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# About this report

The Clicks Group Sustainability Overview 2022 provides a summary of the group's impact on the environment, society and the economy. The report focuses on the group's performance for the financial year ended 31 August 2022 and builds on the prior year report.

This addition to the group's reporting suite is in recognition of increased interest and investors' expectations in relation to ESG disclosure as the group embeds performance-driven ESG practices across its sustainability focus areas. The sustainability overview complements the information provided in the integrated annual report 2022.

# **ESG** transparency and disclosure

The group continues to enhance its disclosure against ESG indicators from a range of global ratings agencies and guidance documents. It is specifically working towards increased disclosure and transparency on climate-related risks and opportunities.

The group has noted the increasing harmonisation of global ESG disclosure standards and has opted to align its disclosure with the JSE's recent Sustainability Disclosure Guidance. The JSE guidance draws on a wide range of recent global disclosure developments, including those of the International Sustainability Standards Board (ISSB) and the Task Force on Climate-related Financial Disclosures (TCFD) and believes this approach is well-placed to guide its sustainability disclosure efforts into the future.

Further standards or guidance frameworks with which the group aligns and that continue to inform its disclosure include:

- King IV Report on Corporate Governance
- Global Reporting Initiative (GRI) standards
- Sustainable Development Goals (SDGs)
- United Nations Global Principles
- Carbon Disclosure Project (CDP).

This sustainability overview, read with the integrated annual report, corporate governance report, the 2022 CDP Climate Change submission (available in early 2023) and the social and ethics committee report, contains the data which is presently available to the group. As the group progresses on its sustainability reporting journey, it aims to improve and expand on its disclosures – informed by the JSE's guidance.

The group is assessed and scored against ESG indices, including the FTSE Russell, S&P Dow Jones and MSCI. It has maintained its listing on the FTSE4Good Index since 2015.

The group in alignment with the JSE disclosure guidance has adopted a double materiality approach to sustainability. This seeks to integrate ESG-related issues pertinent to the creation and protection of enterprise value highlighted in its integrated annual report.

The group has published a stand-alone sustainability report since 2015.

### Third party verification

Verification plays an important role in accurate, transparent and balanced reporting. This is becoming increasingly important in the global shift towards standardised ESG reporting. Accredited third party service providers have reviewed selected non-financial performance metrics, including the group's broad-based black economic empowerment (BBBEE) rating and carbon footprint.

# 01 About Clicks Group



# Group profile

The group is a leader in the South African health, beauty and wellness sector, with Clicks being the foremost pharmacy, health and beauty retailer and UPD the leading full-range pharmaceutical wholesaler. The group has a combined footprint of 898 stores, of which 50 stores are located in neighbouring Lesotho, Eswatini, Namibia and Botswana.

The anchor brand, Clicks, offers value for money in convenient locations and appealing formats. Franchise brands added through exclusive agreements provide differentiation to the core offering.

Over the past 54 years, the group has built a well-regarded and sustainable business. The group is listed in the Personal Care, Drug and Grocery Stores sector on the JSE and is included in the FTSE/JSE Top 40 Index and the FTSE/JSE Responsible Investment Top 30 Index.

# The group's footprint

	South Africa	Rest of Africa*	Total	Pharmacies	Clinics
Clicks	791	46	837	673	199
Clicks Baby	3		3		
The Body Shop	54	4	58		
Total	848	50	898		

<sup>\*</sup> Namibia, Botswana, Eswatini and Lesotho



# The group's brands



South Africa's leading health and beauty retailer, targets consumers in the growing middle to upper-income markets (LSM 6 - 10).



A wide range of mother and baby products.



Sells natural, ethicallyproduced beauty products.



UPD fulfils the pharmaceutical supply needs of Clicks, major private hospital groups and 1 200 independent pharmacies. UPD also provides bulk distribution services to pharmaceutical manufacturers.

# Some salient highlights

R39.6 billion

The group's total headcount of

16 492

Including 15 646 South Africanbased employees

Level 4
BBBEE rating

95% black and 63% female employees

Included in the FTSE/JSE
 Responsible Investment Index

Group commitment to be

carbon neutral by 2050

R24 million invested in socioeconomic

development programmes

R164.8 million invested in training

Group turnover

+6.0% to R39.6 billion

Return on equity increased to 48.0%

# **External recognition**

- Inclusion in the FTSE4Good Index for the sixth consecutive year (4.0 score in 2022).
- Independently recognised as a top employer in the retail sector for the last six years.
- Received a rating of AA in the MSCI ESG rating assessment.



# **Recognition from our customers**

- Clicks ClubCard loyalty programme was awarded "Best short-term loyalty marketing campaign" and "Best use of multichannel loyalty communication" at the South African Loyalty Awards in 2022.
- Clicks ClubCard won the Loyalty programmes Pharmacy category, taking Platinum Status, first place in the annual City Press Reader's Choice Awards 2022.
- Clicks was voted Top Brand for both "Experience" (offering superior experience across all touch points) and "Function" (creating a range of well-designed products and services) at the 2022 Kantar BrandZ Most Valuable South African Brands.
- Clicks was voted "Coolest specialist health store" at the Sunday Times GenNext awards in 2021.

# **Memberships of associations**

Consumer Goods Council of South Africa Consumer Goods and Services Ombud Cosmetic Toiletry and Fragrance Association Self-Medication Manufacturers Association of South Africa Health Products Association of South Africa National Business Institute

# **Group's vision**

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

# **Group's values**

We **deliver** on our goals

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



# Sustainability strategy

The group is committed to increasing access to affordable primary healthcare for all South Africans.

The group is able to achieve this through its retail pharmacy and pharmaceutical wholesale businesses. Founded more than 50 years ago, Clicks has grown into an extensive network of over 840 stores and 673 pharmacies supported by a growing digital presence.

