



NEXT

Next Corporate Social Responsibility
Report to January 2005

2005

contents

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CHIEF EXECUTIVE'S WELCOME

Welcome to our second Corporate Responsibility Report. This year we have appointed a permanent CR and Environmental Manager. The contents of this report have been verified by assurance providers, The Reassurance Network. You will find a copy of their report at page 34.

Next is a company that believes that it can only deliver long term value to its shareholders if we take an ethical approach to the way we do business. Put simply, this means being fair and honest in our relationships with suppliers, customers and employees.

INTRODUCTION

ABOUT NEXT

NEXT clothes and home furnishings are designed to offer style, quality and value for money with a contemporary fashion edge.

Our principal activities are retailing, home shopping and customer services management. Our operations include:

Next Retail Limited - by January 2005, we had 383 stores in the UK and Ireland and one in Denmark. We also had 80 franchise stores overseas, operated by eight franchise partners. Our franchise stores are in 14 countries: Bahrain, Cyprus, Czech Republic, Iceland, Indonesia, Japan, Kuwait, Lebanon, Malta, Oman, Qatar, Saudi Arabia, Slovak Republic and United Arab Emirates.

The Next Directory - is our mail order and internet shopping service. Orders can be delivered to customers' homes or to a store of their choice for collection. Next Directory had 1,905,000 active customers by January 2005, up 14.8% from the previous year.

Next Distribution Limited - our warehousing and distribution service.

Club 24 Limited, operating as Ventura - provides customer service management services to companies wishing to outsource their customer administration and liaison.

First Retail Finance Limited - operates a funded credit business for a limited number of stores and mail order customers.

Next Financial Service Limited - provides support services to the business operations of Next Retail Limited. It does not offer any consumer credit.

Next Sourcing Limited (NSL) - a sourcing company working exclusively to design, source, buy and merchandise Next branded products. It employs over 1,000 people in China, Hong Kong, India, Romania, Sri Lanka, Thailand and Turkey. NSL also owns and operates a garment factory in Sri Lanka which manufactures exclusively for Next Retail Limited and employs a further 2,000 people.

SCOPE OF REPORT

This, our second published Corporate Responsibility Report, covers the year ended 31 January 2005.

We collect information for our main business activity, which is retailing, accounting for 93% of our turnover. In addition, this year, for the first time we have collected information for Club 24 Ltd (Ventura), which accounts for 4.6% of our turnover.

The information provided within the Code of Practice section reflects the audits carried out in factories that supply products to Next including those that supply through NSL. No other NSL information is provided in this report.

KEY FACTS & FIGURES

Key facts and figures for the year ended January 2005:

Economic

- Group turnover £2,858m
- Group profit before tax £423m
- Earnings per share 118p
- Dividends 41p
- Total trading space 3,327,000 square feet.

Please see our Annual Report for further financial information.

FTSE4Good

- Listed in the FTSE4 Good Index. The index is designed to measure the performance of companies that meet prescribed standards of corporate responsibility and to facilitate investment in those companies.

Our Suppliers

- 1,353 factories based in 51 countries manufactured products for Next
- 378 factories audited in 21 countries (28% of the supply base) against our Code of Practice
- 18 members in our global Code of Practice team
- 14 major suppliers appointed their own internal managers with responsibility for implementing our Code of Practice

Our Customers

- An average of 160,000 transactions carried out per day in Next Retail stores in the UK, Ireland and Denmark
- 1.9 million active Next Directory Customers

Our People

- Employed 11,000 full time employees and 31,075 part time employees in the UK and Republic of Ireland as at year end
- 74% of women who took maternity leave returned to work for Next
- 4,739 staff active members of Next Pension Schemes

Community

- Donated £879,047 to charity and community organisations as well as sponsorship of sports and fashion organisations. Fundraising events also raised an additional £841,000.

Environment

- 98 stores recycled cardboard and plastic
- 11,935 tonnes of cardboard and polythene recycled
- Over 12 million hangers returned by stores for reuse - saving an estimated 328 tonnes of virgin materials.
- 7.1% decrease in CO₂ emissions per 1000 parcels delivered/collected

CORPORATE RESPONSIBILITY MANAGEMENT

Our Corporate Responsibility (CR) forum consisted of 17 people covering all aspects of the business.

Charity & Sponsorship Co-ordinator
Code of Practice Global Manager
Corporate Risk Manager, Ventura
Cost Accounting Manager
CR Manager
Directory Distribution Manager
Directory Marketing Manager
Distribution Manager
Group Board Director
Group Health & Safety Manager
Group Market Research Manager
HR Director
Head of Customer Services
Head of Office Services
Product Technology Manager
Services (Utilities) Manager
Warehouse Site Manager

A Group Board Director chairs the CR forum and review meetings are held every six months. Monthly meetings are held between the CR & Environment Manager and the Group Board Director.

We work to maintain our performance by setting annual targets and we report our progress annually in our Corporate Responsibility Report. We are still working to develop targets in a number of areas.

We are members of various committees and groups to ensure we are aware of new legislation, for example the Waste Electrical and Electronic Equipment Directive (WEEE) and the forthcoming EU chemicals directive.

OUR SUPPLIERS

In 2004 we sourced products from 1,353 factories based in 51 countries. We invest heavily in a comprehensive programme to monitor our supply chain to ensure that workers who make Next products are humanely treated and work in safe conditions, while also receiving adequate pay and benefits.

Code of Practice (COP)

Our Code of Practice (COP) sets minimum standards for suppliers on workers rights, health, safety, welfare and environmental protection. The Code is regularly revised and will be re-issued again in 2005.

The COP was developed in 1998. In 2002 we became an active member of the Ethical Trading Initiative (ETI) and adapted our COP to reflect the ETI Base Code. The ETI is an alliance of corporate bodies, non-governmental organisations (NGOs) and trade unions which are working to identify and promote ethical trade through the implementation of codes of conduct, good labour standards, monitoring and independent verification of code provisions and standards for ethical sourcing.

Our suppliers are responsible for implementing the standards in our COP.

We have a COP team to ensure that our suppliers are aware of the COP standards. The team also carries out audits of supplier factories to check they comply with the standards. By the end of 2004 there were 18 members of the team - some based locally in our key sourcing regions.

Audits

What Is an Audit?

An audit is the assessment method we use to check that factories comply with our Code of Practice (COP). An auditor attends the suppliers' factory to review their employment records. Auditors also talk to factory management and wherever possible workers.

