CLICKS GROUP LIMITED

INTEGRATED ANNUAL REPORT 2019

CONTENTS

Page reference

Website reference

Video available on the website

ADDITIONAL ONLINE REPORTING

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

Financial reporting

- Annual financial statements 2019
- Five-year financial review
- Annual results 2019
- Annual results 2019 presentation

Governance

- Corporate governance report 2019 (incorporating King IV)

Annual general meeting

- Notice to shareholders
- Form of proxy

Sustainability

- Social and ethics committee report 2019
- Sustainability report 2019

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 external auditor.

"Clicks' ability to deliver ***convenience, differentiation*** *and* ***personalisation*** *to its customers will be crucial to creating sustainable long-term shareholder value."*

Vikesh Ramsunder, Chief executive officer

CREATING VALUE IN 2019

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

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

FINANCIAL

Included in
FTSE/JSE Top 40 Index

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

R2.9 billion cash generated by operations

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

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

Return on equity of **36.5%**

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

INFRASTRUCTURE

Opened
41 Clicks stores
and expanded footprint to 704 stores

R647 million capital investment in stores, supply chain and IT

Online is the fastest growing store

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

9 distribution centres across Clicks and UPD

INTELLECTUAL

8.1 million
active Clicks ClubCard loyalty members

Clicks increased market share in all key product categories

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

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

Clicks remains price competitive with national retailers

Clicks independently rated as leading health and beauty retailer in SA

UPD gained share of the wholesale and distribution markets

PEOPLE

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

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

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

R144 million invested in employee training and development

Company-funded healthcare cover extended to all employees

Pharmacy staff turnover maintained at **15.3%**

STAKEHOLDERS

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

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

R504 million cashback paid to ClubCard members

R3.4 billion paid to employees

R26.7 billion paid to suppliers of goods and services

ENVIRONMENT

Included in
FTSE4Good Index

FTSE4Good

645 000 kilowatt hours renewable energy produced

85% of waste recycled

3 568 tons of recycling in the supply chain

COMMITMENT TO GOOD GOVERNANCE

Sound corporate governance practices and an ethical culture form the foundation for sustainable value creation for shareholders and other stakeholders.

Good governance supports value creation through improved reporting to shareholders, greater transparency and disclosure, improved quality of management reporting to the board and enhanced accountability to shareholders.

Against the background of several high-profile corporate accounting scandals and oversight failures in South Africa, governance practices are under increasing scrutiny from local and international investors. In this environment we welcome the opportunity to engage with our shareholders on the group's governance philosophy, processes and practices. We believe our governance practices are robust and this is confirmed in leading independent assessments of our governance standards.

The group's approach to governance extends beyond regulatory compliance, with open and balanced disclosure being core to our governance framework. Transparent and credible financial reporting forms an essential element of our governance structure.

We have pleasure in presenting Clicks Group's 2019 integrated report which aims to demonstrate in a balanced manner how our health, beauty and wellness strategy creates value for shareholders while balancing our responsibilities towards our other stakeholders.

The integrated report is aimed at our shareholders who are our primary providers of capital as well as the broader investment community. We also recognise the role of other key stakeholders in creating value, namely our customers, staff, suppliers, industry regulators and funding institutions.

REPORTING AND GOVERNANCE COMPLIANCE

The report has been prepared in accordance with the Integrated Reporting Framework of the International Integrated Reporting Council (IIRC). All financial reporting complies with International Financial Reporting Standards.

The directors confirm that the group has in all material respects voluntarily applied the principles of the King IV Report on Corporate Governance (King IV) throughout the 2019 financial year. The application of King IV is covered in the corporate governance report 2019 which is available on our website.

REPORTING SCOPE AND BOUNDARY

The report covers material information relating to the business model, strategy, material issues and related risks and opportunities, governance, financial and business performance, and directors' remuneration for the period 1 September 2018 to 31 August 2019. In addition the report outlines the strategic objectives, operating plans and prospects for the 2020 financial year as well as the group's medium-term financial targets which have been revised to take account of the anticipated impact of adopting IFRS 16 – Lease Accounting in 2020. The integrated report is supplemented by the annual financial statements which are also available on the website.

The financial reporting boundary covers the group's main operating businesses, Clicks and UPD, which collectively account for 96% of turnover, and focuses on the operations in South Africa where the majority of revenue is generated.

MATERIALITY

The report includes information which we believe is material to investors' understanding of the group's ability to create value. The materiality test applied by the board is based on internal and external matters, 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.

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 non-financial and sustainability-related information contained in the report has been approved by the board's social and ethics committee. Accredited service providers and agencies have provided 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.

BOARD APPROVAL

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 2019 integrated report was unanimously approved by the board on 8 November 2019.

David Nurek
Independent
non-executive chairman

Vikesh Ramsunder
Chief executive officer

ABOUT
CLICKS GROUP

Founded in 1968, the group is a leader in the healthcare market in South Africa, where Clicks is the leading health and beauty retailer and UPD is the country's largest full-range national pharmaceutical wholesaler.


Aveeno
Aveeno
Aveeno

GROUP PROFILE

Clicks Group is a retail-led healthcare group which is listed in the Food and Drug Retailers sector on the JSE.

Founded over 51 years ago in 1968, the group has been listed on the JSE since 1996. Following changes in South African legislation in 2003 to allow corporate pharmacy ownership, the group entered the retail pharmacy market with the opening of the first Clicks pharmacy in 2004. Today the group is a leader in the healthcare market, in both retail pharmacy and pharmaceutical wholesaling.

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

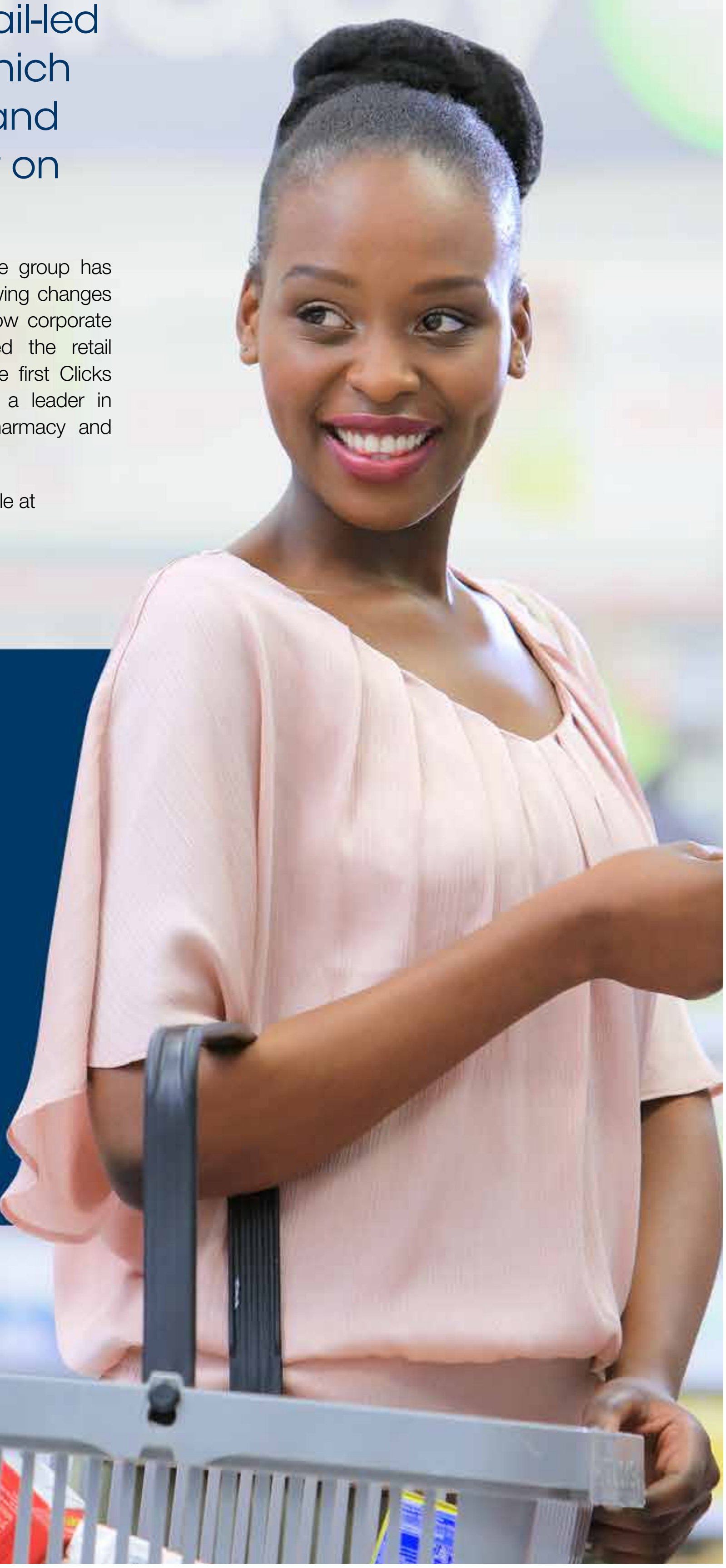
OUR VALUES

We are truly **passionate** about our customers

We believe in **integrity, honesty** and **openness**

We cultivate understanding through **respect** and **dialogue**

We **deliver** on our goals

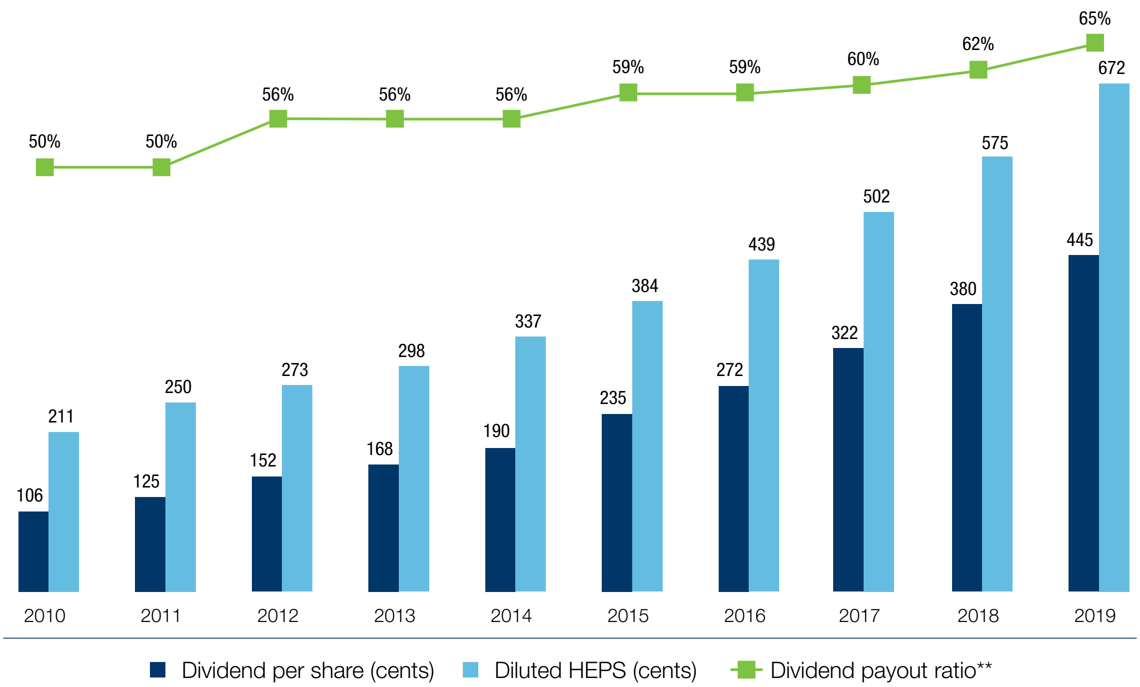


SUSTAINED FINANCIAL PERFORMANCE

15.0%
diluted HEPS
10-year CAGR

28.6%
total shareholder
return 10-year CAGR*

18.1%
dividend per share
10-year CAGR



* Based on reinvestment of dividends paid and the closing share price.
** Based on HEPS.

feel good pay less

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

- Clicks targets consumers in the growing middle to upper-income markets (LSM 6 – 10)
- Clicks ClubCard is one of the largest loyalty programmes in South Africa with over 8.1 million active members
- 74% of ClubCard customers are women and 62% are in the 25 to 49 age group
- 51% of households live within five kilometres of a Clicks store
- Differentiated product offering through wide ranges of private label and exclusive brands, comprising 22% of sales

View Clicks video at
www.clicksgroup.co.za

The health and beauty franchise brands were introduced through exclusive franchise agreements to provide further differentiation to the Clicks offering:

- 2001 – The Body Shop, which sells natural, ethically-produced beauty products
- 2014 – GNC, the largest global specialty health and wellness retailer
- 2015 – Claire's, the leading specialty retailers of fashionable jewellery and accessories for young women and girls
- 2016 – the group partnered with Sorbet Holdings to develop Sorbet-branded products for sale in Clicks stores and Sorbet salons

The heritage business, Musica, is the country's leading entertainment retail brand and was acquired in 1992.

Market share

24.9% of retail pharmacy

31.4% of front shop health

37.6% of skincare

29.5% of haircare

STORE FOOTPRINT	Standalone stores				
	South Africa	Rest of Africa	Total	Pharmacies	Presence in Clicks stores
Clicks	667	37	704	545	
The Body Shop	56	4	60		204
Claire's	6	–	6		175
GNC	–	–	–		551
Musica	92	8	100		
Total	821	49	870		

Stores outside South Africa are in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho.

704 stores

545 pharmacies

UPD is South Africa's leading full-range pharmaceutical wholesaler and the only one with a national presence. UPD 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 almost 1 200 independent pharmacies.
- UPD also provides bulk distribution services to pharmaceutical manufacturers.

Market share

R21.1bn
total managed turnover

27.0%
of private pharmaceutical wholesale market

266m
units of medicine distributed

View centralised distribution video at www.clicksgroup.co.za

GROUP STRATEGY

Clicks Group's strategy is to create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering.

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

More information on ...

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.

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Convenience

- The goal is to expand the Clicks store base in South Africa to 900 in the long term, with a pharmacy operating in every store.
- The retail pharmacy market share goal is 30% in the long term.
- The online store and a national pharmacy delivery service model increases customer convenience.

