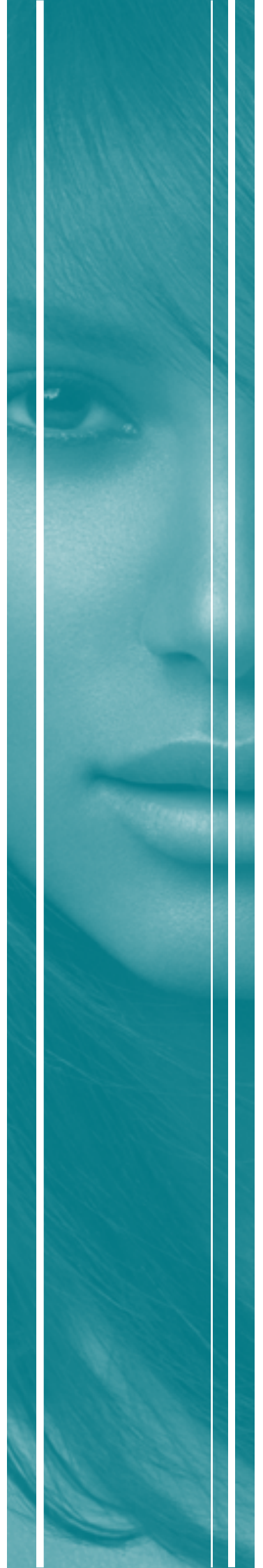


next

Corporate Responsibility Report to January 2008



CONTENTS

• Welcome	2
• Report Scope and Aims	3
• About Next	5
• Key Facts and Figures	6
• Progress on Opportunities from our 2007 Report	8
• Our Suppliers	13
• Our Customers and Products	19
• Our People and Health & Safety	26
• Community	35
• Environment	38
• Independent Assurance Statement from The Reassurance Network	47



WELCOME

Welcome to our 2008 Corporate Responsibility Report.

It is a key priority for Next to ensure that we run our business in a responsible way by acting in an ethical manner and developing positive relationships with our suppliers, looking after our employees, being responsible for our impact on the environment, developing healthy links with the communities in which we operate as well as delivering value to our customers and shareholders.

Corporate responsibility (CR) affects all aspects of Next, and presents us with both challenges and opportunities for the business. In my capacity as Group Property Director with direct responsibility for the CR agenda within Next, I chair the CR Forum. The main roles of the forum are to continuously evaluate our performance by identifying potential issues to the business, identify and review the concerns our stakeholders may have about emerging issues as well as ensuring we are responding to opportunities as they are identified.

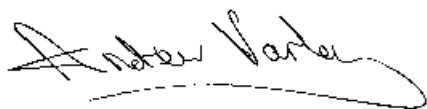
This year we have continued to focus on the social and environmental impacts of our business. We are an active and committed member of the Ethical Trading Initiative (ETI), and as a member of the ETI Board, we chair and participate in several working groups. During the year we delivered six supplier conferences in our key sourcing regions worldwide, to launch the revised Next Code of Practice as well as raising the awareness of the work we are involved in within the ETI.

We believe business has a significant role to play in tackling climate change and other environmental issues. We have measured, reported and worked to reduce the carbon dioxide (CO₂) emissions associated with the electricity, gas and fuel used through our stores, warehouses, offices and fleet in the UK and ROI for a number of years. Our approach in 2007, has been to understand our carbon footprint by measuring the greenhouse gas emissions from our operational activities in both countries, and the emissions associated with the publication and delivery of the Next Directory, using international greenhouse reporting protocols. Throughout the business we are working to minimise environmental impacts and derive cost savings by reducing our use of energy and fuel. In our stores we have reduced our energy consumption by 5%. Within our distribution division, we have upgraded 90% of the fleet that deliver to our retail stores to the less polluting and cleaner Euro V engines. During the year we have continued to increase the number of stores that participate in the collection, segregation and return of cardboard and polythene via our reverse hauling operation which allows us to recycle 45% of the waste we generate. We are currently working on ways to increase the amount we are able to recycle in the future.

The contents of the report have been independently verified by The Reassurance Network who have continued to challenge us on our CR performance throughout the year. We welcome and value this challenge, as through internal exploration it stimulates improvements to identify, develop and implement strategic decisions to the benefit of our business. You can find a copy of their report on page 47.

I hope you find the report interesting, useful and informative. I also hope we have met your expectations of us in the way we run Next as a responsible business.

We welcome any comments you may have on our approach to CR, our performance or how we can improve our report.



Andrew Varley
Group Property Director



REPORT SCOPE AND AIMS

This is our fifth published Corporate Responsibility Report, reporting on our social, ethical and environmental performance within the UK, ROI and Denmark. It is an annual report and covers our financial year running from 1st February 2007 to 31st January 2008.

Our Corporate Responsibility Report is targeted at a wide range of audiences who are interested in Next's performance on social, ethical and environmental issues.

We have aimed to provide general information for our stakeholders who want to understand how we manage our performance as a responsible company, whilst for those stakeholders who require more technical data we have aimed to provide this in sufficient detail. The report is published on our website at www.nextplc.co.uk

It is available for our employees to review through our internal intranet system or by a printed copy where required as we believe it is important to raise corporate responsibility awareness with our employees and let them know what we are doing. In addition we aim to further increase awareness of how we manage corporate responsibility by communicating key information to our employees through our internal employee magazine and notice boards.

How we decide what to report

We are a large UK retailer offering a wide range of products in clothing, footwear, accessories and homeware through retail stores and home shopping. This report aims to cover the issues that we believe are of most concern to our various stakeholders and is structured around the main areas we have responsibilities:

- Our Suppliers
- Our Customers and Products
- Our People and Health & Safety
- Community
- Environment

We report on each of the areas in the following way

- Context : sets the scene
- Data : the facts and figures
- Successes : what we have been working on and achieved during the year
- Opportunities : what we are targeting next



Scope of data

The data included in the report relate to our retailing activities in the UK and Republic of Ireland which account for 91.8% of our revenue. Ventura, which accounts for 6.1% of our revenue is not comprehensively covered in this report, apart from in respect of the customer management services it provides to Next's retailing activities. Our aim is to report more fully on Ventura in future reports.

The data in this report relate to our financial year ending 31st January 2008 and where appropriate, we have shown the previous year or two years data for comparison purposes.

There were no significant structural changes to Next during the reporting year.

Assurance

Next's CR Report undergoes an independent assurance process which checks that the report is material, complete and responsive to stakeholder concerns, in line with AA1000 Assurance Standard (see page 47).

Your feedback

We welcome your comments and feedback on the content of this report either through our website at www.nextplc.co.uk

Or by writing to :

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



ABOUT NEXT

Next is a UK based retailer offering stylish, excellent quality products in clothing, footwear, accessories and homeware.

Our principle activities are retailing, home shopping and customer services management.

Next Retail

At January 2008 we had:

- 501 stores in the UK and Republic of Ireland
- 158 Next International stores in 28 countries : Bahrain, China, Cyprus, Czech Republic, Gibraltar, Hong Kong, Hungary, Iceland, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Macau, Malta, Oman, Pakistan, Poland, Qatar, Russia, Thailand, Turkey, Saudi Arabia, Slovak Republic, Ukraine and United Arab Emirates

Next Directory

- 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 2.21 million active customers at January 2008, an increase of 2% on the previous year

Next Distribution

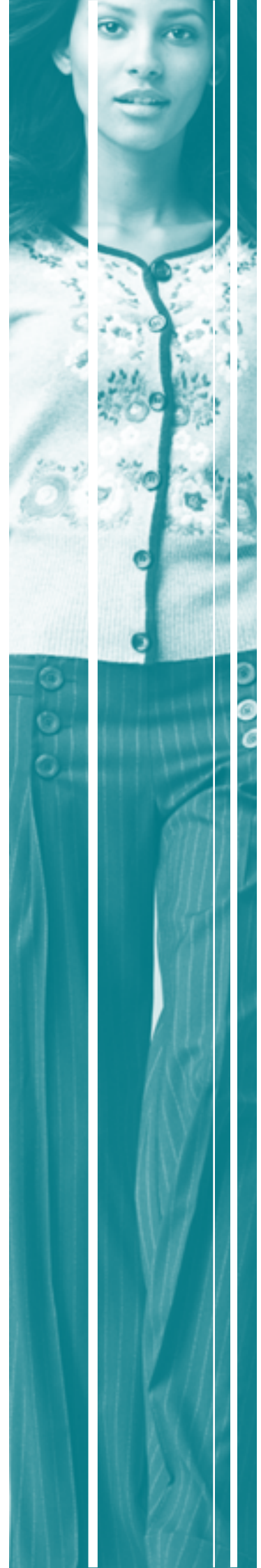
- Our warehousing and distribution division

Ventura

- Provides customer services management services to Next and external clients wishing to outsource their customer contact administration and fulfilment activities
- Ventura operates 7 call centres - 6 in the UK and 1 in Pune, India.

Next Sourcing (NSL)

- Working to design, source and buy Next branded products
- NSL employs 3,656 people in the UK, Bangladesh, China, Hong Kong, India, Indonesia, Philippines, Sri Lanka, Thailand, Turkey
- NSL owns and operates a garment factory in Sri Lanka which manufactures exclusively for Next, and a sampling facility in China



KEY FACTS AND FIGURES

Economic summary @ 31.1.08

- Group turnover £3,329m
- Group profit before tax £498.1m
- Earnings per share 168.7p
- Dividends 55p
- Total trading space 5,213,501 sq ft

Our Annual Report and Accounts report can be found on our website at www.nextplc.co.uk

FTSE4Good

- Next continues to be 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

- The products we sell were produced in 46 countries
- We carried out 834 audits during 2007
- Our Code of Practice team has increased to 35 members
- We held 6 supplier conferences during 2007 in our key sourcing locations to launch our revised Code of Practice and raise awareness of our involvement with the ETI
- In 2007, Next became a member of the ETI Board

Our Customers and Products

- There are an average of 307,000 transactions per day in our stores in the UK, Republic of Ireland and Denmark
- Next has 2.21 million active Next Directory customers
- We held 7 supplier seminars in our key sourcing locations to launch our revised Restricted Substances Standard
- In 2007, Next launched its Timber Sourcing Policy in our Home division
- In 2007, Next purchased 1,101,000 products made from certified organic cotton
- In 2007, Next purchased 291,000 products certified by the Fairtrade Foundation



Our People and Health and Safety

- Next employs 12,340 full time employees and 34,743 part time employees
- 4,152 employees were active members of Next Pension Schemes
- 9,396 employees participated in our Sharesave Scheme
- We have achieved a 6.9% reduction in the overall accident rate for our retail stores

Community

- Support to charities, community organisations and commercial support and sponsorship totalled £2,065,205 in 2007
- Next supported 403 registered charities through donations of funding, product or the time and expertise of our employees

Environment

- Next has calculated in carbon footprint in 2007 at 230,619 tonnes of CO₂e
- Next has decreased energy consumption by 5% in 370 of our like-for like stores
- 45% of our waste is recycled
- 49% of stores participate in the reverse hauling operation to recover cardboard and polythene
- 90% of our retail distribution fleet has been upgraded to the less polluting, cleaner Euro V engines



PROGRESS ON OPPORTUNITIES FROM OUR 2007 REPORT

1. Our Suppliers

Status Code :
 ✓ = achieved
 → = on going
 ✗ = not achieved

OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
OUR SUPPLIERS		
During 2007 we have initiated a study within our key sourcing regions to better understand the living wage calculation to allow us to assess where this may differ from legal minimum wages.	✓	Our COP country managers have completed the study for their countries to gain a better understanding of the difference between a minimum wage and a living wage and its impacts. Next is taking part in the ETI Living Wage Provision Project which started in Sept 07 looking specifically at Bangladesh. See main report for more details.
To engage with trade unions to help develop our internal training in relation to freedom of association with the aim of being able to roll this out to suppliers going forward.	→	This is an on-going initiative for 2008 as we will continue to engage with global Trade Unions (see Opportunities - Our Suppliers).
To further develop our internal audit procedure by engaging with NGO's and other stakeholders in the audit process both in the factories and in the local communities with the key aim of improving learnings.	→	We have an on going programme for each of our auditors to undertake lead Auditor training to ISO 9001:2000 We are collaborating with an international NGO to further develop our teams' ability to conduct meaningful worker interviews.
To continue to build the collaborations we undertake with other brands through a series of different initiatives in our key sourcing regions.	✓	We have collaborated with other brands both through ETI projects and other work outside the ETI.
To deliver our Supplier Conference in each of our key sourcing regions during 2007.	→	We delivered 6 Supplier conferences globally in 2007 and plan a further 3 conferences during 2008 to cover suppliers in our key sourcing regions.



OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
OUR SUPPLIERS		
To establish supplier benchmarking initiatives to facilitate the exchange of best practice.	→	We have established supplier benchmarking Peer Groups in China and India where we manage and facilitate meetings with our suppliers. This will be an on going objective for 2008. The aim is to identify best practice initiatives for the 2 regions as well as sharing them with our global suppliers.
To develop more training resources to support suppliers and to communicate the Next COP to the workers in our supply chain.	→	This project is underway as we have developed a Supplier Toolkit that will be launched in 2008 (see Successes – Our Suppliers).
To complete the roll out of both supplier and internal employee training programmes.	✓	The internal training was completed during 2007 for all current employees who are involved in sourcing products across the company. The training is now integrated into a new employees induction training. Supplier training is being achieved through the global Supplier Conferences.
To continue to build our internal COP audit team resource in India and China.	✓	We have recruited 4 additional auditors to cover these regions taking the global team to 35.

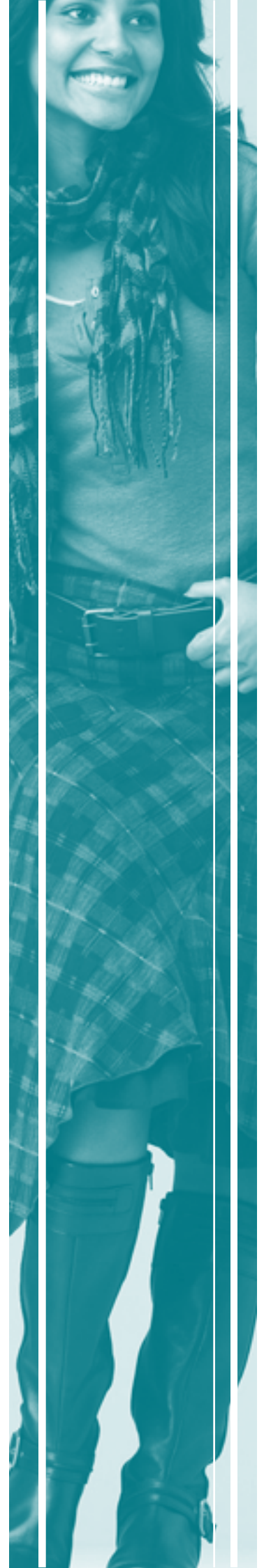
OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
OUR CUSTOMERS AND PRODUCTS		
Introduce information to our customers on the care labels of our products advising which products are suitable to wash at a lower temperature of 30 degrees. This initiative is aimed at encouraging and helping customers to be able to save energy when washing their clothes.	✓	Following a review of our product offer our technologists have identified which product is appropriate to apply our suggested instruction of 'if it's not dirty wash at 30'. For hygiene purposes some products are required to be washed at a higher temperature. The customer information will appear on the selected products from August 2008 onwards.

OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
OUR CUSTOMERS AND PRODUCTS		
Work with the Energy Saving Trust to clearly identify the most energy efficient household appliances such as fridges and washing machines using the energy saving recommended logo.	✓	Products approved by the Energy Saving Trust are clearly labelled at point of sale through both our retail and mail order operations by using the energy saving recommended logo.
Roll out internally and to our suppliers our Restricted Substance Standards and work with suppliers to remove and replace chemicals we have identified as 'high risk'.	✓	Supplier seminars have been held in 7 global locations. The internal training has also been completed. Our Restricted Substances Standards are available to all our suppliers through our Extranet online system.
Continue to develop our timber sourcing policy to implement responsible forest product use starting with our Home division.	✓	The Next Timber Sourcing Policy has been launched to the suppliers in our Home division.
Investigate opportunities to develop products made from recycled materials.	→	We are trialling products in our childrenswear division such as recycled polyester (made from plastic bottles) and also recycled cotton. Our product teams continue to investigate further opportunities.
Customer Services to undertake a review of current reporting tools and identify areas for improvement.	✓	Customer Services have worked with individual business departments to improve internal reporting tools.
Franchise to continue to roll out and implement Next Code of Practice within our partners' operations.	✓	This is an on-going initiative for the Franchise team. A Franchise Partners Conference was held in August 2007 where our Code of Practice was presented to the partners to explain our principles, responsibilities and what we require of our partners.



OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
OUR PEOPLE AND HEALTH & SAFETY		
Continue to attract and retain the best people to work for Next.	→	This is an on going initiative within the business.
Increase the Occupational Health resource for Retail, Head Office and Directory.	✓	This has been achieved and resources are in place to support the business.
Investigate opportunities to work with external resources to support training within our Distribution division.	✓	This was achieved during 2007 and we will be entering into a Lifelong Learning Partnership with USDAW in 2008 (see Successes – People and Health & Safety).
Carry out a safety review of our virtual manufacturing sampling operation in China during 2007 and develop the required ILO compliant safety management systems.	✓	This was achieved during 2007.
Develop an internal web based safety assessment system to allow key managers to measure their safety performance against agreed company standards and facilitate our ability to target development resources correctly and efficiently.	→	This project has been achieved for our Retail division and is currently underway for Head Office, Directory and Warehousing.

OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
COMMUNITY		
To further develop our approach to seek to deliver value through our community contributions and support for charities and other organisations.	→	This is an on going initiative.
To increase the range of products we sell that support charities.	✓	Please refer to the 'Community' section of the report for more details
To reduce financial contributions for commercial sponsorship requests and focus the monies on more philanthropic requests.	✓	This initiative has been implemented.



OPPORTUNITIES IDENTIFIED IN 2007	STATUS	HOW WE HAVE PROGRESSED
ENVIRONMENT		
Fully roll out the reverse hauling opportunities of cardboard and polythene with our stores, warehouses and distribution centres.	✓	During 2007 we brought all applicable sites on board with our reverse hauling operation. We still have further opportunity to bring more stores online in the future – this will be achieved during 2009. See Environment section for more details.
Identify additional streams of waste to divert from landfill to recycle throughout the business.	→	This is an on going project within the business. We have recovered waste wood for recycling and will work to identify further streams in 2008.
Develop a strategy and timescale to achieve our aim of sending no operational waste to landfill from our UK and Republic of Ireland operations.	→	This project was delayed during 2007 and is currently underway.
Identify further product packaging reduction and minimisation opportunities.	→	This project is currently underway working with Envirowise.
Identify the packaging materials on our products to our customers to help promote domestic recycling.	→	This will be actioned during 2008. Through the BRC we are working with WRAP and other retailers to develop common symbols and wording to include on the product packaging. We are awaiting confirmation from WRAP on the agreed symbols/language to use.
Work to eliminate materials used in product packaging that are more difficult to recycle.	→	This is an on-going project for the business. In the Home division we have started to eliminate polystyrene packaging.
Promote the Head Office travel plan to increase participation.	✗	This initiative will be launched during 2008.
Continue to assess and utilise the most appropriate available technology when our distribution fleet is renewed.	✓	Our retail fleet has been upgraded to Euro V engines.
Investigate the potential use of electric vehicles within our fleet for urban or city centre deliveries.	→	This project is currently underway.

OUR SUPPLIERS

CONTEXT

Next Code of Practice (COP) is our set of ethical trading standards which form an integral part of our business. It is through our COP that Next seeks to ensure all products bearing the Next trademark or sold by Next are produced in a clean and safe environment and in accordance with all relevant local and national laws and legislation. 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 impacts.

Our customers want to know that the products they buy from Next have been made by suppliers who show respect for the welfare of their employees and the environment. We first launched the Next COP in 1998 and since then we have continued to dedicate both time and resources to improving workers rights and working conditions in the factories that make products for Next. Our COP is aligned to the Ethical Trading Initiative (ETI) Base Code. The ETI Base Code contains nine clauses which reflect the most relevant international standards with respect to labour practices (ILO conventions).

Next joined the ETI in 2002 and we are both an active and committed member and in 2007 we contributed to several of their working groups and projects. We are a member of the ETI Board, we chair the Homeworkers group as well as participating in the Purchasing Practices Group, Sri Lanka Group, Wages Project, China Working Group, Decent Work Project and the Annual Report Group. Through the ETI we work in partnership with others to tackle some of the more complex and systemic problems of the countries we source from. The ETI also helps to provide a forum to investigate common issues within our supply chain.

The ETI is an alliance of companies, non-governmental organisations (NGOs) and trade unions (TUs) 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.

We continue to believe the best way to maintain the integrity of the COP audits for suppliers who manufacture for Next, is to manage the process in-house with our own team of auditors. Many other retailers employ external consultants to carry out audits on their behalf, but we believe that using our own team to conduct the audits enables us to be more consistent in our approach as well as giving us a better understanding of the issues at source and some of the reasons non compliances may occur. In addition it allows us to establish direct relationships and build trust with our suppliers.

We have five regional managers based in the UK, India, Hong Kong and Turkey who are responsible, with their teams, to audit the factories making Next products. Some of their team members are based locally within China, Sri Lanka, Thailand, Morocco, Tunisia 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.



What is an audit?

An audit is the assessment method we use to measure whether factories comply with our COP. A Next COP auditor attends the supplier's factory to review their employment records, talk to factory managers, interview workers, as well as visually assess working conditions and health and safety standards. Depending on the size of the factory and the number of employees, we determine the resource required to complete an audit, which typically takes between 1-2 man-days.

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 with our Code.

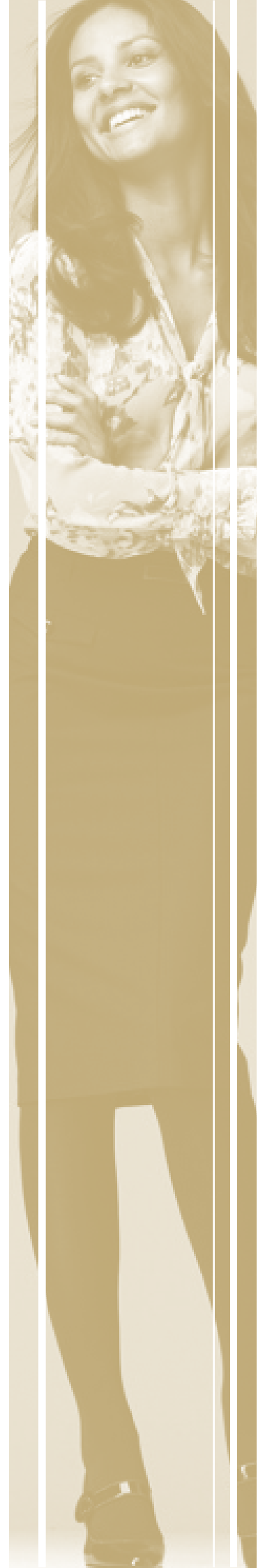
Each audited factory is measured against our COP and is graded against our six tier rating system. The supplier is made aware of their rating by our auditor and what is required to improve their rating via the corrective action plan. We support the suppliers to work towards continuously improving their operation to achieve compliance with our Code.

