

SUSTAINABILITY
REPORT
2018

CLICKS GROUP
LIMITED



*"Creating sustainable
long-term shareholder
value through a
retail-led health, beauty
and wellness offering."*

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INTRODUCING THE REPORT

The Clicks Group 2018 sustainability report is a key component of our annual integrated reporting process.

The report focuses on the group's performance and how value has been created for stakeholders. The report also provides information on environmental, social and governance (ESG) material impacts and mitigation measures on the long-term success of the business. The reporting scope covers the group's entire operations unless otherwise stated. Performance data relates to the financial year from 1 September 2017 to 31 August 2018.

The report is aimed at our primary stakeholders who have a vested interest in the group's sustainability performance, mainly our people, customers, the communities in which we trade, shareholders, suppliers and industry regulators.

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

The group's sustainability reporting process has continued to improve, with the group again being included in the FTSE/JSE

Responsible investment Top 30 Index. Inclusion in the index is based on an independent review by the global index provider, FTSE Russell, of our environmental, social and governance performance. The group achieved the maximum score in the governance pillar.

Clicks Group was again included in the FTSE4Good Index which recognises the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds.



David Nurek
Independent
non-executive chairman

7 November 2018



Bertina Engelbrecht
Group human resources
director



CAPITALS OF VALUE CREATION

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

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

OUR GUIDING SUSTAINABILITY PRINCIPLES

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

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

- **Integrity and governance:** We conduct business with integrity.

Through effective governance and controls, including our code of conduct, we seek to ensure that our group is accountable and remains responsive to evolving norms governing the conduct of businesses in 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 footprint and by promoting the use of generic medicines.
- **Environment:** We endeavour, even as we grow, to lighten our footprint through reducing consumption, deployment of resources and waste.

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

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

INTRODUCING THE CLICKS GROUP

Clicks Group is a retail-led healthcare company which is listed in the Food and Drug Retailers sector on the JSE. Clicks celebrated the 50th anniversary of its founding during the reporting period and was also included in the FTSE/JSE Top 40 Index.

The group has a total retail footprint of 837 stores, including 46 in the neighbouring countries of Namibia, Botswana, Swaziland and Lesotho and employs 15 067 permanent employees.

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

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

- The Body Shop sells natural, ethically-produced beauty products.
- GNC is the largest global speciality health and wellness retailer.
- Claire's is a leading retailer of fashionable jewellery and accessories for young women and girls.

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

Clicks is also South Africa's largest retail pharmacy chain, with 510 in-store pharmacies. It is renowned for its ClubCard, which is one of the largest loyalty programmes in South Africa, with over 7.8 million active members who account for 77.2% of the brand's sales.

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

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

510
pharmacies

837
total number of
retail stores

9
distribution centres

OUR APPROACH TO SUSTAINABILITY

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

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

Clicks' sustainability and monitoring processes are aligned with the principles of the United Nations (UN) Global Compact and follow the guidance of the International Labour Organisation as well as the Organisation for Economic Co-operation and Development on policies in support of global economic and social well-being. The frameworks are also aligned to the UN's Sustainable Development Goals (SDGs).

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

Clicks Group's sustainability strategy is driven by four focus areas:

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

Building a trusted, accessible healthcare network

The provision of health products and services is our business, and our biggest social contribution. Better healthcare as well as access to reliable and affordable healthcare plays a vital role in fostering national development goals.

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

Clicks Helping Hand Trust has continued to sponsor free clinic services every week at our 203 clinics across the country, with 102 783 visits during the financial year.

Our integrated healthcare retail and supply model gives the Clicks Group a unique competitive positioning in South Africa.

Clicks was once again independently rated by customers as South Africa's leading health and beauty retailer.

Clicks has increased its retail pharmacy market share to 23.3%.

Two important trends in the pharmaceutical environment continue to influence trading patterns. The first is the increasing use of generic medicines, which now account for 69% of pharmacy medicine volumes sold in Clicks, with sales growing by 13.2% in the past year. The second is the increasing shift to over-the-counter (OTC) medicines, with sales growing 15.1%.

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

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

The Clicks store footprint expanded to 663 and continues to grow, with a target to reach 900 stores in South Africa.

Empowering motivated, passionate people

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

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

This has contributed to Clicks Group being independently rated among the top employers in the country for 2018 by the Top Employers Institute, and as the number one employer in the retail industry.

The first 50% payout under the employee share ownership programme (ESOP) was made in 2018 and the remaining 50% will be paid in 2019. The scheme has 5 830 employee shareholders, and 86% of beneficiaries are black, while 65% are female. Total dividends of R35.4 million have been paid to participants in the scheme since 2012.

In the past year R124.7 million was invested in learning and skills development. A total of 6 078 of our people participated in learning and development interventions, which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications.

A high percentage – 99.4% – of our employees are covered by retirement benefits and 18.2% belong to a medical aid scheme.

The group achieved a level 6 BBBEE rating, with a score of 74.2 points.

INTRODUCING THE REPORT (CONTINUED)

We invested R18.4 million in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being.

Clicks Group hosts an annual healthcare conference at which our pharmacists are exposed to new trends and knowledge sharing in the industry. This ensures that staff are informed of the latest healthcare developments and trends.

Sourcing products that uphold the integrity of our brand

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

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

The group has a 25% shareholding in Sorbet Brands which holds the trademarks to the Sorbet brand in southern Africa. The Sorbet product range continues to grow and is available in southern Africa only in Clicks stores and in the Sorbet franchised beauty salons.

Lightening our footprint

Clicks is committed to reducing and mitigating the impact of the business on the environment. Clicks has made a strategic decision to set annual reduction targets for our carbon emissions and report to the Carbon Disclosure Project (CDP), achieving a result of -A performance band.

"We are committed to implement sustainable business practices within a culture of responsible environmental stewardship"

As a response to the expanding store footprint which has consequently resulted in increased energy usage, we have invested in initiatives such as online energy metering to continuously track, monitor and manage our consumption. Our 400 kWp solar photovoltaic (PV) system, comprising 1 298 modules installed over a rooftop area of 2 519 m² at

our head office building, has continued to yield positive results towards energy savings.

Clicks commissioned a water risk assessment in 2017. The report provided insights into our water-scarce operational areas within the country. The report was used to provide information to devise a drought response plan during the 2018 water crisis in the Western Cape. The group adopted several initiatives and saved 181.6 kilolitres of water at our head office during the financial year.

Various waste recycling initiatives are in place and 37% of our recyclable waste is recycled.

Outlook

The group's commitment to sustainable business practices and a culture of responsible environmental, social and governance stewardship is ongoing.

Despite the tough economic outlook for consumers in most of our markets, we will make significant investments required to meet this commitment and continue to deliver value for all our stakeholder groups.

We expect to reach more people by expanding our network of pharmacies and clinics in stores and help previously disadvantaged South Africans through the free clinic services of the Helping Hand Trust.

We plan to invest 1% of our after-tax profit into socio-economic development in the next financial year. In the medium term we plan to achieve a level 4 BBBEE rating and remain a Top Employer in South Africa.

The New Clicks Foundation will receive R100 million from the Employee Share Ownership Trust over a two-year period which will be used to grant 100 bursaries each year to ensure a sustainable pipeline of pharmacists entering the profession.

Projects including route optimisation, better energy efficiency, eliminating the risk of water scarcity and disposing of waste appropriately will be a continuous drive for the business.

Our board remains confident in the group's ability to deliver great value to our customers, innovative product development, strong organic growth and investment in infrastructure to deliver sustainable growth.

CREATING VALUE THROUGH GOOD GOVERNANCE

Clicks Group recognises the value of corporate governance in ensuring the sustainability of the business and in enhancing long-term equity performance. While compliance with applicable regulation and voluntary codes is a good baseline from which to measure governance, and a non-negotiable demand by the board, the group's commitment to good governance goes beyond compliance.

The group's governance and compliance framework is founded on the principles of accountability, transparency, ethical management and fairness. Sound governance is entrenched across the entire business. Governance processes are regularly reviewed to align with regulatory changes and to reflect best practice.

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

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

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

The contribution of talent management and succession planning to the sustainability of the business is embraced in the group.

The group's corporate governance report is 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.

Key issues addressed in 2018

The board addressed the following key issues during the year:

- approval of the business's three-year strategic plans and budgets, including capital investment;
- review of talent and succession plans for the business, including for the role of CEO. Vikesh Ramsunder will succeed David Kneale as CEO from 1 January 2019. David Kneale will remain as a strategic adviser to the group until his retirement on 31 August 2019;
- monitoring of the first vesting of shares to beneficiaries in terms of the employee share ownership programme, and the preparation for the second vesting of shares in terms of this programme;
- rotation of the Ernst & Young (EY) audit partner for the group, with Anthony Cadman taking over from Malcolm Rapson as designated audit partner for the 2018 financial year audit. EY has been the group's external auditor for six years and will again be proposed for re-election at the annual general meeting in January 2019;
- approval of a plan to extend employer-funded primary care health insurance to lower-income earning employees from January 2019;
- approval of the investment in information technology for operating divisions in the group; and
- support for management's expansion of the group's retailing activities in digital channels.

Board composition

The board consists of nine directors, with three salaried executive directors and six independent non-executive directors. The age, tenure, experience and expertise of each director is briefly set out in the board of directors' report on pages 28 and 29 in the 2018 integrated annual report.

Independence of directors

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

While the tenure of non-executive directors is not a determinant of independence in terms of King IV, David Nurek has served as a non-executive director for 22 years, Martin Rosen for 12 years and Fatima Abrahams, John Bester and Fatima Daniels have each served for 10 years. The company derives extensive benefit from the depth of knowledge of the business and the consistent approach to the strategy that long-serving directors bring, particularly with the appointment of a new CEO who will be able to rely on their in-depth knowledge, experience and expertise during the transition period. Strong, suitably qualified new independent non-executive directors will be appointed from time to time to ensure that fresh and critical thinking is maintained at board level.

