CLICKS GROUP LIMITED

Integrated annual report 2022

Contents

Report navigation

The impact of the six capitals on the group's operations and performance and their contribution to value creation, preservation and erosion is addressed throughout the integrated report. The following icons have been included to aid navigation of the report and indicate where the specific capitals have been referenced in the report.

- Financial
- Manufactured
- Intellectual
- Human
- Social and relationship
- Natural

- Page reference
- Online reference

Additional online reporting

The integrated report is the group's primary reporting medium and is supplemented by additional reports and information which is also available online at **www.clicksgroup.co.za.**

Financial reporting

Annual financial statements 2022
Five-year financial review
Annual results 2022
Annual results 2022 presentation

Remuneration

Remuneration report 2022

Governance

Corporate governance and King IV report 2022
Social and ethics committee report 2022

Annual general meeting

Notice to shareholders
Form of proxy

Forward-looking statements

The integrated report includes forward-looking statements which relate to the possible future financial position and results of the group's operations. These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

Forward-looking statements are not statements of fact, but statements by the management of the Clicks Group based on its current estimates, expectations and assumptions regarding the group's future performance.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's independent auditor.

As a leader in the healthcare market Clicks Group is committed to increasing access to affordable healthcare for all South Africans. Clicks is the country's leading health, wellness and beauty retailer and foremost pharmacy chain, with an expanding network of over 840 stores and 670 pharmacies supported by a growing digital presence. UPD is the country's leading full-range pharmaceutical wholesaler, providing the distribution capability for the group's healthcare strategy.

2022 in review

Key features

Group turnover
+6.0%
to R39.6 billion

Retail turnover
+11.7%
to R29.4 billion

Group diluted HEPS
+33.5%
to 1 033 cents

Dividend
+30.0%
to 637 cents per share

Diluted HEPS, adjusted for civil unrest
+11.9%

Return on equity increased to
48.0%

Cash generated by operations
R4.3 billion

Returned to shareholders
R1.7 billion

Record capital investment
R838 million

Opened
58 Clicks stores and 52 pharmacies

Clicks ClubCard loyalty members
9.7 million

UPD total managed turnover
R30.6 billion

Refer to the chief financial officer's report **p50-55**

Environmental

E

Environmental management policy approved by board

Commitment to carbon neutrality

Investment in renewable energy with installation of solar panels on all distribution centres

Social

S

Administered over
2.9 million
Covid-19 vaccinations

BBBEE rating
level 4

Black employees
95%

Female employees
63%

Top employer in the retail sector for sixth year

Governance

G

Independent directors
80%

Black board members
60%

Female board members
40%

ESG ratings
FTSE Russell
4.0 rating out of 5
MSCI
AA

Refer to the sustainability report **p68-74**

Introducing the integrated report

The global Covid-19 pandemic that gripped the world for the past two years and had a devastating impact on our country and its people served to underline the resilient and defensive nature of the group's business model and our proven ability to adapt to changing market dynamics.

While the country has emerged from the pandemic and economic activity normalised, the retail trading environment is expected to remain challenging as global geopolitical and local socio-economic factors contribute to escalating costs which are eroding consumer disposable income.

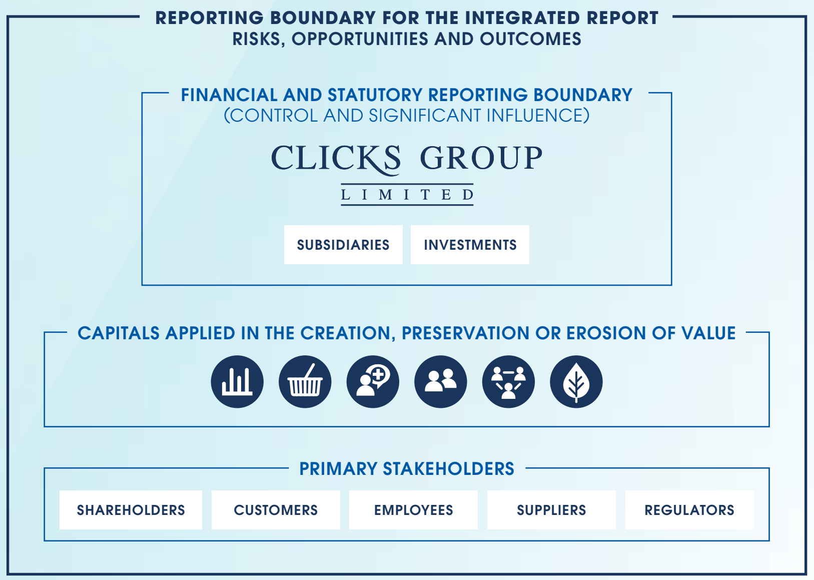
Our 2022 integrated report aims to demonstrate in a balanced way how the group continues to create value for shareholders during these uncertain times while meeting our responsibilities towards all stakeholders.

Reporting scope and boundary

The report covers material information relating to the business model, strategy, material issues and related risks and opportunities, and performance for the period 1 September 2021 to 31 August 2022. The integrated report is supplemented by the annual financial statements which are also available on the group's website.

Forward-looking information focuses on the strategic objectives, operating plans and prospects for the 2023 financial year as well as the group's medium-term financial targets.

The financial reporting boundary covers the performance of the group's main operating businesses Clicks and UPD, which collectively account for 99% of turnover, and focuses on the operations in South Africa where the majority of revenue is generated. The group has 50 stores in four neighbouring countries.



The integrated reporting boundary covers risks, opportunities and outcomes relating to the group's operating environment, its operating businesses and engagement with key stakeholders that could influence the group's ability to create and sustain value, and also the extent to which the group's strategic objectives and targets have been achieved.

The integrated report is targeted at our shareholders, who are our primary providers of capital, and the broader investment community, while we also acknowledge the role of our customers, staff, suppliers, industry regulators and funding institutions in the process of value creation, preservation and erosion.

Materiality

The report focuses on information which we believe to be relevant and material to investors' understanding of the group's ability to create value. The financial materiality test applied by the board in measuring enterprise value is based on internal and external factors, both positive and negative, that substantively affect the group's ability to deliver its strategy and which could have a material impact of 5% or more on the group's profit before taxation. We are also measuring impact materiality as it relates to the social, environmental and economic impacts of our operations and plan to report on this in subsequent years.

Reporting and governance compliance

The report has been prepared in accordance with the Integrated Reporting Framework of the IFRS Foundation and the directors confirm that the integrated report has been prepared in accordance with this framework.

The framework recommends reporting to shareholders on the capital resources that are applied in the creation, preservation or erosion of value. These are classified as the financial, manufactured, intellectual, human, social and relationship, and natural capitals. While we have chosen not to present the integrated report according to these capitals, the impact of the six capitals on the group's business activities and performance is covered in the relevant sections of the report.

The directors confirm that the group has in all material respects applied the principles of the King IV Report on Corporate Governance (King IV) throughout the 2022 financial year. The application of King IV is covered in the corporate governance and King IV report 2022 which is available on our website.

We welcome the recent release of sustainability and climate change disclosure guidance by the JSE. The guidance combines global best practice with local relevance, in the context of multiple frameworks, guidelines, standards and ratings in the market, and we have started the process of applying this guidance in our sustainability report on page 68.

Independent assurance

The integrated report has been reviewed by the board but has not been independently assured. The annual financial statements have been assured by the group's independent auditor, Ernst & Young Inc.

The sustainability information in the report has been approved by the board's social and ethics committee. Accredited service providers have determined selected non-financial performance metrics, including market share statistics and the group's BBBEE rating. Management has verified the processes for measuring all other non-financial information.

Integrated reporting process

Confirming the group's commitment to integrated reporting, the annual process of preparing the integrated report is the responsibility of a working group led by the chief executive officer and chief financial officer, comprising senior members of the finance, marketing and sustainability teams, company secretary, head of corporate affairs and the external investor relations consultants.

The integrated report working group aims to enhance the reporting and disclosure each year. The process commences with an evaluation of the previous year's integrated report to identify opportunities to enhance disclosure and continually align with best reporting practices. The content is prepared based on interviews and submissions from executive directors, business unit heads, the company secretary and divisional executives. Draft reports are initially reviewed by the CFO and the CEO, with specific reports being reviewed and approved by the board chairman and the respective board committee chairmen.

The draft of the integrated report is provided to all board members for review and their feedback, advice and suggestions are then incorporated into the final report. The chairman of the audit committee is responsible for the final approval of the report on behalf of the board, whereafter the integrated report is released to shareholders.

Director responsibility

The board is responsible for ensuring the integrity of the integrated report. The directors have collectively assessed the content and confirm the report addresses all material issues, the integrated performance and the group's strategy, as well as the short, medium and long-term prospects.

The audit and risk committee has oversight responsibility for integrated reporting and recommended the report for approval by the directors. The 2022 integrated report was unanimously approved by the board on 9 November 2022.

David Nurek
Independent non-executive chairman

Bertina Engelbrecht
Chief executive officer

Michael Fleming
Chief financial officer

01
About Clicks Group

The group is a leader in the South African healthcare market, with Clicks being the foremost health and beauty retailer and UPD the leading full-range pharmaceutical wholesaler.

Group profile

Clicks Group is a retail-led healthcare group which is listed in the Personal Care, Drug and Grocery Stores sector on the JSE. Founded in 1968, Clicks is the country's leading health, beauty and wellness retailer and the largest retail pharmacy chain, with an expanding network of 840 stores and 673 pharmacies supported by a growing digital presence. UPD is the country's leading full-range pharmaceutical wholesaler, providing the distribution capability for the group's healthcare strategy.

Listed on the JSE since 1996, Clicks Group's sustained financial performance and growth in shareholder value has seen the group included in the FTSE/JSE Top 40 Index for the past five years.

The group recognises the importance of environmental, social and governance (ESG) practices in creating a sustainable business and has been included in the FTSE4GoodIndex for the past six years as well as the FTSE/JSE Responsible Investment Top 30 Index.

As a leader in the healthcare market Clicks Group is committed to increasing access to affordable primary healthcare for all South Africans through its retail pharmacy and pharmaceutical wholesale businesses.

The group has a level 4 BBBEE rating and was recognised as a top employer in the retail sector by the Top Employers Institute for the sixth year.

Geographic footprint

Our brands

CLICKS

Our anchor brand

Clicks is South Africa's leading health and beauty retailer, offering value for money in convenient and appealing locations.

CLICKS baby

Established in 2021

A wide range of mother and baby products including baby hardware, accessories, health, foods, diapers and wipes and baby toiletries.

THE BODY SHOP

Launched in SA in 2001

The Body Shop sells natural, ethically-produced beauty products and has been operated under a franchise agreement with The Body Shop International since 2001.

UPD

Our distribution channel

UPD is South Africa's leading full-range pharmaceutical wholesaler and the only one with a national presence.

Our vision

To be the leading health and beauty retailer in targeted markets within southern Africa

Our values

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

An overview of the group's history is available at www.clicksgroup.co.za

The anchor brand, Clicks, is South Africa's leading health and beauty retailer, offering value for money in convenient locations and appealing stores, as well as an online platform offering in-store collection or home delivery.

Refer to Clicks business review on **p58**

Market share

23.7% of retail pharmacy

32.4% of front shop health

19.2% of baby

42.7% of skincare

32.0% of haircare

21.7% of personal care

- Clicks targets consumers in the growing middle- to upper-income markets (LSM 6 – 10)
- 50% of the population lives within 5.3km of a Clicks pharmacy
- Clicks ClubCard is one of the largest loyalty programmes in South Africa with 9.7 million active members, contributing 80% to sales
- Product offering is differentiated through wide ranges of private label and exclusive brands, comprising 24.2% of sales
- In 2001, an exclusive franchise agreement with The Body Shop, which sells natural, ethically-produced beauty products, provided further differentiation to the retail offering, with a combination of standalone stores and presence in 248 Clicks stores
- The first standalone Clicks Baby store was opened in 2021, showcasing a wide range of mother and baby products

840
Stores
624 convenience format
213 destination format
3 baby stores

673
Pharmacies

199
Clinics

3
Front shop distribution centres

Group store footprint

	South Africa	Rest of Africa*	Total	Pharmacies	Clinics
Clicks	791	46	**837**	673	199
Clicks Baby	3		**3**		
The Body Shop	54	4	**58**		
Total	**848**	**50**	**898**		

* Namibia, Botswana, Eswatini and Lesotho

UPD is South Africa's leading full-range pharmaceutical wholesaler and was acquired in 2003 to provide the distribution capability for the group's healthcare strategy.

UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and 1 200 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers.

Refer to UPD business review on **p64**

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Distribution hubs

R30.6 billion
Total managed turnover

31
Bulk distribution clients

441 million
Units of medicine distributed

Market share

28.8% of private pharmaceutical fine wholesale market

Environmental, social and governance

The group's core business creates meaningful social impact through the provision of health products and improving access to reliable and affordable healthcare. This supports South Africa's national development goals by promoting healthy lives and well-being for all ages.

Refer to the sustainability report **p68**

The sustainability strategy is based on four focus areas:

1 Building a trusted, accessible healthcare network

2 Minimising our environmental footprint

3 Sourcing products that uphold the integrity of our brand

4 Empowering motivated, passionate people

Level 4
BBBEE rating

60%
Black and
40%
female board members

95%
Black and
63%
female employees

210
Stores located in low income areas (22.7% of retail turnover), improving accessibility to healthcare

Solar panels installed on all distribution centres in support of the group's commitment to alternative energy supply

2.9 million
Covid-19 vaccinations administered, of which 73% were to customers without health insurance. Clicks is the largest private sector vaccinator in South Africa.

Clicks Group is a founding member of the SA Plastics Pact

We align our ESG practices with the United Nations Sustainable Development Goals (SDGs) to ensure that our activities support the global drive to achieve the specified targets by 2030. The SDGs where we believe we can have the biggest impact are as follows:

- No poverty
- Good health and well-being
- Quality education
- Gender equality
- Affordable and clean energy
- Decent work and economic growth
- Responsible consumption and production
- Climate action

Business model

Inputs

Human capital

The competency, capability and experience of the board, management and employees

- 16 492 permanent employees
- 95% black and 63% female employees
- Extensive investment in training and development
- Company-funded healthcare cover available to all employees

EMPLOYEES REGULATORS

Intellectual capital

The collective knowledge and expertise across the business as well as the intellectual property of the group which provide a competitive advantage

- Brand equity is well established with market leading brands Clicks, The Body Shop and UPD
- Extensive range of private label products
- Clicks ClubCard is one of South Africa's largest loyalty programmes, introduced in 1995

EMPLOYEES

Manufactured capital

The infrastructure used in the selling and distribution of merchandise, including stores, pharmacies, distribution centres, the group's head office and online store

- 898 stores trading in five countries
- E-commerce capability
- 673 pharmacies
- 199 clinics
- 8 distribution centres located in five major provinces

CUSTOMERS SUPPLIERS EMPLOYEES

Financial capital

The financial resources received from providers of capital and deployed by the group

- Equity of R5.7 billion
- Cash resources R2.0 billion
- Borrowing facilities R3.4 billion
- Working capital outflow of R745 million

SHAREHOLDERS REGULATORS

Social and relationship capital

Relationships with stakeholders influencing the business, primarily customers, employees, suppliers, shareholders and regulators

- 9.7 million Clicks ClubCard loyalty members
- New Clicks Foundation funds of R136 million
- Community support through social investment programme and Helping Hands Trust
- Listing portal for small and medium-sized suppliers
- Small enterprise owner driver scheme contracted to UPD

SHAREHOLDERS CUSTOMERS EMPLOYEES SUPPLIERS REGULATORS

Natural capital

Environmental resources applied and utilised in the business. The group's operations have a low environmental impact and therefore use limited natural capital

- Sustainable materials used in products and packaging
- Group-wide recycling programme
- R57 million invested in renewable energy in 2022

CUSTOMERS EMPLOYEES REGULATORS

Our operating model

Clicks Group's strategy is realised through a value-adding retail-led business model which appeals to the group's predominantly female customer base.

Strategic enablers to provide sustained growth for our stakeholders

People

Centralised supply chain

Information technology

Customer care

Customer care from engaging and knowledgeable staff in the front shop and pharmacy.

Value

Consistently good value-for-money products delivered through competitive prices and effective promotions.

Convenience

An extensive store footprint and pharmacy network in convenient locations allows for easy access to customers, supported by an online store and national pharmacy delivery service.

Differentiation

The product offering is differentiated through a wide range of private label and exclusive brands. Private label scheduled medicine ranges offer customers choice for quality generic medicine at a lower price.

Rewards

ClubCard enables Clicks to personalise engagement and communication with customers, supporting the aim of the loyalty programme to increase basket size and value, and frequency of shopping.

