in conformity with it Memorandum of Incorporation ("MOI").

Ethics and managing unethical behaviour

Dis-Chem is committed to a policy of fair dealing and integrity in the conduct of their business. This commitment, which the Board of Directors actively endorses, is based on a fundamental belief that business should be conducted honestly, fairly and legally. The directors expect all employees and other representatives to share their commitment to high moral, ethical and legal standards. Any employee who has questions regarding conduct in specific situations should obtain guidance from their manager, director, or CEO.

All directors and all managers in the Group must ensure that the Group's ethical standards and policies are made known to all employees for whom they are responsible. Ultimately, however, it is up to each of the employees to adhere to Dis-Chem's principles of honesty, integrity and fairness, and perform their duties according to all laws and regulations. The Board governs Dis-Chem's ethics in a way that supports the establishment of an ethical culture. The Social and Ethics Committee is tasked with monitoring organisational ethics.

As a responsible corporate citizen, Dis-Chem takes a zero-tolerance approach to theft, fraud and corruption. The Group evaluates reported incidents of theft, fraud, and corruption to determine how these incidents should be investigated. All identified cases are reported to the South African Police Services or appropriated registered bodies such as the HPCSA. Civil recoveries are pursued by prejudiced business units where financially appropriate.

Several mechanisms are in place for stakeholders to report irregularities such as alleged theft or fraudulent, corrupt or unethical behaviour, including unethical medical behaviour. These mechanisms are available to all Dis-Chem employees in South Africa and the public, including suppliers and consumers.

Going concern

The Group's financial statements have been prepared on a going-concern basis. The directors have reviewed the Group's budget and cash flow forecast. They are satisfied that the Group is in a sound financial position with access to sufficient borrowing facilities to meet its foreseeable cash requirements.

Internal control and internal audit

The Dis-Chem Board is responsible for ensuring that an appropriate system of internal controls is maintained to provide reasonable assurance that:

1. Dis-Chem's assets are appropriately safeguarded and managed
2. Losses arising from fraud and/or other illegal acts are minimised
3. Accounting records, financial statements and operating information are accurate, complete and fairly presented

Governance report (continued)

PricewaterhouseCoopers ("PwC") was appointed as the Group's internal auditors in March 2017. They fulfil an assurance and consulting function, which is mandated to provide independent and objective assurance on Dis-Chem's internal controls system. They employ a systematic and disciplined approach when evaluating the effectiveness of risk management, control and governance processes. Internal Audit activities include highlighting process improvements and providing assurance to the Group's stakeholders that the organisation operates responsibly. They report to the Audit and Risk Committee and assists the committee in effectively discharging the responsibilities delegated to it by the Board and is achieved through independent financial, IT, compliance and operational process reviews.

Investor relations

The Group ensures effective dialogue with all shareholders, where practicable. Communication around Group strategies and financial performance in a timely, relevant and balanced manner is key to ensure transparency, objectiveness, and honesty. Regular contact assists the Group to improve shareholder relationships. Shareholders, potential shareholders, analysts and other relevant parties are invited to the Group's presentations after the announcement of their interim and final results. These presentations are published on the Dis-Chem Group website.

Care is exercised to ensure that all price-sensitive information is released to all shareholders and relevant parties simultaneously per the JSE Listings Requirements. Shareholders are also encouraged to attend the Annual General Meeting ("AGM"), which provides an opportunity for shareholders to raise pertinent questions and to interact with directors.

The Investor Relations policy is available on the Group's website at www.dischemgroup.com.

Information Technology Governance

Information Technology ("IT") plays a critical role in achieving the Group's objectives and managing its risks. Integrating good governance into the Group's IT requirements ensures that our business practices are sustainable. IT governance is integrated into the Group's operations.

The IT governance policy is informed by King IV principles and the COBIT framework. Dis-Chem Pharmacies Ltd has adopted COBIT 5, which is a framework from the Information Systems Audit and Control Association ("ISACA") for the management and governance of information technology. COBIT starts from the premise that IT needs to deliver the information that the enterprise needs to achieve its objectives. In addition to promoting process focus and process ownership, COBIT looks at fiduciary, quality and security needs of enterprises and provides information criteria that can be used to define generically what the business requires from IT: effectiveness, efficiency, availability, integrity, confidentiality, reliability and compliance.

The COBIT 5 framework further divides IT into processes belonging to domains that address planning, implementation, delivery, support, monitoring and reporting.

There are five key elements of COBIT:

Strategic alignment focuses on ensuring the linkage of business, and IT plans, defining, maintaining and validating the IT value proposition, and aligning IT operations with enterprise operations. Value delivery is about executing the value proposition throughout the delivery cycle, ensuring that IT delivers the promised benefits against the strategy, concentrating on optimising costs and proving the intrinsic value of IT.

Resource management is about the optimal investment in, and proper management of, critical IT resources: applications, information, infrastructure and people. Key issues relate to the optimisation of knowledge and infrastructure.

Risk management requires risk awareness by senior organisational officers, a clear understanding of the enterprise's appetite for risk, understanding of compliance requirements, transparency about the significant risks to the enterprise and embedding of risk management responsibilities into the organisation.

Performance measurement tracks and monitors strategy implementation, project completion, resource usage, process performance and service delivery, using, for example, balanced scorecards that translate strategy into action to achieve goals measurable beyond conventional accounting.

Dis-Chem's IT Governance framework guides the organisation for the use and deployment of IT as follows:

- The Dis-Chem Pharmacies Ltd Board assumes responsibility for IT governance and delegates this responsibility to the Audit and Risk Committee.
- The Audit and Risk Committee has delegated to management the responsibility for the implementation of IT governance and management. It has duly appointed a suitably qualified and experienced Chief Information and Innovation Officer ("CIIO").

Collectively they assist in carrying out the Dis-Chem Pharmacies Ltd IT obligations:

- Oversight responsibility for information technology (IT and data) governance.

Governance report (continued)

- Ensure that IT and data are aligned with the business objectives.
- Delegate to management the responsibility for the implementation of an IT and data governance framework.
- Ensure that IT and data forms an integral part of the company's Enterprise Risk Management framework.
- Ensure that information assets are managed effectively.
- Monitor and evaluate significant IT investments and expenditure.
- Ensuring the promotion of an ethical IT governance culture and awareness.

Key focus areas for Dis-Chem Pharmacies IT include data management with a specific view to legislative compliance (such as POPIA) and an aggressive focus on cybersecurity management across the Group.

Legal and regulatory environment

Legal and regulatory compliance is a core part of our corporate governance, given the vast regulatory environment in which we operate and the need to follow various legal and licence requirements. Although the outcomes of legal proceedings, claims and actions instituted against the Group cannot be predicted, the Group is suitably resourced to manage this process.

The Board governs compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports Dis-Chem being ethical and a good corporate citizen.

The Board believes that there is no current or pending legal action that will materially affect the Group's operations.

Political party support

While the Group supports democracy in South Africa, it does not make financial donations to individual political parties.

Reporting frameworks

Reporting frameworks are in line with the International Integrated Reporting Framework requirements and the Compliance Act of South Africa.

Stakeholder relationships

The Group's relevance to the market depends on meaningful engagement with all stakeholders to ensure and maintain good relationships. This, in turn, assists the Group to understand the expectations of shareholders and minimise reputational risk. Financial and non-financial information is disseminated timeously and accurately to all stakeholders.

Sustainability

Dis-Chem's direct impact on the environment is limited, and we focus on implementing mechanisms to manage the Group's utilities where applicable effectively. This includes minimising our carbon footprint, energy and water efficiency considerations, and recycling and control of water waste. Refer to our Environmental and Social report.

The Board is satisfied that it has fulfilled its responsibilities per its mandate for the 2021 financial year and has provided relevant information to stakeholders to satisfy the King IV disclosure requirements.

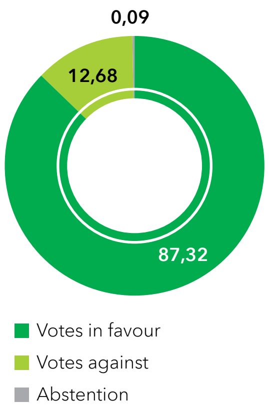
Remuneration report

1. Background statement

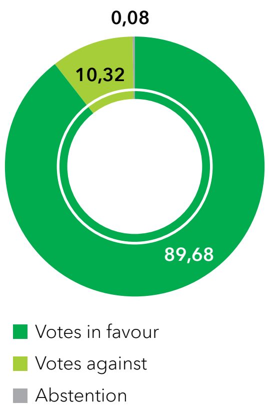
Shareholders will be requested to vote on two separate non-binding advisory votes regarding the Remuneration Policy and the Implementation Report at the Annual General Meeting ("AGM") to be held on Friday, 30 July 2021.

At the AGM held in July 2020, the Group's shareholders voted as follows:

REMUNERATION POLICY
(%)



IMPLEMENTATION REPORT
(%)



Should either our remuneration policy or implementation report be voted against by 25% or more of the voting rights exercised at the 2021 AGM, the Board and the Remuneration Committee will:

- Engage with shareholders to understand the reasons for voting against.
- Address legitimate and reasonable concerns raised by the shareholders and clarify processes.
- Amend the remuneration policy or implementation report if required.
- Take additional steps to resolve the concerns.

Any changes will be disclosed in the following year's IAR.

The Group values the input of its shareholders and will continue to engage with them and consider their feedback on its remuneration policy and implementation thereof.

Remuneration philosophy and principles

The Group's remuneration philosophy and principles aim to drive a high-performance culture that delivers the Group's long term strategic objectives and sustainable shareholder returns within the Group's risk appetite. Remuneration practices are closely linked to the Group's achievement, subsidiary companies, team and individual performance objectives. The composition of total remuneration is based on the employee's role and level in the Group.

Remuneration policy changes approved by the Remuneration Committee

During the reporting period, the Remuneration Committee approved the switch from a Share Appreciation Rights scheme to a Forfeitable Share Plan.

Fair and responsible pay

In line with principle 14 of King IV, Dis-Chem aims to remunerate fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long term.

A core component of the Group's executive incentive scheme is to reward individual and team performance based on individual and collective success and output in meeting agreed performance objectives.

The Remuneration Committee will continue to review the suitability of the principles of fair and responsible pay relating to the Group's strategy and remuneration philosophy. It will report any changes in the following remuneration report.

Remuneration is made up of the following elements:

Financial	Non-financial
Guaranteed package	Leave
Short-term incentives	Learning and development
Long-term incentives	Diversity and inclusiveness

Members

All members of the remuneration committee are, as per King IV, independent non-executive directors.

Board approval

The remuneration committee reviewed and recommended the remuneration report to the Board for approval.

2. Overview of the remuneration policy

The Group's remuneration policy and philosophy are designed to ensure that all employees across the Group are rewarded appropriately for their contribution to the overall Group strategy. The Group's philosophy is to attract, motivate, and retain the best people to ensure a highly capable and motivated workforce.

Remuneration arising from short-term incentives ("STIs") and long term incentives ("LTIs") is linked to the Group's financial performance.

Remuneration report (continued)

Summary of the Group's remuneration structure

	Guaranteed package	Short-term incentive	Long-term incentive
	Base and benefits	Bonus	Forfeitable share plan (fsp)
Design	Attract, motivate and retain the best people to ensure a workforce that is highly capable and motivated	Incentivise and reward employees for the achievement of company and personal short-term performance objectives	• Align the long term interest of employees and shareholders such that employees are encouraged to consider the long term future of the business • Retain high performing employees
Nature	Market-related level of remuneration per specific role and includes salary and benefits: • Retirement contribution based on years of service • Car or travel allowance • Medical aid • Staff discounts	A 13th cheque or annual bonus	Participants have all shareholder rights, including dividends from the date of award and comprise bonus and restricted shares
Basis for determination/ performance conditions	• Determined based on employee's role, market value, length of service, company performance and personal performance. • Salaries are also compared to external benchmarks • An annual assessment is performed and increases are awarded in March each year	• Employees at senior manager level receive an annual bonus • Individual performance criteria must be met to receive a bonus • Dispensary/store manager: KPA(4) x TGP in May x number of cheques(5) • Head office/ warehouse manager: TGP(1) x bonus pool %(2) x manager tier %(3)	• Annual bonus shares are awarded to regional managers and restricted shares to selected pharmacists • Bonus shares: 40% to 100% of the bonus earned under STI • Restricted shares: 15% of TGP • Three-year vesting period exercisable on vesting date
Method of payment	Monthly payment after deducting contributions to retirement funding and medical scheme	• Bonus paid in June • 13th cheque paid either in December or birthday month	Shares will be issued on vesting date
Limit	n/a	n/a	The maximum number of shares that can be allocated to schemes is 5% of the issued share capital

Notes:
1. *TGP: total guaranteed package*
2. *The bonus pool percentage is the total bonuses earned as a percentage of the total annual packages of all regional and store managers. The regional and store managers' earnings are structured in a manner that ensures growth in profitability and, therefore, bonus affordability*
3. *Three management tiers have been created, and each tier is linked to a range of percentages. The placement of the employees into tiers is primarily based on the following two criteria: 1. The level of responsibility related to the employee's role. 2. The ability that the employee has in the current role to influence the profitability of the Group through strategic decision-making.*
4. *KPAs are based on the following rankings: 1. If employees achieve their net profit budget, their KPA will be 3/3 or 100%. 2. If employees don't achieve their net profit budget, but they do achieve their turnover budget, the KPA will be 2/3 or 66.67%.*
5. *The number of cheques is based on years of achievable targets capped at four years.*

On 31 May 2020, 276 269 shares vested on the FSP scheme. The beneficiaries elected to:

Sell all	Sell to retain	Retain all
75,018 shares	191,598 shares	9,653 shares

276,269

Remuneration report (continued)

Executive directors' remuneration

The Remuneration and Nomination Committee's responsibility is to determine the remuneration packages for each of the executive directors and the Chairman. The committee also considers the bonuses paid, which are discretionary and based on general economic variables, company performance, individual performance and other employee benefits and schemes. No director's remuneration of any nature will be paid, increased or varied without the prior approval of the Remuneration and Nomination Committee. In terms of their respective service agreements, each executive director is entitled to a gross annual remuneration package which is allocated towards:

- A base salary
- Pension fund implementation report contributions by the Group
- Travel allowances
- Other benefits
- Medical aid

The executive directors are also entitled to be considered for an annual incentive bonus payment based on the fulfilment of specific targets set by the Board. In this 2021 financial year, the executive directors did not receive a bonus as profit targets were not met.

