



# SUSTAINABILITY REPORT 2017

**CLICKS GROUP**  
LIMITED



**CLICKS IS  
SOUTH AFRICA'S  
LEADING PHARMACY,  
HEALTH AND BEAUTY  
RETAILER WITH  
622 STORES AND  
473 IN-STORE  
DISPENSARIES.**

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# INTRODUCING THE REPORT

## The Clicks Group 2017 sustainability report is a part of our integrated reporting process.

It provides information on our performance and management approach to the six capitals of value creation and includes material impact on the long-term success of the business. Reporting covers the group's operations unless otherwise stated. Performance data relates to the period 1 September 2016 to 31 August 2017.

The target audience for this report is all stakeholders who have an interest in the Clicks Group sustainability performance, and includes our people, customers, suppliers, investors, communities and industry regulators.

The reporting process has been guided by the principles and requirements containing the King Code on Corporate Governance 2016 (King IV), the JSE Listings Requirements, the expectations of FTSE Russell, referred to the GRI standards, and the requirements of the remit assigned to social and ethics committees in terms of the South African Companies Act of 2008, as amended.



The Clicks Group was included in the Top 30 Index of the FTSE Russell interim review this year, which is a testament to the success of the business in sustainability practices. The Group is also very proud to have achieved 5 out of 5 for the Governance pillar in this review.

“FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Clicks Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.”



FTSE4Good

## OUR SUSTAINABILITY FRAMEWORK

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 enhanced positive social impact with reduced demands on the environment.

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

Through effective governance and controls, *including our code of conduct*, we seek to ensure that our group is accountable and remains responsive to evolving norms governing the conduct of businesses in the countries in which we operate.

- **Healthcare:** We **are committed** to building a trusted, accessible healthcare network, **aiding** in providing cost-effective, quality primary healthcare to all sectors of our society through our footprint and by promoting the use of generic medicines.

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

- *Our people:* We **strive** to empower motivated, passionate people, who can act as catalysts for positive change in our society, and who put into practice the Clicks values.

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 a **positive social impact** with reduced demands on the environment.

- *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 vision and in our ability to deliver value.
- *Communities:* We make a lasting, positive impact on the communities in which we operate.
- *Government and regulators:* We support government and industry policies through regulatory compliance and implementation.

**Environment:** We **endeavour**, even as we grow, to lighten our footprint, through reducing consumption, deployment of resources and waste.

**Bertina Engelbrecht**  
HR Director





## INTRODUCTION

As South Africa's leading health and beauty retailer, the Clicks Group takes a holistic view on health.

That means we care passionately about our customers, and we do our utmost to meet their every health and beauty need, from the sense of well-being that just the right beauty product can bring to the medicines we supply.

It also means we understand the well-being and sustainability of our company, as well as our long-term shareholder value, are intimately connected to the health of our society and the state of our environment.

That's why we've built sustainable business practices into our operational objectives and set sustainability targets. We're here for the long haul, and we need our people, our planet and its natural resources to be here with us.

Our business success depends as much on the social and environmental systems we rely on as it does on our strategy and its execution.

We apply this philosophy throughout our value chain – from suppliers to customers, from products to process and from our buildings to our brands.

We seek long-term economic value through efficiency and transformation, in our product offerings and in our supply chain. All of these are embedded in our sustainability programme, which we've integrated into our performance management systems and our communications with stakeholders.

To make sure we're on track, we've adopted the principles of the UN Global Compact and follow the guidance of the International Labour Organisation and the Organisation for Economic Co-operation

and Development (OECD) on policies in support of the economic and social well-being of people around the world.

These frameworks are also aligned to the UN Sustainable Development Goals (SDGs).

As a measure of our success, the Clicks Group qualified for inclusion in the FTSE/JSE Russell Responsible Investment Top 30 Index in the first quarter of the 2017 financial year review. The index gives an independent assessment of companies' corporate governance, social and environmental practices, and we met the full requirements for the governance pillar.

We are proud of this external endorsement of our governance standards.

The focus of the Clicks Group's strategy is on the health and beauty sector, to create sustainability and long-term shareholder value through a retail-led health, beauty and wellness offering.

Representatives of the group serve on committees that discuss new developments in the health, beauty and food sectors, including the South African Pharmacy Council, Medicines Control Council and the Department of Health.



The Clicks Group sustainability strategy is built on four focus areas, namely:

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

### Building a trusted, accessible healthcare network

Health is our business, so it's no surprise that this is where we make our biggest social contribution. Health is not merely an important indicator of a nation's development. Without it, no one can lead a fully productive and fulfilling life, and access to reliable and affordable healthcare plays a vital role in keeping the nation fit, healthy and on the move.

Through our continued leadership in the South African health, beauty and wellness retail sector, the provision of generic medications, expanding the footprint of more accessible pharmacies and clinics, and creating innovative ways to deliver a service to our clients, we make a major positive impact on individuals and communities.

Clicks Helping Hand Trust sponsors a free clinic service every week at 195 of our clinics in rural areas, reaching 17 618 visits in this financial year.

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

We were once again independently rated by customers as South Africa's leading health and beauty retailer, with the largest market share. The pharmacy network was extended to 473 and the number of clinics to 195.

Two important trends in pharmacy continued to influence trading patterns. The first is the increasing use of generic medicines, which now account for 49.8% of pharmacy sales in Clicks, with sales growing by 30.4% in the past year. The second is the increasing shift to over-the-counter (OTC) medicines, with sales growing 22%.

Clicks is actively switching patients to lower-cost generic medication and promoting over-the-counter medicines.

More affordable medicine means more people can afford the treatment they need and it means they have more money left over for other essentials.

As the saying goes, prevention is better than cure, and the solid growth in front shop medicines, 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 622 and rising – and we expect to reach 900 stores over the next decade.

**Health is our business,**  
so it's no surprise that this is  
where we make our biggest  
social contribution.

### Empowering motivated, passionate people

A fit and healthy company needs fit and healthy staff, which is why we've developed a new total rewards strategy for every permanent employee.

It's designed to encourage a healthy work-life balance and keep our people smiling, as is our employer value proposition, which focuses on people, passion and opportunities.

We concentrate on five areas: compensation, benefits, work-life integration, performance and recognition, and development and career opportunities.

We must be doing something right, because we are rated among the Top Employers in the country for 2017 by the Top Employers Institute, and the Number 1 Employer in the retail industry.

Participating companies complete a stringent research process to measure their employment offering against the Institute's international HR Best Practices Survey. This is required to achieve certification as a Top Employer, which is validated through an independent auditing and verification process.

We look after our staff, just as we look after our environment, and we want them to share in our success. That's why we introduced an employee share ownership programme (ESOP) in 2011: to attract and retain scarce and critical skills, accelerate transformation, build employee commitment and enable them to share in the growth and success of the business.

The scheme vests in 2018 and 2019 – the next financial year – and has 5 882 employee shareholders, of whom 88% are black and 66% female.

A total dividend of R28.2 million has been paid to participants in the scheme since 2012.

There's more to employee satisfaction than remuneration and benefits, however.

Everyone wants the opportunity to reach their full potential, and that's why we continue to invest in the development of the skills, knowledge and capability of our staff.



## At Clicks, we hold ourselves to the **highest ethical standards** of business practice.

We put a total of R125.8 million into learning and skills development, which equates to a substantial 5.6% of our basic payroll. A total of 5 679 of our people participated in learning and development interventions, which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications.

A high percentage – 97.5% – of our employees are covered by retirement benefits and 29.4% belong to a medical aid scheme.

The group achieved a level 5 BBBEE rating on the amended BBBEE Codes of Good Practice Gazetted on 11 October 2013 in the 2016 financial year, with a score of 77.99 points.

We also look after the communities around us. We invested R17.8 million in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being.

As with our other staff, we like our pharmacists to stay up to speed on the latest developments in the industry and to share their knowledge. To keep them motivated and informed, we host an annual healthcare conference where they can discuss issues facing South African healthcare and share the latest news.

### Sourcing products that uphold the integrity of our brand

Clicks is not just any health and beauty retailer. We've developed a select range of private label and exclusive brands to delight our customers with innovative products and packaging, at competitive prices. These unique products now account for 21.8% of total Clicks sales, with one out of every three front shop products sold being available only at Clicks.

Our three exclusive franchise brands, The Body Shop, GNC and Claire's, further separate us from our competitors, as does our partnership with Sorbet.

The group partnered with Sorbet Holdings when it acquired a 25% stake for R20 million in Sorbet Brands, which holds the trademarks to the Sorbet brand in southern Africa. The Sorbet product range is available in southern Africa only in Clicks stores and in the Sorbet chain of over 160 franchised beauty salons.

### Lightening our footprint

As the old adage goes, "if you can't measure it, you can't manage it", and so we at Clicks set annual targets for our carbon emissions and we're part of the Carbon Disclosure Project, achieving a result of -A performance band.

This is in spite of the fact that we are expanding steadily, increasing our total carbon footprint emissions because of increased electricity usage. To keep better track of things, we've invested in energy metering to get more accurate and relevant data for the business.



We put in a 400 kWp solar PV system, comprising 1 298 modules over a rooftop area of 2 519 m<sup>2</sup>, at our head office building in this financial year.

We've heeded the warning of the recent drought and performed risk assessments to establish where water will be most scarce in the near future. This will help to prepare our stores in those areas deemed to be at highest risk.

We must make the best use of every drop of water we have and so we harvest rainwater at a number of our facilities and at our head office we reuse rainwater and water from the cooling towers of the air-handling units.

We saved 181.6 kilolitres of water at our head office in this way in this financial year.

We also recycled 75.4% of our waste.

### Outlook

Our commitment to sustainable business practices and a culture of responsible environmental, social and governance stewardship is enduring.

Despite the tough outlook for consumers in most of our markets, we will make the significant investments required to meet this commitment, with a focus on securing access to the market to deliver value for all our stakeholder groups.

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

We will reinvest 1% after profit into socio-economic development in the next financial year. We plan to achieve a level 4 BBEE rating and remain a Top Employer in South Africa.

Projects like route optimisation – where we have already achieved a 50% improvement – better energy efficiency, eliminating the risk of water scarcity and disposing of waste appropriately will be a continuous drive for the business.

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

## ORGANISATIONAL PROFILE

Clicks Group is a retail-led healthcare group listed in the Food and Drug Retailers sector in the Top 100 companies on the JSE, with a head office in Cape Town, South Africa.

Through market-leading retail brands – Clicks, Musica, and franchise brands The Body Shop, GNC and Claire's – the group, with main operations in South Africa, has a combined footprint of 795 stores, including 38 in the neighbouring countries of Namibia, Botswana, Swaziland and Lesotho. It has a total of 14 673 permanent employees.

Clicks is South Africa's leading health and beauty retailer, offering value for money in convenient and appealing locations. We also have the largest retail pharmacy chain, with 473 in-store pharmacies. Our 7.0 million active ClubCard members, accounting for 77.4% of the brand's sales, constitute one of the largest loyalty programmes in South Africa.

The Body Shop sells natural, ethically produced beauty products and has been operated under a franchise agreement with The Body Shop International since 2001.

GNC is the largest global specialty health and wellness retailer, and has been operated under an exclusive franchise agreement for southern Africa since 2014.

Claire's is one of the world's leading specialty retailers of fashionable jewellery and accessories for young women and girls, and the group concluded an exclusive franchise agreement in July 2015.

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

All the above retail products are distributed through three major distribution centres that receive all stock from national and international suppliers.

United Pharmaceutical Distributors (UPD) is South Africa's leading full-range national pharmaceutical wholesaler and the only one with a national presence. UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and over 1 200 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers through the five distribution centres across South Africa and Botswana. UPD has consolidated its leadership position in wholesale distribution and grew market share to 25.6%.