The most severe rating category is given for specific major breaches of our COP requirements. We will not place any business with a potential new supplier who achieves this rating during the first visit, and will suspend business with an existing supplier. We do however remain committed to rectifying the issues with existing suppliers, with a view to supporting them with further business once satisfied our standards can be met.

A supplier who achieves our compliant rating is considered to be a benchmark supplier. We continue to monitor these suppliers by auditing at 12 to 24 month intervals.

The six tier system is used to encourage our suppliers to progressively work to and adopt higher standards over time, as well as allowing us to more accurately measure our suppliers' performance and progress and focus the resource of the COP team where it is required most. 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 geographical location and strategic importance of the products they make.

The way we manage our Code continues to develop and evolve from its introduction in 1998. Factory auditing remains an important part of our COP strategy, however we are increasingly prioritising the tackling of issues, such as workers receiving a living wage and freedom of association, that drive non compliance within particular countries by working to build knowledge and understanding in the local communities. We believe the operation of our own COP team offers the benefit of developing a close working relationship with our suppliers as well as close familiarity and awareness of issues that specifically affect the different regions in which we operate.



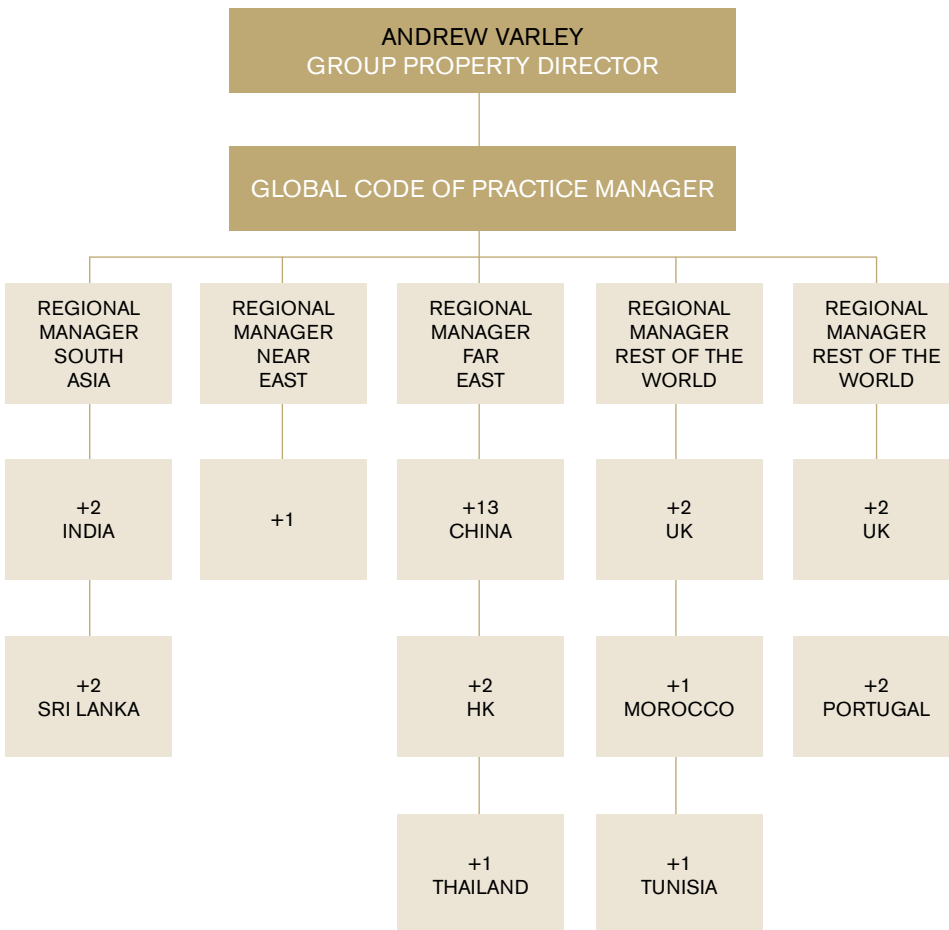
DATA

- The products we sell were produced in 46 countries worldwide in 2007
- During 2007 we carried out 834 audits
- Our global COP team increased to 35 during the year.

Code of Practice Reporting Structure

The chart below shows the reporting structure into the Main Next Board and by country/region

CODE OF PRACTICE STRUCTURE CHART



SUCSESSES

Raising Awareness

In January 2007 we held our first supplier conference to launch the revised Next Code and to raise awareness of the work we are involved in within the ETI. We have delivered six further conferences in 2007 in our key sourcing regions worldwide to both NSL suppliers and independent suppliers, selecting suppliers by the size of their business with Next. Through the conferences we have undertaken so far we have engaged with approximately half of our suppliers. We plan three further conferences within 2008 to directly engage with as many of our suppliers as possible.

As we are unable to audit every factory every year due to the large number of suppliers we work with, suppliers are prioritised for audit against a number of criteria, including volume of product supplied, the perceived risk of geographical location and strategic importance of the products they make. During the year we have developed and trialled a supplier self assessment audit document which is sent to potential new suppliers or existing suppliers that have yet to be audited. Once completed by the supplier it acts as a tool to help them assess their operation against the requirements of our COP as well as supporting pre-audit preparation. We also use the information as part of our risk assessment criteria. The aim of this tool is to raise awareness of our Code and its requirements to our suppliers ahead of them being visited for an audit.

We have also developed a Supplier Toolkit aimed at raising awareness with workers within our supply base about the Next Code of Practice, its aims and principles, why it is important and how it designed to help and support them. Through the Toolkit we hope to be able to communicate and engage more directly with the workers in our supply chain at all levels, by providing information and advice in different media that have been designed to appeal to the varying audiences we are aiming to reach. We will launch the Toolkit in 2008.

During 2007 we continued to roll out the internal training and awareness raising programme to all employees involved in the sourcing of Next brand product, both in the UK and in our global sourcing offices. This training now forms part of all Product Team new starters' induction training. The training is important to raise awareness of the impact that buying decisions can have on suppliers and to improve the buyers' understanding of the role they play in our ethical trading programme.

COP Team Training and Support

As we carry out all our own audits the integrity of our team is of paramount importance. There is an on-going programme to ensure each of our auditors undertakes lead Auditor training to ISO 9001:2000. We have developed a training matrix for each auditor to ensure the skills of the audit team are being assessed, revised and improved on a continual basis and are in the process of preparing some additional training modules.

Our regional COP teams manage and facilitate forum meetings between suppliers in both Shanghai and New Delhi. The aim of the forum is for the suppliers to identify, discuss and share in the exchange of ideas and best practice initiatives to help improve or resolve issues they may all be experiencing.

Our internal supplier database has now been established to allow for improved visibility and reporting options. The web based system is a valuable tool, as it will provide efficient access to supplier/ factory details, their audit history and rating as well as when their next audit is due. The new system will enable us to conduct more sophisticated analysis of our auditing results to allow the team to track trends and deploy the appropriate resources to investigate particular issues.

Collaboration

We believe that working with others to build partnerships plays an important part in ensuring we make real progress with our Ethical Trading programme. We have first hand experience of the benefits of working with other organisations. We can and have joined forces with other retailers and by working with NGOs and trade unions in the UK and overseas and this has helped us identify and pursue sustainable solutions for some of the more complex and systemic industry problems of the countries we source from. This approach has strengthened our impact in dealing with some labour issues which would have proved difficult for us to tackle by ourselves.

Our collaboration with others takes many forms from national level brand working groups to issue specific projects. Through our membership in multi-stakeholder organisations, such as the ETI, we are participating in a wide range of projects such as the Homeworkers Group and the Purchasing Practices Group. We believe it is essential to strive to build alliances and partnerships to tackle problems and identify and promote better ways to implement codes of labour practice in the local context.



Examples of our teams project work

Achieving compliance to the living wage is a major challenge for all retailers, but one to which we remain committed. We have continued to develop our understanding of this complex subject. During 2007 we initiated a series of country specific studies of the living wage in our key sourcing countries. We gathered and continue to collect wage information through our regional teams to compare living wages with minimums and sector averages. The findings of this project provided us with valuable information and important learning on the subject. One such significant outcome was the reinforcement that different drivers are required to produce positive and sustainable change for workers, including the often marginalised migrant and home worker. We have now initiated a number of pilot projects in different countries and regions that will be undertaken during 2008. The projects have been established to test different potential solutions, with the key aim of achieving widespread and lasting change.

Another project underway in China is focusing on factory productivity – with the specific intention of improving workers wages. From previous work we have done in China to reduce overtime, it was identified that on average most factories are able to improve their overall productivity by approx 10% in about six months with specific training and assistance. If productivity is increased and unexpected work stoppages are resolved more efficiently, workers have reported that their earnings also increase. This caused us to consider high employee turnover, which affects overall factory productivity and has an adverse affect on a factory being able to pay workers a higher wage. We have identified a number of our factories which suffer from high employee turnover and are now working with those factories to be able to increase the workers wages through improving productivity.

We will report more fully on the findings of this and other projects in our next report.

OPPORTUNITIES

- Deliver our COP Supplier Conference in three additional sourcing regions.
- Refine the six tier auditing rating to better manage the risk of non-compliance and strengthen links between the business and the suppliers who are working to comply with the requirements of our Code.
- Roll out the factory Toolkit training on CD to our suppliers.
- Issue the Next Migrant Worker policy and the Next Home Worker policy.
- Carry out further audits within the next tier of our supply base i.e. fabric mills/ raw material suppliers.
- Freedom of Association: continue working with global Trade Unions such as the ITGLWF and TUC to provide the necessary background information for suppliers in adopting an open and positive attitude to worker organising.
- Living Wage research: continue our work on this challenging issue and begin to move beyond our pilot programmes to roll out the learning through our supply chain.
- Roll out the worker interview training module to our global team.
- In collaboration with an NGO in Southern China, support a trial to pilot a worker helpline
- Develop/ scope the ETI Purchasing Practices project engaging with external consultants to undertake the research phase.
- Support regional team strategies that address issues prevalent to each region in addition to global COP team strategy.
- Continue to invest and develop our global COP team.

OUR CUSTOMERS AND PRODUCT

CONTEXT

Exciting, beautifully designed, excellent quality clothing and homeware that reflects the aspirations and means of our customers

As well as delivering to our Brand values we are committed to ensuring our products are made safely, are fit for their intended purpose, fully comply with all relevant legislation and are sourced in a responsible manner. We 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 are committed to operating a responsible and successful business.

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, shopping centre or retail park stores, the Next Directory or online through 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 we sell has been made in a safe environment, is safe to use and is fit for purpose. Our team of technologists works closely with our buyers, designers and suppliers and is responsible for ensuring all products sold by Next comply with relevant consumer legislation as well as the safety and performance standards detailed in our product specific manuals given to suppliers. To support this, our technologists also liaise with and use the expertise of independent safety specialists for clothing, footwear, accessories, beauty and homeware products to ensure the products we sell achieve the required safety and performance standards.