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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, Claire's, GNC and Sorbet, augment Clicks' private label brands in the health and beauty categories.

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Personalisation

- Clicks ClubCard is one of the largest retail loyalty programmes in South Africa with 8.1 million active members.
- Migrating existing and new ClubCard members onto the Clicks app enables personalised communication and offers.
- Extensive opportunities to leverage digital engagement through the Clicks ClubCard, website, online store and the Clicks app to personalise communication and influence customer behaviour.
- ClubCard offers customers attractive and convenient cashback rewards and an increasing range of affinity partner benefits.

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Opportunity to grow 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 pharmacies, including Link pharmacies.
- The business offers a distribution service to local and international pharmaceutical manufacturers based on price, quality control and speed to market.
- UPD has the capacity to target a 30% share of the fine wholesale and bulk distribution markets.

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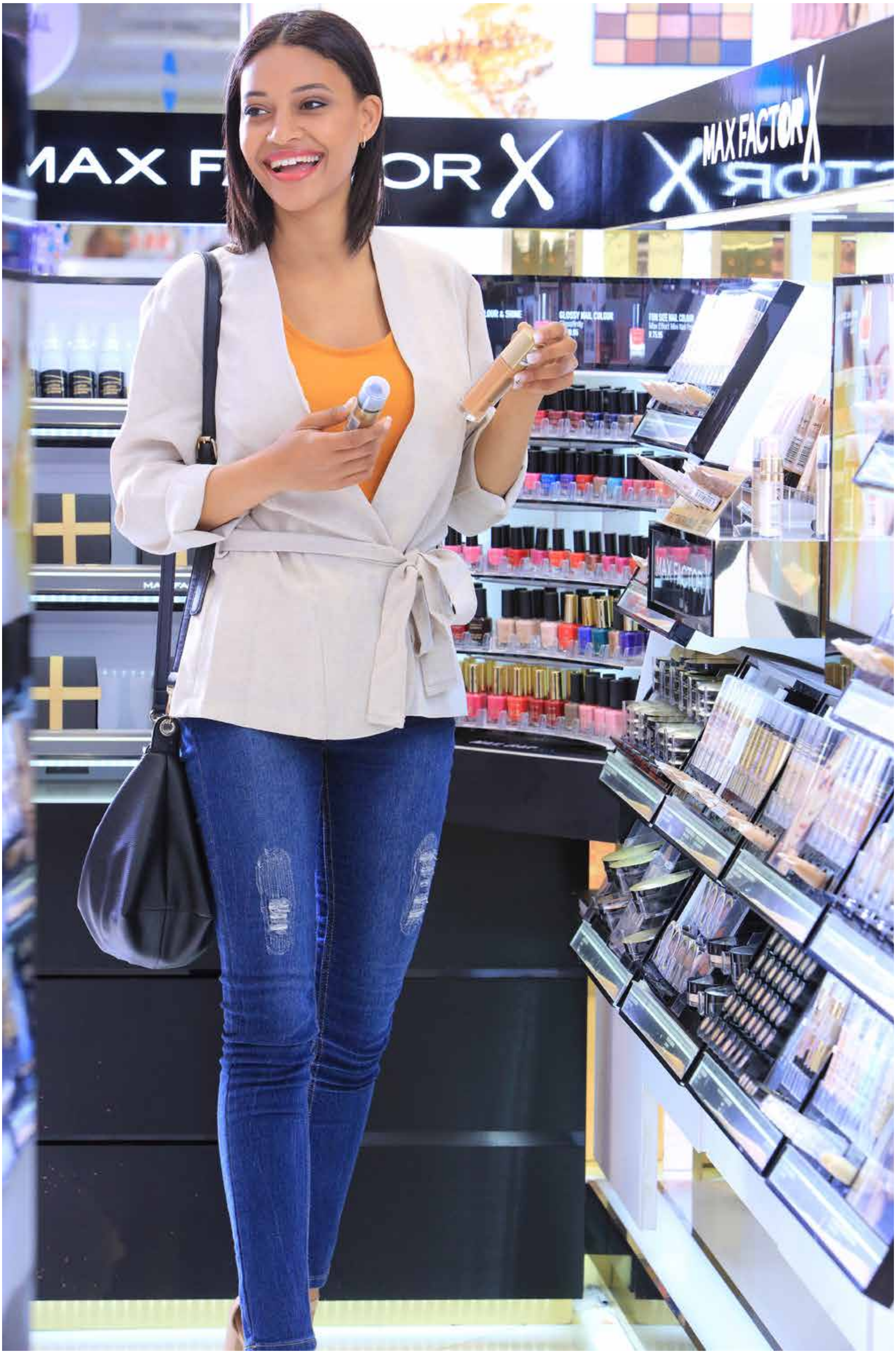
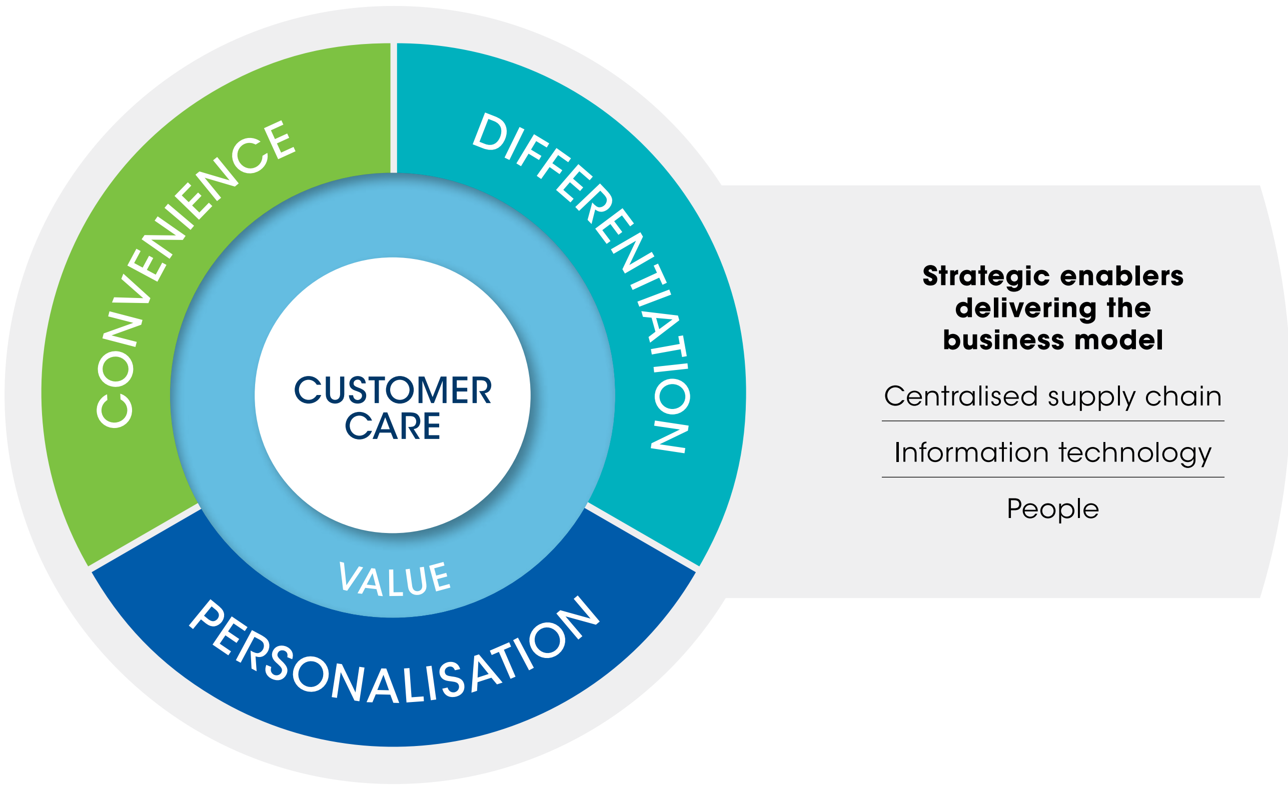

MAX FACTOR X
MAX FACTOR X

VALUE-CREATING BUSINESS MODEL

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



Convenience

An extensive store footprint and pharmacy network in convenient locations allows for easy access to customers. The convenience of the retail footprint is complemented by an online shop offering in-store collection or home delivery, and a national pharmacy delivery service.

Differentiation

The product offering is differentiated through a wide range of private label and exclusive brands. Exclusive health and beauty franchise brands further differentiate the offering. Private label scheduled medicine ranges offer customers choice for quality generic medicines at a lower price.

Personalisation

ClubCard enables Clicks to personalise its engagement and communication with customers, particularly in an increasingly digital and technology-driven retail environment, supporting the aim of the loyalty programme to increase basket size and value, and frequency of shopping.

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

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

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 is complemented by the strategic drivers of longer-term growth outlined in the group strategy on pages 14 and 15.

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

Market leadership

Clicks and UPD occupy market-leading positions

- Clicks is the largest retail pharmacy chain in South Africa
- UPD is the country's only national full-range pharmaceutical wholesaler

Convenient and expanding retail footprint

Goal to expand Clicks store base in South Africa to 900 in the long term

- Over 700 conveniently located Clicks stores
- Targeting to open 25 – 30 stores each year

Expanding pharmacy network

Objective to have a pharmacy in every Clicks store in South Africa

- 545 pharmacies in Clicks stores
- Targeting to open 30 – 35 pharmacies each year
- Retail pharmacy market share goal of 30% in the long term (2019: 24.9%)

Differentiated product offer

Private label and exclusive brands offer differentiated ranges at higher margins

- Target to grow private label to 25% of total health and beauty sales; currently 22%
- Exclusive health and beauty brands such as The Body Shop, Sorbet, GNC and Claire's differentiate Clicks offer

Growing personalisation and engagement

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

- 8.1 million active ClubCard members generate 77.6% of sales
- Digital channels enable personalised communication and promotional offers
- Online store offers full Clicks product range for in-store collection or home delivery as well as online only offers

Globally competitive operating margins

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

- Retail: 8.1%
- UPD: 3.3%

Efficient group supply chain

Centralised supply from company-owned distribution centres to all retail stores (97% of product through centralised distribution)

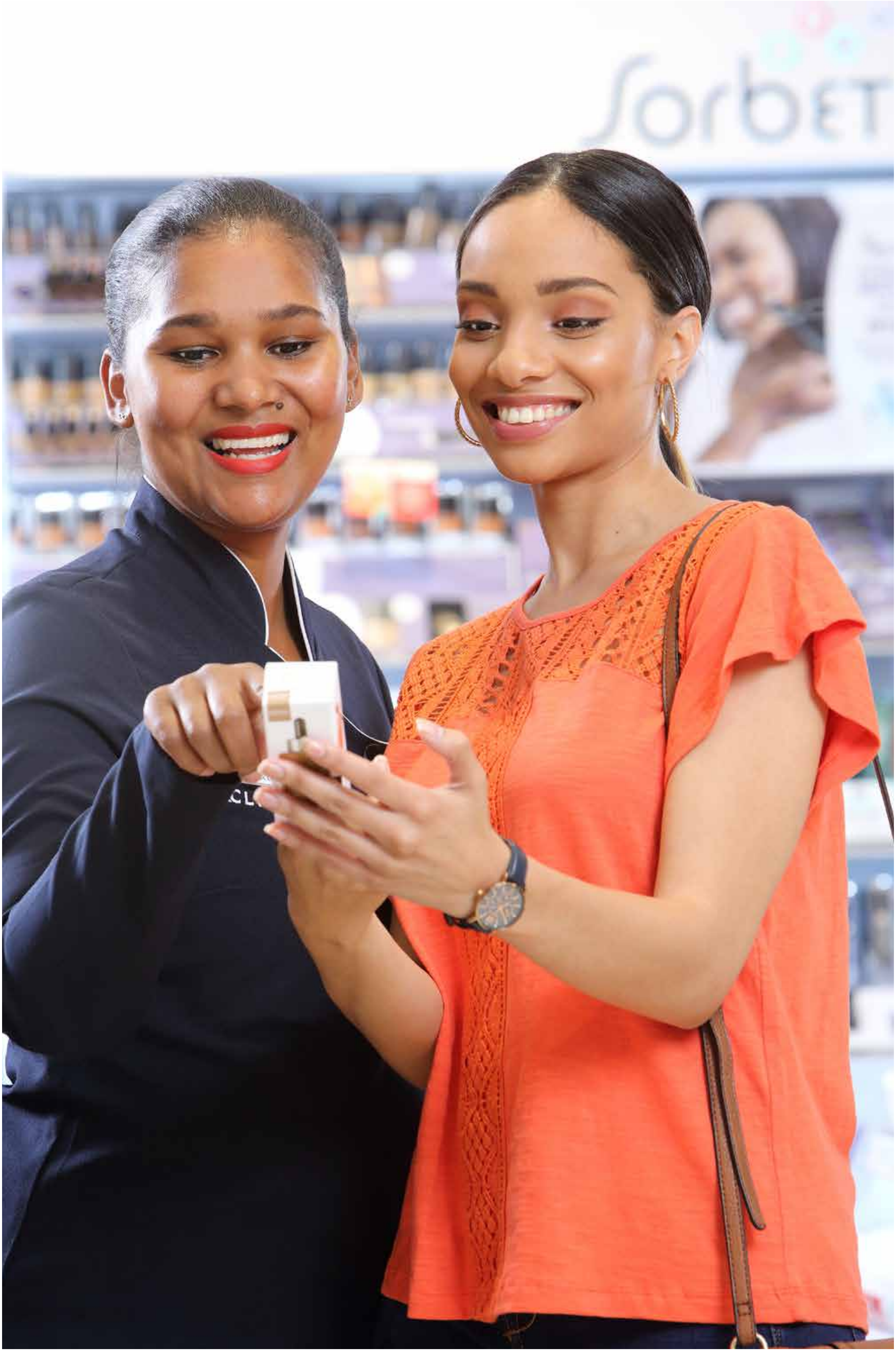
- UPD provides an efficient healthcare supply chain channel for Clicks
- UPD also offers wholesale and distribution services to pharmaceutical manufacturers

