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Dis-Chem WELLNESS CLINIC

Integrated Report

for the financial year ended 28 February 2022

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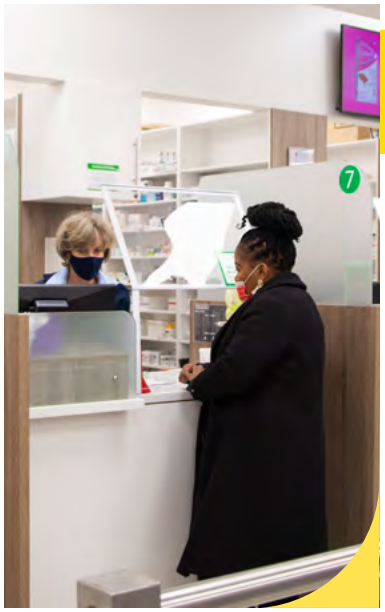

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Shareholder information

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Overview of the Group

12 new
Dis-Chem stores

466
Clinics nationwide

Three new
Baby City stores

Profitable
Online store

More than **6.8 million**
active benefit members

About this report

The 2022 financial year has been challenging, but not without its rewards.

We proudly present our Integrated Annual Report ("IAR") for the financial year ended 28 February 2022 to our stakeholders, locally and abroad. The purpose of the report is to demonstrate how the Group continued to create value for shareholders, give an overview of business performance and achievements this past financial year and provide future targets and opportunities.

The report is aimed primarily at our shareholders, who are the Group's principal financial capital providers. However, we acknowledge all other key stakeholders and their roles in enhancing value for the Group.

The main objective is to provide shareholders with insights into how the Group anticipates creating value in the short, medium and long term. We continue to improve disclosure and strive for the highest reporting standards. However, we exclude information that could lead to the 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 2022 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 additionally 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") Listings 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 consisting of financial and non-financial risks.

The executive and senior management review the Group's material issues each year. 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, seeking to optimise assurance obtained from management and external assurance providers. The Group's external auditor, Mazars, provided reasonable assurance on the AFS and expressed an unmodified audit opinion. They reported on the accuracy of the summary financial information in the IAR extracted from the AFS.

PricewaterhouseCoopers ("PwC"), the Group's internal audit providers, provided additional assurance for the Group. 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. Yet, forward-looking information by its very nature involves risk and uncertainty because it relates to events and depends 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 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 Thursday, 23 June 2022 and was signed on its behalf by:

Larry Nestadt
Independent
Non-Executive Chairman

Ivan Saltzman
Chief Executive Officer

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 finding 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	31-38
2 Organisational ethics	37
3 Responsible corporate citizenship	22, 46-50
4 Strategy and performance	19-22
5 Reporting	4, 38
6 Board	31-38
7 Board composition	31-38
8 Board committees	36
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10 Appointment and delegation to management	34-35
11 Risk governance	25-26
12 Technology and information governance	38
13 Compliance governance	37
14 Remuneration governance	40-44
15 Assurance	4, 38
16 Stakeholders	23-24

Highlights for the year

Financial Capital

Revenue
^ 15.7%
R30.4billion

Basic HEPS
^ 27.5%
to **99.2 cents**

Total income
^ 17.7%
R8.7billion

DPS
^ by **27.7%**
to **39.7 cents**

Total income margin
^ from **28.3%**
to **28.7%**

Net working capital days from
30 to **26.5**

Operating profit
^ 21.6%
R1.5billion

Market capitalisation
R29.8billion

Manufactured Capital

12
New stores opened

509
registered nurses

Added
12 666m²
floor space

Profitable
online store with 22% growth

Store base
206

Acquired
Medicare

466
clinics across all our stores

Acquired
stake in Kaelo

8
corporate clinics

Natural Capital

More than
5 200
tonnes of recycling

Over
91 000
trees saved

More than
1.1m
litres of oil saved

Over
121 kilolitres
litres of water saved

18.6m
kilowatts of energy saved

Highlights for the year continued

Human Capital

Just over
20 000
permanent, fixed-term and casual employees

69%
of employees are black

834
learners who completed learnership agreements

R25.0m
spent on training and education

63%
of employees are women

36
bursary grants to pharmacy students

Social and Relationship Capital

12.2
customer profiles

R17.7m
donated to the Dis-Chem Foundation

6.8m
benefit programme members

Strong
relationships with suppliers

Regular
engagement with regulators

Various
social campaigns

Nurses
responsible for wellness outreach

Dis-Chem Foundation
projects

More than
R307.7m
redeemed through our benefits programme

Intellectual Capital

The Board has more than
200
years of experience

Strong
brand awareness

Quality
relationships with stakeholders

Top qualified
individuals and process experts

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 was listed on the Johannesburg Stock Exchange ("JSE") in 2016 and falls under the Food and Drug Retailers sector. Dis-Chem has grown into a well-established, desired brand amongst South African consumers underpinned by excellent customer service, product variety and an Everyday Low Price ("EDLP") strategy. Dis-Chem prides itself in being a destination discount brand and targets 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

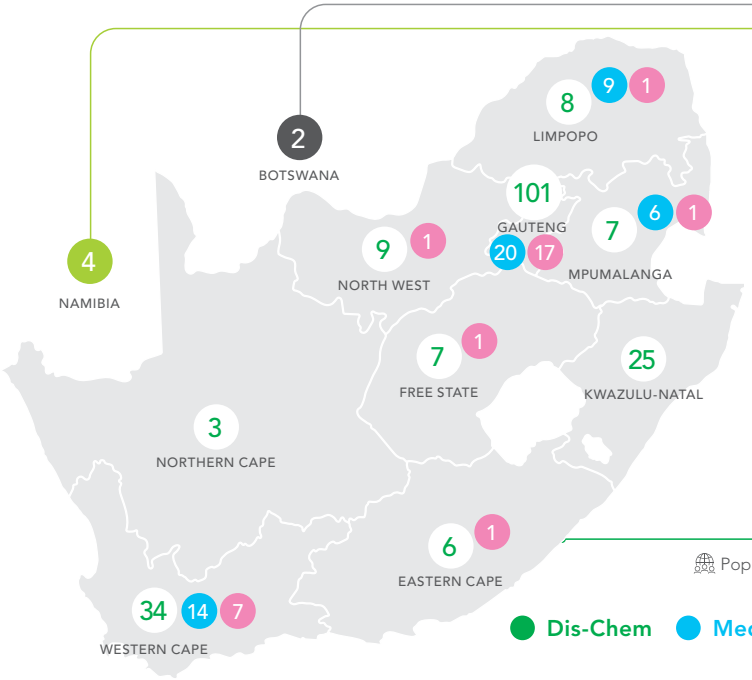
2021
Acquired Baby City
Acquired a 25% stake in Kaelo
Acquired Medicare

2022
Introduced Dis-Chem Health

Group profile continued

Number of stores

We have 289 stores across all nine provinces in South Africa, four in Namibia and two in Botswana.



Where we operate

	NAMIBIA	SOUTH AFRICA	BOTSWANA
Population	2.59m (mid-2021)	60.14m (mid-2021)	2.4m (mid-2021)
Stores	4	283	2
Employees	255	19 744	72
Active benefit members	113k	6.8m	76k
Average store size	1 391m²	1 332m² (excluding Mediclinic pharmacies)	822m²

Population | Stores | Average store size | Employees | Active benefit members

Dis-Chem | Medicare | Baby City

Dis-Chem stores

The Group has 200 Dis-Chem stores across all nine provinces in South Africa, four stores in Namibia, and two in Botswana.

Medicare

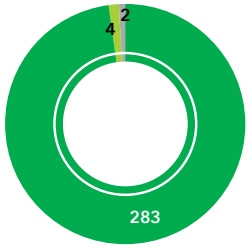
The Group has 48 Medicare stores across four provinces, which are being rebranded to Dis-Chem stores.

Baby City

The Group has 35 Baby City stores across all nine provinces.

	Average store size	Number of stores	Total floor space
Dis-Chem	1 297m²	203	259 946m²
Medicare	360m²	48	17 721m²
Mediclinic	98m²	3	295m²
Baby City	1 136m²	35	42 049m²

Geographical split of stores



South Africa | Namibia | Botswana

Operational structure

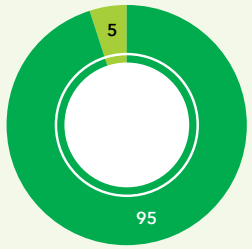
Dis-Chem's operations are divided into two main segments – Retail and Wholesale. Retail contributes the majority share to both revenue and operating profit.

Retail

The retail segment of the Group comprises retail pharmacy stores, primary healthcare clinics, Baby City, Medicare, Dis-Chem Direct, e-commerce and ancillary services allowing the Group to offer its customers a wide variety of products and services at competitive prices.

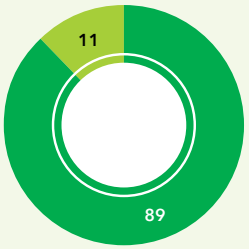
At the end of the 2022 financial year, the Group had a store base of 289, including Dis-Chem, Medicare, Mediclinic and Baby City stores. Store sizes range from 70m² to over 2 500m².

Operating profit (%)



Retail | Wholesale

Revenue contribution (%)



Retail | Wholesale

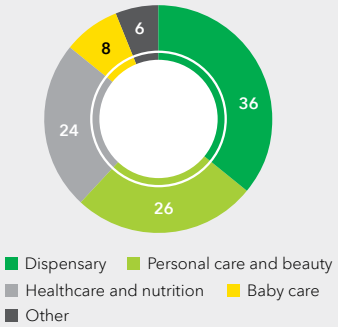
Group profile continued

The Dis-Chem retail pharmacy stores are divided into four core categories:

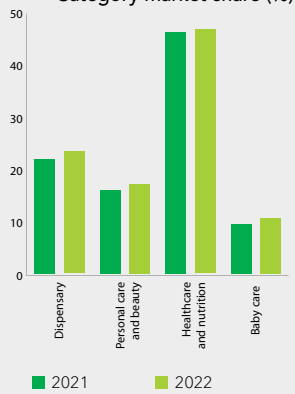
1. **Dispensary**
2. **Personal care and beauty**
3. **Healthcare and nutrition**
4. **Baby care**

The dispensary category is the most significant contributor to total Group revenue.
All categories have gained market share.

Category revenue contribution (%)



Category market share (%)



Source: IQVIA, Nielsen Baby Cae excludes Baby City

Dispensary

The dispensary category contributes more than a third to the Group's total revenue. It is a highly regulated category with both scheduled drug prices and the dispensing fee regulated by the Department of Health ("DOH").

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

The dispensing fee charged by pharmacies is determined by the DOH using a four-tier pricing structure. 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.

Health Window

Health Window is a business specialising in increasing patient adherence to chronic medication. Barriers to treatment are overcome through the implementation of intelligent software and technology solutions, combined with timely and relevant customer engagement.

At the time of investing in Health Window in 2018, the average script fill rate for the total Dis-Chem chronic patient population was at six dispenses per annum (out of 12), which correlates closely to the WHO's global average. Through Health Window's digital PackMyMeds service, call centre and health management activities, the population's current average chronic script fill rate has grown to 8.6 out of 12 dispenses. These efforts have sustained chronic sales growth despite a declining chronic market. Better adherence to the doctor's treatment plan results in improved patient outcomes which is core to our ethos as Pharmacists Who Care.

Patients managed by Health Window also show an increase in both acute medication and front-shop spend, when compared to those not on the service. This is indicative of the intrinsic value of engaging customers as a healthcare provider, thereby leveraging off a better understanding of customer needs through a medical- and health-focused lens.

Personal care and beauty

The personal care category is highly competitive with many players. To remain competitive in this space, the Group uses a combination of EDLP and promotional pricing strategies, including percentage off promotions and promotional campaigns.

The Group continues to increase its exclusive brand assortment in key sub-categories by developing and growing ranges based on consumer behaviour trends.

The beauty category focuses on three main areas: colour cosmetics, face care and fragrances. The Group is currently perceived as the leading fragrance destination and continues to grow its 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 everyday 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 have been supported by the ongoing consumer trend towards living a healthier lifestyle. The Covid-19 pandemic has further increased consumer awareness around health and wellness, which has been evident in the increase in the healthcare share of the basket and short-term mix changes.

Group profile continued

Baby care

The Baby Care category is a very lucrative category in which the Group has invested significantly over the last few years. The acquisition of Baby City, which became effective on 1 January 2021, has proven to be very beneficial. Stores were restructured with a new logo, a loyalty benefits programme and an operational Moms and Baby focused clinic in every store.

The retail pharmacy stores are complemented by quality staff members, a loyalty benefits programme, e-commerce, Dis-Chem Direct, ancillary services, primary healthcare clinics and private label and exclusive brands.

Staff members

Dis-Chem's strength lies in its team of just over 20 000 employees. In the ever-changing, dynamic times we live in, we believe our human capital 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 programme in 2003. We currently have 6.8m active Benefit programme members across both the Dis-Chem and Baby City brands. These members are responsible for around 71.9% of total retail sales and have a higher spend per basket and increased shopping frequency than non-Benefit members.

The advantages of being a member of our multi-partner Benefit Programme include Benefit rewards earned on all qualifying purchases, exceptional partner rewards, instant discounts on selected products in-store and online, a quarterly *Benefits* magazine, access to our Baby Programme, exclusive offers, *ad hoc* double and bonus rewards, 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 our Benefit card, a certain percentage of all eligible purchases is also donated to the Dis-Chem Foundation to assist worthy causes. Underpinned by a philosophy of care and giving back to those who need it most, the Dis-Chem Foundation was founded in 2006 based on concern around the growing levels of poverty in South Africa. The Covid pandemic created an even greater need and the work done by the Dis-Chem Foundation has never been more important as communities and individuals alike have experienced loss; the loss of loved ones and economic security.

Many organisations rely on the Foundation to keep their doors open and have peace of mind knowing that it continues to provide support.

This is made possible with the help of the Dis-Chem and Baby City Benefit Card members due to The Foundation being a beneficiary of Dis-Chem Groups' Benefits Programme.

The Group also differentiates its Benefit programme from others in the market through its real-time earn and redeem, programme partnerships, and customer-specific focus groups. Strategic partners include Discovery Vitality, Standard Bank UCount, Absa Rewards, Capitec, Momentum Multiply, Sanlam Reality, Planet Fitness, Legacy Lifestyle, School-Days, TotalEnergies, Bestmed.

E-commerce

There is a continued shift in consumer behaviour post Covid-19 as consumers are frequenting stores more regularly. The consolidation of our online store operations is creating scale, better bargaining power and efficiencies across the Group.

Our fulfilment hubs increased from 74 in the previous reporting period to 82 growing at a steady rate and optimising efficiencies. Our central delivery technology has driven down costs and ensured that online profitability increased further.

