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CORPORATE RESPONSIBILITY REPORT TO JANUARY 2018



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ABOUT THIS REPORT

This report covers the continuing social, ethical and environmental related activities undertaken by NEXT (including all of the NEXT group of companies) during the financial year ending 27 January 2018. The main focus is on our business in the United Kingdom (UK) and Eire which accounted for around 90% of our turnover in the year.

Where we state 2018, we are referring to our financial year ending 27 January 2018 and where we state 2017 we refer to our financial year ending 28 January 2017.

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

“Tier 1” refers to the declared production factory where NEXT’s supply contract is assigned and bulk production takes place. The facility is either owned or contracted by the Supplier.

“Tier 2” refers to a separate declared factory location which manufactures or processes materials or parts of a finished product. The facility is either contracted by the Supplier or the production factory.

“Tier 3” refers to finished raw material suppliers who supply fully finished material components to NEXT’s suppliers or their Tier 1 or 2 facilities.

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

ABOUT NEXT

NEXT is a UK based retailer offering exciting, beautifully designed, wonderful quality clothing, footwear, accessories and homeware.

NEXT Retail

- 528 stores in the UK and Eire (2017: 538)
- 748,000m² trading space (2017: 745,000m²)

NEXT Online*

- 4.9 million active customers (2017: 4.7 million)
- Websites serving 74 countries (2017: 72)

NEXT International

- 194 franchised stores in 32 countries
- 13 wholly owned NEXT stores in Europe

Lipsy

- Designs and sells Lipsy and other branded fashion products
- Trades from 46 stores, through NEXT Online, and through wholesale and franchise channels

NEXT Distribution

- Owned distribution fleet
- 9 warehouses and 6 distribution centres

NEXT Sourcing

- Designs and sources NEXT branded products

* Formerly known as NEXT Directory.

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WELCOME TO OUR 2018 CORPORATE RESPONSIBILITY REPORT



At NEXT our corporate responsibility focus this year has been on continuous improvement by pro actively developing and evolving key business-related social, ethical and environmental areas in a way that aims to bring value to all our stakeholders. We recognise that as a global business in the retail sector, our corporate responsibilities 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. Corporate responsibility is an evolving subject area with new issues constantly emerging.

We therefore aim to ensure that the measures we employ to manage our operations are aligned to our business objectives 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 customer
- Delivering support through charitable donations

I am pleased to report good progress across our key corporate responsibility areas this year, details of which are provided in this report. As an example, we published our Tier 1 supplier listing for the first time in 2017, in recognition of the importance of driving increased supply chain transparency and building trust with the third parties who manufacture our products. We believe it is essential to work with our product suppliers and ensure clear communication of NEXT's expectations and policies on important issues such as working practices and modern slavery.

Alongside this report, we have published our second Modern Slavery Transparency Statement, which records our progress in areas such as communicating to and training our employees and suppliers, and sets out our 2018 plans.

An important element of our ongoing work with suppliers is the role that NEXT's Code of Practice team (COP) plays. They are directly employed and managed and provide the business with accurate metrics of supplier performance, as well as providing excellent insight into the issues at source and the drivers of non-compliance. Our approach is to implement the United Nations Guiding Principles on Business and Human Rights and we seek to avoid infringing the human rights of others and work to address any adverse human rights impacts we identify.

During the year we have also focused on making our operations more efficient whilst fulfilling our responsibility with regard to the environment. This approach has delivered a 4% reduction in the electricity we have used compared with last year, and from April 2017 we switched to 100% renewable electricity.

For the year ahead, we are continuing to focus on the natural resources we use and the growing challenges surrounding where and how we source our products; we continue to make good progress in developing greater transparency in this area. Other issues which remain on our corporate responsibility agenda include the impact our business has on climate change, waste and making our use of other carbon impacting resources as efficient as possible.

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

We hope you find this report informative and useful and we welcome your feedback. See page 7 for details about how to contact us.

Amanda James
Group Finance Director

2 May 2018





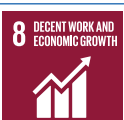



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EXTERNAL BACKDROP

SUSTAINABLE DEVELOPMENT GOALS

The United Nations Sustainable Development Goals (SDGs) are a collection of global goals which cover a broad range of social and economic development issues. They are set through to 2030 and the initiatives 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 through our own direct actions and through collaboration with others, such as becoming a signatory to the British Retail Consortium's "Better Retail, Better World" Initiative which launched in March 2018 and which has initially set industry goals to 2020.

There are a total of 17 global goals; 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.

