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Corporate Responsibility Report to January 2009

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## WELCOME

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Welcome to our 2009 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. We are committed to ensuring we run our business in a responsible way by acting in an ethical manner and developing positive relationships with our suppliers, looking after our employees, being responsible for our impact on the environment, developing healthy links with the communities in which we operate as well as delivering value to our customers.

We believe corporate responsibility is a key element of how we conduct our business as we believe it makes good business sense. Retailing is facing a challenging time with the current economic environment, so it is important our business is supported by a robust approach to CR where we see no conflict between our commitment to corporate responsibility and good business practice.

In my capacity as Group Property Director with direct responsibility for the CR agenda within Next, I chair the CR Forum. Through the forum we continually evaluate our performance by identifying potential issues to the business, seeking out opportunities across the business to improve our operation as well as identifying and reviewing the concerns our stakeholders may have about emerging issues.

Through our ethical trading programme, our team continues to work to raise the standard of working conditions in the factories where our products are made. We understand the value of establishing long-term relationships with our suppliers to work with them to raise awareness to the benefits of working to achieve the requirements of our Code. In addition to this direct approach with our suppliers, Next remains an active and committed member of the Ethical Trading Initiative (ETI), and as a member of the ETI Board we chair and participate in several working groups. We also recognise the importance of working in collaboration with others to pursue solutions for some of the more complex and systemic problems we cannot solve on our own.

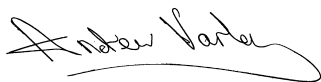
We recognise we have a responsibility to work towards minimising the direct impact of our business operations on the environment and that business has a significant role to play in tackling climate change. During 2008 we have measured the greenhouse gas emissions produced from the operational activities of our global business where we have direct control as well as reporting the carbon dioxide emissions (CO<sub>2</sub>) associated with the electricity, gas and fuel used through our stores, warehouses, offices and fleet in the UK and Ireland.

Throughout the business we are working to reduce environmental impacts and reduce costs. Our stores have delivered a 5% reduction in energy consumption and across our UK and Ireland operation we have seen a 3% reduction in tonnes of CO<sub>2</sub> per 1000ft<sup>2</sup>. Through the initiatives we are implementing in 2009 we hope to see our energy consumption continue to reduce further. The waste we produce, how it is disposed of and how we work to reduce it continues to be a key focus. We are now recycling 48% of the waste we produce. During the year our new in-house recycling centre was built and started to operate in February 2009. This investment will help to achieve our long term aim of working towards sending no operational waste to landfill.

The contents of the report have been independently assured and verified by The Reassurance Network who have continued to challenge us on our CR performance. For full details of their assurance statement, please see page 49.

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

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



Andrew Varley  
Group Property Director - Main Board



## ABOUT OUR REPORT

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This is our sixth published Corporate Responsibility Report, reporting on our social, ethical and environmental performance. It is an annual report and covers our financial year February 2008 to January 2009.

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

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

It is also available to our employees to review through our intranet system or as a printed copy where required, as we believe it is important to raise corporate responsibility awareness with our employees and let them know what we are doing as a business.

### Scope of the report

This Report focuses primarily on the activities undertaken in relation to our retailing operation in the United Kingdom and Ireland which accounts for 95% of our turnover. Ventura, which accounts for 5% of our turnover is not comprehensively covered in the Report, other than with regard to the customer management services it provides to Next's retailing activities.

### How we decide what to report

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

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

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

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

- **Context** - sets the scene and outlines our approach
- **Data** - the facts and figures
- **Successes** - what we have been working on and have achieved during the year
- **Opportunities and Priorities** - the areas we are targeting next



## ABOUT OUR REPORT...continued

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### Assurance of the content of the report

Our Corporate Responsibility Report undergoes an independent assurance process by The Reassurance Network Ltd., who review the content of the report to ensure it is material to our business operation, is complete and responsive to stakeholder concerns in line with AA1000 Assurance Standard. Please see page 49 to read their report.

### Your feedback

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

Or by writing to:

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



## ABOUT NEXT

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### Principle Activities

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

- Next Retail
- Next Directory
- Next International

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

### Next Retail

- 515 stores in the UK and Ireland
- 294,302 transactions per day in store (average)

### Next Directory

- a direct mail catalogue and transactional website
- 2.28 million active customers

### Next International

- 158 overseas franchise Next stores in 26 countries :Armenia, Bahrain, Cyprus, Egypt, Gibraltar, Hong Kong, Iceland, India, Indonesia, Japan, Jordan, Kuwait, Lebanon, Macau, Malta, Oman, Pakistan, Poland, Qatar, Romania, Russia, Thailand, Turkey, Saudi Arabia, Ukraine and United Arab Emirates
- 16 Next overseas stores in 5 countries : China, Czech Republic, Denmark, Hungary, Slovak Republic

### Next Distribution

- warehousing and distribution division

Other Group Businesses include:

### Ventura

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

### Next Sourcing Ltd (NSL)

- designs, sources and buys Next branded products

### Lipsy

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

## NEXT HEADLINES AND HIGHLIGHTS

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### Economic Summary @ 31.1.09

- Group turnover £3,272m
- Group profit before tax £428.8m
- Earnings per share 156.0p
- Dividends 55p
- Total trading space 5,519,000ft<sup>2</sup>

Our Annual Report and Accounts can be found on our website at [www.nextplc.co.uk](http://www.nextplc.co.uk)

### FTSE4Good

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

### Our Suppliers

- The products we sell were produced in 48 countries
- We worked with 493 suppliers
- We carried out 852 audits at our suppliers factories
- We increased our global Code of Practice team to 37

### Our Customers

- There are an average of 294,000 transactions per day in our Retail stores in the UK and Ireland
- Next has 2.28 million active Directory customers
- 60% of Directory orders placed through the internet
- 9% reduction in customer complaints and 12.8% reduction in complaints relating to our products

### Our People

- Next employs 11,505 full time employees and 31,968 part time employees
- 3,876 employees were active members of Next Pension Schemes
- Retail - during the last four years we have achieved a 12.6% reduction in the total accident rate and a 13.5% reduction in the RIDDOR accident rate
- Warehouses - during the last four years we have achieved a 31% reduction in the total accident rate and a 14% reduction in the RIDDOR accident rate

### Community

- Support to charities, community organisations and commercial support and sponsorship totalled £1,998,850
- Next supported 388 registered charities through donations of funding, product or the time and expertise of our employees

### Environment

- Next carbon footprint is 288,344 tonnes of CO<sub>2</sub>-e
- Next has reduced energy consumption by 5% in our 370 like-for-like stores
- 3% reduction in tonnes of CO<sub>2</sub> per 1000ft<sup>2</sup>
- 48% of our waste is recycled
- In-house purpose built recycling centre now operational



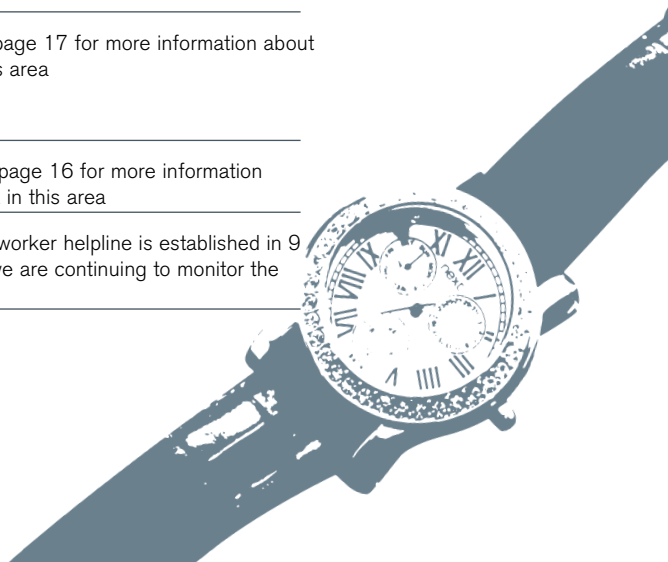
# PROGRESS ON OPPORTUNITIES FROM 2008 REPORT

**KEY:**

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

## 1. Our Suppliers

Opportunities identified in 2008	Status	How we have progressed
COP Supplier Conference to be delivered in three additional sourcing regions	✗	Decision was taken during 2008 not to hold the conferences and re-direct the resources into other projects
Revise six tier auditing rating to facilitate the business to better manage the risk of non-compliance and strengthen links between the business and the support of suppliers who are working to comply with the requirements of our Code	✓	Achieved
Roll out factory toolkit training on CD to our suppliers	→	The toolkit is currently at consultation stage with one of our key suppliers and is due to be launched in Autumn 2009. See page 15 for more information about our work in this area
Issue Next Migrant Worker policy and Next Home Worker policy	✓	Achieved. Issued December 2008
Aim to carry out further audits within the next tier of our supply base i.e. fabric mills/raw material suppliers	→	Ongoing. We have focused our resources during 2008 into higher risk areas we have identified within our primary tier supply chain. We have focused on areas where there is a greater risk of vulnerable workers e.g. homeworkers, migrant workers
Freedom of Association - continue working with global Trade Unions such as the ITGLWF and TUC to provide necessary background information for suppliers in adopting an open and positive attitude to worker organising	✓	Achieved
Living Wage research - continue our work in this challenging issue and begin to move beyond our pilot programmes to roll out the learning through our supply chain	→	Ongoing. See page 17 for more information about our work in this area
Roll out worker interview training module to global team	✓	Achieved. See page 16 for more information about our work in this area
In collaboration with an NGO in Southern China to support a trial to pilot a worker helpline	✓	Achieved. The worker helpline is established in 9 factories and we are continuing to monitor the outcomes



## PROGRESS ON OPPORTUNITIES FROM 2008 REPORT...continued

### 1. Our Suppliers.....continued

Opportunities identified in 2008	Status	How we have progressed
Develop/scope the ETI Purchasing Practices project - to engage with external consultants to undertake the research phase	✓	Achieved. See page 17 for more information about our work in this area
Support regional team strategies that address issues prevalent to each region in addition to global team strategy	✓	Achieved. The regional teams have been given the time to identify and develop specific initiatives that affect their region
Continue to invest and expand global COP team	✓	Achieved. Global team increased to 37

### 2. Our Customers and Products

Opportunities identified in 2008	Status	How we have progressed
Enhance internal reporting tool to offer improved data to the business	✓	Achieved. See page 22 for more information about our work in this area
Develop a top level internal management summary report of key issues	→	It is planned to deliver this report during 2009
Investigate systems requirements to improve tracking of recalled products	→	Currently underway
Review our current policy on animal welfare to improve, protect and promote animal welfare in relation to the products we sell	→	Currently underway
Introduce the Timber Sourcing Policy into other parts of the business where wood and wood composite products are procured	→	Currently underway

## PROGRESS ON OPPORTUNITIES FROM 2008 REPORT...continued

### 3. Our People and Health and Safety

Opportunities identified in 2008	Status	How we have progressed
Deliver an on-line accident reporting system to cover our Head Office, Warehousing and Distribution and Directory operations. System already in operation within Retail	✓	Achieved.
Develop the Company Safety Programme 2009-2011. These will be developed at Divisional level and adopted by the Board in November 2008	✓	Achieved. See page 36 for more information about our work in this area
Working with external specialists review our current manual handling training programme in Warehousing, revise, and improve training and establish implementation plan	✓	Achieved.
Improve our existing programme of Driver Risk Management for all our Company Car drivers by working with Drive and Survive, an external leading provider	✓	Achieved.
Review our store development procedures to ensure we are adopting good practice throughout our store development programme	✓	Achieved.
Carry out further safety reviews at our manufacturing facility in Sri Lanka and our call centre in Pune, India	✓	Achieved.

### 4. The Community

Opportunities identified in 2008	Status	How we have progressed
Increase the range of products we sell that support charities	✓	Achieved.
Continue to deliver value through our community contributions and support for charities and other organisations	✓	Achieved.
Investigate opportunity to maximise use/value of unwanted product that are returned through our operations	✓	Achieved.

## PROGRESS ON OPPORTUNITIES FROM 2008 REPORT...continued

### 5. The Environment

Opportunities identified in 2008	Status	How we have progressed
Investigate and trial further energy efficiency measures for the business	✓	Achieved.
Use findings from carbon footprint work to identify further opportunities to reduce the carbon intensity of our business operations.	✓	Achieved.
To report on the British Retail Consortium's 'A Better Retailing Climate' framework within our future Corporate Responsibility reports	✓	Achieved.
Upgrade 40 vehicles in the home delivery fleet to Euro V engines	✓	Achieved.
Replace single-decker trailers with urban double-decker trailers where appropriate	✓	Achieved.
Investigate and trial new vehicle loading schemes to potentially reduce number of vehicles on the road	✓	Achieved. Trial is currently underway
Develop in-house recycling centre to maximise our recycling opportunities. Centre to be operational in 2009	✓	Achieved. See page 47 for more information about our work in this area
Establish 'green champions' in our retail stores to support and promote the implementation of agreed initiatives and identify potential areas for improvement	✓	Achieved. See page 47 for more information about our work in this area
Start to implement the voluntary On-Pack Recycling Label scheme to identify packaging materials and how they can be recycled to help achieve national recycling targets set by the government	✗	Not commenced due to delays with the scheme launch. Currently under review
Investigate and trial opportunities to reduce water consumption throughout the business	✓	Achieved. See page 48 for more information about our work in this area

## OUR SUPPLIERS

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### CONTEXT

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

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

#### Our approach

The Next Code of Practice (COP) is our set of ethical trading standards which form an integral part of our business and relates to all products bearing the Next Trade Mark or sold by Next. Our Code applies to every country we source from, including the UK, and has ten key principles which set out the minimum standards we expect our suppliers to comply, with in relation to workers' rights and conditions of work, including working hours, minimum age of employment, health, safety, welfare and environmental impacts.