Like all sustainability challenges, affordable healthcare requires a multifaceted approach that can shift over time. The group is harnessing its brands, retail store network, supply chains and partnerships to address this and other related challenges.

# Group's strategic sustainability framework:



The group's strategic sustainability framework informs its attention and decision-making on pertinent sustainability issues. The framework is aligned with eight Sustainable Development Goals where the group believes it can have the most positive impact. This approach helps integrate sustainability thinking into every facet of the group. It also helps stakeholder alignment in deepening the link between the group's business strategy and the socio-environmental context within which it operates.



No poverty



Good health

**Decent work** 

and economic



Quality



Gender equality



consumption and production

Affordable and

clean energy

# 03 Building a trusted, accessible healthcare network





# **Highlights**

Expanded the group's reach, increasing to 840 Clicks stores, 673 Clicks pharmacies and 199 clinics in South Africa

81%

of employees covered by medical aid/primary healthcare plan 2021: 77% Administered more than 2.9 million

Covid-19 vaccinations (+3.5 million to date)

Approximately 73% of these administered vaccines were to those without access to private medical aid

Provided 16 243

baby wellness consultations including immunisation services



Provided

87 660

free healthcare
consultative and treatment
services through our clinics
in 2022

Healthcare is a fundamental need and South Africa's healthcare services remain under significant strain, primarily impacting poorer households. The group helps in alleviating these challenges through its expanding retail, pharmacy and clinic network, including offerings that serve lower income groups and underserved communities. Through investing in critical skills development, the group creates a pipeline of talented, motivated healthcare professionals which includes pharmacists.

# Expanding the group's retail and pharmacy footprint

During the year, the group opened 58 new Clicks stores and 52 pharmacies. In continually expanding the store base, the group has increased its long-term target to 1 200 from 900, with plans to open 40 to 50 stores each year – with a pharmacy operating in each store where feasible, making it easier for customers to get access to affordable healthcare.

50% of South Africa's population live within 5.3km of a Clicks pharmacy. While 70% of the stores are in affluent areas, the group is steadily growing its presence in lower-income communities to provide affordable healthcare access.

The group's healthcare products and services cover a broad target market. The product offering is differentiated through a wide range of private label and exclusive brands. For convenience, customers can purchase overthe-counter medication online or via the Clicks app, collect it at the nearest Clicks pharmacy for free or have it delivered to their home. For additional convenience, Clicks Virtual Doctor is a tele-healthcare service that provides convenient and affordable access to a general practitioner virtually.

Offerings that serve lower income groups include pick-up points for medication in over 200 Clicks pharmacies, which support public health and reduce congestion at public clinics.

### Building a trusted, accessible healthcare network (continued)

The 199 nationwide Clicks clinics offer holistic primary healthcare services, including medical aid-funded screening tests. Through the Clicks Helping Hand Trust, the clinics provide healthcare services free of charge to the most vulnerable in society including patients without medical aid (see case study overleaf).

During the Covid-19 pandemic, the convenience of the group's pharmacy network and the quality of the specialist healthcare staff underpinned the success of the group's vaccination programme. The group rapidly scaled up vaccination sites in over 500 pharmacies to support the government's vaccination roll-out to the population. The group is the largest private-sector vaccination provider in South Africa. To date, it has administered more than 3.5-million doses.

# Lowering the cost of healthcare

The group's offering has a strong and competitive affordability component, seeking inclusion of lower income groups. The group offers consistently good value-for-money products delivered through competitive prices and effective promotions. The private label products offering provides affordable alternatives to many over-the-counter medicines and health products. Scheduled medicine ranges offer customers choice for quality generic medicines at a lower price. The pharmacies also offer a free repeat prescription service.

Affordability is further enhanced by the Clicks ClubCard which offers generous cashback rewards and a range of affinity partner benefits. This Clicks ClubCard once again received accolades as one of South Africa's most-loved and supported loyalty programmes. ClubCard has approximately 9.7 million active members, including 500,000 new sign-ups in the 2022 fiscal year and over 3 million downloaded apps. The platform enables the group to personalise engagement and communication with customers, particularly in an increasingly digital and technology-driven retail environment.

The continuous expansion of the group's store base presents opportunities to increase access and affordable healthcare.

The group offers free clinic and health outreach services to vulnerable patients and those without medical aid (see case study overleaf).

# **Building the healthcare skills base**

The group is the largest employer of pharmacy staff in the private sector in South Africa with 929 (2021: 852) pharmacists. Given the shortage of qualified pharmacists and healthcare professionals, locally and globally, the group continues to place an emphasis on implementing a pharmacy skills development strategy aimed at attracting, developing, and retaining the skills it needs, as well as supporting the pharmacy sector in South Africa.

The group has engaged with pharmacy schools across the country, invests in learning laboratories at university pharmacy schools, manages a pharmacy bursary scheme, provides workplace experience through the pharmacy internship programme, develops pharmacists' assistants and trainees through learnership programmes, and maintains professional development of pharmacists and nursing practitioners.

The group awarded 88 bursaries mainly to pharmacy students to complete a Bachelor of Pharmacy degree at any registered South African university, as part of the group's role in building the skills base for the industry.

### CASE STUDY

# Responding to community healthcare needs

The group helps disadvantaged South Africans to access healthcare in communities through its work with the Helping Hand Trust. Founded in 2011, the Clicks Helping Hand Trust (CHHT) offers some of the most vulnerable members of society free preventative testing and wellness services at 140 clinics across the country. The CHHT also assists mothers and babies who cannot access government facilities through its mother and baby programme, which provides mothers with nutritional education, health checks and vaccinations for children. Another focus is giving advice on preventing HIV infection and family planning.