Outcomes

Human capital

- R4.0 billion paid to employees
- 3 746 employees trained
- R165 million invested in employee training and development

Manufactured capital

- Opened 58 Clicks stores
- Opened 52 pharmacies
- 50% of customers live within 5.3 km of a Clicks pharmacy
- 2.9 million Covid-19 vaccinations administered
- 1.7 million social media followers

Financial capital

- Group diluted HEPS up 33.5%
- Diluted HEPS adjusted for impact of civil unrest up 11.9%
- Dividend of 637 cents per share
- Return on equity 48.0%
- Cash generated by operations R4.3 billion
- R1.7 billion returned to shareholders in dividends and share buy-backs
- Reinvested R838 million in capital expenditure

Intellectual capital

- Retail pharmacy market share 23.7%
- Private pharmaceutical wholesale market share 28.8%
- Constituent of FTSE/JSE Top 40 Index
- Clicks private label sales account for 24.2% of total sales
- Additional 500 000 Clicks ClubCard members

Social and relationship capital

- R601 million in cashback paid to ClubCard members
- R938 million paid in taxes in all countries of operation
- R33 billion paid to suppliers of goods and services, including landlords
- R67 million invested in enterprise and supplier development programmes
- R42 million paid to 65 small enterprise owner drivers contracted to UPD
- R24 million invested in socio-economic development programmes
- 88 bursaries awarded primarily to pharmacy students
- Level 4 BBBEE rating
- Constituent of FTSE4Good Index

Natural capital

- Total carbon emissions 149 520 tonnes CO_2
- Waste recovered for recycling 4.4 million kg
- Produced 631MWh renewable energy

The group's performance over the past year resulted in a net increase in the value of all capitals except for natural capital where value was eroded owing to the consumption of resources in the production, packaging, distribution and sale of merchandise.

Outputs

Group turnover
R39.6 billion

Cost of merchandise sales
R31.2 billion

Operating profit
R3.3 billion*

*adjusted for impact of civil unrest

Carbon emissions (tonnes CO_2)
149 520

Material trade-offs of capitals

In delivering on the group's strategic objectives, management aims to balance and optimise the trade-offs between capitals to ensure long-term growth and sustainability.

While the commitment to investing in manufactured, intellectual, human and social and relationship capital erode financial capital in the short term, the long-term benefits are reflected in the group's industry-leading financial and operating metrics and sustained shareholder value creation.

Limiting the environmental impact of the operations to reduce the rate at which natural capital is depleted has a significant impact on financial impact in the short to medium term but should deliver the desired long-term benefits as the group ultimately moves towards carbon neutrality.

Constraints on capitals

The key constraints encountered during the year were in relation to **manufactured capital**. The global supply chain disruption which started during the Covid-19 pandemic continued and was compounded by the impact of the war in the Ukraine in the second half of the financial year. This has resulted in significantly increased transport costs due to rising fuel prices while seasonal merchandise has been secured and imported several months earlier than required to mitigate delays in shipping, which has negatively impacted working capital.

Loadshedding due to electricity supply constraints has had a significant impact on turnover owing to shorter trading hours in shopping centres and disruption of shopping patterns. The group has invested more than R57 million in alternative power solutions to limit the impact of electricity outages.

The weak economic environment and rising fuel, energy, food and borrowing costs has constrained consumer disposable income which has negatively affected discretionary retail spending. The ongoing impact of Covid-19 and the aftermath of the civil unrest in KwaZulu-Natal in 2021 were further constraints to trading.

The group previously encountered a constraint in securing new trading space in existing shopping centres. However, owing to the economic impact of Covid-19 and resultant closure of many retail outlets, the group has been able to accelerate its store opening programme, with 92 stores opened in the past two pandemic-impacted financial years.

The group has no **financial capital** constraints owing to the strong cash flows generated by the operations and access to borrowings. Should these financial resources prove insufficient, the group's strong balance sheet will enable management to access further loan funding or raise capital through the issue of shares.

Managing material issues

Material issues are identified each year which could significantly impact positively or negatively on the group's ability to create and sustain value.

Material risks

1. Civil unrest
2. Trading environment
3. Brand reputation
4. Information technology
5. Competition
6. Regulation
7. People
8. Global health pandemic
9. Climate change

The material issues are reviewed annually by the board and management where all relevant internal, industry, social and environmental and macro-economic 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.

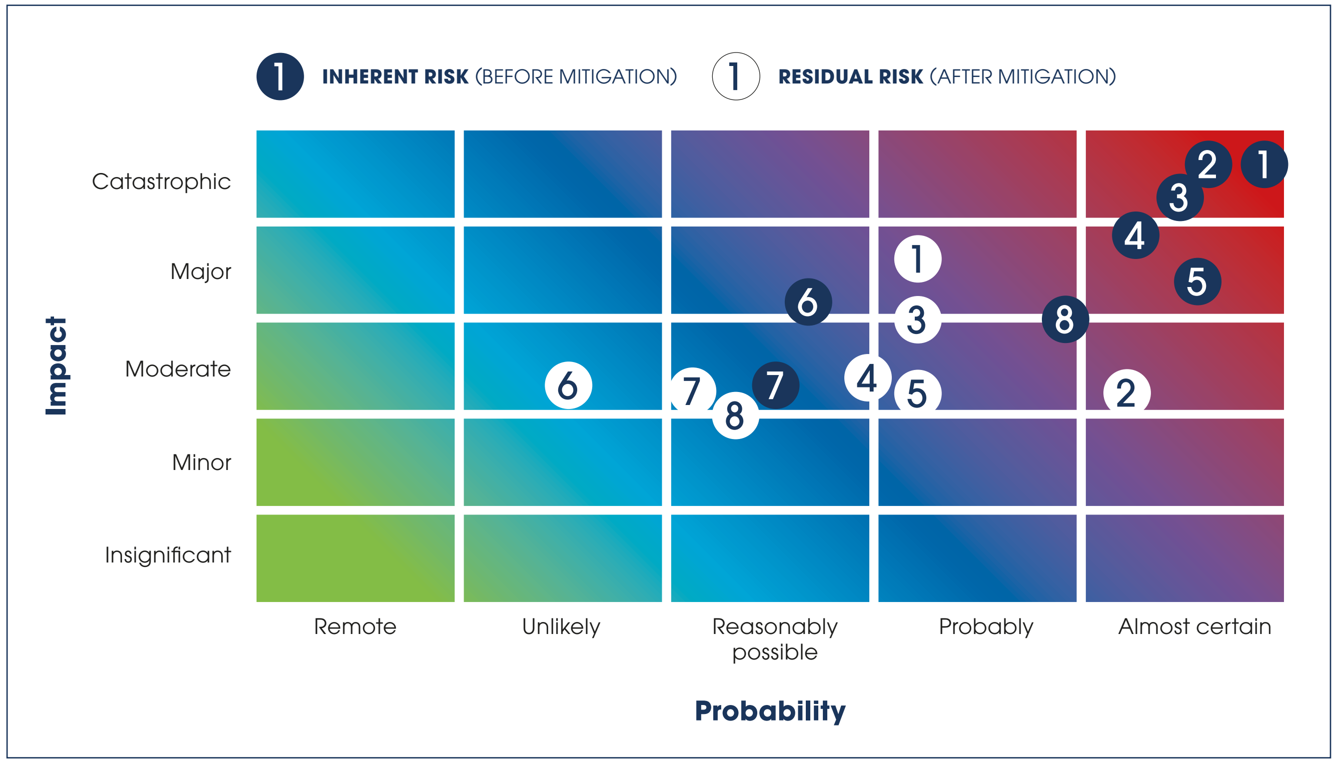
Following the review for the 2023 financial year, the directors advise that climate change has been included as a material issue owing to the increasing risk posed by weather related events to the group's operations, physical assets and supply chain.

RISKS

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

Opportunities are presented for each material issue to indicate how the group manages the impacts of the material issues on value creation, preservation and erosion.



1 Civil unrest

Incidents of civil unrest causing physical damage, business interruption or loss of revenues are becoming an increasingly significant risk in the current environment.

RISKS

- Increase in riots, demonstrations and vandalism as a form of civil unrest becomes the main political risk exposure for companies, resulting in significant losses and insurance claims.
- Impact of civil and political violence can cause business disruption beyond physical property damage.
- Disruption to the economy, transport networks, companies, distribution centres, malls and stores resulting in possible loss of life, and increased hardship.
- Failure by municipalities and Eskom to provide essential services, including electricity, access to free drinking water, infrastructure maintenance, leading to disruptions in supply chain, increased transports costs and civil unrest.
- Increased cost of doing business as a result of higher insurance premiums and security requirements to safeguard against and recover from incidents of civil unrest.

OPPORTUNITIES

- Improved business continuity planning that explicitly addresses civil unrest across the distribution centres, transport and store network.
- Insurance cover requirements to meet specialist civil and political violence risks.
- Increased co-operation with government, civil society groups and the industry to mitigate and manage threats of civil unrest.
- Implementation of improved, tested and coordinated national supply chain capabilities to respond to incidents of civil unrest.
- Enhanced financial cash flow and liquidity facilities to mitigate short-term working capital dislocations in the event of disruption.
- Leverage online capability to meet customer needs.

2 Trading environment

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

RISKS

- Escalating energy, fuel and food prices further eroding 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 result 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.
- Global inflation has a significant knock-on impact, including fuel price hikes and costs pressures for South African consumers.

OPPORTUNITIES

- Clicks to improve price competitiveness, grow sales volumes and entrench the perception of the brand as a value retailer.
- Focus on differentiators, including an extensive and expanding 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.
- Grow Clicks online sales and extend online-only product ranges.
- Hedge foreign exchange exposure by purchasing forward cover.
- UPD will continue to drive efficiencies to mitigate the impact of genericisation on the operating margin.
- Increased security at distribution centres and in stores.

3

Brand reputation

Reputational damage to the group, its operating brands and products could result in a loss of brand equity having an adverse financial impact on the business.

RISKS

- Breakdown in financial and governance controls and reporting could cause serious reputational damage and impact the company's rating on the JSE, as well as incurring fines and censure from regulators.
- Poor product quality, product recalls or customer claims could negatively impact trust in the brand.
- Harmful content or imagery being displayed on online platforms or printed marketing material could impact on brand equity.
- Exponential growth in social media usage with its immediacy and reach can seriously damage the image of brands, regardless of the accuracy of the content.
- Increasing consumer activism and potential brand or product boycotts.
- Inability to attract and retain quality employees if the company has suffered reputational damage.

OPPORTUNITIES

- Robust governance framework and financial controls implemented across the group, with oversight from the board, executive management and internal audit.
- Protocols established to ensure content on group's social media and online platforms is authorised by the responsible executive to limit the impact of potentially viral comments, images or videos.
- Resources to monitor online and social media to respond rapidly.
- Consultants retained by the group to advise on reputational management.
- Strict quality assurance processes to limit risk of product failure.
- Insurance and indemnity cover for product recalls, customer claims and malicious damage to property.

4

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 cyber attack.
- IT systems and architecture no longer appropriate in an environment of ever-increasing scale and requirement for real-time information.
- Delays and technical challenges with strategic IT projects would negatively impact business operations.
- 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.
- Migration to cloud-based business continuity plan.
- Ensure continued trading during power outages by connecting to mall generators where available and back-up power through uninterrupted power solutions.
- Implementation of a managed cyber security service with full-time managed security monitoring capability.

5

Competition

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

RISKS

- Expansion by corporate pharmacy and retail chains impact on market share growth in Clicks.
- Increasing price competitiveness and promotional activity of retailers, including competing loyalty schemes, could negatively affect sales and margins in Clicks.
- Customers migrating to alternate online retailers and grocers, with fast home delivery service.

OPPORTUNITIES

- Clicks has an extensive store network and plans to open 40 to 50 stores each year, expanding to 1 200 stores in the long term.
- Continued expansion of the pharmacy network with the long-term plan to open dispensaries in all stores in South Africa.
- Expanding product offer, including opening further baby stores and extending private label and exclusive brands ranges.
- Expanding Clicks ClubCard membership base, affinity partners and benefits, and migrating members on to the Clicks mobile app.
- Ongoing improvement in pricing, product offer (in store and online) and customer service.
- Increased pharmacy customer convenience through the roll out of smart lockers.

6

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, and to accelerate the granting of pharmacy licences and approval of generic medicines to broaden access to affordable healthcare.
- 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.

7

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 and pharmacy.
- Strike action causing disruption to operations, damage to property and financial loss.
- Inability to attract business as a result of not achieving required transformation targets.

OPPORTUNITIES

- Salaries and incentives are externally benchmarked to ensure the group remains competitive.
- Bursary and internship programmes to attract pharmacy graduates.
- Retail graduate and IT learnership programmes 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.
- Improved employee engagement to drive enhanced motivation and affiliation.

8

Global health pandemic

The impact of Covid-19 or future health pandemics could negatively impact the group's trading environment, stock availability, supply chain, employee and customer health and safety as well as increase legislative compliance requirements.

RISKS

- Constrained economic activity resulting in reduced consumer spending and increased job losses, while changing spending patterns impact retail and UPD sales.
- Potential supply chain disruption owing to possible factory closures impacting product availability.
- Increased cost pressures as a result of price inflation, and devaluation of the Rand exchange rate.
- South Africa entering lockdown due to severity of waves of infection.

OPPORTUNITIES

- Supply chain adapted to source alternative suppliers and secure stock in case of disruption due to a pandemic.
- Inventory levels increased in community and neighbourhood stores.
- Capacity of Clicks online distribution increased to accommodate greater demand for online ordering and delivery during periods of lockdown.
- UPD provides product lines required by hospital groups in the treatment of Covid-19 and other health pandemics.
- Vaccine service provided by Clicks pharmacies and clinics, with cold chain storage and delivery to Clicks managed by UPD.

9

Climate change

Extreme weather events and changes in weather patterns can cause disruptions to operations, trading and damage to physical assets.

RISKS

- Unpredictable weather patterns can impact the supply chain and the ability to deliver inventory to stores and distribution centres.
- Employees may be restricted from travelling to places of work due to flooding or fires.
- Inability to trade in locations impacted by adverse weather.
- Inability to meet customer demand for environmentally sustainable products, resulting in a loss of market share.

OPPORTUNITIES

- Reduction in packaging and waste, particularly in private label products, including the use of durable and recyclable bags in stores.
- Increased operational efficiency and environmental friendliness through the use of more energy efficient solutions.
- Alignment with local and international sustainability reporting guidelines to adequately report to shareholders on the impact of climate change.

Stakeholder engagement

The group's stakeholder engagement strategy focuses mainly on the five primary stakeholders that management believe are most likely to impact on the delivery of the group's strategic objectives and 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.

Shareholders and lending institutions

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.

KEY ENGAGEMENT ISSUES IN 2022	ADDRESSING ENGAGEMENT NEEDS, EXPECTATIONS AND CONCERNS
Appointment of Bertina Engelbrecht as CEO with effect from January 2022 following the resignation of Vikesh Ramsunder after less than three years as CEO, and concerns over the incoming CEO's limited retail and operational experience.	The new CEO has been part of the executive leadership team for 15 years and a director of Clicks Group since 2008, integrally involved in the development of the group's strategy and growth of the business. As she was relatively unknown to the investor community, a formal engagement programme was implemented to introduce the new CEO to major shareholders locally and internationally to establish investor confidence, reassure the market that the group's strategy would not change and enable the CEO to outline her vision and plans for the group.
Financial impact of the civil unrest in KwaZulu-Natal in July 2021 on the group's stores and supply chain and ongoing impact on trading in the region.	The civil unrest had a significant financial impact, with 6% of the store base and two distribution centres being damaged. Trading patterns were severely impacted for an extended period. Shareholders were regularly updated on the financial impact and related insurance claim to cover stock losses and damages to fixed assets through specific trading updates on SENS, the annual and interim results announcements and presentations, integrated report and during ongoing investor engagement.
The group's remuneration policy and implementation report both failed to achieve the required 75% shareholder support in non-binding advisory votes at the AGM in January 2022.	A formal engagement process was initiated with dissenting shareholders, as recommended by King IV, while management embarked on a broader programme to understand specific remuneration concerns of shareholders. Feedback from investors has been incorporated into the 2022 remuneration report and has also informed amendments to the long-term incentive scheme which will be proposed to shareholders in 2023.

Customers

Clicks primarily 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.

KEY ENGAGEMENT ISSUES IN 2022	ADDRESSING ENGAGEMENT NEEDS, EXPECTATIONS AND CONCERNS
Ongoing electricity load shedding disrupted store operations and negatively impacted on the customer shopping experience.	The group invested in lithium batteries to provide back up power in stores to minimise disruptions and enable customers to enjoy their shopping experience across the store network and have uninterrupted access to medicines. There is also ongoing engagement with landlords on the installation of generators in shopping centres.
Strong focus on the retention of UPD's key corporate clients and maximising new business opportunities. The cancellation and slow uptake in elective surgeries at key client hospitals during and after the Covid-19 pandemic was an area of concern.	UPD's key customer engagement involved regular meetings and periodic customer satisfaction surveys to support customer retention. Management also actively scanned the environment for new business opportunities as part of its business development strategies.

Employees

All permanent and part-time employees across the group.