Our stakeholders want to know that the products sold by Next have been made by suppliers who show respect for the welfare of their employees and the environment. The Next COP was first launched in 1998 and since then we have continued to dedicate both time and resources to upholding workers' rights and working conditions in the factories that make products for Next. Our COP is aligned to the Ethical Trading Initiative (ETI) Base Code and reflects the most relevant international standards with respect to labour practices (International Labour Organisation Conventions).

Through our ethical trading programme, we have been working for over ten years to raise the standard of working conditions in the factories where our products are made. Establishing long-term partnerships with our suppliers has enabled us to work with them to raise awareness of the benefits of working to achieve the requirements of our Code.

Next joined the ETI in 2002, where we continue to be both an active and committed member by contributing to many of their working groups and projects. Next is represented at Board level, chairs the Homeworkers Group, as well as participating in the Purchasing Practices Group, Wages Project, China Working Group, Decent Work Project, Annual Report Group and the Sri Lanka Working Group.

The ETI is an alliance of companies, non-governmental organisations (NGOs) and trade unions working together collaboratively to promote and improve the implementation of corporate codes of practice which cover supply chain conditions. The ultimate goal of this alliance is to ensure that the working conditions and rights of workers producing for the UK market meet or exceed international labour standards.

Our ethical trading programme has five key elements :

- communicate our ethical standards to suppliers
- promote better work places through our factory monitoring programme
- support our suppliers through a programme of continuous improvement
- build capacity within our international supply chain
- work in collaboration with others to pursue solutions for some of the more complex and systemic problems we cannot solve alone

We continue to believe the best way to maintain the integrity of the COP audits for suppliers who manufacture for Next is to manage the process in-house with its own team of auditors. We have a team of more than 30 auditors based in our key global sourcing locations, whose responsibility it is to work with our suppliers to help them reach the standards set out in our Code.



## OUR SUPPLIERS...continued

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### What is an Audit?

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

Any areas of concern are discussed with the supplier, a corrective action plan with timescales is agreed as well as a date for a follow-up audit. The audit team monitors the supplier's progress and works with the supplier, offering help and support for the implementation and completion of the action plan to bring the factory up to the required standard of operation to comply with our Code.

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

Each audited factory is measured against our COP and is graded according to our six-tier rating system. The supplier is made aware of their rating by our auditor, and what is required to improve their rating through the corrective action plan. We then support suppliers to work towards a programme of continuous improvement to achieve full compliance with our Code.

The six-tier rating system is used to encourage our suppliers to progressively work to, and adopt higher standards over time. It is also used internally by our buying teams as a supplier management tool. If a factory is found to have critical fail points, we will suspend further orders until these have been rectified. The system allows us to more accurately measure our suppliers' performance against our Code and their ongoing progress towards compliance. It gives us the visibility necessary to make strategic sourcing decisions, including where necessary a reduction in business for factories where repeated or persistent non compliances are found. The rating system is also used to focus the COP team's resources where it is most needed. We continue to refine this system to develop the integration of our ethical trading programme into our internal buying practices. We do not audit every factory every year due to the large number of suppliers we work with. Suppliers are prioritised against a number of criteria such as their previous audit rating. Factories with audit ratings furthest away from being compliant with our Code will be revisited more frequently. Follow up audits will also be determined by volume of product supplied, the risk associated with the factory's geographical location and the strategic importance of the products they make.

### What else does our COP team do?

We believe the operation of our own COP team offers the benefit of developing a close working relationship with our suppliers as well as a close familiarity and awareness of specific issues that affect the different regions in which we operate.

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

## OUR SUPPLIERS...continued

Through the ETI we are working in collaboration with both UK and international brands, four umbrella trade union organisations that represent workers throughout the world as well as a number of global charities and campaign organisations such as Oxfam, Anti-Slavery International and CAFOD. The aim of this collaboration is to prioritise the tackling of issues, such as workers receiving a living wage and freedom of association, that drive non compliance within particular countries by building knowledge and understanding within the local communities.

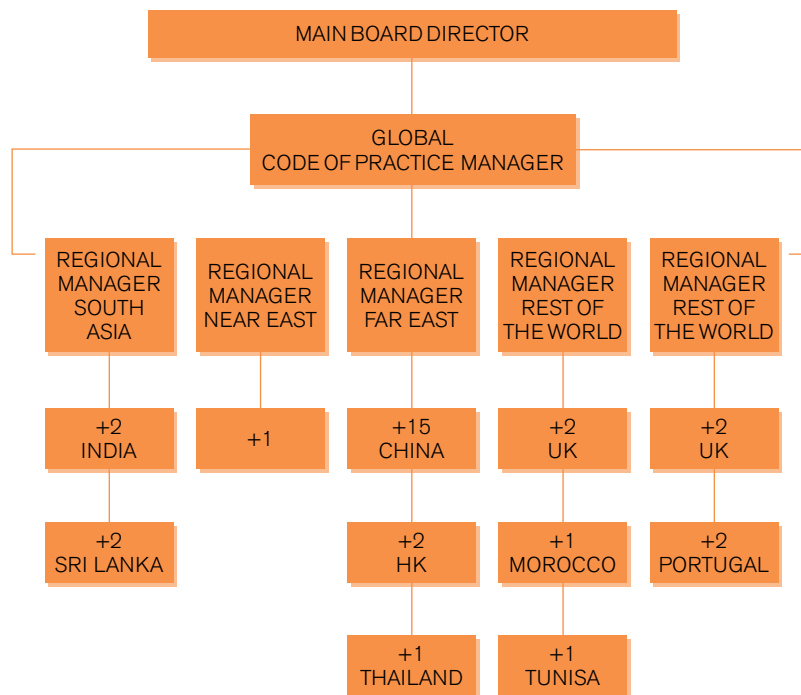
In addition to our work with the ETI, we continue to build our knowledge and understanding of the complex issues surrounding global sourcing. We have also undertaken a series of country specific studies into living wages in our key sourcing countries, for example, productivity initiatives in China with the specific intention of improving workers' wages. We have introduced guidelines for our suppliers in relation to their employment of migrant labour and have implemented these in Mauritius, Egypt and the Middle East. Our capacity building project work has been wide ranging and we are testing approaches to the particular challenges in each of our sourcing regions.

### DATA

- The products we sell were produced in 48 countries worldwide
- We worked with 493 suppliers
- We carried out 852 audits in 2008 at suppliers' factories
- During 2008 we disengaged from 7 suppliers for non compliance with our Code
- Increased the global COP team resource to 37

### Code of Practice Reporting Structure

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



## OUR SUPPLIERS...continued

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### SUCCESSSES

#### Raising Awareness

##### **Internal communication**

Internal communication across the business is vital to how we manage our supply base. Our ethical training programme is an integral part of our Buying School which is attended by all our product teams. Buying School is scheduled into the training calendar on a quarterly basis and all members of our product teams are required to attend. We also work continually with those teams who have day to day responsibility for purchasing decisions, from the divisional director through to the managers and their teams. The aim of this is to develop the skills and capabilities of our product teams, so they are able to understand the role they play in our ethical trading programme and support the improvement of labour standards in our supply chain. This is a continuation of our intensive training programme last year, in which we trained all employees concerned with buying responsibilities (over 500 buyers and merchandisers, and 300 technologists). In addition, we have produced visual training materials, such as short films, to show to the product teams, to continually maintain awareness of the impact that buying decisions can have on suppliers, and to reinforce the product teams' understanding of the role they play in our ethical trading programme.

In 2008, at our Product Training conference, which was attended by over 800 store managers, we gave a presentation about our global ethical trading programme to both raise awareness and provide information for the managers to take back to their own stores, pass on to their teams and, in turn, be better equipped to answer customer queries.

##### **Supplier Communication**

Following on from the success of our supplier conferences during 2007, we have continued to focus on communication with our suppliers. Through many of the initiatives and projects we have undertaken during 2008, e.g. living wages and overtime reduction studies, managed both internally and through the ETI, we have begun to engage with our suppliers on a wide range of issues, such as reviewing our buying practices to understand what our suppliers need from Next to enable them to meet the requirements of our Code.

We are working collaboratively with our suppliers to support them in making their own systems e.g. management, HR and production systems, more efficient, to help them realise long term and lasting improvements to the running of their businesses. We have held meetings with individual suppliers and facilitated meetings with supplier groups, to gain their valuable input into how we should look to manage a long term and sustainable implementation of our ethical trading standards going forward. Working with suppliers in this way offers them the opportunity to meet and discuss challenges they are facing, and learn from the experience of others, to recognise valuable opportunities for themselves and their organisations.

##### **Toolkit for Suppliers**

We have continued to work on our supplier toolkit during 2008, and it is now at consultation stage with one of our key suppliers. This innovative new resource has been tailored to provide the important foundation level of information and learning, for our suppliers to be able to make ethical trade a priority for their business, and in the long term realise the business benefits of doing so. The toolkit will include practical guidance, using real life examples, of how other suppliers have benefited, why the issues were important to them and why it mattered to them and their workers, covering topics such as productivity, good quality and absenteeism. It will also include a section on how important their workers are to their business and why it is essential to develop and maintain good worker communication, by stressing the importance of a strong and open relationship with workers as being beneficial for their business. The toolkit will be launched during Autumn 2009, initially in English, but we plan to translate it into other key languages to help ensure it is a really useful tool.

## OUR SUPPLIERS...continued

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### **Worker Focus**

To be able to manage ethical trade and work to ensure long term and sustainable changes going forward, it is crucially important that the workers are aware of their employment rights and have robust channels by which they can communicate with their employers. We understand that workers' views of their workplace and the environment around them are vital to getting to the real causes of employment issues. As part of our project work in listening to workers' voices, we are working with an international NGO to build and strengthen worker interview skills for our audit team. This will enable us to identify more sensitive issues which maybe not be highlighted in the audit process e.g. discrimination, or freedom of association. As part of this initiative we are also looking for opportunities to work with local stakeholders in specific countries to support the work we are undertaking on worker interviews.

In addition, another key element we are introducing is Participatory Approaches, which is a method that encourages workers to share information and work together to solve common problems. This method allows the workers to be able to exert more influence on how to solve the issues they raise. It is an effective technique used to generate discussion with workers and enable them to feel comfortable in talking about their experiences, and lives.

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

As we carry out all our own audits, the integrity and professionalism of our team is of paramount importance. There is an on-going programme to ensure each of our auditors undertakes Lead Auditor training to ISO 9001:2000. Over 90% of our current COP team have completed the training. We have also developed an internal training programme, covering the key skills needed to ensure we are able to identify and provide information and support on those issues such as freedom of association and worker interviewing techniques. These are assessed, revised and improved on a continual basis and during 2009 we will be adding some additional training modules.

Our regional COP teams manage and facilitate forum meetings between suppliers in both Shanghai and New Delhi. The aim of the forum is for the suppliers to identify, discuss and share in the exchange of ideas and best practice initiatives, to help improve or resolve issues they may all be experiencing. The forums have covered a wide range of subjects relating to the challenges our suppliers face in meeting the requirements of our Code, including subjects such as how to increase the awareness amongst workers about health and safety to sharing learning on workers needs and living costs. The value of these initiatives is in giving our suppliers the opportunity to share best practice with their peers.

Our internal supplier database is now established and is providing improved visibility and reporting options to be used internally with our Product teams. The web based system is a valuable tool, as it provides efficient access to supplier/ factory details, their audit history and rating, as well as when their next audit is due. The new system is enabling us to conduct a more sophisticated analysis of our auditing results to allow the team to track trends and deploy the appropriate resources to investigate particular issues.

## OUR SUPPLIERS...continued

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### **Collaboration**

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

Our collaboration with others takes many forms, from national level brand working groups, to working on projects that tackle specific issues. Through our membership in multi-stakeholder organisations, such as the ETI, we are participating in a wide range of projects such as the Homeworkers Group that is working to tackle the poor working conditions of homeworkers in supply chains, and the Purchasing Practices Group, that is looking more closely at the impact of the decisions and actions we take, from design to delivery, and how those decisions impact on conditions for the workers in factories.

