



OUR CUSTOMERS AND PRODUCTS

CONTEXT

OUR APPROACH

Our aim is to meet or exceed our customers' expectations of NEXT as a company and the products we sell by providing:

"Exciting, beautifully designed, excellent quality clothing and homeware"

Delivering to our Brand values means developing, improving and expanding our product ranges, focusing on being better by design. NEXT products should be well made, functional, safe, and free from harmful substances, sourced and produced responsibly. We are committed to ensuring no-one should be harmed when our products are being made, or whilst they are being used. Through these values, we work to attract, understand, retain and develop relationships with our customers to build their trust and confidence in our reputation for quality, price and service and deliver on their needs, resulting in a strong financial performance.

OUR PRIORITIES ARE TO ENSURE:

- The quality of our products
 - Our products are safe and fit for their intended purpose
 - Our products fully comply with all legislation and our own standards where these go beyond legislative requirements
 - Our products are sourced in a responsible manner
- NEXT is committed to operating a responsible and successful business. We aim to provide a high level of service to all our customers, whether they are shopping in our high street, shopping centre or retail park stores, the NEXT Directory, or online through our website. However our customers choose to shop with us, NEXT must be safe, welcoming and easily accessible for all. We aim to respond to customers' particular needs through a package of measures we have in place, which we believe supports all our customers.



PRODUCT SAFETY AND LEGISLATION COMPLIANCE

NEXT is committed to ensuring the products we sell have been made in a safe environment, are safe to use and are fit for purpose. Working closely with our buyers, designers and suppliers, our team of specialist technologists is responsible for ensuring all products sold by NEXT comply with relevant consumer legislation, as well as meeting the required safety and performance standards detailed in the product specific technical manuals given to our suppliers. Where necessary, our technologists work with and use the expertise of independent safety specialists to ensure the products we sell achieve the required safety and performance standards. All suppliers to NEXT have access to our full range of technical manuals and quality, safety, ethical and environmental standards and requirements, via an online supplier portal.

To have visibility of and monitor the development of both new legislation and changes to existing legislation at a United Kingdom, European and global level, we work closely with trade associations, British Standards and government departments, to both contribute to and support legislation development, by giving our views and ideas. We are members of different industry committees and groups, such as British Standards Institute Technical Committees and Policy Action Groups within the British Retail Consortium, and through these we are able to participate with other stakeholders in policy debates, to contribute to their development, and ensure NEXT product is compliant with the relevant legislation, in line with their implementation dates.

CUSTOMER SERVICE

NEXT understands the importance of creating and maintaining good relationships with our customers who are demanding better value for money with no compromise on the product choice, quality, value and service they expect from us. Focusing on service and convenience we are able to provide our customers with a flexible shopping experience however they shop with us, whether in our stores, through the NEXT Directory or by placing an order online. In 2013 we introduced free next-day deliveries to stores for customers who ordered before 10pm, and as a result the percentage of orders made from home and delivered to a store has increased from 30% to 45%. This service is now available in 341 stores and will be extended to cover 99% of our stores by retail turnover during 2014.

OUR CUSTOMERS AND PRODUCTS CONTINUED...

We undertake an active programme of market research and direct customer contact to measure what our customers think of NEXT and better understand and respond to their needs and opinions. We carry out interviews and gather feedback through customer satisfaction surveys, organise mystery shopping visits to stores and carry out accompanied store visits and discussion groups. The resulting information gathered through these different programmes is used internally to review, develop and improve our overall service, and to ensure we continue to work to achieve our aim of meeting or exceeding our customers' expectations of NEXT.

Our Customer Service Department ensures we have effective procedures in place, for both our Retail and Directory customers to contact us through telephone calls, letters and email correspondence, to resolve enquiries and issues in relation to our products, operation, policies or the service we provide. In addition, we ensure we have a robust procedure in place to monitor, evaluate and respond to customer feedback, where necessary. The Customer Services team works closely with many internal departments, in relation to the correspondence received from our customers, to be able to resolve our customers' enquiries and issues. In addition, their role is to provide regular reporting to the business, including to senior management, who regularly review customer service performance as one measure of how the business is delivering satisfaction to our customers. The relevant department will use the findings alongside other data, such as returns information, to review how a product or service can be improved going forward, or identify possible problems that need further investigation.

PERFORMANCE

In 2013 we had:

- An average of 345,000 transactions per day across Retail and Directory (2012: 338,000)
- 4.0 million active global Directory customers (2012: 3.7 million)
- 90% of Directory orders by value placed online (2012: 87%)

Our Customer Services Department is responsible for satisfactorily resolving customer contacts that have been identified as 'escalated', across both Retail and Directory. During the year we received over 19 million contacts from our customers through telephone calls,



emails and letters, and of those, less than 1% become 'escalated' to the Resolution team to investigate the reason for the contact, liaise internally and with the customer to bring the contact to a satisfactory resolution. It is important to us that each enquiry or issue is resolved for the customer. Satisfactory resolution of all customer contacts is a business priority for NEXT and the Customer Services Team works closely with different internal teams to achieve this.

