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CORPORATE RESPONSIBILITY REPORT TO JANUARY 2011

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WELCOME

Welcome to our 2011 Corporate Responsibility Report.

This year's report details our approach to managing our business, and the measures we employ to ensure we operate both successfully and responsibly. 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 ensure we run our business in a responsible way:

- by acting in an ethical manner;
- developing positive relationships with our suppliers;
- taking care of our employees;
- being responsible for our impact on the environment;
- delivering support through charitable contributions;
- delivering value to our customers.

Next faces similar CR challenges to many other major retailers as we continue to operate in a challenging commercial environment. We are committed to develop our business to be more sustainable and responsible as we work within an increasingly complex set of issues we need to address for our business, our customers, the suppliers we trade with, the environment and the communities in which we operate. Our business takes a long term view of what is right, and this approach has driven our continuous investment in tackling environmental challenges, and working to achieve positive development in the challenging area of social compliance. We are committed to working with our suppliers to help them understand and develop their businesses to be compliant to our Code of Practice requirements. 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 achieve the requirements of our Code.

Our objectives of reducing our environmental impact and promoting good environmental practice are continuing to progress. Internally, for several years we have measured and reported against a number of reduction targets set against a baseline year of 2007 until 2015. I am pleased to report our progress against these targets in this report on page 28. Our targets are focused on our key priority areas of:

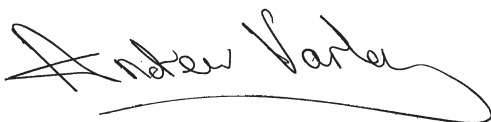
- **Energy:** 4% reduction compared to last year; and 19% reduction in electricity consumption achieved overall
- **Waste:** 12% more waste recycled compared to last year; and 75% of operational waste now recycled overall
- **Distribution:** 2% reduction compared to last year; and 1% increase in litres of fuel used overall

We are very pleased with the progress we have achieved with energy and waste, and understand our increase in fuel usage for Distribution is due to the large growth we have achieved in our Home division, and the stand alone Home stores we have successfully opened. We remain confident we will be able to achieve our Distribution target.

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 which 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 45.

I hope you enjoy reading this latest Corporate Responsibility Report, and you find it interesting, informative and useful, and we hope we have met your expectations in the way we run Next as a responsible business.

We welcome your feedback and engagement on our approach to CR, our performance or how we can improve our report for the future, see page 4 for how to contact us.



Andrew Varley
Group Property Director - Main Board
18th July 2011



ABOUT OUR REPORT

This is our eighth published Corporate Responsibility Report, covering our social, ethical and environmental performance. It is an annual report published in July 2011, and covers our financial year from February 2010 to January 2011.

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 included within the report primarily in relation to the customer contact services it provides to Next's retailing activities through Next Directory.

How we decide what to report – the key impacts

Next, as a large business, faces a wide range of different challenges in relation to its social, ethical and environmental impacts. To be able to focus our efforts, we assess and prioritise each issue internally as for Next, corporate responsibility means addressing each of these key business-related factors that can impact on our business, either directly, or indirectly through our global suppliers.

This report aims to cover the issues we believe are of principal concern to our various stakeholders, and is structured around the main areas of responsibility identified as being most material by the business.

- **Our Suppliers** – we work for positive social, ethical and environmental improvements in our supply chain
- **Our Customers** – we work to ensure we meet or exceed our customers' expectations through the delivery of excellent products and service
- **Our People** – we 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 work to actively reduce the impacts of our business on the natural environment
- **Community** – we work to deliver support through our charitable contributions to charities and community organisations

Who is the report written for?

Our report is written to provide information to a wide audience which is interested to understand how Next is performing on issues surrounding the social, ethical and environmental areas we have identified as being of most concern.

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 detailed technical data for those requiring more in depth information. The report is published on our website at 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.

The report is also available to our employees through our intranet system, or as a printed copy where required, as we believe it is important to continue to raise corporate responsibility awareness with our employees, to help ensure that they are aware of all that we are doing in these areas as a business.

Assurance of report content

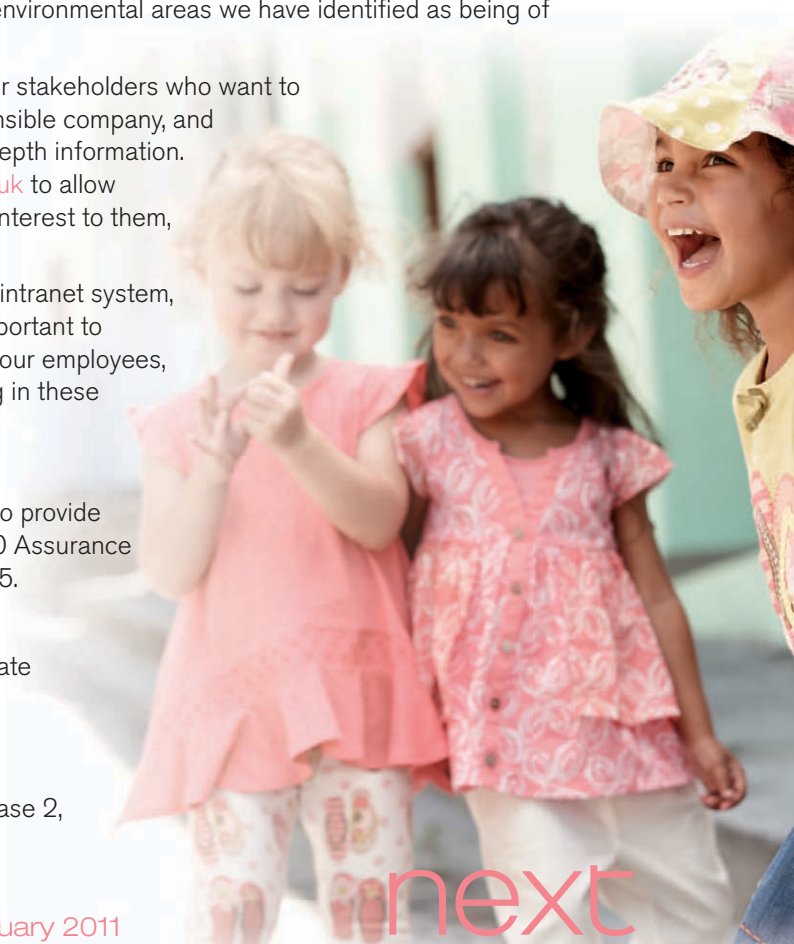
PricewaterhouseCoopers LLP have been commissioned to provide independent assurance in accordance with the ISAE3000 Assurance Standard. A copy of their opinion can be found on page 45.

Your feedback

We welcome your comments and feedback on our corporate responsibility performance either through our website at www.nextplc.co.uk or by writing to:

Corporate Responsibility Manager

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



ABOUT NEXT

Principal Activities

Next is a UK based fashion 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

- 525 stores in the UK and Ireland
- 292,000 transactions per day in store (average)

Next Directory

- Direct mail and transactional website
- 2.94 million active customers
- 77% of orders placed directly on line

Next International

- 160 overseas franchise stores in 27 countries: Armenia, Bahrain, Bulgaria, Cyprus, Egypt, Gibraltar, Greece, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Libya, Malta, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Thailand, Turkey, Ukraine and United Arab Emirates
- 25 Next overseas stores in 7 countries: China, Czech Republic, Denmark, Germany, Hungary, Slovak Republic and Sweden
- Developing website capacity outside the UK delivering to more than 30 countries

Next Distribution

- Warehousing and distribution division

Other Group Businesses include:

Ventura

- Provides customer services management to third party clients wishing to outsource their customer contact administration and fulfilment activities
- 4 UK call centres and 1 wholly owned call centre in India

Next Sourcing

- Designs, sources and buys Next branded products

Lipsy

- Our younger female fashion brand
- Trades from 27 stores in the UK, wholesale, concessions and through its own website



HEADLINES & HIGHLIGHTS

Economic Summary @ 31.1.11

- Group turnover £3,454m
- Group profit before tax £551m
- Earnings per share 221.9p
- Dividends 78p
- Total trading space 566,017 m²

Our Annual Report and Accounts can be viewed at www.nextplc.co.uk

FTSE4Good

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



Our Suppliers

- The products we sold were manufactured in 48 countries
- We worked with 492 suppliers during the year
- We carried out 1654 audits at our suppliers' factories
- We increased our global Code of Practice team to 44