The service contracts of executive directors contain a three-month notice period for termination of employment exclusive of termination for any reason justifying summary dismissal in law. All of the executive directors are subject to restraints of trade.

Non-executive directors' fees

Non-executive directors have no fixed term of appointment; however, rotation of directors is required as per the company's Memorandum of Incorporation. Regarding their service agreement, non-executive directors who wish to resign from the Board are required to give three months' written notice. The Chairman is entitled to a fixed annual fee, and non-executive directors receive a fee per meeting attended.

3. Implementation report

The average annual performance-linked salary increase for all employees, linked to CPI, was 5.5% and came into effect on 1 March 2020. The same principle was applied in 2021, and the average annual increase came in at 4.5%.

Short-term incentives

The financial performance will be based on the Group's profit before tax ("PBT") and return on invested capital ("ROIC"). The targets and related financial multiplier agreed with management is as follows:

Level	% of budget	Financial multiplier
Threshold	95%	75%
Target	100%	100%
Stretch	110%	125%

Linear vesting will be applied between the above levels, with the maximum financial multiplier capped at 125%. Performance below the threshold will result in a 0% multiplier.

Personal performance will be based on individual objectives set for each employee by management. The Remco approves these objectives for directors and the Exco. Personal performance and the related personal multiplier will be based on a four-tiered performance matrix:

Personal performance rating	Personal multiplier
4	125%
3	100%
2	50%
Below 2	0%

Long-term incentives

The main "LTI"plan used is a "FSP".

Performance conditions:

Bonus Shares and Restricted Shares will not have any performance conditions. Once Performance Shares are implemented, the Remco defines appropriate performance conditions at the time based on shareholder requirements and prevailing market conditions.

Remuneration report (continued)

Directors' fees and remuneration

Summary of directors' fees and remuneration:

R'000	2021	2020
Non-executive directors	5 391	5 199
Executive directors	58 801	55 923
Total	64 192	61 122

Overview of directors' and prescribed officers' emoluments for 2021:

R'000	Services as director	Salary and allowances	Bonuses	Retirement and related benefits	Other benefits	Total
Non-executive directors						
LM Nestadt	3 123	–	–	–	–	3 123
MJ Bowman	638	–	–	–	–	638
A Coovadia	562	–	–	–	–	562
JS Mthimunye	682	–	–	–	–	682
MSI Gani	301	–	–	–	–	301
A Sithebe	85	–	–	–	–	85
Executive directors						
IL Saltzman	–	13 242	–	72	180	13 494
LF Saltzman	–	10 870	–	72	18	10 960
RM Morais	–	6 075	–	72	177	6 324
SE Saltzman (alternate)	–	5 723	–	72	231	6 026
Prescribed officers						
S Goetsch	–	5 602	–	72	59	5 733
B Epstein	–	5 527	–	72	161	5 760
K Sterling	–	5 602	–	72	40	5 714
C Williams	–	4 569	–	72	194	4 790

MS Gani resigned from the Board in September 2020.
A Sithebe was appointed to the Board in January 2021.

Remuneration report (continued)

Overview of directors' and prescribed officers' emoluments for 2020:

R'000	Services as director	Salary and allowances	Bonuses	Retirement and related benefits	Other benefits	Total
Non-executive directors						
LM Nestadt	2 830	–	–	–	–	2 830
MJ Bowman	607	–	–	–	–	607
A Coovadia	535	–	–	–	–	535
JS Mthimunye	647	–	–	–	–	647
MSI Gani	580	–	–	–	–	580
Executive directors						
IL Saltzman	–	12 883	–	72	271	13 226
LF Saltzman	–	10 561	–	72	111	10 744
RM Morais	–	5 532	–	72	339	5 943
SE Saltzman	–	5 020	–	72	414	5 506
Prescribed officers						
S Goetsch	–	5 221	–	72	148	5 441
B Epstein	–	5 223	–	72	165	5 460
K Sterling	–	5 221	–	72	133	5 426
C Williams	–	3 969	–	72	136	4 177

Remuneration report (continued)

Proposed fees for 2022:

Position	Fee per meeting (R)	Number of anticipated meetings	Total fee for meetings (R)	Base fee (R)	Total fee (R)
Chairman	–	–	–	3 307 425	3 307 425
Non-executive director	76 734	4	306 937		306 937
Chairperson of Audit Committee	80 705	4	322 821		322 821
Member of Audit Committee	51 790	4	207 161		207 161
Chairperson of Remuneration Committee	38 843	4	155 371		155 371
Member of Remuneration Committee	20 837	4	83 349		83 349
Chairperson of S&E Committee	18 852	4	75 407		75 407
Member of S&E Committee	10 366	4	41 466		41 466
Chairperson of Special Committees	8 151		8 151		–
Member of Special Committee	7 430		7 430		–

Remuneration report (continued)

Direct and indirect shares held by the directors and prescribed officers as at 29 February 2020 and 28 February 2021:

	2021		2020	
	Direct interest	Indirect interest	Direct interest	Indirect interest
LM Nestadt	–	500 00		500 000
MJ Bowman	81 081	–	81 081	–
A Coovadia	–	162 162	–	162 162
JS Mthimunye	–	81 162	–	81 162
MSI Gani	–	–	–	–
IL Saltzman and LF Saltzman	–	453 041 396	–	453 041 396
A Sithebe	–	–	–	–
RM Morais[1]	–	8 490 374	–	8 490 374
SE Saltzman	–	6 734 781	–	6 734 781
SRN Goetsch[1]	–	46 563 995	–	47 090 995
B Epstein	–	11 890 063	–	11 890 063
KS Sterling	–	10 624 023	–	11 644 246
CJ Williams	–	14 915 147	–	14 915 147

[1] *4 181 818 of RM Morais shares and 1 818 812 of SRN Goetsch shares are part of an off-market collar hedge.*

During the reporting period:

Director/Prescribed Officer	Bought/ Sold	Number of shares	Date	Average Price (R)	Total (R)
K Sterling	Sold	372 000	19 January 2021	22.155	8 241 680
	Sold	600 000	20 January 2021	22.90579	13 743 473
	Sold	44 734	21 January 2021	23.28821	1 041 775
	Sold	3 489	22 January 2021	23.00	80 247
S Goetsch	Sold	527 000	20 January 2021	22.8952	12 065 770

Remuneration report (continued)

From 1 March 2021 to 30 June 2021

Director/Prescribed Officer	Bought/ Sold	Number of shares	Date	Average Price (R)	Total (R)
M Bowman	Sold	81 081	9 June 2021	30.90	2 505 403

RM Morais

RH Morais concluded the off-market collar hedge in regards to 2 363 636 shares on 17 June 2021 for R63 841 808.40.

SRN Goetsch

SRN Goetsch concluded the off-market collar hedge in regards to 1 818 182 shares on 23 June 2021 for R58 181 824.

Remuneration report (continued)

Social and ethics committee report

The Social and Ethics Committee is a formal subcommittee of the Board operating under a mandate from the Board and its terms of reference. The committee monitors Dis-Chem and its subsidiary companies' activities regarding any legislation or current best practice codes as prescribed by law. It also focuses on ensuring sustainable social responsibility, ethics, health, safety, and transformation initiatives, emphasising transformation regarding ownership, procurement, Employment Equity, and skills development.

Members of the Social and Ethics Committee

The following individuals represent the committee:

- A Coovadia (Chairman)
- LF Saltzman
- A Sithebe

Meetings

The committee had two meetings during the reporting period.

Duties

The committee is responsible for assisting the Board on the following:

- Monitoring the Group's activities regarding any relevant legislation, other legal requirements or current codes of best practice with regards to matters relating to:
  - Social and economic development via:
    - The ten principles set out in the United Nations Global Compact Principles
- Reporting to the Board on Transformation and Employee Welfare

Authority and reporting

The Chairman of the Social and Ethics Committee formally reports to the Board on the proceeding after each meeting. The committee acts under its statutory duties and the Board's delegated authority as recorded in its mandate and terms of reference.

Anuschka Coovadia
Independent, non-executive Chairman

Environmental and social report

Environment

Water

Dis-Chem encourages responsible water consumption and has implemented initiatives to save water which include:

- Recycling of rain and stormwater
- Attenuation pond and Jojo tanks
- No hot water supply to restrooms
- Timers on restroom taps

Energy

- Dis-Chem has been replacing incandescent lighting in its older stores with LED lights which do not contain mercury and consume a fraction of electricity compared to incandescent and fluorescent lighting , thus reducing greenhouse emissions , furthermore Carbon Dioxide emissions for LED lighting are low, and the roll-out of new Dis-Chem stores will be done with LED lighting.
- Motion detectors have been installed in offices to reduce electricity consumption by shutting off power when the premises are unoccupied.

Solar

- The majority of our stores are located in malls and convenience centres, limiting the opportunity for alternative power sources like solar. We are investigating solar options at all our distribution centres.
- We currently have solar geysers at our Head Office building in Midrand, supplying the kitchens with hot water.

Waste

The Group continues to look for ways to reduce, reuse and recycle packaging material in an environmentally friendly manner. During the reporting period, the Group recycled the following volumes of packaging:

Distribution site	Total tons recycled 2021	Total tons recycled 2020
Cape Town	700.44	685.26
KZN	548.95	465.7
Midrand	3 373.48	3 469.08
Total	**8 696.79**	**4 620.04**

One of Dis-Chem's key environmental obligations is to dispose of medical waste such as needles and syringes correctly. For several years we have implemented systems to ensure that medical waste which could pose a healthcare risk is managed according to applicable legislative requirements to protect staff and members of the public from any form of risk. Certified waste management service providers collect the Group's medical waste for treatment and disposal, and once collected, it is the responsibility of the service provider to dispose of the waste appropriately. The Group monitors its service providers to ensure compliance with regulatory obligations.

Computers and other IT equipment get sold to a service provider who in turn provides a certificate of destruction.

Waste reduction initiatives include:

- Recycled shrink wrap used in the DCs
- Biodegradable and recycled bags

Remuneration report (continued)

Social

Human Capital

The Group's strength lies in its people, and we strive to be the retail pharmacy employer of choice. We respect our employees' rights through human resources, industrial relations and legal compliance frameworks implemented throughout the Group. We continuously invest in attracting, developing and retaining talented, qualified employees by spending on training and development and investing in their financial and broader well-being.

The Group's workforce encompasses fixed-term contract, locum and casuals, and permanent employees. Work hours of locums and casuals are dependent on demand. The Group follows responsible and cautious staffing strategies to ensure we remain a sustainable employer for all our employees.

Employment Equity

Dis-Chem recognises the value of diversity and its workforce's need to represent South Africa's national and regional demographics. We are committed to employing and developing people from designated groups to further our employment equity objectives.

Dis-Chem Pharmacies currently has an Employment Equity Plan representing the organisation's Employment Equity goals and objectives for the period 2021 to 2022. The goals and objectives developed in the plan have taken cognisance of the purpose and scope of the Employment Equity Act. The plan has considered the constraints presented by the labour market and the significant shortage of designated employees with the qualifications, skills and work experience necessary to occupy senior occupational levels within the organisation. The company continues to upskill and develop its employees to achieve its objectives and goals. The Employment Equity Plan is monitored annually through our Department of Employment and Labour workforce movement and income differentials reporting, and quarterly monitoring takes place through internal Employment Equity committee meetings.

Policies and procedures

The Group has policies and procedures to ensure that all employees are aware of the conduct that aligns with our ethos and their rights as employees. These policies and procedures include:

- Social and ethics policy
- Employment equity policy
- Whistleblowing
- Disciplinary policy
- Bonus policy
- IT policy
- Code of Good Conduct
- HIV and AIDS policy
- Leave policy

Training, talent and skills development

During the reporting period, Dis-Chem invested R19 017 278 in learning and development programmes, of which 88% was dedicated to accredited or registered programmes.

1. Learnerships

The Group implemented 14 learnership programmes, enrolling 459 learners. Two hundred and sixty three learners were current employees, while the remaining 196 learners were unemployed persons given the opportunity to enter the job market. All learnership programmes that were implemented aligned with current job requirements. With 63% enrolment being female, it is positive for transformation to assist women in entering the workforce.

2. Bursaries

We invested just under R620 000 in various higher education bursaries to 10 recipients, of which 8 bursaries were for pharmacy students.

3. Internship and graduate development programmes

During the reporting period, Dis-Chem opened its doors to 138 unemployed graduates. With newly acquired qualifications, they were able to gain valuable work experience. 93% of the graduates were absorbed into Dis-Chem permanently.

4. Supervisor Development Programme in the Warehouse

The findings of an in-depth skills analysis completed in the Warehouse, indicated a need to develop the warehouse supervisors on specific competencies. Commencing in March 2021, 89 day-shift and night-shift supervisors were enrolled on a four-month skills development programme.

5. Dis-Chem retail training management programme

Since the inception of the Dis-Chem Trainee Management Programme ("DTMP") programme in 2018, 255 delegates have successfully completed the programme. 88.5% of these delegates are currently store managers, assistant managers or administrative managers within our stores. For the current financial year, we enrolled 66 candidates with more than 43% of these delegates being internal promotions. The programme is being revamped to enrich the learning experience and accelerate the transformation of our management pipeline.