The CHHT provided 87 660 free primary healthcare consultative and treatment services for medical conditions including diabetes, HIV/AIDS, blood pressure and cholesterol, child vaccination and nutritional education.

Mom and Baby programme:
The country faces a challenge
of child mortality exacerbated
by lack of access to adequate
healthcare services. The provision
of these maternal and child health
assessments and advice assists in
the reduction of mortality cases.





The Girls on the Go programme was created to prevent girls missing school due to a lack of access to sanitary towels. This year it has provided over 1 500 reusable and more than 625 000 disposable sanitary pads to school girls across the country.

# 04 Minimising our environmental footprint







# **Highlights**

Carbon emissions intensity target 10% reduction

over a 10-year period

Committed to a 10-year target of 4.2% reduction

of the base year emissions per annum (base year 2022)

Group commitment to become

carbon neutral

by 2050

Recycled

of total waste generated

As a retailer with more than 200 suppliers associated with its private label and millions of customers, the group is mindful of its wide reach and the environmental impact across the value chain. The group is working on a broad set of solutions and targets to reduce its impact, with a particular focus on energy, waste, packaging and water. Environmental management systems are embedded in its business practices and operations. To strengthen its approach, the board approved the group's environmental and climate change policy which outlines its approach and commitments.

# Reducing carbon and energy

While the group has limited opportunity to address the national energy and climate challenge at scale, these environmental aspects provide significant impetus to its commitment to reduce electricity use at stores and distribution centres (DCs), explore options for renewable energy and improve the efficiency of its operations.

### Carbon emissions and disclosure

Minimising and accounting for direct climate change impacts is the group's focus of its climate commitments. This year the group has taken decisive steps to demonstrate its commitment to climate action and to aligning with TCFD recommendations. Notably, it has shifted to validated science-based targets for its greenhouse gas (GHG) emission reductions (Scope 1, 2 and 3) and formally set a longterm group carbon commitment to be carbon neutral by 2050. These targets build on its existing targets for Scope 1 and 2 (see table below), in line with the Paris Agreement on reducing global emissions.

	2022	2021	2020
Carbon emissions (CO <sub>2</sub> ) metric tonnes	149 520	146 873	143 706
Renewable energy produced (KwH)	630 817	639 743	632 139
Waste recycled (kg)	4 394 892	4 020 366	3 878 890
FTSE4Good Index	Included	Included	Included



Refer to the group's environmental and climate change policy

# Existing GHG emission and renewable energy targets

Scope boundary	Scope 1 and 2	Scope 1 and 2	Scope 2
Target type	Intensity target	Intensity target	Renewable energy target
Base year	FY2015	FY2015	FY2015
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	FY2050	FY2030	FY2025, FY2030
Target year value	0.176 tCO <sub>2</sub> e/m <sup>2</sup>	0.171 tCO <sub>2</sub> e/m <sup>2</sup>	5% of the electricity from renewable energy by 2025 10% of the electricity from renewable energy by 2030

This year the group restated its 2021 group carbon footprint according to the newly adopted SANS/ISO 14064:2021 standard and the GHG protocol and updated its climate change metrics in line with the restated footprint. The resulting near-term target determined was a 10-year target of 4.2% annual emissions reduction from the base year.

The carbon neutral target will require all group operations to work towards this, including its private label suppliers and other significant indirect emission sources.

The GHG emissions mainly come from stationary fuel combustion (diesel), mobile fuel combustion, fugitive emissions, purchased electricity, upstream distribution, employee commuting and business travel. A third party service provider verifies the group's emission data to assure accuracy and validity.

In progressing its alignment with TCFD recommendations the group has also introduced climate change related matters into the group risk register. Additionally the group will be publishing a stand-alone climate change report in 2023.

# Clicks group: carbon and energy goals

- 10% reduction in direct and indirect carbon emissions intensity by 2030
- 4% reduction in our Scope 1, 2 and 3 (PL) emissions annually off the base year emissions
- Achieve carbon neutrality on all significant direct and indirect emissions by 2050
- 5% reduction in the group's energy consumption by 2030

### **Total carbon emissions**

		Scope 1 and 2
Scope 1	Stationary diesel combustion	599
	Mobile diesel combustion	889
	Mobile petrol combustion	802
	Refrigerant use	1 797
Scope 1 sub-total		4 087
Scope 2 sub-total - location based	Purchased electricity	110 099
Scope 3 and other	3.1 Purchased goods and services	90
	3.3 Fuel and energy related activities	16 097
	3.4 Upstream transport and distribution	7 897
	3.5 Waste generated in operations	1 292
	3.6 Business travel	607
	3.7 Employee commuting	8 757
Scope 3 sub-total		34 740
Outside of scopes	Refrigerant – R22	594
Total Scope 1, 2, 3 and outside of scope		149 520

# **Emissions distribution by scope**

Scope 1 emissions
Scope 2 emissions
Scope 3 emissions
23%

Energy management energy (MWh)			
	2022	2021	2020
Total electricity consumption within the organisation from non-renewable sources	104 215	103 599	105 727
Total energy consumption within the organisation from non-renewable sources	112 573	110 928	110 047

# **Advancing our progress**

The group's energy mix includes both renewable and non-renewable sources of energy. The use of energy includes electricity in stores, DCs, its head office, transportation (mobile and stationary combustions), and cooling systems.

### Renewable energy transition

The group has expanded its use of solar power to reduce reliance on non-renewable energy sources. In addition to the solar installation on the head office roof, the group installed rooftop solar panels across the seven DCs. The facilities collectively have approximately 2 900 MWh installed capacity and will produce over 4 000 MWh energy yields in the first year of operations, reducing emissions by approximately 2%.

