



CLICKS GROUP
L I M I T E D

INTEGRATED
ANNUAL REPORT
2020

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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 2020
- Five-year financial review
- Annual results 2020
- Annual results 2020 presentation

Annual general meeting

- Notice to shareholders
- Form of proxy

Sustainability

- Sustainability report 2020
- Social and ethics committee report 2020

Governance

- Corporate governance report 2020 (incorporating King IV)

 Page reference

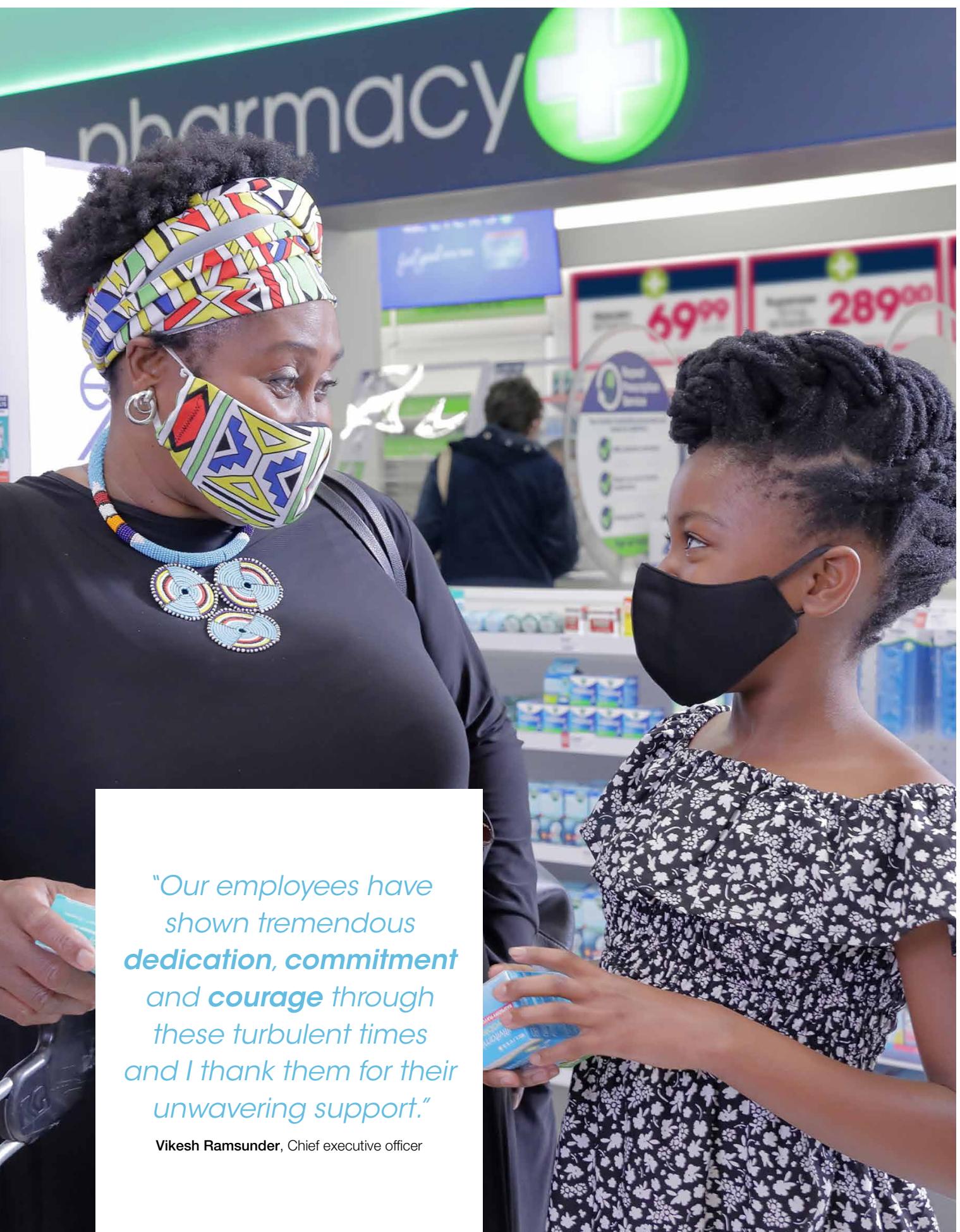
 Website reference

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.



*"Our employees have shown tremendous **dedication, commitment** and **courage** through these turbulent times and I thank them for their unwavering support."*

Vikesh Ramsunder, Chief executive officer

INTRODUCING THE INTEGRATED REPORT

The Covid-19 pandemic has had a profound impact on our country and its people, with South Africa unfortunately having one of the highest infection rates globally, which created severe pressure on certain sectors of our healthcare system.

As essential healthcare service providers both Clicks and UPD continued to trade throughout the national lockdown to ensure a consistent supply of medicines and to meet our responsibility to protect our communities. While the pandemic has had a significant impact on the group in the second half of our 2020 financial year, our business model has proved to be resilient through the crisis.

The trading restrictions imposed during the extended lockdown have also had a devastating effect on the economy and the financial position of millions of South Africans.

Our 2020 integrated report aims to demonstrate in a balanced way how the group has continued to create value for shareholders during this humanitarian and financial crisis while meeting our responsibilities towards our other stakeholders.

While the integrated report is targeted at our shareholders, who are our primary providers of capital, and the broader investment community, we also acknowledge the role of other key stakeholder groups in creating value, namely our customers, staff, suppliers, industry regulators and funding institutions.

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.

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 applied the principles of the King IV Report on Corporate Governance (King IV) throughout the 2020 financial year. The application of King IV is covered in the corporate governance report 2020 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, financial performance, the impact of Covid-19, corporate governance and directors' remuneration for the period 1 September 2019 to 31 August 2020.

Forward-looking information focuses on the strategic objectives, operating plans and prospects for the 2021 financial year as well as the group's medium-term financial targets. 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 98% of turnover, and focuses on the operations in South Africa where the majority of revenue is generated.

INTRODUCING THE INTEGRATED REPORT (CONTINUED)

"Our 2020 integrated report aims to demonstrate in a balanced way how the group has continued to create value for shareholders during this humanitarian and financial crisis while meeting our responsibilities towards our other stakeholders."

INDEPENDENT ASSURANCE

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

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

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 2020 integrated report was unanimously approved by the board on 17 November 2020.



David Nurek
Independent
non-executive chairman



Vikesh Ramsunder
Chief executive officer

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.

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 framework.

Management welcomes the opportunity to engage with 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.

MANAGING THE IMPACT OF COVID-19

After South Africa declared a state of disaster on 15 March 2020 in response to the outbreak of Covid-19, the country entered a national lockdown from 27 March 2020 to restrict infection rates and curb the spread of the pandemic.

Following a five-week period of hard lockdown, trading restrictions were gradually eased over subsequent months as the government aimed to balance the human and economic impacts of Covid-19.

As essential healthcare service providers Clicks and UPD traded throughout the national Covid-19 lockdown, with restrictions on the sale of certain product categories at the beginning of the lockdown.



MANAGING THE IMPACT OF COVID-19 (CONTINUED)

PROTECTING HEALTH OF EMPLOYEES

The health and safety of employees was paramount throughout the pandemic. World Health Organisation and Department of Health hygiene protocols were implemented and maintained across all stores, distribution centres and head office. Employees who displayed symptoms of Covid-19 were immediately requested to self-isolate and sent to be tested for Covid-19. Any employee who tested positive for Covid-19 was required to follow established Covid-19 protocols before returning safely to work.

Plexiglass screens were installed at pay points and pharmacy counters in stores while face visors were supplied to customer-facing staff to reduce the possibility of infection and protect both customers and employees. Flu vaccinations were offered at no cost to staff to support their immunity levels.

Employees were required to work from home where possible and in cases where employees were unable to work the company accessed government assistance benefits on behalf of employees. Bonuses were paid to customer-facing staff in recognition of their commitment during the crisis.

ENSURING CUSTOMER SAFETY

Health and safety standards in stores included more frequent cleaning of stores, making wipes and sanitisers available throughout the stores and restricting all non-essential interaction with customers, such as beauty makeovers. The number of customers in store was restricted and social distancing protocols applied. When any store employee tested positive for Covid-19, the store was temporarily closed for deep cleaning to safeguard employees and customers.

STORES AND TRADING RESTRICTIONS

While Clicks stores remained open, trading hours were restricted and only essential products could be sold from the start of the lockdown until 30 April 2020. All Musica, The Body Shop and Claire's stores were closed from the start of the lockdown. The Body Shop stores reopened from 1 May while Musica and Claire's stores reopened from 1 June 2020 when the country moved to lockdown level 3. Rental relief was negotiated with landlords for stores which were closed during lockdown.

CONVENIENCE AND SAFETY DRIVING ONLINE DEMAND

Online sales in Clicks increased strongly during lockdown as consumers chose to stay at home to reduce the risk of contracting Covid-19. Online distribution capacity was increased to cope with the greater demand for online ordering and delivery to ensure an efficient and convenient service to customers. Clicks also ensured convenient access to medication to minimise time away from home for customers.

COMMITMENT TO COMMUNITY SUPPORT

The group was committed to supporting those most vulnerable to the financial devastation caused by the pandemic. The three executive directors and non-executive directors donated one-third of their salaries and fees for three months to the Solidarity Fund. Community support included extending the free primary care clinic services offered to Clicks customers with no medical cover to five days a week from the normal one day. Clicks remained committed to fair pricing and ensured that prices on essential hygiene products and personal protective equipment were not increased during lockdown. In support of frontline public healthcare workers, Clicks donated 10 000 flu vaccines to the Western Cape Department of Health and Department of Social Development.

PROTECTING SHAREHOLDER VALUE

Management responded decisively to the lockdown, immediately implementing measures to reduce the group's cost base to off-set the impact of slower sales. Cash preservation was a priority and the board took a decision not to declare an interim dividend to ensure greater balance sheet strength owing to uncertainty over the duration and severity of the lockdown.

CREATING STAKEHOLDER VALUE IN 2020

While trading for six months of the 2020 financial year under varying levels of lockdown restrictions during the Covid-19 crisis, the group demonstrated its resilience by continuing to create value for stakeholders, including shareholders, customers, employees, suppliers and communities.

SHAREHOLDERS

Shareholders are the group's principal providers of financial capital.

Diluted headline earnings per share up
13.7% to 754 cents

13.6% 10-year CAGR

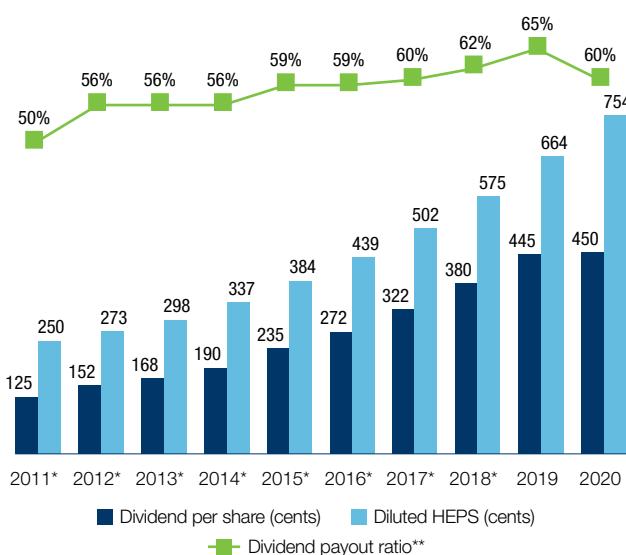
Dividend per share 450 cents

15.5% 10-year CAGR

R1.5 billion returned to shareholders in dividends and share buy-backs

Reinvested **R591 million** in capital expenditure
Total shareholder return*** 22.5% 10-year CAGR

10-YEAR GROWTH IN EARNINGS AND DIVIDENDS



10-YEAR SHARE PRICE PERFORMANCE



* Pre-IFRS 16

** Based on HEPS.

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

CUSTOMERS	Retail and wholesale customers are the group's primary source of revenue.
Opened 39 Clicks stores and expanded footprint to 743 stores	Online store ensured safe, efficient and convenient service for customers during lockdown despite the significantly higher demand R504 million cashback paid to ClubCard members New partnerships with Engen and eBucks Commitment to fair pricing and ensuring prices on essential hygiene products and personal protective equipment were not increased during the Covid-19 pandemic
40 new Clicks pharmacies , increased network to 585 pharmacies 50% of population now live within 6 km of a Clicks pharmacy	
EMPLOYEES	All permanent and part-time employees across the group.
R3.7 billion paid to employees R140 million invested in employee training and development	Company-funded healthcare cover available to all employees Bonuses paid to customer-facing store staff in recognition of their service during the Covid-19 crisis
SUPPLIERS	Local and international suppliers of products and services, including landlords.
R29 billion paid to suppliers of goods and services, including landlords 70% weighted BEE procurement expenditure , with continued transformation of the supplier base	R69 million invested in enterprise and supplier development programmes R38 million paid to 65 small enterprise owner-drivers contracted to UPD
COMMUNITIES	Beneficiaries of social investment in the communities in which the group operates.
R19 million invested in socio-economic development projects aligned to the group's focus on health and well-being 112 bursaries awarded to pharmacy students in 2020	Free clinic services for customers with no medical cover extended to five days a week at the start of the Covid-19 lockdown 10 000 flu vaccines donated to the Department of Health for frontline public healthcare workers

ABOUT CLICKS GROUP

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



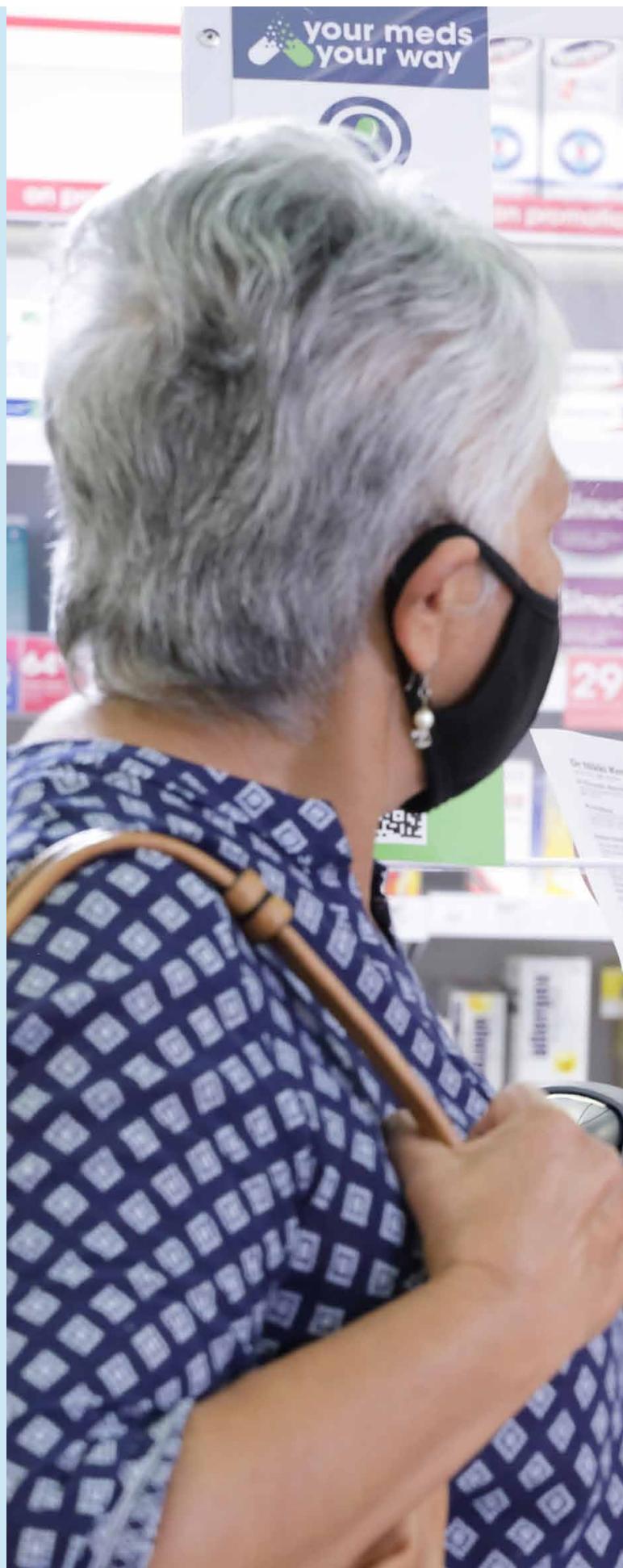
GROUP PROFILE

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

Founded over 52 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 through Clicks and pharmaceutical wholesaling through UPD.

