



YEARS

# next

CORPORATE RESPONSIBILITY REPORT  
TO JANUARY 2007

## WELCOME

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Since our first Corporate Responsibility Report was published in 2003, our understanding and awareness of the impacts our business can have on people, communities and the environment have grown considerably.

Our 2007 report is a testimony to our continued commitment to the principles of responsible business. At Next Corporate Responsibility(CR) has developed to a level where it is a key element of how we conduct our business. We believe it makes good business sense. Running our business in a responsible way means delivering value to our customers and shareholders, recruiting and retaining the best people to work for us, developing positive relationships with our suppliers and developing healthy links with communities where we operate. Together this helps us to increase the overall corporate value we are able to deliver.

In my capacity as Group Board Director with direct responsibility for the CR agenda within Next, I chair the CR Forum whose main role is to continuously evaluate our performance by identifying potential issues to the business as well as ensuring we are responding to opportunities as they are identified.

This year we have continued to work to address the social and environmental impacts of our business. Next has been an active and committed member of the Ethical Trading Initiative(ETI) since 2002 .Working with the ETI, we launched our revised supplier Code of Practice at a supplier conference in January. A key aim of the revision was to align it to the ETI Base Code, communicate our requirements more clearly and to help promote improvement. We have continued to evaluate our suppliers through an extensive audit programme, and increasingly, we are also investing our time and knowledge by working with suppliers in order they reach the standards set out in our Code.

Last year we started to increase our attention towards our impact on the environment. We are resolute in our efforts to minimise environmental impacts and derive cost savings through careful environmental stewardship whilst maintaining our business growth. We have further improved the efficiency of our Directory distribution activities, reducing CO2 emissions by 9%. We have continued to focus on how we manage waste as well as the energy we use and are encouraged with progress as it has identified potential for further improvements.

The contents of the report have been independently verified by The Reassurance Network who have also challenged us on our CR performance throughout the year. We welcome the challenge which stimulates improvements to internal management and reporting systems. You can find a copy of their report on page 36.

This report is published to communicate our performance to our employees and external stakeholders. I hope you find it both useful and informative. I also hope that we have met your expectations of us as a responsible business and would welcome any comments you may have on our approach to CR, our performance or how we can improve our report. Please see page 2 for details of where to send your comments to.

Andrew J Varley  
Group Property Director



## SCOPE OF REPORT

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This is our fourth Corporate Responsibility Report and covers the year ended 31st January 2007 and unless otherwise stated, relates to our retailing activities which account for 94.2% of our turnover. Ventura, which accounts for 5.8% of our turnover is not specifically covered in this report apart from the services it provides to Next's retailing activities.

Our Corporate Responsibility report has been created for, and is aimed at people who are interested in how we manage our social, ethical and environmental performance as a responsible company and how we respond to our stakeholders both inside and outside our business.

## We report Corporate Responsibility within five sections:

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- Our suppliers
- Our customers and product
- Our people and health and safety
- Community
- Environment

## Each section is divided into four areas to make it easier to find information :

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- context : sets the scene for the section
- data: the facts and figures
- successes : what we have been working on and achieved during the year
- opportunities : what we are targeting next

This year we have included an update on the opportunities we set ourselves last year and how we have progressed during the year .

We welcome your feedback and comments on the content of this report either through our website at: [www.nextplc.co.uk](http://www.nextplc.co.uk)

Or by writing to :

Next Group PLC  
CR Manager  
Legislation and Environment Department - Phase 6  
Desford Road  
Enderby  
Leicester  
LE19 4AT





## ABOUT NEXT

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Next is a UK based retailer offering stylish, good quality products in clothing, footwear, accessories and for the home .  
Our principle activities are retailing, home shopping and customer services management .

Our operations include:

### Next Retail

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By January 2007 we had :

- 480 stores in the UK and Republic of Ireland, including one in Denmark
- 129 Next branded franchise stores in 20 countries : Bahrain; Cyprus; Czech Republic; Gibraltar; Hungary; Iceland; India; Indonesia; Japan; Kuwait; Lebanon; Malta; Oman; Qatar; Russia; Thailand; Turkey; Saudi Arabia; Slovak Republic and United Arab Emirates

## Next Directory

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A direct mail and transactional website. Orders can be delivered directly to customers homes or to a Next store of their choice for collection. Next Directory had 2.2 million active customers by January 2007, up 3% from the previous year.

## Next Distribution

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Our warehousing and distribution arm.

## Ventura

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Provides customer service management services to companies that wish to outsource their customer administration and liaison. The call centre in Pune, India handles business on behalf of Next Directory and two other clients.

## Next Sourcing (NSL)

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Working to design, source and buy Next branded products. NSL employs 3,647 people in China, Hong Kong, Sri Lanka, Turkey, India and Romania as well as owning and operating a garment factory in Sri Lanka which manufactures exclusively for Next.



## KEY FACTS AND FIGURES

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Key facts and figures for the year ended 31st January 2007:

## ECONOMIC

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- Group turnover £3,284m
- Group profit before tax £478.4m
- Earnings per share 146p
- Dividends 49p
- Total trading space 4,835,500 square feet

## FTSE4GOOD

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- Listed in the FTSE4Good Index . The index is designed to measure performance of companies that meet prescribed standards of corporate responsibility and to facilitate investment into those companies

## OUR SUPPLIERS

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- The products we sell are produced in more than 45 countries throughout the world
- We carried out 630 audits in 21 countries against our Code of Practice
- 31 members in our global Code of Practice team

## OUR CUSTOMERS

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- An average of 328,500 transactions per day in Next Retail stores in the UK , Ireland and Denmark
- 2.2 million active Next Directory customers





## OUR PEOPLE

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- Employed 12,240 full time employees and 34,354 part time employees
- 80% of women who took maternity leave returned to work for Next
- 4,384 staff active members of Next Pension Schemes

## COMMUNITY

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- Donated £987,989 to charity and community organisations as well as sponsorship of sports and fashion organisations
- Next Charity Golf Day raised an additional £28,242

## ENVIRONMENT

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- 15,861 tonnes of cardboard and plastic recycled
- 13.2 million hangers returned from stores for re-use - saving an estimated 304 tonnes of new plastic being manufactured into new hangers
- 9% decrease in CO2 emissions per 1000 parcels delivered
- 7% decrease in energy consumption in 370 of our like-for-like stores

## PROGRESS ON OPPORTUNITIES FROM OUR 2006 REPORT

Status Code :      ✓ = achieved  
                          → = on-going  
                          ✕ = not achieved

OPPORTUNITIES IDENTIFIED IN 2006	STATUS	HOW WE HAVE PROGRESSED
OUR SUPPLIERS		
To maintain and continually improve a robust audit programme that efficiently raises risks and works with our suppliers to develop and support their on-going improvement programmes by working towards improvement based initiatives	→	This is an on-going initiative of the Code of Practice team
Work to resolve country specific long term issues by joining together with other members of the ETI	→	This is an on-going initiative of the Code of Practice team
Continue to roll out training for our employees involved in sourcing product across the company to raise awareness of the impact buying decisions can have on our suppliers and our ethical trading requirements	→	This will be fully implemented by September 2007, and will form part of a new employees induction training
Identify and participate in new best practice initiatives	→	See 'Successes' section of Suppliers for details of where we have participated
To further invest in the in-house Next COP team based in India, mainland China and the UK	✓	The global team has grown from 19 auditors to 31 auditors





OPPORTUNITIES IDENTIFIED IN 2006	STATUS	HOW WE HAVE PROGRESSED
OUR CUSTOMERS AND PRODUCT		
To develop and trial a new starter training programme for our retail employees which is to include disability awareness, and if successful implement into the business	✓	Following a successful trial the training programme was rolled out across the business from March 2007
Review how the information collected by the Customer Services teams is distributed and used within the business and identify areas for improvement	→	This is an on-going initiative within Customer Services
Work with our Franchise partners to understand and implement the Next Code of Practice within their operations	→	This process has been started and will continue during 2007
Franchise Operations Manual to be introduced and embedded with our partners in 2006	✓	This has been achieved during 2006 for all our current Franchise partners
Investigate opportunities to develop specific ranges across the business of certified organic cotton and Fairtrade certified cotton products	✓	Certified organic cotton and Fairtrade certified cotton products are being sold through our retail stores and the Next Directory
Continue to investigate and review our strategy on chemicals and dyes used during the production of our clothing to understand their environmental impact and consumer safety	→	This project is currently underway
Review our timber policy during 2006 – 2007 and work to expand its requirements to all solid wood furniture	→	This project is currently underway