# **Energy efficiency measures**

The group has installed energy-saving LED lights in all its stores and DCs and uses extensive metering to measure energy usage. Store lighting is managed through either motion sensors, occupancy sensors or time controls that automatically switch off lights when not needed.

The group has maintained the UPD route planning optimisation initiative which identifies the best possible routes for driver when delivering products and limits driving to 80km/h, saving fuel and reducing emissions.

# **Conserving freshwater**

The group consumes relatively small amounts of water and relies on municipal supplies.

Water is used primarily at stores for hygiene and sanitation, and by pharmacists and nurses for cleaning equipment and mixing medication.

Inadequate access to water and water unavailability are major concerns in Southern Africa, a water stressed region, and has the potential to disrupt the group's operations.

The group has decreased its reliance on municipal water to its head office, by harvesting rainwater and using ground borehole water sources. It has also installed ground water boreholes at its Centurion distribution centre. The group has adopted water conservation measures across the business. The group aims to maintain water consumption at not more than 5% above the 2022 baseline.

The group has increased the scope of water consumption reporting for this current reporting year to include three leased DCs.



Waste performance indicators					
Waste (kg)	2022	2021	2020		
General waste generated	1 055 133	1 231 024	865 658		
Waste recycled	4 394 892	4 020 366	3 878 890		
Medical waste generated	119 055	53 719	77 096		

# Reducing waste and pollution

The group strives to reduce and manage its waste streams to minimise effects on human health and the environment, and to promote the concept of the circular economy to eliminate or repurpose "waste" into new resources.

The group raises awareness with employees to reduce waste in stores and DCs and has systems in place to collect recyclable material. It has initiated separate waste stream processes onsite at its head office and DCs. For waste streams requiring specialised disposal, such as medical waste, fluorescent light bulbs, printer cartridges and hazardous waste, the group outsources collection to certified service providers, and obtains safe disposal certificates.

The group recycled 78% of its total waste generated in 2022.

The group, at its head office, has embarked on a zero waste to landfill journey, implementing a stringent waste management plan focusing on diversion of a range of waste streams from landfill.

The group complies with government's Extended Producer Responsibility regulations aimed at incentivising industry to facilitate packaging waste recycling. The group also forms part of various existing Producer Responsibility Organisations tasked with setting mandatory levies producers and has to pay for respective waste streams. It is a member of Polyco for plastic waste and of eWASA for electrical and electronic equipment, lighting and paper and packaging sectors.

# Reducing packaging and plastic usage

Product packaging presents a key opportunity to demonstrate the group's commitment to responsible product stewardship. There is increasing concern about the resources used in the production of packaging, notably plastic, as well as the impact that packaging has on the environment if it is not recycled or disposed of adequately. To this end, the group participates in collective efforts to work towards long-term common targets for the plastics value chain.

The group is a member of the SA Plastics Pact and committed to joint industry targets by 2025. The SA Plastics Pact has set the following key goals for its members by 2025:

- 100% of its members' packaging re-usable or recyclable
- 25% recycled content from plastic waste across all its members' packaging requirements
- 100% of cardboard and paper used its members' packaging to be sourced from responsibly managed forests

The group's MyEarth range of eco-friendly products are packaged in recyclable plastic packaging or plastic-free packaging made from sustainable paper, all with recycled content where possible.

The group strives to reduce its packaging in other areas which include secondary plastic on gifts, and progressively using more recycled material in private label packaging. The group has continued to innovate to reduce its packaging impacts. For example, the group was the first retailer in South Africa to make use of 25% of PhoenixPET in its bottled water packaging, and has also phased plastic microbeads out of all its private label products. The group has also phased out plastic straws, and introduced ecoconscious cotton buds made from 100% organic cotton tips with paper stems.

The group sells durable reusable and recyclable bags in its stores.

# 05

# Sourcing products that uphold the integrity of our brand







Decent work



and production

# **Highlights**

Spend with SMMEs up by 7.3% year-on-year (y-o-y) to

R1.4 billion

Sales of our MyEarth brand products increased by

21% year-on-year

As a leading health, wellness and beauty retailer in South Africa, the group embraces the opportunity to positively impact lives while promoting smart, sustainable and inclusive product supply chains. This includes supporting small and medium sized local suppliers to become part of the retail sector, thus contributing to much needed economic recovery and job creation. It also means working with all its suppliers to ensure that it provides customers with high quality products that are produced responsibly and ethically. The group also actively works with local suppliers to expand its range of high quality products at affordable prices.

# **Building an inclusive supply chain**

The group's large supply chain presents a significant opportunity for local supply chain support and small, medium and micro-size enterprises (SMME) development, which is critical in creating jobs and building a healthier and more resilient economy.

Total spend on suppliers of goods and services exceeded R35 billion this year. This included a 67% weighted BEE procurement expenditure, with continued transformation of the supplier base.

The group's enterprise and supplier development (ESD) initiatives are steadily increasing its support of small and medium sized suppliers with the spend on SMMEs up by 7.3% y-o-y to R1.4billion, of which R1.1 billion was with black-owned businesses, including R798 million with black women-owned suppliers.

In boosting small local businesses, the group implemented a SMME supplier listing portal that aims to ease entry into its market access ecosystem. Through the platform, it gives new small supplier partners commercial and business support in the form of marketing, promotions,

beneficial payment terms, shared shelf space, and business mentorship, including incubation support from the various teams.

The platform contributed to getting the group to its current total of 546 listed SMMEs of which more than 47% are black owned and 23% of that base are black women-owned.

This year the group invested R67 million in ESD initiatives (2021: R65 million). Furthermore it paid R42 million to 65 owner drivers as part of the UPD supplier development programme.

