

NEXT

CORPORATE
RESPONSIBILITY REPORT
TO JANUARY 2023



INTRODUCTION

Our purpose is to provide our customers with beautifully designed, excellent quality products that are well made, safe and responsibly sourced

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About this Report

This report covers the continuing social, ethical and environmental related activities undertaken by NEXT during the financial year ending 28 January 2023. Our business in the United Kingdom (UK) and Eire accounted for around 88% of our turnover in the year, although this report refers to our global operations where relevant.

This report is published on our website at nextplc.co.uk and is available to employees on our intranet.



About NEXT

NEXT is a UK based retailer offering beautifully designed, excellent quality clothing, footwear, accessories, homeware and beauty products.

NEXT Online

- Over 8 million active customers globally
- Websites serving over 60 countries

NEXT Retail

- Around 460 stores in the UK and Eire

NEXT Finance

- Provides £1.5bn of customer credit for NEXT customers to purchase products online and in our stores

NEXT International Retail

- Over 200 franchised stores
- Operates in 33 countries

Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades through NEXT Online, from 48 NEXT stores and through wholesale and franchise channels
- Victoria's Secret trades through NEXT Online

NEXT Distribution

- 9 UK warehouses, 7 UK distribution centres and 1 international hub
- NEXT owned distribution fleet

NEXT Sourcing

- Designs and sources NEXT branded products
- Global sourcing locations including a Hong Kong Head Office

NEXT Employees

- Around 44,000 employees globally

WELCOME TO OUR 2023 CORPORATE RESPONSIBILITY REPORT

Welcome

As an international fashion, homeware and beauty business, what we do and how we do it has an impact on the people and the world around us. Our stakeholder relationships are key to our success and this report summarises what we're doing to make our impact a positive one for our people, our suppliers, our communities and our environment.

The principles underpinning our aim to do business responsibly are unchanged. We seek always to:

- Deliver value to our customers
- Act in an ethical manner
- Recognise, respect and protect human rights
- Develop positive relationships with our suppliers and business partners
- Recruit and retain high integrity employees
- Take responsibility for our impact on the environment
- Provide support through donations to charities and community organisations

Global issues, such as responsible sourcing, human rights and climate change remain key areas of focus. Behind the scenes, a great deal of work is underway to set solid foundations for a realistic and achievable transition plan to reach net zero. Within this report you can read about:

- Progress towards our 2025 Responsible Sourcing Strategy, which aims to source 100% of our key raw materials through known, responsible or certified routes by 2025
- The activities of our internal Code of Practice team, who continue to work with our suppliers worldwide to meet appropriate labour standards
- The progress we have made towards our Science Based Target Initiative (SBTi) approved carbon emission reductions for Scope 1, 2 and Scope 3
- The range of commitments and initiatives we are working on to improve the wellbeing of our people
- Our progress on waste, packaging and recycling throughout the business.

We continue to implement the United Nations Guiding Principles on Business and Human Rights and align our work with the United Nations Sustainable Development Goals (SDGs) that are most relevant to our business operations and products.

Pricewaterhouse Coopers LLP (PwC) have performed Independent Limited Assurance on selected balances for the year ended 28 January 2023. Details of the balances which have been assured are included on page 20, and their independent assurance report can be found on page 34.

Responsibility statement

The Directors of NEXT Plc confirm that we are solely responsible for the preparation of the Corporate Responsibility Report for the year ended 28 January 2023, including this Directors' Statement, and for reporting the selected ESG performance metrics (together the "Subject Matter Information") in accordance with the reporting criteria available online at: nextplc.co.uk

We confirm, to the best of our knowledge and belief, that we have:

- designed, implemented and maintained internal controls and processes over information relevant to the measurement, evaluation and preparation of Subject Matter Information that is free from material misstatement, whether due to fraud or error
- established objective reporting criteria for preparing and presenting the Subject Matter Information, including clear definition of the entity's organisational boundaries, and applied them consistently
- presented information, including the reporting criteria, in a manner that provides relevant, complete, reliable, unbiased/neutral, comparable and understandable information
- reported the Subject Matter Information in accordance with the reporting criteria.



Amanda James
Group Finance Director
28 April 2023



OVERVIEW AND GOALS AT A GLANCE

Protecting Workers in Our Supply Chain

There are around 1.8 million workers in our Tier 1 supply chain whose safety, human rights and wellbeing must be protected. Any instance of forced labour is unacceptable.

We employ our own global Code of Practice team to educate, support and audit our suppliers. The audits are rated and, where possible, we support our suppliers to successfully remediate critical issues, so that we can contribute to better working standards in our industry.

Human rights abuse and modern slavery are complex issues that can take many forms. We use the UN Guiding Principles Reporting Framework to help us identify, prioritise and manage the risks within our supply chain.

Responsible Sourcing and Supporting Circularity

We aim to design, produce and sell products that are sourced responsibly, manufactured in a way that limits pollution and waste, and achieve a longer useful life.

We have a clear Responsible Sourcing Strategy to source 100% of main raw materials through known, responsible or certified routes by 2025.

We also look for ways to support circularity. One area in which we can make a big difference is diverting products from landfill, particularly with our larger Homes products. We partner with different charities to ensure useful items are reused, while also raising funds to support their aims.



NEXT is listed in the FTSE4Good Index. The index is designed to measure the performance of companies demonstrating strong environmental, social and governance (ESG) practices. We are rated AA (Leader) within MSCI ESG Ratings analysis and achieved B in our CDP Climate response, B in our CDP Water Security response and B- in our Forest response.

Tackling Climate Change

We want to minimise our impact on the environment as much as possible. To achieve this, we're creating more sustainable ways of doing business while continuing to reduce our carbon footprint.

We set ambitious targets to reduce our absolute Scope 1 and Scope 2 carbon emissions by 55% from a baseline year of 2016/17. We are progressing well against this 2030 target.

Our targets have been approved by the Science-Based Emission Target Initiative (SBTi) and our Scope 1 and Scope 2 targets are consistent with the reductions required to keep global warming to +1.5°C in line with the Paris Agreement.

Making NEXT a Great Place to Work

Our 44,000 employees are integral to our success.

Our priority is to support the health, safety, wellbeing and development of our people. We also encourage a diverse workforce where everyone is treated with respect.

Our Wellbeing Programme is embedded across the business and has a particular focus on mental health. We have supported the formation of a number of employee-led networks that celebrate the diversity of backgrounds across NEXT.

Supporting Our Communities

We want to partner with causes that make a real difference.

In particular, we partner with the British Heart Foundation (BHF). Our customers' donated furniture and home products have helped BHF raise over £1.6m since we started to work with them in 2016.

SUSTAINABLE DEVELOPMENT GOALS AND OTHER METRICS

NEXT's Alignment to SDGs

Through our business activities, we impact directly or indirectly on all SDGs. There are a total of 17 global goals; we have aligned our reporting against the nine SDGs that are most relevant to our business operations and products. We focus on those goals where we can make the biggest difference to the environment and society. We:

- Recognise our role and responsibility by adopting the UN Guiding Principles on Human Rights
- Take into account our impact across our whole supply chain and focus on areas where our impact is greatest

We have a role to play in reaching these SDGs through our own direct actions and collaboration with others.

We've summarised the key activities we are undertaking in relation to them on the next page.

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

We are committed to minimising our environmental impact by reducing both the carbon intensity of our activities and the natural resources we use.

During our initial review, we considered the risks and opportunities posed by climate change and how they might impact our business. We considered the transitional and physical risks and opportunities presented by rising temperatures, climate-related policy and emerging technologies, and agreed a methodology for assessing and quantifying financial impacts.

We used the following time horizons for our assessment:

- Short term: present day to 2025
- Medium term: from 2025 to 2030
- Long term: from 2030 to 2040

The risks identified during our analysis are more likely to present themselves in the medium to long term, and having assessed and modelled the risks, we believe there is no immediate material financial risk or threat to our business model in the short term.

Even though there is uncertainty around the time horizon over which climate risks will materialise, stakeholder expectations and regulatory attention could develop at pace, impacting the rate at which the business may need to cut carbon emissions. We recognise that we will need to keep abreast of future climate change legislation, as well as consumer preferences. The retail sector is faster paced than many, and there are likely to be changes in the way retailers do business in the next few years. However, we have a strong track record of evolving at pace and are confident we can react accordingly.

We have undertaken climate scenario analysis to understand and explore how potential climate risks and opportunities could evolve and impact our business over the medium to longer term.

The TCFD specifically recommends that organisations consider a set of scenarios, including a '2°C or lower scenario' in line with the 2015 Paris Agreement. This low carbon scenario is centred on 'transition' risks and looks at the rapid changes, such as policy, technology, market and reputational risks, that will be needed to cut emissions in line with the Paris Agreement. The scenario analysis should also consider 'physical' risks, such as temperature rise, sea level rise, and changes to the frequency and severity of extreme weather events, including droughts and storms. This is most relevant to our supply chain, the majority of which is based in Asia.

We examined three climate scenarios against two timeframes for the purposes of our analysis. The climate scenarios selected were late transition, early transition and hothouse world and the timeframes selected were to 2030 and 2040, to align with our long term planning horizons and the British Retail Consortium commitment to net zero by 2040.

Our TCFD reporting can be found in our Annual Report.

Sustainability Accounting Standards Board (SASB)

During the year, we have developed our approach following the initial gap analysis against the SASB metrics for Apparel, Accessories and Footwear, which we completed in 2020 across the four areas:

1. The Management of Chemicals in Products (Chemicals)
2. Environmental Impacts in the Supply Chain (Environment)
3. Labour Conditions in the Supply Chain (Labour)
4. Raw Materials Sourcing (Raw Materials)

For Chemicals, Labour and Raw Materials we are well on our way to full compliance.

Having developed a programme to prioritise our suppliers, last year was year one of our three year plan to benchmark our suppliers against the standards within the Zero Discharge of Hazardous Chemicals (ZDHC) requirements. By the end of 2022 over 550 of our textile wet processors were engaged and signed up to the ZDHC Gateway.

For Labour and Raw Materials, our main efforts were around improving our existing policies and internal metrics to align more closely to the SASB requirements. While our compliance in these areas is good, we continue to work on disclosure against the SASB standards. Our policies are available to our suppliers via our Supplier Communication platform, and we host key policies on our corporate website at nextplc.co.uk

We continue to work towards conformity with the standards required by SASB as it takes some time for us to engage with our whole supply chain. We are in the process of significantly improving our ability to measure our suppliers' environmental performance across energy use, chemicals, waste and water use and discharge, where the main impact is at Tier 3 in our supply chain.





Within our supply chain we have over 3,000 fabric and yarn suppliers at our Tier 3 level and, whilst our membership of the Sustainable Apparel Coalition will assist, to fully document our impact within such a wide ranging supply chain remains an onerous task.

Our SASB Report is available [here](#)

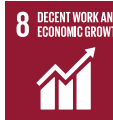




To find out more, please see the Responsible Sourcing and Tackling Climate Change sections.

SUSTAINABLE DEVELOPMENT GOALS AND OTHER METRICS FOCUS AREAS

NEXT's SDG Key Focus Areas

		Further information see pages
	<ul style="list-style-type: none"> Our COP team works to ensure that workers in our global supply chains are paid correctly by their employers Providing employees with financial wellbeing support in areas such as managing debt and financial planning 	7 to 8 26
	<ul style="list-style-type: none"> Implementing the UN Guiding Principles (UNGP) on Business and Human Rights to ensure workers in our supply chain have safe working conditions Providing health and wellbeing support to our employees and recognising the importance of specific areas, such as positive mental wellbeing Implementing chemical management programmes in line with our Chemical Policy with product related suppliers for the use of clean chemicals in the supply chain. As a signatory to ZDHC, we will work collaboratively with others to develop this further 	8 25 to 26 16 to 17
	<ul style="list-style-type: none"> At NEXT, 70% of employees and 36% of our Board directors are female Within our supply chain, gender equality is a fundamental human right. For example, NEXT supports KADAV, a non-government organisation (NGO) based in Istanbul, Turkey, which works with predominantly Syrian women to provide them with access to support, including childcare, Turkish language lessons, empowerment training and social support 	25 6 to 11
	<ul style="list-style-type: none"> As a retailer, the majority of our water use is within our supply chain. Mapping our supply chain enables us to identify at-risk locations and the suppliers we can work with to improve water efficiency NEXT strives to ensure that workers in our global product supply chains have access to clean water and sanitation NEXT's Chemical Policy supports the implementation of chemical management programmes with suppliers for the use of clean chemicals in the supply chain to manage effluent in order to prevent contamination of waterways 	27 12 16

NEXT's SDG Key Focus Areas

		Further information see pages
	<ul style="list-style-type: none"> NEXT is a member of the Ethical Trading Initiative (ETI), International Accord and ACT (Action, Collaboration and Transformation). These programmes help to address identified human rights and modern slavery impacts within our supply chain We are continuing to support the fight against modern slavery by implementing the UNGP on Business and Human Rights We are looking for opportunities to help disadvantaged members of society into employment 	6 8 to 9 27
	<ul style="list-style-type: none"> We use a large variety of raw materials. Through our 2025 Responsible Sourcing Strategy, we are working to ensure these materials are sourced and produced sustainably and responsibly We are providing customers with solutions to recycle difficult to recycle products, such as mattresses and furniture NEXT works to reduce our direct carbon emissions across the business. Our target of diverting at least 95% of our waste from landfill by 2020 is already being achieved with 95% being diverted for recycling, reuse or energy recovery 	12 17 19 to 24
	<ul style="list-style-type: none"> Please see detailed table in Environment 	20
	<ul style="list-style-type: none"> NEXT is committed to the protection of natural resources and will source all land based raw materials responsibly 	12
	<ul style="list-style-type: none"> Underpins all of our responsible business activities 	CR Report



PROTECTING WORKERS IN OUR SUPPLY CHAIN

Highlights

As part of the active management and remediation of our supply chain, we:

- Supported 30 factories to successfully remediate critical issues found during our Code of Practice audits. A further 17 sites are participating in an active remediation process
- 89% of NEXT branded factories were rated as excellent, good or fair under our rating system
- Worked with 13 factories to successfully remediate modern slavery issues. An additional four sites are being supported through an agreed remediation process
- Disengaged seven factories where remediation of modern slavery issues had not been achieved to an acceptable level. These cases related to wage retention

Aligned SDGs

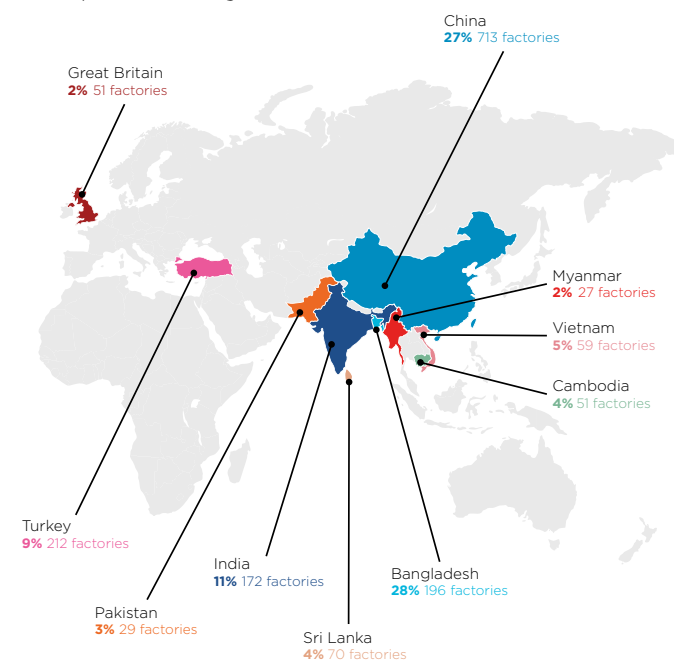


Our Commitment

We will not tolerate any instance of modern slavery in our business or in our supply chain. NEXT products should be made by workers who are treated honestly and fairly for the work they undertake and whose human rights and wellbeing are respected.

