Clicks Group remuneration report 2024

The Clicks Group's remuneration philosophy and strategy are aimed at driving an ethical, high-performance culture that creates sustainable long-term value for shareholders. The remuneration policy is designed to attract, motivate, reward and retain competent, talented employees to deliver sustained business growth in an ethical manner. The policy sets out clear guidelines to develop relevant, timely, market-related total reward practices aimed at achieving the group's business objectives.

About this report

This report provides an overview of the remuneration framework for Clicks Group employees and details how the policy and practices were implemented in the reporting period to align with shareholder value creation. The remuneration paid to executive and non-executive directors for the 2024 financial year is detailed on pages 18 and 19.

This report aims to enable investors to make informed decisions when voting on the group's remuneration policy and its implementation. The following remuneration-related resolutions will be tabled for consideration by shareholders at the annual general meeting (AGM) on 30 January 2025.

1 An advisory non-binding vote on the group's remuneration policy (set out on pages 6 to 15).
2 An advisory non-binding vote on the group's remuneration implementation report (set out on pages 16 to 19).
3 Approval of the proposed non-executive directors' fees (refer to page 15 of this report).

The structure of this report includes a background statement, the group's remuneration policy and implementation report.

It is informed by regulatory requirements, standards and guidance which include:

- Companies Act, 2008 amended
- JSE Listings Requirements
- King IV Code of Governance for South Africa (King IV)

The group seeks to continually enhance the quality of its remuneration disclosures and reporting, and welcomes feedback from stakeholders on this report. Feedback should be directed to the company secretary at companysecretary@clicksgroup.co.za.

Background statement

Dear Shareholders

On behalf of the board, I am pleased to present our remuneration report for the financial year ended 31 August 2024. The report details the review of the remuneration framework undertaken during the year and the consequent enhancements to our remuneration policy as well as the remuneration outcomes for the 2024 financial year and planned focus areas for the 2025 financial year.

Introduction

The Clicks Group value proposition sets us apart in a challenging operating environment, highlighting the resilience of the group's business model. The group continued to deliver sustained performance, adapt to changing market dynamics and gain market share as it expanded the store and pharmacy network. We have continued to thrive as a business and reinforced our social licence to operate in the way we conduct our business and relate to our stakeholders.

The group's objective is to create an inclusive and transformed organisation with a strong talent pipeline to support long-term business growth and ensure a continued competitive advantage. Attracting, engaging, developing and retaining the valuable talent that we need to achieve our strategic goals is critical to our continued success.

The group's employee value proposition supports this objective through a holistic approach to reward by promoting fair and responsible remuneration practices and enhanced employee well-being through our employee wellness, employee development, and organisational diversity and inclusion initiatives.

The group has achieved this through the following initiatives:

- Providing life assurance cover up to the value of six times an employee's annual guaranteed pay, which is twice the market average for the sector.
- Providing medical aid or primary health insurance to employees.
- Implementing policies and training to remain current with developing health and safety issues and ensuring safety standards are maintained.
- Offering access for all employees and their household dependants to the group employee wellness programme which provides a holistic service that addresses all facets of well-being.
- Providing a number of in-person and online courses to employees which are aligned to its strategic and operational imperatives.
- Recognising the importance of diversity in the workplace and that employment equity (EE) is a business imperative. The group has a three-year transformation roadmap and a five-year EE plan. Its commitment to diversity and inclusion is reflected by the group's verified BBBEE level 3 rating and diverse board composition.
- Engaging independent external reward practitioners to benchmark the remuneration framework against a defined peer group to ensure that the group's remuneration policy and practices are responsible, fair and competitive.

Business performance

Clicks Group continues to deliver on its strategy and its business model remains resilient, supported by strong management. The group's remuneration philosophy and strategy, which encourages individual and team performance, is continually reviewed and adjusted to promote the achievement of the group's strategic objectives. This is borne out in the group's continued success as highlighted in the chief executive officer's (CEO) and chief financial officer's (CFO) reports on pages 35 and 38 in the integrated annual report. The alignment between remuneration and business outcomes is highlighted below:

- Turnover increased by 9.2% to R45.4 billion.
- Retail sales grew by 11.7%.
- Increase of 14.3% in diluted headline earnings per share (dHEPS).
- Dividend increased by 14.3% to 776 cents per share.
- Return on equity at 46.4% is within the medium-term target range of 40% to 50%.
- Returned R2.5 billion to shareholders in dividends and share buybacks.
- The group achieved all its medium-term financial targets.

The group's outperformance over both the shorter and longer term provides assurance that the remuneration policies and the implementation thereof are fit for purpose, enabling the group to attract and retain the talent needed to support the sustained growth of the group.

Remuneration governance

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

Remuneration committee composition

In line with the recommendations of King IV, the committee comprises only independent non-executive directors, namely Sango Ntsaluba (chair), Mfundiso (JJ) Njeke and Christine Ramon. No members of the committee has a tenure exceeding three years. The CEO attends committee meetings by invitation but is recused from discussions that relate to her own performance appraisal and remuneration. The committee meeting attendance is included on page 33 of the integrated annual report.

Remuneration committee mandate

The primary responsibilities of the committee include:

- ensuring the remuneration policy is aligned to and promotes the achievement of the group's strategic objectives and encourages individual and team performance;
- ensuring the market competitiveness of the group's total remuneration offering to support the attraction, motivation and retention of scarce and critical talent and skills;
- ensuring the critical elements of the remuneration policy, including annual guaranteed pay, scarce skills premiums, and benefits and incentives, are appropriately benchmarked to ensure the group is competitive in the employment market;
- ensuring fair and responsible remuneration across the dimensions of race, gender and skill pools in support of the group's transformation imperatives;
- ensuring all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued;
- reviewing and approving the performance evaluation of the CEO, all her direct reports as well as the company secretary, against agreed deliverables;
- reviewing incentive schemes to ensure alignment to shareholder value creation and that the schemes are administered in terms of the rules; and
- reviewing the remuneration of non-executive directors and recommending their fees to be approved at the AGM.