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

The company has no controlling shareholder or group of shareholders and there is no 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. During the year under review 44% of the directors were female and 44% were black, which exceeds these targets.

Director election

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

Annual performance evaluation

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

Board and executive relationship

The roles of the chairman and the 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.

INTRODUCING THE REPORT (CONTINUED)

Board and committee meeting attendance

	Board	Audit and risk	Remuneration and nominations	Social and ethics
Number of meetings	4	4	3	2
David Nurek	4 ⁺	(4)	3 [^]	2
Fatima Abrahams	4		3 ^{^^+}	2 ⁺
John Bester	4	4 ⁺	3	
Fatima Daniels	4	4		
Bertina Engelbrecht	4	(4)	(3)	(2)
Michael Fleming	4	(4)		
Nonkululeko Gobodo	4	4		
David Kneale	4	(4)	(3)	2
Martin Rosen	4		2	
Meeting attendance 2018 (%)	100	100	92	100
Meeting attendance 2017 (%)	97	100	100	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.

King IV application

The group has applied King IV for the 2018 financial year. Certain elements of King IV were already adopted by the group in the preceding year.

Ethics and values

The group subscribes to high ethical standards of business practice. A set of values and a behavioural code of conduct require staff to display integrity, mutual respect and openness. Members of staff have an obligation to challenge others who are not adhering to these values. The social and ethics committee is responsible for monitoring ethical practices. The group has various documented policies which require all employees to adhere to ethical business practices in their relationships

with one another, suppliers, intermediaries, shareholders and investors. These policies also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interests. A fraud prevention policy ensures that a firm stance is taken against fraud and the prosecution of offenders.

Anti-competitive conduct

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

Governance focus areas in 2019

With the changes required by King IV now implemented, the group will continue to seek out and apply relevant best practices in governance. Initiatives to further strengthen governance that the group will consider for the ensuing year are likely to include training for directors and prescribed officers, and the refreshing and refinement of core governance policies and documents.

CAPITALS OF VALUE CREATION

Our group sustainability framework stems from the company's commitment to create value and drive the group's strategy in a sustainable manner. The group uses the various capital resources to optimise value creation for shareholders. The group's adopted six capitals are centred on:

FINANCIAL	INFRASTRUCTURE	INTELLECTUAL	PEOPLE	STAKEHOLDERS	ENVIRONMENT
The financial resources raised and deployed by the company	The infrastructure network used in selling merchandise, including the retail store network, distribution facilities, online store and information technology systems	The collective knowledge and expertise across the business as well as the intellectual property of the group, including trademarks, the development and design of private label brands, customer segmentation and loyalty management	The competency, capability and experience of the board, management and employees	The relationships with stakeholders influencing the business, primarily customers, suppliers, employees and shareholders	The group's operational strategy which focus on low environmental impact

CREATING VALUE IN 2018

FINANCIAL

First-time inclusion in
FTSE/JSE Top 40 Index

Operating profit exceeds **R2 billion** for the first time

R2.5 billion cash generated by operations

Diluted HEPS up **15.1%** to 578 cents

Dividend up **18%** to 380 cents per share

Return on equity of **38.2%**

Total shareholder return **32.5%** (10-year CAGR)

INFRASTRUCTURE

Opened
41 Clicks stores
and expanded footprint to 663 stores

R671 million capital investment in stores, supply chain and IT



Online store offering in-store or home delivery nationally

37 new Clicks pharmacies; total now 510

9 distribution centres across Clicks and UPD

INTELLECTUAL



7.8 million

active Clicks ClubCard loyalty members

Clicks increased market share in all key product categories

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

Over 700 new private label products launched, reflecting investment in innovation

Clicks remains price competitive with national retailers

Clicks independently rated as leading health and beauty retailer in SA

UPD gained share of the wholesale and distribution markets

PEOPLE

R1.3 billion

paid to beneficiaries of employee share ownership programme

15 067 permanent employees; **394** new jobs created

Recognised as Top Employer in retail sector in South Africa

R125 million invested in employee training and development

Pharmacy staff turnover reduced to **15%**

STAKEHOLDERS

R812 million

paid to shareholders in dividends

Turnover of **R29.2 billion** generated from customers

R442 million cashback paid to ClubCard members

R3.2 billion paid to employees

R25.2 billion paid to suppliers of goods and services

ENVIRONMENT

Included in

FTSE4Good Index



FTSE4Good

64% reduction in municipal water usage at head office

37% of waste recycled

1 980 tons of recycling in the supply chain

Energy and water reduction targets set to reduce carbon footprint

FINANCIAL

Turnover

R29.2 billion

2017: **R26.8 billion**
2016: **R24.2 billion**

Health and beauty turnover growth

11.7%

2017: **14.7%**
2016: **13.5%**

Operating profit margin

7.0%

2017: **6.8%**
2016: **6.5%**

Headline earnings

R1.5 billion

2017: **R1.3 billion**
2016: **R1.1 billion**

Dividends

380 cents per share

2017: **322 cents per share**
2016: **272 cents per share**



great value every day

great value every day

FINANCIAL

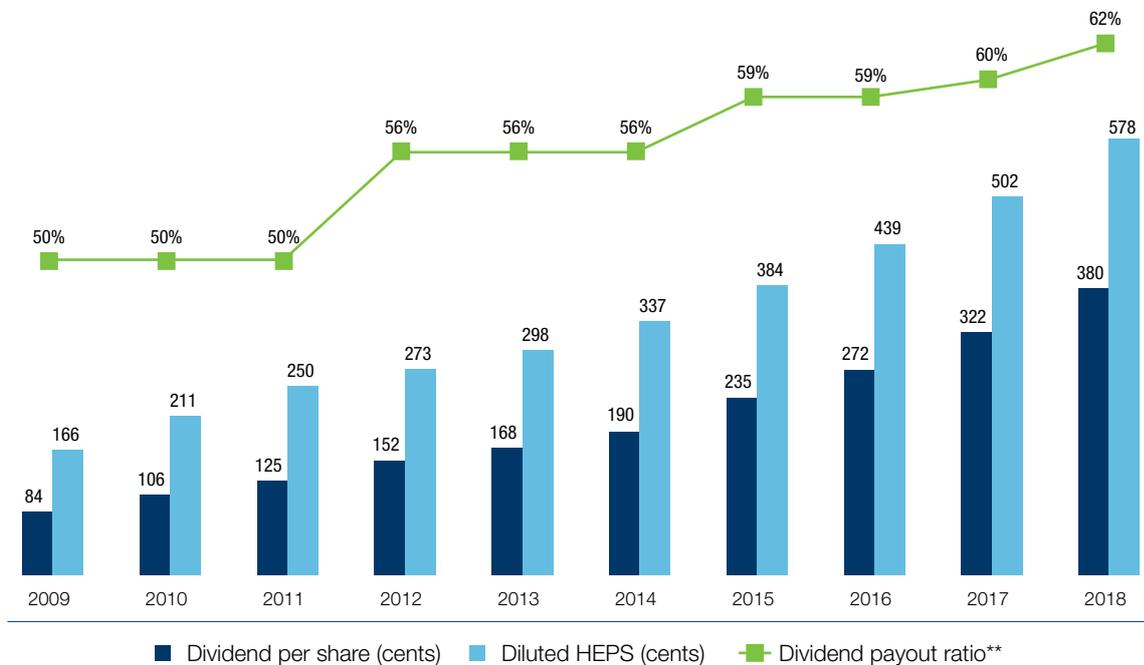
The financial resources raised and deployed by the company.

SUSTAINED FINANCIAL PERFORMANCE

16.0%
diluted HEPS
10-year CAGR

32.5%
total shareholder
return 10-year
CAGR*

20.1%
dividend
per share
10-year CAGR



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

** Based on HEPS

50 YEARS OF VALUE

2018 marked the 50th birthday of the founding of Clicks by visionary retailer, Jack Goldin, who opened the first store in August 1968 in the Cape Town city centre.

Clicks' unwavering commitment to offering consumers affordable, everyday value over the past five decades has seen Clicks becoming increasingly relevant in South Africa's retail landscape. Today Clicks is the country's leading health and beauty retailer and leading pharmacy chain, as voted by shoppers in the annual Sunday Times/The Sowetan survey for the past 10 years.

Clicks was conceived as a drugstore but owing to restrictive legislation preventing corporate ownership of pharmacies, it took 36 years before Jack Goldin's founding vision was realised. After opening the country's first-ever corporate retail pharmacy in 2004, Clicks opened its 500th pharmacy in April this year.

We celebrated our anniversary by supporting 50 charitable causes in local communities across the country. During our birthday month 16 schools received reusable sanitary pads to the value of R1 million as part of the group's Girls on the Go programme to reduce absenteeism among schoolgirls. We also supported 34 charitable projects with toiletries and basic essentials, and upgraded facilities at a community primary school which adjoins our head office in Woodstock, Cape Town.

Our birthday year coincided with the vesting of the first 50% of the group's broad-based employee share ownership plan (ESOP) when over 5 800 employees shared in a payout of R1.3 billion. 86% of the beneficiaries of the scheme are black employees and 65% female. The second and final payout under this scheme will be made in 2019.

“Over 5 800 employees shared in a payout of R1.3 billion from our broad-based share ownership plan”

In our 50th year the group's operating profit exceeded R2 billion for the first time. It has also been a record year for cash generation and capital investment. Consistent financial performance and growth in shareholder value over several years culminated in Clicks Group being elevated to the FTSE/JSE Top 40 Index in June this year.

