



# next

Corporate Responsibility Report to January 2010



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For Next, corporate responsibility (CR) means addressing key business-related social, ethical and environmental impacts in a way that aims to bring value to all our stakeholders, including our shareholders. Continuous improvement lies at the heart of our business and we are constantly looking for ways to be more responsible, to ensure we run our business in a responsible way by acting in an ethical manner and developing positive relationships with our suppliers, taking care of 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.

Through our ethical trading programme, our Code of Practice team has continued to respond to the challenges of working with our suppliers to raise the standard of working conditions in the factories where our products are made. By working directly with our suppliers we believe we are more consistent in our approach and are able to benefit from the value of establishing long-term relationships with them to help them work to achieve the requirements of our Code.

Our CR programme touches on some big issues that are key to how we do business. We aim to be honest, open and balanced in our CR report, preferring to focus our attention on actions to continue to develop our approach and achievements. The report has been independently assured and key data verified by PricewaterhouseCoopers LLP, and their independent assurance statement can be found on page 48.

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

12th August 2010



## ABOUT OUR REPORT

This is our seventh published Corporate Responsibility Report, recording our social, ethical and environmental performance. The report is annual and covers our financial year February 2009 to January 2010.

Our Corporate Responsibility Report is written to provide information to a wide audience which is interested to understand how Next is performing on social, ethical and environmental issues.

We have aimed to provide both general information for our stakeholders who want to understand how we manage our performance as a responsible company, and more technical data for those requiring greater detail. The report is published on our website at [www.nextplc.co.uk](http://www.nextplc.co.uk) to allow stakeholders to focus on the content that is of particular interest to them or to view the whole report as a PDF file.

It is also available to our employees through our intranet system, or as a printed copy where required, as we believe it is important to raise corporate responsibility awareness with our employees, to help ensure they are aware of everything we are doing as a business.

## Scope of the report

This Report focuses primarily on the activities undertaken by our retailing operation in the United Kingdom and Ireland, which accounts for 96% of our turnover. Ventura, which accounts for 4% of our turnover, is not comprehensively covered in the Report, other than with regard to the customer contact services it provides to Next's retailing activities.

### How we decide what to report

For Next, corporate responsibility means addressing key business-related social, ethical and environmental impacts in a way that aims to bring value to all our stakeholders, including our shareholders.

We are a large UK based 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 of responsibility we have identified:

- **Our Suppliers** - we will work for positive social, ethical and environmental improvements in our supply chain
- **Our Customers** - we will work to ensure we meet or exceed our customers expectations through the delivery of excellent products and service
- **Our People** - we will work to provide an environment where our employees are supported and respected, treated fairly and taken care of, listened to and are motivated to achieve their full potential
- **Environment** - we will work to actively reduce the impacts of our business on the natural environment
- **Community** - we will work to deliver value through our community contributions and support for charities and other organisations

We report on each of the areas in the following way:

- **Context** - sets the scene and outlines our approach
- **Performance** - the facts and figures
- **Progress** - what we have been working on and have achieved during the year

### Assurance of the content of the report

Our Corporate Responsibility Report has been independently assured by PricewaterhouseCoopers LLP in accordance with the ISAE3000 Assurance Standard. A copy of their opinion can be found on page 48

## Your feedback

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

CR Manager

Next Group PLC, Legislation and Environment Department - Phase 2  
Desford Road, Enderby, Leicester, LE19 4AT



## ABOUT NEXT

## Principle Activities

Next is a UK based retailer offering exciting, beautifully designed, excellent quality clothing, footwear, accessories and home products. Next distributes through three main channels:

- Next Retail
- Next Directory
- Next International

In the UK total clothing market we are the second largest UK retailer by sales value (£)

### Next Retail

- 517 stores in the UK and Ireland
- 298,000 transactions per day in store (average)

***Next Directory***

- Direct mail catalogue and transactional website
- 2.43 million active customers

*Next International*

- 161 overseas franchise Next stores in 28 countries: Armenia, Bahrain, Cyprus, Egypt, Gibraltar, Greece, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Libya, Macau, Malta, Oman, Pakistan, Poland, Qatar, Romania, Russia, Saudi Arabia, Thailand, Turkey, Ukraine and United Arab Emirates
- 23 Next overseas stores in 7 countries : China, Czech Republic, Denmark, Germany, Hungary, Slovak Republic, Sweden
- Growing website capability outside the UK

### Next Distribution

- Warehousing and distribution division

**Other Group Businesses include:**

***Ventura***

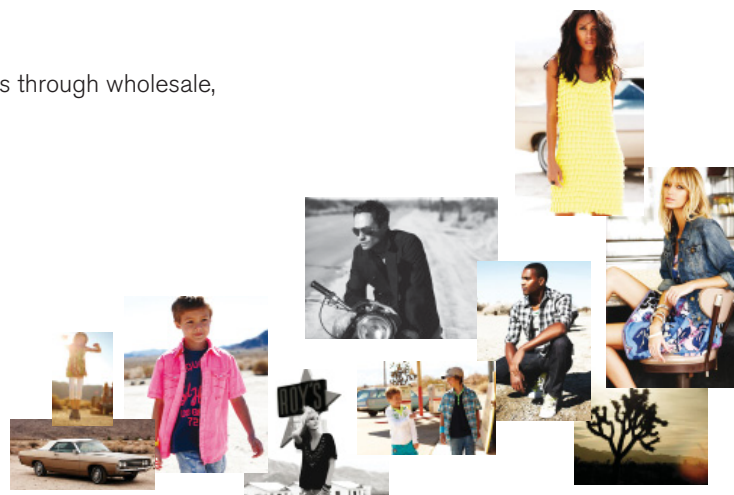
- Provides customer services management to clients wishing to outsource their customer contact administration and fulfilment activities

**Next Sourcing Ltd (NSL)**

- Designs, sources and buys Next branded products

*Lipsy*

- Designs and sells its own branded younger women's fashion products through wholesale, retail and internet channels



# HEADLINES AND HIGHLIGHTS

## ***Economic Summary @ 31.1.10***

- Group turnover £3,406m
- Group profit before tax £505m
- Earnings per share 188.5p
- Dividends 66p
- Total trading space 535,400m<sup>2</sup>

Our Annual Report and Accounts can be found on our website at [www.nextplc.co.uk](http://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 facilitate investment in those companies



FTSE4Good

## ***Our Suppliers***

- The products we sold were produced in 47 countries
- We worked with 463 suppliers
- We carried out 1,555 audits at our suppliers' factories
- We increased our global Code of Practice team to 40

## ***Our Customers***

- There are an average of 298,000 transactions per day in our Retail stores in the UK and Ireland
- Next has 2.43 million active Directory customers
- 70% of Directory orders placed through the internet

## ***Our People***

- The Next group employed 35,619 FTE employees, and in the UK and Ireland we employed 24,449 FTE employees
- 3803 employees were active members of Next Pension Schemes
- Retail: during last year we have achieved a 9% reduction in the total accident rate and a 23% reduction in the RIDDOR accident rate
- Warehouses: during the last year we have achieved a 24% reduction in the total accident rate and a 16% reduction in the RIDDOR accident rate

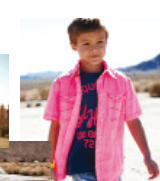
## ***Environment***

- The group's carbon footprint was 239,157 tonnes of CO<sub>2</sub>-e, a 17% reduction on last year
- Our electricity consumption has reduced by 13% within Next in the UK and Ireland
- 68% of our waste was recycled
- Next was awarded Carbon Trust Standard in 2009 for measuring, managing and reducing our carbon emissions
- 83% of our construction waste was recycled



## ***Community***

- Support to charities, community organisations and commercial support and sponsorship totalled £2,116,574
- Next supported 384 registered charities through donations of funding, product or the time and expertise of our employees



# OUR SUPPLIERS

## Context

### *Why is it important for Next to trade ethically?*

The challenge of ethical trading is one many stakeholders, including consumers, investors and campaign organisations, have engaged with Next on for a number of years. For over a decade, since 1998, we have adopted and implemented a code of conduct to deliver benefits for workers across the globe and as a means by which we can fulfil our responsibility to uphold international labour standards with our suppliers. The Next Code of Practice (COP) is our set of ethical trading standards, which forms an integral part of our business and relates to all products bearing the Next Trade Mark or sold by Next. Our COP is aligned to the Ethical Trading Initiative (ETI) Base Code and reflects the most relevant international standards with respect to labour practices (International Labour Organisation Conventions<sup>1</sup>).

### *Our priorities are to:*

- Communicate our ethical standards to suppliers
- Promote good work places through our factory monitoring programme
- Support our suppliers through a programme of continuous improvement
- Build capacity within our international supply chain
- Work in collaboration with others to pursue solutions for some of the more complex and systemic problems we can not solve alone

### *Our Approach*

Our Code applies to every country we source from, including the UK, and has ten key principles which set out the minimum standards we expect our suppliers to comply with in relation to workers' rights and conditions of work including working hours, minimum age of employment, health, safety, welfare and environmental impacts.

There are 10 key principles to our Code:

- No forced labour
- No child labour
- Freedom of Association
- Healthy and safe working conditions
- Reasonable wages and benefits
- Reasonable working hours
- Equal opportunities
- Employment security
- Respectful treatment of employees
- Effective management system

*Next sources the products it sells from many countries around the world. We recognise the responsibility we have to work closely with our global suppliers, and are committed to seeking to ensure our products are made in a clean and safe environment, in accordance with all relevant local, national laws and legislation, and by workers who are treated with respect and paid fairly for the work they do.*

Ethical trading is considered a key business practice, and as part of our commitment as a responsible business, our Global Code of Practice Manager reports directly into the Main Board. We have a global COP team of 40, which includes 5 regional managers (2 based in the UK, and 3 based in our key sourcing locations), each with their own local auditing team.

<sup>1</sup> The International Labour Organisation (ILO) is the United Nations (UN) body that sets internationally recognised labour standards to protect the rights of workers globally.





## OUR SUPPLIERS...continued

### *What is an Audit?*

*An audit is the assessment method we use to measure whether factories comply with our COP.*

*A Next auditor attends the supplier's factory to carry out the audit, reviews their employment records, talks to factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards.*

*Audits typically take 1-2 man days depending on the size of the factory and the number of employees.*

We have a robust audit programme in place, and the advantage of having our own audit team is that it gives us a direct relationship with our suppliers, as well as exposure to the challenges they face in achieving compliance to our Code. Having locally based auditors provides the dual advantages of ensuring familiarity with the local context and allowing a more continuous assessment of compliance. Each audited factory is assessed against our COP and is graded according to our six-tier rating system. A rating of six is where critical non-conformities are found and Next will not start to work with a factory, to a rating of one where a factory is fully compliant with our Code. Any areas of concern raised at the audit are discussed with the supplier, and a corrective action plan with timescales is agreed with a date for a follow-up audit. The audit team monitors the supplier's progress and works with the supplier, offering help and support for the implementation and completion of the action plan to bring the factory up to the required standard of operation to comply with our Code.

By using our own team, we believe we are more consistent in our approach and in addition gain a better understanding of the issues at source and some of the underlying reasons for non-compliance. Working directly with suppliers and factories on a range of issues, such as improving communication between workers and management and raising the awareness and capacity of suppliers to improve labour standards, helps us to gain their trust. Disengaging with a supplier for non-compliance to our Code is an absolute last resort, as our priority and the main purpose of the programme is to ensure that the welfare of workers is protected.

Our six-tier rating system is used to encourage our suppliers to progressively work towards, and adopt higher standards over time. It is also used internally by our buying teams as a supplier management tool. If a factory is found to have critical fail points, we will suspend further orders until these have been rectified. The system allows us to more accurately measure our suppliers' performance against our Code and their ongoing progress towards compliance. It gives us the visibility required to make strategic sourcing decisions including, where necessary, a reduction in business for factories where repeated or persistent non-compliances are found. The rating system is also used to focus the COP team's resources where they are most needed. We continue to refine this system to develop the integration of our ethical trading programme into our internal buying practices. The number of visits is determined by the audit rating of the factory, and those factories with the most serious audit ratings will be revisited more frequently.

In 2002, Next joined the Ethical Trading Initiative (ETI), an alliance of companies, non-governmental organisations (NGOs) and trade unions, working collaboratively to ensure that the working conditions and rights of workers producing for the UK market meet or exceed international labour standards. We continue to be both an active and committed member, by contributing to many of the ETI working groups and programmes. Next sits on the ETI Board representing corporate members, chairs the Homeworkers Group and is vice chair of the China Forum and Purchasing Practices Project, as well as participating in the Decent Work Project, Annual Report Group and the Sri Lanka Working Group. This involvement in ETI programmes also includes our regional staff who participate in ETI activities in South Asia and the Far East working with our suppliers.

Through the ETI we are working in collaboration with both UK and international brands, four umbrella trade union organisations that represent workers throughout the world, and a number of global charities and campaign organisations such as Oxfam, Anti-Slavery International and CAFOD.

The aim of these collaborations are to prioritise the tackling of issues, such as workers receiving a living wage and freedom of association within particular countries, by building knowledge and understanding within the local communities.

We also remain committed to sharing our learning from our other work which we have undertaken on our own, outside the ETI programmes.