SDGs: NEXT's Focus Areas	Impact on NEXT core operations	Impact on NEXT supply chain	What NEXT are doing
		✓	<ul style="list-style-type: none"> The NEXT Code of Practice (COP) team works to ensure 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 (UNGP) on Business and Human Rights to ensure workers have safe working conditions NEXT support our employees in matters of health and wellbeing and recognise the importance of specific areas such as good mental health 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, 67% of employees and 44% of our Board directors are female Within our supply chain gender equality is a fundamental human right. For example, NEXT supports KADAV, a non-government organisation (NGO) based in Istanbul, Turkey, which works with predominantly Syrian women to provide them with access to childcare, Turkish language lessons, vocational training and social support
		✓	<ul style="list-style-type: none"> NEXT works to 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 in order to prevent contamination
	✓	✓	<ul style="list-style-type: none"> NEXT is currently a member of the Ethical Trading Initiative (ETI), Bangladesh Accord and ACT (Action, Collaboration and Transformation). ACT is an initiative of brands, retailers and manufacturers working 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 uses 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, including timber, cotton and feathers

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EXTERNAL BACKDROP (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 responsibility to work to reduce the direct impact of its business operations on the natural environment. Our priority is to minimise our impact on the environment by reducing the carbon intensity of our activities and the natural resources we use, as land and fossil fuels are finite resources and water will become increasingly scarce. We use a large variety of raw materials and our aim is to ensure they are sourced and produced sustainably and responsibly and to consider how we can encourage reuse.

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. We are aware of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures voluntary guidelines launched in 2017 and will review their impact within our CDP (Carbon Disclosure Project) submission over the coming year.

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



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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.

NEXT is listed in the FTSE4Good Index. The index is designed to measure the performance of companies demonstrating strong environmental, social and governance practices.

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

HUMAN RIGHTS AND MODERN SLAVERY

Our Priorities

- Any instance of forced labour is unacceptable. Respect for human rights is a fundamental 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)
- Continued commitment to respect and align our work with internationally recognised human rights

Action

- Human Rights and Modern Slavery Policy publicly available
- Second Modern Slavery Transparency Statement published
- Delivered training to 93% of relevant UK employees and 96% of relevant overseas employees
- Supplier and employee guidance documents issued

OUR PEOPLE

Our Priorities

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

Our Focus Areas

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

Action

- Provide Company pension schemes to over 19,000 employees
- Offer share incentive schemes to employees; around 10,000 employees hold options or awards in respect of 6.1 million NEXT plc shares
- 44% of Board directors are female
- First Gender Pay Gap Report published in March 2018

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

- Our auditing approach
- Partnership, engagement, collaboration and working in the community
- Communication, both internally, and externally with our suppliers

Action

- 93% of all factories manufacturing for NEXT audited
- 93% of NEXT branded products (by value) from compliant factories
- Our global NEXT COP team comprises 47 employees
- Tier 1 factory site list published on our corporate website during the year

ENVIRONMENT

Our Priorities

- Reducing emissions is the right thing for us as 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
- Waste, recycling and water use

Action

- NEXT carbon footprint reduced by -31% since 2007 and -12% from last year
- Electricity consumption reduced by -20% since 2007 and -4% from last year
- In-house operation recycling centre
- From April 2017 commenced purchase of 100% renewable electricity

OUR CUSTOMERS AND PRODUCTS

Our Priorities

- Our commitment is to offer exciting beautifully designed, wonderful quality clothing and homeware that are well made, functional, safe, sourced responsibly and which provide outstanding value to meet or exceed our customers' expectations

Our Focus Areas

- Responsible sourcing
- Product safety
- Restricting use of hazardous chemicals
- Clean water – WWF project
- Providing recycling options for difficult to recycle products

Action

- Over 12,600 customer experience visits carried out during the year
- Over 150 technologists work with our suppliers to ensure our products are safe, fit for purpose and meets our technical specifications
- Assisted customers in donating over 4,400 pieces of furniture to the British Heart Foundation during the year

COMMUNITY

Our Priorities

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

Our Focus Areas

- Charitable partnerships
- Community support

Action

In the year:

- Over 350 registered charities supported
- Charitable donations over £3.6m
- Over 500 tonnes of furniture diverted for reuse with Doncaster Refurnish
- Over £1m raised for charities from the carrier bag charge in England, Scotland and Wales

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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

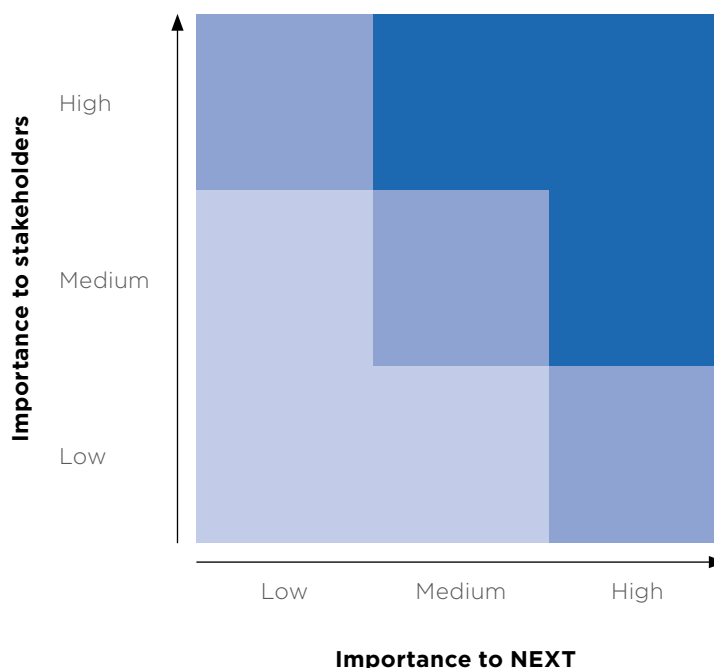
NEXT has determined materiality as the threshold at which environmental, social, economic and governance related issues become sufficiently important that they should be included within this report. This threshold is determined by understanding:

- How important ethical, environmental, social, governance and economic related issues are to our stakeholders
- 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 at their factories • NEXT COP supplier audits • Training workshops • Conferences
Customers*	<ul style="list-style-type: none"> • Monitor customer returns • Communication with NEXT 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

- Included in our CR Report and independently assured
- Included in our CR Report
- Managed but not reported externally



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MATERIALITY AND STAKEHOLDERS (CONTINUED)



NEXT FOCUS UPDATES

For further information on certain areas of this report, you will find references and links to focus updates at the end of each section. These focus updates are located on our corporate website at www.nextplc.co.uk.

GOVERNANCE

The Group Finance Director has responsibility for all corporate responsibility matters, including human rights and modern slavery. She receives regular updates from the Corporate Responsibility Manager. Regular updates are also provided to the Audit Committee. In addition, the Global Code of Practice Manager provides monthly updates to the Product teams and at least annually to the Audit Committee, reporting on the performance of our global supply chain as measured against our Code of Practice Principle Standards (as detailed in 'Our Suppliers').

The NEXT Risk Management and Internal Controls framework is embedded throughout the business. This process ensures that all corporate responsibility risks throughout the business are identified, considered and managed as appropriate.


Where relevant, specific identified corporate responsibility risks are considered and managed as part of NEXT's principal risks. NEXT's principal risks are detailed in the Strategic Report section of our latest annual report and accounts.

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 on pages 25 and 26.

Where you see the symbol  the data has been assured by PwC.

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGY

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

CONTACT US

We welcome your comments and feedback on our corporate responsibility performance. Contact us via:

Our corporate website at www.nextplc.co.uk/contact-us; or

In writing to:

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

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HUMAN RIGHTS AND MODERN SLAVERY

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

- Human Rights and Modern Slavery Policy publicly available
- Second Modern Slavery Transparency Statement published
- Delivered training to 93% of relevant UK employees and 96% of relevant overseas employees
- Supplier and employee guidance documents developed and issued
- Continued commitment to respect internationally recognised human rights

Focus 1: Salient Human Rights Issues

Focus 2: UN Guiding Principles Reporting Framework Index



NEXT'S SALIENT HUMAN RIGHTS ISSUES

It is a priority for NEXT to ensure we trade ethically, source responsibly and work to prevent modern slavery and human rights issues throughout our organisation and in our supply chain.

Using the UNGP Reporting Framework we combine the knowledge and experience we gain from working with our global supply chain and business partners, together with learnings from affected stakeholders and NGOs, to look at our business through a "salience lens". This helps us to assess the greatest risks to people.

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

(UNGP Reporting Framework)

Following this assessment, we 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 NEXT [Human Rights and Modern Slavery Policy](#) and the latest [Modern Slavery Transparency Statement](#) go to www.nextplc.co.uk.

OUR KEY CONSIDERATIONS ARE:

1. Human rights issues do occur in our supply chain, however our robust due diligence processes help to uncover human rights issues.
2. Certain groups such as women and migrant workers, are more vulnerable and are at greater risk of being exploited.
3. Human rights issues will continue to evolve over time so it is important we continue to refine our approach.
4. Our Modern Slavery Steering Group meets regularly to develop and co-ordinate actions across the business.
5. Having our own in-country COP employees provides significant benefits to NEXT as it builds internal knowledge which we are able to share with the wider team and means we are not reliant on third-party auditors.
6. We recognise the importance of regularly reviewing our COP processes and procedures to ensure we integrate indicators for new or emerging issues within our audits and provide training where required. We continue to develop our COP team's skills to support the challenges we are encountering.
7. Supporting the development of independent in-country channels of communication to hear from workers is paramount. Our COP teams work closely with a number of NGOs and trade unions in our sourcing countries. These relationships assist us to identify issues and find appropriate responses as well as working 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 good worker-management relations benefit from improved worker morale and productivity.

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HUMAN RIGHTS AND MODERN SLAVERY (CONTINUED)

8. An in-depth understanding of issues is imperative to ensure actions address the root cause and create lasting change. This can be achieved through conversations with impacted stakeholders who are directly affected, and the wider stakeholder community.
9. 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 and through our collaborative approach we will continue to increase both transparency and our overall understanding of issues.
10. Our approach to human rights issues supports the UNGP Reporting Framework. We have started to extend our COP work further into our product supply chain and recognise we need to continue to develop this.

WHAT HAVE WE BEEN WORKING ON

Since launching our Human Rights and Modern Slavery Policy and releasing our first Modern Slavery Transparency Statement in 2017, we have continued to develop our governance policies, understand our risk profile, improve our supply chain transparency and provide awareness training.