The Clicks Group supply chain purchases from 4 538 suppliers.

The Group signed a long-term agreement with the Netcare Group to outsource 37 retail pharmacies in Medicross medical and dental centres and 44 hospital front shop operations to Clicks.



# FINANCIAL CAPITAL

TURNOVER

**R26 809m**

2016: R24 171m  
2015: R22 070m

HEADLINE EARNINGS

**R1 269m**

2016: R1 099m  
2015: R960m

GROSS PROFIT  
MARGIN

**21.0%**

2016: 20.7%  
2015: 20.5%

OPERATING PROFIT  
MARGIN

**6.8%**

2016: 6.5%  
2015: 6.3%

COMPARABLE STORES TURNOVER GROWTH

**8.0%**

2016: 9.8%  
2015: 7.5%



# FINANCIAL CAPITAL

**The increase in turnover of 10.9% and 15.4% increase in operating profit underscores the overall economic health of the group. Our operating margin increased to 6.8%, benefiting from stronger retail growth.**

## CREATING VALUE THROUGH GOOD GOVERNANCE

### Corporate governance philosophy

Our robust governance and compliance framework is grounded in the principles of accountability, transparency, ethical management and fairness, and we live by the philosophy of sound governance.

### Role of the board

The directors are accountable for the sustainability of the business and they are responsible to the stakeholders of the company who elect them. The role of the board includes the accountability, responsibility and assigning of performance through:

- approving strategic plans;
- monitoring operational performance;
- ensuring effective risk management and internal controls; and
- monitoring legislative, regulatory and governance compliance.

The board must also approve significant accounting policies and the annual financial statements, monitor transformation and empowerment, manage director selection and appointment, and ensure the group has effective remuneration policies and practices. Certain of these functions are delegated to board committees. The board charter details the authority, responsibility, composition and functioning of the board.

### Independence of directors

All six non-executive directors are classified as being independent in terms of King III. This was confirmed in the 2017 internal evaluation of the status of the non-executive directors, which included an assessment of the chairman, David Nurek, who has served as a non-executive director for 21 years.

There are no shareholder interests represented on the board, further confirming its independence.

### Board diversity

Our directors reflect a diversity of gender, race and professional backgrounds, encouraging rigorous debate and ensuring that the board considers a plethora of stakeholder interests. With the board of directors consisting of 44% black directors for racial diversity and 44% female directors for gender diversity.

### Director election

Regular election of directors gives effect to the right of shareholders to appoint directors they believe will add value to the company. One-third of the non-executive directors are required to retire at the AGM each year. Executive directors retire on the third-year anniversary of their appointment or most recent re-election to the board.

### Annual performance evaluation

Each year the performance of the board, the chairman, the chief executive officer, individual directors and all board committees is evaluated by the directors to maintain the highest standards of good governance.

In the 2017 evaluation the board and its committees were found to have discharged their responsibilities adequately. The directors believe the board contributes to value creation in the company, is well balanced and has the relevant knowledge to make a meaningful contribution to the group's affairs.

Any of the non-executive directors has access to external legal consultants when necessary.

### Board and executive relationship

The roles of the chairman and chief executive are separate and clearly defined, ensuring that no director has unrestricted decision-making powers. The chairman, David Nurek, leads the board and the chief executive, David Kneale, is responsible for the executive management of the group.

The board and executive management work closely together to chart the strategic objectives of the group. Authority has been delegated by the board to the chief executive and the group executive committee for the execution of the strategy and management of the business.



### Board oversight

Specialised governance functions are delegated to three committees to help the board meet its oversight responsibilities. All board committees are chaired by independent non-executive directors and the composition of the committees conforms to the requirements of King III. With the introduction of King IV the composition of the social and ethics committee has been amended to meet the requirements of the code.



These committees are as follows:

- audit and risk committee;
- remuneration and nominations committee; and
- social and ethics committee.

Detailed disclosure on the roles and functioning of the committees is included in the corporate governance report on the website.

### King III and King IV application

The group has applied King III during 2017. King IV is effective for the 2018 financial year. Certain elements of King IV have already been adopted by the group and reporting for the 2017 financial year is in accordance with King IV.

### Ethics and values

At Clicks, we hold ourselves to the highest ethical standards of business practice. Our staff are expected to show integrity, mutual respect and openness and we have a set of values and a behavioural code of conduct to make this clear. What's more, our staff have the right and obligation to challenge anyone not keeping to these values. All employees must follow ethical business practices in their relationships with colleagues, suppliers, intermediaries, shareholders and investors. We have also set stringent standards on accepting gifts from third parties and declarations of potential conflicts of interest.

All new employees sign the code of conduct of the group and an overview of the code forms part of their introduction to the company. The Gift Declaration Policy is available on the internal intranet for employees to remind themselves of its contents at any stage.

Clicks does not tolerate fraud and our policy is to prosecute offenders. The internal forensic unit evaluates and manages the legal processes to ensure the highest

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the code forms part  
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possible level of recovery for the group arising from any fraudulent behaviour, which is then discussed in the audit and risk committee.

We care about the communities we serve and we've adopted the principles of the UN Global Compact and follow the guidance by the International Labour Organisation and the Organisation for Economic Co-operation and Development (OECD), which promote policies in support of the economic and social well-being of people around the world.

The group reviews these principles in the social and ethics committee, as can be viewed on the website.

### Legislative and regulatory compliance

Legislative and regulatory compliance is monitored by the head: group legal and the compliance officer.

To stay abreast of developments an analysis of current and pending legislation and regulation is presented at each meeting of the board, the audit and risk committee, and the social and ethics committee. Further information is provided in the corporate governance report on the website.

### Privacy and data security

We respect the privacy of our stakeholders, customers and employees, and always obtain the consent of anyone providing personal information to the business. The form to be completed when providing such information gives the option to be excluded from marketing from the group, providing information to third parties, indicates the reason if third parties will have access to individual data and gives contact details for individuals to update this information.

Access to personal information is limited to the employees of companies that undergo regular compliance auditing to make sure they stay within the boundaries set by Clicks. No personal information is sold or provided to any external party, except when the data is analysed for the group. All individuals have the authority to delete their data from the system and personal information is deleted automatically after a period of inactivity by the individual.



### Tip-offs Anonymous

We give employees the tools to report suspected fraudulent or unethical behaviour without fear of retribution via a toll-free telephone service managed by an external service provider. All reported incidents are investigated. We keep our staff aware of this facility through presentations, a quarterly newsletter and competitions, and by encouraging employees to report incidents before there are significant losses.

	2017	2016	2015
Tip-Offs reported	<b>263</b>	186	136
Direct reports received	<b>120</b>	160	175
Resultant dismissals/resignations	<b>191</b>	207	140
Employees counselled	<b>31</b>	39	14
Other disciplinary action	<b>83</b>	107	80

### Political party donations

While the group supports freedom of association in South Africa, our Code of Conduct does not endorse donations to individual political parties.

### Anti-competitive conduct

Our customers come first and that means we don't do anything that limits competition or that could adversely affect our customers.

All group executives and employees are expected to understand the requirements of competition law and regulations, and our directors are committed to making sure they do. We have robust risk management and supervisory oversight processes to ensure adherence to these laws and regulations. A Competition Act compliance process is carried out every year.

The group occupies a market-leading position in healthcare retailing and supply in South Africa and guards the confidentiality of intellectual property, customer and supplier data, business processes and methodologies.

Effective governance processes have ensured that the group has not been sanctioned for anti-competitive practices or non-compliance with the Competition Act during the year.

### Trade union

Collective salary increases are negotiated with the representative trade union for the Clicks bargaining unit. The negotiation team is headed by the Clicks head of human resources, who reports to the chief operating officer – a member of the executive committee. Trade union membership stands at 18.1% of the total group employees (2016: 17.9%)

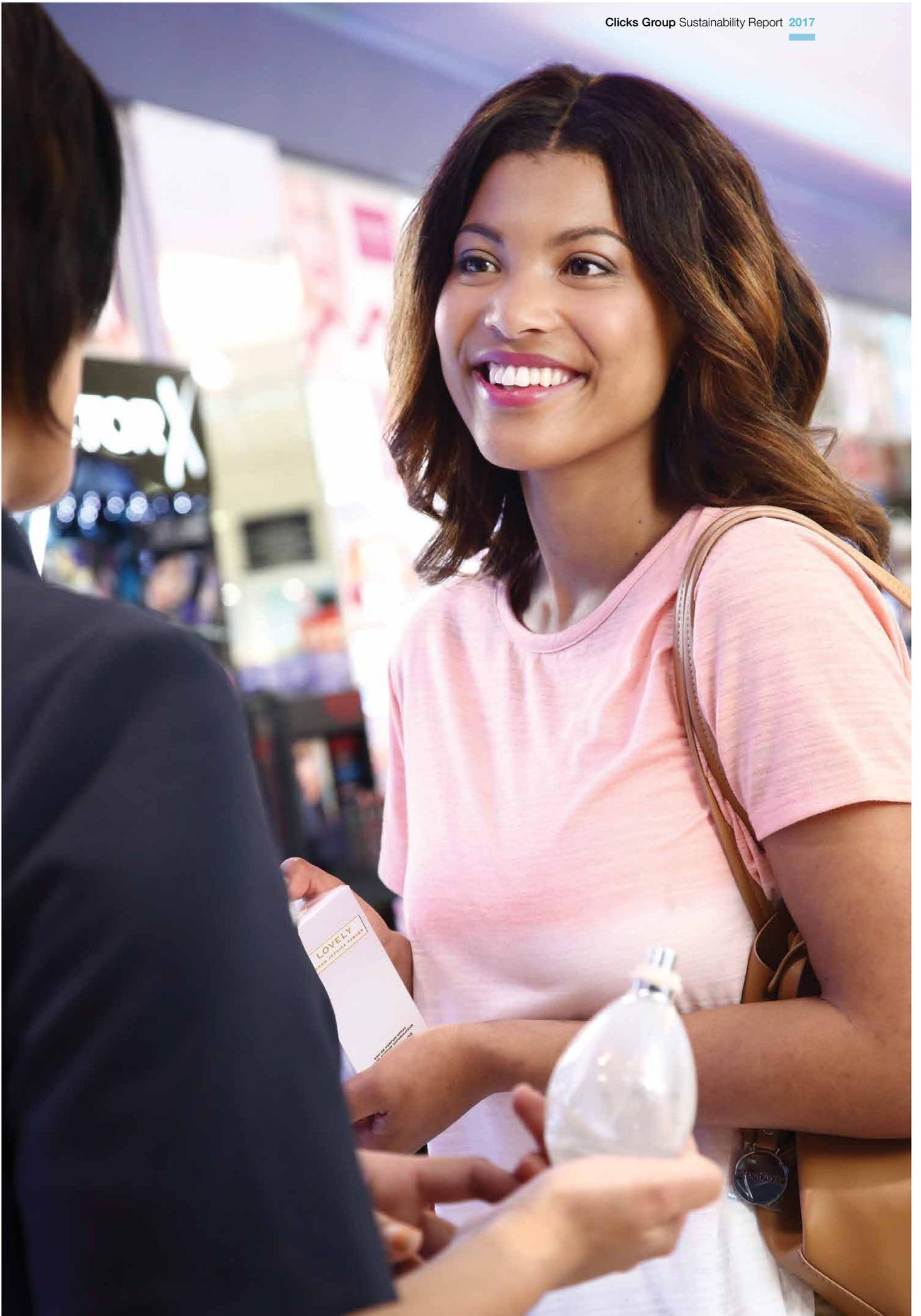


## 16 PEACE, JUSTICE AND STRONG INSTITUTIONS



### SUSTAINABLE DEVELOPMENT GOAL

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



## STAKEHOLDER ENGAGEMENT

Clicks Group's stakeholder engagement process focuses mainly on the five primary stakeholders that management believes are the most likely to influence the ability to create sustainable shareholder value. Proactive and transparent relationships with these stakeholders enable the group to identify and address issues, opportunities and risks. Performance indicators have been developed for each primary stakeholder group to determine the quality of the engagement and relationship.