The group recognises the importance of environmental, social and governance (ESG) practices in creating a sustainable business and has been included in the FTSE4Good Index for the past four years. In 2020 the group achieved a level 5 BBBEE rating, has 56% black and 33% female representation on its board, while the workforce comprises 93% black and 64% female employees.

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



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 8.6 million active members
- Differentiated product offering through wide ranges of private label and exclusive brands, comprising 23% of sales

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.

743 stores

585 pharmacies

Market share

23.8%

of retail pharmacy

32.2%

of front shop health

39.2%

of skincare

30.3%

of haircare

STORE FOOTPRINT	Standalone stores			Pharmacies	Presence in Clicks stores
	South Africa	Rest of Africa	Total		
Clicks	704	39	743	585	
The Body Shop	55	4	59		222
Claire's	4	–	4		169
GNC	–	–	–		562
Musica	70	8	78		
Total	833	51	884		

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



GROUP PROFILE (CONTINUED)



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

UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and over 1 250 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers.

6 distribution centres

R23.6bn
total managed turnover

29.4% share
of private pharmaceutical wholesale market

331m
units of medicine distributed

GROUP STRATEGY

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

GROUP STRATEGIC OBJECTIVES

- Grow the retail footprint by expanding the store base and online presence.
- Accelerate pharmacy market share gains in South Africa.
- Promote UPD's national pharmaceutical wholesale and distribution services to grow market share.
- Deliver operational excellence with an efficient centralised supply chain.
- Create an inclusive and transformed organisation with a strong talent pipeline to support business growth.

STRATEGIC DRIVERS OF LONGER-TERM GROWTH

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

CLICKS VISION

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

Favourable market dynamics

- Healthcare markets are defensive and offer long-term growth opportunities in South Africa.
- The increasing use of generic medicines will continue to make healthcare more affordable.
- Improving living standards, increasing urbanisation and longer life expectancy is contributing to a growing market for health and beauty products.

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Convenience

- Goal to expand the Clicks store base in South Africa to 900 in the long term, with a pharmacy operating in every store.
- Goal to achieve retail pharmacy market share of 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

- 8.6 million active members makes Clicks ClubCard one of the largest retail loyalty programmes in South Africa.
- Migrating these ClubCard members onto the Clicks app enables personalised communication and offers.
- Influence customer behaviour and personalise communication through digital engagement via the ClubCard, website, online store and mobile app.
- ClubCard offers customers attractive and convenient cashback rewards and an increasing range of affinity partner benefits.

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Growth opportunities for UPD

- UPD provides an efficient healthcare supply chain which supports the growth of the Clicks business.
- UPD offers national wholesale services to private hospitals and independent pharmacy, including Link pharmacies.
- The business offers a distribution service to local and international pharmaceutical manufacturers based on price, quality control and speed to market.
- UPD has targeted a 35% share of the fine wholesale and bulk distribution markets.

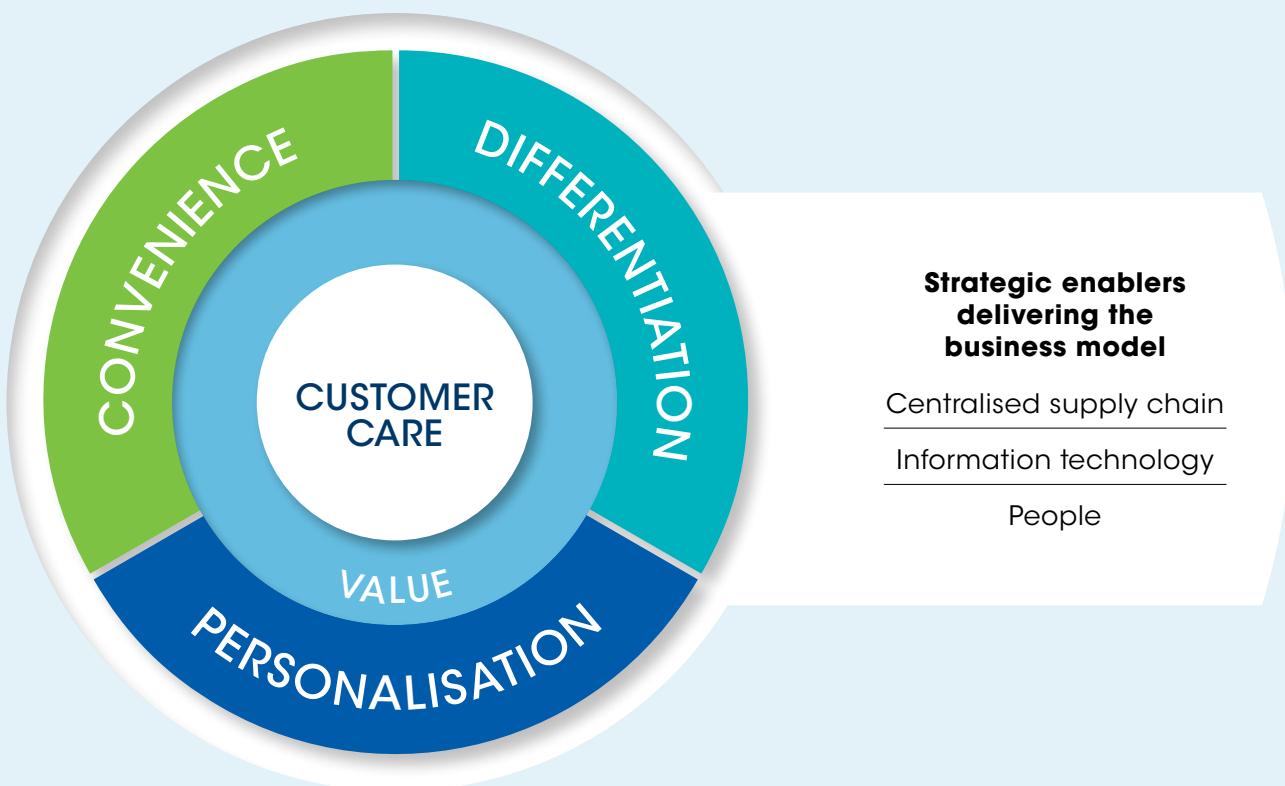
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VALUE-CREATING BUSINESS MODEL

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 objectives and drivers of longer-term growth outlined in the group strategy report on pages 14 and 15.



HEALTHCARE MARKETS ARE DEFENSIVE AND GROWING

- Over 80% of group turnover is in defensive merchandise categories
- Trading through the Covid-19 pandemic demonstrated the resilience of the business and the markets in which it operates
- Improving living standards, increasing urbanisation and longer life expectancy is contributing to a growing market for health and beauty products

MARKET LEADERSHIP

- Clicks is the largest retail pharmacy chain in South Africa
- UPD is the country's leading 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 740 Clicks stores
- 74% of stores located in convenience and neighbourhood shopping centres, which proved beneficial during the Covid-19 pandemic
- Targeting to open 25 – 30 stores each year

EXPANDING PHARMACY NETWORK

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

- 585 pharmacies in Clicks stores
- Targeting to open 30 – 35 pharmacies each year
- Retail pharmacy market share goal of 30% in the long term (2020: 23.8%)

INVESTMENT CASE (CONTINUED)

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 23%
- Clicks offers differentiated and exclusive health and beauty international franchise brands such as The Body Shop, GNC and Claire's

GROWING PERSONALISATION AND ENGAGEMENT

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

- 8.6 million active ClubCard members generate 78.2% of sales
- Online store offers full Clicks product range for in-store collection or home delivery as well as online-only offers
- Investment in online and digital capability positioned Clicks to manage the significant growth in e-commerce during the Covid-19 lockdown

GLOBALLY COMPETITIVE OPERATING MARGINS

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

- Retail: 9.1% (medium-term target 8.5% – 9.5%)
- UPD: 3.3% (medium-term target 2.5% – 3.0%)

ROBUST SUPPLY CHAIN

Centralised supply from company-owned distribution centres to all retail stores (97.6% of product through centralised distribution)

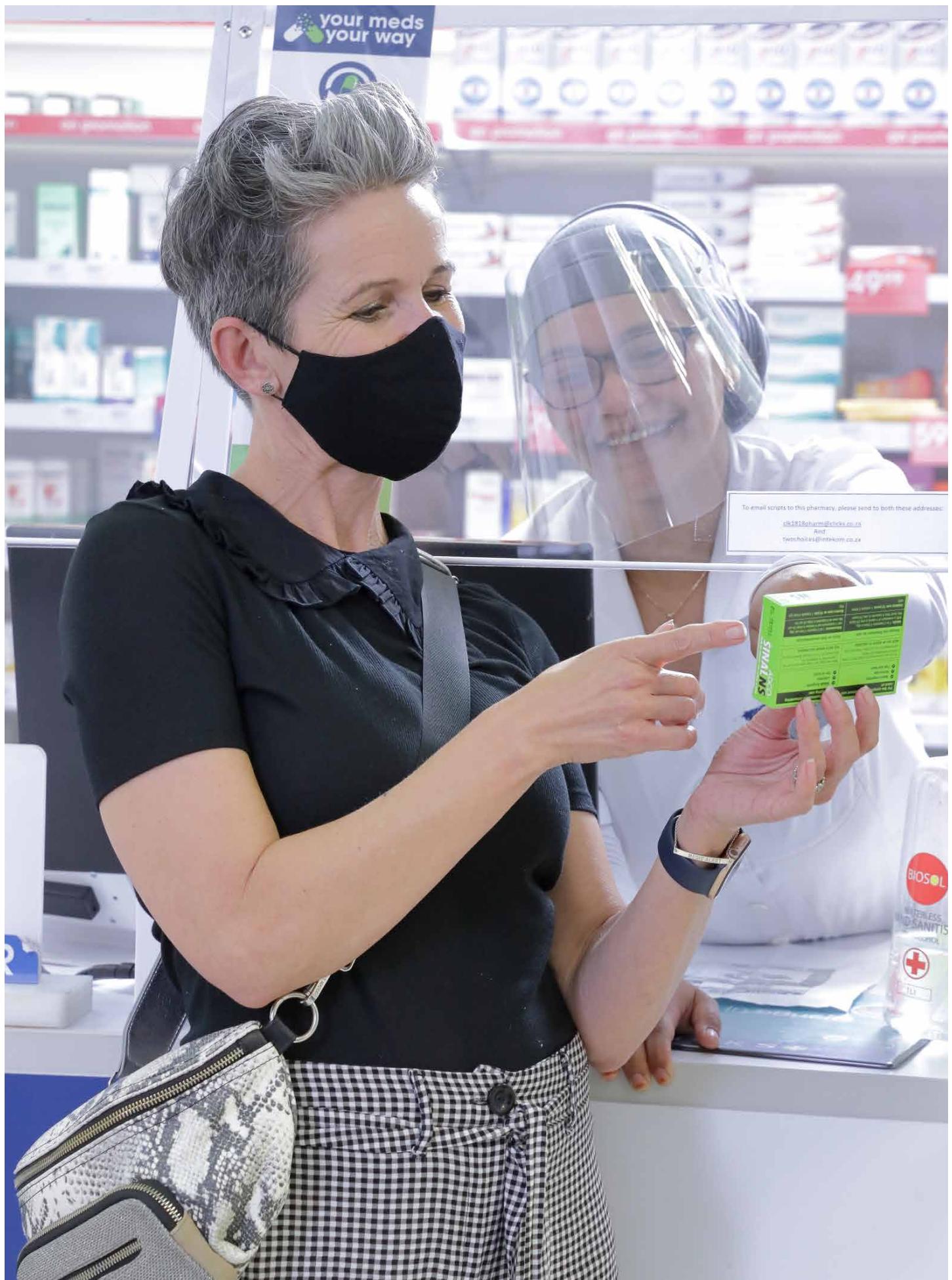
- UPD provides an efficient healthcare supply chain channel for Clicks
- UPD also offers wholesale and distribution services to pharmaceutical manufacturers

EFFICIENT CASH AND CAPITAL MANAGEMENT

- Highly cash-generative business
 - R11.0 billion cash generated from operating activities before dividends paid over past five years
- Returns enhanced through active capital management
 - R5.0 billion returned to shareholders in dividends and share buy-backs in past five years
- Well-invested store base and supply chain
 - R2.9 billion capital expenditure in past five years

SOUND ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

- Standard of ESG practices recognised with group's inclusion in FTSE4Good Index
- R593 million invested in training and development over past five years
- Experienced, independent, diverse and well-balanced board



MANAGING MATERIAL ISSUES

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

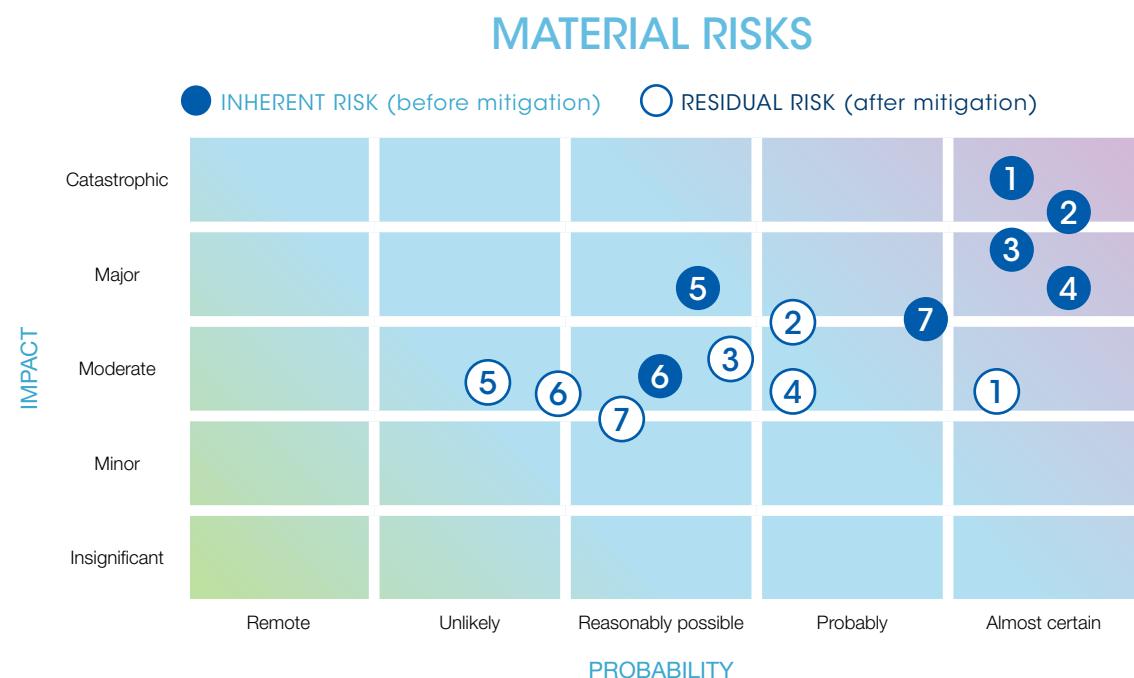
- 1 COVID-19
- 2 BRAND REPUTATION
- 3 TRADING ENVIRONMENT
- 4 COMPETITION
- 5 REGULATION
- 6 PEOPLE
- 7 INFORMATION TECHNOLOGY

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 2021 financial year, the directors confirm that the current material issues remain relevant and additional material issues relating to Covid-19 and brand reputation have been included.