KEY ENGAGEMENT ISSUES IN 2022	ADDRESSING ENGAGEMENT NEEDS, EXPECTATIONS AND CONCERNS
The continued Covid-19 operational response and the socio-economic effects in local communities took a toll on employee well-being.	The group expanded its employee wellness response by increasing support in particular on the mental, financial and physical health pillars with a focus on enabling positive, resilient and sustainable lifestyle changes.
Skills shortages in the health sector, particularly in relation to pharmacists.	The group's multifaceted approach to address the chronic skills shortage includes the provision of bursaries to pharmacy students, provision of training, tutorship and internship opportunities.

Suppliers

Local and international suppliers of products and services, including producers of exclusive brands and private label products.

KEY ENGAGEMENT ISSUES IN 2022	ADDRESSING ENGAGEMENT NEEDS, EXPECTATIONS AND CONCERNS
Impact of the KwaZulu-Natal (KZN) floods in April 2022 on the distribution centre and store operations.	The group's supply chain proved resilient in managing the disruptions and management activated contingency plans that ensured continuity of supply to the KZN distribution centre and store operations network.
Global supply chain disruptions brought on by supply constraints and rising energy prices impacted the group securing the right products at the right price.	Coordinated engagement with key suppliers minimised disruptions and ensured adequate stock availability levels to serve customers through the store network and omni-channels.
Impact of load shedding on the distribution centre network.	The group invested in renewable energy through the provision of rooftop solar energy at its eight distribution centres. This will contribute to the reduction in the group's carbon emissions, reduce the cost of electricity and partially mitigate the impact of load shedding.

Government and industry regulators

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.

KEY ENGAGEMENT ISSUES IN 2022	ADDRESSING ENGAGEMENT NEEDS, EXPECTATIONS AND CONCERNS
Approval and granting of pharmacy licences.	The group lobbies and engages with the pharmacy licencing regulator on an ongoing basis to secure licences, follow up on outstanding applications and resolve queries or disputes.
Approval of new private label medicines.	The group engages with the regulator regarding outstanding medical product approvals as well as any amendments to legislation.
Promulgation of the National Waste Management Strategy 2020 under the National Environmental Management: Waste Act, 2008 that addresses packaging waste.	The group actively participates in the relevant industry bodies and engages with regulators responsible for compliance with the legislative framework. In collaboration with industry bodies, the group has adopted packaging waste targets and strategies to ensure less plastic waste to landfills. The group promotes innovative practices to address sustainable renewable packaging.

Group strategy

To create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering.

Group strategic objectives

1 Increase customer appeal and access by expanding the store, pharmacy and online presence

2 Accelerate market share gains in pharmacy and core front shop categories

3 Promote UPD's national pharmaceutical wholesale and distribution services to grow market share

4 Deliver operational excellence with an efficient centralised supply chain

5 Create an inclusive and transformed organisation with a strong talent pipeline to support business growth

6 Ensure sustainability through efficient cash and capital management and entrench robust environmental, social and governance practices

Strategic drivers of longer-term growth

These strategic drivers of longer-term organic growth should ensure continued competitive advantage in the health and beauty markets in which the group operates.

Favourable market dynamics

Healthcare markets are defensive and offer long-term growth opportunities in South Africa.

Improving living standards, increasing urbanisation and longer life expectancy is contributing to a growing market for health and beauty products.

An increasing proportion of the population is entering the private healthcare market.

The increasing use of generic medicines will continue to make healthcare more affordable.

Convenience

Goal to expand the Clicks store base to over 1 200 in the long term, with a pharmacy operating in every store.

Clicks Baby standalone stores enable the group to capitalise on the growth in this strategic category.

Goal to achieve retail pharmacy market share of 30% in the long term.

Customer convenience is supported by an online store and a national pharmacy delivery service.

Differentiation

Private label and exclusive brands offer differentiated ranges at higher margins.

Clicks is a brand that consumers trust and the brand has demonstrated its ability to transcend product categories and markets.

Exclusive franchise brands The Body Shop, GNC and Sorbet augment Clicks' private label brands in the health and beauty categories.

Personalisation

Clicks ClubCard is one of the largest retail loyalty programmes in South Africa, with 9.7 million active members.

ClubCard offers customers generous and convenient cashback rewards and an increasing range of affinity partner benefits.

Migrating ClubCard members onto the Clicks app supports the personalisation strategy.

Opportunity to influence customer behaviour and leverage personalised digital engagement via the ClubCard, website, online store and mobile app.

Growth opportunities for UPD

UPD provides an efficient healthcare supply chain which supports the growth of the Clicks business.

UPD offers national wholesale services to private hospitals and independent pharmacy, including Link pharmacies.

The business offers a distribution service to local and international pharmaceutical manufacturers based on price, quality control and speed to market.

Goal to achieve wholesale pharmaceutical market share of 35% and bulk distribution market share of 40%.

Refer to the investment case p28

Investment case

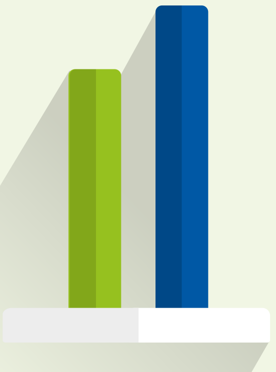
Clicks Group offers sustainable long-term growth prospects for equity investors seeking non-cyclical exposure to the retail and healthcare sectors in South Africa.

This investment case should be read together with the group strategy report on pages 26 and 27 which outlines the group's strategic objectives and drivers of longer-term growth.

Market leadership

Clicks has the largest retail pharmacy chain footprint in South Africa, with a sizable private network of clinics

- UPD is the country's leading national full range pharmaceutical wholesaler



Healthcare markets are defensive and growing

Over 80% of group turnover is in defensive merchandise categories

- Improving living standards, increasing urbanisation and longer life expectancy is contributing to a growing market for health and beauty products
- Increasing proportion of the population is entering the private healthcare market

Globally competitive operating margins

Retail and UPD operating margins rank in the upper quartile of global drugstores and pharmaceutical wholesalers

Retail **9.4%*** Medium-term target 9.0% – 10.0%

UPD **3.3%*** Medium-term target 2.8% – 3.3%

*adjusted for impact of civil unrest

Convenient and expanding retail footprint

Goal to expand Clicks store base to 1 200

- Over 840 Clicks stores
- 75% of stores located in convenience and neighbourhood shopping centres
- Expanding store base to areas serving lower to middle income customers
- Piloting standalone specialist baby stores as showrooms to support online sales
- Targeting to open 40 – 50 stores each year

To open **40-50** pharmacies each year

Accessible and expanding pharmacy network

Aim to operate a pharmacy in every Clicks store in South Africa

- 673 pharmacies in Clicks stores
- Currently 50% of the population live within 5.3km of a Clicks pharmacy
- Targeting to open 40 – 50 pharmacies each year
- Retail pharmacy market share goal of 30% in the long term (2022: 23.7%)

Growing personalisation and engagement

ClubCard is one of the largest retail loyalty programmes in South Africa

- 9.7 million active ClubCard members generate 80.2% of sales
- Extensive opportunities for digital engagement by migrating loyalty members to the ClubCard app
- Online store offers full Clicks product range for in-store collection or home delivery as well as online-only range extensions

Robust supply chain

Centralised supply from company-owned distribution centres to all retail stores

- UPD provides an efficient healthcare supply chain channel for Clicks
- UPD also offers wholesale and distribution services to pharmaceutical manufacturers

98% of product through centralised distribution

Sustainable business

Commitment to sound environmental, social and governance practices

- ESG practices aligned with eight selected United Nations Sustainable Development Goals
- Inclusion in the FTSE4Good Index recognises the standard of the group's ESG practices
- R57 million invested in renewable energy sources
- R791 million invested in training and development over past five years
- Experienced, independent, diverse and well-balanced board

Efficient cash and capital management

Highly cash generative business

- R15.1 billion cash generated from operating activities before dividends paid over past five years
- Returns enhanced through active capital management
- R7.4 billion returned to shareholders in dividends and share buy-backs in past five years
- Well-invested store base and supply chain
- R3.4 billion capital expenditure in past five years

R7.4 billion returned to shareholders

Differentiated product offer

Private label and exclusive brands offer differentiated ranges at higher margins

- Target to grow private label to 25% of retail sales; currently 24.2%
- Clicks offers differentiated products through exclusive health and beauty brands such as The Body Shop, GNC and Sorbet

Private label sales **24.2%** of total group sales

02
Governance

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

Chairman's report

The Clicks Group has, once again, produced a very pleasing result for the August 2022 financial year.

This performance was achieved in an environment of extreme and, in some cases, unprecedented challenges both globally and in South Africa, demonstrating the resilience of the group's business model and the defensiveness of its core business. These challenges have been widely documented and have more recently been exacerbated by a number of global issues. These include the continuing war in Ukraine leading to global food insecurity and rising inflation as well as a number of South African domestic issues such as increased load shedding, unprecedented levels of unemployment and declining consumer confidence.

Moreover, the group's solid performance was achieved in a period of leadership change, following the resignation of our former CEO, Vikesh Ramsunder and the appointment of Bertina Engelbrecht as his successor from January 2022. The transition in the CEO office was seamless and the group's strategy has been consistently applied, allowing the group to continue on its sustained growth trajectory. This is testament to our succession planning and leadership development programmes which enable us to appoint internal successors who have been integrally involved in the development of strategy and who have gained the trust and confidence of all stakeholders.

David Nurek
Independent non-executive chairman

Group turnover at R39.6 billion increased by 6.0%, diluted headline earnings per share (HEPS), adjusted for the impact of the civil unrest, grew by 11.9% and the dividend was increased by 30.0% to 637 cents per share. The group generated cash inflows from operations of R4.3 billion while the industry-leading return on equity increased to 48.0%.

The performance of the past year should also be analysed in the context of the strong growth trend over the past decade, with the group generating a compound annual total shareholder return of 20.9% per annum. Diluted HEPS has grown by a 10-year compound rate of 14.2% and the dividend per share by 15.4% per annum.

During this time the group has continued to reinvest for growth, with capital expenditure of R5.4 billion over the past 10 years while over R11 billion has been returned to shareholders in dividends and share buy-backs, underpinning the quality of the Clicks Group share. We remain a proud constituent of the FTSE/JSE Top 40 Index.

Progressing board succession

As a board our primary responsibility is to shareholders is to ensure that we have the necessary expertise and independence to meet our oversight responsibilities and add value to the board's deliberations.

The succession plan aimed at refreshing the board membership has gained momentum over the past year. In September 2021, we welcomed Sango Ntsaluba as an independent non-executive director. Sango is a seasoned non-executive director with over 30 years' experience in the auditing profession and in corporate leadership positions. In September 2022, after the end of the reporting period, Nomgando Matyumza joined the board as an independent non-executive director. She has extensive finance, accounting and governance experience from holding executive positions in the private and public sectors and is highly respected.

Sango and Nomgando are both experienced chartered accountants and have been appointed to the audit and risk committee.

Shareholders should be reassured that the board refresh does not in any way signal a shift in the strategic direction of the group.

More than
R11 bn
returned to shareholders over the past ten years

Black board members
60%
Target 50%

Female board members
40%
Target 25%

Our succession plan also addresses the issue of long-tenured directors. Our policy dictates that directors who have served at least three terms of three years will retire when their current term comes to an end, unless the board determines otherwise. Our long-tenured directors are therefore retiring over a three year period. In January this year we bade farewell to Fatima Daniels. Ahead of the AGM in January 2023, Prof Fatima Abrahams and Martin Rosen will retire.

These directors have made an outstanding contribution to the board and the committees on which they have served over the years. Their tenure has coincided with a period of exceptional performance by the group and we thank them for their commitment, counsel and guidance.

While we acknowledge the collective benefits of a highly experienced and knowledgeable board, we recognise the oversight advantages and benefits that fresh insights and thinking can add to boardroom debate and deliberations. Following the January 2023 AGM, four of our six non-executive directors will have been appointed within the past three years.

Increasing board diversity

The diversity of our directors ensures that the board considers the needs and concerns of all our stakeholders and interest groups.

The group follows a broad policy to ensure diversity on the board, specifically relating to race and gender, but also additional diversity attributes of skills, qualifications and experience, age and culture. All our board appointments have been made in line with this policy.

Currently 60% of our directors are black and 40% female, exceeding our voluntary targets of 50% black and 25% female representation on the board.

Executive leadership

After 11 years as chief financial officer (CFO) and an executive director, Michael Fleming will be taking early retirement from the group in December 2022. Michael has made an outstanding contribution to the group's financial and capital management over the past decade and oversaw the finance portfolio during a period of strong growth for the group. We are sorry to say goodbye to Michael and wish him well for the next chapter of his life.

We are pleased to appoint Gordon Traill as an executive director and CFO with effect from 1 January 2023 to succeed Michael. Gordon has been with the group since 2006 and is currently chief of support services in Clicks with responsibility for supply chain, retail distribution centres, property and information technology.

He has extensive experience in senior financial management and strategic and operational portfolios within the group which make him well suited for his new position. Appointing an internal successor of Gordon's calibre highlights our depth of talent and the quality of our leadership development programmes, enabling the board to promote an executive who has been part of our long-term succession planning.

Governance

The group's governance standards are independently assessed each year as part of the evaluation for the FTSE4Good Index, where the group again achieved the maximum score for the governance component in 2022, confirming that our governance standards are in line with international best practice. The group achieved an overall ESG score of 4 out of 5, far outperforming the drug retailers' sector average score of 1.7.

The board has continued to support management in entrenching ESG practices across the business. This included training on climate change, reviewing the group's environmental and climate change policy, approving the adoption of the JSE's June 2022 guidance on sustainability and climate change disclosures in our annual reporting and incorporating ESG modifiers in long- and short-term incentive schemes.

The nomination and remuneration committee is considering further amendments to the current long-term incentive scheme to align the group's remuneration practices with global best practice. The amended scheme will be presented to shareholders during the new financial year and will be implemented for the 2024 financial year.

Acknowledgements

Thank you to our CEO Bertina for her engaging and decisive leadership since assuming office during the year. I also thank our experienced group executive committee and the leadership teams in Clicks and UPD for producing another highly competitive performance in the challenging operating environment.

Our 16 500 employees at head office, stores and distribution centres across the country again delivered on the group's values and I thank them for a job well done.

My fellow non-executive directors provide invaluable guidance and counsel in maintaining high standards of oversight and I extend my gratitude for their continued support.

Thank you to our external stakeholders, including our customers, shareholders, suppliers and regulators, for their continued support and engagement.

David Nurek
Independent non-executive chairman

Board of directors

Non-executive directors

David Nurek (72)

Independent non-executive chairman

Dip Law, Grad Dip Company Law

Appointed 1996

Member of the remuneration committee and chairperson of the nominations committee
Member of the social and ethics committee

Directorship:

Non-executive chairman of Trencor

Expertise and experience:

Legal, commercial and governance. David practised as an attorney with Sonnenberg Hoffman Galombik for 32 years, including 23 years as a partner and director. He joined Investec Group in 2000 and was regional chairman of the group's Western Cape businesses and global head of legal risk for the Investec Group. David retired from the Investec Group in 2019. He has served as non-executive director and chairperson on boards of listed companies for many years, including as chairperson of The Foschini Group and Lewis Group, and non-executive director of Aspen Pharmacare and Pick n Pay Stores.

Prof. Fatima Abrahams (60)

Independent non-executive director

B Econ (Hons) (cum laude), M Com and D Com

Appointed 2008

Chairperson of the social and ethics committee
Chairperson of the remuneration committee and member of the nominations committee

Directorships:

Lewis Group and The Foschini Group. Chairperson of TSiBA Education

Expertise and experience:

Human resources and remuneration. Prof. Abrahams is an academic, experienced company director and a registered industrial psychologist. She is currently a senior professor (part time) at the University of the Western Cape, having also served as dean of the Faculty of Economic and Management Sciences.

John Bester (76)

Independent non-executive director

B Com (Hons), CA (SA), CMS (Oxon)

Appointed 2008

Member of the remuneration and nominations committee

Directorships:

Non-executive director of Intembeko Investment Administrators and Personal Trust. Trustee of the Children's Hospital Trust and the Children's Hospital Foundation Trust.

Expertise and experience:

Accounting and finance. John spent 16 years in the accounting profession, including serving as a partner of Ernst & Young for 10 years. He has been involved in commerce and industry for a further 41 years.

Nomgando Matyumza (59)

Independent non-executive director

BCom, BCompt (Hons), CA(SA), LLB

Appointed September 2022

Member of the audit and risk committee

Directorships:

Sasol, Standard Bank Group, Standard Bank South Africa and Volkswagen (South Africa).

Expertise and experience:

Accounting, finance and corporate governance. Nomgando is a chartered accountant who has held senior financial management and executive positions in the private and public sectors. Her past directorships include the Council for Medical Schemes (deputy chairperson), Hulamin, WBHO, Transnet and Ithala Development Finance Corporation. She is an ordained minister of the African Methodist Episcopal Church and a member of its Presiding Elders Council.