Our Supply Chain

As with most retailers, our supply chain is diverse and dynamic, and in 2022 we sourced NEXT brand products from 42 countries illustrated below. From raw material sources to final products, our supply chain comprises five tiers. Our top ten sourcing countries are as follows:



The figures represent the percentage of our business volume and the number of factories per country.

There are around 1.8 million workers in our Tier 1 supply chain alone, so it is fundamentally important to make sure they are protected – in other words they:

- are not forced into work
- have good, safe working conditions
- aren't discriminated against by their employers
- receive a fair salary for the work they do

The violation of human rights anywhere in our operations is unacceptable and we deal firmly with any infringements identified in our supply chain.

Our Approach

We want to help suppliers to resolve issues, but we will not continue to work with them indefinitely if there is no willingness on their part to improve.

Our priorities are to:

- Develop and improve workers' conditions, including safety and human rights
- Communicate and support the achievement of compliance with our ethical standards by all our suppliers
- Support our suppliers to achieve continuous improvement through partnership
- Implement sustainable programmes and initiatives with suppliers to improve their capacity and ability to deliver within our ethical requirements
- Continue to develop opportunities to work in collaboration with other brands and retailers, governments, trade unions and NGOs

To support our suppliers and provide assurance that our workers are being treated fairly, we have an in-house Code of Practice (COP) team of ethical auditors. The COP team comprises 48 employees based in our key sourcing locations around the world. Our ethical trading programme is based on the Ethical Trading Initiative Base Code (ETI) and International Labour Organisation Conventions.

PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

The COP team supports the protection of workers in our supply chain by:

- Keeping our COP Principle Standards up to date. These standards set out the minimum requirements for our suppliers in relation to worker safety, human rights, employment and working conditions
- Inducting, training and supporting our suppliers to make sure they understand our expectations. Working with suppliers to raise their standards rather than terminating the relationship delivers a better outcome for workers and the supply chain as a whole
- Ensuring our suppliers are aware of our Auditing Standards to help them fulfil their obligations. Compliance with the standards is a contractual condition of business for all product suppliers
- Auditing our suppliers' compliance with our standards. These audits generally take place unannounced. Our audit plan is risk-based, taking into account geographic location, ethical reputation, the type of manufacturing process and the factory's most recent audit rating
- Drawing up Corrective Action Plans where we find areas for improvement during an audit. The plan is agreed with the supplier and factory management and follow-up reviews monitor progress against the plan
- Running training initiatives for our employees, suppliers, business partners and service providers to build knowledge and awareness
- Holding supplier conferences and regular meetings with individual suppliers to share information and develop relationships

We work with both suppliers and external experts to resolve issues within our supply chain and raise standards. To ensure our suppliers have access to and understand our policies and requirements, all the information they need is available via our Online Supplier Portal.

During 2022/23, the COP team carried out 2,039 audits, of which 93% were on-site visits and 7% were virtual audits. In total, 32% of our audits were announced and 68% unannounced, which reflects the fact that all of our virtual audits have to be announced and our teams were

A breakdown of audits by category rating is shown below along with a definition for each category (by contracted units)



PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

still faced with travel restrictions in some regions during the year. During these audits, we identified 24 cases of modern slavery-related risks. Of these, 17 cases have been successfully remediated or have an agreed plan to remediate and seven factories have been disengaged.

Country Risk Analysis

We use an internally-developed country risk analysis tool to assess the human rights and modern slavery risks in our supply chain. It combines our identified salient human rights risks with factors, such as geographical location, vulnerability of impacted groups, frequency of issues and level of mitigation already in place to give an overall risk rating for each sourcing location.

We also use them to help identify future projects that will reduce the risk in our supply chains. They are also used to help identify where we should seek to collaborate with appropriate organisations to bring about meaningful improvements.

United Nations Guiding Principles

We are committed to ensuring people are treated with dignity and respect by upholding all internationally recognised human rights principles encompassed in the Universal Declaration of Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. NEXT takes any allegation of all forms of human rights abuse seriously.

We follow United Nations Guiding Principles on Business and Human Rights (UNGPs). It helps us to recognise and manage the risk of harm associated with unsatisfactory working conditions, discrimination, modern slavery, human trafficking and forced or bonded labour, particularly in relation to the most vulnerable and exploited, such as women and children.

UN Guiding Principles Reporting Framework Index

This report aims to align with the UN Guiding Principles Reporting Framework. The Reporting Index is designed to identify how and where the framework disclosures are addressed. Find out more [here](#)

Our key indicators for potential human rights and modern slavery risks are:

- Wage retention
- Child labour
- Discrimination
- Restricting freedom of movement
- Employment fee being charged
- Unauthorised deductions from workers' pay
- Forced labour
- Unregistered workers

Using these indicators, we have identified a number of particularly vulnerable groups, including migrant labour, young workers and female workers in South India fabric mills. Read our case studies on the following pages to find out how we are helping these groups.

Training and Awareness

- Around 600 new employees successfully completed our updated bespoke online training course during the year
- To date, over 4,900 employees globally have completed the course, including refresher training every two years
- We have continued to induct suppliers and third-party brands on to our bespoke portal, which provides information on our approach to supply chain risks and guidance on best practice. To date, we communicate with over 760 suppliers and brands.

Find out more:

Our salient risks, why they are important to NEXT, and the key activities we have undertaken can be found [here](#).

A copy of the NEXT Human Rights and Modern Slavery Policy can be found [here](#) and our latest Modern Slavery Transparency Statement can be found [here](#).

Our latest Principle Standards and Auditing Standards can be found [here](#).

Situation in Myanmar

In 2021, a military regime took charge in Myanmar. This regime has since been accused of human rights violations.

We have considered not sourcing from Myanmar and while it can send a clear signal that government policies and practices are unacceptable, it can also do huge damage to local communities and workers, depriving them of investment and wages. For now, we have limited our orders to a small number of factories with which we have a longstanding, meaningful business relationship and continue to closely monitor the situation.

Our own directly employed team based in Myanmar works directly with our suppliers and factories to ensure compliance with our standards on workers' human rights, safety and working conditions. The team carries out very regular, unannounced audits on all of these factories to ensure workers human rights were respected. During the year, we identified instances of child labour in one of our supplier's factories; further details can be found in our Modern Slavery Statement.



PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Grievance Mechanisms and Worker Voice

Our approach to grievance mechanisms is in line with the UNGPs. Through our country risk analysis, in 2021 we identified a need to implement an effective worker voice mechanism to receive and help address workers' grievances in Pakistan. Having reviewed proposals, during the year we trialled an approach in Pakistan in two factories, using an app called TIMBY (This Is My Back Yard), which provides a channel for workers to raise concerns or grievances. To date, 32 grievances have been raised and resolved, which related to health and safety, wages and working hours. Remediation was managed by the factory and COP team in partnership. The initial six month trial has now been extended with the two factories and will continue to be monitored by our COP team.

Collaboration

Collaboration across the garment manufacturing industry is a key part of improving working conditions throughout our supply chain. We work with the following organisations to tackle challenges in our global supply base, share knowledge and help find solutions: Ethical Trading Initiative (ETI), British Retail Consortium (BRC), Unseen, AIDER, SAVE, and Slave Free Alliance (SFA).

During the year, we, along with a number of other brands and retailers, continued to support a community outreach project, Fashion Workers Advice Bureau Leicester (FAB-L), a free advice and support service for garment, textile and fashion workers in Leicester. The project is led by a senior community engagement and outreach worker. Activities completed included factory visits, one-to-one support meetings with workers and social events for workers and their families.

- We partner with the charity Unseen, which operates the UK National Modern Slavery and Exploitation Helpline – www.modernslaveryhelpline.org. One hotline report to Unseen related to a NEXT supplier in 2022/23. Having engaged with the supplier and carried out our own checks, we liaised with the Gangmasters and Labour Abuse Authority, who found that the report was unsubstantiated.

- We have participated in the workstreams of the Apparel and General Merchandise Public Private Protocol (AGM PPP). The AGM PPP's framework creates a co-ordinated approach within the UK apparel industry to improve employment and working conditions and eradicate slavery and exploitation in the UK AGM supply chain. We maintained participation during the year, benefiting from engagement with a variety of brands, NGOs and other stakeholders.
- After a pause due to the pandemic, we were pleased to return to face to face supplier conferences in Turkey, India and Pakistan, as well as a specific seminar for UK furniture suppliers in collaboration with a small number of brands and the Slave Free Alliance. We also held virtual meetings for suppliers in China and had strategic review meetings with some of our larger suppliers, including NEXT Sourcing. In-person presentations are planned in Morocco and Bangladesh for the year ahead.

Concerns About Forced Labour

We continue to closely monitor developments in relation to allegations of forced labour in the Xinjiang Autonomous Region (XUAR) of Western China. Our Cotton Sourcing Policy bans the use of cotton from the XUAR.

We do not work with any supplier in or directly source products from the XUAR at Tier 1 (product factory), Tier 2 (subcontractor to a Tier 1) or Tier 3 (fabric/yarn suppliers and spinners). Our work to ensure that products made or sourced for NEXT are free from forced labour is undertaken by our COP team and covers Tier 1 and 2 suppliers.

Gaining traceability of our full supply chain is a key area of focus given we do not directly source raw materials. We are working closely with our suppliers and industry stakeholders to identify the most effective and accurate ways to trace raw materials through our supply chain – see pages 10 and 11.

Policies and Tools Available to Our Suppliers

Our [Online Supplier Portal](#) has a number of policies and tools available to support our suppliers and help them to address any issues. Policies and guidance available on our supplier portal include:

- Code of Practice Principle Standards and Auditing Standards
- Modern Slavery Guidance Booklet – provides information on how to spot the signs of potential modern slavery risks
- Migrant Labour Policy – follows the Employer Pays Principle and outlines the responsibilities of suppliers and factories for ensuring that migrant workers are treated with due respect and in accordance with NEXT's Principle Standards and applicable local laws
- Child Labour Policy – confirms requirements when managing a child labour issue, as well as detailing the remediation process and specific actions to involving specialist stakeholders to support the child and their family until the child reaches the legal working age
- Wage Retention Policy – confirms workers' wages must be paid in full and on time, and that wages cannot be withheld for any reason
- Shared Premises Policy – provides guidance on premises that may present a risk if they are of shared occupancy and states our expectations for how our suppliers should manage these risks
- Critical Issues Assessment and Site Tour Checklist – enables suppliers and factories to check for any critical issues prior to an audit taking place, allowing the COP team to offer guidance and support
- In response to changes we've identified in the supply chain relating to the movement of migrant workers across different regions, we are currently revising our migrant labour guidelines for suppliers, which will be circulated during this year.

Supplier Payments

NEXT is a voluntary signatory to the Prompt Payment Code and, as such, uploads the relevant supplier data on to the HMRC government portal.



PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Case Study: Focus on Migrant Workers In Our Service Providers

In order to meet business needs in one of our warehouses, a decision was taken to recruit workers from Bulgaria via an agency. The relevant department proactively engaged with our Code of Practice team to ensure that checks were carried out in advance. Actions taken included:

- Face to face visit at the agency's UK office to carry out a full COP audit of their policies and practices
- Assessment of accommodation that would be provided for the Bulgarian workers, via in-person COP team visits, to ensure that they met COP standards and UK legislation
- Meetings with agency representatives based in our warehouse to understand the communication process with agency staff
- COP team visits to the warehouse once workers were in post, to carry out worker engagement; these visits covered both day and night shifts
- Feedback on any non-conformities to our Code of Practice and agree corrective actions and timelines
- Continued communication and follow up with relevant parties

Case Study: North India Worker Voice Helpline

We continue to work with Aider, our NGO partner in Gurgaon just outside New Delhi. We have now reached more than 9,000 workers through our worker helpline and community visits since the project first began.

During 2022, we received a number of grievances from workers in the NEXT supply chain, the majority of which related to concerns about wages and benefits. For cases linked directly to NEXT's supply chain, our local COP team worked alongside project partners to address the grievances and ensure that solutions were reached in a timely manner. For cases that were not directly related to NEXT's supply chain, Aider liaised with relevant factory management and other stakeholders to provide access to remedy.

Aider also provides support in the local community, raising awareness of the helpline and holding in-person interactive sessions for workers and their families, including mentoring and counselling for vulnerable individuals.

At a factory level, our COP team worked with management to arrange 'soft skills' behavioural training for supervisors and middle management, with the aim of creating a more positive working environment through improved worker-management dialogue. Approximately 200 individuals attended such training during the year. Following the sessions, the helpline coordinators spoke to workers to gain feedback on improvements in the workplace and our own COP team visited the factories to obtain informal feedback.

Based on feedback from the local community, plans for the coming year include the roll-out of the helpline via WhatsApp, to enable wider coverage and increased user engagement.

Case Study: Collaboration and education – response to the war in Ukraine

In early 2022, the war in Ukraine had an immediate and significant impact on its citizens. As a business, we had one active factory in Ukraine at the time and wanted to work alongside other brands as part of a streamlined approach. Through our membership of the Ethical Trading Initiative (ETI), we participated in a working group to share learnings and agree collective actions. A set of supplier guidelines were developed and translated into Ukrainian, English, Romanian, Polish and Italian, with the intention of providing clear guidance and communication to our suppliers in Ukraine itself and in the surrounding countries that were likely to be impacted by the migration of displaced people. The Guidelines for employment and integration of people displaced from Ukraine were also circulated to our suppliers via our bespoke supplier communication platform.