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.





Covid-19

Why material? The impact of the Covid-19 pandemic and the related lockdown restrictions negatively impact the group's trading environment, stock availability, supply chain, employee and customer health and safety as well as increase legislative compliance requirements.

RISKS

- Temporary closure of stores to safeguard employees and customers.
- Potential supply chain disruption owing to possible factory closures impacting product availability.
- Delays in stock from foreign suppliers owing to lockdown constraints.
- South Africa reverting to stricter lockdown levels should a second wave of infections break out.

OPPORTUNITIES

- Group-wide health and safety protocols implemented, including personal protective equipment and cleaning materials.
- Inventory levels increased in community and neighbourhood stores.
- Supply chain adapted to source alternative suppliers and secure stock.
- Capacity of Clicks online distribution increased to accommodate greater demand for online ordering and delivery.
- Cost base rapidly reduced to off-set the impact of slower sales during lockdown.
- To preserve cash and ensure greater balance sheet strength during lockdown, no interim dividend was declared.
- Rental relief negotiated with landlords where retail stores were unable to trade and accessed government assistance benefits on behalf of employees who were unable to work.
- UPD actively sourced new product lines required by hospital groups in the treatment of Covid-19.

Brand reputation

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

RISKS

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

OPPORTUNITIES

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

Trading environment

Why material? Low economic growth, poor economic conditions and the resultant weak consumer sentiment are impacting South Africa's retail trading environment, and this has been compounded by Covid-19. Consumer disposable income has been further eroded by rising utility prices, higher health insurance costs and increasing general living costs.

RISKS

- The economic environment remains challenging which has been exacerbated by the Covid-19 pandemic 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 result in price increases which cannot be passed on to consumers.
- Increasing use of generic medicines and the added pressure of low single exit price (SEP) increases will continue to impact on UPD's operating margin.

OPPORTUNITIES

- Clicks will continue to pursue a strategy to improve price competitiveness, grow sales volumes and entrench the perception of the brand as a value retailer.
- Focus on differentiators, including an extensive convenient store and pharmacy network, private label and exclusive ranges, personalised engagement leveraging the Clicks ClubCard loyalty programme and consistently high levels of customer care.
- Grow Clicks online sales and extend online-only product ranges.
- Hedge foreign exchange exposure by purchasing forward cover.
- UPD will continue to drive efficiencies to mitigate the impact of genericisation on the operating margin.

Competition

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

RISKS

- Expansion by corporate pharmacy and retail chains 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.
- Customers migrating to alternate online retailers.

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 dispensaries in all Clicks stores in South Africa.
- Continued investment in digital and omni-channel.
- Continued recruitment of new members to the Clicks ClubCard and the Clicks mobile app.
- Ongoing improvements in pricing, product offer (store and online) and customer service.

Regulation

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

RISKS

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

OPPORTUNITIES

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

People

Why material? 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.

Information technology

Why material? 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

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

OPPORTUNITIES

- Improved information security practices and compliance as a result of increased online presence.
- Planned implementation roadmap for new IT systems with improved system efficiencies and cost savings that support the organic growth strategy.
- Migration to cloud-based business continuity plan.
- Ensure continued trading during power outages by connecting to mall generators where available and backup power through uninterrupted power solutions.

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.



CHAIRMAN'S REPORT

South Africa's economy entered the national Covid-19 lockdown in a highly fragile state and this has since been compounded by the destructive financial and social impact of the forced closure of the economy and widespread human suffering.



When the state of disaster was declared ahead of the country going into lockdown, the board and management responded rapidly to protect shareholder value and to ensure the health and safety of our employees and customers. Plans were implemented to reduce the cost base while the interim dividend was deferred to conserve cash at a time when the impact, extent and length of the lockdown was unknown.

At the same time the group heeded the call by President Ramaphosa to support vulnerable communities, which included the executive and non-executive directors donating one-third of their remuneration for three months to the Solidarity Fund.

Our broad strategy was unchanged throughout and the business adapted to the new market dynamics arising out of the Covid-19 crisis. This is reflected in our double-digit earnings growth in a sector which was severely affected by the pandemic. Fortunately, as essential healthcare services, Clicks and UPD continued to trade during lockdown, although under tight regulatory restrictions at times.

The performance of the past year, with most of the second half under sometimes extremely challenging restrictions, highlights the resilience of the markets in which the group trades and our business model. It also demonstrates management's continued focus on the execution of our business plans and strategies.

Two strategic focus areas, in particular, benefited the group during this time. Firstly, the investment in developing our omni-channel capability over the past four years positioned Clicks favourably to capitalise on the significant customer demand for online shopping. Secondly, the strategy of expanding the Clicks store footprint proved beneficial as shoppers largely abandoned large malls during this period in preference for convenience-based shopping closer to home.

SUSTAINED SHAREHOLDER VALUE CREATION

Against the background of the weakening economy, the group delivered an excellent all-round performance, with turnover increasing 9.6%, diluted headline earnings per share (HEPS) 13.7% higher and a dividend of 450 cents per share being declared to shareholders. The group's market capitalisation increased by R7.2 billion to R57.2 billion, ensuring our continued inclusion in the FTSE/JSE Top 40 Index.

This performance extends the strong growth trend of the past decade which has seen the group generate a compound annual total shareholder return of 22.5% per annum. Diluted HEPS has grown by a compound rate of 13.6% and the dividend per share by 15.5% per annum.

Importantly, the group has continued to reinvest for growth, with capital expenditure of R4.3 billion over the past 10 years while over R8.4 billion has been returned to shareholders in dividends and share buy-backs.

CHAIRMAN'S REPORT (CONTINUED)

The value created for our shareholders is evident in the 19.9% compound growth in the share price on the JSE since 2010, significantly outperforming our peers in the Food and Drug Retailers Index which delivered a 6.5% compound return over this period.

BOARD AND GOVERNANCE

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

We welcomed Mfundiso "JJ" Njeke as an independent non-executive director in March this year. JJ is a highly respected company director and has chaired the boards of several JSE-listed groups over the past two decades. Our board is already benefiting from his experience in accounting, business and governance, and shortly after year-end he was appointed as a member of the audit and risk committee.

Nonkululeko Gobodo resigned as a non-executive director in September for personal reasons. Over the past three years she has made a valuable contribution to board and committee affairs with her astute and insightful discourse and we wish her continued success into the future.

We will continue our process to refresh board membership to provide succession for key director and committee roles as we plan for the retirement of our senior, longer-serving directors.

The value of a highly experienced and knowledgeable board, with five of our non-executive directors having served for longer than ten years, was never more evident than in advising, supporting and providing counsel to management during the crises of the past months. This guidance was implemented through numerous engagements which I, on behalf of the board, had with our CEO, Vikesh Ramsunder. This not only related to the Covid-19 pandemic but also to the disruption caused by the unfortunate TRESemmé haircare advertisement shortly after year-end.

It is important to stress once again that the offensive marketing material was not developed by Clicks and was provided by the product supplier, Unilever. Management nevertheless accepted full responsibility immediately and publicly apologised through an extensive communications and stakeholder engagement programme for the failure to exercise judgement in allowing this material to appear on our digital platform. Vikesh and his management team are to be congratulated for their decisive handling of the crisis and for bringing this highly volatile situation to an end so swiftly. We recognise the work that lies ahead to restore the company's good name and assure our stakeholders that we remain committed to the principles of diversity and transformation. The first steps in this regard are bearing fruit as trading has returned to relatively normal levels in recent times.

In this regard, the diversity of our directors ensures that the board considers the needs of all our stakeholders and interest groups. Currently 56% of our nine directors are black and 33% are female, exceeding the voluntary targets of 25% contained in our board race and gender diversity policy.

RESPONSIBLE CORPORATE CITIZENSHIP

The Covid-19 pandemic has highlighted the value of companies integrating effective environmental, social and governance (ESG) practices into their businesses to ensure longer-term sustainability. Data from the independent international research house, Morningstar, shows that global sustainability indices have outperformed mainstream market benchmarks during the pandemic and ESG investments have attracted record fund inflows, with assets under management exceeding \$1 trillion for the first time in June 2020.

It was pleasing for the Clicks Group to be included in the FTSE4Good Index Series for the fourth consecutive year in 2020. In the evaluation for this Index conducted by FTSE Russell, Clicks Group achieved an ESG score of 4.1 out of 5 in 2020 (2019: 4.1 and 2018: 3.9), far outperforming the drug retailers' sector average score of 1.6.

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 3.5 for the environment and 3.7 for the social component.

ACKNOWLEDGEMENTS

Thank you to Vikesh for his astute leadership in managing two crises of this magnitude within his first two years in office. I extend my gratitude to the group executive committee and the leadership teams in Clicks and UPD for ensuring that the group delivered a highly competitive performance while operating under the constraints of the national lockdown.

Our 15 600 employees across the country are to be commended for their hard work during this time of crisis and in particular I thank our store staff for their commitment to selflessly serving our customers.

My fellow non-executive directors provided invaluable insight and counsel in maintaining oversight during this time of uncertainty and I thank them for their continuing support.

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



David Nurek

Independent non-executive chairman

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS



Independent non-executive chairman

Dip Law, Grad Dip Company Law

Appointed 1996

David Nurek (70)

Member of the remuneration and nominations committee

Member of the social and ethics committee

Directorships: Non-executive chairman of Trenkor

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, including as chairperson of The Foschini Group and Lewis Group, and non-executive director of Aspen Pharmacare and Pick n Pay Stores.



Independent non-executive director

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

Appointed 2008

Prof. Fatima Abrahams (58)

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.



Lead independent non-executive director

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

Appointed 2008

John Bester (74)

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 39 years.

BOARD OF DIRECTORS (CONTINUED)



Fatima Daniels (60)

Member of the audit and risk committee

Directorships: Momentum Metropolitan Holdings, 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. She has served on the boards of JSE-listed companies since 1995.

Independent non-executive director

B Sc, CA (SA)

Appointed 2008



Mfundiso Njeke (62)

Member of the audit and risk committee

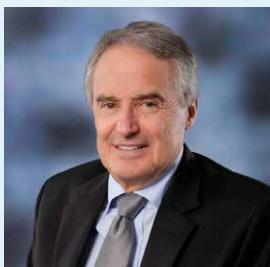
Directorships: Chairman of Momentum Metropolitan Holdings and non-executive director of Data tec, Delta Property Fund and Motus Holdings

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

Independent non-executive director

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

Appointed March 2020



Martin Rosen (70)

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.

Independent non-executive director

Appointed 2006

BOARD OF DIRECTORS (CONTINUED)

EXECUTIVE DIRECTORS



Group human resources director

*B Proc, LL M,
admitted attorney*

Appointed as a director
in 2008

Bertina Engelbrecht (57)

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.



*Chief financial officer
B Com, CTA, CA (SA)*

Appointed as a director
in 2011

Michael Fleming (53)

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.



*Chief executive officer
B Com, MBL*

Appointed as a director
in 2019

Vikesh Ramsunder (49)

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





CHIEF EXECUTIVE'S REPORT

Clicks Group delivered a strong and resilient performance in 2020 against the background of the global Covid-19 humanitarian crisis and deteriorating economic conditions locally.

Covid-19 has had a devastating impact on our country and its people, and we extend our condolences to those who have lost loved ones, and our thoughts are with everyone who has suffered personal or financial hardship during this difficult time.

Our employees have shown tremendous dedication, commitment and courage through these turbulent times and I thank them for their unwavering support.



TRADING IMPACT OF COVID-19

Covid-19 caused significant disruption to our business in the second half of the year, particularly when restrictions were imposed on the sale of certain product categories in the early stages of the lockdown. Clicks remained committed to fair pricing throughout and ensured that prices on essential hygiene products and personal protective equipment were not increased.

The pandemic has transformed the way in which consumers engage and behave, reflected in the changing customer shopping patterns we have experienced in response to lockdown restrictions. Consumers chose to shop closer to home and shop less frequently. Many stayed home and shopped online to reduce the risk of contracting Covid-19, opting for the convenience of home delivery. This contributed to the Clicks online store showing growth of 361% for the second half, making it our largest and fastest-growing store.

The convenience of the Clicks store network was also a distinct advantage during the crisis. As 74% of our stores are located in convenience and neighbourhood shopping centres, this largely negated the significant slowdown in foot traffic at destination malls across the country.

We have also seen a structural shift in shopping preferences, with vitamins and supplements in high demand as customers focused on preventative healthcare to boost immunity levels. The large number of South Africans working from home during this time created an increased demand for household appliances and electrical beauty products. Conversely, the lack of social interaction, restricted travel and the requirement to wear face masks led to lower pharmacy and beauty sales.

Clicks stores were restricted to shorter trading hours and limited to selling only essential products in the first five weeks of lockdown. The other retail brand stores all closed from the start of the lockdown and reopened as restrictions were gradually lifted.

UPD's business to the private hospital and independent pharmacy channels grew strongly due to increased demand for medicines and healthcare products during the pandemic.