STRONG AND RESILIENT PERFORMANCE IN 2018

The group continued its strong growth momentum and delivered another resilient financial and operational performance for the year, despite facing increasing headwinds across multiple fronts in the second half of the year.

Consumer spending came under further pressure as the increase in the value-added tax rate from 14% to 15% and significant increases in fuel costs reduced disposable income and negatively impacted consumer sentiment. In addition, selling price inflation declined to almost zero in the second half which meant that turnover growth was dependent on achieving volume growth. Finally, the lower incidence of colds and flu compared to the winter of 2017 depressed medicine sales.

Overall group turnover for the year increased by 9.1% to R29.2 billion.

Retail health and beauty sales, including Clicks and the franchise brands of The Body Shop, GNC and Claire's, increased by 11.7%. Sales in comparable stores grew by 6.2%, with selling price inflation of only 1.1%, as volume growth accelerated to 5.1%.

Our founding customer promise of value continues to underpin the Clicks performance through competitive pricing and value promotions. Front shop sales growth was driven by promotions in the current constrained consumer economy, with promotional sales in Clicks increasing by 14.7% and accounting for 35% of the turnover in Clicks.

Strong sales growth, together with the expansion of the store and pharmacy network, contributed to Clicks gaining market share in all merchandise categories. Front shop health market share increased to 30.8% and retail pharmacy market share to 23.3%. In the beauty category, skincare market share grew to 36.1% and haircare to 28.2%.

Our pharmaceutical distributor UPD also performed well. Turnover increased by 8.4%, market share grew from 25.6% to 26.0% and the business gained three new distribution contracts. UPD maintained its operating margin at 2.7% despite the low increase of 1.26% granted in the single exit price (SEP) of medicine in 2018 compared to 7.5% in the previous year.



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals set in the UN's 16th SDG, namely peace, justice and strong institutions, through the above-mentioned governance practices. These are woven into the operations of the business at all levels. The group has a governance report available for further reference, if needed.



MANAGING MATERIAL ISSUES

Material issues have been identified which could significantly impact positively or negatively on the group’s ability to create and sustain value.

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

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

Following the review for the 2019 financial year, the directors confirm that the current material issues remain relevant and are unchanged from the previous year.

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

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

MATERIAL RISKS





TRADING ENVIRONMENT

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

RISKS

- Further deterioration in the economic environment will depress consumer spending which is already under severe pressure.
- Criminal activity, including syndicated crime, escalates during times of economic hardship.

OPPORTUNITIES

- Clicks will continue to pursue a strategy to improve price competitiveness, grow sales volumes and entrench the perception of Clicks as a value retailer.
- Focus on differentiators, including extensive and convenient store and pharmacy network; private label and exclusive ranges; Clicks ClubCard loyalty and consistently high levels of customer care.

COMPETITION

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

RISKS

- Expansion by corporate pharmacy and retail chains impacting on market share growth in Clicks.
- Increasing price competitiveness of retailers could negatively affect sales and profitability in Clicks.

OPPORTUNITIES

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

REGULATION

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

RISKS

- 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) could impact on the private and public healthcare markets.

OPPORTUNITIES

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

PEOPLE

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

RISK

- Inability to recruit, attract and retain talent for core business needs, including merchandise and planning, store management and pharmacy.

OPPORTUNITIES

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

INFORMATION TECHNOLOGY

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

RISKS

- Confidential customer or sensitive internal data compromised as a result of undetected data security breach or cyberattack.
- IT systems and architecture no longer appropriate in an environment of ever-increasing scale and requirement for real-time IT systems.
- Inability to restore business operations and IT systems in the event of a disaster.

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.

INFRASTRUCTURE

Number of stores

837

2017: **795**
2016: **689**

Number of pharmacies

510

2017: **473**
2016: **400**

In-store clinics

203

2017: **195**
2016: **195**

Distribution centres

9

across **Clicks**
and **UPD**



INFRASTRUCTURE

The infrastructure network used in selling merchandise, including the retail store network, distribution facilities, online store and information technology systems.

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

The Clicks pharmacy network has been expanded to 510 pharmacies and the number of clinics has reached 203, while delivery through our courier business, Clicks Direct Medicines, allowed penetration into outlying areas.

The group recognises the scarcity of pharmacists and healthcare professionals and is committed to continued investment in the attraction, learning and development, and retention of employees, having spent R124.7 million on staff learning and development initiatives in the last financial year.

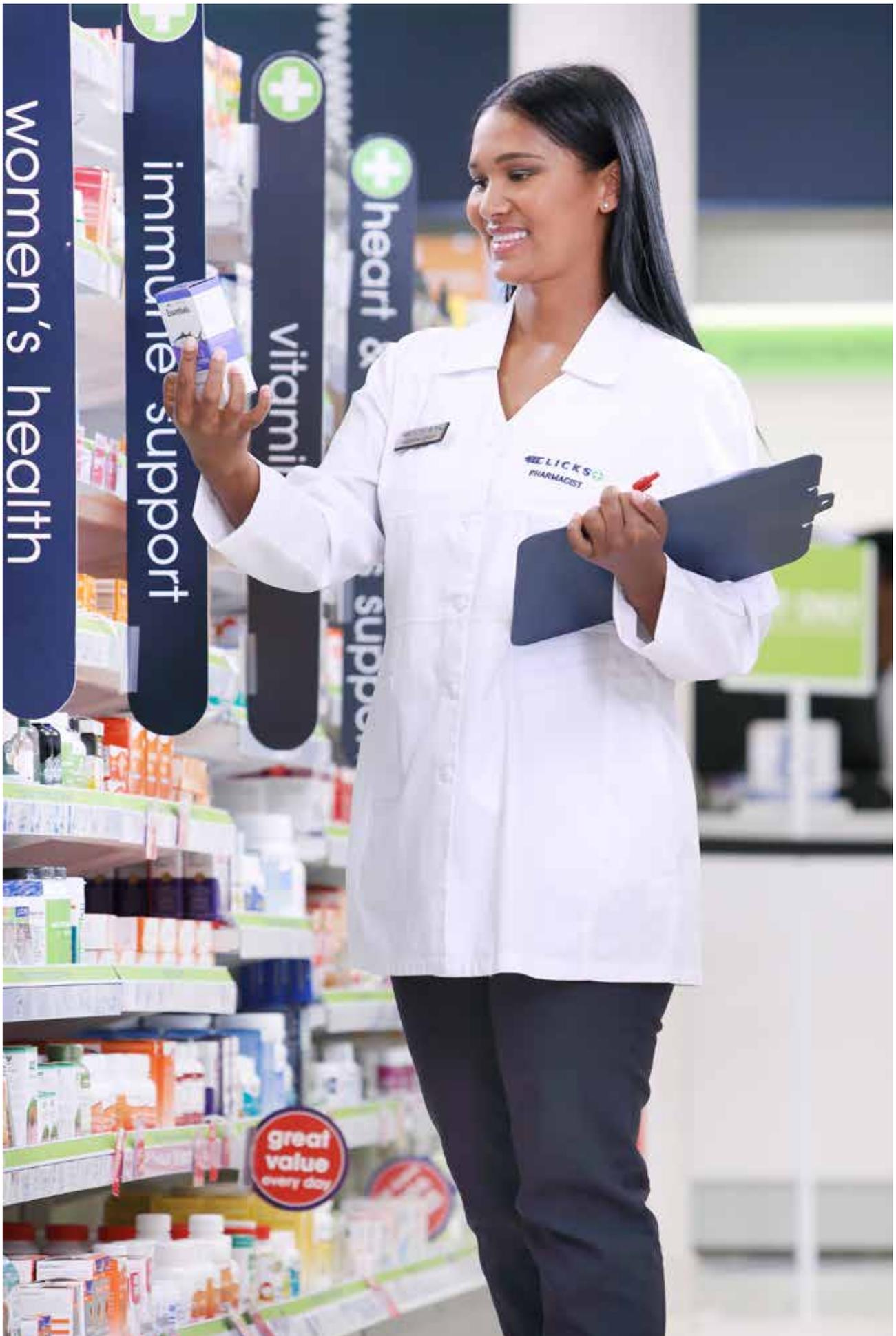
“Clicks is the largest employer of pharmacists in the private sector”

Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication and over 400 Clicks pharmacies have been registered as pickup points as part of the Department of Health's central chronic medicine dispensing and distribution programme across the pilot districts.



BUSINESS CONTINUITY

A comprehensive business continuity policy and systems have been developed and are implemented across the business. This is presented and evaluated by the audit and risk committee annually.



INFRASTRUCTURE (CONTINUED)

RETAIL STORE NETWORK

The group has reached a total footprint of 837 retail stores in this financial year.

STORE FOOTPRINT	Standalone stores			Pharmacies	Presence in Clicks stores
	South Africa	Rest of Africa	Total		
Clicks	630	33	663	510	
The Body Shop	55	4	59		170
Claire's	6	–	6		168
GNC	–	–	–		454
Musica	100	9	109		
Total	791	46	837		

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



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

- Clicks targets consumers in the growing middle to upper-income markets (LSM 6 – 10)
- Clicks ClubCard is one of the largest loyalty programmes in South Africa with over 7.8 million active members
- 76% of ClubCard customers are women and 68% are in the 25 to 49 age group
- 50% of households live within five kilometres of a Clicks store

The franchise brands were introduced through exclusive franchise agreements to provide additional 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, one of the world's leading specialty retailers of fashionable jewellery and accessories for young women and girls

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

INFORMATION TECHNOLOGY

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

In the omni-channel space, the group has continued to enhance the www.clicks.co.za transactional website and the Clicks mobile app which offers customers the convenience of a virtual Clicks ClubCard as well as script management, pharmacy services and a store locator.

