

Application of the King IV Principles 2025

The King IV Report on Corporate Governance (King IV) contains a code which sets out recommended practices and principles. King IV has been applied for the 2025 financial year. King IV places focus on transparency, sustainability and promoting systems thinking in the governance of entities and the conduct of businesses. Through application of the “apply and explain” approach to reporting, this document is aimed at assisting stakeholders in assessing the group’s approach to corporate governance and application of the King IV practices and principles.

This report should be read in conjunction with the corporate governance report in the 2025 integrated report.

Leadership

The board should lead ethically and effectively.

- The board is responsible for the establishment and maintenance of the ethical culture of the group and its corporate governance. The board ensures that the group’s ethical standards are clearly articulated and supported as an integral part of conducting business.
- The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter which is regularly reviewed. Each board committee has terms of reference which are approved by the board and reviewed annually by the relevant committee and by the board. The group has a code of conduct, which is enforced, and group values which support ethical behaviour.
- All board members are suitably qualified for their roles as directors and have extensive business experience and specialist skills, including retail, commercial, governance, human resources, remuneration, accounting and finance, legal, healthcare and information technology (IT). This enables them to provide balanced and independent advice and judgement in the decision-making process.

Organisational ethics

The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

- The group subscribes to high ethical standards of business practice. A set of values, various documented policies and a code of conduct approved by the board require all employees to adhere to ethical business practices in their relationship with one another, suppliers, intermediaries, shareholders and investors.
 - The board is responsible for ensuring that the group’s ethical norms and policies are appropriate and are enforced, a responsibility that it discharges through the social and ethics committee.
 - The group has documented processes covering the detection, investigation and prosecution of dishonest conduct such as fraud, theft and corruption committed by staff or external parties against the group. A firm stance is taken against fraud and in the prosecution of offenders. Staff are encouraged to report suspected fraudulent or unethical behaviour via a toll-free whistle-blower line managed by an independent external service provider and can do so anonymously.
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Responsible corporate citizen

The board should ensure the organisation is and is seen to be a responsible corporate citizen.

- The board, through the social and ethics committee, sets the direction and embeds the culture of the group relating to its corporate citizenship role. It provides strategic direction to the group, monitoring non-financial aspects of the business of the group and ensuring that it acts responsibly towards stakeholders that have legitimate interests in its affairs. The group CEO is ultimately responsible for the execution of the group's activities in relation to its corporate citizenship, which are reviewed and monitored by the board through the social and ethics committee.
- The group has implemented various initiatives and programmes to ensure protection of the environment, maintain the health and safety of our people, suppliers and customers, and contribute to community development through its corporate social investment programmes. These include the following initiatives:
 - addressing the critical shortage of pharmacists by collaborating with the Clicks Foundation that offers bursaries to pharmacy students;
 - assisting in addressing youth unemployment by partnering with Technical Vocational Education and Training (TVET) colleges to provide practical experience for students and work opportunities for TVET graduates;
 - investing in socio-economic development projects aligned to the group's focus on health and well-being through the Clicks Helping Hand Trust and continued relationships with small enterprise owner drivers to deliver products from UPD to Clicks pharmacies, independent pharmacies, hospitals and clinics; and
 - investing in renewable energy (the group has installed solar panels and battery storage at its head office and distribution centres, and launched South Africa's first fleet of zero-emission, pharma-compliant electric vehicles with solar-powered refrigeration).

Strategy and performance

The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value it creates.

- The board and executive management work closely in determining the strategic direction and objectives of the group.
- Material issues, risks and opportunities which could impact positively or negatively on the group's ability to create and sustain value, are considered by the board. These material issues are reviewed annually by the board and management and, where relevant, internal, industry and macroeconomic factors are evaluated.
- Authority and responsibility has been delegated by the board to the CEO and the group executive committee for the implementation of the strategy and operational plans, and the ongoing management of the business. This responsibility is cascaded down through the group and the group's strategies are incorporated into operating plans and budgets by business and function.
- The board oversees the implementation of strategy and operational plans against the agreed performance measures and targets. This takes place at quarterly board meetings and through receipt of information in the monthly group management accounts.

Reporting

The governing body should ensure reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.

