



# next

CORPORATE RESPONSIBILITY REPORT  
TO JANUARY 2014





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# WELCOME

## WELCOME TO OUR CORPORATE RESPONSIBILITY REPORT

For NEXT, corporate responsibility (CR) means addressing key business-related social, ethical and environmental impacts in a way that aims to bring value to all our stakeholders, including our shareholders.

Looking back over the year, we have made steady progress and this year's report illustrates how the focus of our CR programme supports our business approach of acting responsibly, whilst we continue to grow. Continuous improvement lies at the heart of our business. The measures we employ to manage our operation ensure everything we do is aligned to our business aims to realise the full market potential of our brand and develop our business effectively, successfully and responsibly by:

- Acting in an ethical manner
- Developing positive relationships with our suppliers
- Taking care of our employees
- Being responsible for our impact on the environment
- Delivering support through charitable contributions
- Delivering value to our customers

NEXT faces similar CR challenges to many other major retailers, as we continue to operate in a challenging commercial environment. CR is not only an ethical issue; it is a strategic one too. Our business values need to be evident in everything we do and we are committed to develop our business to be both sustainable and responsible. We must act fairly and responsibly across the whole of our business, as it is not only the right thing to do but it also makes good business sense too. We are working within an increasingly complex set of issues that impact on our business, our customers, the suppliers we trade with, the environment and the communities in which we operate. We believe we are making good progress, trading responsibly, reducing our impact on the environment and being a great employer. In a world where natural resources are becoming scarcer and energy and commodity costs are rising, it is essential we operate as efficiently as possible. We know we will have more challenges in the future.



## WELCOME CONTINUED...

Our business takes a long term view of what is right. This approach has driven our continuous investment in tackling environmental challenges and our work to achieve positive development in the challenging area of social compliance. We remain committed to working with our suppliers to help them understand and develop their businesses to be compliant with our Code of Practice requirements. By working directly with our suppliers we believe we are more consistent in our approach and are able to benefit from establishing long-term relationships with them to support them to achieve the requirements of our Code.

We are encouraged with the progress we are making across our environmental targets which are significant challenges for a growing business, and with the 15% reduction in carbon emissions achieved relative to total floorspace. We have been able to continue to reduce our carbon emissions, improve the efficiency of our vehicles and reduce the amount of waste sent to landfill:

- energy reduced by 4% compared to last year; and 33% reduction to date against a target of 35% by 2015
- fuel intensity target achieved in 2012 with 16% reduction
- waste increased to 93% operational waste diverted from landfill, against a target to send less than 5% to landfill by 2015

Our CR programme touches on some big issues that are significant to how we do business. The way we behave and how we work with our stakeholders is becoming increasingly important. Looking ahead there are key challenges around our objectives of reducing our environmental impact as our business grows; exploring how best we can influence carbon reduction emissions in areas beyond our direct control and working within the complex issue of social compliance. We hope you find this latest update on our performance interesting. We aim to be honest, open and balanced in our CR report, and to focus on our actions and achievements. The report contains key data which has been assured by PwC, and their independent assurance report can be found on page 53.

I hope you enjoy reading this latest Corporate Responsibility Report, that you find it interesting, informative and useful, and we hope we have met your expectations in the way we run NEXT as a responsible business.

We welcome your feedback on our approach to CR, our performance or how we can improve our report in the future. See page 6 for how to contact us.

David Keens  
Group Finance Director  
29th August 2014





# ABOUT OUR REPORT

This is our eleventh published Corporate Responsibility Report, covering our social, ethical and environmental performance. It is an annual report published in August 2014, and covers our financial year to January 2014.

## SCOPE OF THE REPORT

This report focuses primarily on the continuing activities undertaken by our retailing operation in the United Kingdom and Ireland which accounted for over 90% of our turnover in 2013.

Where we state 2013, we are referring to our financial year to January 2014.

## HOW WE DECIDE WHAT TO REPORT - THE KEY IMPACTS

As a large business, NEXT faces a wide range of different challenges in relation to its social, ethical and environmental impacts. To focus our efforts, we assess and prioritise each issue. Corporate responsibility means addressing each key business-related factor that can impact on our business, either directly or indirectly, through our global suppliers.

This report covers the issues we believe are of principal concern to our stakeholders. It is structured around the areas identified by the business as being most material.

- **Our Suppliers** - we work for positive social, ethical and environmental improvements in our supply chain
- **Our Customers and Products** - we work to ensure we meet or exceed our customers' expectations through the delivery of excellent products and service
- **Our People** - we work to provide an environment where our employees are supported and respected, treated fairly and taken care of, listened to and are motivated to achieve their full potential
- **Environment** - we work to actively reduce the impacts of our business on the natural environment
- **Community** - we work to deliver support through our charitable contributions



## ABOUT OUR REPORT CONTINUED...

### WHO IS THE REPORT WRITTEN FOR?

Our report is written to provide information to a wide audience, which is interested to understand how NEXT is performing the social, ethical and environmental areas we have identified as being of most concern.

We have aimed to provide a balance of general information for our stakeholders who want to understand how we manage our performance as a responsible company, and more detailed technical data for those requiring more in depth information. The report is published on our website at [www.nextplc.co.uk](http://www.nextplc.co.uk) to allow stakeholders to focus on the content that is of particular interest to them, or to view the whole report as a PDF file.

The report is also available to our employees through our intranet system, or as a printed copy where required. We believe it is important to continue to raise corporate responsibility awareness with our employees, to help ensure that they are aware of all that we are doing as a business.

### LEGAL COMPLIANCE

We had no environmental or health and safety prosecutions in 2013.

### ASSURANCE OF REPORT CONTENT

PwC has been commissioned to provide independent assurance in accordance with the ISAE3000 and ISAE3410 Assurance Standards. A copy of their report can be found on page 53

Where you see this symbol **A** 2013 data has been assured by PwC.

We welcome your comments and feedback on our corporate responsibility performance either through our website at [www.nextplc.co.uk](http://www.nextplc.co.uk) or by writing to:

**Corporate Responsibility Manager**  
NEXT plc,  
Legislation and Environment Department,  
Desford Road, Enderby,  
Leicester,  
LE19 4AT







# ABOUT NEXT

## PRINCIPAL ACTIVITIES

NEXT is a UK based fashion retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. NEXT distributes through three main channels:

- NEXT Retail
- NEXT Directory
- NEXT International

In the UK clothing market, NEXT is the second largest UK retailer by sales value (£)

## NEXT RETAIL

- 541 stores in the UK and Ireland
- 275,000 transactions per day in store (average)

## NEXT DIRECTORY

- Direct mail and transactional website
- 4.0 million active customers
- 71,000 transactions per day (average)
- 90% of orders placed online

## NEXT INTERNATIONAL

- 173 overseas franchise stores in 35 countries: Armenia, Azerbaijan, Bahrain, Belarus, Bulgaria, Croatia, Cyprus, Egypt, Estonia, Georgia, Gibraltar, Greece, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Malta, Morocco, New Zealand, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Thailand, and United Arab Emirates
- 15 NEXT overseas stores in 6 countries: China, Czech Republic, Denmark, Hungary, Slovak Republic and Sweden
- Overseas website capacity delivering to more than 70 countries

## NEXT DISTRIBUTION

- Warehousing and distribution division

## OTHER GROUP BUSINESSES INCLUDE: NEXT SOURCING (NS)

- Designs, sources and buys NEXT branded products

## LIPSY

- Our younger female fashion brand
- Trades from 49 stores in the UK, on-line, wholesale and concessions



# NEXT HEADLINES AND HIGHLIGHTS

## FINANCIAL SUMMARY YEAR TO JANUARY 2014

- ↑ Group turnover £3,740.0m (+5.4%)
- ↑ Group profit before tax £695.2m (+11.8%)
- ↑ Underlying earnings per share 366.1p (+23.0%)
- ↑ Dividends per share 129.0p (+22.9%)
- ↑ Total trading space 651,065m<sup>2</sup> (+4%)

Our Annual Report and Accounts can be viewed at  
[www.nextplc.co.uk](http://www.nextplc.co.uk)

## FTSE4GOOD

- NEXT continues to be listed in the FTSE4Good Index. The index is designed to measure the performance of companies that meet prescribed standards of corporate responsibility and facilitate investment in those companies



## OUR SUPPLIERS

The products we sold were manufactured in 40 countries (-9%)

We worked with 512 suppliers during the year (-10%)

We carried out 1,554 audits at our suppliers' factories (-6%)

## OUR CUSTOMERS

- ↑ There is an average of 345,000 transactions per day across NEXT Retail and Directory (+2%)
- ↑ NEXT have 4.0 million active global Directory customers (+8%)
- ↑ 90% of NEXT Directory orders by value are placed online (+3%)





## NEXT HEADLINES AND HIGHLIGHTS CONTINUED...

### OUR PEOPLE

- The NEXT Group employed approximately 29,000 Full Time Equivalent(FTE) employees, with 25,000 in the UK and Ireland
- 14,000 employees were participating in Company pension schemes, 4,000 in the Final Salary/Money Purchase scheme and 10,000 in the Auto-Enrolment scheme
- 27% of NEXT plc directors are female
- 31% of subsidiary directors and senior managers are female
- Retail: during the year we recorded a 9% increase in the RIDDOR accident rate of our employees and a 1% increase in the total accident rate
- Warehouses: during the year we recorded an 18% reduction in the RIDDOR accident rate of our employees and a 9% reduction in the total accident rate
- Regional service centres: during the year we recorded a 11% increase in the RIDDOR accident rate of our employees and a 14% reduction in the total accident rate

### ENVIRONMENT

- The Group's global direct carbon footprint was 186,987 tonnes of CO<sub>2</sub>e, which is an absolute reduction of 6% on last year
- 50 tonnes of CO<sub>2</sub>e per £m turnover; an absolute reduction of 11% on last year
- We have achieved a 15% reduction in emissions relative to total floor space growth
- Progress on reduction targets measured from a baseline of 2007/08 until 2015/16 is:

#### **Energy use and emissions from stores, warehouses, distribution centres and offices**

Target - Electricity consumption: 35% reduction in kg CO<sub>2</sub>e/m<sup>2</sup>



Progress - 4% reduction compared to last year, and 33% reduction to date

#### **Fuel emissions from the transportation of products to stores**

Target - Retail Distribution: 10% reduction in litres of fuel used/m<sup>2</sup>



Progress - Target achieved in 2012 with 16% reduction

#### **Waste created in stores, warehouses, distribution centres and offices**

Target - To send less than 5% operational waste to landfill



Progress - 7% increase compared to last year, and 93% of operational waste diverted from landfill to date

- NEXT successfully achieved re-certification of the Carbon Trust Standard in 2013 for measuring, managing and reducing its carbon emissions
- 93% of our construction waste was recycled



### COMMUNITY

- Commercial support to charities and community organisations totalled £3,227,121
- NEXT supported over 350 registered charities during the year through financial or product donations



# OUR SUPPLIERS

## CONTEXT

### WHY IS IT IMPORTANT FOR NEXT TO TRADE ETHICALLY?

The challenge of trading ethically and acting responsibly towards the workers within our suppliers' factories is a key priority for NEXT. We are committed to working with our suppliers to help them understand and develop their businesses to be compliant with our requirements. The NEXT Code of Practice (COP) for suppliers is our programme of ethical trading standards and forms an integral part of our business. It was developed and implemented in 1998 so that NEXT could fulfil its responsibility to uphold international labour standards with its suppliers. In this part of our report we are focusing on the work we undertake with our tier one suppliers, who manufacture the products we sell. Within the *Environment* and *Our Customers and Product* sections, we refer to the work we are undertaking with suppliers further back in the supply chain.

The terrible tragedies within the Bangladesh textile sector during the last two years have led to global fashion brands joining forces through the *Accord on Fire and Building Safety* and making commitments to promote the correct conditions for all workers employed within the manufacture of their products. NEXT is part of this commitment and recognises the importance of collaborating closely with suppliers, governments, brands and retailers, unions and NGOs to help achieve lasting change. Through our global COP team who are locally based in all our major sourcing countries, NEXT have and will continue to take responsibility for the management of compliance along with our suppliers' factories.

Our customers, investors and campaign organisations continue to engage with NEXT as they expect us to manage our suppliers responsibly. Workers' welfare and rights are issues that matter to NEXT, and our COP acts to support our supply chain not only to become more sustainable, but also to deliver benefits for workers across the globe.





## OUR SUPPLIERS CONTINUED...

### OUR ETHICAL TRADE PROGRAMME PRIORITIES ARE TO:

- Develop and improve workers' conditions, including safety and human rights, within our supply chain
- Communicate and support the achievement of compliance to our ethical standards with suppliers
- Support our suppliers through partnership to achieve continuous improvement
- Implement sustainable programmes and initiatives with suppliers to improve their capacity and ability to deliver ethical values
- Work in collaboration with others, to pursue solutions for some of the more complex and systemic problems within the global supply chain that we cannot resolve alone

### OUR APPROACH

*NEXT sources its products from many countries. Safety within the workplace is of paramount importance and we recognise the responsibility we have to the workers in our supply chain. We specify the requirements, before production can commence, that will provide workers with a safe and healthy environment, in accordance with all relevant local and international laws and legislation. We are committed to ensure NEXT product is made by workers who are treated with respect and paid fairly for the work they do.*

NEXT commits to managing the potential risks to workers within our supply chain by requiring our suppliers and their factories to take responsibility for maintaining compliance to our COP standards within all of their locations engaged in the manufacturing of NEXT brand products. We have a dedicated global COP team of 45, directly employed by NEXT, which includes 3 regional managers based in our key sourcing locations; South East Asia, Indian subcontinent and the UK covering Europe and the rest of the world. Each regional manager has their own local COP team whose role is to build relationships with our suppliers' factories through training and support to achieve compliance with our COP standards as well as undertaking monitoring through auditing.

### HAVING OUR OWN GLOBAL TEAM ALLOWS US TO:

- Advise, train and support suppliers and their factories to achieve the NEXT standards before production contracts are assigned and prior to an audit being carried out
- Establish direct relationships with suppliers and their factories, to develop trust and encourage an ongoing honest and open dialogue
- Directly address any issues of factory non-conformity identified during the audit process and work with the factory management to help them develop improvements to achieve long term change
- Establish an understanding of the issues and appreciate the local context for suppliers and their factories
- Maintain a consistent approach, as all of our global team receives the same training and has the same NEXT values and knowledge
- Undertake joint audits and management reviews to ensure consistency of our procedures are maintained

Our COP is aligned to the Ethical Trading Initiative (ETI) Base Code and reflects the most relevant international standards with respect to labour practices (International Labour Organisation Conventions<sup>1</sup>).

The NEXT COP has ten key principles, and it sets out the minimum standards and requirements for our suppliers in relation to workers' rights and working conditions, which include but are not limited to working hours, minimum age of employment, health, safety, worker welfare and environmental impacts. Our approach is to work with our suppliers to achieve the baseline requirements of our COP, and to encourage and support them to continually improve their performance.

The NEXT COP is the standard we expect all suppliers to comply with and these have been translated into a number of key languages to help our suppliers understand our requirements.

<sup>1</sup>The International Labour Organisation (ILO) is the United Nations (UN) body that sets internationally recognised labour standards to protect the rights of workers globally.



