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Corporate Responsibility Report to January 2012

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WELCOME

Welcome to our 2012 Corporate Responsibility Report

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. This year's report illustrates how the focus areas of our CR programme support our business approach of acting responsibly whilst we continue to grow. Our approach is to manage our business and the measures we employ to ensure we operate both successfully and responsibly. 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 that impact on our business, our customers, the suppliers we trade with, the environment and the communities in which we operate. We believe we are making good progress, but know we will have more challenges in the future. In a world where natural resources are becoming scarcer and energy and commodity costs are rising, it is essential we operate as efficiently as possible.

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.

During the last year, whilst NEXT has continued to grow, we have been able to continue to deliver on our objectives of reducing our environmental impact and promoting good environmental practice. We are encouraged by the progress we have made reducing our carbon emissions, sending less waste to landfill and improving the efficiency of our vehicles.



We have achieved:

- **Energy:** 5% reduction compared to last year; and 26% reduction in electricity consumption against 2007 baseline
- **Waste:** 10% more waste recycled compared to last year; and 85% of operational waste now recycled overall
- **Distribution:** 9% reduction compared to last year; and 8% decrease in litres of fuel used against 2007 baseline

More details about our reduction targets and progress achieved can be found on page 24 of this report.

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 that continue to develop our approach and achievements. The report has been independently assured and key data assured by PricewaterhouseCoopers LLP, and their independent assurance statement can be found on page 41.

I hope you enjoy reading this latest Corporate Responsibility Report, that 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 in the future. See page 4 for how to contact us.

A handwritten signature in black ink, reading 'Andrew Varley'.

Andrew Varley

Group Property Director - Main Board

11th July 2012

ABOUT OUR REPORT

This is our ninth published Corporate Responsibility Report, covering our social, ethical and environmental performance. It is an annual report published in July 2012, and covers our financial year from February 2011 to January 2012.

Scope of the report

This report focuses primarily on the continuing activities undertaken by our retailing operation in the United Kingdom and Ireland. Ventura, our customer services management operation, was sold to The Capita Group plc in July 2011. As a discontinued business we have not included any data relating to Ventura within this report.

How we decide what to report - the key impacts

As a large business, NEXT 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 by the business as being most material.

- **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



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 this area as a business.

Assurance of report content

PricewaterhouseCoopers LLP has been commissioned to provide independent assurance in accordance with the ISAE3000 Assurance Standard. A copy of their opinion can be found on page 41.

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, NEXT is the second largest UK retailer by sales value (£).

NEXT Retail

- 536 stores in the UK and Ireland
- 278,000 transactions per day in store (average)

NEXT Directory

- Direct mail and transactional website
- 3.0 million active customers
- 84% of orders by value are placed directly online

NEXT International

- 164 overseas franchise stores in 30 countries: Armenia, Bahrain, Bulgaria, Cyprus, Egypt, Georgia, Gibraltar, Greece, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Lithuania, Malta, Morocco, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Thailand, Ukraine and United Arab Emirates
- 26 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 50 countries

NEXT Distribution

- Warehousing and distribution division

Other Group Businesses include:

NEXT Sourcing (NS)

- Designs, sources and buys NEXT branded products

Lipsy

- Our younger female fashion brand
- Trades from 49 stores in the UK; 17 are stand-alone and 32 are either separate stores carved out of a NEXT property or integral within a NEXT store; on-line, wholesale and concessions



NEXT HEADLINES & HIGHLIGHTS

Financial Summary @ 31.1.12

- Group turnover £3,441m
- Group profit before tax £570m
- Underlying earnings per share 255.4p
- Dividends per share 90p
- Total trading space 603,592 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 46 countries
- We worked with 591 suppliers during the year
- We carried out 1,732 audits at our suppliers' factories
- We increased our global Code of Practice team to 45

Our Customers

- There are an average of 278,000 transactions per day in our Retail stores in the UK and Ireland
- There are an average of 56,000 transactions per day in Directory
- NEXT has 3.0 million active Directory customers
- 84% of Directory orders by value are placed online

Our People

- The NEXT Group employed 28,685 FTE employees, with 24,809 FTE employees in the UK and Ireland
- 3,270 employees were active members of NEXT Pension Schemes
- Retail: during the year we have recorded a 12% reduction in the RIDDOR accident rate of our employees
- Warehouses: during the year we have recorded a 37% reduction in the RIDDOR accident rate of our employees



Environment

- The Group's global direct carbon footprint was 208,738 tonnes of CO₂e, a 3% reduction compared to last year
- Progress on reduction targets measured from a baseline of 2007 until 2015
- **Energy use and emissions from stores, warehouses, distribution centres and offices**
Target - Electricity consumption: 35% reduction in kg CO₂e/m²
Progress - 5% reduction compared to last year, and 26% reduction achieved to date
- **Fuel emissions from the transportation of products to stores**
Target - Retail Distribution: 10% reduction in litres of fuel used/m²
Progress - 9% reduction compared to last year, and 8% reduction achieved to date
- **Waste created in stores, warehouses, distribution centres and offices**
Target - Waste: to send less than 5% operational waste to landfill
Progress - 10% increase in waste diverted from landfill compared to last year, and 85% of operational waste diverted from landfill achieved to date
- NEXT has successfully achieved re-certification of the Carbon Trust Standard for measuring, managing and reducing its carbon emissions during 2011
- 92% of our construction waste was recycled



Community

- Commercial support to charities and community organisations totalled £3,146,354
- NEXT supported over 350 registered charities through donations of funding, product or the time and expertise of employees

OUR SUPPLIERS

Context

Why is it important for NEXT to trade ethically?

The challenge of trading ethically and acting responsibly towards the workers within our suppliers' factories is important to NEXT. It is one which many stakeholders, including our customers, investors and campaign organisations continue to engage with NEXT about, as they expect us to manage our suppliers responsibly.

The NEXT Code of Practice (COP) for suppliers, our code of conduct, is our set of ethical trading standards and forms an integral part of our business. It was developed and drawn up in 1998, and has been adopted and implemented, acting to support our efforts for NEXT to fulfil its responsibility to uphold international labour standards with its suppliers. Concern for workers' welfare and rights are issues that matter to NEXT, and our COP acts to support our supply chain not only to become more sustainable, but also to deliver benefits for workers across the globe. 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 ethical trade programme priorities are to:

- Communicate our ethical standards to suppliers
- Develop and promote good work places through our factory monitoring programme
- Support our suppliers through a programme based on 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 that we cannot solve alone

Our Approach

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

The ethical standards within our COP apply to all suppliers of NEXT product, in every country from which we source production. 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 firmly believe that working together in partnership is the most sustainable way to make a positive difference.

Our Code has ten key principles, and it sets out the minimum standards and requirements for our suppliers in relation to workers' rights and working conditions, including working hours, minimum age of employment, health, safety, worker welfare and environmental impacts. Our approach is to work with our suppliers to achieve the baseline requirements of our Code, and support them to continually improve their performance.

The ten key principles of our Code are:

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

Our Code and the standards we expect have been translated into a number of key languages to help our suppliers understand our requirements. To further aid communication to workers, we actively encourage suppliers to distribute or post our Code on employees' 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.

It is a key priority for NEXT to ensure we run our business in a responsible way and this includes 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 trade programme we have continued to respond to the challenge of working with our suppliers in a supportive way, with the aim that they raise the standard of working conditions in the factories where our product is made.

Management of our global supply chain is recognised as a material business risk, and within that, non-compliance

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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 45, directly employed by NEXT, 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 and work with them to support any improvements that may be required.

What is an audit?

An audit is the assessment method we use to measure whether factories comply with our Code of Practice. A NEXT auditor attends the supplier's factory to carry out the audit, review their employment records, talk to factory managers and interview 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 auditing programme in place carried out by our own team which delivers the advantage of developing a direct relationship with our suppliers. By carrying out the audits ourselves we immediately gain a clear view of how our suppliers are complying with our COP requirements, as well as direct exposure to the challenges they face in working to achieve compliance with our Code.

Each regional team is responsible for preparing and managing its own auditing schedules, contacting factories directly to make arrangements for the forthcoming visit. This allows the factory to raise any queries in advance directly with the auditor, and begins the process of relationship-building which is important for following through to address any actions raised from the audit.

The audit itself begins with an opening meeting when all involved parties from the factory can attend, such as the Health and Safety Manager, HR Manager, worker representatives etc. This allows for any final questions to be answered, as well as ensuring everyone understands the agenda for the day. A tour of the facility is conducted, incorporating all parts of the site such as the production areas, canteen, rest facilities, dormitories and warehousing. Analysis of documentation is undertaken on records relating to our COP standards, such as payroll records, clock cards, contracts, training records and maintenance records.

An important aspect of the audit is the worker interviews. Workers are selected from different areas of the factory and

the interviews can take the form of either group or individual sessions. Only the workers and the COP auditor attend these sessions. The purpose of the worker interviews is to ensure we are able to gain input directly from the workers, to hear their perspective and views and provide the opportunity for workers to raise any concerns they may have.

At the end of the audit, a closing meeting takes place where the auditor provides verbal feedback on any action points that have been identified. The factory has the opportunity to discuss the findings and next steps with the auditor and the timescales for completion of each action are agreed. The audit rating is then confirmed with the factory. A written report summarising all findings, agreed actions and timescales is provided to the factory within 2 weeks of the audit and acts as the corrective action plan for them to implement. The Code of Practice team, where needed, can then provide support and guidance after the audit itself, which is specific and relevant to each factory.