OPPORTUNITIES IDENTIFIED IN 2006	STATUS	HOW WE HAVE PROGRESSED
OUR PEOPLE AND HEALTH AND SAFETY		
Continue to attract and retain the best people to work at Next	→	This is an on-going initiative within the business - see 'Our people and Health and Safety' section
Continue to listen, consult and communicate with employees over issues that affect them	→	This is an on-going initiative and is achieved through our employee forums throughout the business
To work to implement the programmes identified in our Company Safety Programme 2006 - 2008	→	This is on-going and we will report on it more fully in next years report
To develop an on-line accident reporting system in our business to improve how we collect the information relating to any incidents and accidents and report to the Health and Safety Executive	→	The development of this reporting system is now underway. We believe it will provide a high level of confidence that all accidents in the business are reported. This will allow us to focus our safety management efforts to areas of greatest need
To develop safety management processes within our manufacturing facility in Sri Lanka and take these learnings to develop our call centre in Pune, India	✓	We have developed and implemented 80% of the safety management system within our manufacturing facility in Sri Lanka, and are also undertaking this initiative in our call centre in Pune, India
COMMUNITY		
Continue to respond to and forge relationships with charities and organisations	→	Please refer to the 'Community' section of the report
Continue to support the development of Sirikandura in Sri Lanka and support the people in terms of employment potential	→	Please refer to the 'Community' section of the report



OPPORTUNITIES IDENTIFIED IN 2006	STATUS	HOW WE HAVE PROGRESSED
THE ENVIRONMENT		
Trial and monitor a new energy efficient lighting scheme that offers a reduction in energy use without affecting in-store ambience	→	New lighting scheme to be introduced in line with our new store fit during 2007. We will monitor the impact of energy use to establish the potential for further reduction
Work with partners such as the Carbon Trust and Envirowise to identify opportunities for energy and environmental efficiencies	→	During 2006 we worked with Envirowise on a project to help better understand the environmental impacts of our business. We will work to implement the positive impacts identified during 2007
To map our carbon emissions and identify opportunities for reduction throughout the business	→	This project is currently underway
Work with equipment manufacturers to trial new energy saving technologies	→	This is an on-going initiative
Equip stores with compactors and balers to aid the collection of cardboard and polythene for recycling	✓	We are rolling out reverse hauling of recyclable waste and plan to have over half of our stores participating by the end of 2007. This initiative has meant that fewer stores will need compactors and balers to be installed
Increase recycling opportunities with stores that operate with a service contract	→	Where appropriate service contract stores are now included in our reverse hauling objective
Extend the reverse hauling trial of cardboard and polythene for recycling to a central distribution centre to assess of feasible to be expanded nationally	✓	Trial has been successful and is being rolled out across the business. See 'Successes' section of Environment for more details
Review the recyclable content of waste currently sent to landfill and establish a long term business strategy and timeline to achieve zero waste to landfill	→	This project is underway and we will report on it more fully in next year's report. We aim to send no operational waste to landfill from our UK and Republic of Ireland operations
Review product packaging to identify opportunities to minimise the packaging materials used through the business	→	This is an on-going initiative within the business, and the first newly packaged products will be available during our Autumn / Winter 2007 season

# OUR SUPPLIERS

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## Context

Next Code of Practice ( COP ) is our set of ethical trading standards which form an integral part of our business. The Next COP has ten key principles which stipulate the minimum standards we require our suppliers to comply with in relation to workers rights and conditions of work including working hours and minimum age of employment, health, safety, welfare and environmental issues. It is through our COP that Next seeks to ensure all products bearing the Next Trade Mark are produced in a clean and safe environment and in accordance with all relevant local and national laws and legislation.

Next COP was first introduced in 1998, and the 5th revision was launched and issued in January of this year. Next COP is now aligned to the Ethical Trading Initiative (ETI) Base Code. The Base Code contains 9 clauses which reflect the most relevant international standards with respect to labour practices (ILO conventions).

Next became an active and committed member of the ETI in 2002. The ETI is an alliance of companies, non-governmental organisations ( NGO's ) and trade unions (TU's) working together collaboratively to promote and improve the implementation of corporate codes of practice which cover supply chain working conditions. The ultimate goal of this alliance is to ensure that the working conditions and rights of workers producing for the UK market meet or exceed international labour standards.

Next places a heavy emphasis on working with our suppliers in order to reach the standards set out in our Code. We recognise suppliers may need support to help them achieve the required standards over time, and expect our suppliers to put in place a process of continuous improvement to meet the requirements of our code. One way we achieve this is by producing and issuing the Next COP in different languages to help our suppliers understand our standards and requirements. In line with the latest revision the COP is currently being translated into Chinese, French, Turkish, Arabic, Portuguese, Sinhalese, Vietnamese, Tamil, Hindi and Kannada and will be issued to our suppliers during 2007.

We believe the best way to maintain the integrity of COP audits for suppliers who manufacture for Next is to manage the process in-house with our own team of auditors. We have five regional managers based in the UK, India, Turkey and Hong Kong who are responsible with their teams to audit the factories making Next branded products. We also have locally based members of the COP team in China, Sri Lanka, Thailand and Portugal. With the benefit of our own team we are able to work with suppliers and provide them with guidance and support to help them work towards the necessary improvements to meet our requirements.

The Next COP team carries out audits of suppliers' factories to assess how they comply with the standards and requirements laid out in our code.

An audit is the assessment method we use to check whether factories comply with our COP. A Next COP auditor attends the suppliers' factory to review their employment records, talk to factory managers, interview workers as well as visually assess working conditions and health and safety standards. This usually takes between 1-2 days depending on the size of the factory and the number of employees.

Any areas of concern are discussed with the supplier and a corrective action plan with timescales is agreed. The audit team monitor the supplier's progress and offer support to help the supplier work towards implementation and completion of the action plan to bring the factory up to the required standard of operation to comply to our Code.

Historically we have rated our suppliers following an audit using a simple three tier system. During 2006 we reviewed this and introduced a new rating system with six tiers. This is so we can more accurately measure our suppliers' performance and progress and focus the resource of the COP team where it is required most. This new rating system is intended to encourage and give recognition to suppliers by allowing them to see their progress towards compliance more clearly. It is not possible for us to audit every factory every year due to the large number of suppliers we work with. Therefore suppliers are prioritised for audit against a number of criteria, including volume of product supplied, perceived risk of the geographical location and strategic importance of the products they make.



An important part of the Next COP team's responsibility is to get involved and work on projects within local communities to help facilitate and develop sustainable compliance - see Child Labour Remediation Programme in the Successes section. One way we achieve this is through our team identifying, developing and running training programmes for suppliers with the key aim of helping the suppliers improve their knowledge and experience to help them achieve compliance to our Code within their factories.

Our team also works in collaboration with both UK and international brands via the ETI forum.

The way we manage how our Code is implemented has developed since it was first introduced in 1998. Increasingly we are prioritising the tackling of issues that drive non compliance within particular countries by working to build knowledge and understanding in the local communities as well as continuing to monitor suppliers through our auditing process.

## DATA

- The products we sell are produced in more than 45 countries throughout the world.
- During 2006 we carried out 630 audits in 588 factories in 21 countries.
- We have invested in our COP team during 2006 and now have a total of 31 auditors worldwide. The structure chart below shows the reporting lines into the Main Board and by country / region.

### CODE OF PRACTICE STRUCTURE CHART



## SUCCESSSES

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The Next COP has been revised to align it to the ETI Base Code and to underpin our ongoing commitment to the principles of both the ETI and the Base Code. A key aim of this revision was to improve supplier communication by making it an easily understood document that is in parallel with other retailers who are also members of the ETI. Now this is complete the principles of our Code have been published on the Next website with a direct link to the ETI website where interested parties will be able to read and understand our commitments to the workers who produce Next products.

January 2007 we held a supplier conference, and 102 representatives from our 85 largest independent suppliers attended the event. These are suppliers who do not operate through the Next Sourcing Limited (NSL) sourcing offices. The purpose of the conference was to launch our revised Code and raise awareness of the ETI. Their Director gave a speech to explain how they can help suppliers. We also shared some of the project work we have undertaken, including an overtime reduction project in which we initially collaborated in with other parties but are now taking forward ourselves. Workers' being required to work excessive hours of overtime in some parts of the world is commonplace.

Excessively long working hours with no rest days or sufficient rest breaks result in an increased risk to the health and safety of the workers involved, as well as having a negative effect on production efficiency and product quality. The overtime project focuses on understanding the root causes of why the factory is working such long hours and by achieving this we were able to demonstrate to our suppliers a reduction in overtime, improved efficiency, better quality product being made and a lower labour turnover.

Child Labour Remediation Programme - we also shared our experiences in dealing with child labour through a remediation programme in China. This has involved going into the local community to understand the issues surrounding why children are working, and then working with the factory involved, the families of the children, the local schools and training institutes to develop long term sustainable solutions to child labour. This helps to raise awareness and create a greater understanding of why children work instead of attending school. This is an ongoing collaborative project we will be involved in during 2007 and beyond.