Dis-Chem Direct

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

Ancillary services

Hair and beauty salons

In a couple of our bigger Dis-Chem stores, we have hair and beauty salons offering a wide variety of exclusive products and services like facials, massages haircuts and gents grooming. The salons are managed by qualified and experienced stylists and therapists with excellent industry knowledge.

Primary care clinics

Dis-Chem has at least one and up to three clinics in each of its stores. The clinics provide preventative healthcare and early risk detection solutions amongst other primary healthcare services. The clinic service offerings are split into three categories: 1) Wellness Clinic, 2) Baby Clinic, and 3) Wound Care Clinic.

Group profile continued

Wellness clinic

Services include:

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

Baby clinic

Our Well Baby Clinics have nursing professionals who offer a wide range of services and expert advice which will help to ensure that the babies visiting the clinics remain healthy. Services include:

- Immunisation schedules
- Breastfeeding
- Potty training advice
- Teething

Wound care clinic

Our nursing professionals are trained to assist with correctly dressing simple wounds and burns for speedy healing.

Leveraging our clinic infrastructure through primary healthcare

It is our vision to help provide affordable primary healthcare to South Africans who do not yet have access to Private Healthcare, as we believe affordable private healthcare should be within everyone's reach. We have strategically partnered with key companies to deliver primary health insurance products that uphold this vision and that are committed to helping us make healthcare accessible to all.

The Group currently has 466 well-run clinics staffed by 509 registered nursing practitioners. Our goal is to increase the scope of all clinic sisters through ongoing training to be able to facilitate a primary care point of entry role.

We invested in Telemedicine infrastructure and technology which has been accessible in our clinics from January 2020 with added advantages like access to General Practitioners ("GPs") at much lower rates and electronic scripting directly into dispensaries.

The Group in partnership with Kaelo recently launched Dis-Chem Health, private primary care insurance products that meet the needs of many South Africans, giving them peace of mind knowing their day-to-day health is in good hands.

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

Wholesale

Distribution centres

Dis-Chem has five distribution centres across the country in Gauteng, KZN, Western Cape and Mpumalanga. The Group is currently in the process of buying three of its distribution centres, allowing the Group to own three of its five distribution centres and achieve a reduction in rental expenses incurred outside the Group. The ownership of the assets will ensure that the Group holds the necessary strategic assets for long-term growth.

Distribution centre	Size
Cape Town	15 693m²
Delmas	6 030m²
KZN	14 400m²
Midrand	44 000m²
K101	8 518m²

Investment case

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

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 465 full-time pharmacists employed

More than 2.6 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*

Vaccinations and acquisitions

Covid-19 vaccination campaign

Dis-Chem supported the National Department of Health from the inception of the Covid-19 vaccination rollout programme. Opening our first Covid-19 mass vaccination site at our Midrand head office on 17 May 2021, we committed to playing a leading role in vaccinating the people of South Africa.

Our programme was initially geared towards providing vaccination capacity through the establishment of dedicated mass sites to ensure that we were able to vaccinate as many people as quickly and efficiently as possible. As the programme gained momentum, we continued to open sites, including vaccinating from many of our in-store clinics. At the peak of the programme, the Group was operating 131 vaccination sites across the country, including 29 dedicated mass sites. In addition to our mass and clinic vaccination sites, Dis-Chem participated in various community, school, and corporate outreach initiatives.

During the period under review, the Group administered 1.65 million vaccine doses. Dis-Chem remains committed to the Covid-19 vaccination programme, as we recognise our crucial role in promoting access to the vaccine through our national footprint.

Acquisitions

Healthforce

Our acquisition of 87.5% of Healthforce came into effect 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.

Medicare

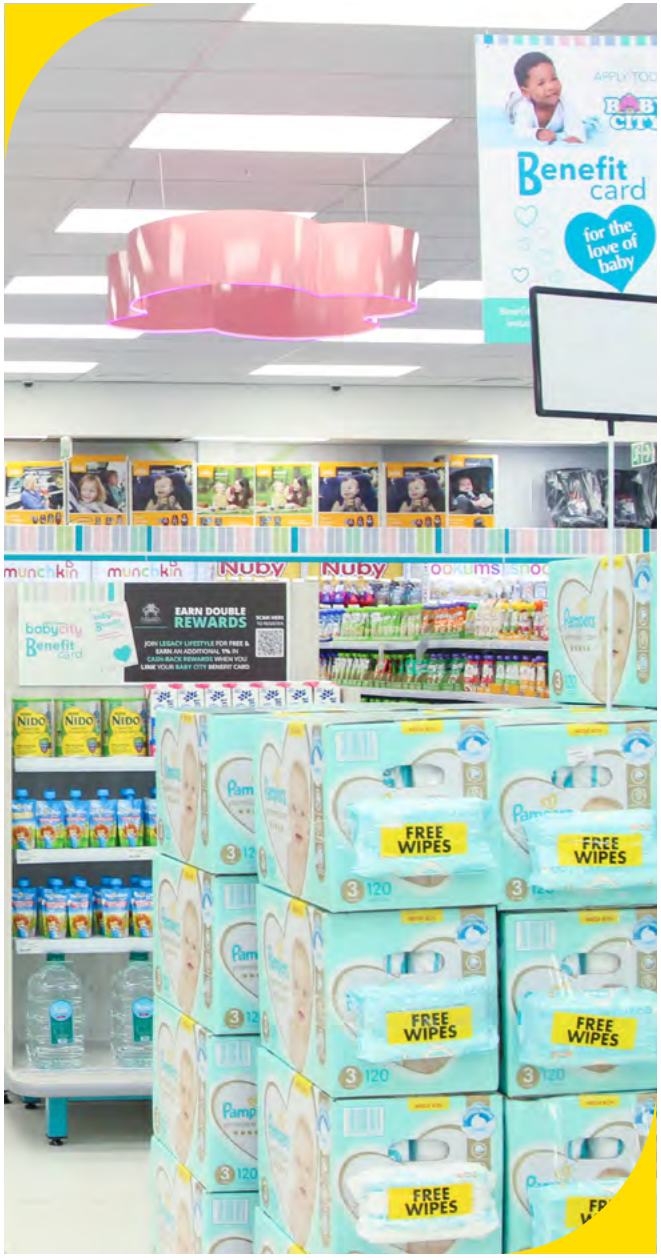
In October 2021, Dis-Chem acquired 100% of the outstanding share capital in Pure Pharmacy Holdings trading as Medicare Health. Medicare has a chain of 50 stores accelerating the growth of Dis-Chem's store network and presenting the Group with access to several new markets in geographies where Dis-Chem is currently underrepresented. The acquisition is a key enabler to unlocking planned synergistic benefits.

Kaelo

In November 2021, Dis-Chem acquired 25% of the issued share capital and shareholder claims of Kaelo. This transaction, together with previous investments and acquisitions, positions the Group to augment the provision of care in a rapidly evolving primary care landscape.

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. With there being 12.4 million employed yet medically uninsured people in South Africa, the primary health insurance market opportunity to offer affordable and quality primary health insurance, is significant.

Dis-Chem and Kaelo are both committed to playing leading roles in the ubiquitous access to affordable and quality private primary healthcare.



02

Creating sustainable value

Wide range
of products

Quality
customer service

Pharmacy First
approach

Target 20 new
Dis-Chem stores per year

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 that we operate in, 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.

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 & Professionalism in everything we do, staying Committed & 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:
- Consistently 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 & 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 our 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 & 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 the same operating hours for the 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 shareholder 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
- Secured 16 Dis-Chem and 7 Baby City stores for FY2023 so far
- We will add approximately 22 000m² 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 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 Dis-Chem stores per year
- Improve volume growth
- Improve trading densities
- Gain market share in all core categories
- Leverage 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
- Train and motivate employees

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

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	Business activities	Output
• Funds received from capital providers • Funds available through cash flow generated from operations • Debt funding • Reserves	• Financial discipline and controls • Capital deployment decision-making process • Seek investment opportunities • Focus on working capital management • Organic growth prospects	• Distribution to shareholders • Sustained earnings growth • Funding opportunities at competitive rates • Strong free cash flow generation enabling strategic deployment

Outcomes

Revenue
↗ 15.7%
R30.4billion

Total income
↗ 17.7%
R8.7billion

Operating profit
↗ 21.6%
R1.5billion

HEPS
↗ 27.5%
to **99.2 cents**

Weighted trading density
R103k/m²

Cash generated from operations
R1.4billion

Capital expenditure
R380million

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	Business activities	Output
• 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 • Vertical integration	• 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	• Economies of scale for key products • Competitive, scalable and flexible warehousing facilities providing a competitive advantage • Margin maintenance

Outcomes

88 641m²
of warehouse space

12
New stores opened

Dis-Chem Store footprint
206

12 666m²
floor space added

Acquired **50**
Medicare Pharmacies

Opened **3**
new Baby City stores

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.

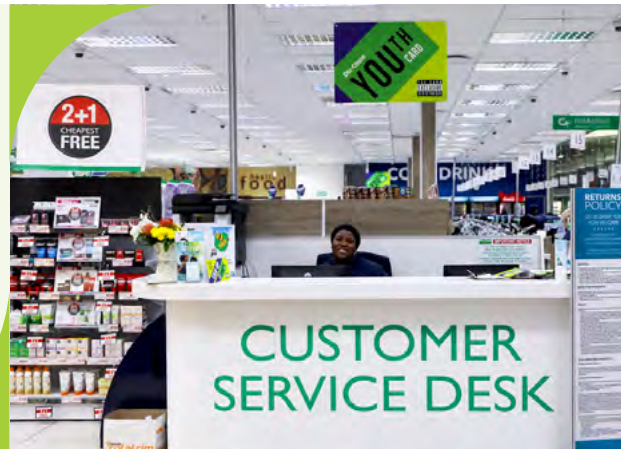
Inputs	Business activities	Output
• Appropriate skill sets and integrity in Wholesale and Retail • Training and development • Strong and diverse leadership team • Organisational structures throughout the Group • Well established culture	• Appropriate remuneration, incentive and performance management practices • Continued investment in skills development and training • Focus on achieving diversity in the workforce • Constructive engagement with employees	• 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

Just over
20 000
employees

63.2%
female employees

69.2%
black employees



Intellectual Capital

Key stakeholders

Employees, associates and partners | Customers | Suppliers

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

Inputs	Business activities	Output
• 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

R380m
spent on capex

Increased
Click & Collect
and online delivery hub stores

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	Output
• Natural resources used • Paperless warehouses • Initiatives to reduce consumption of scarce natural resources	• 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

> 5 200 tonnes recycled

> 121 285ℓ of water saved

> 1 145 752ℓ of oil saved

> 91 700 trees saved

18 608 898kW of energy savings

34 417m³ of landfill savings

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	Business activities	Output
• Relationship with all our stakeholders through various platforms • Responsible corporate citizenship • More than 78 0000 Facebook and 265 000 Instagram followers	• Ongoing engagement with all our internal and external stakeholders • Social campaigns run through the Dis-Chem Foundation	• Upliftment of communities in which we work • Programmes of engagement such as roadshows

Outcomes

> 95% of our inventory is sourced locally

6.8m active benefit members

R308m redeemed through the benefit programme

466 clinics

509 registered nurses

R17.1m 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 the 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 is 90% and 10%.	• 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 roadshows • Strong investment case • Good performance • One-on-one meetings • Investor calls

Key stakeholders	Why we engage	How we engage	Value creation measurement
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 20 000 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 • Increased 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 who 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	• Employee 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 • R340 million in taxes paid • 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.

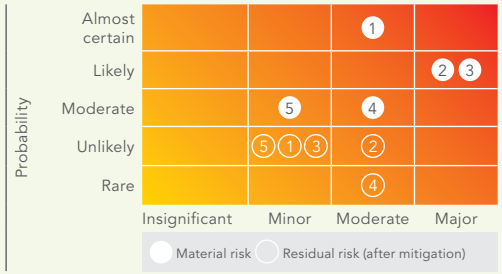
The Audit and Risk Committee plays an integral role in the risk management process and oversees the development and annual review of the risk policy and plan to manage the Group's risk. The Committee also ensures that senior management maintains a risk register and considers and implements appropriate 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 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 the Dis-Chem stores • Dis-Chem has an "Everyday Low Price" strategy
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.	• 16 new Dis-Chem and seven new Baby City stores have been secured for FY2023 • 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

Material issue	Principal risk	Mitigation/opportunity
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. Suppose Dis-Chem cannot respond adequately to these multiple sources and types of competition. In that case, it 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. Should Dis-Chem be unable to hire qualified personnel when needed, or experience a higher than normal employee turnover rate, this could have a material adverse effect on the 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 • The Group has a recently appointed compliance officer who regularly assesses compliance to laws

03

Corporate governance

Responsible water consumption

Waste reduction initiatives

Learnership programmes

36 bursaries

Chairman's report

Although Covid-19 is likely to remain with us indefinitely, official statistics point to an ongoing reduction in the number of Covid-related deaths in South Africa, which is encouraging. Our thoughts are with the family and friends of those who continue to succumb to the disease.

Larry Nestadt

Group revenue	EPS	Dividend declared at	Operating profit
^ 15.7%	^ 27.6%		^ 21.6%
R30.4billion	**99.2c**	**39.7cps**	**R1.54billion**

While experts predict that the pandemic will become endemic over time, waves of varying severity in the past financial year have served as a reminder of the unpredictability of the virus and the seriousness of its impact, both directly and indirectly.

Although Covid-19 is likely to remain with us indefinitely, official statistics point to an ongoing reduction in the number of Covid-related deaths in South Africa, which is encouraging. Our thoughts are with the family and friends of those who continue to succumb to the disease.

Besides the challenges created by Covid and the tightening of lockdown restrictions, South Africans also had to deal with the widespread riots in July 2021 which resulted in 354 deaths and billions of rands in damage, adding considerable strain to the economy just as it was beginning to show modest signs of recovery.

Dis-Chem was directly affected by the unrest, with all 30 KZN stores having to shut down, while four stores as well and a Baby City warehouse were looted and damaged. Thanks to the extraordinary efforts of our staff, trade was normalised within months.

Despite the uncertain and challenging social and economic environment, the group delivered excellent returns for shareholders, while still contributing meaningfully to all other stakeholders by way of salaries, taxes, levies and many other forms of donation and support.

Earnings per share and headline earnings per share are 99.2 cents per share respectively, an increase of 27.6%.

Exceeding the R30 billion mark for the first time, Group revenue grew 15.7% to R30.4 billion with market share gains across all categories. Retail revenue contributed R27.1 billion to overall revenue, proving yet again the relevance of our everyday low-price strategy along with our Pharmacy First approach, differentiated service offering and conveniently located stores as cornerstones of our value proposition to consumers.

