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value  
every day

Sale

**CLICKS GROUP**  
LIMITED

SUSTAINABILITY  
REPORT  
2020

Live  
Beautifully

Helping  
Hand  
Project

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*"Clicks Group's strategy recognises the importance of corporate citizenship as a key enabler in creating long-term value for all stakeholders. Responsible environmental and social practices support business resilience, enhance the reputation of our brand and benefit all stakeholders including employees, customers, shareholders, suppliers and the communities in which we trade."*

# INTRODUCING THE REPORT

Welcome to the Clicks Group annual sustainability report which covers our environmental, social and governance (ESG) performance for 2020 as well as other significant developments during the financial year.

The scope and content of this report relate to the group's performance on the most material sustainability indicators, which are informed by the interests of our stakeholders. The report provides information on ESG impacts as well as mitigation measures employed by the group to ensure the long-term sustainable growth of our business. Each year, we benchmark our sustainability performance and reporting standards against our peers, the issues raised by stakeholders, as well as relevant reporting guidelines and standards. We consider the views of our employees, customers, non-governmental organisations, investors, and other stakeholders interested in and affected by our activities. Considering these views is an important part of

our commitment to being an impactful business and arise from our ongoing engagements to address relevant aspects of our stakeholders' agendas.

We acknowledge the importance of engaging with our shareholders with the aim to create value for all stakeholders. Our continuous inclusion in the FTSE4Good Index as well as our improved rating on the Carbon Disclosure Project has improved our ESG performance and reporting. This reporting has also catalysed our progress in adopting a holistic approach that integrates ESG stewardship into our business as aligned with our core purpose.

Our sustainability reporting process is guided by the King IV Report on Corporate Governance for South Africa 2016 (King IV), the JSE Listings Requirements, the Global Reporting Index Standards and the requirements of the Companies Act. The responsibility for ensuring balanced reporting, monitoring of the group's corporate citizenship, sustainability issues and ethics falls within the mandate of the group's social and ethics committee as delegated by the board. The committee is governed by terms of reference that detail its duties in terms of the Companies Act, the JSE Listings Requirements and King IV, as well as responsibilities allocated to it by the board.



**David Nurek**  
Independent  
non-executive chairman



**Bertina Engelbrecht**  
Group human  
resources director



# HR DIRECTOR'S STATEMENT ON SUSTAINABILITY

It gives me great pleasure to present the Clicks Group's 2020 sustainability report, which provides stakeholders with more information regarding the group's environmental, social and governance (ESG) practices.

The Clicks Group's strategy recognises the importance of corporate citizenship as a key enabler of our ability to create long-term value for our shareholders. Responsible environmental and social practices support business resilience, enhances the reputation of our brand and benefits all of our stakeholders which include employees, customers, suppliers and communities.

We align our ESG practices with the United Nations Sustainable Development Goals (UN SDGs) to ensure that our activities meet the standards of the universal global drive to achieve the specified targets by 2030. We are gratified that our commitment to continually improve our ESG practices and performance was recognised once again with the inclusion of Clicks Group in the FTSE4Good Index and FTSE/JSE Responsible Investment Top 30 Index as well as being able to maintain our Carbon Disclosure Project rating of -A.

Business plays a key role in driving socio-economic development and transformation. This is achieved by providing and creating jobs, through enterprise and supplier development initiatives as well as corporate social investment. These contributions will be particularly relevant in supporting the recovery of business and society post Covid-19. The socio-economic impacts of the pandemic have had an aggravating effect on the most vulnerable members of our society. The group implemented a number of initiatives to support employees, line managers and the human resources (HR) teams in response to the pandemic and national lockdowns in the territories in which we operate. These included:

- The group chief executive officer communicated weekly to inform, educate and motivate staff via internal communication channels (radio, e-mail and in person).
- A dedicated e-mail facility was set up to manage employee and line manager anxieties related to the risk of exposure, impacts on remuneration, transport challenges and work schedules.
- HR practice notes were developed to educate employees on Covid-19; how to manage leave and other social benefits; how to interpret the regulations relating to the Temporary Employer/Employee Relief Scheme (TERS) claims; and managing employees with co-morbidities.
- Free flu vaccines were offered to all Clicks employees.
- A 24/7/365 dedicated employee wellness service was made available to support employees and their dependants impacted by the virus and as a resource for line managers.
- Store trading hours were reduced to consider the initial transport challenges faced by employees.

- The group expanded remote working opportunities by investing in additional laptops and connectivity to enable secure meetings on virtual platforms.
- The group encouraged work shift rotation to minimise the number of employees on site and the risks of exposure.
- The group also supported employees financially and bonuses were paid to customer-facing staff in recognition of their commitment during the crisis.

The Clicks Helping Hand Trust also did excellent work in enabling access to quality healthcare for the most vulnerable in our society. The Trust provided more than 94 000 free healthcare consultative and treatment services for health challenges including diabetes, HIV/AIDS, blood pressure and to manage cholesterol levels. As part of the response to Covid-19 the Trust further increased the time allocated to free services at selected Clicks clinics, helping to reduce the stress on state facilities and improve management of Covid-19 and people with co-morbidities.

This report provides more information regarding our sustainability activities and performance over the past year, as well as our plans to address sustainability opportunities and challenges in the future. While our activities do not have a significant negative impact on the environment, as a responsible retailer we are committed to playing our part in addressing environmental and climate change challenges.

The group has made good progress in a number of areas. This includes developing strategies to reduce our carbon footprint through more efficient energy and water usage, waste management, distribution network optimisation and recycling across the supply chain. We have also made progress in enabling learning and development programmes. The group managed to significantly increase the number of learners in programmes such as technical and vocational education and training (TVET) from 21 in the previous year to 510 in 2020. Our preferential procurement spend empowering suppliers was R69.2 million.

We also acknowledge the importance of extended consumer responsibilities with regard to single-use plastics and packaging. Our commitment extends to ensuring that 100% of plastic packaging used in our stores is reusable, recyclable or compostable.

While we are pleased with the progress demonstrated during the past year, we acknowledge there remains a lot more we can do. We are committed to continual improvement of our ESG performance and to playing our part in the sustainable development of the countries in which we operate.



# INTRODUCING THE CLICKS GROUP

Clicks Group is a retail-led healthcare company headquartered in Cape Town, South Africa. It is listed in the Food and Drug Retailers sector on the JSE and is a constituent of the FTSE/JSE Top 40 Index.

The group's retail footprint includes 884 stores across South Africa, Namibia, Botswana, Eswatini and Lesotho, and employs over 15 000 permanent employees. Clicks is the group's anchor brand while franchise brands added through exclusive agreements provide differentiation to the core offering.

Clicks is also South Africa's largest retail pharmacy chain, with 585 in-store pharmacies. The Clicks ClubCard is one of the largest loyalty programmes in South Africa, with 8.6 million active members who account for 78.2% of the brand's sales.

The group's centralised distribution model dispatches most retail products through three major distribution centres that receive stock from national and international suppliers.

UPD is South Africa's leading full-range pharmaceutical wholesaler. UPD provides pharmaceutical supply services to Clicks, major private hospital groups and over 1 250 independent pharmacies. It also provides bulk distribution services to pharmaceutical manufacturers.

884 total number of retail stores

585 pharmacies

9 distribution centres



Clicks is South Africa's leading health and beauty retailer, offering value for money in convenient locations and appealing stores. Clicks targets customers in the growing middle to upper-income markets.



The Body Shop sells natural, ethically-produced beauty products.



GNC is the largest global speciality health and wellness retailer.



Claire's is a leading retailer of fashionable jewellery and accessories for young women and girls.



**MUSICA**  
BE ENTERTAINED

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



## OUR VISION AND VALUES

### OUR VISION

To be the leading health and beauty retailer in targeted markets within southern Africa

### OUR 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

### OUR LEADERSHIP DRIVE

**Delivery:** A concern for excellence through initiative, people and customer orientation

**Resilience:** Having an optimistic outlook and dealing with setbacks constructively

**Integrity:** A sense of honesty and truthfulness in all actions that are directed at being beneficial to others and the organisation

**Vision:** Creating a shared purpose of the future and gaining support thereof

**Enterprising:** Maximising opportunities for the growth of the organisation

### OUR EMPLOYEE VALUE PROPOSITION

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

**Passion:** We are passionate about leading innovation within the unique mix of our group

**Opportunities:** Our focus on a clear vision and growth strategy provides our people with unlimited opportunities

# OUR APPROACH TO SUSTAINABILITY

The group’s strategy acknowledges that effective management of environmental, social and governance (ESG) considerations enhances long-term value creation.

We recognise that the health of our business is integrally related to the health of society and the state of the environment. The group has accordingly adopted sustainable business practices and set sustainability targets to ensure the responsible use of natural resources.

Our sustainability indicators inform the overall value-creation process with the aim of driving the sustainability goals, minimising our environmental impact and highlighting the fundamental role of business in society.

| Aspect        | Performance indicator  |
|---------------|--|
| Economic      | Financial performance<br>Accessible healthcare network   |
| Governance    | Board comprised of independent non-executive directors<br>Code of ethics<br>Data governance policy and compliance  |
| Social        | Our employees<br>Skills development<br>Employment equity<br>Employee wellness programme<br>Preferential procurement<br>Supplier and enterprise development<br>Corporate social investment<br>Sourcing and supply chain |
| Environmental | Carbon emissions<br>Energy management<br>Water and wastewater management<br>Waste and hazardous materials management   |

Clicks’ sustainability approach is guided by the principles of the United Nations (UN) Global Compact as well as the recommendations of the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD) on policies in support of global economic and social well-being. The group’s sustainability framework supports the UN Sustainable Development Goals (SDGs).

Our core business creates meaningful social impact through the provision of health products and improving access to reliable and affordable healthcare. This supports South Africa’s national development goals by promoting healthy lives and well-being for all ages.

The sustainability strategy is based on four focus areas:

- 1 **Building a trusted, accessible healthcare network**
- 2 **Empowering motivated, passionate people**
- 3 **Sourcing products that uphold the integrity of our brand**
- 4 **Minimising our footprint**

***“Clicks’ sustainability approach is guided by the principles of the United Nations Global Compact as well as the recommendations of the International Labour Organisation and the Organisation for Economic Co-operation and Development on policies in support of global economic and social well-being.”***



OUR APPROACH TO SUSTAINABILITY (CONTINUED)

OUR SUSTAINABILITY GUIDING PRINCIPLES

We are truly passionate about our customers and believe in integrity, honesty and openness. We cultivate understanding through respect and dialogue. We are disciplined in our approach and deliver on our goals. We recognise that, for our business to be sustainable in accordance with our values, our vision must be to grow our business in a way that delivers positive social impact with reduced demands on the environment.

- **Integrity and governance:** We conduct business with integrity. Through effective governance and controls, including our code of conduct, we seek to ensure that our group is accountable and remains responsive to evolving norms governing the conduct of businesses in 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 retail footprint and by promoting the use of generic medicines.
- **Environment:** We endeavour, even as we grow, to lighten our footprint through reducing consumption, deployment of resources and waste.
- **Stakeholders:** We acknowledge and consider our stakeholders in our decision-making, seek to engage with our stakeholders, and to understand their interests and imperatives as part and parcel of ensuring that our business is sustainable.

These stakeholders include:

**Employees:** We strive to empower motivated, passionate people, who can act as catalysts for positive change in our society, and who live the Clicks values.

**Customers:** We monitor and are responsive to customer feedback and requirements, as customer feedback is an indicator of our performance throughout our value chain.

**Suppliers:** We source products that uphold the integrity of our brand. To this end we will develop and progressively implement systems to assess product quality, safety and supplier conformance to our standards, specifications and commitments.

**Shareholders:** We acknowledge that our investors place trust in our ability to create long-term sustainable value.

**Communities:** We make a lasting, positive impact on the communities in which we operate.

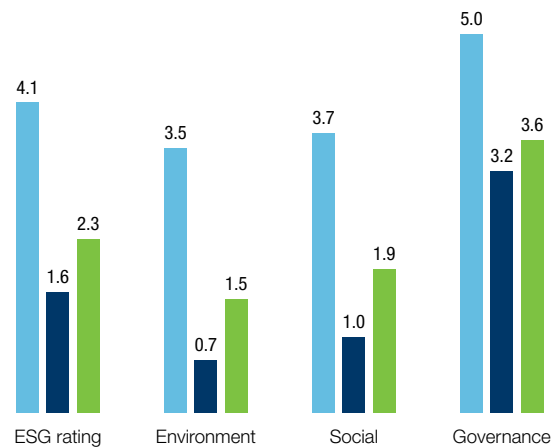
**Government and regulators:** We support government and industry policies through regulatory compliance and implementation.

FTSE/RUSSELL ENVIRONMENTAL, SOCIAL AND GOVERNANCE RATING

The group’s rating as part of the evaluation for inclusion in the FTSE4Good Index series was unchanged at 4.1 out of 5. In 2020, the relative percentile improved slightly to 88% from 87% in 2019. The assessment of the group’s governance performance remained at the maximum score of 5 for the fifth consecutive year.

**CARBON DISCLOSURE PROJECT**  
 The group maintained an A- rating on the carbon disclosure rating. This is higher than the Africa regional average of B- and the convenience retail sector average of C.