## OUR SUPPLIERS...continued

### Performance

	2009/10	2008/09
Countries where product is manufactured	47	48
Suppliers worked with	463	493
Factory sites audited	1,258*	852
Total audits carried out	1,555*	**
Suppliers factories disengaged for non-compliance with our Code	2	7
Next global COP team resource	40	37

Note: \* The factory sites audited and the total audits carried out increased from the previous year as the number of auditors in the team increased by three and more of the total team's time was spent auditing. \*\* In 2008/09 we only recorded the initial factory audit carried out by our COP team, and not any return visits to follow up on the correction of an identified non-compliance to our Code.

### Progress

#### Promoting good workplaces

Our global team is actively working on projects with our suppliers to help build capacity by developing skills and capabilities within the local communities in which the factories are located. The aim of these projects is to support compliance to our Code by helping to increase our suppliers' ability to improve working conditions in their factories. This includes working with others to support education and training, talking to workers to better understand the issues that affect them, as well as working directly with local NGOs and trade unions.

In addition to our work with the ETI, we continue to build our knowledge and understanding of the complex issues surrounding global sourcing. Following studies into living wages, we have continued with specific pieces of work in our key sourcing countries. We also have an initiative in China working with seventeen suppliers, with the specific intention of improving productivity and workers' wages, which has so far shown promising results. We have introduced guidelines for our suppliers in relation to their employment of migrant labour and have worked with our suppliers to implement these in Mauritius, Egypt and the Middle East, where migrant labour is often quite prevalent. Our capacity-building project work has been wide ranging and we are testing approaches to the particular challenges in each of our sourcing regions.

Whilst our current model of supplier assessment and auditing is built on positive engagement and working collaboratively with our supply chain partners, we recognise that auditing alone is not a solution to all ethical trading issues in the sector in which we trade. We have seen considerable improvements in health and safety, as an example, but we have more work to do on some other issues. Through Project Autopilot, working with two factories in India, we are looking to further develop and universally promote the development of good work place management through worker/management dialogue, supported by sound management systems.

Project Autopilot has four key stages:

- **Phase 1 - Laying foundations**

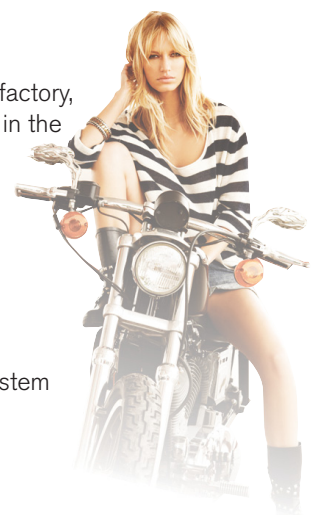
In order that workers participate as full partners, the project commenced with briefings at all levels of the factory, moving into focused work with management and workers - separately and together - to identify shortfalls in the workplace benchmarked to relevant labour laws, codes of labour practice and ILO conventions

- **Phase 2 - Linking the shortfalls from Phase 1 into factory management systems**

This phase focuses on building management systems. We will work with the suppliers to embed effective management systems through clear communication of policies, procedures and responsibilities, building understanding and ownership of both workers and management

- **Phase 3 - Implementation of management systems**

In this stage the objective is to support the content of management systems by providing further training to management and workers, and ultimately embedding social compliance standards into a functioning system



## OUR SUPPLIERS...continued

### • Phase 4 - Systems Assurance

We acknowledge that there is still a requirement for ongoing monitoring of working conditions in our suppliers' factories. The move away from compliance auditing poses substantial challenges for assurance and will require significant work. Ultimately, our aim is to develop an assurance system that is worker and management driven

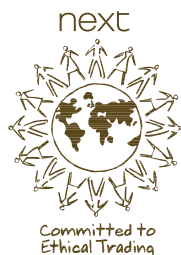
Through Project Autopilot and other activities, such as our regionally based teams with their local expertise to network, communicate and exchange ideas and information with trade union and NGO colleagues on the ground, will also help build capacity in our key sourcing countries.

All of the project work we undertake, such as understanding productivity initiatives in China, and living wage and migrant labour studies in Mauritius and Bangladesh, have been initiated to investigate, develop understanding and test different solutions and drivers, all with a view to helping suppliers and their factories achieve compliance to our Code.

### *Raising Awareness and Communication*

**Internal Communication:** Internal communication across the business is vital to how we manage our supply base. Our ethical training programme is now an integral part of our Buying School which is scheduled into the training calendar on a quarterly basis and is attended by all our product team members when they start in the business. We also work continually with those teams who have day to day responsibility for purchasing decisions, from the divisional director through to the managers and their teams. The aim of this is to develop the skills and capabilities of our product teams, so they are able to understand the role they play in our ethical trading programme and support Code of Practice in our supply chain. In addition, we have produced visual training materials, such as a short film to show to the product teams, to maintain awareness of the impact that buying decisions can have on suppliers, and to reinforce the product teams' understanding of the role they play in our ethical trading programme. We use our internal company newsletter to communicate our commitment to ethical trade to all our employees and raise awareness of our membership of the ETI and our own Code of Practice.

We maintain awareness of our approach to ethical trading to our customers by the inclusion of information within our Next Directory publications, to raise visibility and understanding of our Code of Practice, as well as using our 'Committed to Ethical Trade' logo on our carrier bags, shoe boxes and till receipts.



### *Supplier Communication*

**Enabling employers:** We remain dedicated to supporting better and more frequent communication with our suppliers. Through many of the initiatives and projects we have undertaken during 2009, e.g. country specific work on wages and overtime reduction programmes, managed both internally by Next and through collaboration with the ETI, we have begun to engage with our suppliers on a wide range of issues, such as reviewing our buying practices to understand what our suppliers need from Next, to enable them to meet the requirements of our Code.

We work collaboratively with our suppliers to help make their own systems more effective and to bring about improvements to how they operate their business. This includes holding meetings with individual suppliers, and with supplier groups, and working with them to identify how they can become more efficient, to help them realise long term and lasting improvements to the running of their businesses as well as how to maintain our ethical sourcing standards.



## OUR SUPPLIERS...continued

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Through our internal audit team we are able to provide guidance and support beyond simply producing a corrective action plan. Once issues are identified, we will continue to work with our suppliers and offer them support and guidance to help their understanding and ability to improve working conditions and show compliance to our Code. We provide training materials, example documentation and, importantly, reasons why certain requirements are necessary and guidance on how to use tools to address particular issues. We endeavour to demonstrate that our main focus is to help them actually improve and uphold working conditions within their business. As part of our standard procedure, where a trade union is present within the factory, we will always include union representatives within the scope of the audit and importantly in the opening and closing meetings. Where there is no trade union present, but a workers committee instead, we will include representatives from the committee in the same way.

The aim of the actions we have outlined is to increase mutual trust between the supplier and Next, and help contribute to a supplier's ability to implement the requirements of our COP. Worker-management discussions and open dialogue are vital to this, and have the potential to result in a motivated workforce delivering higher productivity and efficiency, leading to sustainable business growth with compliance to our COP, which results in a better workplace and a positive outcome for all.

**Worker focus:** The importance of worker involvement is at the heart of our vision for the future of ethical trade. Putting workers at the centre, and providing them with both the skills and correct channels to communicate constructively with management to identify and resolve their issues is key to making real change.

Our regional teams have a thorough knowledge and understanding of local social practices, laws and issues. This, combined with the ability to build a relationship with the factory, allows our teams to gain the trust and cooperation of all parties involved in the audit. This ensures that we are able to use our site visits and interviews with employees in the workplace to assess their awareness of our Code, their understanding of their rights and responsibilities, and to determine how well these are managed in the workplace. We continue to talk to employees at all levels in the workplace, both individually and in groups, in a private area, and where people feel most comfortable and where all discussions are managed with sensitivity and confidentiality. Building on the learning from ETI projects, we have arranged for the training of Next auditors by a leading NGO in the area of worker interviews. This is allowing our teams to move forward from traditional auditing to using more participatory techniques to provide a truer picture of working conditions. Our auditors are able to use this knowledge and expertise to involve the most vulnerable workers and better capture less visible issues, such as freedom of association and discrimination. Our Code of Practice is produced in a number of key languages to aid communication, and we actively encourage and support suppliers to distribute or post our Code on employee notice boards in the relevant language, or where possible, to communicate the principles of the ETI Base Code through employee handbooks or other forms of communication.

We firmly believe an informed and participatory workplace, with access to secure communication channels, effective means of raising and resolving disputes, and opportunities for skills development will result in workplaces that respect workers rights. This is an ongoing process which we are addressing through our activities by building the capacity of worker organisations in different countries to carry out training to workers. We understand that workers' views of their workplace and the environment around them are vital to getting to the real causes of employment issues. Equally, having in place effective management systems in a workplace where everyone is aware of their respective rights and responsibilities is the best means by which to maintain good workplaces.

### **COP Team Training and Support**

As we carry out all our own audits, the integrity and professionalism of our team is of paramount importance. There is an ongoing programme to ensure each of our auditors undertakes Lead Auditor training to ISO 9001:2000. Over 80% of the auditors within our COP team have completed the training. We have also developed an internal training programme, covering the key skills needed to ensure we are able to identify and provide information and support on those issues such as freedom of association and worker discussion techniques. These are assessed, revised and improved on a continual basis and during 2009 we updated our policy on migrant labour and have begun to look at how better to address the challenges of discrimination in the supply chain.





## OUR SUPPLIERS...continued

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Our regional COP teams continue to 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. The forums have covered a wide range of subjects relating to the challenges our suppliers face in meeting the requirements of our Code, including subjects such as how to increase the awareness amongst workers about health and safety to sharing learning on workers' needs and living costs. The value of these initiatives is in giving our suppliers the opportunity to share best practice with their peers.

### *Collaboration*

We are proactive in working to support collaboration with external stakeholders, and our regional teams continue to establish links and relationships with external interested parties through our capacity-building projects. To date, we have worked with global and local trade unions, international and local NGOs and engaged directly with a number of campaign organisations. We believe these collaborations are of growing importance as we begin to expand the scope of our projects and develop opportunities to implement new approaches to help our suppliers take ownership of ethical trade requirements.

We recognise some regions we source from have complex and systemic problems that we would be unable to resolve by ourselves, and have firsthand experience of the benefits of working with other organisations to understand these issues. We firmly believe that working with others to build partnerships plays an important part in ensuring we make real progress with our ethical trading programme. Joining forces with other retailers, NGOs and trade unions, both in the UK and overseas, including working with local government where possible, helps us identify and pursue long term, realistic and sustainable solutions for some of the more complex issues.

In 2008 we commissioned independent research into our purchasing practices. The subsequent report identified a number of opportunities to benefit our suppliers and their workers, as well as our own business. We have taken the findings and have built the internal systems and management processes which allow us to better manage our buying process in ways that will not inhibit our suppliers' ability to comply with our Code.

We are working with a wide range of stakeholders in the UK and around the world to strengthen the protection of workers' rights through raising worker awareness. We understand the importance of involvement from all stakeholders in our supply chain, including workers, supervisors, middle and senior management, factory and supplier owners, as well as NGOs and trade unions, to be able to develop our vision for the future of ethical trading. This is an ongoing process which we are working to address with our suppliers to develop a sound understanding of the rights and responsibilities of everyone in the workplace.

The areas of work outlined on page 35 show our progress against the targets we set ourselves in last year's report. In particular, the work we are undertaking to promote better work places and purchasing practices are major undertakings, which we believe have begun to lay the foundations for achieving our ethical trading objectives. These require long term involvement and commitment as they focus on key areas of concern and are initiatives aimed at tackling some of the more intractable issues within our supply base.

For a case study showing some of the work we have been engaged in further down our supply chain, please [click here](#).



# OUR CUSTOMERS

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## Context

### *Our Approach*

Our aim is to meet or exceed our customers' expectations of Next as a company and the products we sell by providing:

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

Delivering to our Brand values means Next products should be well made, functional, safe and free from harmful chemicals. We are committed to ensuring no-one should be harmed when our products are being made or whilst they are being used.

### *Our priorities are to:*

- Ensure the quality of our products
- Ensure our products are safe and fit for their intended purpose
- Ensure our products fully comply with all legislation and our own standards where these go beyond legislative requirements
- Ensure our products are sourced in a responsible manner

Next is committed to operating a responsible and successful business. We aim to provide a high level of service to all our customers to welcome them to Next, whether they are shopping in our high street, shopping centre or retail park stores, the Next Directory, or online through our website. However our customers choose to shop with us, it must be safe, welcoming and easily accessible for all. We aim to respond to customers particular needs through a package of measures we have in place, which we believe supports all our customers including those with additional needs.

### *Product Safety and Legislation Compliance*

Next is committed to ensuring the products we sell have been made in a safe environment, are safe to use and are fit for purpose. Working closely with our buyers, designers and suppliers, our team of specialist technologists is responsible for ensuring all products sold by Next comply with the relevant consumer legislation as well as the required safety and performance standards detailed in the product specific manuals given to our suppliers. Where necessary, our technologists work with and use the expertise of independent safety specialists to ensure the products we sell achieve the required safety and performance standards.

To have visibility of, and monitor the development of both new legislation and changes to existing legislation at a United Kingdom, European and global level, we work closely 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 we are able to participate with other stakeholders in policy debates to contribute to their development, and ensure Next product is compliant with the relevant legislation in line with their enforcement dates.



## OUR CUSTOMERS...continued

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### **Customer Services**

Next understands the importance of creating and maintaining good relationships with our customers, by ensuring we offer the product choice, value and service they expect from us. This means continually developing how customers are able to shop with us whether in our stores, using the Next Directory or placing an order online.