PROTECTING WORKERS IN OUR SUPPLY CHAIN CONTINUED

Case Study: Improving Working Conditions for Women in Fabric Mills in Tamil Nadu, South India – Phase 3 Update

We continued to work with NGO partner SAVE (Social Awareness and Voluntary Education) along with three other retailers to maintain six migrant resource centres in the region, an increase from the five resource centres established previously. The focus is to ensure human rights are respected in our supply chain and the workers are provided with access to remedy in the event that a breach of their rights is identified. During this third phase, the project has provided support to around 14,000 people:

Support is offered at a community level – providing information for potential new workers, who plan to start a career in a spinning mill and/or garment factory, as well as assisting in addressing grievances and providing computer training and financial literacy skills with the help of third party experts. Awareness programmes emphasising children's rights, labour law and the importance of remaining in school have been run, as well sessions for adolescent groups that emphasise the value of communication and leadership skills among young women and men.

The resource centres actively engage young people who are leaving school to encourage them to complete their education rather than seeking employment. Aside from providing financial literacy training, health awareness training and subsidised feminine hygiene products, the centres also provide a platform for young people to discuss their concerns and seek guidance. The resource centres help community members and migrant workers to understand their basic rights and gain access to healthcare, information on the migration process and other workplace-related problems.

Support is also offered at a mill level – training was focused on improving the relationship between workers and management in a workplace setting. This programme provides workers and management with a basic understanding of legal rights, life skills and how to report grievances through the workplace committee.

Support given at a recruitment agency level – during the year, the project interacted with 81 agents. Training was provided to develop ethical recruitment practices and terms of reference for employment were agreed between mills or factories and employees.

The TIMBY app (This Is My Back Yard) provides a channel for workers to raise concerns or grievances. It has been rolled out across three spinning mills, six communities and five Tier 1 factories in our supply chain. We have reached out to 8,500 workers through the app in Phase 3 of this programme.

We review all cases raised via the app, with SAVE being responsible for managing the grievances related to sites in the NEXT supply chain and confirming to the individual that cases are being managed or passed on to the appropriate authority. Cases are categorised into six areas covering wages, harassment, discrimination and forced labour, working hours, health and safety and 'other'. There is an agreed formal process to ensure a consistent approach to the management of cases.

The remediation of grievances that were raised but were not directly connected to the NEXT supply chain were assigned to SAVE and addressed with the help of industry associations like TASMA (Tamil Nadu Spinning Mills Association) and TEA (Tirupur Exporters Association), who agreed to take up the issues relating directly to their members, by raising and resolving them with the help of the relevant factory management. Additional support was provided by the Odisha Migrant Resource Centre, set up by the local government, to support the remedial actions and provide resolution to workers' grievances.

Key successes of Phase 3:

- Assisted vulnerable workers to claim severance payments
- Arranged mentoring sessions for migrants relating to healthcare, migration and workplace challenges
- Provided financial literacy training to 4,601 people, legal rights awareness training to 770 people and reproductive health and hygiene training to 3,729 individuals
- 94 grievances raised via TIMBY, of which five directly related to NEXT. All five were investigated and resolved through remediation plans

The project is set to continue into 2023 and areas of focus include:

- Helping interstate migrant workers to register on a local government portal and obtain their registration cards
- Setting up two more migrant resource centres in neighbouring districts of Tirupur to support migrants working in those areas
- Expanding the project to include an additional 10 Tier 1 factories, supporting them to set up robust grievance handling processes.

Looking ahead – we will:

- Explore due diligence approaches with our third-party brands
- Review learnings from the Worker Voice projects to establish how to benefit future work
- Register NEXT Brand suppliers on our bespoke online portal
- Carry out in-country supplier presentations



RESPONSIBLE SOURCING AND CIRCULARITY

Overview

Our Responsible Sourcing Strategy sets out our ambition to source 100% of the key raw materials we use through known, responsible or certified routes by 2025.

Our key raw materials are cotton, polyester, man-made cellulosics (such as viscose), wool, timber and leather. We recognise these raw materials come from the world's natural resources. There are wide-ranging environmental and social risks associated with their production and extraction, contributing to issues such as deforestation, water stress and climate change. We are committed to responsible sourcing, providing trusted provenance and traceability back to source. Our aim by 2025, is to only use responsibly sourced materials from more sustainable sources with proven positive environmental and social impacts. Our key focus areas are:

Responsible Sourcing – 2025 Responsible Sourcing Strategy provides clear guidance for our product teams and suppliers for sourcing and traceability

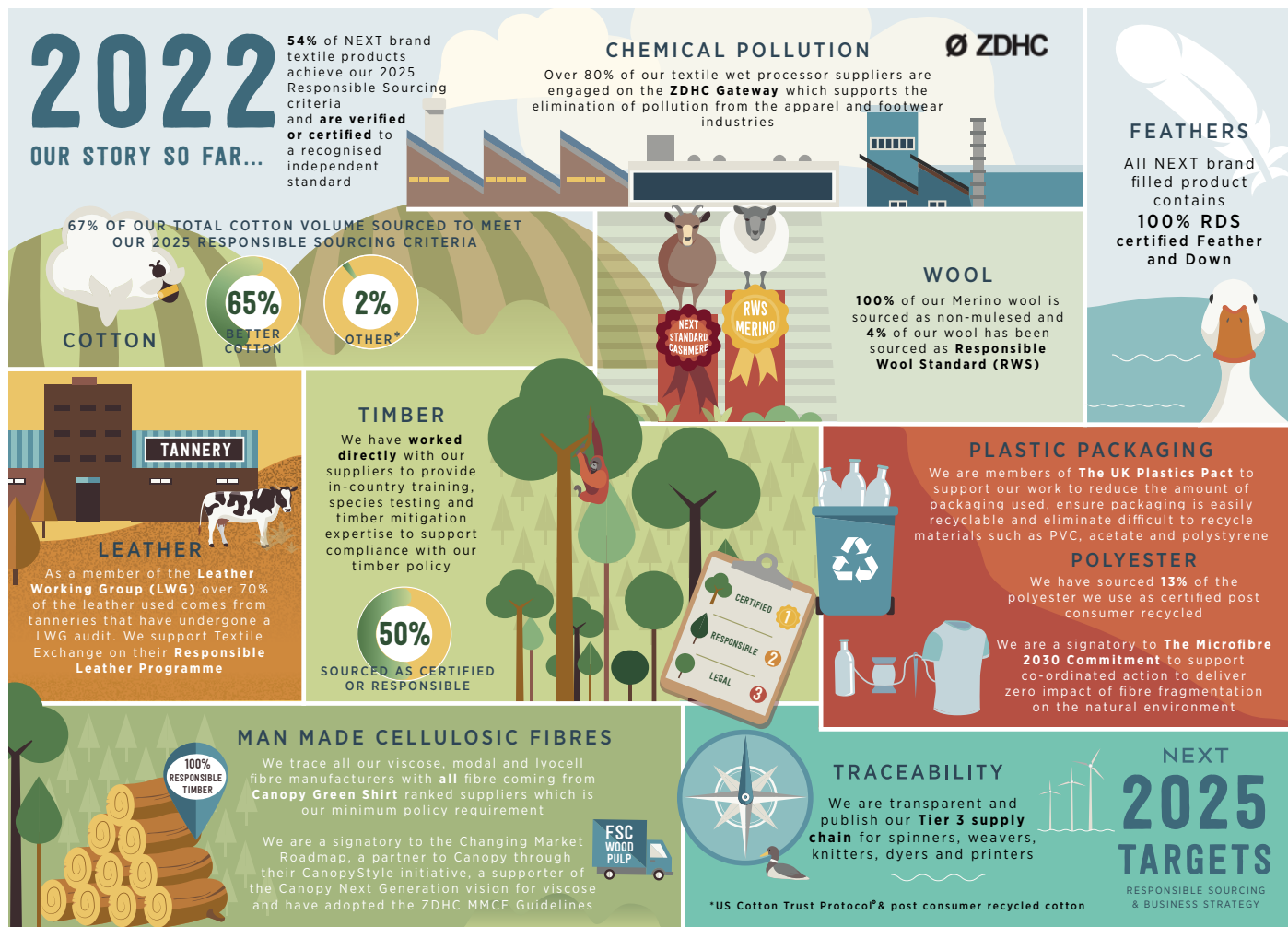
Chemical Management – As a signatory to the Zero Discharge of Hazardous Chemicals (ZDHC) programme, we commit to reach zero hazardous discharge from textile and leather supply chains. Our Chemical Policy also sets out our own standards for the use of chemicals in the manufacture of our products

Animal Welfare and Biodiversity – We respect the health and welfare of animals and work to reduce our overall impact on biodiversity and natural ecosystems in our supply chain

Energy and Greenhouse Gas Emissions – Our priority is to reduce the carbon intensity of our activities by minimising the direct impact of our business operations on the environment

Resources and Waste – We are working to reduce our use of natural resources, as land and fossil fuels are finite resources. To reduce the environmental impact of our business operations, we support the transition to a more circular economy through products that limit waste and pollution and keep materials in use for longer

Water Use and Conservation – Demand for water exceeds supply in many parts of the world. Responsible water management is vital to ensure there is sufficient safe, clean water for local communities to use





RESPONSIBLE SOURCING AND CIRCULARITY

Highlights

- 54% of NEXT brand textile products met our responsible sourcing criteria
- 67% of cotton met our responsible sourcing criteria
- Assisted customers to donate around 750 items of unwanted furniture to British Heart Foundation during the year, taking the total raised since our partnership started to over £1.6 million

Aligned SDGs



Our Commitment

We are committed to responsible sourcing and ensuring traceability back to source.

Our Approach

Our Responsible Sourcing Strategy sets out our ambition to source 100% of the key raw materials we use through known, responsible or certified routes by 2025. Our products must be:

- Sourced in line with our Responsible Sourcing Strategy
- Free from harmful substances
- Excellent quality
- Safe, functional and fit for their intended purpose

Our Responsible Sourcing Strategy

We use raw materials such as cotton, polyester, man-made cellulosics, wool, timber and leather. These raw materials can have a wide-ranging environmental and social impact during their production and extraction. If not responsibly sourced, this can contribute to critical issues such as deforestation, water scarcity and climate change.

Our Responsible Sourcing Strategy sets out our ambition to source 100% of our key raw materials through known, responsible or certified routes by 2025. We work with our suppliers to help reduce the impact of manufacturing processes on the environment and on the communities around the sites where our products are made.

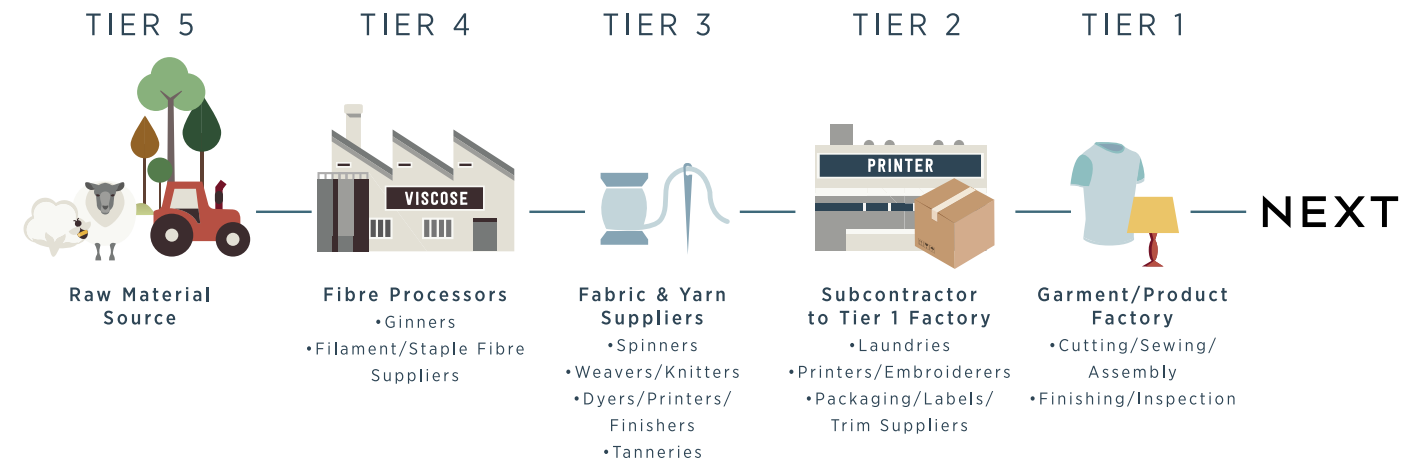
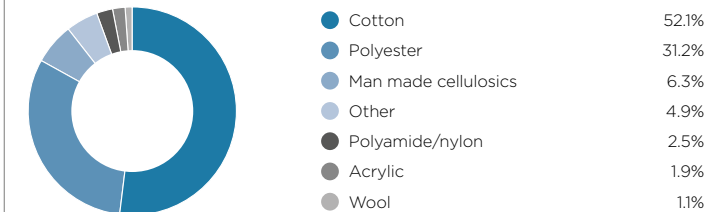
During 2022/23, we sourced 54% (2021/22: 42%) of NEXT brand textile products to meet our 2025 requirements across our key raw materials.

To support our 2025 Responsible Sourcing Strategy, we have a range of policies that detail our responsible sourcing approach. We also have clear guidance for our Product teams to refer to when developing their ranges. Products must meet the requirements of our 2025 Responsible Sourcing Manual in order to be labelled as responsibly sourced, either on a product label or in online copy.

To accelerate our progress, we are:

- Developing roadmaps with commercial teams to identify further opportunities
- Working closely with suppliers to support their move to lower impact fibres, understand their challenges and identify how we can help

During 2022/23, the composition of our total textile fibre footprint (by weight) was as follows:





RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Our Supply Chain and Traceability

As set out on page 13, we have a diverse and global supply chain, which comprises five tiers from raw materials to final products.

We do not source raw materials directly and the complexity of global supply chains means that traceability to Tier 5 can be challenging. However, we continue to develop our visibility of suppliers and raw materials. We publish a list of our suppliers down to Tier 3 on our website, and are continuing our work to extend the visibility of our supply chain to include Tiers 4 and 5.

In order to avoid sourcing from areas that do not meet our policy requirements:

- Our fibre policies clearly set out our sourcing requirements, our approved fibre producers and region or country bans
- We have integrated management systems that capture information from our suppliers to support the traceability of materials
- We are testing a number of technologies to enable more precise traceability of raw materials.

