

A woman with long, wavy blonde hair and sunglasses is leaning against a large, multi-paned window frame. She is wearing a white long-sleeved button-down shirt with two chest pockets, blue jeans, and a brown leather belt. She is also wearing a watch and a bracelet on her left wrist. The background is a bright, slightly blurred outdoor scene.

next

CORPORATE RESPONSIBILITY REPORT
TO JANUARY 2015



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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. Our CR programme supports our business approach of acting responsibly whilst we continue to grow, with continuous improvement lying 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

Our business has continued to develop and evolve, enabling more customers than ever to shop with us when, where and how they want. However, we continue to face a number of CR challenges as we carry on operating 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. Overall, we believe we are making good progress by trading responsibly and being a great employer. However as we continue to grow we must work to find ways to minimise our negative environmental impacts. 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.

Our business takes a long term view of what is right, and this approach has driven our continuous investment in working to tackle 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. 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 continues to remain important. Looking ahead there are key challenges around our objectives of reducing our environmental impact as our business continues to develop; 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. The report contains key data which has been assured by PwC, and their independent assurance report can be found on page 61.

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.



Amanda James
Group Finance Director
17th September 2015





ABOUT OUR REPORT

This is our twelfth published Corporate Responsibility Report, covering our social, ethical and environmental performance. It is an annual report published in September 2015, and covers our financial year to January 2015.

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 2014. Where we state 2014, we are referring to our financial year to January 2015.

How we decide what to report - Our 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.

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 against 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 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.

ABOUT OUR REPORT...cont

Stakeholder Engagement

This report covers the issues we understand are of principal concern to our stakeholders. It is structured around the areas identified by the business as being most material. Whilst we have engaged with our stakeholder groups for a number of years, both formally through meetings and informally through requests for information and monitoring emerging issues, this is the first time we have shared the details within our report. The table below shows the the areas of focus and how these areas inform our approach to Corporate Responsibility.

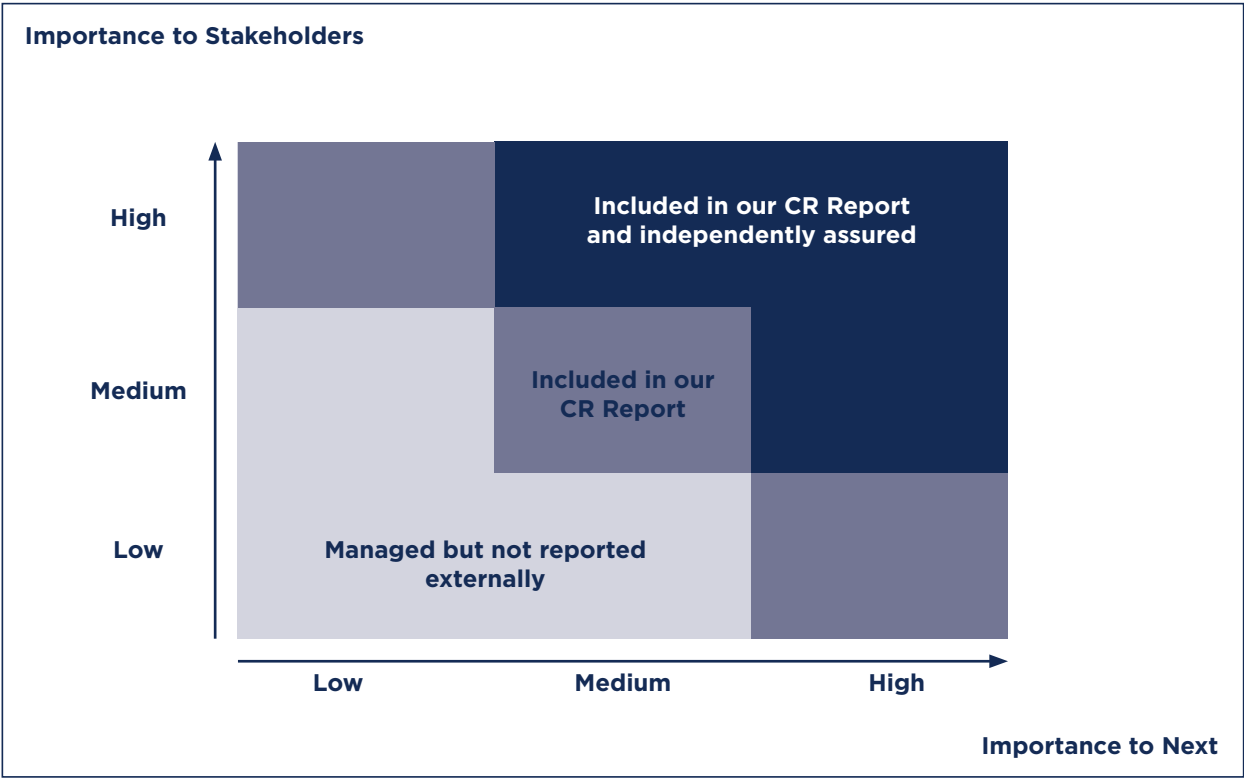
Our Main Stakeholder Groups	Next Aims and Approach	How we engage
Suppliers	We work for positive social, ethical and environmental improvements in our supply chain	<ul style="list-style-type: none"> • Visits and meetings both at Head Office and their factories • COP Supplier audits • Training workshops • Conferences
Customers	We work to ensure we meet or exceed our customers' expectations through the delivery of excellent products and service	<ul style="list-style-type: none"> • Monitor customer returns • Contacts to Customer Services • Direct customer contact and market research • Social media
Employees	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	<ul style="list-style-type: none"> • Employee communication forums • Employee engagement surveys • Training and development
Environment	We work to actively reduce the impacts of our business on the natural environment	<ul style="list-style-type: none"> • Visits and meetings with non-governmental organisations • Participation in surveys • Representation on Trade Association working groups
Community	We work to deliver support through our charitable contributions	<ul style="list-style-type: none"> • Respond to immediate requests for assistance • Develop and agree longer term support with identified charities to assist their ongoing work
Shareholders	We work to understand what issues and concerns are important to our shareholders to help us identify future potential issues	<ul style="list-style-type: none"> • Respond to enquiries • Meetings • Ethical investment surveys
Government	We work to participate in policy debate to contribute to their development to ensure NEXT is compliant with legislation in line with their implementation dates	<ul style="list-style-type: none"> • Meetings and dialogue with Trade Associations • Responses to consultations

ABOUT OUR REPORT...cont


Materiality

A wide range of social, ethical and environmental issues can have an impact on the NEXT business, either directly or indirectly through our global supply chains which mean we have to manage an ever evolving number of risks. Through feedback from our different stakeholders we identify and work to address the key social, ethical and environmental challenges raised.

To formalise this process, we have undertaken an initial materiality and risk assessment by ranking each issue in terms of their importance to NEXT and importance to stakeholders which we have then covered within this report. We will continue to develop this approach and going forward will plot the focus areas where we gain external assurance. Currently the data which is linked to issues we believe to be of high importance has been independently assured by PwC (see assurance of report content below).



Assurance of Report Content

PwC has been commissioned to provide independent assurance in accordance with the ISAE 3000 and ISAE 3410 Assurance Standards. A copy of their report can be found on page 61
Where you see this symbol  the data has been assured by PwC.

Legal Compliance

We had no environmental or health and safety prosecutions in 2014.

We welcome your comments and feedback on our corporate responsibility performance either through our website at 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 total clothing market, NEXT is the second largest UK retailer by sales value (£)

NEXT Retail

- 539 stores in the UK and Ireland (2013: 541)
- Retail trading space 683,000m² (2013: 653,000m²)
- 282,400 transactions per day in Retail (2013: 274,500)

NEXT Directory

- Direct mail and transactional website
- 4.6 million active customers (2013: 4.0 million)
- 86,000 transactions per day (average) (2013: 71,000)
- 90% of orders placed directly online
- Dispatched products to 71 countries (2013: 60)

NEXT International

- 187 overseas franchise stores in 37 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, Mongolia, Morocco, New Zealand, Norway, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Thailand, and United Arab Emirates
- 14 NEXT overseas stores in 4 countries: Czech Republic, Hungary, Slovak Republic and Sweden

ABOUT NEXT...cont

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 42 stores in the UK; 8 are stand-alone and 34 are either separate stores carved out of a NEXT property or integral within a NEXT store; on-line, wholesale and concessions





NEXT HEADLINES AND HIGHLIGHTS

Financial Summary Year to January 2015

- Group turnover £4,028.0m (+7.2%)
- Group profit before tax £782.2m (+12.5%)
- Underlying earnings per share 420p (+12.8%)
- Dividends per share 150.0p (+14%)
- Total trading space 683,359m² (+4%)
- Our Annual Report and Accounts can be viewed at 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 39 countries (2013: 40)
- We worked with 510 suppliers during the year (2013: 512)
- We carried out 1,945 audits at our suppliers' factories (2013: 1,554)

Our Customers

- There is an average of 369,000 transactions per day across NEXT Retail and Directory (2013: 345,000)
- NEXT has 4.6 million active global Directory customers (2013: 4.0 million)
- We deliver products to 71 countries (2013: 60)