Effective cash and capital management

- Highly cash-generative business
  - R7.4 billion cash generated by operations over past three years
- Returns enhanced through active capital management
  - R2.7 billion returned to shareholders in dividends and share buy-backs in past three years
- Well-invested store base and supply chain
  - R1.8 billion capital expenditure in past three years

Sound environmental, social and governance performance

- Standard of ESG practices recognised with group's inclusion in the FTSE4Good Index
- Constituent of the FTSE/ JSE Responsible Investment Top 30 Index
- Strong, independent, diverse and well-balanced board


Sorbet

MANAGING MATERIAL ISSUES

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

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

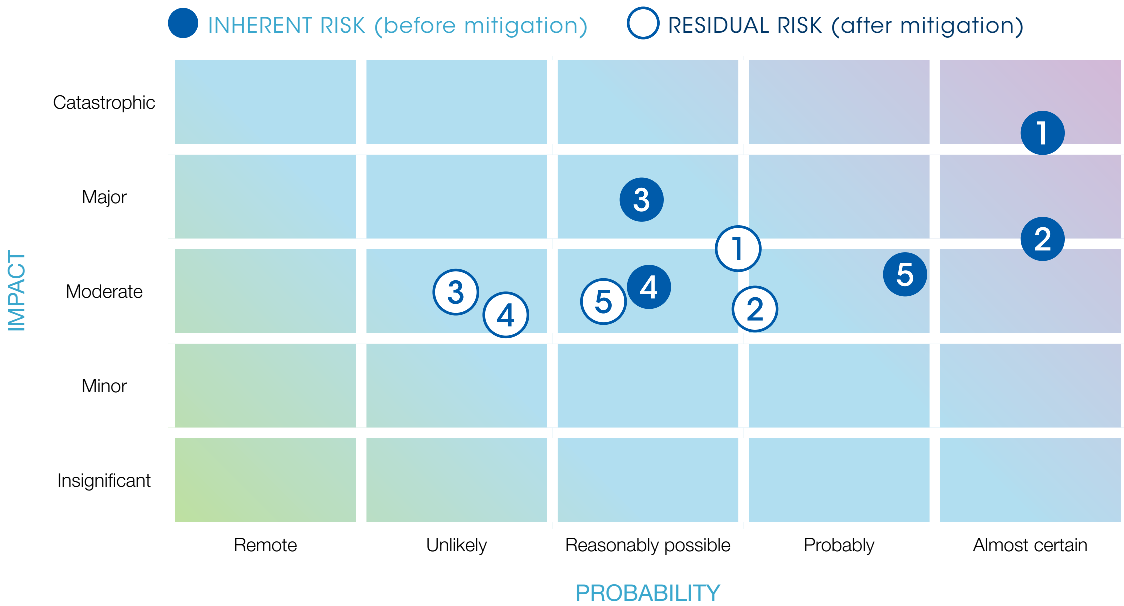
The material issues are reviewed annually by the board and management where all relevant internal, industry and macroeconomic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence the group's ability to create sustainable value, notably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

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

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

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

MATERIAL RISKS



Trading environment

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

RISKS

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

OPPORTUNITIES

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

Competition

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

RISKS

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

OPPORTUNITIES

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

People

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

RISKS

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

OPPORTUNITIES

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

Regulation

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

RISKS

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

OPPORTUNITIES

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

Information technology

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

RISKS

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

OPPORTUNITIES

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

LEADERSHIP AND PERFORMANCE

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


pharmacy
repeat
prescription
service
ready for collection
PHARMACY
ENTRANCE
Please take a ticket
MEDLEMON

CHAIRMAN'S REPORT

Clicks Group overcame extremely challenging retail trading conditions – marked by muted economic growth, fragile consumer confidence, increasing pressure on financially stressed consumers and unemployment at decade high levels in the country – to deliver continued strong growth in shareholder value.

CREATING SHAREHOLDER VALUE

Group turnover increased by 7.2% to R31.4 billion and the operating margin expanded by 40 basis points to 7.4%, with diluted headline earnings per share growing by 16.8% to 672 cents. The total dividend was increased by 17.1% to 445 cents per share.

Cash generated from operations increased by 19.5% to R2.9 billion, the group returned R1.2 billion to shareholders through dividend payments and share buy-backs, and continued to invest for long-term organic growth.

Over the past 10 years the group has generated a compound annual total shareholder return of 28.6% per annum with R7.4 billion being returned to shareholders. Diluted HEPS has grown by a compound rate of 15.0% and the dividend per share by 18.1% per annum. The directors have progressively increased the dividend payout ratio from 50% in 2010 to 65% in 2019.

In the Sunday Times Top 100 Companies survey for 2019, Clicks Group was ranked as the third-best performing company on the JSE for the second consecutive year, based on a five-year compound growth in shareholder value.

COMPELLING INVESTMENT CASE

The excellent performance of the past year again highlights the group's resilient business model, with over 80% of turnover in defensive health and beauty categories. This is core to the group's investment case of offering investors non-cyclical equity exposure to the retail and healthcare markets in South Africa.

The group is favourably positioned in growth markets, with improving living standards, increasing urbanisation and longer life expectancy contributing to growing demand for health and beauty products.

This is supported by robust organic growth opportunities within the business through the expansion of the store footprint which is targeted to reach 900 in South Africa in the long term, with the ambition of a pharmacy in each store, as well as the growing online presence; increasing the contribution from private label and exclusive brands in both the front shop and pharmacy; and continued penetration of the ClubCard loyalty programme.

Clicks and UPD both occupy market-leading positions and produce globally competitive operating metrics. The group is highly cash generative with an active capital management programme aimed at enhancing returns to shareholders, with a well-capitalised store base and supply chain.

Clicks Group's investment case remains appealing to international fund managers. The offshore shareholding increased to 71.7% at year-end, with 17 of our top 20 shareholders being based offshore.

GROUP LEADERSHIP

David Kneale retired as chief executive officer (CEO) with effect from 1 January 2019. In last year's integrated report we paid tribute to David's outstanding contribution during his 13-year tenure as CEO, a period in which the group's revenue trebled, operating profit increased six-fold and the market capitalisation on the JSE grew by over R45 billion.

The group's investment in talent and succession planning came to the fore with the appointment of Vikesh Ramsunder as CEO. The benefits of appointing an internal successor of Vikesh's calibre with 25 years' experience in the group are evident in the financial performance for the year.

Vikesh is supported by a strong and committed leadership team. The non-executive directors played an important role in facilitating a smooth transition in the change of leadership as well as the new structure of the executive leadership that was implemented following Vikesh's appointment.

Shareholders will be reassured that the change in leadership does not signal a change in the group's strategy. Vikesh has served as head of both Clicks and UPD, and as a member of the group executive committee for several years, and was instrumental in developing the strategies for these businesses.

BOARD OF DIRECTORS

Following David's retirement from the board, Vikesh was appointed as an executive director in January 2019. The diversity of our directors in terms of gender, race and their professional backgrounds encourages constructive debate and ensures that the board considers the needs of all our stakeholders and interest groups. Currently 56% of our nine directors are black and 44% are female, exceeding the voluntary targets of 25% contained in our board race and gender diversity policy.

Five of our six non-executive directors have served on the board for longer than ten years. While King IV does not regard tenure as a determinant of independence, the remuneration and nominations committee nevertheless conducts a thorough annual evaluation of the independence of the chairman and the other non-executive directors. The committee has again concluded that there are no factors limiting the directors from exercising independent judgement or acting in an independent manner. All the non-executive directors are therefore appropriately classified as independent.

The independence of the board should not, however, only be determined by reference to tenure but should also take into account that the non-executive directors are now engaging with a new CEO and leadership structure, with no long-standing relationships that could impair their independent judgement. Indeed, the in-depth knowledge of the board members has contributed materially to the smooth transition of the group's executive leadership.

We are actively searching for new directors to join the board to provide succession for key director and committee roles. Our plans are considerably advanced and we anticipate making progress in the months ahead.

Our primary responsibility to shareholders remains to ensure that the board has the necessary expertise and levels of independence to meet its oversight responsibilities and add value to the board's deliberations.

RESPONSIBLE CORPORATE CITIZENSHIP

The group is committed to sustainable and responsible environmental, social and governance (ESG) practices. The main areas of focus are transformation and empowerment; broadening access to healthcare in support of the national agenda to make medicine more affordable and accessible; investing in our people to ensure the success and sustainability of the business; and investing in our communities through socio-economic and enterprise development.

Investors are increasingly considering ESG performance in their investment decision-making and it was pleasing to be included for the third consecutive year in the FTSE4Good Index Series, the sustainable and responsible investment indices which recognise companies with strong ESG practices measured against global standards.

In the evaluation for the Index undertaken by FTSE Russell, Clicks Group achieved an ESG score of 4.1 out of 5 in 2019 (2018: 3.9), far outperforming the sector, industry and country averages. The group obtained the maximum score of 5 for the governance component, confirming that our governance standards are in line with international best practice. The group achieved 4.3 for the environment and 3.1 for the social component.

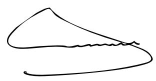
The group has also again qualified for inclusion in the FTSE/JSE Responsible Investment Top 30 Index which acknowledges large South African companies with leading ESG practices.

ACKNOWLEDGEMENTS

Thank you to Vikesh and his executive team for their decisive and supportive leadership as well as our 15 400 employees across the country for their hard work and energy in delivering another outstanding performance.

My fellow non-executive directors ensure that the board meets the highest standards of oversight and governance, and I thank them for their support and commitment.

Thank you to our external stakeholders, including our customers, shareholders, suppliers and industry regulators, for your ongoing support and contribution to our success.



David Nurek
Independent non-executive chairman

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Independent non-executive chairman

Dip Law, Grad Dip Company Law

Appointed 1996

David Nurek (69)

Member of the remuneration and nominations committee

Member of the social and ethics committee

Directorships: 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 on 31 August 2019. He has served as non-executive director and chairperson on boards of listed companies for many years.

Specific contribution to the board: David brings the benefits of a wealth of first-rate experience gained from serving as non-executive director and chair on the boards of listed companies over many years. This deep understanding of the functioning of corporates and boards, coupled with his proven leadership ability, contributes to the effective functioning of the board. He ensures that all voices are heard, while at the same time promoting consensus amongst board members. David's attention to detail and ability to understand and interrogate business strategies contribute to the board's capacity to guide management and ensure that the group's plans and strategies are appropriate and are properly executed.

Independent non-executive director

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

Appointed 2008

Prof. Fatima Abrahams (57)

Chairperson of the remuneration and nominations committee

Chairperson of the social and ethics 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.

Specific contribution to the board: Fatima serves as a non-executive director on the board of a number of listed companies, with particular involvement in retail businesses. She chairs the social and ethics committee, as well as the remuneration aspects of the remuneration and nominations committee. Her strong academic qualifications and experience have provided her with expertise in this regard. She has fulfilled similar roles for other listed and unlisted entries, which is of benefit to the group.

Lead independent non-executive director

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

Appointed 2008

John Bester (73)

Chairman of the audit and risk committee

Member of the remuneration and nominations committee

Directorships: Non-executive director of HomeChoice South Africa, Intembeko Investment Administrators, Personal Trust and Tower Property Fund. 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 38 years.

Specific contribution to the board: The group's lead independent director, John has wide-ranging business experience and has been chair of the audit and risk committee for 10 years. He has discharged his responsibilities in this regard exceptionally well, using his technical knowledge, diligence and maturity to good effect. He has extensive experience on financial and commercial matters and has a deep understanding of auditing standards and requirements. In relation to risk matters, he has extensive engagement with the internal audit and IT departments and has intimate knowledge of the manner in which these functions are undertaken.

Independent non-executive director

B Sc, CA (SA)

Appointed 2008

Fatima Daniels (59)

Member of the audit and risk committee

Directorships: JSE, Momentum Metropolitan Holdings, Tongaat Hulett, Rand Refinery, AfriSam and various MTN subsidiaries

Expertise and experience: Accounting and finance. After spending six years in the auditing profession Fatima went on to lecture in financial accounting and then spent over a decade in various positions in corporate South Africa.

Specific contribution to the board: Fatima has served on the audit and risk committee for 11 years and has considerable experience in this regard. She also serves on the boards and audit committees of a number of other listed companies and has wide-ranging business experience. Given her academic background, strong analytical and critical thinking skills, and extensive business experience, Fatima has made an extremely valuable contribution to the deliberations of the board and the audit and risk committee.

Independent non-executive director

B Compt (Hons), CA (SA)

Appointed 2017

Nonkululeko Gobodo (59)

Member of the audit and risk committee

Directorships: Chairman of Mpumelelo Ventures and non-executive director of PPC

Expertise and experience: Accounting, auditing and finance. Nonkululeko was a founder and former executive chairman of SizweNtsalubaGobodo, the country's largest black-owned accounting firm. She is currently the chief executive officer of Nkululeko Leadership Consulting.

Specific contribution to the board: Nonkululeko has extensive experience in financial matters and is an extremely valuable member of the audit and risk committee. She has a deep understanding of accounting practice and IFRS issues as they apply to the group and is a valuable sounding board for management and the audit and risk committee in this regard.

Independent non-executive director

Appointed 2006

Martin Rosen (69)

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.

Specific contribution to the board: Martin has developed extensive expertise and experience in the retail sector as a result of his role as a senior executive in a leading retail group and his current consulting business, which is of real value to the group. He brings unique insights to issues considered by the board, and has been of help to management as a sounding board from time to time.

EXECUTIVE DIRECTORS

Bertina Engelbrecht (56)

Group human resources director

B Proc, LL M, admitted attorney

Appointed as a director in 2008

Expertise and experience: Human resources. 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 (52)

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.