INFRASTRUCTURE (CONTINUED)

DISTRIBUTION CENTRES AND LOGISTICS

The group has nine distribution centres, of which five are for the UPD brand. The UPD distribution facilities in Johannesburg boast Knapp picking machines which are integrated with information technology systems to pick medicines that comply with legislation requirements and increase the efficiency of delivery. UPD provides its clients with a platform to maximise supply chain cost-efficiencies through an owner-driver fleet and has consolidated its leadership position in wholesale distribution, enjoying market share of 26.0%.

The other distribution centres are used for the group's retail brands. High-value items and exclusive ranges which require product picking technology, including voice recognition systems for picking of product, are stored in the distribution centres.

The Clicks Centurion distribution centre is being expanded to increase capacity for better service delivery and to meet the store growth and long-term goals of the group.



INTELLECTUAL

MARKET SHARE

Clicks retail pharmacy

23.3%

2017: **22.1%**
2016: **19.7%**



UPD private pharmaceutical market

26.0%

2017: **25.6%**
2016: **24.1%**

CLICKS PRIVATE LABEL AND EXCLUSIVE PRODUCTS

Percentage of total sales

22.0%

2017: **21.8%**
2016: **22.2%**



Percentage of front shop sales

28.2%

2017: **28.5%**
2016: **28.2%**

CLICKS CLUBCARD

Active members

7.8m

2017: **7.0m**
2016: **6.2m**



Contribution to sales

77.2%

2017: **77.4%**
2016: **77.2%**



INTELLECTUAL

The collective knowledge and expertise across the business as well as the intellectual property of the group, including trademarks, the development and design of private label brands, customer segmentation and loyalty management.

The process to value creation has been strategically driven through various aspects within the group including collective knowledge and expertise as well as the intellectual property across the business which includes trademarks, the development and design of private label brands, customer segmentation and loyalty management.

The group differentiates its unique offering through wide ranges of private label and exclusive brands, including franchise brands. The portfolio of exclusive franchise brands of The Body Shop, GNC and Claire's augments Clicks' private label brands in the health and beauty categories.

The group's national pharmaceutical wholesaler, UPD, provides an integrated healthcare supply chain channel for Clicks, with national coverage and up to twice daily delivery from centralised distribution centres to all retail stores (achieved 96.7% centralised supply in 2018). It also fulfils the pharmaceutical supply needs of major private hospital groups and over 1 200 independent pharmacies. UPD provides bulk distribution services to pharmaceutical manufacturers.

The IT infrastructure has been designed to support efficient and flexible bespoke and proprietary systems:

- Planning, ordering and store ranging
- Loyalty management
- Healthcare management
- Omni-channel management
- Warehouse management

Clicks Group has a values-driven culture with equitable reward and recognition mechanisms, is committed to employee training and development, and building pharmacy capacity through an in-house Pharmacy Healthcare Academy and bursary programme.

Clicks targets consumers in the growing middle to upper-income markets (LSM 6 – 10). Its ClubCard loyalty card continues to grow, with its membership increasing to 7.8 million and accounts for 77.2% of Clicks sales. Approximately 75% of ClubCard customers are women and 62% are in the 25 to 49 age group.

EXTERNAL RECOGNITION/AWARDS

Clicks Group has been recognised as an industry leader through the following accolades:

- Winner: Health and Beauty Outlets: Pharmaceutical Outlets
- Sunday Times/Sowetan Shopper Survey 2018 – First Runners-up: Electronic and Household Appliance Stores;
- Third Runner-up: Retail Grand Prix – Sunday Times/Sowetan Shopper Survey 2018
- ClubCard and Pharmacy were recognised as a 2018 Kasi Star Brand (township) and as winners of the Loyalty Cards (Retail) and Pharmacy categories

Last year we were also recognised for our performance in the industry and received various awards including:

- Best loyalty programme and Best pharmacy chain
- Omni-channel: Best Mobile Shopping Experience
- Sorbet: Men's Health 2018 Grooming Awards

MARKET SHARE GAINS

Clicks has increased its share of the retail pharmacy market in South Africa to 23.3% (2017: 22.1%). In healthcare supply chain management UPD maintained its leadership position in wholesale distribution and grew market share to 26.0%.

PRIVATE LABEL PRODUCTS

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

Private label products offer better value to customers while entrenching loyalty to the brand. The sales of private label products accounted for 22% of total sales in Clicks, with front shop sales at 28.2% and pharmacy at 5.6%. The number of scheduled generic medicines has also increased to 120 from 100.

PRODUCT SAFETY AND LABELLING

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

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



CUSTOMER RESPONSIBILITY

The group is committed to responsible advertising and marketing with distinct labelling that is transparent and gives clear information on nutritional values and, in the case of medicine, the contents. All new product lines are thoroughly tested and researched to ensure the highest levels of safety.

RESPONSIBLE ADVERTISING

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

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

INVOLVEMENT IN INDUSTRY INITIATIVES

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

ACCESS TO MEDICINE AND NUTRITION

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

The Clicks pharmacy network has been extended to 510 pharmacies and the number of clinics has reached 203, while delivery through our courier business, Clicks Direct Medicines, allows penetration into outlying areas.

As a leader in the South African healthcare market, Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and we are committed to continued investment in the attraction, learning and development, and retention of employees, having spent R124.7 million on staff learning and development initiatives in the last financial year.

Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication and 406 Clicks pharmacies have been registered as pickup points as part of the Department of Health's Central Chronic Medicine Dispensing and Distribution Programme across the pilot districts.

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

- Smartbites – portion-controlled snacking
- Smartsip – rehydration and low calorie alternative to high calorie drinks
- Smartbite Foods – functional ingredients for healthier food choices and for those prone to food allergies and intolerances

GROWING ONLINE PRESENCE

Customers have responded positively to the Clicks online store, which offers the product range available in large Clicks stores. Online sales are now the equivalent of a medium-sized Clicks store.

The online platform complements the store experience and increases customer convenience. The click and collect service complements the door-to-door courier delivery service and enables customers to shop a wide range of products online and collect their order at their closest Clicks store. In the past year the Clicks website received over 20 million visits.

The Clicks digital footprint continues to grow, with 1 496 000 followers across social media platforms Facebook, Twitter and Instagram, and reaching an average of over 9 million people each month.

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

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



INTELLECTUAL (CONTINUED)



CLUBCARD

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

By the end of the financial year Clicks ClubCard had 7.8 million active members, an increase of 800 000 over the previous year. During 2018, R442 million was paid out in cashback to members, compared to R322 million the previous year.

 <https://clicks.co.za/clubCardPage>

CLICKS BABYCLUB

BabyClub caters for Clicks Clubcard members who are pregnant or have children younger than 36 months. It provides access to exclusive BabyClub competitions, vouchers and other special benefits.

 <https://clicks.co.za/babyClubLandingPage>

SENIORS CLUB

The Seniors Club was initiated for senior citizens over the age of 60. The Seniors Club programme offers various benefits, such as earning double points on designated days and other special discounts.

The group continues to explore ways to add value to the ClubCard offering. The electronic reward cashback system has improved access to customers' allocated rewards as it provides them the option to either use cashback rewards immediately or save these for a later date.

ClubCard provides the following benefits to members:

- earn points on transactions, with points converted to cashback over a two-monthly cycle;
- conveniently receive updates on specials and notifications when cashback is loaded;
- special "double points" offers that increase cashback earnings opportunities;
- speed up interactions at pharmacies as ClubCard members' profiles are loaded on a "global" pharmacy database, which means ClubCard members can collect their prescriptions from any Clicks pharmacy;
- receive rewards from affinity partners, including Shell, SpecSavers, Sorbet, City Lodge group and Europcar; and
- "no cost funeral cover" through Regent Life Assurance Company Limited.

 <https://clicks.co.za/clubCardPage>

PEOPLE

Permanent employees

15 067

2017: **14 673**
2016: **14 093**

Turnover of permanent staff

13.9%

2017: **15.9%**
2016: **17.0%**

Pharmacy staff turnover

15.3%

2017: **18.7%**
2016: **22.0%**

Employees covered by medical aid

18.2%

2017: **29.4%**
2016: **26.2%**

Employees covered by retirement benefits

99.4%

2017: **97.5%**
2016: **97.9%**

Employees covered by collective bargaining agreements

12.9%

2017: **18.1%**
2016: **17.9%**



PEOPLE

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

EMPLOYEE VALUE PROPOSITION

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

1

We are truly **passionate** about our customers

2

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

3

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

4

We are **disciplined** in our approach

5

We **deliver** on our goals

The employee value proposition focuses on people, passion and opportunities. We care about and contribute to the well-being of people, the environment and communities, while the group's growth strategy provides our people with unlimited opportunities.

