



# OUR SUPPLIERS

## CONTEXT

### WHY IS IT IMPORTANT FOR NEXT TO TRADE ETHICALLY?

The challenge of trading ethically and acting responsibly towards the workers within our suppliers' factories is a key priority for NEXT. We are committed to working with our suppliers to help them understand and develop their businesses to be compliant with our requirements. The NEXT Code of Practice (COP) for suppliers is our programme of ethical trading standards and forms an integral part of our business. It was developed and implemented in 1998 so that NEXT could fulfil its responsibility to uphold international labour standards with its suppliers. In this part of our report we are focusing on the work we undertake with our tier one suppliers, who manufacture the products we sell. Within the *Environment* and *Our Customers and Product* sections, we refer to the work we are undertaking with suppliers further back in the supply chain.

The terrible tragedies within the Bangladesh textile sector during the last two years have led to global fashion brands joining forces through the *Accord on Fire and Building Safety* and making commitments to promote the correct conditions for all workers employed within the manufacture of their products. NEXT is part of this commitment and recognises the importance of collaborating closely with suppliers, governments, brands and retailers, unions and NGOs to help achieve lasting change. Through our global COP team who are locally based in all our major sourcing countries, NEXT have and will continue to take responsibility for the management of compliance along with our suppliers' factories.

Our customers, investors and campaign organisations continue to engage with NEXT as they expect us to manage our suppliers responsibly. Workers' welfare and rights are issues that matter to NEXT, and our COP acts to support our supply chain not only to become more sustainable, but also to deliver benefits for workers across the globe.



## OUR SUPPLIERS CONTINUED...

### OUR ETHICAL TRADE PROGRAMME PRIORITIES ARE TO:

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

### OUR APPROACH

*NEXT sources its products from many countries. Safety within the workplace is of paramount importance and we recognise the responsibility we have to the workers in our supply chain. We specify the requirements, before production can commence, that will provide workers with a safe and healthy environment, in accordance with all relevant local and international laws and legislation. We are committed to ensure NEXT product is made by workers who are treated with respect and paid fairly for the work they do.*

NEXT commits to managing the potential risks to workers within our supply chain by requiring our suppliers and their factories to take responsibility for maintaining compliance to our COP standards within all of their locations engaged in the manufacturing of NEXT brand products. We have a dedicated global COP team of 45, directly employed by NEXT, which includes 3 regional managers based in our key sourcing locations; South East Asia, Indian subcontinent and the UK covering Europe and the rest of the world. Each regional manager has their own local COP team whose role is to build relationships with our suppliers' factories through training and support to achieve compliance with our COP standards as well as undertaking monitoring through auditing.

### HAVING OUR OWN GLOBAL TEAM ALLOWS US TO:

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

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<sup>1</sup>).

The NEXT COP has ten key principles, and it sets out the minimum standards and requirements for our suppliers in relation to workers' rights and working conditions, which include but are not limited to working hours, minimum age of employment, health, safety, worker welfare and environmental impacts. Our approach is to work with our suppliers to achieve the baseline requirements of our COP, and to encourage and support them to continually improve their performance.

The NEXT COP is the standard we expect all suppliers to comply with and these have been translated into a number of key languages to help our suppliers understand our requirements.

<sup>1</sup>The International Labour Organisation (ILO) is the United Nations (UN) body that sets internationally recognised labour standards to protect the rights of workers globally.



## OUR SUPPLIERS CONTINUED...

### THE TEN KEY PRINCIPLES OF OUR COP ARE:

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

Continuous improvement lies at the heart of our business, and through our ethical trade programme we have continued to respond to the challenge of working with and supporting our suppliers, with the aim that they raise the standard of working conditions in the factories where our product is made. Management of our global supply chain is recognised as a material business risk and within that, non-compliance by suppliers to our COP may lead to an increase in our reputational risk. As such, ethical trading is considered a crucial business practice, and as part of our commitment as a responsible business, our Global Code of Practice Manager reports directly into the Main Board, providing regular updates to the business.