Following several acquisitions during the previous period, the focus this year has been on implementation and integration. Both Baby City and Medicare have been fully integrated into the Group and their contribution to financial performance has been extremely positive.

The Group's healthcare focus has evolved from only in-store clinics to a far broader offering including telemedicine, medical insurance and gap cover and Dis-Chem is well-placed to play a leading role in extending access to primary healthcare to a much wider and under-served segment of the population.

Commitment to transformation

The past financial year has seen Dis-Chem demonstrate its ongoing commitment to transformation with the conclusion of our BEE transaction. In August 2021, Ivan and Lynette Saltzman announced the sale of a 10% stake in the company to Royal Bafokeng Holdings (RBH), the African community investment company which manages investments in infrastructure, telecoms, mining and financial services, acquiring 6.63%, and the remaining 3.42% taken up by the Black Panther consortium.

The transaction is an important milestone in a transformation plan that will fast-track greater inclusivity and support improved diversity across the business.

The group has nearly 20 000 employees, of which 69.2% are black and 63.2% are female.

Leadership retention

The board also approved the introduction of a Management Retention Scheme aimed at incentivising and retaining important executives who are key to the delivery of the Group's long-term strategic objectives. In terms of the scheme, the founders committed to divest up to 3.75% of Dis-Chem's share capital to a select number of executives, including the Group's current CFO Rui Morais who has been appointed as a successor to current CEO, Ivan Saltzman. Dis-Chem sees the development of the next generation of leaders as a key priority across the Group, and plans are in place that take cognisance of emerging market dynamics that technology, specifically, has introduced together with the changing needs of our vast and varied consumer base.

Operating environment

The impact of the pandemic and the riots in July weighed heavily on the economy, leading to a contraction in the third quarter of 2021. However, the diminishing severity of Covid waves and the easing of lockdown restrictions had a positive impact on consumer sentiment as shoppers returned to stores, leading to a normalisation of trading volumes.

While in-store shopping has returned, it is evident that online shopping is here to stay, as we have seen by the continued growth in online sales. Hybrid shopping is now recognised as a global trend, with retailers adopting an omnichannel strategy to satisfy consumer expectations of a seamless shopping experience across different channels. Getting this right depends on data-driven insights and technology innovation and our continued investment in cutting-edge technology positions us well to respond to this shift in consumer behaviour.

The focus on health and wellness is now firmly entrenched as a consumer trend globally and this remains an area of opportunity for the group, given our market leadership in healthy foods, vitamins, and supplements as well as the sports equipment sub-categories.

Dis-Chem has continued to support the national response to the pandemic by operating a national vaccination site network comprising mass and in-store clinic sites. The group administered 1.4 million doses during the year, with 53% of those administered to people reliant on state health.

Long-term sustainability

The impact of the pandemic has been particularly devastating for vulnerable communities and individuals, making the work done by the Dis-Chem Foundation more important than ever.

Many organisations rely on the Foundation to keep their doors open. This is made possible with the help of the Dis-Chem and Baby City Benefit Card members due to The Foundation being a beneficiary of Dis-Chem Groups' Benefits Programme, which has 6.8 million active loyalty members who earn points on what they spend at Dis-Chem Pharmacies, with a percentage of the value purchased donated to charities on their behalf.

This year members received benefits to the value of R308 million, while the Foundation was able to donate R17.1 million to worthy causes.

The Group has continued its strong focus on responsible environmental management, with over 121 285 litres of water and 18 608 898 kilowatts of energy saved, while our ethical waste management initiative has seen us recycle more than 5 200 tonnes of waste.

As a proudly South African company, Dis-Chem sources 95% of its inventory locally, which also reduces its exposure to the significant global supply chain disruption that has become commonplace over the last few years.

We are aware of the need to continue our journey of enhancing our Environmental, Social and Governance principles and actions. Disclosure on our ESG performance is consolidated and easy to find. Insofar as this impacts a retail distribution and trading environment, and we are continually, improving and implementing plans that are ultimately intended to exceed the expectations of responsibility, and stakeholder needs.

Board changes

Following the conclusion of Dis-Chem's BEE Deal with RBH and the Black Panther consortium, the board of directors welcomed RBH Investment Manager, Katlego Kobue, as a non-independent non-executive director in November 2021. He subsequently joined the Dis-Chem Audit and Risk (non-voting member), and the Remuneration and Nomination Sub-Committees in April 2022, bringing with him considerable skills, knowledge and experience.

Prospects

Although the Covid waves have become less severe, we are continually monitoring any possible future occurrences, with our contingency plans now well established to minimise risk.

Despite the reduced demand for vaccinations, we recognise we have an important role to play in assisting government meet its targets and will continue to contribute to the private sector vaccination programme.

We expect that ongoing load-shedding, rising interest rates and steep food and fuel price increases will continue to place significant pressure on the consumer and the economy.

The group continues to benefit from Dis-Chem's brand strength and the resilient nature of the markets in which we operate and that, together with the ongoing focus on ROIC, allows us to adapt to the current environment while positioning us well for success in the future.

Acknowledgements

The Group's excellent performance was made possible by the collective contribution of the nearly 20 000 staff members who have risen to the challenge once again, led by an outstanding leadership team who has consistently steered the business through unpredictable and challenging times. Thank you for taking Dis-Chem to new heights.

I also want to acknowledge my fellow board members for their commitment and support during a particularly demanding year.

Thank you to all our customers, shareholders, suppliers, and regulators for their ongoing support.

Larry Nestadt
Chairman

Our Board

Laurence Michael Nestadt (71)

Appointed to the Board in November 2016
Chairman

Independent non-executive director

Member of: ● (C)

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

Ivan Leon Saltzman (72)

DipPharm

Appointed to the Board in November 2016
Chief Executive Director

Co-founder of Dis-Chem

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

Lynette Frances Saltzman (70)

DipPharm

Appointed to the Board in November 2016
Managing Director

Co-founder of Dis-Chem

Member of: ●

Background: Lynette is one of the co-founders 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 (38)

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 EY.

Alupheli Sithebe (39)

BCom, CA(SA), MBA

Appointed to the Board in January 2021

Independent non-executive director

Member of: ● ●

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.

● Audit and risk committee ● Nominations committee ● Remuneration committee ● Social and ethics committee (C) Chairman

Anuschka Coovadia (44)

MBChB, MAP, MSE

Appointed to the Board in November 2016

Independent non-executive director

Member of: ● C

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

Joe Mthimunye (57)

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.

Katlego Kobue (35)

BCom

Appointed to the Board in November 2021

Non-independent non-executive director

Member of: ● ● ● ●

Background: Katlego is a senior investment manager at Royal Bafokeng Holdings, a community investment company of the Royal Bafokeng Nation. Katlego has been at RBH for over 11 years in different roles within the investment department.

Mark Bowman (41)

BCom, MBA

Appointed to the Board in November 2016

Independent non-executive director

Member of: ● ● C

Background: Mark has over 25 years of experience in the South African corporate sector through his roles like senior executive at SABMiller.

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, and 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 ● Non-voting 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 interest. 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 Listings 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 2022 financial year

1. Internal risk strategy risk and compliance framework developed
2. IT governance- developed a steering committee to oversee
3. Transformation and employment equity
4. Data security

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, achieving strategic objectives and positive outcomes over time.

Dis-Chem's unitary Board structure consists of ten directors: five independent, non-executive directors, one non-independent, non-executive director, three executive directors and 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 31 and 32.

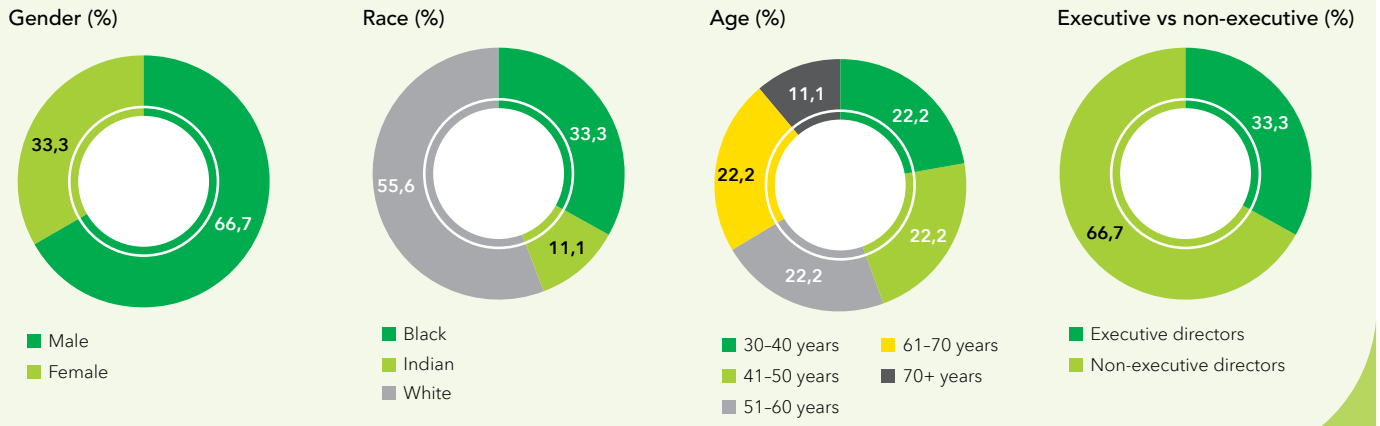
The requirements of the non-executive directors include dedicating sufficient time and energy to the concerns of the Board. They are allowed to serve on other Boards provided their other duties do not inhibit their commitment to adding value to the Dis-Chem Board.

Appointments

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 recommends such appointments.

Our Nominations Committee monitors and provides oversight of our Board appointment policy. The Board oversees the process of nominations and appointments of new Directors, as required, to ensure a balance of power and gender and racial targets are met. The nomination Committee has applied the appropriate criteria in the selection and appointment of the non-executive director Mr Katlego Kobue, effective 23 November 2021.

Diversity



Skills

The Board possesses 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.

	Accounting	Finance	Healthcare	Retail
Alupheli Sithebe	x	x		x
Anuschka Coovadia		x	x	
Ivan Saltzman			x	x
Joe Mthimunye	x	x		x
Katlego Kobue	x	x		
Larry Nestadt		x		x
Lynette Saltzman			x	x
Mark Bowman		x		x
Rui Morais	x	x	x	x
Saul Saltzman		x		x

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 deemed 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.

Performance evaluation

In line with the requirements of King IV, the Group is required to conduct an evaluation of the following areas of the Board:

- the effectiveness of Board composition, governance processes and procedures;
- the effectiveness of the Board committees in discharging their respective mandates;
- the effectiveness of the Chairman of the Board in his role as Chairman; and
- the effectiveness of the Chief Executive Officers in interacting with the Board.

The evaluation takes place annually to assess the effectiveness as a unit. Each director is required to assess the performance of the Board, its committees, the Chairman and the CEO. 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 meaningful contribution to the Group.

Share dealings

The company's share dealing policy governs directors' dealings in Dis-Chem shares. All directors and the Company Secretary must receive 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 the JSE's Listings Requirements required time frame.

The Group operates a closed period policy in line with the JSE Listings Requirements. During closed periods, directors and prescribed officers 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 to 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 company's 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), Aluphele Sithebe, Anuschka Coovadia, Katlego Kobue (non-voting member)

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, 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 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 two times a year.

Remuneration Committee

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

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, Katlego Kobue

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, Aluphele 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 2021–28 February 2022

Director	Board meetings	Audit and Risk committee meetings	Nominations committee meetings	Remunerations committee meeting	Social and Ethics committee meeting
LM Nestadt	4	–	2	2	–
IL Saltzman	4	4	2	2	–
LF Saltzman	4	4	2	2	2
RM Morais	4	4	2	2	–
SE Saltzman	4	4	–	–	2
A Coovadia	4	4	–	–	2
A Sithebe	4	4	–	–	2
JS Mthimunye	4	4	2	2	–
KKD Kobue	1	–	1	1	–
MJ Bowman	3	3	1	1	–

KKD Kobue joined the Board during the reporting period in November 2021.

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 2022 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.

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.

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 and appropriate to the applicable 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

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. Communications 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 Control Objectives for Information Technologies ("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 four 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 the 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.

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

- Oversight responsibility for information technology (IT and data) governance.
- Ensure that IT and data is 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 a good relationship. 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.

The Board is satisfied that it has fulfilled its responsibilities per its mandate for the 2022 financial year and has provided relevant information to stakeholders to satisfy the King IV disclosure requirements.

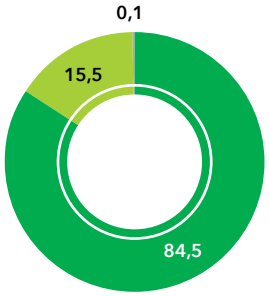
Remuneration report

1. Background statement

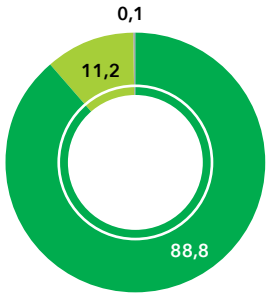
Shareholders will be requested to vote on two separate non-binding advisory votes regarding the Remuneration Policy and the Implementation Report at the Annual General Meeting ("AGM") to be held on Friday, 29 July 2022.

At the AGM held in July 2021, the Group's shareholders voted as follows:

Remuneration policy (%)



Implementation report (%)



- Votes in favour
- Votes against
- Abstention

Should either our remuneration policy or implementation report be voted against by 25% or more of the voting rights exercised at the 2022 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 views, insights and input of its shareholders and will continue to proactively 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 no changes were made to the remuneration policy.

Fair and responsible pay

Following 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

- Guaranteed package
- Short-term incentives
- Long-term incentives

Non-financial

- Learning and development

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 were 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.

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 senior managers, 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 • Employees at senior manager level receive annual bonus shares
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.*

Executive directors' remuneration

The Remuneration and Nomination Committee's responsibility is to determine the remuneration packages for each executive director and the Chairman. The committee also considers the bonuses paid, 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 contributions by the Group
- Travel allowances
- Other benefits

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 2022 financial year, the executive directors received a bonus as profit targets were 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.

Implementation report

The average annual performance-linked salary increase for all employees, linked to CPI, was 4.5% and came into effect on 1 March 2022. 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 are 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 management's objectives set for each employee. The Remuneration Committee approves these objectives for directors and the executive committee. Personal performance and the related personal multiplier will be based on a four-tiered performance matrix:

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

Long-term incentives

The main Long-Term Incentive ("LTI") plan used is a Forfeitable Share Plan ("FSP").