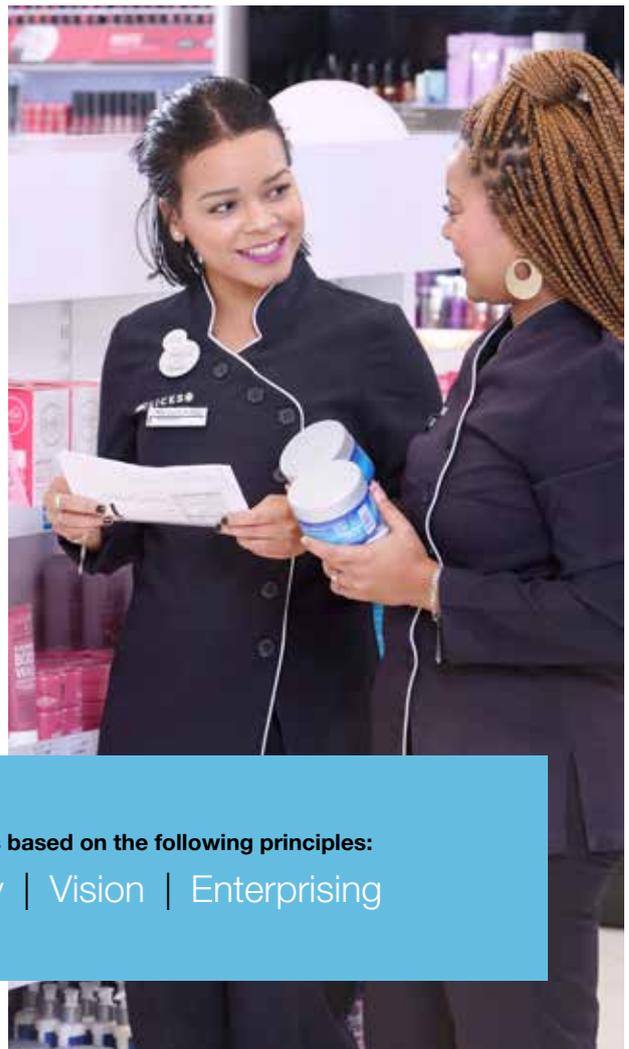
Group retention scheme

The group strives to retain the best talent by offering selected employees a long-term financial incentive that is aligned with shareholders' interests. The retention scheme targets high-potential employees, black employees and those with scarce and critical skills.

Group leadership framework

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

There are 35 employees on the group leadership programme who are honing their skills to become the next generation of leaders in the company.



The Clicks Group leadership model, DRIVE, is based on the following principles:
Delivery | Resilience | Integrity | Vision | Enterprising

PEOPLE (CONTINUED)

LEARNING AND DEVELOPMENT

Skills development

The group is committed to developing the skills, knowledge and capability of its employees. A total of R125 million was invested in learning and skills development. A total of 6 078 employees (2017: 5 679) participated in learning and development interventions which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications. Black employees accounted for 89% of the total number of employees trained and women 62%.

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

Learning and development statistics	2018	2017
Learning and development spend (R'million)	125	126
Number of employees trained	6 078	5 679
Black employees as a % of all employees trained	89	91
Female employees as a % of all employees trained	62	56
Pharmacy bursary spend (R'million)	4.6	4.4

Creating pharmacist capacity

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

The pharmacy development strategy focuses on:

- ongoing engagement with pharmacy schools across the country;
- investing in learning laboratories at university pharmacy schools;
- managing a pharmacy bursary scheme;

- providing workplace experience through the pharmacy internship programme;
- developing pharmacists' assistants and trainees through learnership programmes; and
- continuing professional development of pharmacists and nursing practitioners.

The group invested R4.6 million (2017: R4.4 million) in bursaries for 94 students completing the Bachelor of Pharmacy degree at registered South African universities. 92% of bursary recipients were black and 46% female. The group also provided opportunities to 70 students to complete internship programmes. The group's Pharmacy Healthcare Academy is registered with the SA Pharmacy Council and is instrumental in developing pharmacists' assistants, with 122 learners currently registered on learnership programmes.

4 QUALITY EDUCATION



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 4th UN SDG by offering equal opportunity for education at university level to employees, including youth in the workforce through internships and permanent employment. The group also has pharmacy bursaries that help with the development of the pharmaceutical industry in South Africa.

PEOPLE (CONTINUED)

CAREER OPPORTUNITIES

Clicks has a target to improve the ratio of 60% internal to 40% external hires over a three-year period after the review of the quality of the talent pipeline. At the end of August 2018 the internal hires in non-pharmacy were 67% compared to 33% external hires. For pharmacy, the internal hires were 42% and 58% were external hires.

The group seeks to hire South African talent, except in the case of skills that are scarce in the country. A strict approval process is followed for exceptions when an individual with a scarce skill needs to be employed. 99.5% of total employees are South African.

A dedicated pharmacy recruitment team operates within the Clicks brand and focuses on the recruitment of pharmacists, pharmacy graduate interns, and pharmacist assistants at the basic; post-basic and qualified post-basic level. The team operates under an agreed service level agreement with business partners, which tracks the average time to fill a vacancy, cost savings and compliance to the group's resourcing framework. We also have an e-recruitment strategy which resulted in 66% of non-pharmacy appointments being sourced from the group's careers website.

Talent and development

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

The objectives of the talent and development framework are to:

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

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



 For further information visit <http://careers.clicksgroup.co.za/>

Total rewards framework

The group's total rewards strategy is the driver of a high-performance culture that consistently delivers above-average returns to shareholders through employees that are fully engaged. It is underpinned by a total rewards framework and the group's job grading methodology, which ensures that our employees are appropriately and fairly rewarded for their contribution to the business's performance, whilst enabling flexibility to meet differing employee needs.

All roles in the group are graded according to the Hay job evaluation methodology, which measures the size, complexity and level of accountability of the job performed. The rewards framework equitably links the level of reward to the level of the employee's contribution through his/her performance.

The group's total rewards framework is premised on the WorldatWork Total Rewards Model which integrates the following key elements to attract, motivate, engage and retain human capital to achieve desired business results:

1 Compensation

Compensation refers to the monetary rewards provided to our employees to reward them for their service and performance (i.e. time, effort, skill). This includes both guaranteed and variable pay.

Permanent employees are appointed on the basis of annual guaranteed pay (AGP) consisting of direct pay and contributions to the group's benefit programmes. AGP levels are benchmarked on national or retail market data, with market premiums for scarce and critical skills established and reflected in the resultant pay frameworks.

Variable pay is dependent on company and team results as well as individual performance, and includes both short-term and long-term incentive schemes. Market-related sharing percentages have been benchmarked and established per job grade, which determine the level of the employee's participation in the group's incentive schemes.

Employees' AGPs are reviewed annually and merit-based increases are determined based on the increase ranges approved by the remuneration committee, the employee's performance (taking into account financial and non-financial levers) and his/her position within the pay range for the job performed. The annual increases for employees in the bargaining units are based on the outcomes of collective bargaining.

2 Benefits

The Clicks Group supports sustainable benefit solutions that meet the aggregated needs of employees, while at the same time being sufficiently flexible to adapt to a rapidly changing environment and multi-generational employee needs.

All permanent employees are members of one of the group's approved retirement funds, which provide retirement savings and cost-efficient insured benefits to ensure a responsible level of security for employees and their families. Employees can increase their insured benefits and retirement contributions if they so wish. All employees are eligible for membership of a healthcare plan and at the lower-income levels this membership

is subsidised. Our employees also enjoy discounts across all our retail brands to encourage trial of our products and consumer experience. Our leave benefits include additional leave for long-serving employees and those employees embarking on recognised education and development programmes.

3 Performance and recognition

The group recognises that employee performance is fundamental to driving and sustaining business performance. Our performance management system cascades company, departmental and team targets through to employee performance contracts, in order to align individual efforts to the achievement of business goals and organisational success. Employees have biannual performance reviews (in February and July) to assess their performance and progress, to support them as they develop their capacity and capability, and to acknowledge and recognise their performance and contribution.

Appreciation and recognition are also provided to employees for their achievements, for living the group's values, environmental and community stewardship as well as their personal milestones via the group's recognition framework. This framework embraces our spirit of interconnectedness: each person contributes in a different and unique way and our success depends on one another.

4 Talent and development

We develop employees who perform with passion and we provide our employees with growth opportunities, and internal transfers and promotions are made available and supported by senior management in line with the relevant company policy.

Talent and development encompass our DRIVE (delivery, resilience, integrity, vision, enterprising) leadership model, which outlines the competencies we have identified as essential for our leadership team.

The group recognises the importance of investing in our employees and we are committed to ensuring that all employees can realise their potential and meet their career aspirations, as well as developing scarce and critical skills.

5 Work-life integration

We understand the challenges of sourcing and retaining scarce skills, coupled with the long retail trading hours and we have introduced flexible working arrangements to ensure a full employee complement during peak trading periods and to provide work opportunities to candidates whose family/life circumstances only allow them to take up part-time permanent employment.

We also recognise that for employees to reach their potential, they need to be effective in all spheres of their lives, including their wellness, relationships, financial management and personal circumstances.

The Clicks Group employee wellness programme (EWP) provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household members to support and empower them to make healthy choices.

PEOPLE (CONTINUED)

EMPLOYEE HEALTH AND SAFETY

The health and safety of employees, suppliers and customers is an important aspect of our business and health and safety committees have been established across the group. Committee members and employees receive training, while a health and safety policy covers employees, contractors and customers.

The group uses an online platform for stores to submit the necessary reports and access health and safety information.

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

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

Description	2018	2017	2016
Health and safety committee members	720	657	629
Fire-fighters and marshals	633	655	576
First aid representatives	605	498	587
Injuries on duty	68	69	85
Occupational diseases	0	0	0
Lost days	188	238	223
Fatalities	0	0	0



1 NO POVERTY



SUSTAINABLE DEVELOPMENT GOAL

The group aligns to minimum living wages as per the legislative framework and pursues equity in pay and empowerment of women through socio-economic development programmes. This helps to combat poverty by creating job opportunities in the direct and indirect operations of the group.

PEOPLE (CONTINUED)

EMPLOYEE SHARE OWNERSHIP PROGRAMME

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

Entry to the scheme closed in 2015 and the scheme matures in 2018 and 2019.

