

# ENGAGING OUR EXTERNAL STAKEHOLDERS

Transformation rating

6

2018: **6** (new BBEE codes applicable)

2017: **5** (new BBEE codes applicable)

Total spend of socio-economic development

**R19.8 million**

2018: **R18.4 million**

2017: **R17.8 million**

Total investment in bursaries

**R8.3 million**

2018: **R6.2 million**

2017: **R4.4 million**

Total number of bursary students

**171**

2018: **140**

2017: **100**



# CREATING VALUE THROUGH STAKEHOLDER ENGAGEMENT

Clicks Group's stakeholder engagement process focuses mainly on the five primary stakeholders that management believe are most likely to influence the ability to create value in the short, medium and long term. Proactive and transparent relationships enable the group to identify and address the needs, expectations and concerns of these stakeholder groups.

Engagement issues in 2019

Value created through engagement

## Customers

**Clicks** targets consumers in the growing middle to upper-income markets (LSM 6 – 10)

**UPD** customers include Clicks, major private hospital groups, pharmaceutical manufacturers and independent pharmacies

- Product range in store and online
- Product availability in store and online
- Service levels
- Price competitiveness and promotions
- Pharmacy services
- Personalised engagement and ClubCard benefits

### Clicks:

- Meeting customer needs and creating trust in products and practices:
  - 133.5 million customer transactions
  - 44.9 million prescriptions processed
  - 10.5% growth in health and beauty sales
  - Market share gains in all key categories
- Increasing customer loyalty
  - 8.1 million active ClubCard members

### UPD:

- Meeting customer needs through range, availability and service
  - Over 1 700 corporate and independent pharmacies serviced
  - 266 million units of medicine delivered
  - 99.1% order fulfilment to customers

## Shareholders and lending institutions

**Shareholders:** Local and international institutional and private investors, as well as fund managers and analysts from the broader investment community

**Lending institutions:** South African financial institutions which provide funding and trade finance facilities to the group

- Group strategy
- Current trading environment
- Impact of economic climate on consumers
- Trading and financial performance
- Store and pharmacy expansion plans
- CEO succession
- Regulatory environment
- Capital management
- Growth prospects

- High levels of investor interest with 110% of shares traded in the year
- Attractive investment case with 72% international share ownership
- R1.2 billion returned to shareholders in dividends and share buy-backs
- Engagement issues addressed in annual and interim results presentations and webcasts, local and international investor roadshows, integrated report and annual financial statements
- Meetings with 204 local and international funds and brokerages contributed to better-informed investor community
- Funding and trade finance facilities provided at competitive rates

## Employees

All permanent and part-time employees across the group

- Remuneration and benefits
- Performance management
- Personal development
- Career path planning
- Training and skills development
- Transformation
- Employee share ownership programme (ESOP)

- Total staff complement increased by 2.3% to 15 413, with 346 new jobs created
- Ability to attract and retain staff reflected in turnover of full time permanent employees of 14.5%
- R3.4 billion paid to employees
- R2.8 billion paid to over 7 800 employees under the broad-based ESOP over the past two years
- Investment of R144 million in training and skills development
- Transformation of workforce evident in employment equity profile:
  - Black staff 93% of total staff
  - Female staff 64% of total staff

## Government and industry regulators

Department of Health, SA Revenue Service and other government departments, industry regulatory bodies and local authorities. As a listed company, the JSE Limited is the primary regulator

- Pharmacy licences
- Registration of medicines
- Complementary and alternative medicines
- Legislative and regulatory compliance
- Tax compliance
- Submission of statutory returns
- Compliance with JSE Listings Requirements

- Slow pace of medicine registration by SA Health Products Regulatory Authority continues to restrict launch of new private label medicine ranges
- Direct engagement with industry regulators and indirect engagement with regulators through industry bodies
- Lobby for regulatory reform and fair legislation which will not adversely affect returns to shareholders
- Paid R262 million in direct and indirect taxes

## Suppliers

Local and international suppliers of products and services, including producers of exclusive brands and private label products

- Quality, safety and ethical standards
- Product availability and exclusivity
- Product innovation, strength of brands
- Private label products
- Transformation and BEE scorecards
- Legislative compliance

