

TAKING CARE OF OUR PLANET

Our planet ESG goal: Minimise the impact of our operations on the environment

Strategic focus areas

Climate change

Dis-Chem recognises that its operations contribute to climate change. As such, its sustainability policy guides it to:

- ✦ Conduct an assessment to evaluate our climate change risks and opportunities
- ✦ Monitor and measure our carbon footprint
- ✦ Implement eco-friendly best processes and technology available to reduce our impact
- ✦ Collaborate with our stakeholders throughout our value chain to reduce the impact of climate change



Read more about climate governance, strategy, risk and metrics in the TCFD disclosure table on page 64 and 65.

Use of natural resources

Dis-Chem acknowledges its responsibility to implement responsible environmental stewardship to reduce the impact of its operations on the environment. Concerning the environment, the Group's sustainability policy directs it to:

- ✦ Protect the environment we operate in by conducting environmental impact assessments to identify and manage actual and potential impacts
- ✦ Comply with applicable regulatory requirements and standards
- ✦ Implement environmental management systems aligned to international standards
- ✦ Mobilise resources to implement best practices and technology available to reduce environmental impact
- ✦ Implement environmental training and awareness programmes for our employees and stakeholders
- ✦ Monitor applicable regulatory requirements and conduct audits to evaluate the level of compliance
- ✦ Promote the responsible/efficient use of natural resources
- ✦ Reduce emissions, releases and waste
- ✦ Monitor environmental performance and take steps to ensure continual improvement
- ✦ Implement environmental communication programmes
- ✦ Consult and encourage our stakeholders to partner with us to minimise the environmental impact

Waste management

Dis-Chem imports products that contribute to waste in South Africa. All imported materials are declared, and the required fee is paid to Polyco, a non-profit company that facilitates the collection and recycling of all plastic packaging in South Africa.

The Group uses a combination of reverse logistics, waste management service providers and consumer education to reduce and recycle waste.



Read more about waste management in the material sustainability matters chapter from page 31.



“All of us on the Dis-Chem executive team are working together to ensure that ESG receives greater emphasis and to champion responsible business practices as well as leverage the opportunities for innovation to solve today’s growing sustainability challenges.” – Lesiba Kgoogo, Dis-Chem ESG Executive

Dis-Chem’s strategic focus areas align its contribution to the following SDGs:



CASE STUDY

INNOVATION FOR LOWER EMISSIONS

South Africa aims for net zero carbon emissions by 2050. Electric delivery vehicles are a promising option for Dis-Chem to contribute to emission reduction in South Africa, but challenges like infrastructure and energy availability are still evident.





We started testing electric trucks at some of our distribution centres to establish how viable this is. The pilot has been successful for small pharmacy deliveries, but bigger vehicles that can handle pallets and travel large distances remain challenging. We are also still dependent on Eskom electricity for charging electric vehicles. Once we are able to roll out solar solutions and battery storage technology improves, an expanded fleet of electric vehicles will become an attractive option.

All forklifts in our distribution centres are currently powered by electric batteries.

TCFD disclosure guidance

Dis-Chem’s climate-related approach, governance and implementation are still evolving and will mature over time. Although the required governance bodies and processes are in place, the Group’s scenario work, metrics and targets require longer-term data and more robust processes. Resources are being invested and traction has been gained with internal awareness and commitment to address climate change.

Governance	Disclose the role of the board of the organisation in overseeing climate-related issues	The Dis-Chem Board takes overall accountability for ESG governance, including climate. Read more in the section on ESG governance on page 52.
	Disclose the role of management in assessing and managing climate-related issues	The Dis-Chem executive management team is responsible for ESG implementation and integration, with support from the ESG Executive Committee. Read more in the section on ESG governance on page 52.
Strategy	Disclose the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Dis-Chem’s key ESG risks and opportunities include several elements that relate directly and indirectly to potential climate impacts. Read more about climate-related risks in the section on our key ESG risks and opportunities on page 55.
	Disclose the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	Dis-Chem’s ESG strategy, approved in 2023, includes a pillar on taking care of the planet with a strategic goal to minimise the impact of operations on the environment. Read more about Dis-Chem’s ESG strategy from page 57.
	Disclose the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios including a 2 °C or lower scenario.	Risks and opportunities were identified for two climate scenarios and mapped per category, risk owner and considered potential consequences and controls. Dis-Chem’s ESG strategy’s five pillars are well-positioned to respond to all these risks and opportunities and take the relevant time periods into account for future planning and budgets.

