

# INTRODUCING THE REPORT

Welcome to the Clicks Group sustainability report which is a key component of our annual integrated reporting process.

The focus of the report draws on the group's overall performance and the creation of value for all stakeholders. The report provides information on the environmental, social and governance (ESG) impacts as well as mitigation measures employed by the group to ensure the long-term sustainable growth 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 2018 to 31 August 2019.

The report is aimed at our primary stakeholders who have a vested interest in the group's sustainability performance. Our stakeholders include our employees, customers, communities, shareholders, suppliers as well as the industry regulators as they help inform our process of identifying priority issues which are material to them and to the business.

The reporting process is 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 committee.

The group's sustainability reporting process has continued to improve, with the group being included in the FTSE/JSE Responsible Investment Top 30 Index. The FTSE/JSE Responsible Investment Index encourages companies to disclose their ESG practices. Inclusion in the index is based on an independent review of our ESG performance by the global index provider, FTSE Russell. The group achieved the maximum score in the governance pillar.

Clicks Group has been included in the FTSE4Good Index for the third consecutive year. The FTSE4Good Index also 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



**Bertina Engelbrecht**  
Group human  
resources director

8 November 2019



# COMMITMENT TO CREATING SUSTAINABLE VALUE FOR ALL STAKEHOLDERS

## INTRODUCTORY MESSAGE FROM OUR CEO

Clicks Group has pleasure in presenting its 2019 sustainability report which is a key component of our annual reporting suite to stakeholders.

We recognise the importance of environmental, social and governance (ESG) practices in creating a sustainable business while generating value for shareholders and benefits for our other stakeholders including employees, customers, suppliers and communities.

As a responsible corporate citizen we are aware of the crucial role that business can and must play in society. We continue to improve access to convenient, affordable healthcare and have extended our national network of pharmacies to 545 in the past year, with 51% of our customers now located within six kilometres of a Clicks pharmacy.

Although our business has a low impact on the environment, as a responsible retailer we are addressing environmental and climate change challenges by developing strategies to reduce our carbon footprint through more efficient energy and water usage, waste management, distribution network optimisation and recycling across the supply chain.

We are also committed to aligning our ESG practices with the Sustainable Development Goals (SDGs) of the United Nations (UN) and contributing in our way to the collective global drive to achieve these targets by 2030.

The group's progress over the past year and our plans to address sustainability opportunities and challenges in the future are covered throughout this report. Three developments merit specific reference:

- Company-funded healthcare cover was extended to all our employees, with over 9 000 additional staff members enjoying healthcare funding for the first time.

- The quality of life of our employees was enhanced through the final payout of R1.5 billion to almost 7 800 beneficiaries under the employee share ownership programme (ESOP), bringing the total payout over two years to R2.8 billion.
- R100 million was donated from the ESOP Trust to the New Clicks Foundation to fund 100 bursaries annually for talented, previously disadvantaged South Africans.

While we acknowledge the enormity of what needs to be achieved we are encouraged by our improving ESG performance which has again seen Clicks Group included in the FTSE4Good Index and being a constituent of the FTSE/JSE Responsible Investment Top 30 Index.



**Vikesh Ramsunder**  
Chief executive officer



# 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. Headquartered in Cape Town, South Africa, the group is a constituent of the FTSE/JSE Top 40 Index.

The group has a total retail footprint of 870 stores, including those in the neighbouring countries of Namibia, Botswana, Eswatini and Lesotho and employs over 15 000 permanent employees.

The anchor brand, Clicks, is South Africa's leading health and beauty retailer, offering value for money in convenient locations and appealing stores. 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 545 in-store pharmacies. It is renowned for its ClubCard, which is one of the largest loyalty programmes in South Africa, with over 8.1 million active members who account for 78% 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.

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 close to 1 200 independent pharmacies. In addition, UPD also provides bulk distribution services to pharmaceutical manufacturers.

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**545**  
pharmacies

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**870**  
total number of  
retail stores

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**9**  
distribution centres

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# OUR APPROACH TO SUSTAINABILITY

This report has been aligned with the principle-based approach of the International Integrated Reporting Council's (IIRC) six capitals in reflecting material issues related to sustainable value creation. The objective of the report is to communicate the group's utilisation of resources as well as relationships in creating sustainable value in the longer term for our stakeholders.