A particular target area for SMME growth in recent years has been local hair care brands, with a significant investment in black women-owned businesses. Some of the brands the company has worked with include AfroBotanics, AfriBerry and Portia M. At the end of FY22, the group helped 65 black owned businesses (trade suppliers). This includes Masodi Organics' range of natural hair and body products and Kaio, which is AfroBotanics' multicultural hair range.



Refer to the group's Supplier Code of Ethics

# **Ensuring responsible sourcing**

As the group commits to supporting local suppliers, it is imperative that the business builds on current efforts to promote, track and support ethics and sustainable practices across supplier network.

The group's initiatives in building responsible supply chains are driven by its values and supported by its code of conduct and supplier code of ethics. All suppliers are required to sign (and re-sign every two years) these agreements which are aligned to the UN Global Compact. This addresses the group's requirements across areas including labour practices, safety and health, environmental stewardship, governance and ethics, and transformation.

In developing the private label range, the group focuses on sourcing from an accredited, reputable and audited supplier base. It evaluates new suppliers and re-evaluates existing suppliers using a scorecard to assist in identifying supply chain risks. In selecting suppliers, the group prioritises those that demonstrate a greater commitment to responsible practices. The group fosters strong



trusted partnerships to encourage reporting of any non-compliance. Additionally the group also works with suppliers to ensure that they conform to specification standards and product development testing procedures. It conducts supplier audits against standards on various criteria. If suppliers are in breach of any obligations, immediate corrective measures must be taken in order to maintain the contract.

The group actively encourages its suppliers to participate in initiatives like the SA Plastics Pact and to develop products that contain recycled content and support a circular economy.

# Offering products with sustainability attributes

The group partners with suppliers that support innovation and differentiation. Spearheading its exploration of sustainable product innovation, the Clicks' MyEarth range offers an eco-friendly range for consumers who seek in the main sustainable attributes.

The MyEarth range of daily essential products use recyclable plastic packaging or plastic-free packaging made from sustainable paper, all with recycled content where possible. The growing range also offers reusable products made from bamboo, hemp, natural rubber and organic cotton as well as personal care items such as bamboo combs and hairbrushes, and toothbrushes made from recycled plastic waste.

The group also promotes an extensive range of beauty and personal care products across brands that are free from chemicals such as phthalates and parabens.

In striving to provide customers with greater choice and transparency the group has continued to expand its range of private label and branded beauty products that promote animal welfare – products that have a "cruelty free" or "vegan friendly" stamp on them, or products with environmental or social attributes – such as products free from sulphates, parabens, or fragrances, and products with sustainable packaging (see page 17).





# Maintaining product safety, quality and responsible marketing

The group is committed to providing customers with quality products that meet high health and safety requirements. All suppliers are screened for product quality and compliance. The group maintains stringent standards across its supply chain. It has adopted strict quality assurance processes to limit the risk of product failure and non-compliance. Product recall standards and procedures are also in place.

The group responds to and follows up on all product enquiries, concerns or complaints.

All material customer enquiries and complaints are investigated and addressed.

The group adheres to the Code of Advertising Practice administered by the Advertising Regulatory Board, which regulates South African advertising content. The group also has an Advertising Advisory Committee that convenes regularly to assess all marketing material to ensure that it lives up to its commitments to fair and representative marketing. In addition, all marketing practices within the group are conducted in accordance with the requirements of POPIA.

# 06Empoweringmotivatedpassionate people





No poverty



Decent work and economic growth



education



Gender

# **Highlights**

South African-based permanent employees 15 646

2021: 15 136

81%

of employees covered by medical aid/primary healthcare plan 2021: 77% 20%

of employees made use of our wellness programme

Skills development expenditure totalled

R165 million

2021: R187m

In striving to be an employer of choice, the group's commitment to employees is that it provides good jobs, effective training and development initiatives, competitive pay, good working conditions and an opportunity to progress. The group remains committed to shaping an inclusive organisational culture, with the composition of its employee base at all levels accurately reflecting wider society. The group uses its skills base and diversity as an advantage in building an engaged, innovative and successful business. The group is consistently rated as a top employer in the retail space.

The group's targeted efforts have again contributed to it being recognised as the top employer in the retail sector in South Africa for the sixth consecutive year by the Top Employers Institute.

# **Supporting high performing teams**

The group invests in building a strong and diverse leadership team and an agile, performance-based, company culture. The high levels of commitment and performance demonstrated by its workforce, amid the enduring challenges of the Covid-19 pandemic and ongoing rolling blackouts, is testament to the quality of people and the effectiveness of the group's processes and organisational structure, enabling resilience.

The group's employees continue to show how teamwork, discipline and passion for customers enable the group to deliver another strong financial and operational performance.

The group's values drive and guide the way it assesses the performance of employees and supports them to achieve their full potential at work. The group's Code of Conduct commits all employees to observe the highest ethical standards in conducting the group's business.

The group's remuneration policy framework is based on the principles of fair, responsible, transparent remuneration practices and market competitiveness. The group rewards fair pay for work rendered and pays substantially above the minimum wards.

Refer to the group's Code of Conduct

Refer to the group's human rights policy (UN Global Compact Principles -signatories)



The group undertakes regular external benchmarks of salaries and incentives to ensure that it remains competitive.

The annual performance review of all employees considers these focus areas:

- financial performance
- business process improvement metrics, including transformation targets, where these can be influenced by the employee
- customer satisfaction
- · learning and growth
- alignment to the group's values

Executives are also measured against the objectives set by the social and ethics committee on ESG and this also addresses the elements of the BBBEE scorecard.

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

Recognition programmes, training and job rotation opportunities and exposure to stimulating work assignments are designed to motivate, affiliate and retain employees.

The group undertakes an employee engagement survey every second year and conducts targeted pulse surveys periodically. The results are communicated to all business units, divisions and departments to inform action plans. The group consistently performs on par with the South African national benchmark.