RESILIENT TRADING PERFORMANCE

The performance of the past year, and particularly in the second half during the Covid-19 crisis, has again demonstrated the defensive nature of the group's core health and beauty markets. In this environment group turnover for the year increased by 9.6% to R34.4 billion.

Retail health and beauty sales, including Clicks and the international franchise brands GNC, The Body Shop and Claire's, increased by 8.4%, driven by competitive everyday pricing, differentiated product ranges, the Clicks ClubCard, new stores and online sales.

Healthcare, comprising pharmacy and front shop health, is a defensive category and accounts for 55% of total sales. Front shop health sales increased by 19.7% while pharmacy growth of only 3.2% was impacted by the low prevalence of colds and flu during the winter season due to the restrictive nature of the lockdown.

"Covid-19 has been a catalyst for online retail sales growth globally, with online sales in Clicks increasing by 191% for the year."

Promotional sales continue to account for an increasing proportion of customer spend, growing by 14.7% and comprising 40.2% of turnover in Clicks.

The strong health and beauty sales performance translated into market share gains across most core categories. Front shop health market share increased to 32.2% (2019: 31.4%) and the baby category grew to 19.7% (2019: 17.0%). Pharmacy market share declined marginally to 23.8% (2019: 24.1%) as consumers chose home deliveries from independent pharmacies to avoid shopping malls. In the beauty category, skincare market share increased to 39.2% (2019: 37.6%) and haircare to 30.3% (2019: 29.6%).

Clicks was voted as the coolest health and beauty brand in the Sunday Times Generation Next Awards for 2020 while the Clicks ClubCard was rated as the best loyalty programme in the South African Loyalty Awards for 2020.

UPD grew wholesale turnover by 17.0%, gaining new private hospital and buying group contracts. Business to the private hospital and independent pharmacy channels grew strongly and this contributed to UPD increasing its market share from 27.0% to 29.4% at August 2020.

The group's financial performance is covered in the chief financial officer's report starting on page 38, and the trading performance of Clicks and UPD is covered on pages 44 to 55.

DELIVERING ON OUR STRATEGY

The group's strategy was consistently applied over the past year and was not impacted by the Covid-19 challenges. Our strategy continues to be supported by favourable market dynamics which should ensure sustained organic growth. The group's strategic objectives and the drivers of longer-term growth are outlined in the group strategy report on pages 14 and 15.

The retail strategy is focused on the three pillars of convenience, differentiation and personalisation, supported by our value offering, and pleasing progress has been made across all these areas in the past year.

Clicks opened 39 stores to expand its retail footprint to 743 stores. The store opening programme was again accelerated beyond the targeted 25 to 30 stores owing to opportunities for new space becoming available in existing shopping centres. As the Clicks brand already has a presence in 97% of destination malls across the country, our strategy in recent years has been to expand into convenience shopping centres.

Covid-19 has been a catalyst for online retail sales growth globally. Clicks' online sales increased by 191% for the year off a relatively low base. The investment made in our online and digital capability over the past four years enabled Clicks to manage the increased demand, and ensure an efficient and convenient service to customers. While online accounts for only 1% of front shop sales, we expect this to grow to between 5% to 10% of the brand's sales within the next 10 years.

Clicks is the country's largest retail pharmacy chain and expanded the network to 585 following the opening of 40 pharmacies. The expanding footprint supports our convenience strategy and makes the healthcare offer even more accessible, with 50% of the country's population now living within six kilometres of a Clicks pharmacy.

Through private label and exclusive brands Clicks offers an extensive range of trusted quality, great value products which are a significant alternative to a branded product.

"2020 marked the 25th anniversary of the launch of the iconic Clicks ClubCard, which is one of the most popular loyalty programmes in the country."

Sales grew by 12.3% and the contribution from private label and exclusive products increased from 22% to 23% of total sales, with the goal to increase this to 25% of total sales.

2020 marked the 25th anniversary of the launch of the iconic Clicks ClubCard, which is one of the most popular loyalty programmes in the country. Over the past five years more than R2 billion has been paid out to loyalty members in cashback

rewards. ClubCard's active membership increased by over 500 000 to 8.6 million in the past year and accounted for 78.2% of the brand's sales. The Clicks mobile app, which incorporates the digital ClubCard, has been downloaded by 1.1 million customers.

UPD is the country's leading pharmaceutical wholesaler and is a significant service provider in the distribution agency business, with a portfolio of 30 clients. UPD's total managed turnover, which combines wholesale and bulk distribution, increased by 11.7% to R23.6 billion as the business gained two distribution contracts. Clicks and the private hospital groups account for 83% of UPD's wholesale turnover, supporting the long-term sustainability of the business.

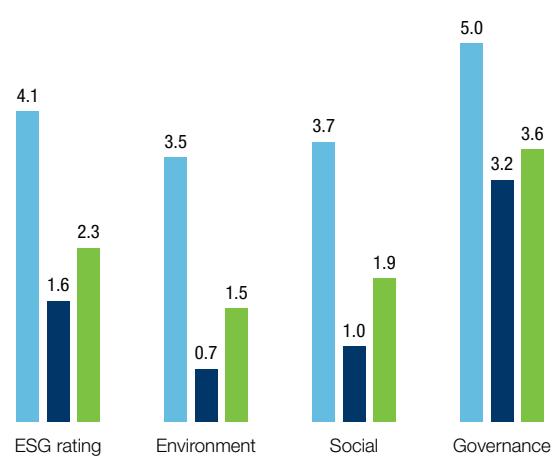
Our extensive store network and integrated supply chain provide competitive advantages which we aim to maintain through the continued investment of over R2 billion in the next three years.

COMMITMENT TO ESG AND TRANSFORMATION

The group has continued to adopt environmental, social and governance (ESG) practices to contribute to sustainable transformation and societal change.

As outlined by the chairman in his report, the group was again included in the FTSE4Good Index Series, recognising companies with strong ESG practices measured against global standards. In the index ratings the group far outperformed the sector and industry averages which include major international healthcare companies.

Clicks Group FTSE4Good Index Series Ratings



- Clicks Group
- Subsector average: drug retailers
- Industry average: consumer services

On the environmental front, Clicks was one of the founding signatories of the SA Plastics Pact in 2020 and we are unwavering in our focus on reducing the negative impact of plastic on the environment. As customers are becoming increasingly aware of the environmental impact of the products they consume, Clicks introduced the My Earth range of eco-friendly products, aligning to the group's sustainability strategy.

As a proudly South African company we are committed to supporting local suppliers, with only 7% of our products being imported directly. Currently over R1.5 billion of products are procured from black-owned businesses and R1 billion from female-owned enterprises. We plan to increase sales of local supplier haircare products by 130% over the next three years.

"As a proudly South African company we are committed to supporting local suppliers, with over R1.5 billion of products procured from black-owned businesses."

Our workforce is highly diverse, with 93% black staff and 64% female employees. The group invested R140 million in the training and development of employees, even in a year where training was challenging owing to the need for social distancing. The company funds 100% of the cost of primary health insurance for over 9 000 employees not covered by a medical aid, at an annual cost of R34.3 million. These factors have contributed to the group again being recognised as the top employer in the retail sector in South Africa for the fourth consecutive year by the Top Employer Institute.

The group also committed to supporting those most vulnerable during the pandemic. Clicks donated 10 000 flu vaccines to the Western Cape Department of Health and Department of Social Development in support of frontline public healthcare workers. Community support included extending the free primary care clinic services offered to Clicks customers with no medical cover to five days a week from the normal one day.

In the past year bursaries were awarded to 112 pharmacy students as part of Clicks' role in building the skills base for the industry.

Refer to the creating value through good citizenship report on page 62 for further detail on the group's ESG focus areas.

CHIEF EXECUTIVE'S REPORT (CONTINUED)

OUTLOOK

As we face the reality of living with Covid-19 restrictions until a vaccine is developed and widely available, the country remains at risk of a second wave of infections. This could result in renewed lockdown restrictions as are currently being experienced in certain countries.

The consumer environment in South Africa is expected to be constrained in the year ahead. The continuing impact of Covid-19 and the socio-economic challenges arising from the lockdown, particularly the expected widespread job losses, will make the months ahead extremely challenging.

As mentioned in the chairman's report, the start of the new financial year was disrupted by protest action across the Clicks store network during the second week of September. This was in response to an offensive TRESemmé haircare advertisement featured on the Clicks digital platform. While it is too early to quantify any reputational damage from the incident, customer trading patterns returned to normal during the month of October.

Our business has traded well in weak consumer markets over an extended period and adapted to the new market dynamics arising out of the Covid-19 crisis. The group has a robust balance sheet and generates strong cash flows, and we are confident of continued value creation for our shareholders.

APPRECIATION

Thank you to our chairman, David Nurek, and our non-executive directors for their support and counsel in dealing with the challenges over the past year.

My fellow executive directors Michael Fleming and Bertina Engelbrecht, together with the executive committees in Clicks and UPD, have shown outstanding leadership in managing the business through these difficult times.

Our people at head office, stores and distribution centres have demonstrated incredible resilience and I thank them once again for their support through the most difficult trading conditions we have ever experienced.



Vikesh Ramsunder
Chief executive officer



CHIEF FINANCIAL OFFICER'S REPORT

Decisive measures to limit the financial impact of the global Covid-19 pandemic enabled the group to deliver strong earnings growth and healthy returns to shareholders in the most challenging socio-economic conditions experienced in decades.



Cash preservation was a high priority for the group throughout the crisis. Following the declaration of the state of disaster in South Africa on 15 March 2020, management implemented measures to reduce the cost base to off-set the impact of slower sales expected during lockdown.

The group proved its resilience and continued to generate strong cash inflows despite the impact of the lockdown. After returning R1.5 billion to shareholders in dividends and share buy-backs, cash on hand totalled R2.2 billion at year-end.

Tight cost management, continued working capital efficiency, resilient health and beauty sales, and the strong performance of UPD contributed to diluted headline earnings per share increasing by 13.7% to 754 cents.

After initially deferring the interim dividend declaration in April 2020 to conserve cash and ensure balance sheet flexibility in the wake of the uncertainty from the pandemic, the board declared a dividend of 450 cents per share for the full year, based on a dividend payout ratio of 60%. This dividend amounts to R1.1 billion and will be paid to shareholders in January 2021.

The group enters the new financial year with a robust balance sheet, positioning the business to withstand the headwinds from the ongoing impact of the pandemic.

IMPACT OF COVID-19

The group conducted a line-by-line assessment on the annual financial statements of the impact of the Covid-19 pandemic on financial and operating performance. Refer to note 35 for disclosures on material financial statement line items affected by Covid-19.

ADOPTION OF IFRS 16 LEASES

IFRS 16 Leases was adopted during the 2020 financial year on a full retrospective basis, with the date of initial application being 1 September 2019. The comparative information for the prior year has accordingly been restated.

The group has an extensive portfolio of leases across its retail stores and the new accounting standard recognises a right-of-use asset and corresponding lease liability for each retail store. Refer to notes 24 and 34 in the annual financial statements for detail on the impact of IFRS 16.

FINANCIAL PERFORMANCE

The analysis of the group's financial performance for the year ended 31 August 2020 focuses on the key line items of the statements of comprehensive income and financial position which management considers 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 40 and 43 respectively.

STATEMENT OF COMPREHENSIVE INCOME

Turnover

Group turnover increased by 9.6% to R34.4 billion (2019: R31.4 billion). Selling price inflation averaged 2.4% for the year.

Retail turnover, including Clicks, The Body Shop, GNC, Claire's and Musica, increased by 7.3%. Retail selling price inflation remained low, averaging 2.2%. Comparable stores sales grew by 3.4%.

While there is normally minimal seasonal effect on the group's retail turnover between the first and second halves of the year, the second six months of the financial year from March to August 2020 was impacted by the national lockdown and trading under Covid-19 protocols. Retail sales grew by only 6.0% in the second half compared to 8.6% in the first half.

Within the retail division, health and beauty sales increased by 8.4%, reflecting the resilience of the core Clicks brand in the extremely challenging trading environment.

Growth in trading space accounted for 3.9% of the retail turnover growth, with the net opening of 39 Clicks stores and 40 pharmacies.

Distribution turnover grew by 11.2% despite the absence of the annual winter cold and flu season which did not materialise owing to lockdown as people wore masks to avoid infection, social interaction was limited, schooling restricted and many South Africans worked from home.

The trading performances of Clicks and UPD are covered in the business review on pages 44 to 55.

Turnover, operating profit and margin



Total income

Total income grew by 8.4% to R9.4 billion (2019: R8.7 billion).

The retail total income margin was maintained at 33.3%. This was attributable to a higher mix of front shop product sales relative to pharmacy and an increase in promotions, off-set by an increased proportion of private label sales.

UPD's total income margin strengthened by 30 basis points to 8.5% owing to the benefit of new wholesale and distribution contracts and the higher annual increase in the single exit price (SEP) of medicines of 4.53% in February 2020 compared to 3.78% in March 2019.

The faster growth of the distribution business resulted in a mix change which contributed to the group's total income margin declining by 30 basis points to 27.3%.

Operating expenditure

Retail operating expenditure as a percentage of turnover improved to 24.2% (2019: 24.3%), reflecting the increasing efficiency in the retail cost base.

Retail expenses grew by only 6.5% despite incurring additional Covid-19-related costs of R36 million. This was off-set by focused cost management, lower overtime payments owing to restricted trading hours, rental relief of R10.9 million due to the closure of the smaller retail brands during hard lockdown and government funding for employees unable to work during lockdown.

Comparable retail costs were contained to an increase of only 3.8%.

UPD expenses, which include the costs related to the new distribution contracts and R8 million additional Covid-19 costs, grew by 17.9%. The new contracts have resulted in higher labour and transport costs while UPD has rented a third-party distribution warehouse to accommodate the increased volumes.

The group's operating expenses increased by 7.5%.

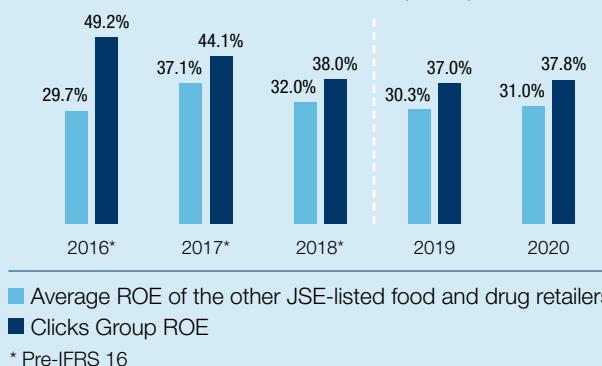
Operating profit

Operating profit increased by 10.4% to R2.8 billion (2019: R2.5 billion) with the group's operating margin expanding by 10 basis points to 8.1%.

The retail margin was well managed through tight cost management and increased by 20 basis points to 9.1% despite the impact of Covid-19 on the trading environment. Retail operating profit increased by 9.4%.

The distribution margin was maintained at 3.3% and operating profit increased by 13% to exceed R500 million for the first time.

