

2013 Next Group Pension Plan Annual report and financial statements

Registered number 12008136

Year ended 30 September 2023

Next Pension Trustees Limited – annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Contents

Trustee Directors and advisers	3
Annual report of the Trustee	4
Statement of Trustee responsibilities for the Financial Statements	21
Independent Auditor’s report to the Trustee of the 2013 Next Group Pension Plan	22
Fund account	26
Statement of Net Assets (available for benefits)	27
Notes (forming part of the Financial Statements)	28
Independent Auditor’s Statement about Contributions to the Trustee of the 2013 Next Group Pension Plan	43
Statement of Trustee Responsibilities in respect of Contributions	45
Report on Actuarial Liabilities (forming part of the Trustee’s report)	47
Actuary’s Certification of Schedule of Contributions	49
Appendix 1: Implementation Statement (forming part of the Trustee’s report)	50

Next Pension Trustees Limited – annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Trustee Directors and Advisers

Principal Employer

Next Holdings Limited
Desford Road
Enderby
Leicester
LE19 4AT

Participating Employers

Next Retail Limited
Next Distribution Limited
Next Manufacturing Limited
Lipsy Limited

All the above are registered at:

Desford Road
Enderby, Leicester
LE19 4AT

Next Sourcing Limited
14th floor, Cityplaza One
1111 King's Road
Taikoo Shing
Hong Kong

Trustee

Next Pension Trustees Limited

Directors of the Trustee

The Law Debenture Pension Trust Corporation plc
A C Jones
J Stevenson
M Hemsworth
L House
A Reay (Resigned 21 November 2023)

Secretary to the Trustee

S Anderson (Resigned 30 January 2023- Reappointed 19 Feb 2024)
I Blackwell (Appointed 30 January 2023 – Resigned 19 Feb 2024)

Head of Pensions

M O'Connor

Pensions Operations Manager

C Hughes

Actuary

N Brougham FIA Mercer Limited

Auditor

KPMG LLP

Investment Managers

Columbia Threadneedle Investments (formerly BMO Global Asset Management) until March 2023
Patrizia until December 2023
Legal & General Investment Management Limited
abrdrn plc (name changed from Standard Life Aberdeen plc) until January 2024

Annuity Providers

Just Retirement Limited
Pensions Insurance Corporation (from 25 January 2024)

Investment Consultants

Lane Clark and Peacock LLP

Banker

Barclays Bank plc

Solicitor

Gowling WLG LLP

Herbert Smith Freehills LLP

Administration Office

Next Pension Trustees Limited
Desford Road
Enderby
Leicester
LE19 4AT email: pensions@next.co.uk

L&G Master Trust

Legal and General
Ground Floor
Knox Court
10 Fitzalan Place
Cardiff CF24 0EB

Enquiries

Enquiries about the Next 2013 Plan generally, or about an individual's entitlement to benefit, should be addressed to the Pensions Operations Manager at the administration office (Next Pensions Trustees Limited, Desford Road, Enderby, Leicester LE19 4AT), where a copy of the Trust Deed and Rules can be obtained upon request.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee

The Trustee presents its annual report on the 2013 Next Group Pension Plan ('the Next 2013 Plan'), together with the financial statements of the Next 2013 Plan for the year ended 30 September 2023.

Introduction

Constitution of the 2013 Next Group Pension Plan (Next 2013 Plan)

The Next 2013 Plan is constituted as a Trust. The Trustee of the Next 2013 Plan is Next Pension Trustees Limited.

The Trustee holds Next 2013 Plan funds in the Trust to apply them for the purpose of paying pensions and other benefits in accordance with the Trust Deed and Rules.

From January 2022 the Defined Contribution Section and Money Purchase Top-up Section transferred to Legal and General Workplace Pensions Master Trust. During the year, the Next 2013 Plan only had members in the Defined Benefit Section.

Management of the Next 2013 Plan

The Directors of the Trustee comprise of Employer Nominated Directors and Member Nominated Directors (MNDs). Andrew Reay (resigned 21 November 23) and Martin Hemsworth are MNDs. Martin Hemsworth's term is due to end on 31 May 2024 and an MND recruitment process is planned to be undertaken in 2024 to replace Andrew Reay and Martin Hemsworth. An MND can only be removed from office by the other Directors but will be automatically removed if (in the case of an MND who on appointment is an active member) they cease to be employed by the Next Group of companies for reasons other than immediate retirement or they are employed by a company which Next Holdings Limited regards as a competitor. Next Holdings Limited can remove its appointees or the Chair at any time.

The Law Debenture Pension Trust Corporation plc, represented by Vicky Paramour, is appointed as Chair.

During the year the Trustee held 7 full Board meetings. All decisions are taken by simple majority with the Chair having the casting vote. The Trustee has established four committees which review detailed issues within the Next 2013 Plan; an Administration and Benefits Committee, which meets monthly, an Investment Committee, an Audit and Risk Committee, and a Buy Out Working Group. Each Committee reports into the full Board. In 2023, the Trustee also set up a Trustee Working Group Committee which was established to progress a special project. The Trustee has delegated the day-to-day management and operation of the Next 2013 Plan's affairs to professional organisations as set out on page 3.

Next Pension Trustees Limited is the Trustee for both the Next Group Pension Plan and the 2013 Next Group Pension Plan.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

GMP Equalisation

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Next 2013 Plan and is actively considering the most suitable courses of action to address the requirements.

In addition, on 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee has appointed Buck Limited to assist it with considering its next steps in relation to the 2018 judgement. The Plan has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee is currently agreeing its approach for these cases.

Transfers

The Trustee adopts a scheme specific cash equivalent transfer value routine in accordance with the Occupational Pensions Schemes (Transfer Values) Regulations 1996. Transfer values reflect the returns which might be expected from holding the Next 2013 Plan's assets, namely a mix of equities, property infrastructure investments and bonds. Discretionary increases are allowed for in Transfer Values on pensions accrued before 6 April 1997 in excess of the Guaranteed Minimum Pension, at an assumed rate of 1.5% p.a. Where members belong to historic sections of the Next 2013 Plan with guaranteed increases to this element of pension, the guaranteed level is allowed for. No other discretionary practices are allowed for. Transfer values are paid in full.

Late contributions

The Trustee was made aware by its auditor, KPMG, on 8 February 2023 of a breach of its Schedule of Contributions as part of the work undertaken for the Plan audit for the period to 30 September 2022. The late contributions also impacted the early months into the audit period ending 30 September 2023.

The Company reviewed its schedule of payments and concluded that contributions for future service during part of 2022 and 2023 year ends were not all paid in line with the date required under the Schedule of Contributions and that this represented a breach of the Schedule of Contributions. The Trustee was observing the legislative deadline rather than the deadline specified in the Plan's Schedule of Contributions.

In terms of how these linked contribution breaches impacted on the Plan for the year ended 30 September 2023, employer normal contributions of £58,639 in respect of October 2022 were paid 3 days later, and £57,876 in respect of December 2022 were paid 1 day late, in each case by reference to the date for payment required under the Schedule of Contributions in force during the year. In addition, employee normal contributions of £1,139 in respect of December 2022 were paid 1 day later than required under the Schedule of Contributions in force during the year.

Following the discovery of the late payment of contributions in February 2023 and an investigation of the underlying causes, the Company has put processes in place to ensure that all future service contributions are made in advance of the 19th of the following month as is required by the Schedule of Contributions. This new process includes monthly reporting to the Trustee at its monthly Administration and Benefits Committee meeting providing details to support the payments. There have been no further late payments of contributions.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Having sought advice from its respective legal advisers and considered the full circumstances relating to the late payments, both the Trustee and the Company are of the opinion that the circumstances of this breach would not be deemed material to The Pensions Regulator and that no loss has been suffered by the members.

Late SIP publication

The Trustee was made aware of a breach of its publication requirement regarding its Statement of Investment Principles (SIP) as part of the work undertaken for the pension scheme audit for the period to 30 September 2023.

Following this discovery that an addendum to the SIP dated September 2023 had not been disclosed on the member website, action was taken immediately and the document uploaded without delay. An investigation of the underlying cause for the failure was undertaken, and the in house services team (provided by the Company) has put processes in place to ensure that all future SIPs and associated documents (along with all other documents which the Trustee is legally required to publish online) will be published online without delay upon Trustee approval. Furthermore, a report was provided to the Trustee at its monthly Administration and Benefits Committee confirming publication.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Financial development of the Next 2013 Plan

The Financial Statements of the Next 2013 Plan for the year ended 30 September 2023, as set out on pages 26 to 42 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995. A summary of the Next 2013 Plan's Financial Statements is set out in the table below.

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	Total	Total
	2023	2023	2023	2023	2022
	£'000	£'000	£'000	£'000	£'000
Member related income	7,769	-	-	7,769	11,870
Member related payments	(16,637)	(3)	-	(16,640)	(21,825)
Net (withdrawals)/ additions from dealings with members	(8,868)	(3)	-	(8,871)	(9,955)
Net returns on investments	(88,439)	-	-	(88,439)	(238,087)
Transfer to other schemes	-	-	-	-	(221,126)
Net (decrease)/increase in fund	(97,307)	(3)	-	(97,310)	(469,168)
Net assets at start of year	692,024	14	-	692,038	1,161,206
Net assets at end of year	594,717	11	-	594,728	692,038

Defined Benefit Section

During the year, member related income amounted to £7.8m compared to £11.9m in the prior year. Member related payments decreased to £16.6m compared to £21.8m in the prior year. The net returns on investments comprised a decrease in market value of investments of £91.6m (2022: £247.1m decrease). The net assets of the Defined Benefit Section amounted to £594.7m at 30 September 2023 (2022: £692.0m).

Money Purchase Top-up Section

The Money Purchase Top-up Section members transferred to the Legal & General Master Trust Member in January 2022. A cash balance remains within the Money Purchase Top-up bank account, there is circa £11,000. This relates to funds received from the Employer to cover administrative expenses, no funds are related to members.

Defined Contribution Section

The Defined Contribution Section transferred to the Legal & General Master Trust in January 2022.

Actuarial review

The Financial Statements set out on pages 26 to 42 do not take into account the liabilities to provide pension benefits which fall due after the year end. In respect of the Defined Benefit Section, these liabilities are considered by the Next 2013 Plan Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Defined Benefit Section and the level of contributions payable.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

An actuarial valuation of the Next 2013 Plan was undertaken as at 30 September 2022. The valuation was performed under the scheme specific funding requirements. The result of the valuation was that the funding level of the Next 2013 Plan had increased, on a Technical Provisions basis, to 114% compared to 98% at the previous valuation (30 September 2019).

Based on the previous 2019 valuation, the Company has made annual contributions to meet the cost of future benefit accrual as outlined in last years' Trustee Report and accounts.