- The board, assisted by the audit and risk committee, assumes responsibility for the integrated annual report, annual financial statements and all other statutory reporting on key matters affecting the group and its stakeholders. The board has delegated the preparation of the group's reporting to the executive committee and significant management time is invested in ensuring the group's reporting is clear, accurate and relevant.
- The board reviews the integrated annual report and annual financial statements annually in conjunction with the audit and risk committee before these are published to confirm that the integrated annual report addresses all material issues and fairly presents the integrated performance of the group. The board engages with management in determining the content of reports and in the course thereof assesses and approves management's bases of determination of materiality.
- In its disclosures relating to sustainability, and how sustainability informs the group's strategy, the group aims to assess what its material sustainability issues are by considering both impact materiality (the group's impacts on people, the environment and the economy) and financial materiality (the group's most significant sustainability-related risks and opportunities). The identified material sustainability issues are taken into account in the group's determination of its strategy, target-setting and financial planning. The group's reporting will also disclose how significant sustainability-related risks and opportunities have affected the group's financial position, financial performance and cash flows.

Primary role and responsibilities of the board

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

- The board serves as the focal point and custodian of corporate governance in the group.
- The scope of authority, responsibility, composition and functioning of the board is contained in a formal charter which is reviewed annually.
- The board develops and applies a work plan aimed at ensuring that it attends to all responsibilities, when these responsibilities have not been delegated to a committee.
- The board charter entitles board members to have access to members of senior management and to all relevant information to assist them in the discharge of their duties and responsibilities, and to enable them to take informed decisions. All directors have unrestricted access to company documentation. Directors are entitled to seek independent professional advice at the company's expense.

Composition of the board

The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

- The group has a unitary board structure. At present there are eight directors: two salaried executive directors and six independent non-executive directors.
- Consideration is given to the number of committees, the mandate of those committees, the skills and experience required, the number of directors required to serve on those committees and succession planning for the board and its committees.
- The board charter empowers the board to determine its composition and requires that it has an appropriate balance of knowledge, skills, experience, diversity and independence to be able to fulfil its duties and responsibilities to stakeholders. The board's mix of knowledge, skills and experience includes retail, commercial, governance, human resources, remuneration, accounting and finance, legal, healthcare, marketing and IT.
- Disclosure of the group's progress in meeting its race and gender diversity targets at board level is made in the integrated annual report. The board is satisfied that it has an appropriate mix of knowledge, skills, experience, diversity and independence.

Committees of the board

The board should ensure its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.

- The board charter allows for the delegation of responsibilities to committees to assist the board in executing its duties, power and authorities. The Companies Act, 2008 and the JSE Listings Requirements also dictate the formation of certain committees as well as their composition and statutory mandates.
- Each committee has terms of reference that set out the roles and responsibilities and are approved by the board.
- The board has appointed the following committees:
 - audit and risk committee;
 - remuneration committee; and
 - social and ethics committee.

The nominations committee will be reconstituted at the January 2026 AGM.

- Each committee has terms of reference that set out the roles and responsibilities and are approved by the board.
- There is a balanced distribution of power between the board, its committees and the executive management. No individual or committee has the ability to dominate decision-making and no undue reliance is placed on any individual or committee.

Performance evaluation

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

- The board oversees the process for evaluating the board, directors, chairs of committees, the committees and the company secretary.
- A formal internal assessment was conducted during the year under review.
- The board has committed to the 2026 assessment being conducted by an external independent party.

Appointment and delegation to management

The board should ensure the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.

- The board has delegated certain functions to its committees and other functions have been delegated via the CEO to the group's executive committee.
- The board charter distinguishes between those matters that are reserved only for the board and those that are to be delegated to management via the CEO, and the committees' terms of reference set out delegation to the committees. An authority matrix further delineates the competencies and authorities of various bodies and roles.
- The board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities. Annual evaluations are conducted of the CEO and executive management to confirm their competence, which provides assurance to the board that the delegation of functions to executive management is appropriate.
- The group has an appointed company secretary who is responsible for corporate governance and plays a vital role at board level. A formal annual review of the qualifications, competency and performance of the company secretary was conducted during 2025. The board believes the company secretary is suitably skilled, qualified and experienced to fulfil the role competently, that she is independent and maintains an arm's length relationship with the directors.
- The board is satisfied that it and the group are appropriately resourced for these roles and that delegation of certain roles and responsibilities to management supports effective governance.

Risk governance

The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

- The board is responsible for the oversight of the risk management process and has delegated responsibility to the audit and risk committee.
- A risk framework approved by the board sets out the various risks that should be considered as part of the risk identification process. These potential risks are updated annually to ensure all relevant industry issues are considered.
- Actions monitoring the effectiveness of risk management are included in the group and business unit risk registers. These are regularly reviewed and discussed at audit and risk committee meetings, and an additional meeting of the audit and risk committee is now scheduled each year to allow a focused and dedicated discussion of risk items.
- During the year under review an independent external review of the risk management methodology was performed.
- The integrated annual report contains details of material risks managed by the group on pages 15 to 18 and an overview of the risk management process is highlighted in the audit and risk committee report which is included in the annual financial statements.
- The board is satisfied that the group's risk management process is effective in continuously assessing risks and opportunities, and ensuring these risks are managed in line with business strategy.