Return on equity (ROE)



CHIEF FINANCIAL OFFICER'S REPORT (CONTINUED)

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

R'million	2020	% of turnover	Restated* 2019	% of turnover	% change
Turnover	34 364		31 352		9.6
Retail	24 785	72.1	23 105	73.7	7.3
Distribution	15 474	27.9	13 909	26.3	11.2
Intragroup	(5 895)		(5 662)		
Total income	9 375	27.3	8 650	27.6	8.4
Operating expenses	(6 608)	19.2	(6 144)	19.6	7.5
Retail	(5 988)		(5 625)		6.5
Distribution	(804)		(682)		17.9
Intragroup	184		163		
Operating profit	2 767	8.1	2 506	8.0	10.4
Retail	2 260	9.1	2 066	8.9	9.4
Distribution	513	3.3	454	3.3	13.0
Intragroup	(6)		(14)		
Loss on disposal of property, plant and equipment, and subsidiary company	(10)		–		
Net financing expense	(175)		(176)		–
Share of profit of an associate	2		3		
Income tax	(704)		(652)		7.9
Profit for the year	1 880		1 681		11.8

SUMMARY STATEMENT OF FINANCIAL POSITION

R'million	2020	Restated* 2019	% change
Non-current assets	5 531	5 045	9.6
Property, plant and equipment	2 121	2 067	2.6
Right-of-use assets	2 371	2 046	15.9
Other non-current assets	1 039	932	11.4
Current assets	9 743	10 024	(2.8)
Inventories	4 921	4 710	4.5
Trade and other receivables	2 567	2 567	0.0
Other current assets	2 255	2 747	(17.9)
Total assets	15 274	15 069	1.4
Equity	5 194	4 787	8.5
Non-current liabilities	1 940	1 689	14.9
Current liabilities	8 140	8 593	(5.3)
Trade and other payables	6 747	7 303	(7.6)
Other current liabilities	1 393	1 290	8.0
Total equity and liabilities	15 274	15 069	1.4

* Prior-period amounts restated for the adoption of IFRS 16.

STATEMENT OF FINANCIAL POSITION

The ratio of shareholders' interest to total assets increased from 31.8% to 34.0%.

The ratio of current assets to current liabilities at year-end was consistent with the prior year at 1.2 times, indicating that working capital remains adequately funded. Other current assets include R2.2 billion in cash.

"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."

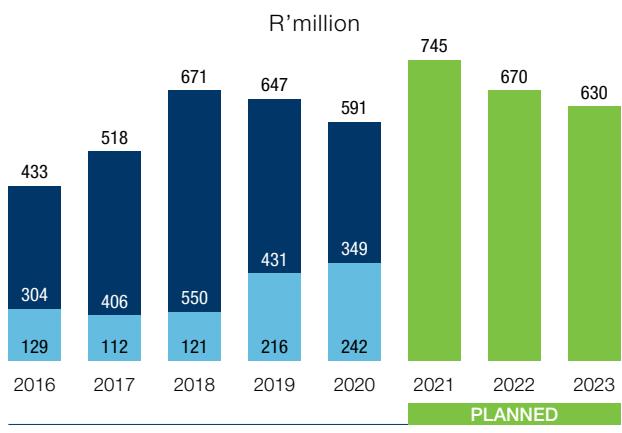
The group continues to hedge direct exposures to foreign exchange rate fluctuations which impact approximately 7% of the cost of sales in the retail business. In addition, the group hedged elements of the long-term incentive scheme for the 2020 to 2022 period. Further detail on the respective hedges and risk management is contained in note 27 in the annual financial statements on the group's website.

Working capital

The group's net working capital days increased from 34 to 37 days. Trade debtor days, which relate primarily to UPD, reduced from 37 to 31 days. Creditor days moved from 73 to 60 days as in the prior year the group's year-end fell over a weekend which resulted in certain creditor payments being settled in the current year.

Inventory days reduced from 70 to 66 days as stock levels were tightly managed in the second half of the year. Retail inventory levels increased by 5.5% and distribution by only 2.4%.

Capital expenditure



During the year, a single pick retail facility was commissioned in the Centurion distribution centre which is aimed at improving stock efficiency.

Cash and capital management

Cash generated by operating activities before dividends totalled R2.3 billion.

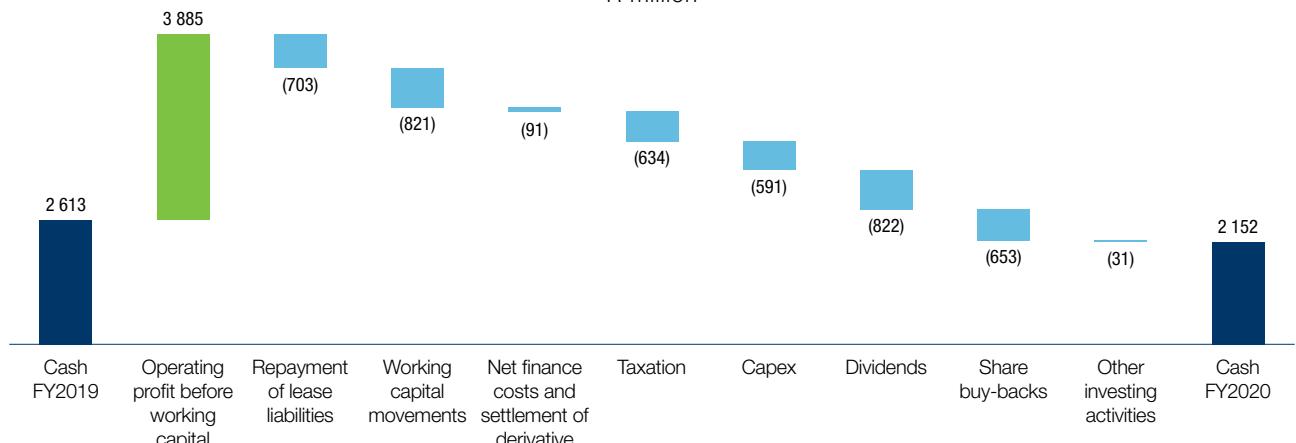
The group's capital management strategy is focused on investing in the organic growth of the business and returning surplus funds to shareholders through dividends and share buy-backs:

- Capital expenditure of R307 million was invested in new stores, pharmacies and the refurbishment of 53 Clicks stores; R69 million on distribution centres; and R215 million on IT and retail infrastructure.
- The group returned R1.5 billion to shareholders through dividend payments of R822 million and share buy-backs of R653 million.

At year-end, the group held cash resources of R2.2 billion.

Cash flow analysis

R'million



DIVIDEND

A dividend of 450 cents per share (2019: 445 cents) was declared for the financial year, based on a dividend payout ratio of 60% (2019: 65%) of HEPS.

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 R86 million on computer hardware and R125 million on computer software.

The group is focusing the major portion of IT investment on replacement software solutions for certain core systems within the retail and distribution businesses.

The design and development of these new best-in-class systems have started and will continue into 2021, with the implementation scheduled to roll out during the second half of 2021 on a risk-mitigated basis. These investments comprise three projects:

- Integrated retail merchandising system incorporating modules for demand forecasting and fulfilment, pricing and promotions, category assortment optimisation and space management.
- UPD warehouse management system.
- Cloud-hosted enterprise resource planning (ERP) upgrade for UPD.

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

FINANCIAL PLANS FOR 2021

Capital expenditure of R745 million is planned for the 2021 financial year, which includes R67 million carried forward from 2020 due to delays in capital projects impacted by Covid-19:

- R317 million will be invested in the store portfolio, which includes 25 to 30 new Clicks stores, 30 to 35 new pharmacies and 45 store refurbishments to ensure stores remain modern and relevant to customers.
- R428 million for Clicks and UPD IT systems and infrastructure.

The group plans to invest approximately R670 million in 2022 and R630 million in 2023 to support the expansion of the Clicks store footprint, improve efficiency in the distribution centres, and invest in IT tools and systems.

Health and beauty retail trading space is expected to increase by approximately 5% in 2021.

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.

Medium-term targets	2020 performance	Medium-term target
Return on equity (%)	37.8	40 – 50
Return on invested capital (%)	25.1	20 – 30
Return on assets (%)	12.4	11 – 15
Net working capital days	37	30 – 35
Group operating margin (%)	8.1	7.5 – 8.5
Retail	9.1	8.5 – 9.5
Distribution	3.3	2.5 – 3.0
Dividend payout ratio (%)	60	60 – 65

The group's performance for 2020 was in the range for most of the medium-term targets, with the exception of return on equity and working capital days.

Owing to the expected ongoing impact of Covid-19, the return on equity target has been revised downwards to 40% to 50% (previously 50% to 60%) which still represents a significant return to shareholders.

A target for return on invested capital has been introduced which incorporates the lease liabilities now included in the statement of financial position following the adoption of IFRS 16.

While the distribution operating margin at 3.3% remains above the medium-term target, the margin target has been maintained at 2.5% to 3.0% as management believes this is a sustainable margin given the ongoing impact of genericisation.

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 Celsio (Germany).

APPRECIATION

Thank you to our finance teams across the business as well as our external auditors for completing the annual financial reporting and auditing process so efficiently while working under the constraints of the Covid-19 restrictions. We also thank our shareholders for their continuing support and ongoing engagement with management and welcome those who invested for the first time during the year.



Michael Fleming
Chief financial officer

FIVE-YEAR PERFORMANCE REVIEW

FOR THE YEAR ENDED 31 AUGUST

	5-year compound growth (%)	2020	2019*	2018*	2017	2016
Statements of comprehensive income						
Turnover	(Rm)	9.3%	34 364	31 352	29 239	26 809
Operating expenses	(Rm)	8.8%	(6 607)	(6 143)	(5 853)	(5 333)
Operating profit	(Rm)	14.7%	2 767	2 507	2 032	1 814
Profit before tax	(Rm)	14.2%	2 584	2 333	2 036	1 775
Headline earnings	(Rm)	14.5%	1 887	1 682	1 469	1 269
Statements of financial position						
Non-current assets	(Rm)	22.5%	5 532	5 045	5 069	2 857
Trade and other receivables	(Rm)	6.5%	2 567	2 568	2 257	2 212
Inventories	(Rm)	8.7%	4 921	4 710	4 251	3 777
Other current assets	(Rm)	32.5%	102	133	249	200
Cash and cash equivalents	(Rm)	39.9%	2 152	2 614	1 524	700
Total assets	(Rm)	15.1%	15 274	15 070	13 350	9 746
Total equity	(Rm)	20.9%	5 194	4 788	4 322	3 296
Non-current liabilities	(Rm)	44.5%	1 940	1 688	1 501	402
Current liabilities	(Rm)	9.2%	8 140	8 594	7 527	6 048
Total equity and liabilities	(Rm)	15.1%	15 274	15 070	13 350	9 746
Statements of cash flows						
Cash inflow from operating activities before dividends paid	(Rm)	13.5%	2 338	3 481	2 313	1 520
Dividends paid	(Rm)	10.9%	822	981	812	677
Capital expenditure	(Rm)	9.8%	591	646	671	518
Returns and margin performance						
		5-year average				
Total income margin*	(%)	27.0	27.3	27.6	27.0	26.7
Operating margin*	(%)	7.3	8.1	8.0	7.0	6.8
Return on assets*	(%)	13.3	12.4	12.6	13.8	14.0
Return on invested capital*	(%)	31.0	25.1	24.7	30.1	35.3
Return on shareholders' interest*	(%)	41.2	37.8	37.0	38.0	44.1
Inventory days		66.8	66	70	67	65
Asset turnover*	(times)	2.5	2.2	2.1	2.5	2.8
Return on net assets*	(%)	99.5	105.5	97.6	102.2	98.6
Shareholders' interest to total assets*	(%)	33.5	34.0	31.8	38.2	34.0
Share performance						
		5-year compound growth (%)				
Headline earnings per share – basic	(cents per share)	13.6%	754.3	675.2	609.5	536.3
Headline earnings per share – diluted	(cents per share)	14.5%	754.3	663.6	575.3	502.1
Cash equivalent earnings	(cents per share)	17.8%	1 195.1	1 332.5	858.1	630.0
Net asset value	(cents per share)	20.0%	2 089	1 903	1 767	1 395
Dividends declared	(cents per share)	13.9%	450.0	445.0	380.0	322.0
Weighted average number of shares in issue (net of treasury shares)	('000)		250 212	249 125	241 073	236 526
Weighted average diluted number of shares in issue (net of treasury shares)	('000)		250 212	253 471	255 385	252 641
Shares repurchased	(Rm)		653	211	–	290
Shares repurchased	('000)		2 862	1 115	–	3 360

* The statement of comprehensive income and statement of cash flows for 2019 and statement of financial position for 2019 and 2018 were restated for the adoption of IFRS 16.

A comprehensive five-year review is 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.







The Clicks brand continued to prove resilient and defensive in constrained consumer spending markets which contributed to retail health and beauty sales increasing by 8.4%. The performance was driven by competitive pricing, product differentiation, convenience and new stores, which translated into market share gains in most core categories in Clicks.

Customer spending behaviour, changing shopping patterns and lockdown restrictions in the second half impacted the health and beauty sales performance for the year. Detail on the group's response to Covid-19 and the impact of the related lockdown is covered on page 4.

Health and beauty sales*	% increase	% contribution to sales
Pharmacy	3.2	29.0
Front shop health	19.7	26.0
Beauty and personal care	4.7	29.0
General merchandise	8.8	16.0
Total turnover	8.4	100.0

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

“Strong health and beauty sales growth was driven by competitive pricing, product differentiation, convenience and new stores.”

SALES PERFORMANCE

Front shop health sales increased by 19.7%, with strong growth in the vitamins and supplements category as customers focused on preventative healthcare to boost their immunity levels in response to the Covid-19 pandemic. This was supported by continued good sales in baby products and GNC. The baby category is strategically important in attracting new customers and grew market share from 17.0% to 19.7%.

Pharmacy reported sales growth of 3.2% owing mainly to the low incidence of colds and flu during winter due to the national lockdown. Social distancing, wearing masks for protection, working from home, school closures and restricted travel were all factors which limited the outbreak of the traditional flu season. Value growth in the pharmacy category was further suppressed by the continued commitment by Clicks to switching patients to lower-value generic medicines. Retail pharmacy market share declined slightly from 24.1% to 23.8% due mainly to consumers choosing to stay away from shopping malls and opting for home delivery of medicines which benefited independent pharmacies.

Beauty and personal care sales growth of 4.7% was also impacted by large numbers of South Africans working from home, the wearing of masks during lockdown, lack of social interaction as well as the restriction on sales of certain products considered to be non-essential during stage 5 of the national lockdown.

While restrictions were also imposed on general merchandise products in the early stages of lockdown, the category delivered good growth of 8.8%, benefiting from people working and staying at home which increased demand for household appliances. Clicks increased its share of the small electrical appliances market from 16.4% to 19.2%.