Remuneration report (continued)

Health, Safety and Well-Being

We take the safety and well-being of all our employees, as well as our customers very seriously. There were no severe or fatal workplace injuries during the reporting period.

Corporate Social Responsibility

The Dis-Chem Foundation

Corporate Social Responsibility ("CSR") is a vital component of Dis-Chem's corporate ethos, and we are committed to contributing to the society in which we operate. We aim to impact communities in a meaningful and enduring way through Foundation initiated projects.

Based on their concern about the growing poverty level in South Africa, founders Ivan and Lynette Saltzman established the Dis-Chem Foundation in 2006. The Foundation heads, Sherry Saltzman and Melanie Saltzman, work closely with registered non-profit organisations ("NPOs") to support and improve the lives of struggling communities.

The Foundation provides support to babies, children, the elderly, abused and the homeless in health, nutrition and education. It is particularly funded through the Dis-Chem Benefits Programme, where a percentage of loyalty customer spend is donated to the Foundation.

The Dis-Chem Foundation receives multiple requests for donations. We place community needs at the forefront of our selection process and choose credible, registered NPOs as our beneficiaries.

Funding requests are considered on the NPOs community merits within the ambit of the Foundation's CSR budget. Each application is evaluated for challenges, opportunities and problem-solving potential to the beneficiaries.

The Dis-Chem Foundation campaigns include:

1. Million Comforts

An initiative to keep girls in school while they are on their period. The campaign ran for a sixth consecutive year and is going from strength to strength. Together with Caring4Girls we reach out to less fortunate girls in communities by donating sanitary pads.

2. Random Acts of Kindness

The Dis-Chem Foundation has been in partnership with Primedia for seven years with an on-air "Random Act of Kindness" on 947, 702, Cape Talk, KFM. This platform allows our chosen beneficiary to create awareness of the tough issues and challenges they experience and receive donations from the Dis-Chem foundation.

3. Wellness Busses

A mobile health clinic programme in the Western Cape provides a smart solution to ensure primary healthcare is accessible to all school children – especially those who do not have easy access. The Foundation sponsors two nursing practitioners to assist and support government clinics in the Paarl area and Graafwater.

4. Community Clinics

An initiative to bring health services to those in need, rather than them going to the services. The clinics are continually roaming around South Africa to help those in need regularly.

Two community clinics in association with Afrika Tikkun, have been established in Braam Park and Diepsloot to cater to the local community health needs. A further three are planned for this year.

5. Future Life Partnership

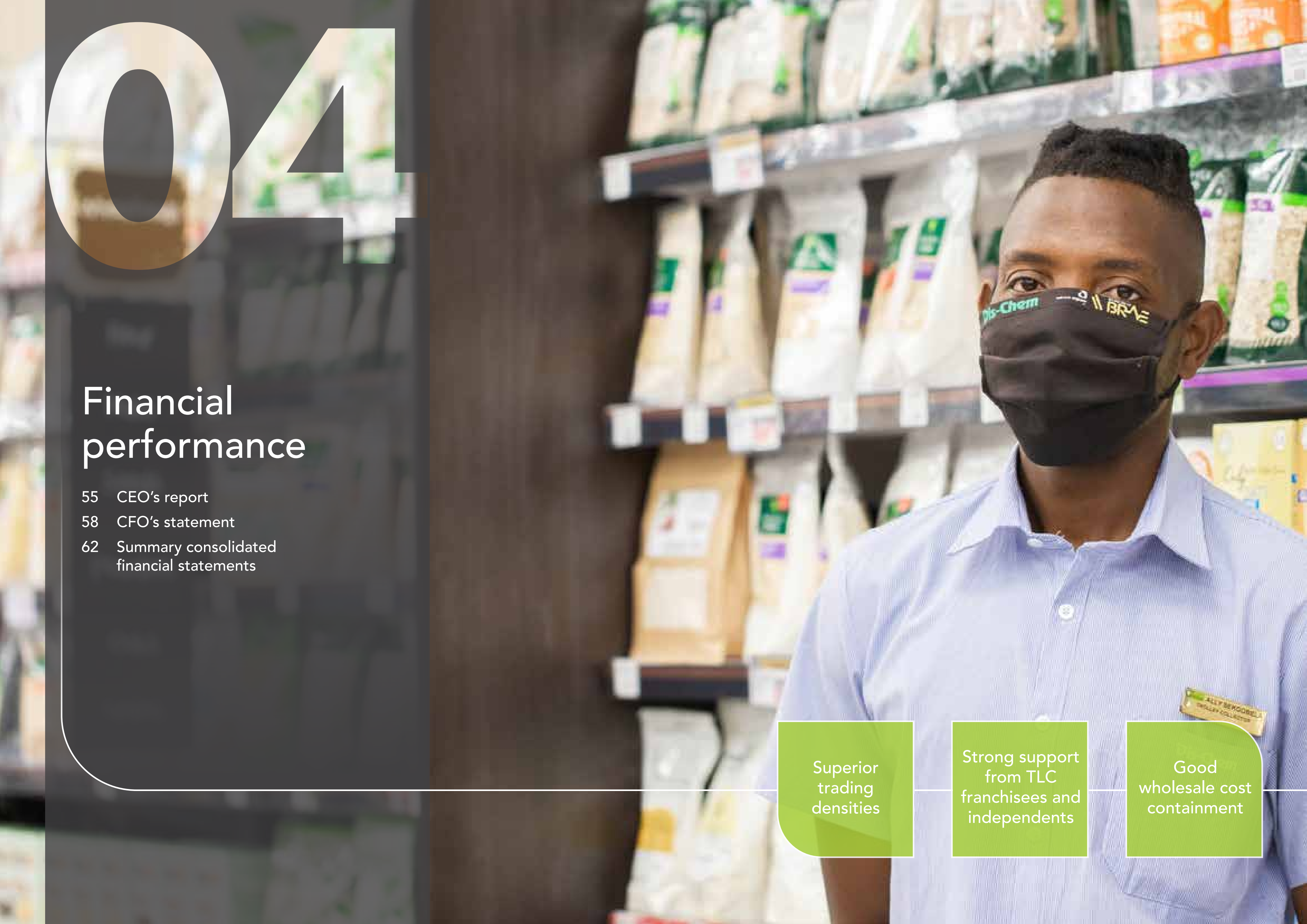
An initiative that supplies 100 000 meals per month.

Sustainability Policy Framework

The Social and Ethics committee have proposed a new and updated sustainability policy framework to the Board. The policy will be adopted by senior management with monitored and reported targets by both internal and external audits. The Board has approved the proposal and implementation should commence in FY2022.

Conclusion

Dis-Chem aims to maintain an appropriate balance between its financial and non-financial operations and its Environmental, Social and Governance ("ESG") responsibilities.



04

Financial performance

Superior trading densities

Strong support from TLC franchisees and independents

Good wholesale cost containment

CEO's report

This past year will be remembered as a period that irrevocably changed the way we live, work and trade. Shopping behaviours have been altered, and emerging trends are changing the retail landscape.

Ivan Saltzman

New stores opened	Online revenue growth of	Baby City contributed to revenue for two months	Continued to enhance
25	over 260%	R128m	ROIC

These changes and adjustments have become critical for Dis-Chem, not only to ensure continued relevance, but to lessen the impact on the health and wellness of millions of people in South Africa. We have enhanced our focus on aligning management and all operations to a future that takes cognisance of the devastation that the pandemic has brought.

Driven by our values of excellence, customer service, doing the right thing and leveraging our entrepreneurial spirit, the Dis-Chem team responded with urgency and has shown tremendous agility in combating the pandemic and its devastating effects. This has been additionally impressive considering the exceptionally tough current economic environment.

It has necessitated changes in our operating environment which we enthusiastically embraced and used to position the Group for continued success. The Dis-Chem team adapted superbly well and rose to the challenge, ultimately delivering an encouraging set of results.

Financial overview

Despite restricted trading conditions over the past year, we have remained committed to organic and acquisitive growth. We largely maintained our capital investment programme and opened 25 new retail stores in the period. This included 22 new stores and three Mediclinic stores, and we acquired two new pharmacies during the year. The Dis-Chem property footprint now sits at 194 stores. The Group's total capex, incorporating expansion and maintenance expenditures, rose 10.4% to R401 million – which equates to 16 500m^2 of new Dis-Chem floor space – as we strive to maintain the momentum of being the destination of choice for health, beauty and other personal needs.

COVID-19 has, naturally, thrown additional challenges at Dis-Chem.

It is also fortunate that our online strategy was ideally positioned prior to the onset of COVID-19. The investment in online over the past five years has supported increased volumes, resulting in a step change in our online revenue, the growth of which exceeded 260%. This was achieved largely as a result of our key digital platforms being ready and well-suited to serve the stay-at-home and out-of-office trend that has rapidly emerged.

Overall Group revenue was 9.6% up at R26.3 billion, while operating profit rose 1.4% to R1.3 billion. The new stores contributed R491 million to revenue, while Baby City contributed R128 million to revenues in January and February 2021.

CEO's report (continued)

Dis-Chem's retail unit's revenue was 7.6% higher, with its operating profit down on last year at R1.2 billion, which is commendable considering the environment. The wholesale segment's performance continued to improve, reporting a revenue increase of 16.4% to R19.3 billion and an operating profit of R65 million following a loss declared last year. Wholesale revenue to our own retail stores remains the largest contributor to this segments' sales, while external revenue to independent pharmacies and The Local Choice (TLC) franchises grew by 27.7% and 37.1%, respectively, over the corresponding period.

Group expenses were fairly well maintained at R6.6 billion. Our determination to ensure continued employee health, protection and wellness resulted in COVD-19 related costs of R56.7 million, spent largely on vouchers and donations to assist employees, as well as on PPE, screening and testing.

Earnings per share (EPS) and headline earnings per share (HEPS) both increased by 11.8% at 77.8 cents.

Operating environment

With trading restrictions imposed during the different levels of lockdown, the Group was not able to maintain its usual operating hours and selling across all categories. During level 5 of the lockdown period the Group was unable to sell 20% of its products, including higher-margin products from its beauty category.

With the customer being at the centre of everything we do we continued our focus on the Pharmacy First Approach, coupled with consumers' "single shop" patterns in key categories, and we enhanced our strategic intent toward online sales. Consequently, our dispensary market share continued its strong position, despite fewer cold and flu cases than in previous years, and there were market-share gains in most other categories. Trading restrictions did have an impact on the dispensary category, specifically on over-the-counter sales. However, strong chronic drug adherence due to health education, awareness and higher patient risk partially offset the impact across the winter months.

The strength of the Group's financial position has been critically important throughout this time. Various measures taken have ensured that the balance sheet and cash flows of the Group have remained solid, and we have maintained our financial liquidity position. While this has been helped by the lowering of interest rates, our improving efficiencies, focused cost, inventory and working capital management, as well as closer scrutiny of the allocation of capital, have all supported our ability to maintain our strong position. Cash generated from operating activities amounted to R1.1 billion, while cash and cash equivalents were R136 million, compared to R300 million last year.

With trade restrictions top of mind, Dis-Chem's management did not waiver in terms of the Group's continued ambition of enhancing our return on invested capital, which we believe will position us well given today's fast-changing trading patterns. This has meant, for example, understanding consumers' demands for a changing product portfolio and assessing the transaction mix to maintain margin, which included growing private-label products. Higher trade terms from suppliers were encouraged and resulted in a deeper penetration into the supplier base together with higher fees for rebates. Importantly, the rationalisation of stock and improving buying efficiencies became critical and were successfully optimised through the use of demand forecasting and inventory management.

Innovation, technology and digital improvements were essential in this regard and it is comforting that these systems have been enhanced to a degree where this will remain beneficial to the Group in the years to come. We intend to capitalise on these and other essential working capital components for future growth.

The growth in our clinics, together with our telemedicine offering, will play an important role in our delivery and growth. We now have nearly 11 million customer profiles on our loyalty programme, of which some six million are benefit members who contribute around 70% of "front shop" revenue. This is a remarkable achievement and has been accomplished in a relatively short space of time using technology-driven platforms such as a recently introduced app.

We firmly believe that the urgent restoration of economic activity will only materialise when the vaccination has been safely and successfully implemented across the entire population in South Africa. Dis-Chem is therefore working closely with all industry and business stakeholders to do whatever we can, and offering the use of our facilities as vaccination sites and all other relevant resources, to ensure this objective is achieved. Our commitment to partnering with government and the industry to fight the COVID-19 pandemic will remain steadfast.

CEO's report (continued)

Strategic growth by acquisition

Our strong organic growth is being complemented by key strategic acquisitions, in which we have invested R1 billion over the last year. Whenever we assess an acquisition we ensure that there is an ability to integrate it vertically, ultimately to the benefit of customers and financial returns.

Baby City: We acquired 100% of Baby City, the specialist destination baby retailer, on 1 January 2021 for R422 million. The transition into the Dis-Chem Group has been smooth and we are starting to see the intended benefits and synergies emerging. All Baby City stores have completed the migration onto the Group's common technology platform.

Healthforce: On 1 March 2021 we acquired Healthforce, which has been introduced to the Group's 336 clinic rooms. Healthforce is now our single technology platform that we use to facilitate all nurse-led consultations. Over the three months since migration we have facilitated 180 000 nurse-led consultations within Dis-Chem's clinics. Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology includes a telemedicine platform that provides real-time video connections between patients and nurses and an on-demand remote doctor network. Dis-Chem intends to be at the forefront of innovation in the delivery of care, and we see this investment as an important step through which we can advance this ambition.