### RESPONSIBLE FACTORY COMPLIANCE

We are continually evaluating our approach to managing compliance, improving the management of workplace safety and worker conditions in our supply chain. During 2013, we have reviewed and improved the process for introducing factories to ensure the potential suppliers fully understand our requirements prior to introduction and contracting with NEXT.

### FACTORY AUDITING: OUR PROCESS FOR ASSURING AND MEASURING COMPLIANCE

Our auditing programme delivers assurance that the factory management fully understands and is engaged with NEXT standards and COP requirements. The factory audit is carried out by our own team of NEXT auditors, which delivers the advantage of continuing the development of a direct relationship with our suppliers and their factories. We are able to fully explain our requirements, the audit process, the factory rating system and the need for honesty and

transparency from the factory. By carrying out the audit ourselves we immediately gain a comprehensive view of how our suppliers are complying with our COP standards and the challenges they face in working to achieve compliance with our Code. Our audits can be announced or unannounced.

Our COP team reviews the factory employment records, engages with factory managers and interviews workers, as well as visually assessing working conditions and health and safety standards. At the end of the audit, a closing meeting takes place where the auditor provides verbal feedback on any action points that have been identified. The factory has the opportunity to discuss the findings and next steps with the auditor and the timescales for completion of each action are agreed. The audit rating is then confirmed with the factory. A written report summarising all findings, agreed actions and timescales is provided to the factory within 2 weeks of the audit and acts as the corrective action plan for them to implement.

- Each audited factory is progressively graded against the NEXT COP using a simple rating system of 1 - 6. The frequency of re-audit is determined by the audit rating achieved.
- Category 1 indicates a factory which is fully compliant to our Code
- Category 6 rating indicates critical non-conformities have been identified which require immediate action. Orders are suspended until the critical fail points are satisfactorily rectified in line with our Code
- Action points identified during the audit are classed as either 'major' or 'minor' and the number of major and minor issues then determines the overall rating given to the factory
- Disengaging with a supplier for non-compliance to our Code is an absolute last resort, as our priority and the main purpose of our programme is to ensure the welfare of individual workers is protected
- Our processes have been specifically developed to be a measure of progress, rather than be a 'pass or fail' process
- All new factories are audited before production commences and if a new factory is rated Category 6, we will not begin to work with them until they can demonstrate that the issue in question has been addressed and resolved



- After an audit has taken place, we continue to follow up and work with the factory on any difficulties or challenges they may face in implementing the requirements of our Code. We can provide training, materials, example documentation and importantly, an understanding of why certain requirements are necessary and advice as to how to address different issues

Suppliers are challenged to consistently achieve beyond our minimum standards. Our global COP team work closely with our factories to train support and develop an approach of continuous improvement which benefits the factory, its employees and NEXT, not just on the day of the audit itself, but on an ongoing basis.

As well as providing the supplier and its factories with a clear idea of how they are performing, our factory audit ratings are used internally as a supplier management tool to provide a measurement of compliance for our senior management and product teams. They provide visibility of how our suppliers are performing, allowing the business to make decisions based on accurate and current information.

The product teams work together with the COP management team to support the factories in addressing their non-compliances, ensuring that they are working to the agreed timescales. It provides the visibility required to make strategic sourcing decisions including, where necessary, a reduction in business where repeat or persistent non-compliances are identified.

The auditing process has been reviewed and developed to provide greater clarity to suppliers of their requirement to meet the standards of our Code, as well as our own emphasis on earlier proactive communication with the factories themselves. The NEXT COP management team's priorities include training and follow up remediation to support suppliers to achieve progressive and sustained compliance to our Code.

Whilst we recognise the auditing process is a vital tool, our COP strategy is built on creating positive engagement and working collaboratively with our suppliers. NEXT remains committed to researching alternatives to auditing and looks to support selected global programmes involved in achieving compliance 'beyond auditing'.

