CLICKS GROUP
LIMITED

SUSTAINABILITY REPORT 2019

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INTRODUCING THE REPORT

Welcome to the Clicks Group sustainability report which is a key component of our annual integrated reporting process.

The focus of the report draws on the group's overall performance and the creation of value for all stakeholders. The report provides information on the environmental, social and governance (ESG) impacts as well as mitigation measures employed by the group to ensure the long-term sustainable growth of the business. The reporting scope covers the group's entire operations unless otherwise stated. Performance data relates to the financial year from 1 September 2018 to 31 August 2019.

The report is aimed at our primary stakeholders who have a vested interest in the group's sustainability performance. Our stakeholders include our employees, customers, communities, shareholders, suppliers as well as the industry regulators as they help inform our process of identifying priority issues which are material to them and to the business.

The reporting process is guided by the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Listings Requirements, the Global Reporting Initiative (GRI) standards and the requirements of the Companies Act as it relates to the role and responsibilities of the social and ethics committee.

The group's sustainability reporting process has continued to improve, with the group being included in the FTSE/JSE Responsible Investment Top 30 Index. The FTSE/JSE Responsible Investment Index encourages companies to disclose their ESG practices. Inclusion in the index is based on an independent review of our ESG performance by the global index provider, FTSE Russell. The group achieved the maximum score in the governance pillar.

Clicks Group has been included in the FTSE4Good Index for the third consecutive year. The FTSE4Good Index also recognises the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds.

David Nurek
Independent
non-executive chairman

Bertina Engelbrecht
Group human
resources director

8 November 2019

COMMITMENT TO CREATING SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

INTRODUCTORY MESSAGE FROM OUR CEO

Clicks Group has pleasure in presenting its 2019 sustainability report which is a key component of our annual reporting suite to stakeholders.

We recognise the importance of environmental, social and governance (ESG) practices in creating a sustainable business while generating value for shareholders and benefits for our other stakeholders including employees, customers, suppliers and communities.

As a responsible corporate citizen we are aware of the crucial role that business can and must play in society. We continue to improve access to convenient, affordable healthcare and have extended our national network of pharmacies to 545 in the past year, with 51% of our customers now located within six kilometres of a Clicks pharmacy.

Although our business has a low impact on the environment, as a responsible retailer we are addressing environmental and climate change challenges by developing strategies to reduce our carbon footprint through more efficient energy and water usage, waste management, distribution network optimisation and recycling across the supply chain.

We are also committed to aligning our ESG practices with the Sustainable Development Goals (SDGs) of the United Nations (UN) and contributing in our way to the collective global drive to achieve these targets by 2030.

The group's progress over the past year and our plans to address sustainability opportunities and challenges in the future are covered throughout this report. Three developments merit specific reference:

- Company-funded healthcare cover was extended to all our employees, with over 9 000 additional staff members enjoying healthcare funding for the first time.
- The quality of life of our employees was enhanced through the final payout of R1.5 billion to almost 7 800 beneficiaries under the employee share ownership programme (ESOP), bringing the total payout over two years to R2.8 billion.
- R100 million was donated from the ESOP Trust to the New Clicks Foundation to fund 100 bursaries annually for talented, previously disadvantaged South Africans.

While we acknowledge the enormity of what needs to be achieved we are encouraged by our improving ESG performance which has again seen Clicks Group included in the FTSE4Good Index and being a constituent of the FTSE/JSE Responsible Investment Top 30 Index.

Vikesh Ramsunder
Chief executive officer

INTRODUCING THE CLICKS GROUP

Clicks Group is a retail-led healthcare company which is listed in the Food and Drug Retailers sector on the JSE. Headquartered in Cape Town, South Africa, the group is a constituent of the FTSE/JSE Top 40 Index.

The group has a total retail footprint of 870 stores, including those in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho and employs over 15 000 permanent employees.

The anchor brand, Clicks, is South Africa's leading health and beauty retailer, offering value for money in convenient locations and appealing stores. Clicks targets customers in the growing middle to upper-income markets.

Franchise brands were introduced through exclusive agreements to provide differentiation to the Clicks offering:

- The Body Shop sells natural, ethically-produced beauty products.
- GNC is the largest global speciality health and wellness retailer.
- Claire's is a leading retailer of fashionable jewellery and accessories for young women and girls.
- Musica is the country's leading entertainment retail brand and was acquired in 1992.

Clicks is also South Africa's largest retail pharmacy chain, with 545 in-store pharmacies. It is renowned for its ClubCard, which is one of the largest loyalty programmes in South Africa, with over 8.1 million active members who account for 78% of the brand's sales.

The group operates a centralised distribution model where most retail products are distributed through three major distribution centres that receive stock from national and international suppliers.

UPD is South Africa's leading full-range pharmaceutical wholesaler and the only one with a national presence. UPD provides pharmaceutical supply services to Clicks, major private hospital groups and close to 1 200 independent pharmacies. In addition, UPD also provides bulk distribution services to pharmaceutical manufacturers.

545
pharmacies

870
total number of retail stores

9
distribution centres

OUR APPROACH TO SUSTAINABILITY

This report has been aligned with the principle-based approach of the International Integrated Reporting Council's (IIRC) six capitals in reflecting material issues related to sustainable value creation. The objective of the report is to communicate the group's utilisation of resources as well as relationships in creating sustainable value in the longer term for our stakeholders.

The group's strategic focus is based on enhancing sustainability and creating long-term value for stakeholders through a retail-led health, beauty and wellness offering.

Clicks recognises that its business is intimately connected to the health of society and the state of the environment. Sustainable business practices have been adopted and the group has set sustainability targets to ensure the responsible use of natural resource.

Clicks' sustainability approach is aligned with the principles of the United Nations (UN) Global Compact and follows the guidance of the International Labour Organisation as well as the Organisation for Economic Co-operation and Development on policies in support of global economic and social well-being. The group sustainability framework adheres to the UN's Sustainable Development Goals (SDGs).

Our sustainability strategy is based on four focus areas:

1. **building a trusted, accessible healthcare network;**
2. **empowering motivated, passionate people;**
3. **sourcing products that uphold the integrity of our brand; and**
4. **lightening our footprint.**

Our business is embedded in the principle of creating meaningful social impact. The provision of health products is our biggest social contribution as well as providing better access to reliable and affordable healthcare. This plays a vital role in fostering the national development goals by ensuring healthy lives and promoting well-being for all ages.

OUR SUSTAINABILITY GUIDING PRINCIPLES

We are truly passionate about our customers and believe in integrity, honesty and openness. We cultivate understanding through respect and dialogue. We are disciplined in our approach and deliver on our goals.

We recognise that, for our business to be sustainable in accordance with our values, our vision must be to grow our business in a way that delivers positive social impact with reduced demands on the environment.

- **Integrity and governance:** We conduct business with integrity. Through effective governance and controls, including our code of conduct, we seek to ensure that our group is accountable and remains responsive to evolving norms governing the conduct of businesses in countries in which we operate.
- **Healthcare:** We are committed to building a trusted, accessible healthcare network, aiding in providing cost effective, quality primary healthcare to all sectors of our society through our footprint and by promoting the use of generic medicines.
- **Environment:** We endeavour, even as we grow, to lighten our footprint through reducing consumption, deployment of resources and waste.
- **Stakeholders:** We acknowledge and consider our stakeholders in our decision-making, seek to engage with our stakeholders, and to understand their interests and imperatives as part and parcel of ensuring that our business is sustainable.

- *Our people:* We strive to empower motivated, passionate people, who can act as catalysts for positive change in our society, and who live the Clicks values.
- *Customers:* We monitor and are responsive to customer feedback and requirements, as customer feedback is an indicator of our performance throughout our value chain.
- *Suppliers:* We source products that uphold the integrity of our brand. To this end we will develop and progressively implement systems to assess product quality, safety and supplier conformance to our standards, specifications and commitments.
- *Investors:* We acknowledge that our investors place trust in our ability to create long-term sustainable value.
- *Communities:* We make a lasting, positive impact on the communities in which we operate.
- *Government and regulators:* We support government and industry policies through regulatory compliance and implementation.

BUILDING A TRUSTED, ACCESSIBLE HEALTHCARE NETWORK

We have played a leading role in the South African health and wellness retail sector through the provision of generic medication, expanding the footprint of our pharmacies and clinics, and creating innovative ways to deliver a service to our customers, which has led to major positive impacts on individuals and communities.

Representatives of the group engage with industry bodies to discuss new developments in the health, beauty and food sectors, including the South African Pharmacy Council (SAPC), the South African Health Products Regulatory Authority (SAHPRA) (formerly the Medicines Control Council) and the national and provincial health departments.

Clicks Helping Hand Trust (CHHT) has continued to sponsor free clinic services every week at our clinics across the country, with a total of 290 252 lives positively impacted over the last five years.

Our integrated healthcare retail and supply model gives the Clicks Group a unique competitive positioning in South Africa. Clicks has increased its retail pharmacy market share from 23.9% in 2018 to 24.9% at August 2019.

The pharmaceutical environment has been characterised by two important trends which has continued to influence trading patterns. The first is the increasing use of generic medicines, which now account for (66%) of pharmacy medicine volumes sold in Clicks, with sales growing by 13.2% in the past year. The second is the increasing shift to over-the-counter (OTC) medicines, with contribution to pharmacy sales of 28.8%.

Clicks is actively switching patients to lower-cost generic medication and promoting OTC medicines.

The growth in the sales of vitamins and supplements confirms the move to increased self-medication, as customers become more health and lifestyle conscious, opting for preventative rather than curative medicine.

The Clicks store footprint expanded to 704 and continues to grow, with a target to reach 900 stores in South Africa in the longer term.

EMPOWERING MOTIVATED, PASSIONATE PEOPLE

The group has implemented a total rewards strategy for our permanent employees. It is designed to encourage a healthy work-life balance, as is our employer value proposition, which focuses on people, passion and opportunities.

We have opted to concentrate on five key areas to promote a favourable work environment that creates a motivated workforce: compensation, benefits, work-life integration, performance and recognition, and development and career opportunities.

The final 50% payout under the employee share ownership programme (ESOP) was made in 2019, with a total of R1.5 billion paid to almost 7 800 beneficiaries. Subsequent to the finalisation of the payouts, R100 million was donated to the New Clicks Foundation Trust to offer bursaries for tertiary education and the first 100 bursaries were awarded to talented, previously disadvantaged South Africans.

This has contributed to Clicks Group being independently rated among the top employers in the country by the Top Employers Institute, and as the number one employer in the retail industry.

In January 2019 company-funded healthcare cover was extended to all our employees, with over 9 000 additional staff members enjoying healthcare funding for the first time when they joined the Discovery Primary Care Advanced healthcare plan.

The group hosts an annual healthcare conference where our pharmacists are exposed to new trends and knowledge sharing in the industry. This ensures that the staff are kept informed of the latest healthcare developments and trends. Clicks Group received the Best Employer Brand Award for 2019 for Excellence in Training and Managing Health in the Workplace.

The group achieved a level 6 BBBEE rating, with a score of 76.49 points.

SOURCING PRODUCTS THAT UPHOLD THE INTEGRITY OF OUR BRAND

Clicks offers an extensive range of private label and exclusive brands to delight customers with innovative products at competitive prices. These products now account for 22% of total Clicks sales, with almost one out of every three front shop products sold being available only at Clicks.

The three exclusive franchise brands, The Body Shop, GNC and Claire's, further differentiate the offering in Clicks, as does the partnership with Sorbet.

The group has a shareholding in Sorbet Brands which holds the trademarks to the Sorbet brand in southern Africa. The Sorbet product range continues to grow and is available in southern Africa only in Clicks stores and in the Sorbet franchised beauty salons.

LIGHTENING OUR FOOTPRINT

We continue to uphold our commitment to reducing and mitigating the impacts of the business on the environment. Clicks has made a strategic decision to set annual reduction targets for our carbon emissions and report to the Carbon Disclosure Project (CDP).

The Clicks head office building has a 400 kWp solar photovoltaic (PV) system, comprising 1 298 modules installed over a rooftop area of 2 519 m^2. This has managed to partially off-set our carbon emissions as we also continue to grow the business with the expansion of our store footprint which has subsequently resulted in increased energy usage. We continue to invest in initiatives such as online energy metering to continuously track, monitor and manage our consumption.

Our head office building has continued to yield positive energy savings.

As an ongoing precautionary response to drought Clicks monitors the water management process and this is informed by water risk assessment done by World Wide Fund for Nature (WWF) for the group. The report provides insights into our water-scarce operational areas within the country. The report was used to inform the drought response plan during the 2018 water crisis in the Western Cape. The group's water-saving initiatives have continued to yield water savings at the head office and at the distribution centres.

For waste management, various waste recycling initiatives are in place and approximately 85% of the waste is recycled.

"A culture of responsible environmental stewardship"

CREATING VALUE IN 2019

The Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) recommends reporting to stakeholders on the six main capital resources that are applied in the creation of value. Clicks Group has chosen to adapt the IIRC capitals and apply terminology which is more commonly used in managing the business.

IIRC capitals	Financial	Manufactured	Intellectual	Human	Social and relationship	Natural
Clicks Group capitals	**Financial**	**Infrastructure**	**Intellectual**	**People**	**Stakeholders**	**Environment**

FINANCIAL

Included in
FTSE/JSE Top 40 Index

Operating profit up **14.2%** to **R2.3 billion**

R2.9 billion cash generated by operations

Diluted HEPS up **16.8%** to 672 cents

Dividend up **17.1%** to 445 cents per share

Return on equity of **36.5%**

Total shareholder return **28.6%** (10-year CAGR)

INFRASTRUCTURE

Opened
41 Clicks stores
and expanded footprint to 704 stores

R647 million capital investment in stores, supply chain and IT

CLICKS feel good pay less

UPD WE DELIVER HEALTHCARE

Online is the fastest growing store

35 new Clicks pharmacies; total now **545**

9 distribution centres across Clicks and UPD

INTELLECTUAL

8.1 million
active Clicks ClubCard loyalty members

Clicks increased market share in all key product categories

Private label and exclusive brands **22%** of health and beauty sales

Over 1 900 new private label products launched, reflecting investment in innovation

Clicks remains price competitive with national retailers

Clicks independently rated as leading health and beauty retailer in SA

UPD gained share of the wholesale and distribution markets

PEOPLE

Additional **R1.5 billion** paid to beneficiaries of employee share ownership programme

Recognised as Top Employer in retail sector in South Africa for third consecutive year

15 413 permanent employees; **346** new jobs created

R144 million invested in employee training and development

Company-funded healthcare cover extended to all employees

Pharmacy staff turnover maintained at **15.3%**

STAKEHOLDERS

R1.2 billion
returned to shareholders in dividends and share buy-backs

Turnover of **R31.4 billion** generated from customers

R504 million cashback paid to ClubCard members

R3.4 billion paid to employees

R26.7 billion paid to suppliers of goods and services

ENVIRONMENT

Included in
FTSE4Good Index

FTSE4Good

645 000 kilowatt hours renewable energy produced

85% of waste recycled

3 568 tons of recycling in the supply chain

SDG HIGHLIGHTS

SDG	Clicks Group's response	SDG achievements
1 NO POVERTY End poverty in all its forms everywhere	The group aligns to minimum living wages as per the legislative framework and pursues equity in pay and empowerment of women through socio-economic development programmes. This helps to combat poverty by creating job opportunities in the direct and indirect operations of the group.	Poverty affects all spheres of society. Business can make a difference through the creation of jobs and opportunities subsequently leading to sustainable incomes, and initiating policies which promote decent living. Clicks Group has a total rewards framework which provides monetary and non-monetary rewards. The group also has a remuneration policy which is anchored on the aspects of fair, responsible and transparent remuneration practices, market competitiveness, and pay-for-performance. The non-monetary rewards are less tangible and range from formal to informal recognition programmes, training and job rotation opportunities and exposure.
3 GOOD HEALTH AND WELL-BEING Ensure healthy lives and promote well-being for all at all ages	Clicks provides free tests and family planning through the Helping Hand Trust. Other initiatives in the group that support the goals are also focused primarily on health and well-being. The Trust has cumulatively been able to provide HIV testing for 76 324 people over the period of its inception. Positive uptake has also been noted with diabetes testing and education, heart disease testing, as well as mom and baby family services where it has assisted a total of 331 798 people since its inception.	We appreciate the value of quality healthcare services in ensuring healthy lives and promoting well-being. Clicks acknowledges that poor access to healthcare services can help perpetuate inequalities. As part of our initiative to promote well-being, Clicks has a comprehensive employee wellness programme. The programme provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependants. The programme achieved a total utilisation rate of 18.3% which remains the highest in the consumer services sector. Clicks also provides an HIV/AIDS programme for employees. In 2019 more than 2 065 employees completed wellness screenings, which included blood pressure, glucose, cholesterol, body mass index and HIV tests during the wellness days, which are held nationally at head office, distribution centres and stores. Additionally, Clicks introduced company-funded healthcare cover which was extended to over 9 000 of our qualifying employees in customer service, clerical and supervisory roles on the Discovery Primary Care Advanced healthcare plan. This provides them access to Discovery's network of doctors, dentists and optometrists as well as radiology, medication and a trauma benefit as part of their total rewards. Our commitment to ensuring equal opportunity to access of healthcare services is also extended to communities. Clicks Helping Hand Trust (CHHT) offers free clinic services through the network of Clicks clinics to disadvantaged South Africans who do not have medical aid and lack access to basic primary healthcare services. The Trust also undertakes special projects by partnering with other organisations towards a common social development agenda. The Trust and Novartis partnered to donate more than 2 000 reusable pads on Menstrual Hygiene Day. Two schools, Diepsloot Combined and Diepsloot Primary, greatly benefited from this collaboration. CHHT has committed to reach 5 000 girls since its inception in 2016. As part of Mandela Day celebration, Clicks partnered with Rise Against Hunger and were able to pack 10 766 hampers totalling R31 221.