Under the previous 2019 actuarial valuation, there was flexibility for the Company's advanced annual contribution for 2023 to be based on 38% p.a. of 2012 Frozen Basic Salaries for the whole of 2023, rather than reflecting the step up to 47% p.a. for the last 3 months of 2023. The 2023 Company contributions, combined with the advanced payment of the 2024 Company contributions of £5m (received in June 2023) are sufficient to fund this difference and therefore no further Company contributions are required to fund this step up in rate in 2023.

The 2022 valuation resulted in the actuary recommending that the Company should pay regular contributions to the Next 2013 Plan at the rate of 26.8% of members' Frozen Basic Salary at 31 October 2012 from 1 January 2024 (which was advance paid in June 2023 as noted above).

The assumptions used by the Trustee for the 30 September 2022 valuation were:

Pay increases for pension purposes	NIL
Pension increases in respect of pre April 1997 excess over GMP	NIL
Discount rate to 30 September 2027	4.09% pa
Discount rate from 1 October 2027	3.94% pa
Mortality improvements	SAPS Series 3 All Pensioners Table with CMI 2022 projecting with a s-Kappa 7.0 and 1.75% pa long term trend
Allowance for commutation on retirement	20% of pension

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 49. In addition, as required by FRS 102, the Trustee has included the Report on Actuarial Liabilities on page 47, which forms part of the report of the Trustee.

The next triennial actuarial valuation is due as at 30 September 2025.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Membership

The membership of the Next 2013 Plan at the beginning and end of the year and changes during the year are set out below.

Active members	
	Defined Benefit Section
Active members at 1 October 2022	607
Prior Year adjustments	(4)
Leavers and exits during the year:	
■ Retirements*	(34)
■ Left employment	(12)
Contributory membership at 30 September 2023**	557

Pensioner members	
	Defined Benefit Section
Pensioners at 1 October 2022	1,361
Prior year adjustments	9
New pensioners in year resulting from:	
■ Active to pensioner	34
■ Deferred to pensioner	133
■ New dependants	10
Cessation of benefits:	
■ Deaths	(10)
■ Lump sum payments	(4)
In payment at 30 September 2023	1,533

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Undecided members	
	Defined Benefit Section
Undecided members at 1 October 2022	10
At 30 September 2023	10

Deferred members	
	Defined Benefit Section
Deferred pensioners at 1 October 2022	2,439
Prior year adjustments	(7)
Active to deferred pensioners	12
Cessation of deferred pensions resulting from:	
■ Deaths	(2)
■ Retirements	(133)
■ Deferred pensioners transferring benefits	(2)
At 30 September 2023	2,307

As at 30 September 2023, total membership of the Defined Benefit Section was 4,407. Included within the DB section are 694 pensioners and dependants whose benefits are provided by annuities (2022: 696).

Defined Benefit Section undecided members are leaver's pre 2003 who left with an entitlement to a refund which is yet to be claimed.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Pension increases

Pension increases in respect of pensionable service before 6 April 1997 are discretionary and, apart from Alfred Preedy & Son and Combined English Stores whose pensions carry an element of guarantee, are not guaranteed under the rules of the Next 2013 Plan. However, pensions earned in respect of pensionable service since 6 April 1997 are subject to guaranteed increases once in payment. The Rules of the Next 2013 Plan were amended from 5 April 2005 so that in accordance with the Pensions Act 2004, defined benefit pensions which relate to pensionable service after 5 April 1997 will be guaranteed to increase when in payment in line with the annual Retail Prices Index (RPI) to the September prior to the increase being awarded, up to a maximum in any year of:

- 5.0% for pensionable service after 5 April 1997 and before 6 April 2005.
- 2.5% for pensionable service after 5 April 2005.

Guaranteed Minimum Pensions (GMPs) form part of a member's pension once the pensioner attains age 60 (for a woman) or 65 (for a man) and represent the equivalent of the pension foregone in the former State Earnings Related Pension Scheme (SERPS) as a result of the Next 2013 Plan being contracted-out of SERPS. Once in payment, GMPs in respect of pensionable service prior to 6 April 1988 are not subject to any increase via the Next 2013 Plan but are protected against increases in inflation by additional payments to the member's state pension. GMPs accrued between 6 April 1988 and 5 April 1997 have a limited guarantee within the Next 2013 Plan; the first 3.0% increase in inflation must be paid by the Next 2013 Plan. The Trustee can award discretionary increases above any of these guarantees. In July 2010, the government announced that the inflationary measure for all state benefits and GMP revaluation within occupational pension schemes would change from RPI to the Consumer Prices Index (CPI).

In October 2022, the Trustee met to consider the increases to be applied to defined benefit pensions in payment with effect from 1 December 2022. The Trustee determined that a discretionary increase of 5% would be applied for all tranches of non GMP pension. All legislative increases were made as required.

Deferred pensions have been increased in line with statutory requirements (CPI) this year.

All increases were in accordance with the Trust Deed and Rules of the Next 2013 Plan or legislative requirements.

Custody

Investment managers appointed by the Trustee have their own custody arrangements in place. Each custodian is responsible for the safe-keeping of share documentation relating to the ownership of listed investments. The Trustee is responsible for ensuring that the Next 2013 Plan's assets continue to be held securely.

Investment management

The Trustee sets the investment strategy for the Scheme after taking advice from the Plan's investment consultant. The Trustee has put in place investment mandates with its investment managers which implement this strategy. These investment managers are third-party appointments chosen following advice from the Trustee's investment consultant.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

In accordance with section 35 of the Pensions Act 1995, a Statement of Investment Principles (“SIP”) has been produced by the Trustee following consultation with the Employer. The SIP was last reviewed and updated in March 2024. The Trustee reviews the SIP at least once every three years, and after any significant change in investment strategy. A copy of the latest SIP and any addendum is available online at <http://www.nextpensionscheme.co.uk/>.

The overriding objective of the Trustee is for the Next 2013 Plan to provide sufficient returns from current and future investments to secure Next 2013 Plan benefits as set out in the Deed and Rules. As a consequence, investments are selected, retained and realised in accordance with the Trustee’s investment strategy, as advised to the investment managers, on the basis of financially material considerations in order to achieve this overall objective. The Trustee ensures that investment managers have appropriate knowledge and experience to undertake the management of the Next 2013 Plan portfolio. The Trustee recognises that over the time horizon of the Next 2013 Plan, ESG factors including climate change could impact investment performance.

The Trustee has considered the extent to which non-financial matters, including ESG factors, should be taken into account in the selection, retention and realisation of investments. As noted above, the Trustee believes that its overriding responsibility is to act in the best financial interests of the Next 2013 Plan members and, accordingly, it does not propose to develop any specific policies considering non-financial matters in setting the investment policy.

The Trustee has limited influence over managers’ investment practices because all of the Next 2013 Plan’s assets are held in pooled funds, but it encourages its managers to improve their practices where appropriate.

The Trustee’s view is that the fees paid to the investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high-quality service that meets the stated objectives, guidelines and restrictions of the fund. However, in practice, managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement and portfolio turnover.

The main investment objective of the Defined Benefit Section is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet the benefits of the Defined Benefit Section payable under the Trust Deed and Rules as they fall due. A further objective is that the Next 2013 Plan’s funding position (i.e. the value of the assets relative to the assessed value of the liabilities) should remain at an appropriate level.

The Trustee has set the investment strategy for the Defined Benefit Section taking into account considerations such as the strength of the Employer covenant, the duration of liabilities and the funding agreed with the Employer. The investment strategy is set out in its Statement of Investment Principles (SIP) dated March 2024.

The investment objectives of the Plan are set by the Trustee, in consultation with the Employer. Within the context of these risk and return objectives, the Trustee, taking advice from the Plan’s investment consultants, decides on the overall allocation of assets between various asset classes, and selects the appropriate managers within each asset class. The strategic allocation as at 30 September 2023 is as follows: 10% for global equity, 7% listed infrastructure, and 83% for bonds and gilts. These are classified into categories referred to as growth assets and matching assets. The Trustee de-risked the investment strategy over the 12 months to 30 September 2023, removing the strategic allocation to property and equity-linked bonds whilst increasing the allocation to gilts and corporate bonds. The Trustee has submitted a redemption instruction in relation to the abrdn Long Lease Property Fund, and this was redeemed in full on 12 January 2024.

In 2018, the Trustee entered into a buy-in contract with Just Retirement Ltd to insure the pensions in payment for a proportion of the pensioner members.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Details of the Investment managers

Legal & General – Sterling Liquidity Fund and gilts

The Plan holds part of the non-insured invested assets in the L&G Sterling Liquidity Fund and part in fixed and index-linked gilts funds. The assets in the fixed and index-linked gilts funds are held with an aim to match the potential additional liabilities that may be secured with the buy-in provider PIC.

The L&G Sterling Liquidity Fund is a pooled fund invested in very high quality, liquid money market instruments and deposits to achieve a short term cash return in line with money market rates.

Legal & General is responsible for custody of the assets of the fund. Responsibility is delegated to HSBC for the corporate bond and gilt funds and to Citibank for the global equity funds. The Trustee does not have a direct relationship with the custodians.

The Trustee has entered into an insurance policy with Legal & General Assurance (Pensions Management) Limited to manage the Plan's assets. Investment management of these assets is delegated to Legal & General Investment Management. The insurance policy sets out details of the terms under which the Plan's assets are managed.

Just Retirement Limited & Pensions Insurance Corporation – Bulk annuity contracts

The Plan previously entered into a bulk annuity contract (also known as a buy-in) with Just Retirement Limited. The objective of the bulk annuity contract is to insure the benefit payments of a proportion of the Plan's pensioner liabilities.

In January 2024, the Plan entered into a second bulk annuity contract with PIC, which covers the remaining benefits payable to all the Plan's members. The objective of each policy is to match the Plan's benefit payments relating to those pensions covered by the terms of the policy.

The annuity policies are "buy-ins" and therefore remain assets of the Plan. Holding these policies reduces the Plan's exposure to interest rate, inflation and longevity risks thereby protecting the long-term financial security of members' benefits.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Actual allocations at the year-end are shown below:

	2023	2022
	%	%
Growth Assets	25	41
Matching Assets	75	59
	100	100

The nature and disposition of the investments are set out below, together with the actual allocation of investments at 30 September 2023, with pooled investment vehicles analysed by underlying economic exposure.

Asset Class	Pooled Investment Vehicles	Other	Total	%
	£000	£000	£000	
Growth Assets:				
■ Equities (UK and overseas)	106,512	-	106,512	20.0
■ Property	27,775	-	27,775	5.3
Matching Assets:				
■ Bonds	142,976	-	142,976	26.9
■ Gilts	254,117	-	254,117	47.8
■ AVCs *	-	1	1	-
Total	530,380	1	531,381	100.0

* legacy AVC fund held with Santander in relation to one member of the Alfred Preedy Pension Scheme.