To have visibility of and monitor the development and introduction of new legislation and changes to existing legislation, we work with trade associations, British Standards and government departments, to both contribute to and support legislation development by giving our views and ideas. We are members of different industry committees and groups, and through these groups we are able to participate with other stakeholders in policy debates to contribute to their development and ensure we comply with the relevant legislation in line with their enforcement dates.

Our Customer Services department interacts with our Retail and Directory customers through telephone calls, letters and email correspondence, to resolve customer enquiries and issues in relation to our products, our operation, our policies and the services we provide. Customer Services also interacts with many internal departments within Next in relation to the correspondence received. The findings from this communication are documented and used to review how a product or service can be improved going forward.

We undertake 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.



DATA

We had :

- An average of 307,000 transactions per day in our Retail stores (2006:328,000 per day)
- 2.21 million active Directory customers (2006:2.16 million active customers)

CUSTOMER SERVICE CONTACTS - ESCALATED			CUSTOMER COMPLAINTS/BRAND SALES PER 100K UNITS		
	2007	% + / - v 2006	Complaints per 100k units	% Complaint Rate	% + / - v 2006
Total Customer Service contacts	106,718	+7.7			
General Enquiries	15,229	+4.3			
Complaints	86,399	+7.4	29.37	0.029	+12.0
- Disability	22	+4.3	0.007	0.000	-13.0
- Operations	8,750	+5.8	2.97	0.003	+10.0
- Product	33,929	+17.1	11.53	0.012	+22.0
- Service	43,698	+1.2	14.85	0.015	+5.0
Other	5,090	+24.4			
- Incident	1,287	+1.5			
- Positive feedback	3,649	+38.0			
- Suggestion	154	-14.0			

Note: the data in the above table does not include initial contacts made directly with Next Directory which are immediately resolved, as these contacts are not recorded.
Only escalated contacts for Next Directory are included.

The contacts we have received from our customers that require more assistance to resolve their enquiry or issue has increased by 7.7% from last year. These contacts are escalated to our Customer Services department, which is responsible for both our Retail and Directory customers. The team will investigate the reason for the contact and bring it to a satisfactory resolution. We record the total number of reasons the customer contacts Next, as one customer may contact us about several enquiries or issues. The number of complaints relating to the products we sell has increased by 17% year on year, with a large proportion of the increase coming from products sold through our expanding Home division where we have extended our range of furniture and introduced two new and expanded product offers at Next - leisure/ electrical and toiletries. Satisfactory resolution of complaints is a business priority and the Customer Services team work closely with the individual product teams to achieve this. Customer Services have developed improved data reporting to support and assist individual business departments across Next.

SUCSESSES

Next International

The Next International operation continues to grow with 17 partners opening stores in 28 countries. During 2007, 28 new stores were opened taking the total number of stores to 158.

We held our first annual Franchise Partners Conference in August 2007 which was attended by representatives from 13 of our partners. Following on from work we had already started, our Code of Practice team presented our COP principles, responsibilities and what we require of our partners in relation to their franchise operation during the conference.

Legislation

Next is required to comply with the EU Directive on Waste Electrical and Electronic Equipment (WEEE) which came into effect on 1st July 2007. We joined a compliance scheme which funds the provision of local authority collection points for consumers to recycle electrical and electronic equipment free of charge. In addition, to date we have recycled 23 tonnes of electrical and electronic equipment that has been sent back by our customers through our returns process.

We are preparing for the forthcoming EU Directive on REACH (Registration Evaluation and Authorisation of Chemicals). During 2008 we will be reviewing the chemicals/substances detailed in our Restricted Substances Standards (see Chemicals below for more information) against potential 'substances of very high concern' identified under REACH. We will also be working together with our suppliers to help them understand and identify whether the product they supply to Next will fall within the scope of the legislation.

Chemicals

During 2007 we have undertaken a revision of the Next Restricted Substances Standard which lists chemicals/substances that are of concern as they are either:

- **Restricted by law**
- **Harmful to humans**
- **Harmful to the environment**

We have held 7 seminars in our key global sourcing locations to present the information to our suppliers and our internal technical teams at Head Office and through the NSL sourcing offices. We are working with our suppliers to ensure the chemicals/substances used meet our required criteria and offer help and advice for alternatives where required.



Fairtrade Foundation certified products

We have been able to extend the variety of products offered that are certified by the Fairtrade Foundation as during 2007, in addition to cotton clothing products, we sold several gift products that contained Fairtrade certified chocolate. During 2007 we have purchased over 291,000 products certified by the Fairtrade Foundation.

For 2008 we will continue to develop our offer by including Fairtrade certified flowers.



Organic

The certified organic cotton products we have offered have sold well and our buying teams are continuing to develop new products going forward. During 2007 we have purchased over 1,101,000 organic cotton products (clothing, bedding and towels) across the business. The core objective of growing organic cotton is the avoidance of environmentally harmful chemicals and pesticides and in this regard we recognise a number of certification schemes used by our suppliers. The role of the certification scheme is to survey the production of the organic cotton, to certify it has been grown to the correct standards by visiting the farms where the cotton is grown and the processors where it is made into fibre. Certification is issued that remains with the fibre when it is sold to show the cotton has been organically grown and processed. Our certified organic cotton product is clearly identified by labelling in our stores and by descriptive copy within the Next Directory to show our customers which products are made from organic cotton.



Recycled Materials

We are investigating the potential to develop textile products made from recycled materials.

We will be introducing some school wear products for Autumn 2008 using recycled polyester (originating from plastic bottles).

We are also developing a childrenswear casual trouser made from recycled waste cotton – the waste cotton is produced at the fabric stage and is broken back down to fibre and re-woven to make new fabric. This product will also be trialled in Autumn 2008.

Timber

During 2007 we reviewed our Timber Sourcing Policy and recognised the importance of Next understanding the timber species used in the manufacture of our products and the forest sourcing routes.

Next's aim is to work with recognisable international standards to ensure wood and wood composite products are sourced from legally harvested and well managed forests. The forest certification scheme that provides this level of assurance is the Forest Stewardship Council (FSC). For more information about FSC visit their website at www.fsc.org

We have started by launching the Timber Sourcing Policy with the Home division where we sell the most wood and wood composite products. Our aim is to introduce the policy into other areas of the business where wood and wood composite products are purchased and used by the business.

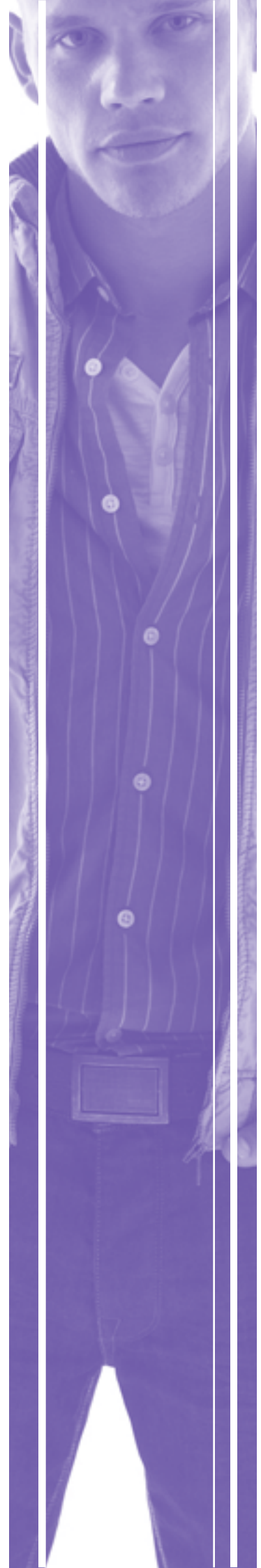
We understand this will be a long-term on going commitment, and we will support our suppliers to work towards sourcing through credible forest certification schemes by offering, for example, training and establishing contact with FSC, to help expand the number of forests that achieve certification as well as supporting the raising of forest standards.

We will report on our progress in future reports.

100% of the garden furniture ranges we sell have been certified by the FSC since 2003, which provides assurance that these products have been made from wood sourced from legally harvested and well managed forests, and we will continue with this commitment. To ensure the finished product has been certified by FSC we require chain-of-custody certification to be submitted for our records.

Product Safety

Next has a procedure in place to recall a product if it is found to fall below our high standards of safety and performance, as the safety of our customers is our priority. Our Technology team has reviewed and enhanced our current procedure and reporting to ensure product is withdrawn from sale quickly and our systems prevent any such product from being sold once the decision to withdraw from sale has been taken.



OPPORTUNITIES

Customer Services

- Enhance our internal reporting tool to offer improved data to the business.
- Develop a top level internal management summary report of key issues.

Product

- Investigate systems requirements to improve tracking of recalled products.
- Review our current policy on animal welfare to improve, protect and promote animal welfare in relation to the products we sell.
- Introduce the Timber Sourcing Policy into other parts of the business where wood and wood composite products are procured.



OUR PEOPLE HEALTH & SAFETY

CONTEXT

Our people are a valuable asset to Next, and we are committed to attracting, developing and retaining the best people to work at every level throughout our business.

We recognise the importance of providing a working environment in which our employees can achieve their full potential and have opportunities for both professional and personal growth. Our aim is to achieve an environment where our employees are respected, treated fairly, listened to and are involved. We have invested in our employees by developing policies for their recruitment, training and development so they feel valued and want to stay with Next. As our business continues to grow we understand that by retaining effective and committed employees we can continue to deliver great quality products and an excellent service to our customers. We have adopted policies aimed at minimising risk in our activities to ensure they do not harm employees, customers and consumers. Next is an equal opportunities employer and we will continue to ensure we offer careers opportunities without discrimination. We make adjustments, wherever possible, to improve the working environment and accommodate employees with disabilities.

At Next, our Board and management team are totally committed to providing a safe and healthy working environment for our employees, customers and third party contractors. We agree and set safety programmes with objectives for each division of the business every two years. The safety programmes and objectives are reviewed quarterly at divisional safety meetings by each Divisional Director and twice a year by our Chief Executive.

Next believes in rewarding all employees with fair and competitive salaries along with the opportunity to earn additional pay in the form of bonuses. 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.

How we communicate with, consult, involve and listen to our employees is important to the business. Throughout the different divisions of the business we have democratically elected employee representatives who represent their colleagues' views by sitting on employee forums (approx 1 representative per 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.

Next has a recognition agreement with the Union of Shop, Distribution and Allied Workers (USDAW) in relation to our warehouse and distribution employees. During 2007 we also signed an agreement with the professional and managerial section of USDAW, called SATA, to represent our supervisory staff in warehousing and distribution.

The information contained within this section of the report relates to the employees within our stores, warehouses and distribution centres, head office and Directory operations within the UK. Reference is also made to other parts of The Next PLC Group as our Health and Safety team are working with our teams across all parts of the business.