SDG	Clicks Group's response	SDG achievements
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Clicks offers equal opportunity for education at university level to employees, including youth in the workforce through internships and permanent employment. The group also has pharmacy bursaries that help with the development of the pharmaceutical industry in South Africa.	We recognise the value of quality education and how it is fundamental for a productive and stable society. Our role as a business is to help foster equality by providing access to education and training opportunities to communities as well as our employees. The group awarded 135 pharmacy bursaries to talented, previously disadvantaged South Africans to study towards a university degree. A further 5 781 of our employees also participated in learning and development intervention initiatives which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications. Through the Helping Hand Trust Clicks contributed to the career goals of South Africa's future female learners in Grades 8 – 12 by hosting 19 female pupils. The aim was to help young female learners bridge the gap between their career expectations and the real-life setting of these roles. The value of this programme is to expose and contribute towards the development of confident, visionary and ambitious girls. It prepares the core of young women who will, in future, become vibrant contributors to the economy and leading job creators in our country.
Ensure access to affordable, reliable, sustainable and modern energy for all	A solar photovoltaic (PV) installation accounts for 20% of the electricity usage at head office. The group is continuously looking at alternative and cleaner energy usage.	Clicks implemented a 400 kWp solar PV installation on the head office roof to reduce grid electricity consumption. The plant is able to produce approximately 645 MWh of energy per year, which accounts for 1.56% of the base year energy generation. Assuming that the group maintains a constant electricity consumption profile up to 2020, it is targeted that renewable energy (from solar PV installations) will also maintain the 1.5% of the group's electricity requirements. The group is targeting to double its renewable electricity generation capacity between 2015 and 2020. Clicks additionally also stocks a range of energy-efficient products such as induction cookers, power banks and USB rechargeable products for customers as a means of promoting energy-efficiency practices.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	The group promotes decent work and economic growth through job creation and by providing good benefits with decent working conditions.	We acknowledge that business has the capacity to foster job creation and economic growth. Clicks believes in economic inclusion as one of the means to tackle inequality and promote diversity in the workplace. One of the highlights occurred in February 2019, when R1.5 billion was paid out to 7 798 beneficiaries as part of the employee share ownership programme (ESOP). The ESOP was introduced in 2011 to attract and retain scarce and critical skills, accelerate transformation, build employee commitment and enable employees to share in the growth and success of the business. A total of R2.8 billion (equating to an average of R355 000 per beneficiary) was paid out to beneficiaries for 2018 and 2019. Beneficiaries also received dividends totalling R39 million over the course of the programme.

SDG HIGHLIGHTS (CONTINUED)

SDG	Clicks Group's response	SDG achievements
Ensure sustainable consumption and production patterns	The group is committed to reducing pollution, waste and resources usage by setting targets to continuously improve and striving to implement solutions beyond regulatory requirements. Procedures and progress are reviewed annually as part of the group's environmental management programme.	Clicks strives to uphold the value of responsible consumption. We strive to align our practices with sustainable management and efficient use of resources. Clicks is currently in the process of gathering waste data and understanding waste data management processes. It is also researching energy consumption initiatives on lighter and less packaging of products which all links to mitigation of climate change in terms of emission reductions. Clicks has made good progress in developing environmentally friendly, private label products offering innovative product, packaging and sourcing alternatives. This includes the "Good Earth" product range. An on-pack recycling label, "Recyclable", appears on all private label products to inform consumers to reduce landfill with recyclable packaging.
Take urgent action to combat climate change and its impacts*	Clicks provides education and creates awareness among employees and customers, using its communications media. The company also measures its carbon footprint and has it verified externally on an annual basis to help reduce its environmental footprint and to be aware of mitigations and adaptations.	Clicks' business strategy has been, and continues to be, influenced by climate-related issues as part of the group's long-term business goal to be a sustainable retailer. Climate-related risks are integrated into multi-disciplinary company-wide risk identification, assessment and management processes. Clicks' medium-term target is to reduce emissions by 5% from 2015 levels, by 2020. The long-term target is to reduce emissions by 10% from 2015 levels, by 2030 and this has been achieved to date. Clicks Group commits to reducing its Scope 1 and Scope 2 greenhouse gas (GHG) emissions intensity by 10% per m^2 by 2030. This is a further 5% beyond the Intensity 1 target reported by 2020. This target is relative to 2015 levels of 0.190 tCO_2e/m^2. The target would reduce GHG emissions to 0.171 tCO_2e/m^2. Clicks has adopted other emissions reduction initiatives such as the vehicle replacement programme (through its UPD division). This focuses on route optimisation and limits driving at 80 km/h or below, to save fuel and reduce emissions. Clicks is progressing well on this target, having already achieved the target intensity. It is also in the process of fitting lighting retrofits at its stores to reduce emissions associated with their electricity consumption. This forms part of an overarching retrofit initiative that ends in 2023. The group is currently revising GHG emission targets for its operations.


pharmacy
repeat
prescription
service
ready for collection

ABOUT CLICKS GROUP

Turnover R31.4 billion	2018: **R29.2 billion** 2017: **R26.8 billion**
Health and beauty turnover growth 10.5%	2018: **11.7%** 2017: **14.7%**
Headline earnings R1.7 billion	2018: **R1.5 billion**
Dividends 445 cents per share	2018: **380 cents per share** 2017: **322 cents per share**
Operating profit margin 7.4%	2018: **6.9%** 2017: **6.8%**
Gross profit margin 21.3%	2018: **21.1%** 2017: **21.0%**
Comparable stores turnover growth 6.4%	2018: **5.5%** 2017: **8.0%**


CLICKS
NYX
beauty
REVLON
THE BODY SHOP
You Pay LESS
BEAUTY fair
3 for 2

CHIEF EXECUTIVE'S REPORT

It is a pleasure to report to shareholders for the first time following my appointment as chief executive officer of the Clicks Group in January this year.

SUSTAINED GROWTH MOMENTUM

2019 has seen the group sustain its growth momentum of recent years and deliver another highly competitive and resilient performance in challenging trading conditions. We have maintained our focus on the domestic market, executed tight operational disciplines, entrenched the market leadership of Clicks and UPD and continued to invest in our store network, with Clicks opening its 700th store in August 2019.

It has also been a year of record cash generation, sustained capital investment and enhanced returns to shareholders. Our financial performance has been supported by our focus on customer engagement, the investment in our people and our commitment to environmental, social and governance practices.

My predecessor, David Kneale, has left an incredible legacy. David had a distinguished career over 13 years at the helm of the group and made a significant contribution to the growth, development and value creation in the business. On a personal note, I thank David for the mentorship role he has played in my career over several years and for ensuring a seamless transition in group leadership.

"Our core product categories are defensive and we have continued to attract customers by being relevant and offering value."

STRONG AND RESILIENT PERFORMANCE

In an environment of low economic growth and intense pressure on consumer spending, both the retail and distribution businesses reported strong growth. While our business is certainly not immune to the economic slowdown, our core product categories are defensive and we have continued to attract customers by being relevant and offering value.

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 10.5%. Sales in comparable stores increased by 6.9% and showed strong volume growth of 5.8%, with inflation of only 1.1% for the year. Clicks was voted by customers as the number one health and beauty store and pharmaceutical outlet in the Sunday Times/Sowetan Shopper Survey for 2019.

We continued to focus on our positioning as a value retailer by offering customers competitive everyday pricing and appealing promotions.

Value is increasingly relevant to consumers in the tough economic climate and Clicks remains price competitive with all major national competitors. Customers are also spending an increasing proportion of their purchases on promotions, evidenced by the 19.5% increase in promotional sales which now account for 38.4% of turnover in Clicks.

"One in four medicines sold in South Africa today is from a Clicks pharmacy."

Robust sales growth, together with the expansion of the store and pharmacy footprint, enabled Clicks to gain market share across all merchandise categories. Front shop health market share increased to 31.4% and retail pharmacy market share to 24.9%, with one in four medicines sold in South Africa today being from a Clicks pharmacy. Market share of the baby category rose to 17.0%. In the beauty category, skincare market share grew to 37.6% and haircare to 29.5%.

UPD also performed well, growing its operating margin by 60 basis points by gaining new bulk distribution clients. The business increased its wholesale turnover by 6.8% and grew its market share to 27.0% at August 2019.

Total group turnover for the year increased by 7.2% to R31.4 billion. The financial performance is detailed in the chief financial officer's report on pages 20 to 25.

DELIVERING ON OUR STRATEGY

The group's strategy has been consistently applied over the past year and the directors believe the strategy remains relevant and appropriate in the current retail environment. The strategy is supported by favourable market dynamics for health and beauty which should ensure sustained organic growth. Refer to the group strategy on page 14 and value-creating business model on page 17 of the integrated annual report on the group's website.

The retail component of the strategy is focused on the three pillars of convenience, differentiation and personalisation, with encouraging progress being made on delivering on these strategic areas over the past year.

Clicks opened 41 new stores, for the second successive year, and expanded the chain to 704 stores, with 37 outside of South Africa. The store opening programme was accelerated in 2019 beyond the targeted 25 to 30 stores owing to opportunities for new space becoming available in existing shopping centres.

Our online store extends customer convenience and is currently the fastest-growing Clicks store. While the contribution to overall sales is low and equates to the turnover of a medium-sized store, online is expected to grow into the largest Clicks store in the medium term as online retail penetration grows in South Africa.

Clicks is the country's largest retail pharmacy chain and expanded the network to 545 with the opening of 35 pharmacies during the year. There are currently 76 Clicks stores still to get a pharmacy, which excludes stores where we do not plan to open a pharmacy, mostly non-South African stores, the Netcare hospitals and stores identified to be closed.

Currently 51% of the population live within five kilometres of a Clicks store and within six kilometres of a Clicks pharmacy, highlighting the convenience of the chain and our progress in making healthcare even more accessible to South Africans.

We remain committed to our goal of 900 Clicks stores in South Africa, with a pharmacy in every store.

Private label, exclusive and international franchise brands ensure Clicks provides differentiated products and offers customers a significant alternative to a branded product. Sales of private label and exclusive products grew by 15.6% and accounted for 21.7% of total sales in Clicks, with front shop sales at 29.1% and pharmacy at 7.1%. Our goal is to increase the contribution to 25% of total sales.

"Currently 51% of the population live within five kilometres of a Clicks store."

ClubCard increased its active membership to 8.1 million and accounted for 77.6% of sales in Clicks. Over R500 million was paid out to ClubCard members in cashback rewards. The Clicks mobile app is a virtual ClubCard and presents a strategic opportunity to personalise communication and influence customer behaviour by leveraging digital engagement.

UPD provides an efficient healthcare supply chain for Clicks which accounts for 55% of UPD's wholesale turnover. UPD has continued to reap the benefits of its strategy, which includes operating a bulk distribution business in tandem with its fine wholesaling business, with UPD's total managed turnover increasing by 17.6% to R21.1 billion. In the past year UPD gained four new distribution contracts and increased its portfolio of bulk distribution clients to 30. Clicks and the private hospital groups account for 83% of UPD's wholesale turnover, supporting the long-term sustainability of the business.

Our extensive store network and integrated supply chain provide competitive advantages which we aim to maintain by continued investment of over R2 billion over the next three years.

INVESTING IN OUR PEOPLE

One of the highlights of the year was the vesting of the final 50% of the group's employee share ownership programme (ESOP) with the payout of R1.5 billion to almost 7 800 beneficiaries. This brought the cumulative ESOP payout over the past two years to R2.8 billion, an average of R355 000 per employee. Beneficiaries also received dividends totalling R39 million over the course of the programme.

Launched in 2011, the ESOP successfully delivered on its objectives of attracting and retaining scarce and specialist skills, accelerating transformation and enabling employees to share in the growth of the business through equity ownership.

> ***"R2.8 billion was paid out to beneficiaries of the employee share ownership programme."***

In addition to the wealth created for employees, R100 million was donated from the ESOP Trust to the New Clicks Foundation to fund 100 bursaries annually for talented, previously disadvantaged South Africans.

In January 2019 the group introduced 100% company-funded primary health insurance to over 9 000 employees who were not covered by a medical aid. The annual cost of the scheme is approximately R31 million.

These initiatives have contributed to Clicks Group again being recognised as the top employer in the retail sector in South Africa by the Top Employers Institute.

Refer to the creating value through good citizenship report on pages 62 to 67 for further detail on our investment in our people.

> ***"Clicks Group was again recognised as the top employer in the retail sector in South Africa."***

NATIONAL HEALTH INSURANCE

We have long held the view that pharmacy can play a leading role in delivering government's healthcare agenda of increasing access to affordable healthcare. Retail pharmacy provides a convenient network for state patients to collect chronic medicines and relieve the pressure on overburdened and underresourced state facilities. Clicks has partnered with the Department of Health and over 420 of our pharmacies are registered as collection points for state chronic medicine parcels.

The publication of the National Health Insurance (NHI) Bill in August this year outlined the framework for ensuring that all South Africans will have access to quality health services by 2026.

We welcome the concept of universal health coverage but also recognise the long legislative and regulatory road that lies ahead. It is therefore too early to determine the potential impact of NHI on our business or the opportunity it presents.

As Clicks is the largest retail pharmacy chain and UPD the largest pharmaceutical wholesaler, the group is well positioned to support the NHI system and potentially service 58 million South Africans compared to the current 8.9 million covered by private health insurance.

OUTLOOK

While the consumer spending environment will continue to be constrained in the year ahead, the group has adapted well to trading in this protracted economic downturn and the group is confident of sustaining volume growth in the year ahead.

The business operates in defensive and growing health and beauty markets where the strategy and business model have proven to be resilient, ensuring that the group's market-leading brands are well positioned to increase market share.

Selling price inflation is expected to remain low in the first half of the 2020 financial year and the group anticipates that the annual increase in the single exit price (SEP) of medicines will be marginally higher than the current year.

Capital investment of R718 million is planned for the new financial year, focused on the store and pharmacy network, IT as well as retail and distribution infrastructure to support the increased scale of the business.

APPRECIATION

Thank you to our chairman, David Nurek, for his support and to our non-executive directors for their independent insight and guidance. I also extend my gratitude to the board for the confidence they have shown in me to lead the group.

My fellow executive directors Michael Fleming and Bertina Engelbrecht, together with the executive committees in Clicks and UPD, have again demonstrated outstanding leadership in ensuring the continued success of the business.

Our people at head office, stores and distribution centres ensure that we remain the country's leading health and beauty retailer and I thank them for their contribution in delivering results of which we can be truly proud.

Vikesh Ramsunder
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

In an environment of muted economic growth and low selling price inflation, Clicks Group delivered another year of strong growth with good margin management, tight expense control, efficient operating leverage, sound working capital management and enhanced returns to shareholders.

The group is highly cash generative, with cash from operations increasing by R480 million over the previous year to R2.9 billion. We have continued to support our organic growth strategy with ongoing investment in new stores, refurbishments, supply chain and information systems, and returned R1.2 billion to shareholders in dividends and share buy-backs.

The competitive trading performance, together with prudent capital management, contributed to growth of 16.8% in diluted headline earnings per share to 672 cents.

The board declared a total dividend of 445 cents per share, 17.1% higher than last year, with the dividend payout ratio being raised from 62% to 65%.

"The group has a strong balance sheet and the results reflect the resilience of the group's brands."

FINANCIAL PERFORMANCE

The analysis of the group's financial performance for the year ended 31 August 2019 focuses on the key line items of the statements of comprehensive income and financial position which management consider material to shareholders' understanding of the group's performance.

The following review should be read together with the annual financial statements as well as the summary statements of comprehensive income and financial position, and the five-year analysis of financial performance on pages 22 and 25 respectively.

The group adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers for the 2019 financial year. The financial results for the year ended 31 August 2018 have been restated following the adoption of these new accounting standards.

STATEMENT OF COMPREHENSIVE INCOME

Turnover

Group turnover increased by 7.2% to R31.4 billion (2018: R29.2 billion). Selling price inflation for the group averaged only 1.2% for the year.

Turnover was again relatively consistent across the first half (49% of turnover) and second half (51% of turnover) of the year. There is usually minimal seasonal effect on the group's turnover as the Christmas trading period in the first half of the financial year is counter-balanced by the winter season, which is the peak trading period for the health and wellness business.