Rationale for engaging	Engagement issues	Outcome of engagement
<b>Customers</b>		
<ul style="list-style-type: none"> <li>■ Meet customer needs by providing products and services</li> <li>■ Create trust in products and pharmacy practices</li> <li>■ Customer loyalty and retention</li> <li>■ Grow market share</li> </ul>	<ul style="list-style-type: none"> <li>■ Product range in store and online</li> <li>■ Service levels</li> <li>■ Price competitiveness</li> <li>■ Pharmacy and clinic services</li> <li>■ ClubCard benefits</li> </ul>	<p>Clicks:</p> <ul style="list-style-type: none"> <li>■ 622 stores</li> <li>■ 473 pharmacies</li> <li>■ 45% of households live within 5 km of a Clicks store</li> <li>■ ClubCard active membership increased to 7.0 million (2016: 6.2 million) and accounts for over 77% of sales (2016: 77%)</li> <li>■ Clicks app launched in 2017</li> <li>■ Online shopping available in South Africa</li> <li>■ Market share gains in all categories</li> <li>■ Clicks independently rated by customers as first for price and value in health and beauty retailing</li> </ul> <p>UPD:</p> <ul style="list-style-type: none"> <li>■ Five distribution centres in South Africa and one in Botswana</li> <li>■ Servicing over 2 000 corporate and independent pharmacies</li> <li>■ 96.1% order fulfilment to customers (2016: 96.0%)</li> </ul>
<b>Shareholders and lending institutions</b>		
<ul style="list-style-type: none"> <li>■ Facilitate access to capital by attracting investors</li> <li>■ Facilitate attractive debt funding facilities from financial institutions</li> <li>■ Better informed investor community</li> <li>■ Balanced analysis of company</li> <li>■ Fair market rating relative to peers</li> </ul>	<ul style="list-style-type: none"> <li>■ Group strategy</li> <li>■ Current trading environment</li> <li>■ Trading and financial performance</li> <li>■ Store and pharmacy expansion plans</li> <li>■ Regulatory environment</li> <li>■ Capital management</li> <li>■ Prospects</li> </ul>	<ul style="list-style-type: none"> <li>■ Return on equity 44.1%</li> <li>■ Total shareholder return 25.2%</li> <li>■ Engagement issues addressed in annual and interim results presentations and webcasts, local and international investor roadshows, Integrated Report and annual financial statements.</li> <li>■ Met with 222 local and international funds and brokerages (2016: 219)</li> <li>■ Research coverage by 12 brokerages (2016: 11)</li> <li>■ 82.9% of shares traded (2016: 90.3%)</li> <li>■ International share ownership 66.1% (2016: 68.6%)</li> <li>■ Access to adequate group funding and trade finance facilities</li> </ul>



Rationale for engaging	Engagement issues	Outcome of engagement
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<b>Employees</b>		
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<ul style="list-style-type: none"> <li>■ Attract, motivate and retain talent</li> <li>■ Increase productivity</li> <li>■ Engender loyalty</li> <li>■ Accelerate transformation</li> </ul>	<ul style="list-style-type: none"> <li>■ Remuneration and benefits</li> <li>■ Performance management</li> <li>■ Personal development</li> <li>■ Career path planning</li> <li>■ Training and skills development</li> <li>■ Employee share ownership plan (ESOP)</li> </ul>	<ul style="list-style-type: none"> <li>■ Full-time staff turnover 15.9% (2016: 17.0%)</li> <li>■ Employment equity                             <ul style="list-style-type: none"> <li>– Black staff 91% of total staff (2016: 91%)</li> <li>– Female staff 63% of total staff (2016: 62%)</li> </ul> </li> <li>■ Training and skills development spend R125.8 million (2016: R95.7 million)</li> <li>■ 539 learners through Pharmacy Healthcare Academy (2016: 423)</li> <li>■ 64 pharmacy interns engaged (2016: 83)</li> <li>■ Fair and responsible remuneration for role performed based on external benchmarks</li> <li>■ 5 882 employees are shareholders through the broad-based ESOP</li> </ul>
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<b>Government and industry regulators</b>		
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<ul style="list-style-type: none"> <li>■ Legislative and regulatory compliance</li> <li>■ Lobby for regulatory reform and fair legislation which will improve access to affordable medicines</li> <li>■ Best-practice governance standards</li> </ul>	<ul style="list-style-type: none"> <li>■ Pharmacy licences</li> <li>■ Registration of medicines</li> <li>■ Complementary and alternative medicines</li> </ul>	<ul style="list-style-type: none"> <li>■ Ongoing engagement with regulators</li> <li>■ Insight into regulatory framework</li> <li>■ Formal submissions made in response to draft regulations</li> </ul>
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<b>Suppliers</b>		
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<ul style="list-style-type: none"> <li>■ Ensure stable supply of merchandise</li> <li>■ Quality standards maintained</li> <li>■ Understand market movement and new product launches that may change buying patterns</li> <li>■ Brand exclusivity</li> </ul>	<ul style="list-style-type: none"> <li>■ Quality and safety standards</li> <li>■ Product availability and exclusivity</li> <li>■ Product innovation, strength of brands</li> <li>■ Private label products</li> <li>■ Transformation and BBBEE scorecards</li> <li>■ Legislative compliance</li> </ul>	<ul style="list-style-type: none"> <li>■ Supplier infill levels                             <ul style="list-style-type: none"> <li>– Clicks 85.2% (2016: 83.8%)</li> <li>– UPD 96.1% (2016: 96.0%)</li> </ul> </li> <li>■ 72.8% (2016: 75.8%) spend on BBBEE empowered suppliers</li> <li>■ Consistent supply and maintenance of franchise agreements with The Body Shop International, GNC and Claire's</li> </ul>
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# 1 TRADING ENVIRONMENT

## WHY MATERIAL?

Economic conditions, political uncertainty, sovereign credit rating downgrades and the resultant negative consumer sentiment are impacting South Africa's already constrained retail trading environment. Consumer disposable income is being further eroded by higher health insurance costs, increased tax rates, rising energy and general living costs.

## RISKS

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

## OPPORTUNITIES

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

# 2 COMPETITION

## WHY MATERIAL?

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

## RISKS

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

## OPPORTUNITIES

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

“The needs, expectations and concerns of stakeholders that influence our ability to create sustainable value are central to identifying the material issues.”

# 3 REGULATION

## WHY MATERIAL?

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

## RISKS

- Legislative and regulatory changes introduced by the Department of Health (DoH), SA Pharmacy Council (SAPC) and SA Health Products Regulatory Agency (SAHPRA, formerly the Medicines Control Council) could impact on Clicks' and UPD's turnover and margins.
- Impacts include the ability to obtain pharmacy licences and to launch private label and exclusive scheduled and complementary medicines.

## OPPORTUNITIES

- Ensure Clicks and UPD are operating efficiently to maintain margins and profitability.
- Continue management engagement with the DoH, SAPC and SAHPRA on legislation and regulation.
- Formal written and oral submissions to DoH, SAPC and SAHPRA in response to draft legislation or regulations.
- As the market leaders in retail pharmacy and pharmaceutical wholesaling, position Clicks and UPD to benefit from market consolidation arising from changes in legislation and regulation.

# 4 INFORMATION TECHNOLOGY

## WHY MATERIAL?

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

## RISKS

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

## OPPORTUNITIES

- Improved information security practices and compliance as a result of increased online presence.
- Planned implementation of a new IT platform roadmap with improved system efficiencies and cost savings that supports the organic growth strategy.

# 5 PEOPLE

## WHY MATERIAL?

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

## RISK

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

## OPPORTUNITIES

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



# MANUFACTURED CAPITAL

NUMBER OF STORES

**795**

2016: **689**  
2015: **657**

NUMBER OF PHARMACIES

**473**

2016: **400**  
2015: **361**

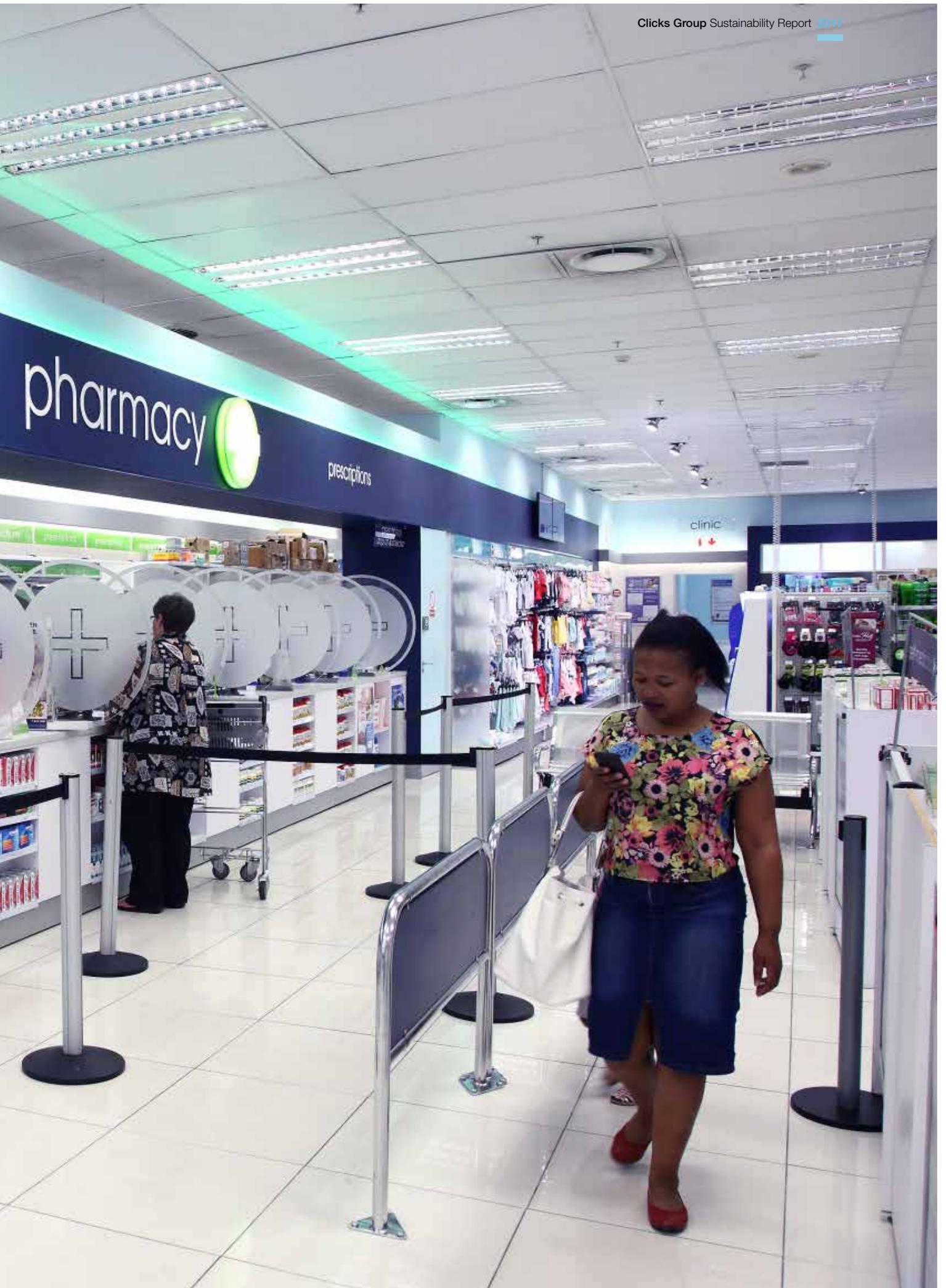
IN-STORE CLINICS

**195**

2016: **195**  
2015: **157**

**9**

distribution centres  
across Clicks and UPD



# MANUFACTURED CAPITAL

**The Clicks Group has an ever-expanding retail store footprint of 795 stores, including brands like Clicks, Musica, The Body Shop, GNC and Claire's.**

The Group also has an online store with a pharmacy delivery system. We invested capital of R518 million in the last financial year, focusing on new store developments, refurbishments of stores and improving information technology systems. We're gearing up for the demands of our current and future growth strategy and plan to start expansion of two distribution centres in the new financial year.