DATA

NEXT EMPLOYEES	
FULL TIME	PART TIME
12,340	34,743

TABLE 1 - FEMALE / MALE EMPLOYEE STATISTICS AT 31.1.08					
	GROUP	RETAIL	HEAD OFFICE	DIRECTORY	DISTRIBUTION
FEMALE	69%	73%	65%	80%	39%
MALE	31%	27%	35%	20%	61%

Note - both sets of figures above represent UK and Eire employment only and do not include employees on short term temporary contracts

NEXT UK PENSION SCHEME	ACTIVE MEMBERS
FINAL SALARY SECTION	2088
MONEY PURCHASE SECTION	2042

Next operates The Next Group Pension Plan in UK which consists of defined benefit (final salary) and defined contribution (money purchase) sections. The Plan's investments are kept separate from the business affairs of the Next group and held in trust by Next Pension Trustees Limited. The defined benefit section was closed to new members from October 2000 but is being continued for the benefit of existing members. The defined benefit section is a funded arrangement which provides benefits based on final pensionable earnings. The defined contribution section is for all members who joined after September 2000 and benefits are based on each individual member's personal account.

Returning to work after maternity leave

77% of our employees taking maternity leave returned to work in 2007. 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 they return to work.

Next Health and Welfare

In 2007 Next spent £790,000 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
- Professional counselling support
- Dedicated employee assistance programme in Next Distribution

We also offered a free flu vaccination to our employees at Head Office, UK call centres, warehousing and distribution depots, which was taken up by 18% of our employees.

Safety Programmes 2006 - 2008

This table shows the current Company Safety programmes across our UK and Eire business and our progress to date. Health and safety management is an on going process within Next and the table outlines the additional areas of focus identified to extend or compliment our existing safety management systems.

We rate our progress as:

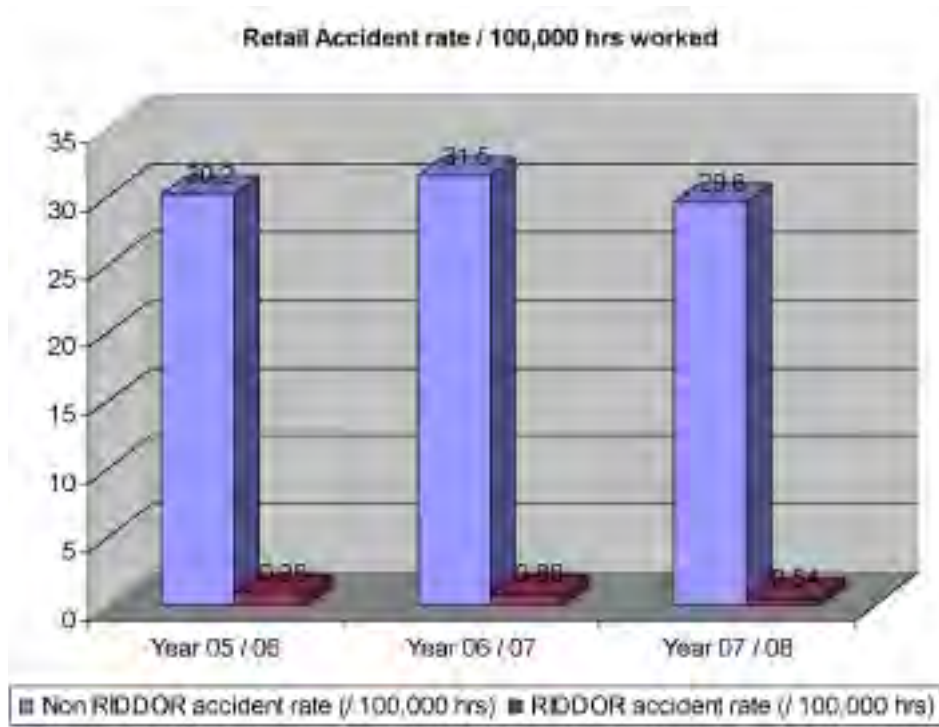
- Red (not commenced)
- Amber (underway)
- Amber/green (>70% complete)
- Green (complete)

COMPANY OBJECTIVE 2006 - 2008	Distribution	Retail	Directory	H/Office
1. Active safety support	Green	Green	Green	Amber/green (>70% complete)
2. Safety consultation and communication	Amber/green (>70% complete)	Amber (underway)	Amber/green (>70% complete)	Green
3. Safety information and resources	Green	Green	Amber (underway)	Amber/green (>70% complete)
4. Focus on high risk areas	Green	Green	Green	Green
5. Safety supervision and monitoring	Green	Amber/green (>70% complete)	Green	Green
6. Behavioural safety: developing our safety culture	Green	Green	Amber/green (>70% complete)	Green
7. Safety training and competence	Green	Amber (underway)	Amber (underway)	Amber/green (>70% complete)
8. Safety measurement and management information	Amber/green (>70% complete)	Green	Green	Green
9. Emergency preparedness	Green	Green	Amber (underway)	Amber/green (>70% complete)

Accidents

We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) per 100,000 hours worked. The data below covers accidents in the UK, Republic of Ireland and Denmark for Retail, Distribution and Head Office/ Directory.

Retail



Note: Yr 05/06 and Yr 06/07 data has been restated

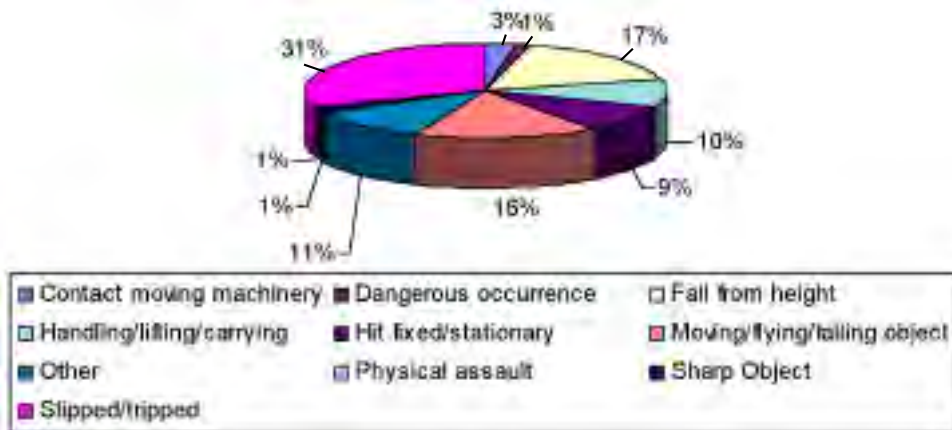
In Retail during 2007 we have seen:

- 6.9% reduction in the overall accident rate (32.4 to 30.1)
- 38.6% reduction in the rate for accidents reportable under RIDDOR (0.88 to 0.54)
- 6.0% reduction in the rate for accidents not reportable under RIDDOR (31.5 to 29.6)

Accidents reportable under RIDDOR for Retail:

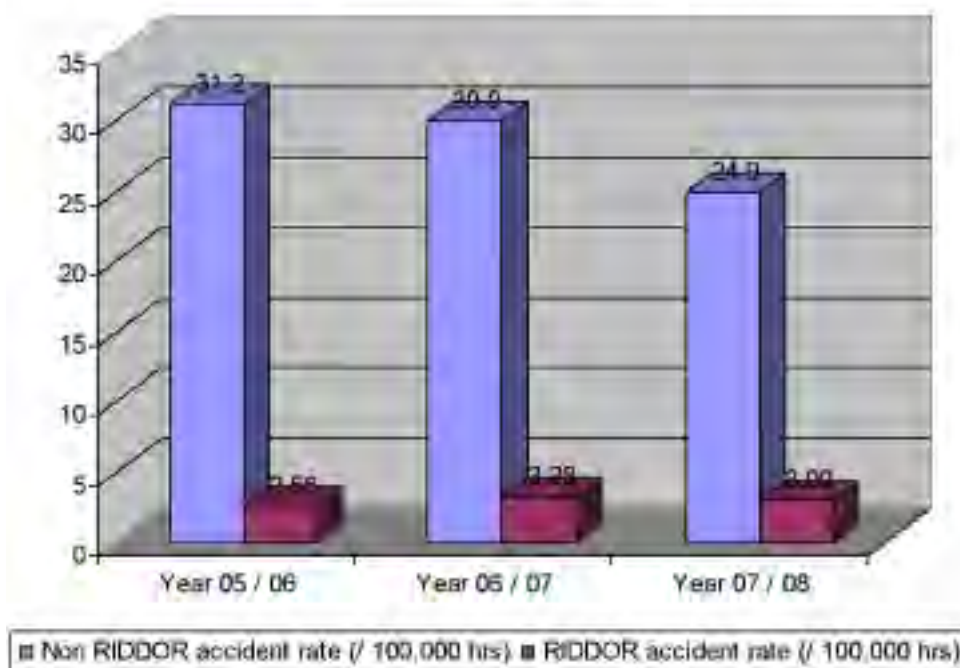
- 42% occur to our customers – the majority are classified as RIDDOR because we report all incidents where we advise the customer to go to hospital.
- 56% occur to our employees
- 2% occur to our third party contractors

RIDDOR Accident Causes - Our major cause of RIDDOR accidents (31% of the total) is slips and trips and the second highest cause of accidents (17% of the total) is related to falls from height which is typically people losing their footing on stairs or missing a rung on a ladder.



Distribution

Distribution Accident Rate / 100,000 hrs worked



In Distribution during 2007 we have seen:

- 16.2% reduction in overall accident rate (33.3 to 27.9)
- 8.5% reduction in the rate for accidents reportable under RIDDOR (3.28 to 3.00).
- 17.1% reduction in the rate of accidents not reportable under RIDDOR (30.0 to 24.9)

Head Office and Directory



For 2007 the combined data for Head Office and Directory, primarily office based operations show:

- 14.3% reduction in the overall accident rate (2.6 to 2.2)
- 42.9% increase in the rate for accidents reportable under RIDDOR (0.07 to 0.10) which is an increase of two accidents on the previous year
- 16.0% reduction in the rate for accidents not reportable under RIDDOR (2.5 to 2.1)

During the last three years the business has placed great emphasis on both accident and 'near miss' reporting. This has enabled us to analyse the data so we are able to understand where, when and why processes and procedures need improvement to prevent future accidents. This emphasis on accurate accident reporting continues to provide the business with data which we are able to use to develop our safety management programmes.

The Company Safety Programme we will be developing during 2008 for the years 2009 – 2011 will be targeted at improving performance and introducing measures in key risk areas to avoid similar occurrences in the future.

At our manufacturing facility in Sri Lanka, our UK Health and Safety team have been working with the factory's team and we started to collect and record accident data during 2006. During 2007 we have seen a major reduction in Lost Time Accidents compared to 2006 from 10 to 1. Lost Time Accident rate is measured per 100,000 hours and is a local measurement used in Sri Lanka (any accident where the injured employee is unable to work their next shift).

SUCCESSES

TRAINING AND DEVELOPMENT

The training and development of our employees continues to be core to our business success to ensure our employees are better equipped to manage the needs and challenges of our business. Our employees are able to access the development tools or job specific training appropriate to their needs through the focused and integrated training teams in each area of the business, whether they are in Head Office, Retail stores, Directory, warehousing and distribution.

The business works to recognise the full potential of our employees by encouraging and supporting both career progression and internal promotion wherever possible.

During 2006 /07 in one of our Distribution warehouses we trialled the opportunity for our employees to attain a recognised NVQ Level 2 qualification in Warehousing and Distribution. The initiative was supported by providing facilities and the time for employees to study during working hours. 275 employees successfully achieved the Level 2 qualification. At this stage we are not planning to offer this again for our warehouse personnel, but we are planning to roll-out the same NVQ Level 2 qualification to trial within our driver division at one of our depots. Again the initiative will be supported by providing facilities and the time for employees to study in working hours.

