

NEXT

REPORTING PRINCIPLES
AND CRITERIA **2023**

1. INTRODUCTION

Corporate Responsibility Reporting for the year ending January 2023.

This document sets out the principles, criteria and supporting methodologies for collecting and calculating the data relating to NEXT Plc (NEXT) corporate responsibility activities reported in our Corporate Responsibility Report (CR Report) and Annual Report and Accounts (ARA) for the reporting period of the year ending 28 January 2023.

It is important to NEXT that our data is reliable, transparent and meaningful to the reader; this can only be achieved if reported data is traceable and supported by evidence.



2. DIRECTORS RESPONSIBILITY STATEMENT

NEXT is responsible for:

- Developing appropriate criteria against which to assess our performance in relation to the reported information and applying these consistently;
- Ensuring those criteria are relevant to NEXT and the users of the selected information are either attached to the ARA and CR Report or remain available, unchanged, to the users of those reports and PwC's assurance report for as long as we keep those reports available;
- Designing, implementing and maintaining internal control procedures that provide adequate control over information in respect of our CR activities and the preparation and presentation of information in the ARA and CR Report is free from material misstatement, whether due to fraud or error;
- Selecting and applying appropriate policies, and making estimates that are reasonable in the circumstances;
- Producing the ARA and CR Report, including underlying data and a statement of directors' responsibility, which provides a balanced reflection of our performance in this area and discloses (with supporting rationale) matters relevant to the intended users of the ARA and CR Report; and
- Retention of sufficient, appropriate evidence to support the reported data and assertions.



3. SCOPE OF REPORTING

Scope of Reporting

Organisational Boundary & Operational Control
This document covers the corporate responsibility activities of NEXT and supports the preparation and reporting of the indicators as set out in our ARA and CR Report. NEXT is defined as the legal entity NEXT Plc and its subsidiaries.

Emissions from acquired subsidiaries will be consolidated into our reporting when reliable and accurate data is evidenced, for which NEXT will endeavour to report in the first full year post acquisition. Emissions from subsidiaries disposed of during the year will be included up to the month of disposal within the respective annual reporting year.

NEXT adopts an Operational Control boundary approach in its reporting. Operational Control is considered to be where NEXT has the full authority to introduce and implement its operating policies. Under the Operational Control approach, NEXT reports 100% of the emissions. Emissions from activities in performing services for Total Platform clients are considered to be NEXT activities and are captured in scope of NEXT's Operational Control.

To determine the organisational boundary of the Greenhouse Gas (GHG) inventory, a site will be considered under our control when energy supplied to the premises occupied by NEXT is metered and billed based on the actual amount consumed, for example:

- Where we have a contract directly with the electricity and natural gas suppliers or;
- Where electricity and natural gas is paid by the landlord and re-charged to us based on the actual amount we have consumed (i.e., metered amount).

Where we pay a fixed fee for energy as part of our rental payments (i.e., regardless of the amount actually consumed) or when no recharge is made by the landlord then the site is considered not under our control and therefore emissions associated with this energy usage would be captured in Scope 3 emissions.

Restatement Policy

Restatements for previously reported data are considered necessary where there is a change of greater than 5%. This was revised from the previous threshold of 3% following benchmarking to the market. and applies for identified misstatements, changes in calculation methodology, or where actual data is obtained where previously estimated. Where restatements are made for specific indicators, these will be clearly outlined. There were no implications on restatements from changing the threshold from 3% to 5%.

4. EMISSION FACTORS

Scope of Reporting

We have calculated our carbon footprint 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.

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 emissions by applying the relevant carbon conversion factor.

Factors are updated annually using the most recent factors published by the UK Department for Business, Energy and Industry Strategy (BEIS) and the UK Department for Environment, Food and Rural Affairs (DEFRA) 2022 is the most recent accessible update.

Where source data units cannot directly be converted into carbon emissions, an appropriate metric from an appropriate and reliable third party source is used to translate the source data into a convertible unit. For example, 'Bus - No of journeys' can be translated into km through an 'average bus journey distance' metric as published by the Department Of Transport. The translated km is then converted into carbon emissions. actually consumed) or when no recharge is made by the landlord then the site is considered not under our control and therefore emissions associated with this energy usage would be captured in Scope 3 emissions.