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

Directors' fees and remuneration

Summary of directors' fees and remuneration:

R'000	2022	2021
Non-executive directors	**5 777**	5 391
Executive directors	**88 228**	58 801
Total	**94 005**	64 192

Overview of directors' emoluments for 2022:

R'000	Services as director	Salary and allowances	Bonuses	Retirement and related benefits	Other benefits	Total
Non-executive directors						
LM Nestadt	3 165	–	–	–	–	3 165
MJ Bowman	669	–	–	–	–	669
A Coovadia	589	–	–	–	–	589
JS Mthimunye	713	–	–	–	–	713
A Sithebe	556	–	–	–	–	556
KKD Kobue	149	–	–	–	–	149
	5 841	–	–	–	–	5 841
Executive directors						
IL Saltzman	–	13 707	3 972	72	457	18 208
LF Saltzman	–	11 234	3 223	72	253	14 782
RM Morais	–	10 533	2 995	72	536	14 136
SE Saltzman	–	5 521	1 242	72	510	7 345
	–	40 995	11 432	288	1 756	54 471
Prescribed officers						
SRN Goetsch	–	5 728	1 225	72	222	7 247
BI Epstein	–	5 730	1 231	72	253	7 286
KS Sterling	–	5 728	1 221	72	204	7 225
CJ Williams	–	5 728	1 255	72	223	7 278
CR Fairweather	–	2 855	2 442	171	120	5 588
	–	25 769	7 374	459	1 022	34 624

- The increase in RM Morais's total remuneration is as a result of a benchmarking study done and the necessary adjustments applied
- Other relates to travel allowance, cell phone allowance, medical aid and UIF/SDL

Overview of directors' 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
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		5 723		72	231	6 026
Prescribed officers						
SRN Goetsch		5 602		72	59	5 733
BI Epstein		5 527		72	161	5 760
KS Sterling		5 602		72	40	5 714
CJ Williams		4 569		72	194	4 790

Proposed fees for 2023:

Position	Total fee for meetings (R)
Chair: Board	3 165 000*
Non-executive director	320 750
Chair: Audit Committee	337 348
Member: Audit Committee	216 483
Chair: Remuneration and Nominations Committee	162 362
Member: Remuneration and Nomination Committee	87 100
Chair: Social and Ethics Committee	78 801
Member: Social and Ethics Committee	43 332

** The Chairman has not taken an increase in the previous or the next period*

Direct and indirect shares held by the executive and non-executive directors and prescribed officers

	2022		2021	
	Direct interest	Indirect interest	Direct interest	Indirect interest
LM Nestadt	–	500 000		500 000
MJ Bowman	–	–	81 081	
A Coovadia	–	162 162		162 162
JS Mthimunye	–	81 162		81 162
A Sithebe	–	–	–	–
KKD Kobue	–	–	–	–
IL and LF Saltzman	–	302 066 319	–	453 041 396
RM Morais	–	3 408 556	–	8 490 374
SE Saltzman	–	5 434 781	–	6 734 781
SRN Goetsch	–	39 904 885	–	46 563 995
BI Epstein	–	10 125 063	–	11 890 063
KS Sterling	–	10 624 023	–	10 624 023
CJ Williams	–	14 915 147	–	14 915 147
CR Fairweather	–	–	–	–

- 1 818 182 (2021: 4 181 818) of RM Morais' shares and nil (2021: 1 818 812) of SRN Goetsch' shares are part of an off-market collar hedge.
- The above mentioned shareholding disclosures include, but are not limited to, beneficial interests held by associates of directors.
- The shareholding disclosed above relating to the non-executive directors does not impair their independence.

During the reporting period:

Director/ prescribed officer	Bought/ sold	Number of shares	Date	Average price (R)	Total (R)
MJ Bowman	Sold	81 081	9 June 2021	30.90	2 505 403
CR Fairweather	Sold	2 396	5 August 2021	30.81	73 821
	Sold	2 430	5 August 2021	30.92	75 147
BI Epstein	Sold	1 550 100	24 November 2021	34.01	52 719 676
	Sold	214 900	25 November 2021	34.00	7 306 600
SRN Goetsch	Sold	1 580 000	20 January 2022	36.95	58 381 000
	Sold	1 000 000	20 January 2022	36.91	36 914 700
	Sold	2 420 000	21 January 2022	36.50	88 330 000
SE Saltzman	Sold	782 689	15 February 2022	37.00	28 959 571
	Sold	517 311	17 February 2022	35.15	18 184 930

Social and ethics committee report

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

Members of the Social and Ethics Committee

The committee is represented by the following individuals:

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

Meetings

The committee had three meetings during the reporting period attended by all committee members.

Duties

The Committee is responsible for assisting the Board with the following:

- Monitoring the Group's activities regarding any relevant legislation, other legal requirements or current codes of best practice regarding matters relating to social and economic development via the ten principles set out in the United Nations Global Compact Principles.

Authority and reporting

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

Anuschka Coovadia
Independent, non-executive Chairman

Sustainability

Our Board is responsible for sustainability in the Group and delegates the management and monitoring of sustainability to the social and ethics committee. The social and ethics framework defines and guides our approach to integrating sustainability into our strategy and operations. Environmental, social and governance ("ESG") policies and principles are set at Group level and applied at operations. We recognise that enhancing our ESG disclosures is critical in the next step of our sustainability journey and the Group is committed to improve its reporting going forward.

Our approach to sustainability is guided by local and international legislation, frameworks and initiatives including:

- King IV
- The JSE Listings Requirements
- The Integrated Reporting Framework
- The UN Global Compact and Sustainable Development Goals
- The Task Force on Climate-related Financial Disclosures ("TCFD")

During the reporting period, the Group put a social and ethics risk dashboard in place to improve reporting and performance assessment. The social and ethics committee will review operational sustainability performance, and social responsibility and ethics matters at least twice a year.

Sustainable development goals

The Sustainable Development Goals or Global Goals ("SDGs") are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030. Dis-Chem is encouraged to be part of the change and achievement of these goals.

Dis-Chem has identified and prioritised the following nine SDGs which we can identify ourselves with and implement the most significant change:

Assurance

The sustainability information disclosed in this report has been assured by Integrated Reporting & Assurance Services through a series of desktop reviews and interviews with key personnel to assess data collection, collation and reporting systems and controls. The independent third-party assurance provider's statement is available via our website www.dischemgroup.co.za.

Environmental and social report

The natural environment

Environmental sustainability is imperative to our strategy with a clear objective to improve and drive environmental performance excellence.

Climate change

Dis-Chem is in the process of updating its environmental governance structures to improve the company's ability to monitor and manage key environmental risks and opportunities. In this regard, Dis-Chem is being guided by the reporting recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD), as well as the CDP, GRI and SASB to establish environmental performance baselines against which any/all future targets will be set. While the company has chosen not to include a summary TCFD in this year's IAR, the goal is to meet the full requirements of TCFD by no later than FY2024.

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

Waste management

The Group continues to look for ways to reduce, reuse and recycle packaging material in an environmentally friendly manner.

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

Recycling

Dis-Chem has implemented on-pack recycling information for its own-brand products. This has been completed on our Lifestyle Food range and is in the process of being rolled out across all own-brand products.

When sourcing packaging for our private label brands we aim to use only recyclable materials. Where this is not yet possible due to supply or shelf-life concerns we are in the process of working with packaging suppliers on potential solutions.

Distribution site	Tonnes recycled 2022	Tonnes recycled 2021
Cape Town	**878**	700
Kwa-Zulu Natal	**545**	549
Midrand	**3 574**	3 469
Total	**4 997**	4 718

Ethical sourcing

Dis-Chem has expanded its range of vegan and vegetarian products in the Biogen and Lifestyle food ranges. Where suitable for a vegan or vegetarian diet, this is conveniently indicated on the front of the pack. The Dis-Chem Gold range of complementary medicines uses predominantly vegetable-based gel capsules as opposed to bovine gelatin. The use of palm oil in the Lifestyle Food range is in the process of being eliminated.

Human capital

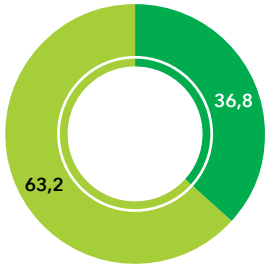
Dis-Chem believes that its strength lies in its people, and we strive to be the retail pharmacy employer of choice by offering a compelling employee value proposition. This includes competitive remuneration, quality training programmes, practical learning opportunities and potential career opportunities and broader experience across the Group. 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 has an HR executive that oversees our HR functions and drives collaboration regarding ideas, policy and governance across operations, reducing risks related to industrial relations and supporting HR best practices. Our HR strategy addresses organisational transformation, future leadership and the intent to increase the use of technology while promoting diversity, equality and inclusion.

Workforce profile

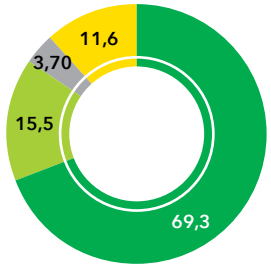
The Group has a total workforce of just over 20 000 employees encompassing fixed-term contracts, locums and casuals, and permanent employees. Work hours of locums and casuals are dependent on demand. The Group follows responsible and cautious staffing strategies to ensure we remain a stable, reliable employer for all our employees. Employment numbers may vary during the year linked to model changes, seasonal volume adjustments and strikes.

Gender (%)



Male
Female

Racial diversity (%)



Black
White
Indian
Coloured

In the reporting period, staff turnover was 23%.

We are committed to fair and competitive remuneration and regularly benchmark remuneration to ensure that we are kept informed of current levels.

Employee wellness during Covid-19

During the Covid-19 pandemic, our staff's wellness was imperative to the Group and we put all measures in place to ensure the safety of each staff member. We followed all the necessary protocols such as providing masks and sufficient sanitation stations, monitoring staff temperatures and keeping social distance. Perspex dividers were placed between desks, at service counters and at cashier stations.

Training, talent and skills development

During the reporting period, Dis-Chem invested R25 037 238 in learning and development programmes, of which 88% was dedicated to accredited or registered programmes.

1. **Learnerships**

   The Group implemented 10 learnership programmes, enrolling 834 learners. 696 learners were current employees, while the remaining 138 learners were unemployed persons given the opportunity to enter the job market. All learnership programmes that were implemented aligned with current job requirements. With 99% enrolment being African, Indian, Coloured or persons with a disability, positive transformation is taking place to assist previously disadvantaged groups in entering the workforce.

   A learnership targeted at 36 persons with disabilities was implemented on 01 February 2022 and will conclude on 31 January 2023.

2. **Bursaries**

   We invested just over R974 902,29 in various higher education bursaries to 36 recipients.

3. **Graduate development programmes**

   During the reporting period, Dis-Chem opened its doors to 15 unemployed graduates. With newly acquired qualifications, they were able to gain valuable work experience.

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. In addressing the skills needs identified, an additional 76 supervisors were enrolled on the 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 50 candidates with 36% of these delegates being internal promotions. The programme is being revamped to enrich the learning experience and accelerate the transformation of our management pipeline.

Diversity and transformation

The Saltzman family, founders of Dis-Chem Pharmacies, sold 10.05% of its shareholding in Dis-Chem to BEE investors comprising Royal Bafokeng Holdings and the Black Panther Consortium. The latter comprises GloCap Empowerment Private Equity Fund, Zungu Pharmaceuticals and Temo Capital.

The sale of shares to a B-BBEE consortium had long been on Dis-chem's agenda, requiring only securing the right partners. In parallel with the B-BBEE transaction is an agreed transformation plan to fast-track greater inclusivity and support greater diversity across the business.

Achievement of an aggressive Employment Equity plan was hampered by Covid-19 and the acquisition of three untransformed entities. To accelerate traction, various accelerated Management Trainee programmes have been enhanced and the group has reviewed its organisational structures, with more opportunities having been created at management levels, with a particular focus in the retail area.

Health, safety and well-being

The Group takes the safety and well-being of all its employees and customers very seriously. During the reporting period, we lost six employees due to vehicle accidents and Covid-19.

HIV/Aids

HIV continues to be a major global health challenge and remains the primary burden of disease in South Africa. We are currently preparing our head office and distribution centre clinics with Videomed capability for employees to be able to receive their chronic prescriptions at a low fee and we offer all employees one free HIV test per year.

Human rights

In terms of core Human Rights, the group is focused on ensuring a working environment based on equality and fairness. This is governed by a robust framework of policies and procedures, which are reviewed regularly, to guide and inform decision-making by Line Management.

No individual under the age of 18 may be employed by the group, to ensure no undue exploitation of under-aged persons.

All employees have access to an anonymous Whistleblowing Line, whereby employees are able to anonymously report any matters of concern. Three independent, senior managers access the feedback and independent investigations take place, as a matter of course. Additionally, all employees are encouraged to make use of the internal informal and formal grievance processes, which are in place to address any concerns related to employment conditions, interpersonal engagement and the like. These too, are chaired by independent parties, when formalised.

Labour relations

The labour relations landscape within the group remains stable and calm, with no formal or informal industrial action having taken place within the last 18 months.

Currently, trade union membership remains insignificant, at less than 0.5 % of the overall employee population and this membership is currently concentrated in the KZN province and in the Security division. The group is monitoring activity in this area and is actively engaging with employees concentrated in this area, to address any concerns, even though this division is highly regulated by the Bargaining Council for the Security Industry (PSIRA).

Trends in terms of general progressive disciplinary action, referrals to the CCMA and/or Labour Court, as well as trends in terms of absenteeism, are in tandem with the growth in the employee complement, and not extraordinary.

The group remains fortunate in having the clinic and dispensary divisions as core components of the group and the expertise and services provided internally, have ameliorated many of the negative impacts of the Covid-19 pandemic.

Enterprise and supplier development

Dis-Chem has been actively engaging in an Enterprise and Supplier Development programme ("ESD"). The purpose of the programme is to promote a conducive environment for the creation of sustainable partnerships between Dis-Chem and small black businesses to enable access and transformation of the value chain. We have been active in both enterprise development ("ED") and supplier development ("SD"). Dis-Chem has undertaken the strategy for promoting economic growth by developing SMEs that creates a win-win scenario that develops new products and great, locally produced goods for our customers, while assisting in the development of localisation of industry.

Dis-Chem has entered into a collaborative partnership with the Department of Small Business Development ("DSBD") with a dedicated task team. Through this partnership we have successfully listed many new quality local vendors within key targeted categories for the manufacturing support scheme.

We support the department to achieve the main strategic goals

- To provide a framework for increasing and accelerating participation of SMMEs in the localisation programme, in particular for rural and township based manufacturing enterprises.
- To target specific products/ services and support production or manufacturing by SMMEs, and advocate for the high tariff protection and public sector procurement set asides or reservations for such products.
- To use the localisation programme to prepare SMME-manufactured products for the export market and improve the balance of trade for South Africa.
- To stimulate domestic demand for South African manufactured goods (SMME-produced), in particular through public sector procurement.
- To foster changes in the structure of the manufacturing sector towards more high tech manufacturing.
- To provide a framework for coordinating public and private sector support for SMME participation in the localisation programme.