Collaborations and Memberships

Due to the global nature and complexity of retail supply chains, collaboration is key to developing responsible sourcing approaches. We are members of several leading initiatives, including:



Our Raw Materials

Cotton

Cotton is our most significant raw material, both in terms of volume used and the associated environmental and social issues linked with its production. Conventional cotton farming uses large amounts of water and pesticides. We define responsible sources of cotton as those that have been cultivated to meet at least one of the following principles:

- Reducing water use
- Reducing the dependency on pesticides and synthetic fertilisers
- Improving social conditions for farmers
- Supporting the economic sustainability of farmers
- Improving visibility of cotton country of origin

Our [policy](#) bans the use of cotton from Uzbekistan, Turkmenistan and the Xinjiang region of China due to the forced labour situation in farming and at harvest. We monitor the work undertaken by the Responsible Sourcing Network campaign and others around this issue to support the ethical sourcing of cotton.

Our 2025 target is to source 100% of our cotton from responsible sources, which we define as Better Cotton, recycled, certified organic, certified organic in conversion or US cotton through the US Cotton Protocol Trust. During 2022/23, we sourced 67% (2021/22: 49%) of our cotton through these routes.

Better Cotton – We have been a member of Better Cotton since 2016. In 2022/23, we sourced 65% (21/22: 44%) of our cotton as Better Cotton.

US Cotton – We are signatories to the US Cotton Trust Protocol (USCTP), which allows us to trace the US cotton we use through to the finished product. Integrating the USCTP programme into our cotton supply chain has built capacity in areas we have identified as strategic priorities in the transition to a more sustainable and circular fashion system. These include traceability of each product, access to robust environmental metrics aligned with climate science, and responsible sourcing assurance our customers can trust.

During the year, we sourced 2% of our cotton in this way. Given the value chain assurance within the programme, we have been able to demonstrate responsible sourcing practices to our customers with on-product marks clearly identifying the origin of the cotton. We are looking to increase the amount of cotton sourced as USCTP as it offers known identity traceable cotton.

Recycled cotton – In 2022, we sourced a small amount of cotton from post-consumer waste cotton textiles. In 2023, post-industrial waste from our own final product manufacturers will be used for recycled cotton products as a stepping stone to creating more availability of recycled cotton.

Organic cotton farming – We have committed to a four-year programme with Arvind, one of our suppliers in India, to convert from conventional cotton farming to organic cotton farming. This will involve 14,000 farmers in the Maharashtra region of India. We will procure through Arvind all of the cotton produced, ensuring that they have buyers for their cotton while the farmers transition to full organic farming.

Timber

Responsibly sourced timber is critical to limiting deforestation. As part of our 2025 Responsible Sourcing Strategy, and in line with our Timber Sourcing Policy, we are committed to working with our suppliers to deliver 100% of our products from responsible or certified responsible sources by 2025. These are products that come from a certified forest origin, as well as being assessed as low risk for illegal deforestation, use recycled material, or are sourced from a certified supply chain.

This was one of our key areas of focus during the year and we were pleased to increase our use of certified or responsibly sourced timber to 50% (2021/22: 39%).

To support our suppliers to provide the best possible sources of timber, we have a programme for auditing, training and species testing. During the year, we worked directly with our suppliers to provide in-country training and timber mitigation expertise, as well as undertake species testing to support compliance with our Timber Policy.

Find out more [here](#)



RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Polyester

Polyester is a synthetic material that is widely used due to its durability, versatility and quick drying properties. However, like other synthetic fibres, it poses challenges to the environment.

In 2022/23, polyester made up approximately 31% (2021/22: 28%) of our total textile fibre mix. We are working to convert the polyester we use to more responsible alternatives and recognise recycled polyester from certified routes, by either Global Recycled Standard (GRS) or Recycled Content Standard (RCS). During 2022/23, 13% of the polyester we used to make our products was from recycled sources. We are working to increase this although availability and cost mean that our progress has been slower than we would like.

During 2022, we joined the Textile Exchange Recycled Polyester Round Table to collaborate with other stakeholders to drive improvements for recycled polyester. We are also investigating possible alternatives, such as textile to textile recycling, where garments are broken down into different fibres and used to create new products.

Microfibres

Understanding microfibre pollution, its sources and effects is an ongoing challenge for the textile industry.

We are a signatory to The Microfibre Consortium (TMC) Microfibre 2030 Commitment and Roadmap. The goal is to gather sufficient data and knowledge to create joint minimum requirements across the industry.

Through our UKAS (the UK accreditation Service) accredited in-house laboratory, we have supported the development of a new testing methodology to assess fibre shedding from different materials. NEXT is supporting this work as a participating laboratory and during the year has broadened its testing to provide results as part of the overall validation process. The testing methodology is used to develop a better understanding of fibre fragmentation and allow TMC and its members to work collaboratively towards robust industry-based solutions.

Man-made Cellulosic Fibres

Wood is the main raw material used to make man-made cellulosic fibres (MMCF), such as viscose, lyocell and modal. The wood is pulped and then undergoes a chemical process to transform it into fibres.

All of the MMCF we buy meets our minimum MMCF Policy requirements of Canopy Green Shirt and closed loop production system. In addition, 27% (2021/22: 23%) was verified and traceable from fibre to finished product.

We are a signatory to the Changing Markets Roadmap, a partner to Canopy through their CanopyStyle initiative, a supporter of the Canopy Next Generation vision for viscose and have adopted the ZDHC MMCF Guidelines.

Find out more [here](#)

Leather

As well as animal welfare concerns, the process of tanning leather requires significant amounts of water and energy and is chemically intensive.

We collaborate with the Leather Working Group (LWG), an international multi-stakeholder organisation that promotes environmental best practice within leather manufacturing. As a member of LWG:

- 73% of the tanneries we use have undergone an LWG audit. This accounts for 83% of the leather used for upholstery, footwear and clothing and 100% of that used for leather accessories
- We use LWG's environmental audit protocol to assess our leather supply chain and ensure tanneries operate in a way that is safer for people and the environment
- We use LWG traceability scores to help inform our sourcing decisions. For example, we do not source leather from cattle raised in the Brazilian Amazon Biome as there have been cases of illegal deforestation to support this industry.

We also support Textile Exchange on its Responsible Leather Programme.

LWG is aligned with Zero Discharge of Hazardous Chemicals (ZDHC) and, in 2022, we started to implement our ZDHC programme across the leather tanneries we use.

Find out more [here](#)





RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

NEXT generation

Products sourced to meet the requirements of our 2025 Responsible Sourcing Strategy must be sourced through responsible routes and are verified or certified to a recognised independent standard. Products meeting these requirements can carry NEXT Generation labelling, giving customers an insight into the environmental and social credentials of our products.

In 2022, 54% of all NEXT brand textile products were sourced to meet our 2025 Responsible Sourcing Strategy criteria. Products containing 50% or more of a 2025 approved raw material carry NEXT Generation labelling.

For NEXT, responsibly sourced materials are those that are purposely produced in a more ethical or responsible way. We are Textile Exchange members and use their Preferred Fibre and Material Exchange Index to support our 2025 Responsible Sourcing Strategy, which includes sourcing materials that are certified and verified by third-party standards as shown in the table below:

Organic Cotton and Processing	Organic Cotton	Recycled Fibres and processing
GOTS	OCS	GRS
		
Recycled Fibres	Responsible Wool	Responsible Feather and Down
RCS	RWS	RDS
		

Using these standards ensures there is traceability from raw material to the product we sell to our customers.

In addition, our other responsibly sourced materials include:

- Cotton sourced as Better Cotton:



- US Cotton sourced through the US Cotton Trust Protocol



- Responsible viscose, modal and lyocell including:



- Branded recycled fibres including:



Chemical Management

Our products should not contain chemicals that could be harmful to our customers, the workers who make our products or the environment.

We are a signatory to the ZDHC programme to collaborate on promoting industry-wide change in responsible chemical management in textile and leather production processes (dyeing, printing and laundering of textiles, and tanning and dyeing of leather).

Our [Chemical Policy](#) covers all stages from production to disposal and sets out substances banned from intentional use in any facilities that process materials for NEXT brand products.

The policy details four key standards our suppliers must adhere to:

- Restricted Substances Standard (RSS)
- Restricted Substances List (RSL)
- Manufacturing Restricted Substances List (ZDHC MRSL)
- ZDHC Wastewater Guidelines (ZDHC WWG)

The Chemical Policy forms part of our technical requirements for the products manufactured by our suppliers. In addition, we have a thorough due diligence programme in place that spot checks for compliance with our RSS. The results are used to raise awareness internally and with our suppliers. We also provide specially designed online chemical management training modules to our suppliers (notably our key fabric mills and wet processors) to educate on good practices to reduce and eliminate the discharge of hazardous chemicals from production processes into the environment.

If products fail our requirements, they are removed from sale and may be recalled from customers. Corrective action plans are put in place to ensure the non-conformant chemical is either removed or substituted at the supplier's facility.



RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

ZDHC Chemical Management



NEXT joined the ZDHC Roadmap to Zero programme in 2018. This programme aims to eliminate harmful chemicals from the fashion industry's global supply chain. We have committed to adopting and implementing all relevant ZDHC guidelines, platforms and solutions. As well as chemical management, these relate to wastewater.

Our technical teams work with our supply chain partners to ensure they adopt and implement all relevant ZDHC requirements. We have committed to building capacity in our supply chains year-on-year and to track and report our progress across the guidelines, platforms and solutions being used.

By December 2022, over 550 of our textile wet processors (dyers, printers and laundries) were signed up to the ZDHC Gateway, the platform used to share key information. These suppliers accounted for 84% of products that we sold during the year. In addition, 77% of products sold were from suppliers producing ClearStream Wastewater reports, 58% were from suppliers producing InCheck Chemical Inventory reports and 62% were from suppliers who had completed Supplier to Zero certification.

During 2023, we will continue to roll out the programme across our core volume wet processors and our main Tier 3 finished leather tanneries. By 2025, our goal is to have all of our core textile wet processors fully engaged with ZDHC.

Find out more [here](#)

Animal Welfare

Our Animal Welfare Policy, updated for 2023, provides clear guidance regarding the animal-derived materials used in the products we sell. Our policy states NEXT will not use any real fur, all feathers and down used for filled products must be sourced as Responsible Down Standard (RDS), and all merino wool must be from non-mulesed sources. In addition, for our own brand cosmetics and toiletries products we

do not support testing on animals and have never carried out any animal testing or commissioned others to do so. We operate a fixed cut-off date of testing, which means raw materials tested after 1998 are not allowed in our products. During 2022/23 we were able to source 4% of wool as certified to the Responsible Wool Standard (RWS). We are exploring opportunities to increase the amount we source as RWS or recycled.

Helping Our Customers to Recycle for Reuse their Unwanted Products

Home products, such as mattresses, sofas and furniture, can be difficult products for our customers to manage when they no longer want them, with many going unnecessarily to landfill. We have identified opportunities to help our customers by partnering with different charitable organisations, such as the British Heart Foundation (BHF), to provide solutions and help raise funds to support their aims. Our customers' donated furniture and home products have helped BHF raise over £1.6 million since we started to work with them in 2016.

Another of our key partners is Doncaster Refurnish, a social enterprise charity that is located near our main warehouses, and is where we donate safe but unsellable or damaged furniture and home accessories. See page 31 for details of how the charity puts these donations to good use within the community.

Moving Towards Circularity

The circular economy is an economic system aimed at designing out waste and maximising the reuse of resources along the whole supply chain.

As part of our Responsible Sourcing Strategy, we recognise we must work to reduce the environmental impact of our business activities. This will be achieved by supporting the transition to a more circular economy by designing, producing and selling products that limit pollution and waste and help to keep materials in use for longer. Examples of our activities include:

- Working to reduce the packaging we use, both in-store and online, and starting to reuse customers' returned packaging to create new packaging

- Signatory to Textiles 2030, collaborating on carbon, water and circular textile targets to support the development of solutions which help to limit the impact clothing and home textiles have on climate change
- Membership of the Circular Fashion Partnership in partnership with Reverse Resources, a new initiative to capture and reuse textile waste in Bangladesh. The initiative brings brands and retailers, manufacturers and recyclers together to find circular processes that help to reduce textile waste, typically the small pieces of fabric from the cutting room in a factory. This waste is currently exported or downcycled, but through the initiative it is given a value, which is helping to generate economic benefits in Bangladesh by accelerating the fibre recycling market. The materials are being used to create recycled cotton or as an alternative feedstock to timber for man-made cellulosic fibres
- Developing takeback schemes to ensure valuable resources are kept in circulation, including a mattress recycling programme and help for customers to donate unwanted furniture for reuse. We recognise there is much more to do and that collaboration across the industry is vital

During 2023, we will bring our existing work together to start to develop our circularity framework for NEXT. To support this, we became one of the founding signatories of WRAP's Textile 2030 initiative. Signatories have committed to a collaborative approach to accelerate progress towards a circular economy for textiles, as well as working to reduce the climate impact of the industry. We will consider the impact our designs and product development can have on the environment and which choices we can make when developing our products, such as:

- Product durability and longevity
- Responsibly sourced materials
- Safe processing to protect workers and the environment.

The framework will provide a practical tool to support our Product teams and help to set future product category specific circular economy plans.



RESPONSIBLE SOURCING AND CIRCULARITY CONTINUED

Case Study: Forensic Cotton Traceability Pilot with Oritain

In 2022, we partnered with Oritain on a regular testing programme to support the compliance and monitoring of our Cotton Policy.

By using geochemical profiling, we were able to verify the absence of cotton originating from risk areas and, where possible, leverage the testing to determine the country of origin.

Where non-compliance with our policy is identified, we will work with Oritain and our suppliers to rectify this and ensure they are sourcing in compliance with our policy.

This gives us the opportunity to engage further down the supply chain, beyond the Tier 1 final product manufacturers with which we contract. The cotton supply chain is long and there are many opportunities for cotton to be mixed with unwanted cotton origins. Opportunities to improve compliance include controls being implemented by fabric mills to track cotton, fabric mills and spinners undertaking their own cotton testing, and keeping supply chains short where possible.

We have identified higher risks in certain production locations and product types, which means we can start to focus our testing. We plan to increase the number of tests we carry out in during 2023 and continue work with our suppliers to ensure our policy is implemented throughout the supply chain.



Case Study: Circular fashion pilots

In 2022, we continued to partner with Reverse Resources to educate our supply chain on the value of textile waste. Textile waste (typically small pieces of fabric from the factory cutting room) is captured and reused by spinners to create recycled cotton or as an alternative feedstock to the timber used in man-made cellulosic fibres.