Our Customers

- There are an average of 292,000 transactions per day in our Retail stores in the UK and Ireland
- There are an average of 47,000 transactions per day in Directory
- Next has 2.94 million active Directory customers
- 77% of Directory orders are placed through the internet

Our People

- The Next group employed 37,220 FTE employees, with 24,514 FTE employees in the UK and Ireland
- 3,782 employees were active members of Next Pension Schemes
- Retail: during last year we have recorded a 10% increase in the RIDDOR accident rate for employees
- Warehouses: during the last year we have recorded a 19% reduction in the RIDDOR accident rate for employees



HEADLINES & HIGHLIGHTS continued

Environment

- The group's carbon footprint was 237,238 tonnes of CO₂e, a 1% reduction compared to last year
- Our electricity consumption has reduced by 4% compared to last year, achieving a 19% reduction against our target reduction of 35% within Next in the UK and Ireland, whilst our trading space has increased by 6%
- 75% of the waste we create was recycled against our target of sending less than 5% of operational waste to landfill, a 12% increase compared to last year
- Within retail distribution we have achieved a 2% reduction in litres of fuel used per m²
- Next has achieved the Carbon Trust Standard for measuring, managing and reducing our carbon emissions
- 89% of our construction waste was recycled



Community

- Commercial support to charities and community organisations totalled £2,646,000
- Next supported over 350 registered charities through donations of funding, Next product or the support and guidance 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 continue to engage with Next about as they expect us to manage our suppliers responsibly. Developed and drawn up in 1998, our code of conduct has been adopted and implemented, and it forms the basis of our efforts to support our supply chain to not only become more sustainable, but also deliver benefits for workers across the globe, and act as a means by which Next can fulfil its responsibility to uphold international labour standards with its suppliers. The Next Code of Practice (COP), our code of conduct, is our set of ethical trading standards and forms an integral part of our business. 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 Conventions¹)

¹ 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 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 cannot solve alone

Our Approach

Our approach is to use our influence to promote good practice and raise awareness, both with our suppliers and their employees as well as others along our value chain. We believe that working together in partnership is the best way we can make a positive difference.

Our COP applies to every country we source from, including the UK. It has ten key principles and sets out the minimum standards and requirements we place on 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. Our approach is to work with our suppliers to achieve the baseline requirements of our COP, and support them to continually improve their performance.

The ten key principles to our COP are:

1. No forced labour
2. No child labour
3. Freedom of association
4. Healthy and safe working conditions
5. Reasonable wages and benefits
6. Reasonable working hours
7. Equal opportunities
8. Employment security
9. Respectful treatment of employees
10. Effective management systems



OUR SUPPLIERS continued

To help our suppliers understand the requirements of our COP and our expectations, it is translated into a number of key languages to aid communication, and we actively encourage suppliers to distribute or post our Code on employee notice boards in the local language, or where possible, to communicate the principles of the ETI Base Code through employee handbooks or other forms of communication.

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 and national laws and legislation, and by workers who are treated with respect and paid fairly for the work they do.

It is a key priority for Next to ensure we run our business in a responsible way by acting in an ethical manner and developing positive relationships with our suppliers. Continuous improvement lies at the heart of our business, and through our ethical trading programme we have continued to respond to the challenge of working with our suppliers to raise the standard of working conditions in the factories where our product is made. Supply chain management is identified as a material business risk, and within that, non-compliance by suppliers to our COP may lead to an increase in our reputational risk. As such, ethical trading is considered a crucial 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 44, which includes 5 country regional managers - 2 based in the UK and 3 based in our key sourcing locations. Each regional manager has their own local auditing team who monitor our suppliers' compliance with our COP.

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 team is that it gives us a direct relationship with our suppliers. By carrying out the audits ourselves we immediately get a clear view of how our suppliers are complying with our COP requirements, as well as direct 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 COP. 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 COP.

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. We believe 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 gain their trust. Other advantages of having our own team include being able to demonstrate and transfer Next values and knowledge from within our team, when we are carrying out an audit, or supporting a factory to work towards our requirements, and ensuring comparability of our audits, as they are all produced from the same evaluation method that we calibrate through formal joint audits and reviews. Disengaging with a supplier for non-compliance to our COP is an absolute last resort, as our priority and the main purpose of our programme, is to ensure the welfare of the individual workers is protected.



OUR SUPPLIERS continued

Our six-tier rating system is used to encourage our suppliers to progressively work towards, and adopt higher standards over time. It is used internally by our Product teams as a supplier management tool, to provide clear visibility of how our suppliers are performing and progressing towards compliance with all aspects of the COP. It provides the visibility required to make strategic sourcing decisions including, where necessary, a reduction in business where repeat or persistent non-compliances are identified. If a factory is found to have critical fail points, we will suspend further orders until these have been satisfactorily rectified in line with our Code.

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 to a factory is determined by the audit rating achieved, and those factories with the most serious audit ratings will be revisited more frequently.

The importance of collaboration

In 2002, Next joined the 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 an active and committed member, by contributing to many of the ETI working groups and programmes including sitting on the ETI Board representing corporate members and acting as chair or vice-chair to working groups.

During 2010, Next has participated in a number of other activities and events aimed at tackling the complex issues surrounding ethical trading in global supply chains. These include working together with the Institute for Human Rights and Business on their migrant labour initiative, to promote responsible recruitment of migrant labour. The Apparel Exporters Promotion Council of India is working to address some of the industry wide issues surrounding the use of contract labour in the Indian garment sector. We have supported their work by co-hosting a roundtable event with suppliers, Brands and Indian Government departments and more recently as active members of their Task Force, that was established to work on this issue in Delhi. We are also members of the buyers' forum for the International Labour Organisation (ILO) Better Work Programme. This Programme is a unique partnership between the International Labour Organisation (ILO) and the International Finance Corporation (IFC). It was launched in August 2006 in order to improve labour standards and competitiveness in global supply chains.

Through the ETI and our other activities, we are working in collaboration with both UK and international brands, and increasingly through this collaboration are engaging with both Government and Industry bodies in several countries. Such engagement is necessary to promote and support the change that is required to address some of the root cause issues, and for those changes to be sustainable in global supply chains.

Performance

	2010/11	2009/10
Countries where product is manufactured	48	47
Suppliers worked with	492	463
Factory sites audited	1480	1,258
Total audits carried out	1654	1,555
Suppliers factories disengaged for non compliance with our Code	3	2
Next global COP team resource	44	40

Note: The factory sites audited and the total audits carried out have increased from the previous year, as the number of auditors in the team has increased by four and more of the total team's time was spent auditing.



OUR SUPPLIERS continued



Progress

Promoting good workplaces

Our current model of supplier assessment through auditing is an extensive programme undertaken by our experienced global COP team of auditors. Whilst this auditing process is built on creating positive engagement and working collaboratively with our suppliers, we have recognised that auditing alone is not a solution to addressing the root causes of all the ethical trading issues in the different sectors we source from.

Over the last five years we have invested an increasing amount of our resource into local capacity building activities with our suppliers. This work has helped us to understand some of the country specific issues our suppliers are facing and we have responded by 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. These projects have supported compliance to our Code by helping increase our suppliers' ability to improve working conditions in their factories. This has included working with local organisations 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. This has led to improvements in worker management dialogue, human resource skills and management. An improvement in productivity in the factories has also led to a reduction in individuals' working hours.

Recognising the need for a long term approach that will deliver sustainable work place improvements, we have developed a project aimed at replacing the need to audit, called Project Autopilot. Through this project, our objective is to develop a mechanism for achieving and monitoring good workplaces, by putting the responsibility for change in the hands of our suppliers - the employer, and their employees. Its key focus is to improve worker-management cooperation and help to introduce more responsible business practices. A supportive and committed management is vital to the potential success and long term sustainability of this project, and this has been a key factor in the selection of the suppliers we want to partner with in this programme.

Autopilot depends on developed management systems being in place within the supplier's operation, to provide the means for ongoing internal monitoring, and taking action where necessary, within their business. To be successful, these include, and indeed require, mature worker-management dialogue procedures to be in place. Initially, Next supports the supplier with focused participatory work with management, supervisors and workers. This is to identify both shortfalls in the workplace in relation to relevant labour laws, ethical codes and ILO conventions, and importantly, to introduce and provide the necessary understanding that engaging workers as full partners in assessing, improving and maintaining workplace conditions will be to the benefit of all.