NEXT HEADLINES AND HIGHLIGHTS...cont

Our People

- The NEXT Group employed approximately 29,000 Full Time Equivalent (FTE) employees, with 25,000 in the UK and Ireland
- 15,000 employees were participating in Company pension schemes, 4,000 in the Final Salary/Money Purchase scheme and 11,000 in the Auto-Enrolment scheme
- 30% of NEXT plc directors are female
- 34% of subsidiary directors and senior managers are female
- Retail: during the year we recorded a 5% reduction in the RIDDOR accident rate of our employees and a 10% increase in the total accident rate
- Warehouses: during the year we recorded an 35% increase in the RIDDOR accident rate of our employees and a 3% reduction in the total accident rate
- Regional service centres: during the year we recorded a 19% reduction in the RIDDOR accident rate of our employees and a 6% reduction in the total accident rate

ENVIRONMENT

- The Group's global direct carbon footprint was 196,928 tonnes of CO₂e
- 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 CO₂e/m²
Achieved to date – 30% reduction
 - Fuel emissions from the transportation of products to stores
Target - Retail Distribution: 10% reduction in litres of fuel used/m²
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
Achieved to date – 91% diverted from landfill
- NEXT successfully achieved re-certification of the Carbon Trust Standard in 2013 for measuring, managing and reducing its carbon emissions. We will be undertaking re-certification during 2015



Community

- Commercial support to charities and community organisations totalled **£3,388,385**
- NEXT supported over 350 registered charities during the year through financial or product donations





OUR SUPPLIERS

Context

Why it is 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 directly contracted suppliers, who manufacture the products we sell. Within the **Environment** and **Our Customers and Products** sections, we refer to the work we are undertaking with the indirect suppliers who are further back in the supply chain.

The recent terrible tragedies within the Bangladesh textile sector have led to a significant change of approach with 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 Non Governmental Organisations (NGOs) to help achieve lasting change. Through our global COP team members who are locally based in all our major sourcing countries, NEXT has 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...cont

Our ethical trading 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 maintain the human rights for 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 honestly and fairly for the work they do and with respect for their human rights and wellbeing.

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:

- Continually train our COP managers and global team to develop the skills required to meet and respond to the dynamics of our global supply chain
- Maintain a consistent approach, as all of our global team receives the same training and has the same NEXT values and knowledge
- 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
- 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 Conventions¹).

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

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.

OUR SUPPLIERS...cont

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 provides regular monthly updates to the Product teams and seasonally to the Board.

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 2014, we have further reviewed and improved the process for introducing factories to ensure that 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

OUR SUPPLIERS...cont

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 works 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'.

Performance

		2014	2013
Next global COP team resource		45	45
Countries where the product is manufactured		39	40
Suppliers worked with		510	512
Factory sites used		1,851	1,858
Factory sites audited	A	1,673	1,357
Total audits carried out	A	1,945	1,554
Suppliers factories disengaged for non compliance to our code		12	22

During the year, the team have carried out over 1,900 audits and re-audits. This is an increase of 20% compared to the previous year and is the result of an increase in the number of audits within the UK and a focus on factories supplying NEXT branded materials such as carrier bags and care labels.

OUR SUPPLIERS...cont

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 firsthand experience of delivering benefits by working in partnership with other organisations to understand these issues.

During 2014, 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 cases occur
- Ensure homeworkers are not exploited and their earnings are protected
- Prohibit unauthorised sub-contracting where workers are beyond NEXT's visibility
- Provide helplines 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
- 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 visit our suppliers and their factories. During 2014 we met with the senior management of our largest suppliers and their factories in their country of operation. The focus of the meetings was to underline the importance of the partnership we share; to reinforce the responsibility for compliance to our Code lies with the suppliers and their factories and the assurance of safety and human rights of workers. With each supplier we reviewed their compliance progress and agreed plans for ongoing improvement
- Compliance to all requirements of the NEXT COP is 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. The product teams in the UK also receive additional presentations during the year to continue to raise awareness of ethical issues, current risks and to reinforce the impact that buying decisions can have on suppliers and to emphasise their understanding of the vital role they play in our ethical trading programme.

During 2014 we have continued to develop our IT systems to be able to provide 'real time' performance data for suppliers and their factories to be used within the business. 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. The 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.

OUR SUPPLIERS...cont

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.

We have also continued to support LESN, a partner NGO organisation, with their training and support where cases of underage 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.

Human Rights Development

NEXT is committed to upholding all basic human rights, as outlined in the United Nations' Guiding Principles on Business and Human Rights. In 2014 we carried out an initial risk assessment of potential human rights impacts across our business, looking at the activities of our own direct operations, as well as those of our UK and overseas partners. Labour rights in our supply chain is a key potential impact area, and is currently monitored and managed through the Next COP programme which reflects international labour conventions. In 2015 we will be using the findings from our initial human rights assessment to engage specific business functions as well as some external partners, and to prioritise our broader human rights activity.

UK Modern Slavery Act – Working with both the ETI and the British Retail Consortium, we supported the introduction of the Modern Slavery Act through a letter of support sent to the Government requesting stronger wording be used within the draft Modern Slavery Bill. We support the UK Government's commitment to eradicate the abuse and exploitation of workers, both in the UK and overseas.

Bangladesh

NEXT has continued to develop and extend the sourcing of product from Bangladesh, and importantly has also maintained our commitment to improving compliance to our Code through building inspections, undertaking audits and providing support to factories which are identified as needing assistance. 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 Rana Plaza building collapse in 2013 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 ongoing priority is to ensure the factories we are engaged with in our own Bangladesh supply chain do not present a risk to their workers.

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



The Accord is a binding agreement and has now been signed by over 150 apparel corporations, IndustriALL and UNI Trades Union, Bangladeshi Trades Union, 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.

OUR SUPPLIERS...cont

The aim of The Accord is to enable a working environment in which no worker needs to fear fires, building collapse or other accidents which could have been prevented with the implementation of reasonable health and safety measures. NEXT was one of the initial signatories to The Accord and our COP team are participating and supporting the Accord management and the programme that inspected over 1,700 factories before the end of 2014. Significant progress has already been made in improving safety and workers' conditions; however the work is ongoing and will continue for several more years.

An integral component of The Accord is a comprehensive worker participation programme involving both workers and factory owners. The aim of this programme is to empower workers and also support factory owners to take responsibility and ownership for making and keeping their factories safe.

More information on this programme can be found at: www.bangladeshaccord.org/news

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 and support The Accord to:

- Develop enhanced inspection standards and processes
- Undertake presentations and seminars with our Suppliers
- Train factory owners, management and personnel in fire & building structural safety
- 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

Cambodia: Better Work Programme

In 2014 NEXT joined the Better Work partnership programme, initially in Cambodia, with the longer term 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 the ILO Core Labour Standards and national labour laws
- Continuous improvement: Better Work staff facilitates dialogue between managers and workers to address their report's findings and submits regular progress reports
- Stakeholder engagement: Buy-in for the programme and activities occur at all levels, including government, employers, unions, workers and international buyers

Cambodia is continuing to develop as an emerging market for clothing products for NEXT. The core value of the programme is to improve workers' conditions and to promote mature industrial relations in the vital RMG (Ready Made Garment) 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.



OUR SUPPLIERS...cont

Supporting Homeworkers in India and Sri Lanka

During 2014 NEXT have developed and extended our programme to support and protect vulnerable workers both in India, within New Delhi and the surrounding regions, and also within Sri Lanka. 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.

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 has 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
- **Community Support:** Within India, NEXT continues to fund the crèche facility we helped to establish, and which is managed by Savera, in the Molarband region outside New Delhi where homeworking is carried out. Our aim is to eliminate the exploitation of these skilled but vulnerable workers. The crèche aims to support the homeworkers and their families to be able to empower their lives:
 - The crèche opened in 2013 and currently accommodates 30 children per day, both pre-school and school age. We are working with Savera to extend the number of children we can accommodate to 50 per day
 - It offers a clean, safe environment with constructed play and learning provided by 1 trained teacher and 3 care givers; and provides 2 nutritious meals per day

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 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, footwear, accessories 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, and through our standards and technical requirements 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 that our products are:

- excellent quality
- safe and fit for their intended purpose
- fully compliant with all legislation and our own standards where these go beyond legislative requirements
- sourced responsibly

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 retail stores or NEXT Directory 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 support all our customers.

OUR CUSTOMERS AND PRODUCTS...cont

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 and service they expect from us. At the beginning of 2014 we set ourselves the objective of improving customer service across the business. We re-defined what we mean by great service, focusing on serving customers in the way they want to be served, whether in our stores or through the NEXT Directory.

Over the last eighteen months we have:

- Overhauled our recruitment process, focussing on attitude rather than experience
- Introduced new service training for employees
- Changed our bonus schemes to be awarded on the basis of service, for Directory this involves direct feedback from customers via a short telephone survey
- Within our stores we have re-allocated contract hours throughout the day to achieve better service at peak times
- Changed our staff appraisal and performance management systems

We believe that all the above changes have had a significant and positive effect on the levels of service we provide, but we recognise we still have some way to go to be best in class in independent customer rating surveys.

Within our Next Directory Customer Service Department we have introduced a new procedure to improve and support the timely resolution of customer enquiries and complaints without the need for escalation internally. As a result we are seeing the benefits of improving customer service, in that enquiry levels and complaints from customers have fallen, however we know we still have much to do to deliver the levels of service we would like. Customers 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 and 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.