We have:

- Issued written communication of our policy and expectations to over 87% (by value of products) of NEXT product suppliers, agents and their suppliers
- Delivered online training to 93% of our relevant UK employees and 96% of our relevant overseas employees
- Delivered face to face awareness training sessions to our Product sourcing teams
- Delivered face to face awareness training to over 50% of our suppliers and their Tier 1 factories, across 11 countries

- Issued modern slavery awareness booklets to employees and suppliers to support our training and provide an on-going reference to our policy, approach and procedures
- Adopted updated standard contract terms to include modern slavery prevention clauses for existing and new product suppliers as well as for services and goods not for resale suppliers
- Continued to build a more detailed picture of risks in our key supply chains to help provide a deeper understanding of potential issues
- Published our Tier 1 factory list of third parties who supply NEXT products on our corporate website at www.nextplc.co.uk
- Required suppliers to declare on our portal system all sub-contractors who undertake processes relating to NEXT branded products such as labels, trims, packaging, embroidery and laundering

LOOKING AHEAD

Embedding respect for and understanding of human rights across our business is a key priority. We will continue practices that work and identify new ways of doing this, including:

- Engage regularly with stakeholder groups who can support our human rights journey
- Continue to work collaboratively with other brands, retailers, governments, trade unions and NGOs
- Regular review of our COP Principle Standards and Auditing Standards in respect of human rights and modern slavery risks to strengthen our audit programme
- Continue to provide human rights and modern slavery training to all employees who deal directly with our suppliers, business partners and service providers

- Roll out local language online training courses to overseas employees where appropriate
- Continue to undertake awareness presentations to and training for our suppliers, business partners and employees
- In respect of suppliers and business partners for services and goods not for resale who have been identified as a potential higher modern slavery risk, update existing legal contracts to include appropriate modern slavery prevention clauses
- Further mapping of our supply chain, focusing on our principle raw materials (cotton, wool, cellulosics, leather and timber) to ensure transparency and traceability of our products beyond Tier 1 by 2020
- Further develop our risk analysis relating to our Tier 2 product related third parties and suppliers of services and goods not for resale
- 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, refer to [UN Guiding Principles Reporting Framework Index](#).

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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.

- 93% of all factories manufacturing for NEXT audited (2017: 90%)
- 93% of NEXT branded products (by value) delivered from compliant factories (2017: 94%)
- 47 employees in our global COP team (2017: 47)
- 1.3 million people working within our supply chain at Tier 1 sites (2017: 1.1 million)
- Published list of Tier 1 sites manufacturing NEXT branded products in 2017

Focus 3: Our Auditing Approach

Focus 4: Partnership, Engagement, Collaboration and Community

Focus 5: Communication

APPROACH

NEXT works 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 with our ethical standards by 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 is our ethical trading programme which forms an integral part of our business. It 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 our requirements that serve to 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 our suppliers fulfil their obligations to their workers and NEXT.

During 2018 we will be undertaking a review of our Auditing Standards to ensure they clearly reflect our requirements and support our suppliers and their factories to operate safely and protect their workers.

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

TRANSPARENCY

Traceability and visibility of our supply chain is a key priority for NEXT. Suppliers are contractually required to declare to NEXT all Tier 1 and 2 sites where NEXT branded products or components will be manufactured. This helps to ensure the facility is audited and meets our requirements. In addition, during 2017, we published for the first time, our Tier 1 list of manufacturing sites at www.nextplc.co.uk. We aim to update the listing twice per year.

PROMPT PAYMENT

NEXT has been a voluntary signatory to the Prompt Payment Code since 2012. In accordance with the new legislation, we will be publishing our first annual payment performance data later in 2018.



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OUR SUPPLIERS (CONTINUED)

The NEXT Principle Standards

- No forced labour or modern slavery – employment is freely chosen
- Freedom of association and the right to collective bargaining
- Safe and healthy working conditions
- No child labour
- Fair wages and benefits
- Lawful working hours
- No discrimination is practised
- Employment security
- Respectful treatment of workers

Performance Data

During the year we audited 93% of the factories manufacturing NEXT branded products, with some sites requiring follow up visits to review progress against agreed action plans or support with training. We have also continued to audit Tier 2 factories and have started to undertake audits on some of our largest Tier 3 fabric and yarn suppliers as we further develop the transparency of our supply chain.

	2018	2017
NEXT global COP team resource	47	47
Countries where products are manufactured	41	38
Suppliers worked with ¹	550	570
Factory sites used	1,764	1,898
Factory sites audited	1,635	1,701
Total audits completed	1,973	2,046
Factories disengaged for non-compliance with our Code	45	41

¹ Represents suppliers directly engaged with i.e. not sourced via an agent.

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 an 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 are more likely to see the true picture in a factory. Our approach, in line with recommendations by those with relevant 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 this delivers a better outcome for workers.

Factory audit ratings are used as an internal metric by our product teams to ensure future contractual decisions are based on current and accurate information. 93% of NEXT production (by value) is in factories which have achieved an acceptable rating of 1-3; with the remaining 7% being made in factories rated 4-6. These poorer rated factories are being closely managed through repeat visits to assess progress as measured against agreed action plans and timescales.

During the year we introduced unauthorised subcontracting as a major non-compliance indicator, as one of our priorities is to have better traceability of where our products are being made. Suppliers are contractually required to provide details of any sub-contractors being used to enable our COP team to audit the facility.

