

## Competition Law Compliance

*It is Next's policy to compete vigorously and fairly. Acting in compliance with competition law is a fundamental part of our business. This means making sure that all employees understand what the law requires and act accordingly.*

*This Competition Law Compliance Policy has been approved by the Board of Next Group plc and each officer and employee of the company must comply with it.*

*The Legal Department also runs a competition law training programme, which complements these Guidelines.*

*Thank you for your co-operation.*

**Simon Wolfson**  
Chief Executive

### 1 COMPETITION LAW – THE RULES

1.1 The competition rules are enforced by the Office of Fair Trading (known as the OFT). The competition rules aim to protect and promote fair competition. They prohibit companies from reaching agreements (or even informal verbal "understandings") with each other to do things such as fixing prices, allocating customers, sharing markets or unlawfully excluding competitors.

1.2 The following activities are anti-competitive and therefore unlawful:

- **Price Fixing** - agreeing with our suppliers or other retailers to fix our selling prices
- **Sharing Pricing Information** – telling our suppliers or competitors about our future pricing intentions
- **Sharing Commercially Sensitive Information** – sharing commercially sensitive information with our suppliers or competitors – e.g. information about our future profit margins, future promotions etc
- **Quantity Restrictions** – agreeing with competitors only to stock a certain quantity of a certain product to ensure that demand remains high
- **Allocating Customers, Market or Products** – agreeing with a competitor that you will focus on product A and stop selling product B in return for your competitor "backing-off" product A and focusing on product B instead

1.3 The competition rules apply to informal agreements and verbal agreements in exactly the same way as to formal written agreements. An exchange of e-mails, letters or even a conversation could amount to an agreement. The OFT can "infer" that an understanding or verbal agreement has been reached, simply by relying on their own interpretation of our documents or their interpretation of certain events. Many of the heaviest fines have been imposed for anti-competitive verbal agreements or understandings.

### 2 CONSEQUENCES OF NOT COMPLYING

2.1 There are serious penalties for companies and for individuals who break the rules. An investigation by the OFT would harm our reputation, as well as causing customers to lose trust in us.

2.2 If we break the competition rules, we risk being investigated by the OFT. They could fine us up to 10% of our total world-wide sales (turnover – **not** profit).

2.3 We could also be sued for damages by our customers. As well as the direct financial consequences, any investigation would require resources and management time which could otherwise be invested in the business, as well as harming the company's reputation with both shareholders and customers. In a serious case, directors could be disqualified from office. Individuals who dishonestly

participate in a cartel with competitors are committing a criminal offence and could be imprisoned for up to five years and face a very substantial fine. A "cartel" is an agreement between competitors not to compete with each other.

### 3 DEALING WITH SUPPLIERS

3.1 We must set our own selling prices. Next must be free to decide the price at which it sells its products to its customers. Suppliers cannot fix our retail selling prices. Fixing our selling prices with a supplier is a very serious breach of the competition rules and we would be fined heavily if we did this.

3.2 Next must decide its own selling prices independently of the supplier. Once we have made this independent decision, we can ask the supplier to give us a cost price which would allow us to sell our products at our own target selling price.

### 4 DEALING WITH COMPETITORS

4.1 We must never work with competitors to reduce competition in the marketplace. We must always encourage fair competition. Competition law assumes that markets generally work best when competitors compete, rather than co-operate. In terms of contacts with competitors, the fundamental rule is that Next must make its own independent decisions on how to compete, based on its own knowledge and understanding of the market, and without reaching any agreement or understanding with its competitors on commercial matters.

4.3 You should not (however informally) discuss, agree or exchange information with competitors on:

- the prices Next charges customers or pays to suppliers
- the margin Next achieves on sales
- the promotions or discounts Next offers
- Next's future pricing or promotions strategy

4.4 You should not ask competitors for this type of information.

### FURTHER TRAINING & ASSISTANCE

Further comprehensive training will be provided by the Legal Department. Attendance at these training courses is compulsory and each buyer must attend this course every six months.