We undertake an active programme of market research and direct customer contact to measure what our customers think of Next and better understand and respond to their needs and opinions. We carry out interviews and gather feedback through customer satisfaction surveys, organise mystery shopping visits to stores and carry out accompanied store visits and discussion groups. The resulting information gathered through these different programmes is used internally to review, develop and improve our overall service, and to ensure we continue to work to achieve our aim of meeting or exceeding our customers' expectations of Next.

Our Customer Service Department ensures we have effective procedures in place, for both our Retail and Directory customers, for customers to contact us through telephone calls, letters and email correspondence to resolve enquiries and issues in relation to our products, operations, policies or the service we provide. In addition we ensure we have a robust procedure in place to monitor, evaluate and respond to customer feedback where necessary. The Customer Services team works closely with many internal departments in relation to the correspondence received from our customers to be able to resolve our customers' enquiries and issues, as well as providing regular reporting to the business. The relevant department will use the findings alongside other data, such as returns information, to review how a product or service can be improved going forward, or identify possible problems that need further investigation.

### **Performance**

In 2009/10 we had:

- an average of 298,000 transactions per day in our Retail stores (2008/09: 294,000)
- 2.43 million active Directory customers (2008/09: 2.28 million)
- 70% of Directory orders placed through the internet (2008/09: 60%)

Our Customer Services Department is responsible for satisfactorily resolving customer contacts that have been identified as 'escalated' across both Retail and Directory. During the year we received over 10 million contacts from our customers through telephone calls, emails and letters, and of those, 1% were 'escalated' so the team could investigate the reason for the contact, liaise internally and with the customer to bring the contact to a satisfactory resolution. It is important to us that each enquiry or issue is resolved for the customer. Satisfactory resolution of all customer contacts is a business priority for Next and the Customer Services Team works closely with different internal teams to achieve this.

### **Progress**

#### **Legislation Compliance**

##### **Restricting Hazardous Chemicals**

Next restricts the use of chemical substances in our products that are hazardous or harmful to humans or the environment, or are restricted by law. These chemical substances are detailed in our Restricted Substance Standard (RSS) which forms part of our technical requirements for the products manufactured by our suppliers. We have developed our RSS requirements on:

- Legal standards: European standards are met or exceeded, in addition some non-European standards are also incorporated
- Recommendations by industry experts: where chemical substances are recognised as being harmful, but there is no legislation in place
- Pressure group focus: certain chemicals are targeted as being of high concern

We work with our suppliers to ensure the chemical substances used meet our required criteria, and offer advice, support and training where needed.





## OUR CUSTOMERS...continued

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As part of our ongoing due diligence programme and commitment to ensure the products we sell meet our standards, we conduct regular monthly audits based on a clear risk assessment process. Working with an independent specialist laboratory, we select products, based on risk criteria and test them in accordance with the requirements of our RSS. Our suppliers are advised of the outcome of the audit testing, and if the products are found to fail our requirements they are withdrawn from sale.

### ***REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals)***

REACH is European legislation which came into force in 2007 and seeks to reduce exposure to harmful chemicals and substances produced in or imported into the European Union (EU). The aim of the legislation is to:

- Monitor the use of new and existing chemicals in the EU
- Assess the harm these chemicals may cause to humans and the environment
- Minimise the risks harmful chemicals may pose to humans and the environment by either banning or restricting their use

Working with our suppliers we were able to determine the quantities of certain chemicals in our products as required by the legislation to allow us to make the necessary pre-registrations to the European Chemicals Agency (ECHA). Under REACH, companies must notify ECHA when importing into the EU products containing more than 0.1% of a Substance of Very High Concern (SVHC), if the total amount of the SVHC imported exceeds one tonne per year. We monitor the development of the SVHC list from ECHA, and update our RSS to include the substances identified as SVHC's. In general terms, SVHC's are substances that have hazards with serious consequences, for example, they may cause cancer in humans, and/or remain in the environment for a long time with their amounts gradually building up.

The Substance Information Exchange Forum (SIEF) is a European Commission platform established to help potential registrants of the same substance exchange information. Next has joined the relevant SIEF forums relating to the chemicals we pre-registered.

As part of the REACH legislation, customers are able to check if a product contains an SVHC above the 0.1% threshold. If we receive such a request, we are required to respond to the customer within 45 days. During 2009, we responded to one request from a customer.

### ***Classification, Labelling and Packaging Regulation (CLP)***

CLP is part of a globally harmonised system to determine whether a substance or mixture is hazardous and needs to be labelled accordingly. The regulation introduces new classification criteria, hazard symbols (pictograms) and labelling phrases. The aim of the regulation is to protect workers, consumers and the environment by means of labelling which reflects the possible hazardous effects of the chemical, for example, flammable, corrosive, explosive. CLP came into force in January 2009, and we have reviewed and updated the packaging of the products falling under this regulation with the correct pictograms and labelling phrases where required.



## OUR CUSTOMERS...continued

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### *Product Safety*

Next is committed to ensuring the product we sell is safe to use, has been made in a safe environment and is fit for purpose. In particular we are committed to ensuring that children are safe when wearing or using our products. Our Childrenswear division focuses on safety throughout all stages of development and production, starting at the design stage with a risk assessment to ensure all products achieve the standards we require. Our safety standards are based on the highest legal European standard and often go further than the law demands.

The safety of children is an issue that is of highest importance for many retailers and suppliers. Through CEN (European Committee for Standardisation) Next is an active participant of the European Working Group responsible for developing standards to ensure the safety of children's clothing. During 2009, we have worked with other European retailers on reviewing the current regulations relating to the use of cords and drawstrings on children's clothing and the development of a new European technical report relating to the mechanical safety of children's clothing. This is being based on a current British Standard we helped to develop (BS 7907:2007 Code of Practice for the Design and Manufacture of Children's Clothing to Promote Mechanical Safety). Our Childrenswear Technology Manager acts as the UK expert within the Working Group responsible for this work. We believe it is important to participate and communicate with regulators and other industry representatives through these committees to support the development of better regulations to protect children.

Next has an established 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. If a recall is required we:

- Place an immediate 'freeze' on all warehouse stock and action the till procedure to prevent any further product being sold
- Remove the product from the sales floor
- Advise our customers of the recall and their entitlement to a full refund, by placing notices in our stores and by writing directly to our Directory customers
- Collate the returned products at our warehouse and arrange for its safe disposal

### *Timber*

Next's Timber Sourcing Policy was launched with our Home division during autumn 2008, and our technologists have been working with our suppliers to start to understand and record details about the species of wood and the country of origin of the forest source. Towards the end of 2009 we developed a reporting tool to help track the forest sources and are currently in the process of collating the information we have gathered from our suppliers on the system. We will be able to report more fully in future reports.

100% of our garden furniture continues to be certified by the Forest Stewardship Council (FSC). This provides assurance that these products have been made from wood sourced from legally harvested and well managed forests. As garden furniture can be made from tropical hardwood species, it is especially important to gain FSC assurance about where the wood is sourced from.

During 2009, we started to work to understand where the paper is sourced from for the Next Directory. From 2010, the Next Directory is printed on paper produced from sustainable managed forests and controlled sources accredited by the Programme for the Endorsement of Forest Certification Scheme (PEFC). PEFC provides assurance about the sourcing of the timber, and the controls in place at the forest source.

In October 2009 we responded to the Forest Footprint Disclosure Project, which has been developed to improve understanding of our 'forest footprint' in relation to a number of identified forest risk commodities – soy, palm oil, timber, cattle products and biofuel. This is a new annual reporting initiative and is helping us further understand our impacts.



## OUR CUSTOMERS...continued

### Raw Materials - Cotton

We have continued to work with some of our suppliers to start to understand the origin of the cotton fibre being used in their products, to start to develop methods of traceability. With one supplier we have gained full visibility of the entire supply chain as well as supporting community development in rural Zambia working with small-holding cotton farmers.



next is proud to support communities in Africa by donating part of the profit made from the sale of this product to rural projects where the farmers who grew this cotton work and live.

*Working with one of our large jerseywear suppliers, we were able to source cotton in Zambia from small-holding cotton farmers to make a range of products, where a 5p contribution from each product sold has been re-invested in Zambia to help tackle a major inhibitor to wealth creation – the lack of basic financial services for cotton farmers. Access to financial services in Zambia is both scarce and expensive. Around 80% of the population do not have bank accounts, and most live in rural areas where distance and transportation factors hinder access to available financial services. 61% of working Zambians are engaged in agriculture, including 73,000 small-holder cotton farmers who sell their cotton into the Next supply chain.*

*One solution is to use mobile phones to carry out financial transactions for those without access to traditional banking services.*

*Next have supported Mobile Transactions (MT), a company specialising in low cost mobile phone based financial transaction services. MT offers four major mobile transaction services:*

- *Money transfers via a local agent*
- *Savings accounts to deposit money into a 'Makwacha' (more money) account to save*
- *Payment services to receive payment in cash from employer via local agent*
- *Voucher services to receive electronic voucher with cash value to be redeemed for goods at local shops*

*During 2009, Next gave £100,000 funding, raised from the sales of Dare to Care jersey products, to MT to expand its agent capacity in some of the most rural cotton farming communities. The funding is being used to support the extension of electronic money transfers and payment services to bring financial services to those without access to traditional banking services ahead of their planned expansion by at least three years.*

*Working with the cotton company who supply our garment supplier, MT have been able to trace where the farmers are located and are setting up places to carry out financial transactions quickly, safely and importantly affordable for the farmers which will help them be able to better budget their often irregular income.*

*The benefits of this collaboration are:*

- *The cotton farmers are benefiting from reduced money transfer costs and increased ability to save*
- *Next are able to support the development of a more sustainable cotton source.*





## OUR CUSTOMERS...continued

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### *Animal Welfare*

Our Animal Welfare Policy was revised during 2009, and is being re-launched to our suppliers in summer 2010. It was reviewed with support from the RSPCA and provides clear guidance on all issues in relation to the products we sell, including beauty products, the use of real fur and animal skins, feathers and shells.

Our policy states we will not use real fur for our products, and artificial fur must be sourced. As artificial furs are very realistic and can be difficult for a customer to differentiate, we have added wording to the care label of products from autumn 2009 onwards to indicate the product is made using artificial fur.

We do not support testing on animals for our own brand cosmetic products and do not carry out or commission such tests. We operate a fixed cut off date for ingredients, of 1998. We support the Fund for the Replacement of Animals in Medical Experimentation (FRAME) which seeks to end animal testing.

Next, together with other brands and retailers have been working with the British Retail Consortium and the RSPCA to encourage the Australian Wool Industry to develop alternative husbandry techniques to mulesing, which is a surgical procedure performed on merino wool sheep in order to prevent blow fly infestation. Mulesing was introduced as an animal welfare measure, which we do not believe is now an acceptable practice. We have started to source merino wool products from non-mulesed sheep and will continue to focus on this issue going forward.



# OUR PEOPLE

## Context

### Our Approach

To encourage a successful business it is important we are able to create an environment that enables us to attract and retain the right people to work at every level throughout Next. Our people are a valuable asset to Next, and we are committed to providing a working environment in which our employees can develop to achieve their full potential and have opportunities for both professional and personal development.

### Our priorities are to work to provide an environment where our employees are:

- Supported and respected
- Treated fairly and taken care of
- Listened to
- Motivated to achieve their full potential

Next has established policies for recruitment, training and development of employees, as we remain committed to investing time and resource to support, engage and motivate our employees to feel valued, be able to develop rewarding careers and want to stay with Next. As our business continues to develop, we understand that by retaining effective and committed employees we can continue to deliver excellent quality products and excellent service to our customers.

## Performance

**FTE employee:** data relates to Next operations in the UK and Ireland, excluding Ventura, Next International and Next Sourcing Ltd.

Next UK + Ireland	Full - Time equivalents	
	2009/10	2008/09
Retail	16,912	17,424
Directory	1,615	1,757
Head Office	1,943	1,915
Distribution	3,979	3,836
<b>Next Brand</b>	<b>24,449</b>	<b>24,932</b>

**Pensions:** data relates to Next operations in the UK and Ireland, excluding Ventura, Next International and Next Sourcing

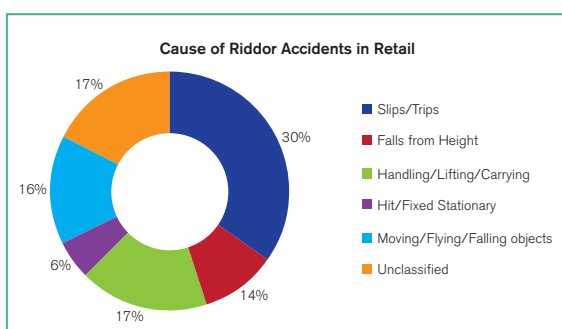
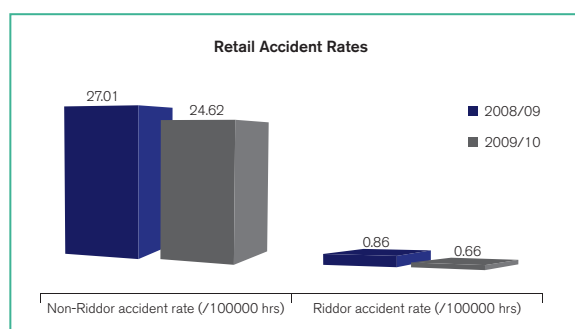
	Final Salary Section		Money Purchased Section	
	2009/10 Number	2008/09 Number	2009/10 Number	2008/09 Number
<b>Next UK Pension Scheme</b>	<b>1738</b>	1861	<b>2065</b>	2015



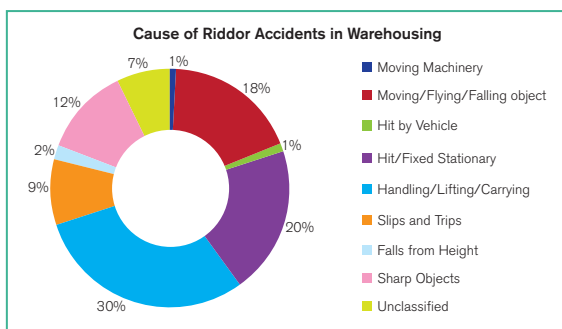
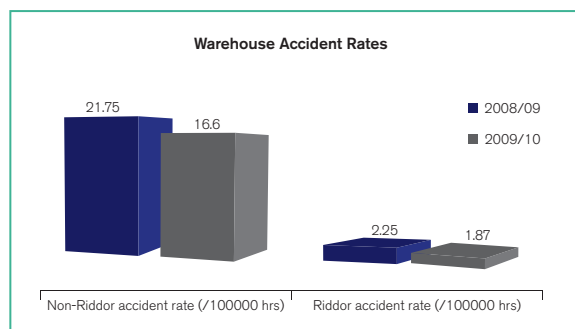
## OUR PEOPLE...continued

**Health and Safety:** we report work-related accidents in accordance with the Reporting Industry Diseases and Dangerous Occurrence Regulations Act (RIDDOR) per 100,000 hours worked.