We will be hosting further supplier conferences in each of our key sourcing regions during 2007 to both NSL suppliers and independent suppliers.

During 2006 we developed a new internal training and awareness raising programme which we are in the process of rolling out to all employees during 2007 who are involved in sourcing product for Next both here in the UK and in our global sourcing offices. All current employees will have received the training by September 2007 and new employees will receive the training during their induction programme when they join Next. This training is important to raise awareness of the impact that buying decisions can have on suppliers and to maintain our buyers' understanding of the role they play in our ethical trading programme. This is an ongoing objective within the business.

Audit fatigue is a concern for many of our suppliers who work with a number of different brands and retailers, many of whom conduct their own social compliance audits. To address this issue we have commenced a programme of brand collaboration. We have started to work with two major US brands, and have started discussions with a third brand, to work collaboratively on social compliance issues in the factories where we all have production. The ultimate aim of this initiative is to reduce the number of audits required on individual factories where retailers and brands are working in collaboration to the same standard. This project will continue through 2007.

Concern for the welfare of the workers in our supply chain is the main purpose of the Next COP. We recognise the importance of talking to the workers as well as the management, with worker interviews forming an integral part of the audit process. When worker interviews are undertaken they are conducted in local language during the audit with the use of translators where required. During 2006 we conducted worker interviews during 89% of the audits we carried out. Going forward we aim to increase the percentage of worker interviews we conduct each year.

We have identified the need to develop the level and depth of worker interviews further, and have investigated and are trialling conducting worker interviews both within and away from the factory to establish if the location of the interview plays a role in determining how successful the worker interview is.

We have engaged and collaborated with both international and local NGO's to help us develop our worker interview programme and our team's interviewing skills.



In addition to our auditing and monitoring programme, the COP team develops and facilitates practical training sessions for suppliers to raise awareness and understanding of COP issues to help them achieve compliance to our Code within their factories.

This will continue to be expanded and implemented where required during 2007.

Our regional teams have been active in various projects, 'best practice' initiatives and training sessions during 2006.

## ASIA

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Code of Practice Standards training courses - Next hosted two courses in China for 55 representatives from our 27 largest suppliers. The courses explained the principles of our Code in detail and also included the sharing of practical examples showing how it is possible to achieve compliance through 'best practice' experiences and solutions.

Human Resource Management Training - Next has facilitated this course for our suppliers in China which is run by an external human resource consultant. The first training course was attended by 49 representatives from our 22 largest suppliers.

## INDIA

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Balloons Disability Initiative - Next has continued to support and be involved with the Balloons Disability Initiative during 2006 with the aim of encouraging the factories that make Next product to offer employment to people with disabilities. Balloons have the facilities to train disabled people, enabling them to fulfil equal roles to able bodied workers. Factories that produce for Next have given employment opportunities to 50 disabled people during the year. We will continue to support this project during 2007.

SEWA (Self Employed Women's Association) is an NGO/TU venture involved in organising women workers in the informal sector. Next became involved with SEWA during 2005 with two possible projects. We were unable to progress with the recycled paper project in Rajasthan but have been able to progress with the SEWA hand embroidery centre in New Delhi by offering our time and expertise to ensure it was established in alignment with our standards. The centre now employs 180 female workers and offers a better environment to work in, a greater transparency in

terms of wages, and direct interaction with the factories with the aim of developing business. The women travel from nearby areas and come to the centre to work on hand embroideries. One of our key suppliers in India has now started to send production to the centre, and whilst the costs for the embroidery work are higher, the supplier is able to rely on a more consistent quality of embroidery being completed.

Multi Fibre Agreement (MFA) - during 2006 we joined the MFA Forum - Bangladesh Group. The MFA Forum is a tri-partite initiative consisting of international brands, NGOs and Trade Unions who look at specific countries affected by the MFA and what impact the end of quota will have on suppliers and employee issues such as wages. Each of the country initiatives is focusing on creating a sustainable and competitive industry post quota. It is important we are involved within the group as Bangladesh has been a developing source for Next during 2006.

## EUROPE

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Brands Group - during 2006 we have maintained our involvement within this group of international retailers where we share experiences and ideas on how to improve audits as well as reviewing specific issues such as local environmental issues and health and safety.

## GLOBAL TEAM MEETING

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In November our COP Global Team Review was hosted at our Turkish sourcing office in Istanbul and was attended by teams from all regions. During the week-long meeting, ideas and experiences were discussed and shared and a global action plan for the forthcoming year was agreed.

This year we invited an international NGO and a local Trade Union to join some of our sessions to discuss the challenges of ethical trade from their perspectives.

## ETHICAL TRADING INITIATIVE ( ETI ) PROJECTS

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We continue to participate in on-going ETI projects .

Sri Lanka Project Working Group - the objective of the project is to review different audit methodologies and identify best practice actions in relation to identifying issues, formulating corrective action plans and assessing their impact. We have been involved with this project for four years along with other ETI member retailers manufacturing in Sri Lanka. From phase one of the project our internal auditing methodology was found to be robust and reliable. Worker interviews were identified as one area where there was the opportunity to improve. For phase two of the project our audits will include an additional part with an NGO conducting the worker interviews on our behalf.

Home-Worker Project - Next is currently the chair of this project and has been involved in it for more than three years. The main aims of the project have been largely achieved as the ETI has published its 'Home-Working Guidelines'. The guidelines have been developed to help companies to implement the principles of the ETI Base Code into the home-working supply chain.

The guidelines are now being tested in India and will also be tested on retailers' UK supply chains.

The group has also developed :

- An educational leaflet for home-workers to inform them of their legal rights
- The creation of country profiles in relation to home-workers
- Publicity and recruitment campaigns to encourage other retailers to become involved in the project





One of the major benefits of this group is bringing together learning on the mapping of the supply chains below the main production factory and the complexities of managing these chains.

China Project Working Group - the main aim of the project is to deliver practical supply chain improvements in China, through a democratic worker representation project. The project has been redefined and extended from the establishment of

health and safety committees within suppliers and now aims to work towards improving worker dialogue and liaison with factory management. This is currently being trialled through a sub group and will continue in 2007. The group is also planning to scope out a child labour project which we will become involved in.

The China Project has developed an induction document aimed at new ETI members who want to source from China.

## OPPORTUNITIES

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- We recognise the two biggest issues on which ethical trading standards have had limited impact to date have been to achieve a living wage for the workers of our supply chain and workers' rights to freedom of association. We have initiated a study within our key sourcing regions to better understand the living wage calculation so we can assess where this may differ from legal minimum wages. We are also planning to engage with trade unions to help develop our internal training in relation to freedom of association with the aim of being able roll this out to suppliers going forward.
- To further develop our internal audit procedure by engaging with NGOs and other stakeholders in the audit process both in the factories and in the local communities with the key aim of developing improved learnings.
- To continue to build the collaborations we undertake with other brands through a series of different initiatives in our key sourcing regions.
- To deliver our Supplier Conference in each of our key sourcing regions during 2007.
- To establish supplier benchmarking initiatives to facilitate the exchange of best practice.
- To develop more training resources to support suppliers and to communicate the Next COP to the workers in our supply chain.
- To complete the roll out of both supplier and internal employee training programmes.
- To continue to build our internal COP audit team resource in India and China.



## OUR CUSTOMERS AND PRODUCT

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### Context

As well as being committed to offering stylish, good quality products to our customers, we ensure they are made safely, are fit for purpose and comply with all relevant legislation. We also aim to ensure our products are sourced responsibly and closely manage our suppliers in relation to social and environmental concerns. In addition we ensure our stores offer safe, welcoming and accessible surroundings for all our customers.

We aim to provide an inclusive high level of service to all our customers to welcome them to Next, whether they are shopping through our high street or shopping centre stores, the Next Directory or our website. The different methods of shopping must be easily accessible for all our customers and we aim to respond to their particular needs through the package of measures we have in place, which we believe assist all our customers including those with additional needs.

Next is committed to ensuring that every product sold is safe to use and fit for purpose. Our team of technologists work closely with our buyers, designers and suppliers and are responsible for ensuring all products bearing the Next Trade Mark or sold by Next comply with all relevant consumer legislation and the safety and performance standards detailed in the product specific manuals given to our suppliers. We use the expertise of independent safety specialists for clothing, footwear, accessories, beauty and home products where required.