Excludes investments relating to the Just Retirement Limited Buy-in, see note 12.

The Pooled Investment Vehicles (PIVs) managed by Legal & General Investment Management Limited (LGIM) are priced and traded weekly. Any withdrawals from the PIV are made in line with the disinvestment policy.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

1. Investment performance

The performance of the investment managers is reviewed periodically at the Trustee's meetings. The following table shows the performance of the Plan's invested assets (excluding Trustee bank account and buy-in insurance policies) over the one, three and five year periods to 30 September 2023, based on the performance of the investment managers, after the deduction of fees.

	One year (%)	Three years (% pa)	Five years (% pa)
2013 Next Plan	-13.9	-12.0	-4.5
Benchmark	-13.7	-12.6	-4.7

The following table shows the performance of the Plan's investment managers by mandate, after the deduction of fees, over the one, three and five year periods to 30 September 2023.

Fund	One year (%)		Three years (% pa)		Five years (% pa)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
L&G World (ex UK) Developed Equity Index	11.9	12.1	10.2	10.3	9.1	9.2
L&G Low Carbon Global Equity	10.7	10.3	n/a	n/a	n/a	n/a
Patrizia Low Carbon Core Infrastructure Fund	5.4	-4.1	n/a	n/a	n/a	n/a
abrdn Long Lease Property	-24.1	-13.8	-4.0	-0.6	-0.5	1.2
L&G AAA-AA-A Corporate Bond Over 15 Year Index	-0.2	0.1	-16.1	-16.1	-5.5	-5.5
L&G Over 15 Year Index-Linked Gilts Index	-26.6	-26.6	-22.0	-22.0	-10.1	-10.1
L&G Fixed Interest Gilts Portfolio	-18.2	-18.2	-23.4	-23.4	-	-

Please note the following in relation to the performance shown:

- The Plan first invested in the L&G Low Carbon Transition Global Equity Index Fund on 10 May 2021 and so three and five year figures are not available.
- The Plan first invested in the Patrizia Low Carbon Core Infrastructure Fund on 20 July 2022 and so three and five year figures are not available.
- The benchmark figures shown for the abrdn property fund are the MSCI/AREF Long Income UK Property Index return. This is a more relevant comparator than the gilts and inflation-based benchmarks this fund uses.
- The Plan was previously invested in an over 15-year fixed interest gilts fund from 9 September 2019 until 15 June 2021, at which point, to achieve a better match to the Plan's liability profile, this was switched to a range of single stock gilt funds. The performance shown in the table above combines the over 15-year fund and single stock gilts portfolio track records. The five year performance figures are not available given the inception date.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

The following investments represent >5% of total net assets:

	2023	2023	2023	2022	2022	2022
	%	£	UNITS	%	£	UNITS
Just Retirement Buy In	9.7	57,500,000	-	9.2	63,900,000	-
L&G AAA AAA Bonds > 15 year	24.0	142,975,835	67,752,711	8.1	55,791,913	26,417,876
L&G >15 Year Index Linked Gilts	24.9	148,020,337	81,462,792	26.5	183,269,001	74,054,664
L&G 2055 Gilt Fund	7.3	43,519,368	26,509,367	7.4	51,098,396	26,509,367
L&G 2060 Gilt Fund	5.5	32,919,230	-	5.8	40,253,101	23,171,786
L&G LPI Income Property Fund	-	-	-	7.9	54,949,243	20,853,919
L&G Low Carbon Global Equity	8.2	49,028,741	44,864,836	6.4	44,286,034	44,864,836
Fidante	7.7	45,856,379	489,500	6.4	44,593,468	489,500
Standard Life	-	-	-	5.5	38,295,843	27,420,853

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Investment Principles

The Trustee has established and practiced the following investment principles over the reporting year. These principles are set out in the Next 2013 Plan's SIP.

Trustee's policies in relation to voting rights

The Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

The Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and Environmental, Social and Governance ("ESG") factors.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but it does engage with current and prospective investment managers on matters including ESG and stewardship. The Trustee expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with its policies on stewardship, considering the long-term financial interests of the beneficiaries. The Trustee expects the managers to communicate their policies on stewardship to it from time to time and provide the Trustee with reporting on the results of their engagement and voting activities regularly, and at least once a year.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time we review how these are implemented in practice.

Trustee's policies on environmental, social and governance ("ESG") and ethical factors

The Trustee has considered how environmental, social, governance ("ESG") considerations (including but not limited to climate change) should be addressed in the selection, retention, and realisation of investments, given the time horizon of the Plan and its members.

The Trustee influences the Next 2013 Plan's approach to ESG and other financially material factors through its investment strategy and manager selection decisions. The Trustee expects its investment managers to take account of financially material factors (including climate change and other ESG factors) within the parameters of the mandates they have agreed with the Trustee. The Trustee seeks to appoint managers that have the skills and processes to do this, and periodically review how the managers are taking account of these issues in practice.

Whilst the Trustee notes that it has limited influence over managers' investment practices where assets are held in pooled funds, it encourages managers to improve their practices within the parameters of the fund. Within each asset class, the Trustee considered investment options that give increased weight to ESG factors. The Trustee has chosen to invest part of the equity allocation in a passively managed fund that tracks a market index of equity stocks with reduced exposure to climate-related risks and increased exposure to climate-related opportunities.

The Trustee does not explicitly consider any non-financial matters (i.e. matters relating to the ethical and other views of members and beneficiaries, rather than considerations of financial risk and return) in the selection, retention, and realisation of investments.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Trustee's policy on the implementation of asset manager arrangements

Before investing in any manner, the Trustee obtains and considers proper written advice from its investment consultant as to whether the investment is satisfactory, having regard to the need for suitable and appropriately diversified investments.

The Trustee has limited influence over managers' investment practices because all of the Next 2013 Plan's assets are held in pooled funds, alongside other pension plan investors. However, the Trustee encourages its managers to improve their practices within the parameters of the fund they are managing.

The Trustee's view is that the fees it pays to its investment managers, and the possibility of their mandate being terminated, ensure they are incentivised to provide a high quality service that meets the stated objectives and guidelines of their fund. However, in practice managers cannot fully align their strategy and decisions to the (potentially conflicting) policies of all their pooled fund investors in relation to strategy, long-term performance of debt/equity issuers, engagement, and portfolio turnover.

It is the Trustee's responsibility to ensure that the managers' investment approaches are consistent with its own policies before any new appointment and to monitor, and consider terminating, any arrangements that appear to be investing contrary to those policies. The Trustee expects investment managers to make decisions based on appropriate timeframes for each mandate, and to engage with issuers of debt or equity to improve their performance (or where this is not appropriate to explain why). The Trustee assesses this when selecting and monitoring managers.

The Trustee evaluates investment manager performance over both shorter and longer term periods as available. Except in closed-ended funds where the duration of the investment is determined by the fund's terms, the duration of a manager's appointment will generally depend on strategic considerations and the outlook for future performance.

The Trustee's policy is to evaluate each of the Plan's investment managers by considering performance, the role it plays in helping to meet the Plan's overall long-term objectives, taking account of risk, the need for diversification and liquidity and value for money.

The Trustee recognises that portfolio turnover and associated transaction costs are a necessary part of investment management. Since the impact of these costs is reflected in performance figures used in our assessment of the investment managers, the Trustee does not explicitly monitor portfolio turnover. The Trustee expects its investment consultant to incorporate portfolio turnover and resulting transaction costs as appropriate in its advice on the Plan's investment mandates.

Additional Voluntary Contributions (AVCs)

The Next 2013 Plan provides for members to pay Additional Voluntary Contributions (AVCs) to increase their benefit entitlement at retirement. AVCs for the Defined Benefit Section are invested separately in the Defined Contribution Section held with Legal and General Investment Management.

Investment management

The overall management of the Trustee's investments is the responsibility of the Trustee. However, the day-to-day management of the Plan's asset portfolio is the responsibility of the investment managers, who operate within the guidelines of their specific mandates.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Annual report of the Trustee (continued)

Arrangements with investment managers

In broad terms, the investment managers are responsible for:

- managing their respective portfolios, within the guidelines agreed with the Trustee;
- providing the Trustee with regular information concerning the management and performance of its respective portfolios; and
- having regard to the provisions of Section 36 of the Act insofar as it is necessary to do so.

The Next 2013 Plan uses LCP to implement its investment policies. The Trustee ensures that, in aggregate, its portfolio is consistent with the policies set out in this Statement, in particular those required under regulation 2(3)(b) of the Occupational Pension Schemes (Investment) Regulations (2005).

The Trustee will also ensure that the investment objectives and guidelines of any particular pooled vehicle are consistent with its policies, where relevant to the mandate in question. These considerations also apply in the appointment process of new investment managers and arrangements.

To maintain alignment, Investment managers are provided with the most recent version of this Statement of Investment Principles on a regular basis to ensure managers are aware of the Trustee's expectations regarding how the Next 2013 Plan's assets are being managed.

Should the Trustee's monitoring process reveal that an investment manager's fund is not aligned with the Trustee's policies, the Trustee will engage with the investment manager to ascertain the reasons for this and whether closer alignment can be achieved. This monitoring process includes, but is not limited to, specific consideration of the sustainable investment/ESG characteristics of the fund and the investment manager's engagement activities. If, following engagement, it is the view of the Trustee that the degree of alignment remains unsatisfactory, the Trustee may consider alternative options available in order to consider terminating and replacing the investment manager.

For most of the Next 2013 Plan's investment funds, the Trustee expects the investment managers to invest with a medium to long time horizon, and to use their engagement activity to drive improved performance over these periods. The Trustee may select certain investment funds where such engagement is not deemed appropriate, due to the nature of the strategy and/or the investment time horizon underlying decision making.

The Trustee appoints its investment managers with an expectation of a long-term partnership, which encourages active ownership of the Next 2013 Plan's assets. When assessing an investment manager's performance, the focus is on longer-term outcomes, and the Trustee would not expect to terminate an investment manager's appointment based purely on short term performance. However, an investment manager's appointment could be terminated within a shorter timeframe due to other factors such as a significant change in business structure or the investment team.

Self-investment

At 30 September 2023 the 2013 Next Group Pension Plan had no investment in Next plc via investments held (2022:nil). This complies with the 5% investment in own shares limit as prescribed by UK regulation.

Implementation statement

The Implementation Statement has been included as Appendix 1 and forms part of this report.

The Trustee's report including the Implementation Statement in Appendix 1 is approved by the Trustee and signed for and on behalf of the Trustee of the 2013 Next Group Pension Plan.

