ESG GOVERNANCE

Being a good corporate citizen is central to Dis-Chem's values. It ensures that we deliver on our Better Health Starts Here commitment in everything we do and with every product we sell.

The Dis-Chem Board values diversity and independence

The Board complies with and applies the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1] and is committed to ensuring good governance and citizenship. The Board has 11 directors, including six non-executive directors of which five are independent, including the Chair.

The Board charter, which was reviewed in 2023, sets out arrangements in terms of the Board's composition, roles and responsibilities, delegation of duties, membership, meeting procedures and reporting. As per these guidelines:

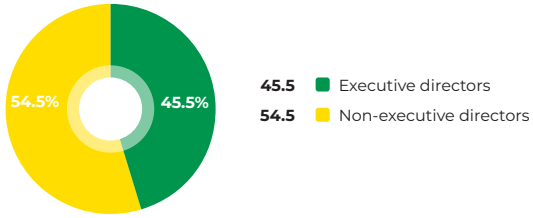
- The Board comprises a balance of executive and non-executive directors, with a majority of non-executive directors. A majority of the non-executive directors are independent
- Directors are appointed through a formal and transparent process and the Nomination Committee assists with the process of identifying suitable candidates to be proposed to the shareholders
- The Board is of sufficient size to ensure a wide range of skills, knowledge and experience without compromising common purpose, involvement, participation and a sense of responsibility among the members, which is necessary to meet Dis-Chem's strategic objectives

The Board must further, inter alia:

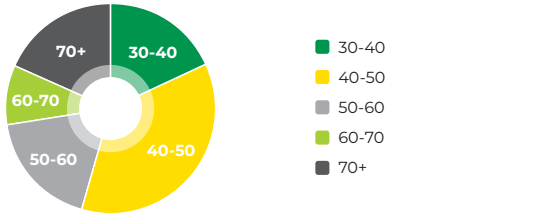
- Ensure that the strategy will result in sustainable outcomes
- Consider sustainability as a business opportunity that guides strategy formulation
- Ensure that the Group is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group but also the impact that business operations have on the environment and the society within which it operates
- Ensure that the Group's ethics are managed effectively
- Appreciate that stakeholder's perceptions affect the Group's reputation

DIVERSITY

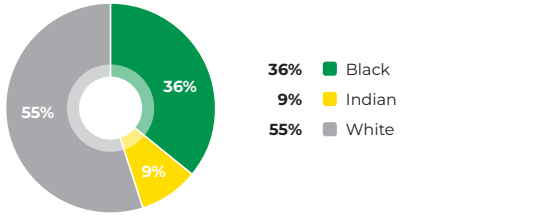
Executive vs non-executive



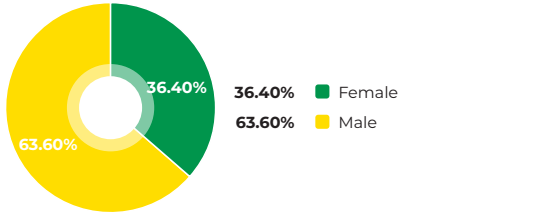
Age



Race



Gender



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

Ethical and effective ESG governance

The Group created a new governance and operational structure around ESG this year, following the appointment of a new ESG Executive. At the core of the structure is a new ESG Executive Committee, which was established to support the SEC in the fulfilment of its oversight responsibilities.

Board of Directors

Overall responsibility for ESG governance and strategic direction

SOCIAL AND ETHICS COMMITTEE (SEC)

- Primary ESG governance body
- Strategic ESG oversight role
- Provides feedback to Board and shareholders

AUDIT AND RISK COMMITTEE

- ESG risks and opportunities
- ESG audit and assurance

REMUNERATION COMMITTEE

- Remuneration policy
- Inclusion of ESG metrics in the remuneration policy

NOMINATION COMMITTEE

- Ensures that there is ESG expertise on the Board

EXECUTIVE COMMITTEE

1. Responsible for ESG strategy implementation
2. Assesses and manages ESG risks and opportunities
3. Integrates ESG into business decision making process
4. Plan for and provide resources as required
5. Periodic ESG performance review and reporting to SEC meeting

ESG EXECUTIVE COMMITTEE

1. Constituted as a sub-committee of the SEC
2. Ensures that governance mechanisms are implemented to drive implementation of ESG strategy
3. Periodic monitoring and review of ESG performance for successful implementation
4. Make continual improvement recommendations to SEC and executive team

Read more about governance in practice for each material sustainability matter in the chapter from page 12.