## South African group's workforce

	Male			Female					
	African	Coloured	Indian	Non Black	African	Coloured	Indian	Non black	Total
Top management	1	0	3	12	3	1	0	4	24
Senior management	10	13	6	24	6	10	6	12	87
Professionals, specialists & mid-management	163	75	43	117	220	83	78	170	949
Skilled workers, supervisors & junior management	770	207	56	58	1 115	493	125	311	3 135
Semi-skilled & discretionary decision-making	3 585	547	42	35	5 561	1 491	88	80	11 429
Unskilled and defined decision-making	8	1	0	0	13	0	0	0	22
Total permanent employees	4 537	843	150	246	6 918	2 078	297	577	15 646

# Promoting diversity, equity and inclusion

The group promotes a workplace that is supportive, fair, adaptable and involving of all, where every colleague is valued and respected for who they are and can fulfil their potential.

The group's Code of Conduct and values set out the behaviours expected of all employees. The group has a zero-tolerance approach to bullying, harassment, gender based violence (GBV) and victimisation. The employee wellness programme (EWP) includes initiatives aimed at creating awareness around GBV and ensuring that it promotes and maintains a safe, secure and productive work environment

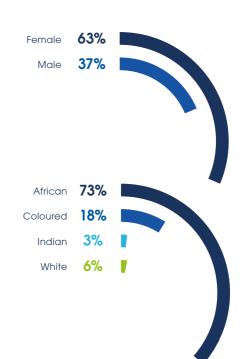
The group implements an anonymous and secure whistle-blowing facility to facilitate the confidential reporting of concerns about potentially unethical, unlawful or unsafe conduct or practices that conflict with company values and code of conduct.

The group has continued to make good progress in ensuring equity within the organisation through good governance, policies and practices and building a culture that enables diversity and inclusion. The majority of its workforce is women with representation across all levels of the organisation. The group welcomed Bertina Engelbrecht as CEO during the fiscal year, becoming the first black woman to lead a listed retail group in South Africa.

The group also conducted its first Women's Empowerment Gender Gap Analysis evaluation, a business-driven tool designed to help organisations assess gender equality performance across leadership and strategy, in the work and marketplace and in the community.

Encouragingly, the group achieved a result well ahead of the norm beginner-improver category, presenting in the achiever category (63%). The assessment has enabled it to understand the areas where it leads, as well as areas for development and improvement.

The group supports the national agenda aimed at the employment of youth across its functions. During the financial year, the group employed 3 031 South African-based employees. The group has 522 employees living with disabilities. It provides opportunities for employee training and employment opportunities for disabled learners.



# Leaders in delivering transformation

As a proudly South African company with a diverse workforce and a customer base that is predominantly female, inclusive transformation has always been integrated into the group's strategic plans. The group's sustained rating as the top BBBEE and gender-empowered company in the health, pharmaceutical and retail sector bears testimony to its commitment to transformation and an inclusive society. The group has maintained a level 4 BBBEE rating.



# **Protecting and supporting** employees

The group is committed to maintaining safe, healthy conditions in the stores, pharmacies, clinics and DCs, and to supporting the good health and wellbeing of employees. The Covid-19 pandemic elevated the importance of health, safety and wellbeing within the group.

The group's approach has always been to raise awareness, inspire and motivate people to look after their wellbeing. Supporting the mental wellbeing of the workforce was critical during the Covid-19 pandemic, which increased levels of stress, and the group has continued to implement mental health and resilience interventions. In promoting wellbeing, the group encourages employees to make use of the award-winning EWP which is built on a holistic wellbeing model. The EWP, through a third party service provider, offers free independent,

confidential, professional counselling and advisory services, virtually or face to face, to help individuals cope with a range of personal challenges that can impact their work performance and their family. To increase levels of engagement, the group promotes wellbeing coaching and online learning modules. The EWP also extends to employees' immediate household dependants. It is available 24/7 in all official South African languages.

The group encourages employees to complete wellness screenings, including blood pressure, glucose, cholesterol, body mass index and HIV tests during the wellness days, which are held nationally across its business.

This year more than 20% of employees made use of the EWP.

The group continues to fund the cost of primary health insurance for more than 80% of employees not covered by medical aid.

The group implements a health and safety policy which covers employees, contractors and customers, and has health and safety committees across the business to help maintain workplace safety and support employees' wellbeing. All employees receive health and safety training as part of their induction. Specific training is provided where required. A third party verification service provider annually conducts an audit analysis of the programmes and procedures of the group's health and safety programme.

# **Health and safety indicators**

	2022	2021	2020
Health and safety committee members	1 009	732	733
Fire-fighters	817	725	717
First-aid representatives	855	732	690
Injuries on duty	91	72	84
Occupational diseases	1	23	138
Lost days	17	277	372
Fatalities	0	0	2

# **Investing in training and skills** development

Scarcity of retail and healthcare skills remains a key risk and challenge in the business. The group's talent and skills development framework aims to attract and retain the best talent and skills available in the market, enhance individual and business performance, ensure business continuity and accelerate workforce transformation.

The group invested R164.8 million in learning and skills development this year. This included onthe-job training, skills programmes, learnership programmes, short courses and academic qualifications. Black employees accounted for 96% of those trained of which 62% are women.

To strengthen its emerging talent pipeline the group maintains the following:

- · a pharmacy bursary scheme, internship and graduate programmes
- retail graduate and IT learnership programmes
- accredited training programmes for store management, key store roles, and merchandise and planning roles
- · senior leadership development programme that strengthens the pool of management talent and provides candidates for succession planning

The group has a resourcing function which includes a specialist 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.