Medicare: The purchase consideration of R282 million for 100% of Medicare is still subject to competition authority approval. Medicare is a healthcare and pharmacy group operating 50 pharmacies across four provinces. Many of the stores in the Medicare portfolio are located in convenience centres, in geographies where Dis-Chem is currently under-represented, giving the Group access to new markets. For the year ended 28 February 2021, Medicare generated revenue of R1.1 billion, with dispensaries contributing approximately two-thirds.

Kaelo: We have entered into agreements to acquire 25% of the equity of Kaelo for a purchase consideration of up to R195 million, subject to company performance hurdles. Kaelo houses a complementary portfolio of health assets, including benefit-rich gap and primary health insurance products, occupational health clinics, and the AskNelson psychological well-being platform. The transaction was recently filed with the Competition Authorities.

Dividend reinstated

With indications of normalised trading patterns, it is pleasing that we have been able to reinstate dividends, subsequent to year-end, a dividend of 31.1 cents per share was declared on 20 May 2021 and paid on 14 June 2021.

Outlook and appreciation

While there are early indications of a return to acceptable trading activity and improved transactional gross margins as consumer shopping patterns normalise, we fully expect that the third, and any subsequent, waves of COVID-19 infections will continue to put pressure on the economy and consumers. This makes the forecasting of financial and operating results difficult, and we are continuing to monitor this carefully.

We will not reduce our commitment to ensuring the health and wellness of our nearly 19 000 Dis-Chem team members. We are being vigilant in the fight against the pandemic, and we are acutely aware that our employees are at the front line of this battle.

The Group has secured 17 additional Dis-Chem stores, and four new Baby City stores, scheduled to be opened in 2021, which will contribute to revenue and profitability within the retail segment. Wholesale profitability will continue to be driven by operational efficiencies and increased support from TLC franchises and independent pharmacies.

This past year has tested our strategic resolve and operating model. It is very encouraging that the end result has proven that our strategy is intact, that it remains solid and has the agility to adapt to changing market circumstances. This has given us the confidence to continue along the strategic trajectory that we established over recent years, and in some areas to accelerate where we can extract enhancements to our overall offering. The ability to stay the course and deliver a good end result would not have been possible without the core team of people that make up the Dis-Chem Group.

I remain extremely grateful to all our people for their unrelenting support, contribution and efforts to ensuring that our Group remains relevant to our vast, and growing, stakeholder base. We could not have done this without you.

My appreciation must also be directed toward my fellow Board members, from whom I have received tremendous guidance and support. Rest assured, we remain well positioned to see through this period, and emerge stronger and better.

Ivan Saltzman

CFO's statement

Despite a challenging year with the pandemic directly overlapping our financial year, we continued providing our customers with quality service and competitive pricing; and produced positive results.

Rui Manuel Morais

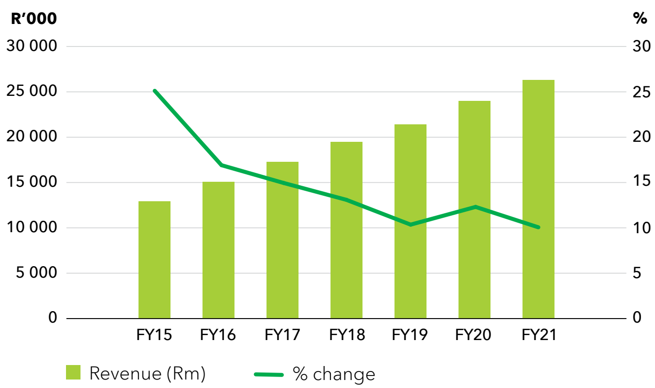
Net working capital days	Dividend reinstated at	New stores opened	Online revenue
to 29	31.1cps	25	261%

Revenue

Group

Group revenue increased by 9.6% to R26bn, underpinned by a maturing store base, continued store roll-out and our strong brand positioning in the market.

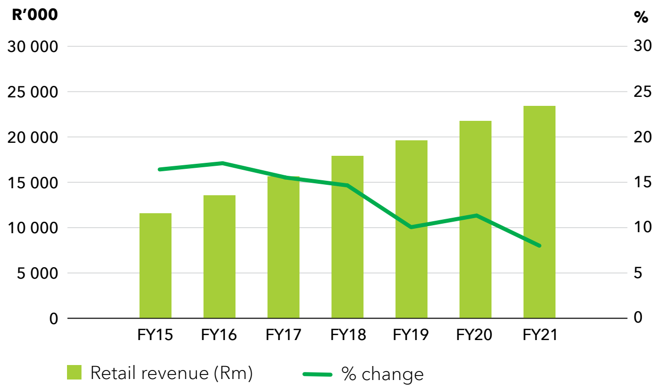
REVENUE FROM CONTRACTS WITH CUSTOMERS
(Rm)



Retail

Retail revenue grew by 7.6% to R23bn. Like-for-like sales came in at 2.7%.

RETAIL REVENUE
(Rm)



The COVID-19 pandemic impacted sales, especially in large malls where there was a significant decrease in footfall as people opted to either shop online or at convenience centres.

CFO's statement (continued)

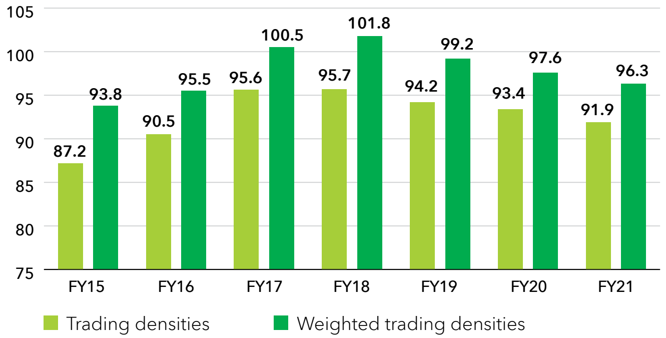
We added 25 new stores in the reporting period increasing the total floor space by 21 967m². We now have a total of 194 stores, excluding Baby City.

New stores opened in FY2021

Store name	Store size (m²)
Emfuleni (MDC)	120
Constantiaberg (MDC)	105
Stellenbosch (MDC)	70
Castle Gate	1 470
Thavhani Mall	711
Tembisa Mall	1 000
Zambezi Junction/Sefako Makgatho	1 261
Jabulani Mall	1 426
Brits Mall/Magalies	1 400
Scott Street	300
Gallo Centre	643
Kuruman-Mokala Mall	790
Tshwane Regional Mall	1 053
Parow	1 481
Makhado Crossing	1 000
Mooirivier Junction	1 037
Musina Mall	1 115
Lakeside Mall	1 402
Linksfield Pharmacy	1 000
Valley Hyper	1 600
Ferngate Pharmacy	584
Randburg Square	804
Southview Pharmacy	440
Rennie House	998
TLC Kungwini	157

Our trading densities remain superior in the industry and was R91 851/m² at year-end.

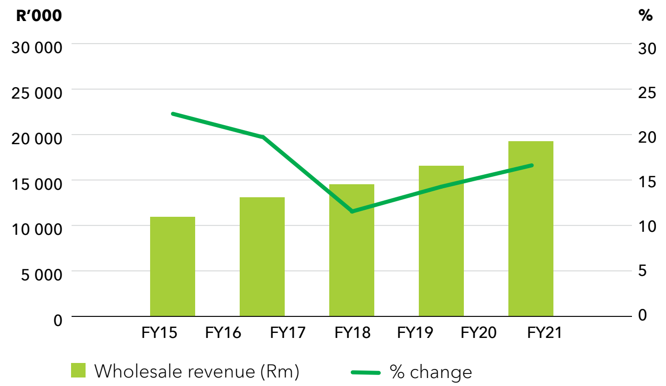
TRADING DENSITIES
(R/m²)



Wholesale

Wholesale revenue increased by 16.4% to R19bn, increasing sales to our retail stores by 14.4%.

WHOLESALE REVENUE
(Rm)



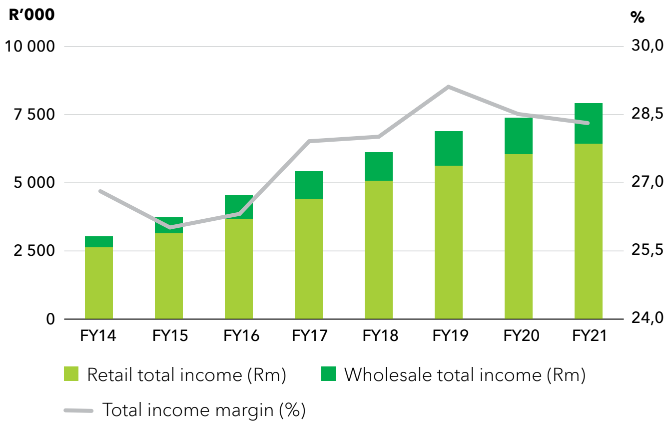
External customer sales growth of 29.4% was driven by our growing distribution network and greater support from The Local Choice ("TLC") and independent pharmacies. TLC and independent pharmacy growth was 27.7% and 37.1%, respectively.

TLC's growing support from new and existing franchisees was underpinned by our excellent service, competitive pricing, a more comprehensive range of products and stock availability. We now have 122 TLC franchise stores.

Total income

Total income, which is made up of gross profit and other income, increased by 8.5% to R7.4bn. Total income margin was 28.3% and is still lagging pre-COVID-19 levels due to the change in sales mix during lockdown, with the increase in sales of lower margin COVID-19-related products.

TOTAL INCOME
(Rm)



CFO's statement (continued)

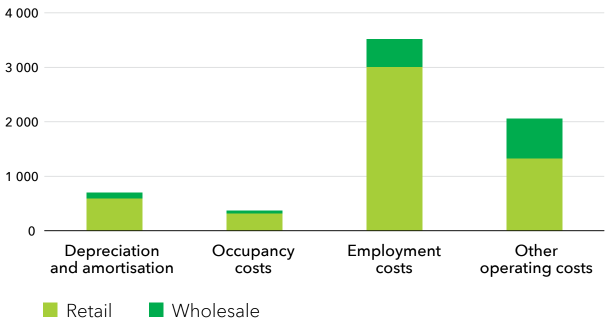
Operating expenditure

The Group's operating expenditure, including COVID-19-related costs, increased by 10.1% to R6.1bn.

Retail expenses grew by 10.8% as the Group invested in net 24 new stores and a result of COVID-19-related expenses.

Wholesale expenses were well managed and grew by 1.2%. The low growth is attributable to the investment in technology in the prior period, which allows for greater visibility of productivity, customer performance and individual supplier profitability within the wholesale space.

OPERATING EXPENDITURE
(Rm)



Net finance costs

Net finance costs decreased by 13.7% due to the reduction in the prime interest rate and average lower working capital levels during the year as we focus on ROIC. Repayments on the Absa loan also reduced interest payable on the long term loan.

	1H21	2H21	FY2021
Finance income	10	7	17
Finance costs	(176)	(168)	(345)
Net finance costs	**(167)**	**(161)**	**(328)**

Taxation

The Group's effective tax rate reduced to 26.9%.

Effective tax rate	FY2021
Standard tax rate	28.0%
Prior year adjustment	(0.7%)
Non-taxable items	(1.5%)
Non-deductible items	1.1%
Total	**26.9%**

Earnings

Earnings per share and headline earnings per share both increased by 11.8% to 77.8 cents.

	As at 28 February 2021 R'000	As at 29 February 2020 R'000
Reconciliation of profit for the year to headline earnings		
Profit attributable to equity holders of the parent	668 687	598 225
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	143	(153)
Taxation	(40)	43
Headline earnings	668 790	598 115
Earnings per share (cents)		
– Basic	77.8	69.6
– Diluted	77.8	69.6
Headline earnings per share (cents)		
– Basic	77.8	69.6
– Diluted	77.8	69.6

	Year to 28 February 2021 R'000	Year to 29 February 2020 R'000
Reconciliation of shares in issues to weighted average number of shares in issue		
Total number of shares in issue at beginning of the period	860 084 483	860 084 483
Total number of treasury shares in issue at the beginning of the period	(531 856)	–
Total number of shares outstanding at the beginning of the period	859 552 627	860 084 483
Treasury shares issued during the year weighted for the period outstanding	–	(343 672)
Treasury shares exercised and issued under the share scheme	207 391	–
Total weighted number of shares in issue at the end of the period	859 760 018	859 740 811
Share options	–	–
Total diluted weighted number of shares in issue at the end of the period	859 760 018	859 740 811

At 28 February 2021 the unweighted treasury shares amounted to 255,587.

CFO's statement (continued)

Net Working capital

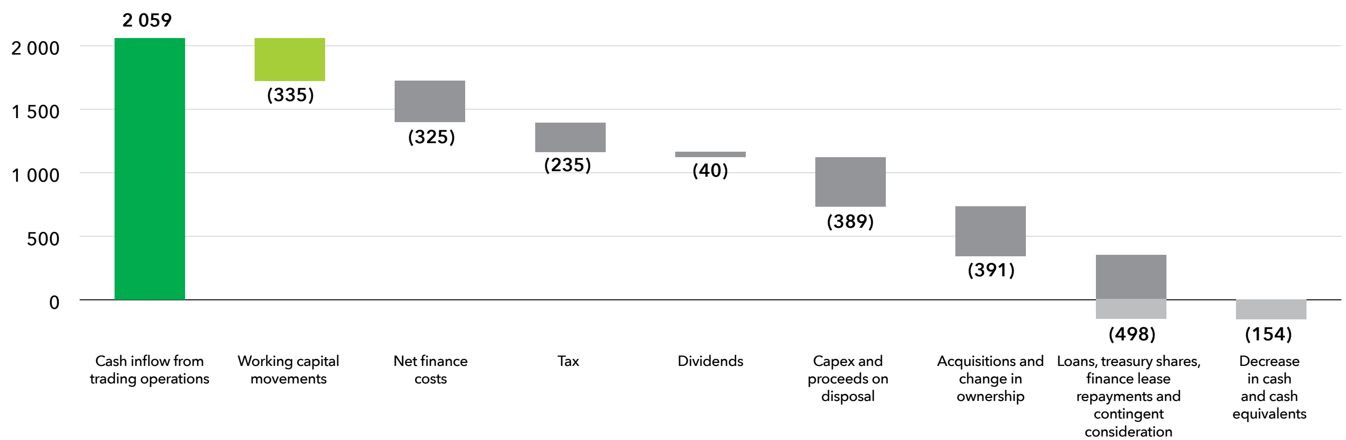
During the current period, the Group's inventory increased by R1.2 billion from February 2020 due to the holding of additional COVID-specific inventory, additional inventory of R127 million relating to Baby City, and buy-in of inventory of approximately R300 million in February before the SEP increases. The majority of COVID-19-specific inventory was purchased cash-on-delivery without terms and is now cycling out of the balance sheet.

