

next

CORPORATE RESPONSIBILITY REPORT TO JANUARY 2017



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
Welcome							

ABOUT THIS REPORT

CONTENTS

About This Report

Page 01

Welcome

Page 02

External Environment

Page 03

At a Glance

Page 05

Materiality and Stakeholders

Page 06

Human Rights and Modern Slavery

Page 08

Our Suppliers

Page 11

Our Customers and Products

Page 14

Our People

Page 16

Environment

Page 19

Community

Page 23

Independent Limited Assurance from PwC

Page 25

ABOUT THIS REPORT

This report covers the continuing social, ethical and environmental related activities undertaken by NEXT (including all the NEXT group of companies) during the financial year to 28 January 2017. The main focus is on our business in the United Kingdom and Ireland which accounted for over 90% of our turnover in the year.

Where we state 2016, we are referring to our financial year to 28 January 2017 and where we state 2015 we refer to our financial year to 30 January 2016.

This report is published on our website at: www.nextplc.co.uk and is available to employees on our intranet.

'Supplier' refers to NEXT directly contracting with a body to provide finished products, materials or services.

'Tier 1' refers to a factory which is the main location for manufacturing finished products, materials or services.

'Tier 2' refers to factories where there is a separate location which manufactures or processes materials or parts of a product.

ABOUT NEXT

NEXT is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products.

NEXT Retail

- 538 stores in the UK and Ireland (2015: 540)
- 745,000 m² trading space (2015: 711,000 m²) (+4%)

NEXT Directory

- 4.7 million active customers (2015: 4.5 million)
- Dispatched product to 72 countries including United Kingdom

NEXT International

- 186 franchised stores in 33 countries
- 13 wholly owned NEXT stores in Europe

Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades from 38 stores in the UK; on-line and through wholesale and franchise channels

NEXT Distribution

- Owned distribution fleet
- 9 warehouses and 6 distribution centres

NEXT Sourcing (NS)

- Designs, sources and buys NEXT branded products

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
Welcome							

WELCOME TO OUR 2017 CORPORATE RESPONSIBILITY REPORT



For NEXT, our corporate responsibilities as a global business in the retail sector touch on some big issues which are significant to how we do business and to how we operate as an employer and supply chain manager.

We aim to ensure that the measures we employ to manage our operations are aligned to our business aims and we operate by:

- Acting in an ethical manner
- Recognising, respecting and protecting human rights
- Developing positive relationships with our suppliers
- Taking care of our employees
- Being responsible for our impact on the environment
- Delivering value to our customers
- Delivering support through charitable donations

Our approach to corporate responsibility is to address key business-related social, ethical and environmental impacts in a way that aims to bring value to all our stakeholders.

NEXT faces similar corporate responsibility challenges to other major retailers. Our focus is on continuous improvement and one of our strengths is our adaptability. We recognise corporate responsibility is an evolving subject area with new issues constantly emerging. As a business we seek to avoid infringing the human rights of others and work to address any adverse human rights impacts we identify.

Our approach is to implement the United Nations Guiding Principles on Business and Human Rights, and this year we have developed our Human Rights and Modern Slavery Policy and our first Modern Slavery Transparency Statement.

Labour rights and our product supply chain is an established area of focus for NEXT which is managed internally by the specialised NEXT Code of Practice team (COP). Having our own team is key to allowing NEXT to establish direct relationships and build trust with our suppliers, provides the business with accurate metrics of supplier performance and delivers a direct understanding of issues at source and the drivers of non-compliance.

Looking to the future, an area of increasing concern for us is natural resources and the growing challenges surrounding where and how we source our products and we aim for greater transparency on this matter. In addition, there are issues which remain on our agenda such as climate change, waste and resource use and we continue to work to limit the environmental impact of our business.

The report contains selected significant data which has been assured by PwC, and their independent limited assurance report can be found on pages 25 and 26.

We hope you find this report useful and interesting. We welcome your feedback on our Corporate Responsibility Report. See page 7 for details about how to contact us.

Amanda James
Group Finance Director
25 July 2017









About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
	External environment	At a glance	Materiality and stakeholders				

EXTERNAL ENVIRONMENT

SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) focus on addressing the world's biggest challenges. They are a set of global initiatives through to 2030 that aim to end poverty, promote equality and wellbeing and preserve the environment. NEXT has a role to play in reaching these goals and communicating our performance against them.

There are a total of 17 global goals and NEXT has chosen to focus our reporting against the SDGs that are most material to our business operations and the products we sell. These are the goals where we have the greatest opportunity to contribute and to build upon the work we have been doing for some years. These are:

SDGs Focus Areas	Impact on NEXT core operations	Impact on NEXT supply chain	What NEXT are doing
		✓	<ul style="list-style-type: none"> The NEXT COP team ensures that workers in our global supply chains are paid correctly by their employers
	✓	✓	<ul style="list-style-type: none"> NEXT implement the UN Guiding Principles on Business and Human Rights to ensure workers have safe working conditions NEXT support our employees in matters of health and wellbeing NEXT implement chemical management programmes with suppliers for the use of clean chemicals in the supply chain
	✓	✓	<ul style="list-style-type: none"> At NEXT, 68% of employees and 40% of our board directors are female. Within our supply chain gender equality is a fundamental human right. For example NEXT is supporting KADAV, an NGO based in Istanbul which works with predominantly Syrian women to provide them with access to child care, Turkish language lessons, vocational training and social support
		✓	<ul style="list-style-type: none"> NEXT ensure that workers in our global supply chains have access to clean water and sanitation NEXT implement chemical management programmes with suppliers for the use of clean chemicals in the supply chain to manage effluent to prevent contamination
	✓	✓	<ul style="list-style-type: none"> NEXT is a member of the Ethical Trading Initiative, Bangladesh Accord and ACT (Action, Collaboration and Transformation) an initiative of brands, retailers, manufacturers to work collaboratively to improve wages in Cambodia. NEXT continue to support the fight against modern slavery by implementing the UN Guiding Principles on Business and Human Rights
	✓	✓	<ul style="list-style-type: none"> NEXT use a large variety of raw materials and aims to ensure these materials are sourced and produced sustainably and responsibly NEXT works to help customers with difficult to recycle products such as mattresses and furniture
	✓	✓	<ul style="list-style-type: none"> NEXT is working to reduce our direct carbon emissions across the business and divert at least 95% of our waste from landfill by 2020 NEXT is committed to minimising our environmental impact by reducing the carbon intensity of our activities
	✓	✓	<ul style="list-style-type: none"> NEXT is committed to the protection of natural resources and aims to source responsibly, from timber to cotton and feathers

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
	External environment	At a glance	Materiality and stakeholders				

EXTERNAL ENVIRONMENT (CONTINUED)



ETHICAL TRADING AND HUMAN RIGHTS

NEXT is committed to respecting internationally recognised human rights, ensuring the people who provide the products and services we buy and use are treated fairly, and that their fundamental human rights are protected and respected. NEXT does not tolerate any form of modern slavery, human trafficking, forced or child labour in relation to any individual working for our suppliers, business partners or within our group of companies. These areas are where we can exert influence for positive change and monitor progress.

To find out more about our approach please see [Human Rights and Modern Slavery](#) and [Our Suppliers](#).