Vikesh Ramsunder (48)

Chief executive officer

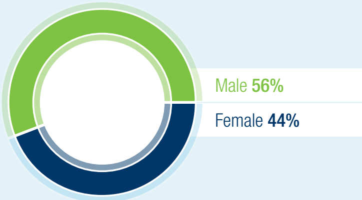
B Com, MBL

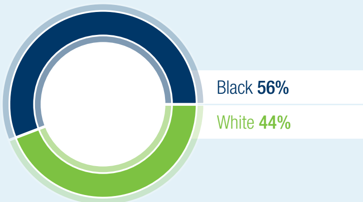
Appointed as a director in 2019

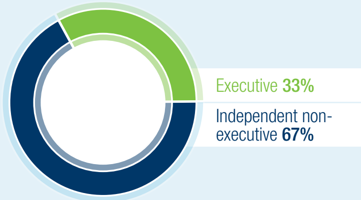
Member of the social and ethics committee

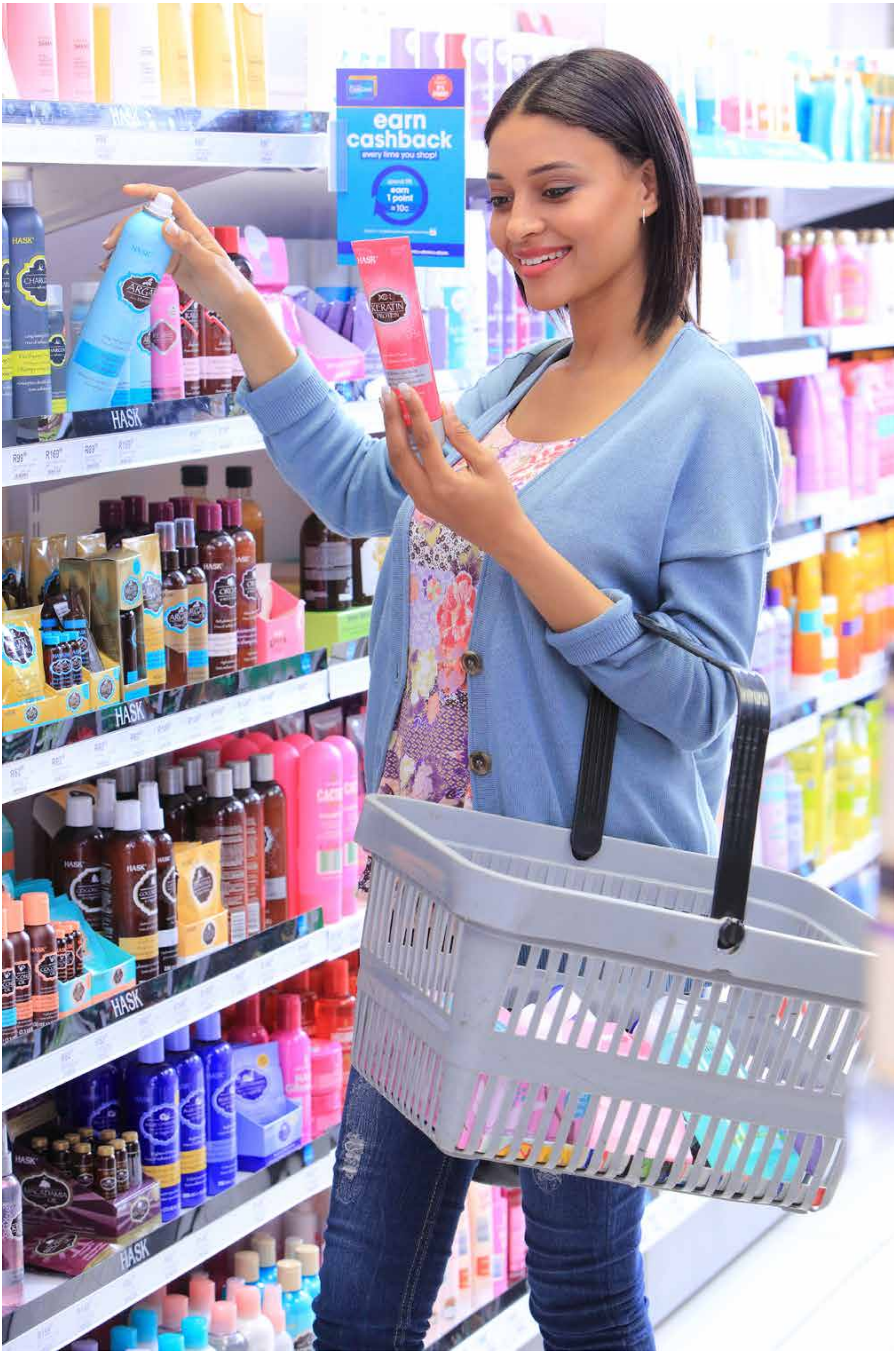
Expertise and experience: Retail and commercial. Vikesh was appointed chief executive officer in January 2019. Prior to this he was chief operating officer of the Clicks brand from 2015, and was managing director of UPD, the group's pharmaceutical wholesaler, from 2010, where he was instrumental in driving UPD's integrated pharmaceutical wholesale and distribution strategy. He has served in store, logistics and management positions across the group since joining in 1993.

BOARD COMPOSITION AND DIVERSITY








earn
cashback
every time you shop!
HASK

CHIEF EXECUTIVE'S REPORT

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

SUSTAINED GROWTH MOMENTUM

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

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

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

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

STRONG AND RESILIENT PERFORMANCE

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

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

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

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

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

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

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

Total group turnover for the year increased by 7.2% to R31.4 billion. The financial performance is detailed in the chief financial officer's report on pages 36 to 41, and the trading performance of Clicks and UPD is covered on pages 42 to 55.

DELIVERING ON OUR STRATEGY

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

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

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

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

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

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

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

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

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

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

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

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

INVESTING IN OUR PEOPLE

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

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

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

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

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

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

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

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

NATIONAL HEALTH INSURANCE

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

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

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

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

OUTLOOK

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

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

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

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

APPRECIATION

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

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

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

Vikesh Ramsunder
Chief executive officer

CHIEF FINANCIAL OFFICER'S REPORT

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

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

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

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

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

FINANCIAL PERFORMANCE

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

The following review should be read together with the annual financial statements as well as the summary statements of comprehensive income and financial position, and the five-year analysis of financial performance on pages 38 and 41 respectively.

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

STATEMENT OF COMPREHENSIVE INCOME

Turnover

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

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

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

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

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

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

The trading performances of Clicks and UPD are covered in the business review on pages 42 to 55.

Total income

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

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

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

Operating expenditure

The group's operating expenses increased by 8.1%.

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

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

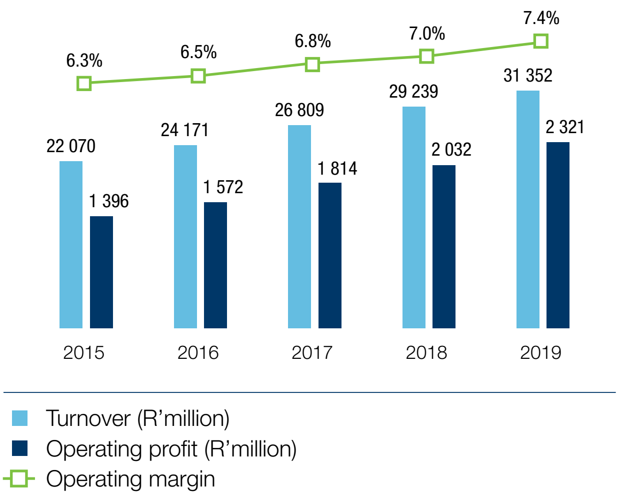
UPD expenses, which include the costs related to the new distribution contracts, grew by 10.2%, well below the 17.6% growth in total managed turnover.

Operating profit

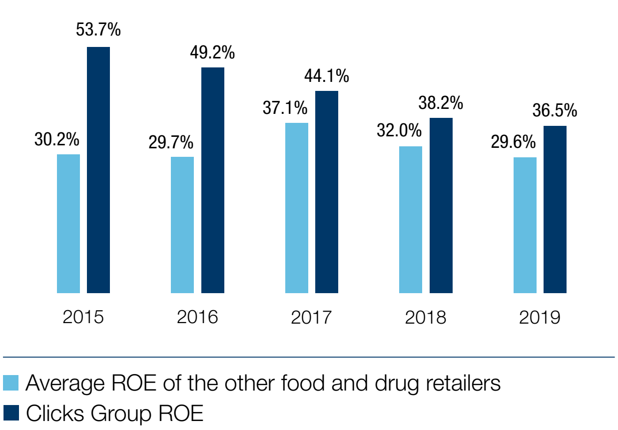
Operating profit increased by 14.2% to R2.3 billion (2018: R2.0 billion) as both the retail and distribution businesses achieved operating leverage and benefited from increased scale.

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

Turnover, operating profit and margin



Return on equity (ROE)



SUMMARY STATEMENT OF COMPREHENSIVE INCOME

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

SUMMARY STATEMENT OF FINANCIAL POSITION

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

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

STATEMENT OF FINANCIAL POSITION

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

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

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

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

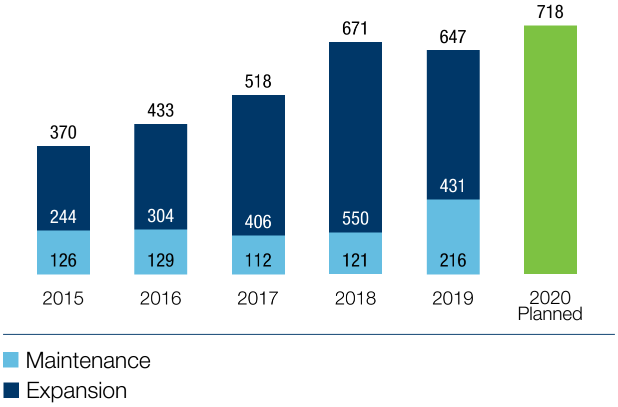
Working capital

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

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

Capital expenditure

R'million



Cash and capital management

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

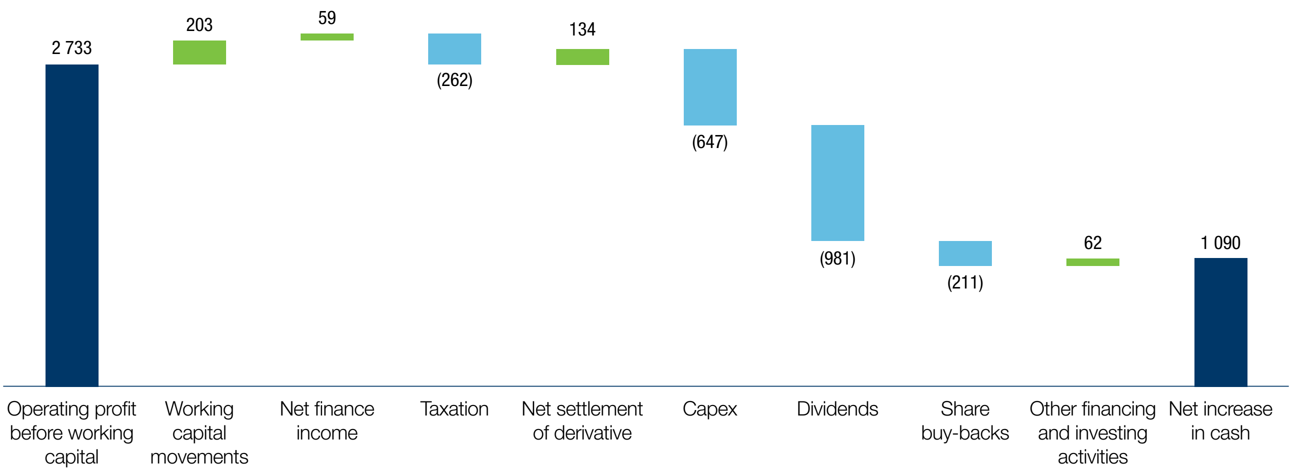
The group's capital management strategy is focused on investing in the organic growth of the business and returning surplus funds to shareholders through dividends and share buy-backs:

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

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

Cash flow analysis

R'million



DIVIDENDS

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

INFORMATION TECHNOLOGY

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

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

FINANCIAL PLANS FOR 2020

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

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

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

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

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

ADOPTION OF IFRS 16 – LEASES

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

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

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

MEDIUM-TERM FINANCIAL TARGETS

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

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

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

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

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

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

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

APPRECIATION

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

Michael Fleming
Chief financial officer

FIVE-YEAR PERFORMANCE REVIEW

FOR THE YEAR ENDED 31 AUGUST

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

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

BUSINESS REVIEW

Clicks and UPD both occupy market-leading positions in South Africa and their operating margins rank in the upper quartile of global drugstores and pharmaceutical wholesalers.


save
brands
you
LOVE
great
value
every day
value every day
CLICKS
You Pay LESS
save on brands you LOVE
day savings
brands
you
LOVE

feel good **pay less**

Competitive pricing, product differentiation and new stores contributed to health and beauty sales increasing by 10.5%, supported by volume growth of 5.8%. Clicks gained market share across all product categories by focusing on its strategic drivers of convenience, differentiation and personalisation, underpinned by the brand's value heritage.

Clicks was again rated as the country's leading health and beauty retailer and pharmacy chain in the Sunday Times/Sowetan Shopper Survey for 2019.

Health and beauty sales*	% increase	% contribution to sales
Pharmacy	**9.6**	30.5
Front shop health	**10.8**	23.6
Beauty and personal care	**9.6**	30.0
General merchandise	**13.4**	15.9
Total turnover	**10.5**	100.0

* Includes Clicks, The Body Shop, GNC and Claire's

SALES PERFORMANCE

Pharmacy sales grew by 9.6% and comprised 30.5% of turnover. Value growth was suppressed by the continued switching of patients to lower-value generic medication. Clicks grew ahead of the market and increased its share of the retail pharmacy market from 23.9% to 24.9%, with one in four medicines sold in South Africa being from a Clicks pharmacy.

Front shop health grew by 10.8%, supported by the robust performances of baby and GNC. The baby sub-category is strategically important in attracting new customers and grew market share from 16.0% to 17.0%.

Beauty and personal care sales grew by 9.6% with the best-performing sub-categories being ethnic haircare, luxury bath and The Body Shop in Clicks.

General merchandise was the fastest-growing category with sales increasing 13.4%. Growth was driven by an increase in basket-building convenience categories of domestics and paperware. Clicks remains the leader in sales of small electrical appliances with a market share of 16.4%.

"Clicks was again rated by shoppers as the country's leading health and beauty retailer and pharmacy chain."