TCFD report

The TCFD report can be accessed via the link below. It sets out the activities and approach taken to understand and reduce the risks to the 2013 Next Group Pension Plan arising from climate change and considers the implications of a range of climate change scenarios. <https://www.nextpensionscheme.co.uk>

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

26 March 2024

V Paramour

Director, The Law Debenture Pension Trust Corporation plc

On behalf of Next Pension Trustees Ltd

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Statement of Trustee Responsibilities for the Financial Statements

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, are the responsibility of the Trustee. Pension scheme regulations require the Trustee to make available to Next 2013 Plan members, beneficiaries and certain other parties, audited financial statements for each Next 2013 Plan year which:

(i) show a true and fair view of the financial transactions of the Next 2013 Plan during the Next 2013 Plan year and of the amount and disposition at the end of the Next 2013 Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Next 2013 Plan year; and

(ii) contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice *Financial Reports of Pension Schemes*.

The Trustee has supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for:

- assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to wind up the Plan's, or have no realistic alternative but to do so; and
- making available each year, commonly in the form of a Trustee's annual report, information about the Plan's prescribed by pensions legislation, which they should ensure is fair and impartial.

The Trustee also has certain responsibilities in respect of contributions which are set out in the Statement of Trustee Responsibilities accompanying the Trustee's summary of contributions.

The Trustee is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Next 2013 Plan and to prevent and detect fraud and other irregularities.

The Trustee is responsible for the maintenance and integrity of the Next 2013 Plan and financial information included on the Plan's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023



Independent Auditor's report to the Trustee of the 2013 Next Group Pension Plan

Opinion

We have audited the financial statements of 2013 Next Group Pension Plan ("the Plan") for the year ended 30 September 2023 which comprise the Fund Account and the Statement of Net Assets (available for benefits) and related notes, including the accounting policies in Note 4.

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the Plan year ended 30 September 2023 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Plan in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The Trustee has prepared the financial statements on the going concern basis as they do not intend to wind up the Scheme, and as they have concluded that the Scheme's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Trustee's conclusions, we considered the inherent risks to the Scheme and analysed how those risks might affect the Scheme's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Trustee's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for the going concern period.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Scheme will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Trustee, as to the Plan’s high-level policies and procedures to prevent and detect fraud, as well as enquiring whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee’s minutes.

We remained alert to any indications of fraud throughout the audit.

As required by auditing standards, our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Trustee or Plan administrator may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue in a pension Plan relates to contributions receivable as paid under an agreed schedule or pre-determined by the Trustee; there are no subjective issues or judgements required.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation and unusual entries to cash. These included those posted after the first draft of the financial statements have been prepared.
 - Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the Trustee and Plan administrator (as required by auditing standards), and discussed with the Trustee and Plan administrator the policies and procedures regarding compliance with laws and regulations.

As the Plan is regulated by The Pensions Regulator, our assessment of risks involved gaining an understanding of the control environment including the Plan’s procedures for complying with regulatory requirements and reading the minutes of Trustee’s meetings.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Plan is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related pensions legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Secondly, the Plan is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation, or the loss of the Plan's registration. We identified the following areas as those most likely to have such an effect: pension's legislation data protection legislation, and, recognising the financial and regulated nature of the Plan's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustee and their delegates and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We have reported separately on contributions payable under the schedule of contributions in our statement about contributions on page 43 of the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Trustee is responsible for the other information, which comprises the Trustee's report (including the report on actuarial liabilities, implementation statement and the summary of contributions), and the actuarial certification of the schedule of contributions. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon in this report.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on this work we have not identified material misstatements in the other information.

Trustee's responsibilities

As explained more fully in their statement set out on page 21, the Plan Trustee is responsible for: supervising the preparation of financial statements which show a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to wind up the Plan, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Plan Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Plan Trustee those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan Trustee for our audit work, for this report, or for the opinions we have formed.

26 March 2024

Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Fund account

For the year ended 30 September 2023						
	Notes	Defined Benefit Section	Money Purchase Top-up section	Defined Contribution Section	Total	Total
		2023	2023	2023	2023	2022
		£'000	£'000	£'000	£'000	£'000
Contributions and benefits						
Employer normal	5	2,698	-	-	2,698	7,369
Employee normal	5	71	-	-	71	70
Employers normal - advance	5	5,000	-	-	5,000	4,419
Individual transfers in	6	-	-	-	-	12
		7,769	-	-	7,769	11,870
Benefits payable	7	(13,223)	(3)	-	(13,226)	(11,824)
Payments to and on account of leavers	8	(1,008)	-	-	(1,008)	(228,769)
Administrative expenses		(2,406)	-	-	(2,406)	(2,358)
		(16,637)	(3)	-	(16,640)	(242,951)
Net withdrawals from dealings with members		(8,868)	(3)	-	(8,871)	(231,081)
Returns on investments						
Annuity Income	9	3,531	-	-	3,531	3,378
Change in market value of investments	13	(91,639)	-	-	(91,639)	(241,033)
Investment management expenses		(331)	-	-	(331)	(432)
Net returns on investments		(88,439)	-	-	(88,439)	(238,087)
Net assets at 1 October 2022		692,024	14	-	692,038	1,161,206
Net decrease in the fund during the year		(97,307)	(3)	-	(97,310)	(469,168)
Net assets at 30 September 2023		594,717	11	-	594,728	692,038

The notes on pages 28 to 42 form part of these Financial Statements.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Statement of Net Assets (available for benefits)

At 30 September 2023						
	Notes	Defined Benefit Section	Money Purchase Top-up section	Defined Contribution Section	Total	Total
		2023	2023	2023	2023	2022
		£'000	£'000	£'000	£'000	£'000
Investment Assets:						
Pooled Investment Vehicles	11	531,381	-	-	531,381	624,671
Annuity policy	13	57,500	-	-	57,500	63,900
Total investments	13	588,881	-	-	588,881	688,571
Current assets	17	7,123	11	3	7,137	4,996
Current liabilities	17	(1,287)	-	(3)	(1,290)	(1,529)
Net assets at 30 September		594,717	11	-	594,728	692,038

The Financial Statements summarise the transactions of the Next 2013 Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Next 2013 Plan year. The actuarial position of the Defined Benefit Section, which does take account of such obligations, is dealt with in the Report on Actuarial Liabilities included on page 47 and these Financial Statements should be read in conjunction with that Report.

Signed for and on behalf of the Trustee of the 2013 Next Group Pension Plan on 26 March 2024.

V Paramour

Director, The Law Debenture Pension Trust Corporation plc

On behalf of Next Pension Trustees Ltd

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (forming part of the Financial Statements)

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the guidance set out in the Statement of Recommended Practice (Revised 2018).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as they believe that the Next 2013 Plan has adequate resources to meet obligations as they fall due for at least the next twelve months from the approval of these financial statements. In reaching this conclusion, the Trustee considered the impact of the current economic conditions on the Plan and on Principal Employer Next Limited.

Following this assessment, the Trustee concluded it was appropriate to prepare the financial statements on a going concern basis.

2. Identification of the financial statements

The Next 2013 Plan is established as a trust under English law. The address for enquiries to the Next 2013 Plan is included in the Trustee's Report.

3. Valuation of Annuity policies

Buy-in policies purchased in the name of the Trustee which fully provide the pension benefits for certain members are included in these financial statements at the amount of the related obligation, on a basis consistent with the Next 2013 Plan's Technical Provisions as at the Net Asset date. The buy-in valuation has been calculated by the Scheme Actuary and the policies are insured by Just Retirement.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

4. Accounting policies

The principal accounting policies of the Next 2013 Plan are as follows:

- a) Investments
 - i. Investments are included at fair value.
 - ii. The Next 2013 Plan's functional and presentation currency is pounds Sterling.
 - iii. The listed investments are stated at the bid price at the date of the Statement of Net Assets.
 - iv. Pooled investment vehicles are stated at bid price for funds with bid/offer spreads, or single price where there are no bid/offer spreads as provided by the investment manager.
- b) Investment income
 - i. Interest is accrued on a daily basis.
 - ii. Income from the Annuity Policy with Just Retirement Limited is shown within Investment/Annuity Income, under Return on Investments. Investment income arising from the underlying investments of the Pooled Investment Vehicles is rolled up and reinvested within the Pooled Investment Vehicles. This is reflected in the unit price and reported within 'Change in Market Value'.
- c) Contributions
 - i. Employer additional contributions are accounted for in accordance with the agreement under which they are being paid.
 - ii. Employee normal contributions are accounted for when deducted from pay. For the Defined Contribution, Employer normal contributions which were expressed as a rate of salary were accounted for on the same basis as employees' contributions, otherwise they were accounted for in the period they were due under the Schedule of Contributions. Employer contributions are accounted for when received. Employer normal contributions were paid in accordance with the scheme rules, these are included in note 5.
 - iii. Employer deficit repair contributions are accounted for on the due dates on which they are payable in accordance with the Schedule of Contributions.
- d) Payments to members
 - i. Benefits are accounted for in the period in which they fall due for payment. Where there is a choice, benefits are accounted for in the period in which the member notifies the Trustee of his/her decision on the type or amount of benefit to be taken or, if there is no member choice, they are accounted for on the date of retirement or leaving.
 - ii. Individual transfers out are accounted for when paid which is normally when member liability is discharged.
 - iii. Refunds are accounted for when paid.
 - iv. Group transfers are accounted for in accordance with the terms of the transfer agreement.
- e) Expenses
 - i. Expenses are accounted for on an accruals basis. The Next 2013 Plan bears all the costs of administration. Direct costs are charged to the section to which they relate.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

5. Contributions receivable

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2023 Total
	£'000	£'000	£'000	£'000
Employer normal*	2,698	-	-	2,698
Employee normal	71	-	-	71
Employer normal advance**	5,000	-	-	5,000
	7,769	-	-	7,769

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2022 Total
	£'000	£'000	£'000	£'000
Employer normal*	7,369	-	-	7,369
Employee normal	70	-	-	70
Employer normal advance**	4,389	-	30	4,419
	11,828	-	30	11,858

*Salary sacrifice contributions are included within Employer normal contributions

** Employer contribution, paid in advance to meet cash flow requirements.

6. Transfers In

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2023 Total
	£'000	£'000	£'000	£'000
Transfers in	-	-	-	-

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2022 Total
	£'000	£'000	£'000	£'000
Transfers in	-	-	12	12

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

7. Benefits payable

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2023 Total
	£'000	£'000	£'000	£'000
Pensions	7,610	-	-	7,610
Commutations and lump sum retirement benefits	5,162	3	-	5,165
Purchase of annuities	-	-	-	-
Lump sum death benefits	451	-	-	451
	13,223	3	-	13,226

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2022 Total
	£'000	£'000	£'000	£'000
Pensions	6,450	-	-	6,450
Commutations and lump sum retirement benefits	3,559	81	576	4,216
Purchase of annuities	-	-	91	91
Lump sum death benefits	819	-	248	1,067
	10,828	81	915	11,824

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

8. Payments to and on account of leavers

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2023 Total
	£'000	£'000	£'000	£'000
Pension sharing orders	(2)	-	-	(2)
Individual transfers out to other schemes	1,010	-	-	1,010
	1,008	-	-	1,008

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2022 Total
	£'000	£'000	£'000	£'000
Bulk transfer out	-	36,928	184,198	221,126
Pension sharing orders	(1)	-	-	(1)
Individual transfers out to other schemes	5,878	-	1,766	7,644
	5,877	36,928	185,964	228,769

A bulk transfer took place to the Legal and General Master Trust in January 2022 this was effected by a transfer from Capita and LGIM.