Clicks Group FTSE4Good Index Series Ratings



- Clicks Group
- Subsector average: drug retailers
- Industry average: consumer services

# CREATING STAKEHOLDER VALUE IN 2020

Clicks Group's strategy is to create sustainable long-term shareholder value through a retail-led health, beauty and wellness offering. We ensure that our sustainability approach and response is aligned with the overall group strategy.

| Strategic pillar  | Sustainability response  |
|---|--|
| Favourable market dynamics  | Ensuring responsible business practices<br>Socially responsible – our communities<br>Financial implications, and other risks and opportunities |
| Capacity to expand convenient retail footprint and pharmacy network | Responsible management of resources<br>Our operations<br>Our people<br>Market presence<br>Economic performance<br>Our environmental resources  |
| Differentiated product offering                                     | Promoting product responsibility<br>Compliance with regulations and voluntary codes<br>Packaging and post-consumer responsibility              |
| Leveraging customer engagement                                      | Promoting customer responsibility<br>Customer satisfaction<br>Customer privacy   |
| Opportunity to grow UPD   | Promoting responsible procurement practices<br>Supply responsibility<br>Supply chain development and monitoring                                |

The group's business model is designed around material issues that maximise and promote positive outcomes for the material sustainability impacts of the organisation.

## SHAREHOLDERS

Shareholders are the group's principal providers of financial capital.

Diluted headline earnings per share up

**13.7%** to **754 cents**

13.6% 10-year CAGR

Dividend per share **450 cents**

15.5% 10-year CAGR

**R1.5 billion** returned to shareholders in dividends and share buy-backs

Reinvested **R591 million** in capital expenditure

Total shareholder return\* 22.5% 10-year CAGR

\* Based on reinvestment of dividends paid and the closing share price.

CUSTOMERS

Retail and wholesale customers are the group's primary source of revenue.

Opened **39 Clicks stores** and expanded footprint to **743** stores

**40 new Clicks pharmacies**, increased network to **585** pharmacies

50% of population now live within 6 km of a Clicks pharmacy

Online store ensured safe, efficient and convenient service for customers during lockdown despite the significantly higher demand

**R504 million** cashback paid to **ClubCard** members

New partnerships with **Engen** and **eBucks**

Commitment to fair pricing and ensuring prices on essential hygiene products and personal protective equipment were not increased during the Covid-19 pandemic

EMPLOYEES

All permanent and part-time employees across the group.

**R3.7 billion** paid to employees

**R140 million** invested in **employee training** and development

Company-funded healthcare cover available to all employees

**Bonuses paid** to customer-facing store staff in recognition of their service during the Covid-19 crisis

SUPPLIERS

Local and international suppliers of products and services, including landlords.

**R29 billion** paid to suppliers of goods and services, including landlords

**70% weighted BEE procurement expenditure**, with continued transformation of the supplier base

**R69 million** invested in **enterprise and supplier development** programmes

**R38 million** paid to **65 small enterprise owner-drivers** contracted to UPD

COMMUNITIES

Beneficiaries of social investment in the communities in which the group operates.

**R19 million** invested in **socio-economic development** projects aligned to the group's focus on health and well-being

**112 bursaries** awarded to pharmacy students in 2020

**Free clinic services** for customers with no medical cover extended to five days a week at the start of the Covid-19 lockdown

**10 000 flu vaccines donated** to the Department of Health for frontline public healthcare workers



# MANAGING THE IMPACT OF COVID-19

After South Africa declared a state of disaster on 15 March 2020 in response to the outbreak of Covid-19, the country entered a national lockdown from 27 March 2020 to restrict infection rates and curb the spread of the pandemic.

Following a five-week period of hard lockdown, trading restrictions were gradually eased over subsequent months as the government aimed to balance the human and economic impacts of Covid-19.

As essential healthcare service providers Clicks and UPD traded throughout the national Covid-19 lockdown, with restrictions on the sale of certain product categories at the beginning of the lockdown.



## MANAGING THE IMPACT OF COVID-19 (CONTINUED)

### PROTECTING HEALTH OF EMPLOYEES

The health and safety of employees was paramount throughout the pandemic. World Health Organisation and Department of Health hygiene protocols were implemented and maintained across all stores, distribution centres and head office. Employees who displayed symptoms of Covid-19 were immediately requested to self-isolate and sent to be tested for Covid-19. Any employee who tested positive for Covid-19 was required to follow established Covid-19 protocols before returning safely to work.

Plexiglass screens were installed at pay points and pharmacy counters in stores while face visors were supplied to customer-facing staff to reduce the possibility of infection and protect both customers and employees. Flu vaccinations were offered at no cost to staff to support their immunity levels.

Employees were required to work from home where possible and in cases where employees were unable to work the company accessed government assistance benefits on behalf of employees. Bonuses were paid to customer-facing staff in recognition of their commitment during the crisis.

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### ENSURING CUSTOMER SAFETY

Health and safety standards in stores included more frequent cleaning of stores, making wipes and sanitisers available throughout the stores and restricting all non-essential interaction with customers, such as beauty makeovers. The number of customers in store was restricted and social distancing protocols applied. When any store employee tested positive for Covid-19, the store was temporarily closed for deep cleaning to safeguard employees and customers.

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### STORES AND TRADING RESTRICTIONS

While Clicks stores remained open, trading hours were restricted and only essential products could be sold from the start of the lockdown until 30 April 2020. All Musica, The Body Shop and Claire's stores were closed from the start of the lockdown. The Body Shop stores reopened from 1 May while Musica and Claire's stores reopened from 1 June 2020 when the country moved to lockdown level 3. Rental relief was negotiated with landlords for stores which were closed during lockdown.

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### CONVENIENCE AND SAFETY DRIVING ONLINE DEMAND

Online sales in Clicks increased strongly during lockdown as consumers chose to stay at home to reduce the risk of contracting Covid-19. Online distribution capacity was increased to cope with the greater demand for online ordering and delivery to ensure an efficient and convenient service to customers. Clicks also ensured convenient access to medication to minimise time away from home for customers.

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### COMMITMENT TO COMMUNITY SUPPORT

The group was committed to supporting those most vulnerable to the financial devastation caused by the pandemic. The three executive directors and non-executive directors donated one-third of their salaries and fees for three months to the Solidarity Fund. Community support included extending the free primary care clinic services offered to Clicks customers with no medical cover to five days a week from the normal one day. Clicks remained committed to fair pricing and ensured that prices on essential hygiene products and personal protective equipment were not increased during lockdown. In support of frontline public healthcare workers, Clicks donated 10 000 flu vaccines to the Western Cape Department of Health and Department of Social Development.

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### PROTECTING SHAREHOLDER VALUE

Management responded decisively to the lockdown, immediately implementing measures to reduce the group's cost base to off-set the impact of slower sales. Cash preservation was a priority and the board took a decision not to declare an interim dividend to ensure greater balance sheet strength owing to uncertainty over the duration and severity of the lockdown.

# OUR APPROACH TO THE SDGs

The United Nations Sustainable Development Goals (SDGs) were adopted as a universal call to action with the goal to eliminate poverty, reduce inequality, safeguard the environment, and ensure fairness and justice for all.

Clicks Group is a signatory of the United Nations Global Compact and our practices and principles are aligned and informed by its values. Clicks Group welcomes and acknowledges the role of business in supporting the ambitions outlined by the SDGs. We strive to ensure that the SDGs relevant to our business are given due attention as we understand the importance of the goals in building socio-economic resilience and what this entails to the retail sector. The SDGs where we believe we can have the biggest impact are shown below:

| SDG  | What we have done  | What we have achieved   |   |
|--|--|---|---|
|  <p><b>1 NO POVERTY</b></p>                  | <p><b>End poverty in all its forms everywhere</b></p>  | <p>The group aligns to minimum living wages as per the legislative framework and pursues equity in pay and empowerment of women through socio-economic development programmes.</p>  | <p>The group continues to exceed the legislated minimum wage.</p>   |
|  <p><b>3 GOOD HEALTH AND WELL-BEING</b></p> | <p><b>Ensure healthy lives and promote well-being for all at all ages</b></p>                                      | <p>Clicks Group has a comprehensive employee wellness programme which provides free tests and family planning through the Helping Hand Trust.</p>   | <p>In 2020, 2 065 employees completed wellness screenings, which included blood pressure, glucose, cholesterol, body mass index and HIV tests during wellness days held nationally at head office, distribution centres and stores. More than 142 000 free services have been provided to mothers and babies from the Clicks Helping Hand Trust since its inception, with just over 21 000 free services offered in the current financial year.</p> |
|  <p><b>4 QUALITY EDUCATION</b></p>          | <p><b>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</b></p> | <p>The group offers equal opportunity for education at university level to employees, including youth in the workforce through internships and permanent employment. The group also offers pharmacy bursaries that help to develop the pharmaceutical industry in South Africa.</p> | <p>We reviewed the progress made towards critical learning and development programmes such as the TVET learners, which have increased significantly over the year from 21 to 510. The group awarded 112 bursaries to pharmacy students.</p>   |





| SDG  | What we have done  | What we have achieved   |
|--|--|---|
| <p><b>Ensure access to affordable, reliable, sustainable and modern energy for all</b></p> | <p>The group is committed to implementing alternative energy sources for its operations.</p> | <p>Clicks Group has a 400kWp solar PV installation on the head office roof to reduce grid electricity consumption. The plant is able to produce approximately 645 MWh of energy per year, which accounts for 1.56% of annual energy generation.</p> |



|  |   |   |
|--|---|---|
| <p><b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b></p> | <p>The group promotes decent work and economic growth through job creation and by providing good benefits with decent working conditions.</p> | <p>The group employs over 15 000 permanent staff and spent R6.3 million on pharmacy bursaries. Over R140 million was invested in the training and development of employees.</p> |
|--|---|---|



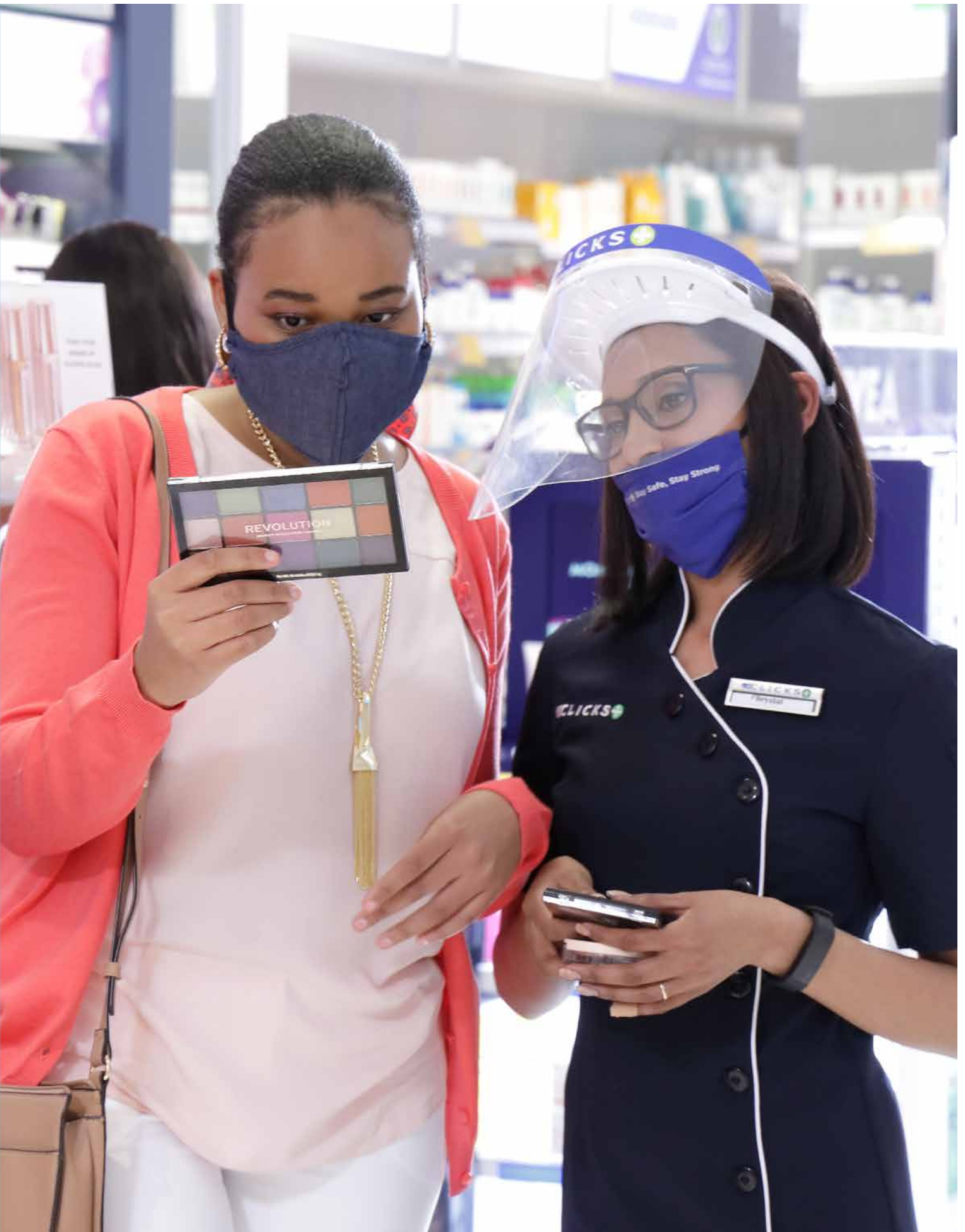
|  |  |  |
|--|--|--|
| <p><b>Ensure sustainable consumption and production patterns</b></p> | <p>The group is committed to reducing pollution, waste and resource usage by setting targets to continuously improve and striving to implement solutions beyond regulatory requirements.</p> | <p>Clicks is a member of the steering committee of the South African Plastics Pact which was initiated to promote a circular economy for plastics.</p> |
|--|--|--|



|   |   |   |
|---|---|---|
| <p><b>Take urgent action to combat climate change and its impacts</b></p> | <p>In line with the Paris Agreement for reducing global emissions, the group has been setting greenhouse gas (GHG) emission reduction targets since 2008.</p> | <p>Historically the group has set both absolute and intensity-based medium-term (&lt;five years) GHG emission targets. The group participates in the Carbon Disclosure Project each year, as a commitment to addressing climate change.</p> |
|---|---|---|

# ABOUT CLICKS GROUP







# CHIEF EXECUTIVE'S REPORT

Clicks Group delivered a strong and resilient performance in 2020 against the background of the global Covid-19 humanitarian crisis and deteriorating economic conditions locally.