We monitor new legislation and changes to existing legislation through various methods such as membership to different industry committees and groups, for example, the British

Retail Consortium and British Standards working committees. Through these groups we are able to participate with other stakeholders in policy debates and ensure we comply with the relevant legislation in line with their enforcement dates. For example, we have been working to implement the Waste Electrical and Electronic Equipment (WEEE) Regulations which comes into effect from 1st July 2007 in the UK and covers the recycling and recovery of used electrical products. From 1st July 2007, to meet our regulations, Next is required to offer a free method of disposal to our customers for their old electrical product. Next has joined a scheme set up by the British Retail Consortium with Valpak, which will set up a UK wide WEEE collection system to encourage customers to recycle these goods at UK recycling sites, free of charge.

Next undertakes an active programme of market research and direct customer contact in order to better understand and respond to our customers' needs and opinions. We interview and gather feedback through satisfaction surveys, mystery shoppers, accompanied store visits and discussion groups.

The Next Customer Service department interacts with our retail and Directory customers through telephone calls, letters and email correspondence to resolve enquiries and issues. The findings from this communication are documented and the information is used by other internal departments to review how a product or service can be improved going forward.

## DATA

We have :

- an average of 328,000 transactions per day in our retail stores (2005: 289,000 per day)
- 2.2 million active Next Directory customers (2005: 2.1million active customers)

CUSTOMER SERVICE CONTACTS (RECORDED)		
	YEAR ENDING JAN 2006	YEAR ENDING JAN 2005
<b>TOTAL CONTACTS - incl Store Services</b>	<b>286,835</b>	<b>222,401</b>
ESCALATED CONTACTS		
- General enquiries	14,593	17,519
- Complaints	80,409	86,078
- Praise	2,215	2,623
- Incidents	1,268	794
- Suggestions	156	343

We have changed how we record the number of customer contacts to detail the total number of reasons the customer contacts us. The 2005 figures have been recalculated to reflect this.

The increase in total customer service contacts is due in part to increased sales and also due to the fully operational Store Services team - see successes for more information.

Note - the data does not include initial contacts made directly with Next Directory which are immediately resolved, as the contacts are not recorded separately as service or non service related. Only escalated contacts for Next Directory are included.

## SUCCESSSES

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The Next overseas franchise operation continues to grow with 13 partners opening stores across 20 countries. During 2006, 33 new stores were opened taking the total to 129. During 2006 we have started to work with our Franchise Partners to introduce the Next Code of Practice into their operations, this will be an on-going initiative .

During 2005 we created a dedicated Store Services team to manage general enquiries and initial product or service related enquiries, for example store opening times, locating product for customers and sending it to a convenient store for the customer. This service is now fully operational and has increased the number of general enquiries we are able to answer and the number of customers we are able to help. Some customers require more assistance to resolve their enquiry or issue. These are escalated to our Customer Services department which is responsible for both our retail and Directory customers. Customer Services will investigate and bring to resolution an escalated enquiry or complaint.

Within our Distribution division, additional training has been given to the drivers of our Directory vehicles. How our product is delivered to our customers is very important to the continued success of the business. Through customer feedback, we know that 98% of our customers are happy with our service and the products they ordered were successfully delivered. We will continue to work on the remaining 2% delivery failures and aim to improve these customers' experience of shopping with Next through the Directory.

During 2006 Next has worked closely with the Fairtrade Foundation to develop our first range of Fairtrade cotton product for launch in line with 'Fairtrade Fortnight' in March 2007. The cotton products – children's t-shirts, mens and womens socks and a children's bag – are in 200 stores and available through the Next Directory. Our buying teams across all our divisions are continuing to develop our Fairtrade offer and this will be extended to include some food items for 2007.

The Fairtrade Foundation is an independent body that awards the Fairtrade Mark to products that meet international Fairtrade standards. The Fairtrade Mark guarantees a fair

deal for farmers growing the agricultural commodities used in Fairtrade products

Next offered its first certified organic cotton product during 2006 and is continuing to develop organic cotton product across all divisions for 2007. The product is clearly identified by labelling in our stores and by descriptive copy within the Next Directory to explain to the customer which products are made from organic cotton. The organic cotton Next uses has been grown without using environmentally harmful chemicals and pesticides. In addition the yarn to either weave or knit the fabric has also been certified as organic. This means that all the chemicals used in this stage of the products' development have also achieved organic certification. Organic cotton is still a young growing industry and as the demand for organic cotton products grows, more farmers are having the confidence to convert their crop to organic cotton, a process that takes three years. Next will continue to offer organic cotton product and hope customer demand continues to increase to help support these farmers.

In 2006 our Product Legislation team was established to ensure the business was prepared to implement the rapidly changing legislation in relation to the products we sell. Its role is to focus on forthcoming legislation and changes to current legislation to support the Product teams and ensure our products and procedures reflect legislative requirements. The team is also undertaking a review of the chemicals we use in our products across all divisions to identify and remove chemicals that may be viewed as 'high risk' in terms of consumer safety and environmental impact.

As well as ensuring the products we sell are safe to use, our team of technologists works to improve product that has fallen beneath either our, or our customers' expectations and has been returned to Next. This product is analysed in our dedicated returns warehouse, where the problem is identified and recorded. The information is then used by our technologists to work both internally and externally with our suppliers to put measures in place to resolve and improve our products going forward.



During 2006, in conjunction with Customer Services, our Technology team implemented a review of the company's existing product withdrawal and investigation procedure including product recall where necessary. The procedure is in place if a product we are selling falls below Next's high standard of safety and performance as the safety of our customers is our priority.

100% of the garden furniture ranges we sell have been made from wood from sustainable, well managed sources that have been certified by the Forest Stewardship Council (FSC) since 2003. We have started a review of our internal timber sourcing policy, an opportunity identified for 2006/07, starting with our Home division. This is a large project and will continue into 2008.

## OPPORTUNITIES

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- Introduce information to our customers on the care labels of our products advising which products are suitable to wash at a lower temperature of 30 degrees. This initiative is aimed at encouraging and helping customers to be able to save energy when washing their clothes.
- Work with the Energy Saving Trust to clearly identify the most energy efficient household appliances such as fridges and washing machines by using the energy saving recommended logo.
- Roll out internally and to our suppliers our Restricted Substances Standards and work with suppliers to remove and replace chemicals we have identified as 'high risk'.
- Continue to develop our timber sourcing policy to implement responsible forest product use starting with our Home division.
- Investigate opportunities to develop product made from recycled materials.
- Customer Services to undertake a review of current reporting tools and identify areas for improvement.
- Franchise to continue to roll out and implement Next Code of Practice within our partners' operations.

## OUR PEOPLE AND HEALTH AND SAFETY

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### Context

Our people are a key asset to our business and we aim to attract and importantly retain the best people to work throughout Next. We recognise that by retaining effective and committed employees, we can continue to deliver good quality products and a great service to our customers. We aim to achieve a working environment where our employees are respected, treated fairly, listened to and involved and have invested in our employees by establishing policies for their recruitment, training and development so they feel valued and want to stay at Next. We have adopted policies aimed at minimising risk in our activities to ensure they do not harm employees, customers or consumers. Next is an equal opportunities employer and we will continue to ensure we offer careers opportunities without discrimination. Wherever possible, we make adjustments to improve the working environment and accommodate employees with disabilities. The information contained within this section relates to the employees within our stores, warehouses and distribution centres, head office and directory operations within the UK.

Next believes in rewarding all employees with fair and competitive salaries along with the opportunity to earn additional pay in the form of bonuses as well as good development opportunities and working conditions. We monitor our rates of pay and other incentives against local and national job markets and other leading retailers on an annual basis to ensure we maintain competitive total rewards packages. We enhance maternity, paternity, adoption and sick pay levels above statutory entitlements.

Communication and consultation with our employees, as well as listening to their feedback, is important to the business. Throughout the different divisions of the business we operate employee forums which are made up of a network of employee elected representatives (approximately 1 representative for 50 employees).

The elected representatives attend meetings with senior managers and directors at least twice a year. This forum enables and encourages open discussion on key business issues, policies and the working environment. The business was able to consult with employees through each employee forum, via the elected representatives in preparation for the age related discrimination legislation which came into force in October 2006.

Next has a recognition agreement with the Union of Shop, Distribution and Allied Workers in relation to warehouse and distribution employees.

Within the workplace, we are committed to promoting a climate of openness where all employees are able to raise concerns confidentially through our whistleblowing policy. The policy has been designed to provide a structured way of raising concerns or suspicions about any wrong doing or malpractice such as failure to comply with legal obligations, impropriety, fraud or unethical behaviour. Employees are given an assurance that they will not be disadvantaged in any way if they raise concerns.

The provision of a safe and healthy working environment is both a legal and moral obligation and responsibility, and the health and safety of our employees is of paramount importance to Next. The Board is committed to providing a safe workplace and the promoting the health and welfare of our employees. We set safety programmes with objectives for all divisions of the business every two years.