We disengaged with 45 factories during the year (2017: 41) that failed our audit process or refused to satisfactorily rectify their major non-compliance with our Code. Our priority is to support factories to resolve issues, but we will not continue to work with them indefinitely if there is no willingness on their part to improve.



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

OUR SUPPLIERS (CONTINUED)

Focus 3: Our Auditing Approach

Our aim is to ensure new suppliers understand our requirements before they commence working with NEXT and existing suppliers take responsibility for maintaining compliance within all their production locations. Find out more about [our auditing approach](#).

Focus 4: Partnership, Engagement, Collaboration and Community

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 (such as 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. This includes our work within communities where we support projects with a particular focus on women and children, as these are often the most vulnerable members of society. Find out more about our [collaborative work](#).

Focus 5: Communication

1) 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](#).

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



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
			Focus 6: Responsible Sourcing of Raw Materials	Focus 7: Product Safety and Legislation Compliance	Focus 8: Recycling Unwanted Products		

OUR CUSTOMERS AND PRODUCTS

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

- Customers in over 70 countries
- 4.9 million active global Online customers
- 340,000 average number of daily transactions across NEXT Retail and NEXT Online
- Over 29,000 product lines sold across NEXT Retail and NEXT Online during the year
- Over 12,600 customer experience visits in store completed during the year
- Launch of new customer online feedback survey during 2017

Focus 6: Responsible Sourcing of Raw Materials

Focus 7: Product Safety and Legislation Compliance

Focus 8: 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:

- Wonderful 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 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 standards. Suppliers to NEXT have direct access via our online supplier portal to our full range of technical manuals and quality, safety, ethical and responsible sourcing standards and requirements.

In order 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. We also contribute to and support legislation development by giving our views and ideas. We are members of various 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.

NEXT has also commenced work with the third-party brands we sell via LABEL to ensure all product offered for sale is safe for the intended end use. We require brands to be able to demonstrate compliance with all applicable legislation and standards through risk assessment, certification and testing as well as being able to show the product has been sourced from factories which are compliant with the ETI Base Code.

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 demand 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 queries 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.

With an estimated 14 million¹ disabled people living in the UK. During 2018 we will undertake an access review of our stores and are working with Disabled Go, the UK's leading provider of access information for people with access requirements. Our aim is to create a tailored Access Guide for each store, with photographs and measurements to help people plan their visit to us. The guides will be available in the Store Locator section of our website and also on Disabled Go's website.

¹ Source: Family Resources Survey 2016/17 (Department for Work & Pensions)

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
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OUR CUSTOMERS AND PRODUCTS (CONTINUED)

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

We undertake a comprehensive 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 conduct interviews and gather feedback through customer satisfaction surveys and we also carry out accompanied store visits and run discussion groups.

During the year we launched a new online survey, Next Loves to Listen. This is available to every customer who visits a NEXT store, giving them an opportunity to feedback on their experience. Early indications are that our customers like this new way of communicating with us. The feedback they provide helps us to improve our in-store experience to ensure we are continuously reviewing and improving our customer experience. This programme has replaced the customer experience store visits we ran until October 2017.

Using all of the information gathered through these different programmes our management teams review, develop and improve our overall customer experience, and we continue to work to achieve our aim of meeting or exceeding our customers' expectations.

Focus 6: Responsible Sourcing of Raw Materials

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 complexity of supply chains means traceability can be challenging and we are working to understand where the principal raw

materials used in our products come from. Our main raw materials are cotton, wool, cellulosics (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 suppliers 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 have made good progress and will report on this more fully in future reports.

NEXT is mindful of the environmental issues being raised regarding various plastics which can be found in NEXT products and packaging and their potential impacts on both marine life and waste. From July 2014, ahead of legislation, we removed plastic microbeads from all NEXT branded products. In 2016, research was made available outlining the environmental challenges with other plastics including microfibres being found in the marine environment. During 2017, NEXT joined the Outdoor Industry Microfibre Consortium as we believe collaboration will be required to develop good, robust solutions. In 2017 and into 2018, NGOs, government and the media have continued to raise concerns and challenges around single use plastics and packaging and NEXT will remain focussed on this important area.

Find out more about how we are working to [source responsibly](#).

Focus 7: 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 technical team comprises over 150 global employees, with technologists from Head Office and our global sourcing offices visiting our suppliers to ensure our sourcing and production standards are being met. 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. This is not only important 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 has 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 8: Recycling Unwanted Products

Home products such as mattresses, sofas and furniture can be a difficult waste stream for our customers to manage when they no longer want them, with many products going unnecessarily to landfill. NEXT has identified opportunities to help our customers by partnering with different charitable 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	Community
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OUR PEOPLE

Our employees are integral to achieving our business objectives, we believe engaged employees are vital to achieving our aims and we recognise that helping to support their health and wellbeing is a priority. We strive to create a workplace in which everyone is treated with dignity and respect.

- NEXT employed an average over 43,000 people during the year
- Over 19,000 employees participated in Company pension schemes
- Around 10,000 employees held options or awards in over 6.1 million NEXT plc shares
- 44% of NEXT plc Board directors are female
- First Gender Pay Gap Report published in March 2018

Focus 9: Health, Safety and Wellbeing

Focus 10: 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, both professionally and personally. We aim to invest time and resource to support, engage and motivate our employees so they feel valued, are 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 wonderful 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.