- **Retail stores:** we have seen a 23% reduction in the RIDDOR accident rate, and a 9% reduction in the total accident rate. We are encouraged by this reduction in accidents in our retail stores and will be continuing to work to reduce the occurrence of accidents further. Within Retail, 33% of the accidents reportable under RIDDOR have involved a member of the public. The majority are classified as RIDDOR because we report all incidents where we advise the customer to go to hospital, including advising parents to take their children as a precautionary measure even after a relatively minor accident



- **Warehouses:** we have seen a 16% reduction in the RIDDOR accident rate and a 24% reduction in the total accident rate during the year. The major cause of accidents (30% of the total) relates to handling/lifting/carrying. We have implemented a risk assessment programme in relation to manual handling for key tasks within warehousing. This has led to changes being introduced into some tasks to protect our employees



- **Head Office and Directory:** the number and type of accidents we experience in our Head Office and Directory operations are, as would be expected, of a low risk office environment. The total number of accidents is low, and the proportion reportable under RIDDOR is low with only 4 reportable across both operations during the year.

Legal Activity - during 2009 we were subject to the following legal activity relating to Health, Safety and Environmental issues:

- One Noise Abatement Notice served on one of our London stores, relating to early morning delivery noise. We have implemented a solution to this issue and are currently evaluating its effectiveness





# OUR PEOPLE

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## Progress

### *Training and Development*

Next offers a wide range of training and development opportunities for our employees across the business. We believe that offering the right learning and development opportunities will help to ensure our employees feel supported and equipped to carry out their role to the best of their ability to manage the needs and challenges of the business.

Our employees are able to access a range of 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 work in Head Office, our Retail stores, Next Directory or our warehouses.

Our integrated training teams ensure relevant and appropriate training and development is provided by supporting:

- Job role specific training covering the technical, operational and skills training required to ensure employees are able to perform their job effectively, and their knowledge and skills are up to date
- Individually tailored training to support both an employees individual needs and specific business requirements
- Training in areas such as health and safety, first aid and manual handling to ensure our employees work in a safe environment

**Helping the long term unemployed:** towards the end of last year, within our warehousing division we ran a trial project in collaboration with an organisation called Best Training. Best Training meet with many individuals every year, many of whom are finding it difficult to overcome the challenges of unemployment, or are finding it difficult to find a fulfilling job. We have partnered with Best Training, and working with one of our warehouse sites, we have been able to support and help 10 long term unemployed people to be able to return to employment. We are still in the trial period, but hope that the trial can be further extended to be able to provide employment and a recruitment solution across our warehousing facilities across South and West Yorkshire.

**Launch of our in-house bespoke Quality Academy:** during 2009 the warehouse Quality Management team recognised a business need to develop an in-house bespoke training scheme for school leavers who wanted to join Next to become Quality Inspectors in our warehouses. The Quality Inspectors role is to audit Next products before they are released from our warehouses to ensure the products meet our required specification for quality and safety. We have worked in partnership with SkillsPoint and Wakefield College to develop a formal Apprentice scheme which we launched in March 2010 with eight apprentices aged between 16 -19 years old who will be able to earn whilst they learn on the apprentice scheme following either a two or three year 'advanced' apprenticeship.

**Lifelong learning:** during 2009 we continued to support and promote the concept of Lifelong Learning in our warehousing and distribution division. We provide on-site learning facilities and have invested in a dedicated space and equipment for our employees. We have worked in partnership with Northern College to provide a wide range of courses. This has enabled individuals to acquire formal qualifications in a number of subjects including numeracy and literacy.



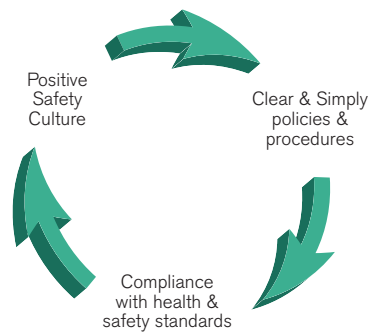
# OUR PEOPLE...continued

## Health and Safety

We are committed to providing a safe and healthy working environment for our employees, customers and third party contractors. We know we have to inspire our people at all levels to take responsibility for their own safety and the safety of those they work with.

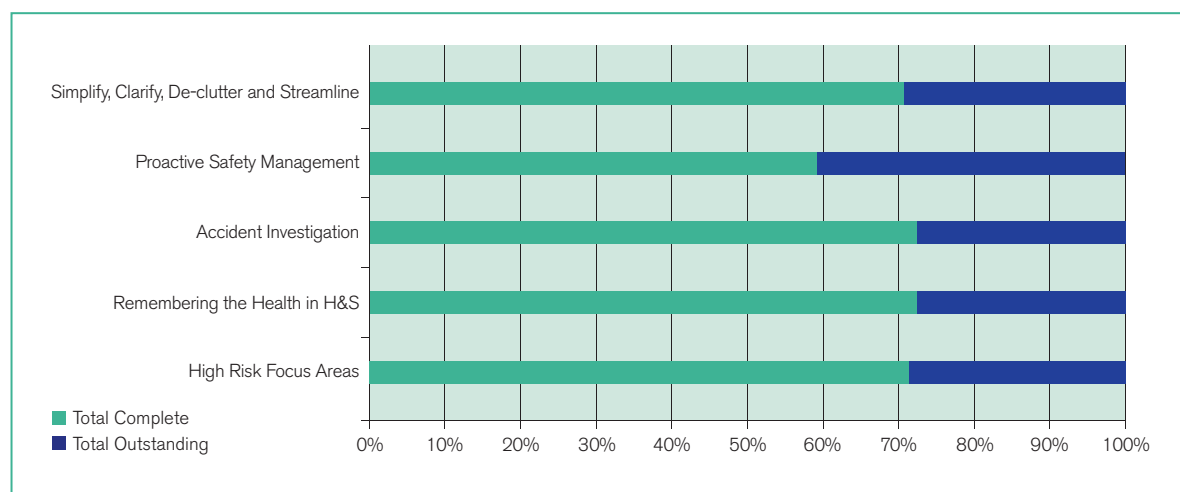
Our safety programme is based upon a series of objectives that aim to

- Encourage all employees to improve safety
- Encourage managers to become role models and to set safety standards
- Drive accountability for safety through the management structure
- Develop effective support and safety training



Safety programmes and objectives for each division of the business are agreed and set every two years and are reviewed quarterly at divisional safety meetings by each Divisional Director and twice a year by our Chief Executive.

**Safety Programmes 2009-2011:** The table below shows progress as the percentage of completed projects against the total number of projects for each key objective within the agreed safety programme.



## OUR PEOPLE...continued

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Across the business we have undertaken a number of key initiatives to develop and improve how we manage health and safety, to ensure the environment our employees work in and how they work is both safe and healthy, for example:

### Warehousing

- To reduce the risk of repetitive strain injury and manual handling related issues we have implemented a risk assessment programme for key tasks within warehousing. This has led to changes being introduced into some tasks to protect our employees
- Last year we developed a Lead Authority Partnership for Health and Safety with Doncaster Metropolitan Borough Council. The benefits of this are to help drive consistency in the standards of health and safety within the different local authority areas in which we operate warehouses. It is also encouraging the development of a close working relationship between ourselves and a single body to liaise with, for advice on opportunities to further improve our safety performance

### Retail

- Store development - we have been working in partnership with the store contractors who carry out our store development programme and maintenance activities and the HSE, with the key aim of improving safety on construction sites. We held a shop fitting contractor seminar, with the HSE as guest speakers. We have continued to adopt the 'good neighbour' principle by continuing to work with our contractors to help them maintain improved standards. For example, we have developed a process to improve and maintain the safety accountability of our key contractors with the introduction of three monthly and end of project scored safety assessments. We also now require all contractors site foremen to attain the Site Management Safety Training Certificate (issued by CITB) by the end of 2010

### Lipsy

- Our focus has been to develop health and safety management with Lipsy during 2009 to bring it in line with Next's requirements. Safety management systems have been set up in all stand alone Lipsy stores, and at their office facilities. In addition, safety checklists have been developed for the area managers to help them review safety in the stores while conducting visits

### Company wide

- During the year we reviewed and revised how we communicate with our employees if they are travelling overseas on Next business. We are working with a third party who is a specialist in managing international risk, to improve communication channels to the employee and be able to offer in country support if needed, with immediate proactive advice such as, repatriation, dealing with authorities, medical interpretation, alternative emergency travel, or rapid evacuation. With a number of employees travelling at any one time it is important we are able to provide them with secure support should it be required

### *Listening to our employees*

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 (we have 1 representative per 50 employees). The elected representative attends meetings with senior managers and Board Directors at least twice a year. We believe these forums of two-way communication and consultation across the business enable and encourage open discussion on key business issues and matters that may affect them 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. This includes an agreement with the professional and managerial section of USDAW, called SATA, to represent our supervisory staff employed in this division of Next.



## OUR PEOPLE...continued

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### *Rewards and Benefits*

Being a company that strives to be responsible enables us to attract and retain engaged and motivated employees, who support the business as it continues to grow. We know it is essential to be able to recruit the right people, to be able to keep them motivated and offer them the right environment in which to perform well.

Next believes in rewarding all employees with fair and competitive salaries along with the opportunity to gain additional pay in the form of a bonus depending on the Company (or in some cases store or individual) performance.

**Sharesave:** Next has operated a sharesave scheme for many years, where employees have the opportunity to purchase shares in Next over a three to seven year period, with a tax-free savings account. At the end of the savings period the participant is guaranteed a tax-free bonus and the opportunity to buy the shares at a special option price that is fixed at the start of the scheme, at a 20% discount to the share price at the time. At the end of January 2010, there were over 7,000 employees participating within our Sharesave scheme.

**Childcare Vouchers:** through our salary sacrifice programme we operate a childcare voucher scheme that enables all our employees to be able to save money on income tax and National Insurance contributions.

**Payroll Giving:** payroll giving is a scheme that allows people paid through PAYE to make donations to any UK registered charity tax free. The scheme is totally tax efficient in that the donation includes the tax that would have been deducted from the employees pay, so instead of the tax going the Treasury it will go to the charity selected by the employee. Following an initial trial, this scheme is now available for all employees to participate in.

### *Health and Welfare*

During the year, Next spent over £760,000 on the health and welfare provisions across the business to provide help and 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

### *Attracting employees*

During 2009 we have continued to build on 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. We have attended twenty-two university career events during the year and will continue to build those links in 2010. We re-launched the new Next Trainee website in early 2010 with a view to continuing to attract high calibre candidates across our Product areas of Design, Buying, Merchandise and Technology.

Building on the success of previous 'Open Days' held at Head Office, we held four, one-day events at the beginning of 2010. Students and their University careers advisors/tutors were invited to Head Office and offered an insight into careers with Next, particularly in relation to our Product team functions of Buying and Merchandise. Through this process we have successfully recruited thirty one trainees into our Products teams who will start their career with Next in summer 2010.

Next are a sponsor and supporter of the Fashion Retail Academy in London, which includes sponsoring one of the student awards presented at their end of year show. In September 2009 we donated Autumn/Winter Mens and Womenswear collections to the Academy for the students to work with our products as part of their course projects. We have also increased the number of work experience placements we have offered, with nine students joining us in November 2009 and a further three students in February 2010. The students worked within our Product teams focusing their time in Buying and the Visual Merchandise departments. The placement offers invaluable practical training and the experience of working in a real retail environment. We plan to continue to forge this relationship and offer further placement opportunities during 2010 and in the future.





# ENVIRONMENT

## Context

Next recognises it has a responsibility and an obligation to work to reduce the direct impact of its business operations on the environment both now and in the future. Our priority is to work to minimise our environmental impacts by reducing both the carbon intensity of our activities and the natural resources we use, through the development and operation of good business practices.

### *Our priorities are to:*

- Improve energy efficiency and reduce energy use
- Minimise waste produced and increase the quantity recycled
- Increase the efficiency of our delivery fleet

We recognise these key operational activities are environmentally significant for Next and during the year we have continued to develop and implement operational changes that have helped to deliver both environmental benefits, as well as cost saving opportunities for the business.