- Stable supply of merchandise reflected in supplier infill levels of 84.9% in Clicks and 98.7% in UPD
- Clicks offers over 12 900 private label and exclusive brand products
- Consistent supply and maintenance of franchise agreements with The Body Shop International, GNC and Claire's
- Continued transformation of the supplier base with 50.2% preferential procurement
- R26.7 billion paid to suppliers of goods and services

## ENGAGING OUR EXTERNAL STAKEHOLDERS

### EMPOWERMENT AND TRANSFORMATION

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

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

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***“The final ESOP payout of R1.5 billion was made to participating employees in respect of the final 50% of the shares to almost 8 000 beneficiaries.”***

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The group achieved a level 6 BBBEE rating in the 2019 financial year (2018: level 6) on the amended BBBEE Codes of Good Practice, with a score of 76.49 points (2018: 74.21 points).

### Ownership

The group scored 13.41 points on the ownership element of the scorecard, which is attributed to the employee share ownership programme (ESOP) and an independent analysis of the group's shareholding to determine the level of beneficial black ownership.

The final ESOP payout of R1.5 billion was made to participating employees in respect of the final 50% of the shares to almost 8 000 beneficiaries.

### Management control

The management control element of the scorecard is a reflection of the composition of the board of directors, group executive committee and senior management who are members of the business unit operating boards. The board comprises 56% black directors, with women making up 44%. The group executive committee has 66% black representation and 33% female.

BBBEE element	Maximum points	2019	2018
Ownership	25	13.41	15.03
Management control and employment equity	19	13.27	12.06
Skills development	25	18.43	15.57
Preferential procurement, enterprise and supplier development	44	26.37	26.55
Socio-economic development	5	5	5
Total	118	76.49	74.21
BBBEE level		6	6



# CUSTOMER RESPONSIBILITY



## PRODUCT SAFETY AND LABELLING

Clicks has made good progress in developing environmentally friendly private label products that are competitively priced and offer innovative product, packaging and sourcing alternatives. An on-pack recycling label, introduced in 2010, appears on all private label products to educate consumers to reduce landfill with recyclable packaging.

Clicks stays abreast of developments in the industry – especially regarding environmental protection – by participating in environmental workshops and collaborating on new technologies, including in the packaging industry.

## 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.

## GROWING ONLINE PRESENCE

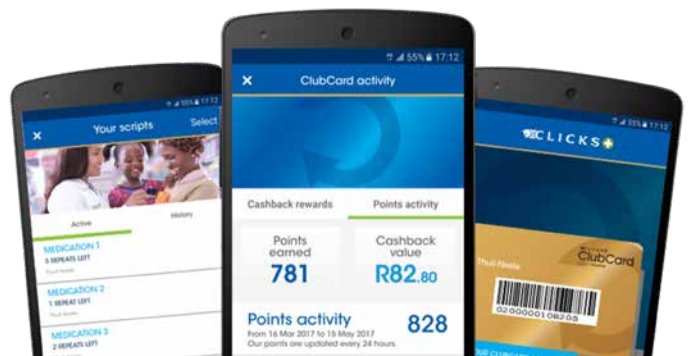
Customers have responded positively to the Clicks online store, which offers the widest product range available in large Clicks stores. Online sales are now the equivalent of a medium-sized Clicks store. The online platform complements the store experience and increases customer convenience. The click and collect service complements the door-to-door courier delivery service and enables customers to shop a wide range of products online and collect their order at their closest Clicks store. In the past year the Clicks website received over 32.3 million visits.

The Clicks digital footprint continues to grow, with 1.2 million followers across social media platforms Facebook, Twitter and Instagram, and reaching an average of over 12 million people each month.

A mobile app offers quick access to ClubCard statements and an integrated pharmacy services solution where customers can submit scripts, view their medication history and order active script repeats from their phone (all conveniently processed and ready for collection from their selected pharmacy collection counter in four hours or less).



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



### CLUBCARD

The Clicks ClubCard programme is one of the largest and fastest-growing loyalty programmes in South Africa. The ClubCard is how Clicks customers are rewarded for their loyalty in choosing to shop at Clicks and our other brands.

By the end of the financial year Clicks ClubCard had 8.1 million active members. During 2019, R504 million was paid out in cashback rewards to members, compared to R442 million the previous year, reflecting a 14% increase.