The safety programmes and objectives are reviewed quarterly by each Divisional Director and twice a year by our Chief Executive. The status of these programmes for 2006 - 2008 are shown in the data section on next page.

## DATA

As at 31st January 2007 we had 12,240\* full time employees and 34,354\* part time employees.

\*Note - the figures represent UK and Republic of Ireland employment only and do not include employees on short term temporary contracts.

**TABLE 1 - FEMALE / MALE EMPLOYEE STATISTICS AT 31.1.07**

	GROUP	RETAIL	HEAD OFFICE	DIRECTORY	DISTRIBUTION
<b>FEMALE</b>	70%	74%	65%	81%	40%
<b>MALE</b>	30%	26%	35%	19%	60%

### New Jobs

We have created more than 2500 new jobs in the UK during 2006, due to the success of the business and our expansion into new and larger store space.

### Returning to work after maternity leave

We have increased the number of women who return to work after maternity leave to 80% which is a 4% increase from 2005. We are keen to retain the skills and experience of women who take maternity leave and we offer a maternity bonus payable three months after women return to work.

### Next UK Pension scheme

The Next Group Pension Plan has two sections.

The Final Salary Section which was closed to new members in October 2000 has 2,321 active members at 31st January 2007.

The Money Purchase Section was opened in October 2000 and has 2,063 members at 31st January 2007.

Both sections are governed by a single Trust Deed managed by Next Pension Trustees Limited.

### Next Health and Welfare

During 2006 we spent over £760,000 on health and welfare provisions across the business, to offer support to our employees when they need it. The provisions include health insurance assessments, occupational health provision via three Occupational Health Nurses across the business and professional counselling support, along with a dedicated Employee Assistance Programme in Next Distribution.

### Safety Programmes 2006 -2008

The table below is the Company Safety Programme 2006 - 2008 showing our current status and progress to date.

Health and safety management is an on going process within Next and the table below shows the additional areas of focus to extend or complement our existing safety management systems.

COMPANY OBJECTIVE 2006 - 2008	Distribution	Retail	Directory	Head Office
1. Active safety support				
2. Safety consultation and communication				
3. Safety information and resources				
4. Focus on high risk areas				
5. Safety supervision and monitoring				
6. Behavioural safety: developing our safety culture				
7. Safety training and competence				
8. Safety measurement and management information				
9. Emergency preparedness				

Completed

Under way

## OUR PEOPLE AND HEALTH AND SAFETY

### Context (CONTINUED)

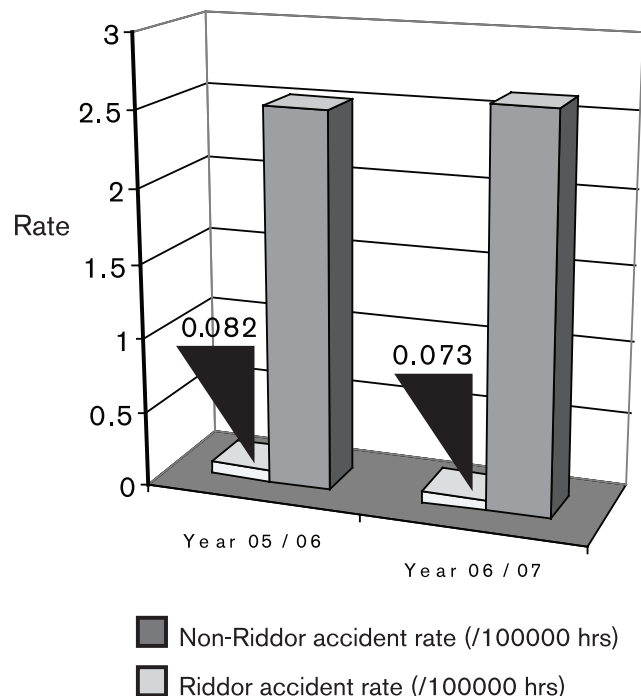
#### Accidents

We report work related accidents in accordance with the Reporting Industry Diseases and Dangerous Occurrence Regulations Act ( RIDDOR ) per 100,000 hours worked. The data covers accidents in the UK, Republic of Ireland and Denmark.

During the last two years we have encouraged a culture of accident and 'near miss' reporting within the business, so we are able to understand where, when and why processes and procedures need improvement to prevent future accidents. We believe this emphasis and increased awareness has led to an increase in the overall reported accident rate of 4.4% as against 2005. We are pleased to advise an 11% reduction in the RIDDOR accident rate. Our RIDDOR accident rate of 0.073 in 2006 compares with 0.082 in 2005.

36% of our accidents reportable under RIDDOR involved members of the general public. The majority of these were so classified because we have included in the figures any accident where we advise the injured party to go to hospital. 64% of RIDDOR reportable accidents occurred to our employees, where the major cause of RIDDOR accidents (30%) is slips and trips. The second highest cause of accidents (23%) relates to the manual handling of stock. Our safety objectives and programmes are targeted at improving performance and introducing measures in these areas to avoid similar occurrences in the future.

**Accident rate / 100,000 hours worked**



## SUCCESSES

#### Training and development

Training and Development - The training and development of our employees continues to be core to our business success to ensure they are better equipped to manage the needs and challenges of our business. Through the integrated training teams in each area of the business, our employees can access the appropriate development tools or direct job specific training, whether they are in head office, retail stores, Directory or distribution.

We work to recognise the potential of our employees by supporting career progression and internal promotion wherever possible.

In one of our Distribution warehouses we are trialling the opportunity for our employees to attain a recognised NVQ Level 2 qualification in Warehousing and Distribution and have supported this initiative by providing facilities and time for employees to study during working hours.

To date 250 employees have taken up this opportunity. If this initiative is a success we will roll out the opportunity across all Distribution facilities.

We have also developed a Management Training Scheme within Distribution. Five graduate employees commenced the scheme during 2006 with the potential to develop into duty managers within our Distribution operation. The training offers both knowledge and skills development and practical on the job training within the role.

During 2005 we introduced free on site English language lessons for our Distribution employees who do not speak English as their first language. We have continued to offer this facility during 2006 by identifying local colleges who offer the same service and advertising this to our employees.

### **Sharesave**

Next has operated an employee sharesave scheme for many years. The scheme is to encourage employees to invest and share in the future success of Next. At 31st January 2007 there were over 9,500 employees participating in the sharesave scheme.

### **Attracting Employees**

During 2006 we continued to forge relationships with schools, colleges and universities nationwide to attract students to a career with Next and enable us to recruit the best candidates for our business. During 2006 we recruited 69 trainees into the Product area of our business, a 21% increase on 2005.

In early January 2007 we held five 'Open Days' at our Head Office, for both students and university career advisors from six universities to gain an insight into careers with Next, particularly in relation to our Product team functions of buying and merchandising. At the end of January we met with 46 student candidates from the six universities who attended the 'Open Days', and 31 will be attending our assessment centres in June where, if they are successful they will be offered a trainee position. We are also working to establish links with other local universities regarding recruitment opportunities for other areas in the business.

Throughout 2006 we have increased the number of job opportunities we have advertised via the internet. We work with a number of specialist recruitment websites as well as utilising our own careers website, aiming to provide a seamless application process for all potential employees.

In our Directory division we started a project with the Jobservice Partnership in Leicester last year, with the aim of helping the unemployed back into employment. This project was unsuccessful and we were unable to retain any potential employees. However we have worked successfully with a training agency that works with Jobcentre Plus during the year, and have successfully recruited and retained four people. We are also investigating the setting up of work trials that offer training for unemployed people who are interested in working for Next. The trial will allow them to work with us for 15 days without losing any benefits, so they can gain a better understanding of the Directory business to determine if it something they wish to progress further.

Also through our Directory division we are working with Remploy and Scope with the aim of helping people with disabilities into work. In addition we have established a working relationship with the RNIB College in Loughborough with the aim of offering work placements to their students.

### **Health and Welfare**

In addition to the provisions already outlined, we operate a number of initiatives to help our employees.

For example :

We continue to work with CancerBacup and with their help provide support and information including a multi-lingual helpline for employees, whether they are patients, carers or friends of people suffering from cancer.

We have carried out two key health promotion campaigns

1. to support employees who want to stop smoking we have provided a Stop Smoking Programme in the lead up to the UK wide ban on smoking in public places.
2. we trialled the provision of a subsidised influenza vaccination to employees at our Head Office and main Distribution sites. The trial was taken up by 20% of employees and will be further extended in the business for Winter 2007.

In conjunction with Drive and Survive we continue to carry out driver risk assessments and employees are able to attend one to one driver coaching. We also provide specialist courses to employees following driver incidents.



## SUCCESSSES (CONTINUED)

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### **On-line accident reporting**

We have started to develop our on-line accident reporting which aims to improve the collection of incident and accident information. The information will be used to develop an improved management information tool to allow us to better use the information to identify the cause of accidents and implement further actions to prevent re-occurrence.