Through the initiative, waste cotton is given a value that is helping to generate economic benefits in Bangladesh by accelerating the fibre recycling market. We are currently developing products made from mechanical and chemical recycled cotton.

Looking Ahead – We Will:

- Monitor progress of our 2025 Responsible Sourcing Strategy to increase the number of products meeting our Responsible Sourcing requirements
- Continue to map our supply chain back to raw material to improve traceability
- Develop our circularity framework for NEXT
- Continue to onboard our dyers, printers and laundries and start to onboard our finished leather tanneries on the ZDHC Gateway Platform and monitor how they are using ZDHCs guidelines, platforms and solutions





TACKLING CLIMATE CHANGE

Highlights

- 47% reduction achieved against absolute Scope 1 and 2 carbon reduction target of 55% reduction by 2030
- 29% reduction achieved against our intensity Scope 3 carbon reduction target of 40% reduction by 2030
- SBTi targets approved
- Target of diverting 95% of waste from landfill achieved
- RE 100 and EV 100 signatory

Aligned SDGs



Our Commitment

Minimising our environmental impact by reducing the carbon intensity of our activities and the natural resources we use.

Our Approach

Climate change and resource scarcity are widely recognised as complex global challenges affecting businesses and their supply chains, and we take our responsibilities in this area seriously. We are committed to minimising our environmental impact by reducing the carbon intensity of our activities and the natural resources we use.

Our impact on the environment occurs throughout our value chain, so we need to look beyond our own operations and focus on climate risk and mitigation across our whole business.

As a signatory to initiatives such as the Sustainable Apparel Coalition, Textile Exchange and ZDHC, we are working with our supply chain to understand the impact of their production operations and implement sourcing decisions that will help make a real difference on climate change. You can read more about what we are doing in our Responsible Sourcing section.

Our Priorities

Our priorities for our key operational activities are to:

- Work with our suppliers to reduce the environmental impacts of the products we sell
- Improve energy efficiency and identify further opportunities to reduce energy use in our buildings
- Work to increase the amount of waste diverted for recycling and identify opportunities to minimise the waste produced
- Increase the efficiency of our owned delivery fleet, including the introduction of alternative fuels
- Offer services for customers that make use of their products when they no longer need them
- Identify opportunities to further improve the sustainability of our packaging and reduce its use

Global Carbon Footprint

To help us understand the impact of our business, we measure our global carbon footprint produced from the activities of NEXT across Scopes 1, 2 and 3.

Due to the nature of our business, we recognise most of our footprint falls outside our direct control and is reported under our Scope 3 emissions, which cover the complete lifecycle of the products we sell, including branded items sold through LABEL online. This extends from the production of raw materials through to the manufacture, transport, how our customers use and care for them and the eventual end of life treatments of the products we sell.

Our global carbon emissions are shown on the table on page 20.

Find out more about how we're tackling climate change [here](#)

Our targets are to:

- Reduce Scope 1 and 2 absolute carbon emissions by 55% by 2030 against a 2016/17 baseline

Progress – achieved 47% ^(A) Scope 1 and 2 carbon emission reduction against a 2016/17 baseline

- Reduce Scope 3 carbon emissions by 40% by 2030 against a 2019/20 baseline per £1m sales

Progress – achieved 29% reduction

- Divert at least 95% of operational waste from landfill

Progress – achieved 95% reduction

Our Scope 1, 2 and 3 carbon reduction targets have been set to be in alignment with the Science Based Target Initiative (SBTi) footprint approach and methodology. Our Scope 1 and 2 target is consistent with efforts to limit the global average temperature increase to 1.5°C above pre-industrial levels and in line with the SBTi pathway.

We gained SBTi approval for our targets in July 2021.



^(A) This data was subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of that assurance, see PwC's assurance report on page 34 and NEXT's 2023 Reporting Principles and Criteria which can be found at nextplc.co.uk



TACKLING CLIMATE CHANGE CONTINUED

NEXT Group Global CO₂e Emissions

NEXT Group CO ₂ e Emissions	2023 Tonnes	2022 Tonnes	% Change
Scope 1	43,165 ^(A)	42,616 ^(RS1)	+1
Scope 2 - Location Based	43,323 ^(A)	47,334	-8
Scope 3 - Assured Subtotal	72,730 ^(A)	74,401 ^(RS1)	-2
Total - Assured	159,218	164,351 ^(RS1)	-3
Scope 3* - Non-assured Subtotal	2,047,005	2,028,347 ^(RS2)	+1
Total Carbon	2,206,223	2,192,698 ^(RS2)	+1

Scope 1

Gas heating (stores, offices, warehouses)	7,810	10,014	-22
NEXT owned distribution vehicles	32,054	29,881	+7
NEXT owned cars	1,450	1,490	-3
Machinery (LPG)	61	80 ^(RS1)	-24
Building (diesel oil, refrigerant gases)	1,789	1,231	+45

Scope 2 - NEXT Group Energy Consumption

	43,323	47,334	-8
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Scope 3 - Assured Subtotal

Waste generated in operations	1,489	1,283 ^(RS1)	+16
Business travel	5,428	1,533	+254
Downstream transportation and distribution	65,813	71,585	-8

Scope 3* - Non-assured Subtotal

Purchased goods and services	1,316,108	1,299,030 ^(RS2)	+1
Use of sold products	559,223	528,952 ^(RS2)	+6
Upstream transportation and distribution	81,087	108,947 ^(RS2)	-26
Employee commuting	20,933	20,336	+3
Fuel and energy activities	26,811	26,384	+2
End of life treatment of sold products	19,268	19,748 ^(RS2)	-2
Capital goods	23,576	24,951	-6

Note: The methodology used to calculate our emissions is set out in our Reporting Principles and Criteria that can be found on our corporate website at <https://www.nextplc.co.uk/-/media/Files/N/Next-PLC-V2/documents/corporate-responsibility/reporting-principles-2023.pdf>

*Scope 3 - Non-assured Subtotal: emissions embedded in all the products we sell, including branded items, and extends from the production of raw materials, manufacture, transport, customer use and care and end of life.

^(A) - This data was subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of that assurance, see PwC's assurance report on page 34 and NEXT's 2023 Reporting Principles and Criteria which can be found at <https://www.nextplc.co.uk/-/media/Files/N/Next-PLC-V2/documents/corporate-responsibility/reporting-principles-2023.pdf>

^(RS1) - Restatement due to (i) identification of immaterial omission of LPG data and (ii) immaterial adjustment to emissions relating to waste generated in operations due to updated understanding of disposal methods adopted in our Next Sourcing manufacturing facility in Sri Lanka.

^(RS2) - Restated from prior year due to improved data availability, see page 21 for further details.

Scope 2 Emissions Market Based and Location Based

In addition to the location-based figure required by legislation in the UK and most GHG benchmarks, we also calculate a market-based figure that reflects the purchase of renewable energy. This lower market-based figure is calculated and can be shown in voluntary reporting if certified renewables are purchased. We purchase our renewable energy via certified sources and our supply is backed by the Renewable Energy Guarantees of Origin (REGO), which means a proportion of our suppliers' certified renewable energy is ring-fenced for us and meets the quality criteria, as set out in the GHG Protocol.

NEXT Group Operational Global Direct CO₂e Emissions

	2023 Tonnes	2022 Tonnes
Scope 1	43,165 ^(A)	42,616
Scope 2 - Location Based	43,323 ^(A)	47,334
Total Scope 1 and 2 - Location Based	86,488 ^(A)	89,950
Intensity metric - Location Based tonnes of CO₂e/ total sales (£m)	16 ^(A)	19
Scope 2 - Market Based	5,638 ^(A)	6,379



NEXT is a signatory to RE100, a global initiative led by The Climate Group in partnership with CDP (Carbon Disclosure Project) and has set a 100% renewable electricity target for our global operations by 2030. The electricity NEXT purchases directly for our UK and Eire operations is 100% renewable, backed by the REGO scheme, and accounts for 95% of our global usage. We are pleased to be working with the RE100 initiative with the aim of converting our remaining 5% to be 100% renewable which is mostly from our manufacturing operations in Sri Lanka.

CO₂e emissions relating to electricity and natural gas usage across the NEXT Group

	2023	2022	% Change
Electricity usage kWh	209,139,917 ^(A)	208,580,301 ^(RS)	+0.3
Gas usage kWh	42,784,844 ^(A)	54,675,195	-22
Total kWh	251,924,761	263,517,406	-4
Tonnes CO₂e	46,863	57,348	-18

External Benchmarks

We participate in the CDP Climate change external benchmark annually. For our submission in 2022/23, we achieved a B Grade. We also achieved a B Grade for our Water Security submission and a B- Grade for our Forests submission. Our latest submissions can be found [here](#).



TACKLING CLIMATE CHANGE CONTINUED

NEXT Carbon Reduction Target to 2030

The Intergovernmental Panel on Climate Change (IPCC) outlines the need to accelerate decarbonisation to limit global temperature rise to 1.5°C.

Our impact on the environment, either directly or indirectly, occurs throughout our value chain. The majority of our emissions are embedded within the products we purchase and sell and are within our supply chain.

In 2021/22, we worked with an external consultant to measure our total value chain Scope 3 footprint, in alignment with the GHG Protocol Corporate Accounting and Reporting Standard.

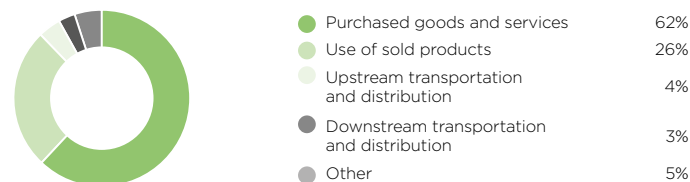
Last year was our first year reporting our non-assured Scope 3 emissions. Since then, data sources have increased and our ability to differentiate with more granularity has improved our accuracy. This year, we have been working to make our process for calculating emissions more efficient and scalable. This was necessary as, over time, our product ranges and the materials used increased in number and complexity.

While conducting the work, we identified an error in our calculation method. We had been double counting the weight of some items, leading to both a higher Scope 3 baseline and higher calculated figures since that baseline was established. This error had no impact on our data for Scope 1, Scope 2 or Scope 3 business travel, downstream transportation and distribution and waste generated in operations.

We have also improved our methodology for calculating emissions. The overall impact of the double counting and improved methodology is that we believe our baseline for Scope 3 is 25% lower than initially calculated and our Scope 3 emissions for 2022, were 30% lower than previously calculated.

The journey to reduce the carbon intensity of NEXT has also been more successful than previously understood. From our baseline 2019/20 figures to January 2022, we improved by 22%, and at the end of this financial year in January 2023, that figure had further improved to a total reduction of 30% against our restated 2019/20 baseline.

The diagram below shows where the impact of our Scope 3 emissions are found.



In 2021, we joined the Sustainable Apparel Coalition (SAC), a global alliance for the consumer goods industry to collaborate in reducing the environmental impact of apparel, footwear and textiles. The SAC developed the Higg Index, a suite of tools to support standardised measurement of the carbon and environmental performance of our suppliers, ourselves and the products we sell.

Since 2019, we have completed the Higg Index Brand and Retail Module (BRM) to review our own actions and impact regarding social and environmental matters across all areas of our business. We then review hotspots and areas of continuous improvement to continue to develop our own business practices.

Our BRM was independently reviewed for the first time in November 2022. We achieved a score of 55% for our environmental practices and 63% for social practices. Completion of the BRM has allowed us to review areas where our business is meeting expectations and areas where we can strengthen internal processes and policies.

In line with our commitment to increase transparency and encourage positive changes in our supply chain, we are rolling out the Higg Facility Environmental Module (FEM) to our suppliers at Tier 1 and Tier 3 levels as a minimum. Our target is to onboard at least 90% of our supply chain by 2025.

During our first year of membership, we targeted the largest 45% of suppliers by contracted units across Tier 1 and Tier 3. At the end of that year, we had onboarded 41 Tier 1 sites and 31 Tier 3 sites (fabric suppliers), which represented nearly 40% by contracted units. Tier 3 is typically where the largest environmental impact is found in our supply chain and these 31 sites represented 25% of supply. We will report annually

to SAC the results of our supply chain engagement and are working towards the Foundational level membership.

In 2023, we plan to review the primary data from our key suppliers and encourage and support them to decarbonise their operations. We will continue to request suppliers to participate and encourage them to complete a verification of their self-assessment data in order to improve data accuracy.

We participate in the BRC's Climate Action Roadmap, a framework to guide the retail industry to net zero by 2040 by supporting decarbonisation actions across five key pathways. These cover GHG data, renewable energy, low carbon logistics, sourcing sustainably and helping employees and customers live low carbon lifestyles to collectively deliver on the industry's net zero ambition. As a founding signatory to the Roadmap, we work with other retailers, Government and other stakeholders, such as the Roadmap Partners.

As part of the Responsible Sourcing working group, we supported the development of a guide 'Monitor, Measure and Report Supply Chain Scope 3 Emissions'. This guide will help organisations, who want to gain better visibility of their supply chain, understand where to start. This initiative supports the UK Government's aim for the UK to reach net zero carbon emissions by 2050 in line with the IPCCs recommendation to limit temperature rise to 1.5°C.





TACKLING CLIMATE CHANGE CONTINUED

Energy Efficiency

Our priority is to work to improve energy efficiency as this reduces both our carbon emissions. We actively track and review energy performance via a central data collection facility to ensure our properties are operating efficiently. During the year we have:

- Reviewed our heating and cooling strategy and optimised the heating and cooling systems in our stores to reduce the amount of electricity we use
- Completed the fitting of additional solar PV panels at our warehousing sites. We are now reviewing the viability of a canopy solar PV system at our head office
- Continued to invest in high efficiency LED lighting, which is now in 55% of our retail stores. This reduced our lighting energy consumption by around 75% in comparison to the lighting replaced. LED lighting solutions are fitted in new stores, as standard. During the year, we plan to refit 100 stores, and aim to have the balance of stores' lighting replaced in 2024/25
- Maintained our Energy Forums, working closely with our energy provider and other parties to actively identify opportunities in energy efficiency

Distribution Efficiency

We endeavour to use our vehicles as efficiently as possible by focusing on efficient delivery schedules and driver training.

We have set up an internal working group to develop a strategy for fleet decarbonisation. We are testing EVs with a view to replacing our existing fleet, but unfortunately technology does not appear to be developing as fast as we anticipated, and we continue to be constrained by the distance range of EVs, which fall short of our operational requirements.

We will continue to review the position, with the intention to move to EV or alternatives as soon as these vehicles are viable and commercially reasonable. We recognise that technology may move away from electric and we are therefore also investigating hydrogen as an alternative fuel.