Dr Penny Moumakwa (57)

Independent non-executive director

MB ChB, MAP (Wits), GMP (Harvard)

Appointed 2021

Member of the social and ethics committee

Directorships:

Growthpoint Healthcare Property Holdings, RCL Foods, Wits University Donald Gordon Medical Centre and the Witkoppen Health and Welfare Centre.

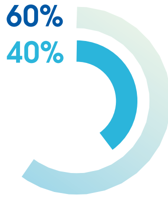
Expertise and experience:

Healthcare and sustainability. Penny is a medical doctor with extensive senior executive experience in the private and public healthcare sectors. She was previously an executive director of Discovery Health and an executive committee member of Discovery Holdings. She is the founding CEO of Mohau Equity Partners which focuses on impact investing to scale and develop SME companies into future industry leaders.

Board profile

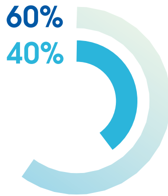
GENDER

Male **60%**
Female **40%**



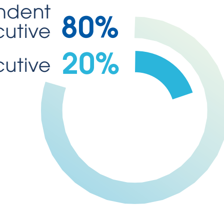
RACE

Black **60%**
White **40%**



CLASSIFICATION

Independent non-executive **80%**
Executive **20%**



Board diversity policy

The group has adopted a policy to ensure diversity on the board, specifically relating to race and gender but also in respect of broader diversity attributes such as skills, qualifications and experience, age and culture.
The recent appointments of Sango Ntsaluba and Nomgando Matyumza were made in line with this policy.
The board exceeds its voluntary targets in respect of race and gender representation, with 60% of directors being black (target 50%) and 40% of directors being women (target 25%).

Independent non-executive directors

Mfundiso Njeke (64)

Lead independent non-executive director

B Com, B Compt (Hons), CA (SA), H Dip Tax

Appointed 2020

Chairperson of the audit and risk committee

Directorships:

Datatec, Delta Property Fund and Motus Holdings.

Expertise and experience:

Accounting, finance, commercial and strategic planning. Mfundiso (JJ) is a chartered accountant by profession. After serving as an audit partner at PricewaterhouseCoopers for six years he co-founded Kagiso Trust Investments where he was group managing director from 1994 to 2010. JJ is currently the chairperson of investment company Dlondlobala Capital, which he co-founded in 2012. He is a past chairman of the SA Institute of Chartered Accountants.

Sango Ntsaluba (62)

Independent non-executive director

B Com, B Compt (Hons), M Com (Development Finance), H Dip Tax Law, CA (SA)

Appointed 2021

Member of the audit and risk committee
Member of the remuneration and nominations committee

Directorships:

Non-executive chairman of Thungela Resources and non-executive director of Kumba Iron Ore and Goldplat plc.

Expertise and experience:

Accounting, finance, commercial and strategic planning. Sango was a founding partner of SizweNtsalubaGobodo (now SNG Grant Thornton), one of the largest auditing firms in South Africa. In 1997 he joined Transnet as general manager of group finance before being appointed as an executive director responsible for restructuring, a position he held until 2002. He served as executive chairman of NMT Capital from 2002 until 2020. He is the founding CEO of investment holding company Aurelian Capital.

Martin Rosen (72)

Independent non-executive director

Appointed 2006

Member of the remuneration and nominations committee

Expertise and experience:

Retail and marketing. Martin is an accomplished retailer and marketer, having spent 33 years with Pick n Pay before starting his own marketing consultancy in 2004.

Executive directors

Bertina Engelbrecht (59)

Chief executive officer

B Proc, LL M, admitted attorney

Appointed as a director in 2008

Expertise and experience:

Corporate affairs, strategic planning, stakeholder engagement and human resources. Bertina was appointed as chief executive officer in January 2022. She joined the group as group human resources director in March 2006 and her responsibilities were expanded in December 2020 to include strategic stakeholder engagement. She was previously general manager for Shell SA Energy and regional human resources manager for Shell Oil Products Africa. Prior to this she was director of organisational effectiveness at Sea Harvest, managed her own consultancy practice and spent eight years with Transnet.

Michael Fleming (55)

Chief financial officer

B Com, CTA, CA (SA)

Appointed as a director in 2011

Expertise and experience:

Accounting, finance and investor relations management. Michael was previously chief financial officer of Tiger Brands Limited. He joined the Tiger Brands group in 2000, was appointed as financial executive of the Tiger Brands consumer brands division in 2005 and promoted to chief financial officer in June 2008. While CFO of Tiger Brands, he also served as a non-executive director of Oceana Group Limited. Michael will be retiring from the group in December 2022.

Corporate governance report

Clicks Group's corporate governance standards are independently rated as aligning with global best practice and this has been an enabler of the sustained strong performance of the business, reflected in the group's long-term equity outperformance. As ESG considerations have risen to prominence in recent years, the group has been well-positioned to capitalise on the investment made in robust governance policies and practices over several years.

The group's governance and compliance framework, premised on the principles of accountability, transparency, ethical management and fairness, is deeply entrenched at all levels of the business. The board and top management are accountable for the group's governance and consider governance to be critical to the group's ability to execute its strategic objectives, to ensure that the group is sustainable and that it meets the expectations of its various stakeholders.

In the past year, notable governance matters in the group included the following:

- Managing the resignation of former CEO Vikesh Ramsunder and the appointment of Bertina Engelbrecht as his successor from 1 January 2022;
- JJ Njeke, who took over the chairmanship of the audit and risk committee from January 2022 was also appointed as the board's lead independent director;
- As a continuation of the process of refreshing the board membership, bidding farewell to long-serving non-executive director Fatima Daniels in January 2022 and appointing Nomgando Matyumza to the board and the audit and risk committee, effective 1 September 2022. David Nurek, who served on the audit and risk committee in an interim capacity for the final six months of the 2022 financial year, stepped down from that committee upon Nomgando Matyumza's appointment; and
- Preparing for the transition of CFOs, with Michael Fleming set to retire on 31 December 2022 and Gordon Traill to commence in the role from 1 January 2023;
- While welcoming a return to in-person board meetings, the group makes increasing use of technology, including virtual meetings and a digital platform for board documents, in conducting its business.

Refer to the detailed corporate governance report 2022 online

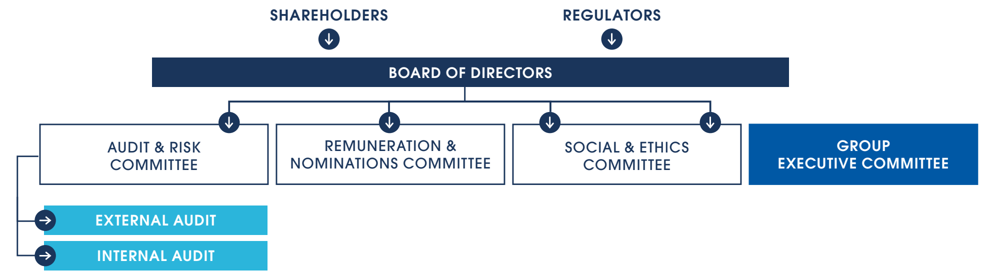
The group has applied the King IV report throughout the 2022 financial year and the directors confirm that the group has in all material respects voluntarily applied the principles of the code. The application of King IV is covered in the corporate governance report 2022 published on the website. The board is not aware of any material non-compliance with the Companies Act, 2008, the JSE Listings Requirements or the Clicks Group memorandum of incorporation.

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 is also required to 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.

Governance structure



Board composition

From the AGM in January 2023, the board will consist of eight directors, with two 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 page 34. From the January 2023 AGM, Martin Rosen and Fatima Abrahams will leave the board with the group's thanks for their service over many years. Nomgando Matyumza will be recommended for election to the board and to the audit and risk committee.

Independence of directors

All the directors understand their legal duty to act independently in the best interests of the company.

David Nurek has served as a non-executive director for 26 years, Fatima Abrahams and John Bester for 14 years, and Martin Rosen for 16 years. Fatima Abrahams and Martin Rosen are due to retire from the board immediately prior to the AGM in January 2023.

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. The board has taken cognisance of investor concerns about potential waning of independence through long tenure or length of concurrent tenure between non-executive directors and executive directors (Bertina Engelbrecht has been an executive director since 2008 and Michael Fleming since 2011), and has commenced actively monitoring concurrency of service as one of the metrics to consider when assessing independence. 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.

Key issues addressed in 2022

In addition to the matters detailed in the report, the board addressed the following key issues during the year:

- Approving the group's three-year strategic plans and budgets, including capital investment in IT systems and physical infrastructure;
- Monitoring the execution of projects and initiatives approved in preceding years;
- Entrenching ESG practices in the group's ways of working, including reviewing the group's environmental and climate change policy, adopting the JSE's June 2022 guidance on sustainability and climate change disclosures in its annual reporting, incorporating ESG modifiers in the short-term and long-term incentive schemes, and providing training for directors on climate change;
- Restructuring the board by reducing the number of executive directors from three to two and undertaking the process to identify an additional non-executive director for election by shareholders at the January 2023 AGM, aimed at ensuring that the group and its stakeholders continue to benefit from a diverse, multi-skilled, independent and balanced board;
- Considering and satisfying itself as to the competence, qualifications and experience of both the CFO and company secretary;
- Reviewing the group's remuneration policy, with specific focus on long-term incentives for senior executives and non-executive director remuneration, and making appropriate changes in keeping with global best practice such as the inclusion of ESG modifiers for short and long term incentive schemes for executives, and removing the meeting attendance component of non-executive director remuneration while allowing for fair and reasonable remuneration for extraordinary additional attendances by non-executive directors;
- Reviewing talent and succession plans for the business; and
- Ensuring the group is prepared for mandatory auditor rotation when this becomes compulsory (new auditors will be appointed in the 2023 financial year, to perform the audit for the 2024 financial year); and recommending EY for reappointment as the group's auditor at the January 2023 AGM, noting that EY has served as the auditor for ten years, and the appointment of Malcolm Rapson as audit partner, replacing Anthony Cadman who completes his five-year tenure this year.

The group's remuneration report is available at www.clicksgroup.co.za

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 50% black and 25% female representation at board level. Currently 60% of the directors are black and 40% are female.

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 who shareholders believe will add value to the business. As detailed above, three non-executive directors retire and one is recommended for election to the board at the 2023 AGM. Executive director Gordon Traill, who will have commenced in his role as CFO on 1 January 2023, will resign and stand for election at the AGM.

Annual performance evaluation

An internal assessment of the board's effectiveness was conducted, which concluded that the board, its committees, its chairman and directors, and the company secretary are highly effective. This followed the external assessment conducted by Deloitte in 2021.

Board and executive relationship

The roles of the chairman and the chief executive officer 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 chief executive officer 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	AGM
Number of meetings	**5***	**4**	**6***	**2**	**1**
David Nurek[1]	5/5+	2/2	6/6^	2/2	1/1
Fatima Abrahams	5/5		6/6#+	2/2+	1/1
John Bester[2]	5/5	1/1	6/6		1/1
Fatima Daniels[3]	2/2	1/1	(1)/(2)		
Bertina Engelbrecht	4/4	(4/4)	(4)/(4)	2/2	1/1
Michael Fleming	4/4	(4/4)			1/1
Penelope Moumakwa[4]	5/5		(1)/(2)	2/2	1/1
JJ Njeke[5]	4/5	4/4	(2)/(2)		1/1
Vikesh Ramsunder[6]	1/1	(1/1)			
Martin Rosen	4/5		5/6		1/1
Sango Ntsaluba[7]	5/5	3/3 (1/1)	5/5 (1/1)		1/1
Meeting attendance 2022 (excluding attendance by invitees) (%)	**96**	**100**	**97**	**100**	**100**
Meeting attendance 2021 (excluding attendance by invitees) (%)	**96**	**100**	**100**	**100**	**100**

(•) Indicates meetings attended as an invitee.
* An additional board meeting was held for non-executive directors only to discuss the CEO succession plan and three additional meetings were convened for the remuneration and nominations committee.
\+ Chair.
^ Chairs nominations agenda items.
\# Chairs remuneration agenda items.
1 Appointed to audit and risk committee 18 March 2022, having attended October 2021 and February 2022 meetings as an invitee.
2 Resigned from audit and risk committee 26 January 2022; attended the three meetings thereafter as an invitee.
3 Retired 26 January 2022.
4 Appointed to social and ethics committee 1 January 2022.
5 Appointed audit and risk committee chair from 26 January 2022.
6 Resigned 31 December 2021.
7 Appointed as a director 1 September 2021; appointed to remuneration and nominations committee 1 January 2022, having attended October 2021 meeting as an invitee; and appointed to audit and risk committee 26 January 2022, having attended October 2021 meeting as an invitee.

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 coordinated 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 18 - 23.

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 2023

The board will continue to allocate resources to sustainably operate and grow the business, and closely monitor the execution of projects. Responsible investment in areas including IT; growing and refreshing the store base; and training and development are key to providing the platform to ensure the growth of the business.

Continued focus on ESG is an imperative. The group understands how environmental, social and governance matters are inextricably linked, and how ESG performance is dependent on a concerted effort in all of these areas, together with a supportive culture and structure in the business. The unequivocal commitment of top management, as well as the appointment of a senior executive to head corporate affairs will assist the board and management in delivering on their ESG ambitions.

The appointment of new non-executive directors requires a comprehensive induction programme to harness the effectiveness of these directors. The programme will continue throughout the year.

03
Performance

Clicks Group continues to drive organic growth to deliver sustained financial performance which generates competitive returns and creates long-term value for shareholders.

Chief executive officer'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.

It has been a challenging year in which trading was hampered by the ongoing impact of Covid-19, the July 2021 civil unrest, significantly higher levels of disruption due to load shedding and depressed consumer spending and confidence.

While our business is certainly not immune to the prevailing economic headwinds, our business model is resilient, our core product categories are defensive, our partnerships are strong and, most importantly, the quality of our people ensured that we continued to create value for our stakeholders.

While the South African economy opened up in the second half of the financial year once the final Covid-19 restrictions were lifted, the outbreak of the Omicron variant late in the 2021 calendar year was a major setback. This Covid-19 wave had a significant social and economic impact, with inbound and outbound tourism particularly affected, resulting in subdued sales over our peak festive season trading period.

The Covid-19 restrictions and the wearing of masks continued to curtail the transmission of acute infections well into the third quarter of the financial year. Once restrictions were finally lifted, consumers returned to shopping centres and the country experienced its first traditional cold and flu season since 2019.

The impact of the KwaZulu-Natal civil unrest extended way beyond the temporary closure of our 53 damaged stores, vandalised distribution centres and the disruption to the supply chain. The local economy was severely impacted, multitudes of livelihoods were impacted and the volume of looted stock in the province depressed retail demand for several months. The region struggled to recover and was further setback by widespread flooding in April 2022.

The higher levels of loadshedding had a significant impact on sales, especially during the final quarter of the financial year. The number of trading hours lost to loadshedding was three times higher than in the prior year and the group invested in battery packs, inverters and generators to partially mitigate the impact of the electricity outages.

Despite these challenges, retail turnover excluding vaccinations gained momentum and grew by 9.4% in the second half, compared to growth of 7.1% in the civil unrest impacted first six months.

Bertina Engelbrecht
Chief executive officer

Overall, retail turnover increased by 11.7% while the growth in group turnover at 6.0% was impacted by the slowdown in UPD due to the strong demand in the hospital channel during the severe waves of Covid-19 in the prior year and the slower than expected return of elective surgical procedures this year.

Turnover growth was supported by higher margins, tight cost control and continued strong cash flows, resulting in a highly competitive growth of 11.9% in adjusted diluted headline earnings per share for the year.

Delivering on our strategy

Long-term shareholders will be reassured that the group's strategy was consistently applied throughout the past year, despite the change in executive leadership. As an executive director and member of the group executive committee I have been integrally involved in developing and supporting the execution of the group strategy for the past 15 years. I was therefore totally committed to supporting our strategy of creating sustainable long-term shareholder value through a retail-led health, wellness and beauty offering when I assumed office in January 2022.

Our organic growth strategy continues to be supported by favourable market dynamics and the drivers of our longer-term growth are outlined in the group strategy report on pages 26 and 27.

Clicks' strategy is premised on convenience, differentiation and personalisation, supported by our value offering, and we have made pleasing progress across these pillars in the past year.

Clicks opened its 800th store in March 2022, expanding its footprint to 840 with the opening of 58 new Clicks stores. The store opening programme was accelerated beyond the targeted number of new Clicks stores for the third successive year owing to opportunities for new space becoming available in existing shopping centres, mainly due to the impact of the Covid-19 pandemic on the retail and hospitality sectors.

Our convenience format stores comprise 75% of the portfolio. While Clicks has traditionally targeted mainly middle to upper income consumers, we have in recent years extended our market and 210 of our stores are located in lower income areas, accounting for 23% of retail turnover.

Refer to the group strategy report p26-27

20.7%
market share of the baby category

9.7 million
active Clicks ClubCard members

The baby category is a strategic growth vector for Clicks. Through our baby offering in all Clicks stores we hold a 19.2% share of the market. Our recently introduced standalone Clicks Baby stores are show rooms designed to stimulate online purchases and the fourth baby store was opened shortly after the year end. These stores also offer a range of baby hardware, including prams, car seats and cots, and are supported by the online baby offering.