Employment positions throughout the Company are filled with the candidates who possess the most appropriate skills and competencies relevant for the particular job role. NEXT's policy is to treat all employees fairly and equally regardless of gender, sexual orientation, marital status, race, colour, nationality, religion, ethnic or national origin, age, disability or union membership status.

Although we do not set specific targets for diversity, women currently represent 44% of our Board and 47% of our senior leadership team. NEXT was ranked first in the 2017 Hampton-Alexander Review "FTSE Women Leaders: Improving gender balance in FTSE leadership".

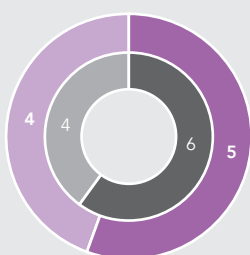
Average number of employees during each year	2018	2017
NEXT Retail and Online	39,859	44,887
NEXT International	133	135
NEXT Sourcing	3,725	3,760
Other Activities	253	251
Total	43,970	49,033

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
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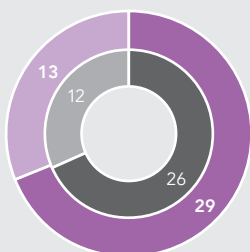
OUR PEOPLE (CONTINUED)

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

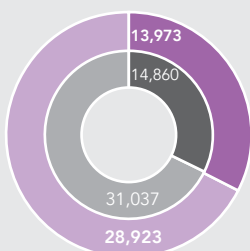
Directors of NEXT plc



Subsidiary directors and other senior managers



Total employees



2018 2017
 ● Male ● Male
 ● Female ● Female

NEXT PENSION ARRANGEMENTS

As at January 2018, active members of the 2013 NEXT Group Pension Plan stood at:

Number of Employees	Final Salary Section*		Money Purchase Section*	
	2018	2017	2018	2017
NEXT UK Pension Scheme	878	943	2,977	2,949

* 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. This is provided by The Peoples' Pension/ B&CE. At January 2018 15,413 (2017: 15,033) employees were participating in the Group's auto enrolment defined contribution scheme.

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 UK & Eire 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 2018 there were around 10,000 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 £75,000 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 during November 2017 received an unannounced Ofsted visit and achieved an "Outstanding" rating. It currently has over 230 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. 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	Community
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OUR PEOPLE (CONTINUED)



HEALTH, SAFETY AND WELLBEING

Strategy

NEXT reviews its Company safety statement and safety objectives every three years; these have been revised and updated for 2018. Our safety programme for 2018-2020 focuses on four priorities:

- Competence – people knowing how to work safely
- Communication – talking about health and safety
- Culture – health and safety is everyone's responsibility
- Controls – having effective procedures that manage risk

Our goal is to make NEXT a healthier and safer place for everyone and we understand that there is nothing we do that is worth anyone getting hurt for. We therefore expect our people to manage all aspects of our business safely.

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 including mental health. During 2017, NEXT launched a mental health programme designed to raise awareness and provide focused training to help employees recognise potential signs of mental ill health and work to eliminate the stigma which can be linked to mental health issues.

Accident Reporting Requirements

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

Retail Stores: During the year we completed safety responsibility awareness training with our Retail store 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 identifying the stores with the greatest number of accidents involving children or our older customers to understand how we can work to reduce these. We have also undertaken a review of all property with external cladding to ensure it does not create an unacceptable level of fire risk.

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. Following a trial in 2016, during 2017 we successfully implemented "Safety Conversations", a safety improvement scheme which has the simple objective of understanding how work is actually carried out to ensure the safety needs of those doing the work are met.

Head Office and Call Centres: The number and type of accidents we experience at our Head Office and Call Centre operations are as would be expected of a low risk office environment. The total number of accidents remains low under RIDDOR, with three reportable accidents across both operations during the year.

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
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OUR PEOPLE (CONTINUED)



RIDDOR Accident Rate			
		2018	2017*
Employees in Retail Stores / 100,000 hours worked	(A)	0.22	0.25
Customers in Retail Stores / 100,000 transactions**	(A)	0.02	0.02
Employees in Warehouses / 100,000 hours worked	(A)	0.43	0.38
Employees in Regional Service Centres / 100,000 hours worked	(A)	0.39	0.71

* 2017 data has been re-stated following a review of accident data

**The transaction data includes customer parcel collections where a customer collects an Online order from a Retail store.

Focus 9: Health, Safety and Wellbeing

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

We comply with our legal obligations and embrace the spirit of health and safety legislation, associated codes of practice and other relevant standards. It is important to understand we are all responsible for the health and safety of those around us.

This means taking practical steps to ensure our products, services and operations do not harm or pose an unacceptable risk to the health and safety of anyone affected by our activities. Find out more about how we manage [health, safety and wellbeing](#).

Focus 10: Training, 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, Online operations or in our warehouses.

Throughout the business we have democratically elected employee representatives who represent their colleagues' views in 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 that may affect them and the working environment. Find out more about how we [train, develop and listen to our people](#).