Solid management systems work effectively only through the communication, understanding and ownership, by both the workers and management, of the policies, procedures, rights and responsibilities within them. By working with the supplier to link the shortfalls identified within the current factory management systems, we are able to help them to build a robust and effective management system that will work for all. The management system will then support the development of a worker-management dialogue procedure, freely chosen and accepted by the workers.

Our long term plan is to replace auditing, and develop an alternative assurance procedure that is owned by both workers and management. It will manage, maintain and develop standards in the workplace, and has to be a procedure that is able to satisfy Next's COP standards and requirements, and at the same time be acceptable to all other stakeholders. We understand and acknowledge an exact procedure may not fit every country or context, and that our model will have to be adaptable in order to deliver our strategy of better business and better workplaces.

OUR SUPPLIERS continued



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 Programme which is scheduled into the training calendar on a quarterly basis and is attended by all new product team members when they join the business. During 2010, 82 new employees from our product teams attended. 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 the 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 vital 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. All contracted suppliers are provided with access to our Supplier Extranet, one of our main communication tools, when starting business with Next. Our COP is available through the Extranet, where reference is made to our membership of, and alignment to the ETI Base Code. Compliance to all requirements of our COP is explicit in our terms and conditions of trade, and by agreeing to trade with Next a supplier is making a commitment to achieve the standards set out in our COP. As an important part of a new supplier's induction, a member of the COP team will always meet with them to discuss and brief out the contents and requirements of our Code. We remain committed to regular and transparent dialogue with suppliers to develop a culture of mutual trust, which we believe contributes to, and supports a supplier's ability to implement our COP.

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.

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 on any difficulties or challenges they may face in implementing any part of our Code. We provide training materials, example documentation and, importantly, reasons why certain requirements are necessary, along with guidance on how to use specific tools to address particular issues.

- **Supplier training:** As part of the induction process for a new supplier, a Code of Practice team member will always attend a meeting at the factory to discuss and reiterate the contents and requirements of our Code.

Through Project Autopilot, we have developed a number of different training modules, and a model management system to facilitate more internal ownership and help to deliver profits for all. Further development and production of training materials and resources will continue to be tailored to the specific needs of each of our geographical sourcing regions, as well as guidance and support from our internal audit team.

- **Collaboration:** The importance of involvement from all stakeholders in our supply chain starting with production workers continues to be at the heart of our ethical trading and Corporate Responsibility programme.

OUR SUPPLIERS continued

We continue to collaborate with other brands and retailers, both members and non members of the ETI on a wide range of issues ranging from the responsible recruitment of migrant labour in Mauritius, to mapping Home working supply chains in India.

We are continuing to develop relationships and capacity with local partners in key sourcing locations to build an in-depth understanding of the social, legal, economical and political contexts which affect workers, or impede our suppliers' ability to comply with our COP. Our teams continue to hold local stakeholder engagement with NGOs and Trade Unions, both here in the UK and globally including in Turkey, India, Bangladesh, China, Cambodia and Mauritius, with organisations including SAVE (Social Awareness and Voluntary Education) in South India; LESN (Labour Education and Service Network) in China and INTUC (India National Trade Union Congress). The aim is to continue to build local relationships, intelligence networks and capacity on the ground.



OUR CUSTOMERS

Content

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. Through these values, we work to attract, retain and develop relationships with our customers to build their trust and confidence in our reputation for quality, price and service.

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 on line 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 particular needs.

Product Safety and Legislation Compliance

Next is committed to ensuring the products we sell have been made in a safe environment, is safe to use and is 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. All suppliers to Next have access to our full range of quality, safety, ethical and environmental standards and requirements via the supplier Extranet, our online supplier portal.

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, such as British Standards Institute Technical Committees, 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

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, to contact us through telephone calls, letters and email correspondence to resolve enquiries and issues in relation to our products, operation, 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 2010/11 we had:

- an average of 292,000 transactions per day in our Retail stores (2009/10:298,000)
- 2.94 million active Directory customers (2009/10:2.43 million)
- 77% of Directory orders placed through the internet (2009/10:70%)

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 18 million contacts from our customers through telephone calls, emails and letters, and of those, 1% are 'escalated' so the team can 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.

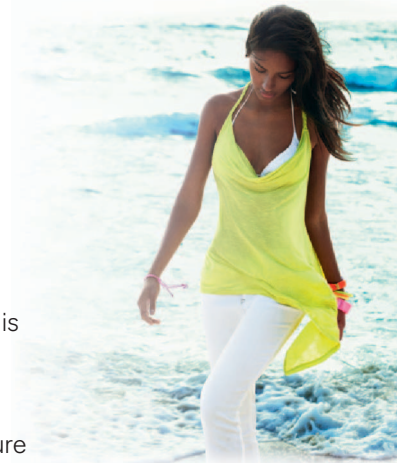
Progress

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:

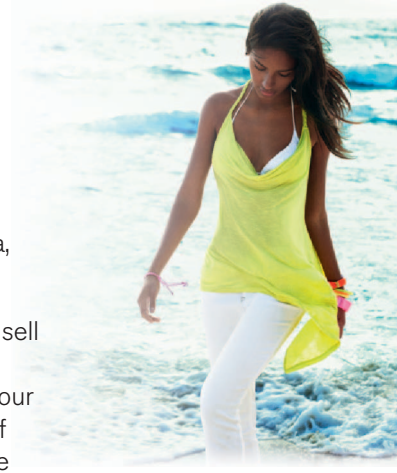
- Legal standards: European standards are met or exceeded, in addition some non-European standards are also incorporated
- Recommendations by industry experts: where chemical substances are recognised as being harmful, but there is no legislation in place
- Pressure group focus: certain chemicals are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



OUR CUSTOMERS continued

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

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 delivered into our UK warehouses, based on a 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 any products are found to fail our requirements they are withdrawn from sale and our technologists work with the supplier to understand how the failure occurred to prevent re-occurrence.



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 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 in animals 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 2010, we received two requests from customers and responded to them within the required timescales to advise them about the product they enquired about.

Product Safety

Next is committed to ensuring the product we sell across all our divisions are safe to use, have been made in a safe environment and are 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 2010, we have continued to work 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. 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.

OUR CUSTOMERS continued

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; and
- collate the returned products at our warehouse and arrange for its safe disposal.



Timber

Next's Timber Sourcing Policy was first developed and launched with our Home division during 2008. Since then we have been working with our suppliers to help them start to identify, trace and record details about the species of wood and the country of origin of the forest source. We created an initial reporting tool to help track the forest sources by gathering information from our suppliers, but have now determined we need to develop a more thorough and robust procedure to be able to move forward in this area. During 2011 we will be further developing our internal requirements, including scoping out a new reporting procedure and liaising with our suppliers to ensure they understand our requirements. The forthcoming European Illegal Timber Law is due to be implemented in 2013 and the aim of the legislation is to drive the responsible sourcing of timber and timber products with the objective of excluding illegally logged timber from the EU.

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. As of 2010, Next Directories are printed on paper produced from sustainable managed forests and controlled sources accredited by the Programme for the Endorsement of Forest Certification Scheme (PEFC). PEFC is a similar scheme to FSC providing assurance as to the sourcing of the timber, and the controls in place at the forest source.

In October 2010 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.

Animal Welfare

Our Animal Welfare Policy was revised and 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. Next is a Fur Free Alliance listed retailer.

You can read more about the Fur Free Alliance at: www.information.com



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.

OUR CUSTOMERS continued

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.

Raw materials traceability

We are committed to the responsible sourcing of raw materials as their production and harvesting can cause damage to the environment. We do not source any raw materials directly, but we are committed to working with our suppliers to help them understand and develop improved traceability and visibility of the entire supply chain. It is important that raw materials are sourced in ways that protect natural habitats, support their replenishment and ensure good animal welfare standards are delivered in line with our Animal Welfare Policy requirements. During 2011 we will be working with some of our suppliers to understand the entire supply chain across a number of product categories and the challenges this will bring. We aim to provide an update in future reports.



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 who are committed to working together, and who support our business approach of honesty, respect and encouragement.