CLICKS BUSINESS REVIEW (CONTINUED)

Market share (%)	2020	2019
Health		
Retail pharmacy*	23.8	24.1
Front shop health**	32.2	31.4
Baby**	19.7	17.0
Beauty and personal care		
Skincare**	39.2	37.6
Haircare**	30.3	29.6
Personal care	18.2	18.0
General merchandise		
Small electrical appliances***	19.2	16.4

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

** AC Nielsen (restated)

*** GfK

MAINTAINING VALUE

Value is increasingly important to hard-pressed consumers in the deteriorating economic environment. Clicks strives to offer competitive everyday pricing and appealing promotions, with the chain being price competitive with all national retailers. Health and beauty markets are promotionally driven and in the past year promotional sales increased by 14.7%, accounting for 40.2% (2019: 38.4%) of turnover.

Value is also offered through the generous loyalty benefits of the ClubCard, with R504 million being returned to customers in cashback rewards in the past year and R2.2 billion over the past five years.

The brand is also committed to offering patients a lower-priced generic alternative to originator medicines in Clicks pharmacies to save customers money and extend their medical funding benefits. Generic medicines account for 56% (2019: 54%) of sales and 68% (2019: 66%) of pharmacy volume.

EXTENDING CONVENIENCE

Clicks opened 39 stores and expanded its footprint to 743. The brand's focus on convenience format stores, which account for 74% of the store portfolio, proved highly beneficial during the Covid-19 lockdown when consumers chose to shop closer to home at convenience and neighbourhood shopping centres and avoided major malls.

The pharmacy network was increased to 585 with the opening of 40 in-store pharmacies, with 50% of the country's population now living within six kilometres of a Clicks pharmacy.

The Covid-19 lockdown accelerated the growth in online purchases, with the online "store" now being the largest

and fastest-growing store. Online sales in Clicks increased by 361% off a low base for the second half of the financial year. The investment made by Clicks in its online and digital capability over the past four years enabled the chain to manage the increased demand and ensure an efficient and convenient service to customers during lockdown.

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

ENGAGING CUSTOMERS THROUGH PERSONALISATION

ClubCard is an iconic loyalty programme and was again voted by customers as South Africa's best programme in the annual South African Loyalty Awards in 2020.

ClubCard is central 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 active membership increased by over 500 000 to 8.6 million, despite the reduced footfall in stores in the second half of the year, with members accounting for 78.2% (2019: 77.6%) of sales in Clicks.

The Clicks mobile app has been downloaded by over 1.1 million customers. The app incorporates a virtual ClubCard which allows customers to receive personalised offers, monitor reward points and cashback in real time, submit scripts and order repeat medication. Personalised promotions were launched in March 2020 through myClubCard, enabling customers to select their own promotions on the app.

Two strategic partnerships were launched during the year. Engen South Africa was introduced as ClubCard's exclusive fuel partner, enabling members to earn loyalty benefits when filling up at Engen's network of over 1 000 fuel stations across South Africa.

eBucks, South Africa's largest banking rewards programme, partnered with Clicks as their preferred health and beauty retailer, enabling eBucks members to earn up to 15% back on their spend in Clicks stores.

The ClubCard extends into other key customer markets, with the Baby Club membership at 458 000 and the Seniors Club at 1.2 million members.

"Clicks' focus on convenience format stores proved highly beneficial during the Covid-19 lockdown."

DIFFERENTIATED PRODUCT OFFER

Private label and exclusive brands offer differentiated ranges across all merchandise categories at competitive prices while increasing the appeal of the Clicks brand and enhancing margin. The international franchise brands, The Body Shop, GNC and Claire's, further differentiate the Clicks offer.

Sales grew by 12.3%, supporting total sales growth and margin. The contribution of private label increased to 23% of total sales in Clicks, with front shop sales at 29.2% (2019: 29.1%) and pharmacy 8.6% (2019: 7.1%). Despite the disruptions in the second half, Clicks introduced 970 new private label products in the year.

The private label offering in Clicks is tiered, with the Pay Less brand being the entry point, Clicks being the mid-tier brand and Expert the higher tier. The Expert range was launched in dermatological skincare and was expanded into the hand sanitiser category during the Covid-19 crisis.

As customers are becoming increasingly aware of the environmental impact of the products they consume, Clicks introduced the My Earth range of eco-friendly products, aligning to the group's sustainability drive.

GROWTH PLANS FOR 2021

Clicks is committed to expanding its store footprint in South Africa to 900 over the long term, with a pharmacy in each store. In the new financial year the chain is again targeting to open 25 to 30 new stores and 30 to 35 pharmacies, while a further 45 stores will be refurbished or expanded to ensure the stores remain modern and appealing to customers. Customer convenience will be further enhanced with the expansion of the pharmacy delivery service from all stores during November 2020.

The contribution of private label, exclusive and franchise brands to front shop sales is targeted to increase to 30.2% in 2021 as Clicks continues to innovate and introduce new products in line with market trends.

ClubCard membership is targeted to grow to 9.0 million with the focus on migrating new and existing customers to the Clicks app and virtual ClubCard to accelerate the personalisation and digital engagement strategy.

Capital expenditure of R305 million will be invested in retail information technology systems and infrastructure in the new financial year to support the increased scale of the business by improving efficiencies in the distribution centres and across the supply chain.



CLICKS BUSINESS REVIEW (CONTINUED)

PERFORMANCE AGAINST OBJECTIVES IN 2020 AND PLANS FOR 2021

Deliver a competitive and differentiated front shop product offer

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Increase front shop private label and exclusive brand sales to 29.5%	Front shop private label and exclusive sales 29.2% of total sales	Increase front shop private label and exclusive brand sales to 30.2%

Create a great customer experience

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Expand private label scheduled generic medicines range to 165 products Increase repeat prescription service to 50% of repeat scripts	162 private label medicines 52% of scripts now on repeat prescription service	Expand private label medicines range to 188 products Repeat prescription service at 53% of repeat scripts

Grow the retail footprint to enhance convenience

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Open 25 to 30 new Clicks stores 60 stores to be expanded or refurbished Open 30 to 35 new pharmacies Improve personalised communication across multiple channels and personalised rewards	Net 39 stores opened 743 stores at year-end 53 stores expanded or refurbished ⁺ Net 40 pharmacies opened 585 pharmacies at year-end Launched myClubCard deals providing personalised rewards activated on the Clicks app	Open 25 to 30 new Clicks stores 45 stores to be expanded or refurbished ⁺ Open 30 to 35 new pharmacies Personalisation of the Clicks website and mobile app

⁺ Indicates metrics which have been impacted by the Covid-19 lockdown.



CLICKS BUSINESS REVIEW (CONTINUED)

Drive customer loyalty through personalisation and rewards

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Increase membership to 9.0 million	8.6 million members	Increase membership to 9.0 million
Grow Baby Club to 500 000 members	458 000 Baby Club members	Grow Baby Club to 505 000 members
Grow Seniors Club to 1.3 million members	1.2 million Seniors Club members	Grow Seniors Club to 1.35 million members
Enrol 1 million customers to virtual ClubCard	1.1 million customers enrolled to virtual ClubCard	Enrol 1.25 million customers to virtual ClubCard

Ensure supply chain excellence

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Centurion Distribution Centre phase 2 expansion to be completed in the 2020 financial year once planning approval has been received	Town planning delays mainly caused by lockdown have extended completion of the project into 2021 ⁺	Centurion Distribution Centre phase 2 expansion to be completed in the 2021 financial year ⁺
Commission single pick retail facility within the Centurion Distribution Centre	Single pick facility fully operational	

Maintain a motivated and skilled workforce

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
320 pharmacy assistants to be enrolled 123 pharmacy bursary students 70 pharmacy internships 20 graduates to be enrolled on graduate development programme	332 pharmacy assistants enrolled 112 pharmacy bursary students 68 pharmacy internships 8 graduates enrolled on graduate development programme ⁺	440 pharmacy assistants to be enrolled 100 pharmacy bursary students 70 pharmacy internships 10 graduates to be enrolled on graduate development programme ⁺

⁺ Indicates metrics which have been impacted by the Covid-19 lockdown.







UPD continued to gain market share after securing new wholesale and bulk distribution contracts, maintaining its market-leading positions in both the pharmaceutical wholesale and bulk distribution markets.

Turnover increased by 11.2% as the business benefited from new contracts and the higher annual increase in the single exit price (SEP) of medicines of 4.53% in February 2020 (March 2019: 3.78%). This growth was achieved despite the absence of the traditional winter cold and flu season and many patients deferring elective surgical procedures at private hospitals during lockdown.

Operating profit increased by 13% to exceed R500 million for the first time.

Total managed turnover, combining fine wholesale turnover with the turnover managed on behalf of bulk distribution clients, increased by 11.7% to R23.6 billion as the business gained two bulk distribution contracts.

“The strong performance from UPD’s customer base contributed to wholesale market share increasing from 27.0% to 29.4.”

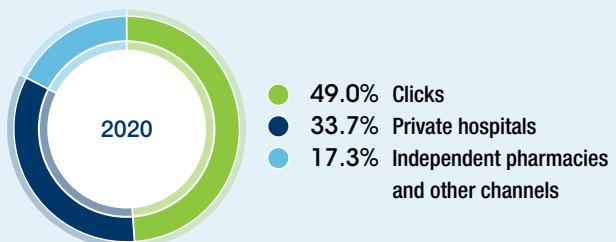
WHOLESALE TURNOVER BY CHANNEL

Wholesale turnover increased by 17.0%, with UPD gaining new private hospital and buying group contracts.

UPD’s business to the private hospital and independent pharmacy channels grew strongly due to increased demand for medicines and healthcare products during the pandemic. Front shop sales were particularly strong as customers bought more hand sanitisers, surgical aids, vitamins and supplements.

Sales to private hospital groups increased by 44.4%.

The independent pharmacy channel benefited from the shift in lockdown shopping trends with consumers choosing to shop closer to home at convenience and neighbourhood centres rather than visiting major malls. UPD’s superior service levels and stock availability enabled the business to capitalise on this trend and increased sales to the independent pharmacy channel by 16.1%, accounting for 17.3% of turnover. UPD services over 1 250 independent pharmacies.



UPD BUSINESS REVIEW (CONTINUED)

Clicks remains UPD's largest single customer and increased sales by 3.8%, comprising 49.0% of wholesale turnover.

The strong performance from UPD's customer base contributed to wholesale market share increasing from 27.0% to 29.4% (source IQVIA).

UPD faces ongoing margin pressure from the faster growth in lower-priced generic medicines, with sales of generics increasing by 16.3% and now accounting for 70% of wholesale turnover volume.

Product availability, which is core to offering superior range and service to customers, averaged 96.2% for the year, while on-time deliveries were at 96.0%.

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 the third-party distribution business, UPD has rented an additional distribution warehouse facility in Gauteng.

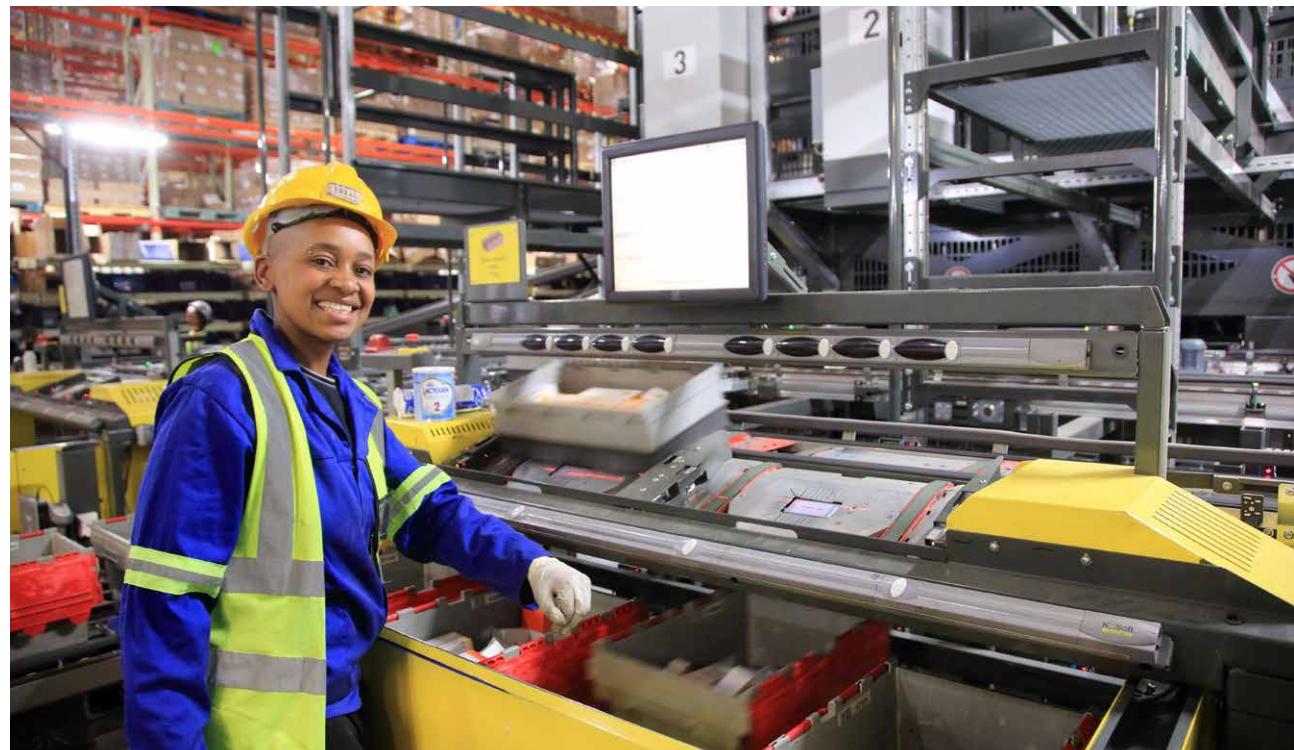
During the year UPD took a strategic decision to divest of its wholesale business in Botswana and sold Kalahari Medical Distributors which had been acquired in 2008.

GROWTH PLANS FOR 2021

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, purchases from independent pharmacies and service to the private hospital groups. The business will continue to prospect for new distribution contracts.

Capital expenditure of R123 million has been committed for warehouse equipment and information technology in the year ahead. This includes a new enterprise resource planning (ERP) system which will go live in 2021 and enable UPD to extract further efficiencies and provide world-class reporting to distribution clients.