9. Annuity income

	2023	2022
Defined Benefit Section	£'000	£'000
Annuity Income	3,453	3,367
Interest on cash deposits	78	11
	3,531	3,378

10. Tax

The Next 2013 Plan is a registered pension scheme for tax purposes under the Finance Act 2004. It is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

11. Pooled Investment Vehicles (PIVs)

Defined Benefit Section

The Defined Benefit Section holdings of PIVs are analysed below:

	2023	2022
	£'000	£'000
Equities	106,512	115,794
Bonds	142,976	102,713
Fixed Interest	254,118	312,914
Property	27,775	93,245
Cash	-	5
	531,381	624,671

There are no direct transaction costs for PIVs, all costs are incurred through the bid offer spread on investments within PIVs and are included in the above values.

12. Insurance policies - annuities

The Just Retirement Limited (Just) buy-in was purchased in August 2018. The purchase price of the buy-in was £94,214,491. The change in the valuation over the period to 30 September 2023 reflects the decrease in Just's liability to the Next 2013 Plan as a result of pensioner member deaths during the period and the impact of inflation assumptions, basis changes and financial conditions as at 30 September 2023. The valuation has been prepared on a Technical Provisions basis, in accordance with the Pensions Research Accountants Group (PRAG) guidelines for buy-in valuations. The market value as at 30 September 2023 reflects the remaining liability for the pensions secured by the policy in August 2018. The change in the value of the policy does not affect the ability to pay future pensions to Next 2013 Plan pensioners.

Income from the Annuity Policy with Just Retirement Limited is shown within Investment/Annuity Income, under Return on Investments.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

13. Investment reconciliation

Reconciliation of investments held at the beginning and the end of the year.

Defined Benefit Section

	Value at 1 Oct 2022	Purchases at cost	Sales Proceeds	Change in market value	Value at 30 Sep 2023
	£'000	£'000	£'000	£'000	£'000
Pooled Investment Vehicles	624,671	159,388	(167,439)	(85,239)	531,381
Insurance policies – Annuities	63,900	-	-	(6,400)	57,500
Net investment assets	688,571	159,388	(167,439)	(91,639)	588,881

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

14. Transaction costs

Included within the Defined Benefit Section purchases and sales are direct transaction costs of nil (2022: £nil) comprising fees, commissions and other transaction costs.

Transaction costs are also borne by the Next 2013 Plan in relation to transactions in Pooled Investment Vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately reported.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

15. Investment Fair Value Hierarchy

The fair value of financial instruments has been estimated using the following fair value hierarchy.

- Level 1: the unadjusted quoted price in an active market for identical assets or liabilities which the entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 which are observable (i.e. developed for the asset either directly or indirectly);
- Level 3: inputs which are unobservable (i.e. for which market data is unavailable) for the asset.

All of the Plan's invested asset are accessed via pooled funds and have been fair valued using the above hierarchy levels as follows:

	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
At 30 September 2023				
Defined Benefit Section				
Pooled Investment Vehicles	-	503,606	27,775	531,381
Insurance policies – annuities	-	-	57,500	57,500
	-	503,600	57,500	588,381

	Level (1)	Level (2)	Level (3)	Total
	£'000	£'000	£'000	£'000
At 30 September 2022				
Defined Benefit Section				
Pooled Investment Vehicles	-	624,671	-	624,671
Insurance policies – annuities	-	-	63,900	63,900
		624,671	63,900	688,571

All of the investment pooled funds held by the Plan are categorised as Level 2 with the exception of the UK Property Fund (managed by abrdn). Please note that this breakdown excludes the buy-in insurance policy and cash held in the Trustee's bank account.

The property fund allocation has been classified as level 3 reflecting that redemption rights on this fund are restricted; the Trustee had to give written notice to redeem and was placed in a queue, with the redemption taking place in January 2024, more than a year after that notice was given.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

16. Investment risks

When deciding how to invest the Plan's assets, the Trustee considers a wide range of risks, including credit risk and market risk, as defined below.

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk, defined as follows:

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in real interest rates due to market interest rates or expected inflation rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Trustee determined the Next 2013 Plan's investment strategy after taking advice from its investment consultant. The Plan has exposure to the aforementioned risks via the investments held to implement the investment strategy. The Trustee manages investment risks, including credit risk and market risk, considering the Plan's investment objectives and strategy, and the advice of its investment consultant.

Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Plan's investment managers. The Trustee monitors the performance of the strategy and associated risks, and each investment manager against its objectives and restrictions, on a regular basis.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

The Plan's assets are invested in pooled funds. The following table summarises the Next 2013 Plan's exposure to investment risks within the pooled funds. The asset values shown in the table are as at 30 September 2023 and are using the bid price where available. Figures may not sum due to rounding.

Fund	Credit risk	Currency risk	Interest rate risk	Other price risk	30 Sept 2023 £m
L&G World (ex UK) Developed Equity Index	○	●	○	●	11.6
L&G Low Carbon Transition Global Equity Index	○	●	○	●	49.0
Patrizia Low Carbon Core Infrastructure	○	○	○	●	45.9
abrdn Long Lease Property	○	○	○	●	27.8
L&G AAA-AA-A Corporate Bond Over 15 Year Index	●	○	●	○	143.0
L&G Over 15 Year Index-Linked Gilts Index	○	○	●	○	148.0
L&G Fixed Interest Gilts portfolio	○	○	●	○	106.1
Total					531.4

Key: The risk noted affects the fund significantly (●), or hardly/ not at all (○). Totals may not sum due to rounding.

Further information on these risks and the Trustee's approach to risk management is set out below.

Credit risk

The Next 2013 Plan is indirectly exposed to credit risks arising from the underlying investments held by the pooled funds, for example where they invest in corporate bonds. The only significant exposure to indirect credit risk arises from the Next 2013 Plan's investments in the L&G AAA-AA-A Corporate Bond Over 15 Year Index Fund. L&G manages credit risk by having a diversified exposure to credit issuers, and having only a limited exposure to bonds rated below investment grade.

The Next 2013 Plan is also subject to direct credit risk through its investments in pooled funds, in relation to the solvency of the custodians of the pooled funds. The role of a custodian is to ensure the safe keeping of the assets and facilitate all transactions entered into by the appointed investment managers. The Trustee is not responsible for the appointment of the custodian of the assets contained within the various pooled fund investments. The governing body of each pooled fund is responsible for appointing the custodian for that pooled fund, for the safe keeping, monitoring and reconciliation of documentation relating to the assets held in the pooled fund.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

Direct credit risk arising from pooled funds is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the assets of the custodian and the investment manager; the regulatory environments in which the pooled fund managers operate; and diversification of the Next 2013 Plan's investments across a number of pooled funds. The Trustee carries out due diligence checks on investments into new pooled funds, and on an ongoing basis monitors any changes to the operating environment of those pooled funds.

Indirect credit risk also arises in relation to underlying investments held in the abrdn Long Lease Property Fund. This fund is exposed to the credit risk relating to the underlying tenants in respect of the rental income. This risk is mitigated by holding a diverse portfolio of different types of property with exposure to a range of properties and tenants and therefore is not significant.

The Plan's holdings in L&G's gilts funds only invest in UK government bonds (gilts); therefore there is little credit risk associated with the underlying assets.

As at 30 September 2023 around 27% (2022: 9%) of the Plan's invested assets were in funds that are significantly exposed to credit risk.

Currency risk

As the Next 2013 Plan's liabilities are denominated in Sterling, any non-Sterling currency exposure (unless hedged) within the assets presents additional currency risk.

Whilst the majority of the currency exposure of the Next 2013 Plan's assets is to Sterling, the Plan is subject to currency risk because some of the Next 2013 Plan's investments are held in overseas markets. The Trustee considers the overseas currency exposure in the context of the overall investment strategy, and believes that the currency exposure that exists diversifies the strategy and is appropriate.

All of the Next 2013 Plan's pooled funds are accessed via a Sterling share class. Therefore, the Next 2013 Plan is not subject to direct currency risk. As at 30 September 2023 around 11% (2022: 11%) of the Next 2013 Plan's invested assets were in funds that are significantly exposed to currency risk via the underlying fund assets. The Next 2013 Plan's assets that are significantly exposed to indirect currency risk are the L&G World (ex UK) Developed Equity and Low Carbon Transition Global Equity Index Fund. Whilst the Patrizia Low Carbon Core Infrastructure Fund invests in non-Sterling assets, the overseas currency exposure is hedged and therefore there is no material currency risk exposure in this fund.

Interest rate risk

Interest rate risk is a material risk for the Next 2013 Plan given that movements in interest rates and inflation impact the value of the liabilities assessed in present day terms. Some of the Next 2013 Plan's assets are subject to interest rate risk (both nominal and real interest rates). However, the overall interest rate exposure of the Next 2013 Plan's assets hedges part of the corresponding risks associated with the Next 2013 Plan's liabilities. The net effect will be to reduce the volatility of the

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

funding level, and therefore the Trustee believes that it is appropriate to have exposure to interest rate risk in this manner.

The only assets the Next 2013 Plan invests in with material exposure to changes in interest rates are the L&G AAA-AA-A Corporate Bond Over 15 Year Index Fund, L&G Over 15 Year Index-Linked Gilts Index Fund, L&G 2049 Gilt Fund, L&G 2055 Gilt Fund, L&G 2060 Gilt Fund, L&G 2065 Gilt Fund and L&G 2071 Gilt Fund. As at 30 September 2023 around 75% (2022: 67%) of the Next 2013 Plan's invested assets were held in funds that are significantly exposed to interest rate and/or inflation risk.

Other price risk

The Next 2013 Plan's investments are all held in pooled funds, meaning there is no direct exposure to "other price risk" (such as movements in equity prices) but there is indirect exposure. As at 30 September 2023 around 25% (2022: 41%) of the Next 2013 Plan's assets were invested in funds or securities that are significantly exposed to other price risk. The buy in policy is also exposed to other price risk.

The Trustee monitors this risk on a regular basis, looking at the performance of the Next 2013 Plan as a whole as well as each individual portfolio. The Trustee believes that the Next 2013 Plan's assets are adequately diversified between different asset classes and within each asset class to manage this risk.