# Training and skills development indicators

	2022	2021	2020
Learning and development spend (R million)	165	187	140
Number of employees trained	3 746	4 062	4 776
Black employees as a % of all employees trained	96	98	95
Female employees as a % of employees trained	62	57	69
Bursaries granted (R million)	5.4	5.6	6.3

# **Group's EWP**

life	Legal advice Financial advice Family challenges Relationship challenges Substance abuse	Performance support programme  Managerial consultancy  Trauma, debriefing and counselling
My life	Physical, psychological and emotional health  HIV Aids management	Trauma, debriefing and counselling  Team support

# 07 ESG Databook

# **About this databook**

The group databook is part of the annual sustainability reporting suite. The Sustainability overview covers the group's ESG material issues and demonstrates its commitment to reducing our impact on the environment and the society. The data in this book covers the group's performance across ESG material issues for the financial year 2022. The scope of the information covers the group's sustainability performance, including SDGs, GHG emissions reduction targets and TCFD recommendations.

# Other supporting ESG tools are available on the group's website

- Clicks Group integrated report
- Clicks Group sustainability overview report
- Clicks Group climate change report
- Clicks Group environmental and climate change policy
- CDP disclosure
- Carbon foot print verification opinion
- UN Global Compact and OECD commitment
- Clicks Group code of conduct
- Clicks Group CSI policy
- Clicks Group HIV/AIDS policy
- Clicks Group supplier code of ethics

## **ESG** data assessment

Clicks group ESG data is assessed under the following platforms: S&P, FTSE/Russell, CDP, MSCI

# **Highlights**

# **Environmental**



Increase renewable energy generation to 4 500 MWh in 2023

This will save approximately

5 077 †CO<sub>2</sub>e in the first year (2023)

9%

increase in waste recycled vs. 2021

Commitment to carbon neutrality by 2050

Maintained our Intensity (tCO<sub>2</sub> e/full-time employees) (Scopes 1, 2 and 3) at 6 for the past 3 years

# Social



Group turnover

+6.0% to R39.6 billion

Return on equity increased to

48.0%

Celebrated the appointment of a black female CEO

40%

female board members

3.5 million

Covid-19 vaccinations administered since inception

R5.4 million spend on bursaries

88

bursaries awarded

R24 million

spend on social economic development programmes

# **Carbon emissions targets**

Scope boundary	Scope 1 and 2	Scope 1 and 2	Scope 2
Target type	Intensity target	Intensity target	Renewable energy target
Base year	FY2015	FY2015	FY2015
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	FY2025	FY2030	FY2025, FY2030
Target year value	0.176 tCO <sub>2</sub> e/m <sup>2</sup>	0.171 tCO <sub>2</sub> e/m <sup>2</sup>	5% of the electricity from renewable energy by 2025 10% of the electricity from renewable energy by 2030

# Packaging waste

The group is a member of The South African Plastics Pact (SAPP) and committed to joint industry targets by 2025.

# Targets include:

- Elimination of unnecessary and problematic plastics through redesign, innovation or alternative delivery models. This is aligned to SAPP innovation and design guidelines
- 2. 100% reusable, recyclable or compostable packaging. This is aligned to acceptable categories (this excludes all healthcare blister packs and medicines)
- 3. 70% plastic waste effectively recycled through membership with Producer Responsibility Organizations
- 4. 30% average plastic content recycled content across all plastic packaging through implementation across different plastic types



# Strategic outlook

The group understands the need to enhance its environmental commitment by going beyond the need to minimise impact but also ensure oversight and setting future priorities on emerging sustainability issues which include:

# **Group commitments**

Aspect	Action
Carbon neutrality	Reduce the group's Scopes 1, 2 and 3 (private label) emissions by 4% of the base year emissions per annum
Renewable energy	Increase renewable use as a % of total electricity used
Energy efficient across operations	Maintain and continue the installations of LED lighting in all stores  Maintain the route planning optimisation
Product waste	Reduce product waste (specific to stores and DCs)
Packaging and own branded plastics	Reduce plastic packaging across the value chain
Sustainable supply chain	Assessing the ESG awareness and integration across its supply chains and continue to source sustainable products
Water efficiency	Maintain water consumption at not more than 5% above the 2022 baseline
BBBEE score	Improve the group's BBBEE score to level 3 from current rating of level 4

Carbon emissions intensity target 10% metric tonnes reduction by 2030 Committed to a 10-year target of 4.2% reduction of the base year emissions per annum (base year 2022) Committed to become carbon neutral by 2050

# Group contribution towards SDGs



patterns

• SAPP, of which the group is a member, has set goals to have 100% plastic packaging reusable, recyclable or compostable by 2025

Responsible consumption and production

> Take urgent action to combat climate change and its impacts

- The group has set carbon neutrality targets of 4.2% annual emissions reduction over a 10-year period
- The group is a signatory to the African Business Leaders' Climate Statement (UN Global Compact)

Climate action

13 CLIMATE ACTION

Es.

**CLICKS GROUP** SUSTAINABILITY OVERVIEW AND ESG DATABOOK 2022

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# The Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

The group conducted a gap analysis on its TCFD readiness and alignment to identify areas of improvement in the group's climate change governance, strategy, risk management, and metrics and targets reporting. The efforts served to communicate the group's commitment to climate change-related risks to investors. The group has taken several steps to address the TCFD alignment gaps identified in the assessment.