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



### CLICKS BABYCLUB

BabyClub is designed to reward customers who buy products for babies and toddlers up to the age of 36 months by offering double points on the relevant products\* while also providing access to exclusive BabyClub competitions and other special benefits.

\* Excluding legislated products

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

### SENIOR CLUBCARD

The Senior ClubCard was initiated for customers aged 60 years and older. The Senior ClubCard programme offers various benefits, such as earning double points on Wednesdays and other special discounts and offers.

The group continues to explore ways to add value to the ClubCard offering. Over and above the convenience of receiving cashback that is available to help pay for purchases at the Clicks, Claire's or The Body Shop tills, the conversion of points to cashback is done for the Clicks customer and issued in a two-monthly cycle. These cashback values are valid for one year from date of issue so it remains the ClubCard member's choice whether to use the value immediately or save it for a later date.

ClubCard provides the following benefits to members:

- scan your ClubCard from your smartphone (using the Clicks app) so that you never miss out on earning points on any transactions and having points converted to cashback in a two-monthly cycle;
- conveniently receive updates on specials and new initiatives when cashback is loaded;
- special "double points" offers that increase cashback earnings opportunities on all ClubCards;
- speed up interactions at pharmacies as ClubCard members' profiles are loaded on a central pharmacy database, which means ClubCard members can collect their prescriptions from any Clicks pharmacy;
- in South Africa, receive rewards for ordinary expenses (such as earning points on fuel purchases and for eye tests/specs at SpecSavers/Execuspecs), and for treats at Sorbet, City Lodge group, Europcar and Netflorist; and
- for South African members aged 18 – 65 with South African IDs: a "no cost funeral cover" through Hollard Life Assurance Company Limited.

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



## ACCESS TO MEDICINE AND NUTRITION

Our integrated healthcare retail and supply chain model creates a unique competitive positioning for the Clicks Group in South Africa. The group aims to ensure convenient customer access to medicine through an expanding national network of Clicks pharmacies which are supported in healthcare supply chain management by the group's pharmaceutical wholesaler, UPD.

The Clicks pharmacy network has been extended to 545 pharmacies and 194 clinics, while delivery through our courier business, Clicks Direct Medicines, allows penetration into outlying areas.

As a leader in the South African healthcare market, Clicks is the largest employer of pharmacists in the private sector. We recognise the scarcity of pharmacists and healthcare professionals and we are committed to continued investment in the attraction, learning and development, and retention of employees, having spent R1 million on staff learning and development initiatives in the last financial year.

Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication and 545 Clicks pharmacies have been registered as pickup points as part of the Department of Health's Central Chronic Medicine Dispensing and Distribution Programme across the pilot districts.

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

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

## Generic medication advantages

The healthcare strategy of the Clicks Group is aligned to the South African Government's healthcare goal to make medicine more affordable and more accessible. Generic medicine is more affordable and will enable access for more patients.

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***“Clicks is committed to helping reduce the burden on state facilities by providing easy access to chronic medication at 545 Clicks pharmacies.”***

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Generic medicines have the equivalent biological effect and dissolution of the originator product. They contain the same active ingredients and have the same dosage form and strength as the original medication; however, they may contain different inactives (colourings, starches, sugars, etc.). There may also be differences in size, shape, colour or pack size, but none of these have any impact on the drug's pharmacological effect.

The benefits of generic medicines are:

- Generics offer substantial cost savings without compromising efficacy.
- Cost saving makes more efficient use of a customer's medical aid benefits.
- Cost saving enables customers to pay for other treatments and services that they may need.
- Lower-priced medicines encourage more healthy competition in the market.
- Generics allow patients to exercise their rights as a consumer. Clicks provides a wide range of pharmacy and front shop medicine alternatives in their generic range, offering customers value for money.

## INVOLVEMENT IN INDUSTRY INITIATIVES

Clicks Group is a member of the Health Products Association (HPA), Self-Medication Manufacturers Association of South Africa (SMASA) and the Consumer Goods Council and Aerosol Manufacturers Association. These associations have all been initiated to ensure the safety of consumers as well as to protect the industry. The group is also a member of the Cosmetics, Toiletry and Fragrance Association (CTFA) whose main purpose is to guide member companies from the cosmetic and personal care industry concerning the South African Regulatory Codes of Practice and Standards and high quality and safety of cosmetic products.