Net working capital, at 30 days, continued to improve from 34 days at 29 February 2020 as the Group continues to focus on ROIC. Excluding Baby City, the net working capital was at 29 days.

	FY2021	FY2020	FY2021
Debtors days	25	23	21
Inventory days	91	96	102
Creditors days	86	85	85
Total net working capital days	**30**	**33**	**38**

Cash management

CASH MANAGEMENT
(Rm)



Capital expenditure

Capital expenditure on tangible and intangible assets of R401 million comprised R311 million of expansionary expenditure as the Group invested in additional stores and information technology enhancements across both the retail and wholesale segments, including R88 million in SAP software licences. The balance of R90 million relates to replacement expenditure incurred to maintain the existing retail and wholesale networks.

R'm	FY2021	FY2020	% change	% of revenue
Expansion CAPEX	311	224	39.1	1.2
Maintenance CAPEX	90	140	(35.4)	0.3
Total CAPEX	401	363	10.4	1.5

Dividends

With indications of normalised trading patterns, the Group has reinstated its dividend policy. Subsequent to year-end, a dividend of 31.1 cents per share was declared on 20 May 2021 and paid on 14 June 2021.

Outlook

We expect the pressure on the economy and consumers to continue. We as a Group remain committed to continue delivering the best value and exceptional service to our customers.

Appreciation

Thank you to my team and all involved in the preparation of the integrated report for their diligence, self-motivation and professionalism shown throughout the year. Your efforts and dedication paid off, and I am truly grateful.

Rui Morais
Chief financial officer

Summarised consolidated statement of comprehensive income

	Year to 28 February 2021 R'000	Year to 29 February 2020 R'000	% Change
Revenue from contracts with customers	26 278 196	23 984 296	9.6
Cost of sales	(20 441 719)	(18 428 773)	10.9
Gross profit	5 836 477	5 555 523	5.1
Other income	1 589 453	1 290 082	23.2
Total income	7 425 930	6 845 605	8.5
Other expenses	(6 160 258)	(5 597 204)	10.1
Operating profit	1 265 672	1 248 401	1.4
Net financing costs	(327 727)	(379 752)	(13.7)
– Finance income	16 853	22 297	
– Finance costs	(344 580)	(402 049)	
Profit from associates and joint ventures	2 997	195	
Profit before taxation	940 942	868 844	8.3
Taxation	(253 291)	(240 647)	5.3
Total profit for the year, net of taxation	687 651	628 197	9.5
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translating foreign subsidiaries	(322)	73	
Other comprehensive income for the year, net of taxation	(322)	73	
Total comprehensive income for the year	687 329	628 270	9.4
Profit attributable to:			
– Equity holders of the parent	668 687	598 225	
– Non-controlling interests	18 964	29 972	
Total comprehensive income attributable to:			
– Equity holders of the parent	668 365	598 298	
– Non-controlling interests	18 964	29 972	
Earning per share (cents)			
– Basic	77.8	69.6	
– Diluted	77.8	69.6	

Summarised consolidated statement of financial position

	As at 28 February 2021 R'000	As at 29 February 2020 R'000
ASSETS		
Non-current assets	4 767 580	3 754 625
Property, plant and equipment (including right-of-use asset)	3 715 961	3 095 352
Intangible assets	897 888	456 263
Investment in associates and joint ventures	13 180	13 703
Deferred taxation	140 551	189 307
Current assets	8 420 008	6 832 006
Inventories	5 691 382	4 506 760
Trade and other receivables	1 905 031	1 655 782
Loans receivable	274 916	213 338
Taxation receivable	8 947	4 282
Cash and cash equivalents	539 732	451 844
Total assets	13 187 588	10 586 631
EQUITY AND LIABILITIES		
Equity and reserves	2 908 646	2 253 379
Share capital	6 155 554	6 155 554
Retained earnings	1 368 478	717 816
Other reserves	(4 615 386)	(4 619 991)
Non-controlling interest	43 018	60 814
Total equity	2 951 664	2 314 193
Non-current liabilities	3 446 642	3 109 234
Lease liability	2 823 052	2 374 961
Loans payable	607 210	679 450
Contingent consideration	–	19 494
Deferred taxation	16 380	35 329
Current liabilities	6 789 282	5 163 204
Trade and other payables	5 389 310	4 258 659
Lease liability	482 605	350 721
Loans payable	159 010	142 432
Employee-related obligations	224 310	190 015
Deferred revenue (contract liability)	93 176	36 323
Contingent consideration	15 913	25 627
Taxation payable	21 042	7 860
Bank overdraft	403 916	151 567
Total equity and liabilities	13 187 588	10 586 631

Summarised consolidated statement of changes in equity

	Share capital R'000	Retained earnings/ (loss) R'000	Other reserves R'000	Non-controlling interest R'000	Total R'000
Balance at 28 February 2019	6 155 554	344 888	(4 614 838)	64 125	1 949 729
Profit/total comprehensive income for the year	–	598 225	73	29 972	628 270
Profit for the year, net of taxation	–	598 225	–	29 972	628 197
Other comprehensive income for the year, net of taxation	–	–	73	–	73
Change in ownership interest in subsidiary and acquisitions	–	617	–	7 191	7 808
Share-based payment expense	–	–	7 926	–	7 926
Treasury shares acquired	–	–	(13 152)	–	(13 152)
Dividends paid	–	(225 914)	–	(40 474)	(266 388)
Balance at 29 February 2020	6 155 554	717 816	(4 619 991)	60 814	2 314 193
Profit/total comprehensive income for the year	–	668 687	(322)	18 964	687 329
Profit for the year, net of taxation	–	668 687	–	18 964	687 651
Other comprehensive income for the year, net of taxation	–	–	(322)	–	(322)
Change in ownership interest in subsidiary and acquisitions (note 6)	–	(19 504)	–	2 744	(16 760)
Share-based payment expense	–	–	6 406	–	6 406
Exercise of share-based payment	–	1 479	(1 479)		–
Dividends paid	–	–	–	(39 504)	(39 504)
Balance at 28 February 2021	6 155 554	1 368 478	(4 615 386)	43 018	2 951 664

	As at 28 February 2021 cents	As at 29 February 2020 cents
Dividend per share		
– Interim paid	–	12.8
– Final declared	31.1	–

Summarised consolidated statement of cash flows

	Year to 28 February 2021 R'000	Year to 29 February 2020 R'000
Cash flow from operating activities	1 124 070	1 256 978
Cash inflow from trading operations	2 058 895	1 851 142
Movement in working capital	(335 180)	265 680
Finance income received	10 582	22 297
Finance costs paid	(335 280)	(383 925)
Taxation paid	(235 443)	(231 828)
Dividends paid	(39 504)	(266 388)
Cash flow from investing activities	(779 747)	(413 218)
Additions to property, plant and equipment and intangible assets		
– To maintain operations	(90 213)	(139 737)
– To expand operations	(310 974)	(223 617)
Proceeds on disposal of property, plant and equipment and intangible assets	12 242	10 058
Acquisition in business combination and subsidiaries, net of cash acquired	(394 322)	(43 922)
Investment in joint ventures	3 520	(16 000)
Cash flow from financing activities	(498 126)	(61 436)
Long term loans repaid	(159 187)	(593 750)
Receipt of long term loans	102 852	900 000
Lease liability repayment	(393 441)	(324 326)
Purchase of treasury shares	–	(13 152)
Contingent consideration repayment	(31 590)	(29 672)
Change in ownership interest in subsidiary and proceeds from non-controlling interests	(16 760)	(536)
Net (decrease)/increase in cash and cash equivalents	(153 803)	782 324
Foreign currency	(10 658)	(1 009)
Cash and cash equivalents at beginning of year	300 277	(481 038)
Cash and cash equivalents at end of year	135 816	300 277

Earnings per share

	As at 28 February 2021 R'000	As at 29 February 2020 R'000
Reconciliation of profit for the year to headline earnings		
Profit attributable to equity holders of the parent	668 687	598 225
Net loss/(profit) on disposal of property, plant and equipment and intangible assets	143	(153)
Taxation	(40)	43
Headline earnings	668 790	598 115
Earnings per share (cents)		
– Basic	77.8	69.6
– Diluted	77.8	69.6
Headline earnings per share (cents)		
– Basic	77.8	69.6
– Diluted	77.8	69.6

	Year to 28 February 2021 '000	Year to 29 February 2020 '000
Reconciliation of shares in issues to weighted average number of shares in issue		
Total number of shares in issue at beginning of the period	860 084 483	860 084 483
Total number of treasury shares in issue at the beginning of the period	(531 856)	–
Total number of shares outstanding at the beginning of the period	859 552 627	860 084 483
Treasury shares issued during the period weighted for the period outstanding	–	(343 672)
Treasury shares exercised and issued under the share scheme	207 391	–
Total weighted number of shares in issue at the end of the period	859 760 018	859 740 811
Share options	–	–
Total diluted weighted number of shares in issue at the end of the period	859 760 018	859 740 811

At 28 February 2021 the unweighted treasury shares amounted to 255,587.

Segmental information

The Group has identified two reportable segments being Retail and Wholesale.

28 February 2021	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	23 446 200	2 831 996	–	26 278 196
Inter-segment	–	16 443 986	(16 443 986)	–
Revenue from contracts with customers	23 446 200	19 275 982	(16 443 986)	26 278 196
Cost of sales	(18 508 185)	(17 947 863)	16 014 329	(20 441 719)
Gross profit	4 938 015	1 328 119	(429 657)	5 836 477
Other income	1 502 517	143 403	(56 467)	1 589 453
Total income	6 440 532	1 471 522	(486 124)	7 425 930
Other expenses (excluding depreciation and amortisation)	(4 648 982)	(1 297 393)	491 068	(5 455 307)
Depreciation and amortisation	(595 331)	(109 620)	–	(704 951)
Operating profit	1 196 219	64 509	4 944	1 265 672
Net finance costs	(265 562)	(62 165)	–	(327 727)
Share of profit from associates and joint ventures	2 997	–	–	2 997
Profit before tax	933 654	2 344	4 944	940 942
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 794 547	174 129	4 944	1 973 620
Capital expenditure	(362 459)	(38 728)	–	(401 187)
Total assets	9 516 805	6 784 665	(3 113 882)	13 187 588
Total liabilities	6 262 369	5 464 361	(1 490 806)	10 235 924
Total income margin	27.5%	7.6%		28.3%
EBITDA margin	7.7%	0.9%		7.5%
Operating margin	5.1%	0.3%		4.8%

Segmental information continued

29 February 2020	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	21 794 968	2 189 328	–	23 984 296
Inter-segment	–	14 372 136	(14 372 136)	–
Revenue from contracts with customers	21 794 968	16 561 464	(14 372 136)	23 984 296
Cost of sales	(17 063 709)	(15 273 055)	13 907 991	(18 428 773)
Gross profit	4 731 259	1 288 409	(464 145)	5 555 523
Other income	1 314 528	47 992	(72 438)	1 290 082
Total income	6 045 787	1 336 401	(536 583)	6 845 605
Other expenses (excluding depreciation and amortisation)	(4 261 667)	(1 285 083)	525 306	(5 021 444)
Depreciation and amortisation	(470 945)	(104 815)	–	(575 760)
Operating profit	1 313 175	(53 497)	(11 277)	1 248 401
Net finance costs	(283 585)	(96 167)	–	(379 752)
Share of profit from associates and joint ventures	195	–	–	195
Profit/(loss) before tax	1 029 785	(149 664)	(11 277)	868 844
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1 784 315	51 318	(11 277)	1 824 356
Capital expenditure	(311 339)	(52 015)	–	(363 354)
Total assets	8 116 537	5 598 149	(3 128 055)	10 586 631
Total liabilities	5 379 153	4 372 156	(1 478 871)	8 272 438
Total income margin	27.7%	8.1%		28.5%
EBITDA margin	8.2%	0.3%		7.6%
Operating margin	6.0%	(0.3%)		5.2%

Fair value hierarchy

The information below analyses financial assets and liabilities that are carried at fair value or financial assets and liabilities that have carrying amounts that differ from their fair values:

February 2021	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial liabilities at fair value through profit and loss			
– Contingent consideration	–	–	15 913
February 2020			
Financial liabilities at fair value through profit and loss			
– Contingent consideration	–	–	45 121

The contingent consideration relates to acquisition of the non-controlling shareholders and is based on the future performance of each respective partner store each year for five years to be paid in cash if performance targets are met. The performance targets will be agreed on an annual basis with each selling non-controlling shareholder.

It is currently assumed that the majority of the partner stores will meet the performance targets in the remaining year and that the selling non-controlling shareholders will therefore be entitled to the contingent consideration. The present value of estimated contingent consideration is recognised as a liability which will be unwound over the remaining year (2020: two year period).

The fair value of the contingent consideration payable is measured with reference to the performance forecasts which can be used to estimate future cash flows. The key inputs into this valuation are the estimated future cash flows and the average discount rate of 7.9% (2020: 10.1%) used to determine the present value of the future cash flows.