During 2014 we extended the ordering window for customers to order products to be delivered to a store for collection. From October store orders could be placed until midnight for next day delivery in 99% of our stores by retail turnover. The introduction of this service provided the ground work for the more challenging exercise of extending our window of deliveries to home, where we have recently extended the ordering cut-off to 11pm and are working to move this to midnight during 2015 as we take around 9% of orders between 10pm and midnight.

OUR CUSTOMERS AND PRODUCTS...cont

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.

Performance

In 2014 we had:

- An average of 369,000 transactions per day across Retail and Directory (2013: 345,000)
- 4.6 million active global Directory customers (2013: 4.0 million)
- Despatched products to 71 countries (2013: 60)

Within our Customer Services Department we have introduced a new team whose responsibility is to focus on complaints which haven't been satisfactorily resolved for the customer during their first contact with us. We receive over 19 million contacts from customers during the year and of those less than 1% become 'escalated' and we are seeing this number starting to reduce as we work to resolve customer's issues more effectively. 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 global environmental 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 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 2014. 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.

During 2014 we have continued to focus on the development of Next's Chemical Management Standards programme aimed at suppliers further back in our supply chain e.g. fabric mills and wet processing such as dyeing, printing, finishing, laundering of textiles and tanning and dyeing of leather. The issue of pollution from global manufacturing sites in developing industrial nations is one Next takes seriously, and through this programme our aim is to help educate suppliers to be able to reduce and eliminate the discharge of hazardous chemicals from their production processes into the environment wherever possible.

OUR CUSTOMERS AND PRODUCTS...cont

We will be introducing the programme to our suppliers during summer 2015, with the key principles being:

- **Clean Chemistry:** the use of cleaner chemicals which do not contain hazardous substances will ultimately lead to cleaner production, cleaner effluent and cleaner emissions
- **Transparency:** encourage chemical manufacturers to provide full disclosure of all 'hidden' hazardous substances in formulations (mixtures of chemicals) and individual chemicals being used on Next products
- **Traceability:** encourage manufacturers to maintain a chemical inventory and full records of all chemicals used on products
- **Trust:** with the principles of clean chemistry, transparency and traceability in place trust is built with suppliers within our supply chain

Supplier training and seminars covering key aspects of our Chemical Management Standards will be offered to suppliers and manufacturers, and we will be able to provide an update on this initiative in future reports.

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 three 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

In addition, we have a programme in place to register all relevant chemicals Next imports into the EU in finished products, if we import over 1 tonne per year per chemical, before the REACH deadline of 2018.

Under REACH, the list of Substances of Very High Concern (SVHCs) continues to grow. In general terms, SVHCs are substances that have hazards with serious consequences, for example, they cause cancer in humans, and/or remain in the environment for a long time with their amounts in animals gradually building up. We carefully follow the progress of all SVHCs and review them against our RSS to ensure all SVHCs being considered are included.

As part of the REACH legislation, customers are able to check if a product contains an SVHC above the 0.1% threshold. If we receive such a request, we are required to respond to the customer within 45 days. During 2014, 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.

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
- Inform the relevant regulatory bodies, such as Trading Standards
- 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 global Directory customers
- Collate the returned products at our warehouse and arrange for their safe disposal

OUR CUSTOMERS AND PRODUCTS...cont

Sustainability of Raw Materials

Traceability: Our products are sourced from many hundreds of suppliers across the world and this leads to challenges in tracing the original source of all products to ensure they are sourced responsibly. 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. We are working to increase the traceability of the key raw materials we use, and are also working towards sourcing them responsibly.

Timber: The European Union Timber Regulation (EUTR) which came into force in 2013 aims to limit the trade in illegal timber. 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, work externally with our suppliers to help them understand the requirements of the legislation and develop our timber database system to make it easier for suppliers to share their data with us. 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. However, we have experienced a number of challenges in being able to gather the right information from our suppliers, many of whom have found the increased level of engagement and the information we are trying to gain from them difficult to deliver. We will continue to work in this area to reassess how we can improve the quality of the data we gather from suppliers and improve engagement to be able to ensure compliance with our policy.

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.infurformation.com

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 cut-off 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 organisation with two priorities; minimising resource use and diverting priority materials from 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.

In collaboration with SCAP, during 2014, we have concentrated on calculating our cotton consumption to help create a baseline. This process has confirmed cotton is the raw material we use the most within Next products. Cotton is a natural, renewable resource which offers many advantages but also comes with a number of concerns. During 2015 we will be joining Better Cotton Initiative (BCI) as this will support our aim of improving the traceability of one of our main raw materials. BCI aims to promote methods of cotton production which minimise the negative impact of fertilisers and pesticides, use less water and protect soil health and natural habitats. BCI farmers achieve better yields and more financial security through access to global markets, whilst improving the working conditions in their fields.

OUR CUSTOMERS AND PRODUCTS...cont

Mattress recycling for customers:

Mattresses are a difficult waste stream to manage with most old mattresses going to landfill, so we identified an opportunity to help our customers with this challenge.

When our customers purchase a mattress from NEXT we found a large proportion had an older mattress they needed to dispose of, so in 2012 we sourced a specialist recycling provider, whose priority is to recycle old mattresses rather than send them to landfill. During 2013, we introduced the service where customers could request we remove and recycle their old mattress when their new mattress was being delivered to trial and map the process and understand if our customers would find the service helpful to them, which they did. In 2014 we collected and were able to recycle 4,494 mattresses weighing over 170 tonnes. 94% of the materials recovered from the mattresses have been able to be reused into new products with the remaining 6% being sent for energy from waste.

Elimination of microbeads in personal care products:

NEXT became aware of the risk to the marine environment of plastic microbeads in personal care products in 2013. We made the decision to remove the plastic microbeads from all existing and new products and formulations in our own brand products effective from July 2014.





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, 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.

OUR PEOPLE...cont

Human Rights Development

NEXT is committed to upholding all basic human rights, as outlined in the United Nations' Guiding Principles of Business and Human Rights. Respecting human rights is vital to us as an employer and responsible business partner. During 2014 we carried out an initial risk assessment of potential human rights impacts across our business, looking at the activities of our own direct operations, as well as those of our UK and overseas partners. Through this process we have identified a number of potential key impact areas such as labour rights in our supply chain which is monitored and managed through the NEXT COP programme and which reflects international labour conventions, as well as our employees and our business partners. The complexity of this policy area requires careful consideration through thorough risk assessment and collaboration, both of which will be essential in the identification and remediation of issues. 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. In 2015 we will be using the findings from our initial human rights assessment to engage specific business functions as well as some external partners, and to prioritise our broader human rights activity.

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 2015.

FTE employee: Data relates to Next plc	Full-Time equivalents	
	2014	2013
Next Retail and Directory	25,457	24,618
Next International	157	164
Next Sourcing	3,642	3,573
Other Activities	213	213
Total FTE Employees	29,469	28,568

Gender mix: Data relates to Next plc	2014		2013	
	Males	Females	Males	Females
Directors of Next plc	7	3	8	3
Subsidiary directors and other senior managers	29	15	29	13
Total Employees	15,447	32,115	15,929	34,138

OUR PEOPLE...cont

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 be completed in the next 12 months.

As at January 2015, active members of the 2013 NEXT Group Pension Plan stood at:

Pensions data relates to NEXT plc operations in the UK, excluding NEXT International and NEXT Sourcing	Final Salary Section		Money Purchase Section	
	2014 Number	2013 Number	2014 Number	2013 Number
NEXT UK Pension Scheme (number of employees)	1,091	1,169	2,844	2,775

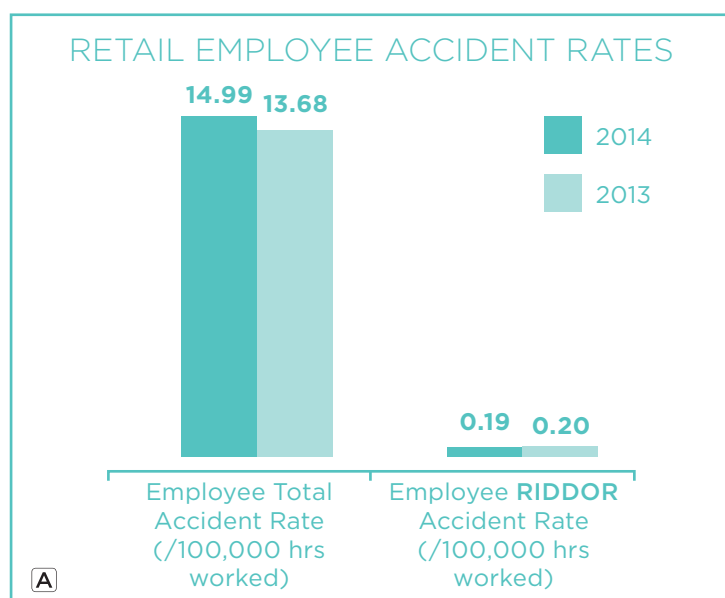
NEXT has implemented the UK's Auto-Enrolment pension scheme (AE). This is provided by The Peoples' Pension/ B&CE and at January 2015 approximately 11,000 employees were making and receiving contributions into their personal pension funds.