Five graduate employees were offered the opportunity to join a Management Training Scheme within Distribution with the potential to develop into Duty Managers within our Distribution operation. Two of the graduates have been successful and have become Duty Managers within an 18 month period. However due to the practicalities of supporting the programme we do not have any plans to run the scheme again.

In 2008 we will be entering into a Lifelong Learning Partnership with USDAW. The aim of this programme is to provide on-site facilities for a range of subjects (e.g. language; numeracy; IT skills) with a Learning centre being based on site at one of our warehousing facilities. We will trial the project for six months initially with the aim of rolling it out across our Distribution division if successful.

Training in Health and Safety continues to be a key objective within the business. In our warehousing and distribution division we are implementing a new behavioural safety training programme for our engineers to support best practice actions in relation to their job roles. In addition we have developed and rolled out a hard-hitting DVD to employees at all grades within warehousing and distribution to emphasise the consequences of unsafe working practices in this part of the business.

For our Head Office employees we have developed and are trialling an online safety training programme. During 2008 we will review the level of success delivered by this method of training to determine if it should be rolled out further.



Sharesave

Next has operated a Sharesave Scheme for many years. The scheme is to encourage employees to invest in the future success of Next. At 31st January 2008 there were 9,396 employees participating in our Sharesave Scheme.

Attracting Employees

During 2007 we have continued to build our relationships with key universities in the UK to attract students to a career with Next with the aim of ensuring we are able to recruit the best candidates for our business. Building on the success of the 'Open Days' we held at our Head Office last year we have held several events in early 2008, for both students and their university careers advisors, where we offer an insight into careers with Next, particularly in relation to our Product team functions of buying and merchandising. In 2007 we successfully recruited 72 trainees into Product through this process, a 4% increase on 2006.

We have continued to develop and expand the Next Careers Website during 2007 to cover opportunities with Next across all our business divisions. To attract trainees into Product we have developed and launched a specific section within the careers website that offers video web casts of current trainees describing their first year at Next.

Health and Welfare

Additional successes we have achieved during the year:

- Pandemic Flu Action Plan has been developed for the business covering all divisions
- Improved accessibility of key safety information for employees, now available through the internal Intranet system.
- Implemented a major safety audit programme in our warehousing and distribution centres
- Developed and agreed a Lead Authority Partnership for Health and Safety with Doncaster Metropolitan Borough Council for health and safety enforcement
- We have developed and started to deliver a Construction Safety Forum, through which we aim to positively influence safety management standards adopted by our main store development contractors
- An additional member of the Occupational Health team joined during 2007 to support Retail, Head Office and Directory
- Working with our manufacturing facility in Sri Lanka we have maximised the learning and developed a safety management process based on and compliant with ILO (International Labour Organisation) Safety Management Systems.
- We have also introduced the same safety management process into our call centre in Pune, India as well our virtual manufacturing sampling operation in China.
- NSL (Next Sourcing Ltd) is in the process of rolling out a comprehensive safety management programme across all its global sites.
- Following the severe flooding that occurred in Yorkshire in 2007 the business helped affected employees by helping them refurnish their homes with furniture provided by Next.



OPPORTUNITIES

- Deliver an online accident reporting system to cover our Head Office, Warehousing and Distribution and Directory operations. The system is already in operation within Retail.
- Develop the Company Safety Programme 2009-2011. This will be developed at Divisional level and adopted by the Board in November 2008.
- Working with external specialists to review our current manual handling training programme in Warehousing. Revise and improve training and establish an implementation plan.
- Improve our existing programme of Driver Risk Management for all our Company Car drivers by working with Drive and Survive, a leading external provider
- Review our store development procedures to ensure we are adopting good practice throughout our store development programme.
- Carry out further safety reviews at our manufacturing facility in Sri Lanka and our call centre in Pune, India.



COMMUNITY

CONTEXT

Next aims to make a positive impact in our local communities through a programme of support involving sponsorship, donations and employee time. We believe it is important to develop and maintain positive and healthy relationships with these communities by contributing to their wellbeing through donations of funding, product, or the time and expertise of our employees. During 2007 we have focused our resources on projects that support communities throughout the United Kingdom, and in addition have looked for opportunities to identify and develop new relationships to be able to increase the number of organisations and charities we are able to support. With 500 stores in the United Kingdom and ROI we want to be able to offer support to smaller, local charities, groups and organisations with a donation that is of most benefit to them, so we can help make a real difference. In addition to our direct community contributions, we also 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.

To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions (product donations). We add this to our financial contributions, to arrive at the total sum contributed for the year.

Our charity and sponsorship programme is made up of donations to:

Registered Charities

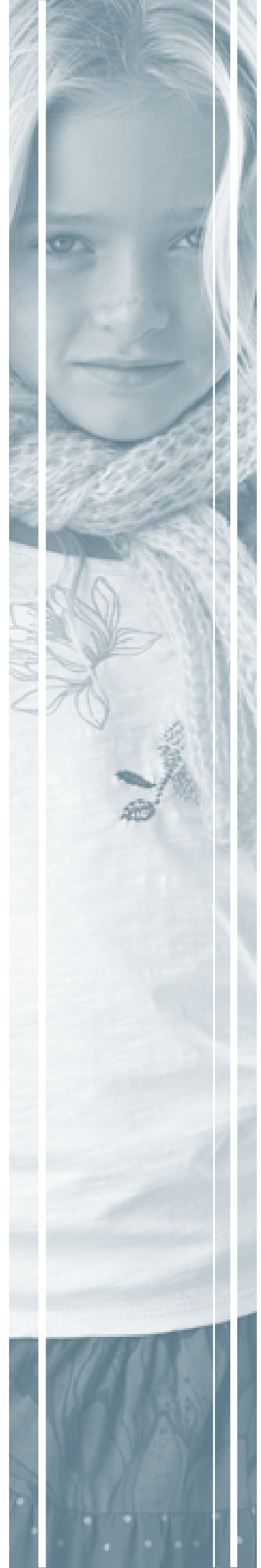
We have been able to offer support to 403 registered charities of all sizes during 2007 who have asked for contributions to support, for example, children and youth; care for the sick and disabled; medical research and community support charities.

Individual requests/local and national groups and organisations

We are able to help non-registered charities such as schools and playgroups through these donations. In addition we are also able to respond to individual requests for fund raising from small groups and individuals who will benefit from our support.

Commercial Support and Sponsorship

We offer commercial support and sponsorship to a number of organisations which provides Next with the additional benefit of raising awareness of our brand. We also give support to local sporting teams, especially where there is direct employee involvement with the team.



DATA

Next has offered financial support to:

- Registered Charities	£730,978
- Individual requests/local and national groups and organisations	£ 42,969
- Commercial Support	£146,156

We have complimented this support with additional fundraising activities that have been given to either registered charities or individual groups and organisations.

- Next Charity events	£433,204
- Gifts in kind - product donations	£394,178
- Charity linked sales	£263,058
- Employee fund raising - Next	£ 11,201
- Ventura	£ 61,461

Total Support in 2007 **£2,065,205**

Gifts in kind - products are donated to charities for them to sell in their shops, are used to help individuals who need some assistance or are recycled and made into new products they are able to sell.

Charity linked sales - we raised £226,342 through sales in the UK and ROI by donating 25p from each pack of Next Christmas cards sold. In the UK the monies were equally shared between The British Red Cross, Macmillan Cancer Relief and Barnardo's. The monies raised from our Christmas card sales in ROI were equally shared between Barnardo's and the Irish Heart Foundation. In addition we raised £36,278 from the sale of a flower bouquet for Mother's Day with proceeds going to Save the Children.

Employee fundraising - monies were raised for both local and national charities through a series of fundraising events at Head Office and our UK Ventura operations.



SUCCESSES

During the year the Next Charity Committee, made up of employees of different levels of seniority and representing different areas of the business met six times. Employees are able to apply to Next for individual fund raising requests. During 2007 the Committee agreed specified amounts of money to be given to employees for common types of fund raising activity. In addition proposed donations to charities and organisations with a value of more than £5000 are presented to the Committee for approval and agreement. The role of the Charity Committee is to ensure each request to support a charity or organisation receives equal consideration.

Next has hosted two fundraising events during 2007. The process of our annual Next Charity Golf Day this year went to Well Child, a children's charity, which supports sick children and their families in the UK through funded nursing care, research and by operating a helpline anyone can access to speak to an experienced health professional. We also held the Next Charity Ball, hosted by our Chief Executive, with the proceeds going to the Cure Parkinson's Trust, whose primary role is identifying, funding and evaluating research projects as well as hosting scientific forums to discuss key areas of research and technology.

During 2007 we have reduced the financial contributions for commercial support and sponsorship we make each year. This has had the benefit of being able to support more charities and organisations. Our team has focused its efforts to develop relationships with smaller local charities, groups and organisations, to understand their needs to offer a donation that is of most benefit to them and will help to maximise their potential fundraising at a particular event.

Next continues to be 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.

In previous years we have not recorded the total time our employees volunteer to support, help and assist at different events. We have reviewed our procedure for measuring this information to be able to report on it more in future years.

OPPORTUNITIES

- Increase the range of products we sell that support charities.
- Continue to deliver value through our community contributions and support for charities and other organisations.
- Maximise the use/value of unwanted products that are returned through our operations.



ENVIRONMENT

CONTEXT

Next recognises and is committed to reducing the impact our business operations have on the environment both now and in the future. By the development and operation of good business practices we continue to work to reduce our environmental impacts.

The business has identified three key operational activities which we believe are significant to Next, where we consider we have direct operational control and will continue to be important in terms of our environmental focus. They are:

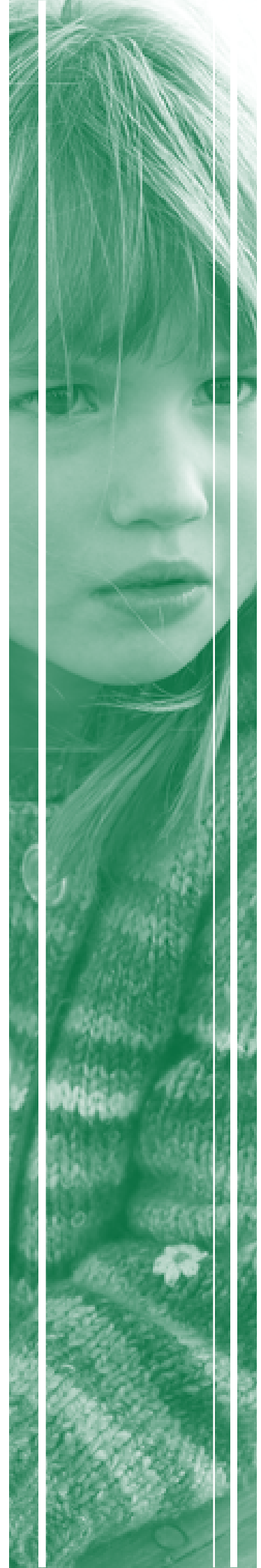
- energy use and emissions from our stores, warehouses, distribution centres and offices
- fuel emissions from the distribution of our products to either our stores or our customers' homes
- waste created in our stores, warehouses, distribution centres and offices

Through this focus we aim to find ways to minimise our impact on the environment in how we operate our business by reducing energy consumption, cutting transport emissions through improved efficiency and minimising and recycling waste from our operations as well as working to reduce the packaging in our products.