Each audited factory is graded against our COP using a simple rating system. Any action points identified on the day of the audit are classed as either 'major' or 'minor'. The number of major and minor issues then determines the overall rating which is given to the factory. Category 1 indicates a factory that is fully compliant to our Code, whereas a factory with a Category 6 rating indicates critical non-conformities have been identified that require immediate action. Further orders are suspended until the critical fail points are satisfactorily rectified in line with our Code. All new factories are audited before production commences and if a new factory is rated Category 6, we will not begin to work with them until they can demonstrate that the issue in question has been addressed and resolved. The system was specifically developed to be a measure of progress, rather than be a 'pass or fail' process. We work closely with our factories to develop an approach of continuous improvement which benefits the factory, its employees and NEXT, not just on the audit day itself, but on an ongoing basis.

As well as providing the factory with a clear idea of how they are performing, our rating system is also used internally as a supplier management tool to update our product buying teams. The product teams work together with the COP team to support the factories in addressing their non-compliances, ensuring that they are working to the agreed timescales. 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. We also work with the product teams to monitor the factories they are placing business with, so we can focus the COP

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teams' resources accordingly. One of the benefits of having our own internal team is the auditor can provide direct and timely feedback straight to the product team, providing visibility of how our suppliers are performing, allowing them to make decisions based on accurate and current information.

Additional benefits of having our own internal auditing team include the opportunity to establish direct relationships with the factories and suppliers, which over time can develop into both honest and open dialogue with them. This is vitally important when addressing any issues of non-conformity identified during the audit process and working with them to develop improvements to achieve long-term change. By working directly with the factories, we also get a deeper understanding of the issues they face, as well as appreciating the local context because our teams are locally based. We can be assured of a consistent approach, because having our own team means that everyone receives the same training and has the same NEXT values and knowledge which can be demonstrated to our suppliers and factories. Joint audits and reviews are carried out to ensure this consistency is maintained right across the team.

Disengaging with a supplier for non-compliance to our Code is an absolute last resort, as our priority and the main purpose of our programme, is to ensure the welfare of individual workers is protected.

The importance of collaboration

NEXT fully understands the importance of working with others to pursue solutions for some of the more complex and systemic problems we cannot solve alone, and has firsthand experience of the benefits of working with other organisations to understand these issues. This is why, during 2011, we have continued our collaborative work with both national and international retailers and brands on a number of capacity-building projects. These projects include work on migrant labour, productivity and homeworkers. In order for these projects to result in sustainable improvements they require time, resource and dedication, a commitment we continue to make, such is the importance we place on these issues.

In addition, NEXT continues to be an active and committed member of the Ethical Trading Initiative (ETI), since we first joined 10 years ago and sitting at Board level for the last four years. The ETI is an alliance of companies, non-governmental organisations (NGOs) and trade unions, working collaboratively to ensure the working conditions and rights of workers producing for the UK market meet or exceed international labour standards. NEXT is involved in a

number of work programmes, which look at a range of supply chains across a number of product categories in key sourcing countries, and at Board level NEXT helps influence overall strategy as well as representing the ETI's other corporate members.

Increasing engagement with Government and Industry Bodies in several countries has naturally developed both through our membership of the ETI and our other work, both independently and in collaboration with national and international brands. Such engagement is both important and necessary to promote and support the change required at national levels and beyond to make sustainable improvements to working conditions in global supply chains.

Performance

	2011/12	2010/11
Countries where product is manufactured	46	48
Suppliers worked with	591	492
Factory sites audited	1514	1480
Total audits carried out	1732	1654
Suppliers factories disengaged for non compliance with our Code	25	3
NEXT global COP team resource	45	44

As the business has continued to develop we have increased the number of suppliers we work with. To improve supplier data management, a supplier compliance system was launched in late 2010. It is now a contractual requirement for each supplier to assign a factory for each contract. This has improved visibility of where NEXT product is being made and allows the COP team to prioritise audits.

Progress

We continue to work with our current model of supplier assessment through auditing, which 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, as we reported last year, a more complex solution to tackling root causes was required and so we launched Project Autopilot. The project aimed to put responsibility for achieving and monitoring good workplaces firmly into the hands of our suppliers - the employers and their employees.

OUR SUPPLIERS CONT...



Key areas of focus were to develop worker-management dialogue on site, implement sound management systems and help introduce and improve responsible business practices.

Within Project Autopilot, work to improve business practices has been carried out with factories in China, covering productivity improvement, which in turn incorporates Human Resources management, production targets and on-site communication. Data was captured and analysed to show that productivity could be improved by up to 30%, with other positive outcomes being: reduced working hours, reduced overtime hours and increased hourly wage rate for workers. As overhead costs are reduced, the factory is able to become more competitive in the market too.

Human resources management work in China included 6 key elements: productivity analysis, training for workers, workforce stability, incentive schemes, team competition and line leader training.

Communication management work included the introduction of production progress boards so that targets/progress were transparent to all; 'requirement messages' which clarify quality standards; worker participation through incentive schemes, suggestion boxes and improved dialogue with management.

The learning from Project Autopilot has provided a foundation for the expansion of our factory development programme for suppliers – this new programme has been named ETHOS (EThical Operating System). Operational efficiency through improving productivity and environmental management systems complete the sustainability framework necessary to maintain our supply base and meet our ethical standards.

ETHOS depends on developed management systems being in place within the supplier's operation, in order to provide the means for ongoing internal monitoring and for taking action where necessary within the business.

We have piloted training on worker-management dialogue with factories, involving both managers and supervisors. This training was in collaboration with an independent NGO consultant who provided expertise and support. Training content included:

1. Roles and responsibilities for new employee 'buddies', so that they knew how to support workers in their transition through initial induction to becoming a team member on the production line
2. HR skills training for Works Council representatives, who covered the skills and knowledge required to be an effective worker representative and included role plays, theory, practical advice on how to implement learning into a factory setting and the gathering of feedback from other employees

The development of self-monitoring mechanisms has been introduced in two of our key factories to date, one in Sri Lanka and one in Mauritius, focusing initially on the monitoring of Health & Safety performance with participation from employees, supervisors and managers. A manual has been developed which outlines the steps a factory should take when implementing this system and this will also assist in our future roll-out plans, however the intention is that the manual is an adaptable tool rather than a rigid set of instructions. The collaborative nature of ETHOS means that feedback is welcomed at any stage from any of the participants, whether a factory-floor employee or manager, so that the system and accompanying manual can be reviewed and refined. The Health & Safety self-monitoring process contains a series of key steps, which are supported by training.

Following the implementation of the system, there will be continuous communication between NEXT and the sites concerned, in order to review, update and improve it, as well as incorporating feedback from all parties, which will be used to inform how best to approach future rollout plans.

Raising awareness and communication

- **Internal communication:** Internal communication across the business is vital to how we manage our supply base. Our ethical training programme continues to be an integral part of our Buying School Programme, carried out on a quarterly basis and attended by all new product team members when they join NEXT. During 2011, 86 new employees from our product teams attended the sessions, which included a presentation from COP team members and a short film which aims to raise awareness of the impact that buying decisions can have on suppliers and to reinforce their understanding of the vital role they play in our ethical trading programme. Our day to day contact with the product teams ensures that there is clear information provided on audit ratings/factory performance for each division, which can then be used as part of divisional 'season focus' meetings to decide on future business plans. Regular meetings are held with product teams in order to discuss COP issues, decide on steps to ensure progress on persistently poor-performing sites and answer teams' queries.

We maintain awareness of our approach to ethical trading with our customers by using our 'Committed to Ethical Trade' logo on our carrier bags, shoe boxes and till receipts. Information is also available on our website www.nextplc.co.uk/corporate-responsibility



OUR SUPPLIERS CONT...



- **Supplier communication - enabling employers:**

We communicate with suppliers in a variety of ways. 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 the ETI and our Code's 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 Code. We also endeavour to meet as many suppliers face-to-face as possible, through supplier inductions, conferences or meetings to discuss specific factory performance. Our team is always available to offer support to our suppliers, helping to make their own systems more effective and to bring about improvements in how they operate. After an audit has taken place, we continue to work on any difficulties or challenges they may face in implementing any part of our Code. We can 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:** We continue to carry out new supplier inductions, where the COP can be discussed in detail. Through our ETHOS programme, we have also developed a number of different training modules and a model management system to facilitate more internal ownership and help to deliver benefits 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. Training carried out in our factories this year has included HR Skills training for managers and supervisors; Worker Representatives training; self-monitoring systems training for employees and managers.

- **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. We collaborate with other brands and retailers, both members and non-members of the ETI, on a wide range of issues such as the responsible recruitment of migrant labour in Mauritius, mapping Homeworking supply chains in India and Turkey, and supplier development. 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, economic and political contexts which affect workers or impede our suppliers' ability to comply with our COP. Our teams continue to participate in local stakeholder engagement with NGOs and Trade Unions, both here in the UK and globally, including Turkey, India, Bangladesh, China, Cambodia, Mauritius and Sri Lanka. Organisations we have engaged with this year include the International Labour Organisation (ILO), the International Textile, Garment and Leather Workers Federation (ITGLWF) and Verite.

OUR CUSTOMERS

Context

Our Approach

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

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

Delivering to our Brand values means NEXT products should be well made, functional, safe and free from harmful substances. 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 online through our website. However our customers choose to shop with us, NEXT 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.