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 the development of our employees, as we remain committed to investing the time and resource to support, engage and motivate our employees to feel valued, to 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 employees: data relates to Next plc operations

	Full-Time equivalents	
	2010/11	2009/10
Next Retail + Directory	24,466	24,403
Next International	258	270
Next Sourcing	3,766	3,568
Ventura	8,476	7,174
Other Activities	254	204
	37,220	35,619

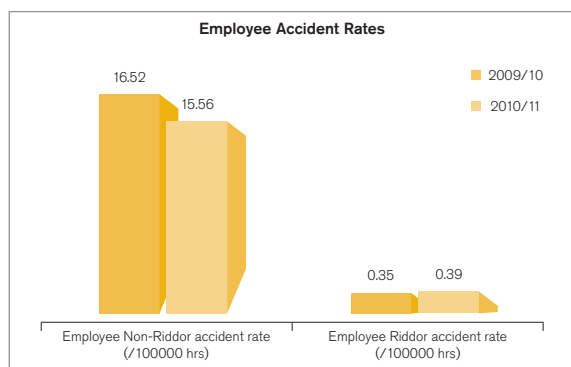
OUR PEOPLE continued

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

	Final Salary Section		Money Purchase Section	
	2010/11 Number	2009/10 Number	2010/11 Number	2009/10 Number
Next UK Pension Scheme (number of employees)	1,611	1,738	2,171	2,065

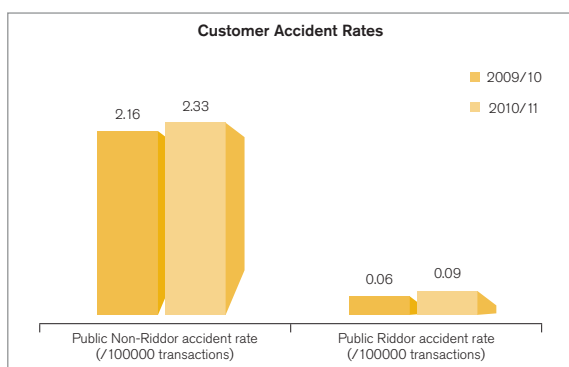
Health and Safety: we report work-related accidents in accordance with the Reporting Industry Diseases and Dangerous Occurrence Regulations Act (RIDDOR) per 100,000 hours worked for employee accidents, and per 100,000 transactions for customer accidents.

- **Retail stores – employees:** during the last year we have seen a 6% reduction in non-RIDDOR accident rate for employees and a 10% increase in the RIDDOR accident rate. We do not believe our stores are becoming more hazardous, more that the increase is due to improved internal reporting by our employees, an area we have been focusing on through training and focused analysis of the reported data by our Health and Safety team.



- **Retail stores - customers:** during the year we have amended how we measure accidents that occur to customers whilst they are shopping with Next, now using number of accidents per 100,000 transactions as opposed to the number of accidents per 100,000 hours worked, as we believe this provides a more accurate measure of activity in our stores. The non- RIDDOR accident rate for customers increased by 8% and the RIDDOR accident rate for customers increased by 50% from 0.06 to 0.09 accidents per 100,000 transactions, which is less than 1 RIDDOR accident for every 1 million transactions. We believe the increase has been driven by improved reporting by our employees recording all accidents, however minor, occurring to our customers, as this helps to inform our customers' shopping experience with Next. We do not believe our stores are becoming more hazardous.

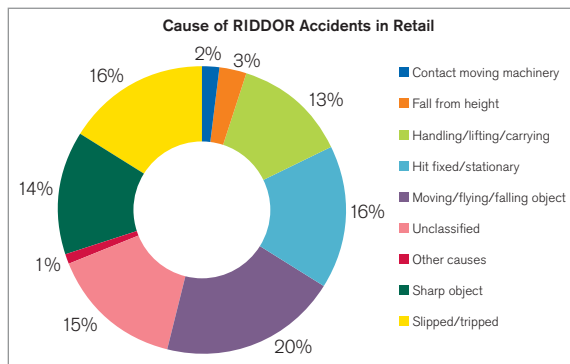
The majority of customer accidents are classified as RIDDOR because we report all incidents where we advise the customer to go to hospital, including advising parents to take their children as a precautionary measure even after a relatively minor accident.



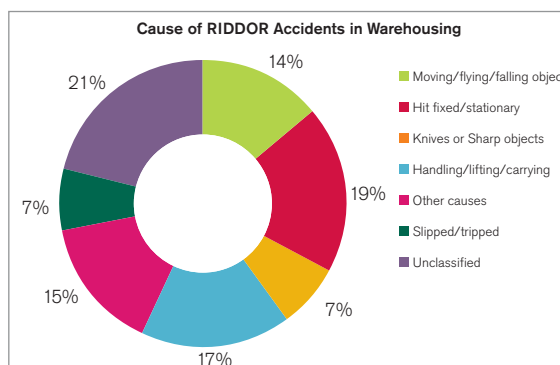
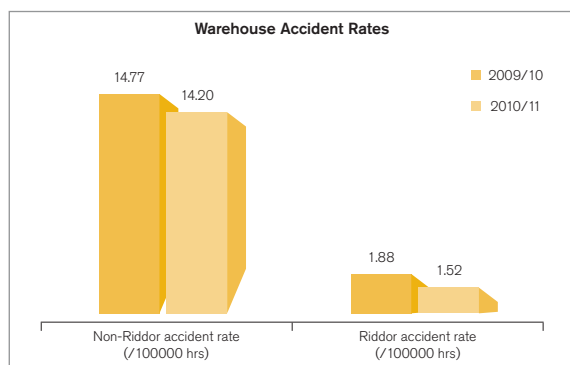
OUR PEOPLE continued



- **Retail stores – employees and customers:** the breakdown of main accident causes for both employees and customers shows the key area is 'falling objects', closely followed by people 'slipping/tripping', or walking into a 'fixed/ stationary' object. These two key areas will be incorporated into our Corporate Safety Objectives for 2011- 2014.



- **Warehouses/ Distribution:** we have recorded a 19% reduction in the RIDDOR accident rate, and a 4% reduction in the non-RIDDOR accident rate during the year. 'Handling/lifting/carrying' was our major cause of accidents last year at 30% of the total, but this has now reduced to 16%, following our focused risk assessment programme relating to manual handling for key tasks, which will continue to be implemented. This programme has led to our investment in significant changes, for some key tasks to protect our employees, such as the introduction of mechanisation or multi-person lifts. Our main cause of accidents is now walking into a 'fixed/stationary' object, which will be incorporated into our 2011 -2014 Corporate Safety Objectives programme.



- **Head Office and Directory:** the number and type of accidents we experience at our Head Office and Directory operations are, as would be expected, of a low risk office environment. The total number of accidents remains low, and the proportion reportable under RIDDOR is also low, with only 7 reportable across both operations during the year.
- **Legal activity:** during 2010 we were subject to the following legal activity relating to Health, Safety and Environmental issues:
 - 3 enforcement notices served under the Regulatory Reform (Fire Safety) Order 2005. All 3 notices were complied with or withdrawn by the serving Authority
 - 1 notice under the Environmental Protection Act 1990 requiring the provision of a lockable bin. This notice was complied with in full



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 employee's 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

Management Development Programme: within warehousing and distribution, in March 2010, we launched a new Management Development Programme. The programme is a combination of trainer led modules, self study units and post course activities that focus on the skills and behaviour measures that form part of the employee's role, covering areas such as communication, feedback and coaching, motivation, change management and problem solving skills. 54 managers have started the programme with a plan to include over 300 managers in the longer term. To help the managers undertaking the programme we have put in place some support measures such as study areas within the workplace to assist with their learning. Senior management and heads of departments are undertaking a fast track programme to ensure they fully understand the content of the training, to enable them to fully support their team members whilst they are attending the programme, and to put their learning into practice back in the workplace.

Our in-house bespoke Quality Academy: the Academy was launched during 2010 and following a recruitment process eight apprentices joined the Academy in August 2010, seven recruited externally and one internally. The purpose of the Academy is to develop the right skills and knowledge for Next to become quality inspectors in our warehouses. The quality inspector's role is to audit Next products before they are released from our warehouses to ensure the products meet our required specifications for quality and safety. The Academy is a partnership between Next, a training provider and the apprentice, and the training is a combination of classroom activities and on the job training supported by a mentor. Our Product department, training teams and the training provider jointly support the delivery of the programme with the training provider also supporting the assessment and delivery of additional skills and functional training required to complete the framework leading to NVQ level 2 qualifications. As a result, the apprentices are developing a high level of competency and performance as well as gaining a qualification and earning a salary.