In addition auditors visually assess working conditions and health and safety standards.

An audit usually takes at least one whole day, but can take longer. Any areas of concern are discussed with the factory and a corrective action plan is agreed. The auditor will monitor improvements and ensure action is taken to bring the factory up to the required standard of operation in order to comply with our COP.

We monitor compliance with our COP through audits. It is not possible to audit every factory because of the large number of suppliers. Suppliers are prioritised for audit against a number of criteria, including volume of product supplied, perceived risk of geographic location and strategic importance of product. At the end of 2004 we introduced a new method to capture data for the quantity of product supplied by each factory to help us to target our audits more effectively.

All audits are carried out and managed by a team comprised of both Next employees and staff from three of Next's principal suppliers, one of which is Next Sourcing Limited. COP managers are located in the UK, Hong Kong and Turkey and they manage teams within these regions to audit the global supply base. In addition this year 14 of our major suppliers in China, India, Turkey and UK appointed their own internal managers with responsibility for implementing the Next COP. The COP and audit procedure are printed in 15 different languages.

The first stage of the process is to contact the supplier and invite them to a meeting to explain the stages of the audit procedure. The first audit will then be carried out. If the initial audit identifies any problems or non-conformities a corrective action plan is prepared. Timescales are identified for each corrective action and the progress of the supplier is monitored.

The audit rates the supplier as 'red', 'amber' or 'green'. The aim is to move factories from red or amber into the green category so they are compliant with the COP. We work with suppliers to help them to achieve this change and monitor their progress through follow-up audits. Factories which are not making progress to achieve compliance are brought to the attention of the relevant buying and merchandise team who become involved with the management of the situation. As a last resort, we will suspend business with a supplier if they fail to make the improvements requested, following the terms of our disengagement policy. During 2004 we stopped sourcing from nine factories that were unable or unwilling to meet COP standards.

Once a factory has been rated as 'green' we continue to monitor it through follow-up audits, which are carried out every eighteen months to two years.

During 2004, we identified 404 factories as requiring priority audits (30% of the supply base). A total of 378 of factories were audited (28% of the supply base and 93% of the factories identified as priorities). All of the initial audits and a number of the follow-up audits are pre-arranged with the factories but we also carry out unannounced audits to monitor compliance. The audits were carried out in Bangladesh, Bulgaria, Cambodia, China, Hong Kong, India, Indonesia, Italy, Lithuania, Macau, Morocco, Portugal, Romania, Sri Lanka, Taiwan, Thailand, Tunisia, Turkey, UK, Ukraine and Vietnam.

AWARENESS AND TRAINING

The COP team works to raise awareness among suppliers of our COP and to facilitate training.

We organised the following training events in 2004:

Asia

- March 2004 - the Next COP Manager for Asia held a one-day awareness raising session for Next suppliers in Thailand
- May 2004 - Next participated with several suppliers in the ETI China Project Awareness raising seminar in Guangdong province, China
- August 2004 - a Code of Practice workshop called "Managing Overtime in China" was run in China. The COP Manager for Asia shared lessons from the Impact Overtime Reduction Project with other Next suppliers.
- September 2004 - awareness raising and Code of Practice training was provided in Hong Kong to Next UK agents who produce in China.

India

- June 2004 - we worked with four key garment manufacturers in Delhi to stress the importance of social compliance. Each factory nominated an employee to attend a brainstorming session on some of the common problems faced by the factories in achieving COP compliance. Excessive working hours were identified as the most important and the persistent problem. Each of the factories decided to complete a study to tackle this issue and to start training programmes in health and safety, grievance process, and fire safety. We aim to extend this to other suppliers.

Turkey

- In Turkey, all new suppliers are trained in the local legislation and Next COP prior to business being placed. In 2004 a COP awareness-raising seminar was held for all Turkish suppliers.

We have also developed a training package for our product teams to help them understand the requirements of the COP and how to use it in practice. This training will start in 2005. It will also be extended to the regional merchandising teams in NSL in Hong Kong, China and India. In the longer term we aim to make COP training part of the Next employee induction.

Other Companies

Next is currently working with other companies within the Retail Forum Group to try to ensure a common approach to auditing issues. In 2005 this group is focusing on local auditing issues in Turkey, including double book keeping, payments of social insurance and working hours.

ETI PROJECTS

We continue to participate in a number of ETI projects.

Home Worker Project - this aims to understand the role of home workers in the supply chain and ways to ensure ethical standards are upheld. This can be a challenge since home workers often live in remote and rural areas and are reached through a succession of agents and sub-contractors.

Impact Assessment Project - this is assessing the impact of ethical codes on workers within supply chains. Studies are being carried out in India, China, Vietnam and the UK.

China Project Working Group - this is focussing on some of the common issues retailers have found in China such as excessive overtime and the lack of freedom of association / independent representation for workers. Our COP Manager based in Hong Kong participates in local meetings.

China overtime project

A frequently encountered problem, particularly in China and South East Asia, is that workers regularly work what we consider to be excessive hours of overtime. This is a complex issue, mainly because a large proportion of workers in China tell us they are happy to work these hours. Workers often travel from rural areas to the southern or coastal regions of China to find work. They typically stay for one to three years and live in dormitory accommodation provided by the factory, only returning home once a year for an extended holiday. They want to save money to send home to their families and tell us they are happy to work long hours, knowing this may shorten the overall time that they are away from home.

Working excessive overtime can however be a problem. It is difficult to monitor whether it is each individual's genuinely free choice to work the overtime hours. It can lead to quality problems, increased downtime, reduced productivity, excessive tiredness and potentially, serious accidents. If workers become tired, they may make more mistakes. As they are often paid per item made, this has a detrimental effect on their income. They may then work after hours to rectify their mistakes and may become even more tired, or perhaps sick. Employers sometimes try to falsify attendance records in an attempt to demonstrate that the working hours in their factory are not excessive. Auditors must be very aware of the ways in which this may be done and encourage honesty on the part of the employers, even if this means they show records of excessive overtime, if this reflects the true picture

We participated in a study known as The China Overtime Project, run by Impact Limited, to learn more about the issues. The project involved a number of Chinese bodies, including the Hong Kong Productivity Council, Guang Dong Academy of Social Sciences and the Institute of Contemporary Observation.

This has helped us to understand ways to increase productivity and reduce overtime. The participating Next factory in China has introduced a number of new initiatives to help retain staff, for example computer skills training and a workers' social committee with its own budget - a rare concept in a Chinese factory.