### *Climate Change*

Climate change is now recognised as one of the greatest global environmental challenges society faces, and we take our responsibilities in this area very seriously. Our aim is to make our operations more efficient, and in order to help us understand the impact of our direct business we have measured our global carbon footprint produced from the operational activities of Next where we have direct control.

Our global direct carbon footprint includes emissions from:

- Properties: stores and warehouses in the UK and Ireland, our global offices, call centres and manufacturing facilities
- Distribution: distribution of Next products to Retail stores or customers' homes in the UK and Ireland
- Waste disposal: from our stores, warehouses and Head Office in the UK and Ireland

We have followed the operational control approach for reporting, using internationally recognised standards provided by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol).

Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance published in September 2009 and have been calculated using revised conversion factors published by the Department for Energy and Climate Change (DECC), and the Department for Environment, Food and Rural Affairs (DEFRA). Data for the previous year has been restated using the latest conversion factors so we can assess our performance from year to year on a like for like basis.



# ENVIRONMENT...continued

## Performance

### Next Group Global Carbon Footprint

We have measured our global direct carbon footprint, where we have operational control, as 239,157 tonnes of carbon dioxide equivalents (CO<sub>2</sub>-e), which is a 17% reduction on the previous year (2008/09: 287,237 CO<sub>2</sub>-e).

Next Group Operational CO <sub>2</sub> -e emissions	2009/10 Tonnes	2008/09 Tonnes	% Change
Scope 1	31,915	37,082	-14
Scope 2	160,371	180,933	-11
Total gross controlled emissions	192,286	218,015	-12
Scope 3	46,871	69,222	-32
<b>Total gross emissions</b>	<b>239,157</b>	<b>287,237</b>	<b>-17</b>

Scope 1 - Direct emissions from Next Group operations	2009/10 Tonnes	2008/09 Tonnes	% Change
Gas heating (stores, offices, warehouses)	8,613	11,497	-25
Next owned distribution vehicles	18,074	18,659	-3
<b>Data in scope of external assurance</b>	<b>26,687</b>	<b>30,156</b>	<b>-12</b>
<b>Data not in scope of external assurance</b>	<b>5,228</b>	<b>6,926</b>	<b>-25</b>
<b>Total gross emissions</b>	<b>31,915</b>	<b>37,082</b>	<b>-14</b>

Scope 2 - In-direct emissions from Next Group electricity consumption	2009/10 Tonnes	2008/09 Tonnes	% Change
<b>Data in scope of external assurance</b> (stores, offices, warehouses)	<b>152,685</b>	<b>175,485</b>	<b>-13</b>
<b>Data not in scope of external assurance</b> (NSL, Ventura India)	<b>7,686</b>	<b>5,448</b>	<b>+41</b>
<b>Total: Scope 2</b>	<b>160,371</b>	<b>180,933</b>	<b>-11</b>

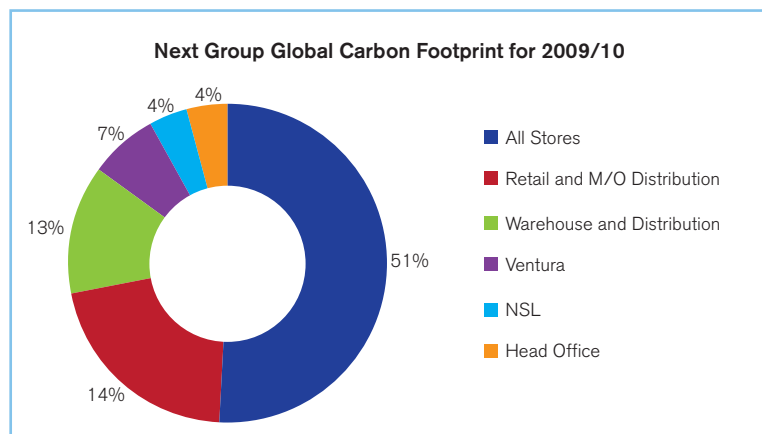
Scope 3 - Other in-direct emissions from Next Group operations	2009/10 Tonnes	2008/09 Tonnes	% Change
Waste (stores, offices, warehouses - Next)	4,008	6,922	-42
Third party distribution vehicles (Directory deliveries)	32,726	54,865	-40
<b>Data in scope of external assurance</b>	<b>36,734</b>	<b>61,787</b>	<b>-41</b>
Business travel	7,055	3,837	+84
Other emissions	3,082	3,598	-14
<b>Data not in scope of external assurance</b>	<b>10,138</b>	<b>7,435</b>	<b>+36</b>
<b>Total: Scope 3</b>	<b>46,871</b>	<b>69,222</b>	<b>-32</b>

Note: waste data for 2009 has been re-calculated and re-stated using the new, more accurate Next Waste Scorecard, a methodology tool, to aid year on year comparisons, see page 28



## ENVIRONMENT...continued

**Next Group Operational Global Direct CO<sub>2</sub>-e Footprint : 239,157 tonnes CO<sub>2</sub>-e**



### Progress

During the year, throughout our operations in the UK and Ireland we have continued to focus on how we can reduce our environmental impact by reducing energy consumption, minimising and recycling waste, working to improve the efficiency of our own distribution fleet, as well as working to reduce the packaging of our products.

### Energy

- 13% reduction in electricity usage compared to last year
- 25% reduction in gas usage compared to last year

CO <sub>2</sub> -e emissions relating to assured data in UK and Ireland for stores, warehouses and offices	2009/10	2008/09	% Change
Electricity usage kWh	283,861,417	324,812,215	-13
Gas usage kWh	47,076,415	63,000,195	-25
<b>Total kWh</b>	<b>330,937,832</b>	387,812,410	-15
Total Floor Space m <sup>2</sup>	1,093,466	1,114,709	-2
Tonnes CO <sub>2</sub> -e	161,298	186,982	-14
<b>Tonnes CO<sub>2</sub>-e per 1000m<sup>2</sup></b>	<b>147.5</b>	167.7	-12

To be able to manage and work to reduce our energy consumption, it is vital that we are able to measure our performance, so during the year we have prioritised the fitting of automated meter readers to the stores that are not already fitted with half-hourly modem meters. Both types of meters pass 'live' energy consumption information into a data collection facility, which allows us to actively track energy performance and monitor consumption. 404 stores have half-hourly modem meters and 126 stores have automated meter readers installed. This action is also beneficial in preparation for the CRC Energy Efficiency Scheme which came into effect on 1st April 2010 as we will be able to more accurately measure our consumption and not need to rely on estimated billing.

We continue to install building management systems as we open new stores. 415 stores now have this system in operation, which automatically manages some key store functions such as when the shop floor lighting is activated ahead of the store opening for trading, when the store window display lighting is activated and how we operate the in-store air conditioning systems. This has made these stores more energy efficient through measures such as reducing the amount of time the store lights are fully turned on ahead of the store opening, running air conditioning systems on fan only for a set length of time at the beginning and end of trading hours, and automatically turning off window and external signage lighting at a set time. In addition, the system 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 be immediately investigated and rectified.



## ENVIRONMENT...continued

We have continued to roll out the replacement of existing lighting schemes in a further 90 stores during 2009, with a new lighting scheme that uses less energy but produces the same level of lighting on the sales floor. In addition, we have continued to improve energy efficiency behind the scenes in the stockrooms, offices, rest facilities and corridors by installing occupancy sensors to either dim or completely turn lights off when they are not required. Within our warehousing operation, following a review of our existing lighting schemes and controls to understand where lighting is needed, we identified opportunities to replace the existing lighting with a more energy efficient scheme, as well as fitting switches, movement activated sensors and timers in areas of the warehouses where footfall is low. Both of these programmes have helped to deliver a 13% saving on electricity consumption within our operation compared to last year.

For our stores in Northern Ireland and Ireland, we started to purchase electricity generated from on-shore wind farms during 2009, 4% of the electricity we used in our stores. The UK guidelines we use to calculate and report our greenhouse gas emissions do not recognise 'green' tariff renewable energy to be counted as a reduction of our carbon emissions; however we will continue to purchase in this way and identify opportunities to increase our purchase of electricity from renewable sources over time.

Next Retail Ltd was awarded the Carbon Trust Standard in 2009, recognising the importance we place on carbon management and our success in reducing our carbon emissions year on year. Each store manager is provided with their store's individual energy consumption on a monthly basis, showing consumption both in and outside trading hours to allow them to compare their performance against the previous month, as well as the same time period last year, and help identify any unusual results for further investigation.

Gas is used predominantly for heating across the business, and due to a number of efficiency measures plus the closure of a leased warehouse facility we no longer needed, we have been able to reduce our consumption by 18% during the year.

### Waste

- 15% reduction in the total amount of waste generated compared to last year
- 68% of total amount of waste recycled

#### Waste and Recycling - stores, warehouses and offices

	2009/10		2008/09	
	Tonnes Waste	Tonnes CO <sub>2</sub> -e	Tonnes Waste	Tonnes CO <sub>2</sub> -e
General waste sent to landfill	7,667	4,008	11,536	6,922
Materials diverted for recycled	16,207	-	16,454	-
<b>Total</b>	<b>23,874</b>	<b>-</b>	<b>27,990</b>	<b>-</b>
<b>% Recycled</b>	<b>68%</b>		<b>59%</b>	

Please note, the waste data for 2008/09 has been recalculated using the new, more accurate Next Waste Scorecard, a methodology tool to aid year on year comparisons

Our priority is to minimise the amount of waste we generate within our operations and work to recycle more to divert it from landfill. Our total waste for the year was 23,874 tonnes, a decrease of 15% on last year (27,990 tonnes).

We conducted a review of our waste operations and identified a requirement to improve the accuracy of the data we record and report, using data that is appropriate to Next's operations. We have worked with our third party waste provider to directly analyse the composition of stores' general waste. This has enabled us to develop the Next Waste Scorecard, a methodology tool to be used to calculate the general waste data from our stores.

In total we have 517 retail stores in the UK and Ireland, however 149 stores are situated in shopping centres where our waste is collected by the centre itself as part of the wider service agreement, consequently waste data is not available for reporting purposes and is not included within this report.





## ENVIRONMENT...continued

Our in-house recycling centre became fully operational in February 2009, and started to receive cardboard and polythene materials from 110 stores. We now have 374 of our stores segregating the waste they generate for collection and reverse hauling for recycling. A further 65 stores are undertaking a trial to segregate additional materials such as returned carrier bags, Directory packaging, broken clothes hangers and used gift cards. These additional streams are also backhauled for recycling, further reducing the amount of waste being sent to landfill.

We believe there is further opportunity to reduce the amount of waste produced for both ourselves and our customers by reducing the amount of packaging used in our products. During the year our in-store Green Champions have identified products they felt contained too much packaging for review by our technical teams to determine the opportunity to develop reduced packaging methods with our suppliers. This ongoing initiative will deliver benefits to the environment, our business and our customers by reducing the amount of packaging included in the products we sell.

### Green Champions

Our in-store Green Champions have continued to play an important role by raising awareness of Next's aim to manage our impact on the environment with their work colleagues and identifying and gathering new ideas and opportunities to save energy, reduce waste and help Next to reduce our environmental impact as a business.

### Distribution Emissions

- 3% reduction in emissions per million units delivered compared to last year

Fuel consumption - Next owned vehicles	2009/10	2008/09	% Change
Litres used	7,185,508	7,140,307	+1
CO <sub>2</sub> -e per litre used	19,180,995	19,060,335	+1
Units delivered to store	218,159,000	19,060,335	+4
Tonnes of CO <sub>2</sub> -e per million units delivered	87	90	-3

Currently 79% of our delivery fleet operates with the cleaner EURO V engines, and we are planning to upgrade an additional 34 vehicles within the fleet to EURO V during 2010.

Our aim is to use our vehicles more efficiently to deliver products to our stores. To help achieve this we have continued to invest in double-deck trailers, up from 21% to 26% of our trailer fleet, which reduces the number of vehicle deliveries required and hence the associated CO<sub>2</sub>-e emissions. Our new double-deck trailers have an aerodynamic front bulkhead, which has been specifically designed to reduce drag, and guide the air-flow away from the front of the trailer so increasing fuel efficiency. We are using these trailers predominantly to move product to our distribution centres located around the UK, as we are able to move 50% more products compared to using a single-decked trailer for the same journey.

In addition, using data collected from our vehicle management system we are continuing to work with our drivers by offering training to help them improve their driving style and efficiency with techniques such as maintaining constant speeds, smooth accelerating and braking.

To maximise our fleet's usage on return journeys back to our warehouses, we collect products for delivery from around 200 of our suppliers who are based in the UK, and reverse haul materials for recycling from our stores to our recycling centre. In addition we have also started to warehouse and deliver products for some third party customers whose stores are situated very close to our own in shopping centres, retail parks and on high streets. As our vehicles are already making the journey, we can offer an efficient delivery service combined with delivery to our own stores.



## ENVIRONMENT...continued

### Construction Waste

- 83% construction waste recycled

Store openings / refit construction waste	2009/10 Tonnes
Waste produced	3,869
Waste recycled	3,219
% waste recycled	83

During 2009, we measured the amount of construction waste produced from all Next store projects where we were either opening a new store or refurbishing an existing store. This is both to comply with the legal requirement of producing a Site Waste Management Plan (SWMP) for certain building projects and to provide visibility of the recycling rates we have been able to achieve across all store projects. We are encouraged with the recycled percentage we have been able to achieve during our first year, and are working with our third party provider to establish how we can continue to increase the amount of construction waste being diverted from landfill.