Lifelong Learning: in warehousing and distribution we are committed to supporting the continuous building of skills and knowledge throughout the life of an individual. Working with the Union of Shop, Distribution and Allied Workers (USDW) we have developed a Life Long Learning Centre in one of our main warehouses. Here employees can spend time using the library, completing courses on the internet, or attending courses delivered by local colleges and training providers. The Skills for Life Programme provides free adult learning opportunities for people wanting to develop their literacy, numeracy and language through ESOL (English for Speakers of Other Languages). To add to our courses we are running an IT-Level 2 Apprenticeship. This course is equivalent to 2 GCSEs and will give the option to progress to Management Apprenticeship Level 3, which is equivalent to 2 A Levels. It is a great opportunity for employees who would like to develop their career in a management role. Classes are undertaken on site offering employees the chance to develop their skills in familiar surroundings, build their confidence and gain a qualification. Employee numbers wanting to attend these courses are growing steadily with 50 during 2009-10, and 100 in 2010.

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.

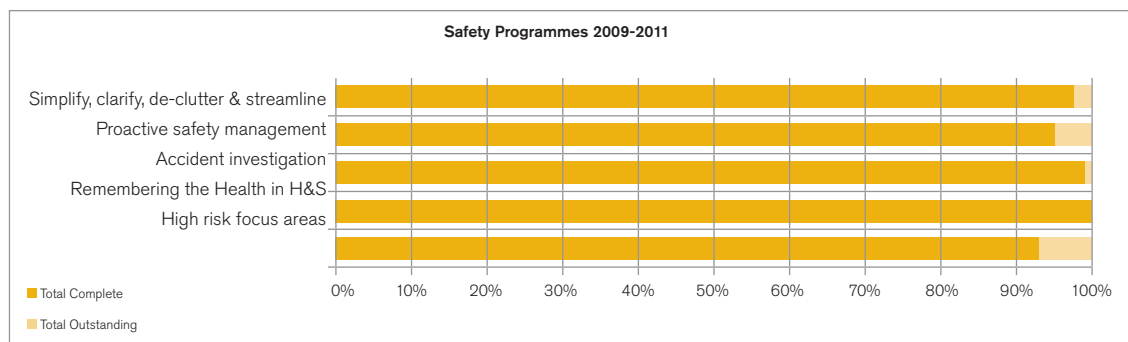
Our safety programme is based on a series of objectives that aim to:

- 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 three 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 our progress as the percentage of completed projects for each key objective within the agreed safety programme. We are on track to complete our current set of objectives before November 2011, when we will be publishing our new objectives for the next three years 2011-2014.



Key Safety Initiatives: 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

- Undertaken a significant and detailed risk assessment programme, to review in detail every piece of potentially dangerous equipment we operate in our warehouses. This has provided a much greater insight into the operation of our engineering function, and the complexity of the guarding and procedural requirements needed for the equipment
- The risk assessment and safety audit programme has helped us to recognise the unique nature of the hazards and risks faced by our internal engineering functions. We have actioned a series of rigorous regulatory audits, to ensure that this area of our operation achieves and demonstrates exceptional levels of safety management compliance
- Development of an online Safety Self Assessment System which incorporates managers' safety obligations as part of their role. The system is driving compliance with the standards we require, whilst allowing the central Health and Safety team to identify managers who may require additional support
- Undertaken an assessment and developed a programme to review the safety management competence of all managers who may be required to be in charge of a site, to ensure safety is managed consistently
- Commenced working in close partnership with USDAW safety representatives, who are proactively focusing on 'unsafe behaviour' and workplace standards within our sites, with the key aim of driving improvements

OUR PEOPLE continued



Retail

- Significant progress has been made in 'simplifying safety' to help our store managers achieve greater levels of compliance, by reviewing and removing ineffective checks, and increasing the use of our online safety audit and risk assessment system which is resulting in higher levels of compliance
- Our Health and Safety advisors have undertaken comprehensive training through the Fire Service College, to allow us to carry out effective fire risk assessments on around 50% of our properties internally. We are continuing to work in close partnership with an independent Fire Risk Assessment Consultant who will undertake the assessments on our new, larger and more complex stores
- Undertaken a trial programme to review and further develop the van driver training for our stores with remote storage facilities. We will be continuing to roll this out during 2011

Lipsy

- Our focus during the year has been to continue the development and introduction of health and safety management systems with Lipsy to be in line with Next's requirements. Safety management systems are now set up in all 'stand alone' Lipsy stores, and their office facilities. Lipsy area managers are now using the safety checklists to help them review the safety performance in their stores whilst conducting visits

Company Wide

- During Winter 2010 we ran a programme of seasonal influenza vaccinations for our Head Office, Warehousing and Directory sites where 1980 employees took advantage of receiving a free flu vaccination
- We continue to work closely with Next Sourcing which has now implemented stages 1 and 2 of their global safety improvement plan. Key elements of this plan include:
 - Regional Directors and General Managers taking full ownership of improving existing safety processes and standards
 - Establishing an effective safety committee in each global Next Sourcing office which is attended by the Regional Director responsible for the office

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 on 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. Regular contact and discussions take place with both USDAW and SATA members.

Within our warehousing and distribution division we have undergone some changes within our management team during the year, and as a consequence have worked to improve our communications forums, for example, team managers are to increase the contact and information exchange with senior managers and Directors within the division.

OUR PEOPLE continued

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 save money over three, five or seven years to buy Next plc shares on favourable terms. At the end of the savings period the participant has 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 2011, there were over 7,000 employees participating in 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 employee's pay, so instead of the tax going to the Treasury, it will go to the charity selected by the employee. This scheme is now available for all employees to participate in.

Health and Welfare

During the year, Next spent over £890,000 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 2010, 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 2011.

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 students to apply for our scheme and look to start their career with us in 2011.

Next is 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. We have increased the number of work experience placements offered, with nine students joining us in November 2010 and a further two students in February 2011. 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 2011 and in the future.



ENVIRONMENT

Content

Our Approach

Next recognises it has a responsibility and an obligation to work to reduce the direct impact of its business operations on the natural environment, both now and in the future. Our aim is to work to create more sustainable ways of doing business, and our priority is 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 that these key operational activities are environmentally significant for Next, and we are exploring every opportunity to control the environmental impacts from our operations, including greenhouse gas emissions and natural resource usage. We are a signatory to the British Retail Consortium's Climate Change Initiative, 'A Better Retailing Climate', which includes commitments to reduce energy and resource use, transport emissions, waste and packaging.

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 work to reduce our impact through, for example, energy consumption and waste. 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 - our 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).

Our global direct carbon footprint is measured in carbon dioxide equivalent or CO₂e. Different greenhouse gases have different effects on the climate, and CO₂e is a way of standardising the global warming effect of these emissions.

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) for 2010. Data for the previous year has been restated using the latest conversion factors to provide a direct comparison, so we can assess our performance from year to year on a like for like basis.



Performance

Next Group Global Carbon Footprint

We have measured our global direct carbon footprint, where we have operational control, as 237,238 tonnes of CO₂e. This is a 1% reduction on the previous year (2009/10: 240,062 tonnes of CO₂e). Our floor space increased by 6% year on year, which equates to a 6% like for like reduction in emissions, on a normalised basis, comparing 2009/10 and 2010/11 floorspace m².

Next Group Operational CO ₂ -e emissions	2010/11 Tonnes	2009/10 Tonnes	% Change
Scope 1	36,600	33,178	10%
Scope 2	158,892	162,441	-2%
Total gross controlled emissions	195,492	195,619	0%
Scope 3	41,745	44,443	-6%
Total gross emissions	237,238	240,062	-1%

Scope 1 - Direct emissions from Next Group operations	2010/11 Tonnes	2009/10 Tonnes	% Change
Gas heating (stores, offices, warehouses)	10,685	8,634	24%
Next owned distribution vehicles	18,885	18,271	3%
Data in scope of external assurance	29,571	26,905	10%
Data not in scope of external assurance	7,029	6,273	12%
Total gross emissions	36,600	33,178	10%

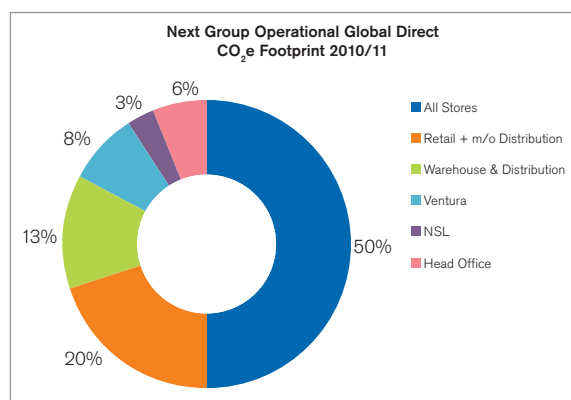
Scope 2 - In-direct emissions from Next Group electricity consumption	2010/11 Tonnes	2009/10 Tonnes	% Change
Data in scope of external assurance	151,938	153,344	-1%
Data not in scope of external assurance	6,955	9,097	-24%
Total: Scope 2	158,892	162,441	-2%

Scope 3 - Other in-direct emissions from Next Group operations	2010/11 Tonnes	2009/10 Tonnes	% Change
Waste (stores, offices, warehouses - Next)	2,793	3,238	-14%
Third party distribution vehicles (Directory deliveries)	28,012	30,675	-9%
Data in scope of external assurance	30,805	33,913	-9%
Business Travel	9,619	7,616	26%
Other emissions	1,322	2,915	-55%
Data not in scope of external assurance	10,941	10,530	4%
Total: Scope 3	41,745	44,443	-6%

Note: Third party distribution - the distance travelled by a courier between their home and the sub depot has been excluded from reporting for 2010/11, whereas previously it had been included. The number of weekly delivery rounds travelled by couriers in rural areas has also increased to six from between two and five per week.