The group signed a long-term agreement with the Netcare Group to outsource 37 retail pharmacies in Medicross medical and dental centres and 44 hospital front shop operations to Clicks.

Clicks Direct Medicines was established to assist with the delivery of prescription drugs directly to patients.



## RETAIL STORE NETWORK

Clicks was again independently rated by customers as South Africa's leading health and beauty retailer. The group has reached a total footprint of 795 retail stores in this financial year. A breakdown of each brand with the number of stores is outlined on page 21.



## STORE FOOTPRINT

	Standalone stores			Pharmacies	Presence in Clicks stores
	South Africa	Rest of Africa	Total		
Clicks	594	28	622	473	
The Body Shop	51	2	53		122
Claire's	7	–	7		142
GNC	–	–	–		375
Musica	105	8	113		
<b>Total</b>	<b>757</b>	<b>38</b>	<b>795</b>		

### CLICKS PHARMACY

Clicks pharmacies offer healthcare advice, affordable medicine prices and a front shop with a wide range of beauty and healthcare products. More details on savings, convenience and clinic services are available at

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



**MUSICA**  
A WORLD AWAITS

#### MUSICA

Musica is the largest retailer of music and related entertainment merchandise in the country. The brand has expanded beyond its traditional core music business to a broader range of entertainment products, including CDs (music and movies), gaming (including computer games), lifestyle accessories (clothing, figurines, novelty goods) and online entertainment.



#### THE BODY SHOP

The Body Shop South Africa is a franchise of Body Shop International, with very high environmental and social values throughout the supply chain to ensure that customer needs are met according to the stakeholder requirements.



#### GNC

GNC is a global retailer of health, wellness and performance products, including vitamins, minerals and herbal supplement products, sport nutrition products and diet products.



#### CLAIRE'S

Claire's is an international brand offering cute and high-quality fashion jewellery and accessories for young women, teens, tweens and kids.

## DISTRIBUTION CENTRES AND LOGISTICS

The group has nine distribution centres, of which six are for the UPD brand. They keep delivery times to the network to a minimum so we can meet the requirements of the service-level agreements. The UPD distribution facilities boast modern picking models, including the highly efficient Knapp picking machine for scheduled medications, combined with modern technology to comply with legislation and increase the efficiency of delivery.

The other three distribution centres are used for the rest of the brands in the organisation. High-value items and exclusive ranges which require more up-to-date technology, including voice recognition systems for picking of product, are stored in the distribution centres.

We're expanding the Clicks Centurion Distribution Centre to increase capacity for better service delivery and to adjust to the store growth and long-term goals of the group.



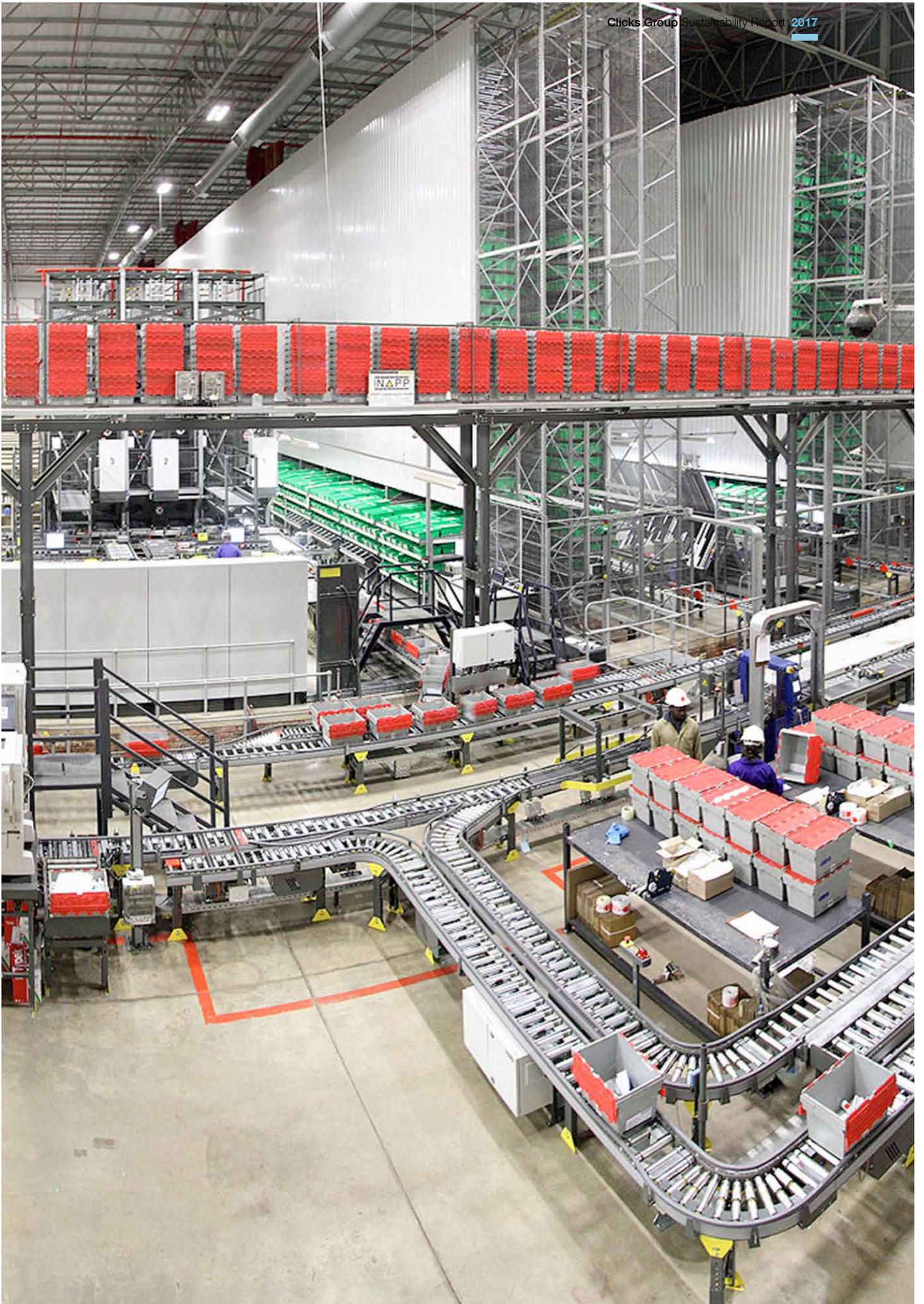
### UPD

UPD consolidated its leadership position in wholesale distribution, enjoying market share of 25.6%. Total managed turnover, combining wholesale turnover with the turnover managed on behalf of distribution agency clients, increased 8.8% to R16.5 billion. Fine wholesale turnover grew by 12.1%. Clicks remains UPD's largest single customer, with sales to Clicks pharmacies increasing by 23% and accounting for 52.2% of fine wholesale turnover.

UPD Distribution provides its clients with the perfect platform to maximise supply chain cost-efficiencies through its owner-driver fleet.

 For further information visit <http://www.upd.co.za/>







# INTELLECTUAL CAPITAL

## MARKET SHARE\*

**CLICKS**  
RETAIL PHARMACY

**22.2%**

2016: 19.6%  
2015: 18.7%



**UPD**  
PRIVATE PHARMACEUTICAL MARKET

**25.6%**

2016: 24.1%  
2015: 25.2%

## CLICKS PRIVATE LABEL AND EXCLUSIVE PRODUCTS

PERCENTAGE OF  
TOTAL SALES

**21.8%**

2016: 22.2%  
2015: 19.8%



PERCENTAGE OF  
FRONT SHOP SALES

**28.5%**

2016: 28.2%  
2015: 25.7%

## CLICKS CLUBCARD

ACTIVE MEMBERS

**7.0m**

2016: 6.2m  
2015: 5.0m



CONTRIBUTION TO SALES

**77.4%**

2016: 77.2%  
2015: 75.1%

CLICKS  
**smartbite**  
THE RIGHT SIZE SNACK

**Rice Pops**

**SOUR CREAM & CHIVES  
FLAVOUR**

LOW CAL  
**400kJ**  
<than 100 calories

calories <b>70</b> 4%	sugar <b>8g</b> 9%	fat <b>0.3g</b> 1%	saturates <b>0.1g</b> 1%	salt <b>0.7g</b> 3%
of your *GDA per serving				



# INTELLECTUAL CAPITAL

## EXTERNAL RECOGNITION/AWARDS

The group was recognised as the leader in the industry and for its success with innovative products, receiving the following accolades:

- The Clicks Group was rated the Number 1 Employer in the retail industry for 2018 and was included in the Top Employers in South Africa by the Top Employers Institute
- Top Gender empowered: Winner of the 2017 Health & Pharmaceutical Award at the Top Women Awards
- Winner of the Healthcare Award at the Vision 2030 awards
- The Clicks Group was recognised for the most energy efficient commercial building in the City of Cape Town
- 2017 Sunday Times Generation Next Awards – Clicks was named the Coolest Specialist Health and Beauty Store
- Times/Sowetan Shopper Survey 2016 (formerly Retail Award – 2017 results come out in October 2017)
  - Overall Favourite Retail – Clicks – Third place
  - Health, Beauty and Fragrance Outlets Winner – Clicks – First Place
  - Pharmaceutical Outlets – Clicks – First Place
  - Electronic & Appliances – Clicks – Second Place
  - Entertainment, Online & Book Stores – Musica – First Place
- The Body Shop won the Best Beauty Products category in the 2017 Best of Joburg Readers' Choice Award

## MARKET SHARE GAINS

Private label and exclusive brands represent 21.8% of health and beauty sales. In healthcare supply management UPD consolidated its leadership position in wholesale distribution and grew market share to 25.6%.

## SUPPLY CHAIN

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

## PRIVATE LABEL PRODUCTS

Private label products offer better value to customers while entrenching loyalty to the brand and lifting profits. The range of private label includes 100 scheduled generic medicines. Customers and pharmacists alike have appreciated these additions.

The Clicks chain plans to increase sales from private label front shop products, and will be expanding the range of private label medicines as well as new front shop products.

## DIVERSITY OF BRANDS

The Clicks Group has created a diverse range of well-known international brands to delight customers and reach new markets in South Africa.

## PRODUCT SAFETY AND LABELLING

Clicks has made good progress in developing environmentally friendly private label products that are competitively priced and offer innovative product, packaging and sourcing alternatives. A recycling logo has been introduced and applied on all new private label products.

The Clicks private label brand strives to improve packaging and contents, making it more environmentally friendly and responsible. Clicks stays abreast of developments in the industry – especially regarding environmental protection – by participating in workshops and collaborating on new technologies, including in the packaging industry.