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



UPD BUSINESS REVIEW (CONTINUED)

PERFORMANCE AGAINST OBJECTIVES IN 2020 AND PLANS FOR 2021

Growing market share

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Increase market share to 28.0%	Market share increased to 29.4%	Increase market share to 30.5%
Grow volume of business with private hospital groups	Sales to hospital groups grew by 44.4%, owing to market share gains and increased demand during Covid-19 pandemic	Grow volume of business with private hospital groups
Clicks' buying levels from UPD at 99%	Clicks' buying levels from UPD at 98.4%	Clicks' buying levels from UPD at 99%
Tender for new agency distribution contracts	Two new agency distribution contracts secured; 30 distribution clients managed at year-end	Tender for new agency distribution contracts

Protecting income

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Maintain licences	Licences maintained	Maintain licences

Optimising efficiency

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Target 99% on-time deliveries Drive further productivity initiatives across the business Achieve order fulfilment to 98%	96.0% on-time deliveries Tight shrinkage control, improved labour productivity, delivery vehicle utilisation and packaging utilisation Order fulfilment of 98.9% achieved	Target 98% on-time deliveries Drive further productivity initiatives across the business Achieve order fulfilment of 98%

Building capacity

Plans and targets for 2020	Achieved in 2020	Plans and targets for 2021
Reduce employee turnover to 8% Maintain Transported Asset Protection Association (TAPA) certification for transport fleet Expand learners through UPD training academy to 60 Design IT system solution and prepare roll-out	Employee turnover 5.8% Achieved TAPA Level 1 accreditation 59 learners enrolled Design phase completed	Reduce employee turnover to 5% Maintain accreditation Expand learners to 70 Complete build phase and commence 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.



CREATING VALUE THROUGH GOOD GOVERNANCE

Clicks Group's governance processes were stress-tested during the Covid-19 pandemic and lockdown. The fact that the group has operated for the second half of its financial year and into the 2021 financial year during the pandemic and lockdown with minimal disruption to its governance processes is evidence that its systems, structures and people are resilient and robust.

The responses to the pandemic on a governance level were many:

- Technology was employed to enable board and committee meetings to function effectively, with board meetings being conducted using secure virtual meeting platforms. All directors have become proficient in operating under these conditions, another benefit of having many seasoned directors who gain experience operating on the boards of other major companies as well as ours.
- The induction programme for Mfundiso Njeke, who was appointed to the board on 1 March 2020, was adjusted to eliminate travel and postpone onsite visits and replace these with video meetings. These video meetings proved an excellent way of allowing a new director access to senior staff in a cost and time-efficient manner.
- Both the Clicks Group's internal audit department and the external auditor's processes were subjected to enhanced scrutiny to ensure that they could discharge their functions even under these adverse circumstances. It is likely that improvements to our pre-lockdown processes can be found in the new processes that have been employed during lockdown.
- The board has applied its mind to a range of risks and scenarios as a consequence of the global pandemic crisis.

We will continue to investigate ways of using software to improve our ways of working, specifically in terms of enhancing efficiency in communication and greater accountability.

The pandemic has reaffirmed the board's view that 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. It therefore remains appropriate to

continue to premise the group's governance and compliance framework on the principles of accountability, transparency, ethical management and fairness.

As the Clicks Group's annual general meeting (AGM) was held in January 2020 before the outbreak of Covid-19 in South Africa, management has been able to learn from how other companies conduct their AGMs, and the group is well positioned to take these learnings into its own AGM in January 2021.

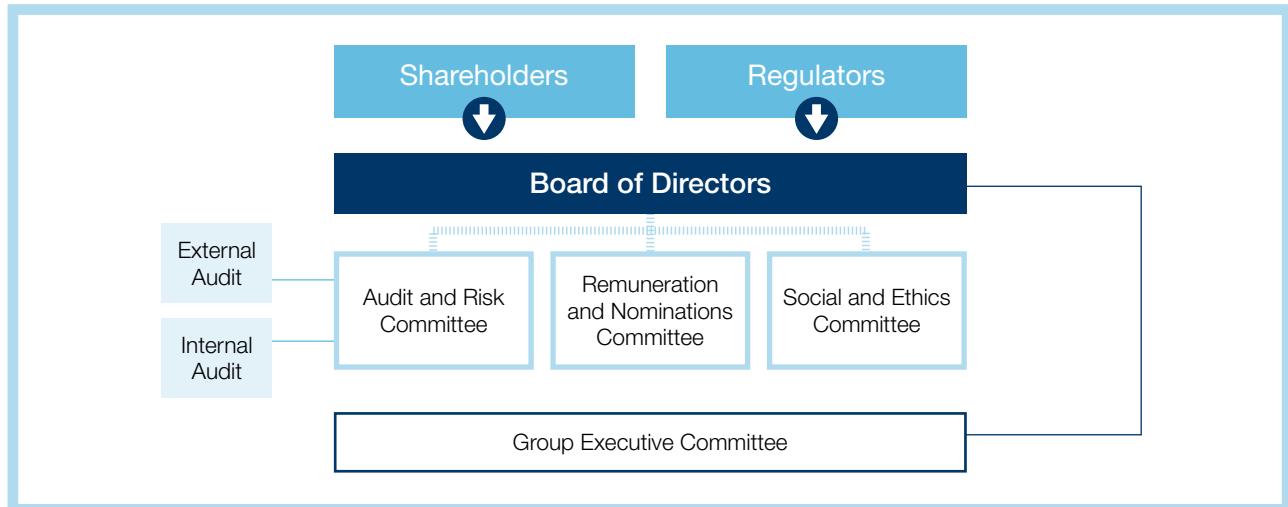
The group has applied the King IV report throughout the 2020 financial year and the directors confirm that the group has in all material respects voluntarily applied the principles of the code. The application of King IV is covered in the corporate governance report 2020 published on the website.

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.

GOVERNANCE STRUCTURE



KEY ISSUES ADDRESSED IN 2020

The board addressed the following key issues during the year:

- approving the group's three-year strategic plans and budgets, including capital investment, with a focus on updating the IT infrastructure of the business and expanding the Clicks omni-channel offering and digital marketing;
- implementing succession plans for the board, and in particular strengthening the board with the appointment of Mfundiso Njeke as an independent non-executive director. Mr Njeke will be recommended by the board to shareholders for election as a non-executive director and as a member of the audit and risk committee;
- ensuring that the group's accounting policies are appropriate. The directors have spent time understanding the impact and formulating the group's response to the implementation of IFRS 16 which has changed the accounting treatment for leases for the current financial year;
- reviewing talent and succession plans for the business;
- monitoring the finalisation of the employee share ownership programme, and the winding up of the Clicks Employee Share Ownership Trust;
- reappointing John Bester as lead independent director; and
- 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 eight years.

BOARD COMPOSITION

The board presently 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 page 30.

After the end of the reporting period, with effect from 14 September 2020, Nonkululeko Gobodo resigned from the board for personal reasons.

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.

The benefit of continuity from long-serving directors with a thorough understanding of the business and the retail sector was highlighted during the Covid-19 pandemic. 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. While the company remains of the view that it benefits from the depth of understanding of a stable board, it will continue to identify new directors who can add value to the board and who will contribute to keeping the board's thinking fresh and introduce diverse viewpoints into discussions.

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,

CREATING VALUE THROUGH GOOD GOVERNANCE (CONTINUED)

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. Currently 56% of the directors are black and 33% are female, 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 who 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, the chief executive officer and the company secretary. This year's assessment indicated that in the opinion of the directors the board, its committees and the company's most senior executive 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 chief executive officer are formalised, separate and clearly defined. This division of responsibilities at the helm of the company ensures a balance of authority and power, with no individual having unrestricted decision-making powers. The chairman leads the board and the chief executive officer is responsible for the executive management of the group. While the board and executive management collectively determine the strategic objectives of the group, the board is responsible for approving the group's strategy, and the executive is responsible for executing this strategy and for the ongoing management of the business. Regular reporting by the executive on progress made in executing its mandate allows the board to monitor implementation of strategy and to assess the effectiveness thereof. Non-executive directors have direct access to management and may meet with management independently of the executive directors.

BOARD AND COMMITTEE MEETING ATTENDANCE

	Board	Audit and risk	Remuneration and nominations	Social and ethics
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	3	4		
Bertina Engelbrecht	4	(4)	(3)	(2)
Michael Fleming	4	(4)		
Nonkululeko Gobodo (resigned 14 September 2020)	4	4		
Mfundiso Njeke (appointed 1 March 2020)	2	(2)		
Vikesh Ramsunder	4	(4)	(3)	2
Martin Rosen	4		3	
Meeting attendance 2020 (%)	97	100	100	100
Meeting attendance 2019 (%)	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 25.

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 decision by the group not to increase prices of a range of products that were considered essential in the context of the pandemic has reflected positively on Clicks, as the Clicks Group's responses to the various investigations by the Competition Commission, the National Consumer Commission and competition authorities in Namibia and Botswana have been a credible and consistent denial of any price gouging. No investigations have led to any complaints being referred or sanctions imposed.

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 2021

The board will increase its focus on issues of diversity, inclusiveness and sensitivity training, and will closely monitor and assist executive management's approach and actions in this regard.

Data protection and privacy issues remain focus areas with the Protection of Personal Information Act coming into force in South Africa. The group will continue to ensure that effective governance policies and processes are in place to address these issues.

CREATING VALUE THROUGH GOOD CITIZENSHIP

Clicks Group's strategy recognises the importance of corporate citizenship as a key enabler in creating long-term value for all stakeholders. Responsible environmental and social practices support business resilience, enhance the reputation of our brand and benefit all stakeholders including employees, customers, shareholders, suppliers and the communities in which we trade.



The group's environmental, social and governance (ESG) practices are aligned with the United Nations Sustainable Development Goals (SDGs) to ensure that our activities meet the standards of the global drive to achieve SDG targets by 2030.

The commitment to continually improve ESG practices within the business was again recognised with the Clicks Group's inclusion in the FTSE4Good Index and the FTSE/JSE Responsible Investment Top 30 Index.

Business plays a key role in driving socio-economic development and transformation. This is achieved by providing and creating decent work through learning and development opportunities, enterprise and supplier development initiatives as well as corporate social investment. These contributions will be particularly relevant in supporting the recovery of business and society post Covid-19 as the socio-economic impacts of the pandemic have had a devastating effect on the most vulnerable members of our society.

The group's response to Covid-19 in terms of ensuring the health and safety of employees and customers, protecting shareholder value and supporting communities, is covered in the report on managing the impact of Covid-19 on page 4.

On the environmental front, we have developed strategies to reduce our carbon footprint through more efficient energy and water usage, waste management, distribution network optimisation and recycling activities across the supply chain. We also acknowledge our responsibility in relation to single-use plastics and packaging, and are committed to ensuring that 100% of plastic packaging used in our stores is reusable, recyclable or compostable.

Social sustainability is focused mainly on our employees and the upliftment of communities. Despite the Covid-19 lockdown impacting the entire second half of our financial year, the group still invested R140 million in the training and development of employees. The company continues to fund the cost of primary health insurance for over 9 000 employees not covered by medical aid cover. These factors have contributed to the group again being recognised as the top employer in the retail sector in South Africa for the fourth consecutive year by the Top Employer Institute.

Governance practices are entrenched across the group and are constantly reviewed and enhanced where necessary. In the evaluation for the FTSE4Good Index Series the group again attained the maximum score for the governance component, confirming that our governance standards are in line with international best practice.

The group's sustainability activities are detailed in the 2020 sustainability report which is available at www.clicksgroup.co.za.

APPROACH TO SUSTAINABILITY

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

The sustainability strategy is based on four focus areas:

- **Building a trusted, accessible healthcare network**
- **Empowering motivated, passionate people**
- **Sourcing products that uphold the integrity of our brand**
- **Minimising our footprint**

The sustainability strategy is guided by the following principles:

Integrity and governance: We conduct business with integrity. Through effective governance and controls, including our code of conduct, we seek to ensure that our group is accountable and remains responsive to evolving norms governing the conduct of businesses in the countries in which we operate.

Healthcare: We are committed to building a trusted, accessible healthcare network, aiding in providing cost-effective, quality primary healthcare to all sectors of our society through our retail footprint and by promoting the use of generic medicines.

Environment: We endeavour, even as we grow, to lighten our footprint through reducing consumption, deployment of resources and waste.

Stakeholders: We acknowledge and consider our stakeholders in our decision-making, seek to engage with our stakeholders, and to understand their interests and imperatives of ensuring that our business is sustainable.

"The commitment to continually improve ESG practices was again recognised with the Clicks Group's inclusion in the FTSE4Good Index."

SUSTAINABLE DEVELOPMENT GOALS

The United Nations SDGs were adopted with the global goal to eliminate poverty, reduce inequality, safeguard the environment and ensure fairness and justice for all. Clicks Group supports the goals and aims to align its practices and principles with the SDGs, and is now a formal signatory of the United Nations Global Compact.

The group has identified seven of the 17 SDGs where the business can have the most impact and play a role in contributing to the ultimate attainment of these goals.

SDG	Clicks Group's approach
 1 NO POVERTY	End poverty in all its forms everywhere Clicks Group aligns to legislated minimum living wages and pursues equity in pay and empowerment of women through socio-economic development programmes.
 3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages Clicks Group offers a comprehensive employee wellness programme. Clicks provides free clinic tests and family planning through the Helping Hand Trust.
 4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all Clicks offers equal opportunity for education at university level to employees, including youth in the workforce through internships and permanent employment. The group also offers pharmacy bursaries that assist in developing capacity for the pharmacy sector in South Africa.
 7 AFFORDABLE AND CLEAN ENERGY	Ensure access to affordable, reliable, sustainable and modern energy for all Clicks Group is committed to implementing alternative energy sources for its operations.
 8 DECENT WORK AND ECONOMIC GROWTH	Promote inclusive and sustainable economic growth, employment and decent work for all The group promotes decent work and economic growth through job creation and by providing good benefits with decent working conditions.
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns The group is committed to reducing pollution, waste and resource usage by setting targets to continuously improve and implement solutions beyond regulatory requirements.
 13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts In line with the Paris Agreement on reducing global emissions, the group has been setting greenhouse gas emission reduction targets since 2008.

EMPOWERMENT AND TRANSFORMATION

Empowerment and transformation are critical aspects of sustainability and the group is committed to the spirit and targets set out in the Broad-based Black Economic Empowerment (BBBEE) Act.

Transformation is overseen by the board's social and ethics committee and managed by an internal transformation committee, which is chaired by the chief executive and co-ordinated by the group human resources director. Business unit transformation forums are responsible for the implementation of transformation at an operational level.

The group's transformation strategy is aligned to the Department of Trade, Industry and Competition's Codes of Good Practice. The group achieved a level 5 BBBEE rating in the 2020 financial year on the amended BBBEE codes, with a score of 75.27 points. Legislative changes to the BBBEE Act in December 2019 relating to the targeted absorption of learners and the introduction of a new bursary spend sub-element adversely impacted the group.

The employment equity and diversity profile of the group reflects 93% black employees and 64% female employees. The group executive committee has 67% black and 33% female representation, while the board comprises 56% black and 33% women directors.

"The employment equity and diversity profile of the group reflects 93% black employees and 64% female employees."

Further details on the group's progress on transformation and ESG practices are outlined in the chief executive's report on page 34, including the group's commitment to supporting local suppliers.

BBBEE element	Points available	2020	2019	2018
Ownership	25	14.76	13.41	15.03
Management and employment equity	19	13.58	13.27	12.06
Skills development	25	13.81	18.43	15.57
Preferential procurement, enterprise and supplier development	44	28.12	26.37	26.55
Socio-economic development	5	4.99	5.00	5.00
Total	118	75.27	76.49	74.21
BBBEE level		5	6*	6

* Level 5 discounted to level 6 in 2019.



