

Clicks Group's Carbon Neutrality Management Plan

Prepared by Promethium Carbon for:

CLICKS GROUP
LIMITED

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Executive Summary

Clicks Group is in the process of setting a carbon neutral target under the new ISO target setting standard – ISO 14068-1:2023. This report describes Clicks' Carbon Neutrality Management Plan (CNMP). To achieve carbon neutrality by 2050 on a linear trajectory, Clicks will need to reduce GHG emissions by approximately 3.6% of the 2022 base year emissions per year. The standard allows for a trajectory that will be influenced by the level of ambition and carbon emission reduction initiatives the company puts in place.

This CNMP outlines the emission reductions required by Clicks, considering both Clicks' planned initiatives and additional initiatives, to reach carbon neutrality by 2050. The planned initiatives include installing renewable energy solutions such as solar PV at facilities. Additional initiatives include entering into Power Purchase Agreements (PPAs), using Renewable Energy Certificates (RECs), increasing the adoption of electric vehicles in the fleet, switching to lower Global Warming Potential (GWP) refrigerants and enhancing energy efficiency through LED lighting.

It is recommended that Clicks focuses emission reduction initiatives in the high emission categories such as purchased electricity, mobile fuels, upstream transportation and refrigerants (building upon existing initiatives) up to 2035. The graph below indicates Click's projected emissions, emission reduction from planned initiatives and additional reductions to reduce emissions in line with the target trajectory. By prioritising these categories, Clicks can streamline the resources required, better manage emission reductions, and achieve more significant results.

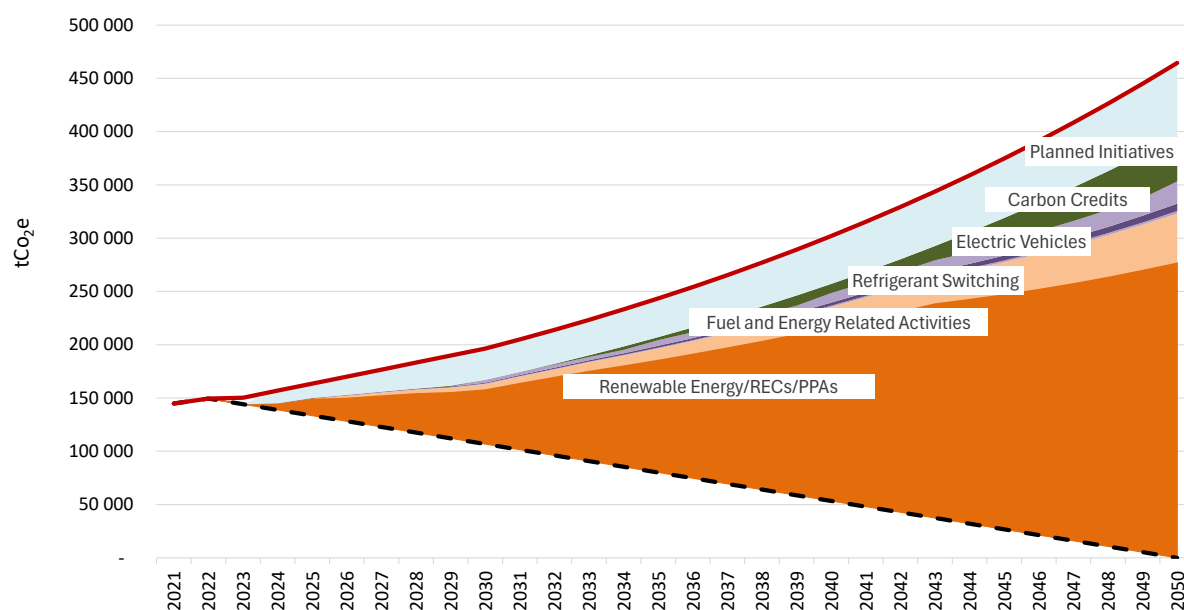


Figure 1: Clicks Group's emission reductions required up to 2050

The emission reductions highlighted in the graph above are described below:

Purchased electricity accounts for 73% of Clicks' emissions. In the first ten years of the CNMP, key initiatives include generating solar PV for standalone facilities, negotiating agreements with landlords for renewable electricity in stores, and entering Power Purchase Agreements (PPAs) for

renewable energy. Decarbonisation of stores will be dependent on negotiating with landlords for renewable electricity, while facilities like distribution centres and UPD can explore installing additional solar PV following feasibility studies.

Mobile fuels and upstream transportation account for 6.71% of Clicks' carbon footprint. While electric vehicle (EV) adoption in South Africa is expected to grow gradually until 2050, the country is lagging behind global trends due to challenges like high prices and limited availability. UPD has already purchased 42 EVs, but further progress depends on grid decarbonisation. Without significant improvements in grid emissions, switching to EVs will shift emissions from scope 1 (diesel) to scope 2 (electricity), offering limited reductions.

Refrigerants account for 1.46% of Clicks' carbon footprint. Clicks has switched from R22 to R410A and R407C gases, primarily to reduce ozone depletion, not emissions. A further switch to lower GWP gases like R744 (CO₂) is recommended, with a target to transition 29% by 2030. However, due to recent retrofitting costs, a switch may not be feasible in the short term.

Carbon credits can be purchased to offset emissions if a business unit cannot meet its reduction targets. The ISO 14068-1:2023 standard recommends using carbon credits as a secondary measure after internal reductions.

Clicks recently restated its carbon footprint to include emissions associated with the procurement of Private Label goods, as this is the area in the supply chain where the company has the most control. By focusing on this segment, Clicks can engage directly with suppliers, set emission reduction targets, and implement strategies to more effectively reduce its overall carbon footprint. While this restatement emphasizes emissions from Private Label products, it implies that emissions from other merchandise not part of the Private Label are not included in the carbon footprint, as Clicks has prioritized areas where it can exert the most influence, as per the provisions of ISO14064-1.

A high-level estimation of supplier emissions has been calculated using available data. However, to achieve accurate accounting, significant supplier engagement will be necessary. Clicks will need to establish a data collection process with suppliers, either using existing platforms or through an initial proprietary data collection questionnaire. Clicks will also need to encourage suppliers to set emission reduction targets, with the goal of eventually incorporating these targets into supplier contracts to drive emissions reductions in this category. This proactive approach will allow Clicks to exert significant influence and achieve meaningful sustainability improvements.

This report includes a workbook outlining annual emission reduction values and a summary of the reductions required for the next 10 years, up to 2035, as part of Clicks' CNMP. Once targets are set, Clicks should produce periodic Carbon Neutrality Reports to track emission reduction activities and progress. The CNMP focuses on reducing emissions from purchased electricity, the largest source of the Group's emissions, while addressing business travel and employee commuting in the medium to long term as technology advances. The 10-year plan should undergo reviews every 2 to 5 years to adjust for factors like store growth and grid emission changes. Achieving carbon neutrality by 2050 will depend on the decarbonization of external sectors, such as energy and transport.

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