Risk management	Describe the organisation's processes for identifying climate-related risks	<p>A top-down and bottom-up process is used to identify ESG risks.</p> <p> Read more about climate-related risks in the section on our key ESG risks and opportunities from page 57.</p>
	Describe the organisation's processes for managing climate-related risks	<p>Dis-Chem identified robust action plans to address potential climate risks and seek opportunities in potential solutions and new processes.</p> <p> Read more about climate-related action plans in the section on our key ESG risks and opportunities from page 57.</p>
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	<p>The Board, Audit and Risk Committee and the SEC all consider ESG risks and opportunities as part of their oversight accountability.</p> <p> Read more about climate-related process integration in the section on our approach to key ESG risks and opportunities from page 57.</p>
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>This year Dis-Chem invested in smart metering equipment at all distribution centres to measure the use of water and electricity. This will enable reporting on Scope 2 emissions in 2025 and to set science-based targets in the medium term. We are already monitoring use in stores.</p>
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	<p>The distribution centres constitute the bulk of emissions due to the use of machinery and lighting as we operate 24-hour shifts. Distribution centres also have cooking facilities on site.</p> <p>Dis-Chem is in the process of investigating the use of solar and building a business case based on the data being collected through smart meters to determine the optimal energy model.</p>
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	<p> Details about our Scope 1 emissions are available in the ESG data table on page 93.</p>

Our scenario-based climate risk assessment matrix

Dis-Chem completed its first scenario-based climate risk and opportunity assessment this year. This followed the Group's commitment in the 2023 integrated report to disclose climate impacts and the resilience of its strategy in 2024.

The Group's climate assessment was based on the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) scenario framework. Two of the hypothetical scenarios were used to understand how climate change (physical risk) and climate policy and technology trends (transition risk) could impact the business:

- ✦ The Disorderly scenario explores higher transition risk due to policies being delayed or divergent across countries and sectors. Carbon prices are typically higher for a given temperature outcome
- ✦ The Hot House World scenario assumes that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. Critical temperature thresholds are exceeded, leading to severe physical risks and irreversible impacts like sea-level rise

The Group also considered South Africa's first nationally determined contribution under the Paris Agreement, carbon tax and the Green Book, which offers a repository of downscaled, baseline and future, municipal climate risk data and insights.

The top inherent risks and opportunities per scenario were identified, as set out below.

Risk 1: Acute and chronic physical impacts resulting in damaged infrastructure causing a disruption in global and local supply chains.

Risk 2: Acute physical impact of extreme weather conditions leading to a sudden halt in operations at a store or distribution centre.

Risk 3: Acute and chronic physical impacts resulting in decreased raw material availability and increased product costs.

Risk 4: Chronic physical impact of elevated temperatures resulting in deterioration of imported products.

Risk 5: Chronic physical impact of persistent water supply interruptions disrupting daily operations.

Risk 6: Acute physical impact of weather pattern uncertainties (per region) may lead to an over- or under-supply of relevant and seasonal market demand products.

Risk 7: Technological-related transitional risk leading to increased electricity supply constraints.

Risk 8: Reputation-related transitional risk resulting in share price decrease.

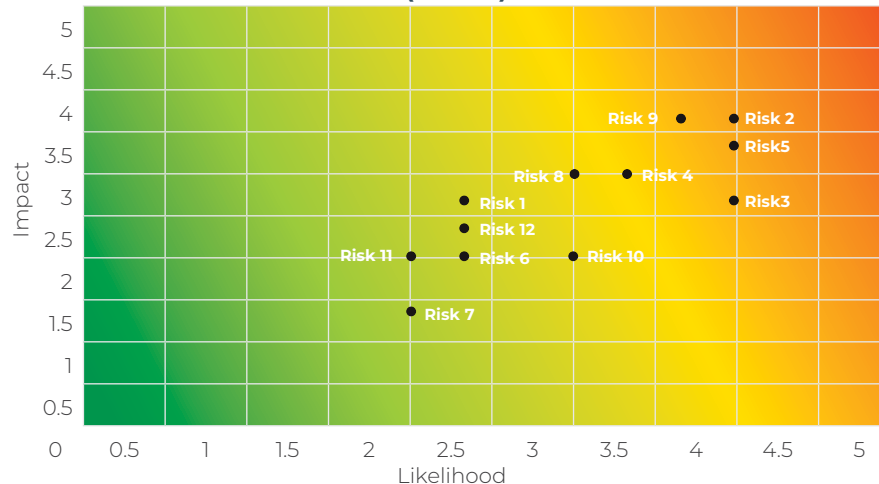
Risk 9: Market and policy transitional risk associated with increased carbon pricing, resulting in increased product costs, margin pressure and potential supplier closures.

Risk 10: Transitional and/or physical impacts having compounded macroeconomic impacts, resulting in decreased disposable income leading to decreased revenues.