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

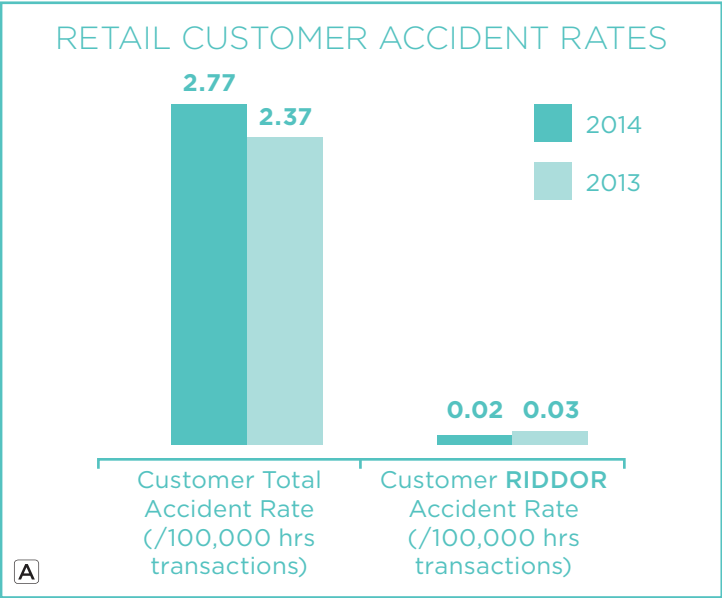
Accident reporting requirements: We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) per 100,000 hours worked for employee accidents, and per 100,000 transactions for customer accidents. Currently the transaction data does not include customer parcel collections where the customer collects from a retail store. We are planning to include this data in future years due to the significant growth in the number of customers who prefer to collect their Directory order in store as we have recognised this activity does have an impact on customer footfall in store.

Retail stores - employees: during the last year we have seen a 10% increase in the total accident rate / 100,000 hours worked for employees, however the RIDDOR accident rate has decreased by 5% per 100,000 hours, this is less than 2 RIDDOR accidents for every million hours worked. We shall monitor progress to ensure our previous downwards trend is not reversed in the long term.



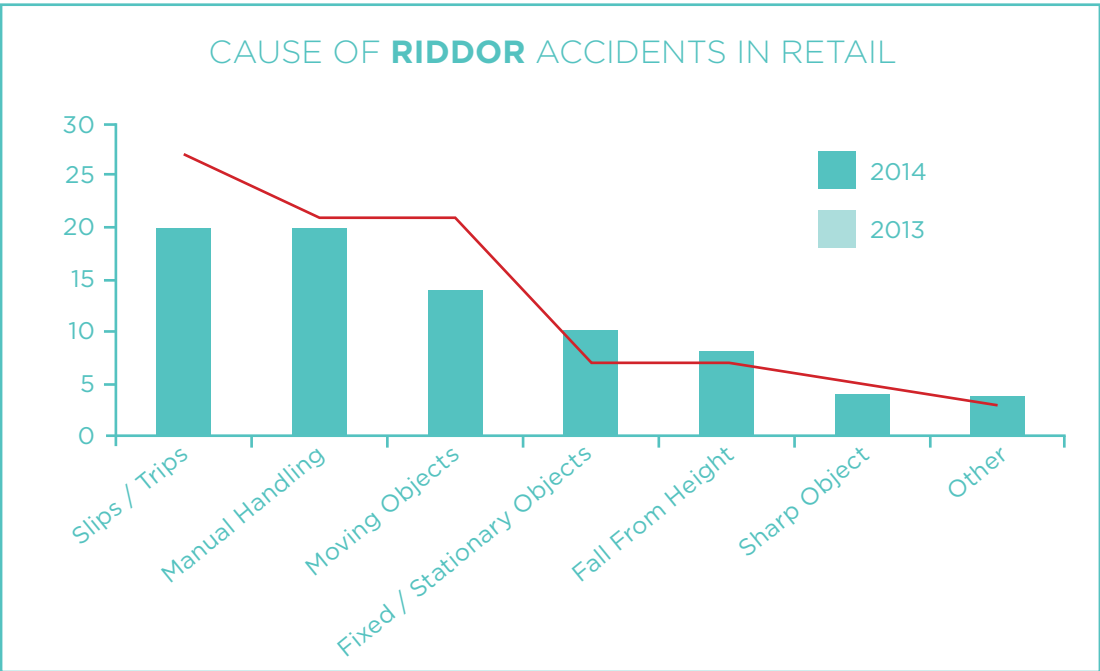
OUR PEOPLE...cont

Retail stores - customers: The total accident rate for customers has increased by 17%, however the RIDDOR accident rate decreased by 33% from 0.03 to 0.02 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.

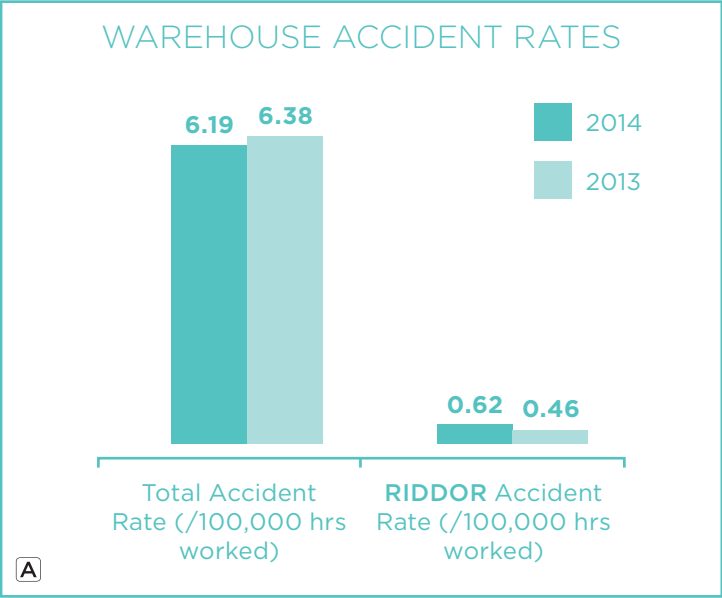
Retail stores - employees and customers: Last year we focused on reducing slips and trips in our stores. We have successfully reduced the proportion of slips and trips from 30% to 24% of all reported accidents, and the number of slips and trips reportable under RIDDOR from 27 to 20 over the last 12 months. A breakdown of main accident causes for both employees and customers shows the key areas are people slipping or tripping, closely followed by objects moving or falling onto people. Both slips and trips and manual handling will remain a key focus for the business, with numerous campaigns centred on housekeeping and stockroom standards.



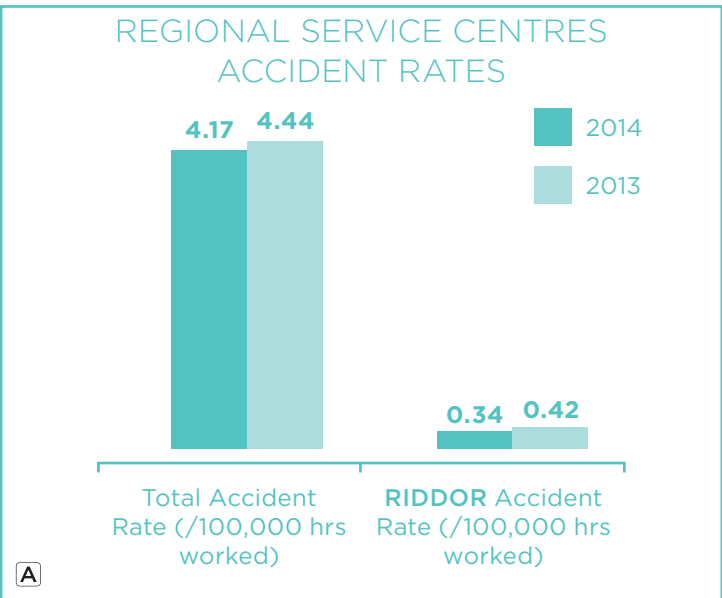
OUR PEOPLE...cont

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: In our warehouses we have recorded a 3% decrease in the total accident rate/ 100,000 hours worked by employees, however we have seen an increase of 35% in the RIDDOR accident rate from 0.46 to 0.62 accidents per 100,000 hours worked. Whilst the increase is disappointing, the rate is still below the rate we published two years ago, and we shall be closely monitoring progress to ensure the downwards trend is not reversed in the long term.



Regional service centres: The slight rise in all accidents we recorded last year has been reversed this year into a 6% decrease in the total accident rate/ 100,000 hours worked. The RIDDOR accident rate has also decreased by 19% with the actual number of accidents reportable under RIDDOR remaining very low in this part of the business, falling from 9 to 8. We are encouraged by the reduction in the total accident rate especially as there has been an increase in the number of hours worked year on year.



OUR PEOPLE...cont

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 one reportable across both operations during the year.

Legal activity: during 2014 we have not been subject to any legal activity relating to Fire, Health, Safety and Environmental issues. We have received three fixed penalty notices for failure to manage waste effectively, of which two were revoked following discussions with the relevant authorities.

Progress

Health and Safety

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. At the beginning of 2015 we relaunched our Company Safety Policy to refresh and invigorate it with all our employees. The policy clearly shows we operate on the principle that good management of health and safety is fundamental in creating a safe and healthy environment, and contributes to improving our business performance. We expect our Managers to manage all aspects of our business; for example cost control, productivity, customer service and product in a safe manner, and employ practical measures to ensure our business activities and products do not harm or pose unacceptable risks to our customers, employees, contractors, sites or equipment.

Our Safety Policy Statement incorporates the Health and Safety Executive's 'sensible risk management principles' and we clearly state that we expect our business to be managed in accordance with them. The principles are summarised below:

- People who come into contact with Next will be properly protected against hazards
- There must be a balance between the benefits and risks with a focus on reducing real risks – both those which arise more often and those with potentially serious consequences
- Solutions to support creativity, innovation and new ways of working will be developed in a way that ensures acceptable safety standards are maintained
- Those who create risks must manage them responsibly
- Individuals must understand that as well as the right to protection, they also have to take personal responsibility for their own safety
- In any environment there will be some risks that cannot be completely removed and which rely on the good sense and compliance of employees to ensure their continued safety
- Records and paperwork will only be created where necessary



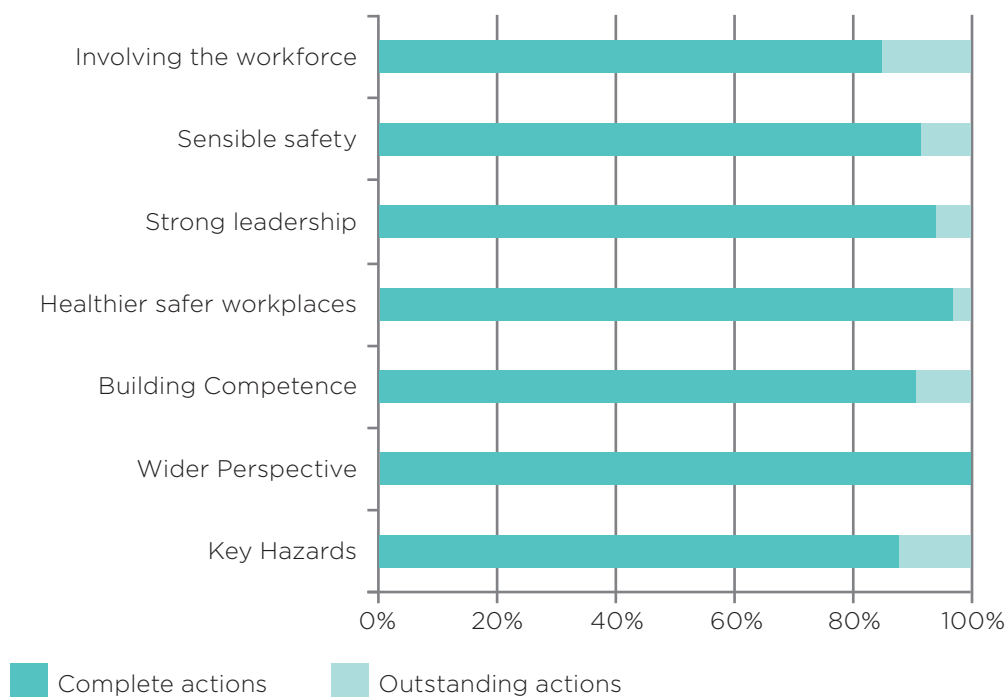
OUR PEOPLE...cont

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.

At the end of January 2015 we came to the end of the period relating to our Safety Objectives 2012-2014 (see table below which shows the percentage of completed focus areas for each key objective within the agreed safety programme).

By this date we had completed 92% of our intended actions. These aimed 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



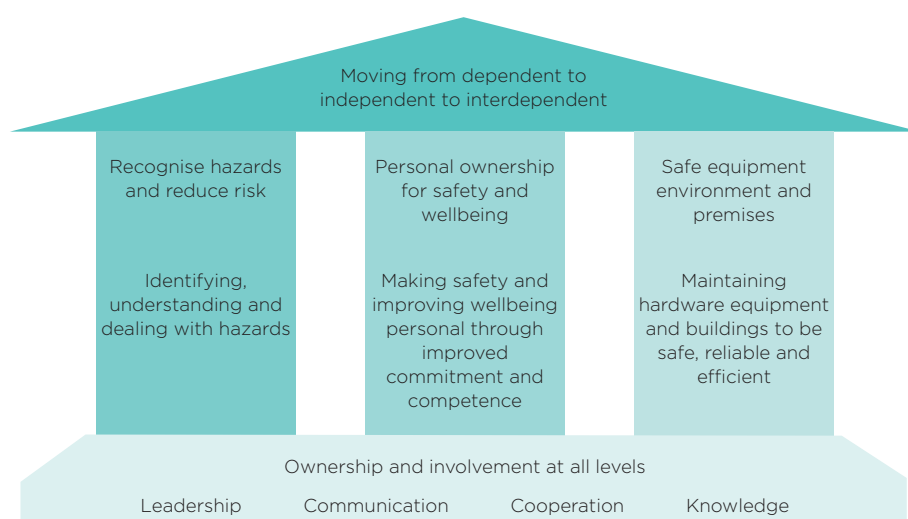
OUR PEOPLE...cont

Our Safety Building Blocks 2015-2017

We have now started a new set of corporate safety objectives which were launched across the business at the beginning of 2015. These now form the basis of our safety objectives for the period 2015-2017.

The overall objective is to move employees from the dependent to interdependent stage of the safety culture curve. By progressing through these stages we aim to improve the safety and wellbeing of all our employees. This will require simple building blocks to be in place. These are the things we need to get right to be successful. Any action we take to improve safety will address one or more of the following building blocks.

1. Improving involvement in safety at all levels by developing safety leadership, improving safety communication, enabling better safety cooperation and improving safety knowledge
2. Improve the way we recognise hazards and reduce risk
3. Help people to take personal ownership for safety
4. Help people to provide safe equipment, environment and premises
5. Create a progression from a dependent to independent to interdependent safety culture



Our safety priorities, opportunities and challenges for the three years are as follows:

1. Encourage and drive safe behaviour by all employees and managers
2. Help sites to target safety action at those areas of greatest need
3. Ensure the best local safety knowledge and competence is available to senior managers
4. Achieving exceptional levels of safety compliance where it's needed most
5. Give all employees access to information and services that will help them make healthy and safe decisions

"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

OUR PEOPLE...cont

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 serious road traffic accidents, a full review was carried out into driver fatigue, its causes and prevention. 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
- As part of this review, in last year's report we advised we were trialling a 'lane, speed and pedestrian assist' safety monitoring system, which acts as an early warning indicator for drivers and helps the NEXT vehicle maintain a safe distance from the vehicle in front by scanning the road ahead. During 2014 we started to roll out this system across our fleet, the roll out will be completed during 2015
- We have introduced a warehousing and regional service centre risk register which is reviewed every three months by senior managers to ensure the controls in place remain suitable and relevant
- Engineering audits carried out during the year have allowed us to make improvements to our planned preventative maintenance and the way we manage our authority to work system
- We have successfully run Wellbeing Awareness days across our warehouses and have provided information to over 800 people to help them improve their own health and wellbeing

Retail

- Improved processes have been developed to help the safe handover of our stores from our contractors to our store management teams at the end of store development activities
- We have developed and rolled out new safety performance reports for our Regional and Area Managers to help them manage safety at a local level
- In response to our key cause of accidents (slips and trips) we improved our staff induction and training material to support our "clean as you go" campaign. Additionally we removed the need for small red security tags from the business which had historically been a key cause of slips
- We have carried out network wide audits of compliance with our delivery yard standards and in particular the use of high visibility clothing in this area. This has allowed us to improve compliance across the network
- Due to the expansion of our apprentice schemes we have improved our child safeguarding processes to safeguard the welfare of young people under the age of 18 and vulnerable adults who work for or come into contact with our business

Company Wide

- A review was undertaken, against the latest HSE guidance for electrical testing in the workplace, of our electrical test facilities for customer returned electrical items in conjunction with the process being moved to new warehouse location. This allowed us to improve emergency cut off procedures in relation to this activity
- During Winter 2014 we again ran a programme of seasonal influenza vaccinations for our Head Office, Warehousing and Directory sites where around 2590 employees took advantage of receiving a free flu vaccination; a slight reduction on the previous year
- We have improved the way our maintenance help desk provides key maintenance services to our stores. This has allowed the procedures for our authority to work and hot work permit as well as our asbestos register procedures to be consolidated
- Detailed audits of NML facilities in Sri Lanka were carried out during the year. These allowed us to significantly improve fire safety at the factory in a number of areas

OUR PEOPLE...cont

Health, Welfare and Wellbeing

During the year NEXT spent just under £1.3 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 counselling support
- Dedicated employee assistance programme in NEXT Distribution

At our Head Office site we have further developed our Employee Wellbeing days which now run three times per year and involve the local primary care trust and other providers. In addition we have created a Wellbeing 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
- Blood donation
- Employee health checks for weight, blood pressure, moles and skin concerns
- Smart health for nutrition advice
- Exercise classes, running and walking clubs
- Working with our in-house restaurants to develop healthier food choices

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, providing time convenient access to this service.

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...cont

NEXT Distribution (NDL)

NDL's mission is to deliver the right product, at the right time, every time, at the optimal cost through a motivated and skilled workforce

In 2014, NEXT Distribution (NDL), which covers employees in our warehouses and regional service centres, launched NEXT Distribution Values. A value is a belief we feel is important and helps us to define what is desirable and undesirable for NEXT. The values underpin all elements of the people strategy including recruitment, training, performance management, succession planning and reward & recognition.



As well as aligning the performance review procedure where each employee's review considers how they are aligning themselves to the values and includes agreeing action plans to develop across all areas, we have launched a monthly recognition scheme at each site called the Make a Difference Award. The award is designed to recognise any individuals who have made a fantastic contribution to their site and gone beyond what is expected of them in their role. An overall winner is chosen from the monthly site winners with all winners receiving a gift voucher.

Management Development Programme: 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: 10 employees have completed the programme during 2014. 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. During the year we have supported 500 employees to complete courses in Maths, English, ICT, Skill Swaps and Creative Writing and there continues to be real impetus to help encourage learners to engage in the various learning programmes available. In 2015 we will be opening additional centres within our regional service centres around the UK and will be recruiting a ULR for each site.

Engineering Academy: The Academy was launched in 2013 with four apprentices, and we currently have two more apprentices working within the engineering team within NDL who joined NEXT in 2014. We are now working with AMRC (Advanced Manufacturing Research Centre) which is based at the University of Sheffield and who are a specialist provider of Engineering Apprenticeships. With NEXT they 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 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 two apprentices in 2015. The first intake of apprentices who started with us in 2013 will graduate in 2016.

OUR PEOPLE...cont

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 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.

Supporting the Community

- Working with a local charity called SESKU Academy, 12 young people, aged over 18, from the SESKU (South Elmsall, South Kirkby and Upton) area, who are isolated and excluded from activities due to the predominantly rural nature of the communities, spent between 4-6 weeks with NEXT. We were able to provide them with an introduction to the working environment and also helped to support their personal development and strengthen their social attributes. Several candidates have successfully gained a permanent role with NEXT. We are planning a further intake during 2015
- Project Search – working with Doncaster Council during September 2014 we offered eight young adults with learning difficulties a yearlong work experience programme within our warehouses with an intention to offer a permanent role within NEXT at the end of the placement. We believe we are the first logistics company in the UK to offer such placements, and plan to take a second intake of young people in September 2015
- Coalfields Regeneration Trust – we have started to develop a relationship with the Trust, who are supported by the Prince's Trust and whose aim is to support ex-mining communities back into work, and are hopeful to be able to have an intake in the future
- Local schools and colleges – we are working closely with a number of schools and colleges offering a range of support from placements to assisting students to develop their understanding and skills in writing their CV, presentation skills, interview preparation and undertaking mock interviews to support their transition from school to the workplace. We have attended a number of college careers fairs to help promote opportunities at NEXT

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 2014 we carried out the third 'Your Opinion Counts' Employee Engagement Survey within NEXT Distribution. Over 3,900 employees across our 8 warehouses and 6 distribution centres completed the survey. The survey contained 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 5% to 79% from last year with the highest scoring questions being around Health and Safety. In addition, there was a focus around the onsite facilities provided and how they could be improved. Following the survey nominated champions have taken part in employee survey meetings to discuss, address and rectify the issues identified with onsite facilities.

OUR PEOPLE...cont

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 or five 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 2015 there were around 11,100 employees participating in our Sharesave scheme.

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 £29,000 to charities of their choice.

Workplace Nursery

Our architect designed and purpose built, state of the art Head Office Child Care Nursery called 'NEXT Steps' continues to grow from strength to strength. 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.

The nursery was registered by Ofsted in October 2013, and has now achieved an Ofsted 'Outstanding' rating as a result of its first inspection. It has an overall capacity of 200 children, and now has 168 children registered to attend. 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.

Sustainability is a key feature of the design and 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.



OUR PEOPLE...cont

Attracting Employees

During 2014 there has been great attraction from students applying for trainee roles in our Fashion and Home areas. This has been from our now established relationships with key universities within the UK. We remain an Employer of Choice for Fashion students with the addition of being included in the likes of the Guardian Top 300 campaign for graduate employment.

Encouraging top talent to want to come to NEXT for our Buying and Merchandising schemes has led to us 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. This has seen two more key universities being invited to Head Office. Following this success, we have partnered with a 2nd year Fashion and Marketing course to use NEXT as a live project with the winners being offered short-term work placements.

In Buying, we have run our successful final year competition again which has produced a number of talented candidates for our Buying trainee scheme. We will continue to push these avenues into 2015. Our links with Merchandise focused university courses through company presentations has now developed into offering 12 month internship placements at Head Office. In the autumn we were also present at over 15 Careers fairs promoting our career opportunities to a great variety of 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 had a number of work experience placements, across Buying and are now working with the FRA to support a new Buying & Merchandising summer school aimed at University leavers. We've been involved in assessing the curriculum and providing work experience as part of the programme.

Apprenticeships at NEXT

In 2011, we launched an externally managed Intermediate Apprenticeship programme in our retail stores as we wanted to support the creation of new jobs for young people and offer them training in a retail environment to help build a more skilled workforce in the longer term. In addition, we now offer apprentice programmes within our UK Directory contact centres and within engineering at NDL.

The programme is now managed internally and our aim is to recruit for attitude and train for skill, then engage, motivate and support apprentices to achieve their qualification and progress to rewarding careers. We currently employ up to 750 apprentices nationwide per year, 97% are new to NEXT and 60% are school leavers under the age of 18. Upon successful completion the apprentice gains an Intermediate Apprenticeship which is equivalent to 5 GCSEs or Scottish Standard Grades A-C.





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.

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 air, rail and road travel
- 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 55 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 - Indirect 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. This information is used internally to identify whether business efficiencies can be made. We are also starting to understand the emissions associated with our International Directory operation and aim to report on this in future reports.

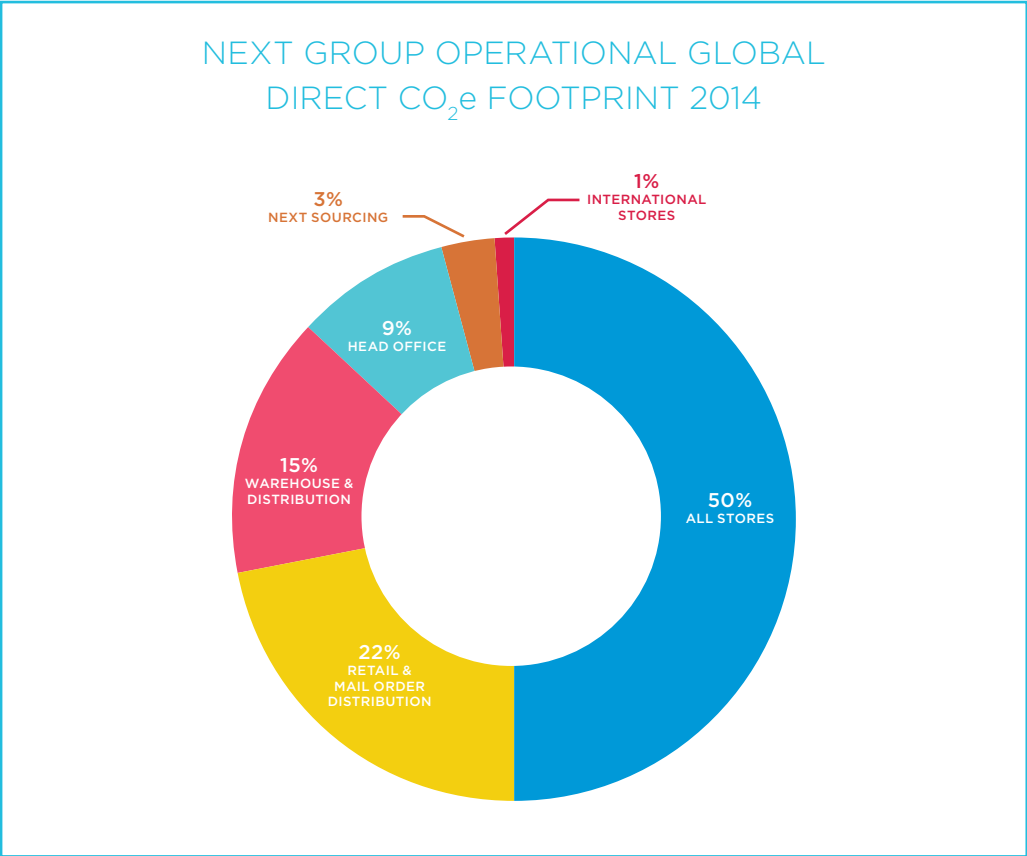
Our global direct carbon footprint is measured in carbon dioxide equivalent or CO₂e. Different greenhouse gases have different effects on the climate, and CO₂e is a way of standardising the global warming effect of these emissions. Emissions have been calculated using revised conversion factors published by the Department for Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA) in June 2014.

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 – 196,928 Tonnes CO₂e

Our global direct carbon footprint, where we have operational control, is 196,928 tonnes of CO₂e which is a 5% increase on the previous year. Our total floor space has increased by 3% and we have consumed 3% less energy overall, however our emissions per m² have increased due to the overall growth of the business including emissions associated with our increased warehousing operation. We are continuing to investigate and implement further opportunities to reduce our emissions going forward.



NEXT Group Operational CO₂e emissions	2014 Tonnes	2013 Tonnes	% Change
Scope 1	48,747	47,764	2%
Scope 2	129,491	117,950	10%
Total gross controlled emissions	178,238	165,714	8%
Scope 3	18,690	20,159	-7%
Total gross emissions	196,928	185,873	6%

Scope 1 - Direct emissions from NEXT Group operations	2014 Tonnes	2013 Tonnes	% Change
Gas heating (stores, offices, warehouses) A	6,638	8,088	-18%
NEXT owned distribution vehicles* A	36,078	34,024	6%
NEXT owned cars A	2,203	2,251	-2%
Buildings (diesel oil, refrigerant gases) A	3,164	2,981	6%
Data in scope of external assurance A	48,083	47,344	2%
Data not in scope of external assurance A	664	420	58%
Total: Scope 1	48,747	47,764	2%

Scope 2 - In-direct emissions from NEXT Group energy consumption	2014 Tonnes	2013 Tonnes	% Change
Electricity (stores, offices, warehouses) A	124,145	112,961	10%
Data in scope of external assurance A	124,145	112,961	10%
Data not in scope of external assurance	5,346	4,989	7%
Total: Scope 2	129,491	117,950	10%

Scope 3 - Other in-direct emissions from NEXT Group energy consumption	2014 Tonnes	2013 Tonnes	% Change
Waste (stores, offices, warehouses) A	1,065	793	34%
Business travel** A	6,522	5,968	9%
Third party distribution vehicles* A	8,244	10,265	-20%
Data in scope of external assurance A	15,831	17,026	-7%
Business travel	2,741	2,882	-5%
Other	118	250	-53%
Data not in scope of external assurance	2,859	3,133	-9%
Total: Scope 3	18,690	20,159	-7%

*2013 Scope 1 and Scope 3 has been restated as a result of data reclassification relating to transport from Scope 3 to Scope 1

**The carbon emissions associated with 2013 air travel have been restated in light of the significant changes in 2014 DEFRA flight emission factors in order to make business travel data more comparable

ENVIRONMENT...cont

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 the end of our 2015 financial year and relate to our main priority areas:

Priority Area	Target to Achieve by 2015	Progress 2014	% Change
Electricity Consumption	35% reduction in kg CO ₂ e/m ²	30% reduction achieved	On Track
Retail Distribution Vehicles	10% reduction in litres of fuel used/m ²	Target achieved in 2012 with 16% reduction	Achieved
Waste	To send less than 5% of operational waste to landfill (excluding Head Office waste)	91% diversion achieved	On Track

Progress

Energy

- **Target:** Electricity consumption - 35% reduction in kg CO₂e/m²
- **Progress:** 3% reduction compared to last year, and 30% reduction achieved to date

CO ₂ e emissions relating to assured data in UK and Ireland stores, Warehouses and offices	2014	2013	% Change
Electricity usage kWh	251,229,308	253,571,658	-1%
Gas usage kWh	35,887,959	43,913,038	-18%
Total kWh ^(A)	287,117,267	297,484,696	-3%
Total floor space m ²	1,291,167	1,259,039	3%
Tonnes CO ₂ e	130,783	121,043	8%
Tonnes CO₂e per 1000m²	101	96	5%

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 539 stores and store stockrooms, we have a total of 470 with half-hourly modem meters and 116 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.

ENVIRONMENT...cont

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 2014 we have continued to install improved lighting schemes to replace 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 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.

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 undertook a review of how gas is used in our stores with a plan to remove the gas supply where possible; to date we have achieved this in 5 stores and will continue to identify other opportunities.

Waste

- **Target:** To send less than 5% of operational waste to landfill
- **Progress:** 91% of operational waste diverted from landfill (excluding Head Office waste)

Waste and Recycling - Stores and Warehouses	2014 Tonnes	2013 Tonnes	% Change
General waste sent to landfill	2,374	1,584	50%
Materials diverted for recycling	24,131	21,774	11%
Materials diverted for energy recovery	1,245	997	25%
Total ^(A)	27,750	24,355	14%
Tonnes CO ₂ e	1,006	794	27%
% Diverted from landfill	91	93	-2%

ENVIRONMENT...cont

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 2014, we have seen a 2% reduction in the amount of waste we were able to recycle. Whilst this is a disappointing result, it was caused by an event out of our control at the materials recycling facility (MRF) we work with. For the 4th quarter of 2014, the materials which would normally be diverted for energy recovery had to be sent to landfill due to a fire within the MRF. If this event had not occurred, our diversion from landfill figure would have been 94%. We hope to be able to recover our position to achieve our target.

We have an ongoing programme of reduction, reuse and recycling which we manage 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.

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 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 a bi-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 539 retail stores in the UK and Ireland, however 199 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.

Coat hanger Recycling

We have reused and recycled the coat hangers our product is displayed on in our retail stores for a number of years in collaboration with our hanger supplier. Each store will re-use hangers to display products which are delivered flat packed. However if they have excess or broken hangers, they are returned to the hanger supplier via our Recycling Centre to be both reclaimed and reintroduced into the supply chain; or if unusable they will be granulated with the plastic and metal being reused to manufacture new hangers with no materials from the recycling programme going to landfill. In 2014 through this process 112 tonnes of hangers were re-used within the supply chain and 224 tonnes were granulated to be remade into new hangers.

	Units	Tonnes	%
Hangers collected from store via Recycling Centre	11,227,259	336	
Excess Hangers reused within supply chain	3,750,658	112	33%
Hangers Recycled - Granulated	7,476,601	224	67%

ENVIRONMENT...cont

Head Office Waste

During 2014 we have worked with our main waste provider and PwC to assure the data relating to the waste generated at our Head Office. We were able to map the journey of waste from Head Office through to the MRF where we were able to confirm its final destination was SRF (Solid Refuse Fuel) used for energy recovery.

Waste and Recycling - Head Office	2014 Tonnes	2013 Tonnes	% Change
General waste sent to landfill	227	669	-66%
Materials diverted for recycling	652	325	101%
Materials diverted for energy recovery	91	0	100%
Total ^(A)	970	994	-2%
Tonnes CO ₂ e	61	104	-56%
% Diverted from landfill	77%	33%	57%

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.

Distribution

- **Target:** Retail Distribution – 10% reduction in litres of fuel used/m²
- **Progress:** Target achieved in 2012 with 16% reduction

The transport and distribution of products to our retail stores and Directory customers accounts for 22% of our CO₂e 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 provider's own distribution facility. This resulted in an increase in emissions for NEXT owned fleet vehicles. During 2014, we also reclassified data relating to a third party delivery partner who solely delivers Next products from Scope 3 to Scope 1, this change is reflected in our carbon footprint table on page 42. These changes to the way we report our fleet emissions will be used to help confirm the new baseline we will use for our future Distribution reduction target.

We have now been operating the vehicles we took ownership of during 2012 for two years and have been able to review how they 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 coupled with improved vehicle loading has resulted in the business being able to reduce our fleet by 36 vehicles.

During 2014, 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. Over 40% 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 CO₂e emissions. Our double-deck trailers have an aerodynamic front bulkhead, which has been specifically designed to 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.

ENVIRONMENT...cont

Since 2011, 100% of our delivery fleet designed to pull single, double deck or tandem trailers, 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, we currently have 6 of these vehicles within the fleet.

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.

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.

We also recognise water plays a critical role in the textile industry, and during 2014 we have concentrated on understanding and measuring the embedded water impacts relating to the products we purchase through our work with SCAP – see page 23 for more information on this.



COMMUNITY

Context

Our Approach

With 539 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 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 2014 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

	2014 £	2013 £
NEXT Plc has offered financial support to:		
Registered Charities	1,003,484	944,986
Individual requests, local and national groups and organisations	182,713	114,829
Commercial support and sponsorship	74,599	119,839
This support has been complimented with the following fundraising activities to generate additional funds for registered charities, individuals, groups or organisations:		
NEXT Charity events	279,233	34,323
Gift in kind - donations of products	1,441,658	1,613,233
Charity link sales	352,878	363,007
Total Support ^(A)	3,334,565	3,190,217
Employee fundraising	53,820	36,904
Total Support (including Employee fundraising)	3,388,385	3,227,121

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 2014, we hosted the NEXT Charity Ball with the proceeds of £279,233 going to The Duke of Edinburgh's Award (DofE) which is the world's leading youth achievement award, giving millions of 14-24 year-olds in communities across the UK the support to develop their confidence and skills for life and work.

The support from NEXT has helped 239,000 young people across the UK to be able to commence their DofE. For every £1 donated DofE are able to return £7 in time volunteered by young people in their communities, so our donation translates into young people returning £1,960,000 back to their communities whilst increasing their work-ready skills and potential employability. In particular it has helped over 11,000 young people participate in their Gold Award - giving them a great opportunity to succeed in life and work by helping develop attitudes and attributes employers look for such as team working, resilience, communication, drive and determination.

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 - NEXT has worked in partnership with Doncaster Refurnish for over six years to support their valuable work within the community. We continue to offer them unsellable, damaged furniture and home accessories that they are able reuse, repair or remanufacture to create new products, and from these create value to support their aims.

They are a Social Enterprise charity located close to our warehouses, and their aims are to help the community of Doncaster by turning waste into jobs, employability and educational opportunities through working to:

- Alleviate poverty through the collection of re-usable donated furniture, diverting it from landfill, renovating it where needed and making it available to socially and economically disadvantaged people at affordable prices to help them set up home
- Create sustainable employment and training opportunities for people who have been long term unemployed or have learning difficulties or disabilities

COMMUNITY...cont

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 reuse 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. 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.

Carl's story

“I’ve been at Refurnish for eighteen months now and worked my way up from being a cleaner to running my own unit, controlling the sofa section, where I’m using skills that I learned when I did an upholstery course after leaving school. I’ve worked hard at Refurnish and they have given me a lot of support, including contributing towards my HGV class 1 and 2. It’s a good working environment. Staff and colleagues are polite and respectful and have helped me to regain my self-confidence. I’ve been able to gain skills which will help me find employment in the future.”



Carl had been unemployed for 19 years

COMMUNITY...cont

During 2014, Doncaster Refurnish, by working in partnership with NEXT, has been able to create £456,600 to help fund its charitable work and in addition have created:

- 82 training work placements provided for the long term unemployed
- 11 special educational placements for people with learning difficulties
- 14 students under 16 years old supported through educational activities
- 14 local schools and community groups supported with access to products for educational programmes
- 460 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 457 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

Oxfam – we started to work with Oxfam in 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 2014 we have been able to divert 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 an Oxfam-run social enterprise which provides employment for mainly 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 and maximises the benefit for poor people in the second hand clothing value chain with over 500 small traders buying stock from Frip Ethique to run their own businesses. The profits are invested in Oxfam's work fighting poverty in Senegal.

Carrier Bags

NEXT continues to support and encourage our customers to reduce the 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.

In line with regulatory charging requirements for single-use carrier bags in Wales and Scotland the monies raised are distributed in country and shared between environmental and health charities focusing on care and support for life-limited children, young people and their families – read more on www.next.co.uk. In Northern Ireland the monies are paid to the Government who use the proceeds to fund environmental projects.

In both Wales and Scotland we support WWF and their Celtic Seas Partnership which is working to protect the marine wildlife around the Welsh and Scottish coastline which is home to a spectacular array of wildlife and marine habitat.

The aim is to achieve 'Good Environmental Status' from the EU by 2020 which focuses on five initiatives:

- Biodiversity
- Underwater noise
- Non-indigenous species
- Food webs
- Marine litter

Since October 2011, NEXT has been able to donate over £150,000 to WWF's marine programme.

COMMUNITY...cont

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 2014 Oxfam has raised £2,400 from our employees' donations at Head Office, raising over £23,000 since it was launched. An employee payroll giving scheme is available to all employees and during the year employees donated over £29,000 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
- Waste and recycling
- Global carbon footprint (tonnes CO₂e)
- Accident rates
- Community investment

All data, unless otherwise stated, are prepared for two years to January 2015

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.

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

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

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
- 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 data

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 2015

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 now audited by the NEXT COP team, however the results of the audit are not included within this report

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

2. Environment

Carbon Emissions/Greenhouse Gas Emissions

Purpose: We measure our greenhouse gas (GHG) carbon dioxide equivalent (CO₂e) 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 CO₂e 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 (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Carbon dioxide equivalent (CO₂e) 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 2014 conversion factors published by DEFRA/DECC.

The boundary for NEXT Group Operational Direct CO₂e 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; NEXT owned stores operating internationally 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

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

- **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

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

2.1 Energy

Definition: Natural gas consumed for heating (Scope 1) and grid electricity (Scope 2) from NEXT's global operations

Unit: kilowatt per hour consumed/tonnes CO₂e

Scope: Data is collected from:

- NEXT: 539 retail stores; 7 staff shops; 8 receipting warehouses; 6 distribution centres; Head Office; call centre; Head Office Nursery, press office and photo shoot warehouse
- Lipsy: 8 stand alone stores

Method: All data is taken from electronic gas/electricity bills (showing either actual or estimated consumption) on a monthly basis for NEXT owned stores or on a quarterly basis for stores in landlord managed shopping centres. Consumption data based on estimates are updated retrospectively on receiving actual data from energy suppliers

2.2 Waste (Stores, Warehousing and Head Office)

Definition: 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

Unit: Volume in tonnes of material produced/ tonnes CO₂e

Scope: In total we have 539 stores in the UK and Ireland. The waste data we report relates to 324 stores where our third party waste provider arranges the waste collections; a further 16 stores have similar waste collections but from other providers, we attribute the NEXT Waste Scorecard methodology to these stores. The remaining 199 stores are situated in managed shopping centres where waste is collected and managed by the centre, consequently waste data is not available for inclusion in our report.

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 bi-annually following an internal audit/ measuring process.

For a number of our warehouses and our Head Office we have traced our 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 our final recycled rate used their quarterly figures reported to the Environment Agency (EA) to determine our 'diversion from landfill' rate. The waste from our warehouses is converted into SRF (Solid Recovered Fuel) which is used for heat recovery.

The majority of our Head Office waste is either recycled or converted into RDF (Refuse Derived Fuel). 2013 Head Office waste data has not been assured by PwC.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

NEXT owned vehicles:

- 6 Euro VI tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 152 Euro V tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 351 trailer units (either single, tandem, double deck or tri axle)
- 19 box rigid lorries
- 35 box vans with tail lifts
- 21 other vehicles (minibuses, caged tipper vehicle, land rovers)
- 153 transit vans

Method: 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

2.4 Third party vehicles

Definition: Fuel consumed from use of third party distribution vehicles in the UK and Ireland, for the delivery of Retail and Directory products

Unit: Litres consumed/tonnes CO₂e

Method: For Retail deliveries to Northern Ireland and 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.

For Directory deliveries 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.

2.5 NEXT owned cars:

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

Unit: Litres of fuel consumed/tonnes CO₂e

Scope: 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. Currently excluded from this indicator is all company owned car data for Lipsy and NEXT Sourcing.

Method: 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. 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.

2.6 Business Travel – air, rail, employee owned vehicles:

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

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

- Rail - number of single and/or return journeys taken
- 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. We report travel collated and reported to NEXT by a third party provider who manage all business expenses associated with our creative team's travel

The carbon emissions associated with 2013 air travel have been restated in light of the significant changes in 2014 DEFRA flight emission factors in order to make business travel data more comparable.

2.7 Buildings - diesel oil and refrigerant gases:

Definition: Diesel oil predominantly used in backup generators to provide emergency power generation or for heating. Refrigerant gases are used to replace gas lost from air conditioning units

Unit: Litres diesel oil fuel consumed/tonnes CO₂e and kg refrigerant gas types replaced/tonnes CO₂e

Scope: NEXT: data is collected from 539 stores; 7 staff shops; 8 receipting warehouses; 6 regional service centres; Head Office; call centre; Head Office nursery; press office and photo shoot warehouse.
Lipsy: 8 stand alone stores

Method: For diesel oil - monthly usage data is provided from third party contractors, who manage and service all backup generators

For refrigerant gases - 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: 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

Scope: United Kingdom and Ireland for our retail stores (NEXT and Lipsy), warehouses, Head Office and Directory for permanent and temporary 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

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

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. The majority of incidents relating to road travel accidents, from our owned fleet, are not reportable under RIDDOR

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 have 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

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 and Regional Service Centres, hours worked have been extracted from our internal HR system (SNOWDROP). For Regional Service Centres, hours worked relates to both core and agency staff for operatives, van drivers, core drivers and management; for agency staff hours are collected from internal time and bonus sheets

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...cont

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

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. Amounts raised include personal cash donations collected during the event

(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 Board of 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 for the year ended 24 January 2015 (the “CR Report”).

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 ended 24 January 2015 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 report¹.

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 is summarised in Appendix 1.

We assessed the Selected Information using Next’s “Reporting Principles, Criteria and Methodologies” document (the “Reporting Criteria”) as set out on pages 53 to 60 of the CR Report.

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 ended 24 January 2015.



INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT GROUP PLC...cont

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 two 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;
- considered 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.

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 Board of 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 ended 24 January 2015, 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 Board of Directors and Next for our work or this report except where terms are expressly agreed between us in writing.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants, London
17th September 2015

¹The 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.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT GROUP PLC...cont

Appendix 1:

The selected information has been summarised below:

Area of responsibility	Performance data	Page reference
Our Suppliers	<ul style="list-style-type: none"> • Number of factory sites audited; and • Number of audits carried out. 	14 14
Our People	Total and RIDDOR accident rates: <ul style="list-style-type: none"> • Retail employees per 100,000 hours worked; • Retail customers per 100,000 transactions; • Regional Service Centres per 100,000 hours worked; and • Warehousing per 100,000 hours worked. 	27 28 29 29
Environment	<p>Waste & recycling (head office, stores and warehouses)</p> <p>Scope 1: Direct CO₂e emissions from Next Group operations</p> <ul style="list-style-type: none"> • Gas heating (stores, offices and warehouses); • Next owned distribution vehicles; • Next owned cars; and • Buildings (diesel oil, refrigerant gases). <p>Scope 2: In-direct CO₂e emissions from Next Group energy consumption</p> <ul style="list-style-type: none"> • Electricity consumption (stores, offices and warehouses) <p>Scope 3: Other in-direct CO₂e emissions from Next Group operations</p> <ul style="list-style-type: none"> • Waste (stores, offices and warehouses); • Business travel (air, rail and car travel); and • Third party distribution vehicles (Directory deliveries). 	44 42 42 42 42 42 42 42 42
Community	<ul style="list-style-type: none"> • Financial support (excluding employee fundraising) 	49

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CORPORATE RESPONSIBILITY REPORT
TO JANUARY 2015