The Group has set new goals for the coming year in light of the **UN Global Compact** imperative to strive for continuous improvement for sustainability.



## CUSTOMER RESPONSIBILITY

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

## RESPONSIBLE ADVERTISING

The group follows Regulation 45 of the Medicines Act with respect to the advertising of pharmaceuticals and is guided by the Marketing Code Authority – a self-regulating authority for the ethical promotion and advertising of health products.

All claims and marketing relevant to product development and labelling follow (to list only a few) the ASA Code of Practice set up by the Advertising Standards Authority of South Africa (ASA), SANS 98:2006 Ingredient Labelling of Cosmetic Products; Legal Metrology Act 9 of 2014; Labelling, Advertising and Composition of Cosmetics in South Africa Code of Practice guidelines set up by the CTFA and self-regulated by industry; R991 Foodstuffs, Cosmetics and Disinfectants Act and R146 Foodstuffs, Cosmetics and Disinfectants Act Regulations Relating to the Labelling and Advertising of Foodstuffs. For all development related to cosmetics, baby, food and electrical products, Clicks ensures the technologist understands the latest standard to secure product safety, quality and adherence to labelling and marketing legislation.

We recruit only skilled technologists and do regulatory assessments and on-the-job training to make sure products conform to the relevant legislation.

Clicks has reduced salt in a phased approach in all of our food items to comply with legislation and developed the Smart range to support health and wellness.

The Smart range is frequently offered on a 3for2 basis to give customers great value for healthier food choices more often.

## ACCESS TO MEDICINE AND NUTRITION

Our integrated healthcare retail and supply model creates a unique competitive positioning for the Clicks Group in South Africa. The Group's goal is to create maximum customer access to medicine through an ever-expanding network of Clicks pharmacies nationwide, supported in healthcare supply management through the pharmaceutical wholesaler, UPD.

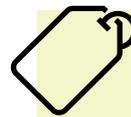
As at August 2017 the Clicks pharmacy network extends to 473 pharmacies and the number of clinics

has reached 195, while delivery through our courier business, Clicks Direct Medicines, allows penetration into outlying areas.

As a leader in the South African healthcare market, Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and we are committed to continued investment in the attraction, learning and development, and retention of employees, having spent R125.8 million on staff learning and development initiatives in the last financial year.

Clicks is committed to helping reduce the burden on State facilities by providing easy access to chronic medication and 309 Clicks pharmacies have been designated as pick-up points (PUPs) as part of the Department of Health's Central Chronic Medicine Dispensing and Distribution Programme across the pilot districts.

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



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

## INVOLVEMENT IN INDUSTRY INITIATIVES

Clicks is the only retailer member of the Cosmetics, Toiletry and Fragrance Association (CTFA) and is a member of the Health Product Association (HPA), Self-Medication Manufacturers Association of South Africa (SMASA), Consumer Goods Council and Aerosol Manufacturers Association.

Clicks technologists comment on proposed regulations before they are introduced, including the Medicines and Related Substances Amendments Act; Cosmetics Regulations Act, the Bio-prospecting, Access and Benefit Sharing (BABS) Regulations; and Legal Metrology Act 9 of 2014.

The Sentinel alert system and Clicks legal team keep us up to date on all relevant legislation open for comment.

## ONLINE DEVELOPMENTS IN THE BRAND

Clicks Omni-Channel launched a transactional e-commerce website in June 2016 ([www.clicks.co.za](http://www.clicks.co.za)).

In just over a year we have had 14 752 000 visits to our website and processed 42 613\* online transactions.

We launched our Click & Collect service (to complement our door-to-door courier delivery service) in over 500 stores nationwide, enabling customers to shop a wide range of products online and collect their order at their closest Clicks store.

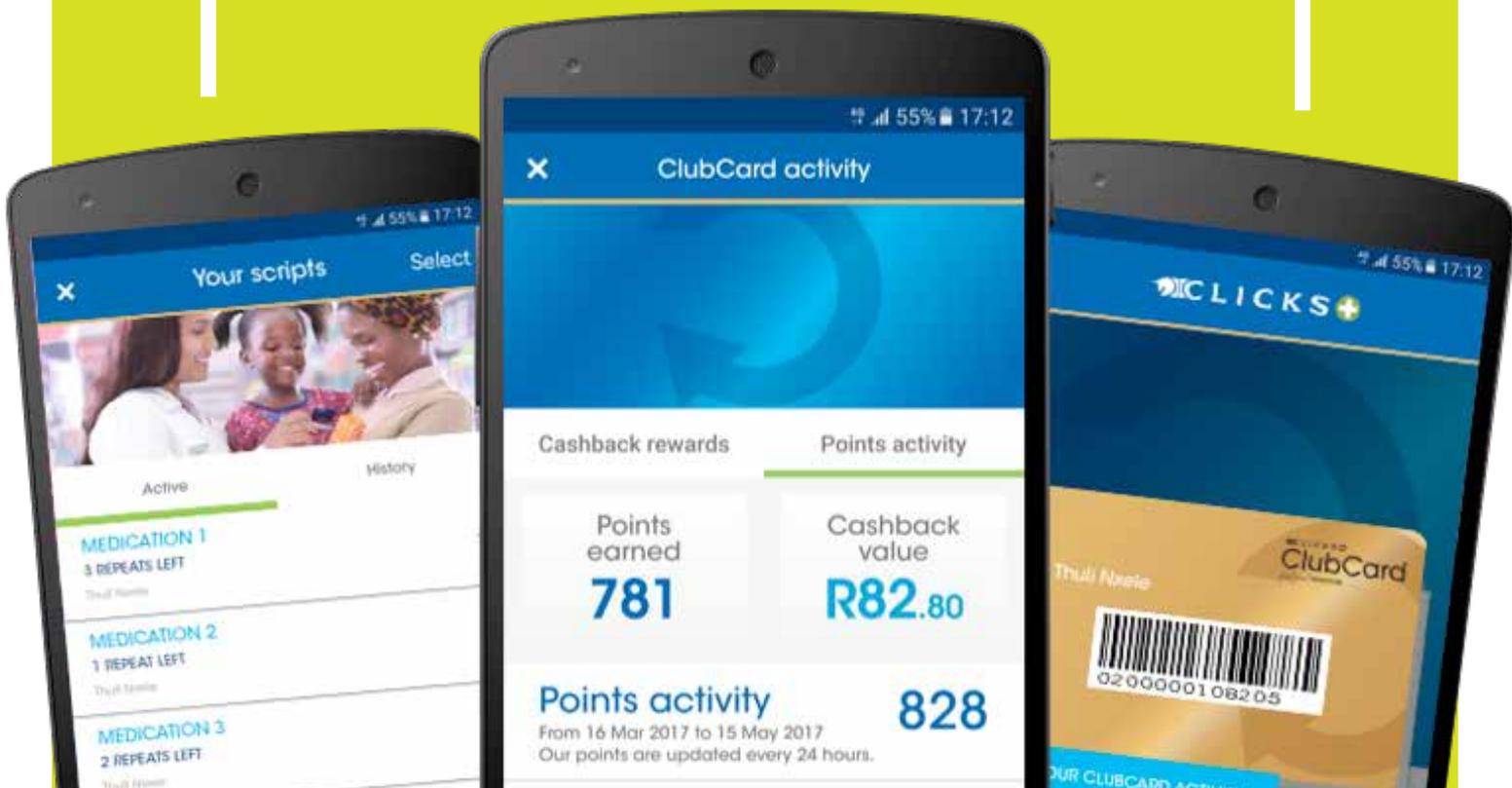
We partner with Pargo and 355 Clicks stores are now available as Pargo courier collection points.

In **August 2017** Clicks launched our first mobile app – offering a virtual ClubCard, quick access to ClubCard statements and an integrated pharmacy services solution where customers can submit scripts, view their medication history and order active script repeats from their phone (all conveniently processed and ready for collection from their selected pharmacy collection counter in 4 hours or less).

 Visit [www.clicks.co.za/app](http://www.clicks.co.za/app) for more information.

The Clicks digital footprint continues to grow, having reached 1 175 000\* followers across social media platforms Facebook, Twitter and Instagram and **reaching on average 9 051 000 people per month**.

\* As at 31 August 2017.



## CLUBCARD

Launched in 1996, the Clicks ClubCard programme is one of the first and fastest-growing loyalty programmes in South Africa. By the end of the financial year, Clicks ClubCard had 7.0 million active members registered. During 2017 over R322 million was paid out in cashback to members. The group continues to explore new ways to add value to the ClubCard member base. A new system has been added to improve on the cash-back rewards, which are now electronic and available immediately if the customer chooses to use the points allocated.

The Clicks ClubCard rewards customers through value-for-money offerings in a convenient, trusted and pleasurable shopping environment.

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

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## CLICKS BABYCLUB

BabyClub welcomes customers who are planning on having a baby, those who are expecting and customers with toddlers up to the age of three to the joys of parenthood with access to exclusive BabyClub competitions, vouchers and other special benefits.

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

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## SENIOR CLUBCARD

ClubCard members who are 60 years or older can opt for our ClubCard Seniors programme and earn double points on the second Wednesday of the month on our exclusive Double Points Days. On these days, you get one additional ClubCard point for every point you earn, which means double the discount on everything you buy.

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





# HUMAN CAPITAL

PERMANENT  
EMPLOYEES

**14 673**

2016: **14 093**  
2015: **12 805**

PERMANENT  
MONTHLY PAID  
STAFF TURNOVER

**15.9%**

2016: **17.0%**  
2015: **18.8%**

PHARMACY  
TURNOVER

**18.7%**

2016: **22.0%**  
2015: **21.9%**

EMPLOYEES  
COVERED BY  
MEDICAL AID

**29.4%**

2016: **26.2%**  
2015: **23.1%**

PERCENTAGE EMPLOYEE PARTICIPATION  
IN SHARE OWNERSHIP SCHEME

**70.8%**

2016: **80.1%**  
2015: **92.3%**

EMPLOYEES  
COVERED BY  
RETIREMENT  
BENEFITS

**97.5%**

2016: **97.9%**  
2015: **98.8%**

EMPLOYEES COVERED BY COLLECTIVE  
BARGAINING AGREEMENTS

**18.1%**

2016: **17.9%**  
2015: **35.6%**



# HUMAN CAPITAL

## EMPLOYEE VALUE PROPOSITION

Our company's talent strategy is to employ customer-obsessed people with a confident, "can do" attitude, who are proud and professional. This strategy is underpinned by our employees and our company values:

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

Underpinning the company values, our employee value proposition focuses on people, passion and opportunities.



We care about and contribute to the well-being of people, the environment and communities

We are passionate about leading innovation capability within the unique mix of the group

Our focus, on a clear vision and growth strategy, provides our people with unlimited opportunities

### Group retention scheme

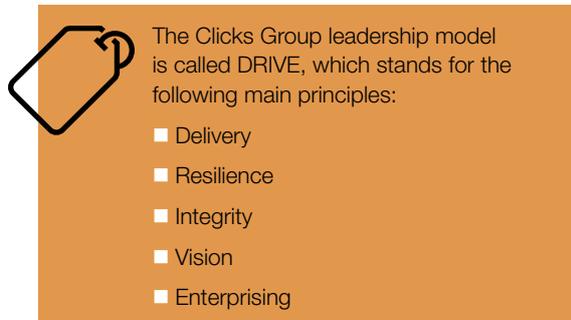
The group strives to retain the best talent by offering selected employees a long-term financial incentive that is aligned with shareholders' interests.

The retention scheme targets high-potential employees, black employees and those with scarce and critical skills. Of the 46 employees participating in the scheme 35% are black and 33% are women.