ENVIRONMENT AND RESOURCE USE

NEXT has a current and future responsibility to work to reduce the direct impact of its business operations on the natural environment. Our priority is to minimise our environmental impacts by reducing the carbon intensity of our activities and the natural resources we use. We use a large variety of raw materials and our aim is to ensure these materials are sourced and produced sustainably and responsibly as well as considering how we can encourage reuse of the material. The product supply chains we work with are complex and making improvements in supply chain traceability and transparency is a focus for NEXT and we are working closely with our suppliers in different parts of the supply chain to understand where raw materials come from and to identify where we can source more responsibly.

The way we understand our environmental impacts has developed over the years and today we report on our performance in three ways: climate change, waste and resource use.

To find out more about our approach please see [Customers and Product](#) and [Environment](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
	External environment	At a glance	Materiality and stakeholders				

AT A GLANCE

NEXT is committed to the principles of responsible business by addressing key business related social, ethical and environmental matters in a way that aims to bring value to all our stakeholders.

HUMAN RIGHTS AND MODERN SLAVERY



Our Priorities

- Any instance of forced labour is unacceptable. Respect for human rights is part of how NEXT operates as a responsible business

Our Focus Areas

- Identification of our salient human rights issues (i.e. the human rights at risk of the most severe negative impact through the Company's activities and business relationships)

Action

- Human Rights and Modern Slavery Policy published
- Modern Slavery Transparency Statement published

NEXT is listed in the FTSE4Good Index. The index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices.

OUR SUPPLIERS



Our Priorities

- It is a key priority for NEXT to ensure we trade ethically, source responsibly and work to assure the safety and human rights of the workers within our product global supply chain and service suppliers' global operations

Our Focus Areas

- Partnership and collaboration
- Communication
- Working in the community

Action

- 90% of all factories manufacturing for NEXT audited
- 94% of NEXT brand products from compliant factories
- 47 members in our global NEXT COP team

NEXT successfully achieved re-certification of the Carbon Trust Standard in 2015 for measuring, managing and reducing its carbon emissions. We will undertake re-certification in 2017.

OUR CUSTOMERS AND PRODUCTS



Our Priorities

- Our commitment is to offer beautiful, quality products that are well made, functional, and safe, sourced responsibly and provide outstanding value to meet or exceed our customers' expectations

Our Focus Areas

- Providing recycling options for difficult to recycle products
- Clean water - WWF project
- Restricting hazardous chemicals
- Product safety

Action

- 12,800 customer experience visits carried out
- 117 technologists work with our suppliers to ensure product is safe, fit for purpose and meets our technical specifications
- Assisted customers in donating over 900 pieces of furniture to the British Heart Foundation

OUR PEOPLE



Our Priorities

- Our employees are integral to achieving our business objectives, we believe more engaged employees are vital to achieving our aims and we recognise helping with their health and well being is a priority. We strive to create a workplace which treats everyone with dignity and respect

Our Focus Areas

- Health, safety and wellbeing
- Training and development
- Listening to our employees

Action

- 40% of board directors are female
- 18,925 employees participated in the Company pension schemes
- Around 11,900 employees held options or awards in respect of 5.6 million shares in NEXT plc

ENVIRONMENT



Our Priorities

- Reducing emissions is the right thing for a responsible business to do. We are working to create more sustainable ways of doing business whilst continuing to reduce our operational carbon footprint and helping to deliver better resource efficiency

Our Focus Areas

- Energy efficiency
- Distribution efficiency
- Water use
- Waste and recycling

Action

- NEXT carbon footprint reduced by 21% since 2007
- Electricity consumption reduced by 17% since 2007
- 517 stores with 'Building Management System' which supports energy efficiency programmes in our buildings
- In-house operation recycling centre

COMMUNITIES



Our Priorities

- Our approach is to make a difference and we believe we are able to make a greater impact by working with a wide group of charities and organisations

Our Focus Areas

- Charitable partnerships
- Community support

Action

- Over 350 registered charities supported
- Charitable donations value over £3m
- £1.2m raised for charities from the carrier bag charge in England, Scotland and Wales

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
	External environment	At a glance	Materiality and stakeholders				

MATERIALITY AND STAKEHOLDERS

DETERMINING OUR FOCUS AREAS

This report covers the issues we recognise as being the most important to our business and are of principal concern to our stakeholders. A wide range of social, ethical and environmental issues can have an impact on the NEXT business. Through feedback from stakeholders, including our internal teams whose role is to recognise emerging issues, we identify and work to address these key challenges.

Stakeholder Engagement

Stakeholder engagement is important to us, both formally through meetings and informally through requests for information and monitoring emerging issues.

Understanding Materiality

During the year NEXT worked with an external consultant to undertake a review of the key issues which impact the business. We held a workshop with senior subject matter experts from across the business to complete a high-level materiality framework based on their knowledge of external stakeholders and oversight of NEXT's operations.

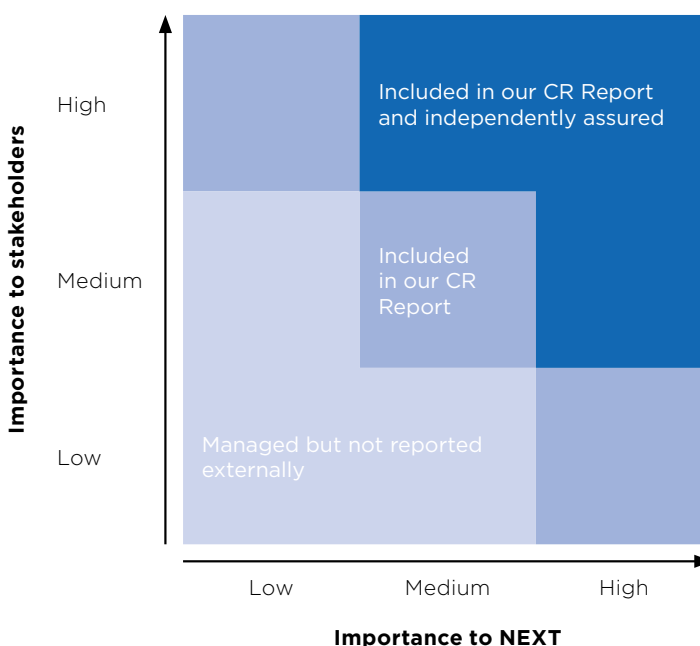
The process began by identifying a 'long list' of issues which could affect stakeholders. Various scoring and rating principles were applied to this list by the working party applying their respective areas of knowledge and expertise. From this the working party were able to determine and prioritise the most material environmental, social, economic and governance issues.