Waste and Recycling

Waste and Recycling	2023 Tonnes	2022 Tonnes	% Change
Total waste	34,013 (A)	31,634	+8
Materials diverted for recycling and energy recovery	32,297 (A)	30,238	+7
General waste sent to landfill	1,716	1,396	+23
% diverted from landfill	95% (A)	96%	-1

During 2022/23, we diverted 95% of the waste materials we created to recycling, reuse or energy recovery. In prior years, our disclosure related to the UK and Eire. This year, the figures have been updated to reflect global waste data. We remain committed to reducing the amount of waste we generate from within our operations, even when we grow as a business, and to reuse or recycle more of the waste we do produce.

Within our retail stores, our employees play a vital role in separating and segregating recyclable materials for return to our in-house recycling centre. We are working closely with our waste contractor and packaging suppliers, identifying opportunities for circularity. This includes using plastic transit packaging as a feedstock for our online delivery bags and creating new boxes from the cardboard collected from our stores and warehouses.

°CLIMATE GROUP
EV100



We are a signatory to EV100, a global initiative led by The Climate Group in partnership with CDP (Carbon Disclosure Project). To support the delivery of our carbon reduction targets, we will electrify our owned company car and van fleet of 1,000 vehicles by 2030 where realistically possible. In addition, we will install electric charging points across all NEXT employee sites and all customer sites where our stores have sole use of the car parks. At January 2023, 9% of our company cars were electric.

Water Use

Demand for water already exceeds supply in many parts of the world, including parts of the UK, and it is anticipated many more areas will experience this issue in the future.

For NEXT, our direct operation is not a major consumer of water, however, we have installed AMR meters in around 250 stores. During the year, we directly used 295,837m³ in our UK and Eire operations (2022: 386,752m³). In addition, the third-party café concessions operating within our stores used a further 89,898m³ of water (2022: 43,671m³), totalling 385,735m³ (2022: 430,423m³).

During the year, we continued to investigate out of hours water usage, particularly in our retail stores to identify and resolve any underground leaks to further reduce our overall consumption.

Our main actions are in our extended supply chain, as raw material sourcing and operations, such as laundries, mills and tanneries use large quantities of water, so responsible water management is vital to ensure there is sufficient safe, clean water for the local communities to use. We are working directly with our suppliers through the ZDHC programme. To find out more see our Responsible Sourcing section.





TACKLING CLIMATE CHANGE CONTINUED

Product Life Cycle Management

As a general rule, NEXT does not destroy unsold or returned clothing. The only exception to this is the rare situation when a product is found to be unsafe, where the only responsible action is to destroy it, usually by sending the product to our 'energy from waste' route. This is the process of generating energy in the form of electricity and/or heat by burning waste.

SDG 13 – Climate Action


SDG 13 is one of the SDGs we have identified as being most relevant to our business in relation to our commitment to minimise the environmental impact by reducing both the carbon intensity of our activities and the natural resources we use. We have reviewed how NEXT is supporting this SDG through the detailed indicators set out by the United Nations and have asked PwC to undertake a review and assure our work in this area.

Measuring the Environmental Impact of the Products We Sell and Developing a Circular Approach

We are a signatory to Textiles 2030, a voluntary UK textile sector agreement, which launched in April 2021 and is funded by its signatories and Government. Signatories collaborate on carbon, water and circular textile targets, as well as contribute to national policy discussions with UK Government to help shape future regulatory developments, such as Extended Producer Responsibility requirements for textiles. As a founding signatory partner, by 2030 we aim to reduce our combined greenhouse gas emissions by 50%, sufficient to limit global warming to 1.5°C in line with the UN trajectory to reduce climate change. We also aim to reduce the water footprint of new products sold by 30%, and develop a clear pathway to improve the sustainability of textiles across their entire lifecycle.

Within Textiles 2030, the fibre footprint calculator allows each signatory to measure progress in a consistent manner based on their fibre submissions and delivers progress against carbon, water and waste targets per tonne of clothing sales at both an individual and combined signatories level. We use the tool to calculate the embodied emissions

NEXT SDG Key Focus Area – SDG 13

	Detailed Indicators for SDG 13	Actions undertaken in the reporting period – year ended 28 January 2023	Further information see pages
13.1	Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	<ul style="list-style-type: none"> Our Scope 1, 2 and 3 targets are aligned with the Science Based Target Initiative (SBTi) approach and methodology. Our Scope 1 and 2 target is consistent with achieving a 1.5°C reduction in line with the SBTi pathway and our Scope 3 target is consistent with a 2°C reduction in line with SBTi's requirements at the time of approval. We gained SBTi approval in July 2021 Our Scope 1 and 2 carbon emissions target is to reduce emissions by 55% by 2030 and to date we have achieved a 47% reduction against a 2016/17 baseline Our Scope 3 emissions target is to reduce emissions across our entire value chain by 40% by 2030 per £1m sales against a 2019/20 baseline and to date we have achieved a 29% reduction. Our Responsible Sourcing Strategy sets out our ambition to source 100% of the main raw materials used in NEXT brand textile products through known, responsible or certified routes by 2025 We have reported our progress against the Sustainability Accounting Standards Board (SASB) metrics for the Apparel, Accessories and Footwear Industry 	<p>Page 3</p> <p>Page 3</p> <p>Page 19</p> <p>Page 12</p> <p>Page 4 & SASB Report</p>
13.2	Integrate climate change measures into national planning policies, strategies and planning	<ul style="list-style-type: none"> In September 2021, members of the NEXT ESG Steering Group and Group Finance function performed an assessment of climate-related scenario analysis in preparation for our disclosure requirement for the Taskforce on Climate-related Financial Disclosures (TCFD). We updated our assessment of the risks and opportunities posed by climate change and how they might impact NEXT. Our TCFD report was approved by the board and published in our Annual Report for the year ended 28 January 2023 	<p>Page 4 Annual Report</p>
13.3	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaption, impact reduction and early warning	<ul style="list-style-type: none"> NEXT is a signatory and member of four Pathway Working Groups supporting the British Retail Consortium (BRC) Climate Action Roadmap, a framework to guide the retail industry to net zero by 2040. We have contributed to the Pathway 4 – Sustainable Sourcing working group, which was responsible for developing the Monitor, Measure and Report Supply Chain Scope 3 Emissions Guide, which was launched in February 2022 NEXT is a signatory to Textiles 2030, a UK textile sector collaboration with the purpose of making science-based progress on circularity and climate action launched in April 2021. As a founding signatory Partner, NEXT is a member of the Advisory Board In June 2021, NEXT joined the Sustainable Apparel Coalition (SAC), which has the purpose of supporting the apparel, footwear and textile industry to reduce its environmental and social impacts. NEXT has developed our three year plan, which commits to deployment of the Higg self assessment and verification requirements within our own operations and our suppliers 	<p>Page 21</p> <p>Page 17</p> <p>Page 4</p>



TACKLING CLIMATE CHANGE CONTINUED

of our products over the whole product lifecycle (from raw material sourcing to product end of life) and use the information to inform our responsible sourcing decisions. It also helps to build visibility of our value chain to fully understand our Scope 3 impacts and support our 2025 Responsible Sourcing Strategy.

Packaging

Packaging is essential to protect products from damage. In some cases, reducing packaging may create more damaged and waste products, so it is important that the right balance is found.

By 2025 we aim to eliminate avoidable plastics in product packaging and we are also investigating opportunities to reduce packaging throughout our operations. We have been gathering data to record our progress against a baseline of our plastic usage in 2021. The targets we are using are aligned with external stakeholder groups, WRAP Plastic Pact and the Ellen MacArthur Foundation. Our 2025 targets are:

- to reduce the use of virgin plastics by 50%
- to reduce overall packaging (relative to sales) by 25%
- 100% of packaging to be reusable or recyclable
- 100% of plastic packaging to contain at least 30% recycled content

We are signatories to the UK Plastics Pact initiative and their On-Pack Recycling Label (OPRL) Scheme to contribute to their collective ambitions. These collaborations will support our work to reduce the amount of waste produced, for ourselves and our customers. Our ultimate goal is to achieve a circular system where we use less plastic, and any we do use, gets reused or recycled. Our aims are to:

- Eliminate unnecessary or problematic packaging without compromising on quality
- Increase the recyclability of packaging by working towards all packaging being reusable or widely recyclable
- Reduce the environmental impact by working to eliminate more damaging materials, such as PVC, acetate and polystyrene, which are more difficult to recycle
- Include labels on NEXT customer facing packaging, offering clear recycling information to help customers

All of our online shipping plastic packaging and carrier bags, excluding handles, have a minimum of 30% recycled content.

During the year, we:

- Extended a customer packaging collection programme to all our stores to make it easier for customers to return any unwanted packaging for NEXT to recycle and reuse for new packaging. This has been rolled out to all stores and our Head Office, however, we are seeing a broad mix of plastic packaging and other materials being deposited so are considering how to improve the efficiency of this method of packaging take-back
- Worked with our packaging suppliers to increase the recycled content of plastic packaging to be 100% where possible, and in particular on the clear protective bags received by customers
- Trialled the delivery of single items ordered Online to stores without the usual additional plastic outer packaging. The trial was successful and this process has been rolled out to all stores. We estimate that it will reduce the amount of outer packaging used for Online by around 20%

We are now looking at ways to improve customer take-up and provide clarity around the types of packaging we are looking to take back.

Looking ahead – we will:

- Monitor progress of our carbon reduction targets to 2030, identifying opportunities to further improve carbon emissions and diversion of waste from landfill
- Continue to identify opportunities to reduce the amount of waste created and simplify the materials used
- Continue to identify opportunities to reduce packaging used and further improve sustainable sourcing of our packaging materials





MAKING NEXT A GREAT PLACE TO WORK

Highlights

- NEXT employs over 44,000 people globally
- 36% of NEXT plc Board directors are female
- Employee-led networks celebrate the diversity of cultural backgrounds and wellbeing across NEXT
- Signatory to Business in the Community's Race at Work Charter

Aligned SDGs



Our Commitment

Our colleagues' health, safety and wellbeing is always our top priority.

We want to provide an environment where our workforce is:

- Safe, supported and respected
- Treated fairly and taken care of
- Listened to
- Motivated to achieve their full potential

Our People

Our 44,000 people are integral to our success. We aim to attract, retain and develop the very best people to build a diverse and talented team, recognising that every individual's unique background, experience and ability contributes to our future success.

In return, we want people who are committed to working together and who support our culture of honesty, respect and encouragement.

Our Approach

We are committed to achieving excellence in the areas of:

- Health, safety and wellbeing
- Equality, diversity and inclusion
- Training and development
- Reward, fair pay and employee share ownership

Health, Safety and Employee Wellbeing

We want NEXT to be a safe place for everyone with a culture that enables all our employees to maintain positive mental wellbeing.

Health and safety

We review our Company safety statement and safety objectives every three years, which also includes safety programmes and objectives for each division of the business. These are reviewed regularly at divisional safety meetings and twice a year by our Executive Safety Meeting.

Our latest safety objectives were launched in 2022, focusing on three pillars:

- Health, Safety and Wellbeing Engagement and Communication
- Developing our Health and Wellbeing offer for our employees
- Ensuring a Safe Workplace, with a focus on key risks

The three pillars are designed to ensure that we have a culture with effective safety leadership, clear direction from management and well-briefed employees who know how to manage all aspects of our business safely.

Our Commitment



To ensure we attract, retain and develop the very best people to build a diverse and talented team, recognising that every individual's unique background, experience and ability collaborates and contributes to our future success.

We want to create an inclusive and inspiring environment where individuals feel valued and respected, and where people can belong, thrive, achieve their full potential and be their very best; whoever they are.

We Create

an inclusive environment where everyone is welcomed and valued and feel they belong.

We Recognise

that diversity of talent makes us more innovative, more competitive and more creative.

We Promote

a team culture that's open and transparent and where we treat everyone fairly and with respect.

We Encourage

a workspace where everyone can feel supported to be themselves whoever they are, so they can succeed and thrive to do the best work of their lives.

We Ensure

everyone is aware of and empowered to fulfil their personal responsibility to question discriminatory or inappropriate behaviours.

We Uphold

a commitment of zero tolerance towards unacceptable behaviour, harassment, discrimination, bullying or victimisation.



MAKING NEXT A GREAT PLACE TO WORK CONTINUED

Mental Wellbeing

At NEXT, we firmly believe that if our people are healthy, happy and engaged, their performance will be optimised, benefiting both themselves and our business. Our programme of support, events, guidance and activities is available across the whole organisation. We provide an environment where psychological safety is carefully considered in the workplace alongside health and safety risks.

Our Mental Wellbeing Charter, available on our wellbeing intranet, encourages an environment where mental wellbeing is discussed openly and in a way that eliminates stigma, fear and discrimination. It holds leaders accountable for employee health and wellbeing, with key commitments including:

- Making sure employees have easy access to information or services to make helpful decisions about their mental wellbeing
- Treating people fairly and with compassion
- Helping everyone to recognise that for some people, maintaining positive mental wellbeing can be challenging
- Regularly monitoring our performance, assessing progress and taking action to improve the opportunities for positive mental wellbeing

Our Wellbeing Programme is embedded across the business. We have a Mental Health First Aider (MHFA) network that helps provide a supportive workplace environment. Employees can find details of our MHFAs on the intranet, as well as access to the Thrive app which helps to promote mental wellbeing and a wellness action plan template. The template helps employees consider ways to keep well at work, identify triggers for becoming unwell, and detail any support they would like to boost wellbeing or support recovery. Employees are encouraged to use the action plan to open up a dialogue with their managers on mental wellbeing.

What We Have Been Working on During the Year

- We raised awareness of the support services available to employees, should they need them, including a campaign surrounding World Health Day which outlined the key benefits and availability of the NHS approved THRIVE app, which is freely available to all our employees
- We continued to grow our Mental Health First Aider population; there are now 140 MHFAs trained and upskilled through our network group Open Minds
- Maintained discounts on fees for several gyms, personal training sessions, nutrition sessions and wellbeing apps
- We introduced a Buddy Bench, webinars and workshops by iFeel and the Samaritans

Financial Wellbeing

We recognise that concerns about personal finances can have a detrimental impact on colleagues' physical and mental health. We want to ensure appropriate assistance is available to colleagues experiencing financial problems. We try to ensure that we give employees security over their working hours, as well as help them to develop and progress into higher-paid roles.