## OUR SUPPLIERS CONTINUED...

### PERFORMANCE

	2013	2012
NEXT global COP team resource	45	44
Countries where product is manufactured	40	44
Suppliers worked with	512	570
Factory sites used	1858	2118
Factory sites audited <span style="border: 1px solid black; padding: 0 2px;">A</span>	1357	1383
Total audits carried out <span style="border: 1px solid black; padding: 0 2px;">A</span>	1554	1647
Suppliers factories disengaged for non compliance to our Code	22	15

### PROGRESS

#### *The importance of partnership and collaboration*

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

During 2013, we have continued our collaborative work with both national and international retailers and brands to improve human rights within our supply chain by undertaking specific project work to help:

- Ensure workers are not engaged within illegal employment schemes which could include human trafficking, forced labour or retention of wages
- Ensure workers have freedom of association
- Eliminate child labour, whilst supporting children where the cases occur
- Ensure homeworkers are not exploited and their earnings are protected
- Prohibit unauthorized sub-contracting where workers are beyond NEXT's visibility
- Provide help lines to allow workers to 'whistle blow' on issues of abuse or concern
- Encourage worker management dialogue and effective grievance procedures
- Build capacity through the introduction and training of effective management systems and processes



## OUR SUPPLIERS CONTINUED...

- Encourage suppliers and their factories to improve production productivity and efficiency and plan capacity building projects to support the resolution of compliance issues
- Assist in gaining an understanding of the strictures and difficulties in establishing a living wage for workers
- Provide community care for workers and their families

### SUPPLIER COMMUNICATION

We communicate with suppliers in a variety of ways:

- All contracted suppliers are provided with access to our Supplier Extranet, one of our main communication tools, when starting business with NEXT. Suppliers are able to access the NEXT COP through the Extranet
- The COP management team travels extensively to meet our suppliers and their factories. During 2013 we held a series of interactive presentations in Bangladesh, China, Hong Kong and Turkey which were attended by over 600 of our agents, suppliers, factory owners and their senior management. The focus of these presentations was to underline the importance of compliance to our Code, to reinforce the responsibility for compliance lies with the suppliers and their factories and the assurance of safety and human rights of workers
- Compliance to all requirements of the NEXT COP are explicit in our terms and conditions of trade and by agreeing to trade with NEXT a supplier is making a commitment to achieve the standards set out in our Code
- Our team is always available to offer support to our suppliers, helping to make their own systems more effective and to bring about improvements in how they operate

### INTERNAL COMMUNICATION

Robust internal communication across the business is vital to the effectiveness of managing the ethical standards within our supply base. Our ethical training programme continues to be an integral part of our Buying School Programme, attended by all new product team members when they join NEXT.

During 2013 we gave presentations including a film to around 470 employees within our product teams in the UK to continue to raise awareness of ethical issues, current risk areas and to reinforce the impact that buying decisions can have on suppliers and emphasize

their understanding of the vital role they play in our ethical trading programme

During 2013 we have enhanced our IT systems to be able to provide 'real time' performance data for suppliers and their factories. This clear, maintained information provided on audit ratings/factory performance for each division and our sourcing operations can be used as part of divisional 'season focus' meetings to decide on future business plans. This expanded data provides focus to the product teams to enable individual factory non compliance issues to be managed and remediated.



Meetings are held jointly with the product teams and individual suppliers when non-conformity issues have arisen in their factories, and this collaborative approach has resulted in achieving positive progress and building closer relationships with suppliers to resolve issues.