Retail turnover, including Clicks, The Body Shop, GNC, Claire's and Musica, increased by 9.7%. Retail selling price inflation has remained low during the year at only 1.5%, up 10 basis points on the previous year. Comparable stores sales grew by 6.4%.

Within the retail division, health and beauty sales increased by 10.5% reflecting the resilience of the core Clicks brand in the current constrained trading environment.

Growth in retail trading space accounted for 3.3% of the turnover growth with the net opening of 42 health and beauty stores and 35 pharmacies.

Distribution turnover grew by 4.0%, with price inflation of 0.9%, as the business experienced a slightly slower second half due to customers buying in stock ahead of the single exit price (SEP) increase in the first half of the year.

The trading performances of Clicks and UPD are covered in the business review on pages 42 to 55 of the integrated annual report on the group's website.

Total income

Total income grew by 9.7% to R8.7 billion (2018: R7.9 billion) with the total income margin expanding by 60 basis points to 27.6%.

The retail total income margin was impacted by increased transport costs and product mix and reduced by 30 basis points to 33.3%.

UPD's total income margin increased from 7.3% in 2018 to 8.2% in 2019. The business benefited mainly from gaining seven new bulk distribution contracts over the past 18 months as well as the slightly higher SEP increase of 3.78% granted in March 2019 compared to 1.26% in March 2018.

Operating expenditure

The group's operating expenses increased by 8.1%.

Retail operating expenditure as a percentage of turnover improved to 25.1% from 25.5% in the prior year.

Retail expenses grew by 8.1% following the opening of new stores and pharmacies, and the refurbishment of 56 stores. Comparable retail costs were contained to an increase of 5.6%.

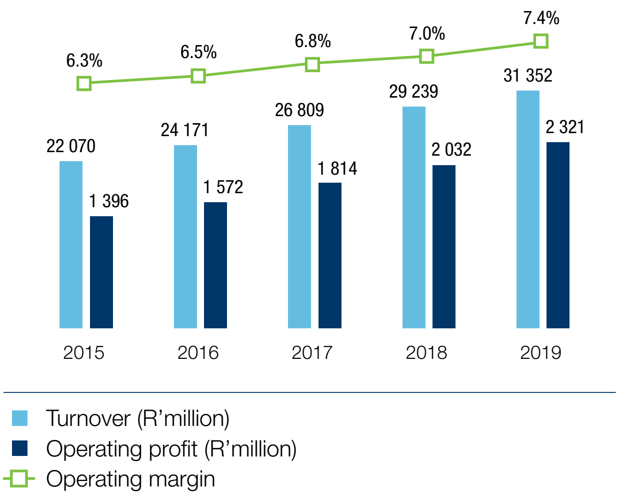
UPD expenses, which include the costs related to the new distribution contracts, grew by 10.2%, well below the 17.6% growth in total managed turnover.

Operating profit

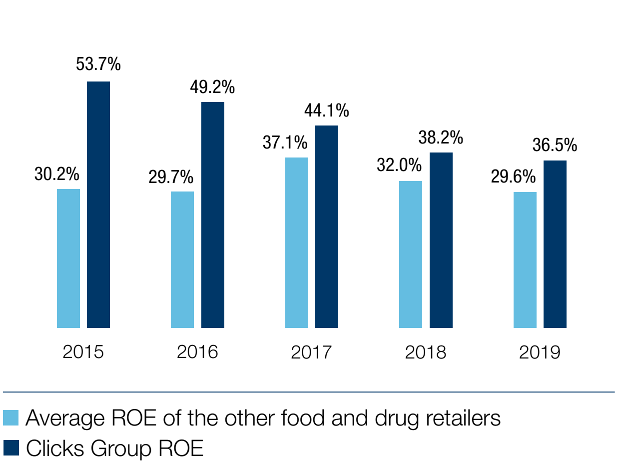
Operating profit increased by 14.2% to R2.3 billion (2018: R2.0 billion) as both the retail and distribution businesses achieved operating leverage and benefited from increased scale.

The operating margin strengthened by 40 basis points to 7.4% which is at the upper end of the group's medium-term target range.

Turnover, operating profit and margin



Return on equity (ROE)



SUMMARY STATEMENT OF COMPREHENSIVE INCOME

R'million	2019	% of turnover	Restated* 2018	% of turnover	% change
Turnover	**31 352**		29 239		7.2
Retail	**23 105**	**73.7**	21 062	72.0	9.7
Distribution	**13 909**	**26.3**	13 376	28.0	4.0
Intragroup	**(5 662)**		(5 199)		
Total income	**8 650**	**27.6**	7 885	27.0	9.7
Operating expenses	**(6 329)**	**20.2**	(5 853)	20.0	8.1
Retail	**(5 810)**		(5 375)		8.1
Distribution	**(682)**		(619)		10.2
Intragroup	**163**		141		
Operating profit	**2 321**	**7.4**	2 032	6.9	14.2
Retail	**1 881**	**8.1**	1 695	8.0	11.0
Distribution	**454**	**3.3**	362	2.7	25.4
Intragroup	**(14)**		(25)		
Loss on disposal of property, plant and equipment	**–**		(1)		
Net financing income	**40**		2		>100
Share of profit of an associate	**3**		2		
Income tax	**(661)**		(567)		16.4
Profit for the year	**1 703**		1 468		16.0

SUMMARY STATEMENT OF FINANCIAL POSITION

R'million	2019	Restated* 2018	% change
Non-current assets	**2 952**	3 234	(8.7)
Property, plant and equipment	**2 067**	1 843	12.1
Other non-current assets	**885**	1 391	(36.4)
Current assets	**10 103**	8 355	20.9
Inventories	**4 710**	4 251	10.8
Trade and other receivables	**2 647**	2 332	13.5
Other current assets	**2 746**	1 772	54.9
Total assets	**13 055**	11 589	12.6
Equity	**4 913**	4 424	11.0
Non-current liabilities	**392**	448	(12.4)
Current liabilities	**7 750**	6 717	15.4
Trade and other payables	**7 303**	6 227	17.3
Other current liabilities	**447**	490	(8.9)
Total equity and liabilities	**13 055**	11 589	12.6

* Prior-period amounts restated for the adoption of new accounting standards. Refer to note 35 in the annual financial statements.

STATEMENT OF FINANCIAL POSITION

The ratio of shareholders' interest to total assets declined marginally to 37.6% (2018: 38.2%) and the group largely maintained an ungeared balance sheet during the year.

The ratio of current assets to current liabilities at year-end was 1.3 times (2018: 1.2 times), indicating that working capital remains adequately funded. Other current assets include R2.6 billion in cash.

> ***"The group plans to invest more than R2 billion over the next three years."***

The group continues to hedge direct exposures to foreign exchange rate fluctuations which impact approximately between 6% and 7% of the cost of sales in the retail business. In addition, the group hedged elements of the long-term incentive scheme for the 2019 to 2021 period. Further detail on the respective hedges and risk management is contained in note 28 in the annual financial statements on the group's website.

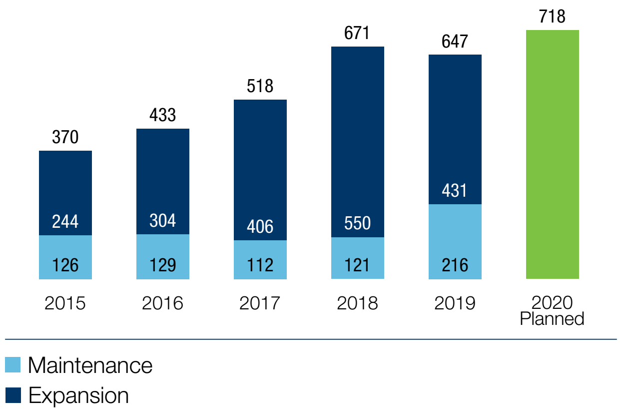
Working capital

Working capital continues to be well managed and the group's net working capital improved from 36 to 34 days. Trade debtor days, which relate primarily to UPD, reduced from 38 to 37 days while creditor days improved from 69 to 73 days.

Inventory days moved out from 67 to 70 days owing to higher inventory levels in retail and distribution. A single-pick retail facility will be commissioned in the Centurion distribution centre in the 2020 financial year which is aimed at improving stock efficiency.

Capital expenditure

R'million



Cash and capital management

Cash generated by operations increased by 19.5% to R2.9 billion, driven by the increase in operating profit and good working capital management.

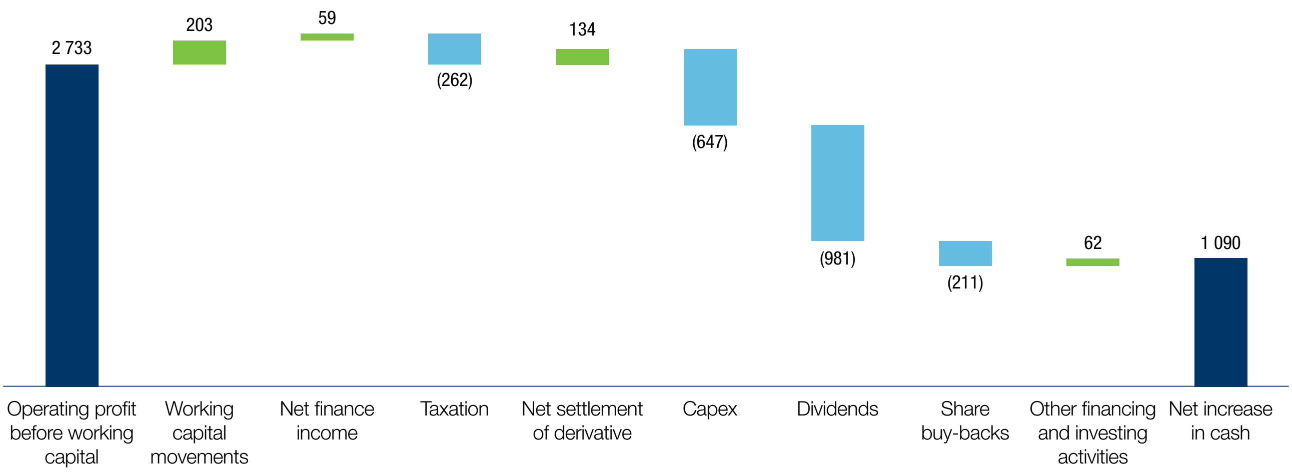
The group's capital management strategy is focused on investing in the organic growth of the business and returning surplus funds to shareholders through dividends and share buy-backs:

- Capital expenditure of R337 million was invested in new stores and refurbishments, R160 million on expanding distribution centres and R150 million on IT and retail infrastructure.
- The group returned R1.2 billion to shareholders through dividend payments and share buy-backs.

Cash resources increased by R1.1 billion over the previous year and the group ended the year with cash of R2.6 billion.

Cash flow analysis

R'million



DIVIDENDS

The total dividend for the financial year was increased by 17.1% to 445 cents per share (2018: 380 cents), based on an increased dividend payout ratio of 65% (2018: 62%) of HEPS. This comprises the interim dividend of 118 cents (2018: 102.5 cents) and a final dividend of 327 cents (2018: 277.5 cents).

INFORMATION TECHNOLOGY

Management aims to ensure IT systems and infrastructure are well maintained and remain relevant to future needs of the business.

During the year the group invested R80 million on computer hardware and R71 million on computer software.

FINANCIAL PLANS FOR 2020

Capital expenditure of R718 million is planned for the 2020 financial year:

- R404 million will be invested in the store portfolio, which includes 25 to 30 new Clicks stores, 30 to 35 new pharmacies and 60 store refurbishments, to ensure stores remain modern and relevant to customers.
- R314 million will be used for IT systems and infrastructure which includes R231 million in retail IT systems and infrastructure and R83 million on UPD IT systems and warehouse equipment.

The group plans to invest approximately R700 million in 2021 and R620 million in 2022 to support the expansion of the Clicks store footprint, improve efficiency in the distribution centres and invest in IT tools and systems.

Total retail trading space is expected to increase by approximately 5% in 2020.

> ***"The group's medium-term financial targets rank in the upper quartile relative to comparable global health and beauty retailers."***

ADOPTION OF IFRS 16 – LEASES

The group will adopt IFRS 16 – Leases during the 2020 financial year on a full retrospective basis, with the date of initial application being 1 September 2019.

The group has an extensive portfolio of leases across its retail stores and the new accounting standard will have a material impact on the group's financial statements. The group expects to create a right-of-use asset and lease liability of approximately R2.0 billion and R2.3 billion respectively as at 1 September 2019.

Kindly refer to note 36 in the annual financial statements for detail on the expected impact of IFRS 16.

MEDIUM-TERM FINANCIAL TARGETS

Financial targets are disclosed to provide guidance to shareholders on the group's medium-term performance expectations. The targets are reviewed annually to take account of the group's current performance and the medium-term outlook for trading.

The group's medium-term financial targets have been revised to reflect the impact of the group's adoption of IFRS 16.

Medium-term targets	2019 performance*	Medium-term target
Return on equity (%)	**36.9**	50 – 60
Return on assets (%)	**11.8**	11 – 15
Net working capital days	**34**	30 – 35
Group operating margin (%)	**8.0**	7.5 – 8.5
Retail	**8.9**	8.5 – 9.5
Distribution	**3.3**	2.5 – 3.0
Dividend payout ratio (%)	**65.9**	60 – 65

* Restated comparative for the adoption of IFRS 16 in the 2020 financial year

The return on equity (ROE) at 36.9% is below the targeted performance range owing to the impact in the short term of the group's broad-based employee share ownership scheme. The scheme matured in 2019 and the ROE is expected to improve in the medium term.

While the distribution operating margin increased to 3.3% in 2019, management has maintained the medium-term target as distribution clients are contracted and the total UPD business, including wholesale and bulk distribution, is expected to deliver a sustainable operating margin of between 2.5% – 3.0%.

The group's medium-term financial targets rank in the upper quartile relative to comparable global health and beauty retailers such as Walgreens Boots Alliance (USA), CVS (USA), Raia Drogasil (Brazil) and Celesio (Germany).

APPRECIATION

Thank you to our shareholders for their continued investment in the group over the past year and to the broader investor community locally and internationally for their interest and engagement. The finance teams across the business are committed to delivering a high standard of financial reporting and I thank them for a job well done.

