

2021 Annual General Meeting - Shareholder Questions and Answers

Next plc held its 2021 AGM on Thursday 20 May 2021. Shareholders were invited to submit questions to the Board on the business of the meeting before and during the AGM. This document sets out the full questions asked by shareholders (only the underlined text was read out at the AGM), along with the answers given.

Question 1:

We'd like to begin by congratulating Next Plc on its progress towards its RE100 commitment by purchasing 100% renewable electricity for its European operations. Recognising that Next Plc has prioritised increasing the efficiency of its owned delivery fleet as part of its approach to climate change, I'm here today to ask Next Plc to protect the environment and its own business, by committing to a 100% electrified vehicle fleet by 2030. As the hosts of COP26, the UK government has upped its decarbonisation ambitions for the transport sector, banning the sale of new petrol and diesel cars and vans from 2030 and introducing further incentives for fully electric vehicles. With owned distribution vehicles and cars responsible for over 75% of its Scope 1 emissions in the year to 2020, decarbonising its corporate fleet, by transitioning to electric mobility, will help Next to meet climate objectives and protect its business interests. EV100 is the leading global initiative on corporate action for fleet electrification and all about making electric transport the new normal by 2030. The campaign has a membership of over 100 companies committed to transition their fleets to EVs and install charging infrastructure for staff and customers by 2030. By joining EV100, companies showcase their leadership on electric mobility; receive support on transition challenges; and send a clear demand signal to governments and the auto industry. You would join other leading retailers such as Tesco and IKEA who have already joined EV100 and are making progress on fleet electrification. As such, I'd like to ask Next Plc to commit to signing up to EV100 and to have a follow up meeting with ShareAction to discuss the financial and reputational opportunities that this offers you.

Answer:

We have made some progress in this area with regards to rolling out electric charging points for our staff and also adding electric and hybrid vehicles to our company car list.

However the one problem we are still finding is we cannot find a suitable electric distribution vehicle that has the range or the load capacity to fulfil our requirements, and then we have also got the additional challenge of charging around the country.

For that reason, we are unable to sign up with EV100 at this point in time as we just don't know how we could achieve the target at the moment.

However, we would very much like to take you up on your offer of a follow up meeting to discuss this issue and one of my colleagues will be in touch with you after the meeting.

Question 2:

As an immediate reaction to the COVID-19 pandemic in spring 2020, NEXT initially moved to delay or cancel any orders with an ex-factory date after 10 April 2020. However, Next then committed to honour and pay suppliers in full, on normal payment terms, for orders that were due to leave supplier factories up to and including 10 April 2020. NEXT reports it has not applied any retrospective discounts to its suppliers. This is better behaviour than many other big brands. However, NEXT has not been able to provide evidence that all workers in its supply chain have not lost wages as a result of the pandemic nor if all workers are continuing to receive their full wages and bonuses and that all workers have been afforded the right to freedom of association.

NEXT has increased sales online during the pandemic, its shares have increased in value along with its profit forecast and it has claimed some £120m in a business rates holiday and millions more in furlough payments.

Most of NEXT's production takes place in countries where there are no or very weakly enforced social security systems, which means workers often do not have any income if they lose their jobs. The impact of this has been that many hundreds of thousands of workers have now gone into debt, and had to stop paying for urgent costs such as rent, health care, schooling for kids, and cut costs on food.

My question therefore is, will the Board of Directors agree to pay no dividend for this financial year and the next and instead use company's earnings to ensure all workers in Next's supply chain are paid income equal to or greater than what they received at the onset of the COVID-19 pandemic and ensure that workers who lost their jobs are fully paid the severance they are entitled to?

Will Next sign the Wage Assurance Statement and commit to the Severance Guarantee Fund as a long term measure recommended by the Clean Clothes Campaign?

Answer:

We have had a chance to discuss this with the Board as you submitted the question early, which was much appreciated. The business takes its responsibilities to those people who work in our supply chain incredibly seriously and we understand that the pandemic has had a profound impact on the manufacturing sector in many parts of the world.

We maintain regular and direct contact with lots of our suppliers and at the start of the pandemic in the UK, we wrote to our product suppliers committing to pay in full, on normal terms, for orders due to leave factories up to the 10th of April. Orders that were no longer required at that stage, were cancelled but compensation payments were made for the raw materials.

Our sales last year were only down 17%, so the resilience of our business has meant that we are able to continue to provide long term, secure employment for people in our supply chain. In our case, less than 3% of our suppliers' factories made people redundant as a result of reduced business volumes from NEXT and from their other customers. Our Code of Practice Team managed to secure commitment from all but

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four of those factories to pay their workers all amounts due to them. For the rest of those factories, NEXT and/or our suppliers stepped in and supported these factories financially to be able to pay their workers.

We also make stringent efforts to make sure the suppliers' workers are paid. Our Code of Practice Team, actively check and ensure our suppliers workers receive what is owed to them as well as ensuring their rights, including freedom of association, are respected.

In respect to dividends, in our Annual Report we disclosed that the Board hasn't yet decided whether to pay a dividend this year. To be clear though, any cash that is available for dividends, belongs to our shareholders. The shareholders are savers and pensioners and some rely on this income so it is ultimately for them to choose whether to give to charity; it would be improper for the directors to use their powers to decide to do so.

I know that you are in regular contact with our Code of Practice Team and we will continue to work with you and other organisations in this area and we do always welcome your input.

Because of our direct work ensuring that our suppliers pay their workers, the Company confirmed that it would not be signing the Wage Assurance Statement or commit to the Severance Guarantee Fund.