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
				Focus 11: Energy Efficiency	Focus 12: Distribution Efficiency	Focus 13: Waste, Recycling and Water Use	

ENVIRONMENT

Reducing emissions is the right thing for us as 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 deliver better resource efficiency.

- NEXT carbon footprint 159,433 tonnes CO₂e ^A (-12% reduction from last year)
- NEXT carbon footprint reduced by -31% since 2007*
- Electricity consumption reduced by -4% from last year and -20% since 2007*
- From April 2017 commenced purchase of 100% renewable electricity

Focus 11: Energy Efficiency

Focus 12: Distribution Efficiency

Focus 13: Waste, Recycling and 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. From April 2017, we started to purchase 100% renewable electricity for our UK operations and will continue with this approach going forward. The supply is backed by the Renewable Energy Guarantees of Origin (REGO), which means a proportion of our suppliers certified renewable energy is ring-fenced for us.

In addition, 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.

* We introduced our first targets in 2007

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, NEXT Steps nursery and owned manufacturing facility in Sri Lanka
- Distribution-our distribution of products to Retail stores or customers' homes in the UK and Eire in NEXT owned and third-party vehicles
- Waste-from our UK and Eire stores, UK warehouses, UK Head Office, 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 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	Community
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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.

This year, we have continued to measure and externally assure the Scope 3 customer delivery emissions associated with our International Online operation; the emissions are 20,516 tonnes CO₂e ^(A) (2017: 18,957 tonnes CO₂e). We will continue to measure the impact of this part of the business. It is challenging to reduce the impact as we are reliant on using third-party transport to deliver to our global customers, but we will investigate opportunities wherever possible.

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 Business, Energy and Industrial Strategy (BEIS) and the Department for Environment, Food and Rural Affairs (DEFRA) in 2017.

NEXT GROUP OPERATIONAL CO₂e EMISSIONS

NEXT Group Operational CO ₂ e emissions	2018 Tonnes	2017 Tonnes	% change
Scope 1 ^(A)	48,163	52,901	-9.0%
Scope 2 ^(A)	89,687	109,584	-18.2%
Scope 3 ^(A)	21,583	19,111	12.9%
Total gross emissions ^(A)	159,433	181,596	-12.2%
Scope 1 – Direct emissions from NEXT Group operations	2018 Tonnes	2017 Tonnes	% change
Gas heating (stores, offices, warehouses)	8,057	9,009	-10.6%
NEXT owned distribution vehicles	35,405	38,698	-8.5%
NEXT owned cars	2,824	2,686	5.1%
Buildings (diesel oil, refrigerant gases)	1,877	2,508	-25.2%
Total: Scope 1 ^(A)	48,163	52,901	-9.0%
Scope 2 – Indirect emissions from NEXT Group energy consumption	2018 Tonnes	2017 Tonnes	% change
Total: Scope 2 ^(A)	89,687	109,584	-18.2%
Scope 3 Other indirect emissions from NEXT Group operations	2018 Tonnes	2017 Tonnes	% change
Waste (stores, offices, warehouses)	880	1,664	-47.1%
Business travel	10,435	9,155	13.9%
Third-party distribution vehicles	10,138	8,161	24.2%
Water	130	131	-0.8%
Total: Scope 3 ^(A)	21,583	19,111	12.9%



About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
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ENVIRONMENT (CONTINUED)

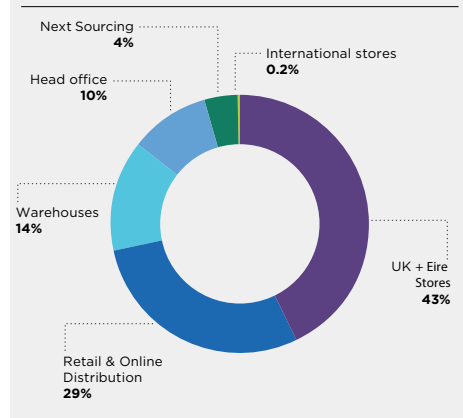
NEXT GLOBAL CARBON FOOTPRINT

Our global direct carbon footprint where we have operational control is 159,433 tonnes of CO₂e (2017: 181,596) which is a -12% reduction on the previous year.

Electricity consumption has decreased by -4% compared with 2017, whilst our total floor space across the business has increased by +3%.

In addition the carbon footprint of the business has reduced by -31% since 2007, which was the first year that we introduced our own carbon reduction targets.

NEXT Group Operational Global Direct CO₂e Footprint



FIVE YEAR TARGET UPDATE

We have set the following five year targets which will be measured in relation to the financial year ending January 2017 through to the financial year ending January 2021 inclusively:

Focus	Five year target	Financial year ending January 2018 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	-31%* 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	90% of operational waste diverted from landfill

* 22% of this reduction is attributable to the improvement in emission factor provided by DEFRA.