### Water

Next is not a major consumer of water and our direct water consumption is small, however we recognise it is a natural resource and we have been working to minimise the amount we use. In our new stores we are installing a range of water saving features such as percussion taps and toilets with reduced flush capacities and following a trial within our Head Office we have installed a urinal system that uses minimum amounts of water to help deliver water savings. We are also working to improve the measurement accuracy of the water we use, and we now fit water meters as standard in our new stores to support this, and we now have over 80% of our properties in the UK and Ireland fitted with water meters.



# COMMUNITY

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## Context

Next believes it is important to develop and maintain healthy and positive relationships with the local communities in which we operate. Our aim is to provide a positive impact by contributing to their wellbeing through a programme of support achieved by offering donations of funding, products or the time and expertise of our employees.

### *Our priorities are to:*

- Focus our resources on projects that support the communities in which we operate
- Offer support to charities and organisations of all sizes with a donation that is of most benefit to them
- Work to identify and develop new relationships with charities and organisations

### *Our Approach*

With over 500 stores in the United Kingdom and Ireland, we offer support to a wide range of charities and organisations of all sizes, by working to offer them donations that are of most benefit to them and their particular cause, whether it be a financial donation, or the offer of products that can be used to realise additional funding. Our aim is to make a difference, so we do not support a single 'Charity of the Year', as we believe we are able to make a greater impact by working with a wider group of charities and organisations. As well as supporting individual charity requests, we also agree to support some charities for an agreed number of years with a specified donation. This commitment helps the charities to be able to plan their work with confidence

In addition to the support we offer in the United Kingdom and Ireland, we have continued to work with overseas organisations, to support local communities by offering the longer term benefits of training and the development of skills, in addition to a donation which we know can make an immediate difference. Our aim is to combine social and economic development with real business opportunities by helping to provide the opportunities people need to develop and be in control of their own future.

To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions gained from products donated from within the business. This figure is added 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 offered support to 384 charities of all sizes during 2009 who have asked for contributions to support their work in the areas of children, care for the sick and people with disabilities, healthcare and medical research and community support

**Individual requests/local and national groups and organisations:** we are able to help groups and organisations who do not have charitable status through these donations

**Commercial support and sponsorship:** we offer commercial support and sponsorship to a small number of organisations, which provides Next with the benefit of raising awareness of our brand. We also support local sporting teams of all ages, especially where there is direct employee involvement with the team



## COMMUNITY...continued

### Performance

Next has offered financial support to:	2009/10 £	2008/09 £
Registered charities	903,435	885,936
Individual requests, local and national groups and organisations	87,460	56,669
Commercial support and sponsorship	61,327	54,018

**This support has been complimented with the following fundraising activities to generate additional funds for registered charities, individuals, groups or organisations:**

Next charity events	20,378	24,346
Gifts in kind - donations of products	601,077	764,034
Charity linked sales	402,565	181,186
Employee fundraising	40,332	32,661
<b>Total Support</b>	<b>£2,116,574</b>	<b>£1,998,850</b>

### Progress

During the year we have continued to support a number of charities by selling a range of products through the Next Directory where for every product sold a donation is made to the charity. Some examples of the charities we have supported in this way are:

- Orchid: exists to save men's lives from testicular, prostate and penile cancers through funding pioneering research into the prevention, diagnosis and treatment, as well as promoting awareness and improving education amongst men so symptoms can be recognised and medical attention can be sought. We sold an underwear pack with £2 from each pack being donated to Orchid. If you would like to find out more about Orchid, please go to [www.orchid-cancer.org.uk](http://www.orchid-cancer.org.uk)
- Breast Cancer Care: the charity offers support to anyone affected by breast cancer by offering information and support where needed. We developed a range of products and donated 10% of the selling price to Breast Cancer Care. If you would like to find out more about Breast Cancer Care, please go to [www.breastcancercare.org.uk](http://www.breastcancercare.org.uk)

We continue to be the main event sponsor of the Cystic Fibrosis Annual Awards Dinner. This is one of the events where in addition to our financial contribution, some of our employees donate their time and expertise to plan, co-ordinate and run the event on behalf of Cystic Fibrosis.

Our annual Charity Golf Day was held in June with the proceeds from the event going to The Children's Trust, Tadworth which provides care, education, therapy and rehabilitation to children with multiple disabilities, complex health needs and acquired brain injury. Through this event we are able to support a different cause each year. Charities are able to submit their request and these are reviewed by our Charity Committee where a final decision is made about which Charity we will support.





## COMMUNITY...continued

### *Soul of Africa*

Next has continued to support the charity Soul of Africa, an imaginative self help initiative which trains unemployed women to hand stitch moccasin-style shoes and apply decorative beading to t-shirts, giving them the self-empowering ability to generate income through which they can support their families. For every Soul of Africa product sold Next makes a donation (£2 for each pair of shoes and £1 for each t-shirt). The Soul of Africa Trust channels the funds into projects aimed at supporting children orphaned by the HIV/AIDS pandemic.

In addition, Next has been able to support the charity by helping to fund the building of its first hand stitch sewing centre, which will help the charity to increase its productivity, create employment in the local community and assist with its ongoing efforts to raise money for AIDS affected orphans and vulnerable children.

The women in the centre are trained in hand-lacing and hand-beading as well as being trained how to manage and run their own co-operative which will empower them to be in control of their own futures and the charity will promote their products to keep the project sustainable. To find out more about the charity please go to [www.soulofahricacharity.org](http://www.soulofahricacharity.org)



### *Doncaster Refurnish*

Next started to work in partnership with Doncaster Refurnish, a charity located close to one of our warehouses, whose aims are to help the community of Doncaster by:

- Alleviating poverty through the collection of re-usable donated furniture, diverting it from landfill, renovating it where necessary and making it available to socially and economically disadvantaged people at affordable prices to help them set up home
- Creating sustainable employment and training opportunities

We identified that we were sending to landfill damaged, unsellable furniture and home accessories wthat could be valuable to the charity, and started to pass the products to Doncaster Refurnish in January 2009.

Doncaster Refurnish also offer a volunteering and training programme to help those facing long term unemployment, or those with mental health issues and who may be disengaged from society. They are able to provide support in many ways, such as being part of a team, meeting new people, learning new skills and developing knowledge and confidence. Training of both employees and volunteers is key to their business plan to help drive the future success of the charity.

During 2009, Doncaster Refurnish, by working with Next, has been able to create £63,000 to help fund its charitable work and in addition have created within their operation:

- 9 new jobs
- 14 paid training work placements
- 10 unpaid work experience placements
- 4 work placements from local schools

By working with Doncaster Refurnish, Next has been able to divert over 60 tonnes of waste from landfill for reuse. Doncaster Refurnish have received external recognition for their work during 2009 at a national, regional and local level from the Chamber of Commerce and South Yorkshire Criminal Justice. Next is pleased to be working in partnership with Doncaster Refurnish, an organisation whose unique and vibrant approach to social enterprise is working to make a difference to the local community where it is needed most.

*"Working with Next is a pleasure. It is so refreshing to work with an organisation that have a real 'can do' approach to their business ethic"*

*Andy Simpson, Chief Executive, Doncaster Refurnish*



## PROGRESS ON OPPORTUNITIES FROM 2009 REPORT

**KEY:**

- ✓ = Achieved  
→ = Ongoing/on track  
✗ = Not commenced

## 1. OUR SUPPLIERS

Opportunities identified in 2009	Status	How we have progressed
<p><b>1. Promoting Good Workplaces</b></p> <p>A major focus for our ethical trading team over the next two to three years will be to develop an internal factory monitoring system that will replace the current supplier policing approach achieved through auditing</p> <p>Our objectives are:</p> <ul style="list-style-type: none"> <li>To put responsibility for change into the hands of employers and workers</li> <li>To develop robust management systems that will enable good labour practices in workplaces</li> </ul>	➔	<p>We have been working with the International Textile, Garment and Leather Workers' Federation (ITGLWF) global trade union and an international NGO on Project Autopilot with two factories in India</p> <p>After a period of tri-partite preparatory work, the pilot started in October 2009 and has completed:</p> <ul style="list-style-type: none"> <li>Briefings to all employees at all levels in the factories</li> <li>Focused participatory work with management, supervisors and workers both separately and then together to identify shortfalls in the workplace</li> </ul> <p>For more information on the pilot, see Promoting Good Workplaces on page 9</p>
<p><b>2. Supplier and Worker Internal Communications</b></p> <p>An essential part of a 'good workplace' is the relationship between workers and their management</p> <p>In 2009 we will develop the tools that will enable these relations and facilitate the internal ownership for compliance to our Code. In 2010 we will run pilots at two of our key suppliers' manufacturing sites</p> <p>These pilots will:</p> <ul style="list-style-type: none"> <li>Enable workers and management to work together to identify shortfalls in the workplace against labour law, ethical codes and ILO conventions</li> <li>Link shortfalls into new robust management systems</li> <li>Develop the understanding and ownership of both workers and management of the policies, procedures, rights and responsibilities within a management system</li> <li>Embed social compliance standards into the workplace through training at all levels</li> </ul>	<p>➔</p> <p>✓</p> <p>➔</p> <p>➔</p> <p>➔</p>	<p>An integral part of Project Autopilot is the development of a model management system to facilitate more internal ownership and deliver the objectives we have identified</p> <p>We have developed a similar programme in China as part of an ETI project to bring about long term improvements to working conditions, this work will begin during 2010</p> <p>Achieved</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>For more information on the pilot, see Promoting Good Workplaces on page 9</p>



# PROGRESS ON OPPORTUNITIES FROM 2009 REPORT...continued

## 1. OUR SUPPLIERS...continued

Opportunities identified in 2009	Status	How we have progressed
<p><b>3. Freedom of Association</b> One of the ten principles of our Code is to uphold workers' rights to freedom of association. In 2009 we will:</p> <ul style="list-style-type: none"> <li>Continue to establish contact and build relationships with local affiliates of the International Textile, Garment and Leather Workers' Federation (ITGLWF) in our key sourcing regions</li> <li>Work through the necessary steps in order to achieve our long term objective where workers and management are able to resolve issues together and reach a point where mature industrial relations exist</li> </ul>	<p>→</p> <p>→</p>	<p>As part of Project Autopilot we have now built a working relationship with affiliates of the ITGLWF. This includes a partnership with the Ambekar Institute for Labour Studies (AILS) which is sponsored by the Indian National Trade Union congress in India. It works closely with workers and trade unions on a daily basis. AILS is a current partner alongside the ITGLWF in the implementation of Project Autopilot in India</p> <p>We believe project Autopilot is a proactive and constructive approach towards building a negotiating process between workers and management</p> <p>For more information on the pilot, see Promoting Good Workplaces on page 9</p>
<p><b>4. Purchasing Practices</b> In 2008 we completed the research phase of our purchasing practices work. In 2009 we will take this learning to enhance our buying practices in ways that will minimise their impact on our suppliers' ability to meet the requirements of our Code. We aim to deliver:</p> <ul style="list-style-type: none"> <li>Greater integration of our purchasing practices with our ethical trading standards and commitments</li> <li>A positive impact on the workers in our supply chain whilst enabling our business to remain flexible and competitive</li> <li>Through an ongoing programme of regular briefings and training, provide better awareness for all relevant employee groups who are in contact with suppliers</li> </ul>	<p>✓</p> <p>→</p> <p>→</p> <p>→</p>	<p>In 2009 we built a new internal system and management process which allows us greater integration of our purchasing practices with our ethical standards within our Product teams</p> <p>Ongoing</p> <p>Ongoing</p> <p>Ongoing as all new employees will receive training</p> <p>For more information, please see Collaboration on page 12</p>



# PROGRESS ON OPPORTUNITIES FROM 2009 REPORT...continued

## 1. OUR SUPPLIERS...continued

Opportunities identified in 2009	Status	How we have progressed
<p><b>5. NGO Collaboration</b></p> <p>Our work in promoting better workplaces is being done in collaboration with an international NGO and trade union. In preparation for the pilots we will be running in 2010, we are developing relationships with potential partners and local NGOs in our key sourcing regions, where the aim is to:</p> <ul style="list-style-type: none"> <li>• Extend local stakeholder networks to facilitate capacity building activities</li> <li>• Develop and deliver locally the training models for the better workplace pilots</li> </ul>	<p>→</p> <p>✓</p> <p>→</p>	<p>Ongoing</p> <p>Through our NGO engagement we have identified and initiated projects in collaboration with organisations such as:</p> <ul style="list-style-type: none"> <li>• SAVE (Social Awareness and Voluntary Education) in India within Project Autopilot</li> <li>• LESN (Labor Education &amp; Service Network) based in Hong Kong as part of the decent work project in China</li> <li>• SEWA (Self Employed Womens Association) in India as part of the homemaker project</li> </ul> <p>Ongoing</p> <p>For more information, please see Collaboration on page 12</p>
<p><b>6. Living Wages</b></p> <p>The final phase of our promoting Good Workplaces pilot, will be to develop the worker and management communications mechanisms into a system of mature industrial relations in respect to workers' rights to freedom of association and collective bargaining on working conditions, including wages</p> <p>In addition to promoting the better workplace pilots in 2009 we will:</p> <ul style="list-style-type: none"> <li>• Maintain our commitment to the ETI Wages Group</li> <li>• Continue through our own work on this issue, to learn more about how we might implement a global strategy that will ensure the provision of a living wage is sustainable</li> </ul>	<p>→</p> <p>✓</p> <p>→</p>	<p>Through Project Autopilot we are implementing a process with selected suppliers to create factory based mechanisms that enable workers to determine their own needs and priorities and participate with management in decision-making relating to themselves and their workplace</p> <p>As members of the ETI we are committed to the principle of a living wage, and have undertaken a number of different pieces of work over the last year to research and understand this area of our Code more fully</p> <p>In China, we have developed a productivity initiative with seventeen factories, prompted specifically with the intention of improving wages for workers through the introduction of a number of actions such as training and assistance and reducing labour turnover</p> <p>For more information, please see Collaboration on page 12</p>



