

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES

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

INTRODUCTION

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

BASIS FOR REPORTING

This Reporting Guidance document supports the preparation and reporting of the following indicators in our CR report:

- Number of supplier audits
- Waste and recycling
- Global carbon footprint (tonnes CO₂e)
- Water
- International Directory Distribution
- Accident rates
- Community investment

All data, unless otherwise stated, is prepared for the two years to January 2017. All figures in this document are as at 28 January 2017.

SCOPE OF REPORTING

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

GENERAL REPORTING PRINCIPLES

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

- Information preparation: to highlight the relevance and reliability of the information
- Information reporting: to demonstrate consistency with other data such as including comparisons to prior year data to provide transparency and clarity

HIERARCHY OF DATA SOURCES

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

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

UNCERTAINTY AND ESTIMATES

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

RE-STATEMENT

- Where information is available, we will restate prior year's figures using the latest available data to make data as comparable between years as possible
- Where restatements have been made for specific indicators, these have been clearly outlined
- Restatements are considered necessary where there is a change of greater than 3% of the reported data

REPORTING SPECIFICS AND METHODOLOGY

1. Our Suppliers

Number of Supplier Audits

Definition: The NEXT global Code of Practice (COP) team is responsible for auditing the factories of our suppliers where the product for NEXT is manufactured and the NEXT brand is applied. Lipsy factories are also audited by the NEXT COP team, and the results of these audits are included within this report.

An audit is the assessment method we use to measure whether factories comply with our Code of Practice requirements. A NEXT auditor attends the supplier's factory to carry out the audit, reviews their employment records, talks to factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. Audits typically take 1-2 man days depending on the size of the factory and the number of employees.

Factories will receive an initial audit, and if areas for concern are raised by our auditor with the factory, a corrective action plan with timescales is agreed, as well as a date for a follow-up audit. We record and report the number of initial audits and follow-up audits carried out by our team within our reporting year. These audits are conducted on an unannounced basis.

Scope: The NEXT global COP team audits our suppliers' factories across all the countries we purchase from. The data reporting period is the year to end January 2017.

Unit: i) The number of individual audits performed

ii) The number of supplier's factory sites visited for an audit by our COP team

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

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES (CONTINUED)

2. Environment

Carbon Emissions/Greenhouse Gas Emissions

Purpose: We measure our greenhouse gas (GHG) carbon dioxide equivalent (CO₂e) emissions to:

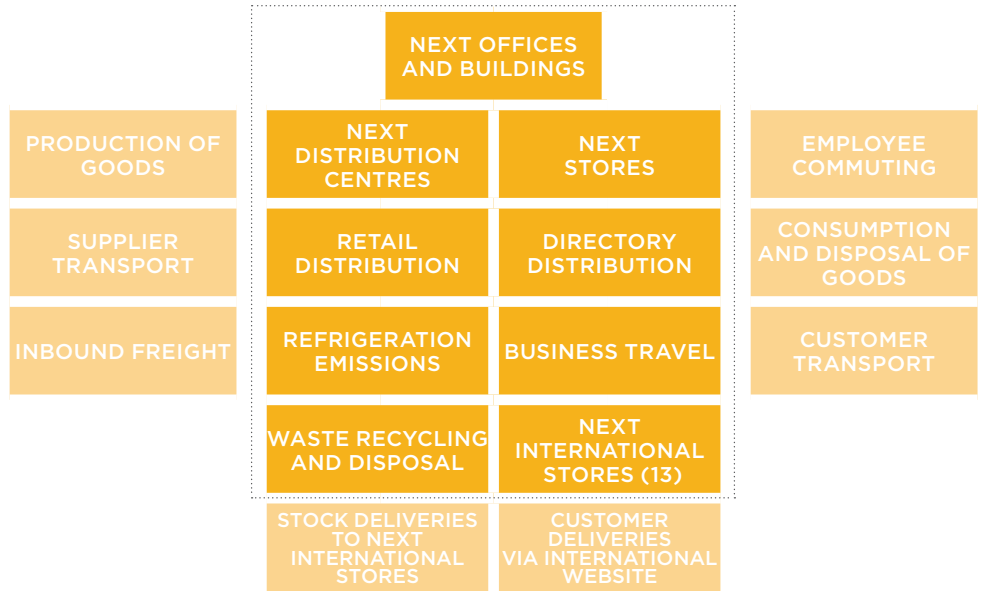
- Identify and understand the sources of emissions
- Create a transparent and robust reporting approach
- Establish a reliable basis on which to develop an emissions reduction strategy

Definition: The quantity of GHG emissions expressed as tonnes of CO₂e emitted as a result of the direct and indirect operational activities undertaken by the NEXT Group globally. Our direct operational activities are all the operations under management control of the group.