### Group leadership model

We have designed a leadership competency framework using global benchmarks to assess and develop top talent. The skills essential for executive and senior management positions were determined through a competency analysis process, using the latest research findings.

This will provide the basis for the design of future development programmes.



The Clicks Group leadership model is called DRIVE, which stands for the following main principles:

- Delivery
- Resilience
- Integrity
- Vision
- Enterprising

There are 41 employees on the programme who are honing their skills to become the next executive or senior managers in the organisation.

## LEARNING AND DEVELOPMENT

### Skills development

The group is committed to developing the skills, knowledge and capability of its employees. A total of R125.8 million was invested in learning and skills development, which equates to 5.6% of basic payroll. A total of 5 679 employees (2016: 4 935) took part in learning and development interventions, which included on-the-job training, skills programmes, learnership programmes, short courses and academic qualifications. Black employees accounted for 91% of the total number of employees trained and women 63%.

Enhanced management and leadership competencies, developing scarce and critical skills, and facilitating organisational transformation topped the agenda and 85% of employees completed their individual development plans, which formed the basis for participation.

Learning and development statistics	2017	2016
Learning and development spend as a % of payroll	5.6	3.6
Learning and development spend (R'million)	125.8	95.7
Number of employees trained	5 679	4 935
Black employees as a % of all employees trained	90.8	83.0
Female employees as a % of all employees trained	56.4	62.0
Delegates on the leadership development programme	41	43
Delegates on management development programmes	386	215
Delegates on retail learnership and skills programmes	201	202
Delegates on pharmacy learnership and skills programmes	539	465
Delegates on health and safety training	458	208
Interns or graduates on workplace experience programmes	195	374
Pharmacy bursary spend (R'million)	4.4	4.3

As a leader in the South African healthcare market Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and are committed to invest in the attraction, learning and development, and retention of employees. This is why we are partnering with pharmacy schools, external learning providers and other stakeholders to create a pipeline of talented, motivated healthcare professionals who choose to work for us.

The Group follows a comprehensive pharmacy development strategy that focuses on:

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

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

The group invested R4.4 million (2016: R4.1 million) in bursaries for 100 students completing the Bachelor of Pharmacy degree at registered South African universities. 79% of bursary recipients were black and 58.9% female. The group also provided opportunities to 82 students to complete internship programmes.

The group's Pharmacy Healthcare Academy is registered with the SA Pharmacy Council and is instrumental in developing pharmacists' assistants, with 584 learners registered on learnership programmes.

## 4 QUALITY EDUCATION



### SUSTAINABLE DEVELOPMENT GOAL

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

## CAREER OPPORTUNITIES

### Group resourcing

We have set a target to improve the ratio of 60% internal to 40% external hires over a three-year period after the review of the quality of the talent pipeline. At the end of August 2017 the internal hires in non-pharmacy were 67% compared to 33% external hires. For pharmacy, the internal hires were 42% and 58% were external hires.

We do our best to hire South African talent, except in the case of skills that are scarce in the country. A strict sign-off process is followed for exceptions when a scarce skill needs to be employed and 99.5% of total employees are South African.

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

### Total rewards framework

Our total rewards framework offers flexibility to meet differing employee needs.

Clicks Group has endorsed a total rewards strategy to ensure that our employees are appropriately and fairly rewarded.

We offer outstanding career development opportunities across the Group and we provide our employees with excellent benefits through the Clicks Group total rewards framework:

#### 1 Compensation

Refers to how we compensate employees for the services they have provided in line with their job objectives.

Permanent employees are appointed on the basis of an annual guaranteed pay (AGP), which consists of their total annual package, including company benefits such as medical and retirement funds.

Compensation is reviewed annually and is based on the Hay grading system, which works on the premise that each job is rated (via a point system) on the actual work/tasks and the complexity thereof.

#### 2 Benefits

We offer a number of benefits, including membership of retirement and medical aid funds, employee discounts across our brands, employee share ownership opportunities and group life and disability cover. This includes annual, family responsibility, maternity, paternity, sick and study leave.

#### 3 Performance and recognition

We are a performance-driven company and employees have biannual performance reviews (in February and July) to assess their performance in line with the objectives set out in their performance contracts.

Discretionary performance bonuses are paid in line with company and individual performance.

#### 4 Talent and development

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

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

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

#### 5 Work-life integration

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

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

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



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

## EMPLOYEE AND SAFETY

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

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

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

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

Description	2017	2016	2015
Health and safety committee members	657	629	606
Fire-fighters	655	576	557
First aid representatives	498	587	573
Injuries on duty	69	85	75
Occupational diseases	0	0	1
Lost days	238	223	265
Fatalities	0	0	0

### BUSINESS CONTINUITY

A comprehensive business continuity policy has been developed and implemented across the business. This is presented and evaluated by the audit and risk committee for continuous improvement. The policy and procedures are reviewed on an annual basis.

The health and safety of employees, suppliers and customers is an **important aspect of our business** and health and safety committees have been established across the group.

## 1 NO POVERTY



### SUSTAINABLE DEVELOPMENT GOAL

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

## 8 DECENT WORK AND ECONOMIC GROWTH



## SUSTAINABLE DEVELOPMENT GOAL

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

### EMPLOYEE SHARE OWNERSHIP PROGRAMME

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

Entry to the scheme closed in 2015 and it vests in 2018 and 2019.

Through the ESOP scheme 10% of the group's issued shares (after the issue of "A" shares equating to 29.2 million "A" shares) have been placed in a share trust for allocation to all full-time permanent employees. Employees with more than five years' service, pharmacists and senior employees from designated employment equity groups received a 15% enhancement of their share allocation.

Shares are held by 5 882 employees, with black employees holding 88% and women 66% of the shares. Pharmacists comprise 5% of the ESOP beneficiaries. Participating employees receive a cash dividend annually, equal to 10% of the total dividend paid to ordinary shareholders each year.

### EMPLOYEE SATISFACTION INDEX

The group does an employee satisfaction survey every second year and communicates the results to the business unit, division and department to receive feedback and create action plans so that we make this a great place to work. A comparison of the results to the previous year measures progress and determines whether greater focus is needed compared to the South African benchmark.

The group increased its employee satisfaction index (ESI) from the 66 score achieved in 2014, to 71 in 2016. In terms of employee engagement, the group outperforms the South African benchmark in seven out of the twelve dimensions, resulting in an overall employee engagement index of 70, which is on par with the SA benchmark of 69.

The next survey will take place in the next financial year 2018.

5 882  
employees  
hold shares





# SOCIAL AND RELATIONSHIP CAPITAL

## EMPLOYMENT EQUITY

BLACK EMPLOYEES AS A % OF TOTAL EMPLOYEES	BLACK SENIOR AND TOP MANAGEMENT	BLACK DIRECTORS	WOMEN AS A % OF TOTAL EMPLOYEES	WOMEN SENIOR AND TOP MANAGEMENT
<b>91.0%</b>	<b>31.5%</b>	<b>44.4%</b>	<b>62.7%</b>	<b>25.9%</b>
2016: <b>90.8%</b> 2015: <b>89.6%</b>	2016: <b>27.8%</b> 2015: <b>23.2%</b>	2016: <b>44.4%</b> 2015: <b>44.4%</b>	2016: <b>61.9%</b> 2015: <b>61.8%</b>	2016: <b>27.8%</b> 2015: <b>21.4%</b>

### SKILLS DEVELOPMENT – TOTAL EXPENDITURE

**R125.8m**

2016: **R95.7m**

### TRANSFORMATION RATING

**LEVEL 5\***

2016: **Level 6\***

\* New BBBEE codes applicable

### TOTAL SPEND OF SOCIO-ECONOMIC DEVELOPMENT

**R17.8m**

2016: **R15.1m**

### AMOUNT INVESTED IN BURSARIES

**R4.4m**

2016: **R4.3m**

### NUMBER OF BURSARY STUDENTS

**100**

2016: **86**



# SOCIAL AND RELATIONSHIP CAPITAL

## EMPOWERMENT AND TRANSFORMATION

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

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

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



### Management control

The management control element of the scorecard is a reflection of the composition of the board of directors, group executive committee and senior management who are members of the business unit operating boards. The board comprises 44% black directors, with women making up 44%. The group executive committee has 50% black representation and 25% female.

BBBEE Element	Maximum points	2017	2017 Target
Ownership	25	16.35	16
Management control and employment equity	19	12.33	12.41
Skills development	25	16.16	21
Preferential procurement, enterprise and supplier development	44	28.15	21.4
Socio-economic development	5	5	5
Total	118	77.99	75.81
BBBEE level		5	

### Ownership

The group scored 16.35 points on the ownership element of the scorecard, which is attributed to the employee share ownership programme (ESOP) and an independent analysis of the group's shareholding to determine the level of beneficial black ownership.

At the end of the reporting period 5 882 employees were participants in the ESOP scheme, with black employees accounting for 83% and women 66%. Pharmacists comprise 5% of the ESOP beneficiaries. Participating employees receive a cash dividend annually, equal to 10% of the total dividend paid to ordinary shareholders each year.

### Management control

The management control element of the scorecard is a reflection of the composition of the board of directors, group executive committee and senior management who are members of the business unit operating boards. The board comprises 44% black directors, with women making up 44%.

### Employment equity

The Clicks Group wants to create a diverse workforce and is committed to the recruitment, development and retention of employees, regardless of race, gender, disability, religion, sexual orientation and political persuasion. The group's workforce comprises 91% (2016: 90.8%) black employees and 63% (2016: 62%) female.

The group supports the national agenda aimed at the employment of youth in sustainable positions. During the financial year we employed 9 724 people under the age of 35 in permanent positions.

The group continues to align its employment equity targets and the national economically active population statistics, in line with the Department of Labour Director-General's review process since 2012.

The group's permanent monthly paid staff turnover is 15.9% below the targeted range of 18% – 20%.

The group scored 4.40 points overall for employment equity and 1.03 for employees with disabilities.

Employee profile of South African businesses

Occupational level	Male			Female			Foreign nationals		Total		
	African	Coloured	Indian	White	African	Coloured	Indian	White			
Top management	0	0	2	1	0	1	0	0	1	0	5
Senior management	4	2	4	23	2	1	1	7	3	2	49
Middle management	104	69	43	156	106	59	55	197	10	13	812
Junior management	451	160	48	122	638	475	153	489	13	9	2 558
Semi-skilled	3 160	690	57	64	4 488	1 811	121	119	11	3	10 524
Unskilled	2	0	0	0	2	0	0	0	0	0	4
Total permanent employees	<b>3 721</b>	<b>921</b>	<b>154</b>	<b>366</b>	<b>5 236</b>	<b>2 347</b>	<b>330</b>	<b>812</b>	<b>38</b>	<b>27</b>	<b>13 952</b>
Temporary	167	28	8	25	211	75	20	62	6	11	613
Grand total	<b>3 888</b>	<b>949</b>	<b>162</b>	<b>391</b>	<b>5 447</b>	<b>2 422</b>	<b>350</b>	<b>874</b>	<b>44</b>	<b>38</b>	<b>14 565</b>



- 53% Under 30
- 26% 30 – 39 years
- 14% 40 – 49 years
- 7% 50+ years



- 37% Males
- 63% Females



- 63% African
- 24% Coloured
- 4% Indian
- 9% White

No strikes or industrial actions took place in this financial year.

Preferential procurement

We focus on sourcing merchandise and services from locally based and empowered suppliers. In the past year 72.8% (2016: 75.8%) of total measured procurement spend was from empowering suppliers.

Enterprise development

The group invested R27.3 million in enterprise development initiatives and achieved the maximum 5 points on the amended DTI scorecard.

