

TACKLING CLIMATE CHANGE

Highlights

- Our energy efficiency optimisation programme has saved £4.1m and over 10 million kWh of electricity
- LED programmes rolled out across 418 of 464 stores and aim to have the balance of stores' lighting replaced by the end of March 2024
- Renewable energy coverage across 97% of our estate

Aligned SDGs



Our Commitment

We are committed to minimising our environmental impact by reducing the carbon intensity of our activities and the natural resources we use.

Our Approach

The complex global challenges of climate change and natural resource scarcity impact all businesses and their supply chains and we take our responsibilities in this area seriously.

We take a whole value chain approach to climate risk and mitigation and are committed to reducing the carbon intensity of our activities and the natural resources we use.

As a signatory to sector initiatives such as the Sustainable Apparel Coalition, Textile Exchange and ZDHC, we work with our supply chain partners to understand the impact of their operations and implement sustainable sourcing decisions, aiming to reduce the environmental impacts of the products we sell. You can read more about what we are doing in our Responsible Sourcing section.

We focus on improving the operational energy efficiency of our sites and offices; identifying opportunities to minimise waste and increase the amount of it diverted for recycling; increasing the efficiency of our owned delivery fleet; and identifying opportunities to further reduce our use of packaging and improve its sustainability.

Our carbon reporting boundary incorporates our own operations, plus those of businesses where we have the majority stakeholding. Full details can be found in our reporting criteria.

Targets and Progress

Reduce Scope 1 and 2 absolute carbon emissions by 55% by 2030 against a 2016/17 baseline

- Progress - achieved 46%^(A) Scope 1 and 2 carbon emission reduction against a 2016/17 baseline (47% in 2022/23)

Reduce Scope 3 carbon emissions by 40% by 2030 against a 2019/20 baseline per £1m sales

- Progress - achieved 28% reduction (29% in 2022/23)

Divert at least 95% of operational waste from landfill

- Progress - achieved 96% reduction (95% in 2022/23)

Our Scope 1, 2 and 3 carbon reduction targets have been set in alignment with the Science Based Target Initiative (SBTi) approach and methodology. Our Scope 1 and 2 target is consistent with efforts to limit the global average temperature increase to 1.5°C above pre-industrial levels and is in line with the SBTi pathway.

Global Carbon Footprint

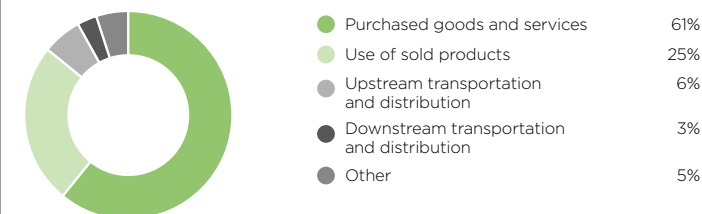
Due to the nature of our business, most of our carbon footprint falls outside of our direct control and is reported under our Scope 3 emissions. Our Scope 3 total emissions disclosure (CO₂e) covers the complete lifecycle of all the products we sell, including branded items sold through LABEL and Total Platform. This extends from the production of raw materials, through to manufacturing, transport, customer use and care, and eventual end of life treatment.

This year we have seen an increase in Scope 1 emissions, largely due to an increase in use of our own delivery fleet instead of third party distribution. However, we have increased our use of more efficient, double-decker trailers on our own distribution vehicles. These allow us to move larger volumes of stock between depots and consequently rely less on third party distributors. Third party distribution has reduced as a result but is a much smaller proportion of our Scope 3 footprint, so has minimal impact on the overall figure.

Within our Scope 1 emissions, we also saw an increase in the use of refrigerant gases (used for HVAC - heating, ventilation and air-conditioning) in our store portfolio which was largely due to six air-conditioning failures that required significant refrigerant gas input. We are working to install more energy-efficient air-conditioning units across our store estate, aiming to mitigate the risk of a similar issue in future.

Our Scope 3 increases have been predominantly driven by an increase in air freight distribution; a rise in business travel (post-COVID 19); and purchased goods for new acquisitions such as Joules and Reiss. Purchased goods remain our biggest category of impact. You can read more on our continued focus on uptake of more responsible materials, as well as our work in our supply chain in our Responsible Sourcing chapter.

The chart below shows a breakdown of our Scope 3 emissions sources.