Scope 2 emissions

Under the Location based method, we use country specific electricity grid-average GHG emission factors. For UK premises, these are taken from the most recent factors published by BEIS and DEFRA.

For international premises, the most recent factors published by the International Energy Agency are used.

For the reporting year, the latest trade adjustment factors (2022) have been used.

Under the Market based method, the emissions factors are applied using the following hierarchy in accordance with Table 6.3 in the GHG Protocol Scope 2 Guidance below:

- Energy attribute certificates or equivalent instruments (unbundled, bundled with electricity, conveyed in a contract for electricity, or delivered by a utility);
- Contracts for electricity, such as power purchase agreements (PPAs) and contracts from specified sources, where electricity attribute certificates do not exist or are not required for a usage claim;
- Supplier/Utility emission rates, such as standard product offer or a different product (e.g., a renewable energy product or tariff) and that are disclosed (preferably publicly) according to best available information;
- Residual mix (sub-national or national) that uses energy production data and factors out voluntary purchases; and
- Other grid-average emission factors (sub-national or national) – see 'Location based method' above.

The calculation of Market based emissions is based on our energy suppliers fulfilling their contractual obligations under the terms of renewable tariffs to back all energy supplied to all of its customers on such tariffs by Renewable Energy Guarantees of Origin (REGOs). We have no oversight over that process.



Introduction	Directors Responsibility Statement	Scope of Reporting	Emission Factors	Assured Datasets	Normalised KPIs & Baseline KPI	Internally Assured Datasets
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5. ASSURED DATASET

We engage independent auditors to provide limited assurance against the ISAE3000 (revised) and ISAE 3410 standards on the datasets outlined below and included within our ARA and CR Report. For the reporting to January 2023 PricewaterhouseCoopers LLP were engaged to provide that assurance.

Assured KPIs - Global

Assured	Unit	Datasets
Scope 1	tonnes CO ₂ e	<ul style="list-style-type: none"> Gas heating NEXT owned distribution vehicles NEXT owned cars Building (gas oil, diesel and refrigerant gases) Machinery (LPG)
Scope 2 - Location based	tonnes CO ₂ e	<ul style="list-style-type: none"> Electricity
Scope 2 - Market based	tonnes CO ₂ e	<ul style="list-style-type: none"> Electricity
Scope 3 (Assured)	tonnes CO ₂ e	<ul style="list-style-type: none"> Waste Business Travel Downstream transportation and distribution
Intensity metric: Location based	tonnes of CO ₂ e/ total sales (£m)	Scope 2 - Location based' divided by 'Adjusted Total Group sales'
Intensity metric: Market based	tonnes of CO ₂ e/ total sales (£m)	'Scope 2 - Market based' divided by 'Adjusted Total Group sales'
Electricity usage	kWh	Electricity

Assured KPIs - Global (continued)

Assured	Unit	Datasets
Gas usage	kWh	Gas heating
Total energy consumption	kWh	Electricity purchased, renewable electricity generated, natural gas, gas oil, diesel, petrol (including plug in hybrid) and LPG
Waste and Recycling: Materials diverted for recycling and energy recovery	tonnes	Waste
Total waste	tonnes	Waste
% diverted from landfill	%	'Materials diverted for recycling and energy recovery' divided by 'Total Waste'
Total Scope 1 & 2 emissions - Location based	tonnes	'Scope 1' & 'Scope 2 - Location based'
Total Scope 1 and 2 emissions - Market based	tonnes	'Scope 1' & 'Scope 2 - Market based'
Scope 1 and 2 carbon emissions reduction percentage against a 2016/17 baseline	%	'Total Scope 1 & 2 emissions - Location based' divided by 'Baseline Scope 1 and 2 emissions - Location based' as a percentage

Scope 1 - Direct Emissions

Scope 1 emissions are direct emissions from company-owned and controlled resources.

Gas Heating	
Definition	Natural gas consumed for heating
Source Unit	Kilowatts per hour (KwH)
Data Collection	<ul style="list-style-type: none"> Actual usage is as recorded by gas providers and taken from gas invoices Usage is estimated for stores where no invoices have been received using averaged actuals for stores of similar square footage.