**4 QUALITY EDUCATION**

**SUSTAINABLE DEVELOPMENT GOAL**

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

**10 REDUCED INEQUALITIES**

**SUSTAINABLE DEVELOPMENT GOAL**

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

### Supplier development

The group invested R27.3 million in supplier development initiatives and achieved 5.29 points on the amended scorecard with the below initiatives:

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

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



### Socio-economic development

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

We have once again shown our commitment to the communities where we trade by investing 1% of profit after tax in social development programmes. A total of R17.8 million (2016: R15.1 million) was invested in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being in South Africa.

The group also invested R4.4 million in bursaries to 100 students completing Bachelor of Pharmacy degrees, which is fully discussed under the skills development section in this report and is reported separately from social development spending. We spent R0.7 million on arts, sport and culture, R0.1 million on basic needs and social development and a further R2.0 million on education. The group invested a total of



R15.0 million in health, including HIV/AIDS as the main focus. The full socio-economic development spending was in South Africa.

We also donated R4.5 million to the Public Health Enhancement Fund over the past five years. The fund aims to address skills shortages, improve quality of public healthcare and advance research.

Social development programme expenditure	2017
Percentage of total CSI/SED spend in South Africa	100%
Rand value of CSI/SED spend on arts, sport and culture	R0.7 million
Rand value of CSI/SED spend on basic needs and social development, including nutrition and/or feeding programmes	R0.1 million
Rand value of CSI/SED spend on education	R2.0 million
Rand value of CSI/SED spend in environmental management projects	R0*
Rand value of CSI/SED spend on health, including HIV/AIDS	R15.0 million
Total Rand value of CSI/SED spend	R17.8 million

\* The Body Shop South Africa supports the Centre for Rehabilitation of Wildlife sponsored by The Body Shop International.

### Clicks Helping Hand Trust

Clicks Helping Hand Trust has opened all Clicks clinic doors for HIV testing, and Moms and Babies services, with over 17 618 baby consultations and family planning consultations performed to date. All clinics now also offer free services on a campaign basis and have delivered a further 73 000 free consultations during heart health, diabetes and HIV awareness campaigns. It costs more than R4 500 to vaccinate a child for the first 18 months of his/her life. Free baby vaccinations and family planning medication are now available at all Clicks clinics in the Western Cape as a result of a partnership between the Western Cape Department of Health and Clicks. Similar partnerships in three other provinces are being finalised. The trust is able to continue the work it does through financial support and donations from Clicks, its employees, suppliers and other organisations with aligned goals.

### Girls on the Go community programme

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

The project was launched in 2016, reaching 5 000 girls in year 1 and 16 000 in the current year. For more information visit <https://clicks.co.za/helpingHandClinic>

### Moms and babies programme

The Clicks Helping Hand Trust Moms and Babies programme offers free clinic services every Thursday afternoon at selected clinics. These services are available to mothers whose babies were born in State hospitals, and who don't have access to medical aid. The trust was launched in 2011 in response to the need to reduce infant and maternal mortality in South Africa. The free services offered include baby immunisation (where State stock is available), growth measurement and baby weighing, feeding and nutritional advice, as well as family planning advice and medication (where State stock is available). For more information go to Clicks Helping Hand at <https://clicks.co.za/helpingHandClinic>

### Health campaigns

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

### Other beneficiaries of the group's social investment include organisations such as:

#### Carel du Toit Centre

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

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

#### The Topsy Foundation

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

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

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

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

The organisation was conceptualised and founded in 2000 by Duke Kaufman, Silja Elena and Doug Maritz.

### The Appliance Bank

The Appliance Bank (TAB) equips unemployed men with technical skills to repair donated damaged household appliances and the business skills to buy and on-sell the repaired electrical appliances. TAB currently operates only in Cape Town and is an offshoot of the highly successful social entrepreneurship programme, The Clothing Bank. Seventeen men have been recruited for the pilot programme and are trading exceptionally well.

#### Case study

#### Oscar Renge, 51 years old, married with five children

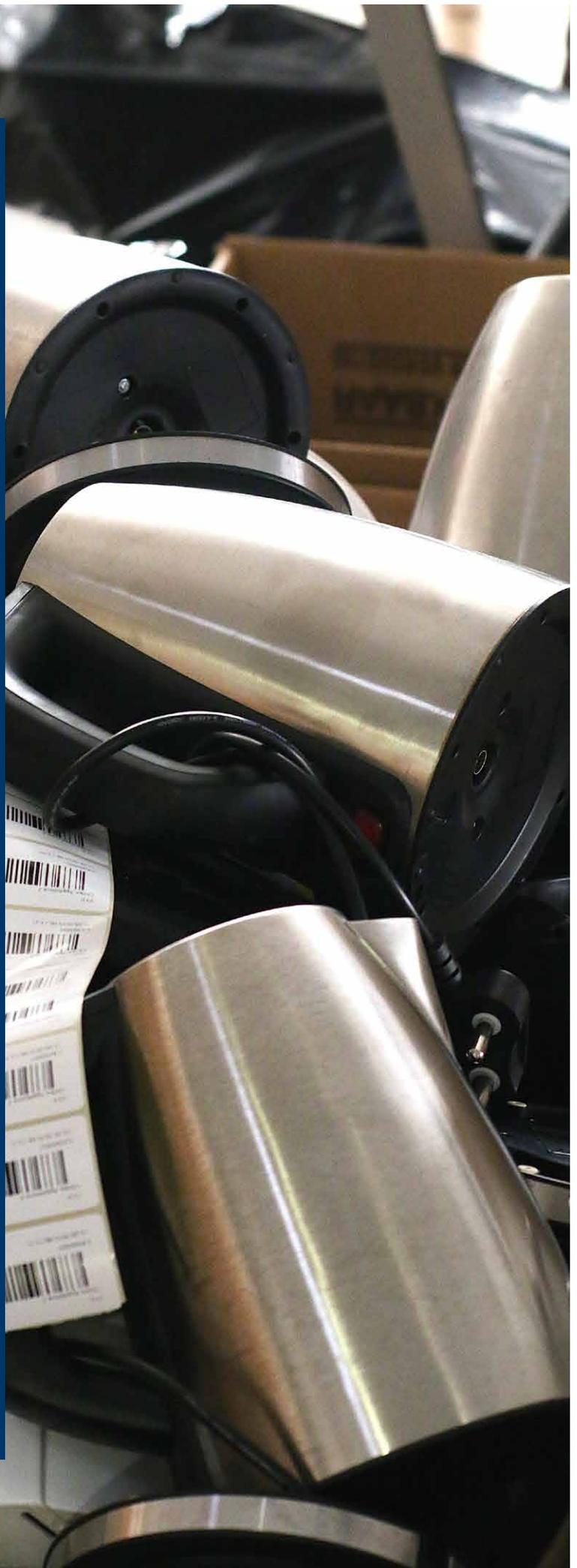
Oscar joined the appliance repair training programme in September 2015. He had been bedridden for 18 months after a near-fatal car accident.

Oscar has a background in human resources and small business. He and his wife ran a small catering company and they were living from job to job. He says that he struggled to manage the finances of the business and didn't have much discipline and the business suffered as a result.

Since joining The Appliance Bank he has become a leader in his group and has taken the opportunity seriously. He trades mostly from outside his home. Oscar is an excellent marketer with a keen eye for opportunities and he has been targeting gym members and now has an order list of customers wanting to purchase blenders.

Oscar's dream is to open a retail outlet in Gugulethu. His biggest takeaway from the training we provide is learning the financial and business skills needed to run a sustainable business.

Oscar has also gone on to use the skills he has acquired to grow the catering business, which his wife manages during the week with his help on weekends.



## EMPLOYEE CONTRIBUTION

We encourage employees to support social development projects, schools and charities and to subscribe to the payroll giving scheme through the Helping Hand Trust.

## EMPLOYEE WELLNESS PROGRAMME

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

Before we started the HIV project, we spent time evaluating our current and past approaches to identify successes and shortcomings. We also looked at what other companies were doing and what they had learned; what international research recommended; and, finally, what various service providers offered.

We found that:

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

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

The employee wellness programme (EWP) was developed and is a work-based advisory, counselling and support programme which provides life, health, performance and wellness management services to employees and their immediate households free of charge, 24/7 and in the official SA languages.

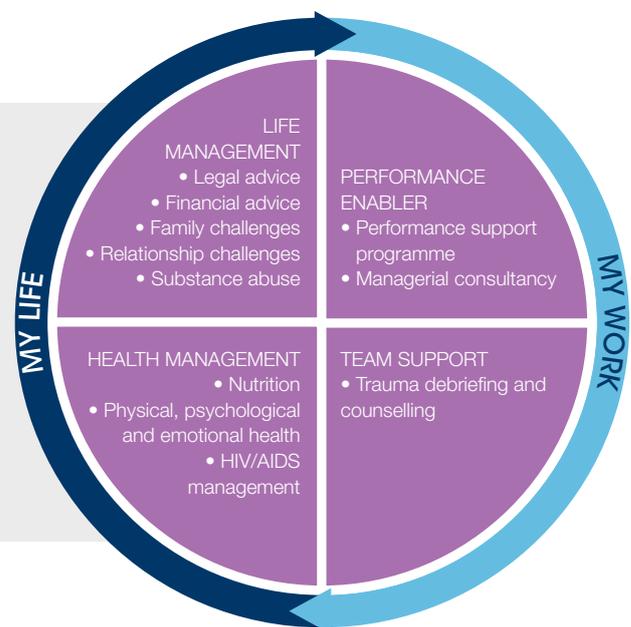
EWP is aimed at informing, educating and supporting employees to:

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

The employee wellness programme provides independent, confidential, professional counselling and advisory services to permanent employees and their direct household dependants. It is highly valued by employees and line managers, as evidenced by the high rate achieved during the 2016 employee satisfaction survey. The programme utilisation rate of 13.4% remains highest in the consumer services sector.

In 2017 more than 1 600 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.

Employee wellness programme	2017	2016	2015
Employee utilisation	1 926	2 060	1 940
Family utilisation	452	108	77
Total utilisation rate	13.4%	24.5%	22.2%
Manager referrals	95	106	56
High-risk cases	45	33	46
HIV/AIDS management programme	64	56	53



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

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

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

The employee wellness programme was rated the Number 1 programme in the previous employee survey index.

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

We care about the health and well-being of our employees and encourage all employees to participate when a campaign comes to their shopping centre. We extend an open invitation to other retailers to come on board so that their employees might also benefit from participating in this initiative. There were 19 events held in 2017 in every province, with positive feedback from all employees who attended.

*“Once again, from the bottom of my heart, thank you and continue to do good, there still are people out there that need this type of service.”* Testimony from an employee – Koos Snyders, store manager, Clicks pharmacy, Bloemfontein.

The employee wellness programme was rated the **Number 1 programme** in the previous employee survey index.

### Healthcare Conference

In line with our recent sharper focus on not only pharmacy, but healthcare as a whole, we've expanded our annual healthcare conference to include all the employees and suppliers who help us deliver the patient-centred Clicks healthcare experience. The 11th annual Clicks healthcare conference marks the continuation of this new chapter in our history and we're inviting you to join us on this exciting journey.

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

 For further information visit <https://healthcareconference.clicks.co.za/>



### Generic medication advantages

The healthcare strategy of the Clicks Group is aligned to the South African Government's healthcare goal to provide medicine to a wider patient base. Generic medicine is more affordable and will enable access for more patients.

Generic medicines have the equivalent biological effect and dissolution of the originator product.