View Clicks video at
www.clicksgroup.co.za


CLICKS
CLICKS
BEAUTY fair now on
3 for 2
beauty
REVLON
THE BODY SHOP
L'ORÉAL
new
No washing, just WOW hair.
WATER
NYX
STAR

Market share (%)	2019	2018
Health		
Retail pharmacy*	**24.9**	23.9
Front shop health**	**31.4**	31.2
Baby**	**17.0**	16.0
Beauty and personal care		
Skincare**	**37.6**	36.3
Haircare**	**29.5**	28.4
Personal care	**17.9**	17.0
General merchandise		
Small electrical appliances***	**16.4**	14.4

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

MAINTAINING VALUE

Clicks continues to offer value through competitive everyday pricing and appealing promotions which is increasingly attractive to hard-pressed consumers. Health and beauty are promotionally driven categories globally and this is also the case in South Africa. Promotional sales in Clicks increased by 19.5% and now account for 38.4% of turnover. Clicks also offers value through the generous loyalty benefits offered by the ClubCard, with R504 million being returned to customers in cashback rewards in the past year alone. 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.

EXTENDING CONVENIENCE

Clicks opened its 700th store in August 2019 and ended the financial year on 704 following the opening of 41 new stores. The store opening programme was accelerated in 2019 beyond the targeted 25 to 30 stores owing to opportunities arising for new space in existing shopping centres in the current difficult retail environment.

“Clicks opened its 700th store and ended the year on 704 stores.”

The brand’s focus on convenience is reflected in 93% of the new outlets being convenience format stores. Convenience stores now comprise 74% of the store portfolio.

The Clicks footprint includes 37 stores in neighbouring Namibia (23 stores), Botswana (nine stores), Eswatini (four stores) and Lesotho (one store).

During the year 56 stores across the chain were extended or refurbished to ensure the stores remain modern and appealing to customers.

Clicks extended its pharmacy network to 545 with the opening of 35 in-store pharmacies.

The brand’s expanding footprint means that 51% of the country’s population now live within five kilometres of a Clicks store and six kilometres from a Clicks pharmacy.

The online store extends customer convenience and is currently the fastest-growing Clicks store, reflecting consumers' need for convenience as well as the growing trend to online retailing in South Africa. The online store has enabled Clicks to enter product categories that are sold online only, including premium beauty, health mobility and baby hardware such as prams, car seats and cots.

The in-store "click and collect" service now accounts for 48% of online sales volumes. The store currently generates sales equivalent to a medium-sized store and is expected to grow into the largest Clicks store in the medium term as online retail penetration grows in South Africa.

PERSONALISATION AND REWARDS

ClubCard is integral to the Clicks personalised engagement strategy which enables the brand to use digital technology to personalise communications with customers and influence their shopping behaviour.

ClubCard is one of the country's most popular loyalty programmes and increased active membership to 8.1 million. ClubCard members accounted for 77.6% of sales in Clicks. Clicks also targets key customer markets through the Baby Club, which has 476 000 members and the Seniors Club, with 1.1 million members.

The Clicks mobile app incorporates a virtual ClubCard which allows customers to monitor reward points and cashback in real time, submit scripts, order repeat medication and receive personalised offers. Customer response to the Clicks app has been most encouraging, with over 500 000 customers downloading the app.

"ClubCard is one of the country's most popular loyalty programmes and grew active membership to 8.1 million."

DIFFERENTIATED PRODUCT OFFER

Private label offers differentiated ranges at competitive prices while increasing the appeal of the Clicks brand and enhancing margin.

The international franchise brands, The Body Shop, GNC and Claire's, further differentiate the Clicks offer.

Sales of private label products were maintained at 22% of total sales in Clicks, with front shop sales at 29.1% and pharmacy at 7.1%.

Innovation is a driver of private label sales and 1 920 new products were launched during the year. The Expert range was launched in dermalogical skincare and will be introduced across further categories over time. The Expert range now enables Clicks to tier the private label offering, with the Pay Less brand being the entry point, Clicks being the mid-tier brand and Expert the higher tier.

PLANS FOR 2020

Clicks is committed to its long-term goal of expanding its store footprint in South Africa to 900, with a pharmacy in each store. Clicks is targeting to open 25 to 30 new stores and 30 to 35 pharmacies, while a further 60 stores will be refurbished.

Private label, exclusive and franchise brands are planned to increase their contribution to 29.5% of front shop sales in the new year.

ClubCard membership is targeted to grow to 9.0 million with the focus on migrating new and existing customers to the virtual ClubCard to improve personalisation and leverage digital engagement.

CLICKS EXECUTIVE MANAGEMENT

Sedick Arendse, Nina Hind, Rachel Wrigglesworth and Gordon Traill

Rachel Wrigglesworth (54)

Chief commercial officer

B Pharm

Joined the group in 2011

Previously head of healthcare at Clicks and commercial head at UPD

Prior to this held various positions in pharmaceutical manufacturing, hospital management, retail pharmacy, courier pharmacy and quality systems management

Sedick Arendse (49)

Chief store operations officer

B Sc Eng – Mechanical, Ph D (Business Enhancement), MBA

Joined the group in 2015

Previously chief sales and operations officer at Nashua

Extensive experience in retail operations, supply chain, brand development and management consulting

Gordon Traill (48)

Chief support services officer

B Acc with French, CA (Scotland)

Joined the group in 2006

Previously head of group finance and head of internal audit

Prior to this held various financial positions with Alliance Boots in the UK

Nina Hind (45)

Head of retail finance

B Com, CA (SA)

Joined the group in 2019

Previously group financial and planning manager at HomeChoice, finance director at Red Bull and business unit financial manager at Woolworths

PERFORMANCE AGAINST OBJECTIVES IN 2019 AND PLANS FOR 2020

	Deliver a competitive and differentiated front shop product offer	Create a great customer experience	Grow the retail footprint to enhance convenience
Plans and targets for 2019	Increase front shop private label and exclusive brand sales to 29.0%	Expand private label scheduled generic medicines range by 34 products Increase repeat prescription service to 50% of repeat scripts 200 – 210 clinics at year-end	Open 25 to 30 new Clicks stores 55 stores to be expanded/ refurbished Open 30 to 35 new pharmacies Improve personalisation capability
Achieved in 2019	Front shop private label and exclusive sales 29.1% of total sales	152 private label medicines (2018: 120) 47% of scripts now on repeat prescription service 194 clinics at year-end	Net 41 stores opened 704 stores at year-end 56 stores expanded/refurbished Net 35 pharmacies opened 545 pharmacies at year-end Personalised communication recommendations engine developed and piloted
Plans and targets for 2020	Increase front shop private label and exclusive brand sales to 29.5%	Expand private label scheduled generic medicines range to 165 products Increase repeat prescription service to 50% of repeat scripts	Open 25 to 30 new Clicks stores 60 stores to be expanded/ refurbished Open 30 to 35 new pharmacies Implement personalised communication across multiple channels and personalised rewards

PERFORMANCE AGAINST OBJECTIVES IN 2019 AND PLANS FOR 2020 (CONTINUED)

	Drive customer loyalty through personalisation and rewards	Ensure supply chain excellence	Maintain a motivated and skilled work force
Plans and targets for 2019	Increase membership to 8.0 million Grow Baby Club to 500 000 members Grow Seniors Club to 1.0 million members Enrol 500 000 customers to virtual ClubCard	Complete phase 2 of Centurion Distribution Centre expansion by September 2019 adding 6 700 m²	300 pharmacy assistants to be enrolled 100 pharmacy bursary students 70 internships 20 graduates to be enrolled on graduate development programme
Achieved in 2019	8.1 million members 476 000 Baby Club members 1.1 million Seniors Club members 525 000 customers enrolled to virtual ClubCard	Phase 2 delayed due to planning approval	324 pharmacy assistants enrolled 135 pharmacy bursary students 71 pharmacy internships 20 graduates enrolled on graduate development programme
Plans and targets for 2020	Increase membership to 9.0 million Grow Baby Club to 500 000 members Grow Seniors Club to 1.3 million members Enrol 1 000 000 customers to virtual ClubCard	Phase 2 expansion to be completed in the 2020 financial year once planning approval has been received Commission single pick retail facility within the Centurion Distribution Centre	320 pharmacy assistants to be enrolled 123 pharmacy bursary students 70 internships 20 graduates to be enrolled on graduate development programme

WE DELIVER HEALTHCARE

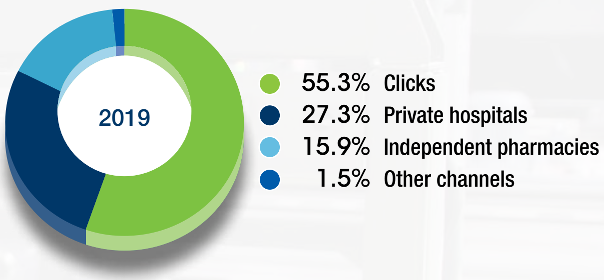
UPD continued to increase its market share and gained four new distribution contracts to maintain its market-leading positions in both the pharmaceutical wholesale and bulk distribution markets.

Turnover increased by 4.0% and UPD grew its operating margin by 60 basis points to 3.3%, benefiting from new distribution contracts secured over the past two years.

UPD's total managed turnover, combining fine wholesale turnover with the turnover managed on behalf of bulk distribution clients, increased by 17.6% to R21.1 billion.

> *"UPD gained four new bulk distribution contracts and increased its portfolio of distribution clients to 30."*

WHOLESALE TURNOVER BY CHANNEL



Wholesale turnover increased by 6.8%. Sales to Clicks pharmacies increased by 8.4% and Clicks remains UPD's largest single customer, accounting for 55.3% of wholesale turnover.

Sales to private hospital groups, including Life Healthcare, Mediclinic and Netcare, showed muted growth of 1.6%.

UPD services approximately 1 200 independent pharmacies and sales to this channel grew by 13.9% and accounted for 15.9% of turnover. The business benefited from the addition of a new buying group, improved purchases from the Link brand and the preference of independent pharmacies for UPD's excellent service levels.

View centralised distribution video at
www.clicksgroup.co.za

The strong performance from UPD's customer base contributed to wholesale market share increasing from 26.0% to 27.0%.

UPD faces ongoing margin pressure from the faster growth in lower-priced generic medication, with sales of generics increasing by 11.0% and now accounting for 68% of wholesale turnover volume.

As UPD has a relatively high fixed cost base management continuously seeks ways to off-set margin pressure by extracting efficiencies across all aspects of the operations, including inventory management, labour productivity and transport optimisation. UPD expenses, which include the costs related to the new distribution contracts, grew by 10.2%, well below the growth in total managed turnover of 17.6%.

UPD owns distribution centres located in Gauteng (Lea Glen), Cape Town, Durban, Bloemfontein and Port Elizabeth. All the distribution centres are ISO9001:2015 certified. Owing to the increasing scale and size of its third-party distribution business, UPD will be increasing its capacity by renting an additional warehouse facility in Gauteng.

Product availability, which is core to offering superior range and service to customers, averaged 96% for the year while on-time deliveries were at 98.5%.

OUTLOOK FOR 2020

UPD aims to increase wholesale market share through the growth of the Clicks pharmacy channel benefiting from the planned opening of 30 to 35 new pharmacies in Clicks, purchases from Link pharmacies and service to the private hospital groups.

The business will continue to prospect for new distribution contracts and one new contract commenced in the first quarter of the 2020 financial year.

Capital expenditure of R83 million has been committed for warehouse equipment and information technology in the year ahead.

UPD remains committed to its long-term strategic objective of growing market share in wholesale to 30% and bulk distribution to 35%.

Vikash Singh
Managing director

Vikash Singh (46)
Managing director
B Com (Acc), MBA
Joined the group in 2006
Appointed as managing director in 2015
Previously head of operations and distribution at UPD
A seasoned executive whose career has spanned financial, operational, supply chain and logistics responsibilities, with extensive experience in logistics management in both Clicks and UPD

PERFORMANCE AGAINST OBJECTIVES IN 2019 AND PLANS FOR 2020

Growing market share

Plans and targets for 2019	Achieved in 2019	Plans and targets for 2020
Increase market share to 26.5%	Market share increased to 27.0%	Increase market share to 28.0%
Maintain volume of business with private hospital groups	Sales to hospital groups increased 1.6% with volumes maintained	Grow volume of business with private hospital groups
Clicks' buying levels from UPD at 99%	Clicks' buying levels from UPD at 98.6%	Clicks' buying levels from UPD at 99%
Tender for new agency distribution contracts	Four new agency distribution contracts secured; 30 contracts managed at year-end	Tender for new agency distribution contracts

Protecting income

Plans and targets for 2019	Achieved in 2019	Plans and targets for 2020
Maintain licences	Licences maintained	Maintain licences

Optimising efficiency

Plans and targets for 2019	Achieved in 2019	Plans and targets for 2020
Maintain 99% on-time deliveries	98.5% on-time deliveries	Target 99% on-time deliveries
Drive further productivity initiatives across the business	Efficiencies achieved in labour and transport	Drive further productivity initiatives across the business
Improve order fulfilment to 96.8%	Order fulfilment of 99.1% achieved	Achieve order fulfilment of 98%

Building capacity

Plans and targets for 2019	Achieved in 2019	Plans and targets for 2020
Reduce employee turnover to 11%	Employee turnover 7.4%	Maintain employee turnover below 8%
Maintain Transported Asset Protection Association (TAPA) certification for transport fleet	Achieved TAPA Level 1 accreditation	Maintain TAPA accreditation
Market UPD training academy	Launched with 30 learners	Expand learners to 60
Design and build replacement IT system	New system chosen	Design system solution and prepare roll-out

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.


ooming
grooming
JUST LAUNCHED
SHAVE GEL
2-IN-1 FACE WASH & SCRUB
FACE WASH
3-IN-1 SHOWER GEL
BODY LOTION
SKINCARE COLLECTION FOR MEN
aloe vera + vitamin c
moisturiser
after shave balm
face wash
2-in-1 shower gel
fino
DX SMOOTH
R127
R119
R79
R99
R39
R59
R64
R84
R31
R54
R55

