

ENVIRONMENT

Carbon emissions (CO₂)

1 32 365 metric tonnes

2018: **117 176** metric tonnes
2017: **118 434** metric tonnes

Carbon Disclosure Project
- performance band

A-

2018: **A-**
2017: **A-**

FTSE Russell/JSE Responsible
Investment Index

included

2018: **Included**
2017: **Included**

Carbon emissions intensity target

5%

reduction by 2020

Included in **FTSE4Good Index**

645 000 kilowatt hours renewable energy produced

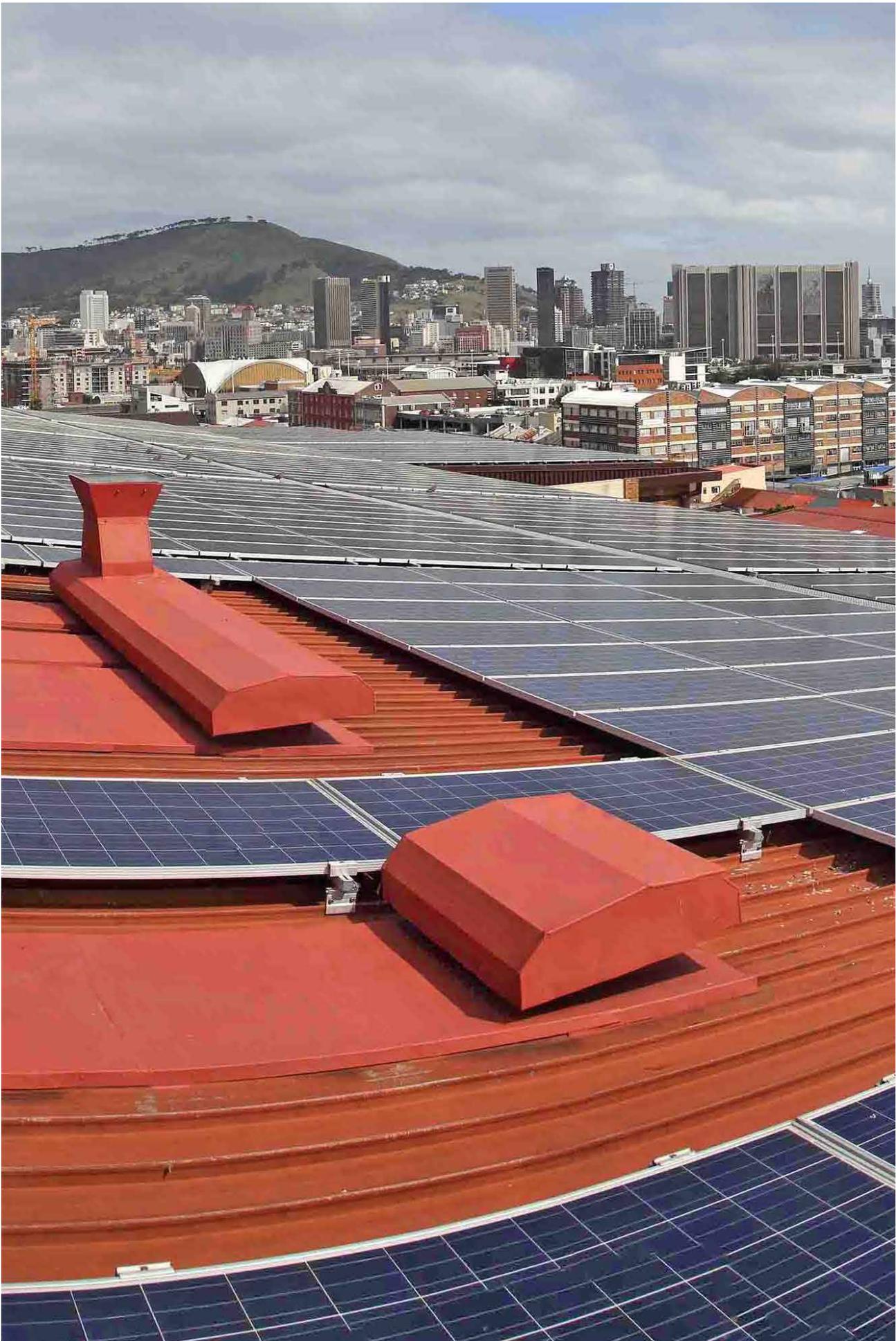
85% of waste recycled

3 568 tons of recycling in the supply chain

Energy and water reduction targets set to reduce carbon footprint



FTSE4Good



ENVIRONMENTAL AND CLIMATE CHANGE OVERVIEW

Environmental management systems are embedded into all business practices and operations. Sustainability is a core strategic component of our long-term business strategic outlook. The board social and ethics committee is accountable and has the mandate to oversee the group's sustainability performance, including climate change, resource consumption as well as waste management.