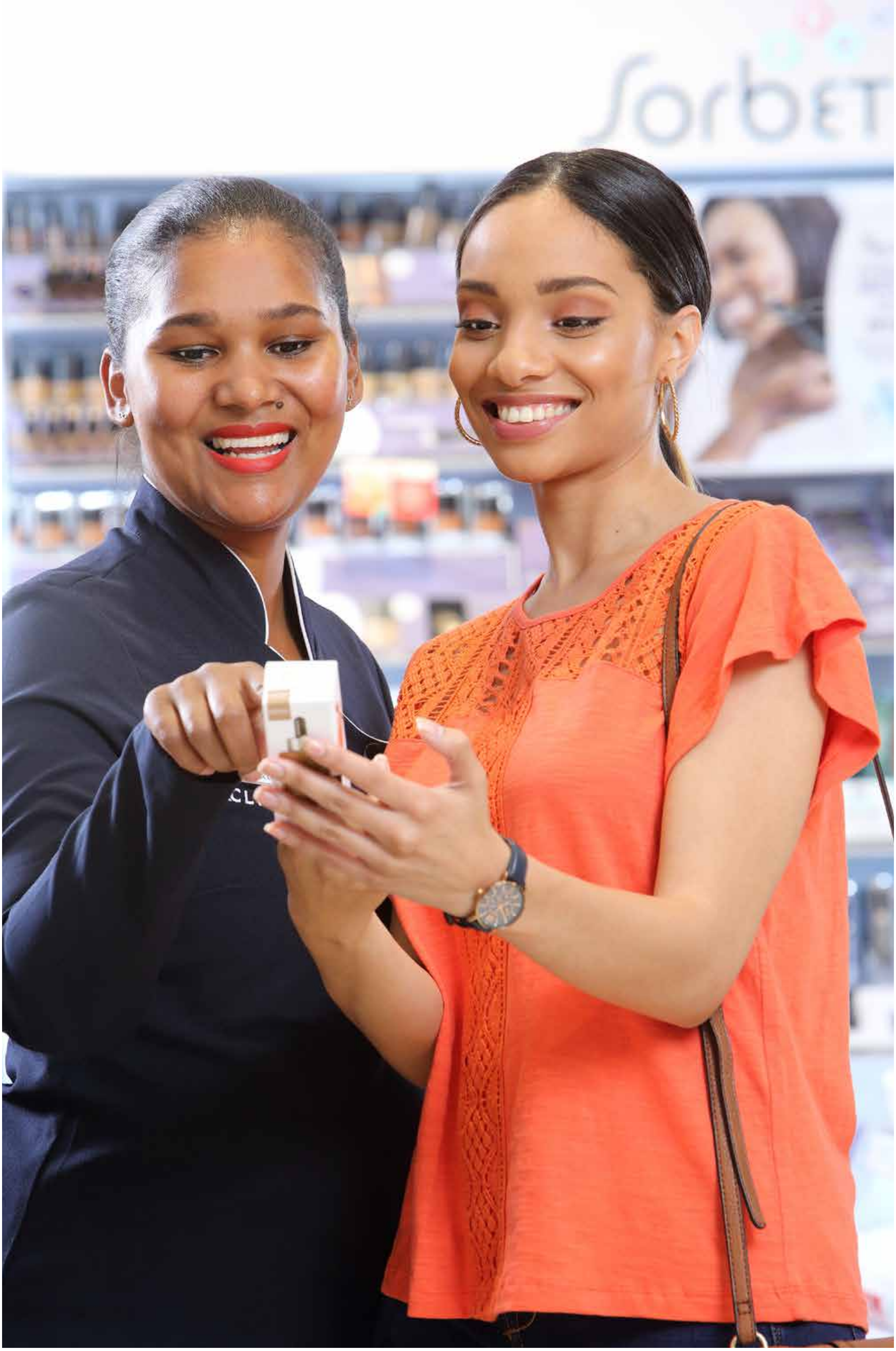
Michael Fleming
Chief financial officer

FIVE-YEAR PERFORMANCE REVIEW

FOR THE YEAR ENDED 31 AUGUST

		5-year compound growth (%)	2019	2018	2017	2016	2015
Statements of comprehensive income							
Turnover	(Rm)	10.4%	**31 352**	29 239	26 809	24 171	22 070
Operating expenses	(Rm)	9.9%	**(6 329)**	(5 853)	(5 333)	(4 796)	(4 339)
Operating profit	(Rm)	13.8%	**2 321**	2 032	1 814	1 572	1 396
Profit before tax	(Rm)	14.4%	**2 364**	2 036	1 775	1 515	1 330
Headline earnings	(Rm)	15.3%	**1 704**	1 469	1 269	1 099	960
Statements of financial position							
Non-current assets	(Rm)	10.7%	**2 951**	3 234	2 857	2 507	2 009
Trade and other receivables	(Rm)	10.5%	**2 647**	2 331	2 212	2 013	1 871
Inventories	(Rm)	12.5%	**4 710**	4 251	3 777	3 479	3 250
Other current assets	(Rm)	102.8%	**133**	249	200	8	25
Cash and cash equivalents	(Rm)	68.1%	**2 614**	1 524	700	370	401
Total assets	(Rm)	16.1%	**13 055**	11 589	9 746	8 377	7 556
Total equity	(Rm)	25.7%	**4 913**	4 424	3 296	2 452	2 013
Non-current liabilities	(Rm)	6.5%	**392**	447	402	406	308
Current liabilities	(Rm)	12.3%	**7 750**	6 718	6 048	5 519	5 235
Total equity and liabilities	(Rm)	16.1%	**13 055**	11 589	9 746	8 377	7 556
Statements of cash flows							
Cash inflow from operating activities before dividends paid	(Rm)	14.4%	**2 866**	2 313	1 520	1 300	1 242
Dividends paid	(Rm)	18.0%	**981**	812	677	586	491
Capital expenditure	(Rm)	13.9%	**647**	671	518	433	370
Returns and margin performance		5-year average					
Total income margin	(%)	26.7	**27.6**	27.0	26.7	26.3	26.0
Operating margin	(%)	6.8	**7.4**	7.0	6.8	6.5	6.3
Return on assets	(%)	13.9	**13.8**	13.8	14.0	13.8	14.0
Return on shareholders' interest	(%)	44.3	**36.5**	38.0	44.1	49.2	53.7
Inventory days		67	**70**	67	65	66	68
Asset turnover	(times)	2.7	**2.4**	2.5	2.8	2.9	2.9
Return on net assets	(%)	97.7	**97.6**	102.2	98.6	93.5	96.7
Shareholders' interest to total assets	(%)	33.1	**37.6**	38.2	34.0	29.3	26.6
Share performance		5-year compound growth (%)					
Headline earnings per share – basic	(cents per share)	14.9%	**683.9**	609.5	536.3	462.4	399.2
Headline earnings per share – diluted	(cents per share)	14.8%	**672.2**	575.3	502.1	438.5	383.9
Cash equivalent earnings	(cents per share)	18.6%	**1 017.9**	858.1	630.0	576.5	527.2
Net asset value	(cents per share)	24.7%	**1 953**	1 809	1 395	1 037	839
Dividends declared	(cents per share)	18.6%	**445.0**	380.0	322.0	272.0	235.0
Weighted average number of shares in issue (net of treasury shares)	('000)		**249 125**	241 073	236 526	237 565	240 603
Weighted average diluted number of shares in issue (net of treasury shares)	('000)		**253 471**	255 385	252 641	250 501	250 204
Shares repurchased	(Rm)		**211**	–	–	290	176
Shares repurchased	('000)		**1 115**	–	–	3 360	2 376

A comprehensive five-year review and the annual financial statements are available on the website at www.clicksgroup.co.za.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MANAGING MATERIAL ISSUES

MATERIAL ISSUES have been identified which could significantly impact positively or negatively on the group's ability to create and sustain value.

1. TRADING ENVIRONMENT
2. COMPETITION
3. REGULATION
4. PEOPLE
5. INFORMATION TECHNOLOGY

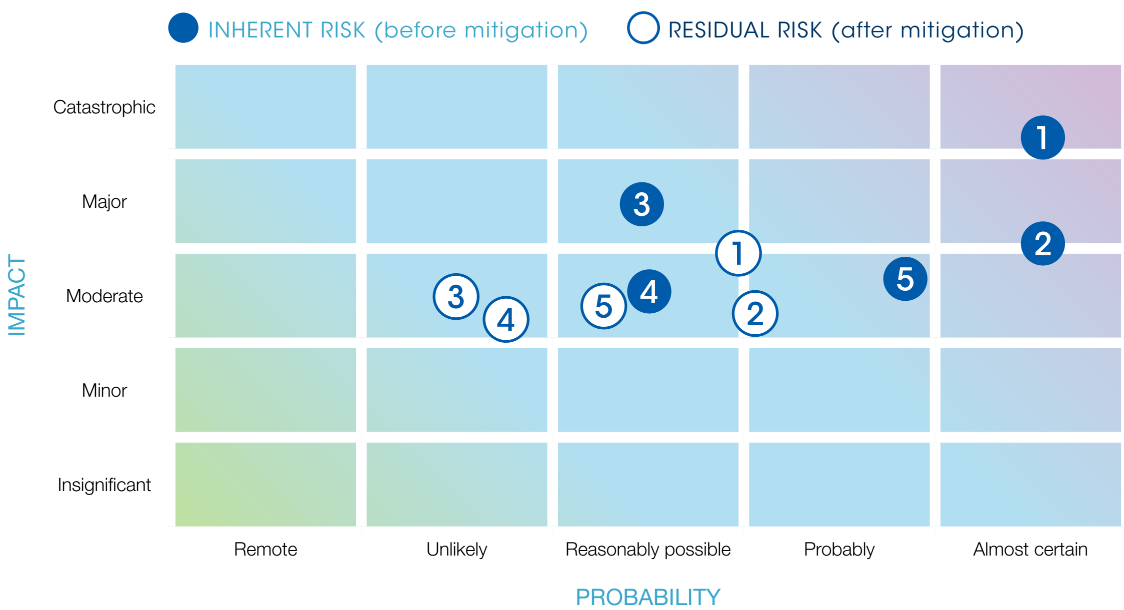
The material issues are reviewed annually by the board and management where all relevant internal, industry and macroeconomic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence the group's ability to create sustainable value, notably customers, suppliers, regulators, staff, shareholders and providers of financial capital are central to determining the material issues.

Following the review for the 2020 financial year, the directors confirm that the current material issues remain relevant and are unchanged from the previous year.

RISKS relating to each material issue are based on the major risks on the group's register. The accompanying risk heat map indicates the levels of risk before (inherent risk) and after (residual risk) mitigation plans have been implemented.

OPPORTUNITIES are presented for each material issue to indicate how the group is using its competitive advantage to manage the impacts of the material issues on value creation.

MATERIAL RISKS



Trading environment

Low economic growth, poor economic conditions and the resultant weak consumer sentiment are impacting South Africa's already constrained retail trading environment. Consumer disposable income has been further eroded by rising fuel and utility prices, higher health insurance costs and increasing general living costs.

RISKS

- Economic environment remains challenging which is constraining consumer spending.
- Criminal activity, including syndicated crime, escalates during times of economic hardship.
- Currency volatility could impact on the cost of direct and indirect imports, and results in price increases which cannot be passed on to consumers.
- Increasing use of generic medicines and the added pressure of low single exit price (SEP) increases will continue to impact on UPD's operating margin.

OPPORTUNITIES

- Clicks will continue to pursue a strategy to improve price competitiveness, grow sales volumes and entrench the perception of Clicks as a value retailer.
- Focus on differentiators, including a convenient store and pharmacy network; private label and exclusive ranges; personalised engagement, leveraging the Clicks ClubCard loyalty programme and consistently high levels of customer care.
- UPD will continue to drive efficiencies to mitigate the impact of genericisation on the operating margin.

Competition

Clicks faces competition on several fronts, including national food retailers and general merchandise chains, and other pharmacy businesses.

RISKS

- Expansion by corporate pharmacy and retail chains impacting on market share growth in Clicks
- Increasing price competitiveness and promotional activity of retailers, including competing loyalty schemes, could negatively affect sales and profitability in Clicks.

OPPORTUNITIES

- Clicks has an extensive store network and plans to open 25 to 30 new stores each year, expanding to 900 stores in South Africa in the long term.
- Continued expansion of the pharmacy network with the long-term plan to open pharmacies in all Clicks stores in South Africa.
- Continued recruitment of new members to the Clicks ClubCard.
- Ongoing improvements in pricing, product offer and customer service.

People

Retail and healthcare skills are scarce and in high demand locally and internationally. Attracting and retaining talent is therefore critical to the group's continued success. As the largest employer of pharmacy staff in the private sector in South Africa the group is actively building capacity to address the critical shortage of pharmacists.

RISKS

- Inability to recruit, attract and retain talent for core business needs, including merchandise and planning, store management, information technology and pharmacy.
- Strike action causing disruption to operations, damage to property and financial loss.

OPPORTUNITIES

- Salaries and incentives are externally benchmarked to ensure the group remains competitive.
- Bursary and internship programmes to attract pharmacy graduates.
- Retail graduate programme offered.
- Accredited training programmes for store management, key store roles, and merchandise and planning roles.
- Senior leadership development programme strengthens pool of management talent and provides candidates for succession planning.
- Group resourcing function established, including specialist pharmacy team.

Regulation

Healthcare markets are highly regulated across the world and approximately 50% of the group's turnover is in regulated pharmaceutical products. The group supports regulation that advances the government's healthcare agenda of making medicines more affordable and more accessible but opposes regulation which inhibits access to affordable healthcare and limits customer choice.

RISKS

- Healthcare legislative and regulatory changes introduced by the Department of Health (DoH), SA Pharmacy Council (SAPC) and SA Health Products Regulatory Authority (SAHPRA) could impact on Clicks' and UPD's turnover and margins.
- Impacts include the ability to obtain pharmacy licences and to launch private label and exclusive scheduled and complementary medicines.
- Introduction of National Health Insurance (NHI) would impact on the private and public healthcare markets.
- Non-compliance with current and emerging legislation including the Companies Act, Consumer Protection Act, Protection of Personal Information Act, labour law and copyright legislation could result in monetary sanctions.

OPPORTUNITIES

- Ensure Clicks and UPD are operating efficiently to maintain margins and profitability.
- Continue management engagement with the DoH, SAPC and SAHPRA on legislation and regulation.
- As the market leaders in retail pharmacy and pharmaceutical wholesaling, position Clicks and UPD to benefit from market consolidation arising from changes in legislation and regulation.
- Partner with government to be a preferred service provider to the NHI scheme.

Information technology

Real-time, uninterrupted IT systems are essential in today's technology-driven business environment while robust IT security and governance processes are required to limit breaches of customer privacy and loss of data to avoid legal liability and reputational damage.

RISKS

- Confidential customer or sensitive internal data compromised as a result of undetected data security breach or cyberattack.
- IT systems and architecture no longer appropriate in an environment of ever-increasing scale and requirement for real-time information.
- Inability to restore business operations and IT systems, including UPD automated picking system, in the event of a disaster.
- Power outages impacting the ability to trade and resulting in loss of sales.

OPPORTUNITIES

- Improved information security practices and compliance as a result of increased online presence.
- Planned implementation roadmap for new IT systems with improved system efficiencies and cost savings that support the organic growth strategy.

GOVERNANCE AND ETHICS

Good governance contributes to value creation and Clicks Group's governance philosophy is founded on the principles of accountability, transparency, ethical management and fairness.


CLICKS
CLICKS

CREATING VALUE THROUGH GOOD GOVERNANCE

Corporate governance creates value for the Clicks Group by ensuring the sustainability of the business and by enhancing long-term equity performance, in addition to the benefits that good governance brings to society at large and to the group's stakeholders in particular.

The group's governance and compliance framework is founded on the principles of accountability, transparency, ethical management and fairness. Governance processes and group policies are regularly reviewed to ensure alignment with regulatory changes, reflect best practice, seek out opportunities to incrementally improve the group's governance and ascertain whether the policies and processes are still fit for purpose as the group's businesses change over time.

The board believes that effective governance is also contributing to value creation in the following respects:

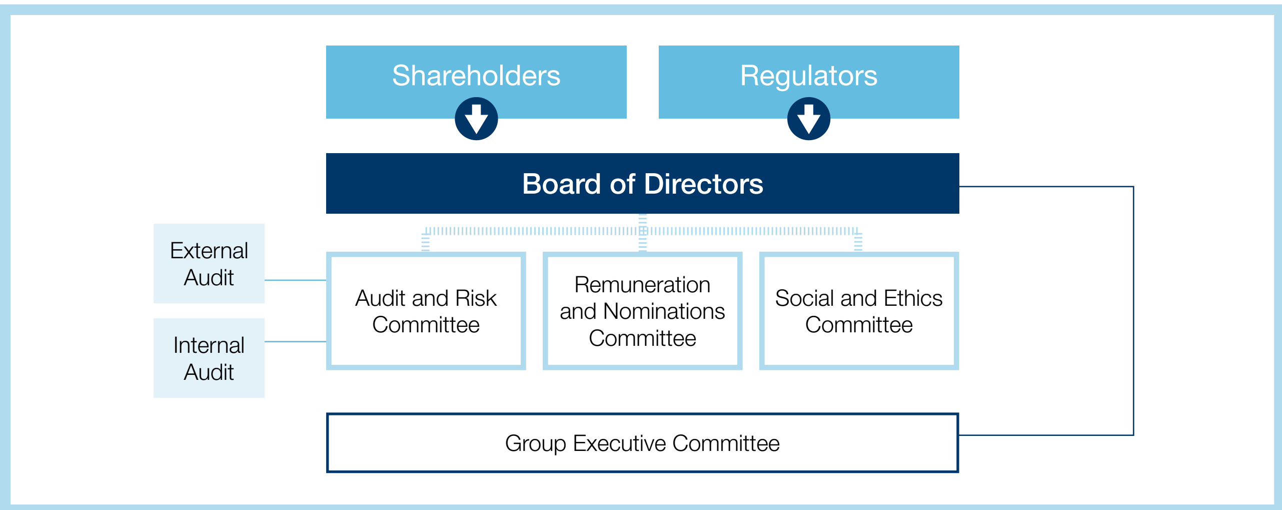
- providing a clearer view of the business through a greater degree of integration between financial and non-financial reporting;
- improving the quality of reporting by management to the board;
- promoting greater transparency and disclosure to stakeholders, including shareholders;
- building consumer confidence in the brands;
- enhancing accountability to shareholders;
- providing equitable performance management and fair reward structures for employees;
- guiding decision-making and supporting effective leadership throughout the business; and
- managing and mitigating risk more effectively.

Strong compliance structures and processes to support the effective functioning of these structures are essential to help avoid sanctions for non-compliance with regulation and to contribute to the sustainability of the business. The board accordingly maintains a focus on supporting and, where necessary, enhancing these structures and processes.

The group's continued investment in talent management and succession planning contributes meaningfully to the sustainability of the business. The group's succession planning in particular was brought into focus during the financial year when long-serving CEO, David Kneale, retired and was succeeded by Vikesh Ramsunder, with effect from 1 January 2019. The benefits of being able to appoint an internal candidate with extensive experience across the business as CEO, and who was identified as a potential successor some years ago, are manifold. These benefits include familiarity on the part of the new CEO with the group's strategic objectives; established relationships with colleagues; a deep understanding of the business environment in which the group operates, and of its people, assets and competitors; and being well prepared over time to grow into the role.

The group has applied the King IV report throughout the 2019 financial year and the directors confirm that the group has in all material respects voluntarily applied the principles of the code. The application of King IV is covered in the corporate governance report 2019 published on the website.