Next Group Operational Global Direct CO₂e Footprint: 237,238 tonnes of CO₂e (2009/10: 240,062)



Targets

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 in our products.

Internally, for a number of years, we have been measuring and reporting against a number of reduction targets for Next Retail Ltd in the UK and Ireland. The targets are measured from a baseline year of 2007 and are in place until 2015.

The areas of focus are our main priority areas of:

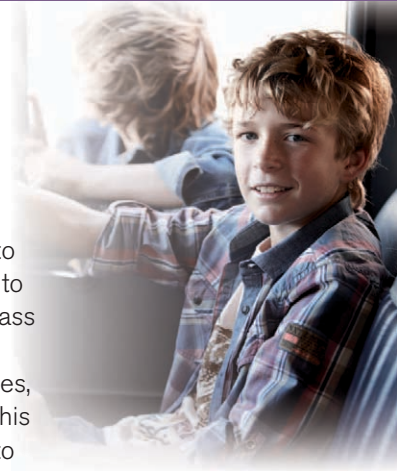
- Electricity consumption: 35% reduction in kg CO₂e /m²
- Waste: to send less than 5% of operational waste to landfill
- Retail Distribution: 10% reduction in litres of fuel used /m²

Progress

Energy

- Target: Electricity consumption 35% reduction in kg CO₂e /m²
- Progress: 4% reduction compared to last year, and 19% electricity reduction achieved to date

CO ₂ e emissions relating to assured data in UK & Ireland for stores, warehouses & offices	2010/2011	2009/10	% Change
Electricity usage kWh	279,894,171	291,663,766	-4%
Gas usage kWh	57,687,683	45,589,925	27%
Total kWh	337,581,854	337,253,691	0%
Total Floorspace m ²	1,155,126	1,093,466	6%
Tonnes CO ₂ e	162,623	166,772	-2%
Tonnes CO₂e per 1000m²	141	153	-8%



To be able to manage and work to reduce our energy consumption, it is vital that we are able to measure our performance. During 2009 we prioritised the fitting of automated meter readers to the stores that were 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. Out of our 525 stores and other properties, 420 have half-hourly modem meters and 144 sites 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 are able to more accurately measure our consumption and not need to rely on estimated billing.

We control emissions through our energy efficiency programme, which includes investigating and using energy-efficient technologies. We continue to install building management systems as we open new stores. 450 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.

We have continued to roll out the replacement of existing lighting schemes in a further 190 stores during 2010, 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, the more energy efficient lighting schemes we installed have delivered a 4% reduction in energy consumption. Both of these programmes have helped to deliver an overall 4% reduction in electricity consumption within our operation compared to last year whilst increasing our floorspace by 6%.

For our stores in Northern Ireland and Ireland, we have continued to purchase electricity generated from on-shore wind farms during 2010, 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 footprint 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 as a consequence of the two extremely cold periods of weather we experienced in our reporting year our gas consumption has increased by 27%. To improve the accuracy of our reporting and management, we have installed AMR meters in 16 sites where we use the most gas, so we are able to more accurately measure our consumption and not need to rely on estimated billing.



Waste

- Target: to send less than 5% of operational waste to landfill
- Progress: 12% increase in waste diverted from landfill compared to last year, and 75% of operational waste diverted from landfill achieved to date

Waste and Recycling - stores, warehouses and offices	2010/2011		2009/10	
	Tonnes Waste	Tonnes CO ₂ e	Tonnes Waste	Tonnes CO ₂ e
General waste sent to landfill	5,902	2,972	7,667	4,008
Materials diverted for recycling	17,895	-	16,020	-
Total waste	23,797		23,687	
% waste recycled	75%		68%	

Our priority is to minimise the amount of waste we generate within our operations and work to recycle more to divert it from landfill. We control waste through an ongoing programme of reduction, reuse and recycling with the support of employees across Next.

In 2009 we developed the Next Waste Scorecard, a methodology tool used to calculate the general waste data from our stores to improve the accuracy of the data we record and report, using data that is appropriate to Next's operations. We have continued to work with our third party waste provider to directly analyse the composition of stores' general waste, and during the year conducted interrogations of the bins to review whether the weight attributed to each bin type requires updating on the Scorecard. As anticipated, we found the bins weighed more than last year, as more of the materials we are able to recycle are removed from the general waste bin and correctly diverted for recycling. The Scorecard was updated to reflect the new weight data. We will undertake this review process on an annual basis.

In total we have 525 retail stores in the UK and Ireland, however 159 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.

Our in-house recycling centre receives materials for recycling from around 400 of our stores. The materials include cardboard, polythene, returned carrier bags, Directory packaging, broken clothes hangers and used gift cards. Once the materials are received they are segregated and baled, before being sent for recycling.

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

- Target: Retail Distribution 10% reduction in litres of fuel used /m²
- Progress: 2% reduction compared to last year, and 1% increase achieved to date

Next owned distribution vehicles	2010/2011	2009/10	% Change
Litres used	7,448,324	7,185,508	4%
CO ₂ e per litre used	19,901,921	19,199,677	4%
Units delivered to store	224,712,000	218,159,000	3%
Average MPG	9.92	9.89	0%
Tonnes of CO ₂ e per million units delivered	88	88	0%
Total floorspace m ²	1,155,126	1,093,466	6%
Litres /m²	6.72	6.86	-2%

During 2010 we continued with our initiative to progressively convert our delivery fleet to the cleaner EURO V engines. As at 31st January 2011, 100% of our lorries, designed to pull single or double decker trailers, operate with EURO V engines. In addition we have 45 smaller delivery vehicles that have EURO IV engines.

Next is a growing business with our vehicles delivering to more stores. Our aim is to use our vehicles more efficiently to deliver products to our stores and to help us reduce our transport emissions over time. To help achieve this we have continued to invest in double-deck trailers, which reduces the number of vehicle deliveries required and hence the associated CO₂e emissions. Our 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.

Our Logistics and Distribution operations already use computerised planning for each route or journey, as well as utilising empty space on vehicles by consolidating loads and back hauling. 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 fuel efficiency, with techniques such as maintaining constant speeds, smooth accelerating and braking. Engines are fitted with a three minute cut off mechanism, where the engine automatically turns off if the vehicle is stationary and the engine is idling for three minutes. This small change has reduced reported idling time down from 9% to 3% and is helping to improve fuel efficiency. We will be investigating opportunities to purchase new vehicles that offer improved performance in mpg (miles per gallon), as well as looking at the potential viability of vehicles using alternative fuels.

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 back haul materials for recycling from our stores to our recycling centre. In addition, we also warehouse and deliver products for some third party customers whose stores are situated very close to our own, in shopping centres, retail parks and high streets. As our vehicles are already making the journey, we can offer an efficient delivery service combined with our own.



Construction Waste

- 89% construction waste recycled

Store openings / refit Construction Waste	2010/11 Tonnes	2009/10 Tonnes
Waste produced - tonnes	5,633	3,869
Waste recycled - tonnes	5,013	3,219
% waste recycled	89%	83%

During 2010, 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 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 increase in the recycled percentage we have been able to achieve, 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

Demand for water already exceeds supply in many parts of the world, including parts of the UK, and it is anticipated many more areas will experience this issue in the future. For Next, our direct operation 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. We control our consumption through our facilities, equipment, technologies and by involving employees in efficient 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 85% of our properties in the UK and Ireland fitted with water meters.