### **Additional successes - achieved during 2006**

- Creation of a new role of Site Services Manager within each of our Distribution warehouses to deliver improvements in safety standards in each site.
- Banksman training programme has been implemented across our Retail and Distribution divisions.
- Accident investigation, as a tool for managing safety has been reinforced across our Distribution and Directory operations through a comprehensive training programme.
- Working with our manufacturing facility in Sri Lanka we have developed 80% of the safety management processes required, with key work being undertaken to develop management systems which are compliant with ILO Safety Management Systems.
- Taking the experiences from Sri Lanka, we have carried out an initial safety review of our Ventura call centre in India. As with our Sri Lankan manufacturing facility, a safety management system is now being developed which is compliant with ILO Safety Management Systems.
- Next has developed an external contractor assessment programme to ensure that key contractors have management systems in place to manage safety effectively.
- We have commenced the development of a Lead Authority Partnership with Doncaster Metropolitan Borough Council for Health and Safety enforcement and envisage a partnership agreement will be achieved during 2007.
- To improve access to the current Health and Safety resource and reference material, we have made it available to the business via our internal web based information site for our Retail, Head Office, Directory and Ventura divisions.  
We will migrate all Distribution material to a similar platform during early 2007.

## OPPORTUNITIES

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- Continue to attract and retain the best people to work for Next.
- Increase Occupational Health resource for Retail, Head Office and Directory.
- Investigate opportunities to work with external resources to support training within our Distribution division.
- Carry out a safety review of our virtual manufacturing sampling operation in China during 2007 and develop the required ILO compliant safety management systems.
- Develop an internal web based safety self assessment system to allow key managers to measure their safety performance against agreed company standards and facilitate our ability to target safety development resources correctly and efficiently.



## THE COMMUNITY

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### Context

At Next we look for opportunities to develop and maintain positive and healthy relationships with the communities in which we operate in by contributing to the wellbeing of those communities through donations of funding, product or the time and expertise of our employees. In 2006 we have focused our resources on projects that support communities throughout the United Kingdom as well as providing sponsorship to a wide variety of organisations and charities. In addition to our direct community contributions, we support charities by organising fundraising events on their behalf which allows the charity to attract additional funding at the event as a direct result of the support they have received from Next.

The Next charity and sponsorship programme is made up of donations to :

#### Registered Charities

We have supported in the region of 130 registered charities of all sizes during 2006 who have asked for contributions to support, for example, medical research, childrens' charities and community support charities.

#### Individual requests / local and national groups and organisations

Through these donations we are able to help non-registered charities such as schools and playgroups as well as responding to individual requests for fundraising from small groups and individuals who will benefit from our support.

#### Commercial Support and Sponsorship

We have sponsored a number of fashion and sports organisations which offers Next the benefit of supporting them with funds as well as helping to raise awareness of our brand. We also give support to local sporting teams, especially where there is direct employee involvement with the team.

## DATA

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Community Contribution and Support - during 2006 Next was able to support

Registered Charities	£270,227
Individual requests / local and national groups and organisations	£331,151
Commercial Support	£386,611
Additional fundraising raised from Next Charity Golf Day	£28,242

Note : the figures represent the monies actually given to the charities and organisations during the reporting period and may differ to the figures quoted in the Annual Report and Accounts.

### Product Donation

This year we have given away gifts in kind to the value of £600,000. This is mainly made up of unwanted samples or non perfect product. We donated product to charities for them to either sell in their shops, use to help individuals who need help and support or recycle to make into new products they are able to sell.

### Charity Christmas Cards

Next Christmas card sales from our UK stores raised £235,884 by donating 25p from each pack with the monies

being equally shared between The British Red Cross, Macmillan Cancer Relief and Barnado's.

The Christmas card sales from our Irish stores raised £7,910 and were equally shared between Barnado's and the Irish Heart Foundation.

### Ventura

Through a series of fund raising events, Ventura raised £58,833. This was shared between both local and national charities including Childline, Children in Need, Yorkshire Air Ambulance and Rotherham Hospice.

## SUCCESSSES

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The Next Charity Committee, made up of employees from different areas and levels of seniority within the business, meets six times during the year. The main purpose of the Charity Committee is to review individual employee fundraising requests from all areas of the business and to ensure each request receives equal consideration.

During 2006, a Directory Charity Committee was established whose main focus is to organise and co-ordinate employee fundraising activities across our two Directory sites in Leicester.

Following the Asian tsunami in December 2004, the Group established a charitable trust to co-ordinate the distribution of over £790,000 of funds raised and donated by the Group and its directors, employees, associated companies and suppliers. The money has supported a major reconstruction project creating new homes at the village of Sirikandura, near Galle in Southern Sri Lanka. The village with central social facilities is currently nearing completion with over 120 of the planned 146

homes now being occupied by families displaced by the disaster.

Our main fundraising event in 2006 was the Annual Next Charity Golf Day. All proceeds from the event this year went to Rays of Sunshine, a childrens charity who work with sick children and their families and grant wishes that the child and their family can enjoy together.

Periodically we hold a Next Charity Ball, hosted by our Chief Executive, the next Charity Ball will be held in October 2007

Next is the main event sponsor of the Cystic Fibrosis Annual Awards Dinner. In addition to our financial contribution some of our employees donate their time and expertise to plan, co-ordinate and run the event on behalf of Cystic Fibrosis. Our sponsorship to Breast Cancer Care is ongoing as Next continues to be the Lingerie sponsor of their annual fashion show. All the models in the show, who are recovering from breast cancer themselves, were given Next Lingerie to wear during the fashion show and keep after the event.

## OPPORTUNITIES

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- To further develop our approach to seek to deliver value through our community contributions and support for charities and other organisations.
- Increase the range of products we sell that support charities.
- To reduce financial contributions for commercial sponsorship requests and focus the monies on more philanthropic requests.





## THE ENVIRONMENT

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### Context

Next recognises that through our operational practices we have a responsibility to manage the impacts of our business on the environment both now and in the future. By the development and operation of good business practices we are continuing to work to reduce environmental impacts.

The business aspects undergoing environmental focus relating to our operational practices are :

- energy use and emissions from our stores, warehouses, distribution centres and offices
- fuel emissions from the transportation of our products to either our stores or customers homes
- waste created in our stores, warehouses, distribution centres and offices

Climate change is now clearly recognised as one of the biggest environmental challenges facing us all. CO<sub>2</sub> is one of the six greenhouse gases and is believed to be one of the main contributors to climate change. It is one key driver behind our increased focus in understanding how we are able to reduce our energy consumption through our UK operations. Please see the data section for a breakdown of CO<sub>2</sub> emissions from the utilities used within our stores, warehousing, Head Office and Ventura operations, as well as the fuel used delivering product to our retail stores or directly to customers homes, via our mail order operation.

This year we have also started to record where nitrogen oxides (NO<sub>x</sub>) are emitted by our transport fleet. NO<sub>x</sub> is recognised as a regional air pollutant with potential impacts on health and eco-systems. Although Next is not a major source of NO<sub>x</sub> emissions, we believe we can make improvements to the eco-efficiency of our transport fleet in this regard.

We continue to investigate opportunities to reduce the total waste we produce and to increase the amount we are able to recycle. Having seen some improvements in 2006 we expect to see further improvements during 2007 which will demonstrate reductions on the amount of waste being sent to landfill for both ourselves and our customers. In addition to continuing our trials of reverse hauling cardboard and polythene from our stores, we are working to minimise packaging on our products to reduce the amount of packaging waste our customers receive.

There are also clear financial incentives to improve our energy and fuel-use efficiency and to reduce the amount of waste we create, as the less electricity, gas, fuel, water and raw materials we need to use the lower our costs will become.