The Next 2013 Plan's assets that are exposed indirectly to the risks that market prices move for reasons other than credit risk, currencies or interest rates are:

- L&G World (ex-UK) Developed Equity Index Fund, L&G Low Carbon Transition Global Equity Index Fund and Patrizia Low Carbon Core Infrastructure Fund (which are all subject to movements in equity prices); and
- abrdn Long Lease Property Fund (which is subject to movements in property prices).

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

Legal types of pooled investment funds

A summary of the type of pooled investment vehicle arrangements is as follows:

Fund	Fund vehicle
L&G World (ex UK) Developed Equity Index	Unit-linked insurance contract
Low Carbon Transition Global Equity Index	Unit-linked insurance contract
Patrizia Low-Carbon Core Listed Infrastructure	Ireland domiciled open-ended Collective Asset-management Vehicle
abrdrn Long Lease Property	Unit-linked insurance contract
L&G AAA-AA-A Corporate Bond Over 15 Year Index	Unit-linked insurance contract
L&G Over 15 Year Index-Linked Gilts Index	Unit-linked insurance contract
L&G Fixed Interest Gilts Funds	Unit-linked insurance contract

Many fund structures (such as Open Ended Investment Companies) are a type of UCITS (“Undertakings for Collective Investment in Transferable Securities”). UCITS standards offer investors a number of protections, for example, these funds are subject to rules on the types of assets that they can invest in, diversification, liquidity, valuation, risk management, oversight and safekeeping of assets, and the fund information that is made available to investors

Employer related investments

As at 30 September 2023 there was less than 0.01% of total assets invested in Employer-related investments in the Next 2013 Plan, within the meaning of Section 40(2) of the Pensions Act 1995 and the Occupational Pension Schemes (Investment) Regulations 2005.

Concentration of investments

The note on concentration of investments is in the Trustee’s report on page 16.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

17. Current Assets and Liabilities

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2023 Total
	£'000	£'000	£'000	£'000
Cash	7,067	11	3	7,081
Contributions due	56	-	-	56
	7,123	11	3	7,137
Less sundry creditors	(1,287)	-	(3)	(1,290)
Total	5,836	11	-	5,847

	Defined Benefit Section	Money Purchase Top-up Section	Defined Contribution Section	2022 Total
	£'000	£'000	£'000	£'000
Cash	4,918	14	4	4,936
Contributions due	60	-	-	60
	4,978	14	4	4,996
Less sundry creditors	(1,525)	-	(4)	(1,529)
Total	3,453	14	-	3,467

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Notes (continued)

18. Related party transactions

Next Pension Trustees Limited is the Trustee for both the Next Group Pension Plan and the 2013 Next Group Pension Plan.

The 2013 Next Group Pension Plan has the same principal employer and Trustee as the Next Group Pension Plan.

One Director of the Trustee Company is a contributing member of the Next 2013 Plan Defined Benefit and contributions were made in accordance with the schedule of contributions. One Director of the Trustee company is a pensioner member of the Next 2013 Plan Defined Benefit Section and his benefits were also calculated in accordance with the Rules of the Next 2013 Plan. Two Directors are deferred members of the Next 2013 Plan Defined Benefit Section.

The emoluments of the Directors of the Trustee Company have been allocated on a 96:4 basis with the Next Group Pension Plan. 2023: £196k (2022: £216k, 96:4 basis).

The Employer pays expenses on behalf of the Next 2013 Plan which are recharged to the Next 2013 Plan on a monthly basis. At 30 September 2023 expense recharges due to Employer totalled £140k (2022: £43k).

19. Self-investment

At 30 September 2023 the Next 2013 Plan had no investment in Next plc via investments held (2022: £nil). This complies with the 5% investment in own shares limit as prescribed by UK regulation.

20. GMP equalisation

As explained on page 5 of the Annual Report of the Trustee, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgment arise in relation to many other defined benefit pension schemes. The Trustee is aware that the issue will affect the Next 2013 Plan and is actively considering the most suitable courses of action to address the requirements.

In addition, on 20 November 2020, the High Court handed down a second judgment involving the Lloyds Banking Group's defined benefit pension schemes. This latest judgment confirms that Defined Benefit (DB) schemes which provide GMPs need to revisit and where necessary top up historic Cash Equivalent Transfer Values that were calculated based on unequalised benefits. Again, the issues determined by the judgment arise in relation to many other defined benefit pension schemes.

The Trustee is working with its adviser Buck to assist it with considering its next steps in relation to the 2018 judgment. The Plan has experienced significant historical transfers out which will be subject to adjustment as a result of this second ruling. The Trustee is currently agreeing its approach for these cases.

21. Subsequent Events

In February 2024, the Trustee agreed to enter into an insurance contract, a buy-in annuity, with Pension Insurance Corporation. The contract was valued at approximately £509m, when it was entered into, although the final cost is not as yet known. The contract (together with an existing buy-in contract with another insurer, Just) is intended to closely match the benefit payments the Plan makes to members. The buy in policies are held by the Trustee, and the Trustee continue to be responsible for the payment of member's benefits.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023



Independent Auditor's Statement about Contributions to the Trustee of the 2013 Next Group Pension Plan

Qualified Statement about contributions

We have examined the summary of contributions payable under the Schedule of Contributions to the 2013 Next Group Pension Plan ("the Plan") in respect of the Plan year ended 30 September 2023 which is set out on page 45.

In our opinion, except for the departures described in the basis for qualified statement about contributions section of our report, contributions for the Plan year ended 30 September 2023 as reported in the summary of contributions and payable under the Schedule of Contributions have, in all material respects, been paid at least in accordance with the Schedule of Contributions certified by the Plan actuary on 29 June 2020.

Basis for Qualified Statement about Contributions

As explained in the Trustee's report on page 5;

- Employer normal contributions of £58,639 in respect of October 2022 were paid 3 days later, and £57,876 in respect of December 2022 were paid 1 day later, than required under the Schedule of Contributions in force during the year.
- Employee normal contributions of £1,139 in respect of December 2022 were paid 1 day later than required under the Schedule of Contributions in force during the year.

Scope of work

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the Schedule of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee's responsibilities set out on page 45, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee is also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan in accordance with the Schedule of Contributions.

It is our responsibility to provide a statement about contributions paid under the Schedule of Contributions to the Plan and to report our opinion to you.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

The purpose of our work and to whom we owe our responsibilities

This statement is made solely to the Plan's Trustee, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to it in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan's Trustee, for our work, for this statement, or for the opinions we have formed.

Iryndeeep Kaur-Delay
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

Date:.....

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Statement of Trustee Responsibilities in respect of Contributions

The Plan's Trustee is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a Schedule of Contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. The Plan's Trustee is also responsible for keeping records of contributions received in respect of any active member of the Plan and for monitoring that contributions are made to the Plan in accordance with the Schedule.

Late payment of contributions

As explained in the Trustee's report, on page 5, the Trustee was made aware by its auditor, KPMG, on 8 February 2023 of a breach of its Schedule of Contributions as part of the work undertaken for the Plan audit for the year ended 30 September 2022. The late contributions also impacted the early months of the 30 September 2023 Plan year. The Trustee was observing the legislative deadline rather than the deadline per Schedule of Contributions.

This resulted in late contributions for the months of October 2022 and December 2022.

Trustee Summary of Contributions payable under the Schedule in respect of the Next 2013 Plan year ended 30 September 2023

This summary of contributions has been prepared by, and is the responsibility of, the Trustee. It sets out the Employer and member contributions payable to the Next 2013 Plan under the Schedule of Contributions certified by the Plan actuary on 29 June 2020 in respect of the Next 2013 Plan year ended 30 September 2023. The 2013 Next Plan's auditor reports on contributions payable under the Schedule in the Auditor's Statement about Contributions.

Contributions payable under the Schedule in respect of the Next 2013 Plan year ended 30 September 2023	£'000s
Employer normal	2,698
Employer normal advance	5,000
Member normal	71
Total contributions payable under the Schedule (as reported by the Scheme auditor)	7,769

Reconciliation of Contributions Payable under the Schedule of Contributions to Total Contributions reported in the Financial Statements

	£'000s
Contributions payable under the Schedule (as above)	7,769
Member additional voluntary	-
Total contributions payable to the Scheme as reported in the Financial Statements	7,769

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

This summary was approved by the Trustee on 26th March 2024

Signed on behalf of Next Pension Trustees Limited

V Paramour

Director, The Law Debenture Pension Trust Corporation plc

On behalf of Next Pension Trustees Ltd

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefit members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions set by the Trustee, having consulted the Employer, and set out in the Statement of Funding Principles, which is available to members on request

The most recent full actuarial valuation of the 2013 Next Plan was carried out as at 30 September 2022. An approximate update (known as an Annual Actuarial Report) was carried out as at 30 September 2023. A summary of the results at both dates are shown below:

	30 September 2020	30 September 2021	30 September 2022*	30 September 2023
The value of the liabilities (including expenses) was	£941.5m	£887.7m	£606.7m	£515.4m
The Scheme's assets were valued at	£897.7m	£945.1m	£695.5m	£596.1m
This means there was a (shortfall)/surplus of	(£43.8m)	£57.4m	£88.8m	£80.7m
Funding level (assets divided by liabilities)	95.3%	106.5%	114.6%	115.7%

* 30 September 2022 position includes £5.75m of advance Company future service contributions.

The improvement in the funding position in percentage terms since 30 September 2022 has been due to an increase in government bond yields which has acted to reduce the liabilities, whilst a reduction in future expectations of inflation have also contributed to this. These factors also reduce the value of the assets, but to a lesser extent meaning the funding level improved.

The values above relate only to the Defined Benefit section of the 2013 Next Plan, and do not include assets or liabilities of the Defined Contributions section or of members' AVCs.

Method

The actuarial method to be used in the calculation of the technical provisions is the Projected Unit Method.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Significant actuarial assumptions

The principal assumptions that were used for the actuarial valuation as at 30 September 2022 and the actuarial report as at 30 September 2023 shown above are set out below. These were derived having regard to the Statement of Funding Principles agreed as part of the 30 September 2022 actuarial valuation.