## OUR SUPPLIERS CONTINUED...

### THE TEN KEY PRINCIPLES OF OUR COP ARE:

- No child labour
- Freedom of association
- Healthy and safe working conditions
- No forced labour
- Fair wages and benefits
- Equal opportunities
- Employment security
- Respectful treatment of workers
- Reasonable working hours
- Effective management systems

Continuous improvement lies at the heart of our business, and through our ethical trade programme we have continued to respond to the challenge of working with and supporting our suppliers, with the aim that they raise the standard of working conditions in the factories where our product is made. Management of our global supply chain is recognised as a material business risk and within that, non-compliance by suppliers to our COP may lead to an increase in our reputational risk. As such, ethical trading is considered a crucial business practice, and as part of our commitment as a responsible business, our Global Code of Practice Manager reports directly into the Main Board, providing regular updates to the business.

### RESPONSIBLE FACTORY COMPLIANCE

We are continually evaluating our approach to managing compliance, improving the management of workplace safety and worker conditions in our supply chain. During 2013, we have reviewed and improved the process for introducing factories to ensure the potential suppliers fully understand our requirements prior to introduction and contracting with NEXT.

### FACTORY AUDITING: OUR PROCESS FOR ASSURING AND MEASURING COMPLIANCE

Our auditing programme delivers assurance that the factory management fully understands and is engaged with NEXT standards and COP requirements. The factory audit is carried out by our own team of NEXT auditors, which delivers the advantage of continuing the development of a direct relationship with our suppliers and their factories. We are able to fully explain our requirements, the audit process, the factory rating system and the need for honesty and

transparency from the factory. By carrying out the audit ourselves we immediately gain a comprehensive view of how our suppliers are complying with our COP standards and the challenges they face in working to achieve compliance with our Code. Our audits can be announced or unannounced.

Our COP team reviews the factory employment records, engages with factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. At the end of the audit, a closing meeting takes place where the auditor provides verbal feedback on any action points that have been identified. The factory has the opportunity to discuss the findings and next steps with the auditor and the timescales for completion of each action are agreed. The audit rating is then confirmed with the factory. A written report summarising all findings, agreed actions and timescales is provided to the factory within 2 weeks of the audit and acts as the corrective action plan for them to implement.

- Each audited factory is progressively graded against the NEXT COP using a simple rating system of 1 - 6. The frequency of re-audit is determined by the audit rating achieved.
- Category 1 indicates a factory which is fully compliant to our Code
- Category 6 rating indicates critical non-conformities have been identified which require immediate action. Orders are suspended until the critical fail points are satisfactorily rectified in line with our Code
- Action points identified during the audit are classed as either 'major' or 'minor' and the number of major and minor issues then determines the overall rating given to the factory
- Disengaging with a supplier for non-compliance to our Code is an absolute last resort, as our priority and the main purpose of our programme is to ensure the welfare of individual workers is protected
- Our processes have been specifically developed to be a measure of progress, rather than be a 'pass or fail' process
- All new factories are audited before production commences and if a new factory is rated Category 6, we will not begin to work with them until they can demonstrate that the issue in question has been addressed and resolved





- After an audit has taken place, we continue to follow up and work with the factory on any difficulties or challenges they may face in implementing the requirements of our Code. We can provide training, materials, example documentation and importantly, an understanding of why certain requirements are necessary and advice as to how to address different issues

Suppliers are challenged to consistently achieve beyond our minimum standards. Our global COP team work closely with our factories to train support and develop an approach of continuous improvement which benefits the factory, its employees and NEXT, not just on the day of the audit itself, but on an ongoing basis.

As well as providing the supplier and its factories with a clear idea of how they are performing, our factory audit ratings are used internally as a supplier management tool to provide a measurement of compliance for our senior management and product teams. They provide visibility of how our suppliers are performing, allowing the business to make decisions based on accurate and current information.

The product teams work together with the COP management team to support the factories in addressing their non-compliances, ensuring that they are working to the agreed timescales. It provides the visibility required to make strategic sourcing decisions including, where necessary, a reduction in business where repeat or persistent non-compliances are identified.

The auditing process has been reviewed and developed to provide greater clarity to suppliers of their requirement to meet the standards of our Code, as well as our own emphasis on earlier proactive communication with the factories themselves. The NEXT COP management team's priorities include training and follow up remediation to support suppliers to achieve progressive and sustained compliance to our Code.

Whilst we recognise the auditing process is a vital tool, our COP strategy is built on creating positive engagement and working collaboratively with our suppliers. NEXT remains committed to researching alternatives to auditing and looks to support selected global programmes involved in achieving compliance 'beyond auditing'.

## OUR SUPPLIERS CONTINUED...

### PERFORMANCE

|   | 2013 | 2012 |
|---|------|------|
| NEXT global COP team resource                                 | 45   | 44   |
| Countries where product is manufactured                       | 40   | 44   |
| Suppliers worked with   | 512  | 570  |
| Factory sites used  | 1858 | 2118 |
| Factory sites audited <span>A</span>                          | 1357 | 1383 |
| Total audits carried out <span>A</span>                       | 1554 | 1647 |
| Suppliers factories disengaged for non compliance to our Code | 22   | 15   |

### PROGRESS

#### *The importance of partnership and collaboration*

NEXT fully understands the importance of working with others to pursue solutions for some of the more complex and systemic problems within global supply chains that we cannot solve alone, and has first hand experience of delivering benefits by working in partnership with other organisations to understand these issues.

During 2013, we have continued our collaborative work with both national and international retailers and brands to improve human rights within our supply chain by undertaking specific project work to help:

- Ensure workers are not engaged within illegal employment schemes which could include human trafficking, forced labour or retention of wages
- Ensure workers have freedom of association
- Eliminate child labour, whilst supporting children where the cases occur
- Ensure homeworkers are not exploited and their earnings are protected
- Prohibit unauthorized sub-contracting where workers are beyond NEXT's visibility
- Provide help lines to allow workers to 'whistle blow' on issues of abuse or concern
- Encourage worker management dialogue and effective grievance procedures
- Build capacity through the introduction and training of effective management systems and processes



## OUR SUPPLIERS CONTINUED...

- Encourage suppliers and their factories to improve production productivity and efficiency and plan capacity building projects to support the resolution of compliance issues
- Assist in gaining an understanding of the strictures and difficulties in establishing a living wage for workers
- Provide community care for workers and their families

### SUPPLIER COMMUNICATION

We communicate with suppliers in a variety of ways:

- All contracted suppliers are provided with access to our Supplier Extranet, one of our main communication tools, when starting business with NEXT. Suppliers are able to access the NEXT COP through the Extranet
- The COP management team travels extensively to meet our suppliers and their factories. During 2013 we held a series of interactive presentations in Bangladesh, China, Hong Kong and Turkey which were attended by over 600 of our agents, suppliers, factory owners and their senior management. The focus of these presentations was to underline the importance of compliance to our Code, to reinforce the responsibility for compliance lies with the suppliers and their factories and the assurance of safety and human rights of workers
- Compliance to all requirements of the NEXT COP are explicit in our terms and conditions of trade and by agreeing to trade with NEXT a supplier is making a commitment to achieve the standards set out in our Code
- Our team is always available to offer support to our suppliers, helping to make their own systems more effective and to bring about improvements in how they operate

### INTERNAL COMMUNICATION

Robust internal communication across the business is vital to the effectiveness of managing the ethical standards within our supply base. Our ethical training programme continues to be an integral part of our Buying School Programme, attended by all new product team members when they join NEXT.

During 2013 we gave presentations including a film to around 470 employees within our product teams in the UK to continue to raise awareness of ethical issues, current risk areas and to reinforce the impact that buying decisions can have on suppliers and emphasize

their understanding of the vital role they play in our ethical trading programme

During 2013 we have enhanced our IT systems to be able to provide 'real time' performance data for suppliers and their factories. This clear, maintained information provided on audit ratings/factory performance for each division and our sourcing operations can be used as part of divisional 'season focus' meetings to decide on future business plans. This expanded data provides focus to the product teams to enable individual factory non compliance issues to be managed and remediated.



Meetings are held jointly with the product teams and individual suppliers when non-conformity issues have arisen in their factories, and this collaborative approach has resulted in achieving positive progress and building closer relationships with suppliers to resolve issues.

### ETHICAL ORGANISATIONS AND PARTNERSHIPS

NEXT continues to be an active and committed member of the Ethical Trading Initiative (ETI), since we first joined 11 years ago. The ETI is an alliance of companies, non- governmental organisations (NGOs) and trade unions, working collaboratively to ensure the working conditions and rights of workers producing for the UK market meet or exceed international labour standards. NEXT is involved in supporting initiatives and a number of work programmes, which look at a range of supply chains across a number of product categories in key sourcing countries. Increasing engagement with Government, International Trade Unions and Industry Bodies has continued through our membership of the ETI and separate initiatives, both independently and in collaboration with national and international brands. Such engagement is both important and necessary to promote and support the change required at national levels and beyond to help deliver sustainable improvements to working conditions in global supply chains.

In China, NEXT has continued to support and partner with INNO, an NGO, to manage and develop worker help lines, provide a resource for workers within our supply chain for support and advice for workers to be able to report work place concerns.





## OUR SUPPLIERS CONTINUED...

We have also continued to support LESN, a partner NGO organisation, with their training and support where cases of under age workers are identified. Their focus is to work to prevent occurrence in the first place as well as providing support to the identified under age workers and facilitate the necessary remediation. This includes support for the child and their family, a return to education for the child and training for the supplier and their factories.

### BANGLADESH

NEXT has maintained our Code of Practice standards consistently in Bangladesh by undertaking building inspections, carrying out audits and supporting factories which are identified as requiring improvement. Managed by our own dedicated COP team and working with our own sourcing team, this has provided assurance that workers within our supply chain in this emerging market have safe working conditions.

The recent tragic fatal disasters which took place in Bangladesh – the Tazreen factory fire in 2012, followed by the Rana Plaza building collapse in 2013 (both unrelated to NEXT products) has continued to focus the international community on the need for the development of effective fire and building safety standards and controls within the Bangladesh Ready Made Garment (RMG) industry. Our priority has been to ensure the factories we are engaged with in our own Bangladesh supply chain do not present a risk to their workers. To enable this, every factory currently manufacturing NEXT products in Bangladesh has been inspected for fire safety and building structural safety standards and where it has been found necessary, improvement plans have been agreed with the suppliers and their factories.

NEXT has and will continue to invest in Bangladesh to:

- Develop enhanced inspection standards and processes
- Undertake presentations and seminars with our Suppliers
- Train our staff in fire & building structural safety
- Increase and support our technical resources in Bangladesh with additional qualified expertise, this has included our own UK based H&S management
- Train factory owners, management and personnel
- Prohibit sub-contracting to non approved sources

- Work collaboratively with factory owners and management, retail brands, trade unions, safety organisations and NGOs
- Continue training for our auditors and internal supply chain teams
- Extend the assurance of compliance by communicating COP standards and responsibilities to suppliers of labels, trim and laundries

NEXT is also playing a significant role by supporting the development of an industry wide, long term building and fire safety action plan and workers rights within the Accord on Fire & Building Safety in Bangladesh (the Accord) to protect RMG workers and their employment in Bangladesh.

More information can be found at:  
[www.bangladeshaccord.org/news](http://www.bangladeshaccord.org/news)



The Accord is a legally binding agreement and has now been signed by over 150 apparel corporations, IndustriALL and UNI trades union, Bangladeshi Trade Unions, the Clean Clothes Campaign, the Workers' Rights Consortium and the International Labor Rights Forum. The Maquila Solidarity Network is the NGO witnesses to the Accord. The International Labour Organisation (ILO) acts as the independent chair.

NEXT was one of the initial signatories to the Accord, our COP team are participating and supporting the Accord management and the programme that has been established to inspect over 1,700 RMG factories before the end of 2014. The work, within the Accord although challenging, is now delivering consistent progress in achieving improved standards within the factories that have been inspected. These improvements are vital to maintain an assured and sustainable Bangladesh RMG industry and employment.



## OUR SUPPLIERS CONTINUED...

### CAMBODIA: BETTER WORK PROGRAMME

In 2013 NEXT made the decision to join the Better Work partnership programme, initially in Cambodia with the intention to extend its membership into further countries where programmes are active.

Better Work is a partnership programme between the International Labour Organisation (ILO) and the International Finance Corporation (IFC) launched in 2007.

Better Work has activities underway in nine countries worldwide and many global brands are now members.

The Better Work programme has three components:

- Auditors evaluate if the factories are adhering to ILO Core Labour Standards and national labour laws
- Continuous Improvement: Better Work staff facilitates dialogue between the managers and workers to address their report's findings and submits regular progress reports
- Stakeholder engagement: buy-in for the programme and activities occurs at all levels, including government, employers, unions and workers, and international buyers



International  
Labour  
Organization



International  
Finance Corporation  
World Bank Group

Cambodia is a developing and emerging market for both Fashion and Home products for NEXT. This year as an initial step, NEXT has joined the ILO managed Better Work Programme which in Cambodia is called 'Better Factories'. Our membership was undertaken with a vision that this collaborative, multi-stakeholding programme can be seen as a sustainable model to our future CR strategic development.

The core value of the programme is to improve workers conditions and to promote mature industrial relations in the vital RMG sector of the emerging Cambodian economy. Within the programme NEXT are working alongside partner Brands, Trade Unions and NGOs supporting the programme to deliver sustainable improvements in working conditions and training in our factories supplying our products.

### INDIA: SUPPORTING HOMEWORKERS

During 2013 NEXT has continued to develop and extend our programme in India to support and protect vulnerable workers in New Delhi and the surrounding regions. Our aim is to improve transparency within this part of the supply chain by working with the main production factory to ensure any operations which are outsourced and completed by homeworkers are declared to NEXT, and importantly whether the homeworkers are employed by the main factory or by a third party agent.

Through this work with our partner NGO, Savera, in New Delhi, we have mapped where the Homeworkers are located as we understand and recognise homeworkers are employed within our supply chain to embellish and embroider our products. We are continuing to work through Savera within the traditional homeworking community with the aim to eliminate the exploitation of these skilled but vulnerable workers. Focusing on protection, improvement and investment, the objective is to maximise the earning potential, health and lifestyle of the homeworkers and their families by:

- Protecting Homeworkers Earnings: NEXT have developed and installed a simple process which allows homeworkers to reconcile the work they have undertaken and the wages they receive through passbooks and dockets to eliminate the issue of them being underpaid for the work they complete
- Providing Identity: Through a simple photographic Identity card, the Homeworker is able to gain a qualification as an Artisan. This helps employers to understand their ability and skills and also provides the homeworker with more freedom of choice in terms of employment as they become registered





## OUR SUPPLIERS CONTINUED...

- Community Support: NEXT is funding a crèche facility, managed by Savera, in the Molarband region outside New Delhi where homeworking is carried out to support the homeworkers and their families to be able to empower their lives:
  - The crèche opened in 2013
  - Can accommodate 25 children per day, both pre-school and school age
  - Offers a clean safe environment with constructed play and learning provided by 1 trained teacher and 3 care givers
  - Provides 2 nutritious meals per day

### A TYPICAL DAY AT THE CRÈCHE – AS TOLD BY OUR NGO PARTNER, SAVERA

*"The small children come to the centre at different times in the morning usually when their mother has collected her work for the day. After a healthy breakfast the children play activity based games, learn poems, sing songs, are taught the alphabet and numbers as well as hearing stories according to their age and ability. Following a nutritious lunch some older children of the homeworkers come to the centre for after school care where they can have some tuition classes to help them with their homework and strengthen their basic skills in key subjects. Snacks are served to the children before they leave for home. All the festivals are celebrated in the centre with a lot of joy and happiness, the teacher narrate the stories related to each festival and prepare special food for the children to try as most of the children are not aware of the festivals, why they are celebrated and the special foods associated with them.*

*"We work hard to create a happy, safe child friendly environment and are very pleased with how the community has accepted the crèche since it has opened. The homeworkers who use the crèche are able to complete more pieces per day so their earnings have increased which helps to support the whole family."*



In addition the facility offers access to:

- Regular clinics with a doctor and nurses providing consultations and medication; female health education for well being and family planning; eye tests to help homeworkers to remedy defective vision with the provision of spectacles being arranged where needed.