More experienced workers achieve better production rates and meet delivery deadlines more easily. The more facilities provided by a factory, the more they are likely to retain their staff.

SUPPLIER PAYMENT

The Group's policy for the payment of suppliers is either to agree terms of payment at the start of business or to ensure that the supplier is aware of the Group's payment terms.

On average it takes 34 days from the date of invoice for payment to reach the supplier.

Targets

Targets 2004	Progress during 2004
Audit a further 350 factories worldwide over the next year.	There were 488 visits made to 378 factories across 22 countries by the COP team in 2004.
Carry out supplier training in Next COP requirements for suppliers within Thailand and China.	Target achieved - see section on awareness and training.
Develop third party verification of Next's ethical management system and verification of audits.	Reassurance Network carried out a third party review of Next's Code of Practice management system. Third party verification of audits is still to be carried out.
Develop a procedure to screen new suppliers on an ethical basis and develop this process further over the next year as part of a new supplier procedure.	This is ongoing. We trialed one basic system with limited success, and are now developing an alternative supplier sign off scheme with the product managers.
Carry out first aid training with St. John's Ambulance for factories in Moradabad and Kanpur, India.	In March 2004, the COP Manager for India arranged first aid training with St. John's Ambulance in Moradabad (Uttar Pradesh) in India. This involved 5 factories and 36 workers including the COP Manager.

Targets 2005

- Raise awareness of the COP within the buying and merchandise teams globally. Awareness training for the product teams in all regions will start in May 2005. Our main Portuguese agent will also provide training for suppliers and employees.
- Carry out 400 audits/monitoring visits worldwide
- Review the Code of Practice and make it publicly available
- Third party verification of audits



First Aid training with St John's Ambulance in India

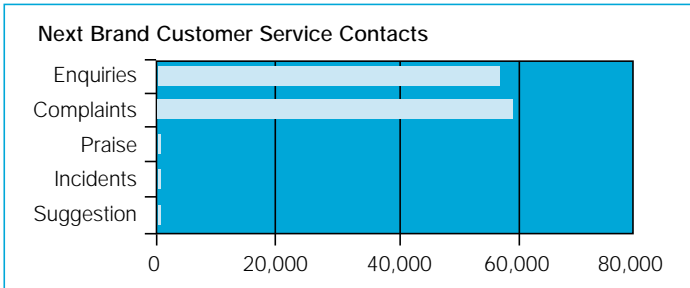
OUR CUSTOMERS

Customer Satisfaction

Our aim is to provide good quality fashion products at an attractive price for all our customers. An average of over 160,000 transactions are carried out per day in our stores and we have 1.9 million active Next Directory Customers.

Customer Complaints

We seek to learn from any mistakes and we analyse and document them for department heads to review. Over 100 people work in our customer service departments, working to resolve issues raised by our retail and directory customers. The chart shows the number of customer service contacts.



Note: The data does not include contacts made directly with Next Directory which are immediately resolved, as contacts are not recorded separately as service, or non-service related. It only includes escalated queries for Next Directory.

Exceptional Service Awards

Twice a year individuals and stores are nominated for providing excellent all round service. Store finalists are invited to attend a gala evening, where each receives a framed certificate and Next vouchers. The overall winner receives a trophy, a bottle of champagne and a total of £500 in Next gift vouchers.

Customers with Disabilities

We aim to provide a high level of service to all of our customers including those with disabilities. Following changes in the Disability Discrimination Act 1995 (which came into force fully in October 2004), we have defined accessibility for in-store customers as:

- service desks incorporating a low-level counter and a hearing induction loop on each accessible floor
- open entrance doors during trading hours to ensure that every customer can gain easy access
- minimal internal and external steps or the provision of an alternative means of shopping
- provision of Braille, audio and large print literature on request, wherever possible
- accessible fitting rooms
- evacuation chairs where access is gained to first floors and above by lift (except where a suitable alternative means of escape is available)
- provision of lifts where possible
- clear signage along with pictograms

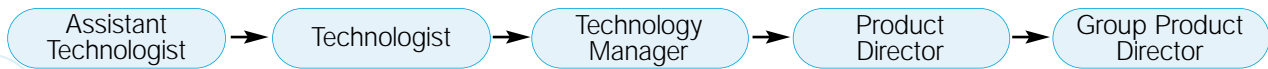
and for Next Directory as:

- provision of literature including monthly statements in large print, Braille and audio, wherever possible.
- a text phone service
- the offer of help and assistance to those with disabilities

In response to this, we have installed accessible service desks in the majority of our existing stores. Such desks will be provided as a matter of course in all new stores. Larger fitting rooms are being introduced in all new stores and to some of our existing larger stores over 10,000-square feet. Lifts are provided in all new stores that have multi floor occupancy in addition to in-store signage with pictograms. We provide fire evacuation facilities for everyone. We have installed over 170 evacuation chairs across at least 126 stores and approximately 1,200 staff have been trained how to use them.

PRODUCT RESPONSIBILITIES

We have a team of approximately 100 technologists who ensure the products we sell are safe and fit for purpose. They regularly consult with independent safety specialists for clothing, accessories, footwear, beauty and home products. Our reporting procedure is:



Product Risk

We assess all aspects of risk associated with our products including product safety and compliance with legislation. The type of risk assessment depends on the product and the method of production. We are currently reviewing the way we record risk assessment information.

Working with Suppliers

Next technologists have developed specific manuals for our suppliers to ensure they comply with the law and our safety and performance standards. We have issued seventeen manuals covering the wide variety of products we sell.

We consult with suppliers before we introduce new standards or changes. This helps to ensure they have a common understanding of the goal and that it is achievable for them. We then provide written details of our requirements and incorporate these into the relevant manual.

New Legislation

We keep track of new legislation and participate in policy debates through membership of various industry committees and groups such as the British Retail Consortium and the British Standards working committees. This also gives us an opportunity to share any concerns with other retailers. For example, we are currently involved in working groups on the proposed EU legislation on chemicals - The Registration, Evaluation and Authorisation of Chemicals (REACH) - and are working to prepare an internal strategy to ensure we will be in a position to meet potential new requirements.

Product Care Labelling

We have undertaken a review of the information we provide on product care labels to standardise and simplify the instructions given to the customer on cleaning fabrics.

Recall Procedure

We have a fully documented Product Recall Procedure that can be put into action if a product is identified as unsafe or defective. The procedure details various checks and instructions that must be followed to evaluate the scale of the problem. Any necessary recall procedures for stores, Next Directory and/or the public are subsequently implemented.