A generic medicine contains the same active ingredient/s and has the same dosage form and strength as the original medicine; however, it may contain different inactives (colourings, starches, sugars, etc.). There may also be differences in size, shape, colour or pack size, but none of these have any impact on the way the drug works.

The benefits of generic medicines are:

- Generics offer substantial cost savings without compromising efficacy.
- Cost saving makes more efficient use of your medical aid benefits.
- Cost saving leaves more money to pay for other treatments and services that you may need.
- Lower-priced medicines encourage more healthy competition in the market.
- Generics allow you to exercise your rights as a consumer.

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



## 3 GOOD HEALTH AND WELL-BEING



### SUSTAINABLE DEVELOPMENT GOAL

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



# NATURAL CAPITAL

CARBON EMISSIONS  
(CO<sub>2</sub>)

**118 434** metric tonnes

2016: 114 044 metric tonnes  
2015: 115 159 metric tonnes

CARBON DISCLOSURE PROJECT –  
PERFORMANCE BAND

**A-**

2016: A-  
2015: B

FTSE RUSSELL/JSE RESPONSIBLE INVESTMENT INDEX

**included**

2016: Included  
2015: Included

CARBON EMISSIONS  
INTENSITY TARGET

**5%**

reduction from base  
year by 2020



# NATURAL CAPITAL

## ENVIRONMENTAL AND CLIMATE CHANGE OVERVIEW

The group has come a long way in embedding environmental management into normal business practices and operations. The board social and ethics committee is accountable for environmental sustainability, while the group human resources director is responsible for the delivery of the group's environmental management framework. Business units have internal sustainability forums which co-ordinate internally, raise awareness and report on environmental management.

The group continues its voluntary participation in the Carbon Disclosure Project (CDP). We were awarded a Gold certificate of recognition and rated eighth in the Carbon Disclosure Project Leadership Index in 2011.



The group's environmental management objectives include:

- legislative and regulatory compliance;
- internal and external stakeholder engagement;
- environmental sustainability reporting;
- assessment and evaluation of sustainability initiatives; and
- promoting a culture of environmental awareness.

The Clicks Group  
achieved an A-  
performance band  
in CDP.

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

- energy efficiency;
- water management;
- waste management; and
- distribution network optimisation.

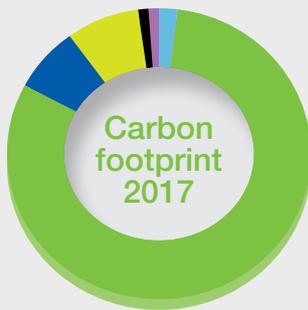
The Clicks Group has continuous engagements with national government on energy reduction, carbon tax strategies and developments on the environmental front, including new legislation and research reports.

## CARBON FOOTPRINT

We did an internal carbon footprint audit using internationally recognised GHG protocols and the results were externally verified by The Carbon Report.

To get more accurate data to submit for the verification process, better processes and procedures were put in place to form a solid foundation for information gathering. The process continuously improves to assure consistency.

Scope 1 emissions (CO <sub>2</sub> ) metric tonnes	2017	2016	2015	2014
Company-owned vehicles	1 792	1 780	1 996	1 902
Fugitive emissions (Kyoto gases)	271	229	93	241
Stationary and mobile equipment	185	138	189	142
Scope 2 emissions (CO <sub>2</sub> e) metric tonnes	2017	2016	2015	2014
Purchased electricity	96 458	92 560	91 345	98 150
Scope 3 emissions (CO <sub>2</sub> e) metric tonnes	2017	2016	2015	2014
Product distribution	8 289	7 569	7 021	6 952
Employee commute (based on 2016 survey)	9 044	9 044	12 359	11 993
Business travel (flights and car hire)	1 499	1 532	1 836	1 403
Other direct – fugitive emissions (non-Kyoto gases)	936	1 192	320	777
<b>Total</b>	<b>118 434</b>	<b>114 044</b>	<b>115 159</b>	<b>121 560</b>



- 2% Company-owned vehicles
- 0% Fugitive emissions (Kyoto gases)
- 0% Stationary and mobile equipment
- 81% Purchased electricity
- 7% Product distribution
- 8% Employee commute
- 1% Business travel (flights and car hire)
- 1% Other direct – fugitive emissions (non-Kyoto gases)

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



UPD started a vehicle replacement programme and limited drivers to 80 km/h to save fuel and reduce emissions. The vehicles are also fitted with advance monitoring sensors to ensure that product is transported at a constant temperature as per the legislative requirements. With the network of regional distribution centres, the distances travelled to customers are reduced and the turnaround for delivering product improved, improving overall efficiencies in the organisation.

## Targets

### Intensity targets

Scope	Scope 1 + 2
% of emissions in scope	100%
% reduction from base year	5%
Metric	Metric tonnes CO <sub>2</sub> e per unit hour worked
Base year	2015
Normalised base year emissions	0.19
Target year	2020
% time complete	20%
% emissions complete	40%

The renewable energy target is presented below:

Energy types covered by target	Electricity production
Base year	2015
Base year energy type covered (MWh)	86 939
% renewable energy in base year	0.13%
Target year	2020
% renewable energy in target year	1.5%

### Carbon Disclosure Project

The Clicks Group was reclassified by Bloomberg from Consumer Discretionary to Consumer Staples in CDP due to being a diverse company in a single sector. The Clicks Group achieved a score of A- (2016: A-) for performance against the targets.

**13** CLIMATE ACTION



## SUSTAINABLE DEVELOPMENT GOAL

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

## ENERGY MANAGEMENT

Energy is recognised globally as a strategic and scarce resource. Given the energy capacity constraints in South Africa, energy has become increasingly expensive. Conscious of costs and our sustainability agenda, we have replaced most lighting in stores, company-owned buildings and distribution centres with energy-efficient lights.

The group's head office building implemented new LED technology and installed a 400 kWp solar photovoltaic (PV) system comprising 1 298 modules (310 Watt) over a rooftop area of 2 519 m<sup>2</sup>. With the above initiatives the head office saved 31% in annual kilowatt usage.

The business has committed to installation of electronic meters in Clicks stores. Electricity saving is divided into categories, namely behaviour change in stores by switching off lights during non-trading hours, tariff correction and over-billing from municipalities or landlords.

We will also keep an eye out for products that can help cut energy usage. This is included in the store design criteria to follow through in Clicks stores. We have put processes in place to continuously research and implement new energy technology. An energy management survey was conducted in 2009 by an external service provider to look at options for the business.

The company keeps abreast of legislation like the tax incentive law for savings that can be used to introduce more energy-efficient products.

The total electricity used in the group for the financial year is 98 487 326 kWh (2016: 95 091 521 kWh) (including green energy), which equals 98 487 MWh (including green energy) and 354 554 GJ (including green energy). Total electricity consumed per person hour worked is 0.0034 MWh/HW. Overall electricity increased by 3.6% in the group with a growth in trading space of 5.6%. In the previous year a reduction of 6% was achieved with more energy-efficient equipment like air-conditioning switches in stores, but also due to more accurate data measurements through the energy meter project.

Total direct energy consumption in Gigajoules from fuels burned was 27 440 GJ, which is 1 MJ/HW (total direct energy consumed per person hour worked). Total indirect energy consumption in Gigajoules from electricity consumed was 354 554 GJ (including green energy) which is 12 MJ/HW (Total indirect energy consumed per person hour worked, including green energy).

### Targets

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

The group is committed to:

- reduce electricity usage where possible with new interventions; and
- investigate possible clean energy alternatives.

## 7 AFFORDABLE AND CLEAN ENERGY



### SUSTAINABLE DEVELOPMENT GOAL

The Clicks Group supported the goals of the 7th UN SDG of affordable and clean energy with its first solar PV installation, which achieved a 20% annual saving of electricity. The group is continuously looking at alternative and cleaner energy usage.

## WATER MANAGEMENT

Living without a natural resource like water is impossible and the Clicks Group has introduced initiatives to help conserve it. Waste water is captured from the head office building's air-conditioning cooling towers and recycled to flush the toilets. This initiative saves the business about 181 000 litres of water per annum.

A new rainwater harvesting system has been installed at head office in the last financial year to further reduce the water used in the building. The system runs from three 10 000 litre tanks and will supply water to flush the toilets.

The Group participated in the national WWF – Water Talks and promoted employee awareness through internal communications.

The total water usage for the head office and the three distribution centres was calculated as follows and is tracked monthly.

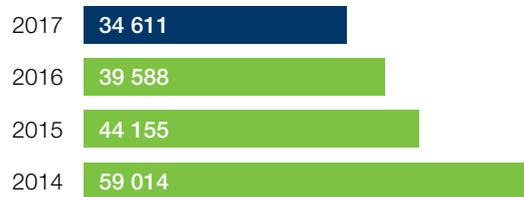
**Targets**

The group is committed to a 5% water reduction by 2020 and a long-term target of a further 5% reduction by 2030 measured by intensity for the head office and three distribution centres.

The group is committed to:

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

### Total water usage in kilolitres



## WASTE MANAGEMENT

Recycling bins have been installed in the head office building to help create awareness among employees and to increase recycling volumes. Only biodegradable takeaway containers are used in the head office building. A new, centralised waste separation facility has been implemented at the group's head office and the three biggest distribution centres. Before concluding the new contract, the waste management company was screened to ensure it had the necessary certification. These requirements were also checked for the medical waste removal companies that remove waste from stores.

Safe disposal certificates are obtained for the disposal of medical waste, fluorescent light bulbs, printer cartridges and all once-off hazardous waste disposals in the business. These certificates are kept for five years as per the legal requirements.

2 448 tons of plastic, metal, glass, cardboard and paper were recycled over the past year at head office and the three distribution centres.

**Targets**

The group has set a recycling target for major operations of 80%. This year we achieved a recycling percentage of 75.4% (2016: 82%) by implementing sound procedures in the main facilities, while all stores send cardboard back to the distribution centres.

The group is committed to:

- continuously investigate alternatives to reduce waste to landfill; and
- increase recycling materials in packaging of products.

UPD reinforced the recycling and reuse of fridge products (i.e. cooler boxes, gel packs and bubble wrap) to minimise waste through effective communication to customers, debriefing the drivers and tracking the number of cooler boxes that are returned daily.

## DISTRIBUTION NETWORK OPTIMISATION

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

**Environmental management tools** have been introduced to ensure no damage is done to the environment.

## OTHER MANAGEMENT TOOLS

An air quality and noise test is done regularly to maintain the standard according to legislation, to improve the environment in the buildings and to uphold safety standards.

Environmental management tools have been introduced to ensure no damage is done to the environment. Examples of these are bunding in generator rooms, chemical storage for batteries used for forklifts and oil spill kits to prevent spillages into open storm water drains.

All the initiatives in the group are communicated to employees via internal communications and new employees learn the commitment of the company to the environment in the on-boarding presentation.

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

The group has an integrated pollution control procedure to ensure this is addressed properly and according to legislative requirements.

## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



### SUSTAINABLE DEVELOPMENT GOAL

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

## 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>

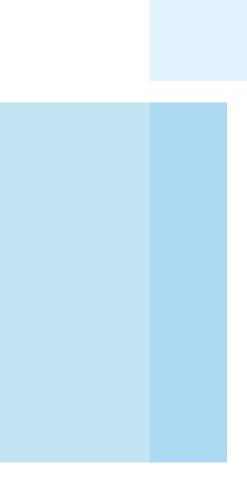
While the Clicks brand doesn't have a formal policy we have taken the ethical decision not to test our private label products on animals.

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 are proud of our position as the country's leading pharmacy, health, home and beauty store. We promise our customers a wide range of products.

We believe consumers are one of the most effective drivers of change through the purchasing choices they make.



**CLICKS GROUP**  
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