Technology and information governance

The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

- The board is responsible for IT governance. The board has approved a policy that articulates and gives effect to its set direction on the employment of technology and information, and has delegated the responsibility to implement and execute effective technology and information management to management.
- Executive management exercises ongoing oversight of technology and information management resources and of all IT activities including technologies, information, staffing and processes across the organisation. Quarterly reports are provided to the IT steering committee, the audit and risk committee and the board.
- The board approves all significant IT investments in accordance with its authority levels. Information security policies that include disposal of IT assets have been implemented.
- The group has an information security policy and employee code of conduct policy which is reviewed annually and includes the authorised use of IT.
- The group information officer and deputy information officer are formally appointed and registered with the Information Regulator. In addition to their statutory roles, they support the group's implementation of its policies and adherence to applicable regulations. Information security policies are implemented within the organisation to support confidentiality, integrity and availability of information; privacy of personal information; and monitoring of security information.
- Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed are disclosed in the integrated annual report.

Compliance governance

The board should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation as an ethical and good corporate citizen.

- The board is responsible for the governance of compliance with applicable laws and with adopted, non-binding rules, codes and standards. The board approves policy that articulates and gives effect to its direction on compliance and that identifies which non-binding rules, codes and standards the organisation has adopted.
- The board has delegated responsibility for implementation and execution of effective compliance management to executive management, which responsibility is primarily discharged by a group compliance officer under oversight of the group head of legal.
- Changes in legislation, the impact thereof on the group and the actions to be taken by management are reported on and monitored at audit and risk committee meetings.
- An overview of the arrangements for governing and managing compliance is disclosed in the integrated annual report. Should any material compliance issues or issues that required board consideration arise in a reporting period, these would be disclosed in the integrated annual report. No material penalties, fines and/or sanctions were imposed on the group in the period.

Remuneration governance

The board should ensure the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

- The board is responsible for the governance of remuneration and on how remuneration should be approached. The board has delegated the responsibility for overseeing all elements of remuneration, including the remuneration philosophy and policy, and the implementation of the policy to the remuneration committee.
- The group's remuneration policy is aimed at driving a high-performance culture that creates sustainable value for shareholders. The reward principles of fair and responsible remuneration, market competitiveness and pay for performance are entrenched in the policy. The policy is transparent with a pay framework that clearly differentiates between occupational levels and pay grades that facilitate remuneration benchmarking for each job within a skill pool.
- The remuneration report available on the Clicks Group website (www.clicksgroup.co.za) discloses the remuneration of the board and meets the requirements of the Companies Act, 2008.
- The group values the views and insights of investors, and encourages shareholders to proactively engage with management on remuneration issues to enable informed decisions to be made when voting on the group's remuneration policy and the remuneration implementation report.

Assurance

The board should ensure assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

- The audit and risk committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities; the combined assurance received is appropriate to address all the significant risks facing the group; and monitors the relationship between the external assurance providers, internal assurance providers and the company.
- The board assumes responsibility for the integrity of external reports issued by the organisation and sets the direction for how assurance of these should be approached and addressed. In determining how to assure external reports, consideration is given to the intended audience to ensure that it provides them with the necessary information to make informed decisions, and to the measurement or evaluation of the underlying subject matter of the report. The board is satisfied that the combined assurance model is effective to ensure the integrity of the group's external reports.
- The audit and risk committee report included in the annual financial statements provides descriptions of the various assurance functions, services and processes underlying the preparation and presentation of the annual financial statements and integrated annual report. The directors' report included in the annual financial statements and the directors' approval of the integrated annual report include a statement by the board on the integrity of the reports and the basis for this statement, with reference to the assurance applied.

Stakeholders

In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation.

- The board has delegated responsibility for stakeholder management to the social and ethics committee and executive management who apprise the board of any key matters that arise and how these have been responded to.
- The group engages in open and transparent, mutually beneficial relationships. Qualitative and quantitative performance indicators have been developed for each primary stakeholder group to determine the outcome of the engagement and these measures are refined on an ongoing basis.
- The group follows a board-endorsed stakeholder engagement programme which is included in the integrated annual report and available on the Clicks Group website.

The board is satisfied with the manner in which the group has applied the recommendations of King IV to achieve good performance and effective control while maintaining legitimacy and an ethical culture. Governance processes are regularly reviewed to align with legislative and regulatory changes and to reflect changes in the business to ensure processes remain relevant.