The committee addressed the following key issues during the year:

- Comprehensively reviewed the group's benchmarking outcomes against the comparative peer group, the group financial performance and the inflation outlook. The benchmarking was undertaken by independent, external remuneration valuators and included benchmarking on guaranteed annual pay, the market premiums for scarce and critical skills, the short-term and long-term incentive schemes.
- The committee reviewed the group's talent development, succession and retention programmes to ensure that the group has appropriate resources to execute its strategic objectives, especially its store and pharmacy network expansion.
- Reviewed the impact of adequate resourcing insofar as it relates to group risks – in the current year, the committee focused on skills needed to manage cybersecurity risks, the expansion of omni-channel capability and the centralisation of shared services functions.
- The succession and talent pipeline at the senior and executive levels: The committee endorsed the appointment of an independent external human capital consultancy firm to assist with the assessment and development of senior and executive leaders in the group.
- Reviewed the current group culture to assess its fit in light of changing employee demographics and work preferences.
- Reviewed the progress of its board refresh programme.

Remuneration outcomes

Annual fixed remuneration review

The group is cognisant of the rising cost of living and the inflationary pressures on employees.

The average overall performance-linked increase for all group employees, effective from 1 September 2024, was 6.4% (2023: 5.6%).

Short-term incentive scheme (STI)

Group performance was assessed against STI targets set for the 2024 financial year.

The actual group performance, comprising a return on net assets (RONA) and trading profit-based measures, resulted in an STI achievement of 102.3% against the target for the total health and beauty business unit, 100.4% for Sorbet (which although part of retail is measured separately) and 100.7% for the group executive committee. While the distribution business unit UPD failed to meet its RONA and trading profit performance targets, the business nevertheless reported a significantly improved performance. It was therefore agreed by the committee, supported by executive management, that an STI performance bonus would be paid as an exception.

Refer to pages 8 and 9 of the remuneration policy and page 17 of the implementation report for further detail.

The STI targets for the 2025 financial year, including the ESG downward modifiers, were approved. STI targets are considered to be price-sensitive information, and accordingly performance against these targets will be disclosed to shareholders retrospectively in the remuneration report for 2025.

Long-term incentive scheme (LTI)

The appreciation units relating to diluted HEPS performance awarded under the 2021 LTI scheme vested in 2024, with an actual achievement of 12.4% three-year annual compound growth. This resulted in the hurdle for an on-target percentage payout of 100% being met.

The amounts due to participants in the LTI scheme are settled in cash.

The board approved the amendment of the LTI scheme rules as of 1 September 2021 to incorporate a 15% downward ESG modifier. The amendment affects all LTI participants, whose incentive payment from 2024 will be subject to downward adjustment by up to 15% of the total benefit if the ESG performance modifier metrics are not achieved. Refer to page 11 of the remuneration policy for more information.

The committee reviewed the LTI scheme in the 2024 financial year to ensure that, in its opinion the scheme remained appropriate in the context of the incentivisation of performance, market practice, King IV, and proxy and shareholder voting guidelines.

Refer to page 10 of the remuneration policy and page 18 of the implementation report for further detail.

Shareholder engagement and voting

At the AGM in February 2024, the group's remuneration policy was passed with 95.10% (2023: 73.01%) shareholder support in the non-binding advisory vote and the implementation report was passed with 93.55% (2023: 75.47%) shareholder support.

Shareholder concerns

In the 2024 financial year no shareholder concerns were raised in relation to the group's remuneration practices and disclosures.

Commitment and alignment to shareholder voting guidelines

We remain committed to presenting the remuneration policy and implementation report in a manner that is transparent and discloses all material facts that are relevant to remuneration, to inform shareholder voting. The group is mindful of the voting policy guidelines published by institutional shareholders and opined that the group's remuneration policies create alignment to shareholder interests as is evident from the group's sustained performance.

External advisers

Members of the committee may access any information to inform their independent judgement on remuneration and related matters, including regulation, compliance, control or conduct.

Specialist consultancy firms are engaged by management to provide market benchmarking data and general reward advisory services.

All strategic reward decisions are prepared and guided by our executive management team for approval by the committee. The committee, in its mandate, has the delegated approval authority.

The committee contracts the following service providers and consultancies for independent external advice:

- 21st Century
- Deloitte
- Old Mutual REMChannel
- Korn Ferry

The committee is satisfied with their independence and objectivity.

2025 and beyond

The committee is committed to acting in the best interests and benefits of our shareholders to ensure any concerns raised are adequately addressed.

During the 2025 financial year the committee will continue to focus on the execution of its mandate according to its terms of reference and will primarily focus on the following key areas:

- Retention of key executives and employees in core and critical skill areas.
- Implementation of an executive management structure to support the growth of the business in South Africa and in other countries in which the group operates.
- Supporting the onboarding of the new board chairman.
- Further entrenching an inclusive culture in which diversity and inclusion is harnessed for business success.
- Continue to take appropriate decisions to ensure the competitiveness of the group's remuneration frameworks.
- Review the group's talent development, succession and retention programmes to ensure that the group has appropriate resources to execute its strategic objectives.
- Continuous engagement with shareholders to refine the remuneration policies.

Conclusion

The group's sustained excellence in the four quadrants of the balanced scorecard, namely financial, customer, internal processes, and learning and growth as evidenced by its numerous awards and accolades, increases the pressure on retaining scarce and critical talent. This has heightened the committee's focus on attracting, affiliating and retaining talented individuals. The group's talent development practice has created a strong pipeline of talent who are being prepared for internal succession.

Our remuneration philosophy, strategy and policy framework fuel the delivery of the group's strategic objectives. Our remuneration decisions and implementation outcomes therefore represent a fair outcome in the context of the group's performance, are sustainable and aligned with shareholder and stakeholder interests over the long term.

We will review the impact of our 2025 remuneration outcomes in the context of stakeholder feedback and market activity to identify further opportunities to strengthen our frameworks.

I trust that this remuneration report enables shareholders to make an informed vote. I look forward to your support of the group's remuneration proposals.

Sango Ntsaluba

Chairperson
Remuneration committee

12 November 2024

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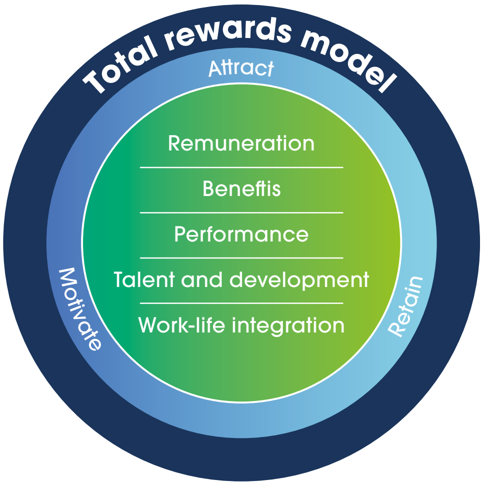
Remuneration policy

The remuneration policy is aligned with King IV and outlines the group's approach to fair, responsible and transparent remuneration practices.

