

Lipsy Limited: 05728110

Section 172 Statement

This section describes how the directors have had regard to the matters set out in section 172 (1) (a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its member, NEXT Holdings Limited.

The Company is a wholly-owned subsidiary of NEXT Holdings Limited which is a 100% owned subsidiary of NEXT plc. The principal activity of the Company is the retailing of ladies' young fashion brands. Therefore the Company considers that, indirectly, its key stakeholders reflect those of NEXT plc. However the Company has no external debt funding and it therefore considers its relationships with its workforce, customers and suppliers to be of direct relevance and long-term importance to its long term success.

References to Group refer to the wider NEXT plc Group structure (hereafter the "Group" or "NEXT").

Relationship and engagement with stakeholders

Workforce

The strength of our business is built on the hard work and dedication of all of the Company's people. We also consider the interests of former employees who are members of a Group pension scheme. Our colleagues rely on us to provide stable employment and opportunities to realise their potential in a working environment where they can be at their best. Our current executive directors have a combined services of over 140 years in the NEXT Group. This gives them extensive knowledge of the business as well as an acute insight into the mood, culture and views of their colleagues. All of our executive directors have a high degree of personal oversight and engagement in the business. The Board also engages in the following ways:

- Annual Business Review Meetings.
- Discussing the output of employee engagement surveys and agreeing follow up actions.
- Presentations on performance and strategy from the Chief Executive and the Group Finance Director to our workforce following the announcements of our key Group trading results. Where possible, the directors present to the business in person, but a video link is sent to remote employees.
- Visits to stores and warehouses, providing an opportunity to meet a wide range of our workforce.
- Online performance, development and feedback tools.

Engagement with our employees has always been vital to the success of our business. We continued to engage with our workforce about their health and safety.

Business Review Meetings

This was our second year of Business Review Meetings, which replaced our annual Recruit, Reward and Retain (RRR) workforce forums. These meetings offer our employees the chance to voice their opinions on the issues that are important to them. Following discussion on the key issues in different parts of the business, actions were agreed and feedback was reviewed by the Board.

Agreed actions from matters raised in the current year included further training on handling challenging customers safely and increasing the visibility and impact of our 'Respect in Retail' initiative, and reviewing the questions of employee engagement survey to elicit responses to which management are able to take action, as well as providing additional support to management to enable

them to respond to comments. Our Business Review Meetings were supplemented by Your Team Voice meetings which take place regularly throughout the year. Each business function and area has a nominated Your Team Voice representative, and employees are able to submit questions to Business Review Meetings via Your Team Voice meetings. One purpose of Your Team Voice meetings is to agree initiatives coming out of the Business Review Meetings.

Employee engagement surveys

During the year, we undertook our third employee engagement survey, 'Your Voice Counts'. The survey was sent to almost 42,000 employees across the wider Group and response rates were improved from the year before. The survey was conducted anonymously using a third-party tool. The overall engagement score for the whole NEXT Group was slightly higher than our score in the previous year. Employees believe that our main strengths as a Group are: recognition for performance and organisational fit, highlighting equality and health. Areas identified for improvement included transparency on career paths for development and progression. The Board considered results of the survey as well as the initiatives planned to address the matters raised.

Continuous performance management and feedback

Our online performance and development tool provides a forum for positive and constructive feedback by individuals, peers and managers. Our HR Director attended a meeting of the Board to brief the directors on employee-related matters, including workforce demographics, engagement activities, the results of employee engagement survey, staff retention rates, diversity, whistleblowing, disciplinary and grievance procedures, learning and development activity, pay and reward including gender pay gap and HR initiatives. The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce. With regard to health, safety and wellbeing, during the year the NEXT plc Audit Committee received an update from the Group Health and Safety Manager on safety performance, safety risk management and mental health wellbeing initiatives.

Customers

As a large retail business, the sentiment of customers can be seen in the Company's underlying sales performance figures, which the Board reviews regularly. The executive directors provide updates to the Board on their perceptions and the market view of consumer sentiment. The interests of customers are considered in key decisions, e.g. relating to: store portfolio changes; selection of product lines including third-party brands; selection and monitoring of suppliers to ensure quality and safety standards are met; freight and logistics arrangements to maximise efficiencies from order to delivery; the availability of customer credit products; and the development of the NEXT Online platform.

With the interests of customers in mind, during the year the Board reviewed proposals in respect of capital expenditure on warehouses, major freight forwarding and customer order delivery contracts.

Suppliers

Throughout the year the Board approved major contract renegotiations and strategy with regard to key suppliers, such as certain landlords. We balanced the benefits of maintaining strong partnerships with key suppliers alongside the need to obtain value for money for our investors and excellent quality and service for our customers.

Regulators

NEXT manages its tax affairs responsibly and proactively to comply with tax legislation. The Company's approach is to seek to build solid and constructive working relationships with all tax authorities. NEXT's UK tax policy can be found at nextplc.co.uk and was reviewed and approved by the Board during the year. This policy includes that the Company engages with HMRC constructively,

honestly and in a timely and professional manner, and seeks to resolve disputed matters through active and transparent engagement. Engagement with HMRC is led by the Company's in-house tax team of qualified tax professionals. The Group Finance Director provides regular updates to the Board on tax matters.