Dis-Chem remains committed to the support and development of both small local enterprises and suppliers.

HR focus for 2023

Two core themes are driving the HR agenda for 2023, based on both internal and external factors.

1. **Diversity and Inclusivity**

   Our organisation remains committed to, and focused on transformation, as a business and social/economic imperative. To support and accelerate this focus, a deeper focus, engagement and understanding of diversity and inclusivity is critical, across all sectors and levels of our employee community.

2. **Employee resilience**

   The unprecedented world experience over the last two years has highlighted the importance of employee resilience, mental wellbeing and agility. HR activity over the next 12 months will prioritise the upskilling and supporting of employees, not only with technical skills but also with psycho/social and interpersonal skills, to be able to effectively support and manage the fast pace of change and evolution within the Group. Stronger bench strength feeds into the diversity and inclusivity sphere as well and both focus areas are interdependent, with all key stakeholders as the core focus.

Sustainability Policy Framework

The updated sustainability policy was adopted and implemented in FY2022.

Conclusion

The Group aims to maintain an appropriate balance between its financial, non-financial and ESG responsibilities.

In support of the information provided above, a Comprehensive ESG/Sustainability Data Table has been uploaded on to our website at www.dischemgroup.co.za.

For more information about our sustainability performance, please contact investorrelations@dischem.co.za

Corporate social responsibility

DIS-CHEM FOUNDATION INTEGRATED REPORT

Underpinned by a philosophy of care and giving back to those who need it most, the Dis-Chem Foundation was founded in 2006 based on concern around the growing levels of poverty in South Africa. With Covid there is an even greater need and the work done by the Dis-Chem Foundation has never been more important as communities and individuals alike have experienced loss; the loss of loved ones and economic security. Many organisations rely on the Foundation in order to keep their doors open and have peace of mind knowing that the Foundation continues to support them.

The Dis-Chem Foundation is a beneficiary of the Dis-Chem Groups' Benefit Programme. Every time a Benefit member swipes their Dis-Chem or Dis-Chem Baby City Benefit card at both Dis-Chem and Baby City stores, when redeemed, a percentage of the eligible purchase value is then donated to the Dis-Chem Foundation to help supplement the funds.

1. **EMERGENCY RELIEF**

   KZN National flood disaster

   The Dis-Chem Foundation through our ongoing relationship with The Humanitarian Empowerment Fund have been providing emergency relief on the ground to ward 19, a displaced community of 65 families (230) people, just outside Pinetown and in Tongaat at The Haven of Rest.

   To date we have assisted with food, water, clothing and personal hygiene products and infant requirements. Assistance post the flooding is ongoing, with long-term sustainability projects having been initiated.

2. **THE DIXIE WATER PROJECT**

   The Dis-Chem Foundation is solely responsible for bringing potable water to the Dixie community and transforming their lives. With the aid of solar power, the water is pumped from the ground, filtered and purified, and then pumped through pipes to taps throughout the community, not only for drinking and washing but also to sustain vegetable gardens which can now be grown thanks to a steady supply of water. This provides healthy nutrition as well as a means of earning a living by selling the produce.

3. **COMMUNITY CLINICS, COMMUNITY SISTERS AND WELLNESS BUSSES**

   Community Clinics

   The Dis-Chem Foundation has established four community clinics in association with Afrikka Tikkun, in Braamfontein, Diepsloot, Orange Farm and Alexander to cater for the local community's primary healthcare needs.

   The Dis-Chem Foundation sponsors an additional two nursing practitioners to assist and support government clinics in the Paarl area and Graafwater.

   Wellness busses

   The Dis-Chem Foundation in association with the Department of Health in the Western Cape, has been actively running Wellness busses in the Western Cape, and continues to provide primary healthcare to school children – specifically those who do not have easy access to clinics.

4. **WINTER WARMERS**

   Blanket donations

   The Dis-Chem Foundation is in its 6th year with the Blanket Drive. The Dis-Chem Foundation has donated over 5 500 blankets annually to organisations nominated by the public via our Facebook page. The blanket recipients included homeless shelters, children and old age homes, recipients at numerous soup kitchens throughout the country and animal shelters, bringing some warmth during the icy Winter months. Most of these beneficiaries are organisations which receive ongoing support.

   Feeding the hungry

   A partnership between Dis-Chem and Futurelife to provide 100,000 nutritious Unity food meals a month to children in ECD centres 25% of children under 5 are nutritionally stunted, including brain function.

   Ongoing food support for food kitchens, and assistance in helping communities to establish their own vegetable gardens.

5. **CARING FOR THE COMMUNITY AND HOT CARES**

   Previously known as Random Acts of Kindness, the Dis-Chem Foundation has worked with Primedia radio stations 94.7, 702 Cape Talk and KFM with an on air and social media presence for many years. This platform allows the Dis- Chem Foundation as well as our chosen beneficiaries to reach the public, creating awareness of the challenges and the relief the Dis-Chem Foundation gives, through donations.

6. **MILLION COMFORTS CAMPAIGN**

   This very successful initiative ensures that teenage girls do not miss school while they are on their period, due to lack of sanitary pads.

   The campaign is about to embark on its seventh consecutive year collecting pads. The Dis-Chem Foundation together with Caring4Girls collect and distribute sanitary pads to girls in less fortunate communities throughout South Africa. All donations made by the public get matched, on average over 10 million individual sanitary towels are distributed annually.

04

Financial performance

Group revenue up
15.7% to R30.4 billion

EPS up 27.6%
to 99.2 cents

L-f-l retail sales
growth of 6.1%

Net working capital days
improved to 26.5

CEO statement

Amid ongoing uncertainty about the duration and severity of the pandemic, this has been a period of successful implementation, integration and growth for Dis-Chem.

Ivan Saltzman

Group revenue	EPS	Dividend declared at	Operating profit
^ 15.7%	^ 27.6%		^ 21.6%
R30.4 billion	**99.2c**	**39.7cps**	**R1.54 billion**

Over the last financial year, we have navigated a challenging and complex operating environment amid ongoing uncertainty about the duration and severity of the pandemic. July was a particularly difficult month, with tighter lockdown restrictions because of the Delta variant and the devastating impact of widespread riots leading to a contraction of the economy in the third quarter of 2021.

In the face of all these challenges and rapid changes in consumer behaviour, we progressed strategic initiatives and completed acquisitions that will continue to drive the Group forward in years to come.

Dis-Chem's customer-centric approach and our focus on execution has allowed us to deliver a quality set of operating and financial results. This would not have been possible without our dedicated team of employees, who once again worked tirelessly to ensure Dis-Chem remained the retail pharmacy destination of choice for consumers in South Africa, Botswana and Namibia.

Financial overview

On the back of significant investments in prior periods, this financial year has been a period of successful implementation, integration, and growth. We continued our capital investment programme, opening 12 Dis-Chem and three Baby City stores, which added 12 666m² of floor space. Dis-Chem's property footprint as at the end of February 2022 was made up of 254 retail pharmacy stores and 35 retail baby stores.

We performed well across key metrics, with market share gains across all core categories, supported by further normalisation in gross margins. This is being driven by a sustained return to regional shopping malls, where many mature Dis-Chem stores are located.

The addition of Medicare to our portfolio contributed to strong market share gains in our Dispensary category, which by March 2022 had increased to 26.3%. I am proud to say that we are now South Africa's largest retail pharmacy group by dispensary market share. Our share of the baby care market grew by 16.1% post the integration of Baby City and we expect to see a steady increase in this category.

Overall Group revenue was up 15.7% to R30.4 billion, exceeding R30 billion for the first time, while operating profit rose 21.6% to R1.54 billion. New stores, including three Baby City Stores, contributed R531 million to revenue. Revenue growth was driven by our commitment to excellent service, competitive pricing, a more comprehensive range of products, and improved stock availability, specifically in our regional DCs. Earnings per share rose 27.6% to 99.2 cents.

Our commitment to the Covid vaccine programme continues as we recognise the crucial role Dis-Chem plays in promoting access to the vaccine.

Following our concerted efforts over recent years to offer the convenience of online shopping, it continues to deliver with revenue growth of 22% this past period, despite more customers resuming in-store shopping. We saw strong sales growth in our on-demand DeliverD one-hour service, highlighting the convenience offered by our various online channels which are serviced from our 82 fulfilment hubs. Our online store remains profitable, with our investment in cutting-edge technologies helping to drive costs down and improve efficiencies and revenue, while reducing delivery lead times and improving customer service.

The Group's total capex decreased 6% to R377 million, with R237 million allocated to additional stores as well as information technology enhancements, with the balance incurred to maintain the existing retail and wholesale networks.

Retail revenue grew by 15.6% to R27.1 billion, with comparable store revenue growing at 6.1% and operating profit up 18.5% to R1.4 billion. Like-for-like retail sales growth was 6.1%.

The wholesale segment's performance continued to improve, with a revenue increase of 13.7% to R21.9 billion and an operating profit of R115 million. Wholesale revenue to our own retail stores, still the biggest contributor, grew by 13.2%, while external revenue to independent pharmacies and The Local Choice (TLC) franchises grew by 10.9% and 25.2% respectively over the corresponding period. Support from TLC continues to be strong, underscoring the success of the franchise model. Excluding one-off business-to-business sales, independent pharmacy sales grew by 14.8%.

Group expenses (excluding depreciation) grew by 17.3%, driven largely by investments in new stores and acquisitions. Retail costs were also influenced by the investment in pharmacists and clinic sisters to facilitate the national vaccine programme.

Our earnings per share (EPS) and headline earnings per share (HEPS) both increased by 27.6% to 99.2 cents.

Wholesale expenses (excluding depreciation) grew by 8.7% due to the increase in third-party sales resulting in higher delivery costs compared to the prior comparable period. Wholesale employments costs which grew by 4.5% were well managed as the Group continues to focus on efficient shift pattern staffing.

Operating environment

Dis-Chem was directly impacted by the civil unrest and looting that occurred in KwaZulu-Natal and Gauteng in July 2021. Our committed management and staff worked tirelessly, ensuring that three affected stores returned to regular trading within a month, while another Dis-Chem store reopened later, on 7 October 2021. The Group was adequately insured.

We have seen a stabilisation in our operating environment as Covid-19 waves became less severe, with consumers resuming their pre-pandemic routines and shopping habits, driving normalisation of baskets and seasonal patterns as well as a recovery in higher margin categories.

Sales growth of preventative healthcare products, including vitamins and nutraceuticals, was muted as the second Covid-19 wave gave way to the less severe Omicron-variant fourth wave.

However, our Dispensary transactional gross margin was influenced by better contracted dispensing fees with medical insurers as well as higher growth of OTC medication and clinic services.

The Group has maintained a strong balance sheet, with solid cash flows. This has been helped by improved efficiencies as well as focused cost, inventory and working capital management. Cash generated from operating activities was R2.4 billion, while cash and cash equivalents were R136 million.

We continue to see improvements in our back-end trading terms and service income because of our ever-increasing scale and ongoing Return on Invested Capital (ROIC) focus.

Inventory has been well managed and inventory days have decreased, while net working capital has continued to improve and is now at 26.5 days. The 17.8% improvement in warehouse activity efficiency can be attributed to the consistency that RPA (Robotic Process Automation) technology has brought to the time and resource-intensive processes in our warehouse operations.

Our commitment to the Covid vaccine programme continues as we recognise the crucial role Dis-Chem plays in promoting access to the vaccine. We administered 1.4 million doses as part of our Covid-19 vaccination programme, which contributed R513 million to revenue. Given the declining demand, most of our mass sites have transitioned to instore clinics, and we currently have 95 active vaccination sites.

Demand for affordable medical cover continues to grow in an environment impacted by continued financial pressure on consumers and the strained quality of, and access to, public health services. The growth in our clinics, together with our telemedicine offering and the launch of our health insurance offerings positions us well to play an important role in the delivery and growth of the primary-care market.

While we may have seen the worst of the pandemic, its impact on poor South Africans is likely to be long-lasting. Through the Dis-Chem Foundation and other focussed initiatives, we continue to support communities in need, thanks to the contribution of the Dis-Chem Group's Benefit Programme, which has 6.8 million members who contribute around 71.9% of 'front shop' revenue. We have seen a substantial increase in loyalty redemption rates, which are now averaging 101%, thanks to normalised trading.

The rapid rise in digitalisation has also had unintended consequences, notably the increase in cyberattacks. Dis-Chem experienced this first hand, when we were made aware of a data breach involving one of our third-party service providers. This resulted in an unauthorised person accessing customers' contact details. There is no reason to believe that customers' personal data has been compromised and additional safeguards have been introduced to ensure the protection and security of information on the database.

Integration of acquisitions

Baby City and Medicare have been fully integrated into the Group including migration onto the Group's common technology platforms.

Baby City stores have been rebranded as Dis-Chem Baby City and renovations and new store openings are continuing. There is now price parity between the two brands as well as alignment of our strong partner-supported Dis-Chem loyalty programme.

Half of the 48 Medicare stores have already rebranded as Dis-Chem pharmacies offering our benefit programme, best-in-class pricing, and everything else that is offered through the Dis-Chem Brand.

We continue to focus on unlocking identified synergies with these acquisitions which is expected to be further seen in the Group's performance in FY23.

Ongoing investment in primary healthcare

Our 436 in-store clinics are operating at high capacity and there are now 34 Mom & Baby clinics within Dis-Chem Baby City. We are also investing in Dis-Chem Clinic Connect, our nurse-led telemedicine business powered by Healthforce, from a tech and primary health perspective.

Our strong strategic partnership with Kaelo has seen us launch health insurance in March 2022, while our gap cover product was launched at the beginning of May. Uptake has exceeded our initial expectations and we will continue to evolve our offering as we launch products in what we see is the health opportunity in the insurance space.

Dividend

A full-year dividend of 39.7 cents per share has been declared, which represents a 27.6% increase over the previous year.

Outlook and appreciation

While there are indications that the worst of the pandemic is behind us, we will continue to take precautions to ensure the health and wellness of our nearly 20 000 Dis-Chem team members.

Looking forward, the group expects that the trading environment will remain constrained as rising fuel, energy, and food prices along with interest rate increases continue to put pressure on consumers. While good progress has been made on transactional gross margin, we still see further opportunities for improvement. Regardless, our focus on value, which positions the Group to support financially constrained consumers, remains unwavering.

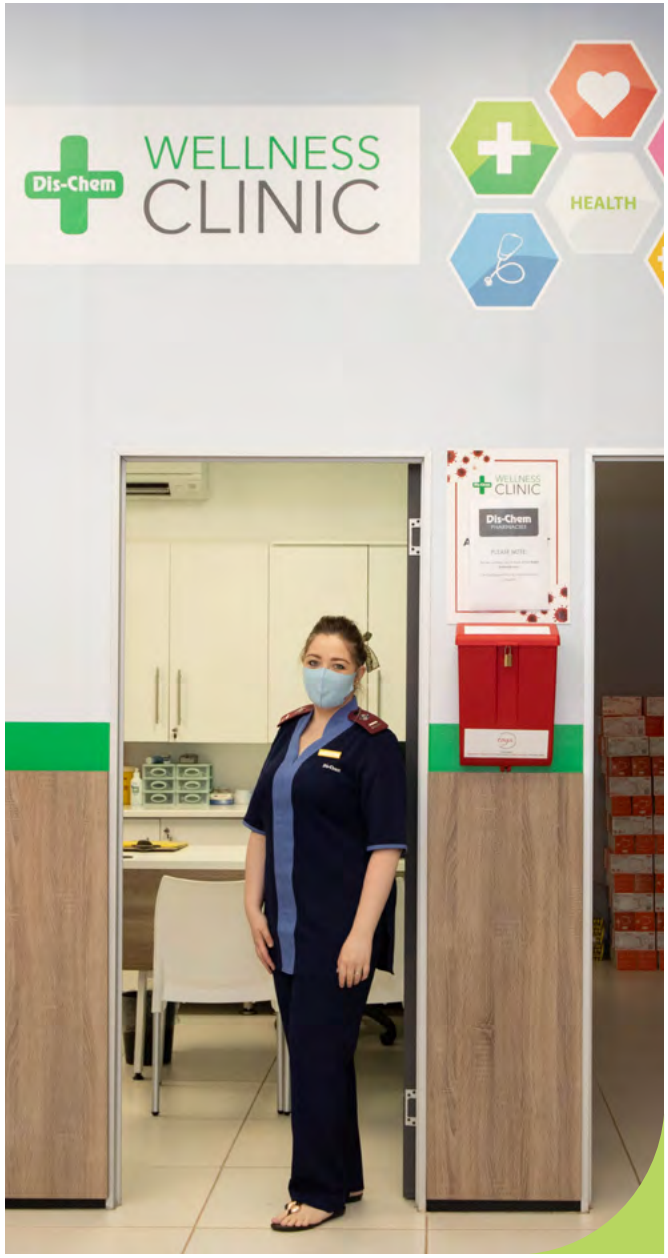
The group has secured an additional 16 new Dis-Chem stores and seven new Baby City sites for FY2023, and we remain focused on adding additional space. Medicare rebranding is under way and will be completed during FY2023. Wholesale growth will continue to be driven by increased support from TLC franchises and independent pharmacies.

In August 2021, we announced a Management Retention Scheme aimed at retaining important executives who are key to the delivery of the long-term strategic objectives of our group, and which is in the process of being finalised. I congratulate our current CFO Rui Morais, who has been named as my eventual successor.

I said at the outset that the past year had been one of integration, implementation, and growth. Once again, our people have shown their mettle, with excellent delivery across all three areas of endeavour, notwithstanding a complex and challenging environment. Thank you everyone for your outstanding contribution to our success.

I also wish to thank my fellow board members for their ongoing guidance and support.

Ivan Saltzman
Chief executive officer



CFO's report

The strong growth in revenue and profit reported by the Group during the reporting period is a testament to the capable employees of Dis-Chem and their commitment to our customers.

Rui Morais

EPS
27.6%
99.2c

Net working capital days further improved to
26.5

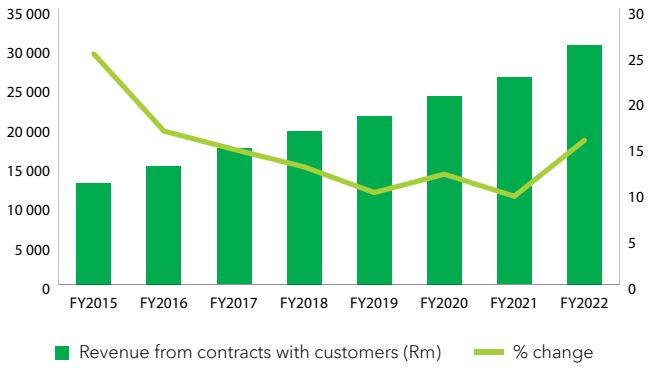
Successful integration of acquired assets

Launch of **Health Insurance** offering

Group

Group revenue increased by 15.7% to R30.4 billion compared to the prior financial year. This was predominantly driven by new store openings, vaccination revenue, the Baby City and Medicare acquisitions and strong external wholesale growth.

Group revenue



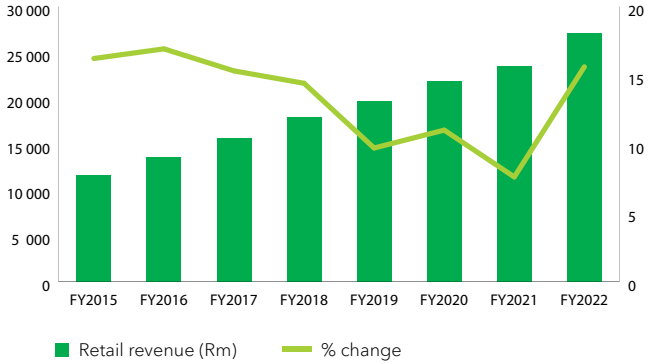
Retail

The retail segment grew revenue by 15.6% to R27.1billion, underpinned by the mass and in-store vaccination sites and the Baby City and Medicare acquisitions. Customers are also returning to larger mall stores as the Covid-19 regulations have been eased after the less severe Omicron-variant in the fourth wave.

Like-for-like revenue growth was 6.1% driven by the gradual return to shopping malls where many Dis-Chem stores are located.

During the reporting period, Dis-Chem administered 1.4million Covid-19 vaccine doses contributing R513 million or 1.9% to retail revenue.

Retail revenue



We opened 12 new Dis-Chem stores during the reporting period and three new Baby City stores increasing the total floor space by 12 666 m² and 2 793 m² respectively. We now have a total of 206 Dis-Chem stores and 35 Baby City stores.

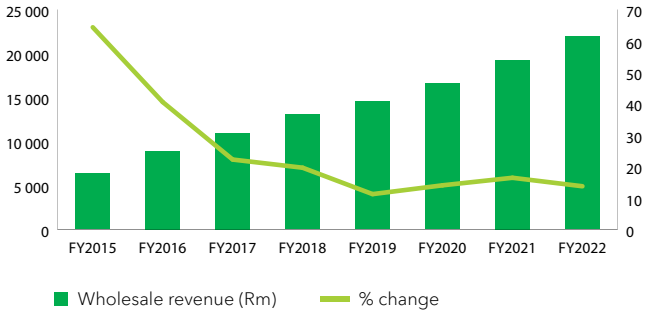
New stores opened in FY2021

Store name	Store size (m²)
Dis-Chem	
Foreshore	702
Rustenburg North Mall	1 200
Kyalami Corner	787
Northlands	600
Musgrave Centre	1 030
Chartwell Corner	1 305
The Avenues	1 245
Steeledale	1 000
Piet Retief	1 216
Corkwood Square	1 200
Tableview	1 165
Brackenfell Corner	1 216
Baby City	
Blu Bird	1 014
Table Bay Mall	1 065
Kenilworth	714

Wholesale

Wholesale revenue increased by 13.7% to R21.9billion with increased sales to our retail stores of 13.2%.

Wholesale revenue



External customer sales growth of 16.5% comprised of 25.2% growth in TLC franchises and 11.2% independent pharmacies. Independent pharmacy growth was negatively impacted by once-off business-to-business sales included in the prior period.

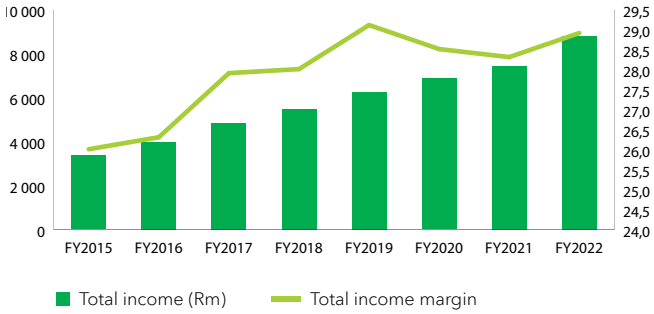
Since the acquisition of Medicare, the wholesale segment has seen a reduction in external sales, however, the Group has benefitted from the additional margin generated in both retail and wholesale.

Total income

We've seen further normalisation in gross margins as Covid-19 related products are becoming less substantial in consumer baskets and a sustained return to regional shopping malls where many Dis-Chem stores are located as well as continued improvement in fees earned through trade term negotiations.

Total income, comprising gross profit and other income, increased by 17.7% to R8.7billion and the total income margin came in at 28.7%. The increase in margin resulted in improvement in both EBITDA and operating margin percentages.

Total income



Operating expenditure

The Group's operating expenditure increased by 17.7% to R7.3billion. Excluding the Medicare cost base and legal expenses relating to acquisitions, expenses grew by 14.8%.

Employee costs increased by 16.9% as a function of new store openings, acquisitions and the average annual increase in salaries.

Occupancy costs consisting of mainly rates, electricity, operational costs and short-term rentals increased by 16.6%. The increase is mainly due to increasing electricity costs.

Other operating costs increase of 17.7% is related to advertising expenses, IT expenditure, courier charges and clinic support services.

Expenses as a % of sales

Expense	Retail	Wholesale
Depreciation and amortisation	2.7	0.5
Employee costs	13.2	2.4
Occupancy costs	1.4	0.2
Other operating costs	5.6	3.8
Total	**23.0**	**7.0**

Net finance cost

Net finance costs declined by 4.4%. Excluding finance costs from IFRS 16, net financing costs decreased by 29.7% due to the reduction in the prime interest rate as well as lower average levels of working capital as we continue to focus on ROIC.

	1H22	2H22	FY2022
Finance income	5	7	**12**
Finance costs	(169)	(156)	**(325)**
Net finance costs	**(164)**	**(149)**	**(313)**

Taxation

The Group's effective tax rate increased to 27.5% due to approximately R18 million non-deductible legal expenses associated with acquisitions.

Effective tax rate (%)	FY2022
Standard tax rate	**28.0**
Prior year adjustment	**(0.43)**
Non-taxable items	**(0.66)**
Non-deductible items	**(0.56)**
Total	**27.5**

Net working capital

Inventory days have decreased due to the reduction in Covid-19 related inventory and the continued impact of ROIC as we focus more on efficient stock management in mature stores.

Creditors' days continued to improve with the investment in ROIC and due to the impact of Medicare.

Debtors' days decreased as the ageing of debt is more closely monitored.

	FY2022	FY2021	FY2020
Inventory days	**89**	91	96
Creditors' days	**87**	86	85
Debtors' days	**24**	25	23
Total net working capital days	**26**	30	33

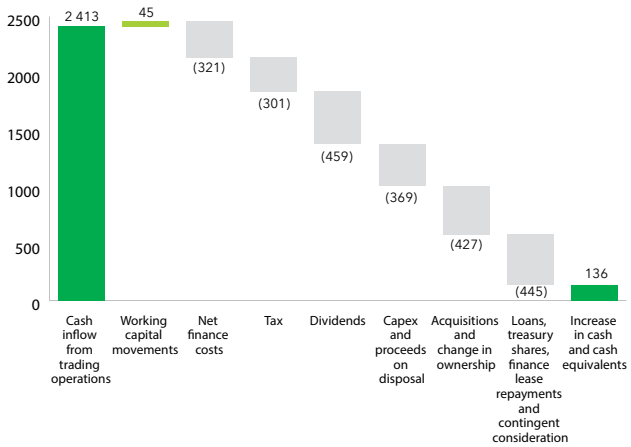
Earnings

Earnings per share and headline earnings per share increased 27.6%.

	Year to to 28 February 2022 (Audited)	Year to 28 February 2021 (Audited)
Reconciliation of profit for the year to headline earnings		
Profit attributable to equity holders of the parent	**853 446**	668 687
Net profit on disposal of property, plant and equipment and intangible assets	**364**	143
Impairment on disposal of property, plant and equipment and intangible assets	**6 457**	–
Compensation from third parties for items of property, plant and equipment and intangible assets	**(6 681)**	–
Taxation	**(176)**	(40)
Headline earnings	**853 410**	668 790
Earnings per share (cents)		
– Basic	**99.2**	77.8
– Diluted	**99.2**	77.8
Headline earnings per share (cents)		
– Basic	**99.2**	77.8
– Diluted	**99.2**	77.8

	Year to 28 February 2022	Year to 28 February 2021
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	**(255 587)**	(531 856)
Total number of shares outstanding at the beginning of the period	**859 828 896**	859 552 627
Treasury shares exercised and issued under the share scheme	**149 151**	207 391
Treasury shares acquired	**(37 151)**	–
Total weighted number of shares in issue at the end of the period	**859 940 896**	859 760 018
Share options	**472 395**	–
Total diluted weighted number of shares in issue at the end of the period	**860 413 291**	859 760 018

Cash management



Capital expenditure

Capital expenditure on tangible and intangible assets amounted to R377 million and comprised of R237 million expansionary capex as the Group invested in additional stores and information technology enhancements across both the retail and wholesale segments. The balance of R140 million related to maintenance expenditure incurred.

R'm	FY2022	FY2021	FY2020
Expansion capex	**237**	311	(23.8)
Maintenance	**136**	90	50.7
Total capex	**373**	401	(7.0)

Dividends

The full-year dividend increased by 27.6% to 39.7 cents per share.