THE ESG EXECUTIVE COMMITTEE CONSISTS OF ALL CATEGORY AND FUNCTIONAL HEADS. THEY TAKE FULL RESPONSIBILITY FOR ESG IN THEIR BUSINESS UNITS. DECISIONS MADE BY THE COMMITTEE OR SUPPORT REQUESTS ARE CHANNELLED TO THE SEC. WHERE RELEVANT, MATTERS WILL BE ESCALATED TO THE AUDIT AND RISK COMMITTEE AND BOARD FOR APPROVAL.

Read more about governance in the Integrated Annual Report, which also includes the SEC Committee Report.

SEC'S ESG MILESTONES IN FY2024

- Appointment of an ESG Executive in 2023
- Decision to publish a separate Sustainability Report
- Approval of the ESG strategy
- Approval of the sustainability material matters
- Approval of the supplier code of conduct and self-assessment questionnaire
- Approval of the sustainability policy
- Approved the climate risk assessment and mitigation impacts on strategy

ON THE SEC AGENDA FOR NEXT YEAR

- Expanding non-financial key performance indicators linked to executive remuneration and incentives
- Evaluating product lifecycle assessments to measure environmental impacts

THE DIS-CHEM BOARD WILL RECEIVE ESG TRAINING DURING FY2025 TO ENSURE A COMMON UNDERSTANDING OF ESG RISKS AND OPPORTUNITIES. THE TRAINING WILL ALSO INCREASE THEIR ABILITY TO PROVIDE AN OVERSIGHT ROLE FOR THE GROUP.

OUR APPROACH TO ESG RISKS AND OPPORTUNITIES

The Board has oversight of key ESG risk areas, which includes the responsibility of setting Dis-Chem's level of risk tolerance and limits for our risk appetite on an annual basis. The Audit and Risk Committee is mandated to play 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 risks. The Committee also ensures executive management maintains a risk register that includes ESG risks and considers and implements appropriate risk responses.

ESG risk management is integrated into Dis-Chem's enterprise risk management framework (ERMF). The ERMF outlines the principles and processes used to manage risk appropriately. ESG risks are included in the Group's universe of risks, ensuring such aspects are always considered within the risk management process.

The process followed to manage ESG risks and opportunities follows Dis-Chem's ERMF and the operational risk management framework (ORMF). The frameworks set out the principles for identifying, measuring, mitigating and monitoring the various risks, and are aligned to ISO31000.

The Group has developed a robust view of climate risks and opportunities, including identifying physical and transition risks.

Read more about climate risks and opportunities in the chapter on our planet from page 63.

Our ESG risk management process

01 IDENTIFICATION AND ASSESSMENT

Risk identification takes a top-down and bottom-up approach.

02 MEASUREMENT

The measurement of operational risks includes both quantitative and qualitative approaches.

03 MITIGATION

Dis-Chem aims for a strong control environment that uses policies, processes and systems in combination with the appropriate internal controls and risk mitigation and/or transfer strategies.

04 MONITORING AND REPORTING

Risk reporting aims to be transparent and appropriate to meet stakeholder requirements.