OUR PEOPLE

Rewarding Staff

Pay & Incentives

We believe in rewarding all employees with fair and competitive salaries along with the opportunity to earn additional pay in the form of bonuses. We regularly check our rates of pay and other incentives against local and national job markets, including other leading retailers, to maintain competitive pay and benefit levels. We also carry out annual internal pay audits across the business, to ensure we are paying people fairly regardless of their sex, age or ethnic origin.

Benefits

We enhance maternity, paternity, adoption and sick pay to levels above statutory entitlements. Other benefits available to our employees include the company pension plan, sharesave schemes, staff discounts and staff shops. We have also arranged for a variety of discounted goods and services from other companies to be accessible to our staff. This incentive will be made available to employees across all areas of the company in 2005.

Pension Scheme

The Next Group Pension Plan has two sections. The Final Salary Section was closed to new members in October 2000 and replaced with a Money Purchase Section. Both sections are governed by a single Trust Deed and managed by Next Pension Trustees Limited.

At the end of January 2005, there were 2,900 active members in the Final Salary Section and 1,839 members in the Money Purchase Section.

Sharesave

Next has run an employee sharesave scheme for many years. This is to encourage employees to invest and share in the future success of the company. In 2004 initiatives to promote and communicate the scheme helped to increase participation so that over 20% of employees now contribute to the sharesave scheme. We also sought feedback on the scheme through an employee survey.

Family

Childcare

We provide a childcare subsidy to our employees at head office. Next Distribution has built up an excellent working relationship with a local childcare provider. Staff questionnaires have helped to establish childcare requirements and Next has donated home products to help set up the local nursery.

Returning After Maternity Leave

We are keen to retain the skills and experience of women who take maternity leave and we offer a maternity bonus payable three months after women return to work from maternity leave. In 2004, 74% of women who took maternity leave returned to work for Next.

Creating Jobs, Careers and Opportunities

Recruitment

The success of Next and our subsequent expansion into larger stores has led to the creation of many new jobs during 2004. A new warehouse was opened in Doncaster in May 2004, which employs 500 people. Further recruitment will be required in 2005 with over 40 new stores opening across the UK and Ireland. We also plan to open further warehouses next year.

Internal Promotion

We work to recognise the potential of our employees by supporting career progression and promotion wherever possible.

Disability Placements

We began a partnership with Remploy Managed Services to promote the integration of disabled people within the Distribution area of the business. This involved a group of six employees who joined in October 2004. The scheme has been successful and we will continue to look at creating employment opportunities for disabled people in the future. This is in addition to our Equal Opportunities policy.

Training and Development

We continue to invest heavily in training and development for our staff, so that they are better equipped to deal with the needs and challenges of our business. Training teams are integrated into each area of the business to provide direct and specific training.

We continue to provide support and opportunities for school leavers.

Our Distribution division uses local training providers including Minsthorpe College, Lifetime Opportunities and Learn Direct. Courses are provided for current and potential employees, as well as road shows to promote learning opportunities. Additionally, a library has been made available with access to a variety of topics from business to hobbies. This is also available on the Company Intranet. An on-line training programme, 'Skill Boosters' provides distribution staff with an on-line training service. This has been introduced to help personal development in a short, easy to read format.

A trial is currently underway in our Bradford warehouse to allow access to on-line learning for employees in break times. Both this site and our warehouse in Sheffield have also arranged for English language lessons for employees who do not speak English as a first language.

Ventura also invests in the training and development of staff and education programmes.

Attracting Employees

In 2004 we continued to meet and talk to students from schools, colleges and universities around the country to attract them into a career in retail and to enable us to recruit the best possible candidates for our business. This has included attending career days at various schools in London and forming relationships with local schools in Yorkshire, giving 14-16 year olds an insight into our business. In addition we have been involved in courses at Manchester and Nottingham universities, to raise student awareness of careers in retail.

As a result of our close relationships with universities, 65 graduates were recruited onto our buying and merchandising training schemes in 2004.

Recruitment in India

Ventura is in the process of opening a call centre in Pune, India. This is in addition to the existing Ventura operation in Mumbai that has been operating for the last 18 months and is managed through an outsourcing partner in India.

Understanding and Listening to our Employees

Equal Opportunities

Next is an equal opportunities employer. Our policy is to treat our employees and job applicants fairly and equally regardless of their sex, sexual orientation, marital status, race, colour, nationality, ethnic origin, religion, age, disability, or union membership status. We monitor the diversity of our workforce on an annual basis and the implications that this may have for the business.

Reasonable Adjustments

Wherever possible we try to make reasonable adjustments to improve the working environment and accommodate staff with disabilities. Examples include:

- Provision of a large print staff handbook for the visually impaired
- Significant adjustments in our retail stores to working hours of individuals / job roles

Whistleblowing Policy

We have introduced a Whistleblowing Policy to provide all employees, suppliers or contractors with a formal, structured way of raising concerns or suspicions about any wrongdoing or malpractice. Employees are given an assurance that they will not be disadvantaged in any way if they raise concerns.

Communication in Action (CIA)

Our Communication in Action (CIA) forum gives employees the opportunity to discuss key business issues, policies and their working environment. Representatives from each area of the business attend meetings twice a year with senior managers and directors.

In addition, Next has a recognition agreement with the Union of Shop, Distribution and Allied Workers in relation to warehouse and distribution staff.

Ventura has adopted its own version of CIA, which is referred to as the Consultation and Communication Team (CCT). The CCT consists of independently elected employee representatives and meets regularly with senior managers and directors. It helps facilitate communication of business-wide issues and obtain feedback from employees.

Staff Diversity

We had 11,000* full time employees and 31,075* part-time employees on 31 January 2005.

* Note: the figures represent UK and the Republic of Ireland employment only and do not include employees on short-term temporary contracts

Statistics @ 31/1/05	Directory	Distribution	Head Office	Retail	Group
Female employees	81%	44%	64%	74%	70%
Male employees	19%	56%	36%	26%	30%

Health & Safety

We are committed to providing a safe workplace and to promoting the health and welfare of employees.

Safety Objectives

We set safety objectives for all divisions every two years. The current objectives and status of them are shown in the table below. We rate progress as red, amber or green.