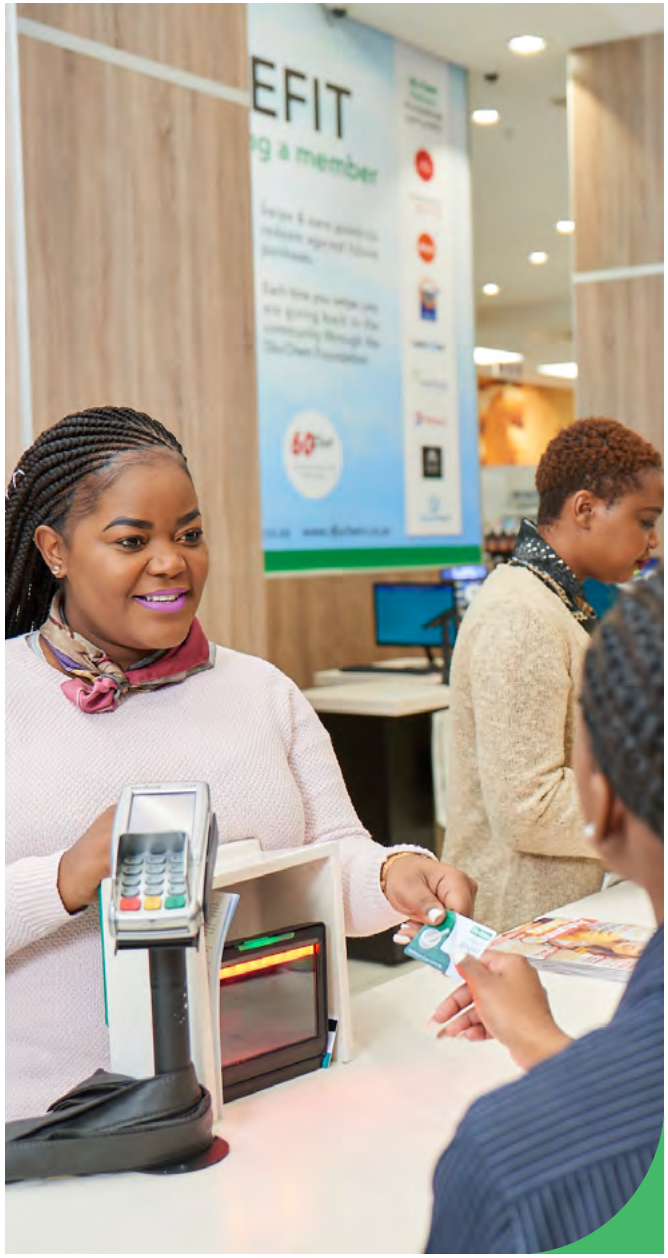
Outlook

Our focus on value positions the Group to support the financially constrained consumer. There remains continued opportunity to improve our transactional gross margin. With the technology migration complete, the Medicare rebranding is underway and will be completed by FY2023. The wholesale growth will continue to be driven by external revenue from TLC franchisees and independents.

Appreciation

All credit to our teams operating throughout the country and abroad for their execution strength demonstrated throughout the tough times experienced the last couple of years. Thank you to my team and all involved in the preparation of the integrated report. Your efforts and dedication paid off, and I am truly grateful.

Rui Morais
Chief financial officer



Summary consolidated financial statements

Condensed consolidated statement of comprehensive income

	Year to 28 February 2022 R'000	Year to 28 February 2021 R'000	change %
Revenue from contracts with customers (note 2)	**30 406 611**	26 278 196	15.7%
Cost of sales	**(23 576 145)**	(20 441 719)	15.3%
Gross profit	6 830 466	5 836 477	17.0%
Other income	**1 961 443**	1 589 453	23.4%
Total income	**8 791 909**	7 425 930	18.4%
Other expenses	**(7 252 478)**	(6 160 258)	17.7%
Operating profit before interest and equity accounted earnings	**1 539 431**	1 265 672	21.6%
Net financing costs	(313 389)	(327 727)	(4.4%)
– Finance income	**12 095**	16 853	(28.2%)
– Finance costs	**(325 484)**	(344 580)	(5.5%)
Profit from associates and joint ventures	**1 186**	2 997	(60.0%)
Profit before taxation	1 227 228	940 942	30.4%
Taxation	**(337 124)**	(253 291)	33.1%
Total profit for the year, net of taxation	890 104	687 651	29.4%
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
– Exchange differences on translating foreign subsidiaries	**324**	(322)	
Other comprehensive income for the year, net of taxation	**324**	(322)	
Total comprehensive income for the year	**890 428**	687 329	29.5%
Profit attributable to:			
– Equity holders of the parent	**853 446**	668 687	
– Non-controlling interests	**36 658**	18 964	
Total comprehensive income attributable to:			
– Equity holders of the parent	**853 770**	668 365	
– Non-controlling interests	**36 658**	18 964	
Earning per share (cents)			
– Basic	**99.2**	77.8	
– Diluted	**99.2**	77.8	

Summary consolidated financial statements (continued)

Condensed consolidated statement of financial position

	As at 28 February 2022 R'000	As at 28 February 2021 R'000
ASSETS		
Non-current assets	**5 221 151**	4 767 580
Property, plant and equipment (including right-of-use asset)	**3 688 681**	3 715 961
Intangible assets	**1 209 646**	897 888
Investment in associates and joint ventures	**183 202**	13 180
Deferred taxation	**139 622**	140 551
Current assets	**8 853 964**	8 420 008
Inventories	**5 758 858**	5 691 382
Trade and other receivables	**2 159 936**	1 905 031
Loans receivable	**221 887**	274 916
Taxation receivable	**7 432**	8 947
Cash and cash equivalents	**705 851**	539 732
Total assets	**14 075 115**	13 187 588
EQUITY AND LIABILITIES		
Equity and reserves	3 323 844	2 908 646
Share capital	**6 155 554**	6 155 554
Retained earnings	1 776 310	1 368 478
Other reserves	(4 608 020)	(4 615 386)
Non-controlling interest	61 714	43 018
Total equity	3 385 558	2 951 664

	As at 28 February 2022 R'000	As at 28 February 2021 R'000
EQUITY AND LIABILITIES (continued)		
Non-current liabilities	**3 175 367**	3 446 642
Lease liability	**2 682 277**	2 823 052
Loans payable	**479 170**	607 210
Deferred taxation	**13 920**	16 380
Current liabilities	**7 514 190**	6 789 282
Trade and other payables	**5 787 867**	5 389 310
Lease liability	**522 225**	482 605
Loans payable	**398 863**	159 010
Employee-related obligations	**257 437**	224 310
Deferred revenue (contract liability)	**74 445**	93 176
Contingent consideration	**7 984**	15 913
Taxation payable	**40 371**	21 042
Bank overdraft	**424 998**	403 916
Total equity and liabilities	14 075 115	13 187 588

Summary consolidated financial statements (continued)

Condensed consolidated statement of changes in equity

	Share capital R'000	Retained earnings R'000	Other Treasury shares R'000	Reserves Other[1] R'000	Non-controlling interest R'000	Total R'000
Balance at 29 February 2020	6 155 554	717 816	(13 152)	(4 606 839)	60 814	2 314 193
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	–	(19 504)	–	–	2 744	(16 760)
Share-based payment expense	–	–	–	6 406	–	6 406
Exercise of share-based payment	–	1 479	6 723	(8 202)	–	–
Dividends paid	–		–	–	(39 504)	(39 504)
Balance at 28 February 2021	6 155 554	1 368 478	(6 429)	(4 608 957)	43 018	2 951 664
Total comprehensive income for the year	-	**853 446**	-	324	**36 658**	890 428
Profit for the year, net of taxation	-	**853 446**	-	-	**36 658**	**890 104**
Other comprehensive income for the year, net of taxation	-	-	-	324	-	324
Change in ownership interest in subsidiary and acquisitions	-	**(9 870)**	-	-	**5 499**	**(4 371)**
Share-based payment expense	-	-	-	**20 127**	-	**20 127**
Exercise of share-based payment	-	**(637)**	**6 429**	**(7 344)**	-	**(1 552)**
Treasury shares acquired	-	-	**(12 170)**	-	-	**(12 170)**
Dividends paid	-	**(435 107)**	-	-	**(23 461)**	**(458 568)**
Balance at 28 February 2022	**6 155 554**	1 776 310	**(12 170)**	(4 595 850)	61 714	3 385 558

(1) Other consists of common control reserve, share-based payments, shares repurchased and foreign currency translation reserve.

	As at 28 February 2022 CENTS	As at 28 February 2021 CENTS
Dividend per share		
– Interim paid	**19.5**	–
– Final declared	**20.2**	31.1

Summary consolidated financial statements (continued)

Condensed consolidated statement of cash flows

	Year to 28 February 2022 R'000	Year to 28 February 2021 R'000
Cash flow from operating activities	**1 377 575**	1 124 070
Cash inflow from trading operations	**2 413 472**	2 058 895
Movement in working capital	**44 644**	(335 180)
Finance income received	**10 060**	10 582
Finance costs paid	**(330 959)**	(335 280)
Taxation paid	**(301 074)**	(235 443)
Dividends paid	**(458 568)**	(39 504)
Cash flow from investing activities	**(795 556)**	(779 747)
Additions to property, plant and equipment and intangible assets		
– To maintain operations	**(140 191)**	(90 213)
– To expand operations	**(237 074)**	(310 974)
Proceeds on disposal of property, plant and equipment and intangible assets	**8 307**	12 242
Acquisition in business combination and subsidiaries, net of cash acquired	**(265 746)**	(394 322)
(Investment in)/ proceeds from associates and joint ventures	**(160 852)**	3 520
Cash flow from financing activities	**(444 606)**	(498 126)
Bank loans repaid	**(431 567)**	(159 187)
Receipt of bank loans	**536 533**	102 852
Lease liability repayment	**(510 096)**	(393 441)
Contingent consideration repayment	**(16 455)**	(31 590)
Purchase of treasury shares	**(12 170)**	–
Change in ownership interest in subsidiary	**(10 851)**	(16 760)
Net increase/(decrease) in cash and cash equivalents	**137 413**	(153 803)
Foreign currency effect on cash and cash equivalents	**7 624**	(10 658)
Cash and cash equivalents at beginning of year	**135 816**	300 277
Cash and cash equivalents at end of year	**280 853**	135 816

Summary consolidated financial statements (continued)

Earnings per share

	Year to 28 February 2022 R'000	Year to 28 February 2021 R'000
Reconciliation of profit for the year to headline earnings		
Profit attributable to equity holders of the parent	853 446	668 687
Net loss on disposal of property, plant and equipment and intangible assets	364	143
Impairment of property, plant and equipment and intangible assets	6 457	–
Compensation from third parties for items of property, plant and equipment and intangible assets	(6 681)	–
Taxation	(176)	(40)
Headline earnings	853 410	668 790
Earnings per share (cents)		
– Basic	99.2	77.8
– Diluted	99.2	77.8
Headline earnings per share (cents)		
– Basic	99.2	77.8
– Diluted	99.2	77.8

	Year to 28 February 2022	Year to 28 February 2021
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	(255 587)	(531 856)
Total number of shares outstanding at the beginning of the period	859 828 896	859 552 627
Treasury shares exercised and issued under the share scheme	149 151	207 391
Treasury shares acquired	(37 151)	–
Total weighted number of shares in issue at the end of the period	859 940 896	859 760 018
Share options	472 395	–
Total diluted weighted number of shares in issue at the end of the period	860 413 291	859 760 018

Summary consolidated financial statements (continued)

Segmental information

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

Twelve-months to 28 February 2022	Retail R'000	Wholesale R'000	Intergroup/ consolidation R'000	Total R'000
External customers	27 108 334	3 298 277	–	30 406 611
Inter-segment	–	18 612 741	(18 612 741)	–
Total revenue from contracts with customers	27 108 334	21 911 018	(18 612 741)	30 406 611
Cost of sales	(21 297 796)	(20 430 751)	18 152 402	(23 576 145)
Gross profit	5 810 538	1 480 267	(460 339)	6 830 466
Other income	1 830 941	159 076	(28 574)	1 961 443
Total income	7 641 479	1 639 343	(488 913)	8 791 909
Other expenses (excluding depreciation and amortisation)	(5 476 541)	(1 410 628)	495 735	(6 391 434)
Impairment of property, plant and equipment	(6 457)	–	–	(6 457)
Depreciation and amortisation	(741 058)	(113 529)	–	(854 587)
Operating profit before interest and equity accounted earnings	1 417 423	115 186	6 822	1 539 431
Net finance costs	(297 099)	(16 290)	–	(313 389)
Share of profit from associates and joint ventures	1 186	–	–	1 186
Profit before taxation	1 121 510	98 896	6 822	1 227 228
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2 159 667	228 715	6 822	2 395 204
Capital expenditure	(325 746)	(51 519)	–	(377 265)
Total assets	10 301 293	7 277 885	(3 504 063)	14 075 115
Total liabilities	7 103 613	5 616 171	(2 030 227)	10 689 557
Total income margin	28.2%	7.5%		28.9%
EBITDA margin	8.0%	1.0%		7.9%
Operating margin	5.2%	0.5%		5.1%

Summary consolidated financial statements (continued)

Twelve-months to 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)	–
Total 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 before interest and equity accounted earnings	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 taxation	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	(3 113 912)	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%

Summary consolidated financial statements (continued)

Fair value hierarchy

The information below analyses financial assets and liabilities that are carried at fair value:

February 2022	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial liabilities at fair value through profit and loss			
– Contingent consideration	–	–	7 984
February 2021			
Financial liabilities at fair value through profit and loss			
– Contingent consideration	–	–	15 913

The contingent consideration relating to the acquisition of non-controlling shareholders was settled in the current period.

A new contingent consideration was raised in the current period with the acquisition of 25% of Kaelo Holdings on 1 November 2021. The contingent consideration is based on performance targets being made in June 2022.

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.

	As at 28 February 2022 R'000	As at 28 February 2021 R'000
Reconciliation of recurring Level 3 fair value movements:		
Opening balance	15 913	45 121
Payments	(16 455)	(31 590)
Interest	630	2 838
Additional contingent consideration	7 984	–
Fair value adjustment [1]	(88)	(456)
Closing balance	7 984	15 913

(1) Amount reflected in 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 2022 and 2021.

		28 February 2022	28 February 2021
Ordinary shares in issue		860 084 483	860 084 483
Closing share price	(R/share)	R 34.62	R 22.40
Twelve-month share price (high)	(R/share)	R 38.20	R 26.50
Twelve-month share price (low)	(R/share)	R 21.81	R 16.55
Net asset value per share (WANOS)	(cents/share)	393.70	343.31
Net asset value per share (actual shares at year-end)	(cents/share)	393.63	343.18

Notes to the condensed consolidated results

1. Revenue from contracts in the retail segment with customers can be disaggregated between the following categories:

	As at 28 February 2022 %	As at 28 February 2021 %
Dispensary	36	37
Personal care and beauty	26	28
Healthcare and nutrition	24	20
Baby care	8	6
Other	6	9
	100	100

2. Dis-Chem enters into certain transactions with related parties including the rental of certain stores and warehouses. The finance lease obligation relating to these leases amounted to R0.9 billion at 28 February 2022 (2021: R1 billion).

   Amounts owing from Mathimba Proprietary Limited at 28 February 2022 amounted to R24 million (2021: R24 million).

   Amounts owing from Dis-Chem Bothamed, Dis-Chem Namibia, Dis-Chem Swakopmund, Dis-Chem Dunes, BEESECDCP, Servco, Geniob and Origin Brands at 28 February 2022 amounted to R68 million (2021: R104 million). Other related party transactions for the current period are similar in nature to those disclosed in the annual financial statements for the year ended 28 February 2021.