# OUR SUPPLIERS

## SUPPLY CHAIN

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

### Supplier development

The group invested R38.6 million in supplier development initiatives outlined below.

The UPD independent owner-driver scheme, which was established in 2003, contracts small enterprise owner-drivers to

deliver products from UPD to Clicks, independent pharmacies, hospitals and clinics.

Triton Pharmacare is one of the healthcare industry's largest and longest-standing private label manufacturers, with the local factory in Midrand, South Africa. The factory complies with best manufacturing standards and has been accredited by the South African Health Products Regulatory Authority (SAHPRA) (formerly the Medicines Control Council). Triton Pharmacare supplies private label products to the Clicks brand in tablet, capsule, powder, granule and liquid format.

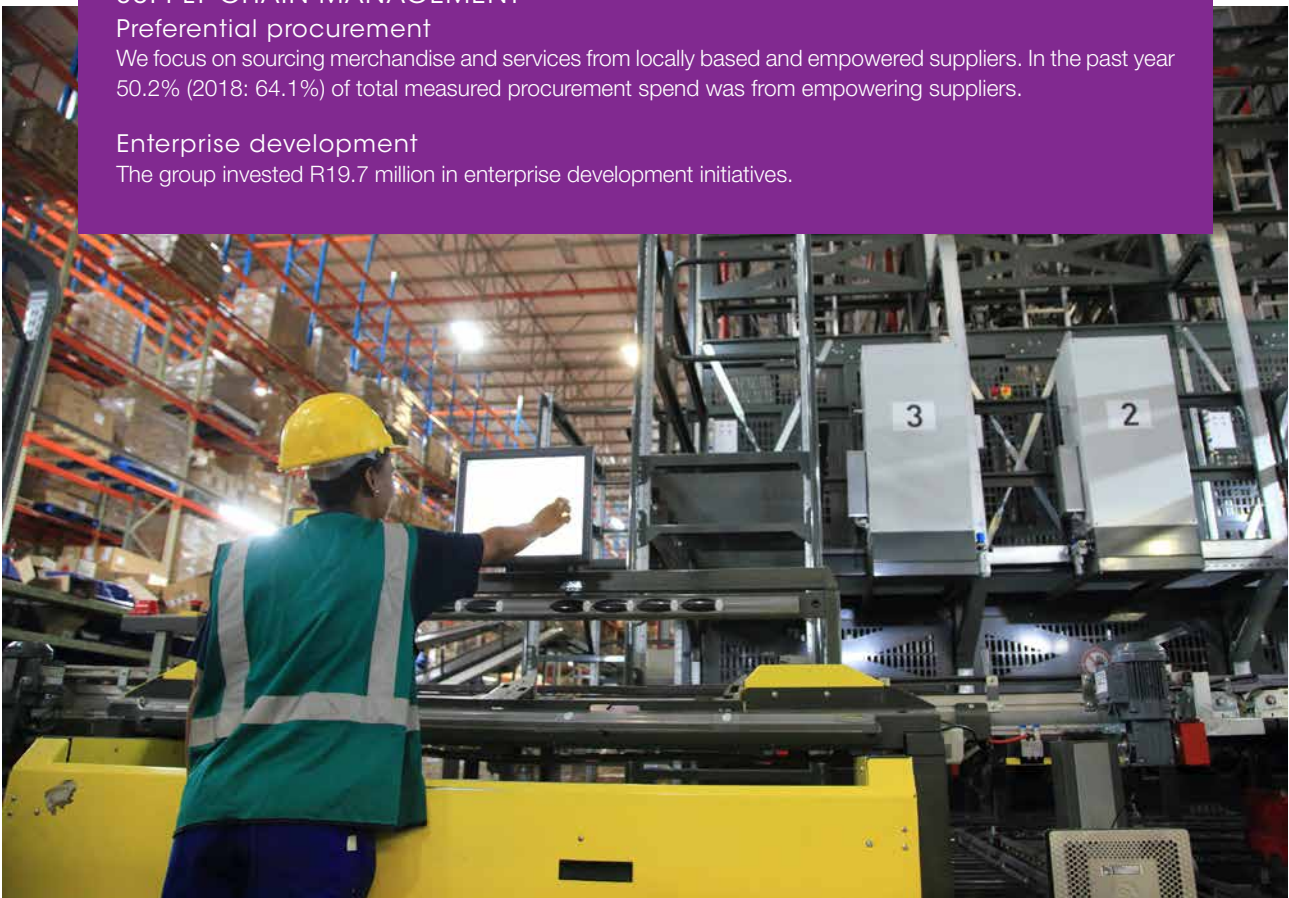
## SUPPLY CHAIN MANAGEMENT

### Preferential procurement

We focus on sourcing merchandise and services from locally based and empowered suppliers. In the past year 50.2% (2018: 64.1%) of total measured procurement spend was from empowering suppliers.

### Enterprise development

The group invested R19.7 million in enterprise development initiatives.



# COMMUNITIES

## SOCIO-ECONOMIC DEVELOPMENT

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

We have once again shown our commitment to the communities where we trade by investing 1.16% of profit after tax in social development programmes. A total of R19.8 million (2018: R18.4 million) was invested in social development through financial and product donations to non-profit organisations and initiatives aligned to the group's focus on health and well-being in South Africa.

The group also invested R7.3 million in bursaries to 132 students completing Bachelor of Pharmacy degrees, which is reported under the skills development section in this report and is reported separately from social development spending. The group invested a total of R13.3 million in health, including HIV/AIDS as the main focus. The full socio-economic development spending was in South Africa.

We also donated R886 000 to the Public Health Enhancement Fund for the financial year. The fund aims to address skills shortages, improve quality of public healthcare and advance research.

### Clicks Helping Hand Trust

Clicks Helping Hand Trust (CHHT) has opened all Clicks clinic doors for HIV testing, and Moms and Babies services. All clinics offer free services and have delivered 79 903 free consultations since inception. Free baby vaccinations and family planning medication are now available at all Clicks clinics in the Western Cape as a result of a partnership between the Western Cape Department of Health and Clicks. Similar partnerships in three other provinces are being finalised. The trust is able to continue the work it does through financial support and donations from Clicks, its employees, suppliers and other organisations with aligned goals.