A carbon footprint is calculated by measuring the annual emissions of an organisation and their impact on climate change through six greenhouse gases (GHG's) listed in the Kyoto Protocol: carbon dioxide (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). CO₂e is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the six GHG's, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate different GHG's against a common basis.

We have calculated our carbon footprint where we either have direct control or significant influence with respect to the internationally recognised standards provided by the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol). Emissions are calculated based on DEFRA Greenhouse Gas Reporting Guidance published in June 2016, and have been calculated using the updated 2016 conversion factors published by DEFRA/DECC.

The boundary for NEXT Group Operational Direct CO₂e Footprint



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

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

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

2.1 Energy

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

Unit: Kilowatt per hour consumed/tonnes CO₂e.

Scope: Data is collected from:

- NEXT: 538 retail stores; 7 staff shops; 9 warehouses; 6 distribution centres; UK offices; UK call centres; Head Office Nursery; photo shoot warehouse; NEXT international stores; NS global offices and manufacturing facility
- Lipsy: 2 stand alone stores

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

 REPORTING PRINCIPLES, CRITERIA
AND METHODOLOGIES (CONTINUED)

2.2 Waste (Stores, Warehousing and Head Office)

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

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

Materials diverted for energy recovery (tonnes): for Head Office waste is separated for SRF (Solid Refuse Fuel). Damaged or customer returned mattresses from warehousing are recycled via a third party.

Unit: Volume in tonnes of material produced/ tonnes CO₂e.

Scope: In total we have 538 stores in the UK and Ireland. The waste data we report relates to 325 stores where our third party waste provider arranges the waste collections; a further 22 stores have similar waste collections but from other providers, we attribute the NEXT Waste Scorecard methodology (as described below) to these stores. The remaining 191 stores are situated in managed shopping centres where waste is collected and managed by the centre; consequently their waste data is not available for inclusion in our report.

Since 2009 we have worked with our third party waste provider to directly analyse the composition of stores' general waste. We developed the NEXT Waste Scorecard, a methodology tool we use to calculate the general waste data from our stores. The amount of waste recycled is primarily based on weighbridge tickets received from third party recycling companies. As part of the methodology the average weight of general waste from a store is updated bi- annually following an internal audit measuring process.

For our Head Office we have identified the route our waste takes to its final destination to determine the actual 'diversion from landfill' rate being achieved. Working with our third party waste provider, we were able to track the amount of waste actually being recycled rather than being landfilled using data from weighbridge tickets obtained from third party waste transfer stations. We reviewed the waste streams of the final third party waste supplier to confirm it was comparable to NEXT's waste stream and our final recycled rate used their quarterly figures reported to the Environment Agency (EA) to determine our 'diversion from landfill' rate. The waste from our warehouses is converted into SRF (Solid Recovered Fuel) which is used for heat recovery.

The majority of our Head Office waste is either recycled or converted into RDF (Refuse Derived Fuel).

2.3 NEXT Owned Vehicles:

- 51 Euro VI tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 117 Euro V tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 375 trailer units (either single, tandem, double deck or tri axle)
- 19 box rigid 18 tonne lorries
- 36 box vans with tail lifts
- 11 other vehicles (caged tipper vehicle, Land Rovers)
- 164 sprinter transit vans

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

2.4 Third Party Vehicles

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

Unit: Litres consumed/tonnes CO₂e.

Method: For Retail deliveries to Northern Ireland and Ireland, Channel Islands and Isle of Man. Delivery routes and

mileage are set and agreed by NEXT and the third party provider, as vehicle journeys are all planned and agreed. Mileage/litres of diesel data are provided to NEXT on a weekly basis from the third party provider. Once validated by management it is uploaded onto the overall NEXT Retail Distribution Report per third party provider.

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

For International Directory deliveries we measure the parcel weight, distance and mode of transport from our UK warehouse to entry into the country where the customer resides as this covers the largest proportion of the impact (excluded is the final leg of the journey, from airport to customers home as this is not considered to be material). All deliveries are made by third party providers.

2.5 NEXT Owned Cars:

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

Unit: Litres of fuel consumed/tonnes CO₂e.

Scope: This indicator currently captures the data relating to all NEXT employees, within head office, warehousing and retail stores who are allocated a company fuel card and cash fuel expenses claimed by employees through the Expenses system. Excluded from this indicator is all company owned car data for NEXT Sourcing.

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

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES (CONTINUED)

NEXT uses fuel rather than mileage data to calculate its carbon impact, as it represents a better proxy to actual emissions. Consistent assumptions have been made in relation to fuel type where mileage data is used.

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

Bookings are placed and managed through a third party travel agent via a dedicated team based at head office. Monthly reporting by travel date is provided to NEXT detailing:

- Flights - recorded by distance and class using actual data extracted from the travel booking system
- Distance recorded for flights is based on advice from Verco, who we engage to calculate our carbon footprint.