NEXT has determined materiality as the threshold at which issues become sufficiently important that they should be included within this report. This threshold is determined by understanding:

1. How important ethical, environmental, social, governance and economic issues are to our stakeholders
2. The impact of these issues on our business

Key Stakeholders	How we engage
Suppliers*	<ul style="list-style-type: none"> • Visits and meetings both at NEXT offices and their factories • NEXT COP supplier audits • Training workshops • Conferences
Customers*	<ul style="list-style-type: none"> • Monitor customer returns • Communication to Customer Services • Direct customer contact and market research • Social media
Employees*	<ul style="list-style-type: none"> • Employee communication forums • Employee engagement surveys • Training and development
Environment*	<ul style="list-style-type: none"> • Visits and meetings with non-governmental organisations • Representation on trade association working groups • Participation in surveys
Community*	<ul style="list-style-type: none"> • Respond to requests for assistance • Develop and agree longer term support with certain charities to assist their ongoing work
Shareholders	<ul style="list-style-type: none"> • Respond to queries and requests for information • Meetings • Ethical investment surveys
Government	<ul style="list-style-type: none"> • Meetings and dialogue with trade associations • Responses to consultations

* Indicates stakeholder groups potentially affected by human rights risks



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
	External environment	At a glance	Materiality and stakeholders				

MATERIALITY AND STAKEHOLDERS (CONTINUED)



NEXT FOCUS UPDATES

For further information on areas within each section of this report, you will find references to 'Focus' updates at the end of each section. These focus updates can be found on our corporate website www.nextplc.co.uk.

GOVERNANCE

Corporate responsibility matters are reported by the Corporate Responsibility Manager to the Group Finance Director who has responsibility for all corporate responsibility matters, including human rights and modern slavery. Regular updates are provided to the Audit Committee. In addition, the Global Code of Practice Manager provides monthly updates to the Product teams and seasonally to the Audit Committee, reporting on the performance of our global supply chain to our Code of Practice Principle Standards (as detailed in 'Our Suppliers').

From a broader perspective, the NEXT Risk Management and Internal Controls framework is embedded throughout the business and this process ensures that all corporate responsibility risks throughout the business are captured, considered and resolved as appropriate.

Legal Compliance

We had no environmental or health and safety prosecutions during the year and no work related fatalities.

ASSURANCE OF REPORT CONTENT

PwC has been commissioned to provide independent assurance in accordance with the ISAE 3000 (Revised) and ISAE 3410 Assurance Standards. A copy of their report is found on pages 25 and 26.

Where you see this symbol **A** the 2016 data has been assured by PwC.

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGY

For information on this please refer to our website: www.nextplc.co.uk/corporate-responsibility

CONTACT US

We welcome your comments and feedback on our corporate responsibility performance either through our corporate website at www.nextplc.co.uk; by email at www.nextplc.co.uk/contact-us or by writing to:

Joanne Poynor
Corporate Responsibility Manager
 NEXT plc
 Legislation and Sustainable Development
 Desford Road
 Enderby
 Leicester, LE19 4AT

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 1: Salient Human Rights Issues	Focus 2: UN Guiding Principles Index				

HUMAN RIGHTS AND MODERN SLAVERY

Any instance of forced labour is unacceptable. Respect for human rights is inherent in how NEXT operates as a responsible business.

- Human Rights and Modern Slavery Policy published
- Modern Slavery Transparency Statement published
- Employee and supplier training delivered
- Continued commitment to respect internationally recognised human rights

Focus 1: Salient Human Rights Issues

Focus 2: UN Guiding Principles Index

HOW WE IDENTIFIED NEXT'S SALIENT HUMAN RIGHTS ISSUES

A company's "salient" human rights issues are the human rights that are at risk of the most severe negative impact through its activities or business relationships
(UN Guiding Principles Reporting Framework ("UNGP"))

Using the UNGP Reporting Framework we were able to better understand and define the salient human rights issues across our business. We combined the knowledge and experience gained from working with our global supply chain, our employees and our business partners with our learning from affected stakeholders and non-government organisations (NGOs). This has enabled us to look at our business through a "salience lens" and think about the greatest risks to people.

Over the last 2 years we have undertaken the following 4 step process:

- Step 1:** Initial risk assessment of our salient human rights issues
- Step 2:** "Deep dive" into supply chain human rights issues to recognise potential impacts, assess potential severity or likelihood of the impacts and identify stakeholders who have the greatest potential to be impacted or harmed
- Step 3:** External review to test identified human rights issues with relevant stakeholders
- Step 4:** Strengthened communication on our approach to human rights including training of all employees and suppliers

NEXT'S SALIENT HUMAN RIGHTS ISSUES

Following this process, we have identified 8 key issues:

- Forced labour and modern slavery
- Fair living wages
- Discrimination
- Freedom of association
- Health and safety
- Child labour
- Access to clean water
- Privacy and data security

To see a copy of the [Human Rights and Modern Slavery Policy](#) and the [Modern Slavery Transparency Statement](#) go to www.nextplc.co.uk.



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 1: Salient Human Rights Issues	Focus 2: UN Guiding Principles Index				

HUMAN RIGHTS AND MODERN SLAVERY (CONTINUED)

OUR HUMAN RIGHTS JOURNEY



KEY MATTERS IDENTIFIED BY “DEEP DIVE”

- Human rights issues do occur in our supply chain.** However, NEXT is highly committed to respecting human rights and operates robust due diligence processes which successfully uncover human rights issues in our supply chain.
- Certain groups are more vulnerable and are at greater risk of being exploited, so require a more focused approach.** Vulnerable groups within the supply chain include women, migrant workers and home workers.
- Human rights issues have and will continue to evolve over time.** The human rights landscape has changed significantly since we launched the COP Principles in 1998 and we continue to review our approach.
- Taking actions to respect human rights throughout our business requires a robust and forward looking approach.** Our Modern Slavery Steering Group was put into place to co-ordinate initiatives and actions across the business relating to both the Modern Slavery Act and human rights risks more broadly.
- Having strong in-country COP teams to implement our standards provides significant benefits.** We do not rely on third party auditors and we see the benefit in the growing experience of our COP team which conducts hundreds of audits every year.
- To regularly review our processes and procedures based on lessons learned from incidents identified.** We undertake reviews of our audit process to integrate indicators for new or emerging issues and have increased the number of unannounced audits and also audit beyond our Tier 1 factories. We have developed our global COP team's skills to support the challenges we are encountering.
- Developing in-country mechanisms to hear from workers is paramount.** Our COP teams work closely with a number of NGOs and trade unions in our sourcing countries, and these relationships assist us to identify issues and find appropriate responses. One of our focus areas is to find ways to guarantee the right to freedom of association as workers need to be able voice their concerns without fear of retaliation. Factories with strong worker-management relations benefit from improved worker morale and productivity.
- Actions must address the root cause to create lasting change.** An in-depth understanding of issues is imperative and can be achieved through conversations with impacted stakeholders who are directly affected, and the wider stakeholder community.
- Transparency is key to building an overall understanding of issues.** We believe it is important to be transparent particularly where we are finding it challenging to create positive change. The issues we encounter are present across our industry; through our collaborative approach we will continue to increase our overall understanding of issues.
- Our approach to human rights issues supports the UNGP reporting framework.** We are extending our COP work further into our product supply chain and recognise we need to continue to develop this as visibility can become more challenging further down in the supply chain.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 1: Salient Human Rights Issues	Focus 2: UN Guiding Principles Index				

HUMAN RIGHTS AND MODERN SLAVERY (CONTINUED)

OUR HUMAN RIGHTS JOURNEY (CONTINUED)

NEXT:

- Revises our governance structure for human rights and confirms responsible Board director
- Creates a steering group to co-ordinate our initiatives and actions relating to the Modern Slavery Act 2015
- Raises awareness internally to our product teams and externally to our suppliers

- Continues to refine our process for identifying our human rights issues
- Strengthens our relationships with other key stakeholders to build collaboration
- Partners with other brands to form ACT (Action, Collaboration, Transformation) and joins initiative to address the issue of living wages in the textile supply chain