Covid-19 has had a devastating impact on our country and its people, and we extend our condolences to those who have lost loved ones, and our thoughts are with everyone who has suffered personal or financial hardship during this difficult time.

Our employees have shown tremendous dedication, commitment and courage through these turbulent times and I thank them for their unwavering support.



## TRADING IMPACT OF COVID-19

Covid-19 caused significant disruption to our business in the second half of the year, particularly when restrictions were imposed on the sale of certain product categories in the early stages of the lockdown. Clicks remained committed to fair pricing throughout and ensured that prices on essential hygiene products and personal protective equipment were not increased.

The pandemic has transformed the way in which consumers engage and behave, reflected in the changing customer shopping patterns we have experienced in response to lockdown restrictions. Consumers chose to shop closer to home and shop less frequently. Many stayed home and shopped online to reduce the risk of contracting Covid-19, opting for the convenience of home delivery. This contributed to the Clicks online store showing growth of 361% for the second half, making it our largest and fastest-growing store.

The convenience of the Clicks store network was also a distinct advantage during the crisis. As 74% of our stores are located in convenience and neighbourhood shopping centres, this largely negated the significant slowdown in foot traffic at destination malls across the country.

We have also seen a structural shift in shopping preferences, with vitamins and supplements in high demand as customers focused on preventative healthcare to boost immunity levels. The large number of South Africans working from home during this time created an increased demand for household appliances and electrical beauty products. Conversely, the lack of social interaction, restricted travel and the requirement to wear face masks led to lower pharmacy and beauty sales.

Clicks stores were restricted to shorter trading hours and limited to selling only essential products in the first five weeks of lockdown. The other retail brand stores all closed from the start of the lockdown and reopened as restrictions were gradually lifted.

UPD's business to the private hospital and independent pharmacy channels grew strongly due to increased demand for medicines and healthcare products during the pandemic.

## RESILIENT TRADING PERFORMANCE

The performance of the past year, and particularly in the second half during the Covid-19 crisis, has again demonstrated the defensive nature of the group's core health and beauty markets. In this environment group turnover for the year increased by 9.6% to R34.4 billion.

Retail health and beauty sales, including Clicks and the international franchise brands GNC, The Body Shop and Claire's, increased by 8.4%, driven by competitive everyday pricing, differentiated product ranges, the Clicks ClubCard, new stores and online sales.

Healthcare, comprising pharmacy and front shop health, is a defensive category and accounts for 55% of total sales. Front shop health sales increased by 19.7% while pharmacy growth of only 3.2% was impacted by the low prevalence of colds and flu during the winter season due to the restrictive nature of the lockdown.

***“Covid-19 has been a catalyst for online retail sales growth globally, with online sales in Clicks increasing by 191% for the year.”***

Promotional sales continue to account for an increasing proportion of customer spend, growing by 14.7% and comprising 40.2% of turnover in Clicks.

The strong health and beauty sales performance translated into market share gains across most core categories. Front shop health market share increased to 32.2% (2019: 31.4%) and the baby category grew to 19.7% (2019: 17.0%). Pharmacy market share declined marginally to 23.8% (2019: 24.1%) as consumers chose home deliveries from independent pharmacies to avoid shopping malls. In the beauty category, skincare market share increased to 39.2% (2019: 37.6%) and haircare to 30.3% (2019: 29.6%).

Clicks was voted as the coolest health and beauty brand in the Sunday Times Generation Next Awards for 2020 while the Clicks ClubCard was rated as the best loyalty programme in the South African Loyalty Awards for 2020.

UPD grew wholesale turnover by 17.0%, gaining new private hospital and buying group contracts. Business to the private hospital and independent pharmacy channels grew strongly and this contributed to UPD increasing its market share from 27.0% to 29.4% at August 2020.

## DELIVERING ON OUR STRATEGY

The group's strategy was consistently applied over the past year and was not impacted by the Covid-19 challenges. Our strategy continues to be supported by favourable market dynamics which should ensure sustained organic growth. The group's strategic objectives and the drivers of longer-term growth are outlined in the group strategy report in the integrated report.

The retail strategy is focused on the three pillars of convenience, differentiation and personalisation, supported by our value offering, and pleasing progress has been made across all these areas in the past year.

Clicks opened 39 stores to expand its retail footprint to 743 stores. The store opening programme was again accelerated beyond the targeted 25 to 30 stores owing to opportunities for new space becoming available in existing shopping centres. As the Clicks brand already has a presence in 97% of destination malls across the country, our strategy in recent years has been to expand into convenience shopping centres.

Covid-19 has been a catalyst for online retail sales growth globally. Clicks' online sales increased by 191% for the year off a relatively low base. The investment made in our online and digital capability over the past four years enabled Clicks to manage the increased demand, and ensure an efficient and convenient service to customers. While online accounts for only 1% of front shop sales, we expect this to grow to between 5% to 10% of the brand's sales within the next 10 years.

Clicks is the country's largest retail pharmacy chain and expanded the network to 585 following the opening of 40 pharmacies. The expanding footprint supports our convenience strategy and makes the healthcare offer even more accessible, with 50% of the country's population now living within six kilometres of a Clicks pharmacy.

Through private label and exclusive brands Clicks offers an extensive range of trusted quality, great value products which are a significant alternative to a branded product.

***“2020 marked the 25th anniversary of the launch of the iconic Clicks ClubCard, which is one of the most popular loyalty programmes in the country.”***

Sales grew by 12.3% and the contribution from private label and exclusive products increased from 22% to 23% of total sales, with the goal to increase this to 25% of total sales.

2020 marked the 25th anniversary of the launch of the iconic Clicks ClubCard, which is one of the most popular loyalty

programmes in the country. Over the past five years more than R2 billion has been paid out to loyalty members in cashback rewards. ClubCard's active membership increased by over 500 000 to 8.6 million in the past year and accounted for 78.2% of the brand's sales. The Clicks mobile app, which incorporates the digital ClubCard, has been downloaded by 1.1 million customers.

UPD is the country's leading pharmaceutical wholesaler and is a significant service provider in the distribution agency business, with a portfolio of 30 clients. UPD's total managed turnover, which combines wholesale and bulk distribution, increased by 11.7% to R23.6 billion as the business gained two distribution contracts. Clicks and the private hospital groups account for 83% of UPD's wholesale turnover, supporting the long-term sustainability of the business.

Our extensive store network and integrated supply chain provide competitive advantages which we aim to maintain through the continued investment of over R2 billion in the next three years.

## COMMITMENT TO ESG AND TRANSFORMATION

The group has continued to adopt environmental, social and governance (ESG) practices to contribute to sustainable transformation and societal change.

The group was again included in the FTSE4Good Index Series, recognising companies with strong ESG practices measured against global standards. In the index ratings the group far outperformed the sector and industry averages which include major international healthcare companies.

On the environmental front, Clicks was one of the founding signatories of the SA Plastics Pact in 2020 and we are unwavering in our focus on reducing the negative impact of plastic on the environment. As customers are becoming increasingly aware of the environmental impact of the products they consume, Clicks introduced the My Earth range of eco-friendly products, aligning to the group's sustainability strategy.

As a proudly South African company we are committed to supporting local suppliers, with only 7% of our products being imported directly. Currently over R1.5 billion of products are procured from black-owned businesses and R1 billion from female-owned enterprises. We plan to increase sales of local supplier haircare products by 130% over the next three years.

***“As a proudly South African company we are committed to supporting local suppliers, with over R1.5 billion of products procured from black-owned businesses.”***

Our workforce is highly diverse, with 93% black staff and 64% female employees. The group invested R140 million in the training and development of employees, even in a year where training was challenging owing to the need for social distancing. The company funds 100% of the cost of primary health insurance for over 9 000 employees not covered by a medical aid, at an annual cost of R34.3 million. These factors have contributed to the group again being recognised as the top employer in the retail sector in South Africa for the fourth consecutive year by the Top Employer Institute.

The group also committed to supporting those most vulnerable during the pandemic. Clicks donated 10 000 flu vaccines to the Western Cape Department of Health and Department of Social Development in support of frontline public healthcare workers. Community support included extending the free primary care clinic services offered to Clicks customers with no medical cover to five days a week from the normal one day.

In the past year bursaries were awarded to 112 pharmacy students as part of Clicks' role in building the skills base for the industry.

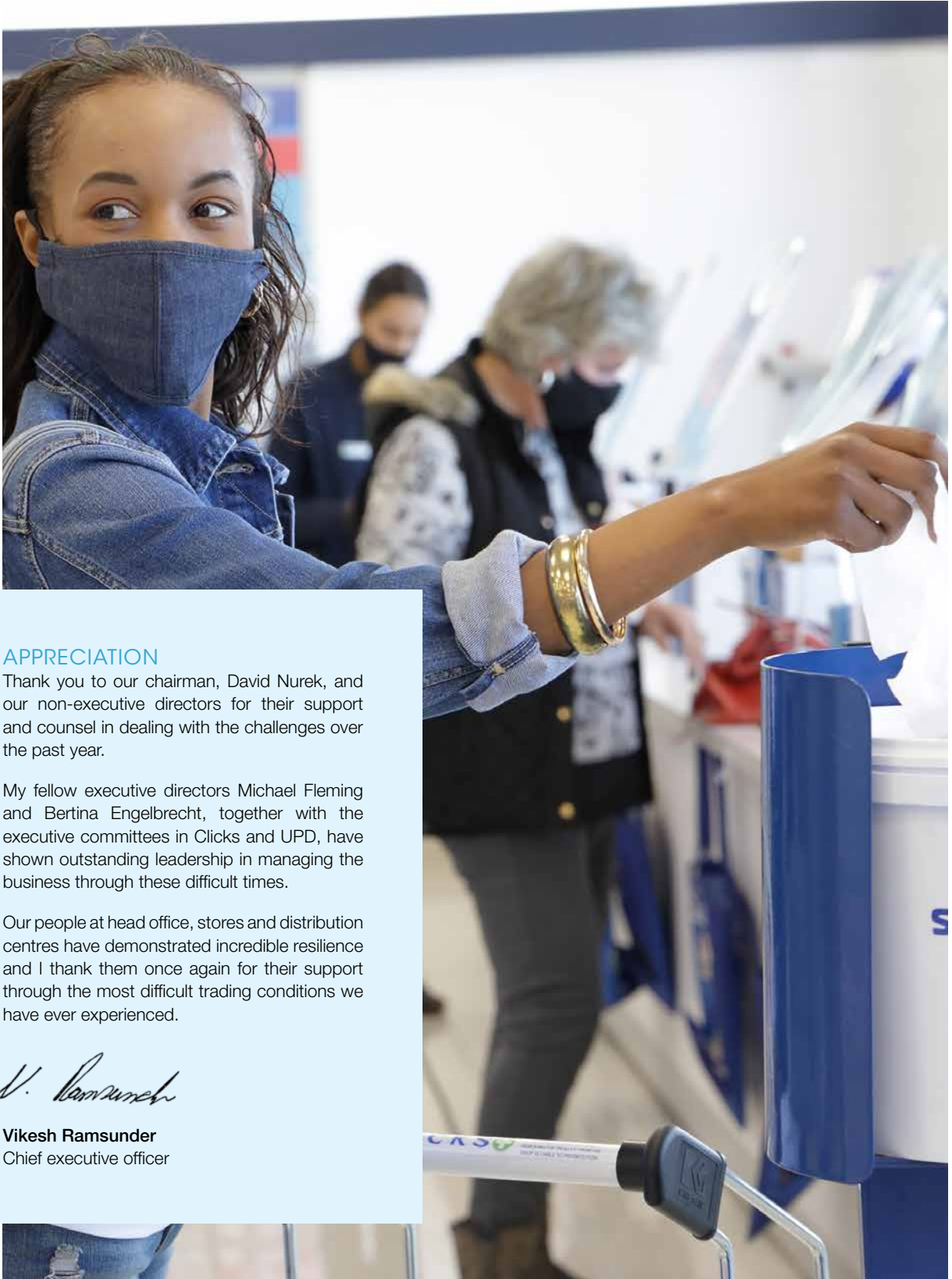
## OUTLOOK

As we face the reality of living with Covid-19 restrictions until a vaccine is developed and widely available, the country remains at risk of a second wave of infections. This could result in renewed lockdown restrictions as are currently being experienced in certain countries.

The consumer environment in South Africa is expected to be constrained in the year ahead. The continuing impact of Covid-19 and the socio-economic challenges arising from the lockdown, particularly the expected widespread job losses, will make the months ahead extremely challenging.