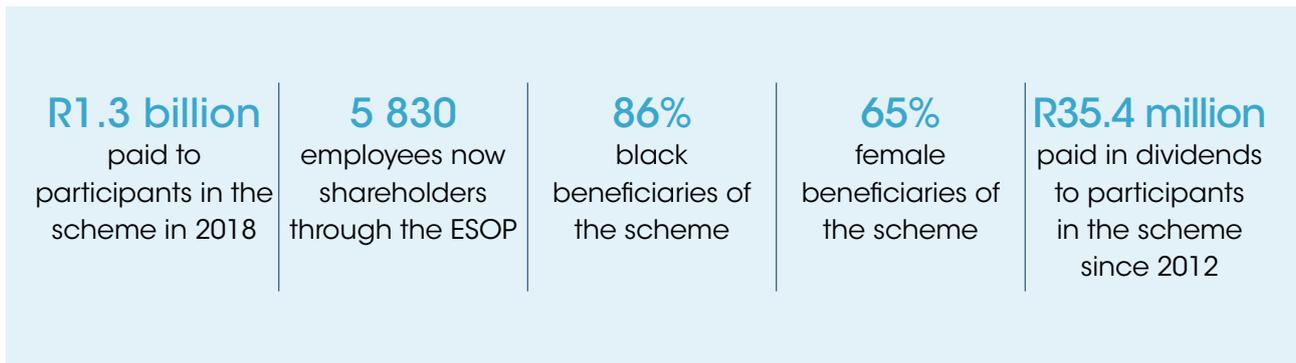
Employees with more than five years’ service, pharmacists and senior employees from designated employment equity groups received a 15% enhancement of their share allocation.

By delivering on its objectives to attract and retain scarce and specialist skills and to accelerate the group’s transformation,

the ESOP contributed towards the growth and creation of employment opportunities within the group.

In February 2018, R1.3 billion was paid to 7 839 beneficiaries, representing the gain on the first 50% of the shares allocated under the ESOP. The remaining 50% will be paid in 2019.

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



EMPLOYEE SATISFACTION INDEX

The group undertakes an employee satisfaction survey every second year and communicates the results to each business unit, division and department to create action plans. The group employee satisfaction index (ESI) reduced marginally from 71 in 2016 to 69 in 2018. In terms of employee engagement, the group outperforms the South African benchmark in seven out of the twelve dimensions, resulting in an overall employee engagement index of 70, which is on par with the SA benchmark of 69.

8 DECENT WORK AND
ECONOMIC GROWTH


SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 8th UN SDG by promoting decent work and economic growth through job creation and by providing good benefits with decent working conditions, including for young people, people with disabilities and previously disadvantaged employees, with equal pay for all. The group supports not-for-profit organisations and provides services to the public to support small and medium enterprises.

STAKEHOLDERS

Skills development spend

R124.7m

2017: **R125.8m**
2016: **R95.7m**

BBBEE rating

Level 6

2017: **Level 5**
2016: **Level 6**

Total spend of socio-economic development

R18.4m

2017: **R17.8m**
2016: **R15.1m**

Investment in bursaries

R4.6m

2017: **R4.4m**
2016: **R4.3m**

Number of bursary students

94

2017: **100**
2016: **86**

Instagram



Girls
ON THE GO

BE YOURSELF. LOVE YOURSELF. RESPECT YOURSELF.



1.4k Likes

clicksgirlsonthego #helpinghandtrust
#girlsonthego



STAKEHOLDERS

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

CREATING VALUE THROUGH STAKEHOLDER ENGAGEMENT

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

CUSTOMERS

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

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

Engagement issues in 2018	Value created through engagement
<ul style="list-style-type: none"> Product range in store and online Product availability in store and online Service levels Price competitiveness Pharmacy and clinic services ClubCard benefits 	<p>Clicks:</p> <ul style="list-style-type: none"> Meeting customer needs and creating trust in products and practices: <ul style="list-style-type: none"> – 125.7 million customer transactions – 41.1 million prescriptions processed – 11.7% growth in health and beauty sales – Market share gains in all key categories Increasing customer loyalty <ul style="list-style-type: none"> – 800 000 increase in ClubCard membership to 7.8 million active members – ClubCard accounts for 77.2% of sales <p>UPD:</p> <ul style="list-style-type: none"> Meeting customer needs through range, availability and service <ul style="list-style-type: none"> – Over 2 000 corporate and independent pharmacies serviced – 230 million units of medicine delivered – 96.7% order fulfilment to customers

SHAREHOLDERS AND LENDING INSTITUTIONS

Shareholders: Local and international institutional and private investors, as well as fund managers and analysts from the broader investment community.

Lending institutions: South African financial institutions which provide funding and trade finance facilities to the group

Engagement issues in 2018	Value created through engagement
<ul style="list-style-type: none"> Group strategy Current trading environment Impact of economic climate on consumers Trading and financial performance Store and pharmacy expansion plans Regulatory environment Capital management Growth prospects 	<ul style="list-style-type: none"> Delivered total shareholder return of 39.0% and return on equity of 38.2% Meetings with 213 local and international funds and brokerages contributed to better-informed investor community High levels of investor interest with 122% of shares traded in the year Attractive investment case with 70% international share ownership Engagement issues addressed in annual and interim results presentations and webcasts, local and international investor roadshows, integrated report and annual financial statements Funding and trade finance facilities provided at competitive rates

EMPLOYEES

All permanent and part-time employees across the group

Engagement issues in 2018	Value created through engagement
<ul style="list-style-type: none"> • Remuneration and benefits • Performance management • Personal development • Career path planning • Training and skills development • Transformation • Employee share ownership plan (ESOP) 	<ul style="list-style-type: none"> • Total staff complement increased by 2.7% to 15 067, with 394 new jobs created • Ability to attract and retain staff reflected in turnover of 13.9% • R3.2 billion paid to employees • R1.3 billion paid to over 5 800 employees in the first 50% payout under the broad-based ESOP • Investment of R124.7 million in training and skills development • Transformation of workforce evident in employment equity profile: <ul style="list-style-type: none"> – Black staff 92% of total staff – Female staff 63% of total staff

GOVERNMENT AND INDUSTRY REGULATORS

Department of Health, SA Revenue Service and other government departments, industry regulatory bodies and local authorities. As a listed company, the JSE Limited is the primary regulator

Engagement issues in 2018	Value created through engagement
<ul style="list-style-type: none"> • Pharmacy licences • Registration of medicines • Complementary and alternative medicines • Legislative and regulatory compliance • Tax compliance • Submission of statutory returns 	<ul style="list-style-type: none"> • Clicks operates 510 pharmacies • Slow pace of medicine registration by the South African Health Products Regulatory Authority continues to restrict launch of new private label medicine ranges • Direct engagement with industry regulators and indirect engagement with regulators through industry bodies • Lobby for regulatory reform and fair legislation which will not adversely affect returns to shareholders • Paid R267 million in direct and indirect taxes

SUPPLIERS

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

Engagement issues in 2018	Value created through engagement
<ul style="list-style-type: none"> • Quality, safety and ethical standards • Product availability and exclusivity • Product innovation, strength of brands • Private label products • Transformation and BEE scorecards • Legislative compliance 	<ul style="list-style-type: none"> • Stable supply of merchandise reflected in supplier infill levels of 84.4% in Clicks and 96.4% in UPD • Clicks offers over 13 800 private label and exclusive brand products • Consistent supply and maintenance of franchise agreements with The Body Shop International, GNC and Claire's • Continued transformation of the supplier base with 64.1% preferential procurement • R25.2 billion paid to suppliers of goods and services

STAKEHOLDERS (CONTINUED)

EMPOWERMENT AND TRANSFORMATION

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

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

The group achieved a level 6 BBBEE rating in the 2018 financial year (2017: level 5) on the amended BBBEE Codes of Good Practice Gazetted on 11 October 2013, with a score of 74.21 points (2017: 77.99 points).

Ownership

The group scored 15.03 points on the ownership element of the scorecard, which is attributed to the employee share ownership programme (ESOP) and an independent analysis of the group's shareholding to determine the level of beneficial black ownership.

At the end of the reporting period 5 830 employees were participants in the ESOP scheme, with black beneficiaries accounting for 86% and women 65%. Pharmacists comprise 5% of the ESOP beneficiaries. Participating employees receive a cash dividend annually, equal to 10% of the total dividend paid to ordinary shareholders each year.

Management control

The management control element of the scorecard is a reflection of the composition of the board of directors, group executive committee and senior management who are members of the

business unit operating boards. The board comprises 44% black directors, with women making up 44%. The group executive committee has 50% black representation and 25% female.

Employment equity

The Clicks Group seeks to create a diverse workforce and is committed to the recruitment, development and retention of employees, regardless of race, gender, disability, religion, sexual orientation and political persuasion. The group's workforce comprises 92% (2017: 91%) black employees and 63% (2017: 63%) female.

The group supports the national agenda aimed at the employment of youth in sustainable positions. During the financial year we employed 9 940 people under the age of 35 in permanent positions. The group continues to align its employment equity targets and the national economically active population statistics in line with the Department of Labour Director General's review process since 2012. The group's permanent monthly paid staff turnover is 13.9% (2017: 15.9%), below the targeted range of 18% – 20%. The group scored 5.84 points (2017: 4.40 points) overall for employment equity and 2.0 (2017: 1.03) for employees with disabilities.

Preferential procurement

We focus on sourcing merchandise and services from locally based and empowered suppliers. In the past year 64.1% (2017: 72.8%) of total measured procurement spend was from empowering suppliers.

Enterprise development

The group invested R31.1 million in enterprise development initiatives and achieved the maximum 5 points on the amended DTI scorecard.