	As at 28 February 2021 R'000	As at 29 February 2020 R'000
Reconciliation of recurring Level 3 fair value movements:		
Opening balance	45 121	64 345
Payments	(31 590)	(29 672)
Interest	2 838	7 075
Unrealised fair value adjustment [1]	(309)	1 481
Realised fair value adjustment [1]	(147)	1 892
Closing balance	15 913	45 121

[1] *Amount reflected in other expenses (2020: other income) in Statement of Comprehensive Income*

A reasonable movement in the unobservable inputs would not significantly impact the fair value of the contingent consideration as at the end of the reporting period and therefore not significantly impact profit after tax or equity.

There were no transfers of financial instruments between Level 1, Level 2 and Level 3 fair value measurements during the period ended February 2021 and 2020.

The fair value of all other financial instruments approximates their carrying amounts.

Additional information

		28 February 2021	29 February 2020
Ordinary shares in issue (000's):		860 084 483	860 084 483
Closing share price	(R/share)	22.40	21.62
Twelve-month share price (high)	(R/share)	26.50	29.17
Twelve-month share price (low)	(R/share)	16.55	19.85
Net asset value per share (WANOS)	(cents/share)	343.31	269.17
Net asset value per share (actual shares at year-end)	(cents/share)	343.18	269.07

Notes to the summarised consolidated results

1. These summarised consolidated financial results for the twelve months ended 28 February 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 Financial Reporting and the requirements of the Companies Act of South Africa. The Listings Requirements of the JSE require summarised consolidated 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 accounting policies and methods of computation used in the preparation of the condensed consolidated financial results are consistent in all material respects with those applied in the Group's annual financial statements as at 29 February 2020. None of the new standards, interpretations and amendments effective as of 1 March 2020 have had a material impact on the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

2. Revenue from contracts with customers can be disaggregated between the following retail categories:

	As at 28 February 2021 %	As at 29 February 2020 %
Dispensary	37	36
Personal care and beauty	28	28
Healthcare and nutrition	20	20
Baby care	6	6
Other	9	10
	100	100

3. Dis-Chem enters into certain transactions with related parties (lessor) including the rental of certain stores and warehouses.

   The lease liability relating to these leases amounted to R1 billion at 28 February 2021 (2020: R1 billion).

   Loans receivable from Mathimba Proprietary Limited at 28 February 2021 amounted to R24 million (2020: R24 million). Loans receivable from Dis-Chem Bothamed, Dis-Chem Namibia, Dis-Chem Swakopmund, Dis-Chem Dunes, Geniob and Origin Brands (all Proprietary Limited's) at 28 February 2021 amounted to R104 million (2020: R117 million).

   Other related party transactions for the current year are similar in nature to those disclosed in the annual financial statements for the year ended 29 February 2020.

4. There were no material impairments of assets in the current and prior comparable periods.

   As previously reported, the Group has seen disruption in trading conditions due to the COVID-19 pandemic. Despite the Group being an essential service provider and trading throughout the lockdown period, the various COVID-19 regulations implemented during the different levels of lockdown restricted the Group from selling all its products and trading within its usual operating hours. The protocols set up to deal with the COVID-19 pandemic and ensure the protection of staff and customers also resulted in additional costs being incurred.

   The Group has taken several steps to strengthen its financial position and maintain financial liquidity and the Group's financial position has been assisted by the lowering of interest rates thus reducing interest payable on its long term loan. The Group believes the adaptation of the business to a focussed Return on Invested Capital ("ROIC") approach positions it well to fast changing trading patterns.

   The wholesale division is not exposed to significant credit risk as a result of COVID-19 due to the majority of its customers continuing to trade as a result of their essential services status. No significant impairments of the Group's assets arose and there has been no significant impact on the net realisable value of inventory as a result of the crisis. The Group has continued to pay its creditors with no extension on payment terms being required.

   The Group has seen an increase in the employee benefits liability with the reduction of employees taking leave over this period due to the restrictions placed on travel as well as a decrease in loyalty points being redeemed with the increase in online sales.

5. No shares were issued during the current and prior comparable periods.

   During the year, 276 269 treasury shares, acquired in the previous financial year, were issued as part of the share based payment scheme. The share based payment reserve (other reserves in the Statement of Changes in Equity) was reduced by R8.2 million and treasury shares reduced by R6.7 million (other reserves in the Statement of Changes in Equity), representing the value at which they were purchased in the past. The difference of R1.5 million was recognised in retained income.

Notes to the summarised consolidated results continued

6. During the current year, the group acquired the following companies in order to further increase store foot print and baby care market share:

- The acquisition of 100% of Baby City (trading as Somerset and Fairy Tales Proprietary Limited), 33 premiere specialist stores for baby goods, for R422 million on 1 January 2021.
- The acquisition of 100% of TLC Kungwini, a pharmacy in Bronkhorstspruit, for R4.6 million on 1 March 2020.
- The acquisition of 100% of TLC Scot Street, a pharmacy in Scottburgh, for R8 million on 1 November 2020.

These are not categorised transactions in terms of the JSE Listings Requirements.

The provisional fair values of the identifiable assets and liabilities of the companies as at the date of acquisition of the subsidiaries were:

	Baby City R'000	TLC Kungwini R'000	TLC Scot Street R'000	Total R'000
Assets				
Property, plant and equipment	10 902	70	133	11 105
Right of use asset	277 807	–	–	277 807
Brand value	123 844	–	–	123 844
Trade and other receivables [1]	2 025	11	–	2 036
Inventories	164 130	802	1 768	166 700
Bank	40 673	12	–	40 685
Tax receivable	82	–	–	82
Liabilities				
Lease liability	(277 807)	–	–	(277 807)
Loans	(10 632)	–	–	(10 632)
Trade and other payables	(128 221)	–	–	(128 221)
Employee benefits	(11 792)	–	–	(11 792)
Deferred revenue	(8 471)	–	–	(8 471)
Deferred tax	(20 558)	–	–	(20 558)
Total identifiable net assets at fair value	161 982	895	1 901	164 778
Non-controlling interest at proportionate interest	–	–	–	–
Goodwill arising on acquisition	260 443	3 719	6 067	270 229
Purchase consideration transferred [2]	422 425	4 614	7 968	435 007

[1] *The carrying amount reflects the gross contractual amounts receivable and we expected to receive the full amount raised at the date of acquisition.*

[2] *The purchase price has been settled fully in cash.*

The goodwill comprises the value of expected synergies arising from the acquisition which is not separately recognised. These synergies include expansion of product and clinic offerings, trade term agreements and overall availability of resources.

From the date of acquisition, R162 million in revenue and R20 million profit before tax was contributed to the Group from the above acquisitions. If the acquisitions had taken place at the beginning of the year, R883 million in revenue and R14 million profit before tax would have been contributed to the Group from the above acquisitions. Immaterial acquisition related costs were expensed in the period.

During the current year, the Group acquired an additional 23.5% interest in Dis-Chem Glen Fair and sold 30% interest in Dis-Chem Mega Mall and 15% in Dis-Chem Wernhill.

7. The movement in the right-of-use asset and lease liability is as follows:

	28 February 2021		29 February 2020	
	ROU asset R'000	Lease liability R'000	ROU asset R'000	Lease liability R'000
Opening balance	2 184 851	2 725 682	2 249 906	2 752 521
Net additions (including acquisitions)	975 266	975 266	349 101	349 101
Modifications in lease terms and disposals	(8 343)	(4 598)	(54 848)	(53 847)
Depreciation	(426 237)	–	(361 696)	–
Finance costs	–	251 402	–	242 371
Payments	–	(644 843)	–	(566 697)
Foreign currency	2 578	2 748	2 388	2 233
Closing balance	2 728 115	3 305 657	2 184 851	2 725 682

Many of the store and warehouse leases across the Group contain extension options. In many cases these terms are not reflected in measuring the lease liabilities until management is reasonably certain they will be exercised. The entity considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

Lease payments relating to variable lease payments (for example, turnover based rental) amount to R2 million and R31 million relating to short-term leases. There was no expense in the current or prior period relating to low-value assets.

The Group adopted the Covid-19 Related Rent Concessions, IFRS 16 amendment in the current year.
The negotiated rental relief was accounted for by reducing the lease liability and recognising a negative variable lease payment credit in occupancy costs under other expenses. The impact of rental concessions was not significant.

Notes to the summarised consolidated results continued

8. Events after the balance sheet date

Healthforce

Healthforce offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system. The technology includes telemedicine capability, which provides real-time video connections between patients and nurses and an on-demand remote doctor network. The solution focuses on enabling multi-disciplinary team-based care.

In the face of a changing primary healthcare landscape, Healthforce presents the Group with an investment in a strategic asset through which it can advance its ambitions to be at the forefront of innovation in the delivery of care.

On 1 March 2021, the Group entered into a written share purchase agreement with Pure Pharmacy Holdings and its existing shareholders, in terms of which it acquired 87.5% of the issued share capital and 100% of the shareholder claims of Healthforce (Proprietary) Limited for R48 million.

The provisional fair values of the identifiable assets and liabilities of the company as at the date of acquisition of the subsidiary has not been disclosed due to the initial accounting and finalisation not yet being complete.

Medicare

Medicare is a healthcare and pharmacy group, offering a one-stop solution for everyday pharmacy and primary healthcare needs, all under one roof, in 50 pharmacies across four provinces. The group provides affordable healthcare and convenience, adding value by saving both time and money on everyday healthcare products, medication and clinic services.

The Group entered into a binding agreement with Pure Pharmacy Holdings and its existing shareholders, in terms of which it will acquire 100% of the issued share capital and shareholder claims of Pure Pharmacy Holdings (Proprietary) Limited, trading as Medicare Health ("Medicare"). Dis-Chem will pay a purchase consideration of R282 million upon closure. The Transaction includes a net working capital guarantee to ensure that the working capital metrics align with that of Dis-Chem. The Transaction remains subject to suspensive conditions, including approval from the competition authorities and is not a categorised transaction in terms of the JSE Listings Requirements.

Kaelo

Over the last 15 years, Kaelo Holdings ("Kaelo") has consistently grown its offering, which today features a complementary portfolio of health assets. In addition to providing benefit-rich gap and primary healthcare insurance products, Kaelo is a leading managed care organisation, operator of occupational health clinics and owner of the AskNelson psychological wellbeing platform.

The Group has entered into agreements with the founding shareholders and management of the Kaelo Group of Companies, in which it will acquire 25% of the issued share capital and shareholder claims of Kaelo. The Transaction remains subject to approval by the competition authorities and the fulfillment of commercial suspensive conditions.

9. These summarised consolidated results are extracted from audited information, but is not itself audited. The annual financial statements have been audited by Ernst & Young Inc. and their unmodified audit report, including key audit matters, is available for inspection at the Company's office.

The directors take full responsibility for the preparation of these summarised consolidated financial results, and that the financial information has been correctly extracted from the underlying audited financial information. The preparation of the summary consolidated group financial statements was prepared under the supervision of Mr Rui Morais CA(SA), the Chief Financial Officer of the Group.

The financial information on which any forward-looking statements are based have not been audited, reviewed or reported on by the Group's external auditors.

05

Shareholder information

Energy management initiatives

Use recycled plastic bags

Support people with disabilities

Analysis of ordinary shareholders

as at 28 February 2021

Shareholder Spread	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of Issued Capital
1 – 1 000	19 534	75.93	3 209 742	0.37
1 001 – 10 000	4 960	19.28	15 601 035	1.81
10 001 – 100 000	935	3.63	28 335 539	3.29
100 001 – 1 000 000	251	0.98	77 026 309	8.96
Over 1 000 000	45	0.17	735 911 858	85.56
Total	25 725	100.00	860 084 483	100.00

Distribution of Shareholders	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of Issued Capital
Assurance Companies	42	0.16	15 449 924	1.80
Close Corporations	79	0.31	283 487	0.03
Collective Investment Schemes	263	1.02	59 226 272	6.89
Custodians	15	0.06	1 496 139	0.17
Foundations & Charitable Funds	53	0.21	2 478 490	0.29
Hedge Funds	5	0.02	137 058	0.02
Insurance Companies	14	0.05	2 027 030	0.24
Investment Partnerships	39	0.15	159 993	0.02
Managed Funds	44	0.17	20 417 281	2.37
Medical Aid Funds	19	0.07	1 155 624	0.13
Organs of State	9	0.03	72 568 804	8.44
Private Companies	319	1.24	568 711 049	66.12
Public Companies	7	0.03	1 271 886	0.15
Public Entities	4	0.02	55 291	0.01
Register Imbalance	1	0.00	1 000	0.00
Retail Shareholders	23 369	90.84	27 897 937	3.24
Retirement Benefit Funds	270	1.05	59 619 793	6.93
Scrip Lending	10	0.04	7 986 428	0.93
Sovereign Funds	2	0.01	5 902 802	0.69
Stockbrokers & Nominees	17	0.07	5 238 525	0.61
Trusts	1 144	4.45	7 999 670	0.93
Total	25 725	100.00	860 084 483	100.00

Pursuant to the provisions of Section 56 of the Companies Act, 2008, disclosures from foreign nominee companies have been included in this analysis.