PROGRESS

LEGISLATION COMPLIANCE - RESTRICTING HAZARDOUS CHEMICALS

Chemicals are used in our products during their development and manufacture and whilst the majority of chemicals are harmless to humans and the environment, safety remains a key concern. We need to ensure our products do not contain any substances which could be harmful for our customers, the workers who make our products or the environment. Therefore, NEXT has stated limits for the use of chemical substances in our products which are restricted by law or are known to be hazardous or harmful to humans or the environment. These chemical substances are detailed in our Restricted Substance Standards (RSS), which form part of our technical requirements for the products manufactured by our suppliers, and for which all our suppliers are contractually bound to comply with.

We have developed our RSS requirements from:

- Legal standards: European standards are met or exceeded; in addition some non-European standards are also incorporated
- Recommendations by industry experts: where chemical substances are recognised as being harmful, but there is no legislation in place
- Pressure group focus: certain chemicals are targeted as being of high concern
- Customer feedback: certain chemicals that are known to be irritants, but are not restricted by law

Our Restricted Substance Standards have been regularly updated to be in line with any changes that have come into force from new legislation during 2013. They are also continually developed in anticipation of emerging legislation and other information concerning new potentially hazardous chemicals, not yet captured by legislation. Our suppliers are kept up to date with

OUR CUSTOMERS AND PRODUCTS CONTINUED...

these developments, so changes in legislation can be implemented immediately. Our policy is to apply a precautionary approach to chemical management, which means we work to restrict chemicals where possible, even if there is still some uncertainty about whether a chemical is hazardous or not. With this approach we often exceed legislative requirements, or restrict chemicals ahead of legislation coming into force. We keep ourselves updated with the latest information about hazardous chemicals and continually review information from pressure groups, authorities and scientific reports.

We work with our suppliers offering advice, support and training to ensure the chemical substances used meet our required criteria.

We have started to work with suppliers further back in our supply chain i.e. fabric mills, wet processors such as dyers, printers, laundries etc. to ensure they are aware of NEXT's RSS and adhere to its requirements. We believe this will help to prevent unwanted chemicals being used in our supply chain and support the wider elimination of these chemicals.

As part of our ongoing due diligence programme and commitment to ensure the products we sell meet our standards, we conduct regular monthly audits. Working with two independent specialist laboratories, we select products based on a clear risk assessment process, and test them in accordance with the requirements of our RSS. Our suppliers are advised of the outcome of the audit testing and, if the products are found to fail our requirements, they are withdrawn from sale and may be recalled from customers.

We continue to monitor REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) legislation closely. It seeks to reduce the exposure of humans and the environment to harmful chemicals and substances across all industries within the European Union (EU). The aim of the legislation is to:

- Monitor the manufacture, use and importation of new and existing chemicals in the EU
- Assess the harm these chemicals may cause to humans and the environment
- Ban or restrict the use of any harmful chemicals to minimise or eliminate the risk of exposure to humans and the environment from these chemicals

Under REACH, the list of Substances of Very High Concern (SVHCs) continues to grow. In general terms, SVHCs are substances that have hazards with serious



consequences, for example, they cause cancer in humans, and/or remain in the environment for a long time with their amounts in animals gradually building up. We carefully follow the progress of all SVHCs and review them against our RSS to ensure all SVHCs being considered are included.

As part of the REACH legislation, customers are able to check if a product contains an SVHC above the 0.1% threshold. If we receive such a request, we are required to respond to the customer within 45 days. During 2013, we did not receive any requests from customers regarding SVHCs.

PRODUCT SAFETY

NEXT is committed to ensuring the products we sell across all our divisions are safe to use, have been made in a safe environment and are fit for purpose. In particular, we are committed to ensuring that children are safe when wearing or using our products. Our Childrenswear division focuses on safety throughout all stages of development and production, starting at the design stage with a risk assessment to ensure all products achieve the standards we require. Our safety standards are based on the highest legal European standards and often go further than the law demands.

The safety of children is an issue that is of highest importance for many retailers and suppliers. Through BSI (British Standards Institute) and CEN (European Committee for Standardisation) NEXT is an active participant in the Working Groups responsible for developing standards to ensure the safety of children's clothing. During 2013, further work has been done with other UK and European retailers on updating the regulations relating to the use of cords and drawstrings on children's clothing and the development of a new European technical report relating to the mechanical safety of children's clothing. We believe it is important to participate and communicate with regulators and other industry representatives through these committees, to support the development of better regulations to protect children.