- Publish our Human Rights and Modern Slavery Policy
- Publish our Modern Slavery Transparency Statement
- Updating of all contracts with suppliers and business partners commences to ensure they are aware of our policy, its requirements and our expectations
- Develops and implements training on human rights and modern slavery for all our employees who manage third party relationships
- Revises supplier training to be delivered in our key sourcing locations

LOOKING AHEAD

Embedding respect for human rights across our business is key for the human rights journey and we continue to apply practices that work and identify new ways of doing this, including:

- Engaging regularly with stakeholder groups
- Working collaboratively with other brands, retailers, governments, trade unions and NGOs
- Regular review of our COP Principle Standards
- Strengthening our audit programme
- Delivering human rights and modern slavery training to all employees who deal directly with our suppliers, business partners and service providers
- Developing broader business-wide awareness of human rights risks
- Communicating to our suppliers, business partners and service providers our Human Rights and Modern Slavery Policy and providing appropriate training
- Reviewing business practices to limit risk of human rights impacts
- Further mapping of our supply chain, focussing on our principle raw materials (cotton, wool, cellulosics, leather and timber) to ensure transparency and traceability of our products beyond Tier 1 by 2020
- Carrying out regular compliance reviews to support our approach to identify, prevent and mitigate risks
- Developing appropriate reporting to monitor progress

Focus 1: Salient Human Rights Issues

We have assessed why we believe they are salient issues for our business, who the potentially affected stakeholders are and what action we are taking. Find out more about our [Salient Human Rights Issues](#).

Focus 2: UN Guiding Principles Reporting Framework Index

This report aims to align with the UN Guiding Principles Reporting Framework. The Reporting Index is designed to identify how and where the framework disclosures are addressed - see [UN Guiding Principles Reporting Framework Index](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 3: Our Auditing Approach	Focus 4: Partnership, Engagement and Collaboration	Focus 5: Communication	Focus 6: Working in the Community		

OUR SUPPLIERS

It is a key priority for NEXT to ensure we trade ethically, source responsibly and work to assure the safety and human rights of the workers within our product global supply chain and service suppliers' global operations.

- 90% of all factories manufacturing for NEXT audited (2015: 88%)
- 94% of NEXT brand products delivered from compliant factories (2015: 92%)
- 47 members in our global Code of Practice team (2015: 46)
- 1.1 million people working within our supply chain at Tier 1

Focus 3: Our Auditing Approach

Focus 4: Partnership, Engagement and Collaboration

Focus 5: Communication

Focus 6: Working in the Community

APPROACH

NEXT work to make a difference through setting our ethical trading priorities, which are to:

- Develop and improve workers' conditions, including safety and human rights
- Communicate and support the achievement of compliance to our ethical standards with all our suppliers
- Support our suppliers to achieve continuous improvement through partnership
- Implement sustainable programmes and initiatives with suppliers to improve their capacity and ability to deliver to our ethical requirements
- Continue to develop opportunities to work in collaboration with other brands and retailers, governments, trade unions and NGOs



NEXT CODE OF PRACTICE PRINCIPLE STANDARDS

Our COP Principle Standards (Principle Standards) is our ethical trading programme which forms an integral part of our business and sets out the minimum standards and requirements for our product suppliers in relation to workers' safety and human rights, employment and working conditions. Before production can commence we specify the requirements 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 taking all reasonable and practical steps to ensure NEXT product is made by workers who are treated honestly and fairly for the work they do and whose human rights and wellbeing are respected.

Our Principle Standards are aligned to the Ethical Trading Initiative (ETI) Base Code and reflect the most relevant international standards with respect to labour practices as set out in the (International Labour Organisation Conventions). Implementation of and compliance with our Principle Standards is measured through our Auditing Standards, and is a condition of business for all suppliers. Our Auditing Standards, developed to support our overarching Principle Standards, provide detailed information to help a supplier fulfill its obligations to its workers and NEXT.

For a full copy of the Principle Standards and the Auditing Standards see our corporate website: www.nextplc.co.uk.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 3: Our Auditing Approach	Focus 4: Partnership, Engagement and Collaboration	Focus 5: Communication	Focus 6: Working in the Community		

OUR SUPPLIERS (CONTINUED)

The NEXT Principle Standards

- No child labour
- Freedom of association and the right to collective bargaining
- Safe and healthy working conditions
- No forced labour
- Fair wages and benefits
- Equal opportunities/no discrimination
- Employment security
- Respectful treatment of workers
- Lawful working conditions

Performance Data

During the year we audited 90% of the factories manufacturing NEXT brand products with some sites requiring follow up visits to review progress against agreed action plans or support with training. We have continued to undertake audits on the Tier 2 factories our suppliers are using to improve the transparency of our supply chain.

	2016	2015
NEXT global COP team resource	47	46
Countries where products are manufactured	38	41
Suppliers worked with	570	662
Factory sites used	1,898	1,965
Factory sites audited ^A	1,701	1,732
Total audits completed ^A	2,046	2,074
Factories disengaged for non-compliance with our Code	41	38

OUR AUDITING APPROACH

Our COP team work closely and directly with both our new and existing suppliers and their factories to ensure they understand our requirements.

Our auditing process is a vital due diligence tool for us. It delivers assurance that our suppliers and their factories understand their responsibility to comply with our ethical standards. At the same time, our strategy is built on investing time, resources and support through effective communication and working collaboratively with our suppliers. As we carry out our own audits, before the audit takes place we are able to fully explain our requirements, the audit process and our factory rating system. We emphasise to factory management that they will ultimately achieve a better rating by being honest and transparent about how their business is conducted. We have been able to uncover a number of important issues through this approach of encouraging factory management to show us their accurate records, rather than what they think we want to see.

We seek to conduct all our audits on an unannounced basis as this means we see the true picture in a factory. Our approach, in line with recommendations by those with expertise such as the ETI,

is to work with factories to bring them up to our standards rather than walk away and terminate a relationship as working with factories to improve practices delivers a better outcome for workers.

Factory audit ratings are used as an internal metric with our product teams to ensure future contractual decisions are based on current and accurate information. 94% of NEXT production is in factories which have achieved an acceptable rating of 1-3; with the remaining 6% being made in factories rated 4-6, which are being closely managed through repeat visits to assess progress against agreed action plans and timescales to resolve their particular issues. In 2016, we disengaged with 41 factories that failed or refused to satisfactorily rectify their major non-compliance with our Code. Our priority is to support these factories to resolve the issue, but we will not continue to work with them indefinitely if there is no willingness to improve.



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
		Focus 3: Our Auditing Approach	Focus 4: Partnership, Engagement and Collaboration	Focus 5: Communication	Focus 6: Working in the Community		

OUR SUPPLIERS (CONTINUED)



Focus 3: Our Auditing Approach

We update our audit programme from time to time to reflect lessons learned from issues we have encountered. Find out more about [our auditing approach](#).

Focus 4: Partnership, Engagement and Collaboration

It is important and valuable to work with others to develop solutions for some of the more complex and systemic problems found within global supply chains. We believe that by maintaining strong direct relationships and undertaking collaborative work through sharing information and resources with other retailers, brands, trade unions and NGOs we are all able to work together in partnership to deliver real benefits to workers in our supply chains. Find out more about our [collaborative work](#).