The policy prescribes that the levels of pay and incentives awarded to executive directors are set rationally and impartially, and are free from discrimination, self-interest, prejudice or favouritism.

Executive pay is linked to value creation and positive outcomes, is subject to independent oversight and approval by the committee and is considered by the directors to be sustainable and responsible.

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



Remuneration philosophy and approach

The remuneration philosophy strives to attract, motivate and retain high-performing talented individuals required to develop a strong talent pipeline to achieve the group's strategic goals. Pay-for-performance forms the foundation of the remuneration philosophy.

Reward is directly linked to the group's strategy of attaining improved financial and operational performance. The group aims to focus the behaviours and efforts of employees on the sustained performance and growth of the business for the benefit of all stakeholders.

The group's remuneration philosophy is based on the total rewards model which integrates the five key elements that attract, motivate and retain the human capital required to achieve the desired business results.

The total reward strategy drives a high-performance culture that aims to consistently deliver above-average returns to shareholders through employees that are motivated and fully engaged. This is achieved through the following reward principles:

- Market competitiveness
- Internal equity
- Performance
- Competence and experience

The reward principles of fair and responsible remuneration, market competitiveness and pay-for-performance are entrenched in the policy, and strive to achieve the following objectives:

- A policy that is transparent and incorporates a pay framework that clearly differentiates between occupational levels, skill pools and pay grades to facilitate remuneration benchmarking for each job within a skill pool.
- A remuneration mix that includes a combination of monetary and non-monetary rewards for employees in exchange for their time, efforts, talent and performance at an individual, team and company level.
- Monetary rewards that include annual guaranteed pay and variable pay, such as short-term and long-term incentives, that relate to performance against agreed targets, as well as other benefits.
- Non-monetary rewards that range from formal and informal recognition programmes, training and job rotation opportunities and exposure to stimulating work assignments, all of which are designed to motivate, affiliate and retain employees.

Total rewards framework and components

The total rewards framework provides flexibility to meet the differing needs of our employees. It comprises monetary and non-monetary rewards and is provided to employees in exchange for their time, efforts, talent and results.

Remuneration framework

Annual guaranteed pay

Annual fixed pay based on role and level

Basic salary	Allowances	Benefits
Based on the job grade (size of job determined through Hay job evaluation), skill pool, nature of the job, market position relative to its defined market, individual performance and contribution, and position in the pay band relative to competence and talent positioning.	Car allowance and other guaranteed allowances.	Retirement fund, group life and disability cover, and medical aid (all based on flexible contribution levels).

Short-term incentive (STI)

Long-term incentive (LTI)

Discretionary pay items that are contingent upon performance or results achieved at the organisational, team or individual level

Cash STI	Retail store incentive scheme	LTI scheme	Group retention scheme
Annual cash-based STI bonus based on the achievement of a combination of group, business unit and individual performance. The value of the payout is subject to the application of the ESG modifier rules.	Quarterly cash-based incentive paid to retail store staff for the achievement of quarterly store sales targets.	Cash-settled LTI based on the contribution to the sustained performance of the group. The value of the payout is subject to the application of the ESG modifier rules.	Long-term financial incentive aimed at retaining critical and scarce skills, high-potential and senior black talent.

Remuneration components

A significant portion of executive remuneration is variable and designed to incentivise performance. The STI and LTI are an integral part of the total rewards framework and aim to align employee performance with the interests of shareholders.

To drive sustainable performance and growth, and create sustainable value for shareholders, the following performance metrics are used in the STI and LTI.

The amount of a qualifying employee's incentive allowance is subject to a downward adjustment by up to 15% of the total benefit if the ESG performance metrics are not achieved.

TSR as a measurement has been replaced with ROIC from 1 September 2022. There remains one more tranche of options issued to executives where the TSR performance measurement applies.

	Short-term incentive (STI)	Long-term incentive (LTI)
Drive profitable growth		
Return on net assets (RONA)	●	
Trading profit	●	
Create shareholder value		
Headline earnings per share (HEPS)		●
Total shareholder return (TSR)		●
Return on invested capital (ROIC)		●
Drive an ESG sustainability agenda which contributes to long-term enterprise value creation		
ESG scorecard	●	●

Below is a detailed breakdown of the key remuneration elements that make up the remuneration package:

Policy applicability guide

The group's key remuneration elements and their applicability are shown below:

	Employee levels			
Policy element	**Group executives**	**Senior management**	**Middle management**	**Other employees, including unionised employees**
Annual guaranteed pay	●	●	●	●
Cash STI	●	●	●	● (Except retail store employees)
Retail store incentive				● (Only retail store employees)
LTI scheme	●	●		
Group retention scheme	●	●	●	

Guaranteed remuneration

Annual guaranteed pay

Remuneration element	Description
Annual guaranteed pay • Basic salary • Guaranteed allowances • Benefits	Comprises a basic salary, guaranteed allowances and benefits such as retirement benefits, group life and disability cover, and medical aid, with flexible contribution levels. Annual guaranteed pay is determined based on the following factors: • the size of the job, based on the Hay job evaluation methodology; • the skill pool, i.e. scarce and critical skills are defined as pharmacy, buying and planning, finance and IT; • the nature of the job relative to its defined market position, including any market premiums for scarce and critical skills; • individual performance and contribution as assessed during the performance review process; and • individual position in the pay band range relative to competence and talent positioning. The committee reviews the group's overall pay framework annually against defined market benchmarks per job grade, job size or skill pool. Annual salary increases are merit-based, with increases being directly related to each employee's annual performance rating. The annual increase for an employee in the bargaining unit is based on a collective bargaining process. All store employees' compensation complies with the Sectoral Determination 9: Wholesale & Retail Sector, South Africa and is above the national minimum wage or statutory requirements in all countries in which the group operates. The minimum rates of pay as determined for the retail industry are either met or exceeded.

Variable remuneration

Short-term incentive scheme

Remuneration element	Description
Scheme objective	The STI is performance-based and achievement is measured at the group, business unit and team level against agreed targets. Individual performance, measured through the group's annual performance appraisal process, is applied as a modifier and may limit the value of the payment should an employee not meet individual performance targets. The purpose of the scheme is to incentivise individual and collective contributions to the group's continued growth and profitability. The STI is paid annually, subject to financial performance and may be modified downwards by up to 15% if the ESG targets are not met.

