

Governance report

- Provide effective leadership on an ethical foundation;
- Ensure that the Company is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Company but also the impact that business operations have on the environment and the society within which it operates;
- Ensure that the Company's ethics are managed effectively;
- Ensure that the Company has an effective and independent audit committee;
- Be responsible for the governance of risk;
- Be responsible for IT governance, which includes ensuring that information assets are identified, managed and treated as important business assets;
- Ensure that the Company complies with applicable laws and considers adherence to non-binding rules and standards;
- Ensure that there is an effective risk-based internal audit for approaching the Group's control environment which must be aligned with the risk assessment process;
- Appreciate that stakeholder's perceptions affect the Company's reputation;
- Ensure the integrity of the Company's integrated report;
- Act in the best interests of the Company by ensuring that individual directors:
 - Adhere to legal standards of conduct;
 - Are permitted to take outside or other independent advice as it deems necessary in connection with their duties following an agreed procedure;
 - Disclose real or perceived conflicts to the Board and deal with them accordingly; and
 - Deal in securities only according to the policy adopted by the Board;
- Commence business rescue proceedings as soon as the Company is financially distressed;

- Report on the effectiveness of the Company's system of internal control;
- Elect a Chairman of the Board that is an independent non-executive director; and
- Appoint and annually evaluate the performance of the Chief Executive Officer.

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

Performance evaluation

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

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

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

Share dealings

The directors' dealing policy governs directors' dealings in Dis-Chem shares. All directors and the company secretary must receive written

approval from the Chairman before buying or selling Dis-Chem shares. The Chairman is required to obtain approval from the Chairman of the Audit and Risk Committee before undertaking any share dealings. It is mandatory for directors to notify the Company Secretary of any dealings in the Company's shares. This information is then disclosed on SENS within 24 hours of receipt of such information.

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

Access to information and professional advice

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 and the Company has agreed to bear the expenses of such advice if specific procedures are followed.

Conflict of interest

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

Governance committees

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

Audit and Risk Committee

Current members: Joe Mthimunya (Chairman), Anuschka Coovadia, Mahomed Gani, Mark Bowman

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

- Providing additional assurance regarding the quality and reliability of financial information used by the Board.
- Reviewing the internal control systems, the financial control systems, the accounting systems and reporting, 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 twice a year.

Nominations Committee

Current members: Larry Nestadt (Chairman), Joe Mthimunye, Mahomed Gani, Mark Bowman

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

- Leading the process of Board appointments, composition and balance
- Considering succession planning
- Ensuring the continuous development of Board members

The Committee will meet at least twice a year.

Remuneration Committee

Current members: Mark Bowman (Chairman), Joe Mthimunye, Larry Nestadt, Mahomed Gani

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 twice a year.

Social and Ethics Committee

Current members: Anuschka Coovadia (Chairman), Lynette Saltzman, Mahomed Gani

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 twice a year.

Board and Committee meetings and attendance

1 March 2019 – 29 February 2020

DIRECTOR	BOARD MEETING	AUDIT AND RISK COMMITTEE MEETING	NOMINATIONS COMMITTEE MEETING	REMUNERATION COMMITTEE MEETING	SOCIAL AND ETHICS COMMITTEE MEETING
LM Nestadt	4/4		1/1	1/1	
IL Saltzman	4/4				
LF Saltzman	4/4				2/2
RM Morais	4/4				
A Coovadiya	4/4	3/3			2/2
JS Mthimunye	4/4	3/3	1/1	1/1	
MSI Gani	4/4	3/3	1/1	1/1	2/2
MJ Bowman	4/4	3/3	1/1	1/1	
Other	4/4				

Accountability and control

The Board assumes ultimate accountability and responsibility for the performance and affairs of the Group and, in doing so, represents and promotes the legitimate interests of the Group and its stakeholders.

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 2020 financial year fairly represents the Group's operational results and financial position.

Company secretary

All the directors have access to the advice and services of the Company Secretary, 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 for ensuring compliance with Board procedures.

In line with the JSE Listings Requirements, the qualifications and experience of the Company Secretary 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 that the incumbent holds, 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 function of Company Secretary and that an arms-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, which is managed through the compliance framework and compliance reviews. The legislative landscape is continuously monitored and the potential impact of new laws and regulations on the Group assessed. All business units, departments and subsidiaries are required to comply with all applicable legislation and regulation. The Board is satisfied that the Group complied with all relevant laws of establishment and the memorandum of incorporation ("MOI").

Ethics and managing unethical behaviour

Dis-Chem is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment, which is actively endorsed by the Board of Directors, 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 the Board commitment to high moral, ethical and legal standards. Any employee who has questions regarding conduct in specific situations should obtain guidance from his or her manager, a director or the CEO.

It is the duty of all directors and all managers in the Group to 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 one of the employees to adhere to Dis-Chem's principles of honesty, integrity and fairness, and to perform their duties in accordance with 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 the appropriate manner in which these incidents should be investigated. All identified cases are reported to the South African Police Services and, where 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 and 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 system of internal controls. 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 assist the Committee in effectively discharging the responsibilities delegated to it by the Board and ensuring this 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 presentations by the Group 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 at the same time in accordance with the JSE Listings Requirements. Shareholders are also encouraged to attend the Annual General Meeting ("AGM"), which provides an opportunity for shareholders to raise pertinent questions and to interact with directors.

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

Information Technology governance

Information Technology ("IT") plays a critical role in achieving the Group's objectives and managing its risks. Integrating good governance

into the Group's IT requirements ensures that our business practices are sustainable. IT governance is integrated into the Group's operations.

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

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

There are five key elements of COBIT:

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

Resource management is about the optimal investment in, and 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
- The Audit and Risk Committee has delegated to management the responsibility for the implementation of IT governance and management. It has duly appointed a suitably qualified and experienced Chief Information and Innovation Officer ("CIO").

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

- Oversee responsibility for information technology (IT and data) governance
- Ensure that IT and data are aligned with business objectives
- Delegate to management the responsibility for implementing an IT and data governance framework
- Ensure that IT and data form 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
- Ensure the promotion and awareness of an ethical IT governance culture

Key focus areas for Dis-Chem Pharmacies IT includes 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 is of the opinion that there is no current or pending legal action that will materially affect the operations of the Group.

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 requirements of the International Integrated Reporting Framework 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. The Board considers its relationship with stakeholders imperative in creating value over the medium term and long term. 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.