

# 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 Accessible healthcare network
Governance	Board comprised of independent non-executive directors Code of ethics Data governance policy and compliance
Social	Our employees Skills development Employment equity Employee wellness programme Preferential procurement Supplier and enterprise development Corporate social investment Sourcing and supply chain
Environmental	Carbon emissions Energy management Water and wastewater management 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.

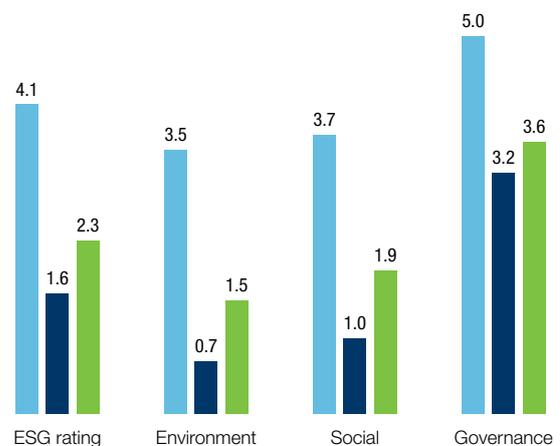
**Government and regulators:** We support government and industry policies through regulatory compliance and implementation.

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 Socially responsible – our communities Financial implications, and other risks and opportunities
Capacity to expand convenient retail footprint and pharmacy network	Responsible management of resources Our operations Our people Market presence Economic performance Our environmental resources
Differentiated product offering	Promoting product responsibility Compliance with regulations and voluntary codes Packaging and post-consumer responsibility
Leveraging customer engagement	Promoting customer responsibility Customer satisfaction Customer privacy
Opportunity to grow UPD	Promoting responsible procurement practices Supply responsibility 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.



### 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.

---

### 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.

---

### 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.

---

### 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.

---

### 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.

---

### 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

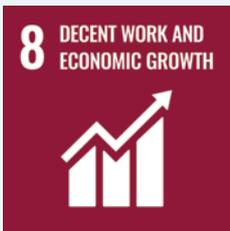
The United Nations Sustainable Development Goals (SDGs) were adopted as a universal call to action with the goal to eliminate poverty, reduce inequality, safeguard the environment, and ensure fairness and justice for all.

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>
---	---	---