Product Safety and Legislation Compliance

NEXT is committed to ensuring the products we sell have been made in a safe environment, are safe to use and are fit for purpose. Working closely with our buyers, designers and suppliers, our team of specialist technologists is responsible for ensuring all products sold by NEXT comply with 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 an 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.

Customer Services

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

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

Our Customer Service Department ensures we have effective procedures in place, for both our Retail and Directory customers, for customers to contact us through telephone calls, letters and email correspondence, to resolve enquiries and issues in relation to our products, 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, including

OUR CUSTOMERS CONT...



to senior management, who regularly review customer service performance as one measure of how the business is delivering to our customers. 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 2011/12 we had:

- An average of 334,000 transactions per day across Retail and Directory (2010/11: 339,000)
- 3.0 million active Directory customers (2010/11: 2.7 million)
- 84% of Directory orders by value placed online (2010/11: 77%)

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, one percent 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 in our products the use of chemical substances that are hazardous or harmful to humans or the environment, or are restricted by law. These chemical substances are detailed in our Restricted Substance Standards (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
- Customer feedback: certain chemicals that are known to be irritants, but are not restricted by law

Our Restricted Substance Standards have been regularly updated to be in line with any changes that have come into force from new legislation during 2011. They are also continually developed in anticipation of emerging legislation and other information concerning new potentially hazardous chemicals, not yet captured by legislation. Our suppliers are kept up to date with these developments, so changes in legislation can be implemented immediately. Our policy is to apply a precautionary approach to chemical management, which means we work to restrict chemicals where possible, even if there is still some uncertainty about whether they are hazardous, and in doing so we often exceed legislative requirements, or restrict chemicals ahead of legislation coming into force. We keep ourselves updated with the latest information about hazardous chemicals and continually review information from pressure groups, authorities and scientific reports.

We work with our suppliers to ensure the chemical substances used meet our required criteria, and offer advice, support and training where needed. During the year, focusing on suppliers who manufacture for our Home division, we have carried out training sessions to help ensure they understand our requirements in relation to the products they supply.

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 two independent specialist laboratories, we select products, based on risk criteria and test them in accordance with the requirements of our RSS. Our suppliers are advised of the outcome of the audit testing, and if the products are found to fail our requirements, they are withdrawn from sale.

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

REACH is European legislation which came into force in 2007 and seeks to reduce the exposure of humans and the environment to harmful chemicals and substances across all industries within the European Union (EU). The aim of the legislation is to:

- Monitor the manufacture, use and importation of new and existing chemicals in the EU
- Assess the harm these chemicals may cause to humans and the environment
- Ban or restrict the use of any harmful chemicals to minimise or eliminate the risk of exposure to humans and the environment from these chemicals

Having pre-registered all relevant chemicals in 2010 to the

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European Chemicals Agency (ECHA), during 2011 we have worked to identify the chemicals we are using in higher tonnages that will require REACH registration in 2013. We have also identified a number of chemicals that could potentially need to be registered by the 2018 deadline, and engaged an external REACH consultant to begin gathering the relevant information needed for the 2013 registrations.

Under REACH, the list of Substances of Very High Concern (SVHCs) continues to grow and we carefully follow the progress of all SVHCs through the authorisation process, from the registry of intentions listing, onto the candidate list and finally the authorisation list. In general terms, SVHCs are substances that have hazards with serious consequences, for example, they cause cancer in humans, and/or remain in the environment for a long time with their amounts in animals gradually building up.

Under REACH, companies must notify ECHA, who control REACH, when importing into the EU products containing more than 0.1% of an SVHC, if the total amount of the SVHC imported exceeds 1 tonne per year. NEXT's policy is to ban all SVHCs over 0.1% in our products, so we have not notified any SVHCs to ECHA.

In addition, 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 2011, we did not receive any requests from customers regarding SVHCs.

Product Safety

NEXT is committed to ensuring the products 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 in the European Working Group responsible for developing standards to ensure the safety of children's clothing. During 2011, 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.

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

Timber

On 11th October 2010, the European Parliament introduced the European Union's Timber Regulation (EUTR), making it an offence to place illegally harvested timber, or timber products on to the EU market. These regulations come into force on 3rd March 2013 and will require operators placing imported or domestically produced timber on the internal EU market to implement a Due Diligence System, in order to mitigate the risk of illegally harvested timber or timber products entering the supply chain and being sold within the EU.

During 2011 we have updated our NEXT Timber Policy to ensure it is in line with the new EUTR requirements, and are developing a new due diligence system database for assessing, managing and mitigating our timber risks.

To better understand the requirements of EUTR, we participated in the British Retail Consortium's (BRC) Timber Working Group which developed a guidance document to provide an overview of the key elements of the legislation and a possible approach to due diligence.

We have sold over 2.5 million products which have been certified by either Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC). The schemes provide assurance that the products

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have been made from wood sourced from legally harvested and well managed forests.

In September 2011 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 and this annual reporting initiative is continuing to help us further understand our impacts.

Animal Welfare

Our Animal Welfare Policy, reviewed with support from the RSPCA, 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 include wording on the care label of products 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: <http://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, of testing, for

ingredients in our products, of 1998. We support the Fund for the Replacement of Animals in Medical Experimentation (FRAME) which seeks to end animal testing.

NEXT, together with other brands and retailers has continued to work 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 originally 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 have started this work but, as anticipated, have found this area to be very challenging as we encourage our product suppliers to provide visibility of how they source across the whole supply chain. However, we will continue to work with our suppliers in this area.

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, inspire 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 and inspiring effective and committed employees we can continue to deliver excellent quality products and excellent service to our customers.

NEXT is committed to upholding all basic human rights and supports in full the United Nations Universal Declaration of Human Rights and the International Labour Organization (ILO) Core Conventions in relation to equal opportunities, freedom of association/ collective bargaining, forced labour and child labour. Where NEXT employees are based in countries with recognised concerns over human and labour rights as determined by EIRIS for the FTSE4Good Index, all employees are specifically required to comply with the Declaration of Human Rights and the ILO Core Conventions and receive annual training to ensure their understanding of these principles.



Performance

FTE employees: data relates to NEXT Group operations

FTE employee: Data relates to NEXT Group operations	Full-time equivalents	
	2011/12	2010/11
NEXT Retail + Directory	24,531	24,466
NEXT International	234	258
NEXT Sourcing	3,642	3,766
Other Activities	278	254
	28,685	28,744

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

Pensions data relates to NEXT Group operations in the UK, excluding NEXT International & NEXT Sourcing	Final Salary Section		Money Purchase Section	
	2011/12	2010/11	2011/12	2010/11
NEXT UK Pension Scheme (number of employees)	1,336	1,611	1,934	2,171

Note: Year on year reduction in number of employees in the pension schemes is due to the sale of Ventura to The Capita Group plc in July 2011.

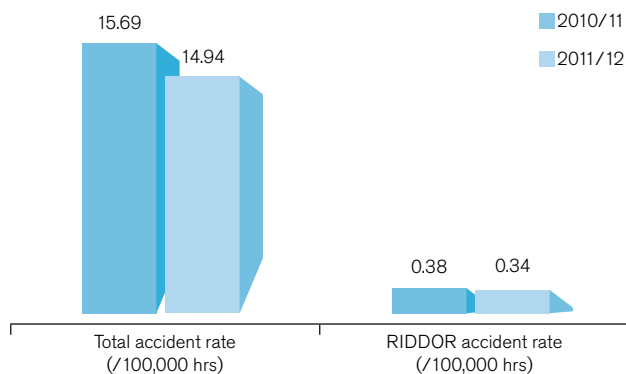
Health and Safety: We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) per 100,000 hours worked for employee accidents, and per 100,000 transactions for customer accidents.

- **Retail stores - employees:** during the last year we have seen a 5% reduction in the total accident rate for employees and also a 12% decrease in the RIDDOR accident rate. During the year we have continued to focus additional training and awareness raising in relation to health and safety for our employees and we are encouraged by the decrease in accident rates involving our employees.

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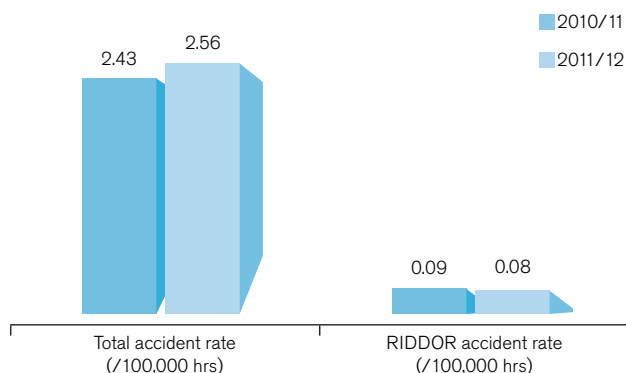
Retail Employee Accident Rates



- Retail stores - customers:** The total accident rate for customers increased by 6%, however the RIDDOR accident rate for customers decreased by 19% from 0.09 to 0.08 accidents per 100,000 transactions, which is less than 1 RIDDOR accident for every 1 million transactions. We believe the increase in all accidents has been driven by improved reporting by our employees recording all accidents, however minor, occurring to our customers as this helps to improve our customers' shopping experience with NEXT. We do not believe our stores are becoming more hazardous.

