

# INTRODUCING THE REPORT

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

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

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

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



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

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



FTSE4Good

## OUR SUSTAINABILITY FRAMEWORK

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

We recognise that for our business to be sustainable, in accordance with our values, our vision must be to grow our business in a way that delivers enhanced positive social impact with reduced demands on the environment.

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

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

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

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

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

- *Customers:* We **monitor** and **are responsive** to customer feedback and requirements, as customer feedback is an indicator of our performance throughout our value chain.
- *Suppliers:* We source products that uphold the integrity of our brand. To this end we **will develop and progressively implement** systems to assess product quality, safety and supplier conformance to our standards, specifications and commitments.
- *Investors:* We acknowledge that our investors place trust in our vision and in our ability to deliver value.
- *Communities:* We make a lasting, positive impact on the communities in which we operate.
- *Government and regulators:* We support government and industry policies through regulatory compliance and implementation.

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

**Bertina Engelbrecht**  
HR Director



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## INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

### Building a trusted, accessible healthcare network

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

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

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

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

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

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

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

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

As the saying goes, prevention is better than cure, and the solid growth in front shop medicines, vitamins and supplements confirms the move to increased self-medication, as customers become more health and lifestyle conscious, opting for preventative rather than curative medicine.

The Clicks store footprint expanded to 622 and rising – and we expect to reach 900 stores over the next decade.

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social contribution.

### Empowering motivated, passionate people

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

### Lightening our footprint

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

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



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

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

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

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

We also recycled 75.4% of our waste.

### Outlook

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

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

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

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

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

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

## ORGANISATIONAL PROFILE

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

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

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

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

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

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

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

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

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

The Clicks Group supply chain purchases from 4 538 suppliers.

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