Eligibility	All permanent employees, except retail store employees who participate in a separate retail store incentive scheme. All employees are required to achieve a satisfactory performance rating to qualify for full participation in the STI scheme.
Scheme architecture	A percentage of annual guaranteed pay is paid in cash on the achievement of performance.
Performance metrics	The group and business unit performance metrics are as follows: Return on net assets (RONA) Budgeted trading profit* * Trading profit adds back STI bonus provision, adds back IFRS 16 lease depreciation and deducts actual lease payments to reflect cash trading profit for STI purposes.

Financial target-setting principles

Performance metric	Threshold	Target	Stretch
RONA	95%	100%	
Budgeted trading profit	95%	100%	105%

The qualification threshold is set at the qualifying employees' measurement level, i.e. the group, business unit, region and store within which a qualifying employee works. Once the threshold is achieved, the qualifying employee is entitled to an incentive payment in accordance with the group's allocation percentages at the employee's grade. Both thresholds are required to be reached, otherwise no STI bonus is payable.

Performance exceeding the targeted performance may result in the payment of a higher STI. This is self-funded and only paid if the group exceeds the targeted trading profit.

The achievement of targets is reviewed by the remuneration and nominations committee before any incentive payments are made.

All agreed performance targets are reviewed by the executive committee and approved by the remuneration committee. The performance targets for the executive committee are subject to approval by the remuneration committee.

Allocation percentages

On-target sharing percentage, as a percentage of annual guaranteed package (AGP):

CEO: 60% of AGP (Capped at 120% of AGP)

CFO: 50% of AGP (Capped at 100% of AGP)

Payment quantum

The payment quantum is defined by a threshold, on-target, and a maximum payout as indicated below.

Below threshold	0%
Target	100%
Maximum	200%

Payment is capped at a maximum of two times the qualifying employee's allocation percentage.

Individual performance is applied as a modifier.

ESG modifier

The STI scheme rules were amended to incorporate ESG modifiers from the 2023 financial year.

The amount of a qualifying employee's incentive payment is subject to downward adjustment by up to 15% of the total benefit if any of the following ESG performance modifier metrics are not achieved:

Modifier	Weighting
Composite measure: Maintain leadership positioning on FTSE4Good Index relative to the sub-sector average for drug retailers and the consumer services industry average.	6%
Environmental measure: The Clicks Group increasing its use of solar renewable energy to at least 4 500 MWh.	3%
Social measure: Obtain a level 4 BBBEE rating or better, and UPD obtaining a level 2 BBBEE rating or better in terms of the scoring applicable to the road freight industry.	3%
Governance measure: No material breaches of customer privacy and to a material extent maintaining the security of data.	3%

Long-term incentive scheme

Remuneration element	Description
Scheme objective	The LTI scheme is aimed at aligning executive and senior management remuneration with shareholder interests by rewarding them for the creation of shareholder value. With the replacement of the TSR element from 1 September 2022 with ROIC, the LTI scheme aligns interests by including both an earnings performance metric as well as efficient management of the group's capital. There remains one tranche of options issued to executives where the TSR performance measure applies.
Eligibility	Executives and senior managers
Scheme architecture	LTI awards are granted annually to incentivise the sustained performance of the group measured by the increase in diluted HEPS and the increase in ROIC. The LTI scheme is based on appreciation units and in the case of ROIC, a percentage of AGP. The LTI has a five-year vesting period, with performance hurdles. The value of appreciation units is apportioned between the two performance components: 1. 40% diluted HEPS; and 2. 60% ROIC. The scheme is cash settled.

Element	HEPS appreciation units	ROIC
Instrument	The participant has the right to the appreciation in the HEPS appreciation units based on the growth of the group's diluted HEPS over a five-year period.	The participant is set a target based on a percentage of their AGP. The participant will receive a payment based on meeting ROIC returns.
Award mix	40%	60%
Performance metric	Diluted HEPS	ROIC
Vesting	Five-year cliff vesting	Three-year measurement with two-year retention
Settlement	Cash settled	Cash settled

Performance measurement

1. Diluted HEPS appreciation units

Measurement

Diluted HEPS compounded growth over a five-year period subject to performance hurdles and ESG modifiers.

Calculation

The base value of the HEPS appreciation units is calculated at the date of allocation as follows: Base value = reported diluted HEPS x group's internal price-earnings ratio.

The exercise value is calculated at the end of the vesting period as follows: Exercise value = published diluted HEPS x group's internal price-earnings ratio.

The difference between the exercise value and the base value is the amount per diluted HEPS appreciation unit to be paid out in cash.

The performance hurdle is applied to the cash payout value and moderates the value up or down depending on the diluted HEPS compounded annual growth rate achieved over the three-year, four-year and five-year performance periods:

Performance hurdle	Existing scheme	Scheme to be issued in FY2024	Percentage of LTI payout
Weak	0% or negative growth	Below CPI +2.5% growth	0%
Below target	Up to 7.9% growth	From CPI +2.5% to CPI +4.9% growth	70%
On target	8% to 14.9% growth	From CPI +5% to CPI +7.4% growth	100%
Above target	15% to 19.9% growth	From CPI +7.5% to CPI +9.9% growth	150%
Exceptional	Above 20% growth	Greater than CPI +10% growth	200%

ESG is applied as a downward modifier and may modify the payment downwards by 15% based on the group's performance on the ESG performance scorecard.

Performance measurement (continued)

2. ROIC

Measurement

ROIC is the trading profit after the effective tax rate for the financial year ending on the expiry date. Invested capital is the equity and reserves of the group plus interest-bearing debt. Both the trading profit and invested capital are adjusted to exclude IFRS 16 but include payments for leases. This is also subject to performance hurdles and ESG modifiers. The participant is allocated a ROIC allocation value based on a percentage of their annual guaranteed pay.

Calculation

The participant's ROIC settlement value is calculated at the expiry date for the first tranche.

The ROIC thus calculated is then applied to determine whether any hurdle rate has been met and, if so, which hurdle rate has been met.

The participant's ROIC allocation value is then multiplied by the applicable hurdle rate to determine the total amount payable to the participant.

This valuation only takes place once, at the expiry date of the first three years, however vests 60% after three years, 20% after four years and 20% after five years.

Performance hurdles	ROIC over 36 months from commencement date	% to be applied to the ROIC allocation value
Weak	Below 37.5%	0%
Below target	From 37.5% to 39.9%	70%
On target	From 40% to 44.9%	100%
Above target	From 45% to 47.4%	150%
Exceptional	47.5% and above	200%

ESG is applied as a downward modifier and may modify the payment downwards by 15% based on the group's performance on the ESG performance scorecard.

