

AGM round-up Dis-Chem Pharmacies Limited



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1. Introduction

Date of AGM: 31 July 2024

Chair of the Board: Laurence Nestadt

Type of AGM: Electronic-only AGM conducted by Ince.¹

Useful links:

- [Notice of AGM](#) (Included in integrated annual report)
- [Results of 2024 AGM](#)

2. Key takeaways

- *Dis-Chem's annual general meeting (AGM) was arguably not compliant with section 63(2) of the Companies Act 71 of 2008 as only written questions were permitted.*
- *Dis-Chem continues to pay lip service to transformation without taking any steps to improve diversity in top or senior management level: there are no black individuals in the company's top management and only 14,29% representation at the senior management level. Additionally, the company's 20% gender representation at top management level is below the industry average.*
- *Dis-Chem has disclosed some pay gap information in alignment with the Companies Amendment Act but has not disclosed the remuneration of its lowest-paid employees.*

3. AGM governance and best practice

Dis-Chem hosted an electronic-only AGM which was conducted extremely fast, a trend that Just Share has noticed at several AGMs, including [Ninety One's 25 July 2024 AGM](#) where no questions from shareholders were answered. After a brief welcome, chair Laurence Nestadt launched immediately into reading out all the resolutions on the ballot.

No agenda was provided, there was no live video feed of the AGM - only a static photograph of the chair and CEO - and it was not made clear to shareholders which board members were in attendance.

Almost all questions were answered by Dis-Chem's CEO Rui Morais, including a question directed specifically to the chair of the social and ethics committee, Ms Sthebe, because the question related to the independence of Morais. Dis-Chem emailed Just Share after the meeting to say that technical difficulties had resulted in Ms Sthebe not being able to answer the question directed to her. This was however not explained during the AGM.

¹ www.ince.co.za



4. Q&A session

Shareholders were restricted to submitting written questions via the Ince platform: no verbal questions were permitted. This severely restricts the ability of shareholders to engage with the board and management team, and frustrates attempts to respond to the board with a follow-up question or comment. When the Q&A session started, Just Share submitted a written comment to the effect that the AGM did not appear to comply with the requirements of section 63(2) of the Companies Act.

Section 63(2) states that “electronic communication in all or part of a shareholders meeting” may be used, **“as long as the electronic communication employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate reasonably effectively in the meeting”**.² Just Share asked whether there was a function available on the platform to enable verbal and concurrent communication.

Problematically, instead of reading out our full question the company secretary Nikki Lumley paraphrased it and read out only the last sentence, saying that the company would “look into this for next year’s AGM”. The question had been carefully drafted to provide context and relevance to the issue raised for the benefit of all those attending the meeting. It is unacceptable for questions to be summarised or only partially read out.

In April 2023 the Companies and Intellectual Property Commission (CIPC) published a legal opinion which provides clarity on the interpretation of the provisions in section 63(2).³ According to the opinion, a company holding an AGM with shareholders attending electronically must allow those shareholders to ask questions verbally, in real-time and without an intermediary. If this is not done, the meeting will not constitute an AGM for purposes of the Companies Act.

Written questions from shareholders were also not visible to other shareholders present online, undermining transparency.

5. Just Share’s questions

5.1. Governance-related questions

5.1.1. Sustainability competence at board level

Dis-Chem’s integrated annual report lists the “business expertise and specialised skills” of the board under the categories: “Accounting, Finance, Healthcare, Retail and Legal”. Just Share asked whether the board would commit to appointing at least one independent non-executive director with significant sustainability-related expertise and experience to help address this skills gap at board level. A similar question had been asked earlier in the AGM by another shareholder who asked the board how it intends to address the lack of “ESG experience” among its members to ensure comprehensive oversight in this critical area.

² Companies Act 71 of 2008.

³ <https://www.cipc.co.za/wp-content/uploads/2023/04/NON-BINDING-LEGAL-OPINION-AGMs.pdf>



Morais noted that by his account Dis-Chem has “three or four independent non-executive directors” who have “appropriate ESG backgrounds”. However, the disclosure provided in director biographies in the annual reports does not support this claim. According to the company website board member Happy Masondo has “great experience in the areas of climate change and sustainability”, but no details of this experience are provided online or in Ms Masondo’s biography in the annual report.⁴

Morais added that “the point made is fair” but suggested that “it’s possibly an oversight in terms of the expertise listed” and reassured shareholders that sustainability is something the group is addressing and improving.

5.1.2. Concerns about the chair’s independence

Just Share raised concerns with the chair of the social and ethics committee about Nestadt’s independence, noting Nestadt’s directorship at Investec Bank which acted for the company when it listed, and a possible close relationship between Nestadt and fellow board member Joe Mthimunye. We asked the board whether it would appoint a lead independent non-executive director.