Company Objectives 2004 - 2005	Progress against objectives			
	Distribution	Retail	Directory	Head Office
1. Divisional safety plans	Green	Green	Green	Green
2. Train managers to manage unsafe acts	Green	Amber	Green	Green
3. Promote key safe behaviours	Green	Amber	Green	Green
4. Safety training needs analysis	Green	Green	Green	Green
5. Improve risk awareness and management	Amber	Amber	Amber	Green
6. Improve safety reviews	Green	Amber	Amber	Green
7. Safety risk priority list	Amber	Green	Green	Amber
8. Distribution and transport safety	Amber	Amber	n/a	Amber

Safety Training

We believe that training and safety awareness is critical to good levels of safety performance. We provide safety induction training in our retail stores and warehouses.

In 2004 over 8,400 hours were spent training managers and supervisors in the principles of safety management. 45 retail managers attended safety development workshops and 115 managers were briefed on the principles of accident investigation and prevention. A further 622 people received first aid training.

Contractors

All contractors who carry out work on behalf of Next are independently assessed for safety management competence.

Working with others

We are an active member of the British Retail Consortium Safety Action Group and the Institute of Logistics & Transport Safety Group. We also work with local authorities and fire brigades on health and safety and plan to participate in the Lead Authority Partnership Scheme.

Ventura

Ventura has a comprehensive Health and Safety programme. It has a Health and Safety Steering Committee which meets every six months as well as three site specific health and safety committees which meet on a quarterly basis. The Steering Committee is chaired by the Managing Director and consists of employee representatives, the Health & Safety Manager and the chairs of the local committees. Each local committee is chaired by the Operations or Human Resources Director.

Safety Improvements

We made a number of safety improvements in 2004. For example:

- 97 asbestos audits were carried out and remedial works started
- 40 independent fire risk assessments were undertaken. These were part of a programme that will see all Next Retail premises independently audited over a three-year period

We seek to 'design out' hazards where possible. In 2004 we carried out a number of process and equipment reviews to improve safety. For example:

- A number of operational changes were made in our warehouses to minimise manual handling. Weigh stations were installed in our largest warehouse to reduce the risk of overweight items entering our distribution network
- Fleet vehicles were adapted to reduce the risk of drivers suffering strains and traps
- A safety review was carried out of our store design to identify the key safety features needed in our stores and ensure they are adopted
- All company cars now have a crash rating of at least 3, under the European New Car Assessment Programme (NCAP)

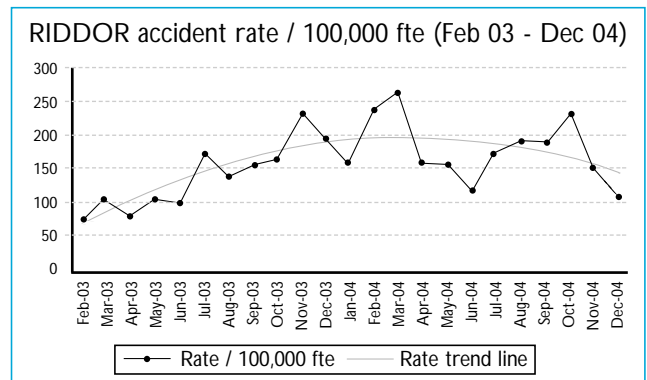
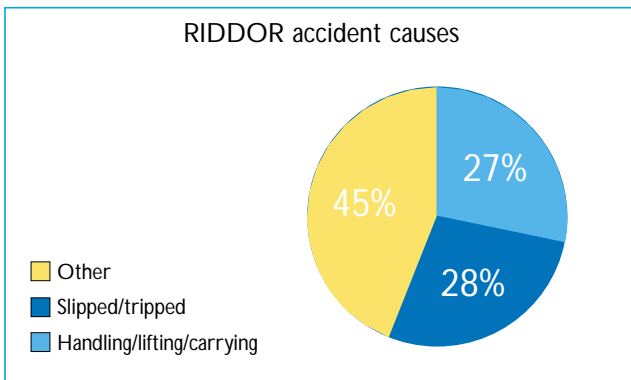
Accidents

We report work-related accidents in accordance with the Reporting Industry Diseases and Dangerous Occurrence Regulations Act, (RIDDOR) per 100,000 fte (full time equivalents). The data covers accidents in the UK, Republic of Ireland and Denmark.

In 2004 there were a greater number of accidents than the previous year. This is partly due to the requirement for all areas to report even minor accidents and the capturing of accidents in the distribution network for the first time this year. Since March 2004, there has been a steady decline in the monthly accident rate. We have also noted an increased awareness among employees of how to reduce major accidents.

The major causes of accidents are slips / trips (28%) and manual handling (27%) and our safety programmes are targeted at improving performance in these areas.

Regrettably this year a fatal accident occurred in one of our warehouses in West Yorkshire. We are continuing to carry out a detailed investigation into the causes of this tragic incident and are working closely with the authorities. The prevention of such accidents remains an ongoing priority for our business.



Health and Welfare

In 2004 we spent approximately £640,000 on health and welfare provisions - an increase of over 40% on the previous year. These include health insurance assessments, occupational health provision and professional counselling support for over 150 people, along with a dedicated Employee Assistance Programme in Next Distribution.

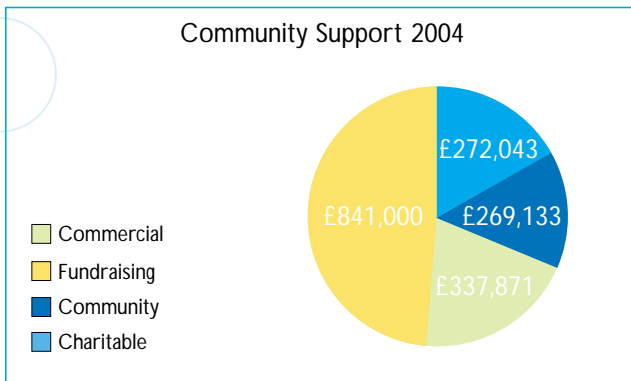
We joined forces with the charity **CancerBacup** to provide support and information for employees affected by cancer, including patients, carers and friends of people suffering from the illness. This includes a multi-lingual helpline. Early feedback has been extremely positive.

In partnership with Resolution, the Local Health Authority **stop smoking campaign**, we ran our first workshop to help employees to stop smoking. This has benefited 25 employees so far and we intend to run further programmes in the future.

In conjunction with "**Drive & Survive**" we carried out over 650-driver risk assessments over the past 18 months. 96 employees then attended one to one driver coaching and 42 staff received coaching in group seminars. 12 specialist courses have been provided to staff following driver incidents. Risk assessments and training where appropriate is now routinely carried out.