Allocation

ROIC = 60% of AGP x participation multiple

The participation multiples are set for defined levels of management. The committee may amend the participation multiples annually. The participation multiple for the CEO is set at 120% and the participation multiple for the CFO is set at 100%. The allocation multiple is subject to approval by the remuneration committee.

Termination due to retirement, disability or death

Subject to remuneration committee approval, in the event of the retirement, disability or death of a participant, the settlement amount for outstanding LTI tranches shall be calculated based on the HEPS and ROIC allocation values as at the most recently completed financial year. Such settlement will be subject to a separate cap of a maximum of five times the participant's annual guaranteed pay in relation to HEPS and two times the original value allocated in relation to ROIC.

ESG modifier

The LTI scheme rules were amended as of 1 September 2021 to incorporate an ESG modifier, in terms of which the total LTI payment can be adjusted downwards by up to 15% if specified ESG objectives were not met.

Modifier	Weighting
Composite measure: The Clicks Group maintaining its leadership positioning on the FTSE4Good Index relative to the sub-sector average for drug retailers and the consumer services industry average.	6%
Environmental measure: The Clicks Group increasing its use of solar renewable energy to at least 4 500 MWh.	3%
Social measure: Obtain a level 4 BBBEE rating or better, and UPD obtaining a level 2 BBBEE rating or better in terms of the scoring applicable to the road freight industry.	3%
Governance measure: The Clicks Group experiencing no material breaches of customer privacy and data security.	3%

Previous performance measurement (TSR)

TSR appreciation units

The participant has the right to the appreciation in the TSR appreciation units based on the growth of the Clicks Group Limited share price.

Vesting	Three-year measurement with two-year retention
Settlement	Cash settled

Measurement

TSR is comprised of appreciation in the share price plus dividends paid and reinvested over a three-year period, subject to performance hurdles and ESG modifiers.

Calculation

The financial incentive received is the appreciation in the Clicks Group Limited share price over the three-year period and is calculated as the difference between the exercise value and the base value.

Base value = 20-day volume weighted average share price (VWAP) at the end of the previous financial year.
Exercise value = 20-day VWAP at the end of the three-year vesting period.

The performance hurdle is applied to units allocated and moderates the number of units up or down depending on the TSR compounded annual growth rate achieved over the three-year performance period:

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

ESG is applied as a downward modifier and may modify the payment downwards by 15% based on the group's performance on the ESG performance scorecard.

Pay ranges

Pay ranges are based on prevailing labour market forces which determine the remuneration ranges applicable to each job family. Pay ranges are generally targeted at the median (50th percentile) of the comparable local retail market. A premium may be applied to annually approved scarce specialist skills such as pharmacists, buyers and planners where this is merited, based on the market benchmarks.

Benchmarking

Annual remuneration surveys are conducted to ensure the group maintains a competitive remuneration position. Pay levels are benchmarked on national and retail market benchmark data. The 2024 benchmarking process and the resultant pay framework was peer-reviewed by an independent reward consultant, 21st Century, who verified the accuracy of the benchmarking process and outcomes, as well as compliance with King IV. A market-related adjustment has been applied to the pay framework for 2024 and verified against survey benchmarks to ensure that the group's pay remains competitive.

A comprehensive market benchmarking exercise is undertaken every three years; the next such exercise will be in 2027.

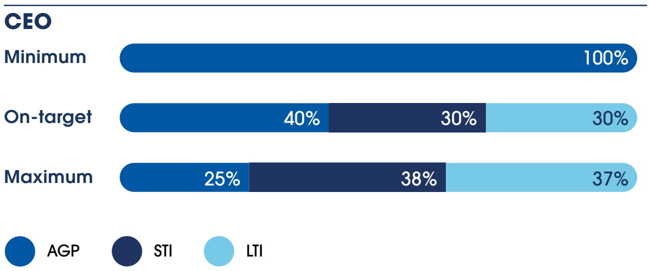
The group's benchmarking and market information is based on independent surveys, including the Old Mutual REMChannel, Deloitte Top Executive and Korn Ferry surveys. These benchmarking exercises recognise the complexity of the group's business model and the regulatory environment within which the group operates. The group also participates in a biennial benchmarking exercise to assess work-life integration.

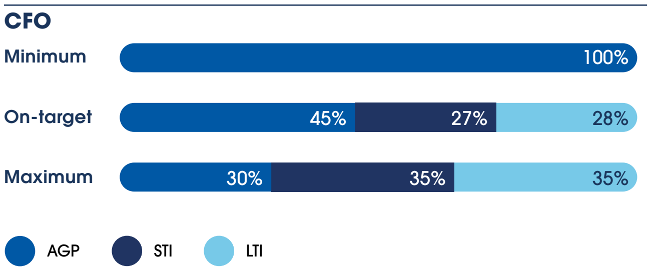
The group actively supports efforts to help employees achieve success at work and home through the provision of work-life integration programmes, and the employee wellness programme which includes support measures that extend beyond the workplace. These programmes encompass workplace flexibility, health and wellness, employee engagement through corporate social investment and culture change initiatives.

Remuneration mix and pay for performance link for executive directors

The remuneration mix is reviewed annually and benchmarked every third year at the defined market positioning, which is at the median (50th percentile), of the comparator group for total remuneration, i.e. total remuneration across AGP and short-term and long-term incentives. The retail comparator group comprises the listed retail and top 40 companies on the JSE. The below graphs set out the executive directors' potential pay mix at minimum, target and maximum performance, based on their current AGP.

The group's remuneration philosophy and strategy is to reward and incentivise performance and this is borne out in the pay mixes below. This philosophy and strategy is deliberate and has served the group well in driving sustainable performance over the long term as evidenced in the results over the medium and longer term.





Salary increases

Annual salary increases are merit-based, with increases being directly related to each employee's annual performance rating. The range of increase percentages per performance rating is applied consistently across the group, including to the executive directors. The annual increase date for permanent non-bargaining unit employees is 1 September, which is aligned with the start of the group's financial year and budgeting period.

Collective salary increases are negotiated with the representative trade union for the Clicks bargaining unit. Trade union membership comprises 12% of the total group employees (2023: 13%).

Performance

Performance-based reward is applied throughout the group, except for those employees appointed to jobs that fall within the group's bargaining units. The annual performance review process evaluates the level of performance achieved in terms of the agreed performance contract, across both financial and non-financial metrics.

Talent and development

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

Executive service conditions

Members of executive management are employed on standard employment contracts. The CEO is subject to a 12-month notice period and the CFO to a six-month period. None of the executive directors is appointed on fixed-term contracts.