Our key ESG risks and opportunities

Description	Action plans
There is a risk of polluting the environment if waste generated from operations is not disposed of appropriately and timeously. This could harm the environment, as well as lead to fines and reputational damage.	Dis-Chem is working towards an integrated waste management process that is compliant with waste management legislation. This includes reviewing current processes, identifying improvements and introducing new solutions.
Social inequality and exclusion might lead to community unrest in the areas where Dis-Chem operates if it does not invest in community engagement and support. This can lead to missed opportunities for talent development as well as financial loss.	The Group is shifting to more strategic social investment through the Dis-Chem Foundation. Its goal is to sustainably impact communities, their livelihoods, safety and health. A long-term social and economic development plan is being crafted.
Water is a precious resource in South Africa, a water-scarce country. Overuse of water in Dis-Chem's operations might lead to business interruption, escalating operating costs, and inability to meet stakeholder expectations.	Dis-Chem is incorporating ESG criteria into all investment projects, including capital investment in distribution centres and stores. This includes exploring options to save water based on data analysis, and potential water-saving initiatives. Smart metering has been implemented, which will lead to water efficiency programmes and management, including recycling. The Group has also started assessing our exposure to water-stressed areas.
There is a risk of polluting the environment while depleting natural resources through improper management of the paper and cardboard lifecycle. This can further result in fines and reputational damage.	Dis-Chem is investigating a paperless system and has implemented measures to drive a circular economy for cardboard. The current cardboard management process is under review and improvement guidelines have been established.
Leakage of toxic gases from refrigeration equipment could lead to increased emissions and could pose health risks to employees and the community. This can result in non-compliance, fines, financial loss and reputational damage.	It is critical to replace existing equipment that uses refrigerant gases and has high ozone-depleting potential. An emergency contact list has been established to mitigate the impact of a potential gas leakage. Dis-Chem is also investigating a process to capture and destroy refrigerant gases in an environmentally friendly manner.
Using electricity from non-renewable sources contributes to carbon emissions, which contributes to climate change. It also contributes to higher costs associated with generator use during loadshedding.	Dis-Chem approved the installation of solar backup systems to complement current infrastructure in May 2024. Research is also being conducted into alternative energy options for its fleet.
Carbon emissions contribute to climate change, which increases the risk of natural disasters causing great and often sudden damage or suffering. This can lead to increased disease burdens, inability to operate, loss of life and property, and food insecurity.	Climate risk is being integrated into the business decision-making process to make a positive contribution towards mitigating climate change. A disaster recovery plan is in place, and timely alerts and triggers are being investigated.
Dis-Chem risks reputational damage and eroding stakeholder trust if it fails to appropriately disclose environmental, social and corporate governance requirements as required.	Dis-Chem is implementing reporting systems and introducing accountability levels to ensure ESG data integrity. Data assurance processes have commenced and will be expanded to ensure reliable and accurate internal and external data.
Transformation is a strategic imperative in South Africa to address social risks related to previous disadvantages, poverty and challenging socio-economic conditions. Dis-Chem, with its current level 6 B-BBEE score, continues to drive empowerment opportunities while monitoring the implementation of its transformation plan to achieve a level 5 B-BBEE rating by 2025.	Dis-Chem has an approved employment equity plan supported by a transformation policy and diversity and inclusion philosophy. As per the code of ethics, the Group is committed to equal opportunities. However, the recruitment process considers employment equity targets. Dis-Chem has a level 6 B-BBEE score and continues to drive empowerment opportunities.

OUR ESG STRATEGY AND PILLARS

In the past year, Dis-Chem strengthened its ESG governance with the appointment of an ESG Executive to effectively drive the ESG strategy development process and subsequent implementation.

Our ESG strategy development process summary



OUR ESG STRATEGY SUMMARY

BETTER HEALTH STARTS HERE					
Strategic pillars	**Our people are our biggest asset**	**Taking care of our planet**	**Being there for our customers**	**Getting involved in our communities**	**Confidence in our supply chain**
Strategic goals	Build an inclusive, safe and prosperous workplace	Minimise the impact of our operations on the environment	Customer-centric service offering	Invest in communities we operate in	Promote a responsible supply chain
Strategic ESG focus areas	+ Diversity and inclusion + Employee retention + Investing in the training and development of our employees + Employee health and safety	+ Climate change + Use of natural resources + Waste management	+ Customer satisfaction + Customer health and safety + Data privacy and security	+ Access to healthcare + Access to education + Community upliftment + Small business development	+ Economic inclusion + Ethical supply chain + Product safety + Responsible sourcing
SDG contribution					
Strategic enabler	Governance				

Remuneration is driving implementation

The successful implementation of Dis-Chem's ESG strategy relies on all employees delivering on its goals and targets. As such, the Group is developing non-financial performance indicators for executive and senior management remuneration incentives, including transformation and employment equity targets.

Read more about our remuneration policy and implementation in the remuneration report in our Integrated Annual Report.

DIS-CHEM COMPLIES WITH NATIONAL MINIMUM WAGE LEGISLATION IN TERMS OF THE SECURITY INDUSTRY AND THE WHOLESALE AND RETAIL SECTOR.