### ETHICAL ORGANISATIONS AND PARTNERSHIPS

NEXT continues to be an active and committed member of the Ethical Trading Initiative (ETI), since we first joined 11 years ago. The ETI is an alliance of companies, non- governmental organisations (NGOs) and trade unions, working collaboratively to ensure the working conditions and rights of workers producing for the UK market meet or exceed international labour standards. NEXT is involved in supporting initiatives and a number of work programmes, which look at a range of supply chains across a number of product categories in key sourcing countries. Increasing engagement with Government, International Trade Unions and Industry Bodies has continued through our membership of the ETI and separate initiatives, both independently and in collaboration with national and international brands. Such engagement is both important and necessary to promote and support the change required at national levels and beyond to help deliver sustainable improvements to working conditions in global supply chains.

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



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

## BANGLADESH

NEXT has maintained our Code of Practice standards consistently in Bangladesh by undertaking building inspections, carrying out audits and supporting factories which are identified as requiring improvement. Managed by our own dedicated COP team and working with our own sourcing team, this has provided assurance that workers within our supply chain in this emerging market have safe working conditions.

The recent tragic fatal disasters which took place in Bangladesh – the Tazreen factory fire in 2012, followed by the Rana Plaza building collapse in 2013 (both unrelated to NEXT products) has continued to focus the international community on the need for the development of effective fire and building safety standards and controls within the Bangladesh Ready Made Garment (RMG) industry. Our priority has been to ensure the factories we are engaged with in our own Bangladesh supply chain do not present a risk to their workers. To enable this, every factory currently manufacturing NEXT products in Bangladesh has been inspected for fire safety and building structural safety standards and where it has been found necessary, improvement plans have been agreed with the suppliers and their factories.

NEXT has and will continue to invest in Bangladesh to:

- Develop enhanced inspection standards and processes
- Undertake presentations and seminars with our Suppliers
- Train our staff in fire & building structural safety
- Increase and support our technical resources in Bangladesh with additional qualified expertise, this has included our own UK based H&S management
- Train factory owners, management and personnel
- Prohibit sub-contracting to non approved sources

## OUR SUPPLIERS CONTINUED...

- Work collaboratively with factory owners and management, retail brands, trade unions, safety organisations and NGOs
- Continue training for our auditors and internal supply chain teams
- Extend the assurance of compliance by communicating COP standards and responsibilities to suppliers of labels, trim and laundries

NEXT is also playing a significant role by supporting the development of an industry wide, long term building and fire safety action plan and workers rights within the Accord on Fire & Building Safety in Bangladesh (the Accord) to protect RMG workers and their employment in Bangladesh.

More information can be found at:  
[www.bangladeshaccord.org/news](http://www.bangladeshaccord.org/news)



The Accord is a legally binding agreement and has now been signed by over 150 apparel corporations, IndustriALL and UNI trades union, Bangladeshi Trade Unions, the Clean Clothes Campaign, the Workers' Rights Consortium and the International Labor Rights Forum. The Maquila Solidarity Network is the NGO witnesses to the Accord. The International Labour Organisation (ILO) acts as the independent chair.

NEXT was one of the initial signatories to the Accord, our COP team are participating and supporting the Accord management and the programme that has been established to inspect over 1,700 RMG factories before the end of 2014. The work, within the Accord although challenging, is now delivering consistent progress in achieving improved standards within the factories that have been inspected. These improvements are vital to maintain an assured and sustainable Bangladesh RMG industry and employment.



## OUR SUPPLIERS CONTINUED...

### CAMBODIA: BETTER WORK PROGRAMME

In 2013 NEXT made the decision to join the Better Work partnership programme, initially in Cambodia with the intention to extend its membership into further countries where programmes are active.

Better Work is a partnership programme between the International Labour Organisation (ILO) and the International Finance Corporation (IFC) launched in 2007.

Better Work has activities underway in nine countries worldwide and many global brands are now members.