CREATING VALUE THROUGH GOOD GOVERNANCE

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

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

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

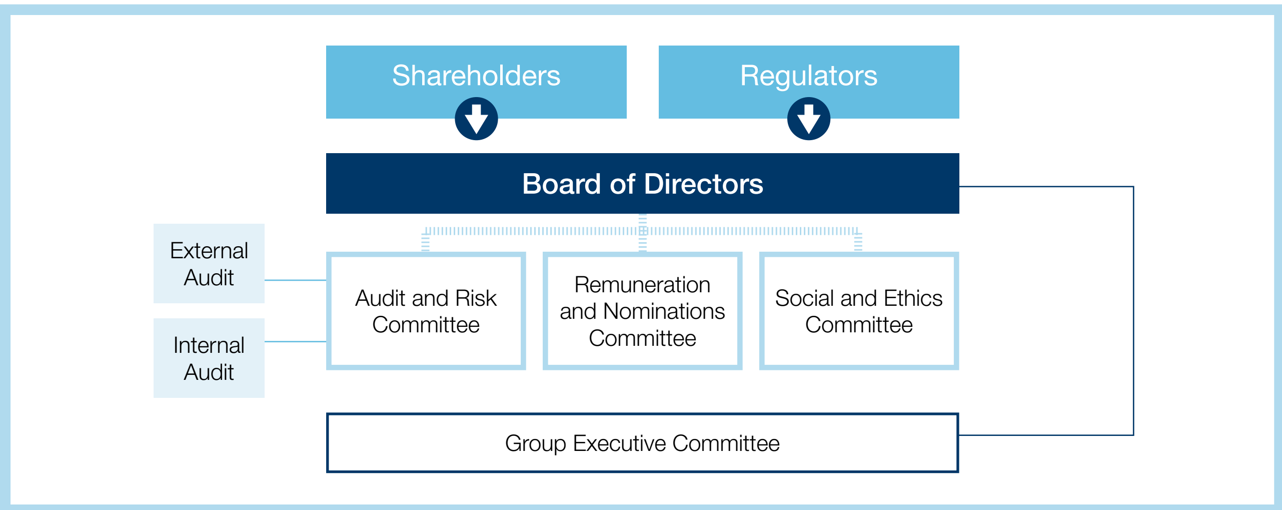
- providing a clearer view of the business through a greater degree of integration between financial and non-financial reporting;
- improving the quality of reporting by management to the board;
- promoting greater transparency and disclosure to stakeholders, including shareholders;
- building consumer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

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

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

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

GOVERNANCE STRUCTURE



ROLE OF THE BOARD

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

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

KEY ISSUES ADDRESSED IN 2019

The board addressed the following key issues during the year:

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

BOARD COMPOSITION

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

INDEPENDENCE OF DIRECTORS

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

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

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

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

BOARD DIVERSITY

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

DIRECTOR ELECTION

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

ANNUAL PERFORMANCE EVALUATION

Each director is required annually to assess the performance of the board, its committees, the chairman and the CEO. This year's assessment indicated that in the opinion of the directors the board, its committees and the company's most senior executives have discharged their responsibilities effectively. The directors believe that the board is well-balanced in terms of skills, qualifications and experience, and makes a meaningful contribution to the group.

BOARD AND EXECUTIVE RELATIONSHIP

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

BOARD AND COMMITTEE MEETING ATTENDANCE

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

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

BOARD OVERSIGHT

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

RISK GOVERNANCE

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

The committee is tasked with ensuring that the combined assurance model provides a co-ordinated approach to assurance activities and that the combined assurance received addresses all significant risks facing the group. The group and business unit risk registers are regularly reviewed and updated, containing current and emerging risks as well as risks associated with future strategic initiatives and identifying mitigating measures to address specific risks. Risk registers are updated as the nature of the risk changes over time or as mitigation measures take effect. Refer to the major group risks detailed in the managing material issues report on pages 21 to 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 2020

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

CREATING VALUE THROUGH GOOD CITIZENSHIP

FTSE4Good

Constituent of the

FTSE4Good Index,

recognising strong environmental, social and governance practices measured against global standards

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Continued inclusion in the

FTSE/JSE Responsible Investment Top 30 Index

which acknowledges South African companies with leading environmental, social and governance practices

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Top Employer

in the South African retail sector for the third consecutive year

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Level 6

BBBEE rating in 2019

BROADENING ACCESS TO HEALTHCARE

Clicks Group supports the national healthcare agenda of making medicine more affordable and accessible for all South Africans. The group is actively building capacity through training and financial support to address the critical shortage of pharmacists.

71 million
units of medicine sold in 2019

852 000 clinic services
provided in 2019

545
Clicks pharmacies across South Africa to broaden access to healthcare

266 million
units of medicine delivered by UPD

194 clinics in Clicks pharmacies provide primary care health services

2 872 pharmacy and clinic professionals across Clicks

Largest employer of pharmacy staff in the private sector

BUILDING CAPACITY

R100 million donated over a two-year period by the Employee Share Ownership Trust to fund **100 bursaries annually**

R35 million invested in bursaries for pharmacy students since 2012

135 bursaries awarded to **pharmacy students** in 2019

71 pharmacy internships provided in 2019

324 pharmacy assistants enrolled in 2019

PARTNERSHIPS

429 Clicks stores serve as collection points for **National Health Insurance** medicine

Partnering with **Western Cape** and **Northern Cape Departments of Health** to provide baby immunisation and family planning services

INVESTING IN OUR PEOPLE

The group is committed to the ongoing investment in its people through training and development, transformation, empowerment, competitive remuneration and incentive schemes, career path planning and by creating a stimulating working environment.

EMPLOYEE SHARE OWNERSHIP PLAN

The second and final payout to participants in the group's broad-based employee share ownership programme (ESOP) was made in February 2019. Introduced in 2011, the ESOP was aimed at allowing employees to share in the long-term growth of the business, attracting and retaining scarce talent and accelerating transformation. The first 50% ESOP payout was made in 2018.

R2.8 billion paid to participants in the scheme

Average total payout of **R355 000** per beneficiary

86% black employee beneficiaries

65% female employee beneficiaries

R39 million paid in dividends to participants in the scheme since 2012

JOB CREATION

15 413
employees across retail stores, distribution centres and head office

1 320
jobs created over the past three years

EMPLOYMENT EQUITY AND DIVERSITY

Clicks Group is committed to creating a diverse workforce by attracting and developing previously disadvantaged people, women and employees with disabilities.

93% of permanent employees are black

64% of permanent employees are female

350 employees with disabilities

56% black directors

44% female directors

Board race and gender diversity policy targets exceeded

SKILLS DEVELOPMENT

R144 million invested in training and development in 2019

93% black employees

5 781 employees trained in 2019

64% female employees

265 trainee managers registered in **store operations** learnership programme in 2019

20 graduates enrolled on the **retail graduate development programme**

INVESTING IN OUR COMMUNITY

Clicks Group continues to demonstrate its commitment to making a sustainable contribution to the communities in which it trades. This is achieved through both enterprise development, by accelerating the sustainability and financial independence of black enterprises, as well as social investment through financial and product donations to non-profit organisations and initiatives.

R19.8 million

invested in **socio-economic development** projects aligned to the group's focus on health and well-being

CLICKS HELPING HAND TRUST

The trust aims to benefit the lives of ordinary South Africans by offering free preventative testing and wellness services through the footprint of over 190 Clicks clinics countrywide.

290 000 lives positively impacted since the launch of the trust

Mom and baby wellness and family services have reached over **117 000** families

HIV testing provided to over **76 000** South Africans through a campaign to encourage individuals to know their HIV status

Heart disease testing for more than **114 000** people to encourage healthier lifestyle choices

Diabetes testing and education for almost **100 000** people on the prevention and early detection of the disease

Girls on the Go campaign has provided reusable and washable sanitary pads to over 19 000 schoolgirls

R61.6 million invested in **enterprise and supplier development** programmes

UPD OWNER-DRIVER SCHEME

UPD contracts small enterprise owner-drivers to deliver products from UPD to Clicks, independent pharmacies, hospitals and clinics.

64 owner-drivers contracted to deliver products for UPD

R36 million paid to the driver scheme in 2019

Over **R519 million** paid since start of the scheme in 2003

THE APPLIANCE BANK

The Appliance Bank forms part of the highly successful social entrepreneurship programme, The Clothing Bank. The programme equips unemployed men with technical skills to repair donated damaged household appliances and the business skills to buy and on-sell the repaired electrical appliances.

Clicks donates all returned domestic electrical appliances to the project

THE APPLIANCE BANK

121 active business owners

Over **80 000 appliances** sold by business owners, generating **profits of R4.3 million**

CREATING VALUE THROUGH STAKEHOLDER ENGAGEMENT

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

Customers

Clicks targets consumers in the growing middle to upper-income markets (LSM 6 – 10)

UPD customers include Clicks, major private hospital groups, pharmaceutical manufacturers and independent pharmacies

Engagement issues in 2019

- Product range in store and online
- Product availability in store and online
- Service levels
- Price competitiveness and promotions
- Pharmacy services
- Personalised engagement and ClubCard benefits

Value created through engagement

Clicks:

- Meeting customer needs and creating trust in products and practices:
  - 133.5 million customer transactions
  - 44.9 million prescriptions processed
  - 10.5% growth in health and beauty sales
  - Market share gains in all key categories
- Increasing customer loyalty
  - 8.1 million active ClubCard members

UPD:

- Meeting customer needs through range, availability and service
  - Over 1 700 corporate and independent pharmacies serviced
  - 266 million units of medicine delivered
  - 99.1% order fulfilment to customers

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

Engagement issues in 2019

- Group strategy
- Current trading environment
- Impact of economic climate on consumers
- Trading and financial performance
- Store and pharmacy expansion plans
- CEO succession
- Regulatory environment
- Capital management
- Growth prospects

Value created through engagement

- High levels of investor interest with 110% of shares traded in the year
- Attractive investment case with 72% international share ownership
- R1.2 billion returned to shareholders in dividends and share buy-backs
- Engagement issues addressed in annual and interim results presentations and webcasts, local and international investor roadshows, integrated report and annual financial statements
- Meetings with 204 local and international funds and brokerages contributed to better-informed investor community
- Funding and trade finance facilities provided at competitive rates

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

REWARDING VALUE CREATION

Clicks Group's remuneration policy is aimed at driving a high-performance culture that creates sustainable value for shareholders.

The remuneration policy, which is outlined in part 1 of this report, will again be proposed to shareholders for a non-binding vote at the annual general meeting (AGM) in January 2020. The application of the remuneration policy in 2019, which details how the group has rewarded value creation, is covered in part 2 of this report. In accordance with the King IV governance code, this implementation report will be tabled separately to shareholders for a non-binding vote at the AGM.

Clicks Group values the views and insights of investors, and encourages shareholders to proactively engage with management on remuneration issues to enable informed decisions to be made when voting on the group's remuneration policy.

In addition to this commitment, and in accordance with King IV, in the event that either the remuneration policy or the implementation report receives 25% or more dissenting votes, management will engage directly with these shareholders to:

- determine the reasons for the dissenting votes; and
- address legitimate and reasonable objections or concerns by clarifying or amending the remuneration policy, its implementation or processes, or reviewing the remuneration governance, or taking other steps to resolve the concerns.

The steps taken to address legitimate and reasonable concerns will be disclosed in the following years' integrated report.

The remuneration philosophy and reward principles are consistent with last year. The remuneration policy is aligned to King IV and outlines the group's approach to fair, responsible and transparent remuneration practices across the business. At the 2019 AGM, 94.9% of shareholders who voted supported the group's remuneration policy and 96.0% supported the group's remuneration implementation report.

This report provides an overview of the remuneration of all group employees as well as disclosing executive director remuneration and the alignment with shareholder value creation. The remuneration paid to executive and non-executive directors for the 2019 financial year is detailed on pages 78 and 79.

PART 1: REMUNERATION POLICY

Introduction

The group's remuneration policy is based on the total rewards model and integrates the five key elements that the group believes attracts, motivates and retains human capital to achieve the desired business results:

- compensation;
- benefits;
- performance and recognition;
- learning and development; and
- work-life integration.

The reward principles of fair and responsible remuneration, market competitiveness, and pay-for-performance are entrenched in the policy. The policy is transparent and incorporates a pay framework that clearly differentiates between occupational levels and pay grades that facilitate remuneration benchmarking for each job within a skill pool.

The remuneration mix includes a combination of monetary and non-monetary rewards for employees in exchange for their time, efforts, talent and performance at an individual, team and company level.

Monetary rewards include annual guaranteed pay, variable pay such as short and long-term incentives that relate to performance against agreed targets, as well as other benefits.

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

Employees receive a total reward statement annually which provides a personalised comprehensive view of all their rewards.

Pay levels are benchmarked on national and retail market benchmark data. The 2018 benchmarking process and the resultant pay framework was peer reviewed by independent reward consultants, 21st Century, who verified the accuracy of the benchmarking process and outcomes, as well as compliance to King IV. An inflation-related adjustment has been applied to the pay framework for 2019, and verified against survey benchmarks to ensure that the group's pay remains competitive. Premiums are paid for scarce and critical skills such as pharmacy, buying and planning, finance and IT skills, based on the relevant market data.

Annual salary increases are merit based, with increases being directly related to each employee's annual performance rating. The range of increase percentages per performance rating is applied consistently across the group, including to the executive directors. The annual increase for an employee in the bargaining unit is based on a collective bargaining process (refer to the section on remuneration of management and staff on page 73).

Remuneration structure

The total rewards framework provides flexibility to meet the differing needs of employees.

Annual guaranteed pay is determined by considering the following factors:

- the size of the job, based on the Hay job evaluation methodology;
- the nature of the job relative to its defined market position, including any market premiums for scarce and critical skills;
- individual performance as assessed during the performance review process; and
- individual position in the pay band range relative to competence and talent positioning.

The remuneration and nominations committee (the committee) reviews the group's overall pay framework annually against defined market benchmarks per job grade, job size or skill pool.

The group's benchmarking and market information is based on independent surveys, including the PricewaterhouseCoopers REMchannel, Deloitte Top Executive and The Korn Ferry surveys. These benchmarking exercises recognise the complexity in the group's business model and the regulatory environment within which the group operates.