- Regular nutritional clinics to offer advice and education about preparing healthy food to improve the health and wellbeing of homeworkers and their families.





# 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,



## OUR CUSTOMERS AND PRODUCTS CONTINUED...

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

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





## OUR CUSTOMERS AND PRODUCTS CONTINUED...

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

- 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](http://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.





# OUR PEOPLE

## CONTEXT

### OUR APPROACH

To encourage a successful business it is important we are able to create an environment that enables us to attract, inspire and retain the right people to work at every level throughout NEXT who are committed to working together, and who support our business approach of honesty, respect and encouragement.

Working at NEXT means working in an inspiring, fast-paced, exciting and developing environment where our people are a valuable asset to the business. We are committed to providing a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development.

Our priorities are to work to provide an environment where our employees are:

- Supported and respected
- Treated fairly and taken care of
- Listened to
- Motivated to achieve their full potential

NEXT have established policies for recruitment, training and the development of our employees. We remain committed to investing the time and resource to support, engage and motivate our employees to feel valued, to be able to develop rewarding careers and want to stay with us, we recruit and promote from within wherever possible. As our business continues to develop, we understand that by retaining and inspiring effective and committed employees we can continue to deliver excellent quality products and excellent service to our customers.

*NEXT is committed to upholding all basic human rights and welcomes the implementation of the United Nations' Guiding Principles of Business and Human Rights and Ruggie Principles. We support the International Labour Organization (ILO) Core Conventions in relation to equal opportunities, freedom of association/collective bargaining, forced labour and child labour. Where NEXT employees are based in countries with recognised concerns over human and labour rights, as determined by the FTSE4Good Index, all employees are specifically required to comply with the Declaration of Human Rights and the ILO Core Conventions and receive annual training to ensure their understanding of these principles.*



## OUR PEOPLE CONTINUED...

## PERFORMANCE

### EQUAL OPPORTUNITIES AND DIVERSITY

NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applicants for employment from disabled persons, having regard to their particular aptitudes and abilities. NEXT has continued the employment wherever possible of any person who becomes disabled during their employment with us, and opportunities for training, career development and promotion do not operate to the detriment of disabled employees. The following tables show the number of FTE employees and the gender mix of NEXT plc employees at January 2014.

| FTE employee: Data relates to NEXT plc | Full-Time equivalents |        |
|--|-----------------------|--------|
|  | 2013                  | 2012   |
| NEXT Retail and Directory              | <b>24,618</b>         | 24,710 |
| NEXT International                     | <b>164</b>            | 217    |
| NEXT Sourcing                          | <b>3,573</b>          | 3,148  |
| Other Activities                       | <b>213</b>            | 226    |
|  | <b>28,568</b>         | 28,301 |

| Gender mix: Data relates to NEXT plc           | 2013          |               | 2012   |         |
|--|---------------|---------------|--------|---------|
|  | Males         | Females       | Males  | Females |
| Directors of NEXT plc                          | <b>8</b>      | <b>3</b>      | 8      | 2       |
| Subsidiary directors and other senior managers | <b>29</b>     | <b>13</b>     | 27     | 17      |
| Total Employees                                | <b>15,929</b> | <b>34,138</b> | 16,856 | 36,369  |

### NEXT PENSION ARRANGEMENTS

In 2013, active members of the NEXT Group Pension Plan (along with most of the deferred pensioners in the plan) were transferred to a mirror-image Plan, the 2013 NEXT Group Pension Plan. This was done so the original NEXT Plan could be wound-up and pensioners given individual policies with an insurance company. The wind-up of the original NEXT Plan is expected to complete in 2015.

As at January 2014, active members of the 2013 NEXT Group Pension Plan stood at:

| Pensions data relates to NEXT plc operations in the UK, excluding NEXT International & NEXT Sourcing | Final Salary Section |             | Money Purchase Section |             |
|--|----------------------|-------------|------------------------|-------------|
|  | 2013 Number          | 2012 Number | 2013 Number            | 2012 Number |
| NEXT UK Pension Scheme (number of employees)   | <b>1,169</b>         | 1,241       | <b>2,774</b>           | 2,370       |

NEXT has implemented the UK's Auto-Enrolment pension scheme (AE). This is provided by The Peoples' Pension/B&CE and at January 2014 approximately 10,000 employees were making and receiving contributions into their personal pension funds.

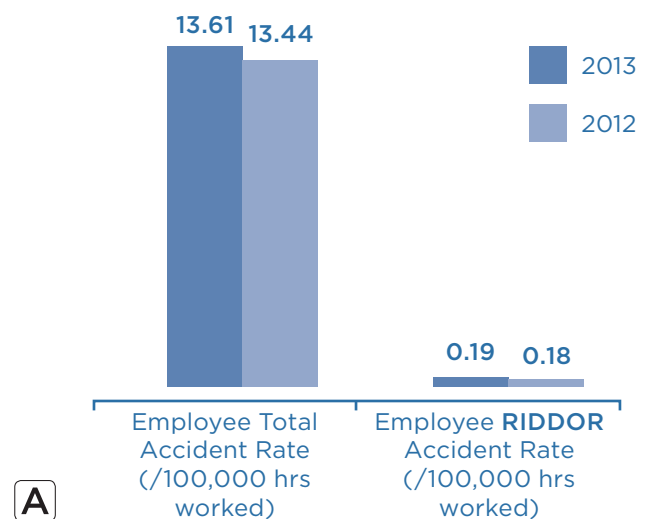
Employees are informed of AE and other pension choices through letters and on-line via the NEXT Employee Portal. NEXT has an in-house pensions department to which employees can make enquiries relating to the Company's Final Salary, Money Purchase and Auto Enrolment pension arrangements.

### HEALTH AND SAFETY

**New accident reporting requirements:** We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) per 100,000 hours worked for employee accidents, and per 100,000 transactions for customer accidents.

**Retail stores - employees:** during the last year we have seen a 1% increase in the total accident rate / 100,000 hours worked for employees whilst the total number of accidents has remained at 4035. In addition the RIDDOR accident rate has increased by 9% per 100,000 hours, this is less than 2 RIDDOR accidents for every million hours worked. Although the increases are disappointing, they are slight changes coming from a very low base and we shall monitor progress to ensure our previous downwards trend is not reversed in the long term.

#### RETAIL EMPLOYEE ACCIDENT RATES

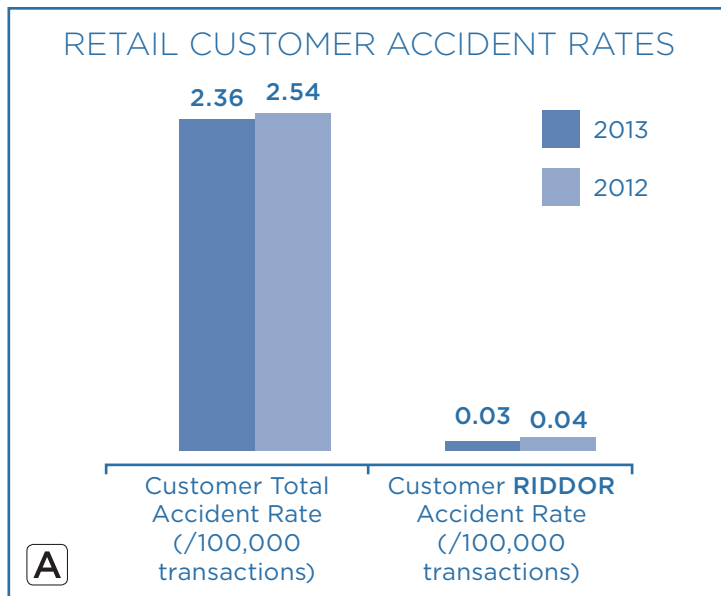




## OUR PEOPLE CONTINUED...

**Retail stores - customers:** The total accident rate for customers decreased by 7%, and in addition the RIDDOR accident rate decreased by 17% from 0.04 to 0.03 accidents per 100,000 transactions. This is less than 0.5 RIDDOR accidents for every million transactions.

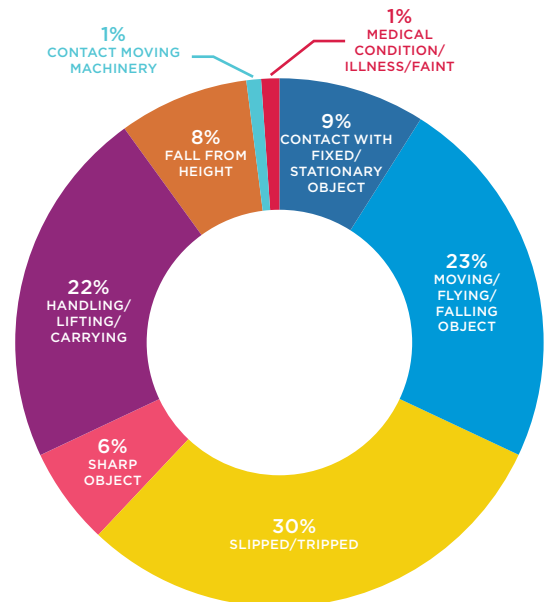
In response to the improved guidance on the HSE (Health & Safety Executive) website relating to RIDDOR reporting and sensible risk management we classify all incidents where we are aware the customer intends to go to hospital as RIDDOR reportable. This will result in some over reporting, however we no longer routinely advise parents to take their children to hospital as a precautionary measure.



### Retail stores - employees and customers:

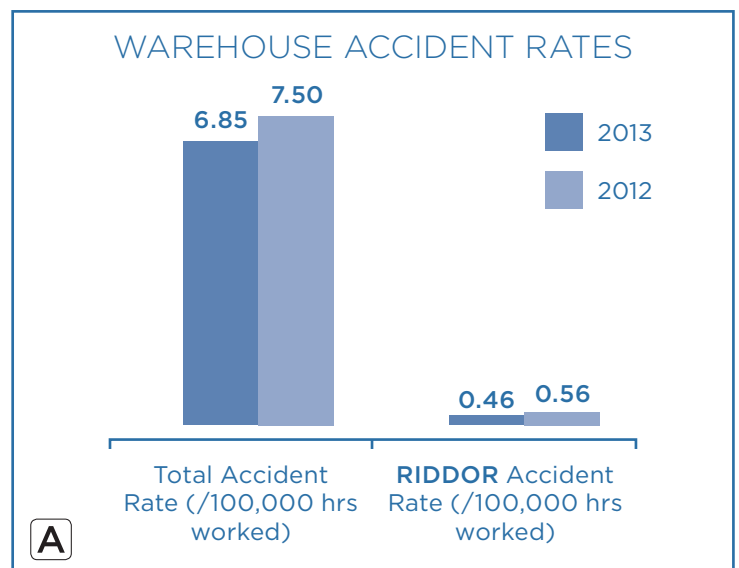
A breakdown of main accident causes for both employees and customers shows the key area is people slipping or tripping, closely followed by objects moving or falling onto people. 'Slipped/tripped' remains a focus for the business with numerous campaigns centred on housekeeping and stockroom standards.

### CAUSE OF RIDDOR ACCIDENTS IN RETAIL



**Warehouses and Regional Service Centres:** within the business we monitor and review the accidents, incidents and near misses within our main receipting warehouses and outlying regional service centres separately, as from a health and safety perspective, the risks and challenges in the two environments are quite different. Our warehouses have a much higher level of automated equipment in operation than our regional service centres, where the key risks revolve around transport and MHE (Material Handling Equipment) movement as well as manual handling.

**Warehouses:** We have recorded an 18% reduction in the RIDDOR accident rate, and a 9% reduction in the total accident rate during the year.



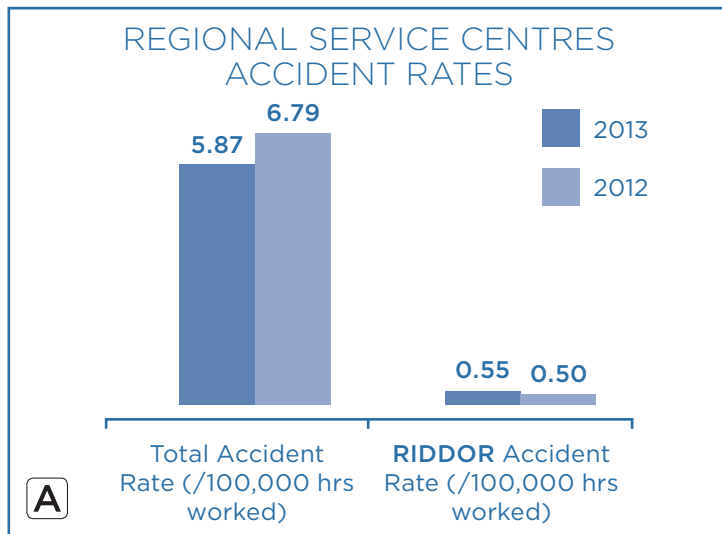
Note: 2012 figures re-stated using more accurate data set for warehousing hours





## OUR PEOPLE CONTINUED...

**Regional service centres:** Whilst we have recorded a 11% increase in the RIDDOR accident rate in this part of the business, the actual number of accidents reportable under RIDDOR is low at 9 for the reporting period. The actual number of accident has remained static at 96 year on year. However an improved approach to collecting data for this part of the business during the year has delivered a 14% reduction in the total accident rate.



Note: Accident rates are not directly comparable as different data sources for hours have been used for each reporting period. 2012 figures have not been restated, as data is not available.

**Head Office and Directory:** The number and type of accidents we experience at our Head Office and Directory operations are as would be expected of a low risk office environment. The total number of accidents remains low, and the reportable under RIDDOR is also low, with only 3 reportable across both operations during the year.

**Legal activity:** during 2013 we have not been subject to any legal activity relating to Fire, Health, Safety and Environmental issues.

## PROGRESS

### HEALTH AND SAFETY

*"Good management of health and safety is fundamental in creating a safe and healthy environment and contributes to improving business performance."*

- Lord Wolfson, of Aspley Guise  
NEXT Chief Executive

NEXT recognises the importance of health and safety and we remain committed to providing a safe and healthy working environment for our employees, customers and third party contractors. Policies and procedures are reviewed and audited regularly to make safety management more robust and current.

We know we have to inspire our people at all levels to take responsibility for their own safety and the safety of those they work with.

Our Safety Policy Statement incorporates the Health and Safety Executive's 'sensible risk management principles' which, in brief, are:

- We will balance the benefits and risks of safety management with a focus on reducing real risks – both those which arise more often and those with potentially serious consequences
- We will find solutions to support creativity, innovation and new ways of working wherever possible, in a way that ensures safety standards are maintained
- We require those who create risks to manage them responsibly
- We require our employees and contractors to understand that as well as a right to protection, they also have to take personal responsibility
- We work on the basis that all risks cannot be eliminated
- We only require records and paperwork to be created where it adds real value to safety management

**Corporate Safety Objectives:** Safety programmes and objectives for each division of the business are agreed and set every three years and are reviewed quarterly at divisional safety meetings by each Divisional Director and twice a year by our Chief Executive.