Building (gas oil, diesel and refrigerant gases)	
Definition	(a) Gas oil and Diesel used predominantly in backup generators to provide emergency power generation or for heating (b) Refrigerant gases used to replace gas lost from air-conditioning units
Source Unit	(a) Litres (L) (b) Kilograms (kg)
Exclusions/ Limitations	We report refrigerant gas leakages in the period units are serviced
Data Collection	(a) Monthly usage is as invoiced by third party suppliers/contractors (b) i. Refrigerant gas leakage as reported by third party contractors or in house maintenance.

Introduction	Directors Responsibility Statement	Scope of Reporting	Emission Factors	Assured Datasets	Normalised KPIs & Baseline KPI	Internally Assured Datasets
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5. ASSURED DATASET

Scope 1 – Direct Emissions (continued)

NEXT owned distribution vehicles	
Definition	Fuel consumed from the use of NEXT owned vehicles for the delivery of Retail and Online products
Source Unit	Litres (L)
Data Collection	Fuel drawn in real-time via our internal management system. This includes third parties who operate NEXT owned vehicles

NEXT owned cars	
Definition	Fuel purchased for the use of NEXT owned vehicles for use by employees for both business and personal mileage
Source Unit	Litres (L), Miles (mi), Cost (£)
Data Collection	Fuel purchases provided by fuel card service providers Cash fuel expenses claimed by employees through the expenses system

Machinery (LPG)	
Definition	Fuel purchased for use in garment production by our Sri Lanka manufacturing factory
Source Unit	Kilograms (kg)
Exclusions/ Limitations	We report purchased quantities in the period
Data Collection	Supplier invoices for purchases in the period

Scope 2 – Electricity

Scope 2 emissions are indirect emissions from the usage of purchased energy from a utility provider and our own generated solar PV electricity.

Electricity (Scope 2 – location-based and market-based)	
Definition	(Grid and solar PV generated electricity)
Source Unit	Kilowatt per hour (KwH)
Exclusions/ Limitations	Consumption by concessions operating in NEXT stores is excluded and recharged
Data Collection	<ul style="list-style-type: none"> Monthly usage is as recorded by electricity providers and taken from electricity invoices Usage is estimated for stores where no invoices have been received using averaged actuals for stores of similar square footage Electricity generated through solar PV on NEXT properties is captured via our internal management system and is directly used by NEXT

Scope 3 – Indirect Emissions

Scope 3 includes all other indirect emissions associated with NEXT's upstream and downstream operations.

Waste	
Definition	<p>(a) General waste sent to landfill: material that has been finally disposed of to landfill or incineration without heat recovery</p> <p>(b) Materials diverted for recycling and energy recovery:</p> <p>Recycling</p> <ul style="list-style-type: none"> Cardboard, polythene and polystyrene from secondary product packaging and transit packaging and carrier bags Office materials such as paper, cardboard, magazines, cans/bottles Courier packaging, broken hangers and used gift cards <p>Energy recovery</p> <ul style="list-style-type: none"> Non-recyclable materials diverted for energy recovery
Source Unit	Tonnes
Exclusions/ Limitations	<ul style="list-style-type: none"> Waste from stores managed by shopping centres is excluded End destinations of waste are based on categories reported by third party waste management suppliers Food waste in our Sri Lanka factory sent to a third party animal feed producer is excluded
Data Collection	<p>The hierarchy of data for waste is as follows:</p> <ul style="list-style-type: none"> Weighbridge data Where weighbridge data is not available, third party data is used Third party data can include estimate calculations

5. ASSURED DATASET

Scope 3 - Indirect Emissions (continued)

Business Travel	
Definition	Travel by NEXT employees in the course of employment
Source Unit	<ul style="list-style-type: none"> • Flights: Kilometres (km) (domestic, short haul, long haul >3,700m) and cabin class (economy, premium economy, business, first etc) • UK Rail: Number of journeys by cabin class International Rail: Passenger kilometres, number of journeys • Public transport (taxi, underground, bus, ferry): Passenger kilometres, number of journeys • Private car: Number of journeys • Employee owned vehicle: Miles (mi), litres (l), cost (£) • Hotels: Number of nights per person (UK, Europe, International)
Exclusions/ Limitations	NEXT's expenses system requires accurate employee data entry
Data Collection	<ul style="list-style-type: none"> • Travel reporting from NEXT's third party Travel Management Companies • Expenses claimed by employees through NEXT's expenses system