The employment contracts do not compel the group to pay severance packages when an executive leaves the group due to underperformance, nor do they provide for guaranteed variable remuneration.

- The pay mix at minimum for the STI is calculated on the threshold of 95% RONA and budgeted trading profit not being achieved. The pay mix at minimum for the LTI is calculated based on the achievement of a below CPI +2.5% growth in diluted HEPS and a three-year ROIC below 37.5%.
- The pay mix at target for the STI is calculated on 100% achievement of the RONA and budgeted trading profit targets, resulting in an on-target payment of 60% of AGP for the CEO and 50% of AGP for the CFO. The pay mix at target for the LTI is calculated on the achievement of a three-year CAGR of between CPI +5.0% to CPI +7.4% in diluted HEPS and ROIC between 40% to 44.9%.
- The pay mix at maximum is calculated at the maximum potential payout on the STI and LTI scheme. The STI is capped at 200% of the on-target sharing percentage, i.e. 120% of AGP for the CEO and 100% of AGP for the CFO. With the change to ROIC the target payout related to ROIC is capped at 200% of AGP. The pay mix at maximum for the LTI is calculated on the achievement of a three-year CAGR of greater than CPI +10% growth.
- The targets under the previous LTI scheme which has one more year to complete are detailed on pages 10 and 12.

Relocation allowances may be paid to executives, but these are linked to a retention period and have to be repaid if the executive leaves the group prior to the expiry of the retention period.

The retirement age for executive directors is 63 years.

Executive directors may be contracted in consultancy roles for a limited period following their resignation or retirement from the group to assist in the transition to their successors.

Malus and clawback

The variable incentive schemes are subject to a malus and clawback policy.

The malus and clawback policy gives the group, through its committee, the discretion when a trigger event occurs to either:

- forfeit, reduce or cancel unpaid, unsettled or unvested incentives (also referred to as "malus"); or
- recover settled or paid incentives (also referred to as "clawback").
- For the purposes of malus and clawback, a trigger event is defined as:
- a material error in the information on which the quantum of any settlement amount or the extent of achievement of performance conditions was based, or in the quantification of a settlement amount;
- a material corporate failure at the employer company or the Clicks Group;
- serious reputational damage or material loss caused to the Clicks Group by the employee's conduct; or
- a material contravention by the employee of the group's ethics and values.

The committee retains the absolute discretion to invoke malus and clawback in part or in full, on a collective or individual basis, where a trigger event has occurred.

The group has the right to recover the incentive remuneration amount from the participant for three years from the trigger event.

In the case of clawback being applied, the right of recoupment survives the cessation of a participant's employment in such a capacity for three years.

Minimum shareholding requirement

The group has a minimum shareholding requirement (MSR) policy for senior executives.

The purpose of the MSR is to encourage executives to hold Clicks Group shares to create a focus on ownership, reinforce the alignment between executive and shareholder interests, and engender a culture of long-term commitment to the group.

The executives are expected to build up and maintain a targeted qualifying interest in shares in the company, determined as a multiple of their AGP as follows:

- CEO: 300% of AGP
- CFO: 150% of AGP
- Managing executives of Clicks and UPD: 100% of AGP

Executives must achieve the targeted minimum shareholding within five years of their appointment or five years from the date of adoption of the MSR policy, whichever is the later. After the five-year period, executives are expected to maintain the MSR. At the end of the financial year, the CEO achieved 103.2% (2023: 81.5%) of the MSR and the CFO achieved 67.8% (2023: 35.6%).

The committee has the discretion to extend the holding period in the event of extenuating circumstances.

If an executive fails to hold the required minimum shareholding by the end of the five-year holding period, the committee will have the discretion to investigate the reasons as to why this may have occurred and determine remedial steps to ensure compliance with the provisions of the MSR policy, as soon as is practicably possible.

Non-executive directors' fees

The fee structure for non-executive directors is based on a review of several internal, economic and market factors. The group's policy is to pay non-executive director fees within 80% to 120% of the median of a comparator group of JSE-listed retail companies. The median is based on the number of board and board committee meetings held per annum.

The board fee structure is independently benchmarked by a specialist remuneration consultancy every three years. In the intervening years directors' fees are increased in accordance with the group's annual overnight increase. In 2024 the group commissioned 21st Century to conduct the external benchmarking against the comparator JSE-listed retail companies. Overall, the increase adjustments required to align the non-executive director fees to the market median for the board and committees, were at or marginally higher than the group's overnight annual increase, except for the fees for the chairman. The fee for the chairman is proposed to increase by 21.9%. The benchmarking outcomes affirms that non-executive director fees have been well managed. The limitation placed on the number of directorships that can be held by a non-executive director to prevent over-boarding, particularly in relation to the chairmanship of boards, coupled with more onerous requirements placed on non-executives, is creating upward pressure on fees.

Non-executive directors receive a meeting fee to attend board committee meetings as non-committee members at the invitation of the board chairman or board committee chairman.

The chair of the board receives a composite fee, without any allowance for membership of any board committee or attendance at any committee meeting as an invitee. Additional fair and reasonable remuneration can be determined to be payable to non-executive directors for extraordinary attendances.

Non-executive directors are reimbursed for travel expenses on official business, where necessary, as well as other direct business-related expenses.

Non-executive directors are not eligible to receive any short-term or long-term incentives.

The fees for the 2025 calendar year are subject to approval by the shareholders at the AGM in January 2025. The board fees are proposed to increase as detailed below.

	2025	2024	
Board position	**Proposed total fee (R)**	**Total fee (R)**	**% change**
Board chairman[1]	2 320 000	1 903 220	21.9%
Board member	521 575	492 052	6.0%
Chair: audit and risk committee[2]	508 547	475 278	7.0%
Member: audit and risk committee[2]	251 897	237 639	6.0%
Chair: remuneration committee[2]	248 597	230 183	8.0%
Member: remuneration committee[2]	117 757	109 034	8.0%
Chair: social and ethics committee	177 810	167 745	6.0%
Member: social and ethics committee[3]	82 978	78 281	6.0%

1 The chairman's fee is inclusive of all committees. The number of members (except for the board) does not include the chairman who is an invitee to all board committee meetings.
2 Overall increase equates to 5.3% as the number of non-executive directors on the audit and risk, and remuneration committees has been reduced.
3 Non-executive directors only.

CLICKS GROUP
LIMITED

Implementation report

This report summarises the outcomes of implementing the remuneration policy as approved by the committee for the 2024 financial year.