Clicks Group participates in the voluntary Carbon Disclosure Project (CDP) and the disclosure of environmental, social and governance (ESG) information for processing for the FTSE Russell Responsible Investment Index annual assessment. This has contributed to a more robust sustainability reporting process as well as ensuring long-term business sustainability is in line with investors' expectations.

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



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

The group's environmental management objectives include:

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

The group's operations have a low environmental impact.

Clicks' position statement on plastics:

Through its private label products Clicks undertakes to minimise its environmental impact by working towards the implementation of a circular economy on plastic, together with industry and through our commitment to the development of The South African Plastics Pact. In this regard we have introduced recycled plastic into Clicks shopper bags, pharmacy bags and reusable shopper bags, meaning plastic which would previously end up in landfill is reused and repurposed. Further work will continue to implement the on-pack recycling labels unified with other retailers for improved customer education, as well as increasing recycled content and reducing packaging across private label products.

ENVIRONMENT (CONTINUED)

CARBON FOOTPRINT

Legislative and regulatory changes inform our strategic approach to managing climate change risks that has the potential to affect our business. Clicks is cognisant of how operational systems such as the IT systems in retail stores, technical equipment in pharmacies, as well as IT and security systems at UPD related to packaging and distribution, face physical climate change risks such as energy failure. These risks are well managed in Clicks and are considered in the risk assessments. The installation of the 400 kWp solar photovoltaic (PV) system on the roof of the head office was a strategic business decision that assisted Clicks with managing energy-efficiency processes as well as reducing Scope 2 emissions, subsequently assisting with mitigating global climate change.

Clicks is currently revising their greenhouse gas (GHG) emission targets for their operations. It commits to reducing its Scope 1 and Scope 2 GHG emissions intensity by 5% per m² by 2020. This is a further 5% beyond the Intensity 1 target reported by 2020. This target is relative to 2015 levels of 0.19 tCO₂e/m². The target would reduce GHG emissions to 0.171 tCO₂e/m² and Clicks achieved this target in FY2018, which is ahead of the target year. The long-term target is to reduce emissions by 10% from 2015 levels, by 2030.

The group's carbon footprint data is independently verified to ensure credibility with all our carbon footprint processes. The data is externally verified by SustainabilityIT, to maintain accuracy and validity. The processes and procedures are constantly improved to ensure accuracy.

	2019	2018	2017
Scope 1 emissions (CO₂) metric tonnes			
Company-owned vehicles	1 781	1 703	1 792
Fugitive emissions (Kyoto gases)	1 185	258	271
Stationary and mobile equipment	296	158	185
Scope 2 emissions (CO₂e) metric tonnes			
Purchased electricity	109 532	96 202	96 458
Scope 3 emissions (CO₂e) metric tonnes			
Product distribution	8 782	8 250	8 289
Employee commute (based on 2016 survey)	8 831	8 798	9 044
Business travel (flights and car hire)	1 152	1 265	1 499
Other direct – fugitive emissions (non-Kyoto gases)	772	483	936
Total	132 365	117 176	118 434

The emission factors for 2019 were revised to 1.04 from 0.95 previously.



- 1.4% Company-owned vehicles
- 0.9% Fugitive emissions (Kyoto gases)
- 0.2% Stationary and mobile equipment
- 82.7% Purchased electricity
- 6.7% Product distribution
- 6.6% Employee commute
- 0.9% Business travel (flights and car hire)
- 0.6% Other direct – fugitive emissions (non-Kyoto gases)

ENVIRONMENT (CONTINUED)

Targets

Intensity targets

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

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	5%
Metric	Metric tonnes CO ₂ e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2020
% time complete	80%
% emissions complete	100%

Intensity target 2: GHG emission intensity per m² – 15-year target to reduce intensity by 10%

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	10%
Metric	Metric tonnes CO ₂ e per square metre
Base year	2015
Normalised base year emissions	0.19
Target year	2030
% time complete	27%
% emissions complete	48%

The renewable energy target is presented below:

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



Energy management

Our dependence on non-renewable energy resources as a country puts an additional strain on an ailing national utility power supply system which resulted in escalating energy costs. Through its climate change policy, the group strives to reduce its energy utilisation through efficient energy usage and to generate cost savings. The group's ongoing initiatives with regard to energy management include the implementation of LED technology in all operations as well as managing and monitoring the solar PV system at the head office building. The solar PV has the energy capacity of 400 kWp and comprises 1 298 modules installed over a rooftop area of 2 519 m². Deploying solar energy has created diversity within the group's energy mix hence reinforcing our commitment to help reduce GHGs and deliver increased value to our shareholders. Clicks has installed electronic meters which monitor energy usage per store. This has contributed to a reduction in stores' energy consumption. Clicks relies on both renewable and non-renewable energy sources. Electricity and fossil fuels are significant in our business operations. We experienced a 4.4% increase in our total electricity usage in comparison with the previous year and this is attributed to the increase of our store footprint.

- **The total group m² increased by 6.5%.**
- **Total group energy usage increased from 101 389 kWh in 2018 to 105 883 kWh in 2019.**
- **Our intensity metric reduced from 176.87 kWh/m² in 2018 to 173.17 kWh/m² in 2019.**



Distribution network optimisation

UPD has a vehicle replacement programme and adopted a route optimisation initiative which entails identifying the best possible routes for drivers and limits driving at 80 km/h or below, to save fuel and reduce emissions. It also means that the drivers spend less time on the road, hence improving safety. Route optimisation in the distribution of products is continuously improved to reduce distances travelled and the use of fossil fuels.

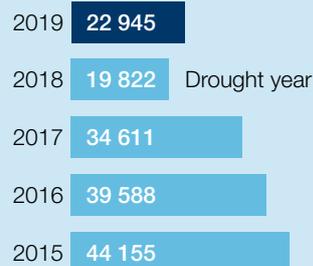


Water management

Water is a shared resource and effective water management is core to the group's environmental management systems. It underscores our commitment to conserving the natural environment within the national environmental agenda and also allows us to evaluate material water risks especially in water-stressed regions and its impacts on the business. Quality fresh water supply is vital for some of Clicks' operations as the primary use is associated with the provision of medical services as well as meeting regulatory requirements, especially in our clinics. Water availability is a prerequisite to prevent the spread of disease. If water is not available, these pharmacies cannot operate.

Additionally, the efficient use of water resources is a business imperative as this has resulted in reduced cost and has allowed us to reduce our dependency on the municipal system, subsequently alleviating some of the pressure on the resources as a result of various competing water demands. The group has several water conserving initiatives in place which include the water boreholes installed at the head office and the Cape Town distribution centre as well as the rainwater harvesting system. The water withdrawals from the boreholes are monitored on a monthly basis. The group also recycles water at the head office from waste water which is captured from the head office building's air-conditioning cooling towers. This enables the head office to be partially operational when water is unavailable for short periods of time (three to four days). This initiative saves the business approximately 200 000 litres of water per annum. Our operations, however, are not water intensive and the impact of access to water is therefore minimal.

Total water usage in kilolitres





Waste management

The group's approach to managing waste is centred on promoting recycling initiatives. Recycling initiatives have been adopted at head office to create awareness among employees and ensure less waste goes to landfill. The group is currently in the process of gathering waste data and understanding waste data management processes as it plans to embark on a "zero waste to landfill" initiative at its head office.

The head office canteen uses biodegradable takeaway containers in line with our commitment to reducing waste. The head office and the three largest distribution centres have a centralised waste separation facility which facilitates the recycling process. Waste management companies are screened to verify their certification before being awarded contracts to dispose of the group's waste. This is particularly relevant for medical waste removal companies.

Safe disposal certificates are obtained for the disposal of medical waste, fluorescent light bulbs, printer cartridges and hazardous waste.

During the 2019 financial year a total of 3 568 tons of waste were recycled at head office and the three Clicks distribution centres.

The impact of plastics on the environment has become a significant priority issue for the retail sector. Clicks recognises the urgency for the sector to consolidate their efforts and come up with sustainable solutions.



Animal welfare

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

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

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

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

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

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

Clicks launched eco-conscious cotton buds made of 100% organic cotton tips on paper stems packed in a Forest Stewardship Council (FSC) certified paper box as a response to some of the growing environmental challenges within the retail sector. This is also a direct response to help alleviate the effects of marine plastic pollution.