Clicks is the country's largest retail pharmacy chain and a further 52 pharmacies were opened, extending the national pharmacy presence to 673. Currently 50% of the country's population live within 5.3 kilometres of a Clicks pharmacy, highlighting the convenience and accessibility of the pharmacy network.

Clicks was unwavering in its support of the national Covid-19 vaccination programme, enabled by our convenient network. We administered over 2.9 million vaccinations in the year, making us the largest private sector vaccinator in the country. Covid-19 vaccinations generated turnover of R1.1 billion, resulting in an uplift of 3.5% in retail sales.

Clicks ClubCard is one of the country's most loved loyalty programmes and is an enabler of our personalisation strategy. ClubCard membership increased by 500 000 to 9.7 million active members in the past year and accounted for 80.2% of the brand's sales. Our investment in our digital channel has seen the Clicks mobile app, which incorporates the digital ClubCard, downloaded by 3 million customers.

Our range of private label and exclusive brands in Clicks increases customer choice and offers an extensive range of trusted quality, great value products which are an alternative to a branded product. The contribution from private label and exclusive products declined marginally to 24.2% of total sales, with the goal to increase this to 25% of total sales.

UPD is the country's leading pharmaceutical wholesaler and is a significant service provider in the distribution agency business, with a portfolio of 31 clients. UPD's total managed turnover, which combines wholesale and bulk distribution, increased by 7.6% to R30.6 billion. Clicks and the private hospital groups account for almost 90% 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 through record capital investment of R936 million for the new financial year.

The group's financial performance is covered in the chief financial officer's report starting on page 50, and the trading performance of Clicks and UPD is covered on pages 58 to 66.

Refer to the sustainability report p68

Integrating ESG practices

Environmental, social and governance (ESG) practices are integrated into strategic planning and operational processes. The group's core business creates meaningful social impact through the provision of health products and improving access to reliable and affordable healthcare. The group's sustainability strategy is based on four focus areas which are aligned to specific Sustainable Development Goals.

Included in
FTSE4Good Index
for sixth year

The group was included in the FTSE4Good Index Series for the sixth consecutive year, measuring our ESG practices against global standards. In the index ratings the group far outperformed the sector and industry averages which include major international healthcare companies.

In response to the growing threat posed by climate change, the group increased its investment in renewable energy solutions. During the year solar installations were completed at the eight Clicks and UPD distribution centres around the country. The board has approved an environmental management policy which includes a commitment to carbon neutrality.

As a proudly South African company with a diverse workforce and a predominantly female customer base, inclusive transformation has always been integrated into our strategic plans. The group's sustained rating as the top BBBEE and gender empowered company in the health, pharmaceutical and retail sector bears testimony to our commitment to transformation.

Refer to the sustainability report on page 67 for detail on the group's ESG focus areas.

Executive leadership

My fellow executive director and our chief financial officer (CFO) for the past 11 years, Michael Fleming, will be stepping down from his role in December 2022 and taking early retirement from the group. Michael has been an integral member of our group executive committee which has led the group's growth over the past decade and on behalf of the group I thank him for his unwavering commitment, diligence and exemplary financial management.

We are pleased to appoint an accomplished internal successor in Gordon Traill, with effect from 1 January 2023. He has been with the group for 16 years and is currently chief of support services in Clicks with responsibility for supply chain, retail distribution centres, our vast property portfolio and information technology. During his career with the group he has been head of internal audit, head of group finance and head of finance for the retail business, serving as a member of the Clicks executive committee since 2014.

Long-term store target increased to
1 200

As part of his career development Gordon has participated in programmes aimed at accelerating his readiness for a senior executive role and he is eminently qualified for this new opportunity. I look forward to working with Gordon and benefiting from his vast financial, strategic and operational experience.

Outlook

We anticipate trading conditions to remain extremely constrained owing to the increasing pressures on consumer disposable income in the current low growth, high inflationary environment. This will be compounded by the trading disruption from ongoing electricity load shedding.

Clicks has proven its ability to adapt to changing market dynamics and its growth drivers of value, convenience, customer loyalty and product differentiation position the business to respond to the needs of customers, particularly in the current weak economic environment. Our strength and significant market shares in our core retail markets support our growth aspirations.

Our confidence in the growth prospects of Clicks is reflected in the increase in our long-term store target from the current 900 to 1 200 stores, with 40 to 50 stores and 40 to 50 pharmacies planned to open each year.

We expect UPD's fine wholesale business to regain market share through increased elective surgeries in hospitals, the acquisition of new clients and the continued growth in the Clicks pharmacy business. The bulk distribution business in UPD is strong and expanding.

These growth opportunities, together with the group's strong cash generation and healthy balance sheet, should ensure that we continue to deliver on our medium-term financial and operating targets.

Appreciation

Thank you to our chairman, David Nurek, and the non-executive directors for their support during the leadership transition and I extend my gratitude for the confidence they have shown in me to lead the group.

My colleague Michael Fleming has been a pillar of strength and I thank him together with the executive teams in Clicks and UPD for their commitment and contribution.

The performance of the past year was due to the resilience, capability and passionate commitment of our people, and I thank them for their role in ensuring that we remain South Africa's leading health and beauty retail group.

Bertina Engelbrecht
Chief executive officer

Executive management

Left to right: Trevor McCoy, Michael Fleming, Bertina Engelbrecht and Vikash Singh

Bertina Engelbrecht
(59)

Chief executive officer
B Proc, LL M, admitted attorney

Joined the group as group human resources director in March 2006
Appointed as chief executive officer in January 2022

Expertise and experience:

- Previously general manager for Shell SA Energy and regional human resources manager for Shell Oil Products Africa.
- Prior to this she was director of organisational effectiveness at Sea Harvest, managed her own consultancy practice and spent eight years with Transnet.

Michael Fleming
(55)

Chief financial officer
B Com, CTA, CA (SA)
Joined the group in February 2011

Expertise and experience:

- Previously chief financial officer of Tiger Brands Limited.
- Joined the Tiger Brands group in 2000, appointed as financial executive of the Tiger Brands consumer brands division in 2005 and promoted to chief financial officer in June 2008.

Vikash Singh
(49)

Managing executive: Clicks
B Com (Acc), MBA
Joined the group in 2006
Appointed as managing executive of Clicks in February 2021

Expertise and experience:

- Previously managing executive of UPD from 2015 to 2021.
- Career has spanned financial, operational, supply chain and logistics responsibilities, with extensive experience in logistics management in both Clicks and UPD.

Trevor McCoy
(52)

Managing executive: UPD
BSc, PGDMM, MBA
Joined the group in April 2021

Expertise and experience:

- Previously head of public affairs for Sanofi South Africa.
- 25 years' experience in the pharmaceutical sector. Previous roles include serving as business unit head in diverse portfolios and therapeutic classes in Sanofi, Pfizer and Alcon.

Chief financial officer's report

Clicks Group overcame mounting headwinds in the trading environment to deliver improved margins, tight cost control, continued strong cash flows and enhanced returns to shareholders.

R1.7 bn

returned to shareholders in dividends and share buy-backs

Group diluted headline earnings per share (HEPS) from continuing operations increased by 33.5% to 1 033 cents. Adjusting for the impact of the civil unrest, diluted HEPS increased by 11.9% (refer to Impact of civil unrest below).

The group declared a total dividend of 637 cents per share, 30.0% higher than the prior year and based on a payout ratio of 61.7% of HEPS. The final cash dividend of R1.1 billion will be paid to shareholders in January 2023.

The return on equity increased from 38.2% to 48.0% and is now at the upper end of the group's medium-term target range of 40% – 50%.

Financial reporting for impact of civil unrest

The civil unrest in KwaZulu-Natal in July 2021 had a significant impact on the group. Certain of the group's reported financial information has been adjusted for the impact of the civil unrest and the subsequent insurance recoveries to present a normalised view of the underlying operating performance of the group.

Impact of civil unrest

The group was fully insured against the risk of civil unrest and political violence. After the first payment of the insurance claim of R217 million was accounted for in the 2021 financial year, the South African Special Risks Insurance Association (SASRIA) paid the following amounts during the year in final settlement of the claim:

- R325 million for loss of inventory and other costs incurred, reflected in 'other income'
- R167 million for replacement of damaged fixed assets, recorded as 'proceeds received on capital items'.

Adjusting the reported results for the 2021 and 2022 financial years by reversing the inventory written off and other costs incurred as well as the insurance proceeds received, diluted HEPS increased by 11.9% for the year.

Michael Fleming
Chief financial officer

The impact on the major line items in the statement of comprehensive income are as follows:

R'million	Reported 2022	Adjustment (see notes below)	Adjusted 2022	Adjusted 2021*	% change
Turnover	39 587	–	39 587	37 339	6.0
Gross profit	8 432	–	8 432	7 606	10.9
Other income	2 867	(325)[1]	2 542	2 392	6.3
Total income	**11 299**	**(325)**	**10 974**	**9 998**	**9.8**
Expenses	(7 649)	–	(7 649)	(6 953)	10.0
Operating profit	**3 650**	**(325)**	**3 325**	**3 045**	**9.2**
Capital items	163	(167)[2]	(4)	(4)	–
Taxation	(1 000)	136	(864)	(786)	9.9
Headline earnings	**2 523**	**(235)[3]**	**2 288**	**2 068**	**10.7**
dHEPS(cents)	**1 032.7**	**(96.1)**	**936.6**	**836.8**	**11.9**

Notes:
1. Second and third SASRIA payments
2. Property, plant and equipment SASRIA insurance proceeds portion
3. Insurance income portion after tax

* FY2021 adjusted to exclude stock write-off of R334m, costs of R31m and insurance proceeds of R217m.

Financial performance

The analysis of the group's financial performance for the year ended 31 August 2022 covers 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 54 and 56.

Statement of comprehensive income

Turnover

Group turnover increased by 6.0% to R39.6 billion (2021: R37.3 billion). Selling price inflation averaged 3.0% for the year.

Retail turnover, including Clicks and The Body Shop, increased by 11.7%, with selling price inflation of 4.0%. Comparable store sales grew by 8.4% with volume growth of 4.4%.

During the year Clicks administered 2.9 million Covid-19 vaccinations which generated turnover of R1.1 billion. This resulted in an uplift of 3.5% in retail sales and 2.5% in group sales.

Growth in store and pharmacy trading space accounted for 3.3% of the retail turnover growth, with the net opening of 58 new Clicks stores and 52 pharmacies.

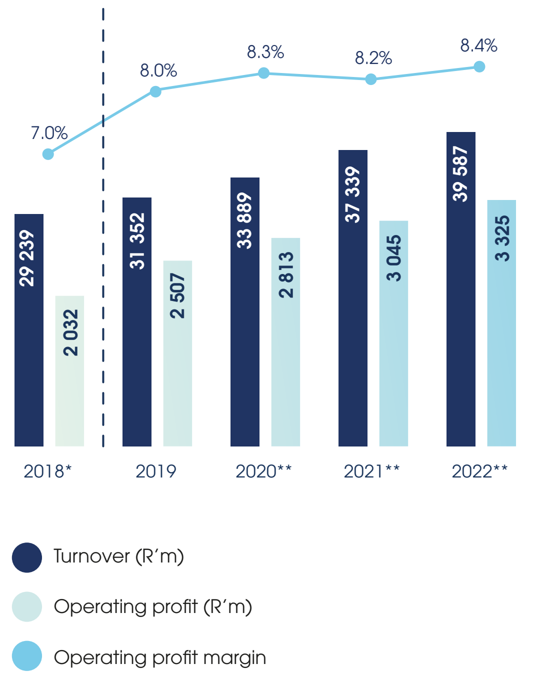
Retail turnover
+11.7%

Store and pharmacy trading space
+3.3%
Net opening of 58 Clicks stores and 52 pharmacies

Distribution turnover declined by 2.6% due to the base effect caused by strong demand for medicines during the severe Beta and Delta variant waves of Covid-19 in the 2021 financial year.

The trading performances of Clicks and UPD are covered in the business review on pages 58 to 66.

Growth in turnover, operating profit and margin



* Pre-IFRS 16 operating profit and margin
** Continuing operations, FY2021 and FY2022 adjusted for impact of civil unrest

Total income

+9.8%

to R11.0 billion

Total income margin expanded by 90 bps to

27.7%

Total income

Total income on an adjusted basis grew by 9.8% to R11.0 billion (2021: R10.0 billion).

The retail total income margin reduced by 30 basis points (bps) due to the impact of the lower margin vaccinations and the return of the cold and flu season for the first time since 2019.

UPD's total income margin strengthened by 50 bps due to the growth in the bulk distribution business, with three new contracts secured during the year.

The group total income margin expanded by 90 bps to 27.7% due to the faster growth of retail as the economy recovered from the impact of Covid-19.

Operating expenditure

Adjusted retail operating expenditure as a percentage of turnover improved to 23.4% (2021: 23.7%) reflecting the increasing efficiency in the retail cost base.

Adjusted retail expenses were held below retail turnover growth and grew by 10.5%. In addition to the new stores, pharmacies and depreciation on capital expenditure, the administration of Covid-19 vaccinations added significant costs. These costs were ultimately recovered by fees paid to Clicks by medical aid schemes and the Department of Health. Comparable retail costs, excluding new stores and Covid-19 vaccination costs, were contained to an increase of only 5.0%.

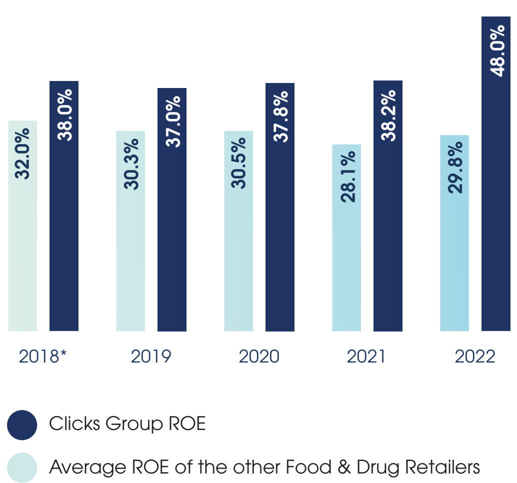
UPD expenses on an adjusted basis were impacted by the new bulk distribution contracts as well as higher fuel, security, insurance and electricity costs and increased by 6.2%, below the 7.6% growth in total managed turnover.

Operating profit

Adjusted group operating profit increased by 9.2% to R3.3 billion (2021: R3.0 billion), with the group's adjusted operating margin increasing by 20 bps to 8.4%.

Retail grew adjusted operating profit by 10.3% with the margin 10 bps lower primarily due to the high volume of low margin vaccinations administered. Ongoing cost pressure, combined with lower wholesale turnover, contributed to UPD's adjusted operating profit declining by 1.2%.

Return on equity



* Pre-IFRS 16

Statement of financial position

The ratio of shareholders' interest to total assets improved from 28.0% to 31.9%. The ratio of current assets to current liabilities at year end was consistent with the prior year at 1.1 times, confirming that working capital remains adequately funded. Other current assets include R2.0 billion in cash.

The group continues to hedge direct exposures to foreign exchange rate fluctuations which impact approximately 8% of the cost of sales in the retail business. In addition, the group hedged elements of the long-term incentive scheme for the 2022 to 2024 period. Further detail on the respective hedges and risk management is contained in note 27 in the annual financial statements on the group's website.

Working capital

The group's net working capital days increased from 30 to 36 days.

Group inventory days increased to 72 days (2021: 66 days) owing to the inventory levels in UPD increasing by 13 days due to lower than expected demand from the hospital channel arising from the reduced Covid-19 hospitalisations and the slow return of elective surgical procedures. Inventory levels have continued to normalise subsequent to the year end as hospital occupancy rates improve. Retail inventory days were three days lower owing mainly to the Covid-19 vaccine stock on hand at the 2021 financial year end.

Capital expenditure

R838 m

R470 m

invested in new stores, pharmacies and refurbishments

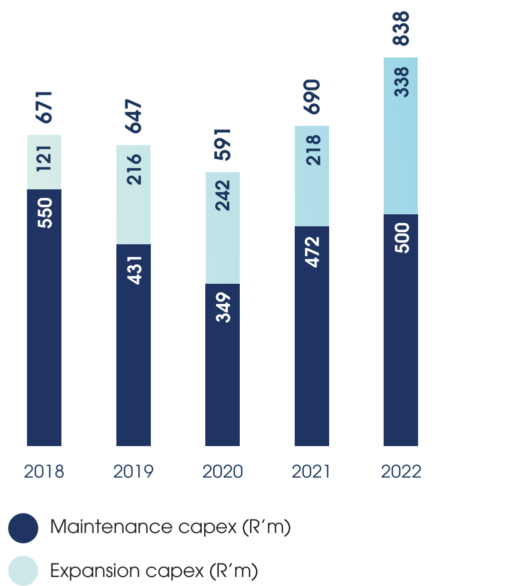
R246 m

invested in information technology and retail infrastructure

R122 m

invested in distribution centres, including solar installations

Capital expenditure



Cash and capital management

Cash generated from operating activities before dividends paid totalled R3.2 billion.