The start of the new financial year was disrupted by protest action across the Clicks store network during the second week of September. This was in response to an offensive TRESemmé haircare advertisement featured on the Clicks digital platform. While it is too early to quantify any reputational damage from the incident, customer trading patterns returned to normal during the month of October.

Our business has traded well in weak consumer markets over an extended period and adapted to the new market dynamics arising out of the Covid-19 crisis. The group has a robust balance sheet and generates strong cash flows, and we are confident of continued value creation for our shareholders.



### APPRECIATION

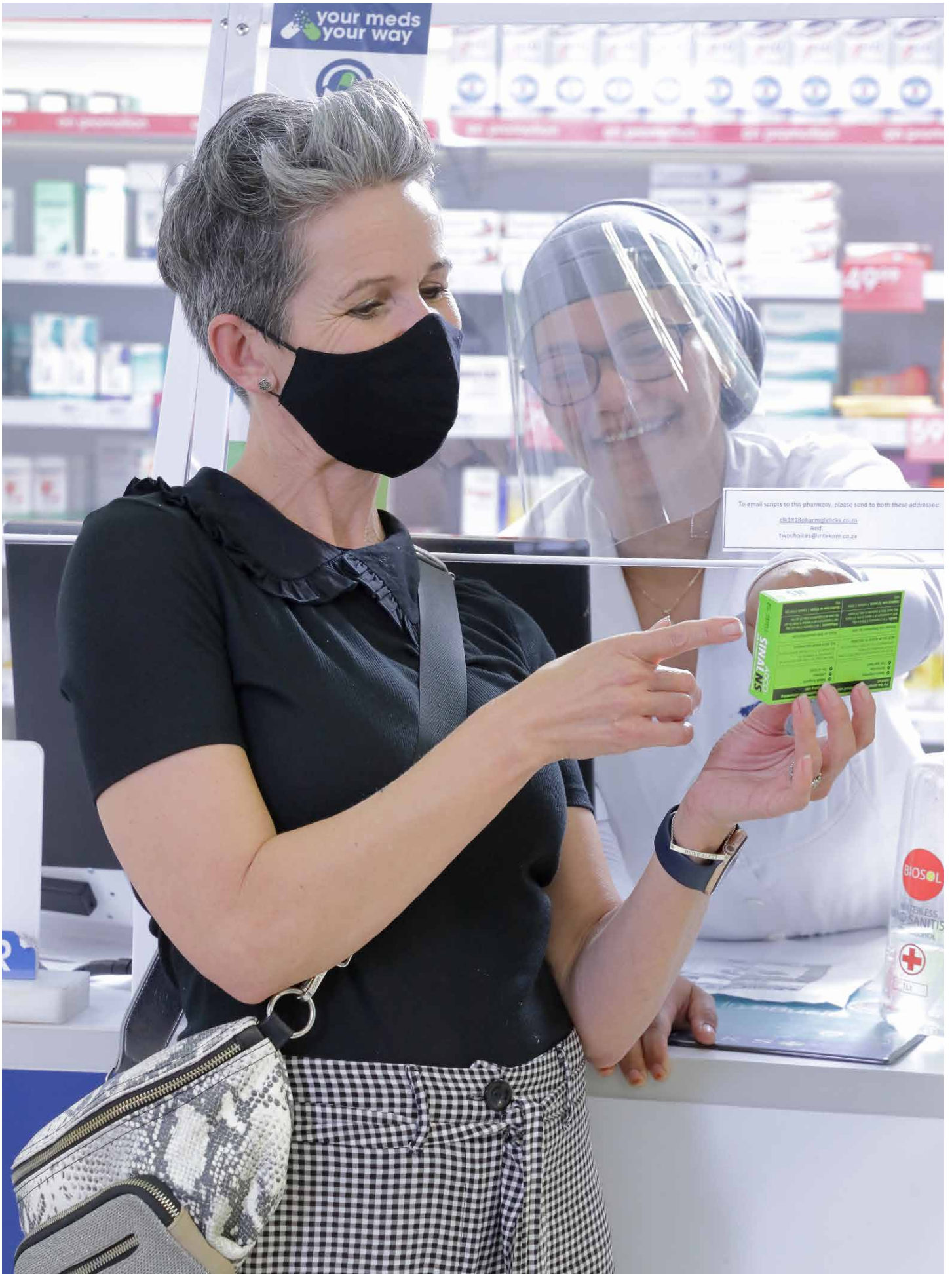
Thank you to our chairman, David Nurek, and our non-executive directors for their support and counsel in dealing with the challenges over the past year.

My fellow executive directors Michael Fleming and Bertina Engelbrecht, together with the executive committees in Clicks and UPD, have shown outstanding leadership in managing the business through these difficult times.

Our people at our office, stores and distribution centres have demonstrated incredible resilience and I thank them once again for their support through the most difficult trading conditions we have ever experienced.

**Vikesh Ramsunder**  
Chief executive officer





To email scripts to this pharmacy, please send to both these addresses:  
618181@pharm@clicks.co.za  
And  
tw@holies@intekom.co.za

# MANAGING MATERIAL ISSUES

**MATERIAL ISSUES** are identified each year which could significantly impact positively or negatively on the group's ability to create and sustain value.

- 1 COVID-19
- 2 BRAND REPUTATION
- 3 TRADING ENVIRONMENT
- 4 COMPETITION
- 5 REGULATION
- 6 PEOPLE
- 7 INFORMATION TECHNOLOGY

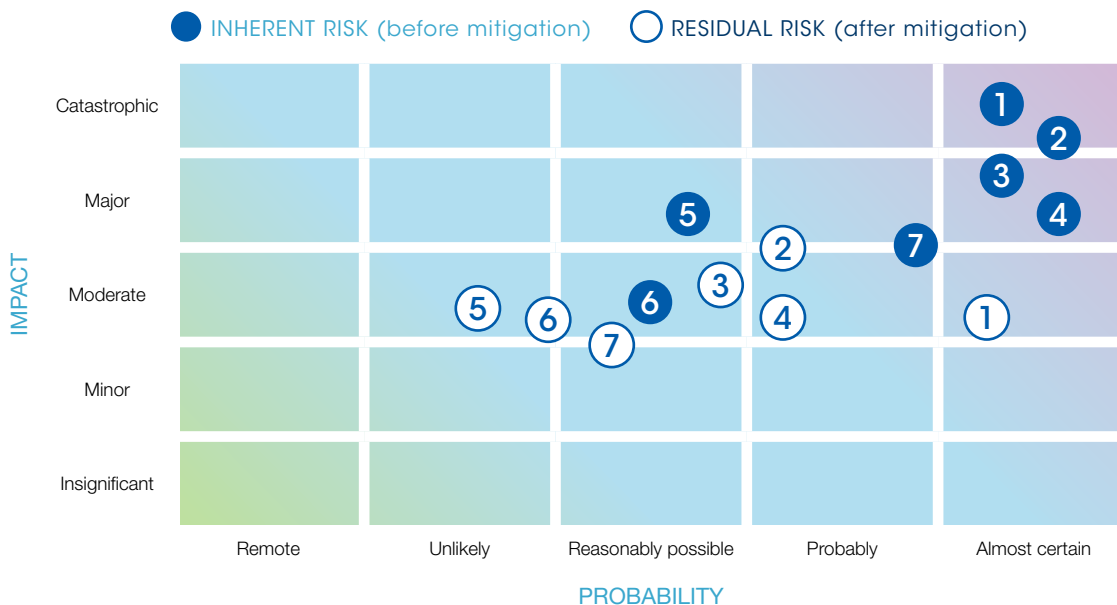
The material issues are reviewed annually by the board and management where all relevant internal, industry and macroeconomic factors are evaluated. The needs, expectations and concerns of the stakeholder groups that are most likely to influence the group's ability to create sustainable value, notably customers, suppliers, regulators, staff, shareholders and providers of financial capital, are central to determining the material issues.

Following the review for the 2021 financial year, the directors confirm that the current material issues remain relevant and additional material issues relating to Covid-19 and brand reputation have been included.

**RISKS** relating to each material issue are based on the major risks on the group's register. The accompanying risk heat map indicates the levels of risk before (inherent risk) and after (residual risk) mitigation plans have been implemented.

**OPPORTUNITIES** are presented for each material issue to indicate how the group is using its competitive advantage to manage the impacts of the material issues on value creation.

## MATERIAL RISKS





## Covid-19

**Why material?** The impact of the Covid-19 pandemic and the related lockdown restrictions negatively impact the group's trading environment, stock availability, supply chain, employee and customer health and safety as well as increase legislative compliance requirements.

### RISKS

- Temporary closure of stores to safeguard employees and customers.
- Potential supply chain disruption owing to possible factory closures impacting product availability.
- Delays in stock from foreign suppliers owing to lockdown constraints.
- South Africa reverting to stricter lockdown levels should a second wave of infections break out.

### OPPORTUNITIES

- Group-wide health and safety protocols implemented, including personal protective equipment and cleaning materials.
- Inventory levels increased in community and neighbourhood stores.
- Supply chain adapted to source alternative suppliers and secure stock.
- Capacity of Clicks online distribution increased to accommodate greater demand for online ordering and delivery.
- Cost base rapidly reduced to off-set the impact of slower sales during lockdown.
- To preserve cash and ensure greater balance sheet strength during lockdown, no interim dividend was declared.
- Rental relief negotiated with landlords where retail stores were unable to trade and accessed government assistance benefits on behalf of employees who were unable to work.
- UPD actively sourced new product lines required by hospital groups in the treatment of Covid-19.



## Brand reputation

**Why material?** Reputational damage to the group, its operating brands and products could result in a loss of brand equity having an adverse financial impact on the business.

### RISKS

- Breakdown in financial and governance controls and reporting could cause serious reputational damage and impact the company's rating on the JSE, as well as incurring fines and censure from regulators.
- Poor product quality, product recalls or customer claims could negatively impact trust in the brand.
- Harmful content or imagery being displayed on online platforms or printed marketing material could impact on brand equity.
- Exponential growth in social media usage with its immediacy and reach can seriously damage the image of brands, regardless of the accuracy of the content.
- Increasing consumer activism and potential brand or product boycotts.
- Inability to attract and retain quality employees if the company has suffered reputational damage.

### OPPORTUNITIES

- Robust governance framework and financial controls implemented across the group, with oversight from the board, executive management and internal audit
- Protocols established to ensure content on group's social media and online platforms is authorised by the responsible executive to limit the impact of potentially viral comments, images or videos
- Resources to monitor online and social media to respond rapidly
- Consultants retained by the group to advise on reputational management
- Strict quality assurance processes to limit risk of product failure
- Insurance and indemnity cover for product recalls, customer claims and malicious damage to property

## Trading environment

**Why material?** Low economic growth, poor economic conditions and the resultant weak consumer sentiment are impacting South Africa's retail trading environment, and this has been compounded by Covid-19. Consumer disposable income has been further eroded by rising utility prices, higher health insurance costs and increasing general living costs.

### RISKS

- The economic environment remains challenging which has been exacerbated by the Covid-19 pandemic constraining consumer spending.
- Criminal activity, including syndicated crime, escalates during times of economic hardship.
- Currency volatility could impact on the cost of direct and indirect imports and result in price increases which cannot be passed on to consumers.
- Increasing use of generic medicines and the added pressure of low single exit price (SEP) increases will continue to impact on UPD's operating margin.

### OPPORTUNITIES

- Clicks will continue to pursue a strategy to improve price competitiveness, grow sales volumes and entrench the perception of the brand as a value retailer.
- Focus on differentiators, including an extensive convenient store and pharmacy network, private label and exclusive ranges, personalised engagement leveraging the Clicks ClubCard loyalty programme and consistently high levels of customer care.
- Grow Clicks online sales and extend online-only product ranges.
- Hedge foreign exchange exposure by purchasing forward cover.
- UPD will continue to drive efficiencies to mitigate the impact of genericisation on the operating margin.



## Competition

**Why material?** Clicks faces competition on several fronts, including national food retailers and general merchandise chains, online retailers and other pharmacy businesses.

### RISKS

- Expansion by corporate pharmacy and retail chains impacting on market share growth in Clicks.
- Increasing price competitiveness and promotional activity of retailers, including competing loyalty schemes, could negatively affect sales and profitability in Clicks.
- Customers migrating to alternate online retailers.

### OPPORTUNITIES

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

## 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

- Healthcare legislative and regulatory changes introduced by the Department of Health (DoH), SA Pharmacy Council (SAPC) and SA Health Products Regulatory Authority (SAHPRA) 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.
- Introduction of National Health Insurance (NHI) would impact on the private and public healthcare markets.
- Non-compliance with current and emerging legislation including the Companies Act, Consumer Protection Act, Protection of Personal Information Act, labour law and copyright legislation could result in monetary sanctions.

### 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, and to accelerate the granting of pharmacy licences and approval of generic medicines to broaden access to affordable healthcare.
- 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.
- Partner with government to be a preferred service provider to the NHI scheme.

## 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.

### RISKS

- Inability to recruit, attract and retain talent for core business needs, including merchandise and planning, store management, information technology and pharmacy.
- Strike action causing disruption to operations, damage to property and financial loss.

### OPPORTUNITIES

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

## 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 compromised as a result of 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 information.
- Inability to restore business operations and IT systems, including UPD automated picking system, in the event of a disaster.
- Power outages impacting the ability to trade and resulting in loss of sales.