The safety objectives for 2012-2014 aim to:

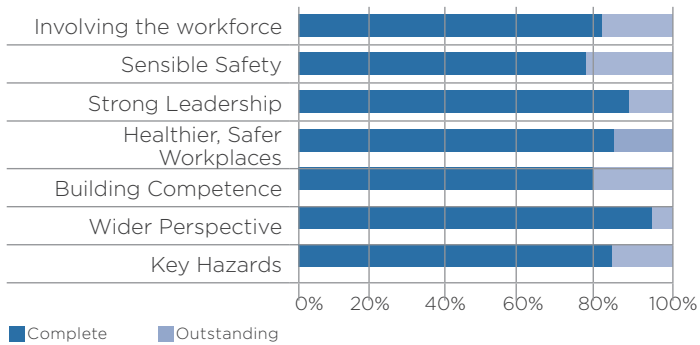
- Encourage all employees to improve safety
- Encourage managers to become role models and to set safety standards
- Drive accountability for safety through the management structure
- Develop effective support and safety training





## OUR PEOPLE CONTINUED...

### SAFETY PROGRAMMES 2012-2014



The chart above shows our progress (at January 2014) as a percentage of completed focus areas for each key objective within the agreed safety programme.

**Key Safety Initiatives:** across the business we have undertaken a number of key initiatives to develop and improve how we manage health and safety, to ensure the environment our employees work in and how they work is both safe and healthy, for example:

### WAREHOUSING

- Following investigations into two transport accidents, a full review was carried out into driver fatigue, its causes and how to prevent it. This has resulted in a major business project to reduce risk in this area including:
  - Improved driver education and awareness
  - Reduction in driver activities on long journeys
  - Reduced 'long journey' shifts per week for drivers
  - Driver medical check ups
  - Poster campaigns

In addition we are trialling safety monitoring systems which act as an early warning indicator for drivers against the risks of lane departure, forward collision, pedestrian collision and speed which helps the NEXT vehicle maintain a safe distance from the vehicle in front by scanning the road ahead.

- We have reviewed all vehicle docks in our warehouse network with the standards recommended by the HSE to ensure ongoing compliance with good practice
- All buildings built pre 2000 have been re-surveyed for Asbestos to ensure we manage our obligations under the relevant legislation effectively

- We have continued to develop the Primary Authority partnership set up with Doncaster Metropolitan Council which has resulted in a more coordinated approach to external H&S inspections reducing the burden to all parties of uncoordinated Enforcement Agency inspections.
- Warehouse hygiene processes have been improved to encourage a 'clean as you go' culture with our employees. Improvements include
  - 'Clean as you go' policy launch
  - Improved training
  - Review of industrial cleaners to ensure correct for business needs
  - Formulated required activities and training for hygiene and technical cleaning

### RETAIL

- To support the Area and Regional managers to manage any key concerns effectively, they now receive a monthly overview report of safety management standards for their area of responsibility
- Following an internal review we have simplified our risk assessment process. Risk assessments are now completed each month focusing on a particular aspect within the business which has delivered an improved compliance level and more positive feedback from the process
- Weekly and monthly safety checks are now completed online rather than via a paper based system. This process has also helped to deliver improved compliance with our risk assessment process
- To further improve the way we investigate and respond to accidents when they happen in our stores we have produced some additional resources for store managers to use:
  - Accident Investigation File (including Accident Investigation Guidelines)
  - Injured Person Accident Report
  - Accident Investigation Checklist and Documentation form
  - Updated witness statement form
- Across all our Home stores and departments we have introduced improved procedures to minimise the risk of customers being injured by toppling furniture within the room set displays in store. The procedures provide clear guidance to the stores to enable them to control this risk in a hierarchical and proportionate manner



## OUR PEOPLE CONTINUED...

- We have undertaken a review of the maximum number of people who are, for the purposes of fire safety, legally allowed in each of our stores and developed procedures to ensure these maximums are not exceeded on the first day of our seasonal sales.

### COMPANY WIDE

- Lipsy's health and safety management systems continue to operate in line with NEXT's requirements, with NEXT and Lipsy stores being managed in the same way. Data for Lipsy stores is included in the Retail figures in this report
- At Head Office we have reviewed and improved the effectiveness of our fire evacuation procedures by improving communication to fire wardens and senior managers during an evacuation and by limiting evacuation to individual buildings where appropriate
- During Winter 2013 we again ran a programme of seasonal influenza vaccinations for our Head Office, Warehousing and Directory sites where around 2600 employees took advantage of receiving a free flu vaccination; an uplift of approximately 600 on the previous year.
- We continue to support our Code of Practice team in the development of improved fire and structural safety improvements in our factory base, especially in Bangladesh. This has been achieved through the use of independent Fire safety consultants and Structural Engineers who have been assessing the factories we use and where necessary, recommending remedial action. All remedial action is then monitored to completion. Additionally NEXT have been represented on the technical committee of the Bangladesh Accord on Fire and Building Safety and have been instrumental in their audit standards development.

### HEALTH, WELFARE AND WELLBEING

During the year, NEXT spent over £1 million on health and welfare provisions across the business, to provide help and support to our employees when they need it. The provisions include:

- Health insurance assessments
- Occupational health provision
- Professional counseling support
- Dedicated employee assistance programme in NEXT Distribution

At our Head Office site we have further developed our Employee Well Being days which now run three times per year and involve the local primary care trust and other providers. In addition we have created a Well Being Internet zone. Both these resources offer advice and guidance to employees on a wide range of matters such as:

- Cancer advice with Macmillan
- Stroke awareness
- Stop smoking support
- Stress management
- Substance abuse
- Employee health checks for weight, blood pressure, moles and skin concerns
- Smart health for nutrition advice

In addition we have a weekly physiotherapy service at Head Office, where employees are able to pay to use the service within the working day, exercise classes after work as well as working with our onsite restaurants to develop, offer and promote healthier eating choices.

### TRAINING AND DEVELOPMENT

We offer a wide range of training and development opportunities for our employees across the business. We believe that offering the right learning and development opportunities will help to ensure our employees feel supported and equipped to carry out their role to the best of their ability, to manage the needs and challenges of the business.

Our employees are able to access a range of development tools or job specific training appropriate to their needs through the focused and integrated training teams within each area of the business, whether they work at Head Office, in our Retail stores, Directory or our warehouses.

Our integrated training teams ensure relevant and appropriate training and development is provided by supporting:

- Job role specific training covering the technical, operational and skills training required ensuring employees are able to perform their job effectively, and their knowledge and skills are up to date
- Individually tailored training to support both an employee's individual needs and specific business requirements
- Training in areas such as health and safety, first aid and manual handling to ensure our employees work in a safe environment





## OUR PEOPLE CONTINUED...

### NEXT DISTRIBUTION (NDL)

During 2013 within NEXT Distribution (NDL), which covers employees in our warehouses and regional service centres, our senior managers defined Values for NDL. A value is a belief we feel is important and helps us to define what is desirable and undesirable for NEXT. Through a series of focus groups in every warehouse and site we heard from every area and job role what the values meant to them. The values will underpin all elements of the people strategy going forward including recruitment, training, performance management, succession planning and reward & recognition.

The outcomes of this were further refined by the senior managers and the Values were launched at a Managers Team Event in March 2014, with launch events planned throughout 2014 for all NDL employees.



**Management Development Programme:** 52 employees have completed the Management Development Programme during 2013. The programme supports the development of the skills a manager needs to be effective in their role. It is a combination of trainer led modules; self study units and post course activities that focus on the skills and behaviour measures that form part of the employee's role. The areas of focus include communication, feedback and coaching, motivation, change management and problem solving skills. Between each of the classroom modules the managers are supported by their line manager to put the skills they have developed into practice. Senior training and development advisors are always on hand

to provide any extra support and coaching that may be needed. In addition, we have provided dedicated development rooms where managers can complete their pre and post course work and refresh their technical skills through online e-learning modules.

**Trainee Team Manager Programme:** 12 employees have completed the programme during 2013. The purpose of the programme is to provide individuals who want to progress into a management position with the opportunity to experience the role by working alongside an experienced Team Manager whilst attending operational courses to develop their understanding and knowledge of the role and the business. This is helping to ensure we have a talent pipeline at Team Manager Level in NDL.

**Life Long Learning:** in NDL we are committed to supporting the continuous building of skills and knowledge throughout the life of an individual. Working with the Union of Shop, Distribution and Allied Workers (USDAW), we have developed and now run dedicated Life Long Learning centres across all of our main warehouses sites. The centres are supported by two Union Learning Representatives (ULR) at each site. The ULRs work with USDAW, the tutors and our employees liaising between all parties, providing course information and a clear point of contact for the learners. We have over 250 employees enrolled in the centres with over 400 who are interested to enroll. Around 130 employees have completed the courses they selected and there continues to be real impetus to help encourage learners to engage on the various learning programmes available.

**Engineering Academy:** The Academy was launched in 2013, and we currently have three apprentices working within the engineering team within NDL. With NEXT, Wakefield College will jointly support the delivery of the programme, supporting the assessment, functional training and delivery of additional skills required to complete the framework leading to NVQ Level 2 qualifications. Experienced NEXT engineers from within warehousing will mentor the apprentices to support them to practically apply their learning in the workplace as well as passing on their skills and knowledge to support high levels of competency and performance. We are planning to enrol a further three apprentices in 2014.

**E-Learning:** throughout the business our integrated training teams have continued to develop the use of online learning tools, where appropriate, to deliver focused, timely training for our employees.



## OUR PEOPLE CONTINUED...

Our employees are enjoying this method of learning as the training can be delivered at the right pace for the employee, in a more time efficient manner with success rates and time spent in training measured. In addition, any individual feedback and follow up to employees can be delivered in a focused manner by the training team. There are now 26 training sessions available to all NDL managers, providing both knowledge and skills content to support their development. As well as providing flexibility for employees, it is a constant source of reference to promote self directed learning.

### LISTENING TO OUR EMPLOYEES

How we communicate with, consult with, involve and listen to our employees is important to the business. Throughout the different divisions of the business we have democratically elected employee representatives who represent their colleagues' views by sitting on employee forums (we have 1 representative per 50 employees).

The elected representative attends meetings with senior managers and Board Directors at least twice a year. We believe these forums provide two-way communication and consultation across the business enabling and encouraging open discussion about key business issues on matters that may affect them and the working environment.

NEXT has a recognition agreement with USDAW in relation to our warehouse and distribution employees. This includes an agreement with the professional and managerial section of USDAW, called SATA, to represent our supervisory staff employed in this division of the business. Regular contact and discussions take place with both USDAW and SATA members.

In 2013 we carried out the second 'Your Opinion Counts' Employee Engagement Survey within NEXT Distribution. Over 3,400 employees across our 8 warehouses and 6 distribution centres completed the survey. The survey contained 24 questions across 4 areas:

- How are you valued?
- How are you treated?
- How is your working environment?
- How are you kept informed?

Our overall engagement score increased by 2% to 74% from last year.

The highest scoring questions were around H&S with employees agreeing they understand their contribution to making their site a safe environment,

as well as understanding their personal contribution to the success of NEXT.

The most improved question was 'The way I am spoken to by my manager makes me feel valued and respected', with an 11% increase in the number of employees who agreed with this question

### REWARDS AND BENEFITS

Being a company that strives to be responsible enables us to attract and retain engaged and motivated employees, who support the business as it continues to grow. We know it is essential to be able to recruit the right people, to be able to keep them motivated and offer them the right environment in which to perform well.

We believe in rewarding all employees with fair and competitive salaries, along with the opportunity to gain additional pay in the form of a bonus depending on the Company (or in some cases store, or individual) performance.

**Sharesave:** NEXT has operated a Sharesave scheme for many years, where all employees have the opportunity to save money over three, five or seven years to buy NEXT plc shares on favourable terms. At the end of the savings period the participant has the opportunity to buy the shares at a price fixed at the start of the scheme, which is at a 20% discount to the share price at the time.

At January 2014, there were around 9,400 employees participating in our Sharesave scheme.

### WORKPLACE NURSERY

We have designed and built a state of the art purpose built Child Care Nursery called 'NEXT Steps' at our Head Office. This is part of our ongoing commitment to supporting our employees with their pre-school childcare arrangements when they return to work, and whilst they are in our employment.





## OUR PEOPLE CONTINUED...

The nursery was registered by Ofsted in October 2013 and has a capacity of 200 children. As required, the nursery is run in accordance with all Ofsted Early Years Foundation Stage (the framework for children from birth until the 31 August after their fifth birthday) and Safeguarding requirements and accidents are recorded and reported through standard NEXT systems. At full capacity it will create up to 65 new jobs with NEXT.

At a cost of over £4 million, the design of the building and its interior creates a stimulating environment for children to enjoy. The use of colour and materials is engaging and visually exciting to encourage the children to enjoy their day and encourage their learning.

Shallow, broad channels in the outdoor play area provide a safe and particularly innovative aspect. In practical terms, they boost sustainability by helping with drainage flow and more interestingly, their location transforms them into a 'moat' complete with wildlife, giving children an exciting and educational feature.

Sustainability is a key feature of the design as required but measures such as photo voltaic cells on the roof, rainwater harvesting, under floor heating, extensive natural ventilation and point of use water heating have all provided a highly efficient building. A self-contained water treatment plant recycles waste water and feeds it back into the main water network.

The nursery is fitted with an intelligent Building Management System which is split into zones and allows for greater control of the use of resources to ensure efficiency.

**Payroll Giving:** payroll giving is a scheme that allows people paid through PAYE to make donations to any UK registered charity tax free. The scheme is totally tax efficient, in that the donation includes the tax that would have been deducted from the employee's pay, and so instead of the tax going to the Treasury, it will go to the charity selected by the employee. This scheme is available for participation by all employees. During the year our employees donated over £25,000 to charities of their choice.

### ATTRACTING EMPLOYEES

During 2013 we have continued to build upon our relationships with key universities within the UK, to attract students to a career at NEXT and provide us with the talent to ensure our continued success as a business. We remain an Employer of Choice for Fashion students.

Building upon the success of our Open Day format – where we invite interested students into NEXT for the day to learn about the Product Development process, we continue to develop new links to university students through Westminster University, Southampton Solent University and Winchester School of Art for Buying & Merchandising, as well as the London College of Fashion for Buying.

In addition we have introduced a number of initiatives to encourage top talent to want to come to NEXT for a career in Buying and Merchandising.

In Buying, we have extended our successful competition to four universities, which has produced a number of successful candidates for our trainee scheme. We will continue to collaborate with these successful avenues into 2014.

We have developed close links with merchandising university courses through company presentations and master classes from our Merchandise Management teams, alongside some business workshops teaching students how to build a commercial range of products. We have also been present at over ten Career fairs during the year promoting our career opportunities to final year students.

NEXT continues to sponsor and support the Fashion Retail Academy (FRA) in London, which includes sponsoring one of the student awards presented at their end of year show.

We have also extended the Buying Competition to the FRA Level 4 Students, where we found a winner for the Menswear Category. We continue to forge a great relationship with the FRA for 2014.

We have increased the number of work experience placements by offering 33 places, across Buying, Merchandising, Technology, Graphic Design, and Visual Merchandising departments.

During 2013 we introduced workshop visits to universities covering a number of areas such as:

- Merchandising overview
- Product Buying/Merchandise Life Cycle
- Career Planning module
- Insight into the NEXT trainee buying scheme
- Workshop at Head Office with London College of Fashion
- Careers clinic at Leeds Metro University





## OUR PEOPLE CONTINUED...

We have had great success with these initiatives and our plan is to build upon the partnerships we are developing with the universities with greater involvement in their courses during earlier years, not just with students in their final year. We are planning to achieve this by providing work experience placements, live NEXT sponsored projects and career planning/recruitment presentations.