The Better Work programme has three components:

- Auditors evaluate if the factories are adhering to ILO Core Labour Standards and national labour laws
- Continuous Improvement: Better Work staff facilitates dialogue between the managers and workers to address their report's findings and submits regular progress reports
- Stakeholder engagement: buy-in for the programme and activities occurs at all levels, including government, employers, unions and workers, and international buyers



International  
Labour  
Organization



International  
Finance Corporation  
World Bank Group

Cambodia is a developing and emerging market for both Fashion and Home products for NEXT. This year as an initial step, NEXT has joined the ILO managed Better Work Programme which in Cambodia is called 'Better Factories'. Our membership was undertaken with a vision that this collaborative, multi-stakeholding programme can be seen as a sustainable model to our future CR strategic development.

The core value of the programme is to improve workers conditions and to promote mature industrial relations in the vital RMG sector of the emerging Cambodian economy. Within the programme NEXT are working alongside partner Brands, Trade Unions and NGOs supporting the programme to deliver sustainable improvements in working conditions and training in our factories supplying our products.

### INDIA: SUPPORTING HOMEWORKERS

During 2013 NEXT has continued to develop and extend our programme in India to support and protect vulnerable workers in New Delhi and the surrounding regions. Our aim is to improve transparency within this part of the supply chain by working with the main production factory to ensure any operations which are outsourced and completed by homeworkers are declared to NEXT, and importantly whether the homeworkers are employed by the main factory or by a third party agent.

Through this work with our partner NGO, Savera, in New Delhi, we have mapped where the Homeworkers are located as we understand and recognise homeworkers are employed within our supply chain to embellish and embroider our products. We are continuing to work through Savera within the traditional homeworking community with the aim to eliminate the exploitation of these skilled but vulnerable workers. Focusing on protection, improvement and investment, the objective is to maximise the earning potential, health and lifestyle of the homeworkers and their families by:

- Protecting Homeworkers Earnings: NEXT have developed and installed a simple process which allows homeworkers to reconcile the work they have undertaken and the wages they receive through passbooks and dockets to eliminate the issue of them being underpaid for the work they complete
- Providing Identity: Through a simple photographic Identity card, the Homeworker is able to gain a qualification as an Artisan. This helps employers to understand their ability and skills and also provides the homeworker with more freedom of choice in terms of employment as they become registered



## OUR SUPPLIERS CONTINUED...

- Community Support: NEXT is funding a crèche facility, managed by Savera, in the Molarband region outside New Delhi where homeworking is carried out to support the homeworkers and their families to be able to empower their lives:
  - The crèche opened in 2013
  - Can accommodate 25 children per day, both pre-school and school age
  - Offers a clean safe environment with constructed play and learning provided by 1 trained teacher and 3 care givers
  - Provides 2 nutritious meals per day

### A TYPICAL DAY AT THE CRÈCHE – AS TOLD BY OUR NGO PARTNER, SAVERA

*"The small children come to the centre at different times in the morning usually when their mother has collected her work for the day. After a healthy breakfast the children play activity based games, learn poems, sing songs, are taught the alphabet and numbers as well as hearing stories according to their age and ability. Following a nutritious lunch some older children of the homeworkers come to the centre for after school care where they can have some tuition classes to help them with their homework and strengthen their basic skills in key subjects. Snacks are served to the children before they leave for home. All the festivals are celebrated in the centre with a lot of joy and happiness, the teacher narrate the stories related to each festival and prepare special food for the children to try as most of the children are not aware of the festivals, why they are celebrated and the special foods associated with them.*

*"We work hard to create a happy, safe child friendly environment and are very pleased with how the community has accepted the crèche since it has opened. The homeworkers who use the crèche are able to complete more pieces per day so their earnings have increased which helps to support the whole family."*



In addition the facility offers access to:

- Regular clinics with a doctor and nurses providing consultations and medication; female health education for well being and family planning; eye tests to help homeworkers to remedy defective vision with the provision of spectacles being arranged where needed.



- Regular nutritional clinics to offer advice and education about preparing healthy food to improve the health and wellbeing of homeworkers and their families.