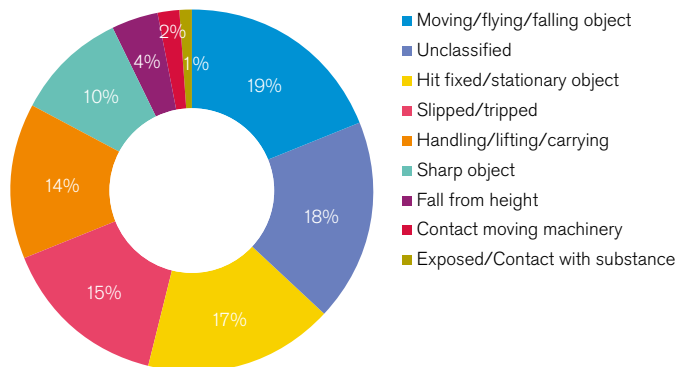
The majority of customer accidents are classified as RIDDOR because we report all incidents where we advise the customer to go to hospital, including advising parents to take their children as a precautionary measure, even after a relatively minor accident.

Retail Customer Accident Rates



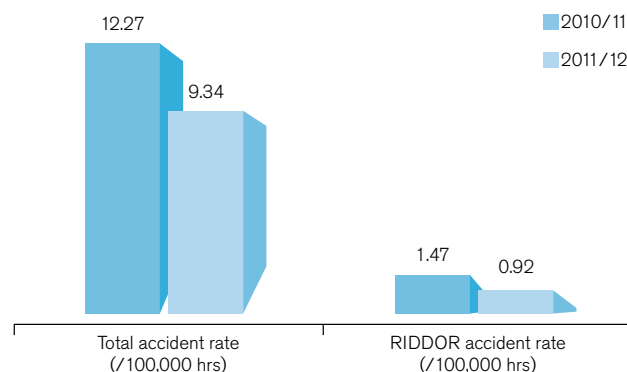
- Retail stores - employees and customers:** Breakdown of main accident causes for both employees and customers shows the key area is 'falling objects', closely followed by people walking into a 'fixed/stationary' object. During 2011 one of our key focus areas was to work within our retail stores to reduce the occurrence of 'slips/trips', and we are encouraged by the reduction seen in this area.

Cause of RIDDOR Accidents In Retail



- Warehouses/Distribution:** We have recorded a 37% reduction in the RIDDOR accident rate, and a 24% reduction in the total accident rate during the year. Following our focused risk assessment programme for manual handling in 2010, the business has made investment in 2011 to deliver significant changes for some key tasks to protect our employees, such as the introduction of mechanisation or the requirement for multi-person lifts. This has delivered a 45% reduction in accidents relating to 'handling/lifting/carrying' compared to the previous year.

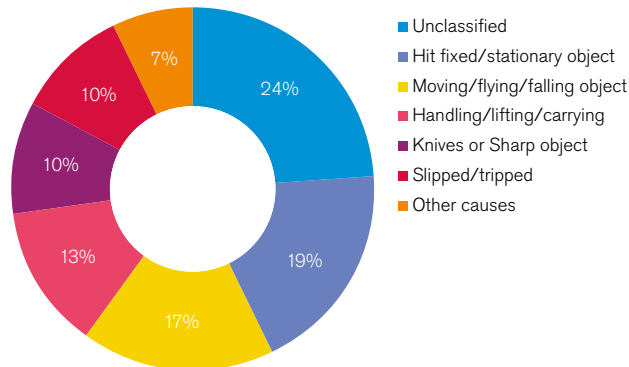
Warehouse Accident Rates



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Cause of RIDDOR Accidents In Warehousing



- **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 2011 we were subject to the following legal activity relating to Fire, Health, Safety and Environmental issues:
 - 1 Noise Abatement Notice relating to early morning deliveries in central London
 - 2 Notices under the Environmental Protection Act 1990 requiring effective management of waste. Both notices were 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 within each area of the business, whether they work at Head Office, in 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 the pilot of 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. To date, 176 managers have completed the programme with a plan to include all remaining 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 underwent a fast track programme during July 2011 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.

Trainee Team Manager Programme: in August 2011, we commenced the pilot with 6 employees who have now all completed the programme, of which 2 have since been promoted to the position of Team Manager and the remaining 4 are working in extended roles providing support across various distribution sites. The purpose of the programme is to provide individuals with the opportunity to experience the role by working alongside an experienced Team Manager whilst attending operational courses to develop their understanding and knowledge of the role and the business. A further 10 Trainee Team Managers commenced the programme in February 2012.

E-Learning: throughout the business our integrated training teams are using online learning tools, where it is appropriate, to deliver focused, timely training for our employees. Our employees are enjoying this method of learning as the training can be delivered at the right pace for the employee, in a more time efficient manner with success rates and time spent in training measured. In addition, any individual feedback and follow up to employees can be delivered in a focused manner by the training team.

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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 Quality Academy has been set up as a 2 year programme and its purpose 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. The Quality Academy is due to complete its programme in June 2012, with the apprentices due to gain their Level 2 Apprentice Qualification.

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 USDAW 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. Again in this area, we have developed e-learning modules to support development.

Health and Safety

In January 2012, we re-launched the NEXT Company Safety Policy Statement, organisational responsibility and operational arrangements to all employees with training sessions delivered throughout the business to focus understanding and awareness of the role of each individual employee.

"Good management of health and safety is fundamental in creating a safe and healthy environment and contributes to improving business performance." Lord Wolfson, of Aspley Guise - NEXT Chief Executive

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 Policy Statement has been revised to incorporate the Health and Safety Executive's 'sensible risk management principles' which, in brief, are:

- We will balance the benefits and risks of safety management with a focus on reducing real risks – both those which arise more often and those with potentially serious consequences
- We will find solutions to support creativity innovation and new ways of working wherever possible, in a way that ensures safety standards are maintained
- We require those who create risks to manage them responsibly
- We require our employees and contractors to understand that as well as a right to protection, they also have to take personal responsibility
- We work on the basis that all risks cannot be eliminated
- We only require records and paperwork to be created where it adds real value to safety management

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Corporate Safety Objectives

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. The safety objectives for 2009-2011 were completed and signed off at the Executive Safety meeting in October 2011. The new safety objectives for 2012-2014 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



The chart opposite shows our progress (as at end January 2012) as a percentage of completed focus areas for each key objective within the agreed safety programme.

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

- We have developed and signed a Primary Authority agreement with Doncaster Council covering workplace transport and engineering activities
- Within the warehousing operation, whilst an infrequent event, there is a small risk of a pallet falling from height when being stored. In consultation with our Primary Authority we have significantly reduced the risk of such an event causing harm to our warehousing employees by implementing a system of aisle access control whilst Mechanical Handling Equipment (MHE) is in operation
- New MHE has been introduced which logs who is operating each vehicle and records any collisions. The recorded data can then be used by the training teams to support the operators' training and help improve their driving style and safety performance
- We have worked with and trained the USDAW Union safety representatives to enable them to have a greater involvement in carrying out floor walks, manual handling observations and accident investigations, which is supporting the drive for improvement
- We have developed and started to implement an e-learning package which incorporates manager's safety obligations as part of their role. The system is being used to drive compliance and assess the requirement for managers to attend the 3 yearly safety refresher course
- A new management information process has been designed to incorporate H&S information and reporting in line with other business management information
- We launched a zero accident programme during 2011, which is aiming to introduce a significant cultural change over the next 3 years in line with our divisional objectives. This programme has been incorporated into a wider Target Zero concept to be launched into every warehouse in April 2012

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- Following the successful launch and trial of a new Home and Garden concept store, we have commenced with the development of robust operating procedures to ensure compliance with regulations relating to the 'carriage of dangerous goods'
- During project developments, to ensure safety and ergonomic considerations are being taken account of, design risk assessments have been actioned before the project can be finally signed off and agreed

Retail

- Improvements to the way we manage our stores in cold, snowy, icy and wet weather have been implemented with clear guidance and equipment to reduce the likelihood of water being left on the floor which could potentially lead to a slipping hazard
- In line with the re-launch of the Company Safety Policy, a new and improved Safety induction DVD 'Safety First, Fashion NEXT' was launched to all stores in December 2011
- Our Regional H&S Advisors are now trained to complete effective fire risk assessments for around half of our stores. We continue to work closely with an independent fire risk assessment consultant for all new stores, stores being extended and refitted and those stores which are more complex due to the nature or age of the building
- Following a trial in 2010, store van driver training and safety management improvements have been actioned during 2011, including training of new store van procedures, use of driver risk assessments and the in-store management team now completing an e-learning course which takes them through the company and legal requirements of operating a store van
- Focus into the causes behind employee and customer slips and trips has begun, with a new monthly communication and suggested action plan for stores, increased focus from each Area Manager, plus revised and improved audit questions to work to identify opportunities for improvement
- Improvement to the management of queues outside our stores during the NEXT end of season sale, and ensuring we do not exceed the designed occupancy capacity of our stores in relation to both customer and employee safety
- The launch of the new concept Home and Garden store in 2011, entailed a detailed review of all existing H&S procedures and identified where new procedures were needed for areas such as the customer car park, customer trolleys and the travelator (included in the existing escalator and conveyor risk assessment)

Lipsy

- Lipsy's health and safety management systems now operate in line with NEXT's requirements, with NEXT and Lipsy stores being managed in the same way. Data for Lipsy stores is now included in the Retail figures in this report