During the year, we launched a Financial Wellbeing Policy. Given the focus on cost of living, our biggest wellbeing project was the launch of a financial wellbeing tool to all colleagues in the business. The tool aims to improve the financial wellbeing of people in work and has a number of benefits, such as:

- Tracking earnings and pay periods
- Making monthly savings readily accessible
- Giving support and coaching on managing finances

Our financial support network includes:

- Signposting to advice via our employee assistance programme and Money Helper (part of the Money and Pensions Service) via our wellbeing intranet site
- Providing access to services which include finance-friendly initiatives

NEXT Mental Wellbeing Charter



When we talk about mental wellbeing we mean:

"Where you are able to achieve your potential, cope with normal day to day pressures, thrive and be productive in all aspects of your life".

Find out more [here](#)





MAKING NEXT A GREAT PLACE TO WORK CONTINUED

Equality, Diversity and Inclusion

We are an equal opportunities employer and we offer career opportunities without discrimination. We treat all employees fairly regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status. We believe that having a diverse and inclusive working environment is vital to supporting the health and wellbeing of our employees.

Although we don't set specific targets for diversity, women currently represent 36% of our Board, 43% of our senior leadership and 70% of our total employees. In relation to our senior management and their direct reports, NEXT was ranked second in the 2023 FTSE Women Leaders Review: Achieving Gender Balance. Our annual Gender Pay Report can be found at nextplc.co.uk.

During the year, we provided training sessions on equality, diversity and inclusion to more than 850 colleagues in our Retail and Head Office teams. These sessions aimed to explore unconscious bias, identify the organisational consequences of unconscious bias, discuss examples of inappropriate behaviour, discrimination and harassment, and provide guidance on how to positively influence the behaviour of others. The sessions will continue, with plans to train a further 500 managers and the launch of an e-learning session for employees.

We are a Level 2: Disability Confident Employer. The Disability Confident Scheme supports employers to make the most of the talents that disabled people can bring to the workplace.

A number of employee-led networks have now been established to enable employees to work collaboratively with NEXT to deliver positive outcomes:

- **Pride@Next:** an LGBT+ network which works to raise awareness of LGBT+ issues at NEXT and helps shape our policies. For example, with input from Pride@Next we have developed a policy to support transgender employees
- **Unity:** created to celebrate the cultural diversity represented at NEXT. This includes working within the business to champion talent and provide more career opportunities for people from under-represented backgrounds
- **Diversity in Tech:** to attract and develop female talent in IT. Initiatives include a Returners Scheme to attract talent back into IT for individuals who may have been out of the industry for a number of years. It also includes a mentoring scheme to support female talent to develop their skills to be our future leaders
- **Able:** Our most recent network, launched in October 2022, Able is our disability network group which champions, connects and celebrates disability and diversity at NEXT.

We also have community spaces on our intranet so that employees can connect with like-minded colleagues on shared interests.

Our Diversity Partners

- We continued to work with our partner, Business in the Community (BITC), on the Mentoring Circles programme which offers young people from ethnic minority backgrounds the chance to connect with mentors in their chosen industry and to share their experiences of the workplace and help mentees with their own career progression
- We are a signatory to Business in the Community's Race at Work Charter
- We are a Level 2: Disability Confident Employer

- We continued to partner with Carers UK, having signed up to the Employers for Carers digital platform to provide employees with access to dedicated resources for carers
- We are a member of Stonewall's Global Diversity Champion network
- We continued our charity partnership with The Terence Higgins Trust
- Following last year's success of the product collaboration with one of our charity partners, Parkinson's UK (where all proceeds raised went to the charity), we have broadened the project, recruiting a designer from within the business to partner with other charities to explore further collaborations which will be available on our website
- We continued to support pregnant employees and those returning from maternity leave at Head Office by partnering with an external organisation to offer a programme of pregnancy yoga alongside maternity coaching. We also launched support for pregnancy loss

Training and Development

We believe that offering learning and development opportunities will help our employees to feel valued, equip them to carry out their roles to the best of their ability and support them in developing their career opportunities through internal promotion. Our employees are able to access a range of development tools or training through our training teams within each area of the business.

Our training teams ensure relevant and appropriate training and development is provided by supporting:

- Job role-specific training covering technical, operational and skills training
- Individually tailored training to address both employees' individual needs and specific business requirements
- Training in areas such as health and safety, First Aid and manual handling to ensure our employees work in a safe environment



MAKING NEXT A GREAT PLACE TO WORK CONTINUED

Internships

Working with external organisations such as Leonard Cheshire, 10,000 Black Interns and UpReach. During 2022 we offered summer internships to students from disabled, ethnic minority or less-advantaged backgrounds. The programme was a success, with 50% of placements being offered employment with us.

We also supported the Project Search programme which is committed to transforming the lives of young people with learning disabilities and autism. We welcomed 12 interns at one of our sites during the summer, following the success of the previous programme through which 96% of students achieved employment.

Apprenticeships

Our apprenticeship programmes continued at pace; we now have more than 450 apprenticeships in place. More than 250 apprentices started programmes in the year and over 100 completed their apprenticeships.

Management Training

During the year, we ran three leadership management courses for operational managers. There were three modules in total covering our new Company expectations, inspiring people and setting direction. An average of 150 managers attended each session.

We ran a successful Trainee Team Manager programme for advisors aspiring to become Team Managers. The six-month programme includes on-the-job learning using milestone checklists to cover all aspects of the role, with the opportunity to secure a position, if available, upon successful completion.

Rewards and Benefits

We believe in rewarding all employees with fair and competitive salaries, along with the opportunity to gain additional pay in the form of a bonus depending on the Company's financial (or in some cases, store or individual) performance.

Sharesave: We operate a Sharesave scheme to encourage employees to own shares in NEXT. All UK employees have the opportunity to save money over three or five years to buy NEXT plc shares at a discounted price. At the end of the savings period, participants have the opportunity to buy the shares at a price fixed at the start of the scheme, usually at a 20% discount to the share price at the time of grant. We also operate a share option scheme which extends to more than 2,000 participants.

NEXT Steps – our workplace nursery: Our purpose-built Head Office Child Care Nursery continues to flourish with an “Outstanding” OFSTED rating. It currently has over 200 children registered to attend. This is part of our on-going commitment to supporting our employees with their pre-school childcare arrangements.

Employee Engagement

We have a number of engagement activities in place across the Group to collect feedback and ideas from colleagues. This includes an employee forum made up of elected representatives from Head Office who attend meetings at least twice a year with directors and senior managers. These forums encourage open discussion on business issues, policies and the working environment.

During the year, we launched our second Group-wide employee engagement survey, Your Voice Counts, where employees were invited to provide feedback and suggestions on their employment at NEXT. The engagement results and feedback were presented by each business area to the Directors with the support of HR Managers. The approach provided the focus for the Business Review Meetings, which allow open discussion on key business issues, policies and the working environment in different parts of the business, with actions agreed on issues raised.

Our employee engagement score was 7.1/10, similar to our score in 2021. The results of the survey revealed that employees believe we do really well at setting goals, supporting management and encouraging peer relationships. Our colleagues told us that we have more work to do on supporting mental wellbeing, following which we launched a wellbeing site for employees and mental health training for managers.

Looking Ahead – We Will:

- Work with external organisations to offer summer internships to students from disabled, ethnic minority or less advantaged backgrounds
- Enhance our mental wellbeing programme through the identification of trends to develop support
- Work with Thrive to fine-tune our wellbeing programme
- Continue to identify opportunities to develop safe working conditions for our employees



SUPPORTING OUR COMMUNITIES

Highlights

- Charitable donation of £3.3 million
- Giving at NEXT website created for employees
- 377 tonnes of furniture diverted for reuse to Doncaster Refurnish to create value
- Over £770,000 raised for charities from the sale of our reusable carrier bags in England, Scotland and Wales

Aligned SDGs



Our Commitment

We want to support causes that make a real difference. We particularly focus on supporting charities and organisations that have an impact in the countries and communities we source from and operate in.

Our Approach

We provide donations that are of the most benefit – this can be in the form of financial or product donations, expertise, knowledge or time. We also raise funds through the redistribution of carrier bag levies and other similar government mandated payments. Where possible, we support charities for a number of years with a specified annual donation, as this commitment helps them plan their work with confidence and allows us to become strategic partners.

Our charitable giving policy supports:

- The advancement and promotion of health and supporting both end of life and emergency care services
- The advancement of education, life and work skills and the development of youth amateur sport
- The advancement of environmental protection or improvement

- Reducing inequality, by supporting the promotion of diversity, inclusion, human rights and by the prevention or relief of poverty

Our Charity Committee oversees the distribution of donations to ensure they meet our charitable giving policy. During the year, we developed our approach to charitable giving by asking our employees to decide which charities should receive donations. Each of our business areas was given a charitable donation fund, and through employee engagement, each business area decided how the funds should be distributed during the year.

During the year, we developed our Giving at NEXT website to support employees both at work and in their own time to make donations to help their chosen charities. The website, accessible to both colleagues and the public via <https://giving.go.next/home>, enables our people to volunteer online or physically, get involved with sustainability and wellbeing challenges, run fundraisers on behalf of their chosen charities and take part in payroll giving.

Charitable Donations

To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions from products donated by the business. This figure is added to our financial contributions, to arrive at a total sum contributed for the year. Our charity and sponsorship programme is made up of donations to:

- Registered charities – we have offered support to around 225 charities during the year
- Commercial support and sponsorship – we offer commercial support and sponsorship to a small number of organisations. We also support local sporting teams of all ages, especially where there is direct employee involvement with the team
- Individual requests/local and national groups and organisations – we are able to help groups and organisations that do not have charitable status through these donations

A summary of our charitable giving is set out below.

	2023 £000	2022 £000
NEXT Plc has offered financial support to:		
Registered charities	1,228	1,126
Commercial support and sponsorship	60	60
Individual requests, local and national groups and organisations	5	1

	2023 £000	2022 £000
This support has been supplemented with the following activities:		
Gifts in kind – donations of products	1,638	1,482
Charity link sales	275	211
Employee fundraising/charity events	80	22
Total support (incl. employee fundraising)	3,286	2,902





SUPPORTING OUR COMMUNITIES CONTINUED

Payroll Giving

We offer a scheme that is available to all UK based employees and allows them to make tax-efficient donations to any UK registered charity. During the year, our employees donated around £100,000 to charities of their choice.

Community Support

Through long term strategic partnerships, we aim to offer support to the most vulnerable people within our communities. As part of our target to divert our waste from landfill, we continue to identify and divert products that previously may have been disposed of via landfill, and offer them for reuse to a group of registered charities and social enterprise organisations. These organisations can reuse and recirculate these products and materials, as well as create value from the products to benefit their aims.

Case Study: Our ongoing partnership with the Terence Higgins Trust

We continue to partner with the Terence Higgins Trust (THT) to reinforce Pride@NEXT's commitment to shape a positive culture through our activities.

Whilst this is still a relatively new partnership, launched to coincide with World Aids Day in 2021, we believe that NEXT, together with the Trust, can:

- Continue to support people living with HIV
- Provide vital testing services for HIV and other sexually transmitted infections
- End stigma by ensuring that the voices of people affected by HIV are heard
- Support THT in achieving their mission to end HIV transmissions in the UK by 2030

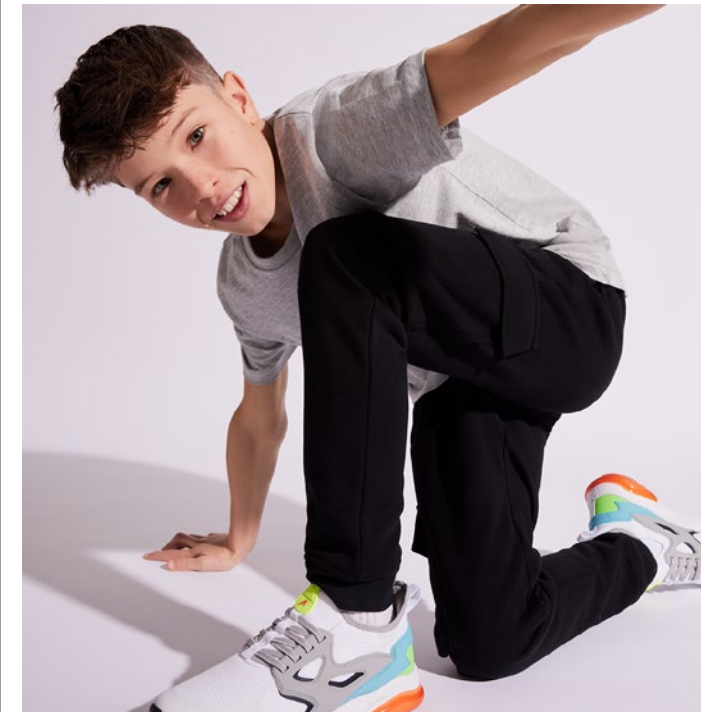
Carrier Bags

NEXT continues to support and encourage our customers to reduce the use of carrier bags by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag. We offer a reusable carrier bag for customers to purchase, with the proceeds raised going to our nominated charities across England, Scotland and Wales.

We support both environmental and health charities who focus on care for life-limited children, young people and their families. In Northern Ireland, the monies raised are paid directly to the Government who use the proceeds to fund environmental projects. Our reusable carrier bags, made from over 90% recycled materials, can be returned to our stores by customers when worn out and replaced for free, and we will ensure they are recycled through our in-house recycling centre. We are working with one of our suppliers to start to reuse this recycled material in our own carrier bags and other packaging. This approach is creating a closed loop system and will ensure our bags will be made with our own recycled materials.

Together With NEXT

This year, we started a new venture through one of our designers, Genna Douglas, who has early onset Parkinson's disease. In previous years, Genna has worked with Parkinson's UK and well-known designers, Alex Echo and Eleanor Bowmer, to curate a range of products. 100% of the profit from the sale of these products is donated to Parkinson's UK. This project was so successful that Genna has been co-opted into a new role to permanently collaborate with charities and designers to design and sell exclusive ranges. NEXT will donate 100% of profits from these products to the charities with which we collaborate through our 'Together With NEXT' programme.





SUPPORTING OUR COMMUNITIES CONTINUED

Community support through long term strategic partnerships

One of our key partners is Doncaster Refurnish, a social enterprise charity which is located near our main warehouses. We have worked in partnership to support their valuable work in the community since 2008. They aim to help the community around Doncaster by creating sustainable employment and training opportunities. Through NEXT's donation of safe but unsellable or damaged furniture and home accessories, Refurnish has been able to generate over £0.7 million by converting over 5,500 items for reuse and sale. This funding provides much needed services in the community, with the additional benefit of diverting for reuse 377 tonnes of product we were unable to sell.