BBBEE ELEMENT	Maximum points	2018	2017
Ownership	25	15.03	16.35
Management control and employment equity	19	12.06	12.33
Skills development	25	15.57	16.16
Preferential procurement, enterprise and supplier development	44	26.55	28.15
Socio-economic development	5	5	5
Total	118	74.21	77.99
BBBEE level		6	5

STAKEHOLDERS (CONTINUED)

Employee profile of South African businesses

Occupational level	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	0	1	2	6	0	1	0	2	3	1	16
Senior management	5	9	9	35	4	7	9	17	2	1	98
Middle management	121	62	36	124	122	50	49	174	13	16	767
Junior management	526	191	53	101	736	506	165	451	11	19	2 759
Semi-skilled	3 163	654	62	49	4 705	1 824	109	98	8	7	10 679
Unskilled	1	0	0	0	2	0	0	0	0	0	3
Total permanent employees	3 816	917	162	315	5 569	2 388	332	742	37	44	14 322
Temporary employees	212	34	12	16	312	64	12	55	6	9	732
Grand total	4 028	951	174	331	5 881	2 452	344	797	43	53	15 054



4 QUALITY EDUCATION

SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 4th UN SDG by offering equal opportunity for education at university level to employees, including youth in the workforce through internships and permanent employment. The group also has pharmacy bursaries that help with the development of the pharmaceutical industry in South Africa.

10 REDUCED INEQUALITIES

SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 10th UN SDG to reduce inequalities through empowering and promoting employees regardless of age, sex, disability, race, ethnicity, origin, religion or economic or other status and by ensuring equality through improved diversity and other policies of the company.

STAKEHOLDERS (CONTINUED)

Socio-economic development

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

We have once again shown our commitment to the communities where we trade by investing 1.24% of profit after tax in social development programmes. A total of R18.4 million (2017: R17.8 million) was invested in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being in South Africa.

The group also invested R4.6 million in bursaries to 94 students completing Bachelor of Pharmacy degrees, which is reported under the skills development section in this report and is reported separately from social development spending. We spent R216 000 on arts, sport and culture, R163 000 on basic needs and social development and a further R159 000 on education. The group invested a total of R17.8 million in health, including HIV/AIDS as the main focus. The full socio-economic development spending was in South Africa.

We also donated R5.5 million to the Public Health Enhancement Fund over the past six years. The fund aims to address skills shortages, improve quality of public healthcare and advance research.

Clicks Helping Hand Trust

Clicks Helping Hand Trust has opened all Clicks clinic doors for HIV testing, and Moms and Babies services, with over 21 332 baby consultations and family planning consultations performed to date. All clinics now also offer free services on a campaign basis and have delivered a further 62 905 free consultations during heart health, diabetes and HIV awareness campaigns. It costs more than R4 500 to vaccinate a child for the first 18 months of his/her life. Free baby vaccinations and family planning medication are now available at all Clicks clinics in the Western Cape as a result of a partnership between the Western Cape Department of Health and Clicks. Similar partnerships in three other provinces are being finalised. The trust is able to continue the work it does through financial support and donations from Clicks, its employees, suppliers and other organisations with aligned goals.

Girls on the Go community programme

Whilst most of our funds are spent in Clicks, we know the numerous needs of our communities. One concern that touched our hearts was the issue of schoolgirls missing school during their menstrual cycles. This led us to partner with Subz pads and panties and their community programme, Project Dignity. Subz produces a washable, reusable, SABS-approved sanitary pad that lasts up to five years. This means that the schoolgirls we reach, depending on their age, will be equipped to stay in school in their formative years, comfortable in the knowledge that their monthly cycle will not disturb their academic progress.

The project was launched in 2016, reaching 5 000 girls in that year and 18 546 girls in the current year.

Moms and babies programme

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

Health campaigns

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

STAKEHOLDERS (CONTINUED)

Other beneficiaries of the group's social investment include:

Carel du Toit Centre

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

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

The Topsy Foundation

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

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

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

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



The Appliance Bank

The Appliance Bank (TAB) equips unemployed men with technical skills to repair donated damaged household appliances and the business skills to buy and on-sell the repaired electrical appliances. TAB currently operates only in Cape Town and is an offshoot of the highly successful social entrepreneurship programme, The Clothing Bank. Over 86 000 appliances were sold by business owners and generated profit of R2.7 million. The programme has attracted 119 active business owners.

EMPLOYEE CONTRIBUTION

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

3 GOOD HEALTH AND WELL-BEING



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 3rd UN SDG by providing free tests and family planning through the Helping Hand Trust. Other initiatives in the group that support the goals are also focused primarily on health and well-being.

SUPPLIER DEVELOPMENT

The group invested R31.1 million in supplier development initiatives outlined below.

The UPD independent owner-driver scheme, which was established in 2003, contracts small enterprise owner-drivers to deliver products from UPD to Clicks, independent pharmacies, hospitals and clinics. Support for Style Studio, a specialist haircare and beauty chain, continues through an interest-free loan.

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

EMPLOYEE WELLNESS PROGRAMME

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

Before the group commenced the HIV project an evaluation of our current and past approaches was performed to identify successes and shortcomings. We also considered and assessed what other companies were doing as well as their learnings; what international research findings recommended; and, finally, what programmes various service providers offered.

We found that:

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

The group decided to commission an actuarial study to estimate the demographic and financial impact of HIV/AIDS in the workplace and weigh it against the benefits and estimated costs of an HIV disease management programme. We also wanted to establish how this could affect our bottom line. We commissioned Metropolitan to perform the risk impact assessment.

The EWP was developed and is a work-based advisory, counselling and support programme which provides life, health, performance and wellness management services to employees

and their immediate households free of charge, 24/7 and in the official South African languages.

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

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

The EWP provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependants. It is highly valued by employees and line managers, as evidenced by the high rate achieved during the 2018 employee satisfaction survey. The programme utilisation rate of 14.8% remains highest in the consumer services sector.

In 2018 more than 2 218 employees completed wellness screenings, which included blood pressure, glucose, cholesterol, body mass index and HIV tests during the wellness days, which are held nationally at head office, distribution centres and stores.

The HIV/AIDS management programme is focused on prevention through information and education, treatment and support. Employees are encouraged to know their HIV status through the voluntary counselling and testing campaign delivered at head office, distribution centres, regional offices and in stores on an annual basis.

STAKEHOLDERS (CONTINUED)

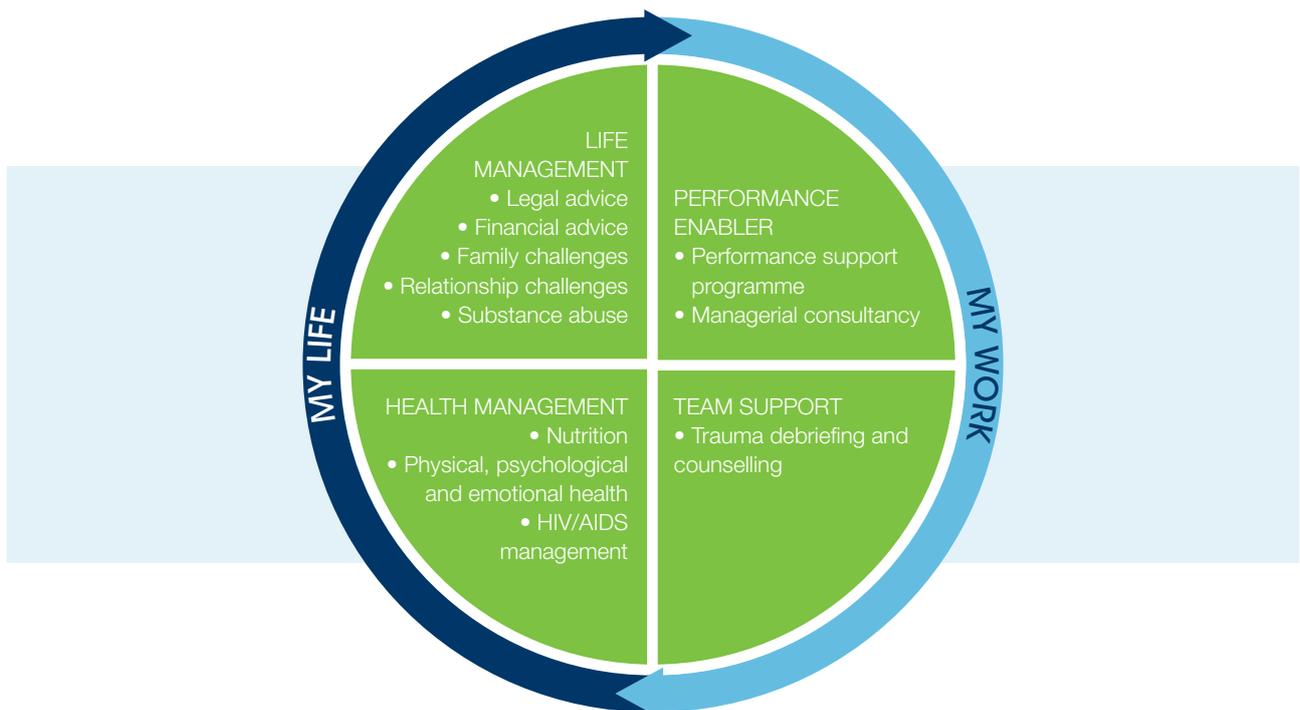
Employee wellness programme	2018	2017	2016
Employee utilisation	1 523	1 926	2 060
Family utilisation	113	452	108
Total utilisation rate	14.8%	13.4%	24.5%
Manager referrals	113	95	106
High-risk cases	61	45	33
HIV/AIDS management programme	69	64	56

The programme is delivered by an independent service provider, Momentum Metropolitan Incorporated (MMI). HIV management and treatment services are for permanent employees who are not on medical aid and offer the following:

- Free voluntary counselling and testing
- Free antiretroviral and certain HIV-related medication
- Free multivitamins
- Two free HIV-related doctor consultations and blood tests per year
- Prevention of mother-to-child transmission, including milk formula for six months
- Post-exposure prophylaxis (PEP)
- Counselling and support to employees and their dependants

A group of leading retailers got together in 2007 to find a way of making HIV counselling and testing available to employees working in stores and started the retailers unite initiative.