### OPPORTUNITIES

- Improved information security practices and compliance as a result of increased online presence.
- Planned implementation roadmap for new IT systems with improved system efficiencies and cost savings that support the organic growth strategy.
- Migration to cloud-based business continuity plan.
- Ensure continued trading during power outages by connecting to mall generators where available and backup power through uninterrupted power solutions.

## MANAGING MATERIAL ISSUES (CONTINUED)

### Sustainability risks

Sustainability underpins our approach to potential risks and informs the way we manage material issues. The process of risk identification and opportunities is driven through a strategic and systematic method which enables continuous improvement of risk management and open communication of threats within the group.

### Carbon emissions - greenhouse gas (GHG)

Managing carbon emissions is part of our response to the Paris Agreement which sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C through climate change-related action. Our target is to ensure that reporting boundaries based on operational controls are identified and the group's annual GHG emissions and energy usage is tracked to ensure that we remain within the predetermined threshold. The Department of Environmental Affairs currently requires companies to register and annually report total GHG emissions. Clicks has also adopted measures to ensure that the group complies with the requirements of the National Greenhouse Gas Emission Reporting Regulations as well reporting annual carbon emissions and setting reduction targets.

### Energy

Energy security is vital for our operations. Electricity supply in the stores, distribution centres, head office and regional office is core to the sustainability of the business and load shedding poses a substantial risk. Our aim is to ensure uninterrupted supply by ensuring that uninterruptible power sources (UPSs) are in working order to cover load shedding. The group is also exploring the use of alternative energy sources to ensure business continuity.

### Water

Access to water and water availability are major concerns in the region and have the potential to disrupt businesses. Fresh water quality is vital for Clicks' pharmacies as it is a regulatory requirement for pharmacists and nurses to have access to warm, clean water to wash hands and equipment for mixing of medication. Clicks has adopted measures to improve water availability and has gone further and identified areas where water scarcity presents a risk. Contingency plans have been developed for facilities located in water-scarce areas and measures have been put in place that allow us to understand the impacts of water risks in the supply chain.



MANAGING MATERIAL ISSUES (CONTINUED)

Waste

Medical waste that is not disposed of correctly can present a significant health risk and a reputational risk for the company. We ensure that our waste streams are correctly classified and that medical waste is disposed of by reputable companies that have the required licensing and transportation controls in place.

The issue of plastic waste reduction is currently one of the imperative sustainability conversations being raised by various stakeholders including investors.

The impact of plastics on the environment as well as the emissions associated with the production of plastics has been raised as a major concern globally. We are aware that the solution to plastics and plastic waste must be a joint effort across all sectors. South Africa has adopted regulations pertaining to the use of single-use plastics and we are cognisant of the ongoing legislative process which seeks to adopt a levy chargeable on the use of plastics in packaging.

Supply chain

We are committed to ensuring good governance regarding environmental and social practices within our supply chain. Our focus is on ensuring compliance with laws and regulations as well as adhering to international principles for sustainable business conduct.

Data security and privacy

We are committed to ensuring the confidentiality of our customers' personal information and the security of sensitive internal company data. Processes and controls are in place to identify and address data security risks and governance to protect against data being compromised as a result of unauthorised access through the Clicks websites or an information security breach. Our focus is on ensuring compliance with the Protection of Personal Information Act. Key security and compliance risks have been assessed and largely remediated through continuous security testing required under the payment card industry (PCI) compliance certification process.

Business continuity

Business continuity is a priority and the discipline is viewed as an holistic approach that involves the entire business. We continue to reference and adhere to the Business Continuity Good Practice Guidelines 2018. Key risks were identified through the business impact analysis process and at the business continuity management committee within the group. The programme methodology uses the six-pillar approach to identify the potential loss of premises, skill sets, equipment, documentation, suppliers, IT systems and data. Once identified, mitigating controls and/or solutions are evaluated and implemented if required.





# GOVERNANCE

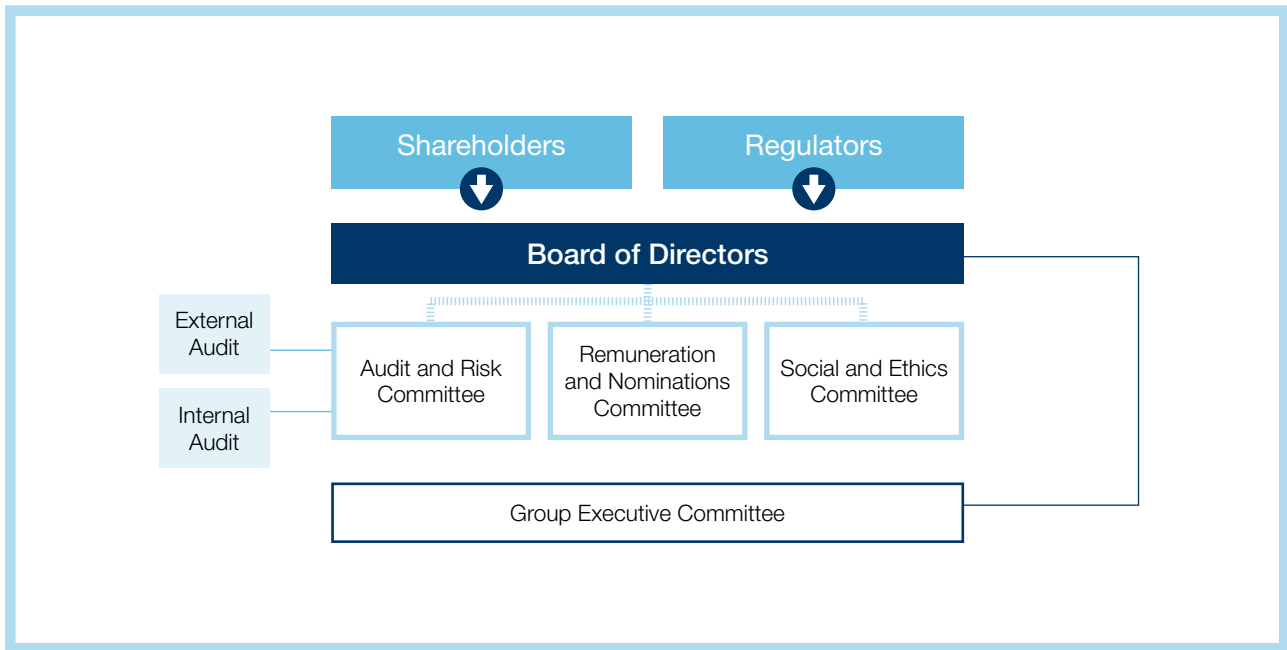
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# CREATING VALUE THROUGH GOOD GOVERNANCE

Clicks Group’s governance processes were stress-tested during the Covid-19 pandemic and lockdown. The fact that the group has operated for the second half of its financial year and into the 2021 financial year during the pandemic and lockdown with minimal disruption to its governance processes is evidence that its systems, structures and people are resilient and robust.

## GOVERNANCE STRUCTURE



The sustainability mandate lies with the social and ethics committee as well as the audit and risk committee. The social and ethics committee is accountable for and has the mandate to oversee the group’s sustainability performance, including climate change, resource consumption as well as waste management and all other ESG-related issues. The audit and risk committee is responsible for overseeing risk management for the board, ensuring that the group has implemented an effective policy and mitigation plan for risk, and that disclosure of these risks and mitigation plans is comprehensive, timely and relevant. The board committees make recommendations to the board, which is responsible for final decision-making. The board is instrumental in providing oversight.

## ROLE OF THE SOCIAL AND ETHICS COMMITTEE

The committee acts in terms of the delegated authority of the board and assists the directors in monitoring the group’s activities and disclosures in terms of legislation, regulation and codes of best practices relating to:

- ethics;
- sustainable development and sustainability;
- stakeholder engagement, including employees, customers, suppliers, communities and the environment; and
- strategic empowerment and transformation.

The responsibilities of the committee include:

- monitoring activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- ensuring appropriate short, medium and long-term targets are set by management;
- monitoring progress on strategic empowerment and performance against targets;
- monitoring changes in the application and interpretation of empowerment charters and codes; and
- monitoring functions required in terms of the Companies Act and its regulations.

### ACTIVITIES OF THE COMMITTEE

The social and ethics committee is responsible for monitoring ethical practices. The group has various documented policies which require all employees to adhere to ethical business practices in their relationships with one another, suppliers, intermediaries, shareholders and investors. These policies also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interests. A fraud prevention policy ensures that a firm stance is taken against fraud and the prosecution of offenders.

### ETHICS AND VALUES

The group subscribes to high ethical standards of business practice. A set of values and a behavioural code of conduct require staff to display integrity, mutual respect and openness. Members of staff have an obligation to challenge others who are not adhering to these values. The social and ethics committee is responsible for monitoring ethical practices. The group has various documented policies which require all employees to adhere to ethical business practices in their relationships with one another, suppliers, intermediaries, shareholders and investors. These policies also set stringent standards relating to the acceptance of gifts from third parties and declarations of potential conflicts of interests. A fraud prevention policy ensures that a firm stance is taken against fraud and the prosecution of offenders.

### EMPLOYEE CODE OF CONDUCT

We value conduct of the highest ethical standard in carrying out our business activities and, to this end, we are committed to ensuring that our group values are sustained in all of our operations and our engagements with customers, employees and stakeholders. Our code of conduct sets out guiding principles to be adhered to by all employees throughout the

group in order to ensure ethical performance, conduct and relationships with one another, our customers, suppliers, intermediaries, shareholders and investors.

The group invites employees to report breaches of the code to “Tip-Offs Anonymous” which is administered by an external service provider. We have anonymous tip-off reporting lines in South Africa, Namibia and Botswana. The group received 267 reports for investigation. All reports are investigated and progress updated with the whistle-blower.

***“Underpinning the group’s ethical business philosophy is the principle that all employees have a duty to act in the utmost good faith at all times by modelling behaviour which is aligned to the group’s values in all their day-to-day interactions.”***

### PRIVACY AND DATA SECURITY

Clicks Group maintains security controls based on industry best practice and the payment card industry’s (PCI) regulatory framework that are validated and certified annually. Established security and governance policies and processes restrict and manage access to key IT systems supported by logging and monitoring tools. Ongoing evaluations are performed through regular security reviews, vulnerability assessments and independent cybersecurity audits that are rotated across reputable security service providers.

Privacy and data security initiatives in progress include additional information governance processes supporting compliance with the Protection of Personal Information Act, improved segregation of duties, enhanced network intrusion detection, an automated data discovery and monitoring capability, encryption of laptops, regular awareness campaigns for all users, and increased security resource capacity.



# EMPOWERING OUR EMPLOYEES

Permanent employees

15 582

2019: 15 413  
2018: 15 067

Permanent monthly paid staff turnover

11.3%

2019: 14.5%  
2018: 13.9%

Employees covered by medical aid/primary  
healthcare plan

79.2%

2019: 77.0%  
2018: 18.2%

Employees covered by collective bargaining  
agreements

9.9%

2019: 11.3%  
2018: 12.9%

Skills development – total expenditure

R140.1 million

2019: R143.8 million  
2018: R124.7 million



### EMPLOYEE VALUE PROPOSITION

Our employee value proposition focuses on people, passion and opportunities, and aims to attract and retain the valuable talent we need to achieve our strategic goals. The group’s talent strategy is to employ customer-orientated people with a “can do” attitude, who are professional and proud to work for the company.

The group’s values (see page 5) drive who we are and guide the way we assess the performance of our employees and support them to achieve their full potential at work.

#### The group leadership model

A leadership competency framework has been developed using global benchmarks and the latest research to determine the skills essential for executive and senior management positions. The framework is used to assess and develop top talent and inform the design of future development programmes.



### LEARNING AND DEVELOPMENT

#### Skills development

Developing the skills, knowledge and capability of our employees builds the value of the human capital in the group. Learning and development interventions include on-the-job training, e-learning, skills programmes, learnership programmes, short courses and academic qualifications. A total of R140.1 million was invested in learning and skills development during the 2020 financial year, which equates to 6.59% of the leviable amount. 4 776 employees (2019: 5 781) participated in training interventions. Black employees comprised 95.42% of the employees trained and women 68.91%.

The main areas of focus for skills development during the year were enhanced management and leadership competencies, developing scarce and critical skills, and facilitating organisational transformation.

| Learning and development statistics              | 2020         | 2019  |
|--|--------------|-------|
| Learning and development spend (R'million)       | <b>140</b>   | 144   |
| Number of employees trained                      | <b>4 776</b> | 5 781 |
| Black employees as a % of all employees trained  | <b>95</b>    | 93    |
| Female employees as a % of all employees trained | <b>69</b>    | 64    |
| Pharmacy bursary spend (R'million)               | <b>6.3</b>   | 7.3   |

#### Talent and development

The talent and development framework aims to develop the group’s human capital to achieve sustainable business growth and ensure that all employees are provided with the skills to realise their potential and meet their career aspirations. The talent and development framework aims to:

- ensure that the group attracts and retains the best talent and skills available in the market;
- build employee commitment by providing opportunities for career development;
- ensure that suitable employees are appointed in all core, scarce and critical positions and roles;
- contribute to the group’s transformation agenda;
- provide a pipeline of talent and skills to enable promotion from within the organisation; and
- address competency gaps.

The Clicks Group is committed to providing the resources necessary for learning and development, such as material, resources, time and support.

### Creating pharmacist capacity

Clicks is a leader in the South African healthcare market and the largest employer of pharmacists in the private sector. There is a shortage of qualified pharmacists and healthcare professionals in South Africa and Clicks invests in developing the pool of industry skills and in attracting, developing and retaining these skills.