COMMUNITY

Context

Our Approach

With 525 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.

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

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 over 350 charities of all sizes during 2010 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.

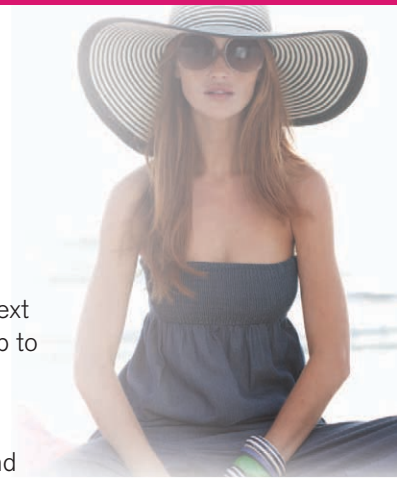
Commercial sponsorship - we offer commercial support and sponsorship to a small number of sporting organisations, which provides Next with the benefit of raising awareness of our brand.

We also support local sporting teams of all ages, especially where there is direct employee involvement with the team.

Performance

Community - Next Plc has offered financial support to:	2010/11 £	2009/10 £
Registered Charities	857,398	903,435
Individual requests, local and national groups and organisations	68,558	87,460
Commercial sponsorship	74,036	61,327
This support has been complimented with the following fundraising activities to generate additional funds for registered charities, individuals, groups or organisations:		
Next charity events	215,538	20,378
Gifts in kind - donations of products	1,124,068	601,077
Charity link sales	287,512	402,565
Employee fundraising	19,240	40,332
Total Support	2,646,350	2,116,574





Progress

Next hosted two charity events during 2010 where funds were raised for good causes. The Next Charity Ball was hosted in October with proceeds going to Breast Cancer Care, who offer help to anyone affected by breast cancer, by offering information and support, where needed.

Our annual Charity Golf Day was held in June with proceeds from the event going to Action Medical Research, a leading UK-wide medical research charity dedicated to helping babies and children. They find and fund medical research to help stop the suffering of babies and children caused by disease and disability. Their aim is to make a difference in:

- tackling premature birth and treating sick and vulnerable babies
- helping children affected by disability, disabling conditions and infections
- targeting rare diseases that together severely affect many forgotten children

Collaboration

As part of the target to divert our waste from being sent to landfill, Next has been able to identify products that previously would have been disposed of via landfill, and offer them to a group of registered charities and social enterprise organisations who are able to create value from the products to benefit their aims. They include:

- Children's Scrapstores in Bristol who equip each Scrapstore PlayPod™ with new materials for children to use for education and play, as well as contributing to the overall materials that supply scrap to literally hundreds of thousands of children for art, craft, education and play through the national network of Scrapstores. Scrapstore PlayPod™ provides a container full of materials and equipment to schools throughout the UK that stimulates, facilitates and enhances children's play and is a nationwide scheme for schools. Find out more at www.childrensscrapstore.co.uk



- Worcestershire Resource Exchange (WRE), a registered charity who collect safe, clean, versatile scrap and waste materials that are no longer needed and would be sent to landfill. WRE works with community groups, schools and individuals who are able to use these unwanted materials as a creative resource and divert them from landfill. Find out more at www.wre.uk.com
- Doncaster Refurnish, we have continued to support Doncaster Refurnish during 2010 by offering them unsellable, damaged furniture and home accessories that they are able to renovate, repair and make available to socially and economically disadvantaged people at affordable prices, to help them set up home. By working with Doncaster Refurnish, Next has been able to divert 238 tonnes of waste from landfill for reuse.

Employee Engagement

Next is enabling employees at Head Office to sign up to 'Oxfam Collects at Work' a scheme which enables employees to donate their unwanted goods to Oxfam whilst at work. We believe it provides employees with an opportunity to get involved in corporate citizenship in a simple, but sophisticated way, by donating unwanted items that Oxfam is able to create value from, to support its global work worldwide. Launched at Next in July 2010 Oxfam has raised over £7,000 from our employees' donations. Our aim is to work with the Oxfam Collects team to provide this scheme within other areas of our business.

Employees at our wholly owned call centre in India have come together as VCare to raise funds and offer support to a charitable organisation called Snehalaya, who provide welfare and re-habilitation for physically handicapped children. Snehalaya provides residential and school facilities for around 65 children aged between 5-12 years, where the children are taught vocational skills to enable them to re-enter main stream society as they grow up. VCare, in partnership with the school has helped to provide funding for the purchase of wheel chairs and other orthopaedic equipment for the children, to support their physical development. VCare has also provided the school with materials to support the vocational training they receive, and the products prepared by the children were sold during Diwali within the call centre, to generate additional funds. In addition to the fund raising undertaken, our employees have also spent time visiting the school to spend time with the children helping them with their development as well as entertaining them.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES

This document sets out the principles, criteria and methodologies we use to report the data relating to our corporate responsibility activities in our annual Corporate Responsibility (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 report prepared by Next:

- Number of supplier audits
- Global Direct Carbon Footprint (tonnes CO₂e)
- Waste (tonnes)
- RIDDOR accident rate
- Non-RIDDOR accident rate

All data, unless otherwise stated, are prepared for the reporting period 1st February 2010 to 31st January 2011.

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 - Overseas sourcing services
- Next Manufacturing (Pvt) Ltd - Garment manufacture in Sri Lanka
- Lipsy 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 REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES continued



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 source 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 of 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 and its impact within the group's carbon footprint.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES continued



Reporting Specifics and Methodology

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 2010 to 31st January 2011

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 (CO₂e) 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 CO₂e 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 (CO₂); methane (CH₄); nitrous oxide (N₂O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆). Carbon dioxide equivalent (CO₂e) 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.

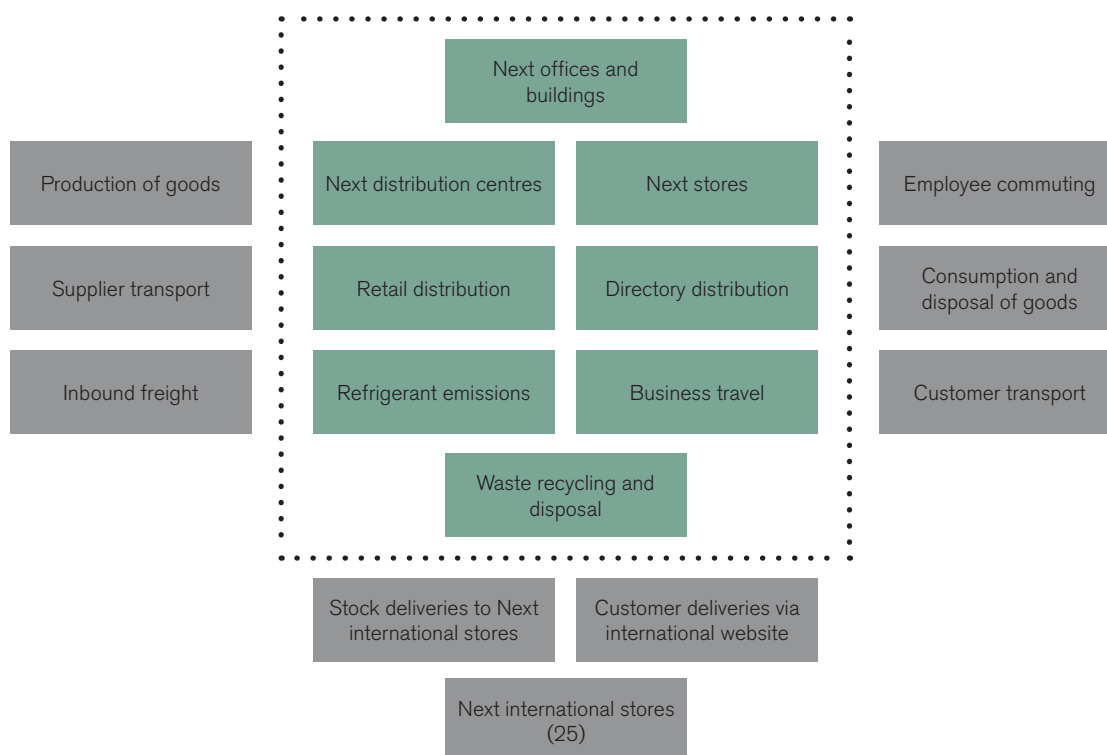
NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES *continued*



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 the updated 2010 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.