The distance categories used are:

- Domestic – journey starts and ends in the UK
- Short haul international – outside the UK and less than 3700km
- Long haul international – over 3700km
- Class of travel is recorded and a different emissions factor is attributed to each class (economy, premium economy, business or first class)
- Accommodation - number of nights in a hotel in UK or overseas
- Rail - number of single and/or return journeys taken
- Also included is data relating to employees who have booked their travel independently and are claiming the costs back through the Expenses system and flights booked in-country for NEXT Sourcing and NEXT International employees. We report travel collated and reported to NEXT by a third party provider who manage all business expenses associated with our creative team's (Directory photoshoot team) travel

2.7 Buildings - diesel oil and refrigerant gases:

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

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

Scope:

- NEXT: data is collected from 538 stores; 7 staff shops; 9 warehouses; 6 regional service centres; Head Office; call centre; Head Office nursery; press office and photo shoot warehouse.
- Lipsy: 2 stand alone stores

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

For refrigerant gases - all air conditioning units are serviced by third party contractors who provide listings of all refrigerant gas transfers in kg, by gas type.

2.8 Water

Definition: Water used in NEXT's global operations mainly for drinking and sanitation purposes

Unit: m³ consumed

Scope: Data is collected from:

- NEXT: 538 retail stores; 7 staff shops; 9 warehouses; 6 distribution centres; UK offices; UK call centres; Head Office Nursery; photo shoot warehouse; NEXT international stores; NS global offices and manufacturing facility
- Lipsy: 2 stand alone stores

Method: All data is taken from water bills (showing either actual or estimated consumption) for NEXT managed stores, offices and warehouses or on a quarterly basis for stores in landlord managed sites. Consumption data based on estimates are updated retrospectively on receiving actual data from water suppliers. Where we have not received an actual bill that

provides the consumption value for the full period, we estimate based on previous actual invoices received.

3. Our People – Health and Safety Reporting (RIDDOR and Non-RIDDOR)

RIDDOR Accident Rate (The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 as amended).

PwC assure the RIDDOR data within the report.

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

NEXT use the following definition for RIDDOR accidents:

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

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

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

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

REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES (CONTINUED)

Scope: UK and Ireland for our retail stores (NEXT and Lipsy), warehouses, Head Office and Directory for permanent and temporary employees, customers, visitors and contractors.

Excluded from the reported data is RIDDOR accident rate reporting for NEXT Sourcing, NEXT International owned stores, the third party warehouse hubs in operation in China and Germany and the NEXT managed warehouse hub in Russia as health and safety for these parts of the group is managed separately.

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

Unit: Customers - report accidents occurring in our retail stores per 100,000 transactions (includes sales, returns, exchanges and refunds as these all indicate a customer entering a store).

We use the RIDDOR definition for 'work-related' which is "arising out of or in connection with work" (Regulation 2(2) (c)). This includes all accidents occurring whilst someone is at work, or travelling on work business to another NEXT site, or a non-NEXT site. The majority of incidents relating to road travel accidents, from our owned fleet, are not reportable under RIDDOR.

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

Method: Retail stores - All accidents, incidents and near misses are entered onto our internal HR system, and the Health and Safety Department are informed of any major accident by phone. All accidents, incidents and near misses are investigated by management.

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

Method: Head Office, Directory, Warehouses and Regional Service Centres - All accidents, incidents and near misses are entered onto an Accident Incident Report form, which is sent to the Health & Safety Department within 48 hours of the accident occurring.

All accidents, incidents and near misses are investigated by management.

The date and time the accident occurred is entered. For Head Office and Directory, the Health and Safety Department enters the accident data onto our HR system. For warehousing, the Warehouse Site Services Manager enters the accident data onto the HR system.

4. Community

Community data is not assured by PwC, our internal audit team provides assurance.

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

Unit: Community investment is measured in GB £.

(i) Financial Support

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

- Direct donations to registered charities, individuals, local or national organisations
- Direct donations for commercial support and sponsorship, which promote the NEXT brand; such as through sponsorship of local grassroots sporting teams, where there is direct employee involvement with the team

Method: Monetary transactions are managed on an ongoing basis between Charities and Finance, against an allocated budget.

These are recognised at the point of payment by Finance.

(ii) NEXT Charity Events

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

Method: All payments and contributions are captured by Finance for each event. Finance will subsequently determine the profit made based on total amounts raised less any direct costs incurred and overheads. Amounts raised include personal cash donations collected during the event.

(iii) Gifts in Kind

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

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

(iv) Charity Link Sales

Definition: Total royalties paid to charities based on an agreed percentage from the sale of the product. The donation to be made to nominated charities from the sale of each item is clearly indicated to our customers at point of sale.

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