In 2008 we commissioned independent research into our purchasing practices. The subsequent report identified a number of opportunities to benefit our suppliers and their workers, as well as our own business. We have taken the findings and have begun to build the internal systems and management processes which will allow us to increase the support, information and tools needed by our product teams to manage the buying process in ways that will manage the negative impact on our suppliers' ability to comply with our Code. We believe it is essential to strive in building alliances and partnerships, to tackle problems and identify and promote better ways to implement codes of labour practice in the local context.

### Examples of our team's project work

#### **Living Wages**

Achieving compliance to the living wage is a major challenge for all retailers, but one to which we remain committed. Throughout 2008 we have continued extensive work on this issue in our key sourcing countries. Our local in-country COP teams have gathered information, working on comparing published living wage figures with minimum wage figures, in relation to the cost of living and against wages levels paid in selected suppliers.

One example of where we have progressed the most, is the project we are involved with in Bangladesh. Working together with another retailer, we have identified a shared factory in Bangladesh where we have undergone an extensive wage study. This has been achieved by analysing product prices versus wages paid, including current wage rates and benefits and after deductions are made, and then comparing these to the cost of living. This is an ongoing project and understanding the impacts of the research we have undertaken will form the next phase of the project.

We have been working to achieve a number of objectives in relation to both living wage and migrant labour in Mauritius. Working with one supplier and one retailer we have, in consultation with workers, introduced in January 2009 a piece rate system with the supplier in Mauritius. Reviews of the first five months of this year have shown that an average worker has seen their earnings improve by at least 38% compared to the same period last year. The supplier has also seen benefits in improved productivity and no impact on the quality of the finished products. We will continue to analyse the outcomes of this system to establish if there are potential opportunities to progress it further with other suppliers.

## OUR SUPPLIERS...continued

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### **Wages and Productivity**

Since 2002, Next has engaged with strategic suppliers in China in an ongoing project designed to reduce overtime hours and increase the hourly rate of pay for workers. There are currently 17 factories engaged in this initiative.

The programme with each factory is undertaken in three phases :

- Wages and Productivity Analysis
- Human Resource Management
- Production

From previous work, it was identified that most factories are able to improve their overall productivity by approx 10% with specific training and assistance. If productivity is increased and unexpected work stoppages are resolved more efficiently, workers have reported that their earnings also increase.

To date, the factories engaged with this work have reported they have achieved between 10-20% reduction in the total working hours undertaken, and a 20-30% increase in the hourly wage rates paid to their workers over a 12 month period.

## OPPORTUNITIES AND PRIORITIES

### **1. Promoting Good Workplaces**

A major focus for our ethical trading team over the next 2 to 3 years will be to develop an internal factory monitoring system that will replace the current supplier policing approach achieved through auditing. Our objectives are:

- to put responsibility for change into the hands of employers and workers
- to develop robust management systems that will enable good labour practices in workplaces

### **2. Supplier and Worker Internal Communications**

An essential part of a 'good workplace' is the relationship between workers and their management. In 2009 we will develop the tools that will enable these relations and facilitate the internal ownership for compliance to our Code. In 2010 we will run pilots at two of our key suppliers manufacturing sites.

These pilots will:

- Enable workers and management to work together to identify shortfalls in the workplace against labour law, ethical codes and ILO conventions
- Link shortfalls into new robust management systems
- Develop the understanding and ownership of both workers and management of the policies, procedures, rights and responsibilities within a management system
- Embed social compliance standards into the workplace through training at all levels

### **3. Freedom of Association**

One of the ten principles of our Code is to uphold workers rights to freedom of association. In 2009 we will:

- Continue to establish contact and build relationships with local affiliates of the International Textile, Garment and Leather Workers' Federation (ITGLWF) in our key sourcing regions
- Work through the necessary steps in order to achieve our long term objective where workers and management are able to resolve issues together and reach a point where mature industrial relations exist

## OUR SUPPLIERS...continued

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### **4. Purchasing Practices**

In 2008 we completed the research phase of our purchasing practices work. In 2009 we will take this learning to enhance our buying practices in ways that will minimise their impact on our suppliers' ability to meet the requirements of our Code.

We aim to deliver:

- Greater integration of our purchasing practices with our ethical trading standards and commitments
- A positive impact on the workers in our supply chain whilst enabling our business to remain flexible and competitive
- Through an ongoing programme of regular briefings and training, provide better awareness for all relevant employee groups who are in contact with suppliers

### **5. NGO Collaboration**

Our work in promoting better workplaces is being done in collaboration with an international NGO and Trade Union. In preparation for the pilots we will be running in 2010, we are developing relationships with potential partners and local NGOs in our key sourcing regions, where the aim is to:

- Extend local stakeholder networks to facilitate capacity building activities
- Develop and deliver locally the training models for the better workplace pilots

### **6. Living Wages**

The final phase of our promoting Good Workplaces pilot, will be to develop the worker and management communications mechanisms into a system of mature industrial relations in respect to workers' rights to freedom of association and collective bargaining on working conditions, including wages.

In addition to promoting the better workplace pilots in 2009 we will:

- Maintain our commitment to the ETI Wages Group
- Continue through our own work on this issue, to learn more about how we might implement a global strategy that will ensure the provision of a living wage is sustainable

## OUR CUSTOMERS

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### CONTEXT

#### Our Approach

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

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

As well as delivering to our Brand values we are committed to ensuring that no-one should be harmed when our products are being made or whilst they are being used.

Our areas of focus are:

- the quality of our products
- our products are safe and are fit for their intended purpose
- our products fully comply with all legislation and our own standards where these go beyond legislation requirements
- our products and their raw materials are sourced in a responsible manner
- encouraging our customers to consider reducing their impact on the environment by offering information about lowering the temperature they use for washing clothes and how to dispose of products correctly

We are committed to operating a responsible and successful business.

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

#### Product Safety and Legislation Compliance

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

To have visibility of and monitor the development and introduction of both new legislation and changes to existing legislation we work closely with trade associations, British Standards and government departments to both contribute to and support legislation development, by giving our views and ideas.

We are members of different industry committees and groups, and through these we are able to participate with other stakeholders in policy debates to contribute to their development and ensure we comply with the relevant legislation in line with their enforcement dates.



## OUR CUSTOMERS....continued

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### Customer Service

Next understands the need for creating and maintaining good relationships with its customers. This means continually developing how customers are able to shop with us whether in our stores, using the Next Directory or online. In addition we must continue to ensure we offer the product choice, value and service our customers expect.

We regularly measure what our customers think of Next by undertaking an active programme of market research and direct customer contact in order to better understand and respond to our customers' needs and opinions. We interview and gather feedback through customer completed 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.

Through our Customer Services Department we ensure we have effective procedures in place, for both our Retail and Directory customers, for customers to contact us through telephone calls, letters and email correspondence to resolve customer enquiries and issues in relation to our products, our operation, our policies and 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 within Next in relation to the correspondence received from our customers about a product, operation, policy or service we offer by providing regular reporting of issues raised. 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 to identify possible problems that need further investigation.

### DATA

In 2008 we had :

- an average of 294,000 transactions per day in our Retail stores (2007 : 307,000)
- 2.28 million active Directory customers (2007 : 2.21 million)
- 3,960 printed pages in our Directories ( 2007 : 3,652)
- 60% of Directory orders placed through the internet

## OUR CUSTOMERS....continued

	CUSTOMER SERVICE CONTACTS - ESCALATED		CUSTOMER COMPLAINTS/BRAND SALES PER 100K UNITS		
	2008	% +/- v 2007	Complaints per 100k units	% Complaints Rate	% +/- v 2007
Total Customer Service contacts	87,631	-14.7			
General Enquiries	8,017	-47.4			
<b>Complaints</b>	<b>75,025</b>	<b>-9.0</b>	<b>27.05</b>	<b>0.027</b>	<b>-3.0</b>
- Disability	26	+15.4	0.009	0.000	+25.0
- Operations	7,516	-14.1	2.71	0.003	-9.0
- Product	29,590	-12.8	10.66	0.011	+5.0
- Service	37,893	-13.3	13.66	0.014	-8.0
<b>Other</b>	<b>4,589</b>	<b>-9.8</b>			
- Incident	1,211	-5.9			
- Positive feedback	3,225	-11.6			
- Suggestion	153	-0.7			

Note: the data in the table above does not include initial contacts made with Next Directory which are immediately resolved, as these contacts are not recorded. Only escalated contacts for Next Directory are included. The data does include an estimation for the figures recorded in August as we introduced a new reporting system and during August both systems were running together. The 2008 data no longer includes orders which were cancelled before delivery, so to ensure consistency of comparison data, we have removed cancelled orders from 2007 data.

Our Customer Services Department is responsible for satisfactorily resolving customer contacts that have been identified as 'escalated' across both Retail and Directory. The team will investigate the reason for the contact, liaise with other internal departments as well as the customer, to bring the contact to a satisfactory resolution. We record the total number of reasons the customer contacts Next, as one customer may contact us about several enquiries or issues in a single communication. It is important to us that each enquiry or issue is resolved for the customer. Satisfactory resolution of customer contacts is a business priority for Next and the Customer Services Team works closely with different internal teams, such as the Product teams, to achieve this.

Customer Services work closely with individual departments across the business to provide specific data and reports to support the monitoring, evaluation and decision making required to resolve issues raised by customers.

We have recorded a 14.7% reduction in the total number of escalated contacts received from our customers. The number of general enquiries recorded has reduced by 47%, this is predominantly due to the introduction of additional resources within the Directory Resolutions team to immediately resolve initial contacts from Directory customers, which is beneficial for these customers. We have also recorded a 9% reduction in the overall number of complaints received during the year with a 12.8% reduction relating to the products we sell.

## OUR CUSTOMERS....continued

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### SUCCESSSES

#### Legislation

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

REACH is European legislation which came into force on 1st June 2007. REACH seeks to reduce exposure to harmful chemicals and substances produced in or imported into the European Union and requires that they are registered.

The aim of the legislation is to :

- monitor the use of new and existing chemicals in the European Union
- assess the harm these chemicals may cause to humans and the environment
- minimise the risks harmful chemicals may pose to humans and the environment by either banning or restricting their use

Working with our global suppliers we were able to determine the quantities of chemicals in our products and intended to be released. As required by the legislation, we made all the necessary registrations to the European Chemical Agency(ECHA) based in Helsinki, Finland by December 2008.

In October 2008, ECHA released the Substances of Very High Concern (SVHC) list. In general terms, SVHC are substances that have hazards with serious consequences, e.g., they cause cancer, or they have other hazardous properties and/or remain in the environment for a long time with their amounts in animals gradually building up. Our Restricted Substances Standard (see Restricting Hazardous Chemicals below for more information) includes the substances identified as SVHC's. We continue to work closely with our suppliers to support them to understand this piece of legislation and also that compliance with our Restricted Substances Standard achieves compliance with REACH.

#### Restricting Hazardous Chemicals

Next restricts the use of chemical substances in our products that are environmentally hazardous or harmful. Our Restricted Substances Standard details the chemicals /substances that are of concern as they are either:

- restricted by law
- harmful to humans
- harmful to the environment

Our Restricted Substances Standard forms part of our technical requirements for the products manufactured by our suppliers. We have based our requirements on the highest legal European standard and often go further than the law demands. We work with our suppliers to ensure the chemicals/substances used meet our required criteria and offer advice and support where required.

During 2008, as part of our due diligence programme and commitment to ensure the products we sell meet our standards, we have developed an ongoing programme where we conduct regular monthly audits based on a clear risk assessment process. Working with an independent specialist laboratory, we select products, based on a risk criteria, and test them in accordance with the requirements of our Restricted Substances Standard. Suppliers are advised of the outcomes of the testing, and if products are found to fail our requirements they are withdrawn from sale.

## OUR CUSTOMERS....continued

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### Product Safety

Next is committed to ensuring the product we sell has been made in a safe environment, is safe to use and is fit for purpose. 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 initially at the design stage by ensuring all products achieve the standards we have developed and issued to our suppliers. We have based the requirements for our safety standards on the highest legal European standard and often go further than the law demands.

During 2008, the Childrenswear Safety Manual was revised and re-launched to our suppliers on our secure web based supplier Extranet, which provides suppliers instant access to this manual and other important information they need to work with Next. We also ensured all members of the Childrenswear team, including our buyers and designers, were given training on the contents of the revised Safety Manual to enable them to understand about our safety requirements so they are able to identify a potential risk with a product.

The selected products undergo a risk assessment to check if the product might be a potential hazard when being used by a child. Products are checked at every stage of development and the production process to ensure:

- our safety requirements are being adhered to
- embellishments such as buttons, press studs and embroideries are securely attached
- all finished products are passed through a metal detector to detect if any extraneous metal objects are in the product e.g. pieces from a broken needle.

The safety of children is an issue that is of highest importance for many retailers and suppliers. Through European working groups we work closely with other retailers to develop and influence EU regulations to ensure the safety of children is paramount. We believe this process of communicating with regulators and other industry representatives through these committees does result in the development of better regulations to protect children.