SOCIO-ECONOMIC DEVELOPMENT

In the past year the group invested R19 million in socio-economic development projects aligned to its focus on health and well-being.

The Clicks Helping Hand 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.

As part of the response to the Covid-19 pandemic, the Clicks Helping Hand Trust extended the time allocated to free services at selected Clicks clinics to help the most vulnerable people in our communities. The services contribute to reducing foot traffic in state facilities and ensure that Covid-19 co-morbidities such as diabetes, blood pressure and HIV/AIDS are better managed.

The Clicks Helping Hand Trust also assists mothers and babies that cannot access government facilities through the mother and baby programme, which provides mothers with nutritional education, health checks and vaccinations for children.

"The group invested R19 million in socio-economic development projects aligned with its focus on health and well-being."

Over the past six years Clicks has provided more than 430 000 free healthcare consultative and treatment services for conditions including diabetes, HIV/AIDS, blood pressure and cholesterol. Over 16% of these services were provided in the current financial year.

Clicks also donated 10 000 flu vaccines to the frontline healthcare workers of the Western Cape Department of Health and Department of Social Development to support these essential first responders.

Through the Girls on the Go programme, reusable and washable sanitary pads have been provided to over 20 000 schoolgirls.

ENVIRONMENT

While the group's activities do not have a significantly negative impact on the environment, as a responsible retailer the group is committed to addressing environmental and climate change challenges.

Environmental management systems are embedded into all business practices and operations. The group participates in the voluntary Carbon Disclosure Project and in the latest assessment maintained an A- rating. This is ahead of the Africa regional average of B- and the convenience retail sector average of C. Clicks is a founding member of the South African Plastics Pact which was initiated in 2020 to promote a circular economy for plastics.

Refer to the 2020 sustainability report for detail on the group's environmental management strategy, approach to climate change, carbon emissions data and the management of electricity, water and waste.

CONCLUSION

While we are encouraged by the progress across several areas of ESG during the past year, we acknowledge there remains a great deal more that needs to be addressed and achieved. We are committed to continual improvement of our ESG performance and to playing our part in the sustainable development of the communities in which we operate.

Bertina Engelbrecht

Bertina Engelbrecht
Group human resources director

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 2021. The application of the remuneration policy in 2020, 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 from shareholders voting at the AGM, 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.

At the AGM held in January 2020 the requisite majority of shareholders did not endorse the group's remuneration implementation report, which received 73.80% support and not the required 75% in a non-binding advisory vote. This was

despite the remuneration policy having been overwhelmingly endorsed by shareholders at the 2018 and 2019 AGMs, and the group's remuneration policy having been implemented on its terms. An announcement was released on SENS following the AGM, inviting engagement by shareholders with management in relation to the remuneration implementation report. No shareholders responded to this invitation. Management engaged with shareholders whom the group was aware had not supported this vote, including the Public Investment Corporation (PIC), the largest shareholder. Two further shareholders raised their concerns in correspondence with the group. One key concern related to the requirement to include malus and clawback provisions in respect of variable compensation for executives. This has been addressed and these provisions will be included in the rules prospectively for the short and long-term incentive schemes.

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 2020 AGM, 77.79% of shareholders who voted supported the group's remuneration policy.

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 2020 financial year is detailed on pages 73 and 74.



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 consultant, 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 2020, 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 69).

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 these 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 executive remuneration is variable and designed to incentivise executives. 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. Long-term incentive schemes are aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value over the medium term. Participation in the long-term incentive scheme is limited to senior employees including executive directors. The long-term incentive scheme is regularly reviewed and enhanced to align with evolving best practice locally and internationally. In this year, the board considered and approved the inclusion of malus and clawback provisions in relation to variable compensation payable to executives, for future short and long-term incentives. These provisions will be included in the rules prospectively from 1 September 2020 in respect of the short-term incentive scheme

as well as apply to new tranches awarded to executives in terms of the long-term incentive scheme.

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 69 to 71 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 the committee reviewed the short-term incentive scheme rules, the chief executive officer's on-target bonus remains at 60% of annual guaranteed pay and at 50% of annual guaranteed pay for the other executive directors.

- 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%.

REWARDING VALUE CREATION (CONTINUED)

- 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.

Long-term incentive scheme

Executive directors participate in the cash-settled long-term incentive scheme which is detailed on pages 70 and 71.

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 start of 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 12% of the total group employees (2019: 11%). 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

The company funds the cost of employee contributions to the Discovery Primary Care Advanced scheme for staff with six months' continuous service in customer service, clerical and supervisory roles. Employees have 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 in January 2019 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.

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 schemes, of whom 37% are black and 29% 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.

For the 2021 short-term incentive scheme, the impact of the adoption of the accounting standard IFRS 16 Leases will be adjusted by removing the IFRS 16 statement of comprehensive income and statement of financial position line items and replacing these with the economic cash flows represented by the lease payments made to landlords to calculate the group's RONA for incentive purposes.

- **Retail store incentive scheme**

The retail store incentive scheme rewards staff in retail stores for outperforming quarterly store sales targets.

REWARDING VALUE CREATION (CONTINUED)

Long-term incentive scheme

The long-term incentive (LTI) scheme is aimed at aligning executive remuneration with shareholder interests by rewarding executives for the creation of shareholder value. The LTI scheme has 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 scheme is regularly reviewed and enhanced to align with evolving best practice locally and internationally, and based on engagement with major shareholders.

- The scheme is cash settled and based on share appreciation units. As there are no shares issued in terms of the LTI scheme, there is no share dilution.
- The remuneration multiple used to determine the number of appreciation units granted is unchanged.
- 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 scheme 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 (2019: 14) executives participate in the scheme. The relevant amounts are expensed through the statement of comprehensive income.

- **2018, 2019 and 2020 LTI 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 design of the 2018, 2019 and 2020 tranches of the LTI scheme are unchanged, with the value of appreciation units being subject to performance hurdles.

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

- (1) diluted HEPS; and
- (2) total shareholder return (TSR).

The group has adopted IFRS 16 Leases in 2020 using the full retrospective approach. As a result of this adoption, diluted HEPS was restated and accordingly the base value of this component for the respective tranches in the existing LTI scheme was also restated. The restatement of the base values was approved by the remuneration committee and forms part of the group's annual financial statements on which Ernst & Young has issued an unqualified audit opinion.

(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.

The performance hurdles for the diluted HEPS appreciation units have remained unchanged and are 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%

REWARDING VALUE CREATION (CONTINUED)

(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.

TSR is defined as: "The overall return to shareholders, being the appreciation in the 20-day VWAP of the Clicks Group share, plus dividend payments reinvested over the three-year performance period, divided by the VWAP of the Clicks Group share at the commencement of the period, expressed as a percentage."

The performance hurdles for the TSR appreciation units have remained unchanged 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:

	2018 – 2021 scheme		2019 – 2022 scheme		2020 – 2023 scheme	
	HEPS units allocated at R68.10 ¹ per unit	TSR units allocated at R193.96 per unit	HEPS units allocated at R79.63 ¹ per unit	TSR units allocated at R199.01 per unit	HEPS units allocated at R90.52 per unit	TSR units allocated at R237.77 per unit
Bertina Engelbrecht	121 107	43 308	111 579	45 224	105 391	40 123
Michael Fleming	176 759	63 209	161 914	65 625	152 894	58 208
Vikesh Ramsunder	145 617	52 073	255 703	103 638	262 373	99 886

¹ Restated for the adoption of IFRS 16 (refer to page 70).

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 is 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. Consequently, the proposed fee increase of 4.7% for directors is consistent with the percentage increase granted to employees.

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 determined for a calendar year.

REMUNERATION GOVERNANCE

The remuneration committee (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 of the integrated report.

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 2020

Annual salary increase

The average performance-linked increase effective from 1 September 2020 is 4.7% (2019: 5.9%).

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 (effective annually in July) was 7.8%. Due to the national lockdown the finalisation of the current wage negotiation process (implementation date of 1 July annually) has been delayed and will be implemented retrospectively.

The annual guaranteed pay of the 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 the PricewaterhouseCoopers and Deloitte surveys of chief executive officer remuneration. These surveys indicated that the chief executive officer's annual guaranteed pay was significantly lower than the median pay within the comparator group and was therefore adjusted to bring it into alignment.

Short-term incentive schemes

RONA-based short-term incentive scheme: The group achieved an average monthly RONA of 105.5% which exceeded the minimum on-target performance hurdle of 80.9%. The group also achieved 101.3% of the targeted operating profit. The Health and Beauty, and Group services business units exceeded the short-term targets while UPD met the short-term targets.

In terms of the scheme rules R98.9 million will be paid to qualifying employees (2019: R105.4 million). This includes incentives paid in terms of the retail store incentive scheme where R28.7 million (2019: R19.2 million) was paid to retail store staff for the 2020 financial year.

Group retention scheme

During the financial year R51.8 million (2019: R35.6 million) was paid out to participants in the scheme.

Long-term incentive scheme

For the three-year performance period ended 31 August 2020 the group achieved the following compound annual growth rates (CAGR):

- Diluted HEPS: 15.1% 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: 19.6% CAGR: This exceeds the "above 15%" performance hurdle and the TSR appreciation units allocated to participants were increased by 100% 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 R105.3 million (2019: R158.6 million) to the scheme participants.

REWARDING VALUE CREATION (CONTINUED)

DIRECTORS' REMUNERATION

Executive directors' remuneration

Director (R'000)	Salary	Pension fund	Other benefits	Total annual guaranteed pay	RONA short- term incentive	Per- formance- based long-term incentive ¹	Total variable pay	Total
2020								
Bertina Engelbrecht	4 025	475	–	4 500	2 279	15 828	18 107	22 607
Michael Fleming	6 044	429	57	6 530	3 307	23 133	26 440	32 970
Vikesh Ramsunder	7 892	358	–	8 250	5 014	18 871	23 885	32 135
Total	17 961	1 262	57	19 280	10 600	57 832	68 432	87 712
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

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.

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

Non-executive directors' remuneration

Director (R'000)	2020 directors' fees			2019 directors' fees		
	Holding company	Subsidiary companies	Total	Holding company	Subsidiary companies	Total
David Nurek	1 419	–	1 419	1 303	–	1 303
Fatima Abrahams ¹	693	155	848	591	146	737
John Bester	796	–	796	716	–	716
Fatima Daniels ²	530	155	685	494	146	640
Nonkululeko Gobodo	555	–	555	494	–	494
Martin Rosen	465	–	465	396	–	396
Mfundiso Njeke ³	222	–	222	–	–	–
Total	4 680	310	4 990	3 994	292	4 286

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.

³ Appointed as a non-executive director effective 1 March 2020.

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

REWARDING VALUE CREATION (CONTINUED)

Total directors' remuneration

R'000	2020	2019
Executive directors (including the long-term incentive scheme)	87 712	70 591
Non-executive directors	4 990	4 286
Total directors' remuneration	92 702	74 877

Directors' shareholdings at 31 August

Director	2020 beneficial shares			2019 beneficial shares		
	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
Vikesh Ramsunder	11 116	–	11 116	11 116	–	11 116
Martin Rosen	–	2 000	2 000	–	2 000	2 000
Total	128 605	112 000	240 605	128 605	112 000	240 605

The total number of ordinary shares in issue is 248 662 647 and the percentage of issued share capital held by directors is 0.10% (2019: 0.09%). Details of dealings in Clicks Group shares by directors during the financial year are contained in the directors' report in the annual financial statements on the website.

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 directors fees in 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 is 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 calibre of the group's pay frameworks. For the intervening years the average pay increase awarded to the group's employees will be applied to the non-executive directors' fees. Accordingly, an increase of 4.7% is proposed for the increase in non-executive fees for the 2021 year.

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.

The fees for the 2021 calendar year are subject to approval by shareholders at the AGM in January 2021.

Board position	2021*			2020*		
	Proposed base fee R	Proposed meeting fee R	Proposed total fee R	Base fee R	Meeting fee R	Total fee R
Board chairman**	1 138 612	379 538	1 518 150	1 087 500	362 500	1 450 000
Board member	314 100	104 500	418 800	300 000	100 000	400 000
Chair: Audit and risk committee	265 022	88 340	353 362	253 125	84 375	337 500
Member: Audit and risk committee	138 989	46 330	185 319	132 750	44 250	177 000
Chair: Remuneration and nominations committee	141 345	47 115	188 460	135 000	45 000	180 000
Member: Remuneration and nominations committee	66 746	22 249	88 995	63 750	21 250	85 000
Chair: Social and ethics committee	91 089	30 363	121 452	87 000	29 000	116 000
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 held by offshore fund managers.

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SHAREHOLDER ANALYSIS

AT 31 AUGUST 2020

	Number of shares	Percentage of shares
Public and non-public shareholders		
Public shareholders	248 422 042	99.9%
Non-public shareholders		
Shares held by directors	240 605	0.1%
Total shareholders	248 662 647	100.0%

According to the company's register of shareholders, read in conjunction with the company's register 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 2020:

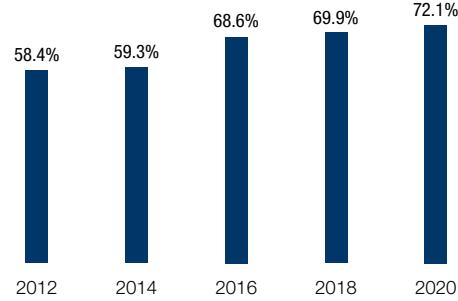
	2020 Percentage of shares	2019 Percentage of shares
Major fund managers managing 3% or more		
Public Investment Corporation (SA)	13.7%	12.4%
BlackRock (US and UK)	6.1%	4.1%
JPMorgan Asset Management (UK and US)	6.1%	5.1%
Fidelity Management & Research (US)	6.1%	7.5%
RBC Global Asset Management (UK)	5.8%	5.0%
GIC Asset Management (Singapore)	3.9%	3.5%
BMO Financial Group (UK)	3.8%	2.3%
The Vanguard Group (US)	3.7%	3.8%
T Rowe Price (UK and US)	3.6%	3.3%

Geographic distribution of shareholders



- 27.9% South Africa and Namibia
- 35.3% USA and Canada
- 13.7% United Kingdom and Ireland
- 11.0% Europe
- 12.1% Other countries

Offshore shareholding



SHAREHOLDERS' DIARY

Annual general meeting 27 January 2021

Preliminary results announcements

Interim results to February 2021 on or about 22 April 2021

Final results to August 2021 on or about 21 October 2021

Publication of 2021
Integrated Report November 2021

Ordinary share dividend

2020 final dividend

Last day to trade with
dividend included 19 January 2021

Date of dividend payment 25 January 2021

2021 interim dividend

Last day to trade with
dividend included July 2021

Date of dividend payment July 2021

2021 final dividend

Last day to trade with
dividend included January 2022

Date of dividend payment January 2022

CORPORATE INFORMATION

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

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ISIN: ZAE000134854
ADR ticker symbol: CLCGY
ADR CUSIP code: 18682W205

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JSE sponsor
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