Climate change has continued to rise higher on the agenda during 2007 and is now recognised as one of the biggest global environmental challenges facing us all. Our first Corporate Responsibility Report was published in 2004, showing the carbon dioxide (CO₂) emissions associated with the electricity, gas and fuel used through our stores, warehouses and distribution centres, offices and distribution fleets in the UK and ROI. We have continued to measure and report these emissions in our reports, as well as advising how we have been working to reduce CO₂ emissions over time. The data starting on page 39 show in detail where we are actively monitoring our emissions and working to manage our operation in key areas to reduce the emissions.

To help us understand our climate change impacts more fully, we have measured the greenhouse gas (GHG) emissions from our operational activities through our stores, warehouses and distribution centres, offices and distribution fleets in the UK and Republic of Ireland using international greenhouse reporting protocols. In addition we also measured the emissions associated with the publication and delivery of the Next Directory. Our carbon footprint has been measured at 230,639 tonnes of CO₂e (carbon dioxide equivalents).

We need to reduce the emissions associated with the operational activities of our business to show our commitment to reducing the impact we have on the environment as well as considering other issues such as energy costs, the future availability of raw materials and forthcoming new legislation such as The Carbon Reduction Commitment (CRC). The CRC is the UK government's proposed carbon trading scheme targeting emissions from large business and public sector organisations, such as retailers, hotels and local authorities. It becomes law during 2010 and will affect Next.



The majority of waste we produce is generated by our stores, warehouses and distribution centres and is mostly made up of packaging, including cardboard and polythene. During the year we have continued to work to reduce the total waste we produce and to identify opportunities to increase the amount we are able to recycle from our stores, warehouses, distribution centres and offices. We now have 51% of our stores reverse hauling cardboard and polythene and we are continuing to work to minimise packaging on our products to reduce the amount of packaging both our customers and ourselves have to dispose of.

Within our distribution division we have now upgraded 90% of our retail fleet to the less polluting, cleaner Euro V standard engines ahead of legislation. We have also continued to measure emissions of nitrogen oxides (NOx) from our directly owned transport fleet. NOx is recognised as a regional pollutant with potential impacts on health and eco-systems. We are not a major source of NOx emissions, but with the introduction of the Euro V standard engines within our fleet, we continue to reduce the levels of NOx emitted by our retail vehicles. This year, we have also calculated the emissions coming from the fleet that delivers heavy items to our Directory customers.

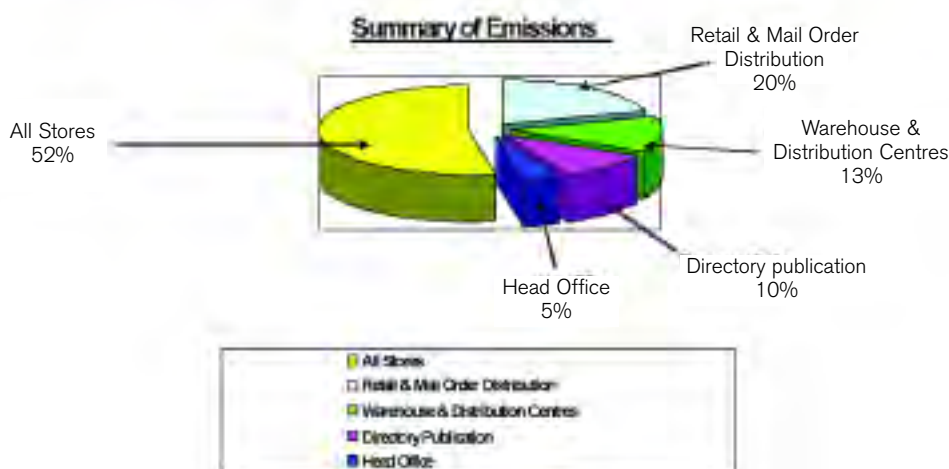
There are also clear financial incentives to improve our energy and fuel-use efficiency and the reduce the amount of waste we create, as the less electricity, gas, fuel, water and raw materials we need to use the lower our costs will become.

DATA

Carbon footprint - operational activities

Next Carbon Footprint – Operational activities in UK and ROI

- 230,639 tonnes of CO₂e



DATA

CO2 EMISSIONS - UTILITIES IN UK AND ROI FOR HEAD OFFICE, STORES, WAREHOUSING AND DIRECTORY

	YEAR ENDING JAN 2006			YEAR ENDING JAN 2007			YEAR ENDING JAN 2008		
UTILITIES	kwh		TONNES OF CO2	kwh		TONNES OF CO2	kwh		TONNES OF CO2
Electricity consumption including estimations	273,373,055		117,120	296,693,522		127,578	295,646,679		127,708
Gas consumption including estimations	55,728,069		10,588	55,557,376		10,556	53,702,800		10,054
Tonnes of CO2			127,708			138,134			137,182
Square footage	11,047,333			11,954,783			12,451,050		
Tonnes of CO2 per 1000 sqft	11.6			11.6			11.0		

CO2 EMISSIONS - UTILITIES IN UK FOR VENTURA

	YEAR ENDING JAN 2006			YEAR ENDING JAN 2007			YEAR ENDING JAN 2008		
UTILITIES	kwh		TONNES OF CO2	kwh		TONNES OF CO2	kwh		TONNES OF CO2
Electricity consumption including estimations	14,304,332		6,150	16,315,493		7,016	16,550,248		7,117
Gas consumption including estimations	6,167,555		1,172	6,584,922		1,251	5,962,751		1,133
Tonnes of CO2			7,322			8,267			8,250
Square footage	480,004			528,762			528,762		
Tonnes of CO2 per 1000 sqft	15.3			15.6			15.6		

CO2 EMISSIONS - DIRECTORY DELIVERIES IN UK AND ROI

	YEAR ENDING JAN 2006			YEAR ENDING JAN 2007			YEAR ENDING JAN 2008		
RETAIL DELIVERIES	LITRES	km	TONNES OF CO2	LITRES	km	TONNES OF CO2	LITRES	km	TONNES OF CO2
Distribution - Diesel (confirmed figures from dedicated carriers)	4,027,000	16,127,000	10,792	4,050,000	16,167,000	10,854	4,199,000	17,323,000	11,252
Distribution - Diesel (confirmed figures from shared carriers)	4,273,000	35,890,000	11,453	3,887,000	32,573,000	10,418	3,850,000	31,946,000	10,319
Distribution - Unleaded petrol (may include an element of diesel - estimated figures from shared carriers)	2,253,000	24,725,000	5,204	2,109,000	23,147,000	4,872	2,096,000	23,005,000	4,842
Tonnes of CO2			27,449			26,144			26,413
No of items delivered	80,463,000			86,437,000			85,894,000		
Tonnes of CO2 per 1000 items sold	0.333			0.302			0.308		

NOTE: - Gas and electricity consumption for y/e Jan 2007 has been restated based on actual data in place of estimates.
 - Assume couriers have a 50 : 50 split of diesel : ULP

DATA

CO2 EMISSIONS - RETAIL DELIVERIES 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	6,064,422	21,291,830	16,253	6,276,366	21,500,912	16,821	6,122,227	21,058,571	16,408
Ireland - Diesel	717,591	2,619,705	1,923	854,257	2,831,629	2,289	781,700	2,953,143	2,095
			18,176			19,110			18,503
No of items sold	225,050,000			240,913,000			213,403,223		
Tonnes of CO2 per 1000 items sold	0.081			0.079			0.087		

NOx EMISSIONS - DIRECTLY OWNED VEHICLES (TONNES)

	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008
Retail	183	167.5
Ventura	–	52.1

WATER CONSUMPTION IN UK AND ROI

	YEAR ENDING JAN 2006	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008
Buildings (Head Office, Stores, Warehousing and Directory)	249,511m3	252,962m3	263,834m3
Ventura	36,562m3	41,680m3	39,649m3

WASTE AND RECYCLING - NEXT STORES AND WAREHOUSES (TONNES)

	YEAR ENDING JAN 2006	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008
General Waste collected for disposal	16,987	19,184	22,361
Cardboard collected and separated for recycling	13,644	13,760 *	16,197
Plastic collected and separated for recycling	1,304	1,964 **	1,701
Total Waste	31,935	34,908	40,259
Total Waste Recycled	14,948	15,724	17,898
% Waste Recycled	47%	45%	45%

Note: We have undertaken a review of the data we presented in our 2007 report, for cardboard and polythene collected and separated for recycling, to improve the accuracy of the data we present. *Recalculated cardboard : Feb 06 – July 06 data from estimates; Aug 06 – Jan 07 data from actual weighed material. **Recalculated polythene : we believe this is an over reported figure and we have worked to improve the accuracy of the reporting for the 2008 figure.

DATA

HEAD OFFICE WASTE AND RECYCLING (TONNES)		
	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008
General Waste collected for disposal	370	389
Waste collected and separated for recycling		
- Cardboard	137	217
- Paper	230	211
- Plastic cups	2.9	3.9
- Cans	0.5	0.7
- Polythene	-	2.7
Total Waste Recycled	370	435
Total Waste	740	824
% Waste Recycled	50%	53%

Note: In addition we recovered and recycled 2071 printer cartridges (2007 : 1592), which are not included in the % waste recycled figures above.

PAPER USE - DIRECTORIES									
	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	2007 BOOKS	PAGES PRINTED FOR 2007 BOOKS	PAPER USED IN 2007 BOOKS TONNES
Directories printed	9,176,000	2,760	28,540	9,281,000	3,136	32,242	9,172,000	3,552	35,647

Note: the printer we use to produce our Directories takes their environmental responsibilities seriously and continues to work to improve their processes and products in relation to their effects on the environment. They have EMAS (Environmental Management and Auditing System) and ISO14001 accreditation as well as powering their factory using their in-house combined heat and power generation plant.

HANGERS			
	TOTAL IN 2006	TOTAL IN 2007	TOTAL IN 2008
Hangers returned from stores (millions)	15,800,000	13,200,000	11,175,252
Hangers recycled (millions)	9,600,000	6,811,272	2,919,570
Virgin material saved (tonnes)	354	304	257

Note: we are continuing to see a reduction in the number of hangers being returned from stores. This we see as an improvement in our operational performance as overall we are retaining more hangers in our stores for re-use. Our aim is to minimise the number of new hangers we need to purchase so reducing the amount of virgin plastic used.

SUCSESSES

Measuring our emissions

During 2007 we have mapped and measured the greenhouse gas emissions that relate to our operational activities where we consider we have operational control within the UK and ROI (i.e. from receipt of products at a Next warehouse to delivery of products at our stores or a Directory customers' home). We worked with independent specialists, who advised us how to identify and calculate our operational carbon emissions, and used the international best practice standard - World Business Council for Sustainable Development Greenhouse Gas Protocol. We measured the emissions associated with our stores, warehouses, distribution centres, offices, distribution fleets taking product to our stores and Directory customers' homes, global business travel and the publication and delivery of the Next Directory. Our carbon footprint has been calculated at 230,639 tonnes of CO₂e and relates to 2006/07 and will act as our baseline year.

We have continued to measure the nitrogen oxides (NO_x) emissions relating to our directly owned Retail transport fleet. In addition we have also measured the emissions relating to our directly owned Directory fleet that delivers the heavy items we sell directly to our customers' homes. We have used methodology gained from the National Atmospheric Emissions Inventory to do this. Within our distribution division we have now upgraded 90% of our retail fleet to the less polluting, cleaner Euro V standard engines ahead of legislation. With the introduction of the Euro V standard engines within our Home delivery fleet we anticipate further NO_x emission reductions.