Next has an established procedure in place to recall a product if it is found to fall below our high standards of safety and performance as the safety of our customers is our priority. If a recall is required we :

- place an immediate 'freeze' on all warehouse stock and action the till procedure that prevents any further product being sold
- instruct our stores to remove the item from the sales floor
- inform our customers of the recall and their entitlement to a full refund by placing notices in our store windows and at till points and by writing directly to our Directory customers
- collate the returned products at our warehouse and arrange for its safe disposal

## OUR CUSTOMERS....continued

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### Timber

Next's Timber Sourcing Policy is to source wood and wood composite products from legally and well managed forests through working with recognised international standards. The forest certification scheme that provides this level of assurance is the Forest Stewardship Council (FSC).

We launched the Timber Sourcing Policy with our Home division where we sell the most wood and wood composite products. During 2008 our technologists have been working with our suppliers to start to understand and record details about the species of wood and the country of origin of the forest source. We appreciate this will be a long-term ongoing commitment, and we will support our suppliers to work towards sourcing through credible forest certification schemes where they are not currently doing so.

100% of our garden furniture has been certified by FSC since 2003, which provides assurance that these products have been made from wood sourced from legally harvested and well managed forests. As garden furniture can be made from tropical hardwood species, it is especially important to gain FSC assurance about where the wood was sourced from. We will continue with this commitment.

During 2008 we have started to introduce the policy and work with other areas of the business where wood and wood composite products are used. This has included our Shopfitting department, where we are undertaking a review to understand and record details about where wood and wood composites are used, the species of wood and where the wood is sourced from.

### Animal Welfare

During 2008 we started a comprehensive review of our current animal welfare policies with a view to developing a policy covering all issues in relation to the products we sell. The products we have focused on include our beauty products, use of real fur and animal skins, feathers and shells.

Our current policy for our own brand beauty products is not to undertake or commission animal testing of any kind. We only accept products made from ingredients where the raw materials have not been tested on animals after a cut-off date of 1998.

We have a policy that we will not use real fur and that artificial fur must be sourced for Next products. As artificial furs can look very real, and for a customer it is sometimes difficult to differentiate, we have added a clear indication to the care label to advise the customer the product is made using artificial fur. This will start to be implemented for products sold in 2009.

Next, together with other brands and retailers have been working with the British Retail Consortium to encourage the Australian Wool Industry to develop alternative husbandry techniques to mulesing, which is a surgical procedure performed on merino sheep in order to prevent blow fly infestation. Mulesing was introduced as an animal welfare measure, however we do not believe it is now an acceptable practice and our priority for 2009/10 is to be able to source merino wool products, from non-mulesed sheep or where the practice of mulesing has ceased.

### Raw Materials - Cotton

Cotton is the single largest raw material used in our products, with over 50% of our products being made from cotton. Towards the end of 2007 we were made aware of an ethical issue in relation to cotton being grown in Uzbekistan, with overwhelming evidence of Government sponsored use of child labour during the cotton picking season. Following a period of investigation with our key suppliers, in consultation with an NGO and in line with other retailers, we made the decision to not accept products made from cotton grown in Uzbekistan and advised our suppliers of our decision in February 2008. During the year we started to work with some of our key suppliers to assist them in determining the origin of the cotton fibre being used in their products, and to develop methods of traceability that will be able to be used by more suppliers in the future.

## OPPORTUNITIES AND PRIORITY

- develop a new Animal Welfare policy to improve, promote and protect animal welfare in relation to the products we sell including the development of plans to eliminate the use of wool from sheep that have undergone the 'mulesing' process
- develop reporting tool to be able to track the forest sources of Home division timber based products
- investigate the opportunity to develop traceable sustainable cotton products



## OUR PEOPLE

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### CONTEXT

#### Our Approach

Our people are a valuable asset to Next and we strive to create an environment that enables us to attract and retain the right people to work at every level throughout our business. 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 aim is to provide an environment where our employees are supported and respected, treated fairly, listened to and are involved.

Next is an equal opportunities employer, and we continue to ensure we offer careers opportunities for our employees without discrimination. We make adjustments, wherever possible, to improve the working environment and accommodate employees with disabilities. We have developed policies for the recruitment, training and development of employees, as we remain committed to investing time and resource to support, engage and motivate our employees to feel valued, be able to develop rewarding careers and want to stay with Next. As our business continues to develop we understand that by retaining effective and committed employees we can continue to deliver excellent quality products and an excellent service to our customers.

Next, like the majority of retailers, has seen sales decline during the current economic downturn. Our challenge in these tough trading conditions, is to carefully manage all costs in the business, including staffing costs, whilst maintaining and retaining the talent and skills to ensure we are in a positive position to recover quickly and emerge stronger than before. One way we can achieve this is by reviewing all vacancies as they arise and determine whether the role needs to be replaced or if it can be absorbed into other areas of the business. Through this action, and many others, we aim to protect the job security of our employees and help ensure Next is well positioned to move forwards as the economic climate improves.

#### Training and development

Next offers a wide range of training and development opportunities for our employees across our business. We believe that offering the right learning and development opportunities will help ensure our employees feel supported and equipped to carry out their role to the best of their ability. Each dedicated training department works with their division to develop and implement the required training and development opportunities needed by that part of the business.

We ensure relevant and appropriate training and development is provided by supporting:

- 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 kept up to date
- tailored training to support both individuals development 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

#### Health and Safety

We are committed to providing a safe and healthy working environment for our employees, customers and third party contractors. We know we have to inspire our people at all levels to take responsibility for their own safety and for the safety of those they work with. We agree and set safety programmes and objectives for each division of the business every two years. The safety programmes and objectives are reviewed quarterly at divisional safety meetings by each Divisional Director and twice a year by our Chief Executive.

Our safety programmes aim to :

- encourage our managers to improve safety within Next
- motivate our managers to become role models and to set safety standards
- drive the accountability for safety through all Next employees
- promote the positive outcomes of effective safety management
- develop effective support and safety training
- establish a consistent approach to safety throughout Next

## OUR PEOPLE....continued

### Listening to our employees

How we communicate with, consult, involve and listen to our employees is important to the business. Throughout the different divisions of the business we have democratically elected employee representatives who represent their colleagues views by sitting on employee forums (approx. 1 representative per 50 employees). The elected representatives attend meetings with senior managers and Board Directors at least twice a year. We believe these forums of two-way communication and consultation across the business enable and encourage open discussion on key business issues on matters that may affect them and the working environment.

Next has a recognition agreement with the Union of Shop, Distribution and Allied Workers (USDAW) in relation to our warehouse and distribution employees. This includes an agreement with the professional and managerial section of USDAW, called SATA, to represent our supervisory staff employed in this division of Next.

### 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 grows. We know it is essential to be able to recruit the right people, be able to keep them motivated and offer them the right environment to perform well. Next believes in rewarding all employees with fair and competitive salaries along with the opportunity to gain additional pay in the form of a bonus depending on the Company (or in some cases store or individual) performance. Through our Sharesave scheme employees have the opportunity to purchase shares in Next over a three to seven year period, with a tax-free saving account.

### DATA

NEXT EMPLOYEES	
FULL TIME	PART TIME
11,505	31,968

FEMALE/MALE EMPLOYEE STATISTICS AT 31.01.09					
	GROUP	RETAIL	HEAD OFFICE	DIRECTORY	DISTRIBUTION
FEMALE	69%	73%	64%	79%	39%
MALE	31%	27%	36%	21%	61%

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

## OUR PEOPLE....continued

NEXT UK PENSION SCHEME	ACTIVE MEMBERS
FINAL SALARY SECTION	1861
MONEY PURCHASE SECTION	2015

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

### Returning to work after maternity leave

83% of our employees taking maternity leave returned to work with us during 2008. We are keen to retain the skills and experience of our female employees who take maternity leave and we offer a maternity bonus payable three months after they return to work.

### Next Health and Welfare

During the year, Next spent £760,000 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

We have continued to offer a free flu vaccination to our employees at Head Office, Directory, Warehousing and Distribution depots and Ventura call centres. At least 1600 employees took up the offer which accounted for 20% of our Head Office employees and 15% of our employees in the other parts of the business.

## OUR PEOPLE....continued

### Health and Safety

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

Health and safety is an ongoing process within Next and the table below outlines the additional areas of focus identified to extend or compliment our existing safety management systems.

### Safety Programmes 2006 -2008

The table below shows the Company Safety programmes across our UK and Ireland operation set for 2006 -2008 and how we have progressed.

In our last report we advised we had completed 75% of our objectives for 2006 -2008.

We have now completed over 95% and are aiming to be 100% complete by the end of June 2009.

We rate our progress as :

- red (not commenced)
- amber (under way)
- amber/green (>70% complete)
- green (complete)

	DISTN	RETAIL	DIRECTORY	HO
Active safety support	Green	Green	Green	Green
Safety consultation and communication	Green	Green	Green	Green
Safety information and resources	Green	Green	Green	Green
Focus on high risk areas	Green	Green	Green	Green
Safety supervision and monitoring	Green	Green	Green	Green
Behavioural safety: developing our safety culture	Green	Green	Green	Green
Safety training and competence	Green	Green	Green	Amber/Green
Safety measurement and management information	Green	Green	Green	Green
Emergency preparedness	Green	Green	Green	Amber/Green

During November 2008 our safety programmes for 2009-2011 were agreed for the Group by our Chief Executive. An overview of the planned programme can be seen in 'Opportunities and Priorities' on page 36.

## OUR PEOPLE....continued

### Accident Reporting

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

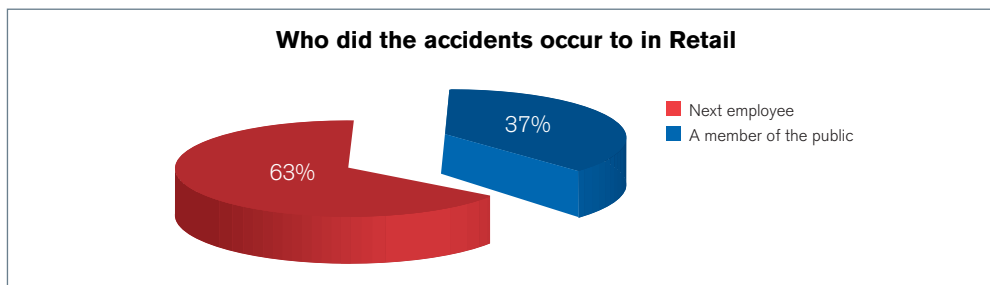
**Retail** - covers accidents in the UK, Ireland and Denmark

During the last four years we have seen a 12.6% reduction in the total accident rate and a 13.5% reduction in the RIDDOR accident rate in our retail operation

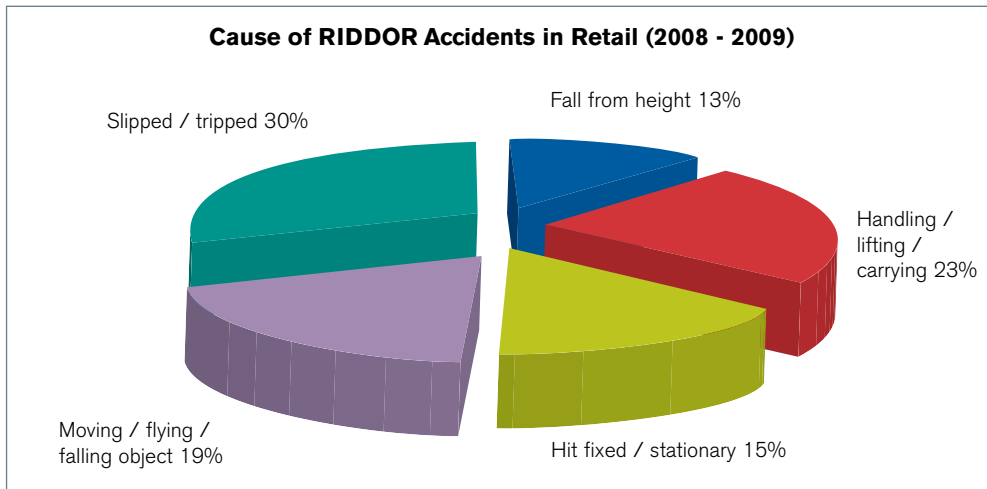


However the 50% increase in the RIDDOR accident rate we experienced during last year has been investigated and an action plan to reverse this has been incorporated into our corporate safety objectives for 2009 -2011.

Accidents reportable under RIDDOR for retail show that 37% of the accidents have occurred to a member of the public whilst in one of our stores. The majority are classified as RIDDOR because we report all incidents where we advise the customer to go to hospital including advising parents to take their children to hospital even after a relatively minor accident.



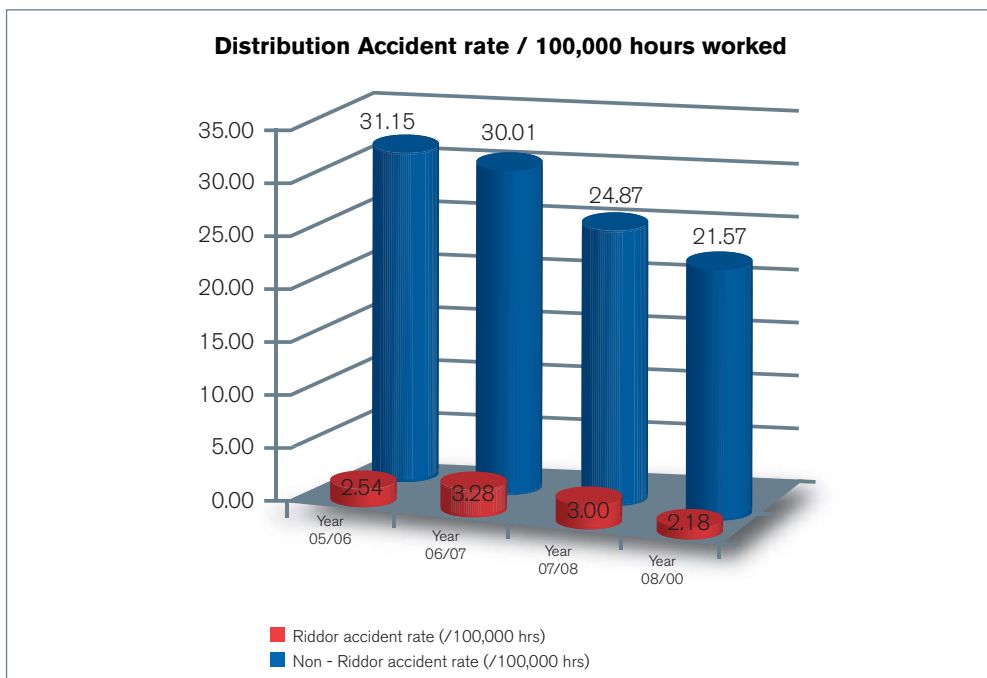
## OUR PEOPLE....continued



During 2008 the major cause of RIDDOR accidents (30%) was slips and trips, with the second highest cause of accidents (23%) relating to manual handling of stock. The safety objectives we have developed for 2009 -2011 will be targeted at improving performance in these areas.

### **Warehouses and Distribution Centres** - covers accidents in the UK

During the last four years we have seen a 31% reduction in the total accident rate and a 14% reduction in the RIDDOR accident rate with our warehouses and distribution centres. Over the last year we have achieved a reduction in RIDDOR reportable accidents of 27% which is a result of an overall reduction in manual handling activities as more automation has been introduced.



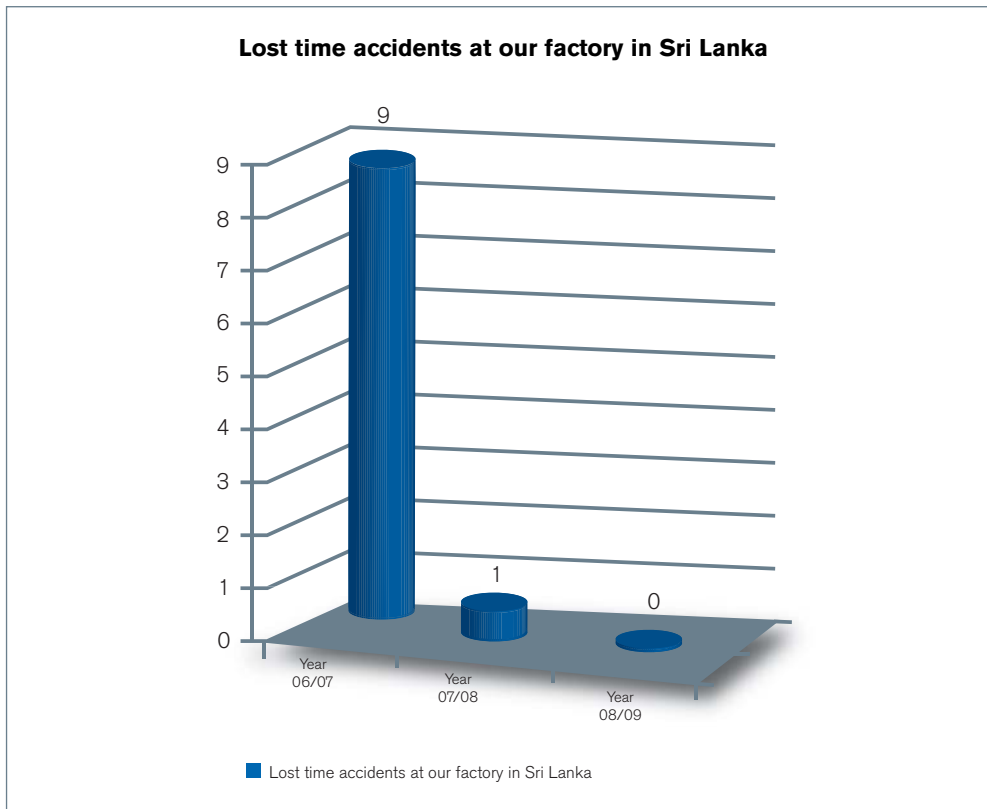
## OUR PEOPLE....continued

### Head Office and Directory - covers accidents in the UK

As would be expected in a low risk office environment, the number and type of accidents we experience are small. The actual number of accidents is low and the proportion that are reportable under RIDDOR is also very low, with only two accidents being reportable across both operations during 2008. During the past two years we have achieved a 3% reduction in the total accident rate and a 71% reduction (on a very small number) in the RIDDOR accident rate over the same period.

### Garment factory in Sri Lanka

Our UK Health and Safety team have been working with our manufacturing facility in Sri Lanka and their Health and Safety team since 2006. During this time we have achieved a significant reduction in Lost Time Accidents, down to a current level of zero. Lost Time Accident rate is measured per 100,000 hours and is a local measurement used in Sri Lanka (any accident where the injured person is unable to work their next shift).



### Legal Activity - during 2008 we were the subject of the following legal activity:

- an Improvement Notice was issued at a store relating to a manual handling accident. The issues identified have been investigated by our Health and Safety team and remedial action has been implemented to minimise the risk of re-occurrence.
- a Prohibition Notice was served following the identification that a guard was missing from an escalator in one of our stores following servicing by a contractor. The guard was immediately replaced.

## OUR PEOPLE....continued

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### SUCCESSSES

#### Training and Development

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

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

Within our Distribution division, nearly three years ago, six graduate employees were offered the opportunity to join a Management Training Scheme, with the potential to develop their careers to Duty Manager position. From these six graduates, four are still with the business with all of them successfully holding a Duty Manager or equivalent position.

Following a successful trial in one of our Distribution warehouses, where 275 employees took the opportunity to attain a recognised NVQ Level 2 Qualification in Warehousing and Distribution we made the decision to offer the opportunity for our drivers to attain an appropriate NVQ Level 2 Qualification. Sixty-one of our drivers requested the opportunity to take part and enter the programme, and during 2008 forty-two successfully completed the course with a further thirteen still continuing their studies. Next has supported the initiative by providing both facilities and the time for employees to study during working hours.

During 2008 we trialled a Lifelong Learning Partnership with USDAW, the trade union we recognise in our warehousing and distribution division. The aim of the programme was to provide on-site facilities for a range of subjects e.g. language, numeracy, IT skills. The trial ran for nine months, with limited success in terms of engagement with employees and it is not our intention to progress this further.

#### Employee engagement

A real focus of activity over the last eighteen months has been the development and implementation of the Fun, Fair and Rewarding initiative within our Distribution division launched with the key aim to identify Next as a great place to work for our employees.

Following a period of change within Distribution, resulting in organisational re-structures and an investment in atomisation to improve the efficiency of the business, we launched the Fun, Fair and Rewarding campaign.

The key objectives of the Fun, Fair and Rewarding initiative are to :

- provide a good working environment
- improve communication
- promote a coaching culture
- reward good performance and contribution

At each site, our Managers and Supervisors have undergone training and received additional support to develop their understanding and aid practical implementation, to embed the principles of Fun, Fair and Rewarding within the day-to-day running of each warehouse. In addition to training, clear and structured communication is essential to ensure all employees are provided with the information and skills they need to perform their role safely and efficiently and feel engaged and motivated to work to their full potential for Next.

## OUR PEOPLE....continued

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Each warehouse has established a Fun, Fair and Rewarding Committee of employee elected representatives who work with the management team from the site to look at ways to improve the working environment and enhance the local facilities. Through the different Committees, employees have undertaken a number of different initiatives from fund raising for charities to organising books/DVD swaps and team games.

The Distribution division holds an annual conference for all warehouse Managers and Supervisors. In 2007, the Fun, Fair and Rewarding initiative was launched by the Director of Warehousing with an initial two year implementation plan outlining the aims and goals to be achieved. At the 2008 conference, the business was able to report how the initiative had progressed with updates on areas such as:

- family fun days for all Distribution employees and their families based within the local communities to encourage participation, offer entertainment and raise funds for charities
- enhanced communication process to ensure all employees are aware of the latest business information, site information and relevant news updates
- introduction of an employee uniform to establish standards and encourage professionalism
- launch of Next's Got Talent competition, the finale was held in January 2009 where ten acts performed to a live audience of 500. Great team spirit and healthy rivalry was created between the different sites with £1,600 being raised for a local hospice charity.
- development of a mission statement for the Distribution division:

***We are proud to employ 4,500 dedicated & experienced people in 15 UK wide locations. With investment in state of the art equipment, we develop quality teams who deliver outstanding results at optimum cost by their hard work, resourcefulness and passion***

***Next Distribution. Exceptional results. Exceptional people***

Fun, Fair and Rewarding is an ongoing initiative within the Distribution division which will continue to focus on raising the profile of our employees welfare whilst they are at work, through our managing with a commonsense approach.

### Rewards and benefits

**Sharesave** - Next has operated a Sharesave scheme for many years. The aim of the scheme is to encourage employees to invest in the future success of Next through a carefully designed, risk-free savings plan over a three, five or seven year period where employees, as a minimum, will get back all the money saved over the period in addition to a guaranteed tax-free bonus. At the end of January 2009 there were 8,000 employees participating in our Sharesave Scheme.

**Childcare Vouchers** - through our salary sacrifice programme we operate a childcare voucher scheme that enables employees to save money on income tax and National Insurance contributions. Initially launched in Head Office and Directory, the scheme has been extended to our Retail and Distribution employees at the end of 2008 and has been received positively.

**Payroll Giving** - following requests through our employee forums we launched at trial at the end of 2008 with our Head Office and Directory employees. Payroll giving is a scheme that allows people paid through PAYE to make donations to any UK registered charity tax free. The scheme is totally tax efficient in that the donation includes the tax that would have been deducted from the employees pay, so instead of the tax going to the Treasury it will go to the charity selected by the employee.

## OUR PEOPLE....continued

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### Attracting employees

During 2008 we have continued to build on our relationships with key universities in the UK to attract students to a career with Next with the aim of ensuring we are able to recruit the best candidates for our business. We have attended a total of 19 university career events over the year and will be continuing those links in 2009.

Within the Next Careers website we have re-launched the specific section aimed at recruiting Trainees into our Product teams with great success, seeing applications increase to over 8,000 across the four Trainee schemes covering Design, Buying, Merchandising and Technology.

Building on the success of previous 'Open Days' held at Head Office we have held a further six events in early 2009. 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. We have successfully recruited 60 trainees for our Product teams.

Next is a sponsor and supporter of the Fashion Retail Academy in London. In February 2009 we had four students working at Next on placement within our Buying departments, offering invaluable practical training and experience of working in a real retail environment. Our plans are to continue to forge this relationship and offer further placements in future years.

### Additional Successes

#### Warehouses

- developed and rolled out a safety self assessment system to all our warehouses in the UK which we will report on more fully in the future
- developed and implemented a safety management system for our new in-house recycling centre
- installed a dock retaining system into our warehouses to eliminate the risk of vehicles prematurely leaving the warehouse dock before the vehicle is approved to move off to remove the risk of potential fatal consequences for our distribution employees
- developed a Lead Authority Partnership for Health & Safety with Doncaster Metropolitan Borough Council for health and safety enforcement
- successfully trialed an improved manual handling training programme and during 2009 will be rolling it out across all warehouses. This has been achieved in close collaboration with Pristine Condition who are experts and lead the industry in this field

#### Retail and International

- conducted initial safety audits in our new stores in Eastern Europe, and development of a Health and Safety manual is underway to provide safety responsibilities, procedures and risk assessments
- Next Retail Safety Management System has been implemented in the new Lipsy stores in the UK
- worked in close partnership with the HSE to improve the safety awareness and safety performance of the contractors who carry out our store development programme and maintenance activities. To date our key achievements include the agreement that the contractors' site foremen will achieve the Site Management Safety Training Certificate (issued by CITB); the contractors will improve their safety auditing processes during construction and that Next will improve the provision of pre-tender information to contractors

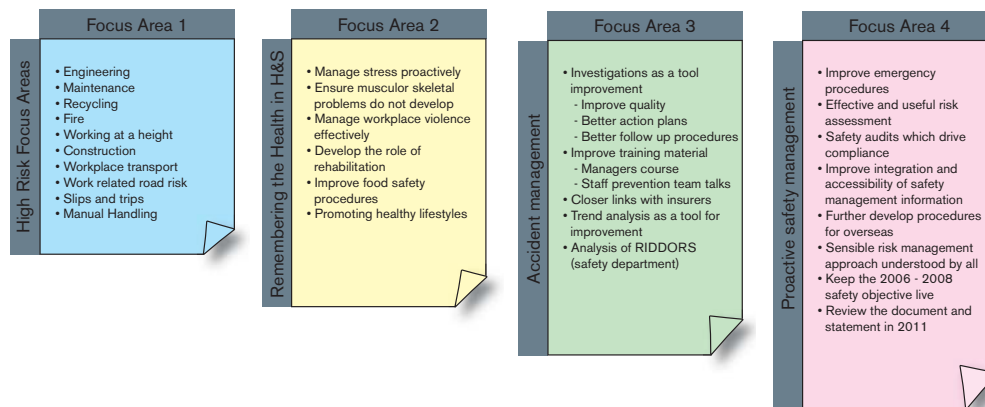
#### Other areas

- on-line accident reporting system is now fully implemented across the business
- improved our programme of Driver Risk Management by working closely with an industry leading provider, Drive and Survive. This is now an ongoing process which requires all Company car drivers and employees who take the cash opt out payment in lieu of a Company car to be risk assessed, as Company car drivers are. The risk assessment identifies if they require additional driver coaching
- revisited and undertaken further safety audits at our factory in Sri Lanka and our call centre in India

## OUR PEOPLE....continued

### OPPORTUNITIES AND PRIORITIES

- **Health & Safety objectives for Next 2009 - 2011.** Please see the illustration below showing our key focus areas for development and implementation



- **Next International** - further develop safety procedures for our stores in Scandinavia and Eastern Europe
- **Fire Risk Assessment requirements** - improve follow up procedure and management information to enable focus on key issues
- **Workplace Violence** - review current procedures to incorporate HSE guidelines and review and improve training where required

# COMMUNITY

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## CONTEXT

### Our approach

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

With over 500 stores in the United Kingdom and Ireland we continue to focus our resources on projects that support the communities in which we operate. Our aim is to help make a difference, so we look for opportunities to identify and develop new relationships to be able to increase the number of organisations and charities, of all sizes, we are able to support with a donation that is of most benefit to them. In addition to our direct community contributions, we also support charities by organising fundraising events on their behalf which allows the charity to attract additional funding at the event as a direct result of the support they have received from Next.

As well as supporting communities in the UK and Ireland, we have started to work with overseas organisations to help provide a positive contribution to support local communities. We know donations make a difference, but training and the development of skills lasts much longer. Our aim is to combine social and economic development with real business opportunities. We want to help people to be able to take control of their lives by helping to provide the opportunities they need to develop and be in control of their own future.

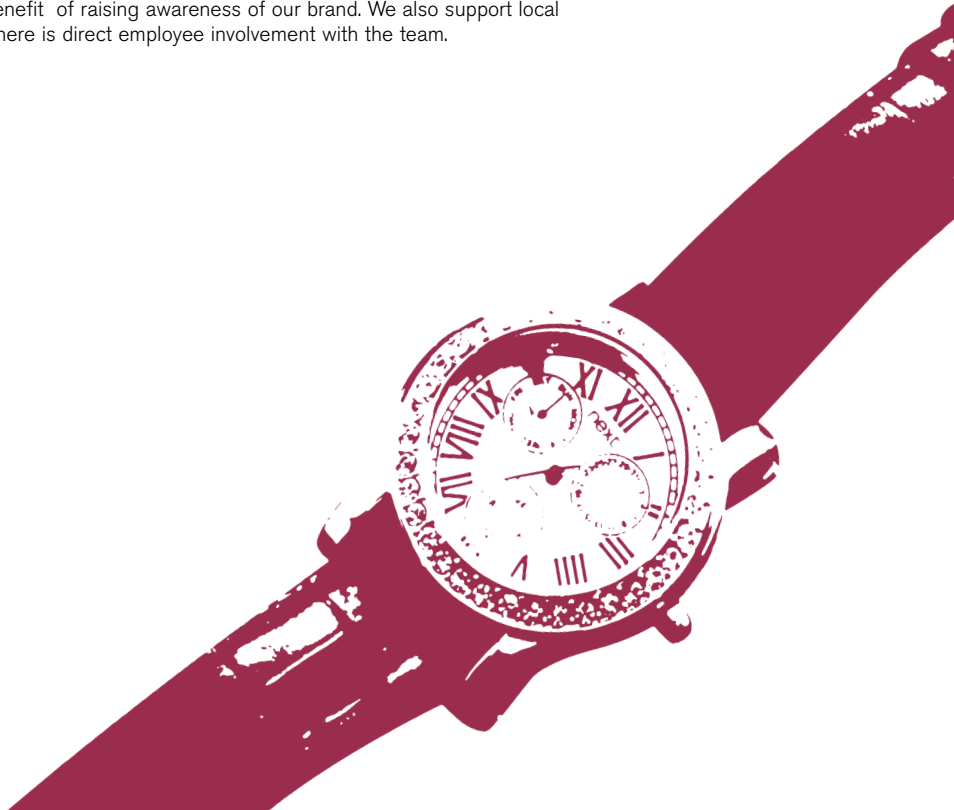
To ensure we can measure and monitor our overall community investment, we calculate the value of our non-financial contributions gained from products donated from within the business. This figure is added to our financial contributions, to arrive at the total sum contributed for the year.

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

**Registered Charities** - we have offered support to 388 charities of all sizes during 2008 who have asked for contributions to support, for example, children; care for the sick and people with disabilities; 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. We also respond to requests from individuals and small groups who are then able to benefit from our support.

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



## COMMUNITY....continued

### DATA

	<b>2009</b>	<b>2008</b>
Next Plc has offered financial support to:		
Registered Charities	£885,936	£730,978
Individual requests, local and national groups and organisations	£56,669	£42,969
Commercial support and sponsorship	£54,018	£146,156
This support has been complemented with the following fundraising activities to generate additional funds for registered charities, individuals, groups or organisations:		
Next charity events	£24,346*	£433,204
Gifts in kind - donations of products	£764,034	£394,178
Charity link sales	£181,186**	£263,058
Employee fundraising	£32,661	£72,662
<b>Total Support</b>	<b>£1,998,850</b>	<b>£2,083,205</b>

Note: \*during 2008 we hosted our annual Charity Golf Day, whilst in 2007 we hosted a Next Charity Ball to celebrate our 25th anniversary.

\*\*An additional £38,809 was raised through charity link sales from product sold during 2008.

- £33,485 - Breast Cancer Care
- £5,105 - Soul of Africa
- £219 - Bliss

However as the charities themselves did not received the monies during the reporting period of the report we have not included the figure in the data above. It will be included in our 2010 report data.

### SUCCESSSES

At Next our aim is to support a wide number of charities and organisations, of all sizes, and to be able to offer them the type of donation they really need and is of most use to them. This may be a financial donation or the offer of products that can be used to realise additional funding. As well as supporting individual charity requests, we also agree to support some charities for an agreed number of years with a specific donation. This commitment helps the charities to be able to plan their work with confidence.

Next held our annual Charity Golf Day in June with the proceeds from the event going to the Orchid charity. Orchid exists to save men's lives from testicular, prostate and penile cancers through funding pioneering research into prevention, diagnosis and treatment as well as promoting awareness and improving education so that symptoms can be recognised and medical attention can be sought. Through this partnership, our menswear buying team has developed an underwear pack to be sold in Spring/Summer 2009 with £2 from each pack to be donated to Orchid. If you would like to find out more about the charity, please go to [www.orchid-cancer.org.uk](http://www.orchid-cancer.org.uk)

During 2008 we have continued to support the charity Breast Cancer Care, by developing a range of products sold through the Next Directory. For every product sold we have made a donation of 10% of the selling price of the product to the charity. The charity supports anyone affected by breast cancer by offering information and support where needed. If you would like to know more about the charity, please go to [www.breastcancercare.org.uk](http://www.breastcancercare.org.uk)

## COMMUNITY....continued

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As a responsible retailer we aim to provide a positive contribution to help improve and support local communities wherever in the world the Next brand trades or manufactures. Community investment is a long-term commitment to delivering value to the community that we are aiming to help. An example of where we are working to make a positive contribution is our participation with the charity Soul of Africa. Based in South Africa, Soul of Africa is an imaginative self help initiative which trains unemployed and unskilled women to hand stitch moccasin-style shoes and apply decorative beading to t-shirts, giving them the self empowering ability to generate an income through which they can support their families. Soul of Africa product was launched in Next during 2008 and for every product sold Next makes a donation (£2 for each pair of shoes and £1 for each t-shirt ) to The Soul of Africa Trust which channels the funds into community projects aimed at supporting children orphaned by the HIV/AIDS pandemic. To find out more about the charity please go to : [www.soulofahricacharity.org](http://www.soulofahricacharity.org)

Next has been able to support Children in Need for over five years by offering our call centres to be used to receive pledges from the general public on the night of the event. Our employees generously volunteer their time by manning the telephones in the call centres. On the evening of the Children in Need event, at our Directory call centre based at Head Office, over 50 volunteers answered over 4000 telephone calls from the public who generously pledged £123,022.

Our employees across the business get involved in many fundraising events each year. One example from our Retail division is the annual 5-a-side football tournament. Teams from our stores throughout the country take part and compete in regional events with the winners coming together for the final days event. On the day of the final over 200 employees participated in the 24 teams and over £12,000 was raised for Cancer Research UK. An event is being planned for 2009 and for the first time is open to colleagues in Head Office and Distribution as well as our stores.

As part of the Fun, Fair and Rewarding initiative within the Distribution division, a Next's Got Talent event was held. The event was managed and funded by Next with employees performing their talents of singing and dancing in front of their friends and colleagues and a panel of judges. £1,600 was raised through ticket sales and donated to The Prince of Wales Hospice in Pontefract.

Next continues to be the main event sponsor of the Cystic Fibrosis Annual Awards Dinner. In addition to our financial contribution, some of our employees donate their time and expertise to plan, co-ordinate and run the event on behalf of Cystic Fibrosis.

During the year we have been working to maximise the use/value of unwanted products that are returned through our operations. Our aim is to link with charities that can make use of these products to realise value for themselves. The project is still at its early stages, so we will report on how we progress in future reports.

## OPPORTUNITIES AND PRIORITIES

- work with charitable organisations to identify value from products that Next can no longer use

# ENVIRONMENT

## CONTEXT

Next recognises it has a responsibility to work towards minimising the direct impact of its business operations on the environment both now and in the future. Through the development and operation of good business practices we continue to work to reduce our environmental impacts by reducing the carbon intensity of our activities and the natural resources we use.

### Our Approach

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

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

During the year we have been working to identify and implement operational changes in how we operate our business that will help to minimise our impact on the environment. We understand our responsibility to work towards minimising the direct impacts of our operations as these actions will both deliver an environmental benefit and identify cost-effective opportunities for Next. We are committed to reducing our carbon footprint by reducing energy consumption throughout our operations, minimising and recycling waste from our operations, working to cut transport emissions as well as working to reduce the packaging in our products.

### Climate Change

Climate change is now recognised as one of the biggest global environmental challenges facing us all. Since our first Corporate Responsibility Report in 2004, we have been reporting the carbon dioxide (CO<sub>2</sub>) emissions associated with our business as well as how we have been working to reduce these emissions.

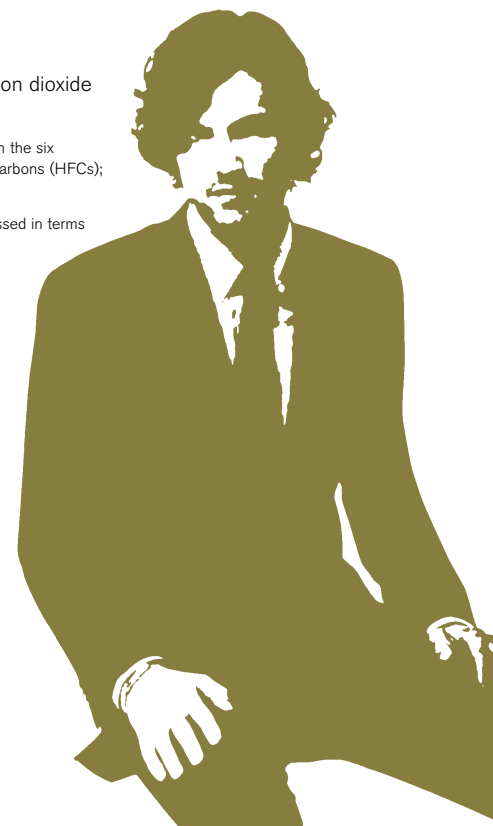
Through the UK Climate Change Act, the Carbon Reduction Commitment (CRC) is new legislation coming into force in 2010 that will affect Next. We are continuing to prepare for the legislation by reviewing how we can improve our measuring and monitoring of energy consumption through the application of improved metering equipment that will provide immediate and accurate information and data. The additional meters will be installed in around 140 stores by summer 2009.

### Next Plc Global Carbon Footprint

We have measured our global direct carbon footprint in 2008 as 288,344 tonnes of CO<sub>2</sub>-e (carbon dioxide equivalents).

A carbon footprint is calculated by measuring the annual emissions of an organisation and their impact on climate change through the six greenhouse gases (GHGs) listed in the Kyoto Protocol : carbon dioxide (CO<sub>2</sub>); methane (CH<sub>4</sub>); nitrous oxide (N<sub>2</sub>O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs) and sulphur hexafluoride (SF<sub>6</sub>)

CO<sub>2</sub>-e is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the six GHGs, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate different GHGs against a common basis.



## ENVIRONMENT...continued

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We have measured the greenhouse gas (GHG) emissions produced from the operational activities of Next Plc where we have direct control.

Our global direct carbon footprint includes emissions from:

- Properties - our stores, warehouses and distribution centres in the UK and Ireland; our global offices, call centres and manufacturing facilities
- Distribution - our distribution of Next products to Retail stores or customers' homes
- Business travel

We have calculated our carbon footprint using the World Business Council for Sustainable Development (WBCSD) greenhouse gas protocol which is the recognised standard for corporate carbon reporting, and updated guidelines produced by the UK Government (DEFRA) in 2008.

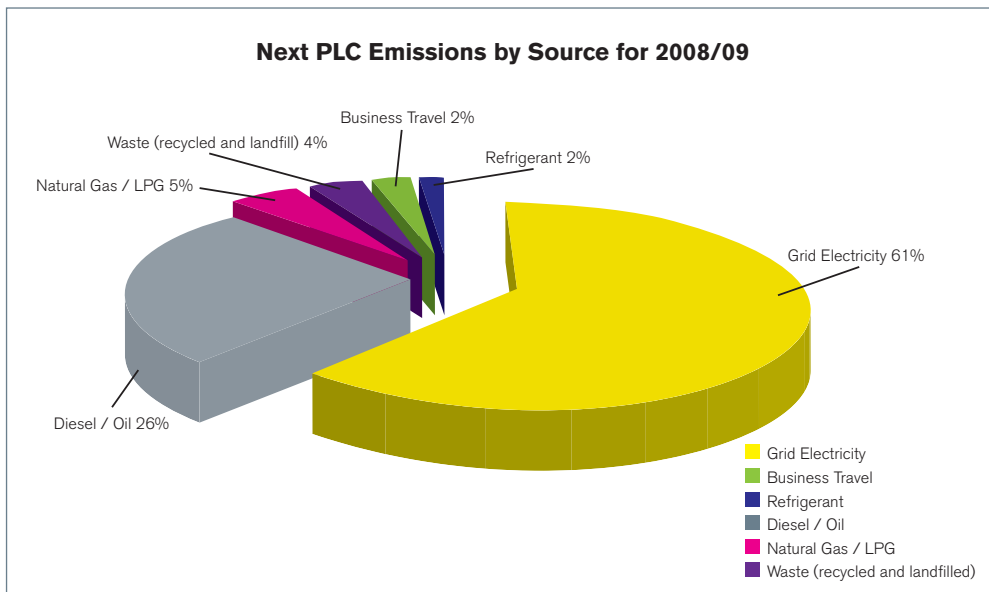
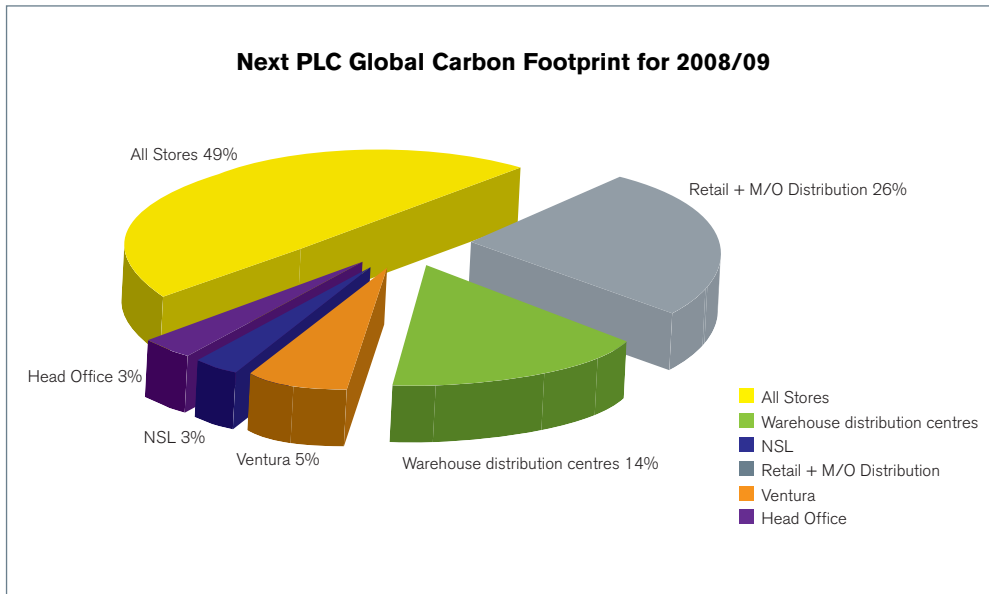
### Waste and recycling

Over 95% of the waste we produce is generated by our stores, warehouses and distribution centre, with 47% of this waste coming from packaging materials such as cardboard and polythene. We now have over 300 of our stores segregating and sorting cardboard and polythene waste for collection and reverse hauling for recycling. Our new in-house recycling centre based at one of our main distribution warehouses was built during 2008 and was officially opened during February 2009. It allows us to gather materials for recycling from a further 110 stores. In addition to processing cardboard and polythene, the facility is able to handle other streams of dry waste materials for recycling, and during 2009 we will be rolling out a programme to our stores and distribution centres to segregate additional streams of waste to further reduce the amount we send to landfill. This investment will help to achieve our long term aim of working towards sending no operational waste to landfill, which is a goal we have been working towards.

## ENVIRONMENT....continued

### DATA

**Next Plc Global Direct Carbon Footprint** - 288,344 tonnes of CO<sub>2</sub>-e



We have used the World Business Council for Sustainable Development (WBCSD) greenhouse gas protocol which is the recognised standard for corporate carbon reporting, and updated guidelines produced by the UK Government (DEFRA) in 2008.

## ENVIRONMENT....continued

CO <sub>2</sub> EMISSIONS - UTILITIES IN UK AND IRELAND FOR HEAD OFFICE, STORES, WAREHOUSING:						
	YEAR ENDING JAN 2007		YEAR ENDING JAN 2008		YEAR ENDING JAN 2009	
UTILITIES	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>
Electricity consumption including estimations	296,693,522	159,324	305,319,964	163,957	302,087,555	162,221
Gas consumption including estimations	55,557,376	10,278	54,458,153	10,075	57,022,358	10,549
		169,602		174,032		172,770
Square footage	12,224,333		12,677,700		12,912,733	
Tonnes of CO <sub>2</sub> per 1000ft <sup>2</sup>	13.87		13.73		13.37	

CO <sub>2</sub> EMISSIONS - UTILITIES IN UK FOR VENTURA						
	YEAR ENDING JAN 2007		YEAR ENDING JAN 2008		YEAR ENDING JAN 2009	
UTILITIES	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>	kWh	TONNES OF CO <sub>2</sub>
Electricity consumption including estimations	16,315,493	8,761	17,460,189	9,376	17,375,320	9,331
Gas consumption including estimations	6,584,922	1,218	6,104,104	1,129	7,705,386	1,425
		9,979		10,505		10,756
Square footage	528,762		528,762		496,760	
Tonnes of CO <sub>2</sub> per 1000ft <sup>2</sup>	18.87		19.87		21.65	

Note for the above tables :

- Electricity and gas consumption for y/e Jan 08 has been restated based on actual data in place of estimates
- Y/E Jan 2009 has been calculated using the updated DEFRA guidelines and for comparison purposes y/e Jan2007 and Jan 2008 have also been re-calculated

## ENVIRONMENT....continued

CO <sub>2</sub> EMISSIONS - RETAIL DELIVERIES IN UK AND IRELAND:									
Retail Deliveries	YEAR ENDING JAN 2007			YEAR ENDING JAN 2008			YEAR ENDING JAN 2009		
	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>
Mainline - Diesel	6,276,366	21,500,912	16,821	6,122,227	21,058,571	16,408	6,194,489	21,465,518	16,601
Ireland - Diesel	854,257	2,831,629	2,289	781,700	2,953,143	2,095	925,818	3,292,823	2,481
			19,110			18,503			19,082
N° of items sold	240,913,000			213,403,223			198,125,597		
Tonnes of CO <sub>2</sub> per 1000 items sold	0.079			0.087			0.096		

CO <sub>2</sub> EMISSIONS - DIRECTORY DELIVERIES IN UK AND IRELAND:									
Directory Deliveries	YEAR ENDING JAN 2007			YEAR ENDING JAN 2008			YEAR ENDING JAN 2009		
	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>	Litres	km	TONNES OF CO <sub>2</sub>
Distribution - Diesel (confirmed figures from dedicated carriers)	4,050,000	16,167,000	10,854	4,199,000	17,323,000	11,252	4,378,000	17,566,000	11,517
Distribution - Diesel (confirmed figures from shared carriers)	3,887,000	32,573,000	10,418	3,850,000	31,946,000	10,319	3,579,000	31,047,000	9,413
Distribution - Unleaded Petrol (may include an element of diesel-estimated figures from shared carriers)	2,109,000	23,147,000	4,872	2,096,000	23,005,000	4,842	2,018,000	22,146,000	4,672
			26,144			26,413			25,602
N° of items delivered	86,437,000			85,894,000			83,214,000		
Tonnes of CO <sub>2</sub> per 1000 items delivered	0.302			0.308			0.307		

## ENVIRONMENT....continued

NO <sub>x</sub> EMISSIONS - DIRECTLY OWNED VEHICLES (TONNES)			
	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
Retail	183	167.5	97.6
Directory	-	52.1	41.2
<b>TOTAL</b>	<b>183</b>	<b>219.6</b>	<b>138.8</b>

NEXT WASTE AND RECYCLING (TONNES)		
	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
General Waste collection for disposal	22,772	17,703
Cardboard collection and separated for recycling	16,414	14,572
Plastic collected and separated for recycling	1,704	1,132
Other materials collected and separated for recycling	218	437
<b>Total Waste</b>	<b>41,108</b>	<b>33,844</b>
Total Waste Recycled	18,336	16,141
<b>% Waste Recycled</b>	<b>45%</b>	<b>48%</b>

WATER CONSUMPTION IN UK AND IRELAND			
	YEAR ENDING JAN 2007	YEAR ENDING JAN 2008	YEAR ENDING JAN 2009
Buildings. (Head Office, Stores, Warehousing and Directory)	252,962m <sup>3</sup>	263,834m <sup>3</sup>	274,038m <sup>3</sup>
Ventura	41,680m <sup>3</sup>	39,649m <sup>3</sup>	30,831m <sup>3</sup>

## ENVIRONMENT...continued

### SUCCESSSES

#### Energy

During the year we have focused on our commitment to reduce energy consumption throughout our operation, through the implementation of energy saving initiatives including improved management using the building management system and staff awareness training.

Next first installed a building management system into a store in 1997. The system is now installed in 388 of our stores and automatically manages some key store functions such as when the shop floor lighting is activated ahead of when the store opens for trading, when the shop window display lights are turned on and off and improved control strategies for our in-store air conditioning systems. 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.

369 stores are installed with half-hourly modem meters which pass each store's 'live' energy consumption information into a data collection facility. This allows us to actively track energy performance and monitor consumption in these stores. In preparation for the forthcoming CRC legislation, during the second part of 2008, we started to install automatic metering in the remainder of our stores to provide improved visibility and monitoring of the energy consumption of these stores as well. The programme of installation in our existing stores will be completed by summer 2009.

Our energy saving initiatives have included the replacement of existing lighting schemes in 250 stores with a new lighting scheme that uses less energy but produces the same level of lighting. We have begun a programme throughout the whole business to install occupancy sensors to either dim or completely turn off lights when they are not required in offices, meeting rooms, corridors, rest facilities and stock rooms. Within our warehousing operation we have included roof window panels to maximise natural lighting, supplemented with daylight activated lighting controls in two of our new warehouses that became fully operational in 2008 as well as undertaking a full review of where lighting is used in our warehouses to ensure potential savings are maximised. This review has identified an opportunity to introduce a new lighting scheme, starting summer 2009 that will offer significant savings for the future.

One of our major challenges in our retail stores is to manage the internal ambient temperature in-store to provide a comfortable shopping experience. We are trialling 'free cooling' systems in six stores using both mechanical and supplementary technologies.

- Mechanical free cooling utilises the cooler outside air when its temperature is less than 12°C to cool the store instead of conventional air conditioning systems
- Supplementary free cooling is used in conjunction with the store's existing air conditioning system. Cold air is drawn in through the entrance doors, and this cooler air will displace the warmer air and with the provision of roof top fans will extract the hot air out of the store

We are closely monitoring how these technologies perform to understand the potential energy saving opportunities as well as any feedback from our customers about their in-store experience and will be able to provide an update in a future report.

With all of our actions we are pleased that even with the cold winter we have experienced and the new stores and floor space added to the estate we have reduced our electricity consumption by 1% during 2008. In our 370 like-for-like stores (stores that have traded continually without a re-fit) we have been able to deliver a 5% reduction during the year.

Gas is used mainly for heating across the business, and due to the cold winter we experienced, our consumption increased by 5% during 2008. However, across our stores, warehouses and Head Office the tonnes of CO<sub>2</sub> emitted per 1000ft<sup>2</sup> for both electricity and gas reduced by 3% on the previous year.

## ENVIRONMENT...continued

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### Green Champions

Engagement with our employees is an important aspect of helping to manage our impact on the environment. Within the business we have undertaken employee awareness raising of the role all employees can take with simple measures such as turning lights off when not needed, turning off electrical equipment, such as computers at the end of the day, setting up photocopiers to print double sided, segregating waste for recycling.

Within our stores we have established the Green Champion role, with specifically appointed employees who have received additional training to support our store and area managers to implement environmental initiatives within their stores, identify opportunities to save energy and reduce waste and encourage involvement from their work colleagues to work to reduce our environmental impact as a business.

### Waste

Through our stores, warehouses, distribution centres and offices in 2008, we created around 34,000 tonnes of waste and were able to recycle 48% (2007:45%)

During 2008 we undertook the construction of our own recycling centre to handle initially the cardboard and polythene waste created in the business. The recycling centre started to take in materials for recycling in December 2008 and became fully operational in February 2009. The materials are compacted and baled before being sold for recycling. With this new facility, during 2009, we will be able to collect cardboard and polythene from more stores and prevent it from being sent to landfill, thereby helping to increase our recycling rate.

An average Next store creates 255kg of waste, made up from:

- 171kg cardboard
- 42kg polythene
- 42kg general waste

Our long term aim is to send no operational waste to landfill and to achieve this we have identified further streams of dry waste materials, from the 42kg of general waste an average store creates, that can be segregated and collected for recycling. Our stores have been provided with collection bins for materials such as paper, tissue, plastic bottles, cans etc that can all be removed from the general waste stream and returned through our reverse hauling operation for recycling at the recycling centre. We started to roll this out towards the end of 2008 and by summer 2009 we will have around 350 stores participating in our recycling initiatives. We will continue to investigate and understand what further opportunities there are to divert other waste materials, from our general waste, away from landfill as we work towards achieving our long term aim, which we will discuss in more detail in next years report.

There are around 150 stores from which we do not currently collect materials from for recycling, due to their location, restricted storage areas, or because waste is collected centrally as part of a shopping centre or retail park service agreement. We are working with these stores to identify opportunities for their waste to be collected for recycling in the future.

In addition to working to increase the amount of waste we are able to recycle we have also been working with our internal technical teams and our suppliers to reduce the amount of packaging used in our products. From a project we initially started with Envirowise, towards the end of 2008 our in-store Green Champions started to identify products they felt contained too much packaging. The products are reviewed by our technical teams and alternative packaging methods are agreed with our suppliers. This ongoing initiative will deliver benefits to the environment, our business and our customers by reducing the amount of packaging included in the products we sell.

The launch of the universal On-Pack Recycling Label scheme being developed by the BRC and WRAP was delayed until March 2009. We are now reviewing how best to utilise this voluntary initiative for the labelling of Next packaging materials, to help encourage consumers to recycle more packaging at home.

Employees at our Head Office site have also been provided with improved facilities to recycle more streams of waste, with the introduction of a new colour coded bin system to aid collection.

## ENVIRONMENT....continued

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### Distribution Emissions

Following the upgrading of the fleet of articulated lorries that deliver product to our Retail stores to Euro V engines during 2007 ahead of legislation, we have seen a 42% reduction in nitrogen oxide (NOx) emissions. During 2008, we have also upgraded the vehicles within our Home Delivery fleet that deliver the heavy items we sell directly to our customers' homes, to Euro V engines and are starting to see the benefits of a reduction in NOx emissions.

We have seen a 10% increase in the CO<sub>2</sub> emissions(per 1000 items delivered) associated with delivering to our retail stores during 2008. The increase has come from the new stores we have opened in Ireland and Northern Ireland during the year. In addition the current economic downturn means that we are delivering fewer items to our stores, resulting in lower efficiency rates. We are currently reviewing our delivery schedule planning to identify opportunities for improved delivery efficiencies.

### Water

Next is not a major consumer of water, but we recognise it is a natural resource and we are working to minimise the amount we use over time. We already have a measuring and monitoring process in place in over 70% of our properties in the UK and Ireland which allows us to identify unusual consumption, leakages etc.

Through the introduction of a waterless urinal system during 2008, Ventura has been able to reduce the water consumption in their UK sites by 22%. At our Head Office site, following a trial during 2008, we have rolled out a similar urinal system and will be able to measure the water savings made going forward. During 2009 we will investigate the suitability of installing similar systems in our stores also.

### Construction waste

In line with new legislation it is a legal requirement to produce a Site Waste Management Plan (SWMP) for all building projects over a certain size. One of the aims of the legislation is to reduce the amount of construction waste from being sent to landfill sites and to encourage the recycling of suitable materials. From January 2009, we have implemented this requirement on all Next store projects. This gives us visibility of, and the ability to understand in more detail, the amount of waste associated with new stores or the re-fitting of existing stores, and how much waste can be recycled. We will report on this more fully in future reports.

## OPPORTUNITIES AND PRIORITIES

- Investigate the opportunity to purchase renewable energy for our stores in Ireland and Northern Ireland
- Investigate and develop improved monitoring and reporting systems through our building management system to facilitate visibility and analysis of separate store functions e.g. air conditioning, lighting etc
- Investigate new lighting technologies for our stores
- Prepare for the forthcoming EU Regulations concerning the phasing out of ozone depleting substances used in air conditioning equipment and refrigeration across the business
- Analyse the remaining waste materials contained in general waste to identify opportunities to segregate and divert away from landfill in line with available recycling technologies to establish a time-line to achieve our long term aim of sending no operational waste to landfill

# INDEPENDENT ASSURANCE STATEMENT 2009 CORPORATE RESPONSIBILITY REPORT

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The Next plc 2009 Corporate Responsibility (CR) report (the Report) has been prepared by the management of Next plc, who are responsible for the selection of content and for the collection and presentation of information. The Reassurance Network was commissioned by Next to verify the Report in order to assure readers of the accuracy, coverage and balance of content. This assurance statement contains our own unabridged opinion. Any reliance that any third party may place on this Statement is entirely at its own risk.

## SCOPE AND LEVEL OF ASSURANCE

The assurance assignment has been carried out to the AA1000AS (2003) assurance standard which requires us to assess the completeness and materiality of information as well as overall responsiveness to the issues, concerns and interests of stakeholders. Our methodology for applying the AA1000AS principles is outlined below.

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

Our review was limited in the following ways:

- Interviews did not include anyone from Ventura's UK operations, or from Next Sourcing Ltd.
- Our assessment of operational reporting processes and underlying data management systems was selective, based on data significance and building on work done in previous years.
- We did not attend any stakeholder engagement activities.

## METHODOLOGY AND WORK UNDERTAKEN

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

- Review of the approach and criteria for determining the content of the Report considering its relevance to the business, significance to stakeholders and overall materiality. This included a mapping of corporate responsibility parameters, risks, indicators, initiatives and accountabilities across the business.
- Interviews with 26 employees to review the main operational activities, management processes, significant risks and opportunities and performance data relating to Next's responsible business practices.
- Review of progress against previously stated objectives, new objectives and priorities, how Next plan to achieve its objectives and how internal assurance is being provided.
- Review of relationships with stakeholders through interviews with key relationship managers and reviews of selected documentation.
- Visit to Next's franchise partner, Ermes Department Stores plc, in Cyprus to evaluate how corporate responsibility is managed within the franchise network.
- Visit to Elmsall Way recycling centre to review the operations for receiving and processing store waste for recycling
- Review of external media reports relating to Next, as a check on the coverage of issues.
- Sample testing of operational data collection, analyses and reporting processes in key performance areas.
- Verification of the Report's data, statements and assertions regarding Next's CR performance. This included reviews of policies, procedures, guidelines, records, surveys, minutes and other documentation relating to performance management and reporting.

We requested a number of changes to the content as part of the assurance process. All significant points raised have been incorporated into the Report to our satisfaction.

# INDEPENDENT ASSURANCE STATEMENT 2009 CORPORATE RESPONSIBILITY REPORT....continued

## CONCLUSIONS

Subject to the limitations listed above, we provide the following conclusions:

- We are satisfied that the scope and content of the Report meet the criteria of materiality, completeness, and responsiveness as defined under the AA1000AS assurance standard.
- The Report covers the significant aspects of Next's responsible business activities that are of likely interest to Next's main stakeholders, or that have received management attention during the reporting period. We are not aware of any issues of potential significance, or that have received management attention, that have not been included in the Report.
- The information is sufficiently accurate, up-to-date and free from material misstatement or omission for readers to form a balanced opinion of Next's activities and performance. We are not aware of any invalid or misleading statements in the Report.

## OBSERVATIONS AND RECOMMENDATIONS

As in previous years, we have prepared a separate report for Next's management, summarizing progress and identifying further areas of potential improvement. Some key observations and recommendations, highlighting our opinions of Next's strengths and areas for future improvement, are summarised below:

### Main achievements

During 2008 Next has made some significant progress in some the key areas:

- It has established itself as a leader in ethical supply chain management, further strengthening its internal team, strengthening its auditing process and developing a number of successful partnerships to promote improvements in working conditions.
- A code of practice has been distributed to franchise partners and forms part of new and renewed franchise contracts.
- The management of Corporate Responsibility has been systematically mapped across the company for the first time, with documentation of impacts, risks, programmes and initiatives, responsibilities, training, performance indicators and management.
- Ongoing integration of environmental considerations into business operations with some notable achievements in product development, store fitting and recycling of store waste
- Continued and sustained improvements in safety management and performance, with a very significant reduction in accidents at the Sri Lanka factory following a major safety initiative.
- Continued creation of social and environmental capital through its, sustainable timber sourcing and the development of a community trade project in South Africa.
- Developing environmental criteria for store fitting materials.

### Further opportunities

- Next has now established itself as a credible leader in many areas of corporate responsibility. We would recommend this to be reflected in increased communications to staff and key stakeholders, and the disclosure of more information, possibly via the introduction of web-based reporting.
- The visit to the franchise operation highlighted an opportunity to influence and improve environmental management across the franchise network by sharing best practices.
- Next now has over 3,680 people working internationally for Next Sourcing Ltd (NSL), including the Sri Lanka factory. We recommend that the scope of the report should be expanded in 2010 to include key aspects of international performance such as people management, safety, environmental performance, community engagement and business integrity.
- We would like to see strategy and initiatives that will contribute to the no operational waste to landfill target being accelerated, with clear milestones and targets being set across the business

## INDEPENDENT ASSURANCE STATEMENT 2009 CORPORATE RESPONSIBILITY REPORT....continued

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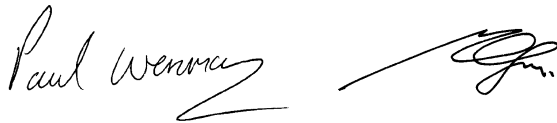
### THE REASSURANCE NETWORK

The Reassurance Network is a privately owned company providing a range of specialist assurance services to support responsible business. This assurance assignment constituted less than 10% of The Reassurance Network's turnover in 2008 and contains our own unabridged opinion.

The Reassurance Network provided a detailed review of Next's environmental strategy during 2008 which fell outside the scope of the assurance assignment. This fee for this work was approximately one third of the fee for assurance. The Reassurance Network does not have any other commercial involvement in Next, or any affiliation with Next's stakeholders.

Malcolm Guy and Paul Wenman have a combined total of over 25 years as independent corporate responsibility assurers and advisors and have global experience with over 25 multinational organisations. Further information and contact details are available at [www.re-assurance.co.uk](http://www.re-assurance.co.uk).

Paul Wenman and Malcolm Guy



The Reassurance Network Ltd

July 2009