The group's strategic focus is based 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 the responsible use of natural resource.

Clicks' sustainability approach is aligned with the principles of the United Nations (UN) Global Compact and follows 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 group sustainability framework adheres to the UN's Sustainable Development Goals (SDGs).

Our sustainability strategy is based on four focus areas:

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

Our business is embedded in the principle of creating meaningful social impact. The provision of health products is our biggest social contribution as well as providing better access to reliable and affordable healthcare. This plays a vital role in fostering

the national development goals by ensuring healthy lives and promoting well-being for all ages.

## OUR SUSTAINABILITY GUIDING 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 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.

## REPORT OVERVIEW (CONTINUED)

- *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 create long-term sustainable 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.

### BUILDING A TRUSTED, ACCESSIBLE HEALTHCARE NETWORK

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 customers, which has led to major positive impacts on individuals and communities.

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 Authority (SAHPRA) (formerly the Medicines Control Council) and the national and provincial health departments.

Clicks Helping Hand Trust (CHHT) has continued to sponsor free clinic services every week at our clinics across the country, with a total of 290 252 lives positively impacted over the last five years.

Our integrated healthcare retail and supply model gives the Clicks Group a unique competitive positioning in South Africa. Clicks has increased its retail pharmacy market share from 23.9% in 2018 to 24.9% at August 2019.

The pharmaceutical environment has been characterised by two important trends which has continued to influence trading patterns. The first is the increasing use of generic medicines, which now account for (66%) 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 contribution to pharmacy sales of 28.8%.

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 704 and continues to grow, with a target to reach 900 stores in South Africa in the longer term.

### 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.

The final 50% payout under the employee share ownership programme (ESOP) was made in 2019, with a total of R1.5 billion paid to almost 7 800 beneficiaries. Subsequent to the finalisation of the payouts, R100 million was donated to the New Clicks Foundation Trust to offer bursaries for tertiary education and the first 100 bursaries were awarded to talented, previously disadvantaged South Africans.

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

In January 2019 company-funded healthcare cover was extended to all our employees, with over 9 000 additional staff members enjoying healthcare funding for the first time when they joined the Discovery Primary Care Advanced healthcare plan.

The group hosts an annual healthcare conference where our pharmacists are exposed to new trends and knowledge sharing in the industry. This ensures that the staff are kept informed of the latest healthcare developments and trends. Clicks Group received the Best Employer Brand Award for 2019 for Excellence in Training and Managing Health in the Workplace.

The group achieved a level 6 BBBEE rating, with a score of 76.49 points.

## 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 almost 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 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

We continue to uphold our commitment to reducing and mitigating the impacts 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).

The Clicks head office building has a 400 kWp solar photovoltaic (PV) system, comprising 1 298 modules installed over a rooftop area of 2 519 m<sup>2</sup>. This has managed to partially off-set our carbon emissions as we also continue to grow the business with the expansion of our store footprint which has subsequently resulted in increased energy usage. We continue to invest in initiatives such as online energy metering to continuously track, monitor and manage our consumption.

Our head office building has continued to yield positive energy savings.

As an ongoing precautionary response to drought Clicks monitors the water management process and this is informed by water risk assessment done by World Wide Fund for Nature (WWF) for the group. The report provides insights into our water-scarce operational areas within the country. The report was used to inform the drought response plan during the 2018 water crisis in the Western Cape. The group's water-saving initiatives have continued to yield water savings at the head office and at the distribution centres.

For waste management, various waste recycling initiatives are in place and approximately 85% of the waste is recycled.