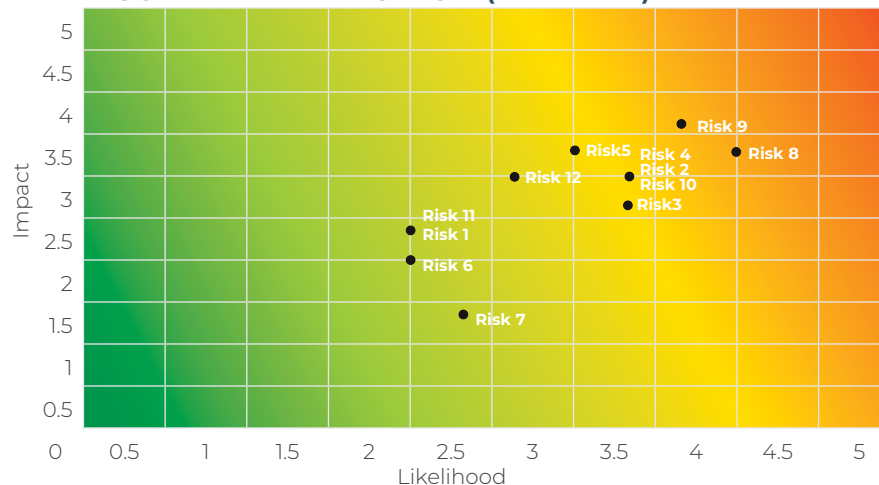
Risk 11: Legal transitional risk through non-compliance to carbon-related data disclosure frameworks.

Risk 12: Transitional risk of inadequately addressing and meeting the market demands for low-carbon and low-energy products.

HOT HOUSE WORLD (NDCs)



DISORDERLY TRANSITION (DELAYED)



Our top climate opportunities

Opportunity	Opportunity driver
Ability to generate alternative renewable power at sites such as distribution centres	The recent acquisition of the Longmeadow distribution centre offers Dis-Chem the opportunity to generate its own renewable alternative power. This will significantly reduce reliance on Eskom, mitigate the rising costs of electricity, and secure energy supply. Furthermore, the use of lower-emission sources of energy may likely provide a fiscal return on investment and reduce Dis-Chem's carbon footprint.
Opportunity for energy efficiency across all facilities (owned or rented)	Building resilience to the inadequacy of the grid is critical to ensure regular store operations and customer success. In addition, the reduction in reliance on generators will assist in reducing fuel costs and carbon emissions. As Dis-Chem is an anchor store in many retail centres, this poses an opportunity to lead and drive sustainable energy practices.
Provision of energy-efficient and low-carbon products	Growing sustainability awareness and the evolving political and energy landscape in South Africa are driving an increased market demand for low-carbon and energy-efficient products. The ability to meet customer demand for environmentally sustainable products will increase market share.
Opportunity to attract investors by being evident leaders in ESG and sustainability	Alignment between Dis-Chem's overall business strategy and sustainability goals will create the opportunity to integrate sustainability initiatives into the core business operations. This will enhance effectiveness and long-term success.
Secure alternative water supply in key locations	In light of water stressors in most of the regions in which Dis-Chem operates, water must be available at all times. Securing alternate water sources, rainwater or regular backup storage will ensure that hygiene practices can continue during times of water stress. This may reduce the pressure to source water during drought conditions, infrastructure breakdowns or extreme weather conditions. Reduced reliance on municipal water supply may also reduce water costs.
Provision of labels showing transparency of supply chain and embodied carbon	Life cycle assessments will likely become a regulatory product requirement in the medium to long-term future. Dis-Chem in-house branded products that do not yet contain source ingredients, could enhance their sales by stating the source of the product, be it food, supplements or oils and creams. This will enhance customer perception and enhance sales.
Communicating and enhancing current initiatives	There is an opportunity to better communicate the recycling efforts that Dis-Chem already undertakes with regard to carton containers and reverse logistics implemented for waste management. This will enhance customers' perception of Dis-Chem.
Conversion of refrigeration systems to natural systems	The drive to reduce refrigerants is essential to reducing energy consumption as well as the emissions from stores and distribution centres. The conversion or replacement of higher global warming potential refrigerant systems will action this opportunity.



CASE STUDY

LONG-LIFE PLASTIC BIN SOLUTIONS

Suppliers deliver products to our distribution centres in cardboard containers that are typically only used once before being recycled or discarded. As a more sustainable solution, we introduced recyclable plastic containers or tote bins that have a much longer lifespan. These bins can better protect materials, especially when they are fragile or when they must be handled with care. Tote bins have a carbon footprint that is smaller than that of an equivalent number of cardboard boxes per container.

Tote bins also result in fewer breakages in the picking process and offer a significant saving in packaging material. These totes are 100% recyclable and can be remoulded, thus never ending up in a landfill.

The most significant challenge presented by tote bins is the cost of these assets if we are not able to ensure returns after deliveries to stores.



Future focus areas

- The Group will move towards an integrated waste management approach to address current fragmentation and inefficiencies
- With 75 trucks on the road, fleet safety will be supported by strengthening defensive driver skills to avoid accidents
- The Group will work towards setting science-based targets and reaching zero waste to landfill
- The first phase of linking executive pay to ESG criteria has been implemented, and Dis-Chem will expand these non-financial indicators, based on progress with expanded assurance