Company Wide

- During Winter 2011 we ran a programme of seasonal influenza vaccinations for our Head Office, Warehousing and Directory sites where around 2000 employees took advantage of receiving a free flu vaccination
- A number of our employees undertake regular foreign travel as part of their job role. During the year we trained over 400 regular travellers in the procedures to be adopted to ensure overseas travel is carried out in a manner that minimises risk to the employee
- We continue to work closely with NEXT Sourcing and full audits of their offices and factory in Sri Lanka and offices in Bangladesh have been carried out, with full action plans being discussed and agreed with senior management
- We have delivered fire safety seminars and training for our Code of Practice auditors, NEXT Sourcing employees and key suppliers in Bangladesh and Sri Lanka, to enable them to undertake their own 'self audit' programme for fire safety
- Child protection guidance has been developed and launched to the business including all freelance contractors, for use where young people are employed by NEXT as models at photo shoots or fashion show events. The City of London Council has reviewed these guidelines during an event and were impressed with the way we care for the health and well being of children at our events

Listening to our employees

How we communicate with, consult with, 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 provide two-way communication and consultation across the business enabling and encouraging 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 (USDW) in relation to our

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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 launched "Target Zero" at a Managers' team event in October, for full implementation in April 2012. For NEXT, Target Zero is the philosophy of continuous improvement. It is about striving to progress in everything with the ultimate aim of zero failures. Target Zero began with a drive to reduce accidents, so had a Health and Safety focus, however it now encompasses the whole division and all aspects of its operation. Embracing Target Zero means always understanding why failures happen, trying to eliminate the root cause of the failure to prevent re-occurrence. The key to the success of Target Zero will be to get all of our employees involved, become engaged and supporting the business to make improvements and eliminate errors to make a difference to NEXT.

400 Team Managers from warehousing and distribution attended a series of Managers Investment Days, where the focus of the sessions was to 'Achieve Effective Management through Target Zero'. The sessions were held off-site, to allow managers time to think about their role in the organisation and how they could contribute to the overall vision and success of their operation and NEXT. The Managers responded positively to the sessions, enjoying the opportunity to gain a level of perspective as well as the ability to share best practice and ideas with their peers from other sites.

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 all 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, which is at a 20% discount to the share price at the time. At the

end of January 2012, there were around 6,300 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, and 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 participation by all employees. During the year our employees donated over £17,000 to charities of their choice.

Health and Welfare

During the year, NEXT spent over £950,000 on 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

At our Head Office site we have organised quarterly Employee Well Being days involving the local primary care trust and other providers, to offer advice and guidance to employees on a wide range of matters from prostate cancer and reducing stress levels, to help to stop smoking. In addition we have introduced a weekly physiotherapy service at Head Office, where employees are able to pay to use the service within the working day.

Attracting employees

During 2011 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.

Building on the success of previous 'Open Days' held at Head Office, we held four one-day events at the beginning of the year. 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 onto our scheme and

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have several who have already started in our teams. For 2012, we plan to invite around 50% more students to attend these events.

NEXT continues to sponsor and support 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 9 students joining us in November 2011 and a further 5 students in March 2012. 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 the autumn of 2012.

Apprenticeships at NEXT

NEXT is supporting the Apprentice Programme in our retail stores. In April 2011 we started with a small pilot of 50 apprentices working in 45 stores. The programme was extended in August 2011 to 758 apprentices working within the majority of our stores in the UK. NEXT made the decision to become involved as we wanted to support the creation of new jobs for young people, and offer them training within a retail environment, helping in the longer term to build a more skilled workforce. Of the 758 apprentices, around 70% had been previously unemployed, and for many it was their first experience of work and less than 1% of the apprentices worked for NEXT before the programme commenced.

We are working with a specialist training provider, who directly receives the government funding per apprentice, and supports them to achieve an Intermediate Apprenticeship in Retail, awarded by City and Guilds. This is made up of:

- A Level 2 Certificate in Retail Knowledge
- A Level 2 Diploma in Retail Skills
- Application of Numbers
- Communication Skills

NEXT provide the practical on the job training through our:

- Store managers
- Team coaches, and
- Retail Development team

Each apprentice is treated as a permanent NEXT employee and receives the benefits including:

- Monthly bonus if their store achieves its sales target
- A completion bonus on successfully finishing the programme, subject to performance and attendance

- A working wardrobe
- Employee discount at 25%
- Travel expenses of £2 per day
- Opportunity to be nominated for awards for exceptional performance within the programme

From the 758 apprentices who were with us 12 weeks into the programme, 552 qualified and were offered permanent contracts in NEXT and 20 are still training (at June 2012).

In April 2012, we started recruiting a second intake of about 700 apprentices who will work 30 hour contracts and complete a six month programme. Our plans for the following intake in September/October 2012 is to move the apprentice programme to 12 months and to map it alongside our existing retail academy as we believe this will add more value and allow us to develop the training further.

ENVIRONMENT

Content

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. Reducing emissions is the right thing for a responsible business to do, and our aim is to work to create more sustainable ways of doing business to conserve energy, save money and help to deliver better resource efficiency. Our priority is to minimise our environmental impacts by reducing both the carbon intensity of our activities and the natural resources we use, through the development and operation of good business practices.

Our priorities are to:

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

We recognise 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, UK 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 2011. 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.

During 2011 we have worked with PricewaterhouseCoopers LLP to increase the proportion of our carbon footprint which undergoes independent assurance by a further 3% to 95% of our emissions. We are pleased with this further increase and have welcomed and valued the challenge this process brings to the business.

Performance

NEXT Group Global Carbon Footprint

We have measured our global direct carbon footprint, where we have operational control, as 208,738 tonnes of CO₂e. This is an absolute reduction of 3% on the previous year (2010/11: 214,187 CO₂e) demonstrating we are continuing to decouple our business growth from our carbon emissions as our retail floor space increased by 7% during the same period.

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NEXT Group operational CO ₂ e emissions	2011/12 Tonnes	2010/11 Tonnes	% Change
Scope 1	32,049	33,723	-5%
Scope 2	136,923	140,765	-3%
Total gross controlled emissions	168,972	174,488	-3%
Scope 3	39,766	39,699	0%
Total gross emissions	208,738	214,187	-3%

Scope 1 - Direct emissions from NEXT Group operations	2011/12 Tonnes	2010/11 Tonnes	% Change
Gas heating (stores, offices, warehouses)	6,855	9,041	-24%
NEXT owned distribution vehicles	19,338	18,908	2%
NEXT owned cars	1,442*	2,628	-45%
Buildings (diesel oil, refrigerant gases)	2,050*	2,604	-21%
Data in scope of external assurance	29,685	27,949	6%
Data not in scope of external assurance	2,364	5,774	-59%
Total gross emissions	32,049	33,723	-5%

Scope 2 - In-direct emissions from NEXT Group electricity consumption	2011/12 Tonnes	2010/11 Tonnes	% Change
Data in scope of external assurance	134,490	138,610	-3%
Data not in scope of external assurance	2,433	2,155	13%
Total: Scope 2	136,923	140,765	-3%

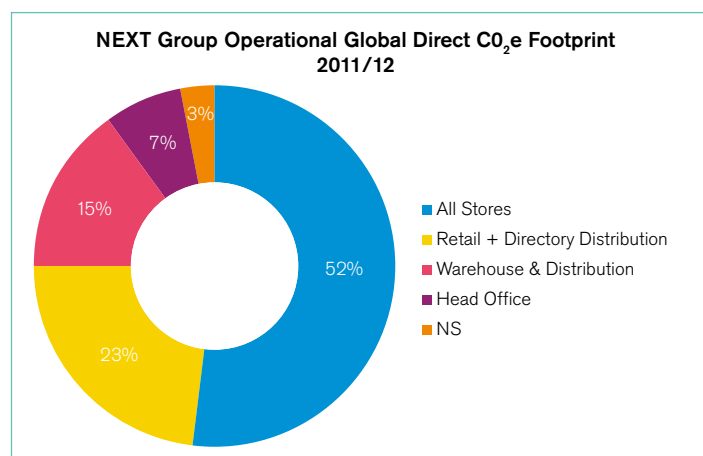
Scope 3 - Other in-direct emissions from NEXT Group operations	2011/12 Tonnes	2010/11 Tonnes	% Change
Waste (stores, offices, warehouses)	1,597	2,793	-43%
Business travel (Air travel)	4,290*	5,308	-19%
Third party distribution vehicles (Directory deliveries)	28,426	28,218	1%
Data in scope of external assurance	34,313	31,011	11%
Business travel	4,320	7,670	-44%
Other emissions	1,133	1,018	11%
Data not in scope of external assurance	5,453	8,688	-37%
Total: Scope 3	39,766	39,699	0%

Note: * Indicates 2011/12 is the first year this indicator has been assured

ENVIRONMENT CONT...



NEXT Group Operational Global Direct CO₂e Footprint:
208,738 tonnes of CO₂e (2010/11: 214,187)



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 2007/08 and are in place until 2015/16.

The targets relate to are our main priority areas of:

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

Progress

Energy

- Target: Electricity consumption - 35% reduction in kg CO₂e /m²
- Progress: 5% reduction compared to last year, and 26% electricity reduction achieved to date

CO ₂ e emissions relating to assured data in UK & Ireland for stores, warehouses & offices	2011/12	2010/11	% Change
Electricity usage kWh	256,357,643	264,954,723	-3%
Gas usage kWh	37,331,410	49,432,100	-24%
Total kWh	293,689,053	314,386,823	-7%
Total Floorspace m ²	1,149,208	1,108,975	4%
Tonnes CO ₂ e	141,344	147,651	-4%
Tonnes CO₂ e per 1000m²	123	133	-8%

To be able to manage and work to reduce our energy consumption, it is vital that we are able to measure our performance. Within our 536 stores and store stockrooms, we have a total of 441 half-hourly modem meters and 113 automated meter readers installed. Both types of meter pass 'live' energy consumption information into a central data collection facility which allows us to actively track energy performance and monitor consumption per store.