Analysis of ordinary shareholders as at 28 February 2021 (continued)

Shareholder Type	Number of Shareholdings	% of total Shareholdings	Number of Shares	% of Issued Capital
Non-Public Shareholders	15	0.06	553 339 770	64.34
Directors and Associates	14	0.05	553 084 184	64.31
Dis-Chem Pharmacies Limited	1	0.00	255 586	0.03
Public Shareholders	25 710	99.94	306 744 713	35.66
Total	25 725	100.00	860 084 483	100.00

Fund Managers with a Holding Greater than 3% of the Issued Shares	Number of Shares	% of issued Capital
Coronation Fund Managers	50 630 133	5.89
Public Investment Corporation	39 244 983	4.56
Sanlam Investment Management	28 333 098	3.29
Total	118 208 214	13.74

Beneficial Shareholders with a Holding Greater than 3% of the Issued Shares	Number of Shares	% of issued Capital
Ivlyn (Pty) Ltd	453 041 396	52.67
Government Employees Pension Fund	68 056 007	7.91
Stansh (Pty) Ltd	45 346 687	5.27
Total	566 444 090	65.86
Total number of shareholdings		25 725
Total number of shares in issue		860 084 483

Share Price Performance		
Opening price 2 March 2020		R21,89
Closing price 26 February 2021		R22,40
Closing high for period		R26,50
Closing low for period		R16,55
Number of shares in issue		860 084 483
Volume traded during period		319 949 452
Ratio of volume traded to shares issued	(%)	37.20
Rand value traded during the period		R6 489 135 590
Price/earnings ratio as at 26 February 2021		30,03
Earnings yield as at 26 February 2021		3,33
Dividend yield as at 26 February 2021		–
Market capitalisation at 26 February 2021		R19 265 892 419

Notice of annual general meeting

Dis-Chem Pharmacies Limited
(Incorporated in the Republic of South Africa)
(Registration number 2005/009766/06)
JSE share code: DCP
ISIN: ZAE000227831
("Dis-Chem" or "the Group" or "the Company")

Notice is hereby given that the twelfth Annual General Meeting ("AGM") of shareholders of Dis-Chem Pharmacies Limited ("Dis-Chem" or "the Group") will be held virtually on Friday, 30 July 2021 at 10:00. The AGM will be conducted entirely by electronic communication as contemplated in section 63(2)(a) of the Companies Act, 2008. Shareholders or their proxies may only participate in the AGM through electronic participation and will need to access an online platform. Details as to how to participate on the voting platform have been included in the email accompanying the notice of the AGM.

Only shareholders registered in the register of Dis-Chem on Friday, 23 July 2021, will be eligible to participate in the electronic AGM.

The purpose of the AGM is to propose the passing of the following ordinary and special resolutions:

1. Ordinary resolution number 1

Approval of annual financial statements

Resolved that the annual financial statements of the Company and its subsidiary companies for the year ended 28 February 2021, together with the reports of the Directors, Auditors and Audit and Risk Committee be and are hereby considered and adopted.

2. Ordinary resolution number 2

Appointment of auditors and designated auditor

In terms of paragraph 3.78 (j) of the JSE Limited Listings Requirements, shareholders are advised that, following the conclusion of a comprehensive tender process, the Audit and Risk Committee has recommended, and the board of directors has endorsed, the proposed appointment of Mazars as the external auditors of Dis-Chem with Mr. S Ranchhoojee as the designated individual audit partner for the FY2022 audit. The change in external auditors was necessitated by Dis-Chem's decision to adopt the mandatory audit firm rotation rule, whereby audit firms shall not serve as the appointed auditor of a public interest entity for more than 10 consecutive years.

Resolved that Mazars be and are hereby appointed auditors of the Company and that Mr. Sanjay Ranchhoojee is hereby appointed the designated auditor to hold office for the ensuing year.

The Company's Audit and Risk Committee has recommended the appointment of Mazars as auditors of the Company with Mr. S Ranchhoojee being appointed the designated auditor for the current financial year.

3. Ordinary resolution number 3

Re-election of director

Resolved that Ms. Anuschka Coovadia, who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The *curriculum vitae* for Ms. A Coovadia appears on page 34 of this annual report.

4. Ordinary resolution number 4

Re-election of director

Resolved that Ms. Alupheli Sithebe, who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The *curriculum vitae* for Ms. A Sithebe appears on page 33 of this annual report.

5. Ordinary resolution number 5

Appointment of Audit and Risk Committee member

Resolved that Ms. Anuschka Coovadia, who is a non-executive director of the company, be appointed a member of the Company's Audit and Risk Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company, Subject to the passing of ordinary resolution number 3 above.

6. Ordinary resolution number 6

Appointment of Audit and Risk Committee member

Resolved that Mr. Mark John Bowman, who is a non-executive director of the company, be appointed a member of the Audit and Risk Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

7. Ordinary resolution number 7

Appointment of Audit and Risk Committee member

Resolved that Ms. Alupheli Sithebe, who is a non-executive director of the company, be appointed a member of the Audit and Risk Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company, subject to the passing of ordinary resolution number 4 above.

Notice of annual general meeting (continued)

8. Ordinary resolution number 8

Appointment of Audit and Risk Committee member

Resolved that Mr. Johannes Sanyana Mthimunye be appointed a member of the Audit and Risk Committee and that this appointment shall be valid up to the date of the next Annual General Meeting of the Company.

9. Ordinary resolution number 9

Remuneration Philosophy and Policy and Implementation Report

Section 3.84 (j) of the JSE Listings Requirements require the Company to submit its Remuneration Philosophy and Report and Implementation Report every year to shareholders for consideration and to provide shareholders with an opportunity to indicate whether they do or do not support the material provisions of the remuneration philosophy and policy of the Company and the implementation thereof. Shareholders are referred to the Remuneration Philosophy and Policy and Implementation Report set out on pages 43 to 50 of the integrated annual report.

As the above are not matters that are required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for each resolution to be adopted as non-binding advisory votes is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution. In the event that the Remuneration Philosophy and Policy or the Implementation Report or both is/are voted against by shareholders exercising 25% or more of the voting rights cast at the AGM, the Company will invite dissenting shareholders to engage with it on their concerns in line with the provisions of the JSE Listings Requirements.

Ordinary resolution 9.1

Resolved that, as a non-binding advisory vote, the Remuneration Philosophy and Policy, as tabled, be and is hereby approved.

Ordinary resolution 9.2

Resolved that, as a non-binding advisory vote, the Implementation Report, as tabled, be and is hereby approved.

10. Special resolution number 1

Non-executive directors' fees for the financial year ending 28 February 2022 and the quarter ending 31 May 2021

Resolved that the fees, to be paid to the non-executive directors for their services as directors of the Company, for the year ending 28 February 2022 and the quarter ended 31 May 2021 (being a quarter of the fees payable for the year ending 28 February 2022) be approved as follows:

	28 February 2022	31 May 2021
Chairperson	3 307 425	826 856
Non-executive director	306 937	76 734
Chairperson of the Audit Committee	322 821	80 705
Member of the Audit Committee	207 161	51 790
Chairperson of the Remuneration and Nomination Committees	155 371	38 843
Member of the Remuneration and Nomination Committees	83 349	20 837
Chairperson of the Social and Ethics Committee	75 407	18 852
Member of the Social and Ethics Committee	41 466	10 366
Chairperson of Special Committees	8 151	8 151
Member of Special Committees	7 430	7 430

Further that the payment for the adjustment in the directors' fees for the quarter ended 31 May 2021 amounting to R63 715 (4.5%) be approved.

The reason for this special resolution is to obtain shareholder approval for the remuneration of each of the non-executive directors of the Company for the financial year ending 28 February 2022 and for the quarter ending 31 May 2021 in accordance with Section 66(9) of the Companies Act, 2008. The passing of this special resolution will have the effect of approving the remuneration of each of the non-executive directors of the Company for the financial year ending 28 February 2022 and quarter ending 31 May 2021. The fees payable for the quarter ending 31 May 2021 will be based on a quarter of the fees as approved above. Shareholders will be requested to approve any adjustment to the fees payable for the quarter ending 31 May 2021 at the 2022 Annual General Meeting.

11. Special resolution number 2

Loans or other financial assistance

Resolved that the Company be authorised, in terms of section 45 of the Companies Act, 2008, to provide any direct or indirect financial assistance to any related or inter-related companies as defined in section 2 of the said Companies Act, 2008.

The reason for special resolution number 2 is to approve generally the provision of financial assistance to any related or inter-related companies. Any financial assistance given will be subject to the Company complying with the Solvency and Liquidity Test as more fully set out in section 4 of the Companies Act, 2008. The Board will ensure that the terms of the financial assistance granted are fair and reasonable to the Company.

Notice of annual general meeting (continued)

12. Ordinary resolution number 10

General authority over unissued shares

Resolved that shares be and are hereby placed under the control of the directors until the date of the next Annual General Meeting, subject to the provisions of the JSE Listings Requirements and the condition that no issue of these shares will be made if it could have the effect of changing control of the Company.

No issue of these shares is contemplated at the present time and no issue will be made that could effectively change the control of the Company without the prior approval of shareholders in a general meeting.

13. Ordinary resolution number 11

General authority to issue shares for cash

Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to issue shares for cash for up to 5% i.e. 43 004 224 of the issued shares in the capital of the Company as and when they in their discretion deem fit, subject to the Companies Act, No. 71 of 2008, as amended, the Memorandum of Incorporation of the Company and the JSE Listings Requirements as presently constituted and which may be amended from time to time.

The reason for the above ordinary resolution number 11 is to give the directors authority to issue up to 5% of the unissued shares for cash to enable the Company to pursue suitable business opportunities as and when they arise.

Additional requirements imposed by the JSE Listings Requirements

It is recorded that the Company may only make an issue of shares (as defined in the JSE Listings Requirements) for cash under the above general authority if the following JSE Listings Requirements are met:

(a) The shares, which are the subject of the issue for cash, must be of a class already in issue, or where this is not the case, must be limited to such equity securities or rights that are convertible into a class already in issue;

(b) The general authority shall only be valid until the Company's next Annual General Meeting or for 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;

(c) A SENS announcement will be published giving full details, including the number of shares issued, the average discount to the weighted average traded price of the shares over the 30 (thirty) days prior to the date that the price of the issue was agreed in writing between the Company and party/ies subscribing for such shares at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) of the number of shares in issue prior to that issue;

(d) That issues in the aggregate in any 1 (one) financial year may not exceed 5% (five percent) of the number of the shares of the Company in issue of that class of shares before such issue, taking into account the dilution effect of convertible equity securities and options in accordance with the JSE Listings Requirements;

(e) In determining the price at which an issue of shares may be made in terms of this general authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price on the JSE of those shares measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed to between the Company and the party/ies subscribing for the shares; and

(f) Any issue will only be made to "public shareholders" and not to "related parties" as defined by the JSE Listings Requirements.

14. Ordinary resolution number 12

Directors' of Company Secretary's authority to implement special and ordinary resolutions

Resolved that any director of the Company or the Company Secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this meeting.

15. Social and ethics committee

In terms of Regulation 43 of the Companies Act, 2008, a Social and Ethics Committee report has been included in the IAR (page 51). The report sets out the matters as required in terms of the Social and Ethics Committee's terms of reference. Shareholders will not be asked to vote on any matters in the Social and Ethics Committee's terms of reference but may raise any questions they may have regarding the said terms of reference.

Notice of annual general meeting (continued)

Voting and proxies

All ordinary resolutions, except for ordinary resolution number 11, will, in terms of the Companies Act, 2008, require the support of more than 50% of the voting rights of the shareholders exercised thereon to be approved.

A general issue of shares for cash must be approved by ordinary resolution with a 75% majority of shareholders voting in favour thereof. Accordingly, ordinary resolution number 11 will require the support of more than 75% of the voting rights of shareholders exercised thereon to be approved.

In terms of the Companies Act, 2008, all the special resolutions will require the support of at least 75% of the total voting rights exercised thereon to be approved.

Entitlement to participate and vote at the AGM in person or by proxy

All shareholders are encouraged to participate, speak and vote at the AGM.

If you hold certificated shares, i.e. you have not dematerialised your shares in the Company, or are registered as an own-name dematerialised shareholder, i.e. you have specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your name in the company sub-register, as at Friday, 23 July 2021:

- You may participate and vote at the AGM, or
- You may appoint an individual as a proxy, who need not also be a shareholder of the Company, to participate and vote on your place at the AGM by completing the attached form of proxy and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on page 83 of the IAR.

  Please, note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy. Also, note that the attached form of proxy must be delivered to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, before your proxy may exercise any of your rights as a shareholder at the AGM.

Any shareholder of the Company that is a company may authorise any person to participate as its representative at the Annual General Meeting. Section 63(1) of the 2008 Companies Act, requires that persons wishing to participate at the Annual General Meeting (including the abovementioned representative) provide satisfactory identification before they may so participate.

Please note that if you are the owner of dematerialised shares (i.e. have replaced the paper share certificates representing the shares with electronic records of ownership under the JSE's electronic settlement system, Share Transactions Totally Electronic ("STRATE") held through a CSDP or broker (or their nominee) and are not registered as an "own-name dematerialised shareholder" then you are not a registered shareholder of the Company, but your CSDP or broker (or their nominee) would be.

Accordingly, in these circumstances, subject to the mandate between yourself and your CSDP or broker as the case may be:

- if you wish to participate at the Annual General Meeting you must contact your CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; or alternatively
- if you are unable to participate at the Annual General Meeting but wish to be represented at the meeting, you must contact your CSDP or broker, as the case may be, and furnish it with your voting instructions in respect of the Annual General Meeting and/or request your CSDP to appoint a proxy.

You must not complete the attached form of proxy. The instructions must be provided in accordance with the mandate between yourself and your CSDP or broker within the time period required by your CSDP or broker, as the case may be.

CSDPs, brokers or their nominees, as the case may be, recorded in the Company's sub-register as holders of dematerialised shares held on behalf of an investor/beneficial owner in terms of STRATE should, when authorised in terms of their mandate or instructed to do so by the owner on behalf of whom they hold dematerialised shares in the Company, vote by either appointing a duly authorised representative to attend and vote at the Annual General Meeting or by completing the attached form of proxy in accordance with the instructions thereon and returning it to the registered office of the Company or to the transfer secretaries, Computershare Investor Services Proprietary Limited, the details of which are set out on page 81 of the integrated annual report.