GOVERNANCE STRUCTURE



ROLE OF THE BOARD

Elected by the shareholders, the directors are responsible for the sustainability of the business within the triple context of the economy, society and the environment. The board's composition, authority, responsibilities and functioning are detailed in the board charter.

The board fulfils a range of legal duties, while being the primary source of effective, ethical leadership for the group. In executing its mandate the board is required to approve strategic plans; monitor operational performance; ensure that risk management and internal controls are effective; monitor regulatory compliance; and promote good governance. It must also approve significant accounting policies and the annual financial statements; monitor transformation and empowerment; manage the process of selection and appointment of directors; and ensure that the group's remuneration policies and practices are effective and fair. Certain of these functions are delegated to board committees.

KEY ISSUES ADDRESSED IN 2019

The board addressed the following key issues during the year:

- approving the business' three-year strategic plans and budgets, including capital investment;
- appointing Vikesh Ramsunder as CEO to succeed David Kneale and helping to ensure a seamless transition in the CEO office;
- ensuring that the group's accounting policies are appropriate. In particular this year, the group has spent time understanding the impact and formulating the group's response to the implementation of IFRS 16 which will change the accounting treatment for leases when the new standard is introduced in the 2020 financial year;
- reviewing talent and succession plans for the business;
- monitoring the second and final vesting of shares to beneficiaries in terms of the employee share ownership programme;
- reappointing John Bester as lead independent director, having made provision for this role, its function and authority in an amended board charter;
- ensuring the group is prepared for mandatory auditor rotation when this becomes compulsory in 2023 and recommending EY for reappointment as the group's auditor at the forthcoming AGM, noting that EY has served as the auditor for seven years;
- approving the investment in information technology for operating divisions in the group; and
- supporting the continuing expansion of the group's retailing activities in digital channels.

BOARD COMPOSITION

The board consists of nine directors, with three salaried executive directors and six independent non-executive directors. The age, tenure, experience and expertise of each director is briefly set out in the board of directors' report on pages 28 to 30 of the integrated annual report on the group's website.

INDEPENDENCE OF DIRECTORS

All the directors, both executive and non-executive, understand their legal duty to act with independence of mind in the best interests of the company.

While the tenure of non-executive directors is not a determinant of independence in terms of King IV, David Nurek has served as a non-executive director for 23 years, Martin Rosen for 13 years and Fatima Abrahams, John Bester and Fatima Daniels have each served for 11 years. The company remains aware of the need to appoint strong, suitably qualified new independent non-executive directors from time to time to ensure that fresh and critical thinking is maintained at board level. However, the board maintains its view that the company benefits from the depth of understanding of the business that a stable board that includes long-serving non-executive directors.

The remuneration and nominations committee conducted an evaluation of the independence of the chairman and non-executive directors during the year. Factors which could impact on their independence and performance were considered, in particular the factors contained in King IV and the JSE Listings Requirements. In the opinion of the remuneration and nominations committee there are no factors which prevent the directors from exercising objective, unfettered judgement or acting in an independent manner. All of the non-executive directors, including the chairman, are therefore appropriately classified as being independent.

The company has no controlling shareholder or group of shareholders and there is no direct shareholder representation on the board.

BOARD DIVERSITY

The directors are diverse in terms of gender, race and professional backgrounds, contributing to strong decision-making and ensuring that a range of perspectives are brought to bear on matters under consideration by the board. The directors have extensive experience and specialist skills across a range of sectors, including retail, commercial, governance, human resources, remuneration, accounting and finance, legal, healthcare and marketing. The board race and gender diversity policy sets voluntary targets of 25% black and 25% female representation at board level. Following Vikesh Ramsunder's appointment as CEO to succeed David Kneale, 44% of the directors are female and 56% are black, which exceeds these targets.

DIRECTOR ELECTION

A third of non-executive directors are required to resign at each AGM, and executive directors are required to resign on the third anniversary of their appointment or most recent re-election to the board. This provides shareholders with the ability to hold directors to account and to appoint directors to the board whom shareholders believe will add value to the business.

ANNUAL PERFORMANCE EVALUATION

Each director is required annually 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 have 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.

BOARD AND EXECUTIVE RELATIONSHIP

The roles of the chairman and the CEO are formalised, separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers. The chairman leads the board and the CEO is responsible for the executive management of the group. While the board and executive management collectively determine the strategic objectives of the group, the board is responsible for approving the group's strategy, and the executive is responsible for executing this strategy and for the ongoing management of the business. Regular reporting by the executive on progress made in executing its mandate allows the board to monitor implementation of strategy and to assess the effectiveness thereof. Non-executive directors have direct access to management and may meet with management independently of the executive directors.

BOARD AND COMMITTEE MEETING ATTENDANCE

	Board	Audit and risk	Remuneration and nominations	Social and ethics
Number of meetings	4	4	3	2
David Nurek	4+	(4)	3^	2
Fatima Abrahams	4		3^^+	2+
John Bester	4	4+	3	
Fatima Daniels	4	4		
Bertina Engelbrecht	4	(4)	(3)	(2)
Michael Fleming	4	(4)		
Nonkululeko Gobodo	4	4		
David Kneale (retired 1 January 2019)	1	(1)	(1)	
Vikesh Ramsunder (appointed 1 January 2019)	3	(3)	(2)	2
Martin Rosen	4		2	
Meeting attendance 2019 (%)	100	100	92	100
Meeting attendance 2018 (%)	100	100	92	100

(•) Indicates number of meetings attended as an invitee
+ Chair
^ Chairs nominations agenda items
^^ Chairs remuneration agenda items

BOARD OVERSIGHT

The board discharges its oversight function both directly and through its three committees. The board and its committees are each chaired by independent non-executive directors. The composition of the committees conformed to regulatory requirements and King IV for the reporting period. Detailed disclosure on the roles, functions and composition of the committees is contained in the corporate governance report available on the website.

RISK GOVERNANCE

While the board recognises that certain risks are necessary to ensure sustainable growth and competitive returns, the directors acknowledge that the group and its stakeholders should be protected from avoidable risks. Risk management and governance processes are therefore aimed at creating an appropriate balance between risk and reward. The audit and risk committee is responsible for overseeing risk management for the board, with particular focus on combined assurance arrangements, ensuring that the group has implemented an effective policy and mitigation plan for risk, and that disclosure of these risks and mitigation plans is comprehensive, timely and relevant.

The committee is tasked with ensuring that the combined assurance model provides a co-ordinated approach to assurance activities and that the combined assurance received addresses all significant risks facing the group. The group and business unit risk registers are regularly reviewed and updated, containing current and emerging risks as well as risks associated with future strategic initiatives and identifying mitigating measures to address specific risks. Risk registers are updated as the nature of the risk changes over time or as mitigation measures take effect. Refer to the major group risks detailed in the managing material issues report on pages 27 to 29.

Group internal audit monitors the progress of the group and business units in managing risks and reports its findings to the audit and risk committee. Any significant weaknesses in the design, implementation or execution of the group's internal financial controls which could result in material financial loss, fraud, corruption or error, are reported to the audit and risk committee and this information will be disclosed in the audit and risk committee report. No material issues were brought to the attention of the committee during the reporting period.

ETHICS AND VALUES

The group subscribes to high ethical standards of business practice. A set of values and a behavioural code of conduct require staff to display integrity, mutual respect and openness. Members of staff have an obligation to challenge others who are not adhering to these values. The social and ethics committee is responsible for monitoring ethical practices. The group has various documented policies which require all employees to adhere to ethical business practices in their relationships with one another, suppliers, intermediaries, shareholders and investors. These policies also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interests. A fraud prevention policy ensures that a firm stance is taken against fraud and the prosecution of offenders.

ANTI-COMPETITIVE CONDUCT

Oversight, governance and risk management processes are in place to promote compliance with statutory prescripts relating to competition and the effectiveness of these processes is borne out by the fact that the group has not been sanctioned for anti-competitive conduct. The group has market-leading positions in healthcare retailing and supply. This emphasises the need for the group to remain vigilant in guarding against engaging in anti-competitive practices.

GOVERNANCE FOCUS AREAS IN 2020

In an environment of heightened global awareness of data protection and privacy issues, and the related risks that are amplified in the current digital age, the group will continue to ensure that effective governance policies and processes are in place to address these issues. The group also expects to be compliant with the Protection of Personal Information Act when this legislation becomes effective. Strong systems and controls are also important weapons in the group's armoury as it seeks to deliver exceptional performance in trying economic circumstances and the group will continue to seek ways to incrementally improve in these areas.

EMPOWERING OUR EMPLOYEES

Permanent employees

15 413

2018: **15 067**
2017: **14 673**

Permanent monthly paid staff turnover

14.5%

2018: **13.9%**
2017: **15.9%**

Pharmacy turnover

15.3%

2018: **15.3%**
2017: **18.7%**

Employees covered by medical aid/primary healthcare plan*

77.0%

2018: **18.2%**
2017: **16.8%**

Employees covered by collective bargaining agreements

11.3%

2018: **12.9%**
2017: **18.1%**

Skills development – total expenditure

R143.8 million

2018: **R124.7 million**
2017: **R125.8 million**

* Includes company-funded health insurance on the primary healthcare plan.


save
you
LOVE
vitamin supplements
great
value
every day

The competency, capacity and experience of management and employees.

EMPLOYEE VALUE PROPOSITION

The group's talent strategy is to employ customer-obsessed people with a "can do" attitude, who are professional and proud to work for the company. This strategy is supported by the group's values:

1. We are truly **passionate** about our customers
2. We believe in **integrity**, **honesty** and **openness**
3. We cultivate understanding through **respect** and **dialogue**
4. We are **disciplined** in our approach
5. We **deliver** on our goals

In order to attract and retain valuable talent, Clicks Group has strategically invested in several employee development initiatives. The employee value proposition focuses on people, passion and opportunities. We care about and contribute to the well-being of people, the environment and communities, while the group's growth strategy provides our people with unlimited opportunities.

Group leadership model

We have designed a leadership competency framework using global benchmarks to assess and develop top talent. The skills essential for executive and senior management positions were determined through a competency analysis process, using the latest research findings. This will provide the basis for the design of future development programmes.

The Clicks Group leadership model, DRIVE, is based on the following principles:

Delivery | Resilience | Integrity | Vision | Enterprising

LEARNING AND DEVELOPMENT

Skills development

The group is committed to developing the skills, knowledge and capability of its employees. A total of R144 million was invested in learning and skills development, which equates to 3.39% of basic payroll. A total of 5 781 employees (2018: 6 078) participated in learning and development interventions which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications. Black employees accounted for 93% of the total number of employees trained and women 64%.

Enhanced management and leadership competencies, developing scarce and critical skills, and facilitating organisational transformation were the main areas of focus.

Learning and development statistics	2019	2018
Learning and development spend (R'million)	**144**	125
Number of employees trained	**5 781**	6 078
Black employees as a % of all employees trained	**93**	89
Female employees as a % of all employees trained	**64**	62
Pharmacy bursary spend (R'million)	**7.3**	4.6

Creating pharmacist capacity

As a leader in the South African healthcare market, Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and are committed to invest in the attraction, learning and development, and retention of employees. Clicks partners with pharmacy schools at universities, external learning providers and other stakeholders to create a pipeline of talented, motivated healthcare professionals.

The pharmacy development strategy focuses on:

- ongoing engagement with pharmacy schools across the country;
- investing in learning laboratories at university pharmacy schools;
- managing a pharmacy bursary scheme;
- providing workplace experience through the pharmacy internship programme;
- developing pharmacists' assistants and trainees through learnership programmes; and
- continuing professional development of pharmacists and nursing practitioners.

Clicks invested R7.3 million (2018: R4.6 million) in bursaries for 135 students completing the Bachelor of Pharmacy degree at registered South African universities. 93% of bursary recipients were black and 61% female. The group also provided opportunities to 118 students to complete internship programmes. The group's Pharmacy Healthcare Academy is registered with the South African Pharmacy Council (SAPC) and is instrumental in developing pharmacists' assistants, with 658 learners currently registered on learnership programmes.

CAREER OPPORTUNITIES

We do our best to hire South African talent, except in the case of skills that are scarce in the country. A strict approval process is followed for exceptions when an individual with a scarce skill needs to be employed. 99.42% of total employees are South African.

A dedicated pharmacy recruitment team operates within the Clicks brand and focuses on the recruitment of pharmacists, pharmacy graduate interns, and pharmacist assistants at the basic, post-basic and qualified post-basic level. The team operates under an agreed service level agreement with business partners, which tracks the average time to fill a vacancy, cost savings and compliance to the group's resourcing framework.

Total rewards framework

The group's remuneration policy is based on the total rewards model and entrenches the reward principles of fair, responsible and transparent remuneration practices, market competitiveness, and pay-for-performance.

The total reward model comprises both monetary and non-monetary rewards for employees and integrates the five key elements that the group believes attracts, motivates and retains human capital to achieve the desired business results:

1. **compensation**
2. **benefits**
3. **performance and recognition**
4. **learning and development**
5. **work-life integration**

Included in the element of compensation are annual guaranteed pay, variable pay such as short and long-term incentives to inspire and reward performance that meets or exceeds agreed targets, as well as industry-leading benefits which provide retirement funds, insured benefits and healthcare plans.

One of the highlights of 2019 was the enrolment of 9 200 qualifying employees in customer service, clerical and supervisory roles on the Discovery Primary Care Advanced healthcare plan. The employee's membership is funded by a 100% company contribution, and employees were given the option to include their spouse and child dependants at their own cost through a monthly payroll deduction. The plan provides comprehensive primary and trauma care, including unlimited access to a general practitioner, optical and dental benefits, ambulance and casualty services. The introduction of this health benefit has significantly improved the health and well-being of employees and their family members, and has contributed significantly to reducing the inequality in healthcare services provided to the group's employees.

> ***"We do our best to hire South African talent, except in the case of skills that are scarce in the country."***

Non-monetary rewards are less tangible and range from formal and informal recognition programmes, training and job rotation opportunities and exposure to stimulating work assignments, all of which are designed to motivate, affiliate and retain employees.

As an element within the Clicks Group total rewards framework we also provide our employees outstanding career development opportunities across the group:

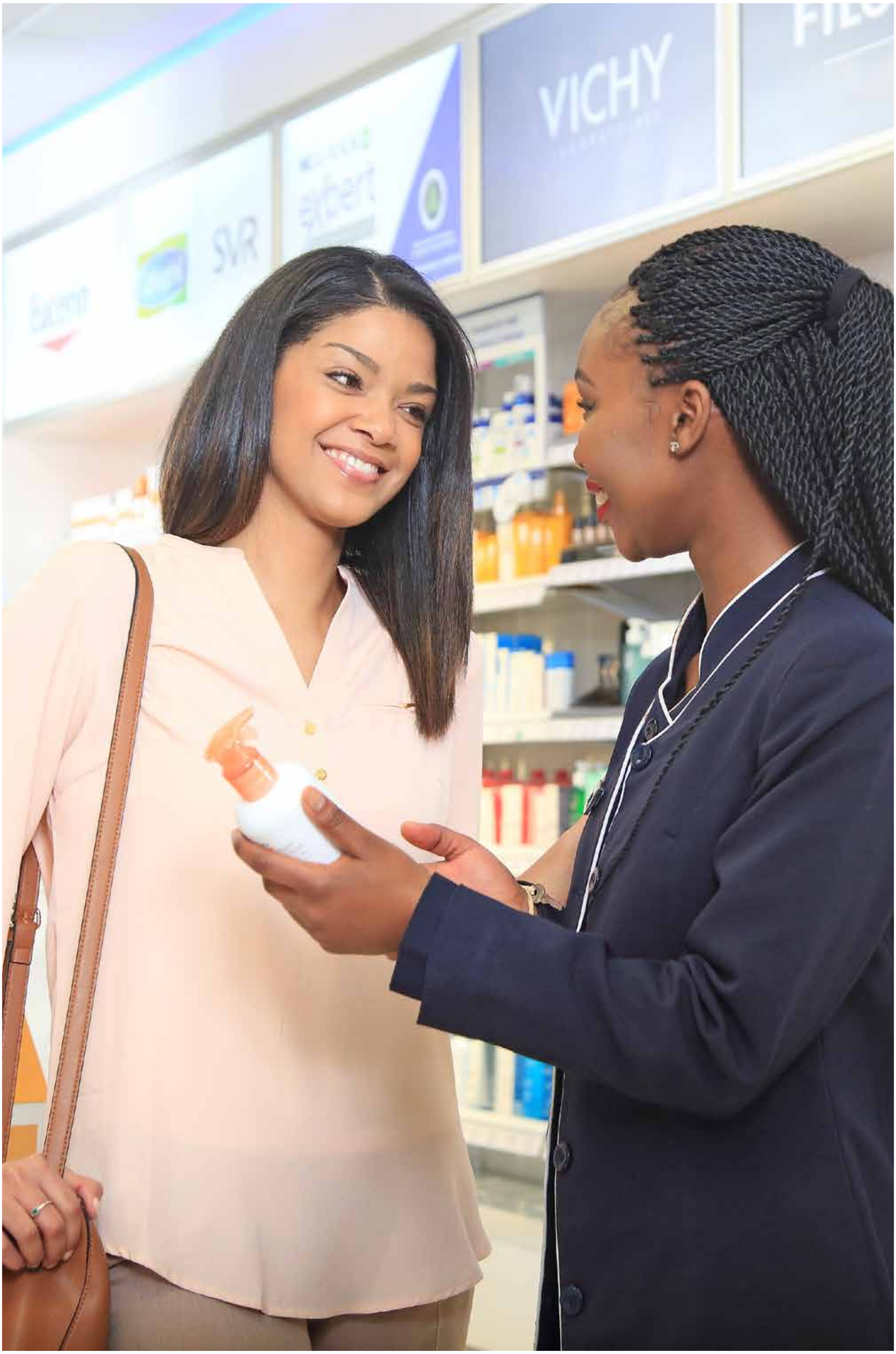
Talent and development

The group recognises that the competence of its human capital is critical in achieving sustainable business growth and is committed to ensuring that all employees are enabled to realise their potential and to meet their career aspirations.

The objectives of the talent and development framework are to:

- ensure that the group attracts and retains the best talent and skills available in the market;
- build employee commitment through the provision of opportunities for career development;
- ensure that suitable employees are appointed in all core, scarce and critical positions and roles;
- contribute to the group's transformation agenda;
- provide a pipeline of talent and skills to enable promotion from within the organisation; and
- address competency gaps.

The Clicks Group is committed to providing enablers for learning and development (such as material, resources, time and support). Employees may access and participate in learning and development initiatives.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EMPLOYEE HEALTH AND SAFETY

The health and safety of employees, suppliers and customers is an important aspect of our business. The health and safety committees have been established across the group to help maintain workplace safety and support employees' well-being. Committee members and employees receive training, while a health and safety policy covers employees, contractors and customers.

An independent company conducts a detailed audit with a gap analysis of the programmes and procedures of the group's health and safety programme on an annual basis.

The group HR director reports to the social and ethics committee, where progress with the health and safety programme is discussed and reviewed.

Description	2019	2018
Health and safety committee members	**822**	752
Fire-fighters	**731**	695
First-aid representatives	**710**	622
Injuries on duty	**61**	68
Occupational diseases	**0**	0
Lost days	**146**	188
Fatalities	**1**	0

In FY2019 we sadly experienced a fatality when, on 16 October 2018, a UPD driver was involved in a collision between his UPD delivery bakkie and a heavy truck.

EMPLOYEE SHARE OWNERSHIP PROGRAMME

The employee share ownership programme (ESOP) was introduced in 2011 to attract and retain scarce and critical skills, accelerate transformation, build employee commitment and enable employees to share in the growth and success of the business. Executive directors and senior employees who participate in the group's long-term incentive (LTI) schemes did not participate in the ESOP.

Employees with more than five years' service, pharmacists and senior employees from designated employment equity groups received a 15% enhancement of their share allocation.

By delivering on its objectives to attract and retain scarce and specialist skills and to accelerate the group's transformation, the ESOP contributed towards the growth and creation of employment opportunities within the group.

Entry to the scheme closed in 2015. The first 50% of ESOP beneficiaries' share allocations vested in 2018 and the balance in 2019.

The payout process was supported by an extensive communication campaign to ensure that beneficiaries were well informed of the various milestones and held realistic expectations of their payout value. Employees were given access to financial advice through our group's employee wellness programme and were encouraged to use their payouts in ways that would sustainably change their quality of life.

In February 2019, R1.5 billion was paid out to 7 798 beneficiaries, bringing the total value paid to beneficiaries to R2.8 billion (R355 000 on average per beneficiary) over the 2018 and 2019 payouts. Beneficiaries also received dividends totalling R39 million over the course of the programme.

In addition to the wealth that was created and shared with the programme's beneficiaries, the ESOP generated R100 million which was donated to the New Clicks Foundation. The Foundation has invested the funds received and plans to grant 100 bursaries annually to talented, previously disadvantaged South Africans to gain a university degree. The first 100 students have been selected and commenced their Pharmacy degrees in February 2019. We are confident that these young South Africans will become leaders who will take the industry in South Africa forward and will contribute to delivering quality healthcare to all South Africans.

R2.8 billion
paid to participants in the scheme

Average total payout of
R355 000
per beneficiary

EMPLOYEE ENGAGEMENT SURVEY

The group undertakes an employee engagement survey every second year and conducts targeted pulse surveys periodically. The results are communicated to all business units, divisions and departments to create action plans. In terms of employee engagement, the group outperforms the South African benchmark in seven out of the twelve dimensions, resulting in an overall employee engagement index of 70, which is on par with the national benchmark of 69.

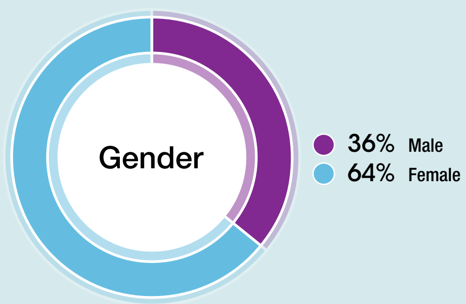
Employment equity

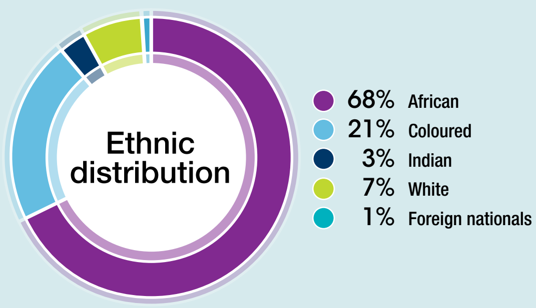
Clicks Group's main employment equity focus is to create a diverse workforce and management is committed to the recruitment, development and retention of employees, regardless of race, gender, disability, religion, sexual orientation and political persuasion. The group's workforce comprises 92.7% (2018: 92.1%) black employees and 63.8% (2018: 63%) female.

The group supports the national development agenda aimed at the employment of youth in sustainable positions. The group continues to align its employment equity targets and the national economically active population statistics, in line with the Director-General of the Department of Labour's review process since 2012. The group's permanent monthly paid staff turnover is 14.5% (2018: 13.9%), below the targeted range of 18% – 20%.

Employee profile of South African businesses

	Male				Female				Foreign nationals		Total
Occupational level	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	0	1	2	4	0	1	0	2	3	1	**14**
Senior management	8	10	8	32	3	5	9	19	1	1	**96**
Middle management	131	68	34	111	154	52	60	172	15	22	**819**
Junior management	625	201	49	92	876	510	153	409	6	14	**2 935**
Semi-skilled	3 231	598	51	50	5 025	1 697	112	97	12	10	**10 883**
Unskilled	3	0	0	0	3	0	0	0	0	1	**7**
Total permanent employees	**3 998**	**878**	**144**	**289**	**6 061**	**2 265**	**334**	**699**	**37**	**49**	**14 754**
Temporary employees	388	38	15	20	545	75	22	30	4	12	**1 149**
Grand total	**4 386**	**916**	**159**	**309**	**6 606**	**2 340**	**356**	**729**	**41**	**61**	**15 903**





EMPLOYEE WELLNESS PROGRAMME (EWP)

The EWP was developed and is a work-based advisory, counselling and support programme which provides life, health, performance and wellness management services to employees and their immediate households free of charge. It is available 24/7 in all official South African languages.

Our comprehensive EWP had its origins in an HIV project that was set up as a group initiative in August 2005. The intention was to define and implement a group-wide HIV strategy instead of having separate business unit initiatives.

Before we started the HIV project, we spent time evaluating our current and past approaches to identify successes and shortcomings. We also looked at what other companies were doing and what they had learned; what international research recommended; and, finally, what various service providers offered.

Clicks commissioned a study to assess the impacts of HIV/AIDS on the demographics and financial well-being in the workplace. This study also weighed up the benefits and estimated cost of HIV management programme. The uptakes of the study were:

- HIV/AIDS is not the only issue our employees are struggling with. There are a range of sociological issues that impact on the day-to-day lives of our employees and their families, such as substance abuse, domestic violence and tuberculosis;
- leadership buy-in is vital for the sustainability of any programme; and
- behaviour change through communication is vital to the success of the programme.

EWP is aimed at informing, educating and supporting employees to:

1. **take responsibility for their physical, mental and emotional well-being;**
2. **remain fully engaged and motivated; and**
3. **enable a productive organisational culture in which employees are fully present.**

The EWP, through ICAS, provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependants. It is highly valued by employees and line managers. The programme's total utilisation rate remains the highest in the consumer services sector.

In 2019, 2 065 employees completed wellness screenings, which included blood pressure, glucose, cholesterol, body mass index and HIV tests during the wellness days, which are held nationally at head office, distribution centres and stores.

The HIV/AIDS management programme is focused on prevention through information and education, treatment and support. Employees are encouraged to know their HIV status through the voluntary counselling and testing campaign delivered at head office, distribution centres, regional offices and in stores on an annual basis. A group of leading retailers collaborated in 2007 to find a way of making HIV counselling and testing available to employees who work in stores and started the Retailers Unite initiative.

"Clicks commissioned a study to assess the impacts of HIV/AIDS on the demographics and financial well-being in the workplace."

This programme is delivered by an independent service provider, Metropolitan Health. HIV management and treatment services are for permanent employees and offer the following:

- free voluntary counselling and testing;
- free antiretroviral and certain HIV-related medication;
- free multivitamins;
- two free HIV-related doctor consultations and blood tests per year;
- prevention of mother-to-child transmission, including milk formula for six months;
- post-exposure prophylaxis (PEP); and
- counselling and support to employees and their dependants.

The Clicks Group EWP has received the following accolades:

- South African Branding Awards – Managing Health in the Workplace

We care about the health and well-being of our employees and encourage all employees to participate when a campaign comes to their shopping centre. We extend an open invitation to other retailers to come on board so that their employees might also benefit from participating in this initiative. There were 40 events held in 2019 in every province, with positive feedback from all employees who attended.

CLICKS GROUP EWP

EWP utilisation of counselling and advisory services

Employee wellness programme		Annual 2018/19	Annual 2017/18	Annual 2016/17	Annual 2015/16
Employee utilisation (individual cases)		**2 065**	1 636	1 496	1 387
Family utilisation (group interventions)		**718**	486	430	296
Total utilisation	(rate)	**2 783**	2 122	1 926	1 683
	(%)	**(18.2)**	(14.9)	(13.4)	(20.0)
Formal referrals	(number)	**167**	113	95	106
	(%)	**8.1**	6.9	6.4	7.6
Managerial services	(number)	**498**	282	230	265
	(%)	**13.9**	10.1	9.1	11.2
High-risk cases		**61**	62	48	35
HIV/AIDS management programme		**71**	69	63	52

Team support programme

Sixty-two critical intervention participants were assisted in the June – July 2019 quarterly period. These debriefing interventions are aimed at supporting our employees who were exposed due to store robberies and bereavement incidents. A further 22 individuals were assisted through couples' counselling, the child protocol process and family therapy.

Important note: Due to ongoing case management and quality management processes embedded at ICAS, some figures may change subsequent to the generation of an engagement report. As such, comparative reports may differ slightly although macro-level trends will remain stable. Please note further that utilisation of the EWP is tracked per case, against the date the case is opened. Quarterly utilisation results will be adjusted retrospectively in the event of such utilisation taking place in a subsequent quarter.

HEALTHCARE CONFERENCE

As part of our role to facilitate knowledge sharing and strengthening of partnerships, Clicks hosts an annual healthcare conference to include all the employees and suppliers who help us deliver the patient-centred Clicks healthcare experience. The focus of the conference has over the years been extended not only to pharmacy, but to the healthcare services sector as a whole.

The delegates include pharmacists, nursing practitioners, pharmacy assistants, interns, Clicks operational employees and suppliers from across the country. The conference represents a key opportunity for the group to explore new ways to take healthcare further and improve the lives of our patients. Speakers from both public and private sectors address the gathering to share knowledge and engage with the group, while continuous professional development (CPD) points are earned by pharmacists and nursing practitioners who attend applicable sessions.

For further information visit https://healthcareconference.clicks.co.za/

ENGAGING OUR EXTERNAL STAKEHOLDERS

Transformation rating

6

2018: **6** (new BBBEE codes applicable)
2017: **5** (new BBBEE codes applicable)

Total spend of socio-economic development

R19.8 million

2018: **R18.4 million**
2017: **R17.8 million**

Total investment in bursaries

R8.3 million

2018: **R6.2 million**
2017: **R4.4 million**

Total number of bursary students

171

2018: **140**
2017: **100**


SAFEWAY
smartlife
yoghurt maker
CLICKS

CREATING VALUE THROUGH STAKEHOLDER ENGAGEMENT

Clicks Group's stakeholder engagement process focuses mainly on the five primary stakeholders that management believe are most likely to influence the ability to create value in the short, medium and long term. Proactive and transparent relationships enable the group to identify and address the needs, expectations and concerns of these stakeholder groups.

	Customers	Shareholders and lending institutions
	Clicks targets consumers in the growing middle to upper-income markets (LSM 6 – 10) **UPD** customers include Clicks, major private hospital groups, pharmaceutical manufacturers and independent pharmacies	**Shareholders:** Local and international institutional and private investors, as well as fund managers and analysts from the broader investment community **Lending institutions:** South African financial institutions which provide funding and trade finance facilities to the group
Engagement issues in 2019	• Product range in store and online • Product availability in store and online • Service levels • Price competitiveness and promotions • Pharmacy services • Personalised engagement and ClubCard benefits	• Group strategy • Current trading environment • Impact of economic climate on consumers • Trading and financial performance • Store and pharmacy expansion plans • CEO succession • Regulatory environment • Capital management • Growth prospects
Value created through engagement	**Clicks:** • Meeting customer needs and creating trust in products and practices: – 133.5 million customer transactions – 44.9 million prescriptions processed – 10.5% growth in health and beauty sales – Market share gains in all key categories • Increasing customer loyalty – 8.1 million active ClubCard members **UPD:** • Meeting customer needs through range, availability and service – Over 1 700 corporate and independent pharmacies serviced – 266 million units of medicine delivered – 99.1% order fulfilment to customers	• High levels of investor interest with 110% of shares traded in the year • Attractive investment case with 72% international share ownership • R1.2 billion returned to shareholders in dividends and share buy-backs • Engagement issues addressed in annual and interim results presentations and webcasts, local and international investor roadshows, integrated report and annual financial statements • Meetings with 204 local and international funds and brokerages contributed to better-informed investor community • Funding and trade finance facilities provided at competitive rates

	Employees	Government and industry regulators	Suppliers
	All permanent and part-time employees across the group	Department of Health, SA Revenue Service and other government departments, industry regulatory bodies and local authorities. As a listed company, the JSE Limited is the primary regulator	Local and international suppliers of products and services, including producers of exclusive brands and private label products
Engagement issues in 2019	• Remuneration and benefits • Performance management • Personal development • Career path planning • Training and skills development • Transformation • Employee share ownership programme (ESOP)	• Pharmacy licences • Registration of medicines • Complementary and alternative medicines • Legislative and regulatory compliance • Tax compliance • Submission of statutory returns • Compliance with JSE Listings Requirements	• Quality, safety and ethical standards • Product availability and exclusivity • Product innovation, strength of brands • Private label products • Transformation and BEE scorecards • Legislative compliance
Value created through engagement	• Total staff complement increased by 2.3% to 15 413, with 346 new jobs created • Ability to attract and retain staff reflected in turnover of full time permanent employees of 14.5% • R3.4 billion paid to employees • R2.8 billion paid to over 7 800 employees under the broad-based ESOP over the past two years • Investment of R144 million in training and skills development • Transformation of workforce evident in employment equity profile: – Black staff 93% of total staff – Female staff 64% of total staff	• Slow pace of medicine registration by SA Health Products Regulatory Authority continues to restrict launch of new private label medicine ranges • Direct engagement with industry regulators and indirect engagement with regulators through industry bodies • Lobby for regulatory reform and fair legislation which will not adversely affect returns to shareholders • Paid R262 million in direct and indirect taxes	• Stable supply of merchandise reflected in supplier infill levels of 84.9% in Clicks and 98.7% in UPD • Clicks offers over 12 900 private label and exclusive brand products • Consistent supply and maintenance of franchise agreements with The Body Shop International, GNC and Claire's • Continued transformation of the supplier base with 50.2% preferential procurement • R26.7 billion paid to suppliers of goods and services

EMPOWERMENT AND TRANSFORMATION

Clicks Group is committed to the spirit of the Broad-based Black Economic Empowerment (BBBEE) Act. The group's transformation strategy is aligned to the Department of Trade and Industry's (DTI) Codes of Good Practice.

Transformation is managed within a governance framework that includes the board's social and ethics committee, the internal transformation committee, which is chaired by the chief executive and co-ordinated by the group human resources director, and the business unit transformation forums, which are responsible for its implementation.

"The final ESOP payout of R1.5 billion was made to participating employees in respect of the final 50% of the shares to almost 8 000 beneficiaries."

The group achieved a level 6 BBBEE rating in the 2019 financial year (2018: level 6) on the amended BBBEE Codes of Good Practice, with a score of 76.49 points (2018: 74.21 points).

Ownership

The group scored 13.41 points on the ownership element of the scorecard, which is attributed to the employee share ownership programme (ESOP) and an independent analysis of the group's shareholding to determine the level of beneficial black ownership.

The final ESOP payout of R1.5 billion was made to participating employees in respect of the final 50% of the shares to almost 8 000 beneficiaries.

Management control

The management control element of the scorecard is a reflection of the composition of the board of directors, group executive committee and senior management who are members of the business unit operating boards. The board comprises 56% black directors, with women making up 44%. The group executive committee has 66% black representation and 33% female.

BBBEE element	Maximum points	2019	2018
Ownership	25	**13.41**	15.03
Management control and employment equity	19	**13.27**	12.06
Skills development	25	**18.43**	15.57
Preferential procurement, enterprise and supplier development	44	**26.37**	26.55
Socio-economic development	5	**5**	5
Total	118	**76.49**	74.21
BBBEE level		**6**	6


THE BODY SHOP

CUSTOMER RESPONSIBILITY

PRODUCT SAFETY AND LABELLING

Clicks has made good progress in developing environmentally friendly private label products that are competitively priced and offer innovative product, packaging and sourcing alternatives. An on-pack recycling label, introduced in 2010, appears on all private label products to educate consumers to reduce landfill with recyclable packaging.

Clicks stays abreast of developments in the industry – especially regarding environmental protection – by participating in environmental workshops and collaborating on new technologies, including in the packaging industry.

RESPONSIBLE ADVERTISING

The group complies with legislation relating to the advertising of pharmaceuticals and is guided by the Marketing Code Authority, a self-regulating authority for the ethical promotion and advertising of health products.

All claims and marketing relevant to product development and labelling follow industry regulation and legislation. For all development related to cosmetics, babies, food and electrical products, Clicks ensures that technologists understand the latest standards to secure product safety, quality and adherence to labelling and marketing legislation. Regulatory assessments are conducted on an ongoing basis and on-the-job training is provided to technologists to ensure products conform to the relevant legislation.

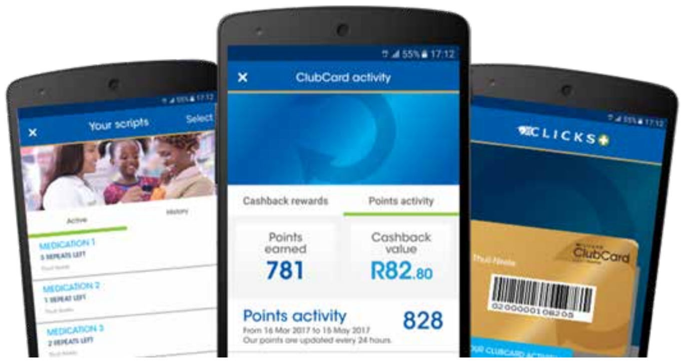
GROWING ONLINE PRESENCE

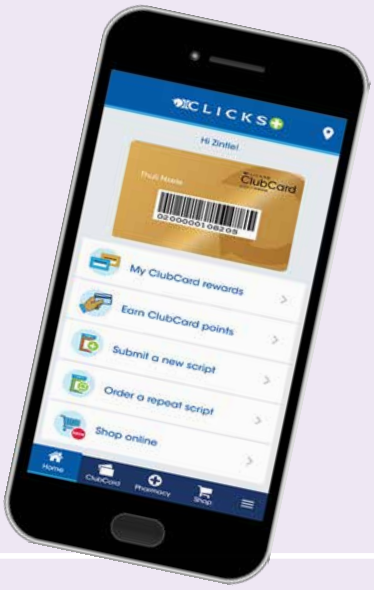
Customers have responded positively to the Clicks online store, which offers the widest product range available in large Clicks stores. Online sales are now the equivalent of a medium-sized Clicks store. The online platform complements the store experience and increases customer convenience. The click and collect service complements the door-to-door courier delivery service and enables customers to shop a wide range of products online and collect their order at their closest Clicks store. In the past year the Clicks website received over 32.3 million visits.

The Clicks digital footprint continues to grow, with 1.2 million followers across social media platforms Facebook, Twitter and Instagram, and reaching an average of over 12 million people each month.

A mobile app offers quick access to ClubCard statements and an integrated pharmacy services solution where customers can submit scripts, view their medication history and order active script repeats from their phone (all conveniently processed and ready for collection from their selected pharmacy collection counter in four hours or less).

Visit www.clicks.co.za/app for more information.





CLUBCARD

The Clicks ClubCard programme is one of the largest and fastest-growing loyalty programmes in South Africa. The ClubCard is how Clicks customers are rewarded for their loyalty in choosing to shop at Clicks and our other brands.

By the end of the financial year Clicks ClubCard had 8.1 million active members. During 2019, R504 million was paid out in cashback rewards to members, compared to R442 million the previous year, reflecting a 14% increase.

https://clicks.co.za/clubCardPage

CLICKS BABYCLUB

BabyClub is designed to reward customers who buy products for babies and toddlers up to the age of 36 months by offering double points on the relevant products* while also providing access to exclusive BabyClub competitions and other special benefits.

* Excluding legislated products

https://clicks.co.za/babyClubLandingPage

SENIOR CLUBCARD

The Senior ClubCard was initiated for customers aged 60 years and older. The Senior ClubCard programme offers various benefits, such as earning double points on Wednesdays and other special discounts and offers.

The group continues to explore ways to add value to the ClubCard offering. Over and above the convenience of receiving cashback that is available to help pay for purchases at the Clicks, Claire's or The Body Shop tills, the conversion of points to cashback is done for the Clicks customer and issued in a two-monthly cycle. These cashback values are valid for one year from date of issue so it remains the ClubCard member's choice whether to use the value immediately or save it for a later date.

ClubCard provides the following benefits to members:

- scan your ClubCard from your smartphone (using the Clicks app) so that you never miss out on earning points on any transactions and having points converted to cashback in a two-monthly cycle;
- conveniently receive updates on specials and new initiatives when cashback is loaded;
- special "double points" offers that increase cashback earnings opportunities on all ClubCards;
- speed up interactions at pharmacies as ClubCard members' profiles are loaded on a central pharmacy database, which means ClubCard members can collect their prescriptions from any Clicks pharmacy;
- in South Africa, receive rewards for ordinary expenses (such as earning points on fuel purchases and for eye tests/specs at SpecSavers/Execuspecs), and for treats at Sorbet, City Lodge group, Europcar and Netflorist; and
- for South African members aged 18 – 65 with South African IDs: a "no cost funeral cover" through Hollard Life Assurance Company Limited.

https://clicks.co.za/clubCardPage

ACCESS TO MEDICINE AND NUTRITION

Our integrated healthcare retail and supply chain model creates a unique competitive positioning for the Clicks Group in South Africa. The group aims to ensure convenient customer access to medicine through an expanding national network of Clicks pharmacies which are supported in healthcare supply chain management by the group's pharmaceutical wholesaler, UPD.

The Clicks pharmacy network has been extended to 545 pharmacies and 194 clinics, while delivery through our courier business, Clicks Direct Medicines, allows penetration into outlying areas.

As a leader in the South African healthcare market, Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and we are committed to continued investment in the attraction, learning and development, and retention of employees, having spent R1 million on staff learning and development initiatives in the last financial year.

Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication and 545 Clicks pharmacies have been registered as pickup points as part of the Department of Health's Central Chronic Medicine Dispensing and Distribution Programme across the pilot districts.

In addition, Clicks continues to develop an extensive range of Smart Food products to support health and wellness. It provides customers with an accessible solution to a healthier lifestyle.

Clicks also launched eco-conscious cotton buds made of 100% organic cotton tips on paper stems, packed in a Forest Stewardship Council (FSC) certified paper box as a response to some of the growing environmental challenges within the retail sector.

Generic medication advantages

The healthcare strategy of the Clicks Group is aligned to the South African Government's healthcare goal to make medicine more affordable and more accessible. Generic medicine is more affordable and will enable access for more patients.

"Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication at 545 Clicks pharmacies."

Generic medicines have the equivalent biological effect and dissolution of the originator product. They contain the same active ingredients and have the same dosage form and strength as the original medication; however, they may contain different inactives (colourings, starches, sugars, etc.). There may also be differences in size, shape, colour or pack size, but none of these have any impact on the drug's pharmacological effect.

The benefits of generic medicines are:

- Generics offer substantial cost savings without compromising efficacy.
- Cost saving makes more efficient use of a customer's medical aid benefits.
- Cost saving enables customers to pay for other treatments and services that they may need.
- Lower-priced medicines encourage more healthy competition in the market.
- Generics allow patients to exercise their rights as a consumer. Clicks provides a wide range of pharmacy and front shop medicine alternatives in their generic range, offering customers value for money.

INVOLVEMENT IN INDUSTRY INITIATIVES

Clicks Group is a member of the Health Products Association (HPA), Self-Medication Manufacturers Association of South Africa (SMASA) and the Consumer Goods Council and Aerosol Manufacturers Association. These associations have all been initiated to ensure the safety of consumers as well as to protect the industry. The group is also a member of the Cosmetics, Toiletry and Fragrance Association (CTFA) whose main purpose is to guide member companies from the cosmetic and personal care industry concerning the South African Regulatory Codes of Practice and Standards and high quality and safety of cosmetic products.

OUR SUPPLIERS

SUPPLY CHAIN

Private label development has become an integral part of the group's approach, especially under the various Clicks brands. We have a strong focus on sourcing from an accredited, reputable and audited supplier base to provide customers with superior quality products, at affordable prices, that maintain ethical and socially responsible standards.

Supplier development

The group invested R38.6 million in supplier development initiatives outlined below.

The UPD independent owner-driver scheme, which was established in 2003, contracts small enterprise owner-drivers to deliver products from UPD to Clicks, independent pharmacies, hospitals and clinics.

Triton Pharmacare is one of the healthcare industry's largest and longest-standing private label manufacturers, with the local factory in Midrand, South Africa. The factory complies with best manufacturing standards and has been accredited by the South African Health Products Regulatory Authority (SAHPRA) (formerly the Medicines Control Council). Triton Pharmacare supplies private label products to the Clicks brand in tablet, capsule, powder, granule and liquid format.

SUPPLY CHAIN MANAGEMENT

Preferential procurement

We focus on sourcing merchandise and services from locally based and empowered suppliers. In the past year 50.2% (2018: 64.1%) of total measured procurement spend was from empowering suppliers.

Enterprise development

The group invested R19.7 million in enterprise development initiatives.

COMMUNITIES

SOCIO-ECONOMIC DEVELOPMENT

The Clicks Group's socio-economic development programme focuses on areas that are aligned with the business's strategies related to health and well-being. The group measures the success of the programme by quantifying donations to or community investments in not-for-profit organisations.

We have once again shown our commitment to the communities where we trade by investing 1.16% of profit after tax in social development programmes. A total of R19.8 million (2018: R18.4 million) was invested in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being in South Africa.

The group also invested R7.3 million in bursaries to 132 students completing Bachelor of Pharmacy degrees, which is reported under the skills development section in this report and is reported separately from social development spending. The group invested a total of R13.3 million in health, including HIV/AIDS as the main focus. The full socio-economic development spending was in South Africa.

We also donated R886 000 to the Public Health Enhancement Fund for the financial year. The fund aims to address skills shortages, improve quality of public healthcare and advance research.

Clicks Helping Hand Trust

Clicks Helping Hand Trust (CHHT) has opened all Clicks clinic doors for HIV testing, and Moms and Babies services. All clinics offer free services and have delivered 79 903 free consultations since inception. Free baby vaccinations and family planning medication are now available at all Clicks clinics in the Western Cape as a result of a partnership between the Western Cape Department of Health and Clicks. Similar partnerships in three other provinces are being finalised. The trust is able to continue the work it does through financial support and donations from Clicks, its employees, suppliers and other organisations with aligned goals.

Girls on the Go community programme

Whilst most of our funds are spent in Clicks, we know the numerous needs of our communities. The Girls on the Go programme, driven by CHHT, tackles the plight of impoverished girls who often miss school during their menstrual cycles. The aim of the programme is to ensure access to much-needed sanitary towels so that girls can stay in school, therefore ensuring the development and growth of young South African women with dignity. The Trust and Novartis partnered to donate more than 2 000 reusable pads on Menstrual Hygiene Day.

CHHT has committed to reach 5 000 girls since its inception in 2016.

Moms And Babies programme

CHHT Moms and Babies programme offers free clinic services every Thursday afternoon at selected clinics. These services are available to mothers whose babies were born in State hospitals, and who are not covered by medical aid. The trust was launched in 2011 in response to the need to reduce infant and maternal mortality in South Africa. The free services offered include baby immunisation (where State stock is available), growth measurement and baby weighing, feeding and nutritional advice, as well as family planning advice and medication (where State stock is available).

Health campaigns

CHHT extends its hand further with other focused health campaigns throughout the year, aligned with the National Health Calendar. We are focused on working with the government to improve the health of all South Africans, by helping every South African to know their health status. These campaigns include heart health, with free blood pressure and cholesterol testing, diabetes awareness, with free glucose and blood pressure testing, and HIV awareness, with free HIV testing. These free services are available in all clinics during campaigns.

Other beneficiaries of the group's social investment include

Carel du Toit Centre

The Carel du Toit Centre works towards early identification of hearing loss and the fitting of hearing aids or a cochlear implant.

We believe that with early identification, providing there are no further complications, a large percentage of deaf children can acquire sufficient speech and language abilities to adapt intellectually, socially and emotionally in a society of hearing people.

The Topsy Foundation

Topsy is a non-profit organisation with the belief that all children deserve to thrive, regardless of where they come from. They work to break the cycle of poverty and empower rural communities in Mpumalanga, South Africa, through education, food security, health services and emotional support to women and children.

Their sustainable interventions are focused on supporting the most vulnerable women and children in disadvantaged rural communities, where they aim to use community assets for sustainable change.

Topsy delivers holistic interventions to children, which includes medical, educational, psycho-social and nutritional services.

They also deliver health services and support to women while equipping them with the skills and knowledge to raise happy, healthy and capable children.

Mandela Day

CHHT partnered with Rise Against Hunger to host a meal packing challenge at our head office. In the spirit of Mandela Day, all business units put a team together and were able to pack over 10 766 meals to a total value of R31 221.

Take A Girl Child To Work

Take A Girl Child To Work Day is regarded as one of South Africa's largest collaborative acts of volunteerism having helped more than a million girls thus far. This year Clicks contributed to the career goals of South Africa's future female learners in Grades 8 – 12 by hosting 19 female pupils. The aim of the day was to help young female learners bridge the gap.

Gift of the Givers

Clicks has for the last 12 months donated water to Gift of the Givers for their reticulation plants in Beaufort West and, most recently, Grahamstown. This has been done in aid of the drought relief efforts.

EMPLOYEE CONTRIBUTION

Employees are encouraged to support social development projects, schools and charities, and to subscribe to the payroll giving scheme through the Helping Hand Trust.

ENVIRONMENT

Carbon emissions (CO_2)

132 365 metric tonnes

2018: **117 176 metric tonnes**
2017: **118 434 metric tonnes**

Carbon Disclosure Project – performance band

A-

2018: **A-**
2017: **A-**

FTSE Russell/JSE Responsible Investment Index

included

2018: **Included**
2017: **Included**

Carbon emissions intensity target

5% **reduction by 2020**

Included in FTSE4Good Index

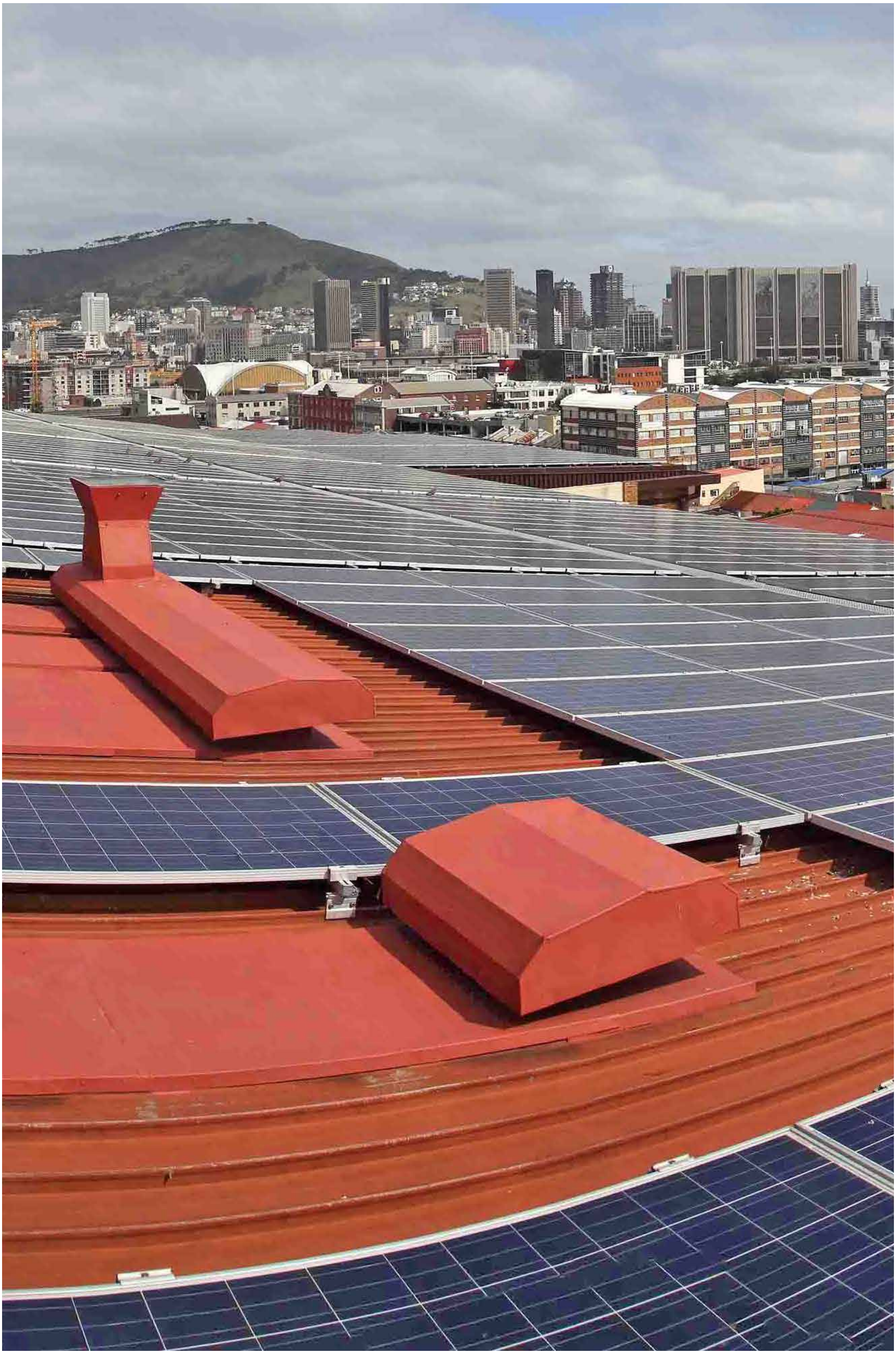
645 000 kilowatt hours renewable energy produced

85% of waste recycled

3 568 tons of recycling in the supply chain

Energy and water reduction targets set to reduce carbon footprint

FTSE4Good



ENVIRONMENTAL AND CLIMATE CHANGE OVERVIEW

Environmental management systems are embedded into all business practices and operations. Sustainability is a core strategic component of our long-term business strategic outlook. The board social and ethics committee is accountable and has the mandate to oversee the group's sustainability performance, including climate change, resource consumption as well as waste management.

Clicks Group participates in the voluntary Carbon Disclosure Project (CDP) and the disclosure of environmental, social and governance (ESG) information for processing for the FTSE Russell Responsible Investment Index annual assessment. This has contributed to a more robust sustainability reporting process as well as ensuring long-term business sustainability is in line with investors' expectations.

The group's response to climate change and approach to environmental management is focused on:

energy efficiency	water management	waste management	distribution network optimisation

Clicks Group engages with national government and other local institutional stakeholders on energy reduction, carbon tax strategies and developments on the environmental front, including new legislation and research.

The group's environmental management objectives include:

1. Legislative and regulatory compliance
2. Internal and external stakeholder engagement
3. Environmental sustainability reporting
4. Assessment and evaluation of sustainability initiatives
5. Promoting a culture of environmental awareness

The group's operations have a low environmental impact.

Clicks' position statement on plastics:

Through its private label products Clicks undertakes to minimise its environmental impact by working towards the implementation of a circular economy on plastic, together with industry and through our commitment to the development of The South African Plastics Pact. In this regard we have introduced recycled plastic into Clicks shopper bags, pharmacy bags and reusable shopper bags, meaning plastic which would previously end up in landfill is reused and repurposed. Further work will continue to implement the on-pack recycling labels unified with other retailers for improved customer education, as well as increasing recycled content and reducing packaging across private label products.

CARBON FOOTPRINT

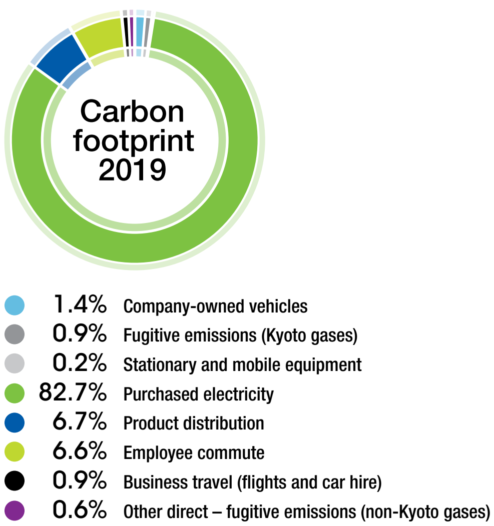
Legislative and regulatory changes inform our strategic approach to managing climate change risks that has the potential to affect our business. Clicks is cognisant of how operational systems such as the IT systems in retail stores, technical equipment in pharmacies, as well as IT and security systems at UPD related to packaging and distribution, face physical climate change risks such as energy failure. These risks are well managed in Clicks and are considered in the risk assessments. The installation of the 400 kWP solar photovoltaic (PV) system on the roof of the head office was a strategic business decision that assisted Clicks with managing energy-efficiency processes as well as reducing Scope 2 emissions, subsequently assisting with mitigating global climate change.

Clicks is currently revising their greenhouse gas (GHG) emission targets for their operations. It commits to reducing its Scope 1 and Scope 2 GHG emissions intensity by 5% per m^2 by 2020. This is a further 5% beyond the Intensity 1 target reported by 2020. This target is relative to 2015 levels of 0.19 tCO_2e/m^2. The target would reduce GHG emissions to 0.171 tCO_2e/m^2 and Clicks achieved this target in FY2018, which is ahead of the target year. The long-term target is to reduce emissions by 10% from 2015 levels, by 2030.

The group's carbon footprint data is independently verified to ensure credibility with all our carbon footprint processes. The data is externally verified by SustainabilityIT, to maintain accuracy and validity. The processes and procedures are constantly improved to ensure accuracy.

	2019	2018	2017
Scope 1 emissions (CO_2) metric tonnes			
Company-owned vehicles	**1 781**	1 703	1 792
Fugitive emissions (Kyoto gases)	**1 185**	258	271
Stationary and mobile equipment	**296**	158	185
Scope 2 emissions (CO_2e) metric tonnes			
Purchased electricity	**109 532**	96 202	96 458
Scope 3 emissions (CO_2e) metric tonnes			
Product distribution	**8 782**	8 250	8 289
Employee commute (based on 2016 survey)	**8 831**	8 798	9 044
Business travel (flights and car hire)	**1 152**	1 265	1 499
Other direct – fugitive emissions (non-Kyoto gases)	**772**	483	936
Total	**132 365**	117 176	118 434

The emission factors for 2019 were revised to 1.04 from 0.95 previously.



Targets

Intensity targets

Intensity target 1: GHG emission intensity per m^2 – five-year target to reduce intensity by 5%

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	5%
Metric	Metric tonnes CO_2e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2020
% time complete	80%
% emissions complete	100%

Intensity target 2: GHG emission intensity per m^2 – 15-year target to reduce intensity by 10%

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	10%
Metric	Metric tonnes CO_2e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2030
% time complete	27%
% emissions complete	48%

The renewable energy target is presented below:

KPI – metric numerator	Renewable energy production in kWh
KPI – metric denominator (intensity targets only)	Total energy consumption in kWh
Base year	2015
KPI in baseline year	0.0013
KPI in target year	0.015
Target year	2020
% renewable energy in target year	1.50%

Energy management

Our dependence on non-renewable energy resources as a country puts an additional strain on an ailing national utility power supply system which resulted in escalating energy costs. Through its climate change policy, the group strives to reduce its energy utilisation through efficient energy usage and to generate cost savings. The group's ongoing initiatives with regard to energy management include the implementation of LED technology in all operations as well as managing and monitoring the solar PV system at the head office building. The solar PV has the energy capacity of 400 kWp and comprises 1 298 modules installed over a rooftop area of 2 519 m^2. Deploying solar energy has created diversity within the group's energy mix hence reinforcing our commitment to help reduce GHGs and deliver increased value to our shareholders. Clicks has installed electronic meters which monitor energy usage per store. This has contributed to a reduction in stores' energy consumption. Clicks relies on both renewable and non-renewable energy sources. Electricity and fossil fuels are significant in our business operations. We experienced a 4.4% increase in our total electricity usage in comparison with the previous year and this is attributed to the increase of our store footprint.

- **The total group m^2 increased by 6.5%.**
- **Total group energy usage increased from 101 389 kWh in 2018 to 105 883 kWh in 2019.**
- **Our intensity metric reduced from 176.87 kWh/m^2 in 2018 to 173.17 kWh/m^2 in 2019.**

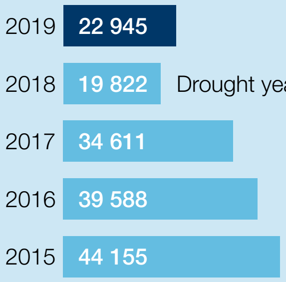
Distribution network optimisation

UPD has a vehicle replacement programme and adopted a route optimisation initiative which entails identifying the best possible routes for drivers and limits driving at 80 km/h or below, to save fuel and reduce emissions. It also means that the drivers spend less time on the road, hence improving safety. Route optimisation in the distribution of products is continuously improved to reduce distances travelled and the use of fossil fuels.

Water management

Water is a shared resource and effective water management is core to the group's environmental management systems. It underscores our commitment to conserving the natural environment within the national environmental agenda and also allows us to evaluate material water risks especially in water-stressed regions and its impacts on the business. Quality fresh water supply is vital for some of Clicks' operations as the primary use is associated with the provision of medical services as well as meeting regulatory requirements, especially in our clinics. Water availability is a prerequisite to prevent the spread of disease. If water is not available, these pharmacies cannot operate.

Total water usage in kilolitres



Additionally, the efficient use of water resources is a business imperative as this has resulted in reduced cost and has allowed us to reduce our dependency on the municipal system, subsequently alleviating some of the pressure on the resources as a result of various competing water demands. The group has several water conserving initiatives in place which include the water boreholes installed at the head office and the Cape Town distribution centre as well as the rainwater harvesting system. The water withdrawals from the boreholes are monitored on a monthly basis. The group also recycles water at the head office from waste water which is captured from the head office building's air-conditioning cooling towers. This enables the head office to be partially operational when water is unavailable for short periods of time (three to four days). This initiative saves the business approximately 200 000 litres of water per annum. Our operations, however, are not water intensive and the impact of access to water is therefore minimal.

Waste management

The group's approach to managing waste is centred on promoting recycling initiatives. Recycling initiatives have been adopted at head office to create awareness among employees and ensure less waste goes to landfill. The group is currently in the process of gathering waste data and understanding waste data management processes as it plans to embark on a "zero waste to landfill" initiative at its head office.

The head office canteen uses biodegradable takeaway containers in line with our commitment to reducing waste. The head office and the three largest distribution centres have a centralised waste separation facility which facilitates the recycling process. Waste management companies are screened to verify their certification before being awarded contracts to dispose of the group's waste. This is particularly relevant for medical waste removal companies.

Safe disposal certificates are obtained for the disposal of medical waste, fluorescent light bulbs, printer cartridges and hazardous waste.

During the 2019 financial year a total of 3 568 tons of waste were recycled at head office and the three Clicks distribution centres.

The impact of plastics on the environment has become a significant priority issue for the retail sector. Clicks recognises the urgency for the sector to consolidate their efforts and come up with sustainable solutions.

Animal welfare

The Body Shop subscribes to the policies of Cruelty Free International through the partnership formed to launch the first global pledge campaign in support of the ban on animal testing for cosmetic products and ingredients. For further information, please refer to the following link:

https://www.crueltyfreeinternational.org/cruelty-free-company/body-shop

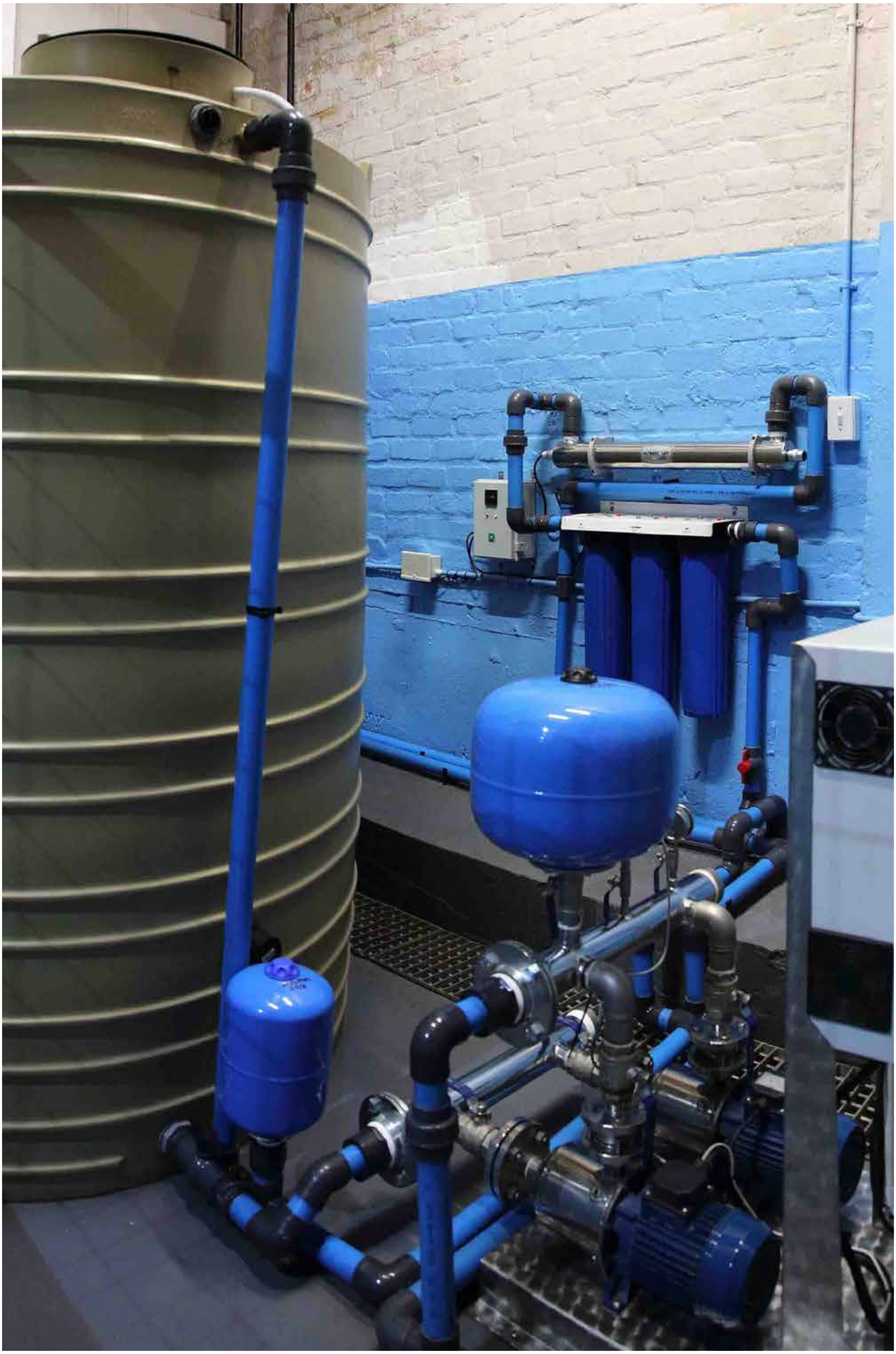
While the Clicks brand does not subscribe to a formal policy we have taken the ethical decision not to test our private label products on animals.

We support the development of alternatives to animal testing and welcome scientific advances which will render animal testing obsolete.

Products and ingredients that have already been declared safe require no further testing before they can be sold. This is why we have pledged to use only these ingredients in our Clicks-branded products. We promise our customers a wide range of products, but we also believe consumers are one of the most effective drivers of change through the purchasing choices they make.

We are proud of our position as the country's leading pharmacy, home and beauty store.

Clicks launched eco-conscious cotton buds made of 100% organic cotton tips on paper stems packed in a Forest Stewardship Council (FSC) certified paper box as a response to the some of the growing environmental challenges within the retail sector. This is also a direct response to help alleviate the effects of marine plastic pollution.



CORPORATE INFORMATION

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax number 9061/745/71/8

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ADR CUSIP code: 18682W205

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