Annual salary increases

In reviewing increases, the committee is acutely aware of inflationary pressures and how they are impacting the cost of living and the labour market, and the group aims to pay competitively and differentiate based on individual performance.

The average performance-linked increase effective from 1 September 2024 is 6.4% (2023: 5.6%).

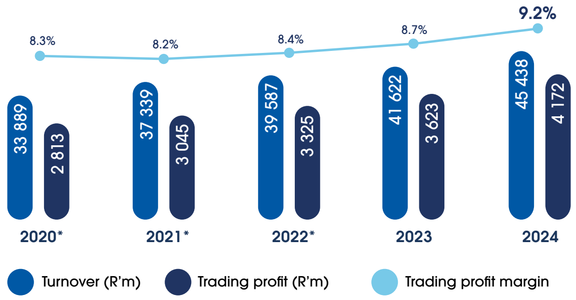
The annual guaranteed pay of the executive directors is determined by the committee within the group's pay range, after reviewing benchmarks based on the group's comparator group of listed retail companies in South Africa and in relation to the firm's reward philosophy and strategy.

Performance and impact on incentives

The LTI scheme has driven sustained outperformance over the longer term as evidenced in the sustained financial performance of the group over the last ten years. This sustained outperformance is further evidenced in the outperformance of the targets.

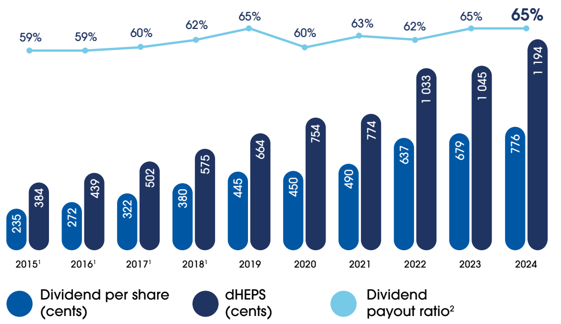
The accompanying graphs and table highlight the strong performance of the Clicks Group over the past one, five and ten years.

Growth in turnover, profit and margin



* FY2020 and FY2021 continuing operations; FY2021 and FY2022 trading profit and margin adjusted for impact of civil unrest.

Sustained financial performance



10-year CAGRs

20.7%
Total shareholder return[3]

13.5%
Diluted headline earnings per share

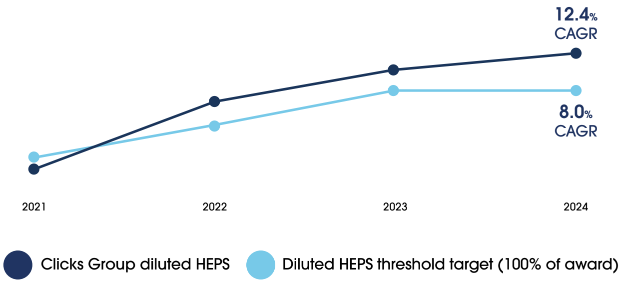
15.1%
Dividend per share

[1] Pre-IFRS16. [2] Based on HEPS.
[3] Based on reinvestment of dividends paid and the closing share price.

Medium-term financial targets	Achieved in 2024	Medium-term target
ROE (%)	46.4	**40 – 50**
ROIC excluding IFRS 16 (%)	45.6	**40 – 50**
ROIC (%)	29.7	**20 – 30**
ROA (%)	14.3	**11 – 15**
Net working capital days	35	**30 – 35**
Group trading margin (%)	9.2	**9.0 – 10.0***
Retail	10.2	**10.0 – 11.0***
Distribution	3.2	**2.8 – 3.3**
Dividend payout ratio (%)	65	**60 – 65**

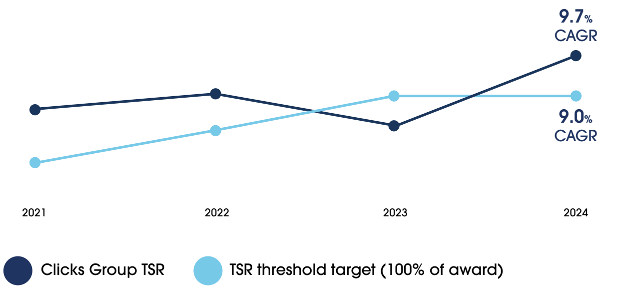
* Target increased.

Diluted HEPS performance



Clicks Group's diluted HEPS performance was 12.4% which is within the target range for 100% vesting of the award, and above the minimum required target of 8% three-year CAGR for 100% vesting to occur, as evidenced in the graph above.

TSR performance



Clicks Group's TSR performance was 9.7% which was above the group's minimum required target of 9% three-year CAGR for 100% vesting to occur as evidenced in the graph above.

Annual short-term incentive outcomes

Performance for the group's STI scheme is measured at the group, business unit and team level against the agreed targets set for average monthly RONA and trading profit, as well as on an individual basis.

The table below summaries the group performance for the 2024 financial year.

	Target	2024 performance	2024 performance vs target %
Trading profit[1]	R4 129.6m	R4 137.6m	100.2%
Average monthly RONA	85.9%	93.6%	108.9%

[1] Trading profit adds back STI bonus provision, adds back IFRS 16 lease depreciation and deducts actual lease payments to reflect cash trading profit for STI purposes.

The committee reviewed and approved the group's and business units' STI achievements which resulted in a total annual cash incentive of R182.3 million (2023: R132.3 million). This includes incentives paid in terms of the retail store incentive scheme where R53.6 million (2023: R44.1 million) was paid to retail store staff for the 2024 financial year.

Executive directors are measured against the group's financial performance as well as individual performance. The individual performance of the CEO is assessed by the committee, while the performance of the CFO is evaluated by the CEO and reviewed by the committee.

The table below illustrates the annual incentive payments made to the executive directors based on their individual performance for the 2024 financial year and the overall achievement of company performance.

2024 executive directors' STI outcomes

Director	On target % of AGP	Target AGP	STI 2024 ESG modifier	STI 2024 awarded	STI 2023 awarded	STI awarded vs target STI
Bertina Engelbrecht (CEO)	60%	R6.5m	0	R6.6m	R5.7m	On-target award
Gordon Traill (CFO)[1]	50%	R3.4m	0	R3.4m	R2.0m	On-target award

[1] Gordon Traill was appointed CFO on 1 January 2023. For the 2023 financial year the remuneration is reported for the eight months from the date of his appointment.