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 R838 million was reinvested across the group. This included R470 million for new stores, pharmacies and the refurbishment of 84 Clicks stores, including restoring the stores damaged during the 2021 civil unrest. A further R246 million was invested in information technology and other retail infrastructure, and R122 million in distribution centres, including the installation of solar panels on all owned distribution centres;
- The group returned R1.7 billion to shareholders through dividend payments of R1 287 million and share buy-backs of R446 million.

At year-end, the group held cash resources of R2.0 billion.

Information technology

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

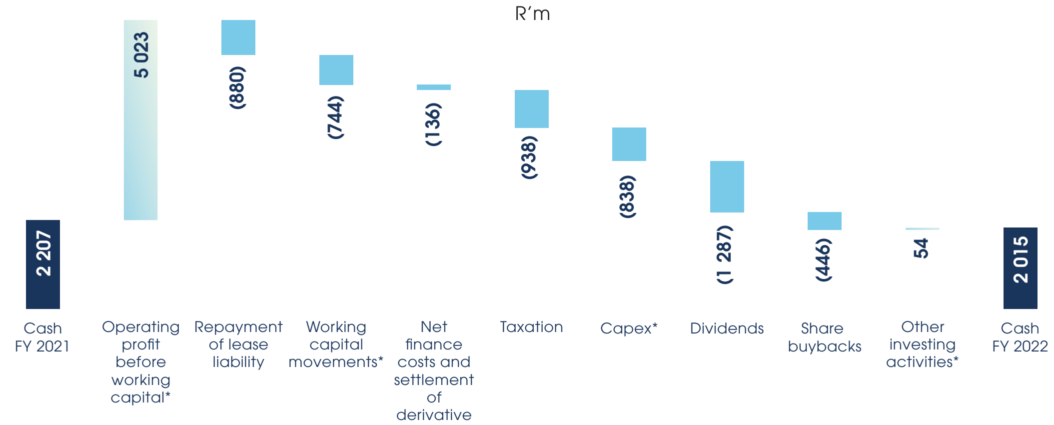
During the year the group invested R126 million in computer hardware and R140 million in computer software.

The group continues to focus a major portion of IT investment on replacement software solutions for certain core systems within Clicks and UPD.

The implementation of these new best-in-class IT systems continued during 2022 on a risk-mitigated basis.

- The integrated retail merchandising system, incorporating demand forecasting and fulfilment, pricing and promotions, category assortment optimisation and space management modules, has been implemented, thereby allowing the retail business to focus on improving sales, enhancing margins and reducing inventory levels in the year ahead.
- In UPD the new warehouse management system and cloud hosted enterprise resource planning (ERP) system have been rolled out to the KwaZulu-Natal and Eastern Cape wholesale distribution centres. During 2023 these systems will be rolled out to the Cape Town, Johannesburg and Free State distribution centres. The project will be concluded with the rollout of these systems to bulk distribution clients during the first half of the 2024 financial year.

Cash management



* Impacted by civil unrest (receipt of insurance payments, extension of creditor terms from August to September/October 2021, and PPE replacement)

Summary statement of comprehensive income

R'million	2022	% of turnover	2021	% of turnover	% change
Turnover	39 587		37 339		6.0
Retail	29 405	74.3	26 329	70.5	11.7
Distribution	16 922	25.7	17 378	29.5	(2.6)
Intragroup	(6 740)		(6 368)		
Total income	11 300	28.5	9 881	26.5	14.4
Operating expenses	(7 649)	19.3	(6 984)	18.7	9.5
Retail	(6 893)		(6 263)		10.1
Distribution	(982)		(930)		5.5
Intragroup	226		209		
Operating profit	3 650	9.2	2 897	7.8	26.0
Retail	3 060	10.4	2 398	9.1	27.6
Distribution	597	3.5	533	3.1	12.1
Intragroup	(7)		(34)		
Loss on disposal of property, plant and equipment	(4)		(4)		
Impairment of property, plant and equipment	–		(61)		
Insurance proceeds on property, plant and equipment	167		–		
Net financing expense	(165)		(186)		(11.3%)
Share of loss of associates	(9)		(4)		
Income tax	(1 000)		(728)		37.5
Loss from discontinued operations, net of tax	–		(76)		
Profit for the year	2 639		1 838		43.6

Summary statement of financial position

R'million	2022	2021	% change
Non-current assets	6 491	5 935	9.4
Property, plant and equipment	2 375	2 138	11.1
Right-of-use asset	2 828	2 602	8.7
Other non-current assets	1 288	1 195	7.8
Current assets	11 373	11 238	1.2
Inventories	6 164	5 449	13.1
Trade and other receivables	3 047	3 473	(12.3)
Other current assets	2 162	2 316	(6.6)
Total assets	17 864	17 173	4.0
Equity	5 699	4 805	18.6
Non-current liabilities	2 239	2 173	3.0
Current liabilities	9 926	10 195	(2.6)
Trade and other payables	8 369	8 752	(4.4)
Other current liabilities	1 557	1 443	7.9
Total equity and liabilities	17 864	17 173	4.0

Medium-term targets	2022 performance	Medium-term target
Return on equity (%)	48.0	**40 – 50**
Return on invested capital (%)	29.6	**20 – 30**
Return on assets (%)	14.4	**11 – 15**
Net working capital days	36	**30 – 35**
Group operating margin (%)	8.4*	**8.0 – 9.0**
Retail	9.4*	**9.0 – 10.0**
Distribution	3.3*	**2.8 – 3.3**
Dividend payout ratio (%)	61.7	**60 – 65**

* adjusted for impact of civil unrest

Financial plans for 2023

Capital expenditure of R936 million is planned for the 2023 financial year. This includes the following:

- R477 million will be invested in the store portfolio, mainly on 40 to 50 new Clicks stores and 40 to 50 new pharmacies. As part of the ongoing store refurbishment programme, 60 stores will be modernised to remain appealing and relevant to customers, while the last four stores damaged in the civil unrest will also be restored.
- R459 million for infrastructure which includes R270 million on retail systems and infrastructure and R189 million on UPD IT systems and warehouse equipment.

Retail trading space is expected to increase by approximately 6% in 2023.

Medium-term financial targets

Financial targets provide guidance to shareholders on the group's medium-term performance expectations.

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 McKesson Europe.

In the 2022 financial year the group achieved its medium-term targets with the exception of the net working capital days target which was marginally outside the range due to UPD's higher inventory levels.

The targets are reviewed annually to take account of the group's current performance and the medium-term outlook for trading, although no financial targets have been amended for the 2023 financial year.

Appreciation

Thank you to our shareholders for your continued support and belief in our investment case. We have welcomed the opportunity to meet in person once again with our shareholders since the opening up of the economy post Covid-19. I also thank our group and divisional finance teams who continually strive to meet the highest standards of disclosure and corporate reporting.

As this is my final report to shareholders ahead of my retirement in December 2022, I would like to personally thank our shareholders and the broader investor community both locally and internationally for your positive engagement and support over the past 11 years of my tenure as CFO. I have found the interaction with investors stimulating, thought-provoking and mutually beneficial and wish you all continued success.

I also extend my personal thanks to the board, my fellow executives and all my colleagues for the privilege of being part of the Clicks Group success story. Together, we can be extremely proud of the group, a remarkable health and beauty business passionate about serving its customers.

Lastly, I wish my successor, Gordon Traill, everything of the best in his new role as chief financial officer of the Clicks Group.

Michael Fleming
Chief financial officer

Five-year performance review

for the year ended 31 August

		5-year compound growth (%)	2022	2021	2020[1]	2019[2]	2018[2]
Statements of comprehensive income							
Turnover	R'm	8.1%	**39 587**	37 339	33 889	31 352	29 239
Operating expenses	R'm	7.5%	**(7 649)**	(6 984)	(6 408)	(6 143)	(5 853)
Operating profit	R'm	15.0%	**3 650**	2 897	2 813	2 507	2 032
Profit before tax	R'm	15.4%	**3 639**	2 642	2 639	2 333	2 036
Headline earnings from continuing operations	R'm	14.7%	**2 523**	1 961	1 925	1 682	1 469
Statements of financial position							
Right-of-use-assets[3]	R'm	12.0%	**2 828**	2 602	2 371	2 046	1 796
Other non-current assets	R'm	5.1%	**3 663**	3 333	3 161	2 999	3 273
Trade and other receivables	R'm	6.6%	**3 047**	3 473	2 567	2 568	2 257
Inventories	R'm	10.3%	**6 164**	5 449	4 921	4 710	4 251
Other current assets	R'm	(6.0%)	**147**	109	102	133	249
Cash and cash equivalents	R'm	23.5%	**2 015**	2 207	2 152	2 614	1 524
Total assets	R'm	12.9%	**17 864**	17 173	15 274	15 070	13 350
Total equity	R'm	11.6%	**5 699**	4 805	5 194	4 788	4 322
Non-current lease liabilities[3]	R'm	13.5%	**2 088**	1 976	1 795	1 489	1 256
Other non-current liabilities	R'm	(17.8%)	**151**	197	145	199	245
Current lease liabilities	R'm	5.6%	**1 012**	947	890	853	814
Other current liabilities	R'm	8.1%	**8 914**	9 248	7 250	7 741	6 713
Total equity and liabilities	R'm	12.9%	**17 864**	17 173	15 274	15 070	13 350
Statements of cash flows							
Cash inflow from operating activities before dividends paid	R'm	16.1%	**3 204**	3 781	2 339	3 481	2 313
Dividends paid	R'm	13.7%	**1 287**	1 469	822	981	812
Capital expenditure	R'm	10.1%	**838**	690	591	646	671
Returns and margin performance		5-year average					
Total income margin	%	27.4	**28.5**	26.5	27.2	27.6	27.0
Operating margin	%	8.1	**9.2**	7.8	8.3	8.0	7.0
Return on assets	%	13.0	**14.4**	11.8	12.4	12.6	13.8
Return on shareholders' interest	%	39.8	**48.0**	38.2	37.8	37.0	38.0
Return on invested capital	%	0.3	**29.6**	25.9	25.1	24.7	30.1
Inventory days		68.2	**72**	66	66	70	67
Asset turnover	times	2.2	**2.2**	2.2	2.2	2.1	2.5
Return on net assets	%	102.3	**94.7**	111.7	105.5	97.6	102.2
Shareholder's interest to total assets	%	32.8	**31.9**	28.0	34.0	31.8	38.2
Share performance		5-year compound growth (%)					
Headline earnings per share from continuing operations – basic	cents per share	14.0%	**1 032.7**	793.7	769.2	675.2	609.5
Headline earnings per share from continuing operations – diluted	cents per share	15.5%	**1 032.7**	793.7	769.2	663.6	575.3
Cash equivalent earnings from continuing operations	cents per share	20.3%	**1 586.0**	1 290.6	1 184.5	1 332.5	858.1
Net asset value per share	cents per share	10.9%	**2 336**	1 957	2 089	1 903	1 767
Dividends declared	cents per share	14.6%	**637.0**	490.0	450.0	445.0	380.0
Weighted average number of shares in issue (net of treasury shares)	'000		**244 306**	247 084	250 212	249 125	241 073
Weighted average diluted number of shares in issue (net of treasury shares)	'000		**244 306**	247 084	250 212	253 471	255 385
Shares repurchased	R'm		**446**	752	653	211	–
Shares repurchased	'000		**1 587**	3 106	2 862	1 115	–

[1] Restatement relating to the disclosure of the Musica business as a discontinued operation.
[2] In 2020 the statement of comprehensive income and statement of cash flows for 2019 and statement of financial position for 2019 and 2018 were restated for the adoption of IFRS 16.
[3] A four-year compounded growth is presented due to IFRS 16 only affecting 2022 – 2018.

A comprehensive five-year review is available on the website at www.clicksgroup.co.za.

Business review

CLICKS

UPD

Clicks business review

Vikash Singh
Managing executive Clicks

Value is increasingly important to hard-pressed consumers and Clicks strives to deliver on its 'feel good, pay less' customer promise.

Clicks delivered another resilient performance in overcoming mounting economic headwinds and slower consumer spending, while certain merchandise categories benefited from the opening up of the economy post Covid-19, contributing to retail sales increasing by 11.7%.

Competitive pricing, product differentiation, convenience, rewards and new stores continued to be the drivers of growth in Clicks.

Clicks played a major role in supporting the national Covid-19 vaccination programme. As the largest vaccination provider in the private sector, Clicks has administered 3.5 million vaccinations since the start of the programme in May 2021. At the height of the programme, Clicks operated over 500 vaccination sites nationally.

Retail sales	% Increase	% contribution to sales
Pharmacy	7.7	27.6
Vaccinations	>100	3.9
Front shop health	3.9	25.8
Beauty and personal care	13.1	28.3
General merchandise	8.2	14.4
Total turnover	**11.7**	**100.0**

Beauty and personal care sales
+13.1%

ClubCard cashback rewards of
R601 million
to customers

Sales performance

Pharmacy sales, excluding vaccinations, increased by 7.7% in value and 9.1% in volume. In the reporting period Clicks administered 2.9 million vaccinations and saw a marked decline in the rate of vaccinations in the second half of the year. Clicks' accessible, convenient and expanding pharmacy network contributed to an increase in the retail pharmacy market share to 23.7%.

Front shop health grew by 3.9% off the high base set in the Covid-19 impacted prior year, with double digit growth in the medicinal and sports supplements sub-categories. While the front shop health market share declined marginally by 10 basis points, share gains were recorded in sports supplements, footcare and sunscreen.

Baby accessories and toiletries similarly achieved double digit growth, with a particularly strong performance in baby hardware off a low base, driven by the Clicks Baby standalone stores and online offering.

The lifting of Covid-19 restrictions contributed to the recovery in the beauty and personal care category which grew by 13.1%. As social engagement increased and more South Africans returned to working from the office, colour cosmetics grew by 21% compared to a decline of 6% in the prior year. Clicks achieved strong market share gains in the beauty sub-categories of skincare, haircare and personal care.

General merchandise sales also rebounded as shopping activity normalised post Covid-19, with a strong recovery in the convenience offerings of beverages, impulse confectionery and snacks. Sales of small household appliances delivered double digit growth and the sub-category grew market share by 150 basis points to 18.6%.

Market share (%)	2022	2021
Health		
Retail pharmacy*	**23.7**	23.2
Front shop health**	**32.4**	32.4
Baby**	**19.2**	19.9
Beauty and personal care		
Skincare**	**42.7**	41.4
Haircare**	**32.0**	30.9
Personal care	**21.7**	20.6
General merchandise		
Small electrical appliances***	**18.6**	17.2

* IQVIA (Private retail pharmacy S1-6; restated)
** AC Nielsen (restated)
*** GfK (restated)

Offering value

In the current constrained consumer spending environment, value is increasingly important and Clicks strives to deliver on its 'feel good, pay less' customer promise. The brand offers competitive everyday pricing and appealing promotions, with Clicks being price competitive with all national retailers. Health and beauty markets are promotionally driven and in the past year promotional sales increased by 8.5% to 42.3% (2021: 41.5%) of turnover.

Value is also offered through the generous loyalty benefits of the Clicks ClubCard, with R601 million being returned to customers in cashback rewards in the past year and R2.6 billion over the past five years.

The brand is also committed to offering patients a lower-priced generic alternative to originator medicines in Clicks pharmacies to save customers money and extend their medical funding benefits. Generic medicines accounted for 58% (2021: 56%) of sales and 70% (2021: 69%) of pharmacy volume.

Extending convenience

Clicks expanded its footprint to 837 stores as it accelerated the store opening programme with 58 new stores. In the past three years, Clicks has opened 136 new stores. The brand continues to focus on convenience format stores which account for 75% of the store portfolio, with the balance being destination stores.

A further 52 pharmacies were opened, extending the national pharmacy presence to 673. The increasing convenience of the network is illustrated by the fact that 50% of the country's population now live within 5.3 kilometres of a Clicks pharmacy, compared to 5.5 kilometres a year earlier.

The Clicks online store extends customer convenience and has enabled Clicks to enter product categories that are sold online only, including premium beauty, health mobility and baby hardware.

While online is expected to continue to gain momentum over the next decade, online sales have stabilised post Covid-19 and accounted for 1.3% of front shop sales in Clicks.

Engaging customers through personalisation

ClubCard is central to the Clicks personalised engagement strategy which enables the brand to use digital technology to personalise communications and offers for customers.

Clicks mobile app downloaded by

3 million customers

136

new stores opened in the past three years

Active membership of the ClubCard programme increased by 500 000 to 9.7 million, with members accounting for 80.2% of sales in Clicks.

The Clicks mobile app has been downloaded by 3 million customers. The app incorporates a virtual ClubCard which allows customers to receive personalised offers, monitor reward points and cash back in real time, submit scripts and order repeat medication.