Scope: The boundary for Next Group Operational Direct CO₂e 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, offices, 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 REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES *continued*



PricewaterhouseCoopers LLP have provided independent external assurance of the data highlighted in blue italics below which equates to 89% of our emissions:

Next Group Operational CO ₂ e emissions	2010/11 Tonnes	2009/10 Tonnes	% Change
Scope 1	36,600	33,178	10%
Scope 2	158,892	162,441	-2%
Total gross controlled emissions	195,492	195,619	0%
Scope 3	41,745	44,443	-6%
Total gross emissions	237,238	240,062	-1%

Scope 1 - Direct emissions from Next Group operations	2010/11 Tonnes	2009/10 Tonnes	% Change
Gas heating (stores, offices, warehouses)	10,685	8,634	24%
Next owned distribution vehicles	18,885	18,271	3%
Data in scope of external assurance	29,571	26,905	10%
Data not in scope of external assurance	7,029	6,273	12%
Total gross emissions	36,600	33,178	10%

Scope 2 - In-direct emissions from Next Group electricity consumption	2010/11 Tonnes	2009/10 Tonnes	% Change
Data in scope of external assurance	151,938	153,344	-1%
Data not in scope of external assurance	6,955	9,097	-24%
Total: Scope 2	158,892	162,441	-2%

Scope 3 - Other in-direct emissions from Next Group operations	2010/11 Tonnes	2009/10 Tonnes	% Change
Waste (stores, offices, warehouses - Next)	2,793	3,238	-14%
Third party distribution vehicles (Directory deliveries)	28,012	30,675	-9%
Data in scope of external assurance	30,805	33,913	-9%
Business Travel	9,619	7,616	26%
Other emissions	1,322	2,915	-55%
Data not in scope of external assurance	10,941	10,530	4%
Total: Scope 3	41,745	44,443	-6%

Note: Third party distribution - the distance travelled by a courier between their home and the sub depot has been excluded from reporting for 2010/11, whereas previously it had been included. The number of weekly delivery rounds travelled by couriers in rural areas has also increased to six from between two and five per week.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES *continued*



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

- **Electricity:** kilowatt per hour consumed / tonnes CO₂e

- Data is collected from:
 - Next : 525 retail stores; 7 staff shops; 7 receipting warehouses; 5 distribution centres; head office; call centre; press office and photoshoot warehouse
 - Ventura: 4 call centres
 - Lipsy: 16 stand alone stores
 - 420 sites have half hourly modem meters installed and 144 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 for approximately 16 properties where they provide the electricity we consume and estimated monthly bills from approximately 5 properties where there is no automated meter installed.

- **Gas:** kilowatt per hour consumed / tonnes CO₂e

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 are read each quarter of the year. All consumption data is submitted to our energy provider who invoices Next.

During 2010, we have fitted 16 automated meters into our sites where gas consumption is largest i.e. warehouses, distribution centres, Head Office + 2 call centres to provide 'live' data to facilitate closer understanding and visibility of gas consumption, and improve management

- **Waste :** volume in tonnes of material produced / tonnes CO₂e

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.

In 2009 we worked with our third party waste provider to directly analyse the composition of stores' general waste. This enabled us to develop the Next Waste Scorecard, a methodology tool we now use to calculate the general waste data from our stores. As part of the methodology the average weight of general waste from a store is updated annually following an audit/ measuring process.

In total we have 525 retail stores in the UK and Ireland. The waste data we report relates to 294 stores where our third party waste provider arranges the waste collections; a further 70 stores have similar waste collections but from different providers, we attribute the Next Waste Scorecard methodology to these stores. The remaining 159 stores are situated in managed shopping centres where the waste is collected and managed by the centre, consequently waste data is not available for inclusion in our report.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES continued



- **Fuel** : litres consumed and kilometres travelled delivering Next products to stores and customers homes / tonnes of CO₂e

Retail - Next owned vehicles:

- 123 Euro V tractor units designed to pull either single, tandem or tri axle trailers
- 213 trailer units (either single, tandem or tri axle)
- 17 box rigid Lorries
- 28 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.

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. The third party provider does not include the mileage from the couriers home to the sub depot in the total mileage reported to Next, as this is classified as the couriers journey to work and not actual distribution mileage. In prior years this was included in the mileage figures reported to Next.

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 CO₂e 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.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES continued



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, 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: Employees - report work-related accidents per 100,000 hours worked

Unit: Customers - report accidents occurring in our retail stores per 100,000 transactions

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 for employees, 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.

We report RIDDOR accidents per 100,000 transactions for accidents/ incidents' occurring to customers as we believe this is a more accurate indicator to allow us to measure customer activity in our stores.

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.

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES *continued*



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, which then pass the information to the relevant local council where the accident occurred.

Non-RIDDOR 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 non-RIDDOR accident rate reporting for Next Sourcing, 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: Employees - report work-related accidents, incidents and near misses per 100,000 hours worked / total hours worked per FTE.

Unit: Customers - report accidents occurring in our retail stores per 100,000 transactions

NEXT REPORTING PRINCIPLES, CRITERIA AND METHODOLOGIES *continued*



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.

We report RIDDOR accidents per 100,000 transactions for accidents/ incidents' occurring to customers as we believe this is a more accurate indicator to allow us to measure customer activity in our stores.

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).

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 (Next) to perform an independent assurance engagement in respect of Selected Corporate Responsibility (CR) Information (hereafter "Selected Information"), disclosed in its Corporate Responsibility Report to for the year ending 31 January 2011 (the CR Report).

What we did and our conclusions

We planned and performed our work, summarised below, to obtain the evidence we considered necessary to reach our assurance conclusions on the Selected Corporate Responsibility Selected Information.

What we are assuring (CR Information)

The selected corporate responsibility data for the year ended 31 January 2011 relating to:

- Number of supplier audits carried out (set out on page 10)
- Next Global Carbon Footprint (set out on page 27)
- Waste data (set out on page 30)
- RIDDOR and Non-RIDDOR accident data (set out on page 20/21)

The scope of our work was restricted to the Selected Information for the year ended 31 January 2011 and does not extend to information in respect of earlier periods or to any other information in the CR Report.

How the information is assessed (Reporting Criteria)

Next's Reporting Criteria, contained in the "Reporting Principles, Criteria and Methodologies" document at www.nextplc.co.uk, set out how the Selected Information is measured, recorded and reported.

Assurance standard applied¹

ISAE 3000.

Level of assurance²

Limited Assurance.

Work done by our independent, multi-disciplinary team of CR and assurance specialists³

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
- Reviewing the CR information disclosures

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



INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF NEXT PLC *continued*



Understanding Next plc reporting and measurement methodology

There is not yet an established practice for evaluating and measuring CR performance information. The range of different, but acceptable, techniques used can result in materially different reporting outcomes which may affect comparability with other organisations. It is therefore important to read and understand the Reporting Criteria set out at www.nextplc.co.uk, that Next has used to evaluate and measure the Selected Information.

Next's responsibilities

The directors of Next are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the Selected Information;
- establishing objective assessment and Reporting Criteria for preparing the Selected Information;
- measuring Next's performance based on the Reporting Criteria; and
- the content of the CR Report.

Our responsibilities

We are responsible for:

- forming independent conclusions, based on our limited assurance procedures;
- reporting our conclusions to the directors of Next; and
- reading the other information included in the CR Report, and considering the consistency of that other information with the understanding gained from our work, and considering the implications for our report if we become aware of any material inconsistencies. Our responsibilities do not extend to any information other than the Selected Information in the CR Report.

Our conclusions

As a result of our procedures nothing has come to our attention that indicates that the Selected Information for the year ended 31 January 2011 is not prepared in all material respects with the Reporting Criteria.

This report, including our conclusions, has been prepared solely for the directors of Next as a body in accordance with the agreement between us, to assist the directors in reporting Next's corporate responsibility performance and activities. We permit this report to be disclosed in the CR Report for the year ended 31 January 2011, to enable the directors to show they have addressed their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the directors as a body and Next plc for our work or this report except where terms are expressly agreed between us in writing.

 **PricewaterhouseCoopers LLP,**
Chartered Accountants, London
19th July 2011

Notes

1. International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the IAASB.
2. Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter ("CR Information") assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance. The evidence gathered to support a reasonable assurance conclusion is greater than that gathered to support a limited assurance conclusion.
3. We comply with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics.