

next

CORPORATE RESPONSIBILITY REPORT

TO JANUARY 2013

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WELCOME

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

Welcome to our 2013 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.

Looking back over the year, we have made steady progress and this year's report illustrates how the focus of our CR programme supports our business approach of acting responsibly, whilst we continue to grow. Continuous improvement lies at the heart of our business. The measures we employ to manage our operation ensure everything we do is aligned to our business aims to realise the full market potential of our brand and develop our business effectively, successfully and responsibly 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. CR is not only an ethical issue; it is a strategic one too. Our business values need to be evident in everything we do and we are committed to develop our business to be more sustainable and responsible. We must act fairly and responsibly across the whole of our business, as acting responsibly is not only the right thing to do, at Next we believe it makes good business sense too. We are working 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, trading responsibly, reducing our impact on the environment and being a great employer, 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 remain 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.

We are encouraged with the progress we are making across our environmental targets which are significant challenges for a growing business, and with the 3% reduction in carbon emissions achieved relative to total floorspace. We have been able to continue to reduce our carbon emissions, improve the efficiency of our vehicles and maintain the amount of waste sent to landfill:

- **energy** reduced by 4% compared to last year; and 30% reduction achieved to date against a target of 35% by 2015
- **fuel** intensity reduced by 8% compared to last year; and 16% reduction achieved against a target of 10% by 2015
- **waste** maintained at 85% operational waste diverted from landfill, against a target to send less than 5% to landfill by 2015

Our continued focus and investment into health and safety within the business has delivered an 11% reduction in all employee accidents occurring in our retail stores and a 17% reduction in warehousing and a 14% reduction in distribution.

Our CR programme touches on some big issues that are significant to how we do business. The way we behave and how we work with our stakeholders is becoming increasingly important. Looking ahead there are key challenges around our objectives of reducing our environmental impact as our business grows; exploring how best we can influence carbon reduction emissions in areas beyond our direct control and working within the complex issue of social compliance where the whole retail industry has to do more to find and implement solutions.

We hope you find this latest update on our performance interesting. We aim to be honest, open and balanced in our

WELCOME

CONTINUED



CR report, preferring to focus our attention on actions that continue to develop our approach and achievements. The report contains key data which has been assured by PwC, and their independent assurance report can be found on page 42.

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 5 for how to contact us.

Andrew Varley

Group Property Director

31st July 2013





ABOUT OUR REPORT

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

This is our tenth published Corporate Responsibility Report, covering our social, ethical and environmental performance. It is an annual report published in July 2013, and covers our financial year from February 2012 to January 2013.

Scope of the report

This report focuses primarily on the continuing activities undertaken by our retailing operation in the United Kingdom and Ireland which accounted for over 90% of our turnover in 2012/13. 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.

Please note: within the report, where we state 2012, we are referring to our financial year 2012/13.

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. As a consequence we have to manage a continually evolving set of issues.

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 and Products** - 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

PwC has been commissioned to provide independent assurance in accordance with the ISAE3000 Assurance Standard. A copy of their report can be found on page 42.



Where you see this symbol, 2012 data has been assured by PwC. In prior years data was assured by PwC or other providers (see earlier CR Reports).

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

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

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

- 540 stores in the UK and Ireland
- 275,000 transactions per day in store (average)

Next Directory

- Direct mail and transactional website
- 3.7 million active customers
- 64,000 transactions per day (average)
- 87% of orders placed directly online

Next International

- 170 overseas franchise stores in 33 countries: Armenia, Azerbaijan, Bahrain, Bulgaria, Cyprus, Egypt, Georgia, Gibraltar, Greece, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kazakhstan, Kuwait, Latvia, Lebanon, Libya, Lithuania, Malta, Morocco, New Zealand, Oman, Pakistan, Qatar, Romania, Russia, Saudi Arabia, Thailand, Ukraine and United Arab Emirates
- 18 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 51 stores in the UK; 16 are stand-alone and 35 are either separate stores carved out of a Next property or integral within a Next store; on-line, wholesale and concessions





NEXT HEADLINES AND HIGHLIGHTS

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

Financial Summary @ January 13

- ↑ Group turnover £3,547.8m (+3.1%)
- ↑ Group profit before tax £621.6m (+9.0%)
- ↑ Underlying earnings per share 297.7p (+16.6%)
- ↑ Dividends per share 105p (+16.7%)
- ↑ Total trading space 626,822m² (+4%)

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



FTSE4Good

Our Suppliers

- ↓ The products we sold were manufactured in 44 countries (-4%)
- ↓ We worked with 570 suppliers during the year (-4%)
- ↓ We carried out 1,647 audits at our suppliers' factories (-5%)

Our Customers

- ↑ There is an average of 338,000 transactions per day across Retail and Directory (+1%)
- ↑ Next have 3.7 million active Directory customers (+15%)
- ↑ 87% of Directory orders by value are placed online (+4%)

Our People

- The Next Group employed 28,301 FTE employees, with 24,936 FTE employees in the UK and Ireland
- 3,611 employees were active members of Next Pension Schemes
- Retail: during the year we have recorded a 28% reduction in the RIDDOR accident rate of our employees and a 11% reduction in the total accident rate
- Warehouses: during the year we have recorded a 17% reduction in the RIDDOR accident rate of our employees and a 17% reduction in the total accident rate
- Distribution: during the year we have recorded a 29% increase in the RIDDOR accident rate of our employees and a 14% reduction in the total accident rate

Environment

- The Group's global direct carbon footprint was 213,029 tonnes of CO₂e, which is an absolute increase of 1% on last year
- We have achieved a 3% reduction in emissions relative to floor space growth
- Progress on reduction targets measured from a baseline of 2007 until 2015 is:
 - **Energy use and emissions from stores, warehouses, distribution centres and offices**
Target - Electricity consumption: 35% reduction in kg CO₂e/m²
↓ Progress - 4% reduction compared to last year, and 30% 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 - 8% reduction compared to last year, and 16% reduction achieved
 - **Waste created in stores, warehouses, distribution centres and offices**
Target - To send less than 5% operational waste to landfill
➡ Progress - 85% of operational waste diverted from landfill achieved to date, in line with last year
- Next has successfully achieved re-certification of the Carbon Trust Standard for measuring, managing and reducing its carbon emissions during 2012
- 93% of our construction waste was recycled



Community

- ↑ Commercial support to charities and community organisations totalled £3,852,648 (+22%)
- Next supported over 350 registered charities during the year through financial donations or the offer of products



OUR SUPPLIERS

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

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 a key priority for Next. We are committed to working with our suppliers to help them understand and develop their businesses to be compliant with our Code of Practice requirements. It is an issue 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, 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, so that Next may fulfil its responsibility to uphold international labour standards with its suppliers. 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:

- Develop and improve workers' conditions within our supply chain
- Communicate and support the achievement of compliance to our ethical standards with suppliers
- Support our suppliers to achieve continuous improvement
- Implement sustainable programmes and initiatives with suppliers to improve capacity and ethical values
- Work in collaboration with others to pursue solutions for some of the more complex and systemic problems that we cannot resolve alone

Our Approach

Next sources the product it sells from many countries around the world. Safety within the work place is of paramount importance and we recognise the responsibility we have to the workers in our supply chain. We specify the requirements, before production can commence, that will provide workers with a safe and healthy environment, in accordance with all relevant local and international laws and legislation. We are committed to ensure ext product is made 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 supply chain. We firmly believe that working together in partnership is the most sustainable way to make a positive difference.

The Next COP 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 COP, and support them to continually improve their performance. The Next COP is the standard we expect all suppliers to comply with and these have been translated into a number of key languages to help our suppliers understand our requirements.

The ten key principles of our COP are:

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

OUR SUPPLIERS

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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 and supporting our suppliers, 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 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, providing regular updates to the business.

We have a dedicated global COP team of 44, directly employed by Next, which includes 4 regional managers based in our key sourcing locations. Each regional manager has their own local auditing team, including social responsibility specialists, who support our suppliers' factories to achieve compliance with our COP as well as undertaking monitoring through auditing.

Having our own global team allows us to:

- Advise, train and support suppliers and their factories to achieve the Next standards before auditing and production contracts are assigned
- Establish direct relationships with suppliers and their factories, to develop trust and encourage an ongoing honest and open dialogue
- Directly address any issues of factory non-conformity identified during the audit process and work with the factory management to develop improvements to achieve long term change
- Establish an understanding of the issues and appreciate the local context for suppliers and their factories
- Maintain a consistent approach, as all of our global team receives the same training and has the same Next values and knowledge
- Undertake joint audits and management reviews to ensure consistency of our procedures are maintained

Responsible Factory Compliance

We are continually evaluating our approach to managing compliance in our supply chain. During 2012, we have reviewed and improved the process for introducing factories with the key aim that our suppliers fully understand our requirements.

- A Next social responsibility specialist attends the supplier's factory to ensure the factory management fully understand the standards and COP requirements that must be met before production contracts can be assigned. The specialist ensures the factory understands what

will be expected at the next stage – the audit. This will include explanation of our standards, the audit process, the factory rating system and the need for honesty and transparency from the factory. The objective of this initial meeting is to ensure the factory fully understands its responsibilities prior to the audit taking place, and has confidence that it will be able to demonstrate compliance to the standards during the audit

- The factory audit is carried out by our own team of Next auditors, which delivers the advantage of developing a direct relationship with our suppliers and their factories. 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. Our team reviews the factory employment records, engages with factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards

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 progressively graded against the Next COP using a simple rating system
- Action points identified during the audit are classed as either 'major' or 'minor' and the number of major and minor issues then determines the overall rating which is given to the factory
- Category 1 indicates a factory which is fully compliant to our Code
- Category 6 rating indicates critical non-conformities have been identified which require immediate action. Orders are suspended until the critical fail points are satisfactorily rectified in line with our Code
- 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
- Our processes have been specifically developed to be a measure of progress, rather than be a 'pass or fail' process
- All new factories are audited before production

OUR SUPPLIERS

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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

- After an audit has taken place, we continue to follow up and work with the factory on any difficulties or challenges they may face in implementing the requirements of our Code. We can provide training, materials, example documentation and importantly, an understanding of why certain requirements are necessary and advice as to how to address different issues
- Suppliers are challenged to consistently achieve beyond our minimum standards. Our global COP team work closely with our factories to support and develop an approach of continuous improvement which benefits the factory, its employees and Next, not just on the day of the audit itself, but on an ongoing basis
- During the year, we placed contracts with 570 suppliers who worked with 2,118 factories to manufacture Next products

As well as providing the factory with a clear idea of how they are performing, our supplier audit ratings are used internally as a supplier management tool to provide metrics of compliance 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 team's resources accordingly. One of the benefits of having our own internal team is that direct and timely feedback is delivered straight to the product team, providing visibility of how our suppliers are performing, allowing them to make decisions based on accurate and current information.

PERFORMANCE

		2012/13	2011/12
Countries where product is manufactured		44	46
Suppliers worked with		570	591
Factory sites audited		1383	1514
Total audits carried out		1647	1732
Suppliers factories disengaged for non compliance with our Code		15	25
Next global COP team resource		44	45

The importance of partnership and collaboration

Next fully understands the importance of working with others to pursue solutions for some of the more complex and systemic problems within global supply chains that we cannot solve alone, and has first hand experience of delivering benefits by working in partnership with other organisations to understand these issues.

During 2012, we have continued our collaborative work with both national and international retailers and brands on a number of capacity-building projects and compliance issues. These projects include developing effective support and resources to deliver benefits of improved factory productivity, installing worker help lines, child labour remediation and process support for homeworkers. In order for these projects to result in sustainable improvements they require time, finance, resource and dedication. These are commitments we continue to make; such is the importance we place on these issues.

Next continues to be an active and committed member of the Ethical Trading Initiative (ETI), since we first joined 11 years ago. 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 supporting initiatives and a number of work programmes, which look at a range of supply chains across a number of product categories in key sourcing countries.

Increasing engagement with Government, International Trade Unions and Industry Bodies has continued through our membership of the ETI and separate initiatives, 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 help deliver sustainable improvements to working conditions in global supply chains.

PROGRESS

Next continues to work globally to both contribute to and support the improvement of workers' conditions within our supply chain, and to respond to issues that have been identified from our supplier assessment audits. The auditing process has been reviewed and improved to provide greater clarity to suppliers of their requirement to meet our standards, as well as our emphasis on earlier proactive communication with factories. The Next COP team's priority includes training and follow up remediation to support suppliers to achieve progressive and sustained compliance to our Code. Whilst this auditing process is vital and is built on creating positive engagement and working collaboratively with our suppliers, Next remains committed to researching alternatives and supporting selected global programmes

OUR SUPPLIERS

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involved in achieving compliance 'beyond auditing'.

The tragic fatal fire in November 2012, followed by the building collapse in April 2013 (both unrelated to Next products) in Dhaka, Bangladesh has focused the international community to the need for the development of effective fire safety standards and controls within this developing economy. Next is playing an integral part in supporting the development of an industry wide, long term building and fire safety action plan, whilst also ensuring the factories within our own supply chain do not present a risk to their workers. Next is investing in Bangladesh by establishing:

- Training for factory management and personnel
- Re-training for our auditors and supply chain teams
- Re-aligning existing expertise to assist in the strategic improvement of workers safety

Systematic solutions, governmental change, enforced legislation and infrastructure improvements will be required to provide robust sustainable change in Bangladesh. Next is supporting these initiatives by working with the International Labour Organisation (ILO), IndustriALL the global trade union, and partnering with global brands to establish a strategic solution.

In China, Next has continued to support and partner with INNO, a reputable NGO, to manage and develop worker help lines, provide a resource for workers within our supply chain for support and advice for workers to be able to report work place concerns.

We have continued to support LESN, a partner NGO organisation, with their training and support where cases of underage workers are identified. Their focus is to work to prevent occurrence in the first place as well as providing support to the identified underage workers and facilitate the necessary remediation. This includes support for the child and their family, a return to education for the child and training for the supplier and their factories.

Communication Internal communication

Effective internal communication across the business is vital to the effectiveness of managing the ethical standards within 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.

In January 2013, we presented and trained in our updated Supply Chain Corporate and Social Responsibility approach to 271 employees within our product teams in the UK, and will carry out the training globally within our sourcing offices during 2013. We provided training materials for the teams to use to assist with the effective introduction of new suppliers and their factories. The training included presentations from the 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, maintained information provided on audit ratings/factory performance for each division and our sourcing operations. This information can then be used as part of divisional 'season focus' meetings to decide on future business plans. Meetings are held jointly with the product teams and individual suppliers when non-conformity issues have arisen in their factories, and this approach has resulted in achieving positive progress to resolve issues with suppliers.

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



Supplier communication

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. The Next COP is available through the Extranet
- Compliance to all requirements of the Next 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

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.

Collaboration

The importance of collaborative involvement from all stakeholders in our supply chain, starting with the 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 mapping homeworking supply chains in India and promoting improvements in workers' conditions and productivity in Turkey. 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 the Next 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 and Sri Lanka. Organisations we have engaged with this year include the International Labour Organisation (ILO), Better Work and the newly formed international union (that has replaced the International Textile, Garment and



OUR CUSTOMERS AND PRODUCTS

next

CORPORATE RESPONSIBILITY
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CONTEXT

Our Approach

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

"Exciting, beautifully designed, excellent quality clothing and homeware"

Delivering to our Brand values means developing, improving and expanding our product ranges, focusing on being better by design. Next products should be well made, functional, safe, free from harmful substances, sourced and produced responsibly. 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
- Our products are safe and fit for their intended purpose
- Our products fully comply with all legislation and our own standards where these go beyond legislative requirements
- 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, 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 meeting the required safety and performance standards detailed in the product specific

technical 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 manuals and 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 implementation 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 to contact us through telephone calls, letters and email correspondence, to resolve enquiries and issues in relation to our products, operation, policies or

OUR CUSTOMERS AND PRODUCTS

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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. In addition, their role is to provide regular reporting to the business, including to senior management, who regularly review customer service performance as one measure of how the business is delivering satisfaction 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 2012 we had:

- An average of 338,000 transactions per day across Retail and Directory (2011/12: 334,000)
- 3.7 million active Directory customers (2011/12: 3.0 million)
- 87% of Directory orders by value placed online (2011/12: 84%)

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 19 million contacts from our customers through telephone calls, emails and letters, and of those, less than 1% become 'escalated' to the Resolution team to 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 restricted by law or are known to be hazardous or harmful to humans or the environment. These chemical substances are detailed in our Restricted Substance Standards (RSS), which form part of our technical requirements for the products manufactured by our suppliers, and for which all our suppliers are contractually bound to comply with. We have developed our RSS requirements from:

- 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 2012. 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 a chemical is hazardous or not. With this approach 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 offering advice, support and training to ensure the chemical substances used meet our required criteria, and offer advice, support and training where needed.

As part of our ongoing due diligence programme and commitment to ensure the products we sell meet our standards, we conduct regular monthly audits. Working with two independent specialist laboratories, we select products based on a clear risk assessment process, 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 and may be recalled from customers.

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

OUR CUSTOMERS AND PRODUCTS

CONTINUED



Having pre-registered all relevant chemicals in 2010 to the European Chemicals Agency (ECHA), we continued to work with our external REACH consultant during 2012 to identify the chemicals we are using in higher tonnages that require REACH registration in 2013. We have also identified a number of chemicals that potentially may need to be registered by the 2018 deadline and are starting to gather the relevant information needed for these registrations.

Under REACH, the list of Substances of Very High Concern (SVHCs) continues to grow. 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. 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.

Under REACH, companies must notify ECHA, who controls 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. Our 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 2012, 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 product achieves the standards we require. Our safety standards are based on the highest legal European standards 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 2012, 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, on our website and by writing directly to our Directory customers
- Collate the returned products at our warehouse and arrange for their safe disposal

Sustainability of Raw Materials

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.

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

During 2012, we developed a new due diligence system database for assessing, managing and mitigating our timber risks. All our suppliers of timber based products are required to provide information via the system about their supply chains from the forest source through to manufacture. Suppliers must submit supporting documentation so that all components can be risk assessed against the requirements of our Timber Policy which is in line with EUTR requirements.

To better understand the requirements of EUTR, we

OUR CUSTOMERS AND PRODUCTS

CONTINUED



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.

In 2012 we have sold over 5.9 million products (2.5 million 2011/12) which have been certified by either the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC). The schemes provide assurance that these products have been made from wood sourced from legally harvested and well managed forests.

In September 2012 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 in any of our products and that artificial fur must be sourced instead. 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.

Cotton: Next actively participates in the Sustainable Clothing Action Plan (SCAP), lead by WRAP, alongside other major retailers, brands, recyclers, NGOs, sector bodies and charities. WRAP (Waste & Resources Action Programme) is an independent not-for-profit company with two priorities; minimising resource use and diverting priority materials for landfill. In July 2012 WRAP launched their 'Valuing Our Clothes' report which set out a number of opportunities for the clothing sector to reduce carbon emissions, resource use and waste.

Liz Goodwin, CEO, WRAP stated in the report:

"This report shows how we can all value clothing more, saving money and reducing environmental impact. The clothing sector is already working to reduce the impact of clothing and together we will take forward more ideas which will deliver benefits to us all."

SCAP members have identified that:

'To understand the opportunities for reducing resource use and waste in the clothing industry, its important first to understand how resources are used across the three major life-cycle stages of a garment: materials, garment supply, in-use and end-of-life.'

The collective ambition of SCAP and its members is to improve the sustainability of clothing across its whole life cycle. By bringing together industry, government and the third sector (recyclers, charities and re-use organisations), the programme aims to look at how to reduce the impacts of clothing whilst meeting consumer expectations.

Whilst many of the opportunities are up to individual businesses to evaluate and take forward, one action that organisations across the sector can take is to sign up to the forthcoming Sustainable Clothing Action Plan 2020 Commitment; Next signed up in June 2013.

To find out more: www.wrap.org.uk



OUR PEOPLE

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

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 us. 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	
	2012/13	2011/12
Next Retail + Directory	24,710	24,531
Next International	217	234
Next Sourcing	3,148	3,642
Other Activities	226	278
	28,301	28,685

Pensions: As at 26th January 2013, active membership of the Next Group Pension Plan stood at:

Pensions data relates to Next Group operations in the UK, excluding Next International & Next Sourcing	Final Salary Section		Money Purchase Section	
	2012/13 Number	2011/12 Number	2012/13 Number	2011/12 Number
Next UK Pension Scheme (number of employees)	1,241	1,336	2,370	1,934

Automatic pension enrolment for employees: in line with the government's requirement, Next's staging for automatic enrolment was 1st November 2012, but a postponement period of three months was chosen which meant the first automatically enrolled employees made their first contribution in February 2013. Employees were kept informed of the requirement for automatic enrolment in a number of ways including briefings, letters issued with pay slips and also on-line. A series of 'pension surgeries' were held in the weeks leading up to the automatic enrolment to help ensure employees understood the pension choices. Almost 11,000 employees were automatically enrolled in February 2013.

Health and Safety: New accident reporting requirements:

We report work-related accidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations (RIDDOR) per 100,000

OUR PEOPLE

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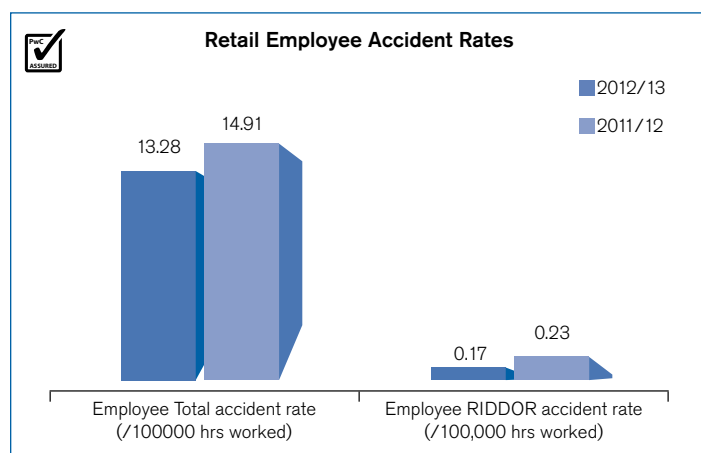


hours worked for employee accidents, and per 100,000 transactions for customer accidents.

From 6th April 2012, the RIDDOR requirement to report an employee 'lost time accident' to the Health and Safety Executive (HSE) changed from work-related accidents involving 3 or more days off work to those involving 7 or more consecutive days.

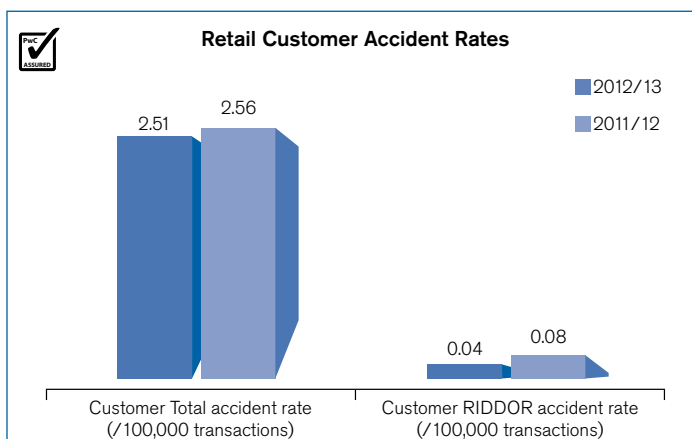
To enable the business to review year on year comparisons, we have re-calculated the 2011/12 data under the new requirements and used the new requirements for our 2012/13 data.

Retail stores - employees: during the last year we have seen an 11% reduction in the total accident rate for employees. We have concentrated our focus on reducing the level of over-reporting of RIDDOR accidents. All accidents are now carefully checked against the new HSE guidance (available at www.hse.gov.uk) which clarifies the term 'arising out of or in connection with work' to determine whether an accident is reportable or not. This focus has delivered a 28% decrease in the RIDDOR accident rate.

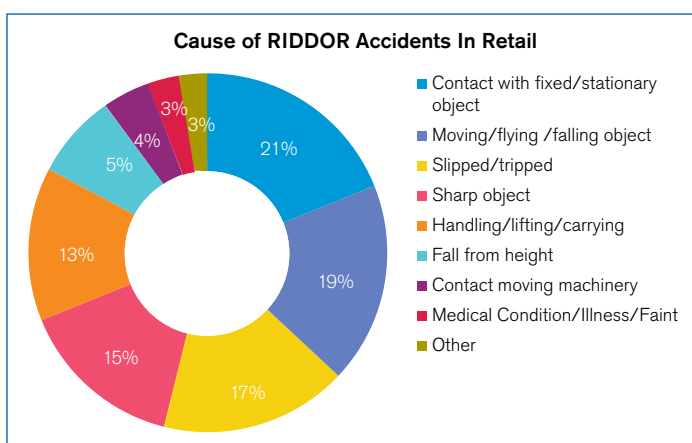


Retail stores - customers: The total accident rate for customers decreased by 2%, and in addition the RIDDOR accident rate decreased by 48% from 0.08 to 0.04 accidents per 100,000 transactions. This is less than 1 RIDDOR for every 2.5 million transactions.

We classify as RIDDOR 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 stores - employees and customers: A breakdown of main accident causes for both employees and customers shows the key area is people walking into a 'fixed/ stationary' object, closely followed by 'moving/ falling' object. To assist in more accurate reporting we have included a new category to record medical conditions or where someone feels unwell. 'Slipped/tripped' remains a focus for the business, and as a result we have seen accident numbers reduce in this area.



Warehouses and Distribution Centres: within the business we monitor and review the accidents, incidents and near misses within our main receipting warehouses and outlying distribution centres separately, as from a health and safety perspective, the risks and challenges in the two environments are quite different. Our warehouses have a much higher level of automated equipment in operation than our distribution centres.

Warehouses: We have recorded a 17% reduction in the RIDDOR accident rate, and a 17% reduction in the total accident rate during the year.

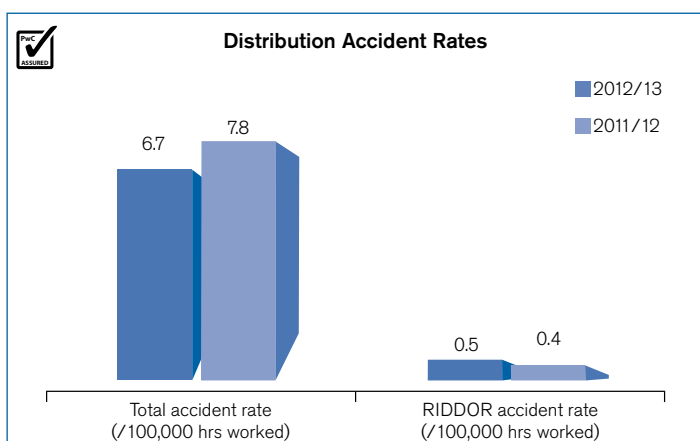
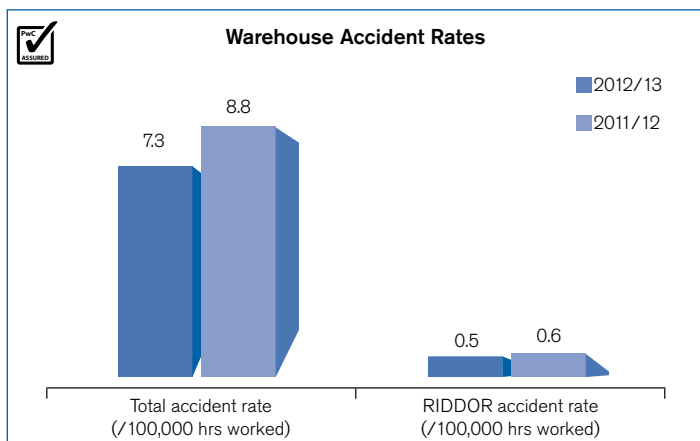
Distribution centres: Whilst we have recorded a 29% increase in the RIDDOR accident rate in this part of

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the business, the actual number of accidents reportable under RIDDOR is low at 7 for the reporting period. We are encouraged by the 14% reduction in the total accident rate.



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 reportable under RIDDOR is also low, with only 2 reportable across both operations during the year.

Legal activity: during 2012 we were subject to the following legal activity relating to Fire, Health, Safety and Environmental issues:
2 Notices under the Environmental Protection Act 1990 requiring effective management of waste. Both notices were complied with in full

Progress

Health and Safety

"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 incorporates 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

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 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

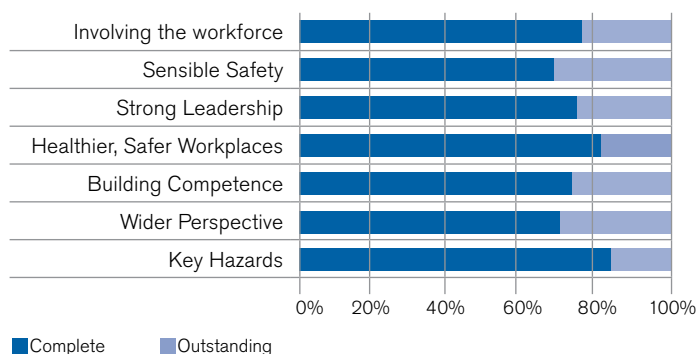


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Safety Programmes 2012-2014



The chart above shows our progress (as at end January 2013) 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

- A Primary Authority partnership has been set up with Doncaster Metropolitan Borough Council which will result in a more co-ordinated approach to external H&S inspections and reduce the burden to all parties of uncoordinated Enforcement Agency inspections
- A review has been undertaken to ensure compliance with regulations relating to the 'carriage of dangerous goods' to confirm the relevant products are correctly identified, stored and transported within our warehouse and distribution systems
- A review of Manual Handling Equipment (MHE) training has been conducted relating to battery changing and charging, following the identification of a risk of battery fires if the procedures were not carried out correctly. This process has led to:
 - The creation of a model design strategy for all battery charging areas
 - The creation of a service level agreement for the care and maintenance of batteries and support equipment
 - Our third party fire specialists surveying our current fire detection and warning controls and making recommendations
- Review of risks associated with energy supplies in close proximity to the charging areas
- Safety procedures have been developed to support

the new 'next day to store' delivery van fleet including completion of risk assessments for each store delivery point to minimise cross pavement deliveries for our high street stores, as delivery times to these stores are often restricted

- Within the warehousing operation, whilst an infrequent event, there is a small risk of a pallet falling from height into the picking aisles when being stored. Following an investigation into this risk we have implemented new guidance and a racking inspection policy to ensure compliance is achieved
- A new in-house tool has been developed to support part of the warehouse 'Target Zero' (Safety First, Excellence Always) way of working which was introduced in April 2012. It allows employees at all levels and managers to work together to identify safety or quality improvements that will be of benefit to the business. 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 support the business to make improvements and eliminate errors to make a difference to Next
- During the year we have implemented a 'mock' exercise to test the suitability and effectiveness of key policies and procedures and response times if a serious or fatal accident was to occur in our warehouses or distribution centres. The 'mock' exercise was carried out in collaboration and partnership with Doncaster MBC who provided positive feedback on the policies and procedures we have in place
- We have continued to develop the e-learning offer by developing and introducing more modules such as fire warden training

Retail

- To help store managers effectively complete their accident investigations, our H&S advisers have held a series of workshops across all regions
- We have improved the investigation of accidents in both retail stores and warehousing through the introduction of a new accident book which clearly supports the accident investigator to carry out a more detailed investigation. The improved reporting can be used more effectively to help reduce the occurrence of further accidents

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- Evacuation chair training – to avoid accidents and injuries it is essential training is provided on how to use an evacuation chair as a means of escape for mobility impaired people in the event of a fire in a multi-storey building. Historically, this training was conducted by an external approved contractor, however to improve the training frequency we have developed a process to allow this training to be conducted by the senior management within a store
- The findings from a safety focus day held with store managers are helping to identify ways to improve health and safety resources and procedures in store to ensure they are fully effective. As a result, improvements have been made to the risk assessment process to ensure it is more focused and is appropriate to the individual store in relation to the products they sell. In addition the risk assessments are to be carried out throughout the year rather than annually, to ensure focus to a particular area of safety

Lipsy

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

Company Wide

- During Winter 2012 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
- 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 supported our Code of Practice team in the development fire safety training materials and 'self audit' questionnaires to be issued to all our suppliers, to enable them to undertake their own 'self audit' programme for fire safety ahead of an audit by the COP auditor

Health and Welfare

During the year, Next spent over £900,000 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 regular Employee Well Being days involving the local primary care trust and other providers. They offer advice and guidance to employees on a wide range of matters such as prostate cancer, reducing stress levels and 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.

Training and Development

We offer 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, 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 almost 200 managers have completed the Management Development Programme since its launch in 2010. The programme supports the development of the skills a manager needs to be effective in their role. It 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. The areas of focus include communication, feedback and coaching, motivation, change management and problem solving skills. Between each of the classroom modules the managers are supported by their line manager to put the skills they have developed into practice. Senior training and development advisors are always on hand to provide any extra support and coaching that may be needed. In addition, we have provided dedicated development rooms where managers can complete their pre and post course work and refresh their technical skills through online e-learning modules.

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Trainee Team Manager Programme: following a successful pilot during 2011 with 6 employees, a further 10 Trainee Team Managers commenced the programme in February 2012. 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.

Life Long Learning: in warehousing and distribution we are committed to supporting the continuous building of skills and knowledge throughout the life of an individual. Working with the Union of Shop, Distribution and Allied Workers (USDAW), we developed and run a dedicated Life Long Learning centre in one of our main warehouses with the support of a Union Learning Representative (ULR). 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.

In 2012 at our first centre, 71 employees have undertaken courses in literacy and numeracy, where 61 of them held no recognised qualifications prior to commencing with this programme. 34 employees have successfully achieved a recognised qualification to date.

During the year we reviewed the success of this programme and identified the benefit of making this service accessible across all sites. Towards the end of 2012, seven ULRs were recruited, with a plan to recruit six more in 2013. This will give each warehouse two dedicated personnel to work with USDAW, the tutors and the learners themselves to liaise between all parties, providing course information and a clear point of contact for the learners when they are interested in forthcoming courses being planned.

Engineering Academy: following the success of the Quality Academy (details about the Quality Academy can be found in our 2012 CR Report on page 19), the engineering team within warehousing and distribution has started to work with Wakefield College to develop an in-house Engineering Academy. With Next, Wakefield College will

jointly support the delivery of the programme, supporting the assessment, functional training and delivery of additional skills required to complete the framework leading to NVQ Level 2 qualifications. Experienced Next engineers from within warehousing will mentor the apprentices to support them to practically apply their learning in the workplace as well as passing on their skills and knowledge to support high levels of competency and performance. The Academy is planned to commence in September 2013.

Succession Planning: in November 2012 we launched a new training and development initiative within our Home warehouse called the Assistant Site Manager Start Line. Our intention with this approach to succession planning and talent management is to create a clear and transparent progress path for those employees who have been identified as having the potential to progress into a more senior leadership role in the future. Our aim is to develop employees in advance to be ready for the role, rather than waiting until they actually gain promotion into the role. Following the introduction of the programme, focused development and coaching will be tailored towards an individual's needs. The overall aim of the programme is to develop the key skills and behaviours required for senior management roles, with participants being appraised on three key attributes of a senior manager: judgement, drive and influence. There are currently five managers on the new programme, and we are planning to roll it out across more areas within warehousing as we believe it will result in a transparent career progression route, which will deliver the skills individuals need to carry out their roles successfully.

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.

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

OUR PEOPLE

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consultation across the business enabling and encouraging open discussion about key business issues on matters that may affect them and the working environment.

Next has a recognition agreement with USDAW in relation to our warehouse and distribution employees. This includes an agreement with the professional and managerial section of USDAW, called SATA, to represent our supervisory staff employed in this division of the business. Regular contact and discussions take place with both USDAW and SATA members.

In summer 2012 we carried out the first 'Your Opinion Counts' Employee Engagement Survey within Next Distribution. Over 6,000 employees across our 8 warehouses and 6 distribution centres were asked for their opinion. The survey contained 24 questions across 4 areas:

- How are you valued?
- How are you treated?
- How is your working environment?
- How are you kept informed?

The response rate was 70%, which is pleasing for a first time survey in a low-tech environment.

The highest scoring questions were around H&S with 97% of respondents agreeing they understand their contribution to making their site a safe environment, 92% agreeing with the question 'I understand the work I do contributes to the success of Next' and 90% agreeing with the statement that 'Safety is important to my manager'.

The lowest scoring questions were around restaurant facilities, communication and the ability to raise ideas and suggestions effectively.

The Management team have taken the feedback and developed action plans including regular scheduled one to one sessions with all employees and their managers, improvements to weekly communications and more forums and mechanisms to capture and reward ideas and suggestions. In addition sites have re-vamped their restaurants and installed more hot food facilities which have been well received.

Our aim is to carry out the survey again in 2013.

'Engage for Success' was the theme of the Managers Investment Days held for 400 Team Managers from warehousing and distribution. The sessions incorporated the feedback themes from the survey and were held off-site to allow managers time to think about their role and how they could contribute to the overall vision and success of their operation and Next.

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.

We believe 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 2013, there were around 7,700 employees participating in our Sharesave scheme.

Workplace Nursery: In October 2013, Next will be opening an onsite workplace nursery called 'Next Steps'. This is part of Next's ongoing commitment to supporting our employees with childcare whilst they are in our employment. Some key facts about the nursery are:

- It will be a purpose built facility
- There is space for up to 200 children, aged up to 5 years
- The cost of the project is over £4 million
- At full capacity, it will create up to 65 new jobs

Our aim and intention is to provide more details in Next year's CR Report.

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 available for participation by all employees. During the year our employees donated over £20,000 to charities of their choice.

OUR PEOPLE

CONTINUED



Attracting employees

During 2012 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 have several who have already started in our teams. For 2013, we plan to create workshop visits to universities promoting our roles whilst teaching them real business skills surrounding the roles we have. Alongside this, the students will also learn about employability to help prepare them for the job application process with Next and other businesses.

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 2012 and a further 5 students in March 2013. The students worked within our Product teams focusing their time in Buying, Merchandising, Graphic Design and Visual Merchandising 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 2013.

Apprenticeships at Next

In April 2011, we launched an Intermediate Apprenticeship programme in our retail stores. We made the decision to become involved within the programme because we wanted to support the creation of new jobs for young people and offer them training within a retail environment to help build a more skilled workforce in the longer term.

During 2012, we have continued to work with a specialist training provider, who directly receives the government funding per apprentice, and supports our apprentices to achieve their qualification, an Intermediate Apprenticeship in Retail, awarded by City and Guilds. The qualification is equivalent to 5 GCSEs or Scottish Standard Grades A-C. Since April 2011, 1077 apprentices have qualified through the programme. Eleven of our qualified apprentices have progressed to supervisory roles within our retail stores, and three are now employed as sales managers with us. In 2012 we were thrilled when one of our apprentices won the

Skillsmart Retail Rising Stars/ Retail Week Apprentice of the Year Award.



Jodie started her apprenticeship with Next in May 2011. Since completing her apprenticeship, Jodie has been promoted twice - first to a full-time supervisor and then to a sales co-ordinator. Jodie's thoughts on what she enjoyed about being an apprentice at Next are:

"Getting to learn so much about the company and retailing and the great standard of training that I received. I've also met so many great people and am part of a brilliant team. Everyone I've worked with has helped and supported me"

In April 2012 following the recruitment of a second intake of apprentices, we currently have 620 apprentices on the Intermediate programme, of which 98% are new employees to Next coming either straight from full-time education or from having been previously unemployed. All Next Intermediate apprentices work 30 hours per week during their 12 month training programme and are guaranteed a permanent part-time contract on successful completion of the programme, subject to meeting our standards of attendance and performance.

During 2013 we are planning to pilot a programme for qualified Intermediate apprentices or existing team members to progress to an Advanced apprenticeship which will be equivalent to 2 A Levels or Scottish Highers A-C. We will report on this more fully in next year's report.



ENVIRONMENT

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

CONTENT

For many years, Next has recognised 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 continue to explore every opportunity to manage the environmental impacts from our direct operations, including greenhouse gas emissions and natural resource usage. In addition, as a business with a global supply chain, we recognise the opportunity of working with our suppliers to help contribute to emissions reductions. We are a signatory to the British Retail Consortium's Climate Change Initiative, 'A Better Retailing Climate'. The voluntary initiative includes commitments to reduce energy and resource use, transport emissions, waste and packaging. We do this by working to improve our own environmental performance, contributing to the broader goals of the UK, as well as helping customers and suppliers to do the same.

Climate Change

Climate change is now widely regarded as one of the greatest global environmental challenges society faces, and we take our responsibilities in this area 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 owned manufacturing facility
- 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

The diagram on page 36 details the boundary scope of our direct carbon footprint.

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) in May 2012. 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.

We expect to be able to meet the forthcoming Greenhouse Gas Emissions (Directors' Report) Regulations 2013.

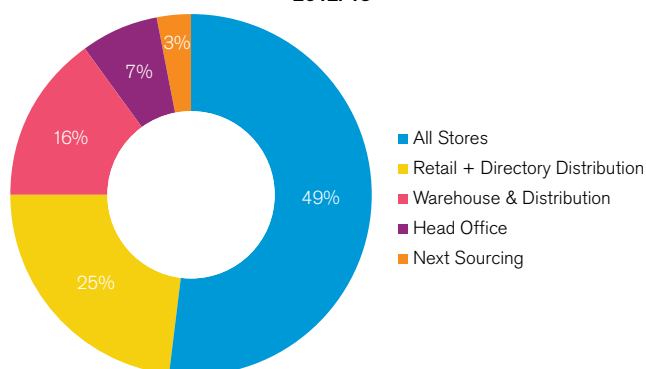
PwC undertake independent assurance across 96% (2011/12: 95%) of our carbon emissions. We are pleased with this further increase and have welcomed and valued the challenge this process brings to the business.

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Next Group Operational Global Direct CO₂e Footprint 2012/13



PERFORMANCE

Next Group Global Carbon Footprint

Next Group Operational Global Direct CO₂e Footprint: 213,029 tonnes of CO₂e (2011/12: 210,176)

We have measured our global direct carbon footprint, where we have operational control, as 213,029 tonnes of CO₂e. Whilst this is an absolute increase of 1% on the previous year, we have opened a new distribution centre and increased our total floor space by a total of 4% during the same period. So relative to our floor space growth we have achieved a 3% reduction in emissions, demonstrating we are continuing to operate with increased efficiency whilst continuing to expand the business.

Next Group operational CO ₂ e emissions		2012/13 Tonnes	2011/12 Tonnes	% Change
Scope 1		38,487	31,441	22%
Scope 2		136,227	136,166	0%
Total gross controlled emissions		174,714	167,607	4%
Scope 3		38,315	42,569	-10%
Total gross emissions		213,029	210,176	1%
Scope 1 - Direct emissions from Next Group operations		2013/12 Tonnes	2011/12 Tonnes	% Change
Gas heating (stores, offices, warehouses)		7,688	6,941	11%
Next owned distribution vehicles		25,522	19,122	33%
Next owned cars		2,629	1,451	81%
Buildings (diesel oil, refrigerant gases)*		1,435	1,544	-7%
Data in scope of external assurance		37,274	29,058	28%
Data not in scope of external assurance		1,213	2,383	-49%
Total gross emissions		38,487	31,441	22%
Scope 2 - In-direct emissions from Next Group energy consumption		2012/13 Tonnes	2011/12 Tonnes	% Change
Data in scope of external assurance		132,914	133,761	-1%
Data not in scope of external assurance		3,313	2,405	38%
Total: Scope 2		136,227	136,166	0%
Scope 3 - Other in-direct emissions from Next Group operations		2012/13 Tonnes	2011/12 Tonnes	% Change
Waste (stores, offices, warehouses)		1,701	1,596	7%
Business travel		5,443	4,513	21%
Third party distribution vehicles		26,661	28,886	-8%
Data in scope of external assurance		33,805	34,995	-3%
Business travel		3,508	6,440	-46%
Other emissions		1,002	1,134	-12%
Data not in scope of external assurance		4,510	7,574	-40%
Total: Scope 3		38,315	42,569	-10%

* During 2012/13 we have been unable to gain refrigerant gas data from one contractor, so have excluded their data from the prior year to allow direct comparison

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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:** 4% reduction compared to last year, and 30% electricity reduction achieved to date

CO ₂ e emissions relating to assured data in UK & Ireland for stores, warehouses & offices	2012/2013	2011/2012	% Change
Electricity usage kWh	255,423,425	257,048,257	-1%
Gas usage kWh	41,509,111	37,476,473	11%
Total kWh	296,932,536	294,524,730	1%
Total Floorspace m ²	1,199,047	1,149,208	4%
Tonnes CO ₂ e	140,602	140,702	0%
Tonnes CO₂ e per 1000m²	117	122	-4%

In 2012/13 the energy efficiency in our retail stores improved by 2% as we continue to tackle energy reduction in a number of ways. 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 540 stores and store stockrooms, we have a total of 436 with half-hourly modern meters and 91 automated meter readers (AMR) 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 manage 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 and now have 504 stores with this system in operation. The system 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
- 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 as the system provides increased visibility and understanding of our energy consumption by store and also identifies any faults or malfunctions at individual store level so they can be immediately investigated and rectified.

We have already been using low energy Light Emitting Diode (LED) bulbs within our stores to illuminate areas where products are not displayed for some time, as they offer the benefit of reduced energy consumption and less maintenance due to a longer life per bulb. Following a successful trial in a small number of stores in early 2012, during the year we have installed LED lighting into the selling areas of 47 stores to light our products, and plan to roll this out to a further 50 stores in 2013. This initiative has delivered a reduction in energy demand for the lighting installation as well as the overall electricity consumption for these stores. This is due to LED lighting consuming less electricity and creating less heat within the store, which means air conditioning requirements are reduced whilst still maintaining a comfortable shopping environment for our customers.

From April 2012, all the electricity we purchased for our operations across mainland UK came from good quality low carbon renewable sources, mainly on-shore wind and landfill gas; electricity generated from organic material present in landfill waste. For our stores in Northern Ireland and Ireland, we have continued to purchase electricity generated from Irish on-shore wind farms. 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 as we believe this is the right approach for our business.

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

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with their store's individual energy consumption on a monthly basis, showing consumption both in and outside trading hours, to allow them to compare their performance against the previous month, as well as the same time period last year, and help identify any unusual results for further investigation.

Gas is used predominantly for heating purposes within the business, and consumption has increased on the previous year as a consequence of a colder winter and opening a new distribution centre. 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:** 85% of operational waste diverted from landfill achieved to date, in line with last year

Waste and Recycling - stores, warehouses and offices	2012/2013		2011/12	
	Tonnes Waste	Tonnes CO2 e	Tonnes Waste	Tonnes CO2 e
General waste sent to landfill	3,908	1,968	3,677	1,851
Materials diverted for recycling	21,605	0	20,187	0
Total	25,513		23,864	
% Recycled	85%		85%	

Note: Head Office waste data included.

Our priority is to work to reduce the amount of waste we generate wherever possible within our operations, and to reuse or recycle more of the waste we do produce 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. Within our retail stores our employees play a vital role in effectively separating and segregating recyclable materials for return to our in-house recycling centre to minimise the waste being sent to landfill.

During the year we have delivered a 7% increase in the materials diverted for recycling, but also sent 6% more waste to landfill. This increase to landfill is as a result of new customer delivery improvements and operational challenges within our recycling centre. The issues resulting in the increase have been identified, and measures have been implemented to ensure we are able to reverse this situation during 2013, to help achieve our target to send less than 5% of operational waste to landfill by 2015.

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 our operations. Working with our third party waste provider, the Scorecard is reviewed on an annual basis following interrogations of the bins throughout the year, to ensure the general waste data we report is an accurate reflection of the waste our stores are producing.

In total we have 540 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.

Looking ahead, we believe there is further opportunity to collect additional differing waste streams from our stores more effectively. In 2013, initially through a trial with a small number of stores, we are investigating an alternative solution to the challenge of recycling mixed materials more efficiently. If successful, the approach will be extended to more stores during the year.

Packaging

Packaging is essential to protect and deliver products, ensure product safety and quality from our suppliers to Next warehouses in the UK, and then onto our stores or Directory customers. We believe there is opportunity to continue to reduce the amount of waste produced for both ourselves and our customers by reducing the amount of packaging used on our products. So far, 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. To develop this initiative further, in 2013 we will identify several products to undergo a packaging review with the aim of reducing packaging weight, and making the remaining packaging easier to recycle for both our customers at home and ourselves.

Green Champions

Our in-store Green Champions have continued to play an important role by raising awareness of our 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.

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Carrier Bags

Next continues to support and encourage our customers to reduce use of single-use carrier bags where appropriate by using the most appropriate size of bag for their purchase or placing the purchase in the customer's own bag if requested.

In 2011, Next implemented local arrangements in line with regulatory charging requirements for single-use carrier bags in Wales – read more on www.next.co.uk. The monies raised from this charge are equally distributed between two Welsh charities - WWF-Cymru, who are working to protect the marine wildlife around the Welsh coastline, and Ty Hafan, who offer comfort, care and support for life-limited children and young people and their families.



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© wild wonders of Europe / Laurent Geslin / WWF

Spotlight on our funding to WWF: Helping WWF-Cymru to protect the Celtic Sea

Half of all the fees charged for our carrier bags in Wales since October 2011 have been donated to WWF to help protect our local environment.

The sea around Wales has an amazing array of wildlife – attracting seals, whales, dolphins and seabirds, even sea turtles can sometimes be spotted. But the Celtic Sea is under threat from a range of different human activities such as tourism, pollution, fishing, shipping and dredging that if uncoordinated can lead to overexploitation and put the marine environment under stress.

With the help of Next and other supporters, WWF-Cymru, based in Cardiff Bay, has led a collaborative project called PISCES, which has successfully brought together key regional groups (everyone from anglers and sailors to port authorities and government) identifying collaborative ways to balance everybody's needs with protection of this precious area.

The positive lessons learned in the Celtic Sea have been collected into a guide which is already being used by other regional groups across the EU, helping to ensure that our valuable seas are well looked after and that people and nature can thrive together.

"WWF-Cymru was delighted to be chosen to receive this local support from Next in 2011 - 2013.

We very much support the Welsh levy on plastic bags to cut down the total number used and reduce the impact on the environment. By donating to support WWF's projects around the Celtic Sea, Next has helped us in our work to preserve Wales' beautiful seas and coastline for the future."

Dr Lyndsey Dodds, WWF-Cymru, PISCES Project Manager

Distribution

- **Target:** Retail Distribution - 10% reduction in litres of fuel used/m²
- **Progress:** 8% reduction compared to last year, and 16% reduction achieved

Next retail distribution vehicles	2012/13	2011/12	% Change
Litres used	6,720,787	6,994,802	-4%
Tonnes of CO ₂ e	21,544	22,089	-2%
Average MPG	10.17	10.14	0%
Total floorspace m ²	1,199,047	1,149,208	4%
Litres/m ²	5.61	6.09	-8%

The transport and distribution of products to our retail stores and Directory customers is the second largest generator of CO₂e emissions for Next. Deliveries to our retail stores are mainly undertaken using our own fleet which has achieved a 2% reduction in tonnes of CO₂e. For Directory we use a third party provider to deliver on our behalf, however in June 2012 we brought part of this function in-house and took over the ownership of the vehicles that performed the Directory trunking operation from Next to the provider's own distribution facility. The result of this business strategy development has been partly responsible for the increase in our Scope 1 figures by 33%, which is due to the additional emissions from these new vehicles to our own fleet. We believe there may be opportunity to consolidate our fleet during 2013, to maximise how our expanded fleet is able to support both retail and Directory, and will report on this in the future.

We have exceeded the target set for our retail distribution fleet early, due to the considerable efforts within distribution to reduce our emissions which are detailed overleaf. The target excludes the emissions from the Directory vehicles purchased in 2012, so we will now consider setting a new target.

Next is a growing business, and in early 2012 we began to trial additional delivery options for our customers to be able to receive purchases the same day as ordered direct to their

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homes, or next day to store. Both services have been well received by our customers and are now fully operational within the business. Additional vehicles have been purchased which have also contributed to the 33% increase in our Scope 1 emissions.

Our aim is to use our vehicles as efficiently as possible to deliver products to our stores, to help us to reduce transport related emissions. To help achieve this we have invested in additional 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-deck trailer for the same journey. We are also using more double-deck trailers for direct deliveries to stores both in the UK and Ireland.

Since 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 have continued to develop our driver training programme and work with our drivers and provide 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 driver's 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 have trialled a number of vehicles/ trailers that offer improved performance in mpg (miles per gallon), and based on the results achieved have now invested in these vehicles/trailers.

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 Nottingham as well as for Yorkshire, Edinburgh 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 support to other transport companies to show how we work to improve driver performance, manage driver safety, increase mpg and therefore reduce emissions.

Construction Waste

93% construction waste recycled

Store openings/refit Construction Waste	2012/13 Tonnes	2011/12 Tonnes
Waste produced - tonnes	7,260	9,268
Waste recycled - tonnes	6,751	8,499
% waste recycled	93%	92%

During 2012, 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

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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

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

Context

Our Approach

With 540 stores in the United Kingdom and Ireland, we offer support to a wide range of charities and organisations of all sizes, by working to provide them with 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. In addition to supporting individual charity requests, we also agree to support some charities for a number of years with a specified annual donation. This commitment helps these charities to be able to plan their work with confidence.

Our priorities are to:

- Offer support to charities and organisations of all sizes with a donation that is of most benefit to them
- Focus our resources on charitable projects that benefit communities across the UK and Ireland
- 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 2012 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. 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:	2012/13 £	2011/12 £
Registered Charities	911,348	876,449
Individual requests, local and national groups and organisations	110,309	75,235
Commercial support & sponsorship	83,408	73,136

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

Next charity event	182,182	-
Gifts in kind - donations of products	2,187,607	1,652,376
Charity link sales	356,514	425,152
Total Support	3,831,368	3,102,348
Employee fundraising	21,280	44,006
Total Support (incl. employee fundraising)	3,852,648	3,146,354

Progress

Next Charity Event - in response to the current challenging economic climate we have made the decision to host one charity fundraising event each year.

During 2012, we hosted the Next Charity Ball with the proceeds of £182,182 going to The Children's Trust, Tadworth - a national charity working with children with acquired brain injury, multiple disabilities and complex health needs to have the opportunity to live the best life possible.

The combination of



COMMUNITY

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services offered by the Children's Trust is unique, and every year they are able to help children, young people and their families through:

- Rehabilitation
- Expert nursing, medical care and therapy
- Special education
- Research, information and policy development

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:

Doncaster Refurnish - Next has now worked in partnership to support the work of Doncaster Refurnish for over 4 years. It is 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 continue to offer them unsellable, damaged furniture and home accessories that they are able re-use, repair or remanufacture to create new products, and from these create value to support their aims.

Andy Simpson CEO of Doncaster Refurnish said

"We're more than just a furniture re-use project. We use the medium of taking unwanted materials and we create an environment for people to realise their potential, encourage their creativity and take risks by supporting them to test their ideas".



Doncaster Refurnish offer a vital volunteering and training programme for people with learning difficulties, disabilities and the long term unemployed who are actively engaged in all aspects of the project. 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. This encourages attitudes of self-reliance, self improvement and mutual support enabling people to take control of their own lives. Refurnish recognises that training and developing both employees and volunteers is key to their business plan to help drive the future success of the charity.

Through its remanufacturing processes, Doncaster Refurnish generates its own waste streams and these are used to provide much needed educational resources for students at Doncaster College, local schools and community groups. The materials are used for creative activity, with the challenge of being able to produce products that can both raise people's understanding of resource management, as well as being sold through the Doncaster Refurnish stores to raise additional funds. This helps to divert more from landfill and also facilitates cost savings for all partners enabling them to maximise their own budgets. To ensure this creativity is captured and can be expanded to the wider community, Doncaster Refurnish is working with Scrapstores UK to develop a Scrapstore in one of their stores.

During 2012, Doncaster Refurnish, by working in partnership with Next, has been able to create £313,000 to help fund its charitable work and in addition have created:

- 69 training work placements
- 90 students supported through educational activities
- 163 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 253 tonnes of waste from landfill for reuse by the charity.

We are 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

ScrapstoresUK - set up by members of the Scrapstore community to 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 we have offered a wide variety of products including items from our 2012 Christmas window displays and in store displays.

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

COMMUNITY

CONTINUED



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 15 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, created to provide employment for disadvantaged women. It 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 2012 Oxfam has raised over £6,650 from our employees' donations at Head Office, raising over £17,000 since it was launched. We are working with the Oxfam Collects team to introduce the scheme in to other areas of our business.

An employee payroll giving scheme is available to all employees and during the year employees donated over £20,000 to charities of their choice.

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, cake sales, to the less tiring activity of growing moustaches for 'Movember' to raise vital funds and awareness for men's health issues.





CRITERIA AND METHODOLOGIES

next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

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 2012 to 31st January 2013

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)
- Lpsy 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.

- Robust internal data, which can be reconciled to independent third party data
- Trusted independent third party data
- 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

CONTINUED



Reporting Specifics and Methodology

1. Our Suppliers

Number of Supplier Audits

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

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

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

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

Scope: The Next global COP team audit all our suppliers' factories in all the countries we purchase from. The data reporting period is 1st February 2012 to 31st January 2013

Unit: The number of individual audits performed and supplier's factory sites visited for an audit by our COP team

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

Note: Lipsy factories are not audited by the Next COP team at this time, but we are working to include them going forwards

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 2012 conversion factors published by DEFRA/DECC.

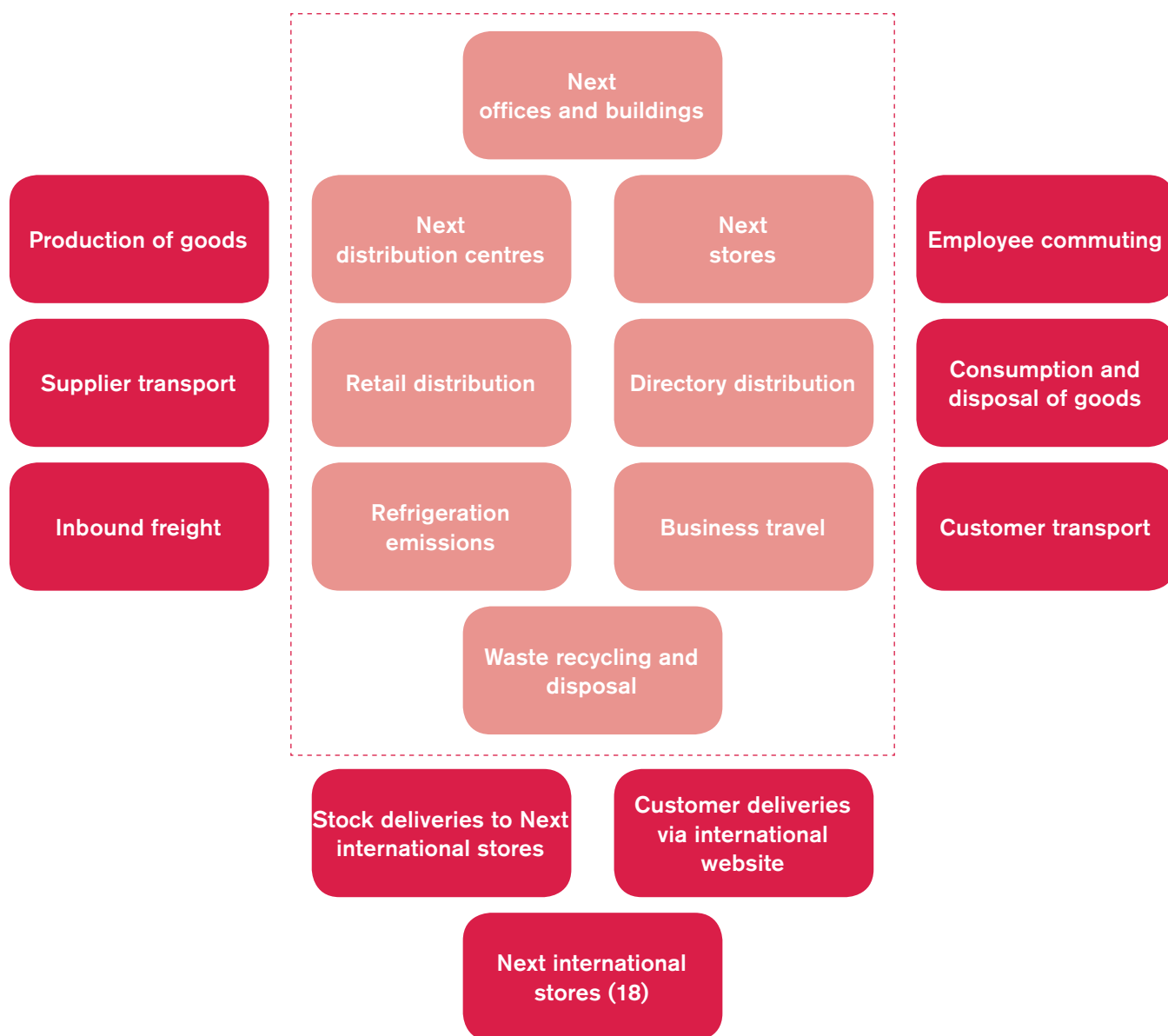
Data for the previous year has been restated using the latest conversion factors so we can assess our performance for year to year on a like for like basis.

CRITERIA AND METHODOLOGIES

CONTINUED



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 facility
- **Distribution** - fuel consumption from the distribution of Next products in the UK and Ireland to our retail stores and customers homes in Next owned and 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 facility
- **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 facility






CRITERIA AND METHODOLOGIES


CONTINUED



PwC have provided independent external assurance of the data highlighted with  which equates to 96% of our emissions:

Next Group operational CO ₂ e emissions	2012/13 Tonnes	2011/12 Tonnes	% Change
Scope 1	38,487	31,441	22%
Scope 2	136,227	136,166	0%
Total gross controlled emissions	174,714	167,607	4%
Scope 3	38,315	42,569	-10%
Total gross emissions	213,029	210,176	1%

Scope 1 - Direct emissions from Next Group operations	2013/12 Tonnes	2011/12 Tonnes	% Change
Gas heating (stores, offices, warehouses) 	7,688	6,941	11%
Next owned distribution vehicles 	25,522	19,122	33%
Next owned cars 	2,629	1,451	81%
Buildings (diesel oil, refrigerant gases) 	1,435	1,544	-7%
Data in scope of external assurance 	37,274	29,058	28%
Data not in scope of external assurance	1,213	2,383	-49%
Total gross emissions	38,487	31,441	22%

Scope 2 - In-direct emissions from Next Group energy consumption	2012/13 Tonnes	2011/12 Tonnes	% Change
Data in scope of external assurance 	132,914	133,761	-1%
Data not in scope of external assurance	3,313	2,405	38%
Total: Scope 2	136,227	136,166	0%

Scope 3 - Other in-direct emissions from Next Group operations	2012/13 Tonnes	2011/12 Tonnes	% Change
Waste (stores, offices, warehouses) 	1,701	1,596	7%
Business travel (Air travel) 	5,443	4,513	21%
Third party distribution vehicles (Directory deliveries) 	26,661	28,886	-8%
Data in scope of external assurance 	33,805	34,995	-3%
Business travel	3,508	6,440	-46%
Other emissions	1,002	1,134	-12%
Data not in scope of external assurance	4,510	7,574	-40%
Total: Scope 3	38,315	42,569	-10%

* During 2012/13 we have been unable to gain refrigerant gas data from one contractor, so have excluded their data from the prior year to allow direct comparison

CRITERIA AND METHODOLOGIES

CONTINUED



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

Electricity: kilowatt per hour consumed/tonnes CO₂e

Data is collected from:

- Next: 540 retail stores; 7 staff shops; 8 receipting warehouses; 6 distribution centres; head office; call centre; press office and photoshoot warehouse
- Lpsy: 16 stand alone stores
- 436 sites have half hourly modem meters installed and 91 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, polythene and polystyrene 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 540 retail stores in the UK and Ireland. The waste data we report relates to 310 stores where our third party waste provider arranges the waste collections; a further 30 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

Next owned vehicles:

- 191 Euro V tractor units designed to pull either single, tandem, double deck or tri axle trailers
- 312 trailer units (either single, tandem, double deck or tri axle)
- 19 box rigid lorries
- 31 box vans with tail lifts
- 14 other vehicles (minibuses, caged tipper vehicle, land rovers)
- 85 transit vans

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 tachograph cards which are installed in all Next vehicles and downloaded at the end of each journey.

Mileage/litres used is recorded via our own Transport Management System (TMS) 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 are provided to Next on a weekly basis from the third party provider. Once validated by management it is uploaded onto the overall Next Retail Distribution Report per third party provider.

CRITERIA AND METHODOLOGIES

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Directory - third party vehicles

The third party provider advises Next their total mileage and litres of fuel consumed as a proportion of the business Next 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:

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 all Next employees, including employees in 'Group Central' within head office, warehousing and retail stores who are allocated a company fuel card and cash fuel expenses claimed by employees through the Expenses system.

Currently excluded from this indicator is all company owned car data for Lipsy and 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.

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, premium economy, business or first class)
- Accommodation - number of nights in a hotel in UK or overseas – Note: this data is not currently assured by PwC
- Rail - number of single and/or return journeys taken

This indicator captures data relating to all Next employees, including employees in 'Group Central'. Also included 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.

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 9 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 2 contractors across the UK and Ireland who provide a 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

CRITERIA AND METHODOLOGIES

CONTINUED



Business Council for Sustainable Development and the World Resources Institute. Emissions have been primarily calculated using the 2012 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 as amended)

- **Definition:** RIDDOR Regulations place a legal obligation on employers to report work-related deaths, major injuries or over-seven-day injuries, work related diseases and dangerous occurrences (near miss reporting). A person in control of premises is also obliged to report any accident affecting someone not at work who is taken directly to hospital from the scene of the accident.

Non-RIDDOR accident rate

Definition: All accident and incidents 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 and incidents per 100,000 hours worked.

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

We use the RIDDOR definition for 'work-related' which is "Arising out of or in connection with work" (Regulation 2(2)(c)). This includes all accidents occurring whilst someone is

at work, or travelling on work business to another Next site, or a non-Next site. It excludes travel to or from work, if the person is travelling to or from their designated place of work.

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

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

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

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

The date and time the accident occurred is entered.

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

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

Method: Head Office, Directory and Warehouses -

All accidents, incidents and near misses are entered onto an Accident Incident Report form, which is sent to the Health & Safety Department within 48 hrs of the accident occurring.

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

The date and time the accident occurred is entered.

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

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

Major accidents are telephoned through to the Health and Safety Department in addition to being entered on the

CRITERIA AND METHODOLOGIES

CONTINUED



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 REPORT


next

CORPORATE RESPONSIBILITY
REPORT TO JANUARY 2013

Independent Assurance Report to the Directors of Next plc

The Directors of Next plc ("Next") engaged us to provide limited assurance on the information described below and set out in Next's Corporate Responsibility Report 2013 for the year ended 31 January 2013.¹

What we are assuring ("Selected Information")

The selected corporate responsibility (CR) data subject to assurance for the year ended 31 January 2013 is indicated by the following symbol . This consists of:

- Number of supplier audits carried out (set out on page 10);
- Tonnes of waste (set out on page 27);
- The following elements of the Next Global Direct 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 and Mileage)
 - Third Party Distribution Vehicles
- RIDDOR and non-RIDDOR accident data (set out on page 17/18).

The scope of our work was restricted to the Selected Information for the year ended 31 January 2013 and does not extend to information in respect of earlier periods or to any other information in the Corporate Responsibility Report 2013.

How the information is assessed ("Reporting Criteria")

We assessed the Selected Information using Next's "Reporting Principles, Criteria and Methodologies" document as set out on pages 34 to 41 of the Corporate Responsibility Report 2013.

Professional standards applied² and level of assurance³

We have used ISAE 3000 (limited level of assurance) and we have complied with the ICAEW Code of Ethics.

Understanding reporting and measurement methodologies

There are no globally recognised and established practices for evaluating and measuring the Selected Information. The range of different, but acceptable, techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The "Reporting Principles, Criteria and Methodologies" document used as the basis of Next's reporting should therefore be read in conjunction with the Selected Information and associated statements reported within Next's Corporate Responsibility Report 2013.

Work done

In considering the risk of material misstatement of the Selected Information we:

- made enquiries of Next's management, including the CR team and those with responsibility for CR management and group CR reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included visits to the warehousing central offices and the corporate Head Office where the data is managed and controlled, to understand the key processes and controls for reporting performance data to the group CR team;
- performed limited substantive testing on a selective basis of the Selected Information at corporate head office to verify that data had been appropriately measured, recorded, collated and reported;
- reperformed the calculation to convert underlying activity data into carbon dioxide equivalent emissions; and
- assessed the disclosure and presentation of the Selected Information.

We have not performed any assurance procedures over the gathering and processing of data by third party providers of distribution services.

INDEPENDENT ASSURANCE REPORT

CONTINUED



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 2013.

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;
- 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 conclusions

As a result of our procedures nothing has come to our attention that indicates the Selected Information for the year ended 31 January 2013 has not been prepared in all material respects in accordance with the Reporting Criteria

This report, including our conclusions, has been prepared solely for the Directors of Next as a body in accordance with the agreement between us, to assist the Directors in reporting Next's corporate responsibility performance and activities. We permit this report to be disclosed in the Corporate Responsibility Report 2013 for the year ended 31 January 2013, 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
31st July 2013

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 have complied 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.