NEXT has an established procedure in place to recall a product if it is found to fall below our high standards of safety and performance as the safety of our customers is our priority. If a recall is required we:

- Place an immediate 'freeze' on all warehouse stock and action a till procedure to prevent any further product being sold
- Remove the product from the sales floor

OUR CUSTOMERS AND PRODUCTS CONTINUED...

- Advise our customers of the recall and their entitlement to a full refund, by placing notices in our stores, on our website and by writing directly to our Directory customers
- Collate the returned products at our warehouse and arrange for their safe disposal

SUSTAINABILITY OF RAW MATERIALS

We are committed to the responsible sourcing of raw materials as their production and harvesting can have a significant impact on people and cause damage to environments and ecosystems if not managed correctly. We do not source any raw materials directly, but we are committed to working with our suppliers to help them understand and develop improved traceability and visibility of the entire supply chain. It is important that raw materials are sourced in ways that protect natural habitats, support their replenishment and ensure good animal welfare standards are delivered in line with our Animal Welfare Policy requirements. We aim to use independently verified certification schemes wherever possible.

Timber: The European Union Timber Regulation (EUTR) came into force in 2013 and makes it an offence to place illegally harvested timber, or timber products on to the EU market.

In 2012, we developed and introduced a new due diligence system database for assessing, managing and mitigating our timber risks. Over the last two years we have continued to train our Product teams and worked externally with our suppliers to help them understand the requirements of the legislation. Our suppliers of timber based products are required to provide information via the database system about their supply chains from the forest source through to manufacture. Suppliers must submit supporting documentation so that all components can be risk assessed against the requirements of our Timber Policy which is in line with EUTR requirements. Our focus in 2014 will be to continue to identify any gaps in our supply chains and work with our suppliers to continue to improve the information they are able to provide us.

To better understand the requirements of EUTR, we participated in the British Retail Consortium's (BRC) Timber Working Group which developed a guidance document to provide an overview of the key elements of the legislation and a possible approach to due diligence which was launched in 2013 to provide support to other retailers.



OUR CUSTOMERS AND PRODUCTS CONTINUED...

We responded to the Forest Footprint Disclosure Project during 2013, which has been developed to improve understanding of our 'forest footprint' in relation to a number of identified forest risk commodities – soy, palm oil, timber, cattle products and biofuel. NEXT provides information through this annual reporting initiative for timber and cattle products as we have identified these as the main impact areas in relation to NEXT products.

Animal Welfare: Our Animal Welfare Policy, reviewed with support from the RSPCA, provides clear guidance on all issues in relation to the products we sell, including beauty products, the use of real fur and animal skins, feathers and shells.

Our policy states we will not use real fur in any of our products and that artificial fur must be sourced instead.



As artificial furs are very realistic and can be difficult for a customer to differentiate, we include wording on the care label of products to indicate the product is made using artificial fur. NEXT is a Fur Free Alliance listed retailer.

You can read more about the Fur Free Alliance at: www.infurmentation.com

During 2013, we learnt about the unacceptable treatment of angora rabbits in China where the rabbits hair was being plucked out, a practice strictly forbidden through our Animal Welfare Policy. We had already conducted audits of the farms providing angora to NEXT suppliers and were able to verify we found no evidence of the issues being raised in the media, nonetheless we made the decision to permanently ban the use of angora within the business.

We do not support testing on animals for our own brand cosmetic products and do not carry out or commission such tests. We operate a fixed cutoff date, of testing, for ingredients in our products, of 1998. We support the Fund for the Replacement of Animals in Medical Experimentation (FRAME) which seeks to end animal testing.

Cotton and textiles: NEXT is a signatory to the Sustainable Clothing Action Plan (SCAP), lead by waste reduction agency WRAP (Waste & Resources Action Programme), alongside other major retailers, brands, recyclers, NGOs, sector bodies and charities. WRAP is an independent not-for-profit company with two priorities; minimising resource use and diverting priority materials for landfill. SCAP will measure and report the environmental 'footprint' of clothing throughout its life and work with the signatories to take action to reduce the impact.

SCAP members have identified that:

'To understand the opportunities for reducing resource use and waste in the clothing industry, its important first to understand how resources are used across the three major life-cycle stages of a garment: materials, garment supply, in-use and end-of-life.'

The collective ambition of SCAP and its members is to improve the sustainability of clothing across its whole life cycle. By bringing together industry, government and the third sector (recyclers, charities and re-use organisations), the programme aims to look at how to reduce the impacts of clothing whilst meeting consumer expectations.

SCAP signatories have submitted baseline data which has been used to identify and agree targets for carbon, water and waste, and also identify initiatives to support the targets, such as working to use lower impact textiles, recovering material at the end of a product's life and extending the usable life of clothing.