Within NDL we ran a one year graduate programme which commenced in 2013 in partnership with Invest in Doncaster. We provided eight local Doncaster graduates who had limited work experience with both operational and management training as well as completing two practical work placements within the business. The programme has been very successful with six of the graduates now having a permanent position with NDL.

### APPRENTICESHIPS AT NEXT

In 2011, we launched an Intermediate Apprenticeship programme in our retail stores.

We made the decision to become involved within the programme because we wanted to support the creation of new jobs for young people and offer them training within a retail environment to help build a more skilled workforce in the longer term. In addition to retail we now offer apprenticeships within our Directory contact centres and within Engineering at NDL.

Until 2013 all our apprenticeship programmes were fully outsourced to a specialist training provider, who directly receives the government funding per apprentice, and supported our apprentices to achieve their qualification, an Intermediate Apprenticeship in Retail, awarded by City and Guilds. The qualification is equivalent to 5 GCSEs or Scottish Standard Grades A-C.

NEXT have always believed our programme would be more effective if our apprentices were assessed on the practical on-the-job skills and knowledge by our own people who are experts in NEXT standards and who work alongside them all the time. Therefore we have been developing teams of store assessors and quality assurers to be able to deliver a fully embedded diploma whilst we continue to work with our specialist training provider for the certificate and functional skills aspects. Our first fully embedded programme will commence in 2014.

All NEXT Intermediate apprentices work 30 hours per week during their 12 month training programme and

are guaranteed a permanent part-time contract on successful completion of the programme, subject to meeting our standards of attendance and performance.

During 2013 we launched a pilot programme for qualified Intermediate apprentices or existing team members to progress to an Advanced apprenticeship which will be equivalent to 2 A Levels or Scottish Highers A-C. We will report on this more fully in next year's report.

Since 2011, 1382 apprentices have qualified through the programme and 63% of those apprentices are still working for NEXT with eighteen of our qualified apprentices progressing to supervisory roles and five to junior managers within our retail stores.

We believe the depth and thoroughness of our training means many of our qualified apprentices are amongst the most skilled and versatile staff in our stores. The single biggest change in our apprentices, as a result of the programme, is the growth in their confidence with the apprentices themselves believing one of their main benefits is developing the communication skills and confidence to interact with people of all ages.





# ENVIRONMENT

## CONTEXT

For many years, NEXT has recognised it has a responsibility and an obligation to work to reduce the direct impact of its business operations on the natural environment, both now and in the future. Reducing emissions is the right thing for a responsible business to do, and our aim is to work to create more sustainable ways of doing business to conserve energy, save money and help to deliver better resource efficiency. Our priority is to minimise our environmental impacts by reducing both the carbon intensity of our activities and the natural resources we use, through the development and operation of good business practices.

### OUR PRIORITIES ARE TO:

- Improve energy efficiency and reduce energy use
- Minimise waste produced and increase the quantity recycled
- Increase the efficiency of our delivery fleet

We recognise that these key operational activities are environmentally significant for NEXT, and we continue to explore every opportunity to manage the environmental impacts from our direct operations, including greenhouse gas emissions and natural resource usage. In addition, as a business with a global supply chain, we recognise the opportunity of working with our suppliers to help contribute to emissions reductions. We are a signatory to the British Retail Consortium's Climate Change Initiative, 'A Better Retailing Climate'. The voluntary initiative includes commitments to reduce energy and resource use, transport emissions, waste and packaging. We do this by working to improve our own environmental performance, contributing to the broader goals of the UK, as well as helping customers and suppliers to do the same.

### CLIMATE CHANGE

Climate change is widely regarded as one of the greatest global environmental challenges society faces, and we take our responsibilities in this area seriously. Our aim is to make our operations more efficient and work to reduce our impact through, for example, energy consumption and waste. In order to help us understand the impact of our direct business we have measured our global carbon footprint produced from the operational activities of NEXT where we have direct control.





## ENVIRONMENT CONTINUED...

Our global direct carbon footprint includes emissions from:

- Properties - stores and warehouses in the UK and Ireland, our global offices, call centres, head office Nursery and owned manufacturing facility in Sri Lanka
- Distribution - our distribution of NEXT products to Retail stores or customers' homes in the UK and Ireland in NEXT owned and third party vehicles.
- Waste disposal - from our stores, warehouses and Head Office in the UK and Ireland, our global offices, call centres and owned manufacturing facilities.
- Business travel by NEXT Group employees globally - including travel by air, rail, company cars used for business purposes, hired cars and taxis.
- Refrigerant losses - from air conditioning units in our stores, warehouses and offices in the UK and Ireland; Our global offices, call centres and owned manufacturing facility.

The diagram on page 48 details the boundary scope of our direct carbon footprint.

We measure and report our impacts where we either have direct control or significant influence across scopes 1, 2 and 3. Our approach for reporting is undertaken with reference to the internationally recognised standards provided by the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard Revised published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol).

We report;

**Scope 1** - Direct emissions (gas, owned distribution vehicles, company cars, refrigerant losses, diesel oil)

**Scope 2** - In direct emissions from energy consumption (electricity)

**Scope 3** - Other indirect emissions (waste, third party distribution vehicles, business travel).

In addition, we measure the emissions associated with other areas in the business such as inbound freight, from our suppliers to a NEXT warehouse in the UK, and packaging used on our products. We are also starting to understand the emissions associated with our International Directory operation and aim to report on this in future reports.

Our global direct carbon footprint is measured in carbon dioxide equivalent or CO<sub>2</sub>e. Different greenhouse gases have different effects on the climate, and CO<sub>2</sub>e is a way of standardising the global warming effect of these emissions.

Emissions have been calculated using revised conversion factors published by the Department for Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA) in June 2013. Electricity data for the previous year has been restated to comply with DEFRA's reporting guidance to provide a direct comparison, so we can assess our performance from year to year on a like for like basis.

PwC undertake independent assurance across 95% of our reported carbon emissions. We value the challenge this process brings to the business and are working towards assuring the remaining emissions with them in the future.

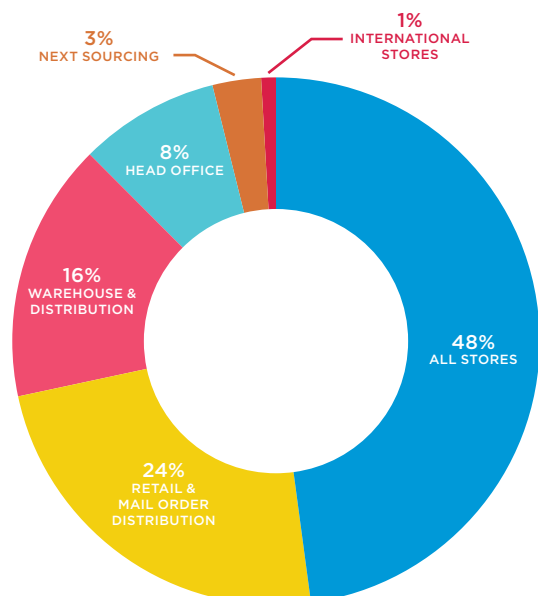
## PERFORMANCE

### NEXT GROUP GLOBAL CARBON FOOTPRINT - 186,987 TONNES CO<sub>2</sub>e

Our global direct carbon footprint, where we have operational control, is 186,987 tonnes of CO<sub>2</sub>e. This is an absolute reduction of 6% on the previous year (2012: 199,684 tonnes of CO<sub>2</sub>e) and a 15% reduction if our increase in total floor space of 2% is also considered. We are pleased with this result as it clearly demonstrates we are continuing to decouple our business growth from our carbon emissions.

NEXT's carbon impact per £ million turnover is 50 tonnes CO<sub>2</sub>e, an absolute reduction of 11% on the previous year (2012: 56 tonnes CO<sub>2</sub>e).

### NEXT GROUP OPERATIONAL GLOBAL DIRECT CO<sub>2</sub>e FOOTPRINT 2013/14







## ENVIRONMENT CONTINUED...

| NEXT Group operational CO <sub>2</sub> e emissions               |          | 2013<br>Tonnes | 2012<br>Tonnes  | % Change    |
|--|----------|----------------|-----------------|-------------|
| Scope 1  |          | 38,576         | 38,506          | 0%          |
| Scope 2  |          | 117,950        | 122,794         | -4%         |
| <b>Total gross controlled emissions</b>                          |          | <b>156,526</b> | <b>161,300</b>  | <b>-3%</b>  |
| Scope 3  |          | 30,461         | 38,384          | -21%        |
| <b>Total gross emissions</b>                                     |          | <b>186,987</b> | <b>199,684</b>  | <b>-6%</b>  |
| Scope 1 - Direct emissions from NEXT Group operations            |          | 2013<br>Tonnes | 2012<br>Tonnes  | % Change    |
| Gas heating (stores, offices, warehouses)                        | A        | 8,082          | 7,688           | 5%          |
| NEXT owned distribution vehicles                                 | A        | 24,861         | 25,522          | -3%         |
| NEXT owned cars  | A        | 2,250          | 2,629           | -14%        |
| Buildings (diesel oil, refrigerant gases)                        | A        | 2,964          | 1,435           | 106%        |
| <b>Data in scope of external assurance</b>                       | <b>A</b> | <b>38,157</b>  | <b>37,274</b>   | <b>2%</b>   |
| <b>Data not in scope of external assurance</b>                   |          | <b>419</b>     | <b>1,232</b>    | <b>-66%</b> |
| <b>Total gross emissions</b>                                     |          | <b>38,576</b>  | <b>38,506</b>   | <b>0%</b>   |
| Scope 2 - In-direct emissions from NEXT Group energy consumption |          | 2013<br>Tonnes | 2012<br>Tonnes* | % Change    |
| Electricity (stores, offices, warehouses)                        | A        | 112,961        | 117,497         | -4%         |
| <b>Data in scope of external assurance</b>                       | <b>A</b> | <b>112,961</b> | <b>117,497</b>  | <b>-4%</b>  |
| <b>Data not in scope of external assurance</b>                   |          | <b>4,989</b>   | <b>5,297</b>    | <b>-6%</b>  |
| <b>Total: Scope 2</b>  |          | <b>117,950</b> | <b>122,794</b>  | <b>-4%</b>  |
| Scope 3 - Other in-direct emissions from NEXT Group operations   |          | 2013<br>Tonnes | 2012<br>Tonnes  | % Change    |
| Waste (stores, offices, warehouses)                              | A        | 793            | 1,701           | -53%        |
| Business travel (air, rail, cars)                                | A        | 6,480          | 5,442           | 19%         |
| Third party distribution vehicles                                | A        | 19,836         | 26,661          | -26%        |
| <b>Data in scope of external assurance</b>                       | <b>A</b> | <b>27,109</b>  | <b>33,804</b>   | <b>-20%</b> |
| Business travel  |          | 2,883          | 3,566           | -19%        |
| Other emissions  |          | 469            | 1,014           | -54%        |
| <b>Data not in scope of external assurance†</b>                  |          | <b>3,352</b>   | <b>4,580</b>    | <b>-27%</b> |
| <b>Total: Scope 3</b>  |          | <b>30,461</b>  | <b>38,384</b>   | <b>-21%</b> |

Note: \*2012 Scope 2 electricity data has been re-stated to reflect the significant change in DEFRA emission factor.

†Data not in scope of external assurance in 2013 and 2012 now includes NEXT International Stores.



## ENVIRONMENT CONTINUED...

### TARGETS

During the year, throughout our operations in the UK and Ireland we have continued to focus on how we can work to decrease our environmental impact, by reducing energy consumption, minimising and identifying more waste materials for recycling, working to improve the efficiency of our own distribution fleet, as well as working to reduce the packaging in our products.

Internally, for a number of years, we have been measuring and reporting against a number of reduction targets for NEXT Retail Ltd in the UK and Ireland.

The targets are measured from a baseline year of 2007 and are in place until 2015 and relate to our main priority areas:

| Priority Area                       | Target to Achieve by 2015                             | Progress 2013                              |          |
|-------------------------------------|---|--|----------|
| <b>Electricity consumption</b>      | 35% reduction in kg CO <sub>2</sub> e/m <sup>2</sup>  | 33% reduction achieved                     | On Track |
| <b>Retail Distribution Vehicles</b> | 10% reduction in litres of fuel used/m <sup>2</sup>   | Target achieved in 2012 with 16% reduction | Achieved |
| <b>Waste</b>                        | To send less than 5% of operational waste to landfill | 93% diversion achieved                     | On Track |

## PROGRESS

### ENERGY

- Target: Electricity consumption - 35% reduction in kg CO<sub>2</sub>e/m<sup>2</sup>
- Progress: 4% reduction compared to last year, and 33% reduction achieved to date

| CO <sub>2</sub> e emissions relating to assured data in UK & Ireland for stores, warehouses & offices | 2013               | 2012        | % Change   |
|---|--------------------|-------------|------------|
| Electricity usage kWh   | <b>253,571,658</b> | 255,423,425 | <b>-1%</b> |
| Gas usage kWh   | <b>43,913,038</b>  | 41,509,111  | <b>6%</b>  |
| <b>Total kWh</b> <span style="border: 1px solid black; padding: 0 2px;">A</span>                      | <b>297,484,696</b> | 296,932,536 | <b>0%</b>  |
| Total Floorspace m <sup>2</sup>   | <b>1,227,266</b>   | 1,199,047   | <b>2%</b>  |
| Tonnes CO <sub>2</sub> e  | <b>121,043</b>     | 125,185     | <b>-3%</b> |
| <b>Tonnes CO<sub>2</sub>e per 1000m<sup>2</sup></b>   | <b>99</b>          | 104         | <b>-5%</b> |

To be able to manage and work to reduce our energy consumption it is vital that we are able to measure our performance. Within our 541 stores and store stockrooms, we have a total of 447 with half-hourly

modern meters and 111 automated meter readers (AMR) installed. Both types of meter pass 'live' energy consumption information into a central data collection facility which allows us to actively track energy performance and monitor consumption per store to ensure our stores are operating efficiently.

We manage emissions through our energy efficiency programme, which includes investigating and using energy- efficient technologies. We continue to install building management systems as we open new stores and now have 512 stores with this system in operation. The system automatically manages some key store functions such as:

- When the shop floor lighting is activated ahead of the store opening for trading to reduce the time the lights are fully turned on
- When the store window display lighting is activated
- How we operate the in-store air conditioning systems to run on fan only for a set length of time at the beginning and end of trading hours

These measures have helped to make our stores more energy efficient as the system provides increased visibility and understanding of our energy consumption by store and also identifies any faults or malfunctions at individual store level so they can be immediately investigated and rectified, often before the store itself even realises the equipment isn't performing correctly.

In 2013 we installed improved lighting schemes in around 100 stores replacing the existing lighting with highly energy efficient LED (Light Emitting Diode) bulbs to illuminate all areas of our stores including the selling areas. This initiative is delivering a reduction in energy demand for the lighting installation as well as the overall electricity consumption for these stores. This is due to LED lighting consuming less electricity and creating less heat within the store, which means air conditioning requirements are reduced whilst still maintaining a comfortable shopping environment for our customers. The business continues to review our operations to identify where efficiencies can be introduced which can deliver savings in the future.

From 2012, all the electricity we purchased for our operations across mainland UK came from low carbon renewable sources, mainly on-shore wind, landfill gas and electricity generated from organic material present in landfill waste. For our stores in Northern Ireland and Ireland, we have continued to purchase



## ENVIRONMENT CONTINUED...

electricity generated from Irish on-shore wind farms. The UK guidelines we use to calculate and report our greenhouse gas emissions do not recognise 'green' tariff renewable energy to be counted as a reduction of our carbon emissions; however we will continue to purchase in this way as we believe this is the right approach for our business.

NEXT Retail Ltd was awarded the Carbon Trust Standard in 2009, recognising the importance we place on carbon management and our success in reducing our carbon footprint year on year, and in 2013 we achieved re- certification to the Standard. Each store manager is provided with their store's individual energy consumption on a monthly basis, showing consumption both in and outside trading hours, to allow them to compare their performance against the previous month, as well as the same time period last year, and help identify any unusual results for further investigation.

Gas is used predominantly for heating purposes within the business, and we already have AMR meters in the 16 sites, our warehouses and head office site, where we use the most gas. This allows the business to more accurately measure consumption, identify any issues and means we no longer need to rely on estimated billing. In 2014 we will undertake a review of how gas is used in our stores to determine if it is still required and if it is will roll out AMR metering to these sites too.

### WASTE

- **Target:** To send less than 5% of operational waste to landfill
- **Progress:** 93% of operational waste diverted from landfill

| <b>A Waste and Recycling - Stores &amp; Warehouses</b> | <b>2013 Tonnes</b> | <b>2012 Tonnes</b> | <b>% change</b> |
|--|--------------------|--------------------|-----------------|
| General waste sent to landfill                         | 1,584              | 3,377              | -53%            |
| Materials diverted for recycling                       | 21,774             | 21,318             | 2%              |
| Materials diverted for energy recovery                 | 997                | 0                  | -               |
| <b>Total</b> <b>A</b>                                  | <b>24,355</b>      | <b>24,695</b>      | <b>-1%</b>      |
| <b>Tonnes CO<sub>2</sub>e</b>                          | <b>793</b>         | <b>1,701</b>       | <b>-53%</b>     |
| <b>% Diverted from landfill</b>                        | <b>93%</b>         | <b>86%</b>         | <b>7%</b>       |

We are committed to reduce the amount of waste we generate wherever possible from within our operations and to reuse or recycle more of the waste we do produce to divert it from landfill. This will help towards achieving our target of sending less than 5% of operational waste to landfill by 2015.

During 2013 93% of waste was recycled, an 7% increase on the previous year. This improvement has been delivered through an ongoing programme of reduction, reuse and recycling with the support of our employees across the business. Within our retail stores our employees play a vital role in effectively separating and segregating recyclable materials for return to our in-house recycling centre to minimise the waste being sent to landfill. In addition, during 2013 we gained more insight into our waste value chain in relation to materials diverted for recycling from our warehouses. We were able to map the journey of these materials through to the MRF (Materials Recycling Facility) where we were able to confirm its final destination was SRF (Solid Recovered Fuel) used for energy recovery.

Our in-house recycling centre receives materials for recycling from around 400 of our stores. The materials include cardboard, polythene, returned carrier bags, Directory packaging, broken clothes hangers, polystyrene and used gift cards. Once the materials are received they are segregated and baled, before being sent for recycling. Improved procedures, implemented in 2013, within the recycling centre have ensured we have been able to control how these materials are handled when they are received to ensure we maximise the quantity to be recycled.

The NEXT Waste Scorecard is a methodology tool used to calculate the general waste data from our stores to improve the accuracy of the data we record and report, using data that is appropriate to our operations. Working with our third party waste provider, the Scorecard is reviewed on an annual basis following interrogations of the bins throughout the year, to ensure the general waste data we report is an accurate reflection of the waste our stores are producing.

In total we have 541 retail stores in the UK and Ireland, however 206 stores are situated in shopping centres where our waste is collected by the centre itself as part of the wider service agreement, consequently waste data is not available for reporting purposes and is not included within this report.

As the number and size of our Home stores continue to expand we have reviewed how waste is managed within these stores especially when new product ranges are being introduced. Within these stores there is the requirement to build a large amount of furniture for display purposes in a short period and this product arrives protected in packaging. Working with our third





party waste provider we have introduced dedicated skip compactors to manage the additional packaging waste generated at this time to ensure the materials are all recycled.

| Waste and Recycling - Head Office | 2013 Tonnes | 2012 Tonnes | % change   |
|-----------------------------------|-------------|-------------|------------|
| General waste sent to landfill    | 593         | 531         | 12%        |
| Materials diverted for recycling  | 323         | 288         | 12%        |
| <b>Total</b>                      | <b>916</b>  | <b>816</b>  | <b>12%</b> |
| <b>% Recycled</b>                 | <b>35%</b>  | <b>35%</b>  | <b>0%</b>  |

The waste generated at our head office is not currently assured, but we are working with PwC during 2014 to understand where the materials are sent and the percentage recycled to direct it from landfill. We will provide more information in next year's report.

## PACKAGING

Packaging is essential to protect products during transit as well as before and after purchase by the customer. It helps to ensure product safety and the quality of our products from suppliers to NEXT warehouses in the UK, and then onto our stores or Directory customers. We believe there is opportunity to reduce the amount of waste produced, for both ourselves and our customers, by reviewing the amount of packaging used on our products, reducing it where possible to ensure it is the right size and improving the recyclability too. Our in-store Green Champions identify product they feel contains too much packaging for review by our technical teams who then determine the opportunity to develop reduced packaging methods with our suppliers.

To develop this initiative further, in 2013 we identified several products to undergo a packaging review with the aim of improving the packaging materials, reducing the packaging weight and making the remaining packaging easier to recycle for both our customers at home and ourselves. We will use the findings from this review to identify other product packaging to improve.

## GREEN CHAMPIONS

Our in-store Green Champions have continued to play an important role by raising awareness of our aim to manage our impact on the environment with their work colleagues and identifying and gathering new ideas and opportunities to save energy, reduce waste and help NEXT to reduce our environmental impact as a business.

# ENVIRONMENT CONTINUED...

## DISTRIBUTION

- Target: Retail Distribution - 10% reduction in litres of fuel used/m<sup>2</sup>
- Progress: Target achieved in 2012 with 16% reduction

The transport and distribution of products to our retail stores and Directory customers accounts for 24% of our CO<sub>2</sub>e emissions. For Directory we work with a third party provider to deliver the parcels to our customers, however during 2012 we brought part of the Directory delivery service in-house and took over ownership of the heavy goods vehicles which perform the Directory trunking operation from NEXT warehouses to the providers own distribution facility. Year on year this has resulted in an increase in emissions for NEXT owned fleet vehicles and provides a new baseline for future reduction targets.

| NEXT Owned Fleet        | 2013       | 2012       | % change |
|-------------------------|------------|------------|----------|
| Distance travelled (km) | 40,394,111 | 23,348,860 | 74%      |
| Fuel used (litres)      | 9,367,671  | 6,049,536  | 54%      |

We have now been operating these vehicles for over a year and have been able to review how the vehicles are used within the business. This has delivered the benefit of reviewing vehicle synergies and identifying opportunities across both Retail and Directory to maximise vehicle and delivery utilisation. This vehicle harmonisation review has resulted in the business being able to reduce the overall fleet by 30 vehicles during the second part of 2013 as a result of the consolidation benefits achieved.

During 2013, NEXT has continued to roll out additional delivery options for our customers to be able to receive purchases either the same day as ordered direct to their home or next day to store nationwide. 37% of Directory customers are choosing to have their order delivered to a retail store of their choice as this is more convenient for them to collect during the day. The services have been well received by our customers as they provide an efficient delivery when the customer needs it.

In addition to the vehicle harmonisation review, our aim is to use our vehicles as efficiently as possible to deliver our products to help us to reduce transport related emissions. To help achieve this we have continued to invest in additional double-deck trailers, which reduces the number of vehicle deliveries required, and hence the associated CO<sub>2</sub>e emissions. Our double-deck trailers have an aerodynamic front bulkhead, which has been specifically designed to



## ENVIRONMENT CONTINUED...

reduce drag, and guide the air-flow away from the front of the trailer, so increasing fuel efficiency. We are using these trailers predominantly to move product to our distribution centres located around the UK, as we are able to move 50% more products compared to using a single-deck trailer for the same journey. We are also using more double-deck trailers for direct deliveries to stores both in the UK and Ireland. In addition we invested in over 70 new tear drop shaped trailers during the year, their aerodynamic shaping will help deliver future savings in both mpg and carbon emissions.



Since 2011, 100% of our delivery fleet designed to pull single, double deck or tandem trailers, and operate with EURO V engines which have helped to support the efficiencies we are delivering. From 2014 all new vehicles purchased will need to conform to the EURO VI requirements which continue the drive to reduce harmful exhaust emissions.

Our Logistics and Distribution operations already use computerised planning for each route or journey, as well as utilising empty space on vehicles by consolidating loads across Retail and Directory, returning Directory customers returned items and back hauling waste materials to our recycling centre. In addition, using data collected from our vehicle management system, we have further developed our driver training programme in collaboration with Volvo to help improve driver style and fuel efficiency. We have developed a driver training programme for our driver assessors to in turn train our drivers. The new programme works with our drivers and provides training to help them improve their driving style and fuel efficiency, with techniques such as maintaining constant speeds, smooth accelerating and braking. Drivers identified as needing more support will work directly with Volvo's driver trainers who are able to provide more in-depth training to help improve their personal performance.

Engines are fitted with a three minute cut off mechanism, where the engine automatically turns off if the vehicle is stationary and the engine is idling for three minutes. Each driver's performance is analysed daily to review how they have driven, on a number of areas including the actual distance travelled against the planned distance and the amount of fuel used. If their performance exceeds the plan for the routes travelled, they undergo an individual de-brief at the end of their working day to provide a clear picture as to why the discrepancy occurred and how it can be prevented going forward. We are continuing to trial a number of vehicles, trailers, accessories or systems that potentially offer improved driving efficiency, performance and driver safety and based on the results achieved will invest to enhance the fleet in the future.

Driving safety remains a priority for the business, both for our drivers as well as other road users. In addition to the training and assessments undertaken by our drivers we are also investing in equipment to support them whilst driving, such as in cab cameras which are linked to the vehicle's telematics and provide an alert back at the depot should an incident occur during the journey. We are trialling a system called 'Mobileye' which is an early warning system for lane departure and can also warn the driver about hazards around their vehicle, read road signs and even apply the vehicle brakes where necessary. Another safety feature on trial to help eliminate the danger of a forward collision ensures the NEXT lorry maintains a safe distance from the vehicle in front by scanning the road ahead. If the vehicle in front brakes heavily or another vehicle cuts in front of the NEXT vehicle it will automatically slow down or even stop.

The NEXT distribution fleet has been now been awarded the ECO Stars Clean Vehicle Scheme 5 Star award for Nottingham as well as for Yorkshire, Edinburgh and Mid Devon. It is a Department for Transport funded scheme which is being promoted in certain parts of the UK. It is our intention to join each scheme as it becomes available to support our clean air profile. For each of the areas where the scheme is operated, we have offered our support to other transport companies to show how we work to improve driver performance, manage driver safety, increase mpg and therefore reduce emissions.



## ENVIRONMENT CONTINUED...

### CONSTRUCTION WASTE

| Store openings/refit<br>Construction Waste | 2013<br>Tonnes | 2012<br>Tonnes |
|--|----------------|----------------|
| Waste produced - tonnes                    | 5,214          | 7,260          |
| Waste recycled - tonnes                    | 4,849          | 6,751          |
| % waste recycled                           | 93%            | 93%            |

During 2013, we have continued to measure the amount of construction waste produced from all NEXT store projects where we were either opening a new store, or refurbishing an existing store. This is both to comply with the legal requirement of producing a Site Waste Management Plan (SWMP) for building projects and to provide visibility of the recycling rates we have been able to achieve across all store projects. We are encouraged with the 93% recycled percentage we have been able to achieve through promoting the use of segregated skips, where possible, and by working closely with our third party provider. This work will continue to establish how we can continue to increase the amount of construction waste being diverted from landfill.

### WATER

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 and our direct water consumption is small, however we recognise it is a natural resource and we have been working to minimise the amount we use. We control our consumption through our facilities, equipment, technologies and by involving employees in efficient use.

In our new stores we are installing a range of water saving features such as percussion taps and toilets with reduced flush capacities and following a trial within our Head Office, we have installed a urinal system that uses minimum amounts of water to help deliver water savings. We are also working to improve the measurement accuracy of the water we use, and we now fit water meters as standard in our new stores to support this, and we now have over 85% of our properties in the UK and Ireland fitted with water meters.







# COMMUNITY

## CONTEXT

### OUR APPROACH

With 541 stores in the United Kingdom and Ireland, we offer support to a wide range of charities and organisations of all sizes, by working to provide them with donations that are of most benefit to them and their particular cause, whether it be a financial donation, or the offer of products that can be used to realise additional funding. Our aim is to make a difference, so we do not support a single 'Charity of the Year', as we believe we are able to make a greater impact by working with a wider group of charities and organisations.

In addition to supporting individual charity requests, we also agree to support some charities for a number of years with a specified annual donation. This commitment helps these charities to be able to plan their work with confidence.

Our priorities are to:

- Offer support to charities and organisations of all sizes with a donation that is of most benefit to them
- Focus our resources on charitable projects that benefit communities across the UK and Ireland
- Work to identify and develop new relationships with charities and organisations

To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions gained from products donated from within the business. This figure is added to our financial contributions, to arrive at the total sum contributed for the year.

Our charity and sponsorship programme is made up of donations to:

**Registered charities** - we have offered support to over 350 charities of all sizes during 2013 who have asked for contributions to support their work in the areas of children, care for the sick and people with disabilities, healthcare and medical research and community support

**Individual requests/local and national groups and organisations** - we are able to help groups and organisations who do not have charitable status through these donations

**Commercial support and sponsorship** - we offer commercial support and sponsorship to a small



number of organisations. We also support local sporting teams of all ages, especially where there is direct employee involvement with the team.

## PERFORMANCE

| Community - NEXT plc has offered financial support to:   | 2013<br>£        | 2012<br>£        |
|--|------------------|------------------|
| Registered Charities   | 944,986          | 911,348          |
| Individual requests, local and national groups and organisations   | 114,829          | 110,309          |
| Commercial support & sponsorship   | 119,839          | 83,408           |
| <b>This support has been complimented with the following fundraising activities to generate additional funds for registered charities, individuals, groups or organisations:</b> |                  |                  |
| NEXT charity event   | 34,323           | 182,182          |
| Gifts in kind - donations of products  | 1,613,233        | 1,741,944        |
| Charity link sales   | 363,007          | 356,514          |
| <b>Total Support</b> <span style="border: 1px solid black; padding: 0 2px;">A</span>   | <b>3,190,217</b> | <b>3,385,705</b> |
| Employee fundraising   | 36,904           | 21,280           |
| <b>Total Support (incl. employee fundraising)</b>  | <b>3,277,121</b> | <b>3,406,985</b> |

Note: 2012 Gift in kind total has been recalculated using out current methodology  
PwC have provided assurance over 2013 data only

## PROGRESS

**NEXT Charity Event** - in response to the current challenging economic climate we have made the decision to host one charity fundraising event each year.

During 2013, we hosted the NEXT Charity Golf Day with the proceeds of £34,323 going to the Rainbow Trust Children's Charity - a national charity that provides emotional and practical support to families who have a child with a life threatening or terminal illness. Their support is immediate and available for families 24 hours per day, providing the whole family with tailored high quality support for as long as they need it.

This support comes from Family Support Workers, whose role is to help maintain a sense of normality for the whole family by helping with hospital trips, undertaking household duties, taking siblings to school as well as providing care during the final stages of a child's life, helping with funeral arrangements and bereavement support.



## COMMUNITY CONTINUED...

### COLLABORATION

As part of the target to divert our waste from being sent to landfill, NEXT has continued to identify and divert products that previously would have been disposed of via landfill, and offer them for re-use to a group of registered charities and social enterprise organisations who are able to create value from the products to benefit their aims. They include:

**Doncaster Refurnish** - For over five years NEXT has worked in partnership with Doncaster Refurnish to support their valuable work within the community. It is a charity located close to our warehouses, and their aims are to help the community of Doncaster by:

- Alleviating poverty through the collection of re-usable donated furniture, diverting it from landfill, renovating it where necessary and making it available to socially and economically disadvantaged people at affordable prices to help them set up home
- Creating sustainable employment and training opportunities

We continue to offer them unsellable, damaged furniture and home accessories that they are able re-use, repair or remanufacture to create new products, and from these create value to support their aims.

Andy Simpson CEO of Doncaster Refurnish said

*"Our ambition is to save these valuable resources from becoming waste. We're more than just a furniture re-use project. We use the medium of taking unwanted materials and we create an environment for people to realise their potential, encourage their creativity and take risks by supporting them to test their ideas".*



Doncaster Refurnish offer a vital volunteering and training programme for people with learning difficulties, disabilities and the long term unemployed who are actively engaged in all aspects of the project. They are able to provide support in many ways, such as being part of a team, meeting new people, learning new skills and developing new knowledge and confidence. This encourages attitudes of self-reliance, self improvement and mutual support enabling people to take control of their own lives. Doncaster Refurnish recognises that training and developing both employees and volunteers is vital to their business plan to help drive the future success of the charity.



## COMMUNITY CONTINUED...

Through its remanufacturing processes, Doncaster Refurnish generates its own waste streams and these are used to provide much needed educational resources for students at Doncaster College, local schools and community groups. The materials are used for creative activity, with the challenge of being able to produce products that can both raise people's understanding of resource management, as well as being sold through the Doncaster Refurnish stores to raise additional funds. To make further use of the waste created during the remanufacturing process the charity has established a 'Handyman Service' where handyman customers can reduce their costs and maximise their budgets by purchasing these low cost resources to create new items such as shelving or storage units. This helps to divert more waste from landfill and during 2014 Doncaster Refurnish plan to introduce 'Practivity' workshops for their staff, volunteers and customers to demonstrate how enjoyable and rewarding it can be to create new products from unwanted resources.

To ensure this creativity is captured and can be expanded to the wider community, Doncaster Refurnish is working with ReusefulUK and has developed and opened a Scrapstore in one of their stores.

During 2013, Doncaster Refurnish, by working in partnership with NEXT, has been able to create £352,203 to help fund its charitable work and in addition have created:

- 58 training work placements
- 62 students supported through educational activities
- 200 children supported through 'Spirit of Christmas' where Refurnish promotes the concept of CR internally to demonstrate personal giving in aid of others can be a positive engagement



Through this collaboration, during the year NEXT has been able to divert 378 tonnes of waste from landfill for reuse by the charity.

We are pleased with the continued success of our partnership, and the role we are able to play to support Doncaster Refurnish, an organisation whose unique and vibrant approach to social enterprise is working to make a difference to the local community where it is needed most.

If you would like to find out more about the work Doncaster Refurnish undertake, please go to:

[www.refurnish.co.uk](http://www.refurnish.co.uk)

**ReusefulUK** - set up by members of the scrapstore community, and re-branded to ReusefulUK during 2013, to support the reuse of unwanted resources for the benefit of children and communities. They work with business to support their members in receiving clean, reusable scrap materials that can be reused as creative art resources for schools, playgroups and community groups across the UK. For NEXT the benefit of collaborating with ReusefulUK is that it provides a fantastic way to safely dispose of products we no longer need, knowing they will have a second life and be reused to encourage both education and play. The types of materials they are able to accept for reuse is hugely varied and we have offered a wide variety of products including items from our 2013 Christmas window displays and in store displays. If you would like to find out more about the work ScrapstoresUK undertake, please go to:

[www.scrapstoresuk.org](http://www.scrapstoresuk.org)

**Oxfam** - we started to work with Oxfam during 2010, after identifying product items that were unsellable for NEXT, but could be used to create value for the charity to support its global work. During last year we have been able to divert over 40 tonnes of unsellable products from landfill by offering them to Oxfam who have taken the items to support their work overseas in a number of countries including a project they have developed in Senegal called Frip Ethique. It is a social enterprise, created to provide employment for disadvantaged women. It buys and sells second hand clothing, but is different from other second hand clothing companies because it role models good business practice, maximises the benefit for poor people in the second hand clothing value chain and donates profits to the Oxfam Livelihoods Programme.





## COMMUNITY CONTINUED...

### CARRIER BAGS

NEXT continues to support and encourage our customers to reduce use of single-use carrier bags where appropriate by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag if requested.

In 2011, NEXT implemented local arrangements in line with regulatory charging requirements for single-use carrier bags in Wales – read more on [www.next.co.uk](http://www.next.co.uk). The monies raised from this charge are equally distributed between two Welsh charities – World Wildlife Fund-Cymru, who are working to protect the marine wildlife around the Welsh coastline, and Tŷ Hafan, who offer comfort, care and support for life-limited children and young people and their families.

### NEXT'S CARRIER BAG CHARGE IN WALES: SPOTLIGHT ON OUR FUNDING TO Tŷ HAFAN

Half of all the fees charged for our carrier bags in Wales since 2011 have been donated to Tŷ Hafan, who is the only children's hospice in South Wales, to provide specialist palliative care services to meet the needs of life-limited children and their families since 1999.



With life-limited children and young people, care is often given over a number of years and Tŷ Hafan offers short break care to give families desperately needed time-out, which can include accommodation for any family member who wants to stay over. They also provide comfort, support and relief outside the hospice, at home and in the community to ensure each child has a comprehensive care programme.



The support offered isn't just centred on managing the physical realities of a child's condition. Tŷ Hafan recognises that caring for a child with a life-limiting condition can affect all aspects of family life. They work with families and care professionals to assess a child's individual needs. The services they offer are completely free to any family in Wales who need them and include management of the child's physical symptoms as well as the provision of emotional, social, spiritual and practical support for the whole family, with the main aim of improving quality of life.

*"We are incredibly grateful to NEXT for choosing to support Tŷ Hafan through the Carrier Bag Levy Scheme. We need to raise £3.7m each year to provide our services and their donation will help to support our work with life-limited children, young people and their families from across Wales."*

- Diane Stringer  
Tŷ Hafan Strategic Relationships Coordinator



## COMMUNITY CONTINUED...

### EMPLOYEE ENGAGEMENT

NEXT launched 'Oxfam Collects at Work' in 2010 at our Head Office site. It is a scheme which enables employees to donate their unwanted goods to Oxfam whilst at work. We believe it provides employees with an opportunity to get involved in corporate citizenship in a simple, but sophisticated way, by donating unwanted items that Oxfam is able to create value from, to support its global work worldwide. During 2013 Oxfam has raised over £3,700 from our employees' donations at Head Office, raising over £20,000 since it was launched. An employee payroll giving scheme is available to all employees and during the year employees donated over £25,000 to charities of their choice.

*Employee fundraising* – our employees across the business get involved in many fundraising events each year raising money for a large number of charities by undertaking numerous different activities from running, cycling, sky diving, playing football, cake sales, to the less tiring activity of growing moustaches for 'Movember' to raise vital funds and awareness for men's health issues. We are only able to report on the fundraising we are made aware of by the business in this report.







# NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES

This document sets out the principles, criteria and methodologies we use to report the data relating to our corporate responsibility activities in our annual Corporate Responsibility (CR) report.

## INTRODUCTION

- Reliable data is of key importance and is required to comply with ISAE 3000 and ISAE 3410 standards for external assurance
- It is important to NEXT that our data is transparent and meaningful to the reader; this can only be achieved if reported data is traceable and supported by evidence

## BASIS FOR REPORTING

This Reporting Guidance document supports the preparation and reporting of the following indicators in the Corporate Responsibility report prepared by NEXT:

- Number of supplier audits
- Global Direct Carbon Footprint (tonnes CO<sub>2</sub>e)
- Accident rates
- Community investment
- All data, unless otherwise stated, are prepared for two years to January 2014

## SCOPE OF REPORTING

This report looks to cover the corporate responsibility activities across NEXT Group primarily in the UK and Ireland, including Lipsy. Specific scope requirements have been noted in each section of the criteria guidance.





## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

### GENERAL REPORTING PRINCIPLES

In preparing this guidance document, consideration has been given to the following principles:

- **Information preparation:** to highlight to users of the information the primary principles of relevance and reliability of information; and
- **Information reporting:** the primary principles are comparability/consistency with other data including prior year and understandability/transparency providing clarity to users

### HIERARCHY OF DATA SOURCES

Our aim is to gather and use data from the most complete, robust source possible to provide clarity for the user.

- Robust internal data, which can be reconciled to independent third party data
- Trusted independent third party data
- Robust internal data with the ability to conduct reasonableness checks

### UNCERTAINTY AND ESTIMATES

- Every effort is made to capture all relevant data
- Where we have made/used estimates or assumptions we will make this clear and this has been explicitly defined in the specific criteria for each indicator where appropriate

### RE-STATEMENT

- Where information is available, we will restate prior year's figures using the latest available data to make data as comparable between years as possible e.g. carbon emissions reporting due to changes in emission factors
- Where restatements have been made to specific indicators, they have been clearly outlined where appropriate
- Restatements are considered where there is a change of greater than 3% of the reported date

## REPORTING SPECIFICS AND METHODOLOGY

### 1. OUR SUPPLIERS

#### Number of Supplier Audits

**Definition:** The NEXT global Code of Practice (COP) team is responsible for auditing the factories of our suppliers where the product for NEXT is manufactured and the NEXT brand is applied.

An audit is the assessment method we use to measure whether factories comply with our Code of Practice requirements. A NEXT auditor attends the supplier's factory to carry out the audit, reviews their employment records, talks to factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. Audits typically take 1-2 man days depending on the size of the factory and the number of employees. Factories will receive an initial audit, and if areas for concern are raised by our auditor with the factory, a corrective action plan with timescales is agreed, as well as a date for a follow-up audit.

We record and report the number of initial audits and follow-up audits carried out by our team within our reporting year. These audits can be announced or unannounced.

**Scope:** The NEXT global COP team audit all our suppliers' factories in all the countries we purchase from. The data reporting period is the year to January 2014

**Unit:** The number of individual audits performed and supplier's factory sites visited for an audit by our COP team

**Method:** Data is extracted from our internal Supplier Code of Practice system

Note: Lipsy factories are not audited by the NEXT COP team at this time, but we are working to include them going forward

### 2. ENVIRONMENT

#### Carbon Emissions/Greenhouse Gas Emissions

**Purpose:** We measure our greenhouse gas (GHG) carbon dioxide equivalent (CO<sub>2</sub>e) emissions to:

- identify and understand sources of emissions
- create a transparent and robust reporting approach
- establish a reliable basis on which to develop an emissions reduction strategy

**Definition:** The quantity of GHG emissions expressed as tonnes of CO<sub>2</sub>e emitted as a result of the direct and indirect operational activities undertaken by the NEXT Group globally.

Our direct operational activities are all the operations under management control of the group.

A carbon footprint is calculated by measuring the annual emissions of an organisation and their impact on climate change through six greenhouse gases (GHG's) listed in the Kyoto Protocol: carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O);



## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>).

Carbon dioxide equivalent (CO<sub>2</sub>e) is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the six GHG's, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate different GHG's against a common basis.

We have calculated our carbon footprint where we either have direct control or significant influence with respect to the internationally recognised standards

provided by the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol). Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance published in June 2013, and have been calculated using the updated 2013 conversion factors published by DEFRA/DECC.

The boundary for NEXT Group Operational Direct CO<sub>2</sub>e Footprint



The diagram above shows the boundary of the NEXT direct carbon footprint. The areas within the dotted line cover GHG emissions from:

- **Properties** - electricity, gas and other fuel consumption in our stores, offices, warehouses and Head Office Nursery in the UK and Ireland; Lipsy stores in the UK and our global offices, call centres and owned manufacturing facility
- **Distribution** - fuel consumption from the distribution of NEXT products in the UK and Ireland to our retail stores and customers homes in NEXT owned and third party vehicles
- **Business travel by NEXT Group employees** - including travel by air, rail, company cars, private cars used for business purposes, hired cars and taxis
- **Waste** - produced in our stores, warehouses and offices in the UK and Ireland; our global offices, call centres and owned manufacturing facility
- **Refrigerant losses** - from air conditioning units in our stores, warehouses and offices in the UK and Ireland; our global offices, call centres and owned manufacturing facility
- **NEXT International stores** - included within reporting scope for the first time in 2013



## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

**Unit:** The measurement units reported for stores, offices and warehouses in UK and Ireland are detailed below:

**Electricity:** kilowatt per hour consumed/tonnes CO<sub>2</sub>e  
Data is collected from:

- NEXT: 541 retail stores; 7 staff shops; 8 receipting warehouses; 6 distribution centres; head office; call centre; Head Office Nursery, press office and photoshoot warehouse
- Lipsy: 14 stand alone stores
- 447 sites have half hourly modem meters installed and 111 sites have automated meters installed for our energy team to monitor and manage. In addition we receive monthly invoices directly from landlords for approximately 21 properties where they provide the electricity we consume and estimated monthly bills from 3 properties where there is no automated meter installed

**Gas:** Kilowatt per hour consumed/tonnes CO<sub>2</sub>e

All data is taken from electronic bills showing either actual or estimated consumption. The meters in our warehouses, which consume the majority of the gas we use, are read monthly so show actual consumption per month. The meters for gas consumption in our stores and offices are read each quarter of the year. All consumption data is submitted to our energy provider who invoices NEXT.

16 sites have automated meters installed where gas consumption is largest i.e. warehouses, distribution centres, Head Office and 2 call centres to provide 'live' data to facilitate closer understanding and visibility of gas consumption, and improve management.

**Waste:** Volume in tonnes of material produced/tonnes CO<sub>2</sub>e

General waste sent to landfill (tonnes): is material that has been finally disposed of to landfill or incineration without heat recovery.

Materials diverted for recycling (tonnes): cardboard, polythene and polystyrene from secondary product packaging and transit packaging, carrier bags, Directory courier packaging, broken clothes hangers and used gift cards collected in store at the till point. Timber from broken pallets and damaged furniture is chipped and recycled. Office materials such as paper, cardboard, magazines, cups, bottles and cans are collected and recycled.

Materials diverted for energy recovery (tonnes): cardboard, polythene and packaging collected in warehouses and separated for SRF (Solid Refuse Fuel).

Damaged mattresses are recycled via a third party.

In 2009 we worked with our third party waste provider to directly analyse the composition of stores' general waste. This enabled us to develop the NEXT Waste Scorecard, a methodology tool we now use to calculate the general waste data from our stores. The amount of waste recycled is primarily based on weighbridge tickets received from third party recycling companies. As part of the methodology the average weight of general waste from a store is updated annually following an audit/measuring process.

In 2013, we reviewed the waste from 7 warehouse sites categorised as 'sent to landfill' tracing the waste to its final destination to determine the actual 'diversion from landfill' rate being achieved. Working with our third party waste provider, we were able to track the amount of waste actually being recycled rather than being landfilled using data from weighbridge tickets obtained from third party waste transfer stations. We reviewed the waste streams of the final third party waste supplier to confirm it was comparable to NEXT's waste stream and based our final recycled rate used their quarterly figures reported to the Environment Agency to determine our 'diversion from landfill' rate. The final destination of the waste from our warehouses is SRF (Solid Recovered Fuel) which is used for heat recovery.

In total we have 541 retail stores in the UK and Ireland. The waste data we report relates to 315 stores where our third party waste provider arranges the waste collections; a further 20 stores have similar waste collections but from different providers, we attribute the NEXT Waste Scorecard methodology to these stores. The remaining 206 stores are situated in managed shopping centres where the waste is collected and managed by the centre, consequently waste data is not available for inclusion in our report.

**Fuel:** Litres consumed and kilometres travelled delivering NEXT products to stores and customers homes/tonnes of CO<sub>2</sub>e

### NEXT OWNED VEHICLES:

- 161 Euro V tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 349 trailer units (either single, tandem, double deck or tri axle)
- 22 box rigid lorries
- 33 box vans with tail lifts
- 14 other vehicles (minibuses, caged tipper vehicle, land rovers)
- 100 transit vans





## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

Diesel fuel is drawn in real-time via our internal management system. This fuel data is used to assess and compare individual performance of depots on monthly basis.

### RETAIL - THIRD PARTY VEHICLES

Used for deliveries to Ireland and Northern Ireland, Channel Islands and Isle of Man. Delivery routes and mileage is set and agreed by NEXT and the third party provider, as vehicle journeys are all planned and agreed. Mileage/litres of diesel data are provided to NEXT on a weekly basis from the third party provider. Once validated by management it is uploaded onto the overall NEXT Retail Distribution Report per third party provider.

### DIRECTORY - THIRD PARTY VEHICLES

The third party provider advises NEXT their total mileage and/or litres of fuel consumed as a proportion of the business NEXT Directory has with them in relation to the number of parcels delivered to and collected from NEXT customers (deliveries to and returns from customers) via their delivery network. Delivery performance is reviewed weekly with data for CR purposes being submitted bi-annually.

#### Business Travel - Company owned cars:

Litres of fuel consumed/tonnes CO<sub>2</sub>e

All fuel purchased via NEXT company fuel card for both business and personal mileage in the UK and Ireland.

Company fuel cards are managed by a third party provider. Monthly reporting is provided to NEXT, detailing the cost, volume and type of fuel purchased during the period. The amount reported is the total volume of fuel purchased.

This indicator currently captures the data relating to all NEXT employees, within head office, warehousing and retail stores who are allocated a company fuel card and cash fuel expenses claimed by employees through the Expenses system.

Where possible NEXT uses fuel rather than mileage data to calculate its carbon impact, as it represents a better proxy to actual emissions. Consistent assumptions have been made in relation to fuel type. Currently excluded from this indicator is all company owned car data for Lipsy and NEXT Sourcing.

#### Business Travel - flights, accommodation and rail journeys: Distance travelled/CO<sub>2</sub>e

All business travel bookings for air, accommodation and rail journeys for NEXT employees who are based in the UK and Ireland.

Bookings are placed and managed through a third party travel agent via a dedicated team based at head office.

Monthly reporting by travel date is provided to NEXT detailing:

- Flights - recorded by distance and class using actual data extracted from the travel booking system
- Distance recorded for flights is based on advice from Verco, who we engaged to calculate our carbon footprint. The distance categories used are:
  - Domestic <500km
  - Short haul international >500km <1600km
  - Long haul international >1600km
- Class of travel is recorded and a different emissions factor is attributed to each class (economy, premium economy, business or first class)
- Accommodation - number of nights in a hotel in UK or overseas - Note: this data is not currently assured by PwC
- Rail - number of single and/or return journeys taken

This indicator captures data relating to all NEXT employees, including employees in 'Group Central'. Also included is data relating to employees who have booked their travel independently and are claiming the costs back through the Expenses system and flights booked in country for NEXT Sourcing and NEXT International employees.

During the year, we have received monthly reporting by a third party provider who manage all business expenses associated with our creative team travel, which has been included in our reporting for the first time. No such information was available for the prior year to restate comparatives.

#### Building Emissions - Head Office, retail stores, warehouses and diesel oil and refrigerant gases:

Litres diesel oil fuel consumed/tonnes CO<sub>2</sub>e and kg refrigerant gas types replaced/tonnes CO<sub>2</sub>e

- Diesel oil predominantly used in backup generators to provide emergency power generation or for heating. Monthly usage data is provided from third party contractors, who manage and service all generators.



## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

- Refrigerant gases are used to replace gas lost from air conditioning units. All air conditioning units are serviced by third party contractors who provide listings of all refrigerant gas transfers in kgs, by gas type.

### 3. OUR PEOPLE - HEALTH AND SAFETY REPORTING (RIDDOR AND NON-RIDDOR)

#### RIDDOR ACCIDENT RATE (THE REPORTING OF INJURIES, DISEASES AND DANGEROUS OCCURRENCES REGULATIONS 1995 AS AMENDED)

- Definition:** RIDDOR Regulations place a legal obligation on employers to report work-related deaths, major injuries or over-seven-day injuries, work related diseases and dangerous occurrences (near miss reporting). A person in control of premises is also obliged to report any accident affecting someone not at work who is taken directly to hospital from the scene of the accident.

#### NON-RIDDOR ACCIDENT RATE

**Definition:** All accident and incidents that have occurred in the workplace

NEXT use the following definitions for RIDDOR and Non-RIDDOR accidents:

**Accident:** an unexpected occurrence which upsets a planned sequence of events or actions resulting in loss of production, damaged plant and equipment and/or injury to personnel

**Near miss:** any unplanned event which has the potential to result in injury. This term does not include actual dangerous occurrences which are to be reported to the Enforcing Authority

**Incident:** any unplanned event which has the potential or indeed does result in injury or loss. This term is limited to actual dangerous occurrences which are to be reported to the Enforcing Authority

NEXT amended its RIDDOR definition during 2013 to reflect people intending to go to hospital, rather than those just advised to, in line with RIDDOR definition above. There has not been a restatement of the 2012 figures for this definition change due to the lack of available information.

**Scope:** United Kingdom and Ireland for our retail stores (NEXT and Lipsy), warehouses, head office and Directory for employees, customers, visitors and contractors.

Excluded from the reported data is RIDDOR accident rate reporting for NEXT Sourcing and NEXT International owned stores as health and safety for these parts of the group is managed separately.

**Unit: Employees** - report work-related accidents and incidents per 100,000 hours worked.

**Unit: Customers** - report accidents occurring in our retail stores per 100,000 transactions.

We use the RIDDOR definition for 'work-related' which is "Arising out of or in connection with work" (Regulation 2(2) (c)). This includes all accidents occurring whilst someone is at work, or travelling on work business to another NEXT site, or a non-NEXT site. It excludes travel to or from work, if the person is travelling to or from their designated place of work.

We report RIDDOR accidents per 100,000 hours worked for employees, as this is the frequency rate used by the HSE (Health and Safety Executive) in their published annual statistics reporting, as this allows us to directly benchmark NEXT against the HSE published data.

We report RIDDOR accidents per 100,000 transactions for accidents/ incidents occurring to customers as we believe this is a more accurate indicator to allow us to measure customer activity in our stores.

**Method: RETAIL STORES** - All accidents, incidents and near misses are entered onto the NYPD (NEXT Years Payroll Development) system, and the Health and Safety Department are informed of a major accident by phone. All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

Hours worked by staff in retail stores has been provided by our internal NYPD payroll system. Contracted hours worked by each FTE are calculated from our internal, NYPD payroll system (hours worked x 52 weeks less holiday entitlement, statutory bank holidays and two additional NEXT holiday days).

**Method: HEAD OFFICE, DIRECTORY, WAREHOUSES AND REGIONAL SERVICE CENTRES**

All accidents, incidents and near misses are entered onto an Accident Incident Report form, which is sent to the Health & Safety Department within 48 hrs of the accident occurring.



## NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES CONTINUED...

All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

For Head Office and Directory, the Health and Safety Department enters the accident data onto the SNOWDROP system, which is our HR system.

For warehousing, the Warehouse Site Services Manager enters the accident data onto the SNOWDROP system, which is our HR system.

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

When an accident is required to be reported to an Enforcing Authority, this is the responsibility of the Health and Safety Department. The accident is entered onto the HSE Incident Contact Centre database, which then pass the information to the relevant local council where the accident occurred.

For Warehouses, hours worked have been determined from our internal payroll system.

For Regional Service Centres, hours worked relates to both core and agency staff for operatives, van drivers, core drivers and management. Hours associated with support functions are excluded. Data was taken from internal payroll systems, time and bonus sheets.

Insufficient data was available to re-state 2012 comparatives.

2012 accident rates have been restated following late postings in NYPD and SNOWDROP systems in respect to last year.

### 4. COMMUNITY

NEXT supports a wide range of registered charities and other groups and organisations without charitable status, providing donations of financial support or the offer of products which can be used to realise additional funding via charitable spend, gifts in kind and charity linked sales.

PwC have provided assurance over the 2013 dataset only; and employee fundraising is out of scope for external assurance.

**Unit:** Community investment is measured in GB £

#### (i) Financial support

**Definition:** Cash and gift card donations made by NEXT plc during the reporting period, taking any of the following forms:

- Direct donations to registered charities, individuals, local or national organisations;

- Direct donations for commercial support and sponsorship, which promote the NEXT brand; such as through sponsorship of local grassroots sporting teams, where there is direct employee involvement with the team.

**Method:** Monetary transactions are managed on an ongoing basis between Charities and Finance, against an allocated budget. These are recognised at the point of payment by Finance.

#### (ii) NEXT charity events

**Definition:** Monetary donation to selected charities from hosting charitable events.

**Method:** All payments and contributions are captured by Finance for each event. Finance will subsequently determine the profit made based on total amounts raised less any direct costs incurred and overheads.

#### (iii) Gifts in Kind

**Definition:** Monetary value of product donations to registered charities, local or national organisations. Gifts in kind exclude monetary donations.

**Method:** Donations are valued at the cost price of the product being donated. Cost price data is determined from our internal Buying Management tool or via confirmation by the charity of the value they have realised from the donation.

#### (iv) Charity link sales

**Definition:** Total royalties paid to charities based on an agreed percentage from the sale of the product. Donations to be made to charity per sale of each item are clearly indicated to our customers at point of sale.

**Method:** Finance calculates the donation, for each charity, by applying the agreed percentage to the revenue generated from the sale of each set of products.



# INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT GROUP PLC

The Directors of NEXT Group plc (“NEXT”) engaged us to provide limited assurance on the information described below and set out in Next’s Corporate Responsibility Report 2014 (the “CR Report”) for the year to January 2014.

## OUR CONCLUSION

**Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year to January 2014 has not been prepared, in all material respects, in accordance with the Reporting Criteria.**

This conclusion is to be read in the context of what we say in the remainder of our report.

## SELECTED INFORMATION

The scope of our work was limited to assurance over the information marked with the symbol [A] in the CR Report (the “Selected Information”).

Our assurance does not extend to information in respect of earlier periods or to any other information included in the CR Report.

The Selected Information has been summarised below:

| Area of responsibility | Performance data  |
|------------------------|---|
| Our Suppliers          | <ul style="list-style-type: none"> <li>• Number of factory sites audited; and</li> <li>• Number of audits carried out.</li> </ul>   |
| Our People             | <p><b>Total and RIDDOR accident rates for:</b></p> <ul style="list-style-type: none"> <li>• Retail customers per 100,000 transactions;</li> <li>• Retail employees per 100,000 hours worked;</li> <li>• Regional Service Centres per 100,000 hours worked; and</li> <li>• Warehouses per 100,000 hours worked.</li> </ul>   |
| Environment            | <p><b>Waste &amp; Recycling (Stores and Warehouses):</b></p> <ul style="list-style-type: none"> <li>• General waste to landfill;</li> <li>• Materials diverted for recycling;</li> <li>• Materials diverted for energy recovery; and</li> <li>• Percentage of waste diverted from landfill.</li> </ul> <p><b>Scope 1: Direct emissions from NEXT Group operations</b></p> <ul style="list-style-type: none"> <li>• Gas heating (stores, offices and warehouses);</li> <li>• NEXT owned distribution vehicles;</li> <li>• NEXT owned cars; and</li> <li>• Buildings (diesel oil, refrigerant gases).</li> </ul> <p><b>Scope 2: In-direct emissions from NEXT Group energy consumption</b></p> <ul style="list-style-type: none"> <li>• Electricity consumption (stores, offices and warehouses)</li> </ul> <p><b>Scope 3: Other in-direct emissions from NEXT Group operations</b></p> <ul style="list-style-type: none"> <li>• Waste (stores, offices and warehouses);</li> <li>• Business travel (air travel); and</li> <li>• Third party distribution vehicles (Directory deliveries).</li> </ul> |
| Community              | <p><b>Financial support:</b></p> <ul style="list-style-type: none"> <li>• Registered Charities;</li> <li>• Individual requests, local and national groups and organisations; and</li> <li>• Commercial support &amp; sponsorship.</li> </ul> <p><b>Fundraising activities:</b></p> <ul style="list-style-type: none"> <li>• NEXT charity event;</li> <li>• Gifts in kind – donation of products; and</li> <li>• Charity linked sales.</li> </ul>  |

We assessed the Selected Information using NEXT’s “Reporting Principles, Criteria and Methodologies” document (the “Reporting Criteria”) as set out on pages 46 to 52 of the CR Report 2014<sup>†</sup>.

## PROFESSIONAL STANDARDS APPLIED AND LEVEL OF ASSURANCE

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 ‘Assurance Engagements on Greenhouse Gas Statements’, issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

## OUR INDEPENDENCE AND QUALITY CONTROL

We applied the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK & Ireland) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our work was carried out by an independent team with experience in sustainability reporting and assurance.

## UNDERSTANDING REPORTING AND MEASUREMENT METHODOLOGIES

The Selected Information needs to be read and understood together with the Reporting Criteria, which NEXT is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are applicable for the year to January 2014.

## WORK DONE

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of NEXT's management, including the corporate responsibility team and those within the business who provide information to them;
- performed site visits to a limited number of third party waste handlers;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visits to the warehousing central offices, distribution central offices and the corporate Head Office to understand the key processes and controls for reporting performance data to the corporate responsibility team;
- performed limited substantive testing on a selective basis of the Selected Information at corporate Head Office to verify that data had been appropriately measured, recorded, collated and reported;
- re-performed the calculation to convert underlying activity data into carbon dioxide equivalent emissions;
- evaluated the disclosure and presentation of the Selected Information;
- reviewed the Reporting Criteria to ensure assumptions and judgements have been clearly disclosed; and
- communicated findings and recommendations in a report to senior management.

We have not performed any assurance procedures over the gathering and processing of data by third party providers of distribution services.

## NEXT'S RESPONSIBILITIES

The Directors of NEXT are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the CR Report.

<sup>†</sup>The maintenance and integrity of NEXT's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on NEXT's website.

## OUR RESPONSIBILITIES

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of NEXT.

This report, including our conclusions, has been prepared solely for the Directors of NEXT in accordance with the agreement between us, to assist the Directors in reporting NEXT's corporate responsibility performance and activities. We permit this report to be disclosed in the CR Report for the year to January 2014, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors and NEXT for our work or this report except where terms are expressly agreed between us in writing.

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CORPORATE RESPONSIBILITY REPORT  
TO JANUARY 2014