The group also participates in a biennial benchmarking exercise to maintain a competitive remuneration position in respect of pharmacists and pharmacy managers.

The annual performance review of all employees focuses on both financial and non-financial levers across the following metrics:

- Financial performance
- Business process improvement metrics, including transformation targets, where this can be influenced by the employee
- Customer satisfaction
- Learning and growth

Executives are also measured against the objectives set by the social and ethics committee in relation to all the elements of the BBBEE scorecard.

All employees are required to achieve a satisfactory performance rating to qualify for full participation in the short-term incentive scheme.

EXECUTIVE DIRECTORS' REMUNERATION

The group's remuneration policy has been reviewed by the committee to ensure that executive directors' remuneration is fair and responsible in the context of overall employee remuneration, particularly given the nature of the retail industry and considering South Africa's socio-economic landscape.

The policy prescribes that the levels of pay and incentives awarded to executive directors are set rationally and impartially, and are free from discrimination, self-interest, prejudice or favouritism. Executive pay is linked to value creation and positive outcomes, is subject to independent oversight and approval by the committee, and is considered by the directors to be sustainable and responsible.

To align with shareholder interests, executive remuneration is linked to the group's performance, with clearly defined and measurable one-year and three-year deliverables.

The remuneration of executive directors consists of three components:

Guaranteed remuneration	Variable and performance-related remuneration	
Annual guaranteed pay, comprising base salary, retirement and other benefits; allows for flexible retirement fund contributions	Annual short-term cash-based incentive bonus	Long-term incentive schemes
Performance measurement		
Annual individual performance review	Average monthly return on net assets (RONA) Operating profit	Diluted headline earnings per share growth over a three-year period subject to performance hurdles Total shareholder return growth over a three-year period subject to performance hurdles

The performance of the chief executive officer is assessed by the committee, while the performance of the other executive directors is evaluated by the chief executive officer and reviewed by the committee.

The annual pay increase of the executive directors is directly related to individual performance ratings and aligned to the annual increase ranges per performance rating as determined by the committee and applied consistently across the group. The sustainability of the group's business is critical in determining remuneration and the board is satisfied that the performance targets do not encourage increased risk-taking by the executives.

Incentive schemes

A significant portion of short-term and long-term remuneration is variable and designed to incentivise executive directors.

Should executive directors not meet the targets set by the committee for the short-term and long-term incentive schemes, then no amounts will be payable under the schemes and executive directors will only receive their guaranteed remuneration. Performance hurdles and caps for both the short-term and long-term incentive schemes apply to the participants, including the executive directors, which are set out below and on pages 73 to 75 respectively.

Short-term incentive scheme

In terms of the short-term incentive scheme design, a percentage of annual guaranteed pay is paid on the achievement of an on-target performance with performance hurdles of at least 95% of the targeted group RONA and operating profit. After reviewing the short-term incentive scheme rules and the sharing percentages across the group's executives, the committee confirmed that the chief executive officer's on-target bonus remains 60% of annual guaranteed pay, but has increased the percentage for the other executive directors from 40% to 50% of annual guaranteed pay from 1 January 2019.

- Performance exceeding the targeted performance may result in the payment of a higher bonus. This is self-funded and only paid if the group exceeds the targeted operating profit.
- The scheme provides for a stretch performance incentive to drive extraordinary performance. The stretch performance hurdle is met when the targeted group RONA is achieved and the targeted operating profit has been exceeded by at least 5%.
- Bonus payments are capped at 120% of annual guaranteed remuneration for the chief executive officer and at 100% for the other executive directors.

The achievement of targets is reviewed by the committee before any incentive payments are made to executive directors.

Long-term incentive scheme

Executive directors participate in the cash-settled long-term incentive scheme which is detailed on pages 74 to 76.

REMUNERATION OF MANAGEMENT AND STAFF

Senior managers receive an annual guaranteed salary and participate in the short-term incentive bonus scheme. Salaries may include premiums for scarce and critical skills. A limited number of senior managers participate in the long-term incentive scheme, based on their strategic contribution, the retention of key talent and their individual performance levels.

An annual performance-based salary increase is paid to all permanent monthly paid non-bargaining unit employees. The annual increase date is 1 September which is aligned with the group's financial year and budgeting period.

Collective salary increases are negotiated with the representative trade union for the Clicks bargaining unit. The negotiation team is headed by the Clicks human resources executive. Trade union membership comprises 11% of the total group employees (2018: 13%). The employees in the bargaining unit also participate in the group's short-term incentive schemes.

All store employees' compensation complies with the Sectoral Determination 9: Wholesale & Retail Sector, South Africa and is above the national minimum wage or statutory requirements in all countries in which the group operates and the minimum rates of pay as determined for the retail industry are either met or exceeded.

Healthcare benefits

As an additional benefit within the total reward strategy, 9 000 employees with six months continuous service in customer service, clerical and supervisory roles were enrolled on the Discovery Primary Care Advanced plan on 1 January 2019. The employee's membership is funded by the company. Employees were given the option to include their spouse and child dependants at their own cost through a monthly payroll deduction. The plan provides comprehensive primary and trauma care, including unlimited access to a general practitioner, optical and dental benefits, ambulance and casualty services. The introduction of this health benefit has contributed to reducing the inequality in healthcare services provided to the group's employees, as well as improving the health and well-being of employees and their family members.

The healthcare needs of all other permanent employees are catered for through membership of one of the company's approved medical aid schemes: Horizon Medical Scheme, Discovery Health Medical Scheme and Profmed Medical Aid Scheme.

Employee share ownership programme

The employee share ownership programme (ESOP) was implemented in 2011 to attract and retain scarce and critical skills, accelerate transformation, build employee commitment and enable employees to share in the growth and success of the business.

Entry to this scheme closed in 2015 and the scheme matured in 2018 and 2019.

The executive directors and senior employees who participate in the group's long-term incentive scheme did not participate in the ESOP.

Through the ESOP scheme 10% of the group's issued shares (after the issue of "A" shares equating to 29.2 million "A" shares) were placed in a share trust for allocation to all full-time permanent staff. Employees with more than five years' service, pharmacists and senior employees from designated employment equity groups received a 15% enhancement of their share allocation.

Shares were held by 7 798 beneficiaries, with black employees receiving 86% and women 65% of the shares. Pharmacists comprised 5% of the ESOP beneficiaries. Participating employees received a cash dividend annually, equal to 10% of the total dividend paid to ordinary shareholders each year.

Group retention scheme

The group retention scheme is aimed at retaining talented employees by providing them with a long-term financial incentive which is aligned with shareholders' interests.

The scheme targets high-potential employees, black staff and employees with scarce and critical skills. There are currently 48 employees participating in the scheme, of whom 35% are black and 31% are women.

INCENTIVE SCHEMES

Short-term and long-term incentives are an integral part of the total rewards framework and aim to align employee performance with the interests of shareholders.

Short-term incentive schemes

All permanent employees in the group participate in the short-term incentive schemes which reward the achievement of performance targets of the business.

- ***RONA-based short-term incentive scheme***
  Performance for the group's RONA-based short-term incentive scheme is measured at the group, business unit and team level against agreed targets. Although the scheme rewards team performance, individual performance as measured through the group's annual performance appraisal process may limit the value of the payment should an employee not meet individual performance targets.

  Performance exceeding the targeted performance may result in the payment of a higher incentive, provided this is funded by an increase in the operating profit. Incentives for management and staff are capped at two times the value of an on-target bonus.
- ***Retail store incentive scheme***
  The retail store incentive scheme rewards staff in retail stores for outperforming quarterly store sales targets.

Long-term incentive scheme

Long-term incentive (LTI) schemes are aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value. The LTI schemes have a three-year term, with performance hurdles. Successive annual allocations ensure that the executives and senior managers who participate in the scheme are incentivised based on the sustained performance of the group measured by the increase in diluted headline earnings per share (HEPS) and the increase in total shareholder return (TSR).

The LTI schemes are regularly reviewed and enhanced to align with evolving best practice locally and internationally, and based on engagement with major shareholders.

- The schemes are cash settled and based on share appreciation units. As there are no shares issued in terms of the LTI schemes, there is no share dilution.
- The remuneration multiple used to determine the number of appreciation units granted is unchanged except for the chief executive officer's role. After reviewing the scheme design and the multiples that applied to the group's executive team, the committee approved a reduction in the multiple that applies to the chief executive officer from six to five times annual guaranteed pay. This change applies to all future LTI scheme allocations, commencing with the 2019 to 2022 scheme.
- A cap limits the value payable for the normal vesting of each LTI tranche at the end of the three-year performance period to a maximum of five times the annual guaranteed pay of participants in the scheme.
- The schemes' rules provide that, subject to remuneration committee approval, in the event of the retirement, disability or death of a participant, the settlement amount for outstanding LTI tranches shall be calculated based on the HEPS and TSR appreciation unit values as at the most recently completed financial year. Such settlement will be subject to a separate cap of a maximum of five times the participant's annual guaranteed pay.
- The group has implemented a programme to hedge against the economic risk linked to the share price based on the anticipated payout of the TSR portion of the long-term incentive.

Currently 14 (2018: 15) executives participate in the schemes. The relevant amounts are expensed through the statement of comprehensive income.

- ***2016 to 2019 scheme***

  The LTI scheme aligns executive and long-term investor interests by including both an earnings performance metric as well as exposing participants to market volatility.

  The value of appreciation units are apportioned equally between two performance components:

  (1) diluted HEPS; and

  (2) total shareholder return (TSR).

  (1) Diluted HEPS appreciation units

  The base value for the diluted HEPS appreciation units is calculated at the date of allocation by multiplying the group's reported diluted HEPS by an internal price earnings ratio of 12.

  An exercise value is determined at the end of the three-year period by multiplying the published diluted HEPS for the year by the same factor of 12.

  The difference between the exercise value and the base value is the amount paid out in cash.

  In order to enhance the alignment between executive and shareholder interests, the HEPS appreciation units are subject to performance hurdles as follows:

Diluted headline earnings per share

Performance hurdle	Range (based on three-year CAGR in diluted HEPS)	Percentage of LTI payout
Weak	0% or negative growth	0%
Below target	Up to 7.9% growth	70%
On target	8% to 14.9% growth	100%
Above target	15% to 19.9% growth	150%
Exceptional	Above 20% growth	200%

(2) *TSR appreciation units*

The base value for the TSR appreciation units is the 20-day volume weighted average price (VWAP) of the Clicks Group shares, measured over the 20 business days at the end of the previous financial year.

The exercise value is the corresponding 20-day VWAP at the end of the three-year period. The financial incentive received by the participants is the appreciation in the Clicks Group share price over the three-year period.

The TSR units are subject to the following performance hurdles:

Total shareholder return

Performance hurdle (based on three-year CAGR in TSR)	Percentage of LTI payout
Below 10%	Unit allocation forfeited
Above 15%	Unit allocation increased by 50%
Above 20%	Unit allocation increased by 100%

For the purposes of calculating the TSR growth in relation to the performance hurdles, TSR is defined as the overall return to shareholders, being the appreciation in the 20-day VWAP of the Clicks Group shares, plus dividend payments reinvested over the three-year performance period, divided by the VWAP of the Clicks Group shares at the commencement of the period, expressed as a percentage.

- ***2017, 2018 and 2019 LTI schemes***

The design of the 2017, 2018 and 2019 tranches of the LTI scheme are unchanged from the previous scheme, with the value of appreciation units being apportioned equally between diluted HEPS and TSR units, which are subject to performance hurdles.

The group will adopt IFRS 16 – Leases in 2020, using the full retrospective approach. As a result of this adoption diluted HEPS will be restated and accordingly the base value of this component for the respective tranches in the existing LTI scheme will also be restated.

The performance hurdles for the diluted HEPS appreciation units have remained unchanged, as follows:

Diluted headline earnings per share

Performance hurdle	Range (based on three-year CAGR in diluted HEPS)	Percentage of LTI payout
Weak	0% or negative growth	0%
Below target	Up to 7.9% growth	70%
On target	8% to 14.9% growth	100%
Above target	15% to 19.9% growth	150%
Exceptional	Above 20% growth	200%

However, based on market conditions, in particular the lower inflation rate and South African economic growth forecasts compared to expectations at the commencement of the previous scheme, the TSR hurdles have been revised for the 2017 to 2020, 2018 to 2021 and 2019 to 2022 LTI schemes as follows:

Total shareholder return

Performance hurdle (based on three-year CAGR in TSR)	Percentage of LTI payout
Below 9%	Unit allocation forfeited
Above 12%	Unit allocation increased by 50%
Above 15%	Unit allocation increased by 100%

Directors' participation in the LTI

Executive directors have been awarded the following appreciation units:

	2017 – 2020 scheme		2018 – 2021 scheme		2019 – 2022 scheme	
	HEPS units allocated at R60.25 per unit	TSR units allocated at R146.10 per unit	HEPS units allocated at R69.36 per unit	TSR units allocated at R193.96 per unit	HEPS units allocated at R80.66 per unit	TSR units allocated at R199.01 per unit
Bertina Engelbrecht	129 461	53 388	121 107	43 308	111 579	45 224
Michael Fleming	189 212	78 029	176 759	63 209	161 914	65 625
David Kneale[1]	525 809	216 838	–	–	–	–
Vikesh Ramsunder	154 357	63 655	145 617	52 073	255 703	103 638

[1] As a result of Mr Kneale's retirement on 31 August 2019 the appreciation units awarded to him in the 2017 to 2020 scheme have been settled in accordance with the scheme's rules, applicable to all retirees. Mr Kneale has not been awarded any appreciation units in respect of the 2018 to 2021 or 2019 to 2022 schemes.

In line with best governance practice, non-executive directors do not participate in incentive schemes.

EXECUTIVE SERVICE CONDITIONS

The chief executive officer is subject to a 12-month notice period and the other executive directors to a six-month period. The retirement age for executive directors is 63 years of age. None of the executive directors are appointed on fixed-term contracts.