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. 491 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 to reduce the time the lights are fully turned on, when the store window display lighting is activated and how we operate the in-store air conditioning systems to run on fan only for a set length of time at the beginning and end of trading hours. This has made these stores more energy efficient and, 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.

Retail store energy efficiency has improved during the year. The replacement lighting scheme installed in 190 stores

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during 2010, along with other efficiency measures behind the scenes in our stores, has delivered a 5% reduction in electricity used, whilst retail trading space has continued to increase by 7%. We have already been using low energy Light Emitting Diode (LED) bulbs within our stores to illuminate the non product sales areas for some time, as they offer the benefit of reduced energy consumption and less maintenance due to a longer life per bulb. During 2011 we have been working with lighting specialists to identify potentially suitable LED bulbs to light our products in store and plan to roll out a trial in a small number of stores in early 2012 to test this scheme.

For our stores in Northern Ireland and Ireland, we have continued to purchase electricity generated from on-shore wind farms during 2011, amounting to 9% 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, and in 2011 we achieved re-certification to the Standard. 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.

Year on year our consumption of gas has reduced across the business by 24%. The reduction is a consequence of the mild winter we have experienced, as gas is used predominantly for heating across the business. In addition to the automated electricity meters installed, we have AMR meters in 16 sites where we use the most gas, so we are able to more accurately measure our consumption and no longer need to rely on estimated billing.

Waste

- Target: To send less than 5% of operational waste to landfill
- Progress: 10% increase in waste diverted from landfill compared to last year, and 85% of operational waste diverted from landfill achieved to date

Waste and Recycling - stores, warehouses and offices	2011/12		2010/11	
	Tonnes Waste	Tonnes CO ₂ e	Tonnes Waste	Tonnes CO ₂ e
General waste sent to landfill	3,677	1,851	5,902	2,972
Materials diverted for recycling	20,187	-	18,090	-
Total	23,864		23,992	
% Recycled	85%		75%	

Note: Head Office waste data included.

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 our employees across NEXT.

The NEXT Waste Scorecard is 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. Working with our third party waste provider, the Scorecard is reviewed on an annual basis following interrogations of the bins to ensure the general waste data we report is an accurate reflection of the waste our stores are producing. As a result of a number of initiatives introduced, such as increasing the quantity of plastic materials recoverable in store, we have found the bins weighed less 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.

In total we have 536 retail stores in the UK and Ireland, however 200 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, polystyrene and used gift cards. Once the materials are received they are segregated and baled, before being sent for recycling.

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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 on 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: 9% reduction compared to last year, and 8% reduction achieved to date

NEXT owned distribution vehicles	2011/12	2010/11	% Change
Litres used	6,994,802	7,448,324	-6%
Tonnes of CO ₂ e	22,195	22,251	0%
Average MPG	10.14	9.92	2%
Total floorspace m ²	1,149,208	1,108,975	4%
Litres/m ²	6.09	6.72	-9%

NEXT is a growing business, and our aim is to use our vehicles more efficiently to deliver products to our stores, to help us reduce transport related emissions over time. To help achieve this where possible we use 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. During the year we have invested in 10 new double-deck trailers to support

our sales in Ireland, which has delivered 9% saving in fuel consumed and a 10% saving in kilometres travelled.

By the end of January 2011, 100% of our delivery fleet designed to pull single, double deck, or tandem trailers, operate with EURO V engines which has helped to support the efficiencies we are delivering. In addition we have 45 smaller delivery vehicles that have EURO IV engines. We will monitor future developments in vehicle specifications and set new plans when improved technologies become available.

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. Each drivers' performance is analysed daily to review how they have driven, on a number of areas including the actual distance travelled, against the planned distance and the amount of fuel used. If their performance exceeds the plan for the routes travelled, they undergo an individual de-brief at the end of their working day to provide a clear picture as to why the discrepancy occurred and how it can be prevented going forward. 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 by undertaking trials in 2012.

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.

The NEXT distribution fleet has been now been awarded the ECO Stars Clean Vehicle Scheme 5 Star award for Edinburgh as well as for Yorkshire and Mid Devon. It is a Department for Transport funded scheme which is being promoted in certain parts of the UK. It is our intention to join each scheme as it becomes available to support our clean air profile. For each of the areas where the scheme is operated, we have offered our

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support to other transport companies to show how we work to improve driver performance, increase mpg and therefore reduce emissions.

Construction Waste

- 92% construction waste recycled

Store openings/refit Construction Waste	2011/12 Tonnes	2010/11 Tonnes
Waste produced - tonnes	9,268	5,330
Waste recycled - tonnes	8,499	4,708
% waste recycled	92%	88%

During 2011, we have continued to measure 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 through promoting the use of segregated skips, where possible, and by working closely with our third party provider. This work will continue 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 536 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 a 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 2011 who have asked for contributions to support their work in the areas of children, care for the sick and people with disabilities, healthcare and medical research and community support

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

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



Performance

Community - NEXT plc has offered financial support to:	2011/12 £	2010/11 £
Registered Charities	876,449	857,398
Individual requests, local and national groups and organisations	75,235	68,558
Commercial support & sponsorship	73,136	74,036

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
Gifts in kind - donations of products	1,652,376	1,124,068
Charity link sales	425,152	287,512
Employee fundraising	44,006	19,240
Total Support	3,146,354	2,646,350

Note: NEXT made the decision not to hold any charity fundraising events in 2011 due to the challenging economic environment.

Progress

Collaboration

As part of the target to divert our waste from being sent to landfill, NEXT has continued to identify and divert 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:

- ScrapstoresUK, set up by members of the Scrapstore community, support the reuse of unwanted resources for the benefit of children and communities. They work with business to support their members in receiving clean reusable scrap materials that can be reused as creative art resources for schools, playgroups and community groups across the UK. For NEXT the benefit of collaborating with ScrapstoresUK is that it provides a fantastic way to safely dispose of products we no longer need, knowing they will have a second life and be reused to encourage both education and play. The types of materials they are able to accept for reuse is hugely varied, and NEXT has offered a wide variety of products including the large baubles used

COMMUNITY CONT...

in our 2011 Christmas window and instore displays. The baubles have been transformed through creative play for play therapy by sensory play specialist care providers, created into planets, used as tree tops in a community theatre production and even made into robots.



If you would like to find out more about the work ScrapstoresUK undertake, please go to:

www.scrapstoresuk.org

- Doncaster Refurnish - NEXT has worked in partnership to support the work of Doncaster Refurnish for over 3 years. They are a charity located close to our warehouses, and their aims are to help the community of Doncaster by:
 - Alleviating poverty through the collection of re-usable donated furniture, diverting it from landfill, renovating it where necessary and making it available to socially and economically disadvantaged people at affordable prices to help them set up home
 - Creating sustainable employment and training opportunities

We are able to offer them unsellable, damaged furniture and home accessories that they are able to create value from to support their aims.

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

During 2011, Doncaster Refurnish, by working in partnership with NEXT, has been able to create £302,000 to help fund its charitable work and in addition have created:

- 4 new jobs
- 6 new apprentice positions
- 98 training work placements
- 149 students supported through educational activities
- 150 children supported through 'Spirit of Christmas' where Refurnish promotes the concept of CR internally to demonstrate personal giving in aid of others can be a positive engagement



Through this collaboration, during the year NEXT has been able to divert 205 tonnes of waste from landfill and for it to be reused by the charity.

NEXT is pleased with the continued success of our partnership, and the small role we are able to play to support Doncaster Refurnish, an organisation whose unique and vibrant approach to social enterprise is working to make a difference to the local community where it is needed most.

If you would like to find out more about the work Doncaster Refurnish undertake, please go to: www.refurnish.co.uk

- Oxfam - we started to work with Oxfam during 2010, after identifying product items that were unsellable for NEXT, but could be used to create value for the charity to support its global work. During last year we have been able to divert a further 22 tonnes of unsellable products from landfill by offering them to Oxfam who have taken the items to support their work overseas in a number of countries including a project they have developed in Senegal called Frip Ethique. It is a social enterprise that buys and sells second hand clothing, but is different from other second hand clothing companies because it role models good business practice, maximises the benefit for poor people in the second hand clothing value chain and donates profits to the Oxfam Livelihoods' Programme.

Employee Engagement

NEXT launched 'Oxfam Collects at Work' in July 2010 at our Head Office site. It is 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. During 2011 Oxfam has raised over £6,250 from our employees' donations at Head Office, and working with the Oxfam Collects team we have started to introduce the scheme in to other areas of our business.

Employee fundraising - our employees across the business get involved in many fundraising events each year raising money for a large number of charities by undertaking many different activities from running, cycling, sky diving, playing football, to the less tiring activity of growing moustaches for 'Movember' to raise vital funds and awareness for men's health issues. One example from our Retail division is our annual 5-a-side football tournament. Teams from across the business and throughout the country take part and compete in regional events with the winners coming together for the final day's event with over £5,000 being raised for Cancer Research UK.