Long-term incentives | Outcomes and awards

2024 LTI outcomes – vesting of 2021 award

The vesting of awards given under the LTI plan are conditional on performance being achieved. For the three-year performance period ended 31 August 2024 the group achieved the following:

Metric	Vesting conditions	Vesting % of award associated with conditions	Achievement over three years	Vesting outcome
Diluted HEPS (Compound annual growth rate over three years)	0% or less	0% of award	12.4%	100% of award
	0.1% to 7.9% growth	70% of award		
	8% to 14.9% growth	100% of award		
	15% to 19.9% growth	150% of award		
	Above 20% growth	200% of award		
Total shareholder return (TSR) (Compound annual growth rate over three years)	Below 9%	0% of award	9.7%	100% of award
	Above 9%	100% of award		
	Above 12%	150% of award		
	Above 15%	200% of award		

The committee approved the LTI payment of R62.8 million to participants per the rules of the scheme. No adjustments were applied in assessing the vesting targets related to either diluted HEPS or the TSR targets.

2024 executive directors' LTI outcomes – vesting of 2021 LTI award

Director	Award value diluted HEPS units allocated at R100.91 per unit	Award value TSR units allocated at R288.97 per unit	HEPS units gain per unit	TSR units gain per unit	Vesting outcome % diluted HEPS	Vesting outcome % TSR	2024 LTI vesting outcome	2023 LTI vesting outcome
Bertina Engelbrecht (CEO)	235 358	82 188	R42.31	R69.30	100%	100%	R15.6m	R3.7m
Gordon Traill (CFO)	54 031	18 868	R42.31	R69.30	100%	100%	R3.6m	R2.0m

Long-term incentive awards

Based on shareholder feedback and a review of the market, the group undertook to review its LTI to ensure it is relevant and aligned to the strategic objectives of the group. The group has incorporated ROIC as an additional performance measure and amended the vesting period to have 60% of awards vest in year three, with 20% vesting in each of years four and five. These changes will apply to all awards from 2023.

Executive director remuneration summary

The table below summarises the total single figure remuneration paid to executive directors for the 2024 financial year, as recommended by King IV.

2024	Directors' remuneration (R'000)							
Director	Salary	Pension fund	Other benefits	Total annual guaranteed pay	Annual short-term incentive	Long-term incentive	Total variable pay	Total
Bertina Engelbrecht (CEO)	10 223	653	–	10 876	6 573	15 654	22 227	**33 103**
Gordon Traill (CFO)	5 984	789	–	6 773	3 411	3 594	7 005	**13 778**
Total	**16 207**	**1 442**	**–**	**17 649**	**9 984**	**19 248**	**29 232**	**46 881**

2023	Directors' remuneration (R'000)							
Director	Salary	Pension fund	Other benefits	Total annual guaranteed pay	Annual short-term incentive	Long-term incentive	Total variable pay	Total
Bertina Engelbrecht (CEO)	9 465	604	–	10 069	5 679	3 670	9 349	**19 418**
Michael Fleming (CFO)[1]	2 491	124	–	2 615	1 230	–	1 230	**3 845**
Gordon Traill (CFO)[2]	3 710	489	–	4 199	1 974	2 002	3 976	**8 175**
Total	**15 666**	**1 217**	**–**	**16 883**	**8 883**	**5 672**	**14 555**	**31 438**

1 Michael Fleming retired as CFO from 31 December 2022. The remuneration for 2023 is disclosed for four months until the date of retirement.
2 Gordon Traill was appointed CFO on 1 January 2023. For the 2023 financial year the remuneration is reported for the eight months from the date of his appointment.

Directors' participation in the LTI

The table below details the historic performance-linked appreciation unit awards to the executive directors.

	2022 - 2025 Scheme		2023 - 2026 Scheme	
Director	HEPS units allocated at R115.76 per unit	TSR units allocated at R298.29 per unit	HEPS units allocated at R125.34 per unit	ROIC value
Bertina Engelbrecht (CEO)	217 476	84 398	173 538	10 875 600
Gordon Traill (CFO)[1]	108 846	42 241	97 259	6 095 250

[1] Appointed as CFO 1 January 2023.

Non-executive director fees

	2024 directors' fees			2023 directors' fees		
Director (R'000)	Holding company	Subsidiary companies	Total	Holding company	Subsidiary companies	Total
David Nurek	1 846		**1 846**	1 665	–	**1 665**
Fatima Abrahams[1,*]	–	–	**–**	297	70	**367**
John Bester[2]	250	–	**250**	615	–	**615**
Martin Rosen[1]	–	–	**–**	204	–	**204**
Mfundiso Njeke[5]	1 045	–	**1 045**	947	-	**947**
Penelope Osiris (née Moumakwa)[*]	568	189	**757**	516	108	**624**
Sango Ntsaluba	932	–	**932**	828	–	**828**
Richard Inskip[3]	630	–	**630**	77	–	**77**
Nomgando Matyumza[6]	884	–	**884**	744	–	**744**
Christine Ramon[4]	739	–	**739**	355	–	**355**
Total	**6 894**	**189**	**7 083**	**6 248**	**178**	**6 426**

Total directors' remuneration (R'000)		
Executive directors	**46 881**	31 438
Non-executive directors	**7 083**	6 426
Total directors' remuneration	**53 964**	**37 864**

* Includes fees for serving as a director of Clicks Retailers Proprietary Limited and New Clicks South Africa Proprietary Limited.
[1] Retired as a non-executive director 26 January 2023.
[2] Retired as a non-executive director 1 February 2024.
[3] Appointed as a non-executive director effective 1 July 2023.
[4] Appointed as a non-executive director effective 7 February 2023.
[5] Appointed as lead independent director effective 1 February 2024.
[6] Appointed as a non-executive director effective 1 September 2022.

Directors' shareholdings at 31 August

	2024 beneficial shares				2023 beneficial shares			
Director	Direct	Indirect	Indirect non-beneficial	Total	Direct	Indirect	Indirect non-beneficial	Total
David Nurek	–	–	56 000	**56 000**	–	–	65 000	**65 000**
John Bester[1]	–	–	–	**–**	12 000	10 000	–	**22 000**
Bertina Engelbrecht	90 068	–	–	**90 068**	90 068	–	–	**90 068**
Sango Ntsaluba	492	–	–	**492**	365	–	–	**365**
Gordon Traill	15 119	3 320	–	**18 439**	12 309	–	–	**12 309**
Total	**105 679**	**3 320**	**56 000**	**164 999**	**114 742**	**10 000**	**65 000**	**189 742**

[1] Retired as a non-executive director 1 February 2024.