### Girls on the Go community programme

Whilst most of our funds are spent in Clicks, we know the numerous needs of our communities. The Girls on the Go programme, driven by CHHT, tackles the plight of impoverished girls who often miss school during their menstrual cycles. The aim of the programme is to ensure access to much-needed sanitary towels so that girls can stay in school, therefore ensuring the development and growth of young South African women with dignity. The Trust and Novartis partnered to donate more than 2 000 reusable pads on Menstrual Hygiene Day.

CHHT has committed to reach 5 000 girls since its inception in 2016.

### Moms And Babies programme

CHHT Moms and Babies programme offers free clinic services every Thursday afternoon at selected clinics. These services are available to mothers whose babies were born in State hospitals, and who are not covered by medical aid. The trust was launched in 2011 in response to the need to reduce infant and maternal mortality in South Africa. The free services offered include baby immunisation (where State stock is available), growth measurement and baby weighing, feeding and nutritional advice, as well as family planning advice and medication (where State stock is available).

### Health campaigns

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

**Other beneficiaries of the group's social investment include**

**Carel du Toit Centre**

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

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

**The Topsy Foundation**

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

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

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

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

**Mandela Day**

CHHT partnered with Rise Against Hunger to host a meal packing challenge at our head office. In the spirit of Mandela Day, all business units put a team together and were able to pack over 10 766 meals to a total value of R31 221.

**Take A Girl Child To Work**

Take A Girl Child To Work Day is regarded as one of South Africa's largest collaborative acts of volunteerism having helped more than a million girls thus far. This year Clicks contributed to the career goals of South Africa's future female learners in Grades 8 – 12 by hosting 19 female pupils. The aim of the day was to help young female learners bridge the gap.

**Gift of the Givers**

Clicks has for the last 12 months donated water to Gift of the Givers for their reticulation plants in Beaufort West and, most recently, Grahamstown. This has been done in aid of the drought relief efforts.



**EMPLOYEE CONTRIBUTION**

Employees are encouraged to support social development projects, schools and charities, and to subscribe to the payroll giving scheme through the Helping Hand Trust.