***“We partner with pharmacy schools at universities, external learning providers and other stakeholders to create a pipeline of talented, motivated healthcare professionals.”***

Clicks has a dedicated pharmacy recruitment team that focuses on the recruitment of pharmacists, pharmacy graduate interns and pharmacist assistants at the basic, post-basic and qualified post-basic level. The team operates 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's resourcing framework.

We partner with pharmacy schools at universities, external learning providers and other stakeholders to create a pipeline of talented, motivated healthcare professionals.

The pharmacy development strategy focuses on:

- regular engagements with learning institutions across the country;
- supporting learning laboratories at university pharmacy schools;
- implementing a pharmacy bursary scheme;
- offering a pharmacy internship programme to provide a workplace experience;
- providing learnership opportunities to develop pharmacists' assistants and trainees; and
- supporting continuing professional development of pharmacists and nursing practitioners.

Clicks provided R6.3 million in bursaries (2019: R8.3 million) to 112 students completing the Bachelor of Pharmacy degree at registered South African universities. 91% of bursary recipients were black and 68% female. The group also provided opportunities to 165 students to complete internship programmes. The group's Pharmacy Healthcare Academy is registered with the South African Pharmacy Council (SAPC) and is instrumental in developing pharmacists' assistants, with 567 learners currently registered on learnership programmes.

### Local hiring

Wherever possible, we hire South African talent. A strict approval process is followed for exceptions in areas where skills are scarce in the country. At 31 August 2020, 99.44% of permanent employees were South African.

## HEALTHCARE CONFERENCE

As part of our role to facilitate knowledge sharing and strengthening of partnerships, Clicks hosts an annual healthcare conference that includes all the employees and suppliers who help us deliver the patient-centred Clicks healthcare experience. The conference has over the years been extended not only to pharmacy, but to the healthcare services sector as a whole. Delegates include pharmacists, nursing practitioners, pharmacy assistants, interns, Clicks operational employees and suppliers from across the country. 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 who attend applicable sessions.

Owing to the Covid-19 pandemic, the healthcare conference was not held in 2020.



**Total rewards framework**

The group’s remuneration policy is based on the total rewards model and entrenches the reward principles of fair, responsible and transparent remuneration practices, market competitiveness, and pay for performance. The total rewards model includes both monetary and non-monetary rewards and integrates five key elements that the group believes attract, motivate and retain human capital:

- 1 **compensation**
- 2 **benefits**
- 3 **performance and recognition**
- 4 **learning and development**
- 5 **work-life integration**

Compensation comprises annual guaranteed pay, variable pay such as short and long-term incentives to drive and reward performance that meets or exceeds agreed targets, as well as industry-leading benefits that include retirement funds, insured benefits and healthcare plans.

Non-monetary rewards include formal and informal recognition programmes, training and job rotation opportunities, and exposure to stimulating work assignments, all of which are designed to motivate, engage and retain employees. The Clicks Group total rewards framework includes outstanding career development opportunities across the group.

**Employee engagement survey**

The group conducts an employee engagement survey every second year as well as periodical targeted pulse surveys. The last engagement survey was conducted in 2020. The results from these surveys are communicated to all business units, divisions and departments to create action plans. The group’s overall engagement index has remained stable at 67%. The group’s engagement level continues to be well ahead of the global average of 36% in 2020, a year which has seen significant decreases in many industries.

**EMPLOYEE HEALTH AND SAFETY**

The health and safety of employees, suppliers and customers is an important aspect of our business and we recognise the need to stay current with developing health and safety issues. During the year we reviewed and revised our health and safety policies as well as our safety training. New training was provided as a response to Covid-19 and policies were updated to include the group’s position on employee and other stakeholders’ safety with regards to the response to the pandemic. Compliance officers were appointed across the business to assist with ensuring that safety standards are maintained.

Health and safety committees are in place throughout the group to help maintain workplace safety and support employee well-being. Committee members and employees receive health and safety training, and an independent company conducts a detailed audit with a gap analysis of the programmes and procedures of the group’s health and safety programme. The group health and safety policy applies to employees, contractors and customers.

*“New training was provided as a response to Covid-19 and policies were updated to include the group’s position on employee and other stakeholders’ safety with regards to the response to the pandemic.”*

The group HR director reports on the health and safety programme and performance to the social and ethics committee, which discusses and reviews progress.

|                                     | 2020       | 2019 |
|-------------------------------------|------------|------|
| Health and safety committee members | <b>733</b> | 822  |
| Fire-fighters                       | <b>717</b> | 731  |
| First-aid representatives           | <b>690</b> | 710  |
| Injuries on duty                    | <b>84</b>  | 61   |
| Occupational diseases               | <b>138</b> | 0    |
| Lost days                           | <b>372</b> | 146  |
| Fatalities                          | <b>2</b>   | 1    |

The group endeavours to provide a safe and secure work environment and is committed to:

- ensuring the well-being of all employees;
- providing a work environment free from any form of harassment; and
- increasing employee awareness by creating credible and fair mechanisms to apply consequences for harassment.

The group’s policy on harassment serves as a deterrent and prohibits all forms of harassment in the workplace, whether committed by those in authority, co-workers, subordinates or non-employees.

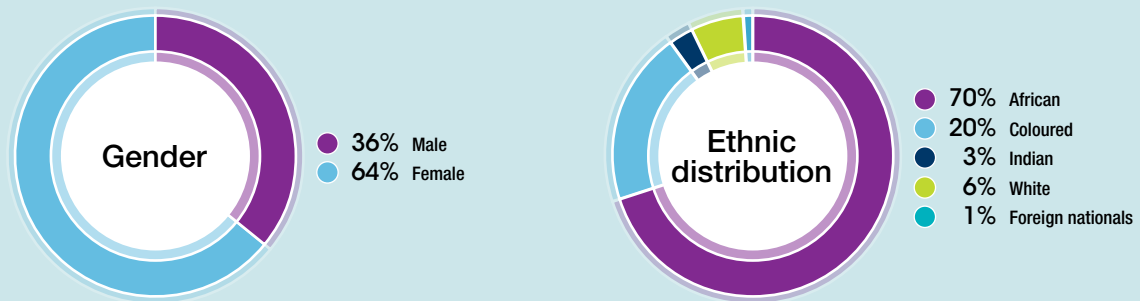
## EMPOWERING OUR EMPLOYEES (CONTINUED)

### EMPLOYMENT EQUITY

Employee profile of South African businesses

| Occupational level  | Male         |            |            |            | Female       |              |            |            | Foreign nationals |           | Total         |
|---|--------------|------------|------------|------------|--------------|--------------|------------|------------|-------------------|-----------|---------------|
|   | African      | Coloured   | Indian     | White      | African      | Coloured     | Indian     | White      | Male              | Female    |               |
| Top management  | 0            | 1          | 2          | 4          | 0            | 1            | 0          | 2          | 2                 | 1         | 13            |
| Senior management   | 10           | 12         | 8          | 32         | 4            | 5            | 9          | 16         | 1                 | 1         | 98            |
| Professionally qualified and experienced specialists and mid-management   | 125          | 69         | 37         | 110        | 188          | 67           | 64         | 168        | 14                | 27        | 869           |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 689          | 194        | 46         | 79         | 934          | 511          | 143        | 371        | 4                 | 11        | 2 982         |
| Semi-skilled and discretionary decision-making  | 3 234        | 595        | 61         | 35         | 5 162        | 1 579        | 108        | 80         | 12                | 9         | 10 875        |
| Unskilled and defined decision-making   | 4            | 1          | 0          | 0          | 3            | 0            | 0          | 0          | 0                 | 1         | 9             |
| <b>Total permanent employees</b>  | <b>4 062</b> | <b>872</b> | <b>154</b> | <b>260</b> | <b>6 291</b> | <b>2 163</b> | <b>324</b> | <b>637</b> | <b>33</b>         | <b>50</b> | <b>14 846</b> |
| Temporary employees   | 377          | 48         | 11         | 17         | 532          | 71           | 15         | 26         | 5                 | 12        | 1 114         |
| <b>Grand total</b>  | <b>4 439</b> | <b>920</b> | <b>165</b> | <b>277</b> | <b>6 823</b> | <b>2 234</b> | <b>339</b> | <b>663</b> | <b>38</b>         | <b>62</b> | <b>15 960</b> |

The group supports the principles and intent of the Employment Equity Act of 1998, and recognises the importance of diversity in the workplace and that employment equity (EE) is an imperative business driver. We have a three-year transformation roadmap and five-year EE plan and this is reflected in our Employment Equity Act (EEA-12) Analysis document.



### EMPLOYEE AND ETHICS

Clicks has adopted an employee code of conduct that aligns with the principles of the United Nations Global Principles. The code aims to ensure ethical performance, conduct and relationships with one another, our customers, suppliers, intermediaries, shareholders and investors. It covers issues including non-discrimination, forced labour, freedom of association, collective bargaining, excessive working hours and harassment.

## EMPOWERING OUR EMPLOYEES (CONTINUED)

### EMPLOYEE WELLNESS PROGRAMME (EWP)

The group EWP provides support to employees to help them address their life issues and make informed decisions that lead to positive change. It offers a holistic service that addresses all facets of wellness. Through ICAS, the EWP provides professional, independent and completely confidential counselling and advisory services to permanent employees and their immediate household dependants. The programme places an emphasis on improving physical health and well-being and includes support for a wide range of issues that affect each person's ability to be productive and enjoy a satisfactory quality of life. These include HIV/AIDS management, treatment and support, nutrition and physical health, performance support and managerial consultancy services, trauma debriefing and counselling services, mental health, legal support, personal finance (including debt management) and healthy relationships within the family and in the workplace.

The service includes unlimited telephone counselling sessions as well as face-to-face counselling sessions per incident for individuals, couples and families.

The programme's total utilisation rate has remained high year on year. Wellness screenings for employees include blood pressure, glucose, cholesterol, body mass index and HIV tests at annual wellness days held nationally at head office, distribution centres and stores.

The HIV/AIDS management programme focuses on prevention through information and education, treatment and support. Employees are encouraged to know their HIV status through the voluntary counselling and testing campaigns at the wellness days.

| Employee wellness programme              |                         | 2020  | 2019  | 2018  |
|--|-------------------------|-------|-------|-------|
| Employee utilisation (individual cases)  |                         | 2 969 | 2 065 | 1 636 |
| Family utilisation (group interventions) |                         | 679   | 729   | 486   |
| Total utilisation                        |                         | 3 648 | 2 794 | 2 122 |
|  | (%)                     | 23.8  | 18.3  | 14.9  |
| Formal referrals                         | (number)                | 175   | 167   | 113   |
|  | (%)                     | 5.9   | 8.1   | 6.9   |
| Managerial services                      | (number)                | 413   | 498   | 282   |
|  | (%)                     | 8.3   | 13.9  | 10.1  |
| High-risk cases                          |                         | 76    | 61    | 62    |
| Store armed robbery incidents            | (number)                | 22    | 15    | 15    |
|  | (employees counselled)* | 160   | 123   | 102   |
| HIV/AIDS management programme            |                         | 71    | 71    | 69    |

\* This indicates the number of employees assisted through ICAS trauma intervention sessions after store armed robbery incidents.

### PRIMARY CARE ADVANCED HEALTHCARE PLAN

Since the introduction of this healthcare benefit, employees have access to a variety of benefits and services to address their healthcare needs. The Primary Care Advanced Healthcare plan offers a trauma benefit, ambulance services, extended day-to-day benefits, doctor visits, chronic medication, HIV management, annual flu vaccine and dentistry.

Employees and their dependants enrolled on the plan have enjoyed the following benefits:

- 20 804 doctor consultations utilised by employees and their dependants
- 2 150 employees and their dependants received dental treatment
- 6 301 pharmacy claims
- 34 trauma cases
- 65 optometry consultations

The doctor consultations alone would have cost our employees more than R8 million.

### Team support programme

2 969 participants received critical intervention assistance. These debriefing interventions are aimed at supporting our employees who were exposed to store robberies, bereavement, Covid-19-related and critical (including injury on duty) incidents. A further 18 individuals were assisted through the couples counselling and child protocol process.

### Employee mental health

The group EWP has developed a strategy to create awareness about mental health and ensure access to support and treatment to enable employees and their family members to overcome mental health challenges or periods when one is not coping so that all our employees can prosper and fulfil their potential.

The aim of the mental health intervention is to ensure leadership, managers and employees play their part to create awareness of this issue and to ensure that each and every employee and their dependants feel supported in dealing with a mental health matter. The objective of the campaign is to make people aware of the support and resources that are available to them and ensure that they are referred through EWP.

### Retailers Unite

Clicks Group is a member of Retailers Unite, an association of South African companies that aim to enhance the health and well-being of employees in member retail companies working in stores. The programme provides employees with health and wellness services and information. The initiative commenced in 2017 and remains an important programme.

The long-term goal of the programme is to have a defined, simple standardised working model that can be rolled out on a larger scale. The programme is delivered by an independent service provider. Support offered includes:

- free HIV voluntary counselling and testing;
- free antiretroviral and certain HIV-related medication;
- free multivitamins;
- two 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); and
- counselling and support to employees and their dependants.