LONDON 2012 – PREPARING FOR THE 'SUSTAINABLE GAMES'

NEXT is proud to be the official clothing and homeware supplier to Team GB and ParalympicsGB at the London 2012 Olympic and Paralympic Games. Since our appointment in 2010 we have worked to convey the London 2012 vision within the product we are providing and are thrilled to be playing our part in helping to deliver the 'Sustainable Games' vision.

We are providing:

- Outfits for the 1500 Team GB and 600 ParalympicsGB athletes for the opening and closing ceremonies as well as formalwear which the British athletes will wear for off-track appearances
- 4500 formal uniforms for the Technical Officials
- Bed linen for the Athletes' Village

All the products being supplied by NEXT must be sourced and manufactured to the ethical, social and environmental guidelines and standards set out by the London Organising Committee of the Olympic and Paralympic Games (LOCOG), which closely mirror our own NEXT Code of Practice requirements. The suppliers and factories chosen to manufacture the products have been briefed and regularly audited throughout the production process to ensure the products are being manufactured in an ethical manner.

Please turn to 'Our Suppliers' on page 7 to learn more about Code of Practice and how we audit NEXT factories.

The LOCOG Sourcing Code outlines four core sustainability principles which NEXT has supported in the development of the products we are supplying:

- Responsible sourcing: all selected suppliers must meet NEXT Code of Practice requirements
- Using secondary materials: products to include sustainable sourced materials such as having recycled content or containing organic cotton and minimising packaging materials used
- Minimising embodied impacts: environmental assessment to be met as part of NEXT Code of Practice requirements
- Using healthy materials: all products must comply with NEXT Restricted Substance Standards in order to protect human health and the environment, and ensure they are in compliance with the standards listed in the LOCOG Sourcing Code



As a LOCOG licensee, NEXT has developed an exclusive commercial range of London 2012 clothing and homeware product for our customers that reflects the excitement and atmosphere of the London 2012 Olympic and Paralympic Games.

In addition, NEXT is retailing the official Team GB and Paralympics GB scarves. All profits from the sale of the scarves will be donated to the British Olympic and Paralympic Associations - helping British Olympic and Paralympic athletes to deliver their best performance at London 2012 and beyond.



Official Team GB and
Paralympics GB scarves

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 external assurance
- 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)
- RIDDOR accident rate
- Non-RIDDOR accident rate

All data, unless otherwise stated, are prepared for the reporting period 1st February 2011 to 31st January 2012

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 (Hong Kong)
- NEXT Manufacturing (Pvt) Ltd - Garment manufacture (Sri Lanka)
- Lipsy Limited - Retailing, home shopping and wholesaling of womenswear and accessories

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

Note: Ventura, our customer services management operation, was sold to The Capita Group plc in July 2011. As a discontinued business we have not included any data relating to Ventura in this report.



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

CRITERIA AND METHODOLOGIES CONT...



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 2011 to 31st January 2012

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.

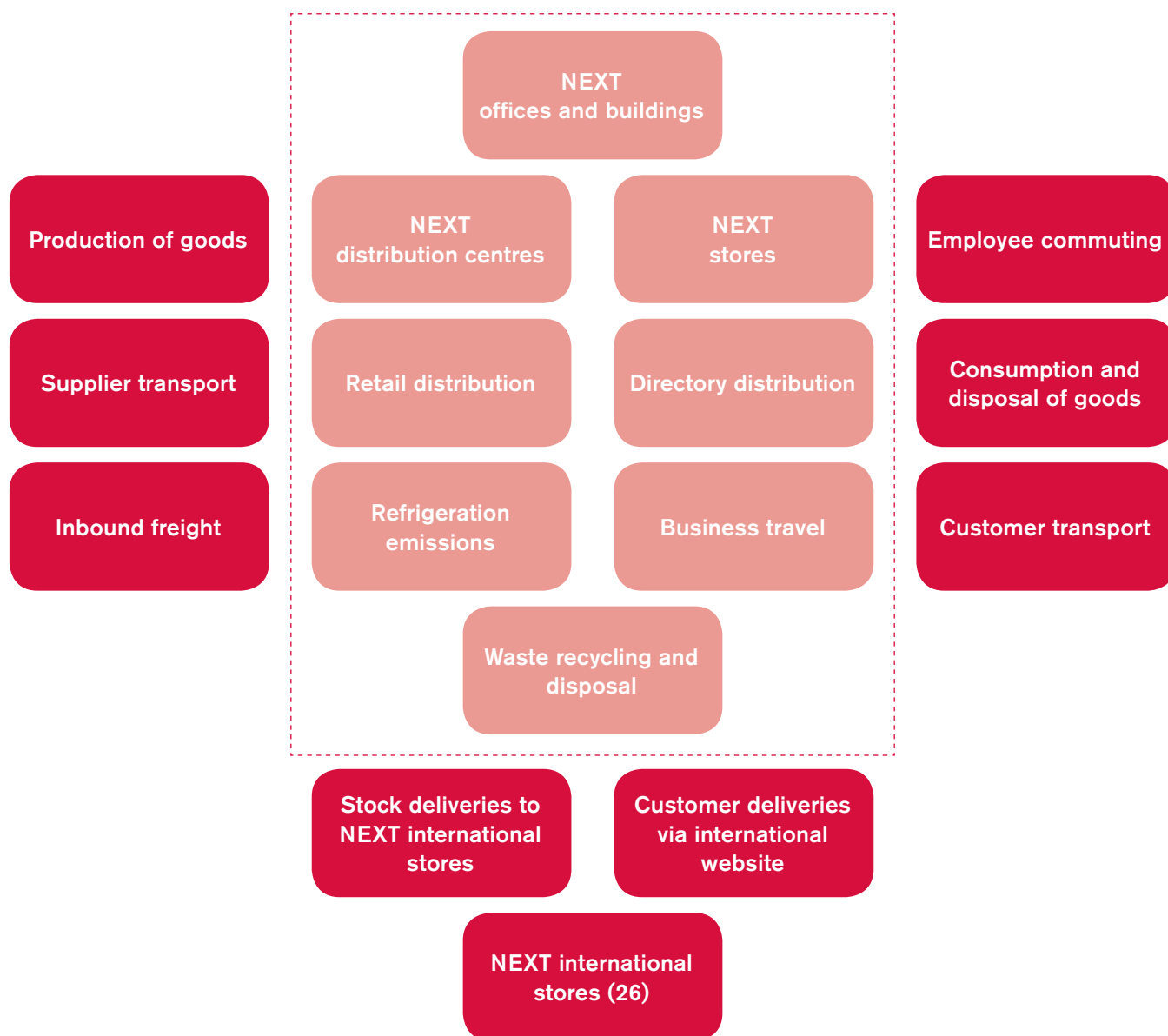
We have calculated our carbon footprint by following the operational approach for reporting, using the internationally recognised standards provided by the Greenhouse Gas Protocol, published by the World Business Council for Sustainable Development and the World Resources Institute (WBCSD/WRI Protocol). Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance published in September 2009, and have been calculated using the updated 2011 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.

CRITERIA AND METHODOLOGIES CONT...



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

CRITERIA AND METHODOLOGIES CONT...



PricewaterhouseCoopers LLP have provided independent external assurance of the data highlighted in green which equates to 95% of our emissions:

NEXT Group operational CO ₂ e emissions	2011/12 Tonnes	2010/11 Tonnes	% Change
Scope 1	32,049	33,723	-5%
Scope 2	136,923	140,765	-3%
Total gross controlled emissions	168,972	174,488	-3%
Scope 3	39,766	39,699	0%
Total gross emissions	208,738	214,187	-3%

Scope 1 - Direct emissions from NEXT Group operations	2011/12 Tonnes	2010/11 Tonnes	% Change
Gas heating (stores, offices, warehouses)	6,855	9,041	-24%
NEXT owned distribution vehicles	19,338	18,908	2%
NEXT owned cars	1,442*	2,628	-45%
Buildings (diesel oil, refrigerant gases)	2,050*	2,604	-21%
Data in scope of external assurance	29,685	27,949	6%
Data not in scope of external assurance	2,364	5,774	-59%
Total gross emissions	32,049	33,723	-5%

Scope 2 - In-direct emissions from NEXT Group electricity consumption	2011/12 Tonnes	2010/11 Tonnes	% Change
Data in scope of external assurance	134,490	138,610	-3%
Data not in scope of external assurance	2,433	2,155	13%
Total: Scope 2	136,923	140,765	-3%

Scope 3 - Other in-direct emissions from NEXT Group operations	2011/12 Tonnes	2010/11 Tonnes	% Change
Waste (stores, offices, warehouses)	1,597	2,793	-43%
Business travel (Air travel)	4,290*	5,308	-19%
Third party distribution vehicles (Directory deliveries)	28,426	28,218	1%
Data in scope of external assurance	34,313	31,011	11%
Business travel	4,320	7,670	-44%
Other emissions	1,133	1,018	11%
Data not in scope of external assurance	5,453	8,688	-37%
Total: Scope 3	39,766	39,699	0%

Note: * Indicates 2011/12 is the first year this indicator has been assured

CRITERIA AND METHODOLOGIES CONT...