Downstream transportation and distribution	
Definition	Fuel consumed from the use of third party vehicles for the delivery of Retail and Online products
Source Unit	Litres (L), Kilometres (km), Miles (mi), Kilograms (kg), Number of parcels, Number of trailers
Exclusions/ Limitations	<ul style="list-style-type: none"> • Routes for International deliveries are updated semi-annually, from NEXT warehouse to the destination country as provided by third party carriers, as this covers the largest proportion of travel and we are unable to reliably calculate emission from the final leg (or first leg of returns) for these routes. It is acknowledged deviations may occur, creating an inherent limitation in the data. The average distance for each route is applied for the full year • Average trailer weights are used, as opposed to the weight of dispatch for each individual trailer
Data Collection	<ul style="list-style-type: none"> • A number of data points are collected from our various third party courier suppliers: • Third party reporting of distance travelled or fuel consumed specific to NEXT distribution • Third party reporting of total distance travelled or fuel consumed in their delivery network, multiplied by NEXT proportion of their deliveries • Number of trailers • Average 'gCO₂e per parcel' as reported by third party carriers multiplied by NEXT parcel volumes • Average 'litres per parcel' as provided by the third party carriers multiplied by NEXT parcel volumes

6. NORMALISED KPIS AND BASELINE KPI

Intensity Metric

Our intensity metric uses our Total Group sales. Refer to our ARA for definition. This is adjusted for subsidiaries not included within our scope of reporting as per our Organisational Boundary & Operational Control methodology.

Baseline

For Scope 1 and 2, our target is to reduce absolute emissions by 55% against a baseline of 2016/17.

For Scope 3, our target is to reduce relative emissions by 40% per £1m of sales against a baseline of 2019/20

We would consider restating our baseline in accordance with our restatement policy (as above), or as methodology and factors evolve to give us a more accurate picture of our impact.



7. INTERNALLY ASSURED DATASETS

Our internal assurance framework actioned by our Internal Audit team also supports the integrity of the following datasets collated from across the business which are reviewed, validated and used in our ARA and CR Report.

Business Travel	
Definition	Water used in NEXT's global operations (mainly for drinking and sanitation purposes)
Unit	Cubic metres (m3)
Scope	<ul style="list-style-type: none"> • Retail: NEXT retail stores, NEXT managed TP and Group retail stores under NEXT operational control • Warehouse & Distribution Centres: UK and International • Head Office: NEXT occupied locations (including nursery) • Group: Group occupied locations
Exclusions/ Limitations	Consumption by concessions operating in NEXT stores is excluded and recharged
Data Collection	<ul style="list-style-type: none"> • Monthly usage is as recorded by water providers and taken from water invoices • Any credit notes received are allocated to the relevant period. Restatement will be made based on the restatement policy • Estimates of consumption are based on average actual usage by stores of similar floorspace and operation function

Health & Safety Reporting (RIDDOR & Non-RIDDOR)	
Definition	<p>RIDDOR Accident Rate (The Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations 1995 as amended) being work-related deaths, major injuries or over seven-day injuries, work-related diseases and dangerous occurrences (near miss reporting).</p> <ul style="list-style-type: none"> • 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 does result in injury or loss. This term is limited to actual dangerous occurrences which are to be reported to the Enforcing Authority
Unit	<ul style="list-style-type: none"> • 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) • Employees and agency staff: report work-related accidents and incidents per 100,000 hours worked
Exclusions/ Limitations	RIDDOR accident rate reporting for NEXT Sourcing and the third party warehouse hubs in operation in Northern Ireland and Germany
Data Collection	<ul style="list-style-type: none"> • Accidents, incidents and near misses are entered onto our internal HR system • Hours worked by employees and agency staff as recorded on our internal payroll system • Hours worked by agency staff as invoiced by third party suppliers