Category	Description	Action
Governance	<ul> <li>Describe the board's oversight of climate-related risks and opportunities</li> <li>Describe management's role in assessing and managing climate-related risks and opportunities</li> </ul>	The group updated its climate change policy which can be used to communicate climate change management initiatives  The board approved the group's climate change strategy and understands the group's climate change related commitments set out in an updated climate change policy statement as well as its climate change targets  The group has included climate change related matters in the Risk Register  The group CEO and executive committee are responsible for the implementation and execution of overall strategy- including ESG and climate change strategy
Strategy	<ul> <li>Has the group identified climate-related risks and opportunities over the short, medium and long term?</li> <li>Describe the resilience of the group's strategy, taking into consideration different climate- related scenarios</li> </ul>	The group has adopted the carbon neutrality approach and has set targets as part of its response to TCFD recommendations and the Paris Agreement  The group has maintained its commitment to reduce plastic packaging. The group is a member of Polycor SA Plastic Pact and eWASA  The group has continued to grow My Earth range of eco-friendly products
Risk Management	<ul> <li>Describe the group's processes for identifying and assessing climate-related risks</li> <li>Describe the group's processes for managing climate-related risk</li> <li>Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management</li> </ul>	Risk management is embedded in the daily, weekly and monthly operational management structures. The group conducts regular business reviews which provide the opportunity to perform risk management based on up to date information, relevant business performance metrics and competitor analysis  Strategic risks including climate-related risks facing the group are identified formally as an outcome of the three-year business planning cycle. In line with the organisation's risk culture, strategic risks, mitigations, projects and initiatives are formally considered, and actioned as part of the business planning cycle  Strategic risks under consideration are captured and included in the register of group risks
Metrics and targets	<ul> <li>Disclose the metrics used by the group to assess climate-related risks and opportunities in line with its strategy and risk management process</li> <li>Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gases (GHG) emissions, and the related risks</li> <li>Describe the targets used by the group to manage climate-related risks and opportunities, and performance against targets</li> </ul>	The group restated its carbon footprint  The group has updated the climate change metrics in accordance with the restated carbon footprint  The group adopted a carbon neutral target for 2030 covering all direct and indirect emissions covered by the near-term target. The target will require all group operations to achieve carbon neutrality, including its private label suppliers and other significant indirect emission sources

# Sustainability indicators

Environmental	Description	Units	2022	2021	2020
Scope 1 emissions	Stationary diesel combustion	(CO <sub>2</sub> e) metric tonnes	599	335	432
	Mobile diesel combustion		889	1 004	1 039
	Mobile petrol combustion		802	795	759
	Refrigerant use		1 797	205	540
Scope 2 emissions	Purchased electricity	(CO <sub>2</sub> e) metric tonnes	110 099	109 023	107 279
Scope 3 emissions	Purchased goods and services	(CO <sub>2</sub> e) metric tonnes	90	61	60
	Fuel and energy-related activities		16 097	15 903	13 292
	Upstream transport and distribution		7 897	7 516	8 764
	Waste generated in operations		1 292	1 464	1 079
	Business travel		607	326	751
	Employee commuting		8 757	9 406	9 254
	Intensity (tCO <sub>2</sub> e/full-time employees) (Scopes 1, 2 and 3)		16	16	16
Water security	Total water usage	Kilolitres	62 630	42 198	42 300
Pollution and waste	General waste generated	Kilogrammes	1 055 133	1 231 024	865 658
	Waste recycled	Kilogrammes	4 394 892	4 020 366	3 878 890
	Medical waste generated	Kilogrammes	119 055	53 719	77 096
Energy management	Total energy consumption	Kilogrammes	104 214 958	103 598 516	105 727 236
	Renewable energy	Kilowatt hours	630 817	639 743	632 139
	Total group permanent number of employees	Number	16 492	15 871	15 582
	Number of permanent employees (South African-based)	Number	15 646	15 136	14 846
	Female employees top management	Number	8	5	5
	Female employees senior	Number	34	35	34
	Female employees professionally-qualified	Number	551	530	514
	Female employees technically-skilled	Number	2 044	2 005	1 970
	Female employees semi-skilled	Number	7 220	7 069	6 938
	Female employees	%	63	64	64
	Male employees	%	37	36	36
	Employees Africans	%	73	71	69
	Employees Coloureds	%	18	19	19
	Employees Indians	%	3	3	3
	Employees Whites	%	6	7	9
Social	Description	Units	2022	2021	2020
Employee wellness	Percentage of active workforce covered under collective bargaining agreements	%	13	13	10
	Staff turnover	%	20.84	19.84	19.67
	Investment in training / skills development	Rm	165	187	140
	Employee training	Number	3746	4062	4776
	Black employees trained	%	96	98	95
	Female employees trained	%	62	57	69
	Bursaries granted	Rm	5.4	5.6	6.3
	Employees cover by medical aid/primary healthcare plane	%	80.6	77	79.2
	Group Employee Wellness Programme utilisation: Total utilisation rate	%	20.2	32.1	23.8
	Group Employee Wellness Programme utilisation: managerial services	Number	442	664	413
	Group Employee Wellness Programme utilisation: managerial services	%	51.7	56.2	8.3
	Group Employee Wellness Programme utilisation: high-risk cases	Number	110	87	76
	Group Employee Wellness Programme utilisation: store armed robbery incidents	Number	35	17	22
	Group Employee Wellness Programme utilisation: HIV/AIDS management programme	Number	50	70	71
	Health and safety committee members	Number	1 009	732	733
	Firefighters	Number	817	725	717
	First aid representatives	Number	855	732	690
	Injuries on duty	Number	91	72	84
	Occupational diseases	Number	1	23	138
	Lost days	Number	17	277	372
	Fatalities	Number	0	0	2
Board diversity	Composition of the board and its committees by: race (black)	%	60	64	56
	Composition of the board and its committees by: gender (female)	%	40	36	33
Board composition	Composition of the board in relation to: non-executive (%)	%	80	73	67
Board independence	Composition of the board in relation to: independence (%)	%	80	73	67
•	BBBEE Rating	Number	4	4	5