Focus 5: Communication

(i) Product Supplier Communication: It is important to work closely with our suppliers and their factories to help them develop their business to be compliant with our requirements, understand the value and benefits of working ethically and benefit from the implementation of sustainable improvements. Find out more about how we [communicate with our suppliers](#).

(ii) Internal Communication: Our product teams are vital to the success and effectiveness of managing the ethical standards within our suppliers. An integral part of Buying School, attended by all new product team members when they join NEXT, is our ethical training programme, which along with other presentations raises awareness and understanding of ethical issues, current risks and reinforces the impact buying decisions can have on suppliers. Find out more about how we [communicate internally](#).

Focus 6: Working in the Community

Our community work has a particular focus on women and children, as these are often the most vulnerable members of society. There are two key projects currently in place in India and Turkey where we are working with specialist NGO partners focusing on protection, improvement and investment in people. The objective is to maximise the earning potential, health and human rights of vulnerable people. Find out more about how we [work in the community](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
			Focus 7: Responsible Sourcing	Focus 8: Product Safety and Legislation Compliance	Focus 9: Recycling Unwanted Products		

OUR CUSTOMERS AND PRODUCTS

Our commitment is to offer beautiful, excellent quality products that are well made, functional and safe, sourced responsibly and provide outstanding value to meet or exceed our customers' expectations.

- We have customers in 72 countries including the UK
- 4.7 million active global Directory customers
- 347,000 average number of daily transactions across NEXT Retail and NEXT Directory
- Over 30,000 product lines sold across NEXT Retail and NEXT Directory
- We undertook over 12,800 customer experience visits in our stores

Focus 7: Responsible Sourcing

Focus 8: Product Safety and Legislation Compliance

Focus 9: Recycling Unwanted Products

APPROACH

Our aim is to meet or exceed our customers' expectations of NEXT as a company and the products we sell by ensuring our products are:

- Excellent quality
- Safe, functional and fit for their intended purpose
- Sourced and produced responsibly
- Free from harmful substances
- Fully compliant with appropriate legislation as well as our own standards and technical requirements where these go beyond legislation

PRODUCT SAFETY AND LEGISLATION COMPLIANCE

Working closely with our buyers, designers and suppliers, our team of specialist technologists is responsible for ensuring all products sold by NEXT are safe and comply with relevant consumer legislation. They are responsible for ensuring our suppliers meet the required safety and performance standards detailed in our product specific technical manuals. Where necessary, we work with and use the expertise of independent safety specialists to ensure the products we sell achieve the required safety and performance standards. Suppliers to NEXT have direct access via our online supplier portal to our full range of technical manuals and quality, safety, ethical and environmental standards and requirements.

To have visibility 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 and contribute to and support legislation development by giving our views and ideas. We are members of different industry committees and groups, such as the British Standards Institute Technical Committees and the British Retail Consortium Member Groups. 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 relevant legislation.

CUSTOMER ENGAGEMENT, SATISFACTION AND SERVICE

However our customers choose to shop with NEXT, we must be welcoming, safe and accessible to all. Maintaining good relationships with our customers, who are demanding better value for money with no compromise on the product choice, quality and service continues to be a key priority for the business. Customers contact us to resolve enquiries and issues in relation to our products, operations, policies or the service we provide and we believe that we have robust procedures in place to monitor, evaluate and respond to customer feedback where necessary.

The Customer Services team works closely with relevant departments (often including senior management) to ensure the customers enquiries and issues are fed back to the business. Teams can then use the findings alongside other data, such as returns information, to review how a product or service can be improved or identify possible problems that need further investigation.

We undertake an active programme of market research and direct customer contact to measure what our customers think of NEXT and to better understand and respond to their needs and opinions. We carry out interviews and gather feedback through customer satisfaction surveys and also carry out accompanied store visits and discussion groups. In addition, we conduct customer experience visits to our stores on a regular basis. Using all of the information gathered through these different programmes our management teams review, develop and aim to improve our overall service, and we continue to work to achieve our aim of meeting or exceeding our customers' expectations of NEXT.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
			Focus 7: Responsible Sourcing	Focus 8: Product Safety and Legislation Compliance	Focus 9: Recycling Unwanted Products		

OUR CUSTOMERS AND PRODUCTS (CONTINUED)



Focus 7: Responsible Sourcing

We use a large variety of raw materials in our products and in order to ensure they are produced sustainably and responsibly we are committed to tracing them back to source. The increasing complexity of supply chains means traceability can be challenging and we recognise the need to work closely with our buyers and suppliers to understand where the principal raw materials used in our products come from. Our main raw materials are cotton, wool, cellulosic (such as viscose), leather and timber and these can have wide ranging environmental and social risks associated with their production and extraction. Working with our buyers and suppliers we are mapping our supply chain to ensure we have traceable and well-managed sources which enables us to source products in a way which does not harm ecosystems and respects human rights. Our ambition is to map our supply chain back to source by 2020; we are starting to make good progress and will report on this more fully in future reports.

NEXT became aware of the risk to the marine environment of plastic microbeads in personal care products in 2013. We removed them from all existing and new products and formulations in our own brand products effective from July 2014 as they are harmful to marine life and end up in our oceans. During 2016, research was made available outlining challenges uncovered with other plastics including microfibres being found in the marine environment. NEXT will monitor how this develops and believes collaboration will be required to develop a robust solution in the future. Find out more about how we are working to [source responsibly](#).

Focus 8: Product Safety and Legislation Compliance

It is essential all our products are safe to use, have been made in a safe environment and are fit for purpose. Our product safety standards are based on legislation and compliance requirements

to satisfy our customers' expectations. Technologists in our Product teams work closely with our suppliers to provide expert guidance to ensure the right materials are chosen to manufacture high quality, durable products in factories with robust product safety processes. Our technologists from Head Office and our global sourcing offices visit our suppliers to monitor production, and all products are inspected upon receipt into our UK warehouse to ensure they meet our business requirements.

All our products contain chemicals in one form or another. Whilst the majority of chemicals are harmless, it remains a key area of focus that our products do not contain chemicals which could be harmful to our customers, the workers who make our products or the environment, particularly in the countries where our products are made, but also where they are sold and eventually disposed of when the customer no longer wants them. Therefore, NEXT have strict Restricted Substance Standards (RSS) which state the limits for harmful chemicals used in or during the manufacture of our products. The RSS forms part of our technical requirements for the products manufactured by our suppliers. Find out more about how we work to [ensure our products are safe](#).

Focus 9: Recycling Unwanted Products

Home products such as mattresses, sofas and furniture can be a difficult waste stream to manage with many products going to landfill, so we identified opportunities to help our customers with this. We know a large proportion of our customers have an old product to dispose of when they order a new mattress or sofa from us, so we have partnered with different organisations to provide solutions. Find out more about our [recycling solutions](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 10: Health, Safety and Wellbeing	Focus 11: Training, Development and Listening to our Employees		

OUR PEOPLE

Our employees are integral to achieving our business objectives, we believe more engaged employees are vital to achieving our aims and we recognise that helping to support their health and wellbeing is a priority. NEXT creates a workplace which treats everyone with dignity and respect.