“A culture of responsible environmental stewardship”



# CREATING VALUE IN 2019

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

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

## FINANCIAL

Included in  
**FTSE/JSE Top 40  
Index**

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

**R2.9 billion** cash generated by operations

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

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

Return on equity of **36.5%**

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

## INFRASTRUCTURE

Opened  
**41 Clicks stores**  
and expanded footprint to 704 stores

**R647 million** capital investment in stores,  
supply chain and IT



**Online** is the fastest growing store

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

**9** distribution centres across Clicks and UPD

INTELLECTUAL



**8.1 million**  
active Clicks ClubCard loyalty members

Clicks increased market share in all key product categories

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

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

Clicks remains price competitive with national retailers

Clicks independently rated as leading health and beauty retailer in SA

UPD gained share of the wholesale and distribution markets

PEOPLE

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

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

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

**R144 million** invested in employee training and development

Company-funded healthcare cover extended to all employees

Pharmacy staff turnover maintained at **15.3%**

STAKEHOLDERS

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

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

**R504 million** cashback paid to ClubCard members

**R3.4 billion** paid to employees

**R26.7 billion** paid to suppliers of goods and services

ENVIRONMENT

Included in  
**FTSE4Good Index**



FTSE4Good

**645 000** kilowatt hours renewable energy produced

**85%** of waste recycled

**3 568 tons** of recycling in the supply chain

# SDG HIGHLIGHTS

SDG	Clicks Group's response	SDG achievements
 <p><b>1 NO POVERTY</b></p> <p>End poverty in all its forms everywhere</p>	<p>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.</p>	<p>Poverty affects all spheres of society. Business can make a difference through the creation of jobs and opportunities subsequently leading to sustainable incomes, and initiating policies which promote decent living. Clicks Group has a total rewards framework which provides monetary and non-monetary rewards. The group also has a remuneration policy which is anchored on the aspects of fair, responsible and transparent remuneration practices, market competitiveness, and pay-for-performance. The non-monetary rewards are less tangible and range from formal to informal recognition programmes, training and job rotation opportunities and exposure.</p>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b></p> <p>Ensure healthy lives and promote well-being for all at all ages</p>	<p>Clicks provides 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. The Trust has cumulatively been able to provide HIV testing for 76 324 people over the period of its inception. Positive uptake has also been noted with diabetes testing and education, heart disease testing, as well as mom and baby family services where it has assisted a total of 331 798 people since its inception.</p>	<p>We appreciate the value of quality healthcare services in ensuring healthy lives and promoting well-being. Clicks acknowledges that poor access to healthcare services can help perpetuate inequalities. As part of our initiative to promote well-being, Clicks has a comprehensive employee wellness programme. The programme provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependants. The programme achieved a total utilisation rate of 18.3% which remains the highest in the consumer services sector. Clicks also provides an HIV/AIDS programme for employees. In 2019 more than 2 065 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.</p> <p>Additionally, Clicks introduced company-funded healthcare cover which was extended to over 9 000 of our qualifying employees in customer service, clerical and supervisory roles on the Discovery Primary Care Advanced healthcare plan. This provides them access to Discovery's network of doctors, dentists and optometrists as well as radiology, medication and a trauma benefit as part of their total rewards.</p> <p>Our commitment to ensuring equal opportunity to access of healthcare services is also extended to communities. Clicks Helping Hand Trust (CHHT) offers free clinic services through the network of Clicks clinics to disadvantaged South Africans who do not have medical aid and lack access to basic primary healthcare services. The Trust also undertakes special projects by partnering with other organisations towards a common social development agenda. The Trust and Novartis partnered to donate more than 2 000 reusable pads on Menstrual Hygiene Day. Two schools, Diepsloot Combined and Diepsloot Primary, greatly benefited from this collaboration. CHHT has committed to reach 5 000 girls since its inception in 2016.</p> <p>As part of Mandela Day celebration, Clicks partnered with Rise Against Hunger and were able to pack 10 766 hampers totalling R31 221.</p>

REPORT OVERVIEW (CONTINUED)