# ENGAGING OUR STAKEHOLDERS

Transformation rating

5

2019: **6** (new BBBEE codes applicable)  
2018: **6** (new BBBEE codes applicable)

Total spend of socio-economic development

R18.7 million

2019: **R19.8 million**  
2018: **R18.4 million**

Total investment in bursaries

R6.3 million

2019: **R8.3 million**  
2018: **R6.2 million**

Total number of bursary students

112

2019: **171**  
2018: **140**



Clicks Group’s strategy recognises the importance of corporate citizenship as a key enabler in creating long-term value for all stakeholders. Responsible environmental and social practices support business resilience, enhance the reputation of our brand and benefit all stakeholders including employees, customers, shareholders, suppliers and the communities in which we trade.

**EMPOWERMENT AND TRANSFORMATION**

Clicks Group regards transformation and empowerment as critical aspects of sustainability and we are committed to the spirit of the Broad-based Black Economic Empowerment (BBBEE) Act.

Transformation is overseen by the board’s social and ethics committee and managed as well as monitored by the internal transformation committee, which is chaired by the chief executive and co-ordinated by the group human resources director. Business unit transformation forums are responsible for the implementation of transformation at an operational level.

The group’s transformation strategy is aligned to the Department of Trade, Industry and Competition Codes of Good Practice (CoGP). The group achieved a level 5 BBBEE rating in the 2020 financial year on the amended BBBEE CoGP, with a score of 75.27 points.

**Ownership**

The beneficial black ownership is determined by an independent analysis of the group’s shareholding. In 2020 the group scored 14.76 points (out of a maximum of 25) on the ownership element of the scorecard.

**Management control**

The management control element of the scorecard is determined by 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 56% black directors, with women making up 33%. The group executive committee has 67% black representation and 33% female. The score for the management control element increased slightly to 13.58 this year.

| BBBEE element   | Points available | 2020         | 2019  | 2018  |
|---|------------------|--------------|-------|-------|
| Ownership   | 25               | 14.76        | 13.41 | 15.03 |
| Management and employment equity                              | 19               | 13.58        | 13.27 | 12.06 |
| Skills development  | 25               | 13.81        | 18.43 | 15.57 |
| Preferential procurement, enterprise and supplier development | 44               | 28.12        | 26.37 | 26.55 |
| Socio-economic development                                    | 5                | 4.99         | 5.00  | 5.00  |
| <b>Total</b>  | 118              | <b>75.27</b> | 76.49 | 74.21 |
| <b>BBBEE Level</b>  |                  | <b>5</b>     | 6*    | 6     |

\* Level 5 discounted to level 6 in 2019.

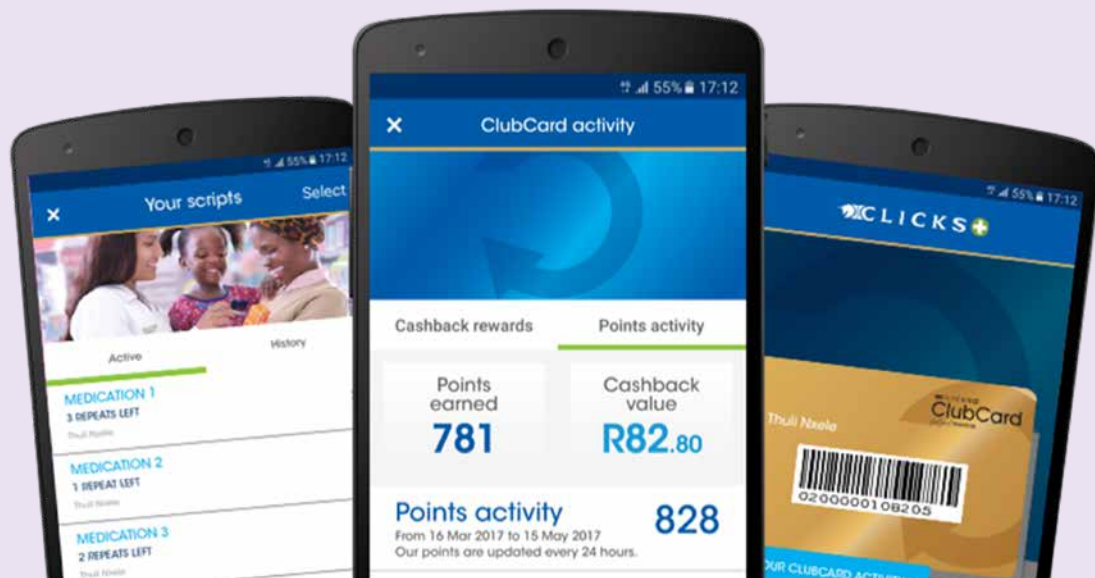
## OUR CUSTOMERS

### ONLINE PRESENCE

Shoppers have access to a wide range of products through the Clicks online store, which complements the physical shopping experience and increases customer convenience. Our click and collect service allows online shoppers to collect their order at their nearest Clicks store and provides an alternative to the door-to-door courier delivery service. Online sales have grown significantly, driven largely by the Covid-19 lockdown in the second half of the financial year.

Our social media presence continues to expand, with followers across social media platforms Facebook, Twitter and Instagram reaching 464 928 million and reaching an average of more than 1 million people every month.

The Clicks mobile app provides easy access to ClubCard statements and has an integrated pharmacy services solution that allows customers to submit scripts, view their medication history and order active script repeats from their phone. Orders through the app are conveniently processed and available at their selected pharmacy collection counter in four hours or less.



### RESPONSIBLE ADVERTISING

The group complies with legislation relating 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 industry regulation and legislation. For all development related to cosmetics, babies, food and electrical products, Clicks ensures that technologists understand the latest standards to secure product safety, quality and adherence to labelling and marketing legislation. Regulatory assessments are conducted on an ongoing basis and on-the-job training is provided to technologists to ensure products conform to the relevant legislation.

## LOYALTY PROGRAMMES

### ClubCard

The Clicks ClubCard programme rewards customer loyalty for shopping at Clicks and our other brands. It is one of the largest and fastest-growing loyalty programmes in South Africa and at the end of the financial year had 8.6 million active members. During 2020, R504 million was paid out in cashback rewards to members. The group continues to explore ways to add value to the ClubCard offering and some of the new benefits to members this year include: a partnership with Engen providing an opportunity for club members to earn cashback as they fill up with fuel at an Engen service station countrywide; and eBucks, South Africa's largest banking rewards programme, enabling eBucks members to earn up to 15% back on their spend in Clicks stores.

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

### Clicks BabyClub

BabyClub rewards customers who buy products for babies and toddlers up to the age of 36 months. The programme offers double points on these products (excluding price-regulated products) and provides other special benefits including access to exclusive BabyClub competitions.

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

### Senior ClubCard

The Senior ClubCard recognises loyalty in customers aged 60 years and older by offering various benefits, such as double points on Wednesdays and other special discounts and offers.



## CUSTOMER RESPONSIBILITY

### Private label products

Clicks private label products are our own-branded products that offer better value to customers, entrench loyalty to the brand and enhance profitability. The Clicks Technical Standards of Operation (CTSO) set the minimum technical requirements and the New Product Development (NPD) process for private label products to ensure all reasonable precautions have been taken in the development, manufacture and distribution of products. This standard is used in addition to all applicable legislation, international product standards and recognised industry best practices to ensure labelling compliance and the development and production of safe, legal and high-quality products with integrity by technically competent manufacturers.

All employees that develop Clicks products are trained on the CTSO and the NPD process to ensure alignment to internal quality guidelines that encompass supplier competency, brand integrity and product composition requirements aligned to industry standards. Each front shop product goes through the full quality and sign off process to ensure alignment to these internal controls and to the relevant safety, stability, compatibility and shelf life testing. For example, food product shelf life is tested by the National Regulator for Compulsory Specifications, which issues letters of authority to show compliance to regulations and safety requirements.

All products follow best practices for substantiation of claims and are aligned to recognised testing processes and relevant standards. This includes dermatologically approved claims substantiated by patch testing and SPF UVA and UVB claims substantiated by testing in accordance with SANS 1557:2019.

All suppliers need to adhere to industry standards such as Good Manufacturing Practices (GMP), International Organisation for Standardisation (ISO) and Hazard Analysis Critical Control Points (HACCP) and are monitored through certification relevant to their industry and all major suppliers (108 in 2020) undergo an annual supplier scorecard review assessing them on their technical capabilities, risk, responsible trade, manufacture, quality and service.

Clicks is an invited member of the Steering Committee for the South African Plastics Pact. The Pact is a collaborative approach that sets targets to 2025 that aim to create a circular economy for plastic (see page 54).

Clicks is also a member of the Cosmetic, Toiletry and Fragrance Association (CTFA SA), Self-Medication Manufacturers' Association of South Africa (SMASA) and the Health Products Association.

A key initiative for 2021 is the launch of the My Earth brand, with plant-based ingredients and packaging designed to be recyclable within South Africa.





### SOURCING PRODUCTS THAT UPHOLD THE INTEGRITY OF OUR BRAND

Clicks offers an extensive range of private label and exclusive brands to delight customers with innovative products at competitive prices. These products now account for 23% of total Clicks sales, with 29% of front shop products sold being available only at Clicks.

The three exclusive franchise brands, The Body Shop, GNC and Claire's, further differentiate the offering in Clicks, as does the partnership with Sorbet.

The group has a shareholding in Sorbet Brands which holds the trademarks to the Sorbet brand in southern Africa. The Sorbet product range continues to grow and is available in southern Africa only in Clicks stores and in the Sorbet franchised beauty salons.



## OUR SUPPLIERS

The group views its suppliers as business partners and undertakes to ensure that a good working relationship is maintained based on ethical and fair values. Clicks Group is committed to conducting business honestly, openly and with integrity, and in accordance with the highest ethical standards. Our supplier code of ethics has been developed to ensure that the group's values and ethical standards are clearly articulated to and supported by its suppliers and other stakeholders.

# COMMUNITIES

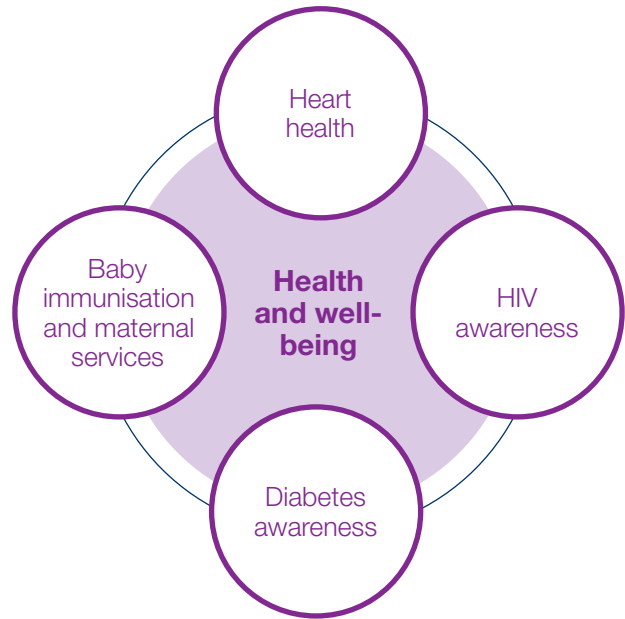
## OUR COMMUNITY ENGAGEMENT

The Clicks Group recognises that to contribute to the social and economic development of the country, it is necessary to invest time, financial and other resources to achieve the greatest possible impact. The New Clicks Foundation and the Clicks Helping Hand Trust are the conduits for the group's socio-economic development programmes.

Our corporate social investment (CSI) practices and initiatives are aligned with the group's strategy and aim to:

- 1 **Contribute to the social development element of the group's transformation agenda and the country**
- 2 **Make a sustainable contribution to the communities within which the group operates**
- 3 **Enhance the group's reputation and credibility as a socially responsible corporate citizen**
- 4 **Enable an organisational culture and environment that encourages employee involvement in community development**

The CSI programme has a primary focus on supporting health and well-being.





### SOCIO-ECONOMIC DEVELOPMENT

The Clicks Helping Hand Trust (HHT) has made good progress in enabling access to quality healthcare for those that are most vulnerable within our society. During the past six years we have been able to offer more than 430 000 free healthcare consultative and treatment services (excluding Mom and baby) for ailments such as diabetes, HIV/AIDS, blood pressure and to manage cholesterol levels. Over 22%, or 94 430, of these services were offered in the current financial year.

As part of the response to the Covid-19 pandemic, The Clicks Helping Hand Trust extended the time allocated to free services at selected Clicks clinics to help the most vulnerable people in our communities. The services contribute to reducing foot traffic in state facilities and ensure that Covid-19 co-morbidities such as diabetes, blood pressure and HIV/AIDS are better managed.

We donated 10 000 flu vaccines to the frontline healthcare workers of the Western Cape Department of Health and Department of Social Development to support these essential first responders.