- NEXT employ over 49,000 people
- 18,925 employees participated in Company pension schemes
- 40% of NEXT plc Board directors are female
- Around 11,900 employees held options or awards over 5.6 million NEXT plc shares

Focus 10: Health, Safety and Wellbeing

Focus 11: Training, Development and Listening to our Employees

APPROACH

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

Priorities

Our priority is 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

Our employees are key to achieving the business objectives and working at NEXT means working in an inspiring, fast-paced, exciting and developing environment. NEXT has established policies for recruitment, diversity and equal opportunities, training and development. Our priority is to provide a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development. We aim to invest time and resource to support, engage and motivate our employees so they feel valued, to be able to develop rewarding careers and want to stay with us. We recruit and promote from within wherever possible.

We are committed to achieving excellence in the areas of health and safety, welfare and the protection of employees within their working environment. As our business continues to develop, by retaining and inspiring effective and committed employees we can continue to deliver excellent quality products and excellent service to our customers.

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 continues 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.

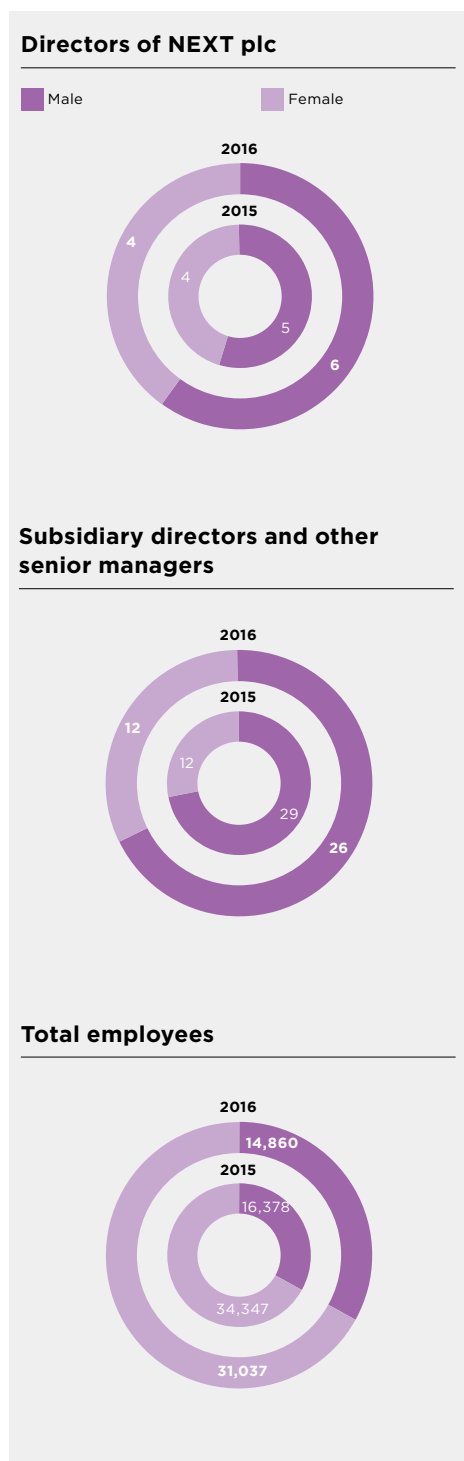
Average number of employees during each year

	2016	2015
NEXT Retail and Directory	44,887	47,039
NEXT International	135	152
NEXT Sourcing	3,760	3,743
Other Activities	251	245
Total	49,033	51,179

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 10: Health, Safety and Wellbeing	Focus 11: Training, Development and Listening to our Employees		

OUR PEOPLE (CONTINUED)

The following table shows the gender mix of the Group's employees at the end of the financial year:



NEXT PENSION ARRANGEMENTS

As at January 2017, active members of the 2013 NEXT Group Pension Plan stood at:

Number of Employees	Final Salary Section*		Money Purchase Section*	
	2016	2015	2016	2015
NEXT UK Pension Scheme	943	1,021	2,949	2,888

*Pensions data relates to NEXT plc operations in the UK, excluding NEXT International and NEXT Sourcing

NEXT has implemented the UK's Auto-Enrolment pension scheme (AE). This is provided by The Peoples' Pension/ B&CE and at January 2017 approximately 15,033 (2015: 14,583) employees were making and receiving contributions into their personal pension funds.

REWARDS AND BENEFITS

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. All employees have the opportunity to save money over three or five years to buy NEXT plc shares at a discounted price. 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, usually at a 20% discount to the share price at the time of grant.

At January 2017 there were around 11,600 employees participating in our Sharesave scheme.

Payroll Giving

A scheme that is available to all UK based employees and allows people paid through PAYE to make tax efficient donations to any UK registered charity. During the year our employees donated over £100,000 to charities of their choice.

NEXT Steps - Our Workplace Nursery

Our architect designed and purpose built, state of the art Head Office Child Care Nursery called 'NEXT Steps' continues to go from strength to strength. This is part of our on-going commitment to supporting our employees with their pre-school childcare arrangements.

The nursery was registered by Ofsted in October 2013, and achieved an Ofsted 'Outstanding' rating. It currently has over 220 children registered to attend.

As required, the nursery is run in accordance with all Ofsted Early Years Foundation Stage and safeguarding requirements and accidents are recorded and reported through standard NEXT procedures.

Sustainability is a key feature of the nursery's design and features such as photovoltaic cells on the roof, rainwater harvesting, underfloor 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.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 10: Health, Safety and Well being	Focus 11: Training, Development and Listening to our Employees		

OUR PEOPLE (CONTINUED)

Focus 10: Health, Safety and Wellbeing

NEXT remains committed to providing a safe and healthy environment for our employees, customers and third party contractors.

Our approach is based on our desire to comply with the principles of sensible risk management and embrace the requirements of health and safety legislation, associated codes of practice and other relevant standards. 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. Find out more about how we manage [health, safety and wellbeing](#).

Focus 11: Training and Development and Listening to our Employees

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 and 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.

Throughout the business we have democratically elected employee representatives who represent their colleagues' views by sitting on employee forums and meeting with senior managers and Board Directors at least twice a year. 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. Find out more about how we [train, develop and listen to our people](#).

HEALTH AND SAFETY

Strategy

NEXT's safety programme focuses on four priorities:

- Improve involvement in safety at all levels by developing leadership, improving safety communication, enabling better co-operation and improving safety knowledge
- Improve the way we recognise hazards and reduce risk
- Help people to take personal ownership for safety
- Help people to provide safe equipment, environment and premises

As well as focusing on health and safety from a risk and compliance perspective, we also recognise that there are broad overlaps between health, safety and wellbeing.

Accident Reporting Requirements

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

Retail: During 2016 we have undertaken focused safety training for all our Area Managers around the importance of investigating and reporting all accidents, however minor. This is in line with our ethos of learning from every incident or near miss in order to reduce the risk of more serious events. In addition we have analysed our accident trends to identify areas of opportunity, for example we are working to reduce the number of single

steps we have in our shops and well as running a campaign asking those using our escalators to hold the handrail to try to reduce the number of trips and stumbles.

Warehouses and Regional Service Centres:

From a health and safety perspective, the risks and challenges in the two environments are quite different. Our warehouses are highly automated and primarily reliant on our team of expert engineers to ensure they run smoothly and safely, whilst our Regional Service Centres are more traditional warehousing operations where the key risks relate to workplace transport, MHE (Material Handling Equipment) movement as well as manual handling. This year has seen the successful implementation of an accident prevention suggestion scheme and creation of employee safety listening groups which have led to the identification of opportunities to improve our processes and working environment. We plan to extend both schemes into 2017.