SDG	Clicks Group's response	SDG achievements
 <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>Clicks offers 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.</p>	<p>We recognise the value of quality education and how it is fundamental for a productive and stable society. Our role as a business is to help foster equality by providing access to education and training opportunities to communities as well as our employees. The group awarded 135 pharmacy bursaries to talented, previously disadvantaged South Africans to study towards a university degree. A further 5 781 of our employees also participated in learning and development intervention initiatives which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications.</p> <p>Through the Helping Hand Trust Clicks contributed to the career goals of South Africa's future female learners in Grades 8 – 12 by hosting 19 female pupils. The aim was to help young female learners bridge the gap between their career expectations and the real-life setting of these roles. The value of this programme is to expose and contribute towards the development of confident, visionary and ambitious girls. It prepares the core of young women who will, in future, become vibrant contributors to the economy and leading job creators in our country.</p>
 <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>A solar photovoltaic (PV) installation accounts for 20% of the electricity usage at head office. The group is continuously looking at alternative and cleaner energy usage.</p>	<p>Clicks implemented a 400 kWp solar PV installation on the head office roof to reduce grid electricity consumption. The plant is able to produce approximately 645 MWh of energy per year, which accounts for 1.56% of the base year energy generation. Assuming that the group maintains a constant electricity consumption profile up to 2020, it is targeted that renewable energy (from solar PV installations) will also maintain the 1.5% of the group's electricity requirements. The group is targeting to double its renewable electricity generation capacity between 2015 and 2020. Clicks additionally also stocks a range of energy-efficient products such as induction cookers, power banks and USB rechargeable products for customers as a means of promoting energy-efficiency practices.</p>
 <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>The group promotes decent work and economic growth through job creation and by providing good benefits with decent working conditions.</p>	<p>We acknowledge that business has the capacity to foster job creation and economic growth. Clicks believes in economic inclusion as one of the means to tackle inequality and promote diversity in the workplace. One of the highlights occurred in February 2019, when R1.5 billion was paid out to 7 798 beneficiaries as part of the employee share ownership programme (ESOP). The 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. A total of R2.8 billion (equating to an average of R355 000 per beneficiary) was paid out to beneficiaries for 2018 and 2019. Beneficiaries also received dividends totalling R39 million over the course of the programme.</p>

# SDG HIGHLIGHTS (CONTINUED)

SDG	Clicks Group's response	SDG achievements
 <p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>Ensure sustainable consumption and production patterns</p>	<p>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. Procedures and progress are reviewed annually as part of the group's environmental management programme.</p>	<p>Clicks strives to uphold the value of responsible consumption. We strive to align our practices with sustainable management and efficient use of resources. Clicks is currently in the process of gathering waste data and understanding waste data management processes. It is also researching energy consumption initiatives on lighter and less packaging of products which all links to mitigation of climate change in terms of emission reductions. Clicks has made good progress in developing environmentally friendly, private label products offering innovative product, packaging and sourcing alternatives. This includes the "Good Earth" product range. An on-pack recycling label, "Recyclable", appears on all private label products to inform consumers to reduce landfill with recyclable packaging.</p>
 <p><b>13</b> CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts*</p>	<p>Clicks provides education and creates awareness among 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.</p>	<p>Clicks' business strategy has been, and continues to be, influenced by climate-related issues as part of the group's long-term business goal to be a sustainable retailer. Climate-related risks are integrated into multi-disciplinary company-wide risk identification, assessment and management processes. Clicks' medium-term target is to reduce emissions by 5% from 2015 levels, by 2020. The long-term target is to reduce emissions by 10% from 2015 levels, by 2030 and this has been achieved to date. Clicks Group commits to reducing its Scope 1 and Scope 2 greenhouse gas (GHG) emissions intensity by 10% per m<sup>2</sup> by 2030. This is a further 5% beyond the Intensity 1 target reported by 2020. This target is relative to 2015 levels of 0.190 tCO<sub>2</sub>e/m<sup>2</sup>. The target would reduce GHG emissions to 0.171 tCO<sub>2</sub>e/m<sup>2</sup>.</p> <p>Clicks has adopted other emissions reduction initiatives such as the vehicle replacement programme (through its UPD division). This focuses on route optimisation and limits driving at 80 km/h or below, to save fuel and reduce emissions. Clicks is progressing well on this target, having already achieved the target intensity. It is also in the process of fitting lighting retrofits at its stores to reduce emissions associated with their electricity consumption. This forms part of an overarching retrofit initiative that ends in 2023.</p> <p>The group is currently revising GHG emission targets for its operations.</p>