We care about the health and well-being of our employees and encourage all employees to participate when a campaign is offered at the shopping centre where they are employed. We extend an open invitation to other retailers to come on board so that their employees might also benefit from participating in this initiative. Eight events were held in 2018 in every province, with positive feedback from all employees who attended.



STAKEHOLDERS (CONTINUED)

Generic medication advantages

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

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

The benefits of generic medicines are:

- Generics offer substantial cost savings without compromising efficacy.
- Cost saving makes more efficient use of a customer's medical aid benefits.
- Cost saving enables customers to pay for other treatments and services that they may need.
- Lower-priced medicines encourage more healthy competition in the market.
- Generics allow patients to exercise their rights as a consumer.

Clicks provides a wide range of pharmacy and front shop medicine alternatives in their generic range, offering customers value for money.

Healthcare conference

In line with the increased focus on not only pharmacy, but healthcare as a whole, the annual healthcare conference has been expanded to include all the employees and suppliers who help us deliver the patient-centred Clicks healthcare experience.

Hundreds of delegates from all over the country – including pharmacists, nursing practitioners, pharmacy assistants, interns, Clicks operational employees and suppliers – attend the healthcare conference annually to increase their knowledge, learn from one another and connect with key suppliers. The conference represents a key opportunity for the group to explore new ways to take healthcare further and improve the lives of our patients. Speakers from both public and private sectors address the gathering to share knowledge and engage with the group, while pharmacists and nursing practitioners who attended sessions applicable to their continuous professional development (CPD) earn CPD points.



For further information visit

<https://healthcareconference.clicks.co.za/>





ENVIRONMENT

Carbon emissions (CO₂)

117 176 metric tonnes

2017: **118 434** metric tonnes
2016: **114 044** metric tonnes

Carbon Disclosure Project – performance band

A-

2017: **A-**
2016: **A-**

FTSE Russell/JSE Responsible Investment Index

included

2017: **Included**
2016: **Included**

Carbon emissions intensity target

5%

reduction by 2020

Included in **FTSE4Good Index**

64% reduction in municipal water usage at head office

37% of waste recycled

1 980 tons of recycling in the supply chain

Energy and water reduction targets set to reduce carbon footprint



The group's operations have a low environmental impact.

ENVIRONMENTAL AND CLIMATE CHANGE OVERVIEW

The group continues to improve and embed environmental management systems into normal business practices and operations. The board social and ethics committee is accountable for environmental sustainability, while the group human resources director is responsible for the delivery of the group's environmental management framework. Business units have sustainability forums which co-ordinate internally, raise awareness and report on environmental management and sustainability processes.

The group participates in the voluntary Carbon Disclosure Project (CDP) and the evaluation process for the FTSE Russell Responsible Investment Index annually. This has contributed to a more robust sustainability reporting process as well as ensuring long-term business sustainability is in line with investors' expectations.

The group's environmental management objectives include:

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

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

energy efficiency | water management | waste management | distribution network optimisation

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

ENVIRONMENT (CONTINUED)

CARBON FOOTPRINT

The group's carbon impact is internally audited using internationally recognised greenhouse gas (GHG) protocols and the results are externally verified by SustainabilityIT to maintain accuracy and validity. Better processes and procedures were put in place to form a solid foundation for information gathering and the process is continuously improved to ensure accuracy and consistency.

	2018	2017	2016	2015
Scope 1 emissions (CO₂) metric tonnes				
Company-owned vehicles	1 703	1 792	1 780	1 996
Fugitive emissions (Kyoto gases)	258	271	229	93
Stationary and mobile equipment	158	185	138	189
Scope 2 emissions (CO₂e) metric tonnes				
Purchased electricity	96 202	96 458	92 560	91 345
Scope 3 emissions (CO₂e) metric tonnes				
Product distribution	8 250	8 289	7 569	7 021
Employee commute (based on 2016 survey)	8 798	9 044	9 044	12 359
Business travel (flights and car hire)	1 265	1 499	1 532	1 836
Other direct – fugitive emissions (non-Kyoto gases)	483	936	1 192	320
Total	117 176	118 434	114 044	115 159



- 2% Company-owned vehicles
- 0% Fugitive emissions (Kyoto gases)
- 0% Stationary and mobile equipment
- 82% Purchased electricity
- 7% Product distribution
- 8% Employee commute
- 1% Business travel (flights and car hire)
- 0% Other direct – fugitive emissions (non-Kyoto gases)



The group participates in the Carbon Disclosure Project annually and identifies risks, opportunities and targets that we make public.

ENVIRONMENT (CONTINUED)

Targets

Intensity targets

Intensity target 1: GHG emission intensity per m² – five-year target to reduce intensity by 5%

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	5%
Metric	Metric tonnes CO ₂ e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2020
% time complete	60%
% emissions complete	85%

Intensity target 1: GHG emission intensity per m² – 10-year target to reduce intensity by 5%

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	10%
Metric	Metric tonnes CO ₂ e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2030
% time complete	20%
% emissions complete	43%

The renewable energy target is presented below:

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



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 13th UN SDG on climate action through education and awareness of employees and customers, using its communications media. The company also measures its carbon footprint and has it verified externally on an annual basis to help reduce its environmental footprint and to be aware of mitigations and adaptations.

ENERGY MANAGEMENT

South Africa is heavily reliant on non-renewable energy resources and this, coupled with energy and capacity constraints, has resulted in escalating energy costs. Through its climate change policy the group strives to reduce its carbon footprint through efficient energy usage and to generate cost savings.

Initiatives include the implementation of LED technology as well as managing and monitoring the 400 kWp solar photovoltaic (PV) system at the head office building, which comprises 1 298 modules installed over a rooftop area of 2 519 m².

Clicks has installed electronic meters which monitor energy usage per store. This has contributed to a reduction in stores' energy consumption.

“The risks of climate change to the group encourages continuous improvement of innovative and alternative resources”



Targets

The group is committed to a 5% energy reduction by 2020, including the introduction of meters for accurate data measurement and in-depth monitoring. A longer-term target is a further 5% energy reduction by 2030. Both targets will be measured by consumption intensity.

7 AFFORDABLE AND CLEAN ENERGY



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 7th UN SDG of affordable and clean energy with its first solar PV installation, which accounts for 20% of the electricity usage at Head Office. The group is continuously looking at alternative and cleaner energy usage.

ENVIRONMENT (CONTINUED)

WATER MANAGEMENT

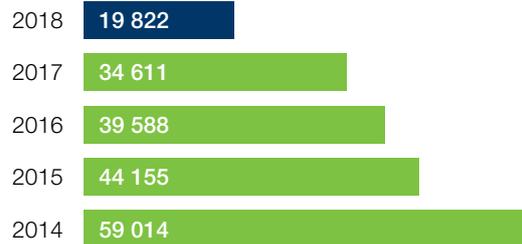
Water management is one of the vital aspects of the group's environmental management systems and underscores our commitment to conserving the natural environment within the national environmental agenda. Quality fresh water supply is vital for some of Clicks' operations as the primary use is associated with the provision of medical services as well as being a regulatory requirement in some instances.

Clicks Group has several water conserving initiatives in place. These strategically informed the response to the water crisis experienced in the Western Cape during 2017/2018 which had resulted in reduced municipal water supply.

The initiatives include water boreholes installed at the head office and the Cape Town Distribution Centre as well as rainwater harvesting. The water withdrawals from the boreholes are monitored on a monthly basis.

The group also recycles water at the head office including rainwater harvesting in order to reduce withdrawals from the municipal supply. Waste water is captured from the head office building's air-conditioning cooling towers and recycled. This initiative saves the business approximately 181 000 litres of water per annum. Our operations, however, are not water intensive and the impact of access to water is therefore minimal.

Total water usage in kilolitres



Targets

Clicks Group committed to a 5% water reduction by 2020 and a long-term target of a further 5% reduction by 2030 measured by consumption intensity for the head office and distribution centres. It is committed to:

- continuously investigate alternatives to reduce water usage in direct operations; and
- increase usage of recycled water in all direct operations.

ENVIRONMENT (CONTINUED)

WASTE MANAGEMENT

The group's waste management focus is centred on promoting recycling initiatives. Recycling bins have been installed in the head office to create awareness among employees and to increase recycling volumes. Only biodegradable takeaway containers are used in the head office building. A new, centralised waste separation facility has been implemented at the group's head office and the three largest distribution centres. Waste management companies are screened to verify their certification before being awarded contracts to dispose of the group's waste. This is particularly relevant for medical waste removal companies.

Safe disposal certificates are obtained for the disposal of medical waste, fluorescent light bulbs, printer cartridges and hazardous waste. Certificates are required to be held for five years.

During the 2018 financial year a total of 1 980 tons of waste were recycled at head office and the three Clicks distribution centres.

DISTRIBUTION NETWORK OPTIMISATION

Route optimisation in the distribution of products is continuously improved to reduce distances travelled and use of fossil fuels. Since 2008 a 46% reduction in kilometres travelled has been achieved as a result of the centralised distribution and in spite of the growth in pharmaceutical wholesale distribution capability for the group's integrated healthcare strategy.

OTHER MANAGEMENT TOOLS

An air quality and noise test is done annually in all the stores and the head office to maintain the standard according to legislation, to improve the environment in the buildings and to uphold safety standards.

Environmental management tools have been introduced to limit damage to the environment. This includes bunding in generator rooms, chemical storage for batteries used for forklifts and oil spill kits to prevent spillages into open storm water drains.

Progress on the environmental management system is reported internally and reviewed through the social and ethics committee to ensure continuous improvement.

ANIMAL WELFARE

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

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

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

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

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

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



SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supports the goals of the 12th UN SDG on responsible consumption and production. The Group is committed to reducing pollution, waste and resources usage by setting targets to continuously improve and striving to implement solutions beyond regulatory requirements. Procedure and progress are reviewed annually as part of the group's environmental management programme.

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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