COMMUNITY

In 2004 we invested £879,047 in community projects. This includes donations to charity and community organisations as well as sponsorship of sports and fashion organisations. Fundraising events also raised an additional £841,000 and we also support a range of charities through product donations, sales of charity Christmas cards and employees giving time to good causes.



This chart excludes money raised through stock donation detailed below. The Tsunami donation and Ventura fundraising are also excluded from the chart.

Charitable Support

We gave charitable donations to 13 registered charities - 10 health charities, 2 youth charities and 1 animal welfare charity. We also support a range of other charities in response to individual requests.

Community Support

We are currently a member of Business in the Community, Leicestershire Cares and The Duke of Edinburgh's Award Scheme and have worked on four separate community projects during the year.

Commercial Support

We sponsor a range of fashion and sports organisations, which also helps raise awareness of our brand. The fashion organisations we sponsor include the British Fashion Council, the Royal College of Art, the Royal Society of the Arts and the Junior Fashion Awards. The sports organisations sponsored include the Leicester Tigers, Leicestershire & Yorkshire County Cricket Clubs and the Young Heroes Basketball Club. Support is also given to a number of local sporting teams, particularly where there is employee involvement.

Fundraising Events

We hosted a Charity Golf Day raising £41,000 for the Shooting Stars Children's Hospice. We also raised £800,000 at our Swing Low Sweet Charity Ball, for charities working to cure Parkinsons and the Martin Johnson Testimonial Fund, which supports the NSPCC, Sparks and Macmillan Cancer Relief.

Stock Donation

We try to make use of all damaged stock by donating it to charity, for example, clothes are donated to homeless people and home furnishings to victims of house fires.

In addition we also donate damaged stock to the British Red Cross and the Birth Defects Foundation, for them to sell in their charity shops, or recycle and make into new products to sell on. During 2004 this raised over £75,000 for the British Red Cross.

Charity Christmas Cards

We sell a range of charity Christmas cards, donating 25p from each pack to charity. In 2004, this raised £117,007 which was shared between the British Heart Foundation, Macmillan Cancer Relief and Barnardo's. Our Irish stores raised £3,086, which was equally divided between Barnardo's in Ireland and the Irish Heart Foundation.

Tsunami Appeal

We directly employ over 2,000 people in Sri Lanka and the horrifying devastation of the Tsunami on 26th December 2004 prompted the Group to donate £250,000 to Sri Lanka through Next's charitable trust. This money will assist in a long-term reconstruction project, to create around 200 homes to house over 1,000 people. As at the time of print (May 2005), the total funds raised by Next Group exceeded £789,000, including £134,707 donated by employees.

Ventura

Ventura raised £45,500 for charity through a series of staff fund-raising efforts, including monthly 'dress down days' and Children's Christmas parties. This was split between national and local charities, including the Terrence Higgins Trust, Make A Wish Foundation, Children in Need, Yorkshire Air Ambulance, and Bluebell Wood Hospice Appeal. 335 hours of employee's time was given for taking pledges from the general public for Children in Need.

ENVIRONMENT

Climate change

Burning fossil fuels for energy and transport releases carbon dioxide (CO₂). We emitted 109,760 tonnes of CO₂ from energy and a further 33,355 tonnes of CO₂ from transport (for directory deliveries and stock distribution) in the year ending January 2005.

This is the second year that we have reported data on energy and transport. However it is difficult to make any meaningful year-on-year comparisons because of significant changes and growth in our business.

	Year Ending Jan 2004			Year Ending Jan 2005		
	kWh		Tonnes of CO ₂	kWh		Tonnes of CO ₂
Utilities						
Buildings:- Head Office, Stores, Warehousing, Directory						
Electricity Consumption - including estimations	180,350,273		77,170	215,901,986		92,838
Gas Consumption - including estimations	52,566,239		9,987	49,915,951		9,484
Ventura						
Electricity Consumption - including estimations	n/d			14,218,000		6,113
Gas Consumption - including estimations	n/d			6,957,000		1,325
Fuel:- Directory Deliveries	Litres	Km	Tonnes of CO ₂	Litres	Km	Tonnes of CO ₂
Distribution - Diesel confirmed figures from dedicated carriers	3,069,000	12,215,000	8,225	3,422,000	13,498,000	9,170
Distribution - Diesel confirmed figures from dedicated carriers	1,957,000	15,781,500	5,245	2,049,000	17,480,000	5,492
Distribution - Unleaded Petrol (may include an element of Diesel) estimated figures from shared carriers	714,000	7,838,500	1,649	921,000	10,107,000	2,127
Fuel:- Stock Distribution	Litres	Km	Tonnes of CO ₂	Litres	Km	Tonnes of CO ₂
Mainland - Diesel	4,743,386	16,909,155	12,712	5,683,727	20,274,702	15,232
Ireland - Diesel	160,295	795,635	429	497,774	1,852,902	1,334

Note:

Gas & Electricity consumption for y/e Jan 2004 has been restated based on actual data in replace of estimates

Estimate made for NCN Transport Company - liquidated in December 2004

Assume couriers have a 50:50 split of diesel:ULP

We report data for our stock distribution (between our warehouses and our stores) as well as for our directory deliveries (between our warehouses, our stores and our customers). Data is not available for the transport of our products between factories and our warehouses.

Energy

We have a number of energy efficiency programmes in our stores. This is good for the environment and helps to save money.

Lighting - We use energy efficient lighting in our latest stores including state of the art high efficiency metal halide lamps and fluorescent lamps with low-loss high-frequency electronic controls. We are also working with our partners in Luminaire Design to accelerate development of high output LEDs, which we hope will provide further efficiency savings in the future.

Air Conditioning - All new air conditioning systems are designed to be energy efficient. The refrigerant used has zero ozone depletion potential. We plan to carry out an in-depth study to investigate the use of 'free cooling' (taking air from outside that is cooler than the indoor air) in stores to reduce the requirement for air conditioning.

Monitoring - We monitor electricity use and temperatures in our stores using a building management system. This helps us to identify any faults or malfunctions and ensures that equipment such as door zone heaters and lighting is switched off automatically when our stores are unoccupied or outside trading hours. Modern electricity meters take readings every half an hour which are monitored at head office. The building management system is installed at approximately 185 sites and is used in all new stores.

We plan to investigate the feasibility of retrofitting small-scale building management systems to air conditioning systems and energy intensive plant.