As well as creating full-time employment, Refurnish encourages both volunteering and paid work placements for people of all ages and backgrounds. It has focused on providing community support where it is most needed, including assisting emergency relocation for people fleeing domestic violence, as well as providing social engagement project based work for families. Refurnish is working with Doncaster Children's Trust and St. Leger Homes to help young people leaving the care system to move in to independent living, and is providing furniture it has repaired or repurposed to go into their new homes. The young people are encouraged to engage in opportunities to design and make their own items to complete and personalise their new homes.

With recovered timber from NEXT product donations, Refurnish have provided materials and labour to build an outdoor education facility at the Urban Farm in Bentley, Doncaster. The building is used by the community, including schools and specialist referral units, to learn about the produce grown at the farm.

NEXT TOGETHER WITH PARKINSON'S^{UK}

Case Study: Our partnership with Parkinson's UK

As part of developing an inclusive and diverse place to work, we partnered with Parkinson's UK to help them raise awareness and improve the lives for everyone affected by Parkinson's.

Our partnership launched on World Parkinson's Day 2021 and has been led by NEXT designer Genna Douglas, who has Parkinson's herself. We designed an exclusive range of T-shirts and tote bags to raise funds for the charity and share positive messages of diversity, inclusion and community.

Our second collaboration has been designed by internationally-renowned artist Alex Echo, who was diagnosed with Parkinson's in 2020. He has created uplifting designs for an exclusive range of homeware and children's T-shirts, with 100% of the profits going to Parkinson's UK.



STAKEHOLDERS, GOVERNANCE AND MATERIALITY

Stakeholder Engagement

Stakeholder engagement is important to NEXT, both formally through meetings, and informally.

Our teams play an important role in managing our stakeholder engagement in a proactive, respectful and professional manner. NEXT must also ensure that new and emerging issues, risks and requirements are carefully considered, assessed and appropriately acted upon.

Our key stakeholders and our engagement activities are summarised in the table opposite.



Key Stakeholders	How we engage
Suppliers*	<ul style="list-style-type: none"> • Visits and meetings both at NEXT offices and their factories • NEXT COP supplier audits • Training workshops • Conferences
Customers	<ul style="list-style-type: none"> • Customer feedback via online messaging • Communication with NEXT Customer Contact Centres • Direct customer contact and market research activities • Social media • Monitoring customer returns
Workforce*	<ul style="list-style-type: none"> • Workforce communication forums • Workforce engagement surveys • Training and development
Environment*	<ul style="list-style-type: none"> • Visits and meetings with NGOs • Representation on trade association working groups • Participation in surveys
Community*	<ul style="list-style-type: none"> • Develop and agree longer term support with a range of charities to assist their ongoing work • Respond to requests for assistance

* Indicates stakeholder groups potentially affected by human rights risks.

Key Stakeholders	How we engage
Shareholders	<ul style="list-style-type: none"> • Meetings and investor roadshows • Respond to queries and requests for information • Ethical investment surveys; sustainability benchmarks and indices
Government	<ul style="list-style-type: none"> • Responses to Parliamentary Committees' inquiries such as the Environmental Audit Committee • Meetings and dialogue with trade associations

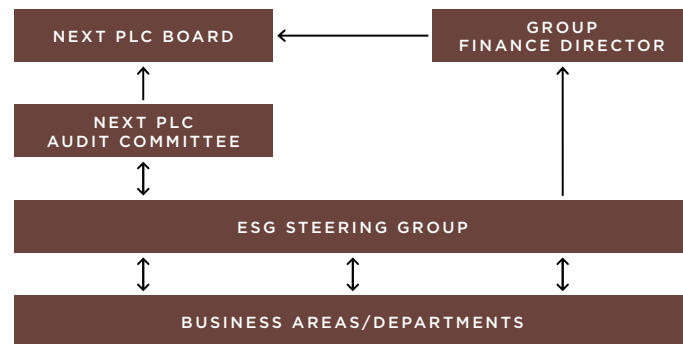
Governance and Risk Management

A robust governance structure, clear risk management and internal controls framework are embedded throughout the business and are core to our Corporate Responsibility approach.

As part of the NEXT risk management process, detailed risk registers are maintained by 20 distinct operational and functional areas, where local business risks are identified, assessed and managed. Specific corporate responsibility risks are recorded, considered and managed as part of this process. In addition, the impact of corporate responsibility risk factors is included, where appropriate, in the NEXT plc directors' assessment and review of NEXT's principal risks. NEXT's principal risks are detailed in the Strategic Report section of our latest Annual Report.

STAKEHOLDERS, GOVERNANCE AND MATERIALITY CONTINUED

Our Governance Framework

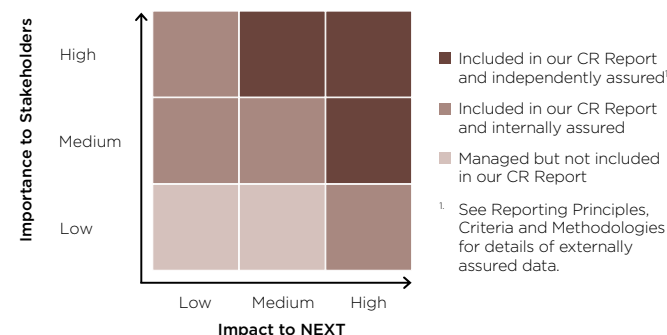


Understanding Materiality

NEXT has determined materiality as the threshold at which environmental, social, economic and governance related issues become sufficiently important that they should be included within this report.

This threshold is determined by understanding:

- How important these issues are to our key stakeholders
- The impact of these issues on our business



ESG Governance Framework

Our governance structure around ESG-related activities is relatively simple. This allows emerging issues and matters for decision to be escalated quickly. The Board has delegated oversight of ESG activities to the Audit Committee. It decided that this was appropriate given the increasing focus on the potential risks and financial impacts associated with climate change in particular. ESG is a standing agenda item at each Audit Committee meeting. The Committee's remit includes:

- Monitoring progress against climate-related goals and targets
- Keeping under review the Company's ESG risks and opportunities
- Keeping under review the materiality of climate-related risk and its impact on the financial statements
- Monitoring adherence to externally applicable sustainability codes and principles

There are wider governance arrangements in place to support the Audit Committee, and ultimately the Board, in discharging their responsibilities. An ESG Steering Group has been established which meets quarterly to oversee the delivery of our action plan and improvement roadmap, ESG targets and emerging ESG risks.

The Steering Group is chaired by the Company Secretary. It is cross-functional; members include senior management from the Central Finance and Product teams as well as the Global Code of Practice Manager and the Head of Product Legislation & Sustainability.

The Group Finance Director, Amanda James, is the executive sponsor of ESG activities and directs the activities of the Steering Group. She meets regularly with the key members of the Steering Group, receives various updates throughout the year and is present at Audit Committee and Board meetings to discuss ESG matters that arise. The Audit Committee receives reports from the ESG Steering Group at each of their meetings. The Committee subsequently updates the Board and makes recommendations as appropriate.

Our Corporate Responsibility reporting provides detailed information on where and how NEXT focuses to meet our environmental and social responsibilities.

In the year ahead, our focus is to further build our data, place policies in the public domain and continue to embed ESG into our day to day business decisions.

Legal Compliance

During the year we had no environmental or health and safety prosecutions and no work-related fatalities in our direct operations.

Assurance of Report Content

Selected carbon and waste data, indicated by the [Ⓐ] symbol, was subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of that assurance, see PwC's Assurance Report on page 34 and NEXT's 2023 Reporting Principles and Criteria, which can be found at <https://www.nextplc.co.uk/-/media/Files/N/Next-PLC-V2/documents/corporate-responsibility/reporting-principles-2023.pdf>

Reporting Principles, Criteria and Methodology

For further information on this please refer to: nextplc.co.uk/corporate-responsibility

Further Information

For further information on certain areas of this Report you will find a direct link to additional details in a section called Our Approach. Alternatively, the information can be found on our corporate website, nextplc.co.uk

Contact Us

We welcome your comments and feedback on our corporate responsibility performance. Contact us via our corporate website at nextplc.co.uk/contact-us

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC ON THE SELECTED ESG PERFORMANCE METRICS



The Board of Directors of NEXT plc (“NEXT”) engaged us to obtain limited assurance on the selected ESG performance metrics (together the “Subject Matter Information”) as defined below and marked with the symbol Ⓐ in the Tackling Climate Change section in NEXT’s Corporate Responsibility Report for the year ended 28 January 2023 (the “Report”).

Our assurance conclusion does not extend to information in respect of earlier periods or to any other information included in, or linked from, the Report including any images.

Our limited assurance conclusion

Based on the procedures we have performed, as described under the ‘Summary of work performed’ and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information in NEXT’s Report for the year ended 28 January 2023, has not been prepared, in all material respects, in accordance with the Reporting Criteria set out referenced in the ‘Subject Matter Information and Reporting Criteria’ section below.

Subject Matter Information and Reporting Criteria

The Subject Matter Information needs to be read and understood together with the Reporting Criteria, which NEXT is solely responsible for selecting and applying. The Subject Matter Information and the Reporting Criteria are set out in the table below:

Subject Matter Information		Reporting Criteria	
Greenhouse Gas (GHG) Emissions			
Global – Scope 1 – tonnes CO ₂ e	43,165	NEXT Reporting Principles and Criteria 2023 https://www.nextplc.co.uk/~/_/media/Files/N/Next-PLC-V2/documents/corporate-responsibility/reporting-principles-2023.pdf	
Global – Scope 2 – Location Based – tonnes CO ₂ e	43,323		
Global – Scope 2 – Market Based – tonnes CO ₂ e	5,638		
Global – Scope 1 & 2 Location Based – tonnes CO ₂ e	86,488		
Global – Intensity metric – Location Based – tonnes CO ₂ e/Total Sales (£m)	16		
Global – Scope 3 (Assured) – tonnes CO ₂ e	72,730		
Energy			
Global – Gas usage – kWh	42,784,844		
Global – Electricity usage – kWh	209,139,917		
Waste and recycling			
Global – Total waste – Tonnes	34,013		
Global – Material diverted for recycling and energy recovery – Tonnes	32,297		
Global – % diverted from landfill – %	95		
Carbon emissions			
Scope 1 and 2 carbon emission reduction percentage against a 2016/17 baseline – %	47		

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC ON THE SELECTED ESG PERFORMANCE METRICS CONTINUED

Inherent limitations

The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, evaluation and measurement techniques that can affect comparability between entities and over time.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for determining such information. The precision of different measurement techniques may also vary.

In particular, the emission factor of zero used in the calculation of market-based emission calculations is based on the commitment by the energy supplier under terms of its renewable tariff to supply NEXT with energy backed 100% by the Renewable Energy Guarantees of Origin certificates (REGOs).

REGOs are subject to inherent limitations, including but not limited to the risk of double counting and uncertainty as to whether the third-party energy supplier will purchase and retire enough certificates to cover all of the energy supplied to all of its customers who have purchased the energy through renewable tariffs in the reporting period, over which the customer has no oversight.

Responsibilities of the directors

The Directors of NEXT are responsible for:

- determining appropriate reporting topics and selecting or establishing suitable criteria for measuring or evaluating the underlying subject matter;
- ensuring that those criteria are relevant and appropriate to NEXT and the intended users of the Report;
- the preparation of the Subject Matter Information in accordance with the Reporting Criteria including designing, implementing and maintaining systems, processes and internal controls over the evaluation or measurement of

the underlying subject matter to result in Subject Matter Information that is free from material misstatement, whether due to fraud or error; and

- producing the Report, including underlying data and a statement of directors' responsibility, which provides a balanced reflection of NEXT's performance in this area and discloses, with supporting rationale, matters relevant to the intended users of the Report.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Subject Matter Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of NEXT.

Professional standards applied

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements', issued by the International Auditing and Assurance Standards Board.

Our independence and quality control

We have complied with the Institute of Chartered Accountants in England and Wales Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the International Ethics

Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards).

We apply the International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of work performed

We performed a limited assurance engagement.

Limited assurance can cover a range of assurance from low (i.e. just above assurance that is likely to enhance the intended user's confidence about what has been assured to a degree that it is clearly more than inconsequential) to just below reasonable assurance. Because the level of assurance in a limited assurance engagement varies in this way, we give more detail about the procedures performed, so that the intended users can understand the nature, timing and extent of procedures we performed as context for our conclusion. These procedures performed vary in nature and timing from, and are less than in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

In performing our assurance procedures, which were based on our professional judgement, we performed the following:

- considered the suitability in the circumstances of NEXT's use of the Reporting Criteria, as the basis for preparing the Subject Matter Information;
- obtained an understanding of NEXT's control environment, processes and systems relevant to the preparation of the Subject Matter Information. Our procedures did not include evaluating the suitability of design or operating effectiveness of control activities;

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC ON THE SELECTED ESG PERFORMANCE METRICS CONTINUED

- evaluated the appropriateness of measurement and evaluation methods, reporting policies used and estimates made by NEXT, noting that our procedures did not involve testing the data on which the estimates are based or separately developing our own estimates against which to evaluate NEXT's estimates;
- performed limited substantive testing on a selective basis of the Subject Matter Information, which is aggregated from information submitted by NEXT's operational sites. Testing involved: comparing year on year movements and obtaining explanations from management for significant differences we identified, agreeing arithmetical accuracy and agreeing data points to or from source information to check that the underlying subject matter had been appropriately evaluated or measured, recorded, collated and reported;
- undertook site visits at the South Elmsall warehouses and recycling centre, the Oxford Street retail store site and a virtual site visit of the manufacturing facility in Sri Lanka; we selected these sites based on their inherent risk and materiality to the group; and
- considered the disclosure and presentation of the Subject Matter Information.

Our procedures did not include evaluating the suitability of design or operating effectiveness of control activities, testing the data on which the estimates are based or separately developing our own estimates against which to evaluate NEXT's estimates. Nor did we perform procedures on financial information extracted from the audited accounts of NEXT and used in the calculation of Intensity metric – Location Based – tonnes of CO₂e/Total Sales (£m) and Intensity metric – Market Based – tonnes of CO₂e/Total Sales (£m).

In addition, in relation to market-based emissions, we did not perform any procedures over the energy supplier's Fuel Mix Disclosure Regulatory annual submission nor did we obtain evidence to support the purchase and retirement of REGO certificates.

Other information

The other information comprises all of the information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other information. As explained above, our assurance conclusion does not extend to the other information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Use of our report

Our report, including our conclusion, has been prepared solely for the Board of Directors of NEXT in accordance with the agreement between us dated 14 October 2022 and variation letter dated 27 March 2023 (together the "agreement"). To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than the Board of Directors and NEXT for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
28 April 2023