## PROGRESS ON OPPORTUNITIES FROM 2009 REPORT...continued

### 2. OUR CUSTOMERS AND PRODUCTS

Opportunities identified in 2009	Status	How we have progressed
Develop a new Animal Welfare policy to improve, promote and protect animal welfare in relation to the products we sell including the development of plans to eliminate the use of wool from sheep that have undergone the 'mulesing' process	→	The policy is underway and due to be launched to our suppliers Summer 2010  For more information, please see page 18
Develop reporting tool to be able to track the forest sources of Home division timber based products	→	The reporting tool has been developed and we are in the process of working with our suppliers to gather in the data We aim to report on our progress in future reports
Investigate the opportunity to develop traceable sustainable cotton products	→	This is an ongoing initiative, and one we will report on in future reports

### 3. PEOPLE AND HEALTH AND SAFETY

Opportunities identified in 2009	Status	How we have progressed
Next International - further develop safety procedures for our stores in Scandinavia and Eastern Europe	✓	The safety procedures have been developed and implemented However this is an ongoing project that will require further refinement in line with our presence in these and other countries outside the UK and Ireland
Fire Risk Assessment requirements - improve follow up procedure and management information to enable focus on key issues	✓	This has been developed and rolled out, allowing us to prioritise action and improve the visibility of outstanding actions The system is being further refined to streamline the sign off procedure for actions once they have been completed
Workplace Violence - review current procedures to incorporate HSE guidelines and review and improve training where required	✓	This has now been incorporated into our Retail Security DVD and rolled out to employees through our Induction Training programme

### 4. THE COMMUNITY

Opportunities identified in 2009	Status	How we have progressed
Work with charitable organisations to identify value from products that Next can no longer use	→	We have developed new relationships with charitable organisations and have been able to help them create value for their cause by providing them with products we are not able to sell through our retail stores  For more information on all our charity support and a case study about our new initiative, please see page 33





# PROGRESS ON OPPORTUNITIES FROM 2009 REPORT...continued

## 5. THE ENVIRONMENT

Opportunities identified in 2009	Status	How we have progressed
Investigate the opportunity to purchase renewable energy for our stores in Ireland and Northern Ireland	✓	Achieved, we started to purchase electricity from on shore wind farms during 2009
Investigate and develop improved monitoring and reporting systems through our building management system to facilitate visibility and analysis of separate store functions e.g. air conditioning, lighting etc	✓	Individual metering of air conditioning and lighting is now in place via the building management system and fitted as standard in all new stores
Investigate new lighting technologies for our stores	✓	We have increased the use of LED lighting in store However lighting continues to be a key area for ongoing improvement
Prepare for the forthcoming EU Regulations concerning the phasing out of ozone depleting substances used in air conditioning equipment and refrigeration across the business	→	This is underway and will remain an ongoing objective for the business to ensure we are compliant with the forthcoming Regulations
Analyse the remaining waste materials contained in general waste to identify opportunities to segregate and divert waste away from landfill in line with available recycling technologies to establish a time-line to achieve our long term aim of sending no operational waste to landfill	→	The business has undertaken waste audits at our stores and warehouses to understand the waste materials within our general waste. We are now trialling the collection of additional waste streams at 65 stores, which will help establish a no operational waste to landfill time-line  For more information, see page 28



# NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES

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This document sets out the principles, criteria and methodologies we use to report the data relating to our corporate responsibility activities in our annual CR report.

## Introduction

- Reliable data is of key importance and is required to comply with ISAE 3000 standards for CR reporting.
- It is important to Next that our data is transparent and meaningful to the reader, this can only be achieved if reported data is traceable and supported by evidence.

## Basis for Reporting

This Reporting Guidance document supports the preparation and reporting of the following indicators in the Corporate Responsibility (CR) report prepared by Next:

- Number of supplier audits
- Global Direct Carbon Footprint (tonnes CO<sub>2</sub>)
- Waste (tonnes)
- Total Accident rate
- RIDDOR accident rate

All data, unless otherwise stated, are prepared for the reporting period 1st February 2009 to 31st January 2010.

## Scope of Reporting

Principal subsidiary undertakings are:

- Next Group Plc: Immediate holding company
- Next Retail Ltd: Retailing and home shopping of womenswear, menswear, childrenswear, home products, accessories and jewellery
- Next Distribution Ltd: Warehousing and distribution services
- Next Sourcing Ltd: Overseas sourcing services
- Next Manufacturing (Pvt) Ltd: Garment manufacture in Sri Lanka
- Lippy Limited: Retailing, home shopping and wholesaling of womenswear and accessories
- Club 24 (trading as Ventura): Customer and financial services management
- First Retail Finance Ltd: Customer and financial services management

Where the scope for reporting deviates from the list above it will be explicit in the relevant specific section of the criteria guidance.



# NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

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## General Reporting Principles

In preparing this guidance document, consideration has been given to the following principles:

- Information preparation: to highlight to users of the information the primary principles of relevance and reliability of information; and
- Information reporting: the primary principles are comparability/consistency with other data including prior year and understandability/transparency providing clarity to users

## Hierarchy of Data Sources

Our aim is to gather and use data from the most complete, robust sources possible to provide clarity for the user.

1. Robust internal data, which can be reconciled to independent third party data
2. Trusted independent third party data
3. Robust internal data with the ability to conduct reasonableness checks

## Uncertainty and estimates

- Every effort is made to capture all relevant data
- Where we have made/used estimates we will make this clear and this has been explicitly defined in the specific criteria for each indicator where appropriate

## Re-statement

- Where information is available, we will restate prior year's figures using the latest available data to make data as comparable between years as possible e.g. carbon emissions reporting due to changes in emission factors
- Where data includes estimates, we will restate prior year's figures with actual data e.g. electricity consumption data may contain estimated consumption
- Restatements are considered where there is a change greater than 3% of the reported data

## Reporting Boundaries

- The report primarily focuses on the activities undertaken in relation to our retailing operation in the United Kingdom and Ireland which accounts for 96% of Next Plc's turnover. Ventura accounts for 4% and is not comprehensively covered in the Report, other than with regard to the customer contact services it provides to Next's retailing activities



# NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

## General Reporting Principles

### 1. Our Suppliers

#### • Number of Supplier Audits

**Definition:** The Next global Code of Practice (COP) team is responsible for auditing the factories of our suppliers where the product for Next is manufactured and the Next brand is applied.

An audit is the assessment method we use to measure whether factories comply with our Code of Practice requirements. A Next auditor attends the supplier's factory to carry out the audit, reviews their employment records, talks to factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. Audits typically take 1-2 man days depending on the size of the factory and the number of employees.

Factories will receive an initial audit, and if areas for concern are raised by our auditor with the factory, a corrective action plan with timescales is agreed, as well as a date for a follow-up audit.

We record and report the number of initial audits and follow-up audits carried out by our team within our reporting year.

**Scope:** The Next global COP team audit all our suppliers' factories in all the countries we purchase from. The data reporting period is 1st February 2009 to 31st January 2010

**Unit:** The number of supplier's factory sites visited for an audit by our COP team

**Method:** Data is extracted from our internal Supplier Code of Practice system

### 2. Environment

#### • Carbon Emissions / Greenhouse Gas Emissions

**Purpose:** We measure our greenhouse gas (GHG) carbon dioxide equivalent (CO<sub>2</sub>-e) emissions to:

- identify and understand sources of emissions
- create a transparent and robust reporting approach
- establish a reliable basis on which to develop an emissions reduction strategy

**Definition:** The quantity of GHG emissions expressed as tonnes of CO<sub>2</sub>-e emitted as a result of the direct operational activities undertaken by the Next group globally.

Our direct operational activities are all the operations under management control of the group.

A carbon footprint is calculated by measuring the annual emissions of an organisation and their impact on climate change through six greenhouse gases (GHG's) listed in the Kyoto Protocol: carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>). Carbon dioxide equivalent (CO<sub>2</sub>-e) is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the six GHG's, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate different GHG's against a common basis.

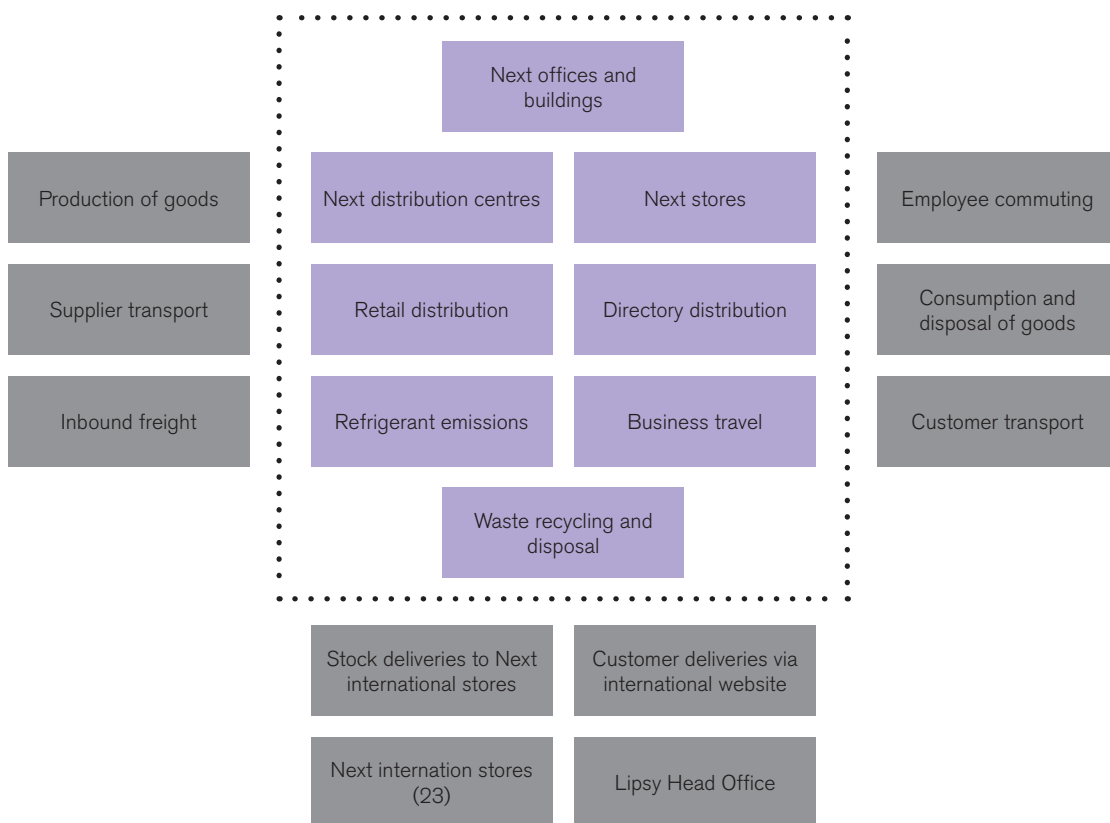
We have calculated our carbon footprint by following the operational approach for reporting, using the internationally recognised standards provided by the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol).

Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance published in September 2009, and have been calculated using revised conversion factors published by DEFRA/DECC. Data for the previous year has been restated using the latest conversion factors so we can assess our performance for year to year on a like for like basis.



## NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

**Scope:** The boundary for Next Group Operational Direct CO<sub>2</sub>-e Footprint



The diagram above shows the boundary of the Next direct carbon footprint. The areas within the dotted line cover GHG emissions from:

- **Properties:** electricity, gas and other fuel consumption in our stores, warehouses and distribution centres in the UK and Ireland; Lipsy stores in the UK and our global offices, call centres and owned manufacturing facilities
- **Distribution:** fuel consumption from the distribution of Next products in the UK and Ireland to our retail stores in Next owned vehicles and customers homes via third party vehicles
- **Business travel by Next Group employees:** including travel by air, rail, company cars, private cars used for business purposes, hired cars and taxis
- **Waste:** produced in our stores, warehouses and offices in the UK and Ireland; our global offices, call centres and owned manufacturing facilities
- **Refrigerant losses:** from air conditioning units in our stores, warehouses and offices in the UK and Ireland; our global offices, call centres and owned manufacturing facilities





# NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

PricewaterhouseCoopers LLP have provided independent external assurance of the data highlighted in blue italics in the table below which equates to 90% of our emissions:

Next Group operational CO <sub>2</sub> -e emissions	2009/10 Tonnes	2009/10 Tonnes	% Change
Scope 1	<b>31,915</b>	37,082	-14
Scope 2	<b>160,371</b>	180,933	-11
<b>Total gross controlled emissions</b>	<b>192,286</b>	2108,015	-12
Scope 3	<b>46,871</b>	69,222	-32
<b>Total gross emissions</b>	<b>239,157</b>	287,237	-17

Scope 1 - Direct emissions from Next Group operations	2009/10 Tonnes	2009/10 Tonnes	% Change
<i>Gas heating (stores, offices, warehouses)</i>	<i>8,613</i>	<i>11,497</i>	<i>-25</i>
<i>Next owned distribution vehicles</i>	<i>18,074</i>	<i>18,659</i>	<i>-3</i>
<i>Data in scope of external assurance</i>	<i>26,687</i>	<i>30,156</i>	<i>-12</i>
Data not in scope of external assurance	5,228	6,926	-25
<b>Total: Scope 1</b>	<b>239,157</b>	287,237	-17

Scope 2 - In-direct emissions from Next Group electricity consumption	2009/10 Tonnes	2009/10 Tonnes	% Change
<i>Data in scope of external assurance Electricity (stores, offices, warehouses)</i>	<i>152,685</i>	<i>175,485</i>	<i>-13</i>
Data not in scope of external assurance Electricity (NSL, Ventura India)	7,686	5,448	+41
<b>Total: Scope 2</b>	<b>160,371</b>	180,933	-11

Scope 3 - Other in-direct emissions from Next Group operations	2009/10 Tonnes	2009/10 Tonnes	% Change
<i>Waste (stores, offices, warehouses - Next)</i>	<i>4,008</i>	<i>6,922</i>	<i>-42</i>
<i>Third party distribution vehicles (Directory Deliveries)</i>	<i>32,726</i>	<i>54,865</i>	<i>-40</i>
<i>Data in scope of external assurance</i>	<i>36,734</i>	<i>61,787</i>	<i>-41</i>
Business travel	7,055	3,837	+84
Other emissions	3,082	3,598	-14
<b>Total not in scope of external assurance</b>	<b>10,138</b>	7,435	+36
<b>Total: Scope 3</b>	<b>46,871</b>	69,222	-32



## NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

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**Unit:** The measurement units reported for stores, offices and warehouses in the UK and Ireland are detailed below:

- **Electricity:** kilowatt per hour consumed / tonnes CO<sub>2</sub>-e  
Data is collected from:  
Next : 517 retail stores; 6 staff shops; 7 receipting warehouses; 5 distribution centres; head office; call centre; press office and photoshoot warehouse  
Ventura : 4 call centres  
Lipsy: 4 stand alone stores  
404 sites have half hourly modem meters installed and 126 sites have automated meters installed which pass 'live' consumption information into a data collection facility for our energy team to monitor and manage. In addition we receive monthly invoices directly from landlords for approximately 12 properties where they provide the electricity we consume and estimated monthly bills from approximately 10 properties where there is no automated meter installed.
- **Gas:** kilowatt per hour consumed / tonnes CO<sub>2</sub>-e  
All data is received by invoices showing either actual or estimated consumption. The meters in our warehouses, which consume the majority of the gas we use, are read monthly so show actual consumption per month. The meters for gas consumption in our stores and offices is read each quarter of the year.  
All consumption data is submitted to our energy provider who invoices Next .  
During 2010, we will be fitting automated meters into our warehouses to provide 'live' data to facilitate closer understanding and visibility of gas consumption, and improve management.
- **Waste:** volume in tonnes of material produced / tonnes CO<sub>2</sub>-e  
General waste sent to landfill (tonnes): is material that has been finally disposed of to landfill or incineration without heat recovery.  
Materials diverted for recycling (tonnes): cardboard and polythene from secondary product packaging and transit packaging used to protect the products from the suppliers factory to our warehouses or stores. Carrier bags, Directory courier packaging, broken clothes hangers and used gift cards collected in store at the till point. Timber from broken pallets and damaged furniture is chipped and recycled. Office materials such as paper, cardboard, magazines, cups, bottles and cans are collected and recycled.  
Mattresses are incinerated to create refuse derived fuel.
- **Fuel:** litres consumed and kilometres travelled delivering Next products to stores and customers homes/tonnes of CO<sub>2</sub>-e

**Retail:** Next owned vehicles:

111 tractor units designed to pull either single, tandem or tri axle trailers

213 trailer units (either single, tandem or tri axle)

16 box rigid lorries

26 box vans

12 other vehicles (minibuses, caged tipper vehicle transit vans)

Diesel fuel is drawn from on-site tanks and drivers are required to enter the vehicles mileage to be able to draw the fuel. Diesel consumption is reconciled weekly per site and checked against fuel tank dip levels by management.

Mileage / litres used is recorded via our own ATLAS (Access Transport Logistics Audit System) and uploaded onto the Next Retail Distribution Report.

**Retail:** third party vehicles

Used for deliveries to Ireland and Northern Ireland, Channel Islands and Isle of Man. Delivery routes and mileage is set and agreed by Next and the third party provider, as vehicle journeys are all planned and agreed.

Mileage/litres of diesel data is provided to Next on a weekly basis from the third party provider.

Once validated by management it is uploaded onto the overall Next Retail Distribution Report per third party provider.



## NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

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**Directory:** third party vehicles

The third party provider advises Next their total mileage and litres of fuel consumed as a proportion of the business Next has with them in relation to the number of parcels delivered to and collected from Next customers (deliveries to and returns from customers) via their delivery network. Delivery performance is reviewed weekly with data for CR purposes being submitted bi-annually.

**Method:** Our carbon data is collected by business managers across the group, via internal reporting systems and submitted to the Corporate Responsibility Manager, who is responsible for managing the data's completeness and accuracy. Next work with independent external carbon specialists, Camco Advisory Services Ltd, who take the data and calculate the CO<sub>2</sub>-e emissions for the group working to the reporting principles and guidelines provided by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development and the World Resources Institute.

### 3. Our People

- **RIDDOR accident rate (The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995)**

**Definition:** RIDDOR Regulations place a legal obligation on employers to report work-related deaths, major injuries or over-three-day injuries, work related diseases and dangerous occurrences (near miss reporting).

Next use the following definitions:

Accident: an unexpected occurrence which upsets a planned sequence of events or actions resulting in loss of production, damaged plant and equipment and/or injury to personnel

Near miss: any unplanned event which has the potential to result in injury. This term does not include actual dangerous occurrences which are to be reported to the Enforcing Authority

Incident: any unplanned event which has the potential or indeed does result in injury or loss. This term is limited to actual dangerous occurrences which are to be reported to the Enforcing Authority

**Scope:** United Kingdom and Ireland for our retail stores, warehouses, head office and Directory for employees, customers, visitors and contractors.

Excluded from the reported data is RIDDOR accident rate reporting for Next Sourcing Ltd, Ventura, Next International owned stores and Lipsy, as health and safety for these parts of the group is managed separately. It is our intention to include accident reporting data from these parts of the group in future reports.

**Unit:** Report work-related accidents per 100,000 hours worked.

We use the RIDDOR definition for 'work-related' which is " Arising out of or in connection with work" (Regulation 2(2)(c)). This includes all accidents occurring whilst someone is at work, or travelling on work business to another Next site, or a non-Next site. It excludes travel to or from work, if the person is travelling to or from their designated place of work.

We report RIDDOR accidents per 100,000 hours worked, as this is the frequency rate used by the HSE (Health and Safety Executive) in their published annual statistics reporting, as this allows us to directly benchmark Next against the HSE published data.

**Method:** Retail Stores - All accidents, incidents and near misses are entered in the accident/incident reporting system, and the Health and Safety Department are informed of a major accident by phone. All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

Retail stores enter accident data onto the NYPD system (Next Years Payroll Development system) which is the retail payroll system.



## NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

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Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

**Method: Head Office, Directory and Warehouses** - All accidents, incidents and near misses are entered onto an Accident Incident Report form, which is sent to the Health & Safety Department within 48 hrs of the accident occurring.

All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

For Head Office and Directory, the Health and Safety Department enters the accident data onto the SNOWDROP system, which is our HR system.

For Warehouses, the Warehouse Site Services Manager enters the accident data onto the SNOWDROP system, which is our HR system.

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

When an accident is required to be reported to an Enforcing Authority, this is the responsibility of the Health and Safety Department. The accident is entered onto the HSE Incident Contact Centre database, who then pass the information to the relevant local council where the accident occurred.

- **Total accident rate (includes incidents and near misses)**

**Definition:** All accidents, incidents and near misses that have occurred in the workplace.

Next use the following definitions:

Accident: an unexpected occurrence which upsets a planned sequence of events or actions resulting in loss of production, damaged plant and equipment and/or injury to personnel

Near miss: any unplanned event which has the potential to result in injury. This term does not include actual dangerous occurrences which are to be reported to the Enforcing Authority

Incident: any unplanned event which has the potential or indeed does result in injury or loss. This term is limited to actual dangerous occurrences which are to be reported to the Enforcing Authority

At Next we encourage near miss reporting as the Health and Safety Department use this information as a tool to review current procedures and guidelines for future accident prevention.

**Scope:** United Kingdom and Ireland for our retail stores, warehouses, head office and Directory for employees, customers, visitors and contractors.

Excluded from the reported data is total accident rate reporting for Next Sourcing Ltd, Ventura, Next International owned stores and Lipsy, as health and safety for these parts of the group is managed separately. It is our intention to include accident reporting data from these parts of the group in future reports.



## NEXT'S REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES...continued

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**Unit:** Report work-related accidents, incidents and near misses per 100,000 hours worked / total hours worked per FTE. We use the RIDDOR definition for 'work-related' which is "Arising out of or in connection with work" (Regulation 2(2)(c)). This includes all accidents occurring whilst someone is at work, or travelling on work business to another Next site, or a non-Next site. It excludes travel to or from work, if the person is travelling to or from their designated place of work. We use the RIDDOR accidents per 100,000 hours worked, as this is the frequency rate used by the HSE (Health and Safety Executive) in their published annual statistics reporting, as this allows us to directly benchmark Next against the HSE published data.

FTE data is provided from our internal NYPD and SNOWDROP systems. Total hours worked is calculated at 1760 hours. This is the annual contracted hours worked per FTE provided from our internal system (hours worked x 52 weeks less holiday entitlement, statutory bank holidays and two additional Next holiday days).

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

**Method: Retail Stores** - All accidents, incidents and near misses are entered in the accident/incident reporting system, and the Health and Safety Department are informed of a major accident by phone. All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

Retail stores enter accident data onto the NYPD system (Next Years Payroll Development system) which is the retail payroll system.

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.

**Method: Head Office, Directory and Warehouses** - All accidents, incidents and near misses are entered onto an Accident Incident Report form, which is sent to the Health & Safety Department within 48 hrs of the accident occurring.

All accidents, incidents and near misses are investigated by a line manager.

The date and time the accident occurred is entered.

For Head Office and Directory, the Health and Safety Department enters the accident data onto the SNOWDROP system, which is our HR system.

For Warehouses, the Warehouse Site Services Manager enters the accident data onto the SNOWDROP system, which is our HR system.

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the system to facilitate an immediate response to investigate the cause of the accident where required.





# INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC



We have been engaged by the Directors of Next Plc to perform an independent limited assurance engagement in respect of Selected Corporate Responsibility Information (hereafter "Selected Information") for the year ended 31 January 2010 in the report "Next plc Corporate Responsibility Report" (the "Corporate Responsibility Report").

## Scope and subject matter

The Selected Information for the year ended 31 January 2010 subject to limited assurance consists of data in the Corporate Responsibility Report relating to:

- Number of supplier audits carried out set out on page 9
- Next Plc Global Carbon Footprint set out on page 26
- Waste data set out on page 28
- Accident and RIDDOR accident data set out on page 20

We read the other information included in the Corporate Responsibility Report and consider whether it is consistent with the Selected Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Selected Information. Our responsibilities do not extend to any other information.

## Respective responsibilities of the Directors and PricewaterhouseCoopers LLP

The Directors are responsible for the content of the Corporate Responsibility Report, the preparation of the Selected Information in accordance with the criteria set out in the Company's Reporting Policies (as set out in Reporting Principles, Criteria and Methodologies at [www.nextplc.co.uk](http://www.nextplc.co.uk)), and for the development of the Reporting Policies.

Our responsibility is to form an independent conclusion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the Selected Information is not fairly stated, in all material respects, in accordance with the Company's Reporting Policies.

We are in compliance with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. Our team comprised assurance practitioners and relevant subject matter experts.

This report, including the conclusion, has been prepared for the Directors of the Company as a body, to assist the Directors in reporting on the Company's activities in relation to corporate responsibility. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors as a body and the Company for our work or this report save where terms are expressly agreed and with our prior consent in writing.

## Assurance work performed

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ("ISAE 3000").



# INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC...continued

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Our limited assurance procedures primarily comprised:

- Making enquiries of relevant management of the Group about the process for preparing the report and the associated internal control system;
- Evaluating the design of the key processes and controls for managing and reporting the Selected Information;
- Limited testing, on a selective basis, of supporting evidence for the Selected Information;
- Undertaking analytical procedures over the Selected Information.

We have not performed assurance procedures over the gathering and processing of data by third party provider of transport emissions information.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

## Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods adopted for the definition and gathering of information. The absence of a significant body of established practice on which to draw allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Corporate Responsibility Report in the context of the Company's Reporting Policies set out in Reporting Principles, Criteria and Methodologies on [www.nextplc.co.uk](http://www.nextplc.co.uk)

The conversion of fuel used to carbon emissions is based upon, inter alia, information and factors derived by independent third parties as explained in the Reporting Policies. Our assurance work has not included examination of the derivation of those factors and other third party information.

## Conclusion

Based on the results of our procedures nothing has come to our attention that causes us to believe that the Selected Information included in the Corporate Responsibility Report for the year ended 31 January 2010, is not fairly stated, in all material respects, in accordance with the Company's Reporting Policies.

PricewaterhouseCoopers LLP  
Chartered Accountants, London

12th August 2010