Assumption	30 September 2020	30 September 2021	30 September 2022	30 September 2023
Discount rate to 30 September 2030	1.96% p.a.	2.42% p.a.	4.09% p.a.	5.19% p.a.
Discount rate from 1 October 2030	0.96% p.a.	1.57% p.a.	3.94% p.a.	5.04% p.a.
Pensionable earnings increases	Nil	Nil	Nil	Nil
Deferred pension revaluation				
Pre 6 April 2009 pension	2.36% p.a.	2.95% p.a.	3.11% p.a.	2.78% p.a.
Post 5 April 2009 pension	2.36% p.a.	2.50% p.a.	2.50% p.a.	2.50% p.a.
Pension increases				
Guaranteed in line with RPI up to a 5% annual maximum	3.00% p.a.	3.38% p.a.	3.44% p.a.	3.28% p.a.
Guaranteed in line with CPI up to a 3% annual maximum	1.96% p.a.	2.23% p.a.	2.24% p.a.	2.22% p.a.
Guaranteed in line with RPI up to a 2.5% annual maximum	2.04% p.a.	2.16% p.a.	2.16% p.a.	2.08% p.a.
Allowance for discretionary increases	2.04% p.a.	2.16% p.a.	2.13% p.a.	2.08% p.a.
Mortality base table				
Male pensioners	101%/103% of S3PMA for male Pensioners / Non-Pensioners			
Female pensioners	101%/ 99% of S3PFA_ middle table for female Pensioners / Non-Pensioners			
Mortality future improvements	CMI_2022 projection model with core parameters and 1.75% p.a. long-term trend			

All other assumptions are in line with the Statement of Funding Principles dated 20 December 2023.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023



Certificate Of Schedule Of Contributions

Name of the Plan

2013 Next Group Pension Plan

Adequacy of rates of contributions

1. I certify that, in my opinion, the rates of contributions shown in this schedule of contributions are such that the statutory funding objective can be expected to continue to be met for the period for which the schedule is to be in force.
2. I also certify that the rates of contributions shown in this schedule are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule and the Statement of Funding Principles.

Adherence to statement of funding principles

3. I hereby certify that, in my opinion, this schedule of contributions is consistent with the Statement of Funding Principles dated 20 December 2023.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the 2013 Next Group Pension Plan liabilities by the purchase of annuities, if the 2013 Next Group Pension Plan were to be wound up.

Signature

DocuSigned by:



512873AB378E4F0...

Name

Neil Brougham

Date of signing

20 December 2023

Qualification

Fellow of the Institute and Faculty of Actuaries

Name of employer

Mercer Limited

Address

Belvedere, 12 Booth Street, Manchester M2 4AW

Implementation Statement for the DB Section, covering the 12 months to 30 September 2023 (forming part of the Trustee's report)

The Trustee of the 2013 Next Group Pension Plan (the "Plan") is required to produce a yearly statement to set out how, and the extent to which, the Trustee has followed the voting and engagement policies in its Statement of Investment Principles ("SIP") during the period from 1 October 2022 to 30 September 2023 (the "Plan Year").

The Statement is also required to include a description of the voting behaviour during the Plan Year by, and on behalf of, the Trustee (including the most significant votes cast by Trustee or on its behalf) and state any use of the services of a proxy voter during that year.

In preparing the Statement, the Trustee has had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions ("DWP's guidance") in June 2022.

1. Introduction

The voting and engagement policies in the SIP were reviewed and updated during the Plan Year in April to reflect the DWP's stewardship guidance and the priorities agreed by the Trustee Board in relation to this. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

The Trustee has, in its opinion, followed the Plan's voting and engagement policies during the Plan Year.

2. Voting and engagement policy

As stated in the SIP, the Trustee recognises its responsibilities as owners of capital, and believes that good stewardship practices, including monitoring and engaging with investee companies, and exercising voting rights attaching to investments, protect and enhance the long-term value of investments.

Since all of the Plan's assets are invested in pooled funds, the Trustee has delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement with relevant persons such as issuers of debt and equity, stakeholders, and other investors about relevant matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest, risks and Environmental, Social and Governance ("ESG") factors.

The Trustee does not monitor or engage directly with issuers or other holders of debt or equity, but does engage with investment managers on matters including ESG and stewardship. The Trustee expects the investment managers to exercise ownership rights and undertake monitoring and engagement in line with their policies on stewardship, considering the long-term financial interests of the beneficiaries. The Trustee expects the managers to communicate their policies on stewardship and provide reporting on the results of their engagement and voting activities regularly, and at least once a year. The relevant managers' policies on stewardship are set out in this statement, as are the result of the managers engagement and voting activities.

Following the introduction of DWP's guidance, the Trustee agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. In February 2023 the Trustee Investment Committee ("IC") received training regarding the DWP's guidance on stewardship. The IC recommended and the Trustee approved setting stewardship priorities of climate change, human rights and modern slavery and corporate transparency. The Trustee has selected these as key market-wide risks and areas where they believe that good stewardship and engagement can improve long-term financial outcomes for the Plan's members.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

The priorities were communicated to the Plan's managers during the Plan Year. Furthermore, the Trustee also communicated its expectations to the managers stating they seek to appoint asset managers that have strong responsible investment skills and processes, and there is a preference for managers who are signatories to the Principles for Responsible Investment, UK Stewardship Code and Net Zero Asset Manager Initiative. The Trustee encourages the Plan's providers to sign these initiatives if not already done so.

The Trustee seeks to appoint managers that have strong stewardship policies and processes, reflecting the principles of the UK Stewardship Code 2020 issued by the Financial Reporting Council, and from time to time the Trustee reviews how these are implemented in practice.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

3. Description of voting behaviour during the Plan Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustee has delegated to its investment managers the exercise of voting rights. Therefore, the Trustee is not able to direct how votes are exercised and the Trustee has not used proxy voting services over the Plan Year. However, the Trustee monitors managers' voting and engagement behaviour on an annual basis and challenges managers where their activity has not been in line with the Trustee's expectations.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Plan's funds that hold equities as follows:

- Legal & General Investment Management ("L&G") World (ex-UK) Developed Equity Index Fund;
- L&G Passive Low Carbon Global Equity Index Fund; and
- Patrizia Low Carbon Core Infrastructure Fund;

In addition to the above, the Trustee's investment consultants contacted the Plan's other asset managers that don't hold listed equities, to ask if any of the assets held by the Plan had voting opportunities over the Plan Year. None of the other pooled funds that the Plan invested in over the Plan Year held any assets with voting opportunities.

4. 3.1 Description of the voting processes

For assets with voting rights, the Trustee relies on the voting policies which its managers have in place. However the Trustee has reviewed the manager's stewardship priorities and voting policies and believes them to be consistent with their own. While LGIM's ESG policies are wider reaching than the trustees own, they do give an appropriate focus to the Trustee's own priority area of climate, corporate transparency and modern slavery and human rights, among other matters. The Patrizia fund's focus on carbon risk management is in keeping with the Trustee's climate priority.

LGIM

"LGIM's voting and engagement activities are driven by ESG professionals and their assessment of the requirements in these areas seeks to achieve the best outcome for all LGIM's clients. LGIM's voting policies are reviewed annually and take into account feedback from its clients.

Every year, LGIM holds a stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the members of the Investment Stewardship team. The views expressed by attendees during this event form a key consideration as LGIM continues to develop its voting and engagement policies and define strategic priorities in the years ahead. LGIM also take into account client feedback received at regular meetings and/ or ad-hoc comments or enquiries.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

All decisions are made by LGIM's Investment Stewardship team and in accordance with its relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents which are reviewed annually. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company. This ensures LGIM's stewardship approach flows smoothly throughout the engagement and voting process and that engagement is fully integrated into the vote decision process, therefore sending consistent messaging to companies.

LGIM's Investment Stewardship team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM and no part of the strategic decisions is outsourced. LGIM's use of ISS recommendations is purely to augment its own research and proprietary ESG assessment tools. The Investment Stewardship team also uses the research reports of Institutional Voting Information Services (IVIS) to supplement the research reports that LGIM receive from ISS for UK companies when making specific voting decisions.

To ensure LGIM's proxy provider votes in accordance with LGIM's position on ESG, LGIM have put in place a custom voting policy with specific voting instructions. These instructions apply to all markets globally and seek to uphold what LGIM consider are minimum best practice standards which LGIM believe all companies globally should observe, irrespective of local regulation or practice.

LGIM retain the ability in all markets to override any vote decisions, which are based on its custom voting policy. This may happen where engagement with a specific company has provided additional information (for example from direct engagement, or explanation in the annual report) that allows LGIM to apply a qualitative overlay to LGIM voting judgement. LGIM has strict monitoring controls to ensure its votes are fully and effectively executed in accordance with LGIM's voting policies by its service provider. This includes a regular manual check of the votes input into the platform, and an electronic alert service to inform LGIM of rejected votes which require further action.

For more information, LGIM's policy document on the topic is available here: https://www.LGIM.com/landq-assets/LGIM/_document-library/capabilities/how-LGIM-uses-proxy-voting-services.pdf

Patrizia

"Patrizia does not consult with underlying pooled fund investors prior to voting. However, Patrizia are very open to maintaining a dialog with investors of this topic. Each voting item is reviewed by the portfolio management team, alongside relevant internal and third-party research, and each vote is considered on its merits and in the context of what Patrizia know of the company. Patrizia receive additional research and vote recommendations from ISS, based on their Socially Responsible Investment 'SRI' policy. This is one of the sources of information that is considered in the voting decision. Patrizia has considered votes related to: sustainability thematics including climate change and biodiversity, shareholder led resolutions, remuneration, and governance, particularly votes against management recommendation, to be 'most significant votes'."

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

3.2 Summary of voting behaviour

A summary of voting behaviour over the Plan Year is provided in the table below.

Fund name	L&G World (ex-UK) Developed Equity Index Fund	L&G Low Carbon Transition Global Equity Index Fund	Patrizia Low Carbon Core Infrastructure Fund
Total size of pooled fund at end of the Plan Year	£2,022m	£3,577m	£215m
Value of Plan assets at end of the Plan Year (£ / % of total assets)	£11.6m / 2.2%	£49.0m / 9.1%	£45.9m / 8.5%
Number of equity holdings at end of the Plan Year	2,759	2,861	38
Number of meetings eligible to vote	2,212	4,542	41
Number of resolutions eligible to vote	28,202	47,144	593
% of resolutions voted	99.9%	100.0%	100.0%
Of the resolutions on which voted, % voted with management	76.7%	79.5%	85.0%
Of the resolutions on which voted, % voted against management	23.1%	19.9%	13.7%
Of the resolutions on which voted, % abstained from voting	0.2%	0.6%	1.4%
Of the meetings in which the manager voted, % with at least one vote against management	81.7%	65.3%	63.4%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	16.7%	11.8%	1.5%

3.3 Most significant votes

Commentary on the most significant votes over the Plan Year, from the Plan's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria¹ for creating this shortlist.

The Trustee informed the managers of the Plan's stewardship priorities near the end of the Plan year. As a result, the Plan's managers will be able to vote with these in mind for the next Plan year. However, the significant votes displayed below are broken down into those priorities.

The Trustee has reported on two of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

L&G World (ex-UK) Developed Equity Index Fund

The Coca-Cola Company, 25 April 2023

Summary of resolution: Report on congruency of political spending with company values and priorities

Relevant stewardship priority of the Trustee: Corporate transparency

Approx size of the holding at the date of the vote 0.5%

Why this vote is considered to be most significant: Pre-declaration and Thematic - Lobbying: The Trustee believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, the Trustee expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved, which is why they set Corporate Transparency as a priority.