3. The civil unrest and looting in July resulted in an impairment of inventory and property, plant and equipment of R34.5 million (2021: Rnil).

4. No shares were issued during the current and prior periods.

   During the period, 255 587 treasury shares 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 R5.8 million and treasury shares reduced by R6.4 million, representing the value at which they were purchased in the past. The difference of R0.6 million was recognised in retained income.

5. During the current year, the group acquired the following businesses in order to further increase store footprint and investment in a strategic asset through which it can advance its ambitions to be at the forefront of innovation in the delivery of care:

   - The acquisition of assets and liabilities of Ferngate, an independent pharmacy, on 1 July 2021.
   - The acquisition of assets and liabilities of Northlands, an independent pharmacy, on 1 May 2021.
   - The acquisition of 87.5% of Healthforce, which offers clinic management software that, amongst other system capabilities, sets up clinic nurses as the low-cost entry point into the healthcare system, on 1 March 2021.
   - The acquisition of assets and liabilities of Howick, an independent pharmacy, on 1 December 2021.
   - The acquisition of 100% of Pure Pharmacy, a group of independent pharmacies, on 1 October 2021.

Notes to the condensed consolidated results (continued)

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

	Ferngate R'000	Northlands R'000	Healthforce R'000	Howick R'000	Pure Pharmacy R'000	Total R'000
Assets						
Property, plant and equipment	29	–	709	10	161 291	162 039
Other intangibles	–	–	52 619	–	2 340	54 959
Trade and other receivables	63	651	1 693	327	70 134	72 868
Inventories	3 010	505	–	1 686	128 702	133 903
Bank	6 290	–	1 035	370	48 529	56 224
Loan receivable	–	–	1 201	–	–	1 201
Deferred tax	–	–	–	–	26 538	26 538
Liabilities						
Trade and other payables	(5 776)	–	(2 277)	(3 802)	(274 638)	(286 493)
Lease liability	–	–	–	–	(145 051)	(145 051)
Employee benefits	(57)	–	(968)	–	(15 911)	(16 936)
Deferred tax	–	–	(7 601)	–	–	(7 601)
Taxation	–	–	–	–	(2 199)	(2 199)
Loan payable	–	–	(4 172)	–	(9 900)	(14 072)
Total identifiable net assets at fair value	3 559	1 156	42 239	(1 409)	(10 165)	35 380
Non-controlling interest at proportionate interest	–	–	(5 280)	–	–	(5 280)
Goodwill arising on acquisition	20 355	856	10 960	5 009	255 890	293 070
Purchase consideration transferred	23 914	2 012	47 919	3 600	245 725	323 170

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

From the date of acquisition, R546 million in revenue and R29 million loss before tax was contributed to the Group from the above acquisitions. If the acquisitions had taken place at the beginning of the year, R1.3 billion in revenue and R68 million loss before tax would have been contributed to the Group from the above acquisitions.

During the current year, the Group bought back 29.33% of Dis-Chem Rynfield.

On 1 November 2021, Dis-Chem acquire 25% of the issued share capital and shareholder claims of Kaelo Holdings ("Kaelo"). 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. Dis-Chem will pay a total purchase consideration of up to R195 million, subject to company performance hurdles in the FY22 period. At year end R160 million had already been paid. Due to the initial expenses incurred to roll out the health insurance offering in the 2023 financial period an initial loss was included in profit from associates.

Notes to the condensed consolidated results (continued)

6. Events after reporting period

On 1 March 2022, Dis-Chem acquired 100% of the issued share capital of Superstrike Proprietary Limited (trading as Baby Boom) for R23 million.

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

As disclosed in the SENS on 25 January 2022, Dis-Chem acquired 100% of the share capital of CT Distribution Centre Proprietary Limited, KZN Warehouse Proprietary Limited and Eleadora Proprietary Limited for R217 million. This is a related party transaction due to the companies acquired being wholly-owned by directors, previous directors and prescribed officers of Dis-Chem, who are also shareholders of Dis-Chem.

This transaction became effective on 1 April 2022, once approval was received by the Competition Commission and the Competition Tribunal.

To date the Group has not seen a significant impact to its operations from the war in Ukraine.

7. These summary consolidated financial statements are an extract from the full audited consolidated financial statements, which can be found on the website www.dischemgroup.com but is not itself audited. The annual condensed consolidated financial statements do not include all the information and disclosures required in the financial statements and should be read in conjunction with the Group's annual financial statements as at 28 February 2022. The unmodified independent auditor's report can be found on page 11 to 15 of the audited consolidated annual financial statements as well as on the company's website. D Keeve is the individual audit partner responsible for the audit.

05

Shareholder Information

Analysis of Ordinary Shareholders

as at 28 February 2022

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000	36 315	88.70	2 965 437	0.34
1 001 – 10 000	3 523	8.60	11 266 866	1.31
10 001 – 100 000	752	1.84	24 355 898	2.83
100 001 – 1 000 000	295	0.72	91 569 924	10.65
Over 1 000 000	58	0.14	729 926 358	84.87
Total	**40 943**	**100.00**	**860 084 483**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Assurance companies	44	0.11	14 501 063	1.69
Close corporations	63	0.15	239 467	0.03
Collective investment schemes	268	0.65	132 820 283	15.44
Custodians	17	0.04	1 970 451	0.23
Foundations and charitable funds	55	0.13	4 195 040	0.49
Hedge funds	14	0.03	760 110	0.09
Insurance companies	15	0.04	3 589 804	0.42
Investment partnerships	29	0.07	109 780	0.01
Managed funds	40	0.10	7 368 801	0.86
Medical aid funds	21	0.05	1 457 730	0.17
Organs of state	9	0.02	86 277 315	10.03
Private companies	304	0.74	485 089 082	56.40
Public companies	7	0.02	1 743 490	0.20
Public entities	6	0.01	183 090	0.02
Retail shareholders	39 151	95.62	21 315 976	2.48
Retirement benefit funds	278	0.68	79 678 423	9.26
Scrip lending	10	0.02	3 132 059	0.36
Sovereign funds	6	0.01	8 404 308	0.98
Stockbrokers and nominees	15	0.04	1 133 185	0.13
Trusts	591	1.44	6 115 026	0.71
Total	**40 943**	**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.*

Shareholder type	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Non-public shareholders	**12**	**0.03**	**387 561 099**	**45.06**
Directors and associates	11	0.03	387 222 098	45.02
Dis-Chem Pharmacies Limited	1	0.00	339 001	0.04
Public shareholders	**40 931**	**99.97**	**472 523 384**	**54.94**
Total	**40 943**	**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	147 888 766	17.19
Public Investment Corporation	51 803 090	6.02
Total	**199 691 856**	**23.22**

Beneficial shareholders with a holding greater than 3% of the issued shares	Number of shares	% of issued capital
Ivlyn Local Investment Holdings (Pty) Ltd	302 066 319	35.12
Government Employees Pension Fund	83 850 994	9.75
Coronation Fund Managers	73 188 270	8.51
Royal Bafokeng Holdings (Pty) Ltd	56 937 593	6.62
Stansh (Pty) Ltd	39 904 885	4.64
Wakanda Security Holdings RF (Pty) Ltd	29 531 148	3.43
Total	**585 479 209**	**68.07**

	Number of shareholdings
Total number of shareholdings	**40 943**
Total number of shares in issue	**860 084 483**

Share price performance

Opening Price 02 March 2021	R22.36
Closing Price 28 February 2022	R34.62
Closing High for period	R38.20
Closing Low for period	R21.81
Number of shares in issue	860 084 483
Volume traded during period	340 619 924
Ratio of volume traded to shares issued (%)	39.60%
Rand value traded during the period	R10 555 389 855
Price/earnings ratio as at 28 February 2022	38.26
Earnings yield as at 28 February 2022	2.61
Dividend yield as at 28 February 2022	1.17
Market capitalisation at 28 February 2022	R29 776 124 801

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, 29 July 2022 at 10:00 am. 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, 22 July 2022, 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 2022, together with the reports of the Directors, Auditors and Audit and Risk Management Committee be and are hereby considered and adopted.

2. Ordinary resolution number 2

Appointment of auditors and designated auditor

Resolved that Mazars be and are hereby re-appointed auditors of the Company and that Ms. Danielle Keeve is hereby appointed the designated auditor to hold office for the ensuing year.

The Company's Audit and Risk Committee has recommended the re-appointment of Mazars as auditors of the Company with Ms. Danielle Keeve being appointed the designated auditor for the current financial year.

3. Ordinary resolution number 3

Re-election of director

Resolved that Mr. Larry Nestadt, who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The *curriculum vitae* for Mr. Nestadt appears on page 31 of this annual report.

4. Ordinary resolution number 4

Re-election of director

Resolved that Mr. Johannes Mthimunye, who retires in terms of the Company's Memorandum of Incorporation, be re-elected a director of the Company.

The *curriculum vitae* for Mr. Mthimunye appears on page 32 of this annual report.

5. Ordinary resolution number 5

Ratification of appointment of director

Resolved that Mr. Katlego Kobue's appointment as a non-executive director on 23 November 2021 in terms of the Company's Memorandum of Incorporation, be and is hereby ratified.

The *curriculum vitae* for Mr. Kobue appears on page 32 of this annual report.

6. Ordinary resolution number 6

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.

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.

8. Ordinary resolution number 8

Appointment of Audit and Risk Committee member

Resolved that Mr. Johannes 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 subject to the passing of ordinary resolution number 4 above.

Notice of annual general meeting continued

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 page 40 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.

9.1 Ordinary resolution 9.1

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

9.2 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 2023 and the quarter ending 31 May 2022

Non-executive directors' fees for the financial year ending 28 February 2023 and the quarter ending 31 May 2022

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 2023 and the quarter ending 31 May 2022 (being a quarter of the fees payable for the year ending 28 February 2023) be approved as follows:

	28 February 2023	31 May 2022
Chairperson	3 165 000	791 250
Non-executive director	320 750	80 187
Chairperson of the Audit Committee	337 348	84 337
Member of the Audit Committee	216 483	54 121
Chairperson of the Remuneration and Nomination Committees	162 362	40 591
Member of the Remuneration and Nomination Committees	87 100	21 775
Chairperson of the Social and Ethics Committee	78 801	19 700
Member of the Social and Ethics Committee	43 332	10 833

Resolved that, Further that the payment for the adjustment in the directors' fees for the quarter ended 31 May 2022 of 4.5% be approved. The Chairman's fees have not been increased for the FY2022 and FY2023 financial year.

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 2023 and for the quarter ending 31 May 2022 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 2023 and quarter ending 31 May 2022. The fees payable for the quarter ending 31 May 2022 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 2022 at the 2023 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.

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.

Notice of annual general meeting continued

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 issue 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.

(g) in the event of a sub-division or consolidation of issued equity securities during the period contemplated in paragraph (b) above, the existing authority must be adjusted accordingly to represent the same allocation ratio.

14. Ordinary resolution number 12

Directors' or 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 45). 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.

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, 22 July 2022:

- 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 79 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.

Notice of annual general meeting continued

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 79 of the annual report.

By order of the Board

NJ Lumley
Company Secretary

Johannesburg

Thursday, 30 June 2022

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, 29 July 2022. Shareholders listed in the shareholder register as of Friday, 22 July 2022, 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 proxy form 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,

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; and
- 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 2022			
ORDINARY RESOLUTION NUMBER 2: Appointment of the auditors and designated auditor			
ORDINARY RESOLUTION NUMBER 3: Re-election of Mr. Nestadt as a director			
ORDINARY RESOLUTION NUMBER 4: Re-election of Mr. Mthimunye as a director			
ORDINARY RESOLUTION NUMBER 5: Ratification of appointment of Mr. Kobue as a director			
ORDINARY RESOLUTION NUMBER 6: Appointment of Audit and Risk Committee member Ms. Coovadia			
ORDINARY RESOLUTION NUMBER 7: Appointment of Audit and Risk Committee member Ms. Sithebe			
ORDINARY RESOLUTION NUMBER 8: Appointment of Audit and Risk Committee member Mr. Mthimunye			
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 2022

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 proxy form 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 proxy form;
- This proxy form 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 proxy form;
- 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 proxy form 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 proxy form;
- 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, 22 July 2022, will be eligible to vote at the Annual General Meeting to which this proxy forms part.
2. The person whose name stands first on the proxy form 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 proxy form 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. Proxy forms must be lodged at the Head Office of the Company, 23 Stag Road, Midrand or posted to the Company Secretary at PO Box 260362, Excom, 2023, 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 proxy form in a representative capacity must be attached to this proxy form 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 proxy form 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.

Shareholders' diary

Annual General Meeting

AGM	Friday, 29 July 2022

Reports

Full-year results to 28 February 2022	Monday, 23 May 2022
Publication of IAR	Wednesday, 29 June 2022
Interim results to 31 August 2022	Wednesday, 2 November 2022
Full-year results to 28 February 2023	19 May 2023

Trading updates

Pre-closed period trading update	August 2022
22-week trading update	February 2023

Dividends

Last day to trade cum dividend on the JSE: FY2022 final dividend	Tuesday, 7 June 2022
Payment date: FY2022 final dividend	Monday, 30 June 2022
Last day to trade cum dividend on the JSE: FY2023 interim dividend	November 2022
Payment date: FY2023 interim dividend	November/December 2022

Abbreviations

AFS	Annual Financial Statements
AGM	Annual General Meeting
CAMs	Complementary 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
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 Act
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

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

$$\frac{\textit{Average trade and other payables}}{\textit{Cost of goods sold x 365}}$$

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

$$\frac{\textit{Earnings attributable to equity holders of the Group}}{\textit{WANOS}}$$

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.

Definitions continued

International Integrated Reporting Council

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

$$\frac{\textit{Average inventory}}{\textit{Cost of goods sold x 365}}$$

Johannesburg Stock Exchange

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.

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
Net working capital days
The average number of days it takes the Group to convert working capital into revenue.

Calculation

$$\frac{\textit{Total assets-total liabilities}}{\textit{WANOS}}$$

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

$$\frac{\textit{EBIT}}{\textit{Capital Employed}}$$

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.

Corporate information

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

Registered office
23 Stag Road
Glen Austin
1685

Company secretary
NJ Lumley
nikki@dischem.co.za

Registered office
23 Stag Road
Glen Austin
Midrand

Contact details
Tel: 011 589 2200
www.dischemGroup.com
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Registered auditors
Mazars
Mazars House
54 Glenhove Road
Melrose Estate
Johannesburg
2196
South Africa

Sponsor
The Standard Bank of South Africa Limited
3rd Floor, East Wing
30 Baker Street
Rosebank
2196
Johannesburg

Transfer secretaries
Computershare Investor Services
Proprietary Limited
Rosebank Towers
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Investor relations
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Notes

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