## DATA

CO2 EMISSIONS - UTILITIES IN UK AND ROI									
	YEAR ENDING JAN 2005			YEAR ENDING JAN 2006			YEAR ENDING JAN 2007		
UTILITIES	kwh		TONNES OF CO2	kwh		TONNES OF CO2	kwh		TONNES OF CO2
<b>Head Office, Stores, Warehousing, Directory:</b>									
Electricity consumption including estimations	221,871,321		95,683	273,373,055		117,120	297,855,922		128,078
Gas consumption including estimations	50,549,613		9,604	55,728,069		10,588	54,846,610		10,421
			105,287			127,708			138,499
Square footage	8,605,900			11,047,333			11,954,783		
Tonnes of CO2 per 1000 sqft	12.2			11.6			11.6		

CO2 EMISSIONS - UTILITIES IN UK AND ROI									
	YEAR ENDING JAN 2005			YEAR ENDING JAN 2006			YEAR ENDING JAN 2007		
UTILITIES	kwh		TONNES OF CO2	kwh		TONNES OF CO2	kwh		TONNES OF CO2
<b>Ventura</b>									
Electricity consumption including estimations	16,765,579		7,209	14,304,332		6,150	16,330,415		7,022
Gas consumption including estimations	6,777,967		1,288	6,167,555		1,172	5,328,979		1,012
			8,497			7,322			8,034
Square footage	480,004			480,004			528,762		
Tonnes of CO2 per 1000 sqft	17.7			15.3			15.1		

## DATA

CO2 EMISSIONS - RETAIL AND DIRECTORY IN UK AND ROI									
	YEAR ENDING JAN 2005			YEAR ENDING JAN 2006			YEAR ENDING JAN 2007		
DIRECTORY DELIVERIES	LITRES	km	TONNES OF CO2	LITRES	km	TONNES OF CO2	LITRES	km	TONNES OF CO2
Distribution - Diesel (confirmed figures from dedicated carriers)	3,422,000	13,498,000	9,170	4,027,000	16,127,000	10,792	4,050,000	16,167,000	10,854
Distribution - Diesel (confirmed figures from shared carriers)	3,773,000	32,906,000	10,111	4,273,000	35,890,000	11,453	3,887,000	32,573,000	10,418
Distribution - Unleaded petrol (may include an element of diesel - estimated figures from shared carriers)	1,895,000	20,803,000	4,378	2,253,000	24,725,000	5,204	2,109,000	23,147,000	4,872
			23,659			27,449			26,144
No of items delivered	67,822,000			80,463,000			86,437,000		
Tonnes of CO2 per 1000 items sold	0.349			0.333			0.302		

CO2 EMISSIONS - RETAIL AND DIRECTORY IN UK AND ROI									
	YEAR ENDING JAN 2005			YEAR ENDING JAN 2006			YEAR ENDING JAN 2007		
RETAIL DELIVERIES	LITRES 000's	km	TONNES OF CO2	LITRES 000's	km	TONNES OF CO2	LITRES 000's	km	TONNES OF CO2
Mainland - Diesel	5,683,727	20,274,702	15,232	6,064,422	21,291,830	16,253	6,276,366	21,500,912	16,821
Ireland - Diesel	497,774	1,852,902	1,334	717,591	2,619,705	1,923	854,257	2,831,629	2,289
			16,566			18,176			19,110
No of items sold	196,870,000			225,050,000			240,913,000		
Tonnes of CO2 per 1000 items sold	0.084			0.081			0.079		

WATER			
	YEAR ENDING JAN 2005	YEAR ENDING JAN 2006	YEAR ENDING JAN 2007
Buildings (Head Office, Stores, Warehousing and Directory)	247,393m3	249,511m3	252,962m3
Ventura	27,500m3	36,562m3	41,680m3

PAPER USE - DIRECTORIES									
	2004 BOOKS	PAGES PRINTED FOR 2004 BOOKS	PAPER USED IN 2004 BOOKS TONNES	2005 BOOKS	PAGES PRINTED FOR 2005 BOOKS	PAPER USED IN 2005 BOOKS TONNES	2006 BOOKS	PAGES PRINTED FOR 2006 BOOKS	PAPER USED IN 2006 BOOKS TONNES
Next Directories	5,485,000			5,619,000			5,675,000		
Next Brochures	3,010,000			3,557,000			3,606,000		
Total	8,495,000	2,600	27,498	9,176,000	2,760	28,540	9,281,000	3,136	32,242

WASTE AND RECYCLING - NEXT STORES AND WAREHOUSES			
	TOTAL WASTE 2004 (TONNES)	TOTAL WASTE 2005 (TONNES)	TOTAL WASTE 2006 (TONNES)
General Waste collected for disposal		16,987	19,184
Cardboard collected and separated for recycling		13,644	13,967
Plastic collected and separated for recycling		1,304	1,964
<b>Total Waste</b>	29,215	31,935	35,115
Total Waste Recycled	11,935	14,948	15,931
% Waste Recycled	41%	47%	45%

The % of waste we have been able to recycle has decreased from last year due to the overall increase in general waste collected. The general waste figures are provided by our main waste provider and during 2006 the number of stores who had their waste collected in this manner increased by 61%. Please also see Successes – Waste for more information about how we are rolling out reverse hauling to recover and recycle more cardboard and plastic to divert it from landfill

## DATA

HANGERS			
	TOTAL IN 2004	TOTAL IN 2005	TOTAL IN 2006
Hangers returned from stores (millions)	12,000,000	15,800,000	13,200,000
Hangers recycled (millions)	8,000,000	9,600,000	6,811,272
Virgin material saved (tonnes)	328	354	304

Fewer hangers have been recycled during 2006, we see this as an improvement in our operation performance as we are re-using more hangers in our stores.

The hangers that are returned from the stores are inspected, sorted and where possible sent back into stock.

52% of the returned hangers are unable to be re-used and are broken down and recycled back into new hangers.

HEAD OFFICE RECYCLING ACTIVITIES			
FIGURES IN TONNES	TOTAL IN 2004	TOTAL IN 2005	TOTAL IN 2006
Paper	193	224	230
Cardboard	102	140	137
Plastic cups	7	7	3
Drinks cans	1	1	1
Toner cartridges (total)		425	1592

2006 BASELINE PLASTIC CARRIER BAG USAGE FOR RETAIL AND DIRECTORY	
FIGURES IN TONNES	TOTAL IN 2006
No of bags (all types)	147 million
Weight of plastic used	4,063 tonnes
% recycled material used	0

NOx EMISSIONS	
	TONNES
Retail Fleet* total NOx emissions 2006	183 tonnes

\*Vehicles owned by Next and used to deliver stock to our retail stores.



## SUCCESSSES

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### **Measuring our emissions**

At the beginning of 2007 we commenced mapping the greenhouse gas emissions that relate to our operational activities within the UK and Eire. This is a key activity for the business and will continue throughout the year.

During 2006 we mapped nitrogen oxides (NOx) emissions associated with our retail transport fleet. We used methodology gained from the National Atmospheric Emissions Inventory and plan to expand the mapping of our NOx emissions going forward.

### **Energy**

Next uses a significant amount of electricity primarily through our store operations, as well as our warehouses, distribution centres and offices. We are able to track our energy performance and monitor our consumption through a building management system that we have installed in 320 of our existing stores. This building management system is fitted as standard in all new stores. The system provides increased visibility and understanding of our energy consumption by store, importantly it also identifies any faults or malfunctions at individual store level so they can immediately be investigated and rectified. It also enables opportunities to optimise energy use, including night time and residual energy use. During 2006 we have been able to reduce our electricity consumption in 370 like for like stores by 7%, due to the opportunities identified through the building management system. We have 330 stores installed with half-hourly modem meters which pass each stores energy consumption information into a data collection facility we also monitor.

### **Waste**

Within our stores we have continued to expand the reverse hauling trial we started during 2005 to collect and return recyclable waste e.g. cardboard and polythene from our stores to one of our distribution centres. The returned waste is then compacted and baled before being sold for recycling. We currently have 71 of our 486 stores participating in the trial, but plan to have over half of our stores reverse hauling

cardboard and polythene by the end of 2007 as we bring our other distribution centres into the scheme. Due to the increase in number of stores recycling their cardboard and polythene waste, the average amount of waste collected from each store has reduced from 66 tonnes in 2005 to 46 tonnes in 2006.

We still have further opportunities within our warehousing and distribution centres to be able to segregate and recycle more of the waste created here and this will be a key opportunity for Next in 2007 to reduce the amount of waste going to landfill.

Within our Head Office environment we are successfully recycling all of our employees' office paper waste and have collection methods in place to recycle cardboard, drinks cans and plastic drinking cups. During 2007 we will also put measures in place at head office to collect polythene for recycling.

Along with other major retailers we adopted a Joint Agreement on plastic carrier bag usage with the Government. The scheme involves working with WRAP (Waste and Resources Action Programme) to reduce the overall environmental impacts of plastic carrier bags by 25% by the end of 2008. We will work towards this joint commitment by implementing a combination of initiatives such as including a percentage of recycled material within our carrier bag and developing a fashionable and stylish reusable fabric 'Bag for Life' for customers to purchase and to help encourage them to make a difference.



## SUCCESSSES (CONTINUED)

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### Distribution

Improving the efficiency of deliveries to our Directory customers has continued to be a focus during the year. Through further improvements in our distribution operation, such as better stock availability and improved parcel collation, we have been able to use less packaging and reduce our CO2 emissions per 1000 items delivered by 9%.

Once our fleet has delivered the stock to our stores we are able to make use of our vehicles on their return journey back to our warehouses and distribution centres for the reverse hauling of cardboard and polythene for recycling or returning empty pallets and our re-usable crates to try to ensure vehicles do not run empty.