The ClubCard extends into other key customer markets, with the Baby Club membership at 440 000 and the Seniors Club at 1.4 million members.

Clicks was voted as the 'coolest health and beauty brand' in the Sunday Times GenNext awards, reflecting the choices of the next generation of shoppers. Clicks was also recognised in the Kantar BrandZ Top 30 Most Valuable South African Brands for best 'experience' and 'function', acknowledging Clicks' superior customer experience and ability to offer a range of well-designed products and services.

Differentiated product offer

Private label and exclusive brands offer differentiated ranges across all merchandise categories at competitive prices while increasing the appeal of the Clicks brand, enhancing margin and increasing consumer choice. The international franchise brands,

Private label as a percentage of total sales

24.5%

R477 m

planned for new stores and pharmacies in 2023

The Body Shop and GNC, further differentiate the Clicks offer.

The contribution from private label at 24.2% of sales was marginally lower than the prior year owing mainly to the impact of exclusive beauty brands exiting the country. Private label comprises 29.6% of front shop sales and 10.2% of pharmacy sales.

The beauty offering has been further enhanced with the introduction of an elevated look and feel which has been piloted in the beauty halls in four flagship stores. Based on the positive customer response, the new look will be rolled out to further stores in the year ahead.

The standalone Clicks Baby stores are show rooms to stimulate online purchases. The fourth specialist baby store was opened in the Menlyn Park Shopping Centre in Pretoria shortly after the year end. These stores also offer a range of baby hardware, including prams, car seats and cots, and are supported by the online baby offering.

Growth plans for 2023

Clicks is committed to expanding its store footprint and has increased its long-term store opening target from the current 900 to 1 200 stores, with 40 to 50 stores and 40 to 50 pharmacies planned to open each year.

In the 2023 financial year, R477 million is planned for investment in the new stores and pharmacies. A further 60 stores will be refurbished or expanded to ensure the stores remain relevant and appealing, while the remaining four stores damaged in the civil unrest will also be restored.

Capital expenditure of R270 million will be invested in retail information technology systems and infrastructure in the new financial year to support the increased scale of the business by improving efficiencies in the distribution centres and across the supply chain.

The contribution of private label, exclusive and franchise brands to front shop sales is targeted to increase to 30.0% in 2023 as Clicks continues to innovate and introduce new products in line with market trends.

ClubCard membership is targeted to grow to 10 million with the focus on migrating new and existing customers to the Clicks app and virtual ClubCard to accelerate the personalisation and digital engagement strategy.

Performance against objectives in 2022 and plans for 2023

Deliver a competitive and differentiated front shop product offer

2022 ACHIEVEMENTS	2023 TARGETS
Front shop private label and exclusive brands **29.6% of total sales** 2022 TARGET: 30.5%	Increase front shop private label and exclusive brand sales to 30.0%

Create a great customer experience

2022 ACHIEVEMENTS	2023 TARGETS
215 private label medicines 2022 TARGET: 205 PRODUCTS	Expand private label medicines range to 230 to 240 products
49% of scripts now on repeat prescription service 2022 TARGET: 53%	Repeat prescription service at 51% of repeat scripts

Grow the retail footprint to enhance convenience

2022 ACHIEVEMENTS	2023 TARGETS
Net 58 Clicks stores opened; **837 Clicks stores** at year-end 2022 TARGET: OPEN 25 TO 30 STORES	Open 40 to 50 new Clicks stores
35 stores expanded or refurbished 2022 TARGET: 20 STORES	60 stores to be expanded or refurbished
Net 52 pharmacies opened; 673 pharmacies at year-end 2022 TARGET: 30-35 NEW PHARMACIES	Open 40 to 50 new pharmacies

Drive customer loyalty through personalisation and rewards

2022 ACHIEVEMENTS	2023 TARGETS
9.7 million members 2022 TARGET: 9.5 MILLION	Increase membership to 10.0 million
440 000 Baby Club members 2022 TARGET: 550 000	Grow Baby Club to 520 000 members
1.42 million Seniors Club members 2022 TARGET: 1.35 MILLION	Grow Seniors Club to 1.55 million members
3 million customers enrolled to virtual ClubCard 2022 TARGET: 2.7 MILLION	Enrol a further 1.0 million customers to virtual ClubCard

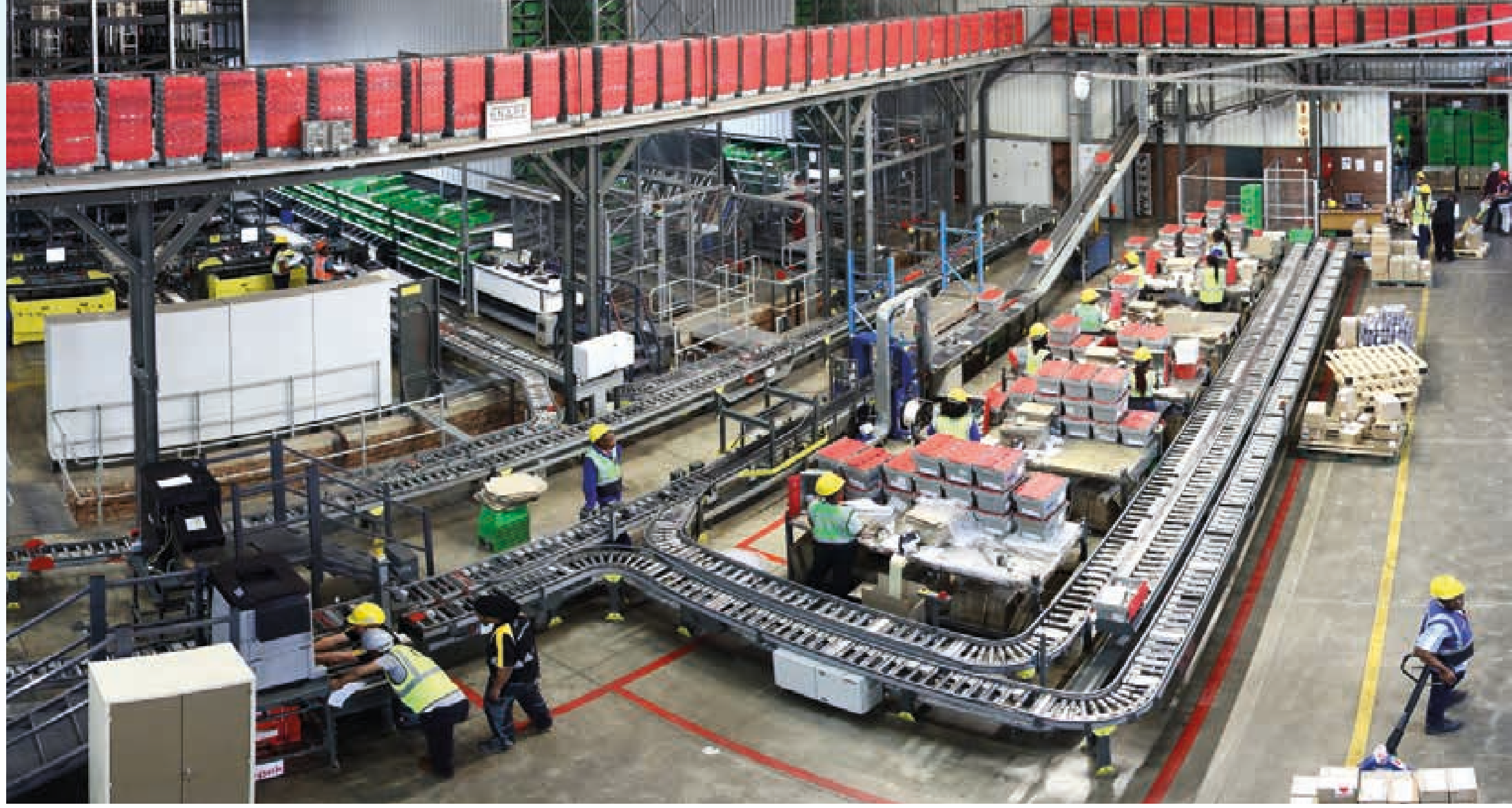
Maintain a motivated and skilled workforce

2022 ACHIEVEMENTS	2023 TARGETS
336 pharmacy assistants enrolled 2022 TARGET: 440	400 pharmacy assistants to be enrolled
88 bursary students 2022 TARGET: 100	100 bursary students
46 pharmacy internships 2022 TARGET: 70	70 pharmacy internships

UPD business review

Trevor McCoy
Managing
executive UPD

UPD remains committed to its strategic objective of growing market share in fine wholesale to 35%.



UPD increased total managed turnover across the pharmaceutical wholesale and bulk distribution businesses by 7.6% to R30.6 billion.

Distribution turnover declined by 2.6% off the high base set in the 2021 financial year due to the strong demand for medicines during the severe waves of Covid-19.

The operating margin (excluding the impact of the civil unrest) was maintained at a world class level of 3.3%, with operating profit declining by 1.2% owing to ongoing cost pressure and lower wholesale sales, particularly in the hospital and independent pharmacy channels.

2022 wholesale turnover

Wholesale turnover by channel

Wholesale turnover declined by 5.2%, impacted by lower sales to private hospitals post the Covid-19 pandemic and the consolidation of independent pharmacies.

A high turnover base was set for the private hospital channel in the prior year when UPD experienced strong demand for pharmaceutical products during the Beta and Delta waves of Covid-19 which led to high levels of hospitalisation and extended hospital stays due to the severity of the variants, which contributed to turnover growth of 37.5%. Despite the 8.5% decline in turnover, UPD maintained its market share of private hospital business and acquired new customers in this channel.

The continued consolidation of the independent pharmacy market contributed to sales in this channel reducing by 32.4%. UPD currently services 1 200 (2021: over 1 350) independent pharmacies.

Clicks remains UPD's largest single customer and increased sales by 6.5%, comprising 50.8% of wholesale turnover.

98.3%

Clicks' buying levels from UPD

On-time deliveries

97.9%

The lower turnover contributed to wholesale market share declining from 31.1% to 28.8% (source IQVIA).

UPD faces ongoing margin pressure from the faster growth in lower priced generic medicines, with sales of generics increasing by 11.2% and now accounting for 73% (2021: 71%) of wholesale turnover volume.

Product availability, which is core to offering superior range and service to customers, averaged 93.8% (2021: 96.8%) for the year, while on-time deliveries were at 97.9% (2021: 95.8%).

Three new bulk distribution contracts were secured in the period and UPD continued to grow its distribution market share, with 31 distribution clients at year end.

UPD owns distribution centres located in Gauteng (Roodepoort), Cape Town, Durban, Bloemfontein and Port Elizabeth. All the distribution centres are ISO9001:2015 certified. Owing to the increasing scale and size of the third-party distribution business, additional distribution warehouse facilities are rented in Gauteng and Cape Town.

Solar installations have been completed at all of UPD's own distribution centres which increases the use of renewable energy sources and partially mitigates against rising energy costs and the impact of loadshedding.

Growth plans for 2023

UPD has secured an additional bulk distribution contract which will commence in the first half of the new financial year.

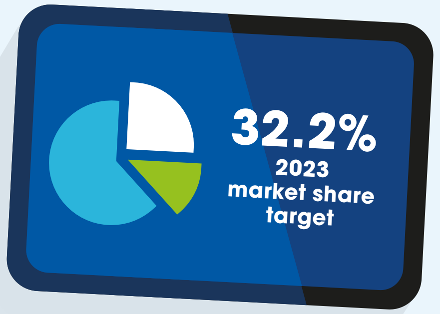
The business aims to regain wholesale market share through the growth of the Clicks pharmacy channel, with the rate of new pharmacy openings being accelerated to 40 to 50 each year, service to the private hospital groups and purchases from independent pharmacies.

Capital expenditure of R189 million has been committed for warehouse equipment and information technology in the year ahead. This includes the roll out of the new ERP/WMS system to the two largest distribution centres to extract further efficiencies and provide world class reporting to distribution clients.

UPD remains committed to its strategic objective of growing market share in fine wholesale to 35% and bulk distribution to 40%.

Performance against objectives in 2022 and plans for 2023

Growing market share



2022 ACHIEVEMENTS	2023 TARGETS
Market share declined to **28.8%** TARGET 2022: 33.4%	Increase market share to 32.2%
Sales to hospital groups declined by 8.5% owing to increased demand in the second and third waves of Covid-19 in the prior year TARGET 2022: GROW VOLUME OF PRIVATE HOSPITAL BUSINESS	Grow volume of business with private hospital groups
Clicks' buying levels from UPD at **98.3%** TARGET 2022: 99%	Clicks' buying levels from UPD at 98%
Three new agency distribution contracts; **31 distribution clients** managed at year-end TARGET 2022: TENDER FOR NEW CONTRACTS	Tender for new agency distribution contracts

Protecting income

2022 ACHIEVEMENTS	2023 TARGETS
Licences maintained TARGET 2022: MAINTAIN LICENCES	Maintain licences

Optimising efficiency

2022 ACHIEVEMENTS	2023 TARGETS
97.9% on-time deliveries TARGET 2022: 98%	Target 98% on-time deliveries
Improved labour productivity with expanded distribution warehouse footprint TARGET 2022: FURTHER PRODUCTIVITY INITIATIVES	Drive further productivity initiatives across the business
Order fulfillment of **97.9% achieved** TARGET 2022: 98%	Achieve order fulfillment of 98%

Building capacity

2022 ACHIEVEMENTS	2023 TARGETS
Employee turnover **6.0%** 2022 TARGET: BELOW 5%	Employee turnover below 10%
Maintained TAPA **level 1 accreditation** TARGET 2022: MAINTAIN ACCREDITATION	Maintain accreditation
84 learners enrolled TARGET 2022: 68	158 new learners
New IT system implemented in October 2021 in Durban and July 2022 for Gqeberha TARGET 2022: SYSTEM TO GO LIVE AT ALL FACILITIES BY MAY 2022	New system to go live at all wholesale facilities by August 2023 and distribution facilities by December 2023

04 Sustainability

Clicks Group creates meaningful social impact through the provision of health products and improving access to reliable and affordable healthcare.

Sustainability report

This report provides an overview of Clicks Group's response to ESG impacts, risks and opportunities material to the group's ability to create or protect enterprise value.

The group's priority is to ensure that it operates as a responsible business across its entire value chain and keeps track of current sustainability trends and the ever-evolving landscape. The group's practices and ability to create long-term accretive value are aligned with the business strategy and model and reinforce business resilience.

In compiling this section, the group has drawn on the guidance provided by the JSE Limited (JSE) as presented in their Sustainability and Climate Change Disclosure Guidance (June 2022).

Further information on the group's sustainability response and impact on society, the environment and the economy is presented in the Sustainability Overview and ESG Data Book available at www.clicksgroup.co.za

Sustainability governance

The board has ultimate oversight of sustainability-related issues pertinent to the business, including the process of sustainability integration into the group strategy, decision-making and governance practices.

Environmental, social and governance (ESG) issues present both increasing challenges and opportunities within the South African retail and health services environment. The group's response to these issues is informed by its values, behavioural code of conduct and its belief that companies have a significant role to play in addressing the social and environmental challenges of our time.

The social and ethics committee oversees the group-wide sustainability integration process and plays an active role in monitoring the group's sustainability-related activities and disclosure in terms of legislation, regulation and codes of best practice.

The group acknowledges the importance of providing governance oversight over sustainability and climate change mandate and strategy.

The group has noted the increasing harmonisation of global ESG disclosure standards and this year has opted to align its disclosure with the JSE's recently adopted Sustainability Disclosure Guidance. The JSE guidance draws on a wide range of recent global disclosure developments, including those of the International Sustainability Standards Board (ISSB) and the Task Force on Climate-related Financial Disclosures (TCFD). The group believes this approach is well-placed to guide its sustainability disclosure efforts into the future.

Further standards or guidance frameworks with which the group aligns and continues to inform its disclosure include:

- King IV Report on Corporate Governance
- Global Reporting Initiative (GRI) standards
- Sustainable Development Goals (SDGs)
- United Nations Global Principles
- Carbon Disclosure Project (CDP).

The group is assessed and scored against ESG indices, including the FTSE Russell, S&P Dow Jones and MSCI. It has maintained its listing on the FTSE4Good Index since 2015.

The group in alignment with the JSE disclosure requirements has adopted a double materiality approach to sustainability. This seeks to integrate ESG-related issues pertinent to the creation and protection of enterprise value in its integrated annual report.

The group has published a stand-alone sustainability report since 2015. As part of the growing interest and investor expectations in relation to ESG disclosures, the group has supplemented its reporting suite with an ESG Data Book in 2022.

SUSTAINABILITY GOVERNANCE

BOARD OF DIRECTORS

The board and its committees oversee the development and execution of sustainability-related strategies. While each committee contributes to the overall sustainability effort, key roles are performed by the social and ethics committee, which has oversight of sustainability matters.

BOARD COMMITTEES	SOCIAL AND ETHICS COMMITTEE	AUDIT AND RISK COMMITTEE	REMUNERATION AND NOMINATIONS COMMITTEE

GROUP EXECUTIVE COMMITTEE

Our executive leadership team has primary responsibility for management of sustainability matters.

CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	MANAGING EXECUTIVE: CLICKS	MANAGING EXECUTIVE: UPD

SUSTAINABILITY FORUM

The forum is responsible for coordination and implementation of sustainability related initiatives. It consists of executive management and sustainability-related professionals. The team establishes group sustainability-related standards and guidelines, provides shared services to all departments, monitors performance and collates ESG data for disclosure.

THIRD PARTY VERIFICATION

Verify selected ESG-related data.

SUSTAINABILITY-RELATED POLICIES

The board approved in 2022 the group's environmental and climate change policy. This guides the group's carbon emission reduction plan and disclosure as well as environmental best practices.

REVIEW OF FACTORS IMPACTING MATERIAL ISSUES

Internal
Industry
Macro-economic

PRELIMINARY LIST OF ISSUES

↓

MATERIALITY REVIEW: BOARD AND MANAGEMENT

Sense-check against dynamic risk landscape
Opportunities identified for mitigation
Rating on impact and probability

CONSOLIDATED, PRIORITISED TOP 9 MATERIAL ISSUES

↓

INFORMS DISCLOSURE IN CLICKS GROUP 2022 INTEGRATED REPORTING SUITE

Sustainability strategy

The group's sustainability strategy prioritises issues that impact its ability to create, protect or enable value across a range of stakeholder groups.

The group's sustainability objectives support its vision of being the leading health, wellness and beauty retailer in its chosen market segments. This is aligned with the group's strategy of creating long-term shared value for its stakeholders.

Strategic focus area	Key performance indicator	Unit	2022	2021	2020
1 Building a trusted, accessible healthcare network	Clicks stores that offer pharmacy services	Number	673	621	585
	Investment in pharmacy bursaries	R'm	5.4	5.6	6.3
	Number of pharmacy interns trained	Number	104	125	112
	Number of people using free clinic services / baby clinics	Number	87 660	78 773	20 775
2 Minimising our environmental footprint	Total carbon emissions	(CO_2e) metric tonnes	149 520	146 873	143 706
	Electricity consumption	kWh	104 214 958	103 598 516	105 727 236
	Production and supply of renewable energy	MWh	631	640	632
	General waste generated	Kg	1 055 133	1 231 024	865 658
	Medical waste generated	Kg	119 055	53 719	77 096
	Waste recovered for recycling	Kg	4 394 892	4 020 366	3 878 890
	Total water consumed	Kl	62 630	42 198	42 300
3 Sourcing products that uphold the integrity of the brand	Preferential procurement spend	R'bn	23.9	24.4	21.9
	Number of incidents related to product safety / quality, marketing practices	Number	0	0	0
4 Empowering motivated passionate people	BBBEE rating	Level	4	4	5
	Female and black representation on board	%	40	36	33
	Female employees	%	63	64	64
	Investment in training / skills development	R'm	165	187	140
	Utilisation of employee health and wellness programme	Number	3 031	2 825	2 969

CLICKS GROUP STRATEGIC SUSTAINABILITY FRAMEWORK

1 Building a trusted, accessible healthcare network

- Access to quality healthcare at an affordable price
- Training (including pharmacists)

2 Minimising our environmental footprint

- Carbon emissions (including carbon disclosure)
- Energy use (fuel and electricity)
- Renewable energy transition
- Waste, in particular single-use plastics

4 Empowering motivated, passionate people

- Transformation
- Employee health and wellness
- Employee value proposition
- Training (including pharmacists)

3 Sourcing products that uphold the integrity of our brand

- Promoting products with sustainability attributes
- Supplier ESG practices
- Local suppliers
- Transformation

The group recognises the significance of sustainability metrics and targets in addressing long-term stakeholder value concerns and needs. The group aligns its ESG targets to SDG goals and monitors its sustainability performance across its value chain.

The group's sustainability framework is informed by key material issues identified through benchmarking and important stakeholders' engagement. This is vital in informing the group's decision making processes in response to current and emerging social and environmental challenges and alignment to global sustainable development goals.

The group aims to create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering strategy. A key business objective for the group is to ensure sustainability through efficient cash and capital management and adoption of robust environmental, social and governance practices. This requires sustainability integration into decision-making across the group.

As the ESG focus by the investment community and financial services sector increases, progressive ESG performance may increase its access to preferential terms and lines of funding. This has added impetus to the group's shift to science-based targets for greenhouse gas emissions and its commitment to disclosure in terms of the TFCD.

The group conducted a gap analysis on its TCFD readiness and alignment in 2020 to identify areas for improving its climate change disclosures. This was done within the remit of its governance, risk management and metrics reporting. This was done to communicate the group's commitment to climate change-related risks to investors. To this end, the group has conducted reporting and target setting exercises, which include:

- TCFD diagnostic report in May 2021
- TCFD action plan in June 2021
- Target setting exercise in terms of the science-based targets in December 2021
- Carbon footprint restatement in May 2022 in alignment with TCFD
- Environmental and climate change policy

The group-wide sustainability effort is further engendered by the strategic drivers of long-term growth that underpins its business practices across the value chain. The group recognises the need to align its business objectives with UN SDGs. To this end the group has adopted priorities that contribute towards alleviating poverty, improving health and education, social inequalities, and economic disparities. This is in addition to tackling climate change and preserving its natural environment.

The group's sustainability strategy is aligned with the following SDG themes:

The group has published its first climate change report which is available at www.clicksgroup.co.za

Strategic objective	Group action	Progress status
1 Building a trusted, accessible healthcare network **SDG 3:** Healthy lives and well-being	• The group promotes quality and affordable health care access for all through its clinics.	• The group provided a total of 87 660 (2021: 78 773) free clinic services to persons without medical aid. • The group administered Covid-19 vaccines to 2.9 million people in 2022 (total of 3.5 million vaccines administered since inception). The group was the largest private provider of vaccines at over 500 sites across the country. • The group's employee wellness programme utilisation was 3 031 employees in 2022 (2021: 2 825)
2 Minimising our environmental footprint **SDG 7:** Affordable, reliable, sustainable and modern energy **SDG 13:** Take urgent action to combat climate change and its impacts	• The group has installed roof-top PV solar panels across its distribution centres. • The group supports climate action through industry collaboration and awareness programmes. • The group has committed to carbon neutrality.	• The roof–top solar energy generated for the year was 631MWh (2021: 640MWh). In addition, the group invested a further R28 million for installation of solar panels across its distribution centres. This is expected to increase renewable energy generation to 4500MWh in the 2023 fiscal year and beyond. • The group is a signatory to the African Business Leaders' Climate Statement (UN Global Compact) • The group has set carbon neutrality targets of 4.2% annual emissions reduction over a 10 year period
3 Sourcing products that uphold the integrity of the brand **SDG 12:** Responsible consumption	• The group is committed to reducing pollution, waste and resources usage by setting targets beyond regulatory requirements. This includes being a founding member of the SA Plastics Pact.	• The group has set goals to have 100% of its private label range plastic packaging reusable, recyclable or compostable by 2025.
4 Empowering motivated, passionate people **SDG 1:** End poverty in all its forms **SDG 4:** Inclusive and equitable quality education **SDG 5:** Gender equality and inclusion **SDG 8:** Decent work and economic growth	• The group exceeds the national minimum wage as per the legislative framework and pursues equity in pay and empowerment. • The group creates direct and indirect employment opportunities across its value chain including youth and people living with disabilities. • The group provides development opportunities for its employees, including youth in the workforce through internships. • The group through its foundation offers meritorious, obligation free bursaries to pharmacy students in the main as a contribution to addressing existing national skills shortage.	• Total workforce of 16 492 (2021: 15 871) • No employees earn below the minimum wage in the group • Achieved gender pay index of 1:1 • The group provided 91 bursaries to its employees worth R 1.9 million • The New Clicks Foundation provided 88 bursaries worth R5.4 million • Total employee development spend of R164.8 million (2021: R186.6 million) • 3.1% of employees with disabilities

Management approach

The group recognises the interconnectedness of sustainability-related issues and the need to integrate such considerations into its full spectrum of management processes. The group is informed by longer-term considerations, helping to ensure its management practices are oriented to sustainable growth.

The group's risk management process addresses all risks to the business, including sustainability-related risks. Civil unrest (social) and climate change (environmental) were added to the group's business risk profile in 2022.

Sustainability-related risks are focused in three areas:

- The group operates a large, highly dispersed store and pharmacy network that is conveniently located for its customer base and therefore civil unrest remains one of its priority risks.
- Climate risk is a pervasive and highly-interconnected risk, with extreme weather events posing a risk to the accessibility of its store network and logistics operations. The group's response to this risk may impact its cost of capital and investment rating.
- The group has an extensive supply chain network and depends on suppliers' commitment to ethical and sustainable practices. The group's Supplier Code of Conduct is an enabler of the group's supplier management framework.

Given South Africa's current challenges and the strong investor focus on anti-corruption, ethics management is integral to the group`s risk mitigation culture.

The group's strategic focus on accessible healthcare services requires a keen awareness of South African social dynamics and trends.

The current inadequacies of the healthcare system present opportunities for the group to address shortcomings in the public healthcare services through its growing retail, pharmacy and clinic network. This remains the group's primary growth area.

Additionally, the group, as the largest private sector vaccination provider, continued its Covid-19 vaccination programme in support of the national vaccination drive. More than 500 sites were made available. Since the inception of the vaccination programme, more than 3.5 million vaccinations have been administered of which 2.9 million were administered during this reporting period (approximately 73% of these administered vaccines were to those without access to private medical aid).

The group's extensive supply chain presents a significant opportunity for support to small, medium and micro-enterprises (SMME) development. A strong focus on local suppliers resulted in only 5.4% (2021: 4.9%) of its products being imported directly. This also helped secure supply chains through cost reduction and minimisation of disruption while supporting local economic recovery and employment creation. The group's commitment to this strategy is reflected in its 7.3% growth in purchases from SMMEs to R1.4 billion (2021: R1.3 billion).

Independent verification of the group's BBBEE status

EmpowerLogic (Pty) Ltd, an independent South African National Accreditation System (SANAS) accredited verification agent, conducted a review of the group's BBBEE credentials in accordance with the BBBEE Codes and gazetted verification manual. The below summary of the scorecard is for the period 1 September 2021 – 31 August 2022 and valid until 31 October 2023.

Elements	2018	2019	2020	2021	2022
Equity ownership	15.03	13.41	14.76	17.48	**19.01**
Management control	12.06	13.27	13.58	14.06	**14.54**
Skills development	15.57	18.43	13.81	16.98	**14.61**
Enterprise and supplier development	26.55	26.37	28.12	30.02	**33.71**
Socio-economic development	5.00	5.00	4.99	5.00	**4.49**
Total points	**74.21**	**76.49**	**75.27**	**83.54**	**86.37**
BBBEE level	**6**	**6**	**5**	**4**	**4**

Analysis of BBBEE scorecard elements

Elements	Progress to date	Performance
Equity ownership	The group's ability to directly improve the ownership performance is impacted by its 69.7% offshore shareholding.	**The group continued to benefit from the recognition of its seven-year Employee Share Ownership Programme as well as the Public Investment Corporation's increased shareholding over the measurement period.**
Management control	The group continued to make steady progress on its five-year employment equity plan which was introduced in 2018 and towards a workforce that aligns to the economically active population of South Africa. The progress is enabled through its monitoring and engagement processes.	522 **Employees with disabilities** **2018: 383** **The group increased its black employee representation** 58.6% **Senior management** **2018: 43.9%** 84.9% **Middle management** **2018: 57.4%** 88.2% **Junior management** **2018: 78.9**
Skills development	The group continued to leverage its status as a registered training provider and its investment as a registered training site and the offering of mentorships to invest in its employee development to feed the talent pipeline and organisational expansion plan.	1 971 **Learnership and internship opportunities** **2021: 2 705** 104 **Pharmacy internships** **2021: 125** 174 **Pharmacy assistant learnerships** **2021: 272** 522 **Generic, retail and wholesale learnerships** **2021: 693** R117m **Recognised skills development spend on black employees** **2021: R113 million**
Enterprise and supplier development (ESD)	The flagship enterprise development programme is undertaken in partnership with Taking Care of Business (TCB) to enable unemployed beneficiaries to become successful small business owners. The group's supplier development initiatives include mentoring, coaching, marketing, financial services and favourable trading terms to improve sustainability.	R67m **ESD expenditure** **2021: R65 million** 52 **ESD beneficiaries** **2021: 55**
Preferential procurement	In the reporting period, the group has made progress in increasing expenditure on local, black owned and black women-owned businesses.	R23.9bn **Total empowerment spend** **2021: R24.4 billion** R14.7bn **Total black-owned spend** **2021: R7.6 billion** R8.4bn **Total black women-owned spend** **2021: R1.9 billion**
Socio-economic development (SED)	The group's SED initiatives focus on health, wellbeing and education primarily delivered through its registered not-for-profit organisations the New Clicks Foundation Bursary Fund and the Clicks Helping Hand Trust that continued to increase its reach during the past financial year.	R23.7m **Invested in socio-economic development projects** **2021: R23.3 million** R5.4m **invested by the Clicks Foundation Bursary Scheme** **2021: R5.6 million** 88 **Bursaries sponsored by the scheme** **2021: 97**

05 Shareholder information

Clicks Group has proven to be increasingly attractive to international investors over the past decade and almost 70% of the group's shares are held by offshore fund managers

Shareholder analysis

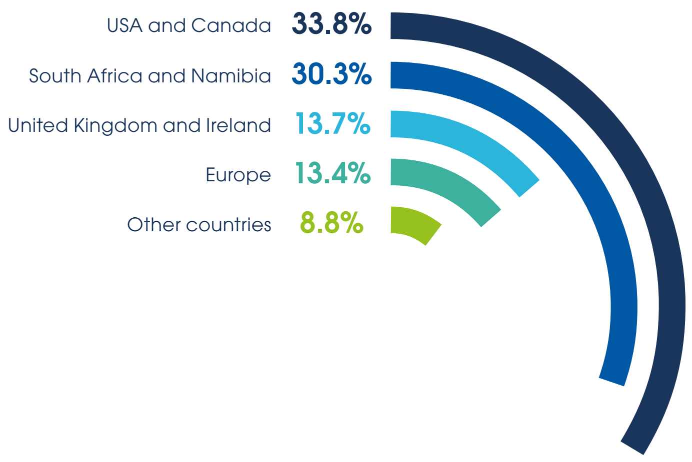
for the year ended 31 August 2022

	Number of shares	Percentage of shares
Public and non-public shareholders		
Public shareholders	243 805 543	99.9%
Non-public shareholders		
Shares held by directors	164 068	0.1%
Total non-public shareholders	164 068	0.1%
Total shareholders	243 969 611	100.0%

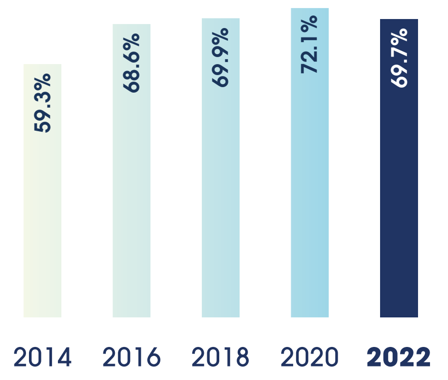
According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following fund managers managed 3% or more of the issued share capital at 31 August 2022:

	2022 Percentage of shares	2021 Percentage of shares
Major fund managers managing 3% or more		
Public Investment Corporation (SA)	16.6%	15.0%
JPMorgan Asset Management (UK and US)	5.9%	6.8%
Federated Hermes (UK)	4.8%	3.6%
RBC Global Asset Management (UK)	4.6%	5.5%
T Rowe Price (UK and US)	4.2%	3.3%
BlackRock (US and UK)	4.0%	4.9%
Fidelity Management & Research (US)	3.9%	4.9%
The Vanguard Group (US)	3.9%	3.7%
GIC Asset Management (Singapore)	3.5%	4.1%
William Blair (US)	3.4%	3.2%

Geographic distribution of shareholders



Offshore shareholding



Shareholders' diary

Annual general meeting	26 January 2023
Preliminary results announcements	
Interim results to February 2023	on or about 20 April 2023
Annual results to August 2023	on or about 26 October 2023
Publication of 2023 integrated report	November 2023
Ordinary share dividend	
2022 final dividend	
Last day to trade with dividend included	24 January 2023
Date of dividend payment	30 January 2023
2023 interim dividend	
Last day to trade with dividend included	July 2023
Date of dividend payment	July 2023
2023 final dividend	
Last day to trade with dividend included	January 2024
Date of dividend payment	January 2024

Corporate information

Clicks Group Limited
Incorporated in the Republic of South Africa
Registration number 1996/000645/06
Income tax number 9061/745/71/8
JSE share code: CLS
ISIN: ZAE000134854
ADR ticker symbol: CLCGY
ADR CUSIP code: 18682W205

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JSE sponsor
Investec Bank Limited

Transfer secretaries
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