



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
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.

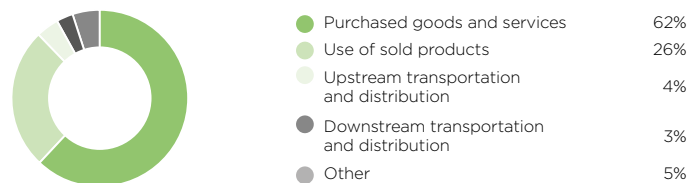
Last year was our first year reporting our non-assured Scope 3 emissions. Since then, data sources have increased and our ability to differentiate with more granularity has improved our accuracy. This year, we have been working to make our process for calculating emissions more efficient and scalable. 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 IPCC's 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.



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 	Page 3 Page 3 Page 19 Page 12 Page 4 & SASB Report
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 	Page 4 Annual Report
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 	Page 21 Page 17 Page 4



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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