Following the successful trial into the use of double-decker trailers for delivering stock to our stores during 2005, we now have 45 of these trailers in operation within our fleet. The double-decker trailers hold the same amount of stock as two single deck vehicles and are delivering benefits in terms of reduced fuel consumption and CO2 emissions as well as allowing us to reduce by 10 the number of vehicles we operate.

We are currently trialing a number of urban double-decker trailers, which are shorter in length than our normal trailers and offer improved vehicle accessibility in built up or congested town and city centres. In addition to understanding the potential benefits in terms of reduced fuel consumption, CO2 emissions and road traffic, we will be able to determine any accessibility limitations.

During 2006 we started to upgrade our fleet to the less polluting Euro IV and EuroV standard engines. This initiative will continue to be implemented during 2007 and we anticipate that 80% of our fleet will be Euro V by the end of the year.

We also introduced a 5% bio diesel mix into our fleet during 2006. Our fuel provider is participating in the Government 'Renewable Transport Fuels Obligation ( RFTO ) Feasibility Report which is investigating the use of bio fuels in the transport sector. Its key aims are to increase the use of renewable fuel sources and achieve lower CO2 emissions. As an 'obligated company' within this study the fuel provider will provide information on carbon value reporting and sustainability reporting which requires visibility of the source and type of renewable crop being used to manufacture the bio fuel. We are aiming to increase the percentage of bio fuel in our diesel during 2007 to at least a 10% mix.

Fleet tyre management - we use a large number of tyres each year which we dispose of in an environmentally responsible manner at end of life to minimise their impact on the environment. Used tyres may be recycled by being re-molded for re-use which saves both oil and rubber resources and around 50% of the tyres we purchase are re-molded. If they are not suitable for re-using, the materials are recycled into other products such as running track materials, playground matting or carpet underlay.

## OPPORTUNITIES

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- Fully roll out the reverse hauling opportunities of card board and polythene with our stores, warehouses and distribution centres.
- Identify additional streams of waste to divert from landfill to recycling throughout the business.
- Develop a strategy and timeline to achieve our aim of sending no operational waste to landfill from our UK and Republic of Ireland operations.
- Identify further product packaging reduction and minimisation opportunities.
- Identify the packaging materials on our products to our customers to help promote domestic recycling.
- Work to eliminate materials used in product packaging that are more difficult to recycle.
- Promote the Head Office travel plan to increase participation.
- Continue to assess and utilise the most appropriate available technology when our distribution fleet is renewed.
- Investigate the potential use of electric vehicles within our fleet for urban or city centre deliveries.



## INDEPENDENT ASSURANCE STATEMENT FOR NEXT PLC 2007 CORPORATE RESPONSIBILITY REPORT V3

The Next plc 2007 Corporate Responsibility (CR) report (the Report) has been prepared by the management of Next plc, who are responsible for the selection of content and for the collection and presentation of information.

The Reassurance Network was commissioned by Next to verify the Report in order to assure readers of the accuracy, coverage and balance of content.

Our responsibility in performing the assurance activities is to the management of Next and in accordance with the terms of reference agreed with them. We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance that any third party may place on the Report is entirely at its own risk.

### Scope and Methodology

Our assurance activities have been planned and performed to take into account emerging good practice and standards in this area, including the AA1000S assurance standard and the International Federation of Accountants' International Standard for Assurance Engagements (ISAE3000).

In order to form our conclusions we undertook the following activities:

- Interviews with a selection of executives and senior managers to understand the main areas and issues that have received management attention during the reporting period, along with corresponding objectives and priorities. We also reviewed the means by which Next planned to achieve its objectives, the degree to which objectives were met and how internal assurance was provided on these matters.
- Review of relationships with stakeholders through interviews with key relationship managers and reviews of selected documentation.
- Visit to the Elmsall Drive and Elmsall Way warehouses to assess the implementation of internal training and development initiatives, employee communications programmes, community support initiatives, agency staff engagement and working conditions and environmental aspects of distribution.
- Visit to a Next retail store to review health and safety awareness, controls and reporting procedures.

- A meeting with the ETI to establish Next's level of involvement and commitment as an ETI member, and to discuss any opportunities for improvements and further collaboration with the ETI to support Next's Ethical Trading policy going forward.
- Review of the approach and criteria for determining the content of the Report considering its relevance to the business, significance to stakeholders and overall materiality.
- Review of external media reports relating to Next, as a check on the coverage of issues.
- Verification of the Report's data, statements and assertions regarding Next's CR performance. This included reviews of policies, procedures, guidelines, records, surveys, minutes and other documentation relating to performance management and reporting.

### Level of Assurance and limitations of our review

We interviewed 31 people across the range of activities outlined above and applied a level of investigation that was appropriate to the potential significance of the information to Next's business objectives, its stakeholders and the Report's wider readership.

Our review was limited in the following ways:

- Interviews did not include anyone from the wholly - owned Next factory in Sri Lanka, the call centre in India, NSL's international offices, or any of Next's franchise partners. However, we will be visiting both the Sri Lanka factory and the Ventura call centre in India, as well as international sourcing offices in these regions, in the last quarter of 2007. The outcome of these visits will be reported in 2008.
- Performance data were generally verified at a top level only. We did not carry out a detailed check of all operational reporting processes or underlying data management systems that generate and handle the basic data. However, we have sampled and challenged operational data collection, analyses and reporting in some key areas.
- We did not attend any stakeholder engagement activities.

## Conclusions

Subject to the limitations listed above, we provide the following conclusions:

- We are satisfied that the scope and content of the Report covers the significant aspects of Next's business activities and issues which are of likely interest to Next's main stakeholders. We are not aware of any issues of potential significance that have not been included in the Report.
- The information is sufficiently accurate, up-to-date and free from material misstatement or omission for readers to form a balanced opinion of Next's activities and performance. We are not aware of any invalid or misleading statements in the Report.
- We believe that the Report provides appropriate coverage of the significant aspects of Next's operations that have received management attention during the reporting period. We are not aware of any material aspects that have received management attention but which have been excluded from the Report.

## Observations and Recommendations

As part of the assurance assignment, we have prepared a separate report for Next's management, identifying areas of potential improvement which could bring benefits to the business and its stakeholders. An extract of key observations and recommendations from this document are summarised below:

- General. Next has made further improvements to its management, monitoring and reporting of Corporate Responsibility. We feel that the Report could still make this clearer for stakeholders to understand and for them to assess performance and progress. In this regard, we understand that Next plan to establish a clearer set of CR key performance indicators to enable more consistent reporting of progress. Next is also reviewing options for using CR efficiency indicators in a number of areas.

- Scope of Business Activities. As Next expands its business, the significance of its franchise operations is growing. Next recognises the importance of extending key aspects of CR into this area of its business and has reported on progress in the 2007 report. Next has also indicated its intention to report on CR aspects of Ventura's business activities next year.
- Overseas operations. Next has made progress with the implementation of a health and safety management system at the Sri Lanka factory. An assurance visit to the factory is planned for the last quarter of 2007 and we anticipate more comprehensive reporting in 2008.
- Environment. We have noted continued efforts to identify and implement opportunities for waste minimisation, across Next's operations. Next continues to identify and implement measures to increase its distribution fuel efficiency and to decrease its CO2 emissions per unit of product delivered. We note also that, for the first time, an estimate of NOx emissions has been reported. This represents a significant step forward and places Next in a leading position in its sector in emissions reporting.
- Health & Safety. We have again been impressed by the attention given by Next to the management of health and safety. In particular, we believe that the new emphasis on near-miss and accident reporting is a reflection of its commitment to continuous improvement.



- Suppliers. Next has a very professional and committed supplier audit programme, focused on monitoring performance against its Code of Practice. This capability has been strengthened through significant recruitment in the last year and a more meaningful and useful supplier rating system is being introduced. We would expect these developments to result next year in a clearer picture of supplier performance against the Code, as well as a better measure of how effectively the Code, audit programme and training initiatives are improving performance across the whole supply chain.
- Customer Complaints. Next has been changing structures and processes for responding to customer complaints and utilising customer feedback for product and service improvement. However, we feel that there is scope for further improvement in this area.

- Energy. Next remains committed to seeking more energy-efficient ways of working and continues to investigate and trial a range of new opportunities. They plan to report on progress next year.
- Community Investment. We note that Next has started to reorganise its accounting of community investment projects, with a view to greater visibility, accountability and delivered value.

Paul Wenman and Malcolm Guy,

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The Reassurance Network - September 2007

**We welcome your comments on our 2007 report**

Please send us your views either through our website at:

[www.nextplc.co.uk](http://www.nextplc.co.uk)

or by writing to:

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