Energy

Next first installed a building management system into a store in 1997. The system is now installed into 320 of our stores and is designed to provide 'live' data on how our stores are using energy by allowing us to track our energy performance and monitor our consumption. It provides increased visibility and understanding of our energy consumption by store and also identifies any faults or malfunctions at individual store level so they can immediately be investigated and rectified. The system also automatically manages some key store functions such as when the shop floor lighting is activated ahead of when the store opens for trading. This is to help ensure the stores are not using more energy than required. In addition it also enables opportunities to optimise energy use, including night time and residual energy use. During 2007 we have been able to reduce our electricity consumption by 5% in 370 like for like stores, due to opportunities identified through the building management system.

Waste

Through our stores, warehouses, distribution centres and offices we create around 41,000 tonnes of waste during 2007 and are able to recycle 45% of it.

244 (49%) of our retail stores were participating in the collection, segregation and return of cardboard and polythene via our reverse hauling operation by the end of 2007. The returned cardboard and polythene is compacted and baled before being sold for recycling. We have a further 167 stores that we hope to bring online to be able to reverse haul cardboard and polythene during 2009. This will leave around 90 stores that are not able to reverse haul due to their location or restricted storage issues, or because they are stores situated in shopping centres where their waste is collected centrally as part of the centre service agreement. We will be trialling different methods of recovering recyclate during 2008 to understand what methods are most suitable for these stores and will report on this in next years report.

In our last report we set ourselves the target of identifying additional streams of waste to divert from landfill for recycling. During 2007 we have been able to separate wood from the landfill waste stream and recover it for recycling. The wood has mainly come from returned or damaged furniture products as well as broken pallets used within our warehousing operation and during 2007 we were able to recover 60 tonnes.

In addition to working to increase the amount of waste we are able to recycle we are also continuing to work to reduce the amount of packaging used in our products. In late 2007 we started to work with Envirowise to identify products where the packaging material and amount used could potentially be reduced without affecting the performance and appearance of the product. Packaging is required to protect product from becoming damaged or broken during its journey from the factory to our stores or customers' homes. Product that is damaged or broken during this journey is unusable and so is very wasteful. Both through the project with Envirowise and working with our internal technical teams, we will review products we feel could benefit from less packaging, or using a different packaging material that is easier to recycle.

Working with other retailers, through the BRC and WRAP, we are developing standard labels to be placed on consumer packaging to provide clear and consistent information about whether a piece of packaging can be recycled. The aim of the On-Pack Label Scheme is to provide consumers with a clear on-pack message that will encourage them to recycle more packaging at home to contribute to achieving national recycling targets. We anticipate the labelling will be finalised by September 2008 and will start to be included on our packaging for 2009.

At Head Office, in addition to collecting and recycling our employees' office waste paper, cardboard, cans and plastic drinking cups we also started to recover polythene for recycling. The polythene is used as packaging on the products and samples submitted to our product teams and during 2007 we collected 2.7 tonnes for recycling which would have previously gone to landfill. We have undertaken a waste study to identify further opportunities to divert Head Office waste from landfill. These will be implemented during 2008.



Distribution

We started to upgrade our fleet of articulated lorries, that deliver product to our Retail stores, to the less polluting and cleaner Euro V engines during 2006 with a target of 80% being upgraded by the end of 2007. We actually upgraded 90% of the fleet by the end of November. The remaining vehicles will be upgraded as they are replaced.

During the year we have successfully trialled two urban double-decker trailers. These trailers are shorter in length than our normal trailers and offer improved vehicle accessibility in built-up or congested towns and city centres. The trailers have been most efficient where we have a number of stores in close proximity as they have allowed one vehicle to carry out these deliveries in one journey, offering savings in fuel use, NOx and CO2 emissions. Following the trial, as trailers are added to the fleet or replaced, urban double-deckers will be purchased where beneficial to delivery efficiencies.

Once our fleet has delivered the stock to our stores we make use of our vehicles on their return journey back to our warehouses and distribution centres to reverse haul cardboard and polythene for recycling or returning pallets and our re-usable crates to try to ensure the vehicles do not run empty. As we continue to review the waste we create we will reverse haul additional streams of dry recyclate via these vehicles to divert these materials from landfill.

In 2006 we introduced a 5% bio-diesel fuel mix into our fleet with plans to increase the percentage of bio-diesel to 10% going forward as one of our measures to reduce the CO2 emissions from our distribution fleets. Since then it has become clear that the impacts of bio-fuels are complex and any environmental benefits are dependent on how and where the bio-fuels are grown and made. Our fuel provider is participating in the Government's Renewable Transport Fuels Obligation (RTFO) scheme, which aims to encourage the supply of transport fuels from renewable sources in order to deliver carbon savings. As an 'obligated' company within this scheme, the fuel provider is required to provide information relating to the visibility and type of renewable crop being used to manufacture the bio-fuel. As a result we have put this planned increase on hold until more is understood about the impacts of bio-fuels.

Water

Although Next is not a major user of water, it is a natural resource and we aim to minimise the amount we use over time. Within the UK Ventura offices we have been able to reduce water consumption by 5% by introducing waterless urinals and fitting toilets with a reduced cistern capacity. This knowledge and other opportunities will be taken up in within our stores, warehouses, distribution centres and offices where appropriate.



OPPORTUNITIES

- Investigate and trial further energy efficiency measures for the business.
- Use the findings from the carbon footprint work to identify further opportunities to reduce the carbon intensity of our business operations.
- Report on the British Retail Consortium's 'A Better Retailing Climate' framework within our future Corporate Responsibility reports.
- Upgrade 40 vehicles in the home delivery fleet to Euro V engines.
- Replace single-decker trailers with urban double-decker trailers where appropriate.
- Investigate and trial new vehicle loading schemes to potentially reduce number of vehicles on the road.
- Develop an in-house recycling centre to maximise our recycling opportunities. Centre to be operational in 2009.
- Establish 'green champions' in our retail stores to support and promote the implementation of agreed initiatives and identify potential areas for improvement.
- Start to implement the voluntary On-Pack Recycling Label scheme to identify packaging materials and how they can be recycled to help achieve national recycling targets set by the government.
- Investigate and trial opportunities to reduce water consumption throughout the business.

Independent Assurance Statement 2008 Corporate Responsibility Report

The Next plc 2008 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. This assurance statement contains our own unabridged opinion. Any reliance that any third party may place on this Statement is entirely at its own risk.

Scope and level of Assurance

The assurance assignment has been carried out to the AA1000AS assurance standard which requires us to assess the completeness and materiality of information as well as overall responsiveness to the issues, concerns and interests of stakeholders. Our methodology for applying the AA1000AS principles is outlined below.

The level of investigation has been matched to our understanding of the significance of content to Next's business objectives, its stakeholders and the Report's wider readership, taking account of our previous three years of assurance work for Next and their own approach for determining significance.

Our review was limited in the following ways:

- Interviews did not include anyone from Ventura's UK operations or Next's franchise partners. However, we will be visiting both of these in the last quarter of 2008. The outcome of these visits will be reported in the next CR report.
- Our assessment of operational reporting processes and underlying data management systems was selective, based on data significance and building on work done in previous years.
- We did not attend any stakeholder engagement activities.

Methodology and Work Undertaken

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

- 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.
- Interviews with 50 employees to review the main operational activities, management processes and data relating to Next's responsible business practices.
- Review of progress against previously stated objectives, new objectives and priorities, how Next planned to achieve its objectives and how internal assurance is being provided.
- Review of relationships with stakeholders through interviews with key relationship managers and reviews of selected documentation.
- Visit to the wholly-owned Next factory in Sri Lanka, NSL's Sri Lanka office and the Ventura call centre in India.
- Review of external media reports relating to Next, as a check on the coverage of issues.
- Sample testing of operational data collection, analyses and reporting processes in key performance areas.
- 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.

We requested a number of changes to the content as part of the assurance process.

All significant points raised have been incorporated into the Report to our satisfaction.

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 responsible business activities that are of likely interest to Next's main stakeholders, or that have received management attention during the reporting period. We are not aware of any issues of potential significance, or that have received management attention, 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.

Observations and Recommendations

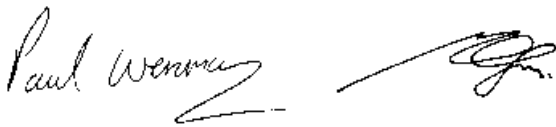
As part of the assurance assignment, we have prepared a separate report for Next's management, identifying areas of potential improvement which could bring benefits to the business and its stakeholders.

Some key observations and recommendations from this document are summarised below:

- **General:** Next continues to make progress with the management, monitoring and reporting of Corporate Responsibility. As Next's CR programme is now expanding, we recommend:
 - a more formalised CR performance reporting processes, to provide greater availability of CR data throughout the year
 - a more comprehensive and formal set of performance indicators to support internal and external reporting of progress
 - more specific and measurable annual improvement objectives
 - a more formalised data analysis and management system, as a reference point for the future.
- **Scope of Business Activities:** As Next expands its business, the significance of its franchise operations is growing. Next has made progress in communicating key aspects of CR to its franchise partners, and plans to include this in future assurance. Next has also indicated its intention to report on more CR aspects of Ventura's business activities next year.
- **Overseas Operations:** In December 2007 we made an assurance visit to Next's Sri Lanka factory and to Ventura's call centre, in Pune, India. We found evidence of excellent human resource management and community engagement at both locations and at the factory we were impressed with the focus on compliance with Next's Code of Practice. At Pune, we also found that business ethics and data security had a high priority. Good progress has been made with health and safety at both locations, following recent audits. At the factory we identified opportunities for improving health and safety management systems and H&S culture. We also recommended a review of waste management arrangements in Sri Lanka to assess minimisation and recycling options and also to improve the controls and monitoring of waste disposal.
- **Waste:** We have noted continued efforts to identify and implement opportunities for waste minimisation, with particular benefits resulting from backhauling and recycling initiatives in distribution operations. We note also, however, that a timescale and programme for achieving Next's zero-waste-to-landfill objective have yet to be formalised. We recommend that this be prioritised in 2008.
- **Vehicle Emissions:** Further efforts are being made to improve fuel efficiencies and reduce emissions in distribution, for example by the introduction of double-decker vehicles and upgrading of owned vehicles to Euro 5 standards. We note also that estimated NOx emissions are now reported for directory and retail distribution operations.

- **Health & Safety:** We have again noted ongoing improvements in the management of health and safety, with more extensive training programmes, emergency planning and plans for retail store self-assessments.
- **Suppliers:** Considerable progress has been made to establish a system for monitoring compliance with product legislation relating to chemicals and restricted substances. We see an opportunity for Next to expand this work to wider aspects of product integrity, especially concerning lifecycle environmental impacts. Further recruitment and re-organisation of resources has allowed an increased focus on supplier engagement, support and training, alongside the supplier audit programme. We note that the supplier rating system has been further modified, with a view to enabling clearer and more rigorous follow-up. We feel a clearer picture of supplier performance against the Code of Practice, as well as some measure of how effectively the Code, audit programme and training initiatives are improving performance across the whole supply chain would be a valuable next step.
- **Energy:** Next remains committed to seeking more energy-efficient ways of working and has managed to achieve further improvements in its stores in 2007.
- **Community Investment.** Next has reorganised its approach to community investment, with a clearer framework for prioritising projects and a more rigorous and transparent accounting system.

Paul Wenman and Malcolm Guy



The Reassurance Network - September 2008