Ventura - Ventura has an Energy Management Action Plan and an Energy Management Initiative. The short-term objective is to identify areas of high energy use and seek to minimise energy consumption where possible. The longer-term objective is to raise awareness of energy efficiency among all employees and encourage them to take a pro-active approach to conserve energy.

Transport

Vehicles emit carbon dioxide (CO₂) - a key contributor to climate change. Other exhaust gases can contribute to poor local air quality and acid rain.

Retail Distribution - We carry out our own distribution between our warehouses and stores. We have a target related bonus scheme to incentivise efficiencies of the driver and the vehicle. During 2005 we plan to monitor the number of kilometres driven per tub of product delivered and the CO₂ emissions per kilometre driven in an effort to reduce CO₂ emissions.

Directory Distribution - In 2004 the total number of items delivered/collected increased by 19.5% to 67.9 million. However, the combination of increasing items per parcel and increased kilometres per litre, has resulted in a 7.1% reduction in CO₂ emissions per 1000 parcels delivered/collected.

We use third party courier companies to deliver our directory ordered parcels. We contact a selection of customers each month to ensure the service they received was in line with expectations and we provide incentive payments for couriers to improve their performance.

We have carried out trials of a vehicle fuel monitoring system in three of the sixty-two vehicles we use for delivering furniture. The system constantly analyses how the vehicle is being driven and the results are then discussed with the driver, along with any areas for improvement. In spring 2005 this trial will be extended and assessed in conjunction with the use of satellite navigation systems to reduce driver time and fuel use.

Company Cars - New legislation (Euro 4) is currently being introduced to reduce transport emissions including particulates and oxides of nitrogen. We now have 21 vehicles on the company car list that conform to the Euro 4 standard. As an incentive, the government now gives favourable tax treatment for vehicles meeting the standard.

Imports - We directly import stock from over 19 countries. The main areas we source from are China and Hong Kong, South East Asia, the Indian Subcontinent and Europe. We control the transport of around 75% of total imports, with the balance being transported by our suppliers. We use five major forwarding partners for importing stock and are currently working with them to identify the associated environmental impacts.

Around 40% of our directly controlled imports are by land. The majority of the remaining product is shipped by sea. The level of airfreight is closely monitored to ensure its use is commercially justifiable. After stock reaches a UK port it is transported to our warehouses by either road, or rail.

We do not currently collect transport data for our imports.

Water Use

We used 247,393 m³ of water in our buildings in the year ending January 2005 - up 9% from the previous year due to growth of the company.

Water use (m3)

	Year ending Jan 2004	Year ending Jan 2005
Buildings (Head Office, Stores, Warehousing, Directory)	227,396*	247,393
Ventura	n/d	27,500

Note:

n/d = not disclosed

some water data is estimated

*There was an error in the figure reported last year that has been corrected

Paper use

During the year, we printed 5,485,000 Next Directories and a further 3,010,000 mini-books (e.g. Christmas brochures).

The number of Next Directories printed has increased by 7.4% and they contain 4% more pages than last year. However we have reduced the amount of paper used per book by introducing a lighter weight paper. During 2004 we used 27,498 tonnes of paper for our Directories, an increase of only 3.4% from the previous year.

We have been working with the Waste Resources Action Programme (WRAP) to raise customer awareness and participation in recycling schemes. Their logo will appear in our Spring Summer 2005 mini-directory, along with information on how to recycle old Next Directories.

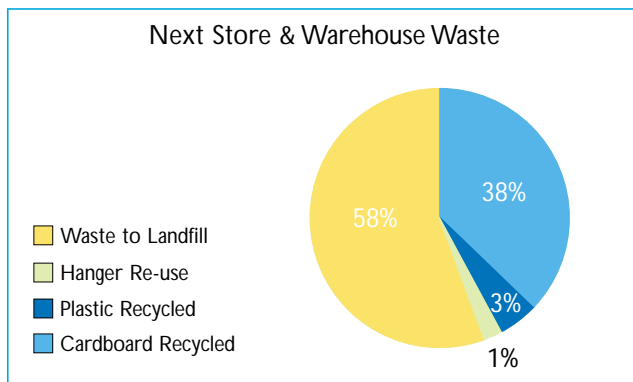


Waste and Recycling

For the year ending January 2005 our stores and warehouses produced 29,215 tonnes of waste (22,506 tonnes the previous year). We recycled 11,935 tonnes of cardboard and polythene (compared with 6,891 tonnes the previous year). The proportion of waste recycled was approximately 41% (31% the previous year).

Note - the recycling data may include transit packaging from UK suppliers while the waste data does not

We are working with our waste contractor to roll out recycling to all stores where it proves practical. We have introduced recycling at 98 stores so far and plan to extend this to more stores during 2005.



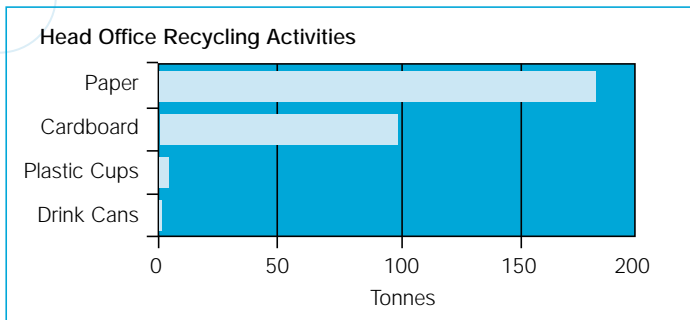
Note: The waste and recycling data covers our warehouses and approximately two-thirds of our stores. Approximately one-third of stores have their waste managed through a service contract run by the shopping centre or retail park in which they are located. We discuss the waste disposal facilities for each of these stores prior to taking the lease to ensure recycling is carried out wherever possible. We therefore do not record details of the volume of their waste or their recycling activities.

Clothes hangers - We operate a reuse scheme for clothes hangers. Stores return hangers that customers do not request to a central point for sorting. Re-usable hangers are placed back into stock and hangers that are no longer required or broken are granulated for recycling. We give stores 50p per box of hangers - which goes towards their Christmas party fund, as an incentive to participate in the scheme.

In 2004, stores returned over 65,000 boxes of hangers containing more than 12 million hangers (9.8 million were returned in 2003). Over 8 million hangers were returned to stock, saving an estimated 328 tonnes of virgin materials.