Morais said that Nestadt had retired from Investec in 1984, before the need for financing. Morais also added that “chair independence” is defined in the Companies Act and that Nestadt meets these criteria. In response to a similar question raised by another shareholder also concerned about board independence, Morais stated that the chair is independent “and the appropriate balance between independent and executive directors remain on the board”.

In closing Lumley added that “the auditors have also signed off on independence reviewed and we have confirmed that both Mr. Nestadt and Mr. Mthimunye are independent”.

5.2. Inequality-related questions

5.2.1. Board diversity and transformation targets

Dis-Chem does not disclose its board transformation targets in its reporting suite or in any of its policy documents. As a JSE-listed issuer Dis-Chem is required in terms of section 3.84(i)(j) of the JSE Listings Requirements to have a board race and gender transformation policy, and “if applicable” the company should report on its progress on “agreed voluntary targets”.⁵

The JSE Listings Requirements also mandate that issuers adhere to certain governance principles and practices outlined in the King IV Report on Corporate Governance for South Africa 2016 (the King Code).

Principle 7 of the King Code emphasises the need for “the governing body to comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge

⁴ <https://dischemgroup.com/about-us/governance/>

⁵ <https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf>



its governance role and responsibilities objectively and effectively.” The King Code also states that “the governing body should set targets for race and gender representation in its membership”.

Just Share asked whether Dis-Chem has established board race and gender transformation targets and, if so, what those targets are. Lumley confirmed that Dis-Chem does have board transformation targets, and both Lumley and Morais committed to publicly disclosing Dis-Chem board transformation targets “going forward”.

5.2.2. Transformation in leadership positions

In its Sustainability Report 2024, Dis-Chem reported race representation of 0% black people at top management level and only 14,29% at senior management level. The company also reported female representation of 20% at top management, which is below the industry average of 24,8% (as indicated in the 24th Annual Commission for Employment Equity report).⁶ Just Share sought an explanation from the board regarding the lack of transformation in the company's leadership positions.

In response, the CEO explained that Dis-Chem has historically had “limited churn” at the senior executive management level, indicating that the slow pace of transformation is partly due to the low turnover in leadership positions. He also stated that transformation will be prioritised as an agenda item when the company reviews its diversity targets.

Dis-Chem's current lack of leadership diversity suggests that this has not been a priority thus far. Without detailing specific actions the company will take to address this issue and implementing accountability measures, this commitment remains vague.

5.2.3. Transformation linked to executive remuneration

As part of Dis-Chem's non-financial performance conditions, the company's progress on transformation and diversity is linked to executive remuneration. However, the specific targets tied to achieving these conditions are not disclosed. Morais committed to making adjustments to Dis-Chem's remuneration report and stated that the company will disclose its transformation targets linked to executive remuneration.

5.2.4. Minimum annual pay

Just Share commended Dis-Chem for disclosing some pay gap information in alignment with the provisions of the Companies Amendment Act. However, the company omitted to disclose the salary of its lowest-paid employee as required by the legislation (although the Act has been signed into law by the President, it has not yet commenced). Just Share inquired about the company's current internal minimum wage.

⁶ Dis-Chem is in the wholesale trade, commercial agents and allied services sector.



Morais did not provide the company's current minimum wage but stated that Dis-Chem's internal minimum wage is in line with the gazetted minimum wage.⁷ He further added that Dis-Chem's minimum wage is "on average" 8% higher than the gazetted minimum. He committed that the company would make this disclosure "going forward".

6. Questions asked by other shareholders

The board and management team faced four questions from other shareholders. Just Share was not able to ascertain which shareholder/s asked the questions, as the name/s of the shareholder(s) were not provided when the questions were read out. Two of the questions are referenced above.

A third question related to concerns about cyber security and data privacy. The shareholder wanted to know what Dis-Chem is doing to continuously improve its cyber security framework in response to evolving threats. Morais reassured shareholders that "cyber security is a prioritised risk for the group" and that in addition to the investment the group has made in cyber security, it also requires any vendor wanting to do business with the group to have cyber security controls in place.

There was also a question relating to long-term incentives, questioning how the board plans to enhance the transparency and long-term alignment of its remuneration policy to better align with shareholder interests and sustainable business practices. In response, Morais stated that long-term incentives are only attainable when short-term incentive conditions have been met.

7. AGM results

All resolutions tabled at the 2024 AGM passed with the required support from shareholders.

8. Just Share resources

8.1. Governance-related resources

- **Opinion editorial:** [AGMs should also be free and fair](#) (June 2024)
- **Guide:** [Best practices for South African virtual annual general meetings](#) (May 2020)

8.2. Inequality-related resources

- **Briefing:** [Women in leadership: Assessing gender equality in the JSE Top 40](#) (September 2023)
- **Briefing:** [Vertical pay gaps at JSE-listed companies](#) (June 2023)

Ends

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<https://www.labour.gov.za/DocumentCenter/Regulations%20and%20Notices/Regulations/Basic%20Conditions%20of%20Employment/National%20Minimum%20Wages%20Wage%20increase%201%20March%202024.pdf>