NON-EXECUTIVE DIRECTORS' FEES

The fee structure for non-executive directors is based on a review of a number of internal, economic and market factors. The group's policy is to pay non-executive director fees in a range of 80% to 120% of the median of a comparator group of JSE-listed retail companies. The median is based on the number of board and committee meetings held per annum. Following the independent benchmarking conducted in 2019 and resultant increases proposed to the non-executive directors' fees for 2020, the group's fee structure will be aligned to the comparator group and the group's policy. The fee structure will be benchmarked again in 2021 in order to inform the 2022 proposed increases, and thereafter, benchmarked every three years in conjunction with the calibration of the group's pay frameworks. For intervening years the average pay increase awarded to the group's employees will be applied to the non-executive directors' fees.

Non-executive directors receive a base fee for serving on the board or any committee, together with an attendance fee per meeting. The base fee comprises 75% of the total fee. The chairman of the board or any committee receives a higher fee. Directors' fees are paid for a calendar year.

REMUNERATION GOVERNANCE

The committee, operating under the authority delegated by the board, is responsible for overseeing the establishment and maintenance of the group's remuneration policy, policy outcomes and pay practices. The committee assists the board in ensuring the group has a competitive remuneration policy and governance framework which is aligned with the group's strategic and organisational performance objectives.

In line with the recommendations of King IV the committee comprises only independent non-executive directors, namely Professor Fatima Abrahams (chair), John Bester, David Nurek and Martin Rosen. The chief executive officer and the group human resources director attend committee meetings by invitation but are recused from discussions that relate to their own performance appraisal and remuneration. Detail on the committee meeting attendance is included on page 60.

The members of the committee have independent access to an adviser and may request professional advice on any remuneration issue.

The primary responsibilities of the committee include:

- ensuring the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual performance;
- ensuring the critical elements of the remuneration policy, including annual guaranteed pay, scarce skills premiums, benefits and incentives, are appropriately benchmarked to ensure the group is competitive in the employment market;
- ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- reviewing and approving the performance evaluation of the chief executive officer and executive directors against agreed deliverables;
- reviewing incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules; and
- reviewing the remuneration of non-executive directors and recommending adjustments to the fees at the AGM.

PART 2: REMUNERATION IMPLEMENTATION REPORT 2019

Annual salary increase

The average performance-linked increase effective from 1 September 2019 is 5.9% (2018: 6.0%). Negotiations regarding the salary increase for the bargaining unit employees in South Africa in 2018 resulted in a two-year agreement. In 2019 the average salary increase for bargaining unit staff was 7.8% (2018: 7.7%).

The annual guaranteed pay of the newly appointed chief executive officer was determined by the committee within the group's pay range, after reviewing the benchmarks drawn from the group's comparator group of listed retail companies in South Africa and those provided by surveys of chief executive officer remuneration, being the PricewaterhouseCoopers and Deloitte surveys.

Short-term incentive schemes

RONA-based short-term incentive scheme: The group achieved an average monthly RONA of 97.6% which exceeded the minimum on-target performance hurdle of 93.5%. The group also achieved 100.8% of the targeted operating profit. Clicks, The Body Shop and group services business units met the short-term targets while UPD exceeded the short-term targets. In terms of the scheme rules R105.4 million will be paid to qualifying employees (2018: R90.4 million). This includes incentives paid in terms of the retail store incentive scheme where R19.2 million (2018: R21.0 million) was paid to retail store staff for the 2019 financial year.

Employee share ownership programme

A highlight of the period was the payout in respect of the final 50% of shares held as part of the group's employee share ownership programme (ESOP).

In February 2019, R1.5 billion was paid to 7 798 beneficiaries (2018: 7 839 beneficiaries) representing the gain on the final 50% of the shares allocated under the ESOP. This payment was in addition to the R1.3 billion paid the previous year, resulting in R2.8 billion paid in total to the programme's beneficiaries. A dividend of R3.3 million (2018: R7.2 million) was paid to scheme participants in 2019. This payment brings the ESOP to an end.

Group retention scheme

During the financial year R35.6 million (2018: R46.1 million) was paid out to participants in the scheme.

Long-term incentive scheme

For the three-year performance period ended 31 August 2019 the group achieved the following compound annual growth rates (CAGR):

- Diluted HEPS: 15.3% CAGR: This exceeds the "above 15%" performance hurdle range and the HEPS appreciation units allocated to participants were increased by 50% in accordance with the rules of the scheme.
- TSR: 18.8% CAGR: This exceeds the "above 15%" performance hurdle and the TSR appreciation units allocated to participants were increased by 50% in accordance with the rules of the scheme.

The payout of the TSR portion has been fully hedged to limit the cost to the group.

The committee approved the long-term incentive payment of R158.6 million (2018: R162.7 million) to the scheme participants.

DIRECTORS' REMUNERATION

Executive directors' remuneration

Director (R'000)	Salary	Pension fund	Other benefits	Total annual guaranteed pay	RONA short-term incentive	Performance-based long-term incentive[1]	Total variable pay	Total
2019								
Bertina Engelbrecht	**3 757**	**443**	**–**	**4 200**	**1 976**	**12 009**	**13 985**	**18 185**
Michael Fleming	**5 682**	**391**	**57**	**6 130**	**2 884**	**17 413**	**20 297**	**26 427**
David Kneale[2]	**3 567**	**234**	**1**	**3 802**	**–**	**–**	**–**	**3 802**
Vikesh Ramsunder[3]	**4 187**	**309**	**171**	**4 667**	**3 499**	**14 011**	**17 510**	**22 177**
Total	**17 193**	**1 377**	**229**	**18 799**	**8 359**	**43 433**	**51 792**	**70 591**
2018								
Bertina Engelbrecht	3 489	411	–	3 900	1 560	17 453	19 013	22 913
Michael Fleming	5 287	356	57	5 700	2 280	25 268	27 548	33 248
David Kneale[4]	9 909	649	2	10 560	6 336	52 800	59 136	69 696
Total	18 685	1 416	59	20 160	10 176	95 521	105 697	125 857

1 Payments relating to the performance for the year ended 31 August are paid in November. The expense is provided for over the three-year vesting period in the relevant financial year.

2 David Kneale retired as an executive director on 1 January 2019. He was retained as a strategic adviser at a guaranteed salary of R7 200 000 until his retirement as an employee from the group on 31 August 2019. In accordance with the schemes' rules applicable to all retirees, the committee approved payments to Mr Kneale of a retirement long-service award of R1 689 003, a short-term incentive of R6 653 808, R48 036 035 in respect of LTI appreciation units awarded to him in the 2016 to 2019 scheme and R39 043 440 in settlement of the 2017 to 2020 LTI appreciation units which vested as a result of his retirement.

3 Vikesh Ramsunder was appointed as an executive director on 1 January 2019.

4 The LTI payment to Mr Kneale has been capped at five times annual guaranteed pay in accordance with the rules of the scheme.

Non-executive directors' remuneration

	2019 directors' fees			2018 directors' fees		
Director (R'000)	Holding company	Subsidiary companies	Total	Holding company	Subsidiary companies	Total
David Nurek	**1 303**	**–**	**1 303**	1 169	–	1 169
Fatima Abrahams[1]	**591**	**146**	**737**	479	151	630
John Bester	**716**	**–**	**716**	647	–	647
Fatima Daniels[2]	**494**	**146**	**640**	450	73	523
Nonkululeko Gobodo	**494**	**–**	**494**	450	–	450
Martin Rosen	**396**	**–**	**396**	354	–	354
Total	**3 994**	**292**	**4 286**	3 549	224	3 773

1 The fees paid to Professor Abrahams include fees for her role as chairperson of The Clicks Group Employee Share Ownership Trust and for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.

2 The fees paid to Fatima Daniels include fees for her appointment as director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.

None of the non-executive directors have service contracts with the group and no consultancy fees were paid to directors during the year.

Total directors' remuneration

R'000	2019	2018
Executive directors (including the long-term incentive scheme)	**70 591**	125 857
Non-executive directors	**4 286**	3 773
Total directors' remuneration	**74 877**	129 630

Directors' shareholdings at 31 August

	2019 beneficial shares			2018 beneficial shares		
Director	Direct	Indirect	Total	Direct	Indirect	Total
David Nurek	**–**	**100 000**	**100 000**	–	100 000	100 000
John Bester	**12 000**	**10 000**	**22 000**	12 000	10 000	22 000
Bertina Engelbrecht	**75 068**	**–**	**75 068**	75 068	–	75 068
Michael Fleming	**30 421**	**–**	**30 421**	30 421	–	30 421
David Kneale[1]	**–**	**–**	**–**	285 370	–	285 370
Vikesh Ramsunder[2]	**11 116**	**–**	**11 116**	–	–	–
Martin Rosen	**–**	**2 000**	**2 000**	–	2 000	2 000
Total	**128 605**	**112 000**	**240 605**	402 859	112 000	514 859

1 David Kneale retired as an executive director on 1 January 2019.
2 Vikesh Ramsunder was appointed as an executive director on 1 January 2019.

The total number of ordinary shares in issue is 262 083 439 and the percentage of issued share capital held by directors is 0.09% (2018: 0.20%).

NON-EXECUTIVE DIRECTORS' FEES

The fee structure for non-executive directors was benchmarked externally against a retail comparator group of The Foschini Group, Mr Price Group, Pick n Pay Stores, Shoprite Holdings, The Spar Group, Truworths International, Massmart Holdings, Woolworths Holdings and Dis-Chem Pharmacies Limited.

The proposed increases to the fee structure for 2020 take into account these benchmarking results. In order to achieve alignment with the group's policy and the prevailing fee structures within the comparator group, higher increases are proposed for the board's members and the chairperson, as well as the remuneration and nominations committee chairperson. The total fees proposed for the 2020 year represent an increase of 12.0% over the previous year.

The fees for the 2020 calendar year are subject to approval by shareholders at the AGM in January 2020.

	2020*			2019*		
Board position	Proposed base fee R	Proposed meeting fee R	Proposed total fee R	Base fee R	Meeting fee R	Total fee R
Board chairman**	**1 087 500**	**362 500**	**1 450 000**	1 012 500	337 500	1 350 000
Board member	**300 000**	**100 000**	**400 000**	255 000	85 000	340 000
Chair: Audit and risk committee	**253 125**	**84 375**	**337 500**	238 500	79 500	318 000
Member: Audit and risk committee	**132 750**	**44 250**	**177 000**	126 000	42 000	168 000
Chair: Remuneration and nominations committee	**135 000**	**45 000**	**180 000**	105 000	35 000	140 000
Member: Remuneration and nominations committee	**63 750**	**21 250**	**85 000**	60 000	20 000	80 000
Chair: Social and ethics committee	**87 000**	**29 000**	**116 000**	82 500	27 500	110 000
Member: Social and ethics committee	**n/a**	**n/a**	**n/a**	n/a	n/a	n/a

* Fees relate to the calendar year.
** Fees for the board chairman are inclusive of all committee memberships.

SHAREHOLDER INFORMATION

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


trusted quality
CLICKS
great value
switch & save
3 for 45
2 for 70
2 for 60
great value every day
Germ fighting
KIDS
BODY WASH
facial wipes

SHAREHOLDER ANALYSIS

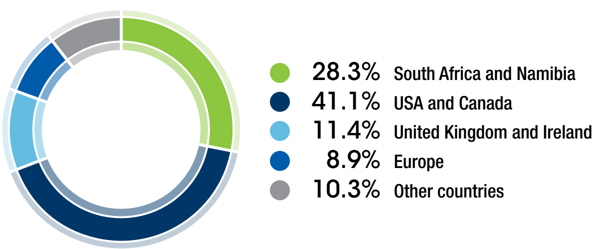
AT 31 AUGUST 2019

Public and non-public shareholders	Number of shares	Percentage of shares
Public shareholders	251 284 306	95.9%
Non-public shareholders		
Shares held by directors	240 605	0.1%
Treasury stock held by New Clicks South Africa Proprietary Limited	10 558 528	4.0%
Total non-public shareholders	10 799 133	4.1%
Total shareholders	262 083 439	100.0%

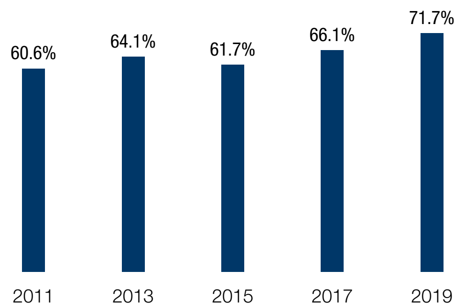
According to the company's register of shareholders, read in conjunction with the company's register of disclosure of beneficial interests made by registered shareholders acting in a nominee capacity, the following fund managers managed 3% or more of the issued share capital at 31 August 2019:

Major fund managers managing 3% or more	2019 Percentage of shares	2018 Percentage of shares
Public Investment Corporation (SA)	12.4%	13.3%
Fidelity Management & Research (US)	7.5%	6.5%
JPMorgan Asset Management (UK and US)	5.1%	3.1%
RBC Global Asset Management (UK)	5.0%	2.3%
BlackRock (US and UK)	4.1%	4.1%
The Vanguard Group (US)	3.8%	3.6%
GIC Asset Management (Singapore)	3.5%	3.3%
T Rowe Price (UK and US)	3.3%	1.8%
Fund managers no longer managing over 3%:		
Baillie Gifford & Co (UK)	0.4%	5.2%
Mawer Investment Management (CA)	–	3.4%

Geographic distribution of shareholders



Offshore shareholding



SHAREHOLDERS' DIARY

Annual general meeting	30 January 2020
Preliminary results announcements	
Interim results to February 2020	on or about 23 April 2020
Final results to August 2020	on or about 22 October 2020
Publication of 2020 integrated annual report	November 2020
Ordinary share dividend	
2019 final dividend	
Last day to trade with dividend included	21 January 2020
Date of dividend payment	27 January 2020
2020 interim dividend	
Last day to trade with dividend included	July 2020
Date of dividend payment	July 2020
2020 final dividend	
Last day to trade with dividend included	January 2021
Date of dividend payment	January 2021

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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E-mail: companysecretary@clicksgroup.co.za

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Principal bankers
The Standard Bank of South Africa

JSE sponsor
Investec Bank Limited

Transfer secretaries
Computershare Investor Services Proprietary Limited
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CLICKS GROUP

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