Delivery tubs - Wherever possible we deliver stock to stores in re-useable plastic tubs. The tubs are returned by stores and sorted. In 2004 we repaired and reused 694 tubs and sent 420 for granulation and recycling.

Head Office - We have recycling programmes at our head office for paper, cardboard, plastic cups and cans. We recycled 15% of the 164,000 cans sold during the year. We also recycled 971 toner cartridges. We received over £1,200 for recycling cans and toner cartridges, which we donated to charity.



Every employee has a separate recycling bin for waste paper. We also plan to encourage double sided photocopying to reduce paper use

Ventura - We are working to put in place systems to collect information on waste and recycling at Ventura. We hope to be able to report this next year

Target 2004	Progress during 2004
Assess potential for a recycling programme for office areas within warehouses	This is currently being implemented
Roll out reverse haul (bring back) scheme to further satellite depots, pending trial results.	We plan to extend the trial. We will only roll this out if the trial is successful.
Investigate end of life Next Directory recycling to enable us to inform customers of a responsible disposal route for their old Directories	This has been achieved by including information and the national recycling logo on the back of the Directory

Targets 2005

- Complete the rollout of recycling facilities to all stores
- Trial a plastics collection system in stores
- Recycle cups and cans in all practical locations

Wood

Since 2003 all our garden furniture ranges have been made from wood from sustainable sources, certified by the Forest Stewardship Council (FSC). This is clearly stated in our Timber Policy. Wherever possible, we also use wood from sustainable sources for retail store fittings.

Labelling

We continue to label all primary and secondary packaging with the Green Dot to demonstrate compliance with UK and Irish Packaging Waste Regulations. The Green Dot is used as a symbol to represent that a financial contribution to recycling has been made.



Flowers

We work with a sole flower supplier who is a member of the Ethical Trading Initiative. Our supplier sets out ethical standards for its own suppliers (our second-tier suppliers) including requirements to ensure that pesticides are used in an environmentally responsible way and that accurate records are kept of all pesticides applied. The supplier also has an auditing programme to check compliance with standards. High-risk suppliers are audited annually by a third party. Lower risk suppliers - including those that demonstrate compliance with a recognised code of practice such as MPS Social, Max Havelaar, ETI and SA8000 - complete self-assessments and are audited periodically.

REASSURANCE NETWORK

The Reassurance Network has been commissioned to provide an independent review of NEXT's 2004/2005 corporate responsibility (CR) report in order to verify the accuracy and coverage of its contents. NEXT has been responsible for the selection and presentation of information contained within the report. The assurance assignment has been undertaken to the Institute of Social and Ethical Accountability AA1000 Assurance Standard (AA1000).

As part of a broader assurance programme we have also reviewed the sub-set of NEXT's management and governance systems that relate to corporate responsibility and have presented our findings in a separate internal report to NEXT's executive management team.

Assurance Team Independence

The assignment has been undertaken by Malcolm Guy and Paul Longshaw who are directors of The Reassurance Network Ltd. Specialist reviews of health and safety and ethical supply chain management were carried out by Lin Bartlett and Lyndsay Cunliffe. Further information about the company is available at www.re-assurance.co.uk

The assurance assignment for NEXT constitutes less than 10% of The Reassurance Network's annual turnover. The Reassurance Network does not have other commercial involvement in NEXT, its subsidiaries or franchises. This assurance statement contains our own unabridged opinion.

Scope And Methodology

Our assurance scope has included all report content. NEXT has provided us with access to all the necessary documentation and personnel to gain a satisfactory level of assurance. During the assignment we undertook the following work:

- A review of performance against commitments contained in the 2004 Corporate Social Responsibility Report
- Interviews with 2 main board directors, 18 managers and two suppliers
- A review of relevant management systems and associated policies, procedures and records
- Checks for alignment with audited information from the 2004 annual report and accounts
- Inspection of data sources and supporting documentation
- A review of media coverage and documented stakeholder interest during 2004/05

The depth of inspection of each area has been based on our judgement of the significance of the information under review. We have chosen to focus on UK operations and have not interviewed franchisees, managers from Ventura or from NEXT's overseas operations.

The assurance process included approximately 30 days input over a twelve-week period. Feedback was given to NEXT's management throughout the assurance process and this was incorporated into the report where appropriate.

Findings

Our findings are grouped under the headings of the AA1000 Assurance Standard.

Responsiveness

How well has NEXT met and responded to the expectations of its stakeholders?

Initiatives and performance are well-linked with business objectives. There is evidence of NEXT responding well to stakeholders' business needs e.g. customer service, payment of suppliers. NEXT met formally with UK investors in November 2004 and we expect to see responses to the issues raised in the 2005/06 report.

NEXT has either fully delivered or is actively working towards 31 of the 32 commitments made in last year's corporate social responsibility report. Third party verification of supply chain factory audits remains outstanding and has been carried over to 2005/06.

There is significant and ongoing improvement in the areas of energy saving, distribution efficiency, recycling, ethical supply chain management and health and safety. Not all areas of CR have yet been incorporated into management objectives and we expect to see a more formal process evolving for setting improvement targets across the business and for evaluating associated business benefits. There is an opportunity for the newly formed CR Forum to broaden their role in providing direction and cohesion for the CR agenda and in driving improvement.

NEXT has encountered a challenge in developing indicators that are comparable over a period of sustained growth e.g. the energy efficiency of stores is affected by variables such as opening hours, the timing of store development and climatic influences. We do not believe that the absence of indicators is impeding improvement in these areas but it remains an obstacle to target setting. We agree with NEXT's decision to report total figures in the 2004/05 report.

Materiality

To what degree has NEXT addressed and reported on areas that are of major interest to stakeholders or significance to the business?

The report presents an accurate and representative account of performance.

Given the low level of consumer interest in ethical and environmental sourcing (only 0.05% of customer enquiries relate to this area), NEXT has taken a proactive position by implementing a programme of social auditing across its supply chain. The auditing systems were found to be robust and working effectively. It is important that NEXT is able to demonstrate that the standards applied to the supply chain have also been met within its own overseas locations as they develop.

Completeness

Has NEXT included its main impacts and locations in the report ?

We are not aware of any major social or environmental risks or significant areas of stakeholder interest that have been excluded from the Report and consider that a balanced account has been presented. For completeness, we would welcome the inclusion in future reports of more detailed information about NEXT's franchises and the management of its current and future operations in South Asia.

Malcolm Guy and Paul Longshaw
The Reassurance Network
May 2005

NEXT

www.next.co.uk
www.nextflowers.co.uk