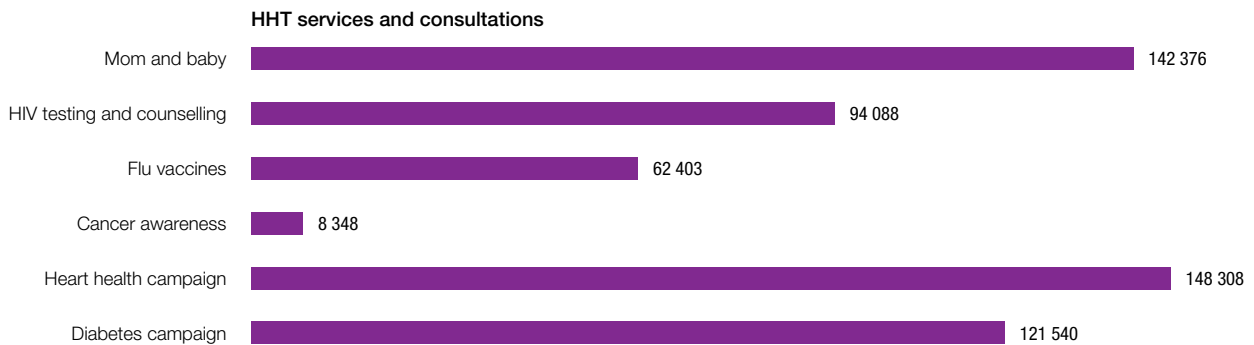
The Clicks Helping Hand Trust also assists mothers and babies who cannot access government facilities through the Mother and Baby programme, which provides mothers with nutritional education, health checks and vaccinations for their children. More than 142 000 free services have been offered to date to mothers and babies from the inception of The Clicks Helping Hand Trust, with just over 21 000 free services offered in the current financial year.



We also support young women by ensuring that they do not miss much schooling through our “Girls on the Go” programme. In partnership with Novartis and Kimberly Clark, the programme provides over 3 000 reusable sanitary towels to those in need.

Clicks employees have raised their hands to make a difference in their communities in these difficult times. Their efforts resulted in the donation of hampers, food and/or blankets to the Strathrye Girls' Home, Old Age Homes, Village Safe Haven, New Jerusalem Children's Home, New Life Centre for Girls and the St Vincent Children's Home.

### Touching Lives





### ENTERPRISE DEVELOPMENT

In partnership with The Appliance Bank (TAB), Clicks Group provides assistance to those who are unemployed to start and grow their own businesses. TAB prides itself in providing an alternative to unemployment through its centres in Gauteng, KwaZulu-Natal, the Eastern Cape and the Western Cape. In the current financial year the group donated over 300 000 appliances and other resaleable items to beneficiaries of TAB.



# ENVIRONMENT

Carbon emissions (CO<sub>2</sub>)

**143 706** metric tonnes

2019: **132 365** metric tonnes  
2018: **117 176** metric tonnes

Carbon Disclosure Project  
– performance band

**A-**

2019: **A-**  
2018: **A-**

FTSE4Good Index

**included**

2019: **Included**  
2018: **Included**

Carbon emissions intensity target

**10%**

**reduction by 2030**

Included in **FTSE4Good Index**

**645 000** kilowatt hours renewable energy produced

**80%** of waste recycled



OVERVIEW

**Environmental management systems are embedded into all business practices and operations. Sustainability is a core component of our long-term business strategy. The board social and ethics committee is accountable and is mandated to oversee the group’s sustainability performance, including climate change, resource consumption and waste management.**

Clicks Group participates in the voluntary Carbon Disclosure Project (CDP) and the disclosure of environmental, social and governance (ESG) information for processing for the FTSE4Good Index annual assessment. This has contributed to a more robust sustainability reporting process as well as ensuring long-term business sustainability in line with investors’ expectations.

APPROACH TO ENVIRONMENTAL MANAGEMENT

The Clicks Group recognises the significant impact of climate change. The group commits itself to strive to implement sustainable business practices within a culture of responsible environmental stewardship. This commitment is expressed in the group’s strategic and operational planning.

**The group’s environmental management objectives are embedded in:**

- 1 Legislative and regulatory compliance
- 2 Internal and external stakeholder engagement
- 3 Sustainability reporting
- 4 Assessment and evaluation of sustainability initiatives

PROMOTING A CULTURE OF ENVIRONMENTAL AWARENESS

The Clicks Group recognises the significant impact of the individual and corporate on a sustainable social and economic environment. We acknowledge that success cannot be achieved in the absence of care for the social and environmental systems upon which all our operations depend. Our sustainability indicators also have an extended effect on other SDGs and Clicks is committed to ensuring that our business and operations are within the natural carrying capacity and that our operational footprint is managed in a way that enhances efficiency and environmental responsibility.

Energy efficiency and reduce emissions



Managing our water consumption



Managing our waste



CARBON FOOTPRINT

Our group environmental management systems provide guidance and assistance with the development and formalising of effective processes for gathering data throughout the year for the verification of the company’s carbon footprint.

We are aware of the importance of addressing issues related to climate change. We acknowledge that the impacts of climate change are far reaching and can negatively affect human health, food security, water security and investments. Clicks is diligently working towards helping to restrict the increase in global mean temperature to 2°C above preindustrial levels in accordance with the 2015 United Nations Framework Convention on Climate Change’s (UNFCCC) meeting held in Paris (Paris Agreement).

## ENVIRONMENT (CONTINUED)

### APPROACH TO CLIMATE CHANGE

The Clicks Group recognises the significant impact of climate change on individuals, communities, corporations, governments and nations. Climate change risk encourages the group to explore innovative solutions to improve the impact of our activities and products by evaluating our carbon footprint. The group has moved beyond a narrow focus on legislative and regulatory compliance to embedding climate management into our strategic and operational planning processes.

The group has undertaken to manage, monitor and report on our carbon footprint. Our greenhouse gas emissions (GHG) mainly come from stationary fuel combustion, mobile fuel combustion, fugitive emissions, purchased electricity, upstream distribution, employee commuting and business travel. The group appointed SustainabilityIT, an independent service provider, to conduct verification on our emission data to assure accuracy and validity. The verification is done in accordance with ISO14064-3:2019, the international standard on verifying and validating GHG statements.

| Category  | Description   | Total 2019/2020 |
|---|---|-----------------|
| SCOPE 1 (CO <sub>2</sub> e) metric tonnes   | Stationary diesel combustion                        | 432             |
|   | Mobile diesel combustion                            | 1 039           |
|   | Mobile petrol combustion                            | 759             |
|   | Refrigerant use                                     | 540             |
| SCOPE 1 Sub-total   |   | 2 771           |
| SCOPE 2 Sub-total – location based (CO <sub>2</sub> e) metric tonnes                  | Purchased electricity                               | 107 279         |
| SCOPE 3 and Other (CO <sub>2</sub> e) metric tonnes                                   | 3.1 Purchased goods and services                    | 60              |
|   | 3.3 Fuel and energy-related activities              | 13 292          |
|   | 3.4 Upstream transport and distribution             | 8 764           |
|   | 3.5 Waste generated in operations                   | 1 079           |
|   | 3.6 Business travel                                 | 751             |
|   | 3.7 Employee commuting                              | 9 254           |
|   | SCOPE 3 Sub-total (CO <sub>2</sub> e) metric tonnes |                 |
| Outside of Scopes (CO <sub>2</sub> e) metric tonnes                                   | Refrigerant – R22                                   | 457             |
| <b>TOTAL Scopes 1, 2 and 3, and Outside of Scopes (CO<sub>2</sub>e) metric tonnes</b> |   | <b>143 706</b>  |
| Intensity (tCO <sub>2</sub> e/Full-time employees) (Scopes 1, 2 and 3)                |   | 15.55           |

In line with the Paris Agreement to reduce global emissions, the group has set both absolute and intensity-based GHG emission reduction targets since 2008. Clicks' current targets are shown below.

| Scope boundary           | Scope 1 & 2                             | Scope 1 & 2                             | Scope 2   |
|--------------------------|---|---|---|
| Target type              | Intensity target                        | Intensity target                        | Renewable energy target                                       |
| Base year                | FY15                                    | FY15                                    | FY15  |
| Base year value          | 0.19 tCO <sub>2</sub> e/m <sup>2</sup>  | 0.19 tCO <sub>2</sub> e/m <sup>2</sup>  | 0.0013 kWh renewable energy produced/total energy consumption |
| Target % over the period | 5%                                      | 10%                                     | 1.5% of total electricity consumption in target year          |
| Target year              | FY20                                    | FY30                                    | FY20  |
| Target year value        | 0.181 tCO <sub>2</sub> e/m <sup>2</sup> | 0.171 tCO <sub>2</sub> e/m <sup>2</sup> | 0.015 kWh renewable energy produced/total energy consumption  |

The approach followed in setting a new target is based on the methodologies of the Science Based Targets initiative (SBTi).

UPD has a route optimisation programme that identifies the best possible routes for drivers when delivering products and limits driving to 80 km/h or below, saving fuel and reducing emissions. It also reduces the time drivers spend on the road, improving safety.





## Managing waste

The group was able to divert 3 878 890 kg waste from landfill which is 80% of the total waste.

### APPROACH TO WASTE AND POLLUTION CONTROL

**The Clicks Group aims to develop, implement and maintain an integrated waste and pollution management system that conforms to sustainable practices and minimises its environmental impact. This system will take a holistic and integrated planning approach to waste and pollution management across the group that includes technology solutions, system procedures and human resources.**

**Integrated pollution control aims to identify, evaluate, monitor and prevent pollution across all areas, including land, soil, noise, water, waste and air pollution.**

**This approach applies to management, employees, subcontractors and business partners associated with The Clicks Group as well as to all operational activities that may contribute to potential pollution or degradation of the environment.**

“Reduce, Reuse, Recycle” has become the central theme for managing waste across the group and our approach to managing waste promotes recycling initiatives as well as reuse. We are committed to efficient, legally and ethically compliant, innovative and sustainable waste management. We have managed to reduce our waste to landfill year on year and increase recycled waste.

Several waste management initiatives have been adopted across the business. These include raising awareness among employees and separation on site to ensure less waste goes to landfill. Waste management companies are screened and their certification verified before we contract with them to dispose of the group’s waste. Waste streams requiring specialised disposal, such as medical waste, fluorescent light bulbs, printer cartridges and hazardous waste, are collected by certified service providers and safe disposal certificates are obtained.

We acknowledge government’s call to reduce plastics to safeguarding the environment. Clicks is an invited member of the Steering Committee for the South African Plastics Pact. The Pact is a collaborative approach to create a circular economy for plastics with targets to 2025 that require action to:

- eliminate unnecessary and problematic plastic packaging (that cannot be reused or recycled);
- ensure 100% of plastic packaging is reusable, recyclable or compostable;
- ensure 70% of plastic packaging is effectively recycled; and
- ensure that there is an average of 30% recycled content across all plastic packaging.

| Waste (kg)              | Total            |
|-------------------------|------------------|
| General waste generated | <b>865 658</b>   |
| Waste recycled          | <b>3 878 890</b> |
| Medical waste generated | <b>77 096</b>    |
| <b>Total</b>            | <b>4 821 644</b> |



ENVIRONMENT (CONTINUED)



Managing electricity

We continue to face challenges with electricity supply interruptions. The current electricity crisis emphasises the importance of ensuring that energy consumption is well managed and monitored. Electricity supply is one of our identified business risks and we also understand that it is a shared resource between business and society. Active management of our energy consumption has become an integral part of driving sustainable growth, efficiency and financial savings across all our business.

| Business unit | Consumption (Wh)   | %           |
|---------------|--------------------|-------------|
| Claire's      | 63 728             | 0%          |
| Clicks        | 85 670 317         | 81%         |
| Clicks DCs    | 5 018 053          | 5%          |
| Head office   | 2 487 163          | 2%          |
| Musica        | 3 897 661          | 4%          |
| The Body Shop | 854 039            | 1%          |
| UPD           | 7 437 122          | 7%          |
| <b>Total</b>  | <b>105 727 236</b> | <b>100%</b> |

We have implemented energy management initiatives in our stores, distribution centres and at head office. The initiatives include the installation of a 400kWp solar PV system at the head office building comprising 1 298 modules installed over a rooftop area of 2 519 m<sup>2</sup>, the group's ongoing implementation of LED technology in all operations and the installation of electronic meters that monitor energy usage per store. Store lighting is managed through either motion sensors, occupancy sensors or timer controls that automatically switch off lights when they are not needed.

The benefits of these initiatives include improved management of electricity consumption, reduced energy costs and avoiding financial losses due to store closures during power outages.

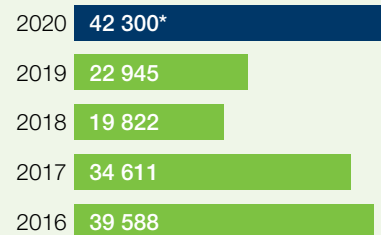


Managing water

We acknowledge that water is a critical shared resource. The business' primary use for water includes consumption, hygiene and sanitation purposes. Water quality is vital for Clicks' direct pharmacy operations as it is used for the provision of medical services such as meeting the regulatory requirement. Clean water is used by pharmacists and nurses for handwashing as well as cleaning equipment used to mix medication.

The head office uses municipal water, rainwater and borehole water. The air-conditioning plant at head office uses recycled water. This diverse supply allows Clicks head office to continue operations during water supply interruptions. Water risk is expected to increase for both direct and indirect operations, with water prices rising and increased frequency and length of water supply interruptions. Portable water is particularly relevant during droughts, which are expected to reoccur in the future. We also monitor our water withdrawals from our operations.

Total water usage in kilolitres



\* Water restriction measures were relaxed due to the Covid-19 pandemic.

# CORPORATE INFORMATION

Clicks Group Limited  
Incorporated in the Republic of South Africa  
Registration number 1996/000645/06  
Income tax number 9061/745/71/8

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ADR ticker symbol: CLCGY  
ADR CUSIP code: 18682W205

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# Repeat Prescription Service

Medication pre-packed and ready for collection

SMS collection reminders

- Repeat Prescriptions
- Clicks Direct
- Script refill services
- Self-medication online
- Ask your Clicks Pharmacist



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