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 under RIDDOR, with four reportable across both operations during the year.

	RIDDOR Accident Rate	
	2016	2015*
Employees in Retail Stores / 100,000 hours worked A	0.25	0.24
Customers in Retail Stores / 100,000 transactions** A	0.02	0.01
Employees in Warehouses / 100,000 hours worked A	0.32	0.48
Employees in Regional Service Centres / 100,000 hours worked A	0.67	0.50

* 2015 data has been re-stated following a review of accident data.

**The transaction data includes customer parcel collections where the customer collects from a retail store.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 12: Energy Efficiency	Focus 13: Distribution Efficiency	Focus 14: Waste and Recycling	Focus 15: Water Use

ENVIRONMENT

Reducing emissions is the right thing for a responsible business to do and we are working to create more sustainable ways of doing business whilst continuing to reduce our operational carbon footprint and help deliver better resource efficiency.

- NEXT carbon footprint 181,596 tonnes CO₂e **A**
- NEXT carbon footprint reduced by 21% since 2007
- Electricity consumption reduced by 17% since 2007
- 517 stores with Building Management System installed

Focus 12: Energy Efficiency

Focus 13: Distribution Efficiency

Focus 14: Waste and Recycling

Focus 15: Water Use

APPROACH

NEXT is working to reduce the direct impact of its business operations on the natural environment, both now and in the future. 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. NEXT remains committed to minimising 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 to manage resources more efficiently throughout their lifecycle.

PRIORITIES

- Improve energy efficiency and work to reduce energy use in our buildings
- Minimise waste produced and increase the quantity recycled in our business
- Increase the efficiency of our owned delivery fleet

These key operational activities are environmentally significant for NEXT and we continue to explore opportunities to manage the environmental impacts from our direct operations. We have commitments to reduce energy and natural resource use, to find the most efficient way to distribute our products and to manage our waste. As a business with a global product supply chain, we work with our suppliers to reduce the environmental impacts of the products we sell as well as offering services for customers that make use of their products when they are no longer useful to them.

AIM FOR 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, reducing energy consumption and waste. In order to help us understand the impact of our direct business we measure 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 products to retail stores or customers' homes in the UK and Ireland in NEXT owned and third party vehicles
- Waste - from our stores, warehouses and Head Office in the UK and Ireland, our global offices, call centres and owned manufacturing facility in Sri Lanka
- Business travel by NEXT Group employees globally - including air, rail and road travel

The diagram in our [Reporting Principles](#) document details the boundary scope of our direct carbon footprint and our approach for reporting. We measure and report our impacts where we either have direct control or significant influence across Scopes 1, 2 and 3.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 12: Energy Efficiency	Focus 13: Distribution Efficiency	Focus 14: Waste and Recycling	Focus 15: Water Use

ENVIRONMENT (CONTINUED)

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 to identify whether business efficiencies can be made. For the first time this year, we have also measured and assured the customer delivery emissions associated with our International Directory operation: the emissions are 18,957 tonnes CO₂e **A**. We will continue to measure the impact of this part of the business in future years.

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 measurement of 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 2016.

NEXT GROUP OPERATIONAL CO₂e EMISSIONS

NEXT Group Operational CO ₂ e emissions	2016 Tonnes	2015 Tonnes	% Change
Scope 1 A	52,901	52,021	2%
Scope 2 A	109,584	121,056	-9%
Scope 3 A	19,111	18,480	3%
Total gross emissions	181,596	191,557	-5%

Scope 1 - Direct emissions from NEXT Group operations	2016 Tonnes	2015 Tonnes	% Change
Gas heating (stores, offices, warehouses)	9,009	7,176	26%
NEXT owned distribution vehicles	38,698	38,037	2%
NEXT owned cars	2,686	3,444	-22%
Buildings (diesel oil, refrigerant gases)	2,508	3,364	-25%
Total: Scope 1 A	52,901	52,021	2%

Scope 2 - Indirect emissions from NEXT Group energy consumption	2016 Tonnes	2015 Tonnes	% Change
Total: Scope 2 A	109,584	121,056	-9%

Scope 3 - Other indirect emissions from NEXT Group operations	2016 Tonnes	2015 Tonnes*	% Change
Waste (stores, offices, warehouses)	1,664	1,084	54%
Business travel	9,155	8,798	4%
Third party distribution vehicles	8,161	8,478	-4%
Water	131	120	9%
Total: Scope 3 A	19,111	18,480	3%

*2015 data for scope 3 only has been re-stated due to 3rd party data corrections.

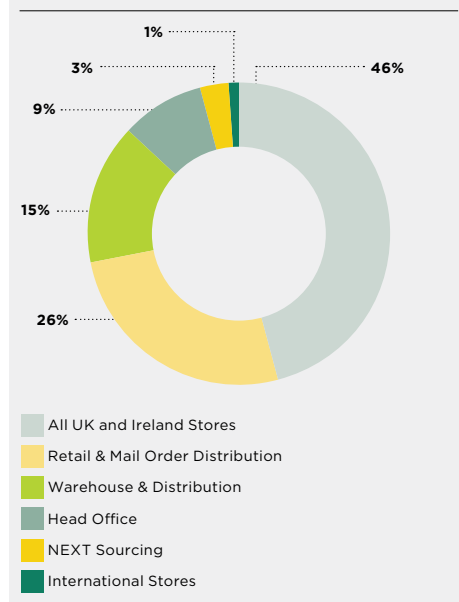
About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 12: Energy Efficiency	Focus 13: Distribution Efficiency	Focus 14: Waste and Recycling	Focus 15: Water Use

ENVIRONMENT (CONTINUED)

NEXT GLOBAL CARBON FOOTPRINT

Our global direct carbon footprint where we have operational control is 181,596 tonnes of CO₂e (2015: 191,557) which is a 5% reduction on the previous year. Electricity consumption has increased by 1% whilst our total floor space across the business has increased by 3%, with our store trading floor space increasing by 4% year on year. In addition the carbon footprint of the business has reduced by 21% since 2007.

NEXT Group Operational Global Direct CO₂e Footprint



FIVE YEAR TARGET UPDATE

During the year we have set the following new five year targets which will be measured in relation to the financial years 2017 through to 2021 inclusively:

Focus	Five year target	Year One progress
Energy use and emissions from stores, warehouses, distribution centres and offices	Electricity consumption -10% reduction over the 5 year period in kg CO ₂ e/m ²	-12%* reduction in kg CO ₂ e/m ²
Waste created in stores, warehouses, distribution centres and offices	To divert more than 95% of operational waste from landfill	81% of operational waste diverted from landfill

*10% of this reduction is attributable to the improvement in emission factor provided by DEFRA

CO₂e emissions relating to assured data in UK & Ireland for stores, warehouses & offices

	2016	2015	% Change
Electricity usage kWh	253,519,210	251,269,107	1%
Gas usage kWh	48,957,815	38,902,960	26%
Total kWh	302,477,025	290,172,067	4%
Total floorspace m ²	1,327,298	1,290,104	3%
Tonnes CO ₂ e	113,380	123,311	-8%
Tonnes CO ₂ e per 1000m ²	85	96	-11%

Focus 12: Energy Efficiency

Improving energy efficiency reduces both costs and carbon emissions for our business. To be able to manage and work to reduce our energy consumption it is vital that we are able to measure our performance across both electricity and gas within our operations.