TACKLING CLIMATE CHANGE CONTINUED

NEXT Group Global CO₂e Emissions

NEXT Group CO ₂ e Emissions	2024 Tonnes	2023 Tonnes	% Change
Scope 1	44,001 (A)	43,404 (RS1)	1
Scope 2 - Location Based	43,373 (A)	43,323	0
Scope 3 - Assured Subtotal	74,459 (A)	72,730	2
Total - Assured	161,833	159,457	2
Scope 3* - Non-assured Subtotal	2,200,930	2,047,006	8
Total Carbon	2,362,763	2,206,463 (RS1)	7
Scope 1			
Gas heating (stores, offices, warehouses)	7,502	7,810	-4
NEXT owned distribution vehicles	33,219	32,054	4
NEXT owned cars	1,675	1,690 (RS1)	-1
Machinery (LPG)	54	61	-12
Building (diesel oil, refrigerant gases)	1,552	1,789	-13
Scope 2 - NEXT Group Energy Consumption	43,373	43,323	0
Scope 3 - Assured Subtotal			
Waste generated in operations	1,519	1,489	2
Business travel	13,072	5,428	141
Downstream transportation and distribution	59,868	65,813	-9
Scope 3* - Non-assured Subtotal			
Purchased goods and services	1,394,622	1,316,108	6
Use of sold products	574,636	559,223	3
Upstream transportation and distribution	135,475	81,087	67
Employee commuting	26,252	20,933	25
Fuel and energy activities	24,031	26,811	-10
End of life treatment of sold products	25,182	19,268	31
Capital goods	20,732	23,576	-12

Note: The methodology used to calculate our emissions is set out in our Reporting Principles and Criteria that can be found on our corporate website via [this link](#). Carbon emissions in 2022/23, and the baseline, excluded Joules. In 2023/24, Joules is included, as well as Reiss product that has travelled through our warehouse as a result of being a TP client. See our Reporting Principles and Criteria via [this link](#) for further details.

*Scope 3 - Non-assured Subtotal: emissions embedded in all the products we sell, including branded items, and extends from the production of raw materials, manufacture, transport, customer use and care and end of life. We have excluded franchises from our reporting boundary at present due to challenges in obtaining accurate and reliable data.

(A) - This data was subject to external independent limited assurance by PricewaterhouseCoopers LLP (PwC). For the results of that assurance, see PwC's assurance report on page 53 and NEXT's 2024 Reporting Principles and Criteria which can be found [here](#)

(RS1) - Restated from prior year due to the incorrect application of the conversion factor used to convert the raw data into tCO₂e resulting in an understatement of the balance in the prior year. This changed the emissions for NEXT owned cars from 1,450 to 1,690 which is above our 5% materiality threshold for restatement. This category of Scope 1 emissions sits across multiple data lines in the table, causing multiple numbers to be restated.

The methodology used to calculate our emissions aligns with our global direct carbon footprint and is measured in alignment with the GHG Protocol Corporate Accounting and Reporting Standard and RE100 reporting parameters. We adopt the conventional approach in calculating our carbon emissions through the collection of primary, secondary, or tertiary data in their source units (e.g. kilowatt-hours (kWh), litres (L), kilograms (kg), kilometres (km) etc.). The consumption figures relating to each energy source are converted into carbon. Please see our Reporting Criteria [link](#) for further details.

Scope 2 Emissions Market Based and Location Based

In addition to the location-based figure required by UK legislation (and most GHG benchmarks), we also calculate a market-based figure that reflects our purchase of renewable energy. This lower market-based figure can be shown in voluntary reporting if certified renewables are purchased. As members of RE100, our approach is informed by the RE100 quality criteria and GHG Protocol guidance. RE100 requires claims to use of renewable electricity to be based on generation occurring in the same market for renewable electricity that use is claimed in, this includes the single market in Europe. The revised RE guidance published in December 2022 provided an updated list of countries that make up the single market.

Although the UK has been excluded from the list, the RE guidance provided grandfathering provisions for contracts with operational commencement dates before 1 January 2024, allowing for the UK to continue to be recognised within the single market in Europe. The operational commencement dates of our contracts occurred prior to 1 January 2024, therefore we have applied the grandfathering provisions when calculating our market based emissions.

NEXT Group Global Scope 1 and 2 CO₂e Emissions

	2024 Tonnes	2023 Tonnes
Scope 1	44,001 (A)	43,404 (RS1)
Scope 2 - Location Based	43,373 (A)	43,323
Total Scope 1 and 2 - Location Based	87,374 (A)	86,727
Intensity Metric - Location Based tonnes of CO ₂ e/ total sales (£m)	15 (A)	16
Scope 2 - Market Based	3,184 (A)	5,638
Total Scope 1 and 2 - Market Based	47,185 (A)	49,042
Intensity Metric - Market Based tonnes of CO ₂ e/total sales (£m)	8 (A)	9

NEXT Group Global Energy Usage

	2024	2023	% Change
Electricity usage kWh	200,167,830 (A)	209,139,917	-4
Gas usage kWh	41,009,976 (A)	42,784,844	-4
Total kWh	241,177,806	251,924,761	-4
Total Energy Consumption kWh	393,529,771 (A)	400,076,707	-2
Total Electricity and Gas Tonnes CO₂e	50,875	46,863	9



TACKLING CLIMATE CHANGE CONTINUED

External Benchmarks, Collaborations and Memberships

We participate in the CDP Climate change external benchmark annually. For our submission in 2023/24, we achieved a B Grade. We also achieved a B- Grade for our Water Security submission and a C Grade for our Forests submission. Our submissions cover NEXT brand only. Our latest submissions can be found [here](#).