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: 536 retail stores; 7 staff shops; 7 receipting warehouses; 5 distribution centres; head office; call centre; press office and photoshoot warehouse
- Lipsy: 17 stand alone stores
- 441 sites have half hourly modern meters installed and 113 sites have automated meters installed which pass 'live' consumption information into a data collection facility for our energy team to monitor and manage. In addition we receive monthly invoices directly from landlords for approximately 21 properties where they provide the electricity we consume and estimated monthly bills from 3 properties where there is no automated meter installed

Gas: Kilowatt per hour consumed/tonnes CO₂e

All data is taken from 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.

16 sites have automated meters installed where gas consumption is largest i.e. warehouses, distribution centres, Head Office and 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.

Damaged 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. The amount of waste recycled is primarily based on weighbridge tickets received from third party recycling companies. 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 536 retail stores in the UK and Ireland. The waste data we report relates to 301 stores where our third party waste provider arranges the waste collections; a further 35 stores have similar waste collections but from different providers, we attribute the NEXT Waste Scorecard methodology to these stores. The remaining 200 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.

Fuel: Litres consumed and kilometres travelled delivering NEXT products to stores and customers homes/tonnes of CO₂e

Retail - NEXT owned vehicles:

- 122 Euro V tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 228 trailer units (either single, tandem, double deck or tri axle)
- 17 box rigid lorries
- 31 box vans
- 22 other vehicles (minibuses, caged tipper vehicle, transit vans, landrovers)

Diesel fuel is drawn from on-site tanks and drivers are required to enter the vehicle's mileage to be able to draw the fuel. Diesel consumption is reconciled weekly per site and checked against fuel tank dip levels by management. Distance travelled is taken from taco cards which are installed in all NEXT vehicles and downloaded at the end of each journey.

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

CRITERIA AND METHODOLOGIES CONT...



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 Directory 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.

Business Travel - Company owned cars (fuel card):

Litres of fuel consumed/tonnes CO₂e

All fuel purchased via NEXT company fuel card for both business and personal mileage in the UK and Ireland.

Company fuel cards are managed by a third party provider. Monthly reporting is provided to NEXT, detailing the cost, volume and type of fuel purchased during the period. The amount reported is the total volume of fuel purchased.

This indicator currently captures the data relating to NEXT employees within head office, warehousing and retail stores who are allocated a company fuel card.

Currently excluded from this indicator is data relating to employees in 'Group Central' who are issued with a company fuel card, cash fuel expenses claimed by employees through the Expenses system, all company owned cars data for Lipsy or NEXT Sourcing.

Business Travel - flights, accommodation and rail journeys:

Distance travelled/CO₂e

All business travel bookings for air, accommodation and rail journeys for NEXT employees who are based in the UK and Ireland.

Bookings are placed and managed through a third party travel agent via a dedicated team based at head office. All flights must be approved by a Director prior to booking.

Monthly reporting by travel date is provided to NEXT detailing:

- Flights - recorded by distance and class using actual data extracted from the travel booking system
- Distance recorded for flights is based on advice from Verco, who we engaged to calculate our carbon footprint. The distance categories used are:
 - Domestic <500km
 - Short haul international >500km <1600km
 - Long haul international >1600km

- Class of travel is recorded, and a different emissions factor is attributed to each class (economy, business or first class)

- Accommodation - number of nights in a hotel in UK or overseas

- Rail - number of single and/or return journeys taken

This indicator currently captures data relating to all NEXT employees, including employees in 'Group Central'.

Currently excluded from this indicator is data relating to employees who have booked their travel independently and are claiming the costs back through the Expenses system and flights booked in country for NEXT Sourcing and NEXT International employees. This data is captured and declared in Scope 3 business travel, but is currently not assured by PwC.

Building Emissions - Head Office diesel oil and refrigerant gases:

Litres diesel oil fuel consumed/tonnes CO₂e and kg refrigerant gas types replaced/tonnes CO₂e

- Diesel oil used in backup generators at head office and call centre sites for emergency power generation. All generators are serviced by a third party contractor who performs weekly maintenance tests and monthly tests where the generators are run on and off load in a regular pattern. These tests and any actual usage are recorded on a generator log held with each generator. The amount of fuel used is calculated by measuring the total time each generator has run at different load rates, and then this is multiplied by the consumption rate per generator at each load rate to determine the total litres of fuel used.
- Refrigerant gases used to replace gas lost from air conditioning units at head office and call centre sites. All air conditioning units are serviced by a third party contractor who provides a listing of all refrigerant gas transfers in kgs, by gas type, where they are charging the unit to replace gas lost into the atmosphere.

Building Emissions - Retail Stores diesel oil and refrigerant gases:

Litres diesel oil fuel consumed/tonnes CO₂e and kg refrigerant gas types replaced/tonnes CO₂e

- Diesel oil used in backup generators for 6 stores in the UK to provide an emergency power source for smoke extraction systems where there is no other power source available. Reporting is provided by a third party contractor who purchases fuel to ensure the generator's tanks are filled to the required level.
- Refrigerant gases used to replace gas lost from air conditioning units in NEXT retail stores in the UK and Ireland. The air conditioning units are serviced by 3 contractors across the UK and Ireland who provide a

CRITERIA AND METHODOLOGIES CONT...



listing of all refrigerant gas transfers in kg, by gas type, where they are charging the unit to replace gas lost into the atmosphere.

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, Verco 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. Emissions have been primarily calculated using the 2011 conversion factors published by DEFRA/DECC.

3. Our People - Health and Safety Reporting (RIDDOR and Non-RIDDOR)

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)

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 for RIDDOR and Non-RIDDOR accidents:

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 (NEXT and Lipsy), warehouses, head office and Directory for employees, customers, visitors and contractors.

Excluded from the reported data is RIDDOR accident rate reporting for NEXT Sourcing and NEXT International owned stores 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

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.

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 Year's 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.

CRITERIA AND METHODOLOGIES CONT...



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.

INDEPENDENT ASSURANCE STATEMENT

Independent Assurance Report to the Directors of NEXT plc

We have been engaged by the directors of NEXT plc (NEXT) to perform an independent limited assurance engagement in respect of the information set out below and contained in NEXT's Corporate Responsibility Report for the year ended 31 January 2012.

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 conclusion on the Selected Information (as defined below). The scope of our work was restricted to the Selected Information for the year ended 31 January 2012 and does not extend to information in respect of earlier periods or to any other information in the Corporate Responsibility Report.

What we are assuring ("Selected Information")

The data ('Selected Information'), which has been subject to limited assurance consists of:

- Number of supplier audits carried out (set out on page 9)
- The following elements of the NEXT Global Carbon Footprint (set out on page 25):
 - Gas Heating
 - NEXT-Owned Distribution Vehicles
 - NEXT-Owned Cars
 - Buildings (Diesel Oil and Refrigerant Gases)
 - Electricity Consumption
 - Waste
 - Business Travel (Air Travel)
 - Third Party Distribution Vehicles
- RIDDOR and total accident data (set out on page 17)

How the information is assessed ("Reporting Criteria")

NEXT's Reporting Criteria, as set out in the "Reporting Principles, Criteria and Methodologies" document at www.nextplc.co.uk¹, and reproduced on pages 33 to 40 of the Corporate Responsibility Report, set out how the Selected Information is prepared and reported.

Professional standards applied² and Level of assurance³
ISAE3000 and ICAEW Code of Ethics.

Limited assurance.

Understanding reporting and measurement methodologies

There is not yet generally established practice for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques used can result in



materially different reporting outcomes that may affect comparability with other organisations. It is therefore important to read and understand the Reporting Criteria that NEXT has used to evaluate and prepare the Selected Information.

Work done

We performed the following activities:

- Making enquiries of relevant NEXT management;
- Evaluating the design of the key processes and controls for managing, recording and reporting the Selected Information. This did not extend to testing that the controls operated as intended for the period under review;
- Limited substantive testing on a selective basis of the Selected Information. This included conducting site visits to stores and distribution centres, and corporate head office in Leicester; and
- Assessing the disclosure and presentation of the Selected Information

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

NEXT's responsibilities

The directors of NEXT are responsible for:

- Designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- Establishing objective Reporting Criteria for preparing the Selected Information;
- Measuring NEXT's performance based on the Reporting Criteria; and
- The content of the Corporate Responsibility Report

Our responsibilities

We are responsible for:

- Planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;

INDEPENDENT ASSURANCE STATEMENT CONT...



- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- Reporting our conclusion to the directors of NEXT

Our conclusion

As a result of our procedures nothing has come to our attention that indicates the Selected Information for the year ended 31 January 2012 has not been prepared in all material respects with the Reporting Criteria.

This report, including our conclusions, has been prepared solely for the directors of NEXT plc as a body in accordance with the agreement between us, to assist the directors in reporting NEXT's sustainability performance and activities. We permit this report to be disclosed in the Corporate Responsibility Report for the year ended 31 January 2012, 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 for our work or this report except where terms are expressly agreed between us in writing.

 **PricewaterhouseCoopers LLP,**
Chartered Accountants, London
11th July 2012

Notes

1. The maintenance and integrity of NEXT's website is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on NEXT's website.
2. We comply with International Standard on Assurance Engagements 3000 - 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the IAASB, and with the applicable independence and competency requirements of the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics. To comply with those standards, our work was carried out by an independent and multi-disciplinary team of sustainability and assurance specialists.
3. Assurance, defined by the International Auditing and Assurance Standards Board (IAASB), gives the user confidence about the subject matter assessed against the reporting criteria. Reasonable assurance gives more confidence than limited assurance, as a limited assurance engagement is substantially less in scope in relation to both the assessment of risks of material misstatement and the procedures performed in response to the assessed risks.