Find out more about [how we manage energy efficiency](#).

Focus 13: Distribution Efficiency

The transport and distribution of products to NEXT Retail stores and NEXT Directory customers accounts for 26% of our CO₂e emissions. Our aim is to use our vehicles as efficiently as possible to deliver our products to stores or our customers' homes and help to manage our transport related emissions.

Find out more about [how we manage distribution efficiency](#).

Waste and Recycling - Total	2016 Tonnes	2015 Tonnes	% Change
General Waste sent to landfill	5,697	5,428	5%
Materials diverted for recycling	24,657	26,121	-6%
Total A	30,354	31,549	-4%
% Diverted from Landfill	81%	83%	-2%

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities
				Focus 12: Energy Efficiency	Focus 13: Distribution Efficiency	Focus 14: Waste and Recycling	Focus 15: Water Use

ENVIRONMENT (CONTINUED)



Focus 14: Waste and Recycling

In the 2016 Corporate Responsibility report, we reported our diversion from landfill at 91%. However during 2016, we changed waste provider and this prevented us from being able to calculate the percentage of our waste sent for energy recovery. This means we were unable to consistently demonstrate the waste was processed through an energy recovery route and we have recorded this waste as being sent to landfill. To allow the two years to be comparable we have re-calculated 2015 using the same methodology.

Working with our new waste provider we remain committed to working to reduce the amount of waste we generate wherever possible from within our operations as we continue to grow as a business, and to reuse or recycle more of the waste we do produce to divert it from landfill. We anticipate our percentage diverted from landfill will recover during 2017 and look forward to reporting an improved figure in next year's report.

We opened an in-house operational recycling centre in December 2008 located at one of our warehouses. Materials for recycling are received from across the whole UK business to support our commitment to divert waste from landfill for recycling or reuse.

Find out more about how [we manage waste and recycling](#).

Focus 15: Water Use

Demand for water already exceeds supply in many parts of the world, including parts of the UK, and it is anticipated many more areas will experience this issue in the future. For NEXT, whilst our direct operation is not a major consumer of water so have continued to work to reduce the amount we use. In 2015 we introduced a new internal reporting system which has allowed us to assure our water consumption and during 2016 we used 311,159m³ **A** in our UK and Ireland operations. We control our consumption through our facilities, equipment and technologies and by involving employees in efficient use.

In our extended supply chain, operations such as laundries, mills and tanneries use large quantities of water so responsible water management is vital to ensure there is sufficient safe clean water for the communities to use.

Find out more about [how we manage water use](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities

COMMUNITY

Our approach is to make a difference and we believe we are able to do so by working with a wider group of charities and organisations.

- Over 350 registered charities supported during the year
- Over 500 tonnes of furniture diverted for reuse through our work with a furniture reuse charity
- £1.2 million raised for charities from the carrier bag charge in England, Scotland and Wales during the year
- Charitable donations with a value of over £3 million during the year

APPROACH

We offer support to a wide range of charities and organisations and our priorities are to:

- Offer a donation that is of most benefit to a charity, whether it be a financial donation or the offer of products that can be used to realise additional funding
- Support individual charities for a number of years with a specified annual donation as this commitment helps them to be able to plan their work with confidence
- Focus our resources on charitable projects that benefit communities across the UK and Ireland working in the areas of children, care for the sick and people with disabilities, healthcare, medical research and community support
- 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 from products donated by the business. This figure is added to our financial contributions, to arrive at a 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 during the year
- 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

NEXT plc has offered financial support to:

	2016 £000	2015 £000
Registered Charities	1,020	1,012
Individual requests, local and national groups and organisations	46	63
Commercial support & sponsorship	103	80

This support has been complemented with the following:

NEXT charity events	53	64
Gifts in kind - donations of products	1,730	3,426
Charity linked sales	441	403
Employee fundraising	55	43
Total Support (incl. employee fundraising)	3,448	5,091

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Communities

COMMUNITY (CONTINUED)

CHARITABLE PARTNERSHIPS

Community Support

As part of our target to divert our waste from landfill, we continue with our approach of identifying and diverting products which previously may 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 re-use and recirculate products and materials as well as create value from the products to benefit their aims.

One of our key partners is Doncaster Refurnish, a social enterprise charity, which is located near to our warehouses; we have now worked in partnership to support their valuable work in the community for nine years. Their aims are to help the community around Doncaster by turning waste into jobs, employability and educational opportunities. As well as creating full-time employment for over 50 people, Refurnish encourages volunteering and work placements for people of all ages and backgrounds, and during the year has been able to support in excess of 200 training work placements. People with learning difficulties and disabilities and the long-term unemployed all benefit from becoming engaged within the project to help them achieve their aspirations, learn new skills and develop new knowledge and confidence.

If you would like to find out more about the work Doncaster Refurnish undertake, please go to: www.refurnish.co.uk.

Carrier bags

NEXT continues to support and encourage our customers to reduce the use of single-use carrier bags by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag. Customers who purchased bags in our stores in England, Scotland and Wales helped to raise £1.2 million which has been shared between a number of charities across the three countries supporting both environmental and health charities focusing on care for life-limited children, young people and their families. In Northern Ireland, the monies raised are paid to the Government who use the proceeds to fund environmental projects. Find out more at www.nextplc.co.uk.



INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT HOLDINGS LIMITED



The Board of Directors of NEXT Holdings Limited (“NEXT”) engaged us to provide limited assurance on the information described below and set out in NEXT’s Corporate Responsibility Report for the year to January 2017 (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 28 January 2017 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

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

Selected Information

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

The Selected Information has been summarised below:

Area of Responsibility	Performance Data	Page Ref
Our Suppliers	<ul style="list-style-type: none"> • Factory sites audited • Total audits completed 	12
Our People	RIDDOR accident rates: <ul style="list-style-type: none"> • Employees in Retail Stores / 100,000 hours worked • Customers in Retail Stores / 100,000 transactions • Employees in Warehouses / 100,000 hours worked • Employees in Regional Service Centres / 100,000 hours worked 	18
Environment	Carbon emissions: <ul style="list-style-type: none"> • Scope 1: Direct emissions from NEXT Group operations • Scope 2: In-direct emissions from NEXT Group energy consumption • Scope 3: Other in-direct emissions from NEXT Group operations • International Directory Distribution • Waste and Recycling - Total • Water Consumption 	20 20 20 20 21 22

We assessed the Selected Information using NEXT’s “Reporting Principles, Criteria and Methodologies” online document (the “Reporting Criteria”) *at www.nextplc.co.uk/corporate-responsibility.

Our assurance does not extend to information in respect of earlier periods or to any other information included in 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 (Revised) ‘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.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT HOLDINGS LIMITED (CONTINUED)

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 as at January 2017.

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 (CR) team and those with responsibility for CR management and group CR reporting;
- 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;
- 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 to January 2017, 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
Chartered Accountants
London
25 July 2017

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

next

CORPORATE RESPONSIBILITY REPORT
TO JANUARY 2017