Sustainable Apparel Coalition (SAC)

When we became a member of SAC in 2021, we requested that our largest suppliers adopt and complete the Higg Facility Environment Module (Higg FEM) to help measure our supply chain's impact. We are prioritising onboarding our Tier 3 suppliers who produce fabric and operate wet processes, such as dyehouses and printing facilities. During 2023, our second reporting year to SAC, we onboarded 485 Tier 1 sites and 585 Tier 3 sites within the top 90% of suppliers to NEXT (Tier 1 and 3) by business volume.

Our suppliers are also completing the Facility Social and Labour Module (FSLM). This allows NEXT to have visibility of supply chain management of social issues further down our supply chain, which will allow the business to identify key areas of concern within our manufacturing suppliers.

We will report the results of our supply chain engagement annually to SAC.

Since 2019, we have completed the Higg Index Brand and Retail Module (BRM) to review our own actions and impact regarding social and environmental matters across all areas of our business. We then review hotspots and areas of continuous improvement to continue to develop our own business practices, including where we are meeting expectations and where we can strengthen internal policies and processes.

British Retail Consortium (BRC)

NEXT participates in industry discussions as part of the BRC. These cover GHG data, renewable energy, low carbon logistics, sourcing sustainably and helping employees and customers live low carbon lifestyles to collectively deliver on the industry's net zero ambition. As a founding signatory, we work with other retailers, Government and other stakeholders.

Energy Efficiency

Our priority is to improve our energy efficiency as this reduces both carbon emissions and costs. We actively track and review energy performance; electricity consumption data is passed through half-hourly modem meters and automated meter readers (AMRs) installed in our sites to ensure they are operating efficiently. Gas is used predominantly for heating and has been removed from all stores where it is no longer needed. During the year we have:

- Completed the fitting of additional solar PV panels at our warehousing sites.
- Continued to invest in high efficiency LED lighting which is now in 90% of our retail stores. This reduces our lighting energy consumption by around 75% in comparison to the lighting replaced. These LED lighting solutions are fitted in new stores as standard. At the end of 2023/24 we had refitted 418 out of 464 NEXT stores, and aim to have the balance of stores' lighting replaced by the end of March 2024.
- Solar panel installation is complete at our Elmsall 3 warehouse. The renewable electricity generated across all our sites in the year was 5.1m kWh.
- Undertaken strategic energy reviews, working closely with our energy provider and other parties to actively identify opportunities for further energy efficiencies.

Energy Optimisation in Stores

In 2023 we continued to roll out our retail energy optimisation programme to drive efficiencies in the heating and cooling systems in our stores to reduce the amount of electricity we use. Over 431 stores have had this work completed and a Buildings Management System installed. It is estimated that this programme has saved £4.1m. We are also extending the opportunity to be part of this efficiency programme to our Total Platform partners Victoria's Secret and Joules for their retail spaces in 2024.



NEXT is a signatory to RE100, a global initiative led by The Climate Group in partnership with CDP (Carbon Disclosure Project) and we have set a 100% renewable electricity target for our global operations by 2030. The electricity we purchase directly for our UK and Eire operations is 100% renewable, backed by the Renewable Energy Guarantees of Origin (REGOs) scheme and Guarantees of Origin (GOs) scheme, and accounts for 97% of our global usage. The outstanding 3% is mostly from our manufacturing operations in Sri Lanka. Our RE100 target covers NEXT brand, Lipsy and Joules.



TACKLING CLIMATE CHANGE CONTINUED

Distribution Efficiency

We have nine UK warehouses, seven UK depots and three international hubs. Our distribution network serves our retail stores and online customer deliveries for both NEXT and third-party branded products. We endeavour to use our vehicles as efficiently as possible by focusing on optimisation of delivery schedules and driver training.

To learn more about our distribution efficiency, please see page 49 in Our Approach appendix.



We are a signatory to EV100, a global initiative led by The Climate Group in partnership with CDP (Carbon Disclosure Project). As a strategy to help deliver our carbon reduction targets, we will electrify our owned company car and van fleet of 1,000 vehicles by 2030 where realistically possible. We are also installing electric charging points across all NEXT employee sites and all customer sites where our stores have sole use of the car parks. We run a car sharing scheme for our Leicester-based employees. At January 2024, we have 858 Company Cars in our UK fleet (2023: 731), of which 212 (25%) are fully electric (2023: 63, 8.6%). We have 360 charging points across our network (2023: 242), with 69 at Head Office.