Company management recommendation: Against Fund manager vote: For

Rationale: L&G expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved. Whilst L&G appreciate the level of transparency Coca-Cola provides in terms of its lobbying practices, it is unclear whether the company systematically reviews any areas of misalignment between its lobbying practices and its publicly stated values. L&G believes that the company is potentially leaving itself exposed to reputational risks related to funding organisations that take positions that are contradictory to those of the company's stated values, and potentially attracting negative attention that could harm the company's public image and brand. Producing a report on the congruency of political spending with company values and priorities may help the company to identify and question its previous political spending priorities.

Outcome of the vote and next steps: Against. L&G will continue to engage with the company and monitor progress.

JP Morgan Chase & Co., 16 May 2023

Summary of resolution: Report on climate transition plan describing efforts to align financing activities with GHG targets.

Relevant stewardship priority of the Trustee: Climate change

Approx size of the holding at the date of the vote 0.8%

Why this vote is considered to be most significant: The Trustee considers that decarbonisation of the banking sector is key to ensuring that the goals of the Paris Agreement are met.

Company management recommendation: Against Fund manager vote: For

Rationale: L&G generally support resolutions that seek additional disclosures on how they aim to manage their financing activities in line with their published targets. L&G believe detailed information on how a company

¹ [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](#). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

intends to achieve the 2030 targets they have set and published to the market (the 'how' rather than the 'what', including activities and timelines) can further focus the board's attention on the steps and timeframe involved and provides assurance to stakeholders. The onus remains on the board to determine the activities and policies required to fulfil their own ambitions, rather than investors imposing restrictions on the company.

Outcome of the vote and next steps: Against. L&G will continue to engage with the company and monitor progress.

L&G Low Carbon Transition Global Equity Index Fund

Amazon.com, Inc, 24 May 2023

Summary of resolution: Report on median and adjusted gender/racial pay gaps

Relevant stewardship priority of the Trustee: Human rights and modern slavery

Approx size of the holding at the date of the vote 1.8%

Why this vote is considered to be most significant: The Trustee views gender diversity as a financially material issue.

Company management recommendation: Against Fund manager vote: For

Rationale: A vote in favour was applied as L&G expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as they believe cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy, and society.

Outcome of the vote and next steps: Against. L&G will continue to engage with the company and monitor progress.

Toyota Motor Corp., 14 June 2023

Summary of resolution: Amend articles to report on corporate climate lobbying aligned with Paris agreement

Relevant stewardship priority of the Trustee: Climate change & corporate transparency

Approx size of the holding at the date of the vote 0.3%

Why this vote is considered to be most significant: The Trustee believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health. In addition, the Trustee expects companies to be transparent in their disclosures of their lobbying activities and internal review processes involved, which is why they set Corporate Transparency as a priority.

Company management recommendation: Against Fund manager vote: For

Rationale: L&G views climate lobbying as a crucial part of enabling the transition to a net zero economy. A vote for this proposal is warranted as L&G believes that companies should advocate for public policies that support global climate ambitions and not stall progress on a Paris-aligned regulatory environment. They acknowledge the progress that Toyota Motor Corp has made in relation to its climate lobbying disclosure in recent years. However, they believe that additional transparency is necessary with regards to the process used by the company to assess how its direct and indirect lobbying activity aligns with its own climate ambitions, and what actions are taken when misalignment is identified. Furthermore, L&G expects Toyota Motor Corp to improve its governance structure to oversee this climate lobbying review. They believe the company must also explain more clearly how its multi-pathway electrification strategy translates into meeting its decarbonisation targets, and how its climate lobbying practices are in keeping with this.

Outcome of the vote and next steps: Against. L&G will continue to engage with the company and monitor progress.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

Patrizia Low Carbon Core Infrastructure Fund

Union Pacific Corp, 18 May 2023

Summary of resolution: Adopt a paid sick leave policy

Relevant stewardship priority of the Trustee: Human rights and modern slavery

Approx size of the holding at the date of the vote 2.6%

Why this vote is considered to be most significant: The Trustee considers votes related to sustainability including shareholder led resolutions, remuneration, and governance; and particularly votes against management – to be ‘most significant votes’.

Company management recommendation: Against Fund manager vote: For

Rationale: Patrizia agrees with the proponent that ‘adopting a comprehensive, permanent, and public paid sick leave policy would help make the future operating environment more equitable and mitigate reputational, financial, and regulatory risk to the company’. While the Board’s basis for rejecting the recommendation is also sound, we view this as an opportunity to convey to the company the importance of worker health and safety.

Outcome of the vote and next steps: Against. Patrizia has given no specific next steps.

Atlas Arteria, 30 May 2023

Summary of resolution: Approve grant of performance rights to Graeme Bevans

Relevant stewardship priority of the Trustee: Corporate transparency

Approx size of the holding at the date of the vote 2.6%

Why this vote is considered to be most significant: The Trustee selected this as votes related to sustainability including climate change and biodiversity, shareholder led resolutions, remuneration, and governance; and particularly votes against management recommendation – to be ‘most significant votes’.

Company management recommendation: For Fund manager vote: Against

Rationale: The proposed grant of rights under a long term incentive scheme was subject to insufficient performance hurdles, effectively allowing the granting significant performance based pay for showing up to work. Other aspect of executive remuneration was also problematic, and we also voted against the remuneration report and the granting of restricted securities.

Outcome of the vote and next steps: Against. While the long term incentive grant was passed, approval of the remuneration policy was not, which means under Australian listing rules, if the company receives less than 75% support next year, the board may face a spill. Patrizia will continue to vote against excessive CEO pay and engage where appropriate.

3.4 Manager engagement activities

The Trustee contacted the managers of the Plan’s equity assets regarding their recent engagement activities with the companies underlying their funds in relation to the Trustee’s stewardship priorities. An example has been provided for the relevant funds below.

Relevant stewardship priority of the Trustee: Climate change

L&G Low Carbon Transition Global Equity Index Fund – BP

L&G has been engaging with BP on climate change for a number of years, during the course of which L&G has seen many actions taken regarding climate change mitigation.

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

BP has made a series of announcements detailing their expansion into clean energy. These include projects to develop solar energy in the US, partnerships with Volkswagen (on fast electric vehicle charging) and Qantas Airways (on reducing emissions in aviation), and winning bids to develop major offshore wind projects in the UK and US. L&G's recommendation for the oil and gas industry is to primarily focus on reducing its own emissions (and production) in line with global climate targets before considering any potential diversification into clean energy. BP has also announced that it would be reducing its oil and gas output by 40% over the next decade, with a view to reaching net-zero emissions by 2050.

In BP's 2022 AGM, L&G were pleased to be able to support management's 'Net Zero – from ambition to action' report. Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments.

L&G continue engaging with BP on climate change, strategy, and related governance topics. L&G supported the company's 'say on climate' vote in their 2022 AGM. Having strengthened its ambition to achieve net-zero emissions by 2050 and to halve operational emissions by 2030, BP has also expanded its scope 3 targets, committed to a substantial decline in oil and gas production, and announced an increase in capital expenditure to low-carbon growth segments. Nevertheless, L&G do have some areas of concern, and remain committed to continuing constructive engagements with the company on its strategy and the implementation thereof, with a focus on both its 'downstream' targets and approach to exploration and responsible divestment.

Relevant stewardship priority of the Trustee: Human rights and modern slavery

L&G World (ex-UK) Developed Equity Index Fund – Amazon

L&G has been engaging with Amazon for a number of years and within the past couple of years, L&G has specifically focused on freedom of association. Following a decision by the US National Labor Relations Board Region (NLRB) that declared Amazon's conduct to be inappropriate and not in line with International Labour Organisation (ILO) standards, L&G requested that the company: immediately adopt a global policy of neutrality; commit to negotiate with the union in good faith, should a majority of the voting employees vote for the union in Bessemer; and initiate dialogue with the relevant trade unions at a national and global level on how Amazon can implement its labour rights commitments. L&G escalated their engagement by supporting a number of shareholder resolutions (i.e. voting against management) in the company's 2022 AGM, including resolutions requesting a third-party report on the company's human rights and due diligence process; a report on protecting the rights of freedom of association and collective bargaining; a third-party audit on working conditions, and a report on the median gender/ racial pay gap.

L&G has spoken directly with the company about L&G's voting decisions. L&G's engagement with Amazon continues, as their stated objectives have not yet been reached. L&G have joined a collaborative engagement through Share, alongside peers representing USD15trn in AUM or Advisory, to increase pressure on Amazon specifically on freedom of association, where L&G share their peers' concerns, and have therefore joined forces to strengthen their international voice.

Relevant stewardship priority of the Trustee: Climate change

Patrizia Low Carbon Core Infrastructure Fund – Fortis Inc and Pinnacle West Capital Corporation

In February 2023 Patrizia commenced correspondence with the Canadian electric utility Fortis Inc (Fortis) and the US vertically integrated electric utility company Pinnacle West Capital Corporation (PNW), engaging with them on their inclusion in the Global Coal Exit List (GCEL). Fortis and PNW were named in the latest update of the Global Coal Exit List (GCEL) based on the coal share of total power production (CSPP) of more than 20%.

Patrizia engaged with both companies to raise their listings on the GCEL and press the importance of accelerating coal fired power closures to reduce climate transition, reputational and political risk for shareholders. Patrizia also requested an update on their exposure to coal fired power generation to ascertain

Next Pension Trustees Limited - annual report and financial statements for the 2013 Next Group Pension Plan

Year ended 30 September 2023

when they expect their CSPP to drop below 20%, in order to exit the GCEL. Patrizia also requested them to provide a clear timeline of when they will completely retire all their coal fired power generation units, and their compliance with the below 2°C warming pathways.

Patrizia received a detailed, satisfactory response from both investee companies confirming their intention and ability to fully decarbonise their business (including all power generation capacity) in line with a science-based well-below 2°C warming pathway.

Fortis noted that in 2022, the company sourced 4% of its total revenues from activities related to coal-fired power generation, and it had 3% of its regulated asset base and just 1% of its total capital expenditures in coal-fired generation assets. The company has made a consistent progress over the past four years to reduce their CSPP by retiring its existing coal-fired generation and sourcing more power from renewables. Moreover, Tucson Electric Power (TEP), which is the only utility owned by Fortis with coal-fired power generation, plans to completely retire their remaining coal-fired power generation capacity with the approval of regulators as it will add 3,400 MW of wind, solar and storage through 2035.

Pinnacle West Capital Corporation also continues to comply with the below 2°C warming pathways. PNW forecasts that the company will be below 20% coal share of power production in 2023. This will further improve as the company plans to retire the 387 MW coal-fired power generation at the Cholla Power Plant in early 2025, in addition to more than 1,000 MW of coal-fired generation that has been retired already and replaced with 2,115 MW of clean energy since 2020. Furthermore, APS plans to exit from all coal-fired generation by 2031, seven years earlier than originally projected.