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

	2018	2017	% change
Electricity usage kWh	243,829,014	253,519,210	-4%
Gas usage kWh	43,741,449	48,957,815	-11%
Total kWh	287,570,463	302,477,025	-5%
Total floorspace m ²	1,368,196	1,327,298	+3%
Tonnes CO ₂ e	93,288	113,380	-18%

Focus 11: Energy Efficiency

Our priority is to work to improve energy efficiency as this 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 12: Distribution Efficiency

The transport and distribution of products to NEXT Retail stores and NEXT Online customers accounts for 29% 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	2018 Tonnes	2017 Tonnes	% change
General waste sent to landfill	2,954	5,697	-48%
Materials diverted for recycling	26,567	24,657	+8%
Total ^(A)	29,521	30,354	-3%
% Diverted from landfill	90%	81%	+9%

About this report	Approach	Human Rights and Modern Slavery	Our Suppliers	Our Customers and Products	Our People	Environment	Community
				Focus 11: Energy Efficiency	Focus 12: Distribution Efficiency	Focus 13: Waste, Recycling and Water Use	

ENVIRONMENT (CONTINUED)



Focus 13: Waste, Recycling and Water Use

We have been working with our new waste provider since 2016 and, as planned, we have been able to increase our diverted from landfill percentage to 90%. We remain committed to working to reduce, wherever possible, the amount of waste we generate from within our operations even where we continue to grow, and to reuse or recycle more of the waste we do produce to divert it from landfill.

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.

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 during 2017 we used 313,813m³ ^(A) (2017: 311,159m³) in our UK and Eire operations. We control our consumption through our facilities, equipment and technologies, and by involving employees in promoting 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 waste, recycling and water use](#).

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

COMMUNITY

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

In the year:

- Over 350 registered charities supported
- Charitable donations with a value of over £3.6 million
- Over 500 tonnes of furniture diverted for reuse through our work with a furniture reuse charity
- Over £1 million raised for charities from the carrier bag charge in England, Scotland and Wales

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 Eire working with children, caring 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

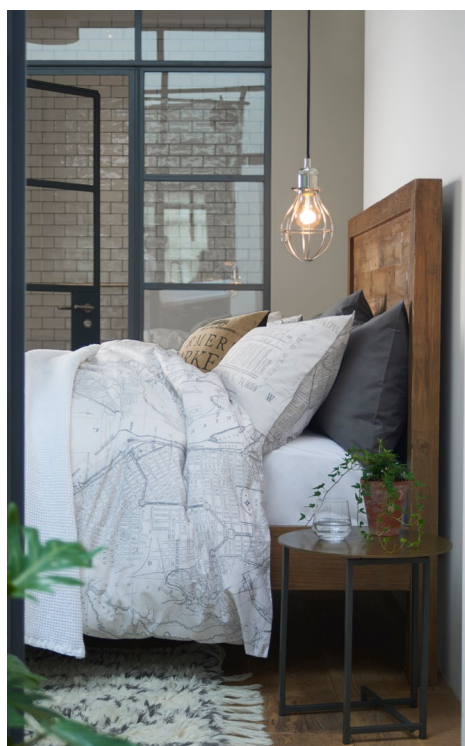
PERFORMANCE

NEXT has offered financial support to:

	2018 £000	2017 £000
Registered Charities	1,065	1,020
Individual requests, local and national groups and organisations	13	46
Commercial support & sponsorship	92	103

This support has been complemented with the following:

NEXT charity events	221	53
Gifts in kind - donations of products	1,836	1,730
Charity linked sales	372	441
Employee fundraising	52	55
Total Support (incl. employee fundraising)	3,651	3,448



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

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 reuse to a group of registered charities and social enterprise organisations who are able to reuse 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 worked in partnership to support their valuable work in the community for ten years. Their aims are to help the community around Doncaster by turning waste into jobs, employability and educational opportunities. Through NEXT's donation of unsellable, damaged furniture and home accessories, Refurnish has been able to generate over £0.5 million to provide much needed services in the community with the additional benefit of diverting 517 tonnes of product we were unable to sell for reuse.

As well as creating full-time employment for over 60 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 over £1 million during the year. This has been shared between a number of charities across the three countries supporting both environmental charities and health charities, who focus 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/corporate-responsibility/carrier-bag-charging.



INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC



The Board of directors of NEXT 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 ending 27 January 2018 (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 ending 27 January 2018 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 is summarised below:

Area of Responsibility	Performance data	Page Ref
Our People	RIDDOR accident rates: <ul style="list-style-type: none"> Retail customers per 100,000 transactions Retail employees per 100,000 hours worked Regional Service Centres per 100,000 hours worked Warehouses per 100,000 hours worked 	18
Environment	<ul style="list-style-type: none"> Waste & Recycling (stores, offices and warehouses, including Head Office) Water consumption Carbon emissions: <ul style="list-style-type: none"> Scope 1: Direct CO₂e emissions from NEXT Group operations, including International Directory operations Scope 2: In-direct CO₂e emissions from NEXT Group energy consumption Scope 3: Other in-direct CO₂e emissions from NEXT Group operations (including International Online customer delivery emissions) 	21 22 20 20 20

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 the 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 the 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 the International Standard on Quality Control (UK) 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.

* 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.

INDEPENDENT LIMITED ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC (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 27 January 2018.

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 ending 27 January 2018, 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
2 May 2018

next

CORPORATE RESPONSIBILITY REPORT
TO JANUARY 2018