By order of the Board

NJ Lumley
Company Secretary

Johannesburg
Wednesday, 30 June 2021

Form of proxy

Form of proxy for use at the Annual General Meeting of Dis-Chem Pharmacies Limited ("the Company") to be held at 10:00 on Friday, 30 July 2021. Shareholders listed in the shareholder register as of Friday, 23 July 2021, will be eligible to vote at the Annual General Meeting.

This form of proxy is not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be unless you are recorded on the sub-register as an own-name dematerialised shareholder. Generally, you will not be an own-name dematerialised shareholder unless you have specifically requested your CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

This form of proxy is only for use by certificated, own-name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holder of dematerialised ordinary shares.

Each shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy (who need not also be a shareholder of the Company) to attend, participate in and speak and vote in place of that shareholder at the Annual General Meeting, and at any adjournment after that.

Please note the following:

- The appointment of your proxy may be suspended at any time to the extent that you choose to act directly in the exercise of your rights as a shareholder at the Annual General Meeting;
- The appointment of the proxy is revocable; and
- You may revoke the proxy appointment by:
  (i) Cancelling it in writing, or making a later inconsistent appointment of a proxy, and
  (ii) delivering a copy of the revocation instrument to the proxy and the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the Annual General Meeting. Please also note that section 63(1) of the Companies Act, 2008 requires that persons wishing to participate in the Annual General Meeting (including the abovementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll, so each shareholder present or represented by way of proxy will be entitled to vote.

I/We Address:

Contact telephone number:

being the holder/s of ordinary shares in the Company, hereby appoint:

1. or failing him/her,

2. or failing him/her,

3. The Chairman of the AGM,

as my/our proxy to participate in and vote at the meeting in my/our place and on my/our behalf at the Annual General Meeting, which will be held to consider and, if deemed fit, passing the resolutions to be proposed thereat and at any adjournment thereof and to vote for or against such resolutions or to abstain from voting in respect of the shares in the issued capital of the Company registered in my/our name/s, in accordance with the instructions set out below.

My/our proxy may delegate to another person his/her authority to act on my behalf at the Annual General Meeting, provided that my/our proxy:

- May only delegate his/her authority to act on my behalf at the Annual General Meeting to a director of the Company;
- Must provide written notification to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, of the delegation by my/our proxy of his/her authority to participate on my behalf at the Annual General Meeting; and
- Must provide to his/her delegee a copy of his/her authority to delegate his/her authority to participate on my behalf at the Annual General Meeting.

Form of proxy (continued)

Number of votes (one vote per ordinary share)	For	Against	Abstain
ORDINARY RESOLUTION NUMBER 1 Adoption of annual financial statements as at 28 February 2021			
ORDINARY RESOLUTION NUMBER 2 Appointment of the auditors and designated auditor			
ORDINARY RESOLUTION NUMBER 3 Re-election of Ms. A Coovadia as a director			
ORDINARY RESOLUTION NUMBER 4 Re-election of Ms. A Sithebe as a director			
ORDINARY RESOLUTION NUMBER 5 Appointment of Audit and Risk Committee member Ms. A Coovadia			
ORDINARY RESOLUTION NUMBER 6 Appointment of Audit and Risk Committee member Mr. M J Bowman			
ORDINARY RESOLUTION NUMBER 7 Appointment of Audit and Risk Committee member Ms. A Sithebe			
ORDINARY RESOLUTION NUMBER 8 Appointment of Audit and Risk Committee member Mr. J S Mthimyune			
ORDINARY RESOLUTION NUMBER 9.1 Approval of Remuneration Policy and Report			
ORDINARY RESOLUTION NUMBER 9.2 Approval of Implementation Report			
SPECIAL RESOLUTION NUMBER 1 Approval directors' remuneration			
SPECIAL RESOLUTION NUMBER 2 Approval loans or other financial assistance			
ORDINARY RESOLUTION NUMBER 10 General authority over unissued shares			
ORDINARY RESOLUTION NUMBER 11 General authority to issue shares for cash			
ORDINARY RESOLUTION NUMBER 12 Authority any director or Company Secretary to sign documents			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. If you wish to cast your votes in respect of a lesser number of shares than you own in the Company, insert the number of shares held in respect of which you desire to vote.

Signed at on 2021

Signature: Telephone number:

(Authority of signatory to be attached if applicable – see note 8)

Notes to the form of proxy

Summary of shareholders rights in respect of proxy appointments as contained in section 58 of the Companies Act, 2008

Please note that in terms of section 58 of the Companies Act, 2008:

- This form of proxy must be dated and signed by the shareholder appointing the proxy;
- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in and speak and vote at the Annual General Meeting on your behalf;
- Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form of proxy ;
- This form of proxy must be delivered to the Company, or the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the Annual General Meeting;
- The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy ;
- As the appointment of your proxy is revocable, you may revoke the proxy appointment by:
  (i) Cancelling it in writing, or making a later inconsistent appointment of a proxy; and
  (ii) Delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the later of (i) the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid;
- If this form of proxy has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, 2008 or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so;
- Your proxy is entitled to exercise, or abstain from exercising, any voting right of yours at the Annual General Meeting, but only as directed by you on this form of proxy;
- The appointment of your proxy remains valid only until the end of the Annual General Meeting or any adjournment or postponement thereof or for a period of 6 (six) months, whichever is shortest, unless it is revoked by you before then on the basis set out above.

1. Only shareholders listed in the shareholder register as of Friday, 23 July 2021, will be eligible to vote at the Annual General Meeting to which this form of proxy s part.
2. The person whose name stands first on the form of proxy and who participates at the Annual General Meeting will be entitled to act as a proxy to the exclusion of those whose names follow after that.
3. If no proxy is inserted in the spaces provided, then the Chairperson shall be deemed to be appointed as the proxy to vote or abstain as the Chairperson deems fit.
4. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Suppose there is no clear indication as to the voting instructions to the proxy. In that case, the form of proxy will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she considers to be fit in respect of all the shareholder's votes exercisable thereat.
5. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy. Still, the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
6. Form of proxy s must be lodged at the Head Office of the Company, 23 Stag Road, Midrand or posted to the Company Secretary at 23 Stag Road, Midrand, 1685, or lodged with or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132).
7. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company Secretary or waived by the Chairperson of the Annual General Meeting if he is reasonably satisfied that the right of the representative to participate and vote has been reasonably verified. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company Secretary or to the transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132), together with this form of proxy.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies, but any such alteration or correction will only be validly made if it is accepted by the Chairperson.
9. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company Secretary.

Definitions

Annual Financial Statements	Financial reports based on a 12-month consecutive period that convey the business activities and the financial performance of the company.
Capital expenditure to expand operations	Capital expenditure ("CAPEX") undertaken by the Group to further growth prospects and expand existing operations.
Capital expenditure to maintain operations	Capital expenditure required by the Group to continue operating in its current form i.e. to maintain or replace assets.
Cash flow	
Financing activities	Activities that result in changes to the capital and funding structure of the Group.
Investing activities	Activities relating to the acquisition, holding and disposal of capital assets and long term investments.
Operating activities	Activities that are not financing or investing activities that arise from the operations conducted by the Group.
Creditor days	The numbers of days it takes the Group to pay its creditors. The ratio indicates the amount of credit given to the business by our suppliers.
Calculation	$\frac{\textit{Average trade and other payables}}{\textit{Revenue x 365}}$
Debtors days	A ratio that measures how quickly cash is being collected from debtors.
Calculation	$\frac{\textit{Average trade and other receivables}}{\textit{Revenue x 365}}$
Dividend payout ratio	The amount of dividends paid to shareholders relative to the amount of total net income of the Group.
Calculation	$\frac{\textit{Dividends paid}}{\textit{Net income}}$
Dividend per share ("DPS")	The sum of declared dividends issued by a company for every ordinary share outstanding.
Calculation	*Headline earnings per share x payout ratio*
Earnings before interest and tax ("EBIT")	A measure of the Group's profit that includes all incomes and expenses excluding interest and income tax expenses.
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	A measure of the Group's operating performance without factoring in financing or accounting decisions or the tax environment.
Earnings per share ("EPS")	The portion of the Group's profit allocated to each outstanding share of common stock.
Calculation	$\frac{\textit{Earnings attributable to equity holders of the Group}}{\textit{WANOS}}$

Definitions (continued)

Effective tax rate	The average tax rate paid by the group.
Calculation	$\frac{\textit{Taxation paid (as per income statement)}}{\textit{Profit before tax}}$
Free float	The number of ordinary shares that are freely tradable on the JSE Limited. It excludes treasury shares, shares held by directors and employee share schemes.
Gross profit margin	A financial metric used to assess the Group's financial health and business model by telling the amount of money left over from revenue after deducting the cost of goods sold ("COGS").
Calculation	$\frac{\textit{(Revenue-COGS)}}{\textit{Revenue}}$
Headline earnings	A measurement of the Group's earnings based solely on operational and capital investment activities i.e. it excludes exceptional and once-off profits and losses
Headline earnings per share ("HEPS")	The per-share value of the headline earnings attributable to holders of the Group.
Calculation	$\frac{\textit{Headline earnings}}{\textit{WANOS}}$
Integrated Annual Report	A concise communication about how the Group's strategy, governance, performance and prospects lead to the creation of value over the short-, medium- and long term.
Integrated Reporting	A process that results in communication about the Group's value creation over time.
International Financial Reporting Standards ("IFRS")	Standards that specify how companies must maintain and report their accounts, defining types of transactions and other events with financial impact.
Inventory days	An efficiency ratio that measures the average number of days the company holds its inventory before selling it i.e. the number of days that funds are tied up in inventory.
Calculation	$\frac{\textit{Average inventory}}{\textit{(Average inventory)/(Cost of goods sold x 365)}}$
King Code of Corporate Governance	A code that sets out what ethical and effective leadership is.
Like-for-like revenue growth	A measure of growth in sales, adjusted for new or divested businesses. Dis-Chem takes into account stores that have been open for at least two full financial years.
Materiality	An accounting standard can be ignored if the net impact of doing so has such a small impact on the financial statements that a user of the statements will not be misled.

Definitions (continued)

Net asset value per share– actual shares at year-end	
Calculation	$\frac{\textit{Total assets-total liabilities}}{\textit{Actual number of shares outstanding}}$
Net asset value per share – WANOS	
Calculation	$\frac{\textit{Total assets-total liabilities}}{\textit{WANOS}}$
Net working capital days	The average number of days it takes the Group to convert working capital into revenue.
Calculation	*Debtor days+inventory days-creditor days*
Operating margin	A measure of profitability that indicates how much of each rand of revenue is left over after both cost of goods sold and operating expenses are considered.
Calculation	$\frac{\textit{Operating profit}}{\textit{Revenue}}$
Return on capital employed ("ROCE")	Determines a company's profitability after taking into account the amount of capital used.
Calculation	$\frac{\textit{EBIT}}{\textit{Capital Emloyed}}$
Return on equity ("ROE")	A measure of profitability that calculates how many rands of profit a company generates with each rand of shareholders' equity.
Calculation	$\frac{\textit{Net income attributable to equity holders}}{\textit{Average shareholders' equity}}$
Return on invested capital ("ROIC")	The percentage return made over invested capital
Calculation	$\frac{\textit{Net income-dividend}}{\textit{Debt+Equity}}$
Sustainable Development Goals	A collection of 17 global goals designed to be a blueprint for achieving a better and more sustainable future for all.
Weighted average number of shares ("WANOS")	The number of shares at year-end taking into account any changes in the number of outstanding shares over the specific reporting period.

Abbreviations

AFS	Annual Financial Statements
AGM	Annual General Meeting
CAMs	Complimentary and Alternative Medicines
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIIO	Chief Information and Innovation Officer
COBIT	Control Objectives for Information Technologies
CSR	Corporate Social Responsibility
DC	Distribution Centre
DOH	Department of Health
DSP	Designated Service Provider
DTMP	Dis-Chem Trainee Management Programme
EDLP	Everyday Low Price
ETI	Employment Tax Incentive
EXCO	Executive Committee
EY	Ernst & Young
FSP	Forfeitable Share Plan
GDP	Gross Domestic Product
HPCSA	Health Professions Council of South Africa
IAR	Integrated Annual Report
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IR	Integrated Reporting
IRBA	The Independent Regulatory Board for Auditors

ISACA	Information Systems Audit and Control Association
IT	Information Technology
JSE	Johannesburg Stock Exchange
King IV	King Code of Corporate Governance
LED	Light Emitting Diode
LSM	Living Standard Measure
LTI	Long-term Incentives
MCC	Medicines Control Council
MD	Managing Director
MOI	Memorandum of Incorporation
NHI	National Health Insurance
POPIA	Protection of Personal Information
PwC	PricewaterhouseCoopers
SAHPRA	South African Health Products Regulatory Authority
SAR	Share Appreciation Rights
SDGs	Sustainable Development Goals
SENS	Stock Exchange News
SEP	Single Exit Price
STI	Short-term Incentive
TGP	Total Guaranteed Package
TLC	The Local Choice

Corporate information

Dis-Chem Pharmacies Limited
Registration number 2005/0097/66/06
JSE code: DCP
ISIN: ZAE000227831

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Shareholders' diary

Annual General Meeting

AGM	Friday, 30 July 2021

Reports

Full-year results to 28 February 2021	Friday, 21 May 2021
Publication of IAR	Wednesday, 30 June 2021
Interim results to 31 August 2021	Wednesday, 3 November 2021
Full-year results to 28 February 2022	May 2022

Trading updates

Pre-closed period trading update	August 2021
22-week trading update	February 2022

Dividends

Last day to trade *cum* dividend on the JSE: FY2021 final dividend:	8 June 2021
Payment date: FY2021 final dividend:	14 June 2021
Last day to trade *cum* dividend on the JSE: FY2022 interim dividend:	November 2021
Payment date: FY2022 interim dividend:	November/December 2021

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