Our EV100 commitment covers NEXT, Lipsy and Joules.

NEXT Group Global Waste and Recycling

Waste and Recycling	2024	2023	
	Tonnes	Tonnes	% Change
Total waste	35,108 (A)	34,013	3
Materials diverted for recycling and energy recovery	33,561 (A)	32,297	4
General waste sent to landfill	1,547	1,716	-10
% diverted from landfill	96% (A)	95%	1

During 2023/24, we diverted 96% of the waste materials we created to recycling, reuse or energy recovery. This year, the figures have been updated to reflect global waste data. We remain committed to reducing the amount of waste we generate from within our operations, even when we grow as a business, and to reuse or recycle more of the waste we do produce.

Within our retail stores, our employees play a vital role in separating and segregating recyclable materials for return to our in-house recycling centre. We work closely with our waste contractor and packaging suppliers, identifying opportunities for circularity. This includes using plastic transit packaging as a feedstock for our Online delivery bags and creating new boxes from the cardboard collected from our stores and warehouses.

To read more about our in-house recycling centre, see page 49.



TACKLING CLIMATE CHANGE CONTINUED

Water Use

Our main water stewardship actions are in our extended supply chain, given that raw material sourcing and operations, such as laundries, mills and tanneries, use large quantities of water and its responsible management is vital to ensure there is sufficient safe, clean water for local communities. We work directly with our suppliers through the ZDHC programme. To find out more see page 22 of our Responsible Sourcing section.

For NEXT, our direct operation is not a major consumer of water, however, we have expanded the installation of Automatic Meter Reading (AMR) technology to 244 stores. These AMR systems help us investigate out of hours water usage, particularly in our retail stores, to identify and resolve any leaks to help reduce unnecessary water consumption.

During 2023/24 we directly used 345,032m³ of water in our UK and Eire operations (2022/23: 295,837m³). In addition, the third-party café concessions operating within our stores used a further 95,235m³ of water (2022/23: 89,898m³), totalling 440,267m³ (2022/23: 385,735m³). The increase in water consumption in 2023/24 compared to 2022/23 is due to an overestimation invoiced by the water companies in the current year, leakages that occurred in the current year, and credits that were received in 2022/23.

Packaging

While packaging has its own carbon and resource impact, it is essential to protect products from damage during transit to our customers. Unless the right balance is found, reducing too much of it can result in spoiled and wasted products.

For our NEXT products, by 2025 we aim to eliminate avoidable plastics in product packaging and to investigate opportunities to reduce packaging throughout our operations. The targets we are using are aligned with the WRAP UK Plastics Pact and the Ellen MacArthur Foundation. Our 2025 targets are:

- to reduce the use of virgin plastics by 50%
- to reduce overall packaging (relative to sales) by 25%
- 100% of packaging to be reusable or recyclable
- 100% of plastic packaging to contain at least 30% recycled content

We are signatories to the WRAP UK Plastics Pact initiative and the On-Pack Recycling Label (OPRL) Scheme. These collaborations support our work to reduce the amount of waste produced by ourselves and our customers.

Our ultimate goal is to achieve a circular system where we use less plastic, and any that is used gets reused or recycled. Our aims are to:

- Eliminate unnecessary or problematic packaging without compromising quality
- Increase the recyclability of packaging by working towards all packaging being reusable or widely recyclable
- Reduce our environmental impact by working to eliminate more damaging materials, such as PVC, acetate and polystyrene, which are harder to recycle
- Include labels on NEXT customer-facing packaging, offering clear recycling information to help customers

All of our online shipping plastic packaging and carrier bags, excluding handles, contain a minimum of 30% recycled content. To read more about our approach to plastic carrier bags, see pages 49-50 and the case study on our work with the Microfibre Consortium.

During the year, we:

- Collected 1,758 tonnes of flexible film through collection bins in 450 stores, warehouses and Head Office, for recycling and reuse
- Collected 591 tonnes of hangers from stores for recycling and in collaboration with our hanger supplier, the material was reused to make new ones. In 2023/24, we reused 143 tonnes of hangers within the supply chain and 448 tonnes were granulated to be remade into new hangers
- Removed the plastic bag outer from NEXT bedding ranges sold instore, saving 139 tonnes of plastic from going to landfill

Funding The Microfibre Consortium

NEXT has donated some of the proceeds from the 2023 sale of its carrier bags to The Microfibre Consortium (TMC), a not-for-profit organisation focused on the global issue of microplastics and fibre fragmentation from the textile and apparel industry. Funds went to significantly upgrade their microfibre data portal, allowing for more detailed and efficient analysis and assessments along with better reporting back to signatory members to help support product changes.

Looking Ahead:

- Continue to expand our use of solar and renewable energy
- Continue our work